



2021  
**ANNUAL REPORT**

## BOARD OF DIRECTORS

### **COLLEEN F. ARNOLD**

Former Senior Vice President  
IBM  
Compensation Committee,  
Nominating and Corporate Governance Committee

### **TIMOTHY J. BERNLOHR**

Managing Member  
TJB Management Consulting, LLC  
Executive Committee, Audit Committee, Compensation Committee

### **J. POWELL BROWN**

President and Chief Executive Officer  
Brown & Brown, Inc.  
Nominating and Corporate Governance Committee, Finance Committee

### **TERRELL K. CREWS**

Former Executive Vice President  
and Chief Financial Officer  
Monsanto Corporation  
Audit Committee, Finance Committee

### **RUSSELL M. CURREY**

President  
Boxwood Capital, LLC  
Audit Committee, Finance Committee

### **SUZAN F. HARRISON**

Former President  
Global Oral Care, Colgate-Palmolive Company  
Audit Committee, Finance Committee

### **JOHN A. LUKE JR.**

(Non-Executive Chairman)  
Former Chairman and Chief Executive Officer  
MeadWestVaco Corporation  
Executive Committee

### **GRACIA C. MARTORE**

Former President and Chief Executive Officer  
TEGNA, Inc.  
Executive Committee, Audit Committee, Compensation Committee

### **JAMES E. NEVELS**

Chairman  
The Swarthmore Group  
Compensation Committee,  
Nominating and Corporate Governance Committee

### **DAVID B. SEWELL**

President and Chief Executive Officer  
Executive Committee

### **BETTINA M. WHYTE**

President and Owner  
Bettina Whyte Consultants, LLC  
Compensation Committee,  
Nominating and Corporate Governance Committee

### **ALAN D. WILSON**

(Lead Independent Director)  
Former Chairman and Chief Executive Officer  
McCormick & Company, Inc.  
Executive Committee, Nominating and Corporate Governance  
Committee, Finance Committee

## CORPORATE LEADERSHIP

### **DAVID B. SEWELL**

President and Chief Executive Officer

### **PETER W. ANDERSON**

Chief Supply Chain Officer

### **DONNA OWENS COX**

Chief Communications Officer

### **AMIR A. KAZMI**

Chief Information and Digital Officer

### **VICKI L. LOSTETTER**

Chief Human Resources Officer

### **JULIA A. MCCONNELL**

Senior Vice President and  
Chief Accounting Officer

### **ROBERT B. MCINTOSH**

Executive Vice President,  
General Counsel and Secretary

### **TIMOTHY W. MURPHY**

Senior Vice President and Treasurer

### **ALEXANDER PEASE**

Executive Vice President  
and Chief Financial Officer

## BUSINESS LEADERSHIP

### **PETER C. DURETTE**

President  
Corrugated Packaging

### **PATRICK M. KIVITS**

President  
Consumer Packaging

### **PATRICK E. LINDNER**

President  
Commercial, Innovation  
and Sustainability

### **JAIRO A. LORENZATTO**

President  
Brazil

### **SCOTT E. MACDONALD**

President  
Victory Packaging

### **JOHN L. O'NEAL**

President  
Global Paper

### **THOMAS M. STIGERS**

President  
Mill Operations



**DAVID B. SEWELL**  
President and Chief Executive Officer

### **DEAR FELLOW STOCKHOLDERS:**

This past fiscal year was certainly one for the record. The WestRock team delivered record revenue while navigating through the challenges of the pandemic, ransomware, inflation and supply chain disruptions. We successfully managed through it all with a focus on partnering with our customers and helping them navigate this changing environment.

In the midst of all of the events in fiscal 2021, I am pleased to report that our business remains very strong. WestRock serves a wide range of end markets with the broadest portfolio of packaging solutions in the industry, and this provides us with greater opportunity and flexibility to focus on growing markets where customers value our differentiation. We are more resilient because of our broad mix of products and customers, and our unique capabilities and manufacturing footprint enable us to serve our customers' needs for primary, secondary and tertiary packaging solutions.

### **FISCAL 2021 HIGHLIGHTS**

Fiscal 2021 was a year of opportunities and challenges. Demand was very strong across most of our end markets, and we delivered net sales for the year of \$18.7 billion and Adjusted Segment EBITDA of \$3 billion.

We generated Adjusted Free Cash Flow of \$1.5 billion, the sixth consecutive year in which we generated more than \$1 billion in Adjusted Free Cash Flow. We reduced Adjusted Net Debt by \$1.3 billion to \$7.7 billion and returned to our targeted debt ratio ahead of schedule.

Given our consistent free cash flow generation, we increased our dividend, raising it 20% in May and then again in November, for a total increase of 25% since February. We also repurchased \$122 million of stock, or 2.4 million shares.

During fiscal 2021, we completed our investments at our mills in Florence, South Carolina, and Tres Barras, Brazil. We will continue to realize increasing benefits from these investments in fiscal 2022 and beyond.

As I reflect on our performance in fiscal 2021, I am impressed by and grateful for the resilience and dedication of the WestRock team. This team remained focused on safety and worked together to provide the sustainable, fiber-based paper and packaging solutions our customers need.

### **LEADING IN SUSTAINABILITY**

We also advanced our sustainability efforts during fiscal 2021.

Many of our consumer brand customers face growing demands for sustainable packaging. Others are seeking new ways to improve their supply chain and reduce the materials in their packaging to increase efficiency. Regardless of the need, WestRock is unique in our ability to provide a wide variety of sustainable packaging solutions with the broadest portfolio of products in our industry. In addition, we are investing in innovative materials science and design capabilities to ensure we remain on the forefront in addressing this sustainable packaging demand.

As we help our customers with their sustainability goals, we are also focused on improving the sustainability of our own operations. This year, WestRock confirmed our commitment to reducing greenhouse gas emissions. We are working with



the Science Based Targets initiative (SBTi) to set a new greenhouse gas emissions reduction target that is aligned with climate science.

Our overall sustainability performance is garnering recognition. WestRock was recently named to the Dow Jones Sustainability Index for North America for the second consecutive year and was awarded the American Paper and Packaging Association 2021 Sustainability Awards for leadership in safety and sustainability. WestRock also earned top marks in the Human Rights Campaign's Corporate Equality Index as a best place to work for LGBTQ Equality and was named to FORTUNE magazine's list of the World's Most Admired Companies for the sixth consecutive year.

## LOOKING FORWARD

We have momentum entering fiscal 2022, and we are well-positioned for record performance. We have strong demand and great opportunities to grow our company and improve our results while providing value to our customers and shareholders. As we report on our results in the future, we will do so as four new segments: Corrugated Packaging, Consumer Packaging, Paper and Distribution. This structure better aligns our reporting to the way we are running our company and will provide greater clarity into the performance of each area. I look forward to sharing more about our progress in the future.

At WestRock, we are working to leverage the power of the enterprise and the broadest portfolio of fiber-based packaging solutions, and we are making the investments needed to lead in sustainability and accelerate our innovation platform. As we do this, we remain disciplined in our capital allocation strategy and will look to use our strong cash flow to create shareholder value.

On behalf of the board of directors and my WestRock teammates, I want to thank you for your interest and investment in WestRock. And a special thanks to the incredible WestRock team for all that you do every day to make WestRock successful.

The future is bright at WestRock, and I am looking forward to the great things ahead for our Company.

Sincerely,

David B. Sewell  
President and Chief Executive Officer

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 10-K**

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended September 30, 2021

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 001-38736

**WESTROCK COMPANY**

(Exact Name of Registrant as Specified in Its Charter)

**Delaware**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**37-1880617**  
(I.R.S. Employer  
Identification No.)

**1000 Abernathy Road NE, Atlanta, Georgia**  
(Address of Principal Executive Offices)

**30328**  
(Zip Code)

Registrant's Telephone Number, Including Area Code: (770) 448-2193

**Securities registered pursuant to Section 12(b) of the Act:**

| Title of each class                      | Trading Symbol(s) | Name of each exchange on which registered |
|------------------------------------------|-------------------|-------------------------------------------|
| Common Stock, par value \$0.01 per share | WRK               | New York Stock Exchange                   |

**Securities registered pursuant to Section 12(g) of the Act: None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

The aggregate market value of the common equity held by non-affiliates of the registrant as of March 31, 2021 (based on the closing price per share as reported on the New York Stock Exchange on such date), was approximately \$13,705 million.

As of November 5, 2021, the registrant had 265,001,543 shares of Common Stock, par value \$0.01 per share, outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the definitive Proxy Statement for the Annual Meeting of Stockholders to be held on January 28, 2022 are incorporated by reference in Part III.

# WESTROCK COMPANY

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## PART I

### Item 1. BUSINESS

Unless the context otherwise requires, “we”, “us”, “our”, “WestRock” and “the Company” refer to the business of WestRock Company, its wholly-owned subsidiaries and its partially-owned consolidated subsidiaries for periods on or after November 2, 2018 and to WRKCo Inc. (formerly known as WestRock Company, “WRKCo”) for periods prior to November 2, 2018.

#### General

WestRock is a multinational provider of sustainable fiber-based paper and packaging solutions. We partner with our customers to provide differentiated, sustainable paper and packaging solutions that help them win in the marketplace. Our team members support customers around the world from our operating and business locations in North America, South America, Europe, Asia and Australia.

On November 2, 2018, pursuant to the Agreement and Plan of Merger (the “**Merger Agreement**”), dated as of January 28, 2018, among WRKCo, KapStone Paper and Packaging Corporation (“**KapStone**”), WestRock Company (formerly known as Whiskey Holdco, Inc.), Whiskey Merger Sub, Inc. and Kola Merger Sub, Inc., the Company acquired all of the outstanding shares of KapStone through a transaction in which: (i) Whiskey Merger Sub, Inc. merged with and into WRKCo, with WRKCo surviving the merger as a wholly owned subsidiary of the Company and (ii) Kola Merger Sub, Inc. merged with and into KapStone, with KapStone surviving the merger as a wholly owned subsidiary of the Company (together, the “**KapStone Acquisition**”). As a result, among other things, the Company became the ultimate parent of WRKCo, KapStone and their respective subsidiaries, and the Company changed its name to “WestRock Company” and WRKCo changed its name to “WRKCo Inc.”. WRKCo (formerly known as WestRock Company) was the accounting acquirer in the transaction; therefore, the historical consolidated financial statements of WRKCo for periods prior to the KapStone Acquisition are also considered to be the historical financial statements of the Company. The Company is the successor issuer to both WRKCo and KapStone pursuant to Rule 12g-3(c) under the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”). See “**Note 3. Acquisitions and Investments**” of the Notes to Consolidated Financial Statements for more information.

We report our financial results of operations in the following two reportable segments: Corrugated Packaging, which consists of our containerboard mills, corrugated packaging and distribution operations, as well as our merchandising displays and recycling procurement operations; and Consumer Packaging, which consists of our consumer mills, food and beverage and partition operations. Prior to the completion of our monetization program in fiscal 2020, we had a third reportable segment, Land and Development, which previously sold real estate, primarily in the Charleston, SC region. Following completion of the monetization of these assets, we ceased reporting the results of the Land and Development segment as a separate segment.

#### Products

##### **Corrugated Packaging Segment**

We are one of the largest integrated producers of linerboard and corrugating medium (“**containerboard**”), corrugated products and specialty papers (including kraft papers and saturating kraft) in North America measured by tons produced, one of the largest producers of high-graphics preprinted linerboard measured by net sales in North America and one of the largest manufacturers of temporary promotional point-of-purchase displays in North America measured by net sales. We have integrated corrugated operations in North America, Brazil and India. We believe we are one of the largest paper recyclers in North America and our recycling operations provide substantially all of the recycled fiber that we consume to our containerboard and paperboard mills, as well as to third parties. Our Brazil operations own and operate forestlands that provide virgin fiber to our mill in Brazil.

We operate an integrated corrugated packaging system that manufactures primarily containerboard, corrugated sheets, corrugated packaging and preprinted linerboard for sale to consumer and industrial products manufacturers and corrugated box manufacturers. We produce a full range of high-quality corrugated containers designed to protect, ship, store, promote and display products made to our customers’ merchandising and distribution specifications. We convert corrugated sheets into corrugated products ranging from one-color

protective cartons to graphically brilliant point-of-purchase packaging. Our corrugated container plants serve local customers and regional and large national accounts. Corrugated packaging is used to provide protective packaging for shipment and distribution of food, paper, health and beauty, and other household, consumer, commercial and industrial products. Corrugated packaging may also be graphically enhanced for retail sale, particularly in club store locations. We provide customers with innovative packaging solutions to help them promote and sell their products. We provide structural and graphic design, engineering services and custom, proprietary and standard automated packaging machines, offering customers turn-key installation, automation, line integration and packaging solutions. We offer a machinery solution that creates pouches that replace single-use plastics, including bubble mailers. We also distribute corrugated packaging materials and other specialty packaging products, including stretch film, void fill, carton sealing tape and other specialty tapes, through our network of warehouses and distribution facilities. To make corrugated sheet stock, we feed linerboard and corrugating medium into a corrugator that flutes the medium to specified sizes, glues the linerboard and fluted medium together, and slits and cuts the resulting corrugated paperboard into sheets to customer specifications. Our containerboard mills and corrugated container operations are integrated with the majority of our containerboard production used internally by our corrugated container operations. The balance is either used in trade swaps with other manufacturers or sold domestically and internationally.

We design, manufacture and, in certain cases, pack temporary displays for sale to consumer products companies and retailers. These displays are used as marketing tools to support new product introductions and specific product promotions in mass merchandising stores, supermarkets, convenience stores, home improvement stores and other retail locations. We also design, manufacture and, in some cases, pre-assemble permanent displays for these customers. We make temporary displays primarily from corrugated paperboard. Unlike temporary displays, permanent displays are restocked with our customers' product; therefore, they are constructed primarily from metal, plastic, wood and other durable materials. We provide contract packing services, such as multi-product promotional packing and product manipulation, such as multipacks and onpacks. We manufacture and distribute point of sale material utilizing litho, screen and digital printing technologies. We manufacture lithographic laminated packaging for sale to our customers that require packaging with high quality graphics and strength characteristics.

Our recycling operations primarily procure recovered paper (also known as recycled fiber) from our converting facilities and from third parties, such as factories, warehouses, commercial printers, office complexes, grocery and retail stores, document storage facilities, paper converters and other wastepaper collectors. We handle a wide variety of grades of recovered paper, including old corrugated containers, office paper, box clippings, newspaper and print shop scraps. We operate recycling facilities that collect, sort, grade and bale recovered paper and, after sorting and baling, we transfer it to our containerboard and paperboard mills for processing or sell it principally to manufacturers of paperboard or containerboard in the United States ("**U.S.**"), as well as manufacturers of tissue, newsprint, roofing products and insulation, and to export markets. We operate a nationwide fiber marketing and brokerage system that serves large regional and national accounts, as well as our containerboard and paperboard mills, and sells scrap materials from our converting businesses and mills. Many of our recycling facilities are located close to our containerboard and paperboard mills, which helps promote the availability of supply with reduced shipping costs. We conduct our recycling operations as a procurement function, focusing on the procurement of low cost, high quality recycled fiber for our mill system and, therefore, we do not record recycling net sales and the margin from these operations has reduced cost of goods sold.

Sales of corrugated packaging products to external customers accounted for 65.4%, 64.6% and 64.2% of our net sales in fiscal 2021, 2020 and 2019, respectively. See "**Note 7. Segment Information**" of the Notes to Consolidated Financial Statements, as well as Item 7. "**Management's Discussion and Analysis of Financial Condition and Results of Operations**", for additional information.

### **Consumer Packaging Segment**

We operate integrated virgin and recycled fiber paperboard mills and consumer packaging converting operations, which convert items such as folding cartons, interior partitions, inserts and labels. Our integrated system of virgin and recycled mills produces paperboard for our converting operations and third parties. We internally consume or sell to manufacturers of folding cartons and other paperboard products our coated natural kraft, bleached paperboard and coated recycled paperboard, and internally consume or sell to manufacturers of solid fiber interior packaging, tubes and cores, book covers and other paperboard products our specialty recycled paperboard. The mill owned by our Seven Hills Paperboard LLC ("**Seven Hills**") joint venture in Lynchburg, VA manufactures gypsum paperboard liner for sale to our joint venture partner.



We are one of the largest manufacturers of folding cartons in North America. We believe we are the largest manufacturer of solid fiber partitions in North America measured by net sales. Our folding cartons are used to package items such as food, paper, beverages, dairy products, tobacco, confectionery, health and beauty and other household consumer, commercial and industrial products, primarily for retail sale. Our folding cartons are also used by our customers to attract consumer attention at the point-of-sale. We manufacture express mail packages for the overnight courier industry, provide inserts and labels, as well as rigid packaging and other printed packaging products, such as transaction cards (e.g., credit, debit, etc.), brochures, product literature, marketing materials (such as booklets, folders, inserts, cover sheets and slipcases) and grower tags and plant stakes for the horticultural market. For the global healthcare market, we manufacture paperboard packaging for over-the-counter and prescription drugs. Our customers generally use our inserts and labels to provide customer product information either inside a secondary package (e.g., a folding carton) or affixed to the outside of a primary package (e.g., a bottle). Folding cartons typically protect customers' products during shipment and distribution, and employ graphics to promote them at retail. We manufacture folding cartons from recycled and virgin paperboard, laminated paperboard and various substrates with specialty characteristics, such as grease masking and microwaveability. We print, coat, die-cut and glue the cartons to customer specifications and ship finished cartons to customers for assembling, filling and sealing. We employ a broad range of offset, flexographic, gravure, backside printing, coating and finishing technologies, as well as iridescent, holographic, textured and dimensional effects to provide differentiated packaging products, and support our customers with new package development, innovation and design services and package testing services. We manufacture and sell our solid fiber and corrugated partitions and die-cut paperboard components principally to glass container manufacturers, producers of beer, food, wine, spirits, cosmetics and pharmaceuticals, and the automotive industry.

Sales of consumer packaging products to external customers accounted for 34.6%, 35.3% and 35.7% of our net sales in fiscal 2021, 2020 and 2019, respectively. See "**Note 7. Segment Information**" of the Notes to Consolidated Financial Statements, as well as Item 7. "**Management's Discussion and Analysis of Financial Condition and Results of Operations**", for additional information.

### ***Land and Development Segment***

During fiscal 2020, we completed the monetization of the various real estate holdings that we owned that were concentrated in the Charleston, SC region. Sales in our Land and Development segment to external customers accounted for 0.1% and 0.1% of our net sales in fiscal 2020 and 2019, respectively. See "**Note 7. Segment Information**" for additional information. Following completion of the monetization of these assets, we ceased reporting the results of the Land and Development segment as a separate segment.

### **Seasonality**

While our businesses are not materially impacted by seasonality, there is some variability in demand that occurs from quarter to quarter, with net sales in the first quarter of each fiscal year typically being the lowest. As such, we disclose net sales, segment income and shipment data by segment by quarter in Item 7. "**Management's Discussion and Analysis of Financial Condition and Results of Operations**". Generally, we expect more of our earnings and cash flows to be generated in the second half of the fiscal year than in the first half of the fiscal year due to these variations and other factors, including the timing of scheduled mill maintenance outages.

### **Raw Materials**

The primary raw materials used by our mill operations are recycled fiber at our recycled containerboard and paperboard mills and virgin fiber from hardwoods and softwoods at our virgin containerboard and paperboard mills. Certain of our virgin containerboard is manufactured with some recycled fiber content. Our overall fiber sourcing for all of our mills is approximately 65% virgin and 35% recycled. See "**Item 2. Properties**" for additional information. Recycled fiber prices and virgin fiber prices can fluctuate significantly.

Containerboard and paperboard are the primary raw materials used by our converting operations. Our converting operations use many different grades of containerboard and paperboard. We supply substantially all of our converting operations' needs for containerboard and paperboard from our own mills and through the use of trade swaps with other manufacturers. These arrangements allow us to optimize our mill system and reduce freight costs. Because there are other suppliers that produce the necessary grades of containerboard and paperboard used in our converting operations, we believe we would be able to source significant replacement quantities from other suppliers in the event that we incur production disruptions for recycled or virgin containerboard and

paperboard. See Item 1A. ***“Risk Factors — We May Face Increased Costs For, or Inadequate Availability of, Raw Materials, Energy and Transportation”***.

## Energy

Energy is one of the most significant costs of our mill operations. The cost of natural gas, coal, oil, electricity and wood by-products (biomass) at times has fluctuated significantly. In our coated and uncoated recycled paperboard mills, we use primarily natural gas and electricity to generate steam used in the paper making process. In our integrated kraft paper mills, we use natural gas, biomass, fuel oil and some coal to generate steam used in the pulping and paper making processes and to generate some or all of the electricity used on site. We primarily use electricity and natural gas to operate our converting facilities. We generally purchase these products from suppliers at market or tariff rates. See Item 1. ***“Business — Governmental Regulation — Environmental”*** for additional information. See also Item 1A. ***“Risk Factors — We May Face Increased Costs For, or Inadequate Availability of, Raw Materials, Energy and Transportation”***. See also Item 7A. ***“Quantitative and Qualitative Disclosures About Market Risk — “Energy” and “Derivative Instruments / Forward Contracts”*** for additional information regarding our energy consumption.

## Transportation

Inbound and outbound freight is a significant cost for us. Factors that influence our freight expense are distance between our shipping and delivery locations, distance from our facilities to our customers and suppliers, mode of transportation (rail, truck, intermodal and ocean) and freight rates, which are influenced by supply and demand and fuel costs. We experienced higher freight costs in fiscal 2021 following a decline in fiscal 2020. The principal markets for our products are in North America, South America, Europe, Asia and Australia. See Item 1A. ***“Risk Factors — We May Face Increased Costs For, or Inadequate Availability of, Raw Materials, Energy and Transportation”***.

## Sales and Marketing

None of our external customers individually accounted for more than 10% of our consolidated net sales in fiscal 2021. We generally manufacture our products pursuant to our customers' orders. We believe that we have good relationships with our customers. See Item 1A. ***“Risk Factors — We Depend on Certain Large Customers”***.

As a result of our vertical integration, our mills' sales volumes may be directly impacted by changes in demand for our packaging products. During fiscal 2021, approximately two-thirds of our coated natural kraft tons shipped, approximately three-fifths of our coated recycled paperboard tons shipped and approximately one-fifth of our bleached paperboard tons shipped were delivered to our converting operations, primarily to manufacture folding cartons, and approximately four-fifths of our containerboard tons shipped, including trade swaps and buy/sell transactions, were delivered to our converting operations to manufacture corrugated products. Under the terms of our Seven Hills joint venture arrangement, our joint venture partner is required to purchase all of the qualifying gypsum paperboard liner produced by Seven Hills. Excluding the production from Seven Hills and from our Aurora, IL mill, which is converted into book covers and other products, approximately one-third of our specialty recycled paperboard tons shipped in fiscal 2021 were delivered to our converting operations, primarily to manufacture interior partitions. We have the ability to move our internal sourcing among certain of our mills to optimize the efficiency of our operations.

As a result of our broad portfolio of differentiated and sustainable paper and packaging solutions, we serve more than 15,000 customers, including 188 customers who bought at least \$1 million from each of our Corrugated Packaging and Consumer Packaging segments in fiscal 2021. We believe that our ability to leverage our full portfolio of differentiated solutions and capabilities enables us to set ourselves apart from our competitors.

We market our products primarily through our own sales force. We also market a number of our products through independent sales representatives and independent distributors. We generally pay our sales personnel a combination of base salary, commissions and annual bonus. We pay our independent sales representatives on a commission basis. Orders from our customers generally do not have significant lead times. We discuss foreign net sales to unaffiliated customers and other non-U.S. operations' financial and other segment information in ***“Note 7. Segment Information”*** of the Notes to Consolidated Financial Statements.

## Competition

We operate in a competitive global marketplace and compete with many large, well established and highly competitive manufacturers and service providers. Our business is affected by a range of macroeconomic conditions, including industry capacity changes, global competition, economic conditions in the U.S. and abroad, as well as fluctuations in currency exchange rates.

The industries in which we operate are highly competitive, and no single company dominates any of those industries. Our containerboard and paperboard operations compete with integrated and non-integrated national and regional companies operating primarily in North America, and to a limited extent, manufacturers outside of North America. Our competitors include large and small, vertically integrated companies and numerous smaller non-integrated companies. In the corrugated packaging and folding carton markets, we compete with a significant number of national, regional and local packaging suppliers in North America and abroad. In the solid fiber interior packaging, promotional point-of-purchase display and converted paperboard products markets, we primarily compete with a smaller number of national, regional and local companies offering highly specialized products.

Since all of our businesses operate in highly competitive industry segments, we regularly discuss sales opportunities for new business or for renewal of existing business with customers. Our packaging products compete with packaging made from other materials, including plastics. The primary competitive factors we face include price, design, product innovation, quality, service and sustainability, with varying emphasis on these factors depending on the product line and customer preferences. Our machinery solutions represent one example of how we compete by providing differentiated solutions that create value for our customers. We believe that we compete effectively with respect to each of these factors and we obtain feedback on our performance with periodic customer surveys, among other means.

The industries in which we operate have undergone consolidation. Within the packaging products industry, larger customers, with an expanded geographic presence, have tended to seek suppliers that can, because of their broad geographic presence, efficiently and economically supply all or a range of their packaging needs. In addition, our customers continue to demand higher quality products meeting stricter quality control requirements. Increasing demand for more sustainable products is also impacting our industry. See Item 1. ***“Business — Sustainability”*** for additional information.

See Item 1A. ***“Risk Factors — We Face Intense Competition”*** and ***“Risk Factors — We May Be Adversely Affected by Factors That Are Beyond Our Control, Such as U.S. and Worldwide Economic and Financial Market Conditions, and Social and Political Change”***.

## Governmental Regulation

### ***Health and Safety***

Our business involves the use of heavy equipment, machinery and chemicals and requires the performance of activities that create safety exposures. The health and safety of our teammates is our most important responsibility, and our goal is to create a 100% safe work environment for our team members. Our safety strategy focuses on People, Process, Prevention and Performance. We seek to reduce exposures and eliminate life changing events through engagement, execution of targeted, results-driven activities, and implementing systems that promote continuous improvement. Our commitment to safety is reinforced by our use of the WestRock Safety Excellence Management System, a robust safety program and training curriculum.

We are subject to a broad range of foreign, federal, state and local laws and regulations relating to occupational health and safety, and our safety program includes measures required for compliance. We have incurred, and will continue to incur, capital expenditures to meet our health and safety compliance requirements, as well as to continually improve our safety systems. We believe that future compliance with occupational health and safety laws and regulations will not have a material adverse effect on our results of operations, financial condition or cash flows.

The global impact of the COVID-19 pandemic (***“COVID-19”***) continues to evolve and the extent of its effect on our operational and financial performance in future periods will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration, scope and severity of the pandemic (including due to new variants such as Delta), the actions taken to contain or mitigate its impact (including the

distribution and effectiveness of vaccines), and the direct and indirect economic effects of the pandemic and related containment measures and government responses, among others.

On September 9, 2021, the Biden Administration announced a plan directing the Occupational Safety and Health Administration (“**OSHA**”) to issue an emergency temporary standard (“**ETS**”) requiring all private employers with 100 or more workers to mandate COVID-19 vaccinations or a weekly test for all employees. The ETS was issued on November 5, 2021. On November 12, 2021, the U.S. Court of Appeals for the Fifth Circuit issued an order staying enforcement and implementation of the ETS. We are assessing the anticipated requirements and monitoring future developments. We cannot currently assess the impact it will have on our results of operations, financial condition or cash flows and it is possible that the operational impact and cost of compliance with the ETS may be substantial. See Item 1A. ***“Risk Factors — Our Business Has Been, and Will Continue to Be, Impacted by the Outbreak of the COVID-19 Novel Coronavirus”.***

Certain governmental authorities in locations where we do business have established asbestos standards for the workplace. Although we do not use asbestos in manufacturing our products, asbestos containing material (“**ACM**”) is present in some of the facilities we lease or own. For those facilities where ACM is present and ACM is subject to regulation, we have established procedures for properly managing it.

### ***Environmental***

Environmental compliance requirements are a significant factor affecting our business. We employ manufacturing processes that involve discharges to water, air emissions, water intake and waste handling and disposal activities. These processes are subject to numerous federal, state, local and international environmental laws and regulations, as well as the requirements of environmental permits and similar authorizations issued by various governmental authorities. Complex and lengthy processes may be required to obtain and renew approvals, permits, and licenses for new, existing or modified facilities. Additionally, the use and handling of various chemicals or hazardous materials require release prevention plans and emergency response procedures. Our integrated chemical pulping mills in the U.S. and Brazil are subject to numerous and more complex environmental programs and regulations, but all of our manufacturing facilities have environmental compliance obligations. We have incurred, and expect that we will continue to incur, significant capital, operating and other expenditures to comply with applicable environmental laws and regulations, including, for example, projects to replace and/or upgrade our air pollution control devices, wastewater treatment systems, and other environmental infrastructure. Changes in these laws, as well as litigation relating to these laws, could result in more stringent or additional environmental compliance obligations for the Company that may require additional capital investments or increase our operating costs.

We are involved in various administrative and other proceedings relating to environmental matters that arise in the normal course of business, and we may become involved in similar matters in the future. Although the ultimate outcome of these proceedings cannot be predicted with certainty and we cannot at this time estimate any reasonably possible losses based on available information, we do not believe that the currently expected outcome of any environmental proceedings and claims that are pending or threatened against us will have a material adverse effect on our results of operations, financial condition or cash flows.

We face potential liability under federal, state, local and international laws as a result of releases, or threatened releases, of hazardous substances into the environment from various sites owned and operated by third parties at which Company-generated wastes have allegedly been deposited. Generators of hazardous substances sent to off-site disposal locations at which environmental contamination exists, as well as the owners of those sites and certain other classes of persons, are liable for response costs for the investigation and remediation of such sites under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (“**CERCLA**”) and analogous laws. While joint and several liability is authorized under CERCLA, liability is typically shared with other potentially responsible parties (“**PRPs**”) and costs are commonly allocated according to relative amounts of waste deposited and other factors.

In addition, certain of our current or former locations are being investigated or remediated under various environmental laws, including CERCLA. Based on information known to us and assumptions, we do not believe that the costs of these investigation and remediation projects will have a material adverse effect on our results of operations, financial condition or cash flows. However, the discovery of contamination or the imposition of additional obligations, including natural resources damages at these or other sites in the future, could impact our results of operations, financial condition or cash flows.

We believe that we can assert claims for indemnification pursuant to existing rights we have under certain purchase and other agreements in connection with certain remediation sites. In addition, we believe that we have insurance coverage, subject to applicable deductibles or retentions, policy limits and other conditions, for certain environmental matters. However, there can be no assurance that we will be successful with respect to any claim regarding these insurance or indemnification rights or that, if we are successful, any amounts paid pursuant to the insurance or indemnification rights will be sufficient to cover all our costs and expenses. We also cannot predict with certainty whether we will be required to perform remediation projects at other locations, and it is possible that our remediation requirements and costs could increase materially in the future and exceed current reserves. In addition, we cannot currently assess with certainty the impact that future changes in cleanup standards or federal, state or other environmental laws, regulations or enforcement practices will have on our results of operations, financial condition or cash flows.

See Item 1A. ***“Risk Factors — We are Subject to a Wide Variety of Laws, Regulations and Other Requirements That are Subject to Change and May Impose Substantial Compliance Costs”***.

We estimate that we will invest approximately \$21 million for capital expenditures during fiscal 2022 in connection with matters relating to environmental compliance. It is possible that our capital expenditure assumptions and project completion dates may change, and our projections are subject to change due to items such as the finalization of ongoing engineering projects or changes in environmental laws and regulations.

### ***Climate Change***

Some of our paper mills, our most energy-intensive manufacturing facilities, burn renewable biomass to generate more than 60 percent of their energy needs based on overall fuel mix. Most of these facilities also self-generate the steam and power needed for their manufacturing processes using combined heat and power or “cogeneration” systems. Our recycling operations help to divert approximately seven to eight million tons of paper and packaging from landfills where it would otherwise degrade and release greenhouse gases in the form of methane. Our fiber procurement activities create economic incentives for landowners and family tree farmers to maintain their holdings as working forests that sequester carbon and provide many other environmental benefits, including protection for fresh water supplies and habitats for diverse species of plants and animals.

In 2015, we established a goal to reduce our Scope 1 and Scope 2 greenhouse gas emissions per ton of production by 20% from a 2015 baseline by 2025. As of our September 30, 2020 reporting, we achieved a 14% reduction of greenhouse gas (“GHG”) per ton of production and an absolute reduction of 22% from our baseline. We have accomplished GHG reductions in our business primarily by displacing coal with natural gas and investing in new biomass boilers at our Covington, VA and Demopolis, AL mills. In June 2021, the Company announced that it will be working with the Science Based Targets initiative (“SBTi”) to set a new GHG emissions reduction target that is aligned with current climate science.

Our Executive Leadership Team is actively involved in setting and executing our sustainability strategy, including climate-related initiatives such as setting a science-based GHG target. Board-level oversight of climate-related and other corporate sustainability matters resides with the Nominating & Governance Committee of the Company’s Board of Directors. The corporate sustainability team works with the Company’s operational and functional groups to incorporate sustainability and climate objectives into operations. The team also oversees the development of our sustainability report, which includes data on performance against climate-related targets. The corporate sustainability team reports to the President, Innovation, Commercial & Sustainability, who reports to the Chief Executive Officer.

Addressing issues related to climate change presents opportunities for our business. For example, we produce renewable energy and generate renewable energy credits (“RECs”) at our integrated kraft mills. We have sold RECs in the past and may sell them in the future. The RECs we generate are flexible, market-based tools that support the renewable energy market. Our recycling activities also may present the opportunity to generate offsets that could be used to meet climate-related obligations for ourselves or others.

Climate change also presents potential risks and uncertainties for us. With respect to physical climate risks, our manufacturing operations may be impacted by weather-related events, such as hurricanes and floods, potentially resulting in lost production, supply chain disruptions and increased material costs. Unpredictable weather patterns also may impact virgin fiber supplies and prices, which may fluctuate during prolonged periods of

heavy rain or drought. On the other hand, changes in climate also could result in more accommodating weather patterns for greater periods of time in certain areas, which may create favorable fiber market conditions. We incorporate a review of meteorological forecast data into our fiber procurement decisions and strategies. To the extent that climate-related risks materialize, and we are unprepared for them, we may incur unexpected costs, which could have a material effect on our financial results of operations.

Responses to climate change may result in regulatory risks as new laws and regulations aimed at reducing GHG emissions come into effect. These rules and regulations could take the form of cap-and-trade, carbon taxes, or GHG reductions mandates for utilities that could increase the cost of purchased electricity. New climate rules and regulations also may result in higher fossil fuel prices or fuel efficiency standards that could increase transportation costs. Certain jurisdictions in which we have manufacturing facilities or other investments have already taken actions to address climate change. In the U.S., the EPA has issued the Clean Air Act permitting regulations applicable to certain facilities that emit GHG. The EPA also has promulgated a rule requiring certain industrial facilities that emit 25,000 metric tons or more of carbon dioxide equivalent per year to file an annual report of their emissions. While we have facilities subject to existing GHG permitting and reporting requirements, the impact of these requirements has not been material to date.

In addition to these national efforts, some U.S. states in which we have manufacturing operations, including Washington, New York and Virginia, are taking measures to reduce GHG emissions, such as requiring GHG emissions reporting or developing regional cap-and-trade programs. In addition, several of our international facilities are located in countries that have already adopted GHG emissions trading programs. Other countries in which we conduct business, including China, European Union member states and India, have set GHG reduction targets in accordance with the agreement signed in April 2016 among over 170 countries that established a framework for reducing global GHG emissions (also known as the “**Paris Agreement**”), which became effective in November 2016 and to which the United States formally rejoined in February 2021.

Regulation related to climate change continues to develop in the areas of the world where we conduct business. We have systems in place for tracking the GHG emissions from our energy-intensive facilities, and we carefully monitor developments in climate related laws, regulations and policies to assess the potential impact of such developments on our results of operations, financial condition, cash flows and disclosure obligations. Compliance with climate programs may require future expenditures to meet GHG emission reduction obligations in future years. These obligations may include carbon taxes, the requirement to purchase GHG credits, or the need to acquire carbon offsets. Also, we may be required to make capital and other investments to displace traditional fossil fuels, such as fuel oil and coal, with lower carbon alternatives, such as biomass and natural gas.

## Sustainability

At WestRock, we say sustainability is in every fiber of our company. Our vision, *Imagining and Delivering on the Promise of a Sustainable Future*, is represented by three pillars:

- Supporting People and Communities
- Bettering the Planet
- Innovating for Our Customers and Their Customers

We deliver our fiber-based packaging solutions by way of our core purpose, Connecting People to Products®.

WestRock is an example of the circular economy in action, from the renewable resources we use to manufacture our paperboard, to the recyclable packaging we make for our customers. Our recycling operations bring the process full circle by collecting recovered fiber that is used by our own paper mills and by others to produce new paper products. We have a long history of recycling and are one of the largest recyclers in the paper industry. We recover approximately seven to eight million tons annually of paper and other recyclable materials that might otherwise go into landfills.

All of our North American virgin fiber sourcing regions are certified to the Sustainable Forestry Initiative (SFI®) Fiber Sourcing standard. Our forestland in Brazil is certified to the Brazilian Forest Certification Programme (CERFLOR®), the Programme for the Endorsement of Forest Certification (PEFC®) and the Forest Stewardship Council (FSC®). To provide traceability for the virgin fiber used in our operations, we have certified more than 95 percent of our wholly owned, fiber-based manufacturing facilities to three, internationally recognized chain-of-custody standards: SFI®, PEFC® and FSC®.

WestRock has been recognized for our sustainability efforts through, among other things, industry award programs and inclusion in the Dow Jones World and North American Sustainability Indices and the FTSE 4 Good index. We are committed to our vision of *Imagining and Delivering on the Promise of a More Sustainable Future* to create long-term value for our people, communities, customers and the planet.

## **Patents and Other Intellectual Property**

We hold a substantial number of foreign and domestic trademarks, trademark applications, trade names, patents, patent applications and licenses relating to our business, our products and our production processes. Our patent portfolio consists primarily of utility and design patents relating to our products and manufacturing operations. Our portfolio also includes exclusive rights to substantial proprietary packaging system technology in the U.S. and other licenses obtained from a third-party. Our brand name and logo, and certain of our products and services, are protected by domestic and foreign trademark rights. Our patents, trademarks and other intellectual property rights, particularly those relating to our converting operations, are important to our operations as a whole. Our intellectual property has various expiration dates.

## **Employees**

At September 30, 2021, we employed approximately 49,900 people, of which approximately 78% were located in the U.S. and Canada and 22% were located in Europe, South America, Mexico and Asia Pacific. Of the approximately 49,900 employees, approximately 71% were hourly and 29% were salaried. Approximately 56% of our hourly employees in the U.S. and Canada are covered by collective bargaining agreements (“**CBAs**”), which typically have four to six-year terms. Approximately 26% of those employees covered under CBAs are operating under agreements that expire within one year and approximately 16% of those employees are working under expired contracts.

While we have experienced isolated work stoppages in the past, we have been able to resolve them, and we believe that working relationships with our employees are generally good. While the terms of our CBAs vary, we believe the material terms of the agreements are customary for the industry, the type of facility, the classification of the employees and the geographic location covered.

In December 2019, the United Steelworkers Union (“**USW**”) ratified a new master agreement that applies to substantially all of our U.S. facilities represented by the USW. The agreement has a four-year term and covers a number of specific items, including wages, medical coverage and certain other benefit programs, substance abuse testing, and safety. Individual facilities will continue to have local agreements for subjects not covered by the master agreement and those agreements will continue to have staggered terms. The master agreement permits us to apply its terms to USW employees who work at facilities we acquire during the term of the agreement, including most former MeadWestvaco Corporation, KapStone and other acquired facilities. The master agreement covers approximately 65 of our U.S. operating locations and approximately 8,900 of our employees.

See Item 1A. “**Risk Factors — We May Be Adversely Impacted By Work Stoppages and Other Labor Relations Matters**”.

## **Human Capital**

### ***Human Capital Management***

The attraction, retention and development of exceptional teammates is critical to our success. We accomplish this, in part, by developing the capabilities of our team members through our continuous learning, development and performance management programs. These programs include our safety, six sigma, supply chain, Leadership Excellence, Commercial Excellence and Manager Fundamentals programs. We sponsor early in career rotations and college hire programs that support our functions and local operations. We build partnerships with schools, universities and associations to promote future careers in manufacturing.

The capabilities of our workforce have evolved as our business and strategy have evolved. We have established new roles reflecting the talent and capabilities needed by our business, both now and for what we expect in the future. We created the roles of Chief Commercial Officer and Chief Innovation Officer, reflecting our evolving go-to-market strategy and our focus on innovation and organic growth. We invested in roles and

capabilities in our workforce to support our business strategy, including hiring a new Chief Marketing Officer, Chief Sustainability Officer and Senior Vice President of Science and Innovation. We have invested in our e-commerce and digital technology capabilities through new roles, talent and programs. These investments reflect our focus on enhancing our capabilities in the areas of sustainability, organic growth, innovation and material science. As our business evolves, we will remain focused on having the right human capital capabilities, systems and processes in place to support our strategy.

Nevertheless, the market for both hourly workers and professional workers was particularly challenging in fiscal 2021 and we expect that the market for both hourly workers and professional workers will remain challenging at least through fiscal 2022. See Item 1A. ***“Risk Factors — We Operate in a Challenging Market for Talent and May Fail to Attract, Motivate, Train and Retain Qualified Personnel, Including Key Personnel”***.

### **Culture**

WestRock’s culture is grounded in our values:

- Integrity – being honest and ethical, doing the right thing
- Respect – treating one another with respect, and earning the respect of teammates, customers, suppliers through our actions
- Accountability – being responsible for our work and to our team. Collectively contributing to the success of our company and our customers
- Excellence – striving to perform at the highest levels – for ourselves, our customers, investors and communities

At the core of our employee listening systems is our bi-annual engagement survey, which is augmented with employee pulse checks after hire and promotion, and exit interviews/surveys. These pulse checks/surveys enable us to gather feedback directly from our workforce to inform our programs and employee needs globally. Approximately 86% of team members globally participated in our fiscal 2021 WestRock engagement survey, which covers topics such as company strategy and direction, leadership, inclusion, safety, culture, pay and benefits, and learning and development.

### **Safety**

The health and safety of our teammates is our most important responsibility, and our goal is to create a 100% safe work environment for our team members. Throughout the COVID-19 crisis, we have remained focused on protecting the health and safety of our team members while meeting the needs of our customers. Shortly after the outset of COVID-19, we were an early adopter of enhanced safety measures and practices across our facilities to protect employee health and safety and ensure a reliable supply of essential products to our customers. We monitor and track the impact of the pandemic on our teammates and within our operations, and proactively modify or adopt new practices to promote their health and safety.

We implemented a wide variety of measures to protect the health and well-being of our employees, suppliers, and customers during the COVID-19 pandemic. We made substantial modifications to travel policies and implemented office and manufacturing protocols to include quarantine, cleaning and sanitizing, and childcare support. We reconfigured manufacturing processes and lines to create distance and improved ventilation, where needed. We also provided on-site flu and COVID vaccination clinics and extended our existing Employee Assistance Program and other community resources to help with personal and family care. See Item 1. ***“Business — Governmental Regulation — Health & Safety”*** for more information on safety.

### **Diversity, Inclusion, Equity and Belonging**

Our Diversity, Inclusion, Equity and Belonging objective is to be a company where each of us genuinely belongs, is respected and valued, and can do our best work, and where diversity, inclusion and equity are competitive advantages.

At September 30, 2021, 21% of our global workforce was comprised of females and 33% of our U.S. based workforce was comprised of people of color. Our board of directors includes four females (representing 36% of directors) and one person of color (representing 9% of directors). We have implemented a multi-year Diversity, Inclusion, Equity and Belonging action plan that we expect will increase our workforce diversity, advance inclusion,



equity and belonging at all our locations, accelerate the development and career movement of diverse talent and ensure diverse succession plans such that we continue to create future opportunities for all of our teammates. For instance, in October 2020, management recommended, and the board of directors approved, several actions aimed at increasing our diversity and advancing our inclusive environment. One program that has contributed to our overall progress involves the internal and external posting of our open positions and the inclusion of female and racially or ethnically diverse candidates on our recruitment slates. In addition, we adopted an approach where new management-supported director nominees and chief executive officers recruited from outside WestRock are chosen by the board of directors. We set a four-year goal for gender and ethnic representation that aligns with our long-term expectations for creating a truly diverse and inclusive organization – one that reflects our customers and communities.

We included a diversity, inclusion, equity and belonging modifier in our fiscal 2021 short-term incentive plan for our top 12 executives. The modifier was tied to the achievement of certain performance measures under our Diversity, Inclusion, Equity and Belonging action plan. We expect the diversity, inclusion, equity and belonging modifier to be applied to approximately 100 of our top executives and leaders in fiscal 2022.

In collaboration with organizations, such as the Executive Leadership Council, Pathways and Signature, we are providing external development opportunities for our diverse talent. To connect and develop team members within WestRock, we support highly engaged resource groups for early in career, women, racial and ethnic minorities, military, people with different abilities, or who identify as LGBTQI+, where team members can go for support, networking, and community-building.

We conduct pay equity analyses annually in the U.S., Great Britain and France to help identify any unsupported distinctions in pay between team members of different races, gender and/or age, as permitted by local law. We adjust base pay, where appropriate.

### ***Talent Attraction, Retention and Development***

During fiscal 2021, we continued investing in people, programs and systems to meet the increased talent demand in a dynamic marketplace. We have expanded our relationships with Historically Black Colleges and Universities, the National Association of Manufacturers and other partners and associations. To retain critical operational talent in hyper labor markets and businesses, we have restructured work schedules, updated work rules, and provided retention bonuses, where needed.

To ensure team members get off to a fast start, we provided new employee orientations to over 10,000 new hires in fiscal 2021, covering a range of topics including company values, culture, diversity and inclusion and Standards of Business Conduct. In fiscal 2021, WestRock launched our on-line learning library with over 1,000 courses in five languages, and with over 200 playlists by topic area or experience/skill set.

We invest in our senior leadership through a leadership excellence program, and developed new front-line management pilot programs to be launched in fiscal 2022. Commercial team members participate in an assessment and development workshop which focuses on the capabilities needed today and tomorrow, ensuring we are able to anticipate and meet our customers' changing requirements. We continue to invest in our technical development curriculum with a focus on building the best technical, engineering, operational talent.

Focused on our core company values, all team members complete required learning programs like Standards of Business Conduct, Privacy, and preventing harassment courses.

### **International Operations**

Our operations outside the U.S. are conducted through subsidiaries located in Canada, Mexico, South America, Europe, Asia and Australia. Sales attributable to non-U.S. operations were 18.5%, 17.7% and 18.2% of our net sales in fiscal 2021, 2020 and 2019, respectively, some of which were transacted in U.S. dollars. See ***Note 7. Segment Information*** of the Notes to Consolidated Financial Statements for additional information. See also Item 1A. ***Risk Factors — We are Exposed to Risks Related to International Sales and Operations***.

## Available Information

Our Internet address is [www.westrock.com](http://www.westrock.com). Our Internet address is included herein as an inactive textual reference only. The information contained on our website is not incorporated by reference herein and should not be considered part of this report. We file annual, quarterly and current reports, proxy statements (and any amendments thereto) and other information with the Securities and Exchange Commission (“SEC”) and we make available free of charge most of our SEC filings through our Internet website as soon as reasonably practicable after filing with the SEC. You may access these SEC filings via the hyperlink that we provide on our website to a third-party SEC filings website. We also make available on our website our board committee charters, as well as the corporate governance guidelines adopted by our board of directors, our Code of Conduct for employees, our Code of Conduct and Ethics for the Board of Directors and our Code of Ethical Conduct for Chief Executive Officer (“CEO”) and Senior Financial Officers. Any amendments to, or waiver from, any provision of these codes that are required to be disclosed will be posted on our website. We will also provide copies of these documents, without charge, at the written request of any stockholder of record. Requests for copies should be mailed to: WestRock Company, 1000 Abernathy Road NE, Atlanta, Georgia 30328, Attention: Corporate Secretary.

## Forward-Looking Information

This report contains statements that relate to future, rather than past, events. These statements are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The forward-looking statements made in this report often address our expected future business and financial performance and financial conditions, and often contain words such as “may”, “will”, “could”, “would”, “anticipate”, “intend”, “estimate”, “project”, “plan”, “believe”, “expect”, “target” and “potential”, or refer to future time periods. Forward-looking statements are based on currently available information and our current expectations, beliefs, plans or forecasts, and include statements made in this report regarding, among other things:

- that the global impact of COVID-19 continues to evolve and the extent of its effect on our operational and financial performance in future periods will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration, scope and severity of the pandemic (including due to new variants such as Delta), the actions taken to contain or mitigate its impact (including the distribution and effectiveness of vaccines), and the direct and indirect economic effects of the pandemic and related containment measures and government responses, among others;
- our expectation that the actions we have undertaken and will continue to undertake pursuant to the WestRock Pandemic Action Plan will provide an additional \$1 billion in cash through the end of calendar 2021 that we will be able to use to reduce our outstanding indebtedness;
- our expectation to pay the deferred employment taxes under the CARES Act as required, 50% by December 2021 and the remaining 50% by December 2022;
- that we are continuing to focus on the protection, safety and well-being of our teammates during COVID-19 and continuing to match our supply with our customers’ demand;
- the confidence we have in our business and our ability to generate strong cash flows;
- that in the first quarter of fiscal 2022, we expect a sequential decline in net sales and earnings from the fourth quarter of fiscal 2021 reflecting the normal season sequential volume declines in many of our businesses and scheduled mill maintenance outages;
- that in the first quarter of fiscal 2022, we expect lower volume with three fewer shipping days during the first quarter of fiscal 2022, although in line with shipping days in the first quarter of fiscal 2021;
- that in the first quarter of fiscal 2022, we expect that due to delays in mill maintenance in fiscal 2021 for items such as COVID-19 and the Ransomware Incident, we expect approximately 200,000 tons of maintenance downtime, the peak maintenance outage period for fiscal 2022;

- that in the first quarter of fiscal 2022, we expect sequential cost inflation driven primarily by higher natural gas, transportation, and recycled and virgin fiber costs along with increased health insurance costs prior to the annual reset of employee deductibles. However, we expect the flow through of the previously published price increases we are implementing to more than offset inflation;
- that in fiscal 2022, we expect solid demand across most of our end markets and continued flow through of the previously published price increases;
- that in fiscal 2022, we expect record sales and operating profit despite continued commodity input cost inflation and productivity unavoidably affected by supply chain challenges and higher labor costs that may persist through the fiscal year;
- that in fiscal 2022, we expect the implementation of previously published price increases will outpace inflation despite our expectation for higher recycled fiber, energy, virgin fiber, chemical and transportation costs;
- that in fiscal 2022, we expect to benefit from the fiscal 2021 completion of strategic investments such as the new paper machine at our Florence, SC mill and our Tres Barras mill upgrade;
- that in fiscal 2022, we expect our planned mill maintenance outage schedule will be approximately 100,000 tons higher than in fiscal 2021;
- the possibility that the operational impact and cost of compliance with the ETS may be substantial;
- that we expect to continue to incur expenses for cleaning, safety supplies and equipment, screening resources and other items related to COVID-19 as needed in the future;
- our belief that our payment terms will not be shortened significantly in the near future, and that we do not expect our net cash provided by operating activities to be significantly impacted by additional extensions of payment terms;
- that we have sold RECs in the past and may sell them in the future;
- the Company will be working with the Science Based Targets initiative to set a new GHG emissions reduction target that is aligned with current climate science;
- our belief that we are one of the largest paper recyclers in North America;
- our belief that we are the largest manufacturer of solid fiber partitions in North America measured by net sales;
- our belief that we would be able to source significant replacement quantities from other suppliers in the event we incur production disruptions for recycled or virgin containerboard and paperboard;
- our belief that we have good relationships with our customers;
- our belief that our ability to leverage our full portfolio of differentiated solutions and capabilities enables us to set ourselves apart from our competitors;
- our belief that we compete effectively on price, design, product innovation, quality, service and sustainability;
- our belief that future compliance with occupational health and safety laws and regulations will not have a material adverse effect on our results of operations, financial condition or cash flows;
- that responses to climate change may result in regulatory risks as new laws and regulations aimed at reducing GHG emissions come into effect, that these rules and regulations could take the form of cap-

and-trade, carbon taxes or GHG reductions mandates for utilities that could increase the cost of purchased electricity and that new climate rules and regulations also may result in higher fossil fuel prices or fuel efficiency standards that could increase transportation and other operating costs;

- our belief that the currently expected outcome of any environmental proceedings and claims that are pending or threatened against us will not have a material adverse effect on our results of operations, financial condition or cash flows;
- our belief that the costs associated with investigations and remediation projects under various environmental laws and regulations, including CERCLA, will not have a material adverse effect on our results of operations, financial condition or cash flows but that the discovery of contamination or the imposition of additional obligations, including natural resources damages at these or other sites in the future, could impact our results of operations, financial condition or cash flows;
- our belief that we can assert claims for indemnification pursuant to existing rights we have under certain purchase and other agreements in connection with certain remediation sites and that we have insurance coverage, subject to applicable deductibles or retentions, policy limits and other conditions, for certain environmental matters;
- that compliance with climate programs may require future expenditures to meet GHG emission reduction obligations in future years, that such obligations may include carbon taxes, the requirement to purchase GHG credits, or the need to acquire carbon offsets and that we may be required to make capital and other investments to displace traditional fossil fuels, such as fuel oil and coal, with lower carbon alternatives, such as biomass and natural gas;
- that our businesses are likely to continue experiencing cycles relating to industry capacity and general economic conditions;
- our belief that working relationships with our employees are generally good;
- we expect the diversity, inclusion, equity and belonging modifier to be applied to approximately 100 of top executives and leaders in fiscal 2022;
- as our business evolves, we will remain focused on having the right human capital capabilities, systems and processes in place to support our strategy;
- that we expect that the market for both hourly workers and professional workers will remain challenging at least through fiscal 2022;
- our expectation that among the benefits we expect from potential, as well as completed, acquisitions and joint ventures are synergies, cost savings, growth opportunities or access to new markets (or a combination thereof), and in the case of divestitures, the realization of proceeds from the sale of businesses and assets to purchasers that place higher strategic value on these businesses and assets than we do;
- our expectation that we will continue to incur, significant capital, operating and other expenditures to comply with applicable environmental laws and regulations, including, for example, projects to replace and/or upgrade our air pollution control devices, wastewater treatment systems, and other environmental infrastructure;
- our expectation that changes in environmental laws, as well as litigation relating to these laws, could result in more stringent or additional environmental compliance obligations for the Company that may require additional capital investments or increase our operating costs;
- that we may form additional joint ventures;

- our belief that of the certain multiemployer pension plans (“MEPP” or “MEPPs”) in which we participate or have participated, including Pace Industry Union-Management Pension Fund (“PIUMPF”), have material unfunded vested benefits;
- our belief that we are adequately reserved for the PIUMPF withdrawal liabilities, including liabilities associated with PIUMPF’s accumulated funding deficiency demands;
- that we may withdraw from other MEPPs in the future;
- our belief that our existing production capacity is adequate to serve existing demand for our products and that our plants and equipment are in good condition;
- our belief that the resolution of lawsuits and claims will not have a material adverse effect on our consolidated financial condition, results of operations or cash flows;
- that we expect to continue to evaluate potential acquisitions similar to those completed in the past, although the size of individual acquisitions may vary;
- our belief that our strong balance sheet and cash flow provide us the flexibility to continue to invest to sustain and improve our operating performance;
- our general expectation that the integration of a closed facility’s assets and production with other facilities will enable the receiving facilities to better leverage their fixed costs while eliminating fixed costs from the closed facility;
- that it is likely that we will engage in future restructuring activities;
- our expectation that funding for our domestic operations in the foreseeable future to come from sources of liquidity within our domestic operations, including cash and cash equivalents, and available borrowings under our credit facilities, and that our foreign cash and cash equivalents are not expected to be a key source of liquidity to our domestic operations;
- that with the completion of certain of our strategic projects in fiscal 2021, including the paper machine at our Florence, SC mill and the Tres Barras mill upgrade project, we expect capital expenditures of \$1.0 billion in fiscal 2022; that at this level of capital investment, we are confident that we will continue to invest in the appropriate safety, environmental and maintenance projects while also making investments to support productivity and growth in our business; but that it is possible that our capital expenditure assumptions may change, project completion dates may change, or we may decide to invest a different amount depending upon opportunities we identify, or changes in market conditions, or to comply with environmental or other regulatory changes;
- our estimation that we will invest approximately \$21 million for capital expenditures during fiscal 2022 in connection with matters relating to environmental compliance;
- that based on current projections, we expect to utilize nearly all of the remaining U.S. federal net operating losses and other U.S. federal credits during the current fiscal year and that foreign and state net operating losses and credits will be used over a longer period of time;
- that, barring significant changes in our current assumptions, including changes in tax laws or tax rates, forecasted taxable income, levels of capital expenditures and other items, we expect that our fiscal 2022 cash tax rate will be slightly lower than our income tax rate. Our cash tax rate in fiscal 2023 and 2024 will be driven slightly higher than our income tax rate primarily due to the absence of certain nonrecurring tax credits, the expected release of a tax reserve and the reduction in capital investments including the timing of depreciation on our qualifying capital investments as allowed under the Tax Cuts and Jobs Act;

- that, based on current facts and assumptions, we expect to contribute approximately \$25 million to our U.S. and non-U.S. pension plans in fiscal 2022;
- that, based on current facts and assumptions, including future interest rates, we estimate that minimum pension contributions to our U.S. and non-U.S. pension plans will be in the range of approximately \$23 million to \$24 million annually in fiscal 2023 through 2026;
- our expectation that we will continue to make contributions in the coming years to our pension plans in order to ensure that our funding levels remain adequate in light of projected liabilities and to meet the requirements of the Pension Protection Act of 2006 (“**Pension Act**”) and other regulations;
- our anticipation that we will be able to fund our capital expenditures, interest payments, dividends and stock repurchases, pension payments, working capital needs, note repurchases, restructuring activities, repayments of current portion of long-term debt and other corporate actions for the foreseeable future from cash generated from operations, borrowings under our credit facilities, proceeds from our accounts receivable sales agreements, proceeds from the issuance of debt or equity securities or other additional long-term debt financing, including new or amended facilities;
- that we may seek to refinance existing indebtedness, to extend maturities, reduce borrowing costs or otherwise improve the terms and composition of our indebtedness;
- that if actual results are not consistent with our assumptions and estimates, we may be exposed to additional impairment losses that could be material;
- that the global impact of the COVID-19 pandemic may affect our accounting estimates, which may materially change from period to period due to changing market factors;
- our belief that our estimates for restructuring costs and other costs are reasonable, considering our knowledge of the industries we operate in, previous experience in exiting activities and valuations we may obtain from independent third parties;
- our belief that our assumptions are appropriate with respect to health insurance costs, workers’ compensation cost and pension and other postretirement benefit obligations;
- our expectation of the impact of implementation of various accounting standards, including that certain of these standards will not have a material impact on our consolidated financial statements;
- our belief that our restructuring actions have allowed us to more effectively manage our business;
- our belief that by investing in a variety of asset classes and utilizing multiple investment management firms, we can create a portfolio for our pension plans that yields adequate returns with reduced volatility;
- that MWV TN (as defined herein) expects to only repay the liability at maturity from the Timber Note (as defined herein) proceeds;
- our belief that the liability for environmental matters was adequately reserved at September 30, 2021;
- that we expect to continue to incur significant costs as we enhance our data security and take further steps to prevent unauthorized access to, or manipulation of, our systems and data and that despite our efforts, we may not have identified and remediated all of the potential causes of the Ransomware Incident (as hereinafter defined) and similar incidents may occur in the future;
- our longer-term capital allocation priorities, which include (i) investing in our business, (ii) consistently growing our dividend, (iii) maintaining our investment grade profile, (iv) pursuing tuck-in acquisitions that align to our strategy and generate attractive returns, and (v) opportunistic share repurchases;

- our belief that we have substantial insurance coverage, subject to applicable deductibles and policy limits, with respect to asbestos claims;
- our belief that we have valid defenses to asbestos-related personal injury claims and intend to continue to defend them vigorously, and that should the volume of asbestos-related personal injury litigation grow substantially, it is possible that we could incur significant costs resolving these cases;
- our expectation that the resolution of pending asbestos litigation and proceedings will not have a material adverse effect on results of operations, financial condition or cash flows but that in any given period or periods, it is possible that asbestos-related proceedings or matters could have a material adverse effect on our results of operations, financial condition or cash flows;
- our estimation that our exposure with respect to certain guarantees we have made to be less than \$50 million;
- that while we are unable to estimate our maximum exposure under operating leases because it is dependent on potential changes in the tax laws, we believe our exposure related to guarantees would not have a material impact on our results of operations, financial condition or cash flows;
- our expectation that we will not issue additional stock appreciation rights (“SAR” or “SARs”);
- that we may enter into various hedging transactions;
- our belief that in the event of a distribution in the form of dividends or dispositions of our foreign subsidiaries, we may be subject to incremental U.S. income taxes, subject to an adjustment for foreign tax credits, and withholding taxes or income taxes payable to the foreign jurisdictions;
- that it is reasonably possible that our unrecognized tax benefits will decrease by up to \$31.5 million in the next twelve months due to expiration of various statutes of limitations and settlement of issues;
- our belief that our tax positions are appropriate;
- the expected impact of market risks, such as interest rate risk, pension plan risk, foreign currency risk, commodity price risk, energy price risk, rates of return, the risk of investments in derivative instruments, and the risk of counterparty nonperformance, and expected factors affecting those risks, including our exposure to foreign currency rate fluctuations;
- that the net proceeds from issuances of notes under our commercial paper program are expected to continue to be used for general corporate purposes; and
- our belief that the decision by the Supreme Court of Brazil with respect to certain state value added tax reduced our gross receipts tax in Brazil prospectively and retrospectively, and will allow us to recover tax amounts collected by the government.

Forward-looking statements are based on currently available information and our current assumptions, expectations and projections about future events. You should not rely on our forward-looking statements. Our forward-looking statements are not guarantees of future performance and are subject to future events, risks and uncertainties — many of which are beyond our control, dependent on actions of third parties or currently unknown to us — as well as potentially inaccurate assumptions that could cause actual results to differ materially from our expectations and projections. Particular uncertainties that could cause our actual results to be materially different than those expressed in our forward-looking statements include among others: our ability to respond effectively to the impact of COVID-19; our ability to achieve benefits from acquisitions and the timing thereof, including synergies, performance improvements; our ability to successfully implement capital projects; adverse legal, reputational and financial effects on the Company resulting from cyber incidents and the effectiveness of the Company’s business continuity plans during a ransomware incident; the level of demand for our products; our ability to successfully identify and make performance and productivity improvements; anticipated returns on our capital investments; the possibility of and uncertainties related to planned and unplanned mill outages or production disruptions; investment performance, discount rates, return on pension plan assets and expected

compensation levels; fluctuations in energy, raw materials, shipping and capital equipment costs; fluctuations in selling prices and volumes; intense competition; the impact of operational restructuring activities; potential liability for outstanding guarantees and indemnities and the potential impact of such liabilities; the potential loss of key customers; changes in law, economic and financial conditions, including interest and exchange rate volatility, commodity and equity prices; our ability to maintain our current credit rating and the impact on our funding costs and competitive position if we do not do so; the amount and timing of our cash flows and earnings and other conditions, which may affect our ability to pay our quarterly dividend at the planned level or to repurchase shares at planned levels; our capital allocation plans, as such plans may change including with respect to the timing and size of share repurchases, acquisitions, joint ventures, dispositions and other strategic actions; the impact of announced price increases or decreases and the impact of the gain and loss of customers; compliance with governmental laws and regulations, including those related to the environment; the scope, and timing and outcome of any litigation, claims, or other proceedings or dispute resolutions and the impact of any such litigation, claims or other proceedings or dispute resolutions on our results of operations, financial condition or cash flows; the scope, costs, timing and impact of any restructuring of our operations and corporate and tax structure; income tax rates, future deferred tax expense and future cash tax payments; future debt repayment; the occurrence of severe weather or natural disasters or other unanticipated problems, such as labor difficulties, equipment failure or unscheduled maintenance and repair, which could result in operational disruptions, including those related to COVID-19; and other factors that are discussed in Item 1A. **“Risk Factors”**.

Forward-looking statements speak only as of the date they are made, and we do not undertake to update these statements other than as required by law. You are advised, however, to review any further disclosures we make on related subjects in our periodic filings with the SEC.

## **Item 1A. RISK FACTORS**

We are subject to certain risks and events that, if one or more occur, could adversely affect our results of operations, cash flows and financial condition, and the trading price of our common stock, par value \$0.01 per share (**“Common Stock”**). In evaluating us, our business and a potential investment in our securities, you should consider the following risk factors and the other information presented in this report, as well as the other reports and registration statements we file from time to time with the SEC. The risks addressed below are not the only ones we face. Additional risks not currently known to us or that we currently believe to be immaterial could also adversely impact our business.

### **Industry Risks**

#### ***We May Experience Pricing Variability***

Our businesses have experienced, and are likely to continue experiencing, cycles relating to industry capacity and general economic conditions. The length and magnitude of these cycles have varied over time and by product. Prices for our products are driven by many factors, including general economic conditions, demand for our products and competitive conditions in the industries within which we compete, and we have little influence over the timing and extent of price changes, which may be unpredictable and volatile. If supply exceeds demand, prices for our products could decline, and our results of operations, cash flows and financial condition, and the trading price of our Common Stock could be adversely affected. For example, we believe that the trading price of our Common Stock has been adversely affected in the past due, in part, to concerns about announcements by certain of our competitors of planned additional capacity in the North American containerboard market, as well as the subsequent implementation of certain of those plans.

Certain published indices (including those published by Pulp and Paper Week (**“PPW”**)) contribute to the setting of selling prices for some of our products. PPW is a limited survey that may not accurately reflect changes in market conditions for our products. Changes in how PPW is maintained, or other indices are established or maintained, could adversely impact the selling prices for these products.

#### ***Our Earnings Are Highly Dependent on Volumes***

Because our operations generally have high fixed operating cost components, our earnings are highly dependent on volumes, which tend to fluctuate. These fluctuations make it difficult to predict our financial results with any degree of certainty. The COVID-19 pandemic has affected our operational and financial performance to varying degrees and the extent of its effect on our operational and financial performance will continue to depend on



future developments, which are highly uncertain and cannot be predicted with confidence, including the duration, scope and severity of the pandemic (including due to new variants, such as Delta), the actions taken to contain or mitigate its impact (including the distribution and effectiveness of vaccines), and the direct and indirect economic effects of the pandemic and related containment measures and government responses, among others. Any failure to maintain volumes may adversely affect our results of operations, cash flows and financial condition, and the trading price of our Common Stock.

### ***We May Face Increased Costs For, or Inadequate Availability of, Raw Materials, Energy and Transportation***

We rely heavily on the use of certain raw materials, energy sources and third-party companies to transport our goods.

The costs of recycled fiber and virgin fiber, the principal externally sourced raw materials for our paper mills, are subject to pricing variability due to market and industry conditions. Demand for recycled fiber has fluctuated and may increase due to, among other factors, increased consumption of recycled fiber, including through additions of new recycled paper mill capacity, increasing demand for products packaged in packaging produced from paper manufactured from 100% recycled fiber and the shift by manufacturers of virgin paperboard, tissue, newsprint and corrugated packaging to the production of products with some recycled fiber content. In 2021, we experienced periods of increased recycled fiber costs due primarily to market demand and availability.

The market price of virgin fiber varies based on availability and source of virgin fiber, and the availability of virgin fiber may be impacted by, among other factors, wet weather conditions. In addition, costs for key chemicals used in our manufacturing operations fluctuate, which impacts our manufacturing costs. Certain published indices contribute to price setting for some of our raw materials and future changes in how these indices are established or maintained could adversely impact the pricing of these raw materials.

The cost of natural gas, which we use in many of our manufacturing operations, including many of our mills, and other energy costs (including energy generated by burning natural gas, fuel oil, biomass and coal) has at times fluctuated significantly. In fiscal 2021, the price of the natural gas that we consume in our manufacturing operations increased significantly compared to the prior year period. Energy costs have increased, and in the future could increase, our operating costs and have made, and in the future could make, our products less competitive compared to similar or alternative products offered by competitors.

We distribute our products primarily by truck and rail, although we also distribute some of our products by cargo ship. The reduced availability of trucks, rail cars or cargo ships could adversely impact our ability to distribute our products in a timely manner. In fiscal 2021, we experienced significantly higher freight costs compared to freight costs incurred in fiscal 2020 and fiscal 2019. High transportation costs have made, and in the future could make, our products less competitive compared to similar or alternative products offered by competitors.

Because our businesses operate in highly competitive industry segments, we may not be able to recoup past or future increases in the cost of raw materials, energy or transportation through price increases for our products. The failure to obtain raw materials, energy or transportation services at reasonable market prices (or the failure to pass on price increases to our customers) or a reduction in the availability of raw materials, energy or transportation services due to increased demand, significant changes in climate or weather conditions, or other factors could adversely affect our results of operations, cash flows and financial condition, and the trading price of our Common Stock.

### ***We Face Intense Competition***

We compete in industries that are highly competitive. Our competitors include large and small, vertically integrated companies and numerous smaller non-integrated companies. We generally compete with companies operating in North America, although we have operations spanning North America, South America, Europe, Asia and Australia. Factors affecting our ability to compete include the entry of new competitors into the markets we serve, increased competition from overseas producers, our competitors' pricing strategies, the introduction by our competitors of new technologies and equipment, our ability to anticipate and respond to changing customer preferences and our ability to maintain the cost-efficiency of our facilities. In addition, changes within these industries, including the consolidation of our competitors and customers, may impact competitive dynamics. If our competitors are more successful than we are with respect to any key competitive factor, our results of operations, cash flows and financial condition, and the trading price of our Common Stock, could be adversely affected.

Our products also compete, to some extent, with various other packaging materials, including products made of paper, plastics, wood and various types of metal. Customer shifts away from containerboard and paperboard packaging to packaging made from other materials could adversely affect our results of operations, cash flows and financial condition, and the trading price of our Common Stock.

## Operating Risks

### ***Our Business Has Been, and Will Continue to Be, Impacted by the Outbreak of the COVID-19 Novel Coronavirus***

The global impact of COVID-19 continues to evolve. COVID-19 has impacted our operations and financial performance to varying degrees and the extent of its effect on our operational and financial performance in future periods will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration, scope and severity of the pandemic (including due to new variants such as Delta), the actions taken to contain or mitigate its impact (including the distribution and effectiveness of vaccines), and the direct and indirect economic effects of the pandemic and related containment measures and government responses, among others.

In response to the spread of COVID-19, governmental authorities implemented numerous measures to try to contain the virus, including travel bans and restrictions, quarantines, shelter-in-place and work from home orders, and shutdowns of so-called “nonessential” businesses. These measures have impacted, and may further impact, our workforce and operations, as well as those of our customers, vendors and suppliers that in turn may impact us. We have manufacturing operations in the U.S., Canada, Brazil, Mexico, Australia, China and in Europe, and each of these countries or regions has been affected by the outbreak of COVID-19 and taken various measures to try to contain it. Among other impacts to our business from the outbreak of COVID-19:

- We have experienced, and may experience in the future, lower overall demand for certain of our products due to economic uncertainty and changing consumer behaviors driven by COVID-19 or reduced demand due to our customers’ supply chain issues. For example, we experienced softer demand in the commercial print, tobacco, industrial, food service, cosmetics and spirits markets during certain periods of the pandemic. In addition, our net sales, primarily in the last half of fiscal 2020, were negatively impacted by COVID-19.
- We have experienced and may experience in the future higher supply chain costs and tight labor markets, in part, due to the impacts of COVID-19. In addition, our supply chain may be disrupted due to government restrictions or if our suppliers or vendors fail to meet their obligations to us or experience disruptions in their ability to do so, or our customers may experience similar constraints that in turn may impact us.
- Our production capabilities may be disrupted if we are unable to secure sufficient supplies of raw materials, if significant portions of our workforce are unable to work effectively, including because of illness, government actions or other restrictions, or if we have periods of disruptions due to deep cleaning and sanitizing our facilities. In addition, we have incurred additional expense for cleaning, safety supplies and equipment, screening resources and other items and expect these costs to continue to some degree in the future.
- We may experience an increase in commodity and other input costs due to market volatility and product availability.
- We may experience an increase in our working capital needs or an increase in our trade accounts receivable write-offs as a result of increased financial pressures on our suppliers and customers.
- We may experience changes to our internal controls over financial reporting as a result of changes in working environments, as well as the potential for staffing limitations.

Our business has been, and will continue to be, impacted by COVID-19 and these impacts may adversely affect our results of operations, cash flows and financial conditions, and the trading price of our Common Stock.

## ***We May Be Unsuccessful in Making and Integrating Mergers, Acquisitions and Investments, and Completing Divestitures***

We have completed a number of mergers, acquisitions, investments and divestitures in the past and we may acquire, invest in or sell, or enter into joint ventures with additional companies. We may not be able to identify suitable targets or purchasers or successfully complete suitable transactions in the future, and completed transactions may not be successful. These transactions create risks, including, but not limited to, risks associated with:

- disrupting our ongoing business, including distracting management from our existing businesses;
- integrating acquired businesses and personnel into our business, including integrating information technology systems and operations across different cultures and languages, and addressing the economic, political and regulatory risks associated with specific countries;
- working with partners or other ownership structures with shared decision-making authority;
- obtaining and verifying relevant information regarding a business prior to the consummation of the transaction, including the identification and assessment of liabilities, claims or other circumstances that could result in litigation or regulatory risk exposure;
- obtaining required regulatory approvals and/or financing on favorable terms;
- retaining key employees, contractual relationships or customers;
- the potential impairment of assets and goodwill;
- the additional operating losses and expenses of businesses we acquire or in which we invest;
- incurring substantial indebtedness to finance an acquisition or investment;
- implementing controls, procedures and policies at companies we acquire; and
- the dilution of interests of holders of our Common Stock through the issuance of equity securities.

Mergers, acquisitions and investments may not be successful and may adversely affect our results of operations, cash flows and financial condition, and the trading price of our Common Stock. Among the benefits we expect from potential, as well as completed, acquisitions and joint ventures are synergies, cost savings, growth opportunities or access to new markets (or a combination thereof), and in the case of divestitures, the realization of proceeds from the sale of businesses and assets to purchasers that place higher strategic value on these businesses and assets than we do. For acquisitions, our success in realizing these benefits and the timing of realizing them depend on the successful integration of the acquired businesses and operations with our business and operations. Even if we integrate these businesses and operations successfully, we may not realize the full benefits we expected within the anticipated timeframe, or at all, and the benefits may be offset by unanticipated costs or delays.

## ***We May Incur Business Disruptions***

The operations at our manufacturing facilities have in the past and may in the future be interrupted or impaired by various operating risks, including, but not limited to, risks associated with:

- catastrophic events, such as fires, floods, earthquakes, explosions, natural disasters, severe weather, including hurricanes, tornados and droughts, and pandemics, including COVID-19, or other similar occurrences;
- interruptions in the delivery of raw materials or other manufacturing inputs;
- adverse government regulations;
- equipment breakdowns or failures;
- prolonged power failures;
- unscheduled maintenance outages;
- information system disruptions or failures due to any number of causes, including cyber-attacks;
- violations of our permit requirements or revocation of permits;

- releases of pollutants and hazardous substances to air, soil, surface water or ground water;
- disruptions in transportation infrastructure, including roads, bridges, railroad tracks and tunnels;
- shortages of equipment or spare parts; and
- labor disputes and shortages, including those associated with implementation of the OSHA ETS.

For example, operations at several of our facilities located in the south and southeastern U.S. have been interrupted in recent years by hurricanes and severe winter weather, resulting in, among other things, lost mill production.

Business disruptions have impaired, and may in the future impair, our production capabilities and adversely affect our results of operations, cash flows and financial condition, and the trading price of our Common Stock.

***We May Fail to Anticipate Trends That Would Enable Us to Offer Products That Respond to Changing Customer Preferences***

Our success depends, in part, on our ability to offer differentiated solutions, and we must continually develop and introduce new products and services to keep pace with technological and regulatory developments and changing customer preferences. The services and products that we offer customers may not meet their needs as their business models evolve. Also, our customers may decide to decrease their use of our products, use alternative materials for their product packaging or forego the packaging of certain products entirely. Regulatory developments can also significantly alter the market for our products. For example, a move to electronic distribution of disclaimers and other paperless regimes could adversely impact our healthcare inserts and labels businesses. Similarly, certain states and local governments have adopted laws banning single-use paper bags or charging businesses or customers fees to use paper bags. These and similar developments could adversely impact demand for certain of our products.

Consumer preferences for products and packaging formats are constantly changing based on, among other factors, cost, convenience, and health, environmental and social concerns and perceptions. For example, changing consumer dietary habits and preferences have slowed the sales growth for certain of the food and beverage products that we package. Also, there is an increasing focus among consumers to ensure that products delivered through e-commerce are packaged efficiently. For instance, in 2019 Amazon began requiring all items sold through Amazon that are larger than a specified size to be designed and certified as ready-to-ship. Our results of operations, cash flows and financial condition, and the trading price of our Common Stock, could be adversely affected if we fail to anticipate trends that would enable us to offer products that respond to changing customer preferences.

***Our Capital Expenditures May Not Achieve the Desired Outcomes or May Be Achieved at a Higher Cost than Anticipated***

We regularly make capital expenditures and many of our capital projects are complex, costly and/or implemented over an extended period of time. Our capital expenditures for particular capital projects could be higher than we anticipated, we may experience unanticipated business disruptions and/or we may not achieve the desired benefits from the capital projects, any of which could adversely affect our results of operations, cash flows and financial condition, and the trading price of our Common Stock. In addition, disputes between us and contractors who are involved with implementing capital projects could lead to time-consuming and costly litigation.

***We are Exposed to Risks Related to International Sales and Operations***

We derived 18.5% of our net sales in fiscal 2021 from outside the U.S. through international operations, some of which were transacted in U.S. dollars. In addition, certain of our domestic operations have sales to foreign customers. Our operating results and business prospects could be adversely affected by risks related to the countries outside the U.S. in which we have manufacturing facilities or sell our products. Specifically, Brazil, China, Mexico and India are exposed to varying degrees of economic, political and social instability. In addition, these countries' economies and operating environments have been, and likely will continue to be, adversely impacted to varying degrees by COVID-19. We are exposed to risks of operating in those countries, as well as others, including, but not limited to, risks associated with:

- the difficulties with and costs of complying with a wide variety of complex laws, treaties and regulations;
- unexpected changes in political or regulatory environments; earnings and cash flows that may be subject to tax withholding requirements or the imposition of tariffs, exchange controls or other restrictions;
- repatriating cash from foreign countries to the U.S.;
- political, economic and social instability;
- import and export restrictions and other trade barriers;
- responding to disruptions in existing trade agreements or increased trade tensions between countries or political and economic unions;
- maintaining overseas subsidiaries and managing international operations;
- obtaining regulatory approval for significant transactions;
- government limitations on foreign ownership or takeovers, nationalizations of business or mandated price controls;
- fluctuations in foreign currency exchange rates; and
- transfer pricing.

We are also subject to taxation in the U.S. and numerous non-U.S. jurisdictions, and have several ongoing audit examinations covering multiple years with various tax authorities. We base our tax returns on our interpretation of tax laws and regulations in effect; however, governing tax bodies may disagree with certain of our tax positions, which could result in a higher tax liability.

Any one or more of these risks could adversely affect our international operations and our results of operations, cash flows and financial condition, and the trading price of our Common Stock.

***We Cannot Operate Our Joint Ventures Solely For Our Benefit, Which Subjects Us to Risks***

We have invested in joint ventures and may form additional joint ventures in the future. Our participation in joint ventures is subject to risks, including, but not limited to, risks associated with:

- shared decision-making, which could require us to expend additional resources to resolve impasses or potential disputes;
- maintaining good relationships with our partners, which could limit our future growth potential;
- conflict of interest issues if our partners have competing interests;
- investment or operational goals that conflict with our partners' goals, including the timing, terms and strategies for investments or future growth opportunities;
- our partners' ability to fund their share of required capital contributions or to otherwise fulfill their obligations as partners; and
- obtaining consents from our partners for any sale or other disposition of our interest in a joint venture or underlying assets of the joint venture.

***We May Produce Faulty or Contaminated Products Due to Failures in Quality Control Measures and Systems***

Our failure to produce products that meet safety and quality standards could result in adverse effects on consumer health, litigation exposure, loss of market share and adverse financial impacts, among other potential consequences, and we may incur substantial costs in taking appropriate corrective action (up to and including recalling products from end consumers) and to reimburse customers and/or end consumers for losses that they suffer as a result of these failures. Our actions or omissions with respect to product safety and quality could lead to regulatory investigations, enforcement actions and/or prosecutions, and result in adverse publicity, which may damage our reputation. Any of these results could adversely affect our results of operations, cash flows and financial condition, and the trading price of our Common Stock.

We provide guarantees or representations in certain of our contracts that our products are produced in accordance with customer specifications. If the product contained in packaging manufactured by us is faulty or contaminated, the manufacturer of the product may allege that the packaging we provided caused the fault or contamination, even if the packaging complies with contractual specifications. If our packaging fails to function properly or to preserve the integrity of its contents, we could face liability from our customers and third parties for bodily injury or other damages. These liabilities could adversely affect our results of operations, cash flows and financial condition, and the trading price of our Common Stock.

### ***We Depend on Certain Large Customers***

We have large customers, the loss of which could adversely affect our sales and, depending on the significance of the loss, our results of operations, cash flows and financial condition, and the trading price of our Common Stock. In particular, because our businesses operate in highly competitive industry segments, we regularly bid for new business or for the renewal of existing business. The loss of business from our larger customers, or the renewal of business on less favorable terms, may adversely impact our financial results.

### ***We are Subject to Cyber-Security Risks, Including Related to Customer, Employee, Vendor or Other Company Data***

We use information technologies to securely manage operations and various business functions. We rely on various technologies, some of which are managed by third parties, to process, transmit and store electronic information. In addition, we facilitate a variety of business processes and activities, including reporting on our business and interacting with customers, vendors and employees. We also collect and store data, including proprietary business information, and may have access to confidential or personal information that is subject to privacy and security laws, regulations and customer-imposed controls. Our systems are subject to recurring attempts by third parties to access information, manipulate data or disrupt our operations. Despite our security design and controls, and those of our third-party providers, we have in the past experienced, and may in the future become subject to, system damage, disruptions or shutdowns due to any number of causes, including cyber-attacks, data breaches, employee error or malfeasance, power outages, telecommunication or utility failures, systems failures, service provider failures, natural disasters or other catastrophic events. For example, in January 2021, we detected a ransomware attack impacting certain of our systems (the “**Ransomware Incident**”). In response, we proactively shut-down a number of our systems, which impacted certain of our operations, including our ability to produce and ship paper and packaging. Due to these actions, our mill system production was approximately 115,000 tons lower than planned for the quarter ended March 31, 2021 and we estimate the pre-tax income impact of the lost sales and operational disruption of this incident, as well as ransomware recovery costs, at approximately \$80 million. In response to the Ransomware Incident, we accelerated information technology investments that we had previously planned to make in future periods in order to further strengthen our information security and technology infrastructure. As a result, we have incurred and expect to continue to incur, significant costs as we enhance our data security and take further steps to prevent unauthorized access to, or manipulation of, our systems and data. Despite these efforts, we may not have identified and remediated all of the potential causes of the Ransomware Incident and similar incidents may occur in the future. In particular, the Ransomware Incident may embolden individuals or groups to target our systems.

The cyber-security-related vulnerabilities that we face may also remain undetected for an extended period of time. We may face other challenges and risks during our integration of acquired businesses and operations as we upgrade and standardize our information technology systems. We maintain contingency plans and processes to prevent or mitigate the impact of these events; however, these events could result in operational disruptions like those we suffered in connection with the Ransomware Incident or the misappropriation of sensitive data, and depending on their nature and scope, could lead to the compromise of confidential information, improper use of our systems and networks, manipulation and destruction of data, defective products, production downtimes, operational disruptions and exposure to liability. Such disruptions or misappropriations and the resulting repercussions, including reputational damage and legal claims or proceedings, may adversely affect our results of operations, cash flows and financial condition, and the trading price of our Common Stock.

### ***We May Be Adversely Impacted By Work Stoppages and Other Labor Relations Matters***

A significant number of our union employees are governed by CBAs. Expired contracts are in the process of renegotiation and others expire within one year. We may not be able to successfully negotiate new union contracts without work stoppages or labor difficulties or renegotiate them on favorable terms. We have experienced work

stoppages in the past and may experience them in the future. If we are unable to successfully renegotiate the terms of any of these agreements, or if we experience any extended interruption of operations at any of our facilities as a result of strikes or other work stoppages, our results of operations, cash flows and financial condition, and the trading price of our Common Stock, could be adversely affected. In addition, our businesses rely on vendors, suppliers and other third parties that have union employees. Strikes or work stoppages affecting these vendors, suppliers and other third parties could adversely affect our results of operations, cash flows and financial condition, and the trading price of our Common Stock.

***We Operate in a Challenging Market for Talent and May Fail to Attract, Motivate, Train and Retain Qualified Personnel, Including Key Personnel***

Our success depends on our ability to attract, motivate, train and retain employees with the skills necessary to understand and adapt to the continuously developing needs of our customers. The increasing demand for qualified personnel makes it more difficult for us to attract and retain employees with requisite skill sets, particularly employees with specialized technical and trade experience. Changing demographics and labor work force trends also may result in a loss of knowledge and skills as workers with more tenure and experience retire. The market for both hourly workers and professional workers was particularly challenging in fiscal 2021. The market for hourly workers was, and remains, very competitive. In certain locations where we operate, the demand for labor has exceeded the supply of labor, resulting in higher costs. Despite our focused efforts to attract and retain employees, including by offering higher levels of compensation in certain instances, we experienced attrition rates within our hourly workforce in fiscal 2021 that exceeded historical levels and we incurred higher operating costs at certain of our facilities in the form of higher levels of overtime pay. The market for professional workers was, and remains, similarly challenging. Many of our professional workers continue to work from home as part of our COVID-19 protocols and, although in most instances we expect to offer flexible working arrangements in the future, we may experience higher levels of attrition within our professional workforce. In addition, in September 2021, President Biden issued an executive order directing the Occupational Safety and Health Administration to create rules requiring U.S. employers with 100 or more employees to require COVID-19 vaccinations or weekly employee testing before coming to work. OSHA issued the ETS on November 5, 2021. On November 12, 2021, the U.S. Court of Appeals for the Fifth Circuit issued an order staying enforcement and implementation of the ETS. Implementation of these rules could cause us to experience additional challenges in retaining our employees. We expect that the market for both hourly workers and professional workers will remain challenging at least through fiscal 2022. If we fail to attract, motivate, train and retain qualified personnel, or if we experience excessive turnover, we may experience declining sales, manufacturing delays or other operating inefficiencies, increased recruiting, training and relocation costs and other difficulties, and our results of operations, cash flows and financial condition, and the trading price of our Common Stock may be adversely impacted.

We rely on key executive and management personnel to manage our business efficiently and effectively. The loss of these employees, particularly during a challenging market for attracting and retaining employees, could adversely affect our results of operations, cash flows and financial condition, and the trading price of our Common Stock may be adversely impacted.

***We May Be Subject to Physical, Operational and Financial Risks Associated with Climate Change***

Our physical assets and infrastructure may be subject to risks from volatile and damaging weather patterns. For example, extreme, weather-related events, such as hurricanes, tornados, extreme storms, wildfires, and floods, could result in physical damage to our facilities and lost production. Unpredictable weather patterns also may result in supply chain disruptions and increased material costs. The ability to harvest the virgin fiber used in our manufacturing operations may be limited, and prices for this raw material may fluctuate, during prolonged periods of heavy rain or during tree disease or insect epidemics that may be caused by variations in climate conditions. Other climate-related business risks that we face include risks related to the transition to a lower-carbon economy, such as increased prices for certain fuels, including natural gas; the introduction of a carbon tax; increased regulations; and more stringent and/or complex environmental and other permitting requirements. To the extent that climate-related risks materialize, and we are unprepared for them, we may incur unexpected costs, which could have a material effect on our financial results of operations.

## Financial Risks

### ***We May Be Adversely Affected by Factors That Are Beyond Our Control, Such as U.S. and Worldwide Economic and Financial Market Conditions, and Social and Political Change***

Our businesses may be adversely affected by a number of factors that are beyond our control, including, but not limited to:

- general economic and business conditions;
- changes in tax laws or tax rates and conditions in the financial services markets, including counterparty risk, insurance carrier risk, rising interest rates, inflation, deflation, fluctuations in the value of local currency versus the U.S. dollar and the impact of a stronger U.S. dollar;
- financial uncertainties in our major international markets;
- social and political change impacting matters such as tax policy, sustainability, environmental regulations and trade policies and agreements; or
- government deficit reduction and other austerity measures in specific countries or regions, or in the various industries in which we operate.

For example, we may experience lower demand for our products and the products of our customers that utilize our products if economic conditions in the U.S. and globally (including in Europe, Brazil and Mexico) deteriorate and result in higher unemployment rates, lower family income, unfavorable currency exchange rates, lower corporate earnings, lower business investment or lower consumer spending. In addition, changes in trade policy, including renegotiating or potentially terminating, existing bilateral or multilateral agreements, as well as the imposition of tariffs, could impact demand for our products and the costs associated with certain of our capital investments. Macro-economic challenges may also lead to changes in tax laws or tax rates that may have a material impact on our future cash taxes, effective tax rate or deferred tax assets and liabilities. For example, the Biden Administration has proposed significant changes to the U.S. tax laws, including an increase to the federal corporate tax rate, limiting deductions where certain conditions exist, and several proposals that would have the combined effect of increasing the U.S. taxation on profits earned outside the U.S. We are not able to predict with certainty economic and financial market conditions, and social and political change, and our results of operations, cash flows and financial condition, and the trading price of our Common Stock, could be adversely affected by adverse market conditions and social and political change.

### ***We Have Had Significant Levels of Indebtedness in the Past and May Incur Significant Levels of Indebtedness in the Future, Which Could Adversely Affect Our Financial Condition and Impair Our Ability to Operate Our Business***

At September 30, 2021, we had \$8.2 billion of debt outstanding compared to \$9.4 billion at September 30, 2020. The level of our indebtedness could have important consequences, including:

- a portion of our cash flows from operations will be dedicated to payments on indebtedness and will not be available for other purposes, including operations, capital expenditures and future business opportunities, including acquisitions;
- we may be limited in our ability to obtain additional financing for working capital, capital expenditures, future business opportunities, acquisitions, general corporate and other purposes;
- our indebtedness that is subject to variable rates of interest exposes us to increased debt service obligations in the event of increased interest rates;
- we may be limited in our ability to adjust to changing market conditions, which would place us at a competitive disadvantage compared to competitors that have less debt; and
- our vulnerability to a downturn in general economic conditions or in our business may increase, and we may be unable to carry out important capital spending.

Certain of our variable rate debt uses the London Interbank Offered Rate (“**LIBOR**”) as a benchmark for establishing the interest rate. In March 2021, the U.K. Financial Conduct Authority announced that all LIBOR settings will either cease to be provided by any administrator or no longer be representative immediately after December 31, 2021 for sterling, euro, Swiss franc and Japanese yen settings, and the one-week and two-month



U.S. dollar settings and immediately after June 30, 2023 for the remaining U.S. dollar settings. In instances where we have not yet incorporated LIBOR-replacement provisions into the credit agreements governing our variable rate debt that uses LIBOR as an interest rate benchmark, we will need to do so before June 30, 2023. The discontinuation and replacement of LIBOR or any other benchmark rates may have an unpredictable impact on contractual mechanics in the credit markets or cause disruption to the broader financial markets. Uncertainty as to the nature of such potential discontinuation and replacement, including that any benchmark replacement may not be the economic equivalent of LIBOR or not achieve market acceptance similar to LIBOR, may negatively impact the cost of our variable rate debt.

We are subject to agreements that require us to meet and maintain certain financial ratios and covenants and may restrict us from, among other things, disposing of assets and incurring additional indebtedness. These restrictions may limit our flexibility to respond to changing market conditions and competitive pressures.

***Credit Rating Downgrades Could Increase Our Borrowing Costs or Otherwise Adversely Affect Us***

Some of our outstanding indebtedness has received credit ratings from rating agencies. Our credit ratings could change based on, among other things, our results of operations and financial condition. Credit ratings are subject to ongoing evaluation by credit rating agencies and may be lowered, suspended or withdrawn entirely by a rating agency or placed on a “watch list” for a possible downgrade or assigned a “negative outlook”. Actual or anticipated changes or downgrades in our credit ratings, including any announcement that our ratings are under review for a downgrade or have been assigned a negative outlook, could increase our borrowing costs, which could in turn adversely affect our results of operations, cash flows and financial condition, and the trading price of our Common Stock. If a downgrade were to occur or a negative outlook were to be assigned, it could impact our ability to access the capital markets to raise debt and/or increase the associated costs. In addition, while our credit ratings are important to us, we may take actions and otherwise operate our business in a manner that adversely affects our credit ratings.

We sell short-term receivables from certain customer trade accounts on a revolving basis. Any downgrade of the credit rating or deterioration of the financial condition of these customers may make it more costly or difficult for us to engage in these activities, which could adversely affect our cash flows and liquidity.

***We Have a Significant Amount of Goodwill and Other Intangible Assets and a Write-Down Would Adversely Impact Our Operating Results and Shareholders' Equity***

At September 30, 2021, the carrying value of our goodwill and intangible assets was \$9.3 billion. We review the carrying value of our goodwill for impairment annually, or more frequently when impairment indicators exist. The impairment test requires us to analyze a number of factors and make estimates that require judgment. In fiscal 2021, our reporting units had fair values that exceeded their carrying values by more than 20% each. Future changes in the cost of capital, expected cash flows, changes in our business strategy and external market conditions, among other factors, could require us to record an impairment charge for goodwill, which could lead to decreased assets and reduced net income. If a significant write down were required, the charge could have a material adverse effect on our operating results and shareholders' equity, and could impact the trading price of our Common Stock. In fiscal 2020, we recorded a pre-tax non-cash goodwill impairment of approximately \$1.3 billion in our Consumer Packaging reporting unit.

***We May Incur Additional Restructuring Costs and May Not Realize Expected Benefits from Restructuring***

We have previously restructured portions of our operations and likely will engage in future restructuring initiatives. Because we are not able to predict with certainty market conditions, including changes in the supply and demand for our products, the loss of large customers, the selling prices for our products or our manufacturing costs, we may not be able to predict with certainty the appropriate time to undertake restructurings. The cash and non-cash costs associated with these activities vary depending on the type of facility impacted, with the non-cash cost of a mill closure generally being more significant than that of a converting facility due to the higher level of investment. Restructuring activities may divert the attention of management, disrupt our operations and fail to achieve the intended cost and operations benefits.

***We May Utilize Our Cash Flow or Incur Additional Indebtedness to Increase our Investment in Gondi, S.A. de C.V. (“Grupo Gondi”) or We May Decrease our Investment in Grupo Gondi***

In connection with our investment in the joint venture with Grupo Gondi, we entered into an option agreement pursuant to which we and certain other shareholders of Grupo Gondi agreed to future put and call options with respect to the equity interests in the joint venture held by each party. We own 32.3% of the joint venture. Pursuant to the option agreement, our joint venture partners may call our 32.3% equity interest at a predetermined price between October 1, 2021 and April 1, 2022. At any time after April 1, 2022, we may elect to sell, and upon such election our joint venture partners will be obligated to buy, all of our equity interest at a price as determined under the provisions of the agreement. Any arrangement pursuant to which we decrease our ownership in Grupo Gondi would reduce the geographical diversity of our business and may limit our growth opportunities in Mexico. Any arrangement pursuant to which we increase our ownership in Grupo Gondi may require us to dedicate a substantial portion of our cash flow to satisfy our payment or investment obligations, which may reduce the amount of funds available for our operations, capital expenditures and corporate development activities or require us to incur additional indebtedness or issue equity securities.

***We May Incur Withdrawal Liability and/or Increased Funding Requirements in Connection with MEPPs***

We participate in several MEPPs. Our contributions to any particular MEPP may increase based on the declining funded status of a MEPP and legal requirements, such as those of the Pension Act, which require substantially underfunded MEPPs to implement a funding improvement plan (“**FIP**”) or a rehabilitation plan (“**RP**”) to improve their funded status. The funded status of a MEPP may be impacted by, among other items, a shrinking contribution base as a result of the insolvency or withdrawal of other companies that currently contribute to these plans, the inability or failure of companies withdrawing from the plan to pay their withdrawal liability, low interest rates, changes in actuarial assumptions and/or lower than expected returns on pension fund assets.

We believe that certain of the MEPPs in which we participate or have participated, including PIUMPF, have material unfunded vested benefits. We submitted formal notification to withdraw from MEPPs in the past and have recorded withdrawal liabilities, including an estimate of our portion of PIUMPF’s accumulated funding deficiency. We may withdraw from other MEPPs in the future. At September 30, 2021, we had \$247.1 million of withdrawal liabilities, including liabilities associated with PIUMPF’s accumulated funding deficiency demands. In July 2021, PIUMPF filed suit against us in the U.S. District Court for the Northern District of Georgia claiming the right to recover our pro rata share of the pension fund’s accumulated funding deficiency. The impact of increased contributions, future funding obligations or future withdrawal liabilities may adversely affect our results of operations, cash flows and financial condition, and the trading price of our Common Stock. See “**Note 5. Retirement Plans — Multiemployer Plans**” of the Notes to Consolidated Financial Statements for additional information.

**Legal and Regulatory Risks**

***We are Subject to a Wide Variety of Laws, Regulations and Other Requirements That are Subject to Change and May Impose Substantial Compliance Costs***

We are subject to a wide variety of federal, state, local and foreign laws, regulations and other requirements, including those relating to the environment, product safety, competition, corruption, occupational health and safety, labor and employment, data privacy, tax and health care. These laws, regulations and other requirements may change or be applied or interpreted in ways that will require us to modify our equipment and/or operations, subject us to enforcement risk, expose us to reputational harm or impose on or require us to incur additional costs, including substantial compliance costs, which may adversely affect our results of operations, cash flows and financial condition, and the trading price of our Common Stock.

We have incurred, and expect to continue to incur, significant capital, operating and other expenditures to comply with applicable environmental laws and regulations. Our environmental expenditures include those related to air and water quality, waste disposal and the cleanup of contaminated soil and groundwater, including situations where we have been identified as a PRP. Because environmental laws and regulations are constantly evolving, we will continue to incur costs to maintain compliance and our compliance costs could increase materially. Future compliance with existing and new laws and requirements has the potential to disrupt our business operations and may require significant expenditures, and our existing reserves for specific matters may not be adequate to cover future costs. In particular, our manufacturing operations consume significant amounts of energy, and we may in the

future incur additional or increased capital, operating and other expenditures from changes due to new or increased climate-related and other environmental requirements. We could also incur substantial liabilities, including fines or sanctions, enforcement actions, natural resource damages claims, cleanup and closure costs, and third-party claims for property damage and personal injury under environmental and common laws.

The Foreign Corrupt Practices Act of 1977 and local anti-bribery laws, including those in Brazil, China, Mexico, India and the United Kingdom (where we maintain operations directly or through a joint venture), prohibit companies and their intermediaries from making improper payments to government officials for the purpose of influencing official decisions. Our internal control policies and procedures, or those of our vendors, may not adequately protect us from reckless or criminal acts committed or alleged to have been committed by our employees, agents or vendors. Any such violations could lead to civil or criminal monetary and non-monetary penalties and/or could damage our reputation.

We are subject to a number of labor and employment and occupational health and safety laws and regulations that could significantly increase our operating costs and reduce our operational flexibility. Additionally, changing privacy laws in the United States (where, among others, the California Consumer Privacy Act became effective in 2020 and its successor, the California Privacy Rights Act, which will be effective January 1, 2023), Europe (where the General Data Protection Regulation became effective in 2018), Brazil (where the Lei Geral de Proteção de Dados became effective in 2020), China (where the Personal Information Protection Law became effective on November 1, 2021) and elsewhere have created new individual privacy rights, imposed increased obligations on companies handling personal data and increased potential exposure to fines and penalties.

#### **Item 1B. UNRESOLVED STAFF COMMENTS**

There are no unresolved SEC staff comments.

#### **Item 2. PROPERTIES**

We operate locations in North America, including the majority of U.S. states, South America, Europe, Asia and Australia. We lease our principal offices in Atlanta, GA. We believe that our existing production capacity is adequate to serve existing demand for our products and consider our plants and equipment to be in good condition.

Our corporate offices, significant regional offices and operating facilities as of September 30, 2021 are summarized below:

| Segment                                    | Number of Facilities |            |            |
|--------------------------------------------|----------------------|------------|------------|
|                                            | Owned                | Leased     | Total      |
| Corrugated Packaging                       | 113                  | 67         | 180        |
| Consumer Packaging                         | 79                   | 42         | 121        |
| Corporate and significant regional offices | —                    | 11         | 11         |
| Total                                      | <u>192</u>           | <u>120</u> | <u>312</u> |

The tables that follow show our annual production capacity in thousands of tons by mill at September 30, 2021, unless stated otherwise. Our mill system production levels and operating rates may vary from year to year due to changes in market and other factors, including weather-related events. Our simple average mill system operating rates for the last three years averaged 91%. We own all of our mills. At September 30, 2021, we also own approximately 135,000 acres of forestlands in Brazil.

### Corrugated Packaging Mills - annual production capacity in thousands of tons

| Location of Mill                   | Linerboard   | Medium       | White Top<br>Linerboard | Kraft<br>Paper/Bag | Saturating<br>Kraft /<br>Folding<br>Carton | Market<br>Pulp | Bleached<br>Paperboard | Total<br>Capacity |
|------------------------------------|--------------|--------------|-------------------------|--------------------|--------------------------------------------|----------------|------------------------|-------------------|
| Longview, WA                       | 460          | 265          |                         | 375                |                                            |                |                        | 1,100             |
| Fernandina Beach, FL               | 950          |              |                         |                    |                                            |                |                        | 950               |
| West Point, VA                     |              | 200          | 750                     |                    |                                            |                |                        | 950               |
| Stevenson, AL                      |              | 885          |                         |                    |                                            |                |                        | 885               |
| Solvay, NY                         | 548          | 272          |                         |                    |                                            |                |                        | 820               |
| Hodge, LA                          | 800          |              |                         |                    |                                            |                |                        | 800               |
| Tres Barras, Brazil <sup>(1)</sup> | 520          | 230          |                         |                    |                                            |                |                        | 750               |
| Florence, SC                       | 710          |              |                         |                    |                                            |                |                        | 710               |
| Panama City, FL                    | 353          |              |                         |                    |                                            | 292            |                        | 645               |
| Dublin, GA                         | 137          | 137          |                         | 341                |                                            |                |                        | 615               |
| North Charleston, SC               | 235          |              |                         |                    | 370                                        |                |                        | 605               |
| Seminole, FL                       | 402          | 198          |                         |                    |                                            |                |                        | 600               |
| Hopewell, VA                       | 527          |              |                         |                    |                                            |                |                        | 527               |
| Tacoma, WA                         | 105          |              | 275                     | 60                 |                                            | 70             |                        | 510               |
| Roanoke Rapids, NC                 | 290          |              |                         | 210                |                                            |                |                        | 500               |
| La Tuque, QC                       |              |              | 345                     |                    |                                            |                | 131                    | 476               |
| Cowpens, SC                        | 45           | 185          |                         |                    |                                            |                |                        | 230               |
| St. Paul, MN                       |              | 200          |                         |                    |                                            |                |                        | 200               |
| Morai, India                       | 155          | 25           |                         |                    |                                            |                |                        | 180               |
| Total Capacity <sup>(2)</sup>      | <u>6,237</u> | <u>2,597</u> | <u>1,370</u>            | <u>986</u>         | <u>370</u>                                 | <u>362</u>     | <u>131</u>             | <u>12,053</u>     |

(1) Reflects the fiscal 2021 completion of the expansion project and annual capacity once the strategic project is fully ramped up.

(2) Our fiber sourcing for our Corrugated Packaging mills is approximately 63% virgin and 37% recycled.

### Consumer Packaging Mills - annual production capacity in thousands of tons

| Location of Mill                         | Bleached<br>Paperboard | Coated<br>Natural<br>Kraft | Coated<br>Recycled<br>Paperboard | Specialty<br>Recycled<br>Paperboard | Linerboard | Market<br>Pulp | Total<br>Capacity |
|------------------------------------------|------------------------|----------------------------|----------------------------------|-------------------------------------|------------|----------------|-------------------|
| Mahrt, AL                                |                        | 1,035                      |                                  |                                     |            |                | 1,035             |
| Covington, VA                            | 950                    |                            |                                  |                                     |            |                | 950               |
| Evadale, TX <sup>(1)</sup>               | 385                    | 95                         |                                  |                                     | 180        |                | 660               |
| Demopolis, AL                            | 360                    |                            |                                  |                                     |            | 110            | 470               |
| St. Paul, MN                             |                        |                            | 170                              |                                     |            |                | 170               |
| Battle Creek, MI                         |                        |                            | 160                              |                                     |            |                | 160               |
| Chattanooga, TN                          |                        |                            |                                  | 140                                 |            |                | 140               |
| Dallas, TX                               |                        |                            | 127                              |                                     |            |                | 127               |
| Lynchburg, VA                            |                        |                            |                                  | 118                                 |            |                | 118               |
| Sheldon Springs, VT<br>(Missisquoi Mill) |                        |                            | 111                              |                                     |            |                | 111               |
| Stroudsburg, PA                          |                        |                            | 80                               |                                     |            |                | 80                |
| Eaton, IN                                |                        |                            |                                  | 64                                  |            |                | 64                |
| Aurora, IL                               |                        |                            |                                  | 32                                  |            |                | 32                |
| Total Capacity <sup>(2)</sup>            | <u>1,695</u>           | <u>1,130</u>               | <u>648</u>                       | <u>354</u>                          | <u>180</u> | <u>110</u>     | <u>4,117</u>      |

(1) Reflects the expected annual capacity and product mix after deferring the October 2020 announced machine shutdown.

(2) Our fiber sourcing for our Consumer Packaging mills is approximately 75% virgin and 25% recycled.

The production at our Lynchburg, VA mill is gypsum paperboard liner and the paper machine at this mill is owned by our Seven Hills joint venture. Our overall fiber sourcing for all of our mills is approximately 65% virgin and 35% recycled.

**Item 3. *LEGAL PROCEEDINGS***

We are a defendant in a number of lawsuits and claims arising out of the conduct of our business. While the ultimate results of such suits or other proceedings against us cannot be predicted with certainty, we believe the resolution of these matters will not have a material adverse effect on our consolidated financial condition, results of operations or cash flows.

See “**Note 17. Commitments and Contingencies**” of the Notes to Consolidated Financial Statements for additional information.

**Item 4. *MINE SAFETY DISCLOSURES***

Not applicable.

## PART II: FINANCIAL INFORMATION

### Item 5. **MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

#### Common Stock

Our Common Stock trades on the New York Stock Exchange (“NYSE”) under the symbol “WRK”. As of November 5, 2021, there were approximately 6,145 stockholders of record of our Common Stock. The number of stockholders of record includes one single stockholder, Cede & Co., for all of the shares of our Common Stock held by our stockholders in individual brokerage accounts maintained at banks, brokers and institutions.

#### Dividends

Our short-term goal has been to reduce debt and leverage and return capital to stockholders through a competitive annual dividend. Our longer-term capital allocation priorities include (i) investing in our business, (ii) consistently growing our dividend, (iii) maintaining our investment grade profile, (iv) pursuing tuck-in acquisitions that align to our strategy and generate attractive returns, and (v) opportunistic share repurchases.

In October 2021, our board of directors declared a quarterly dividend of \$0.25 per share, representing a \$1.00 per share annualized dividend or an increase of 25% since our February 2021 dividend. The recent decisions to increase our dividend reflect the confidence we have in our business and our ability to generate strong cash flows, as well as the progress we have made in reducing debt since we began implementing the WestRock Pandemic Action Plan in May 2020. In fiscal 2021, we paid an annual dividend of \$0.88 per share compared to \$1.33 per share in fiscal 2020 and \$1.82 per share in fiscal 2019. See Item 7. “**Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Cash Flow Activity**”, for additional information.

#### Securities Authorized for Issuance Under Equity Compensation Plans

See Part III, Item 12 of this Form 10-K and “**Note 19. Stockholders’ Equity**” of the Notes to Consolidated Financial Statements for additional information.

#### Stock Repurchase Plan

The following table presents information with respect to purchases of our Common Stock that we made during the three months ended September 30, 2021:

| Period                                 | Total Number of Shares Purchased | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs |
|----------------------------------------|----------------------------------|------------------------------|----------------------------------------------------------------------------------|--------------------------------------------------------------------------------|
| July 1, 2021 – July 31, 2021           | —                                | \$ —                         | —                                                                                | 19,128,697                                                                     |
| August 1, 2021 – August 31, 2021       | 1,977,928                        | 50.65                        | 1,977,928                                                                        | 17,150,769                                                                     |
| September 1, 2021 – September 30, 2021 | 509,061                          | 48.89                        | 509,061                                                                          | 16,641,708                                                                     |
| Total                                  | <u>2,486,989</u>                 |                              | <u>2,486,989</u>                                                                 |                                                                                |

(1) In July 2015, our board of directors authorized a repurchase program of up to 40.0 million shares of our Common Stock, representing approximately 15% of our outstanding Common Stock as of July 1, 2015. The shares of our Common Stock may be repurchased over an indefinite period of time at the discretion of management. See “**Note 19. Stockholders’ Equity**” of the Notes to Consolidated Financial Statements for additional information.

### Item 6. **[RESERVED]**

## Item 7. **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

### **OVERVIEW**

We are a multinational provider of sustainable fiber-based paper and packaging solutions. We partner with our customers to provide differentiated, sustainable paper and packaging solutions that help them win in the marketplace. Our team members support customers around the world from our operating and business locations in North America, South America, Europe, Asia and Australia.

#### **Organization**

On November 2, 2018, we completed the KapStone Acquisition. As a result, among other things, the Company became the ultimate parent of WRKCo, KapStone and their respective subsidiaries, and the Company changed its name to "WestRock Company" and WRKCo changed its name to "WRKCo Inc.". See "**Note 3. Acquisitions and Investments**" of the Notes to Consolidated Financial Statements for additional information.

#### **Presentation**

We report our financial results of operations in the following two reportable segments: Corrugated Packaging, which consists of our containerboard mills, corrugated packaging and distribution operations, as well as our merchandising displays and recycling procurement operations; and Consumer Packaging, which consists of our consumer mills, food and beverage and partition operations. Prior to the completion of our monetization program in fiscal 2020, we had a third reportable segment, Land and Development, which previously sold real estate, primarily in the Charleston, SC region. Following completion of the monetization of these assets, we ceased reporting the results of the Land and Development segment as a separate segment. We have not included a discussion of the Land and Development segment below as its net sales and segment income are not significant. See "**Note 7. Segment Information**" of the Notes to Consolidated Financial Statements for certain disclosures with respect to our former Land and Development segment.

In the first quarter of fiscal 2022, we expect to realign our segments and will disclose three reportable segments: Packaging, which will consist of our converting operations and associated integrated profit from our mill system; Paper, which will consist of third-party paper sales and associated profit from our mill system; and Distribution, which will consist of our distribution business combined with our merchandising display assembly operations.

A detailed discussion of the fiscal 2021 year-over-year changes can be found below and a detailed discussion of fiscal 2020 year-over-year changes can be found in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the fiscal year ended September 30, 2020.

#### **Acquisitions**

From time to time, we have completed acquisitions that have expanded our product and geographic scope, allowed us to increase our integration levels and impacted our comparative financials. We expect to continue to evaluate similar potential acquisitions in the future, although the size of individual acquisitions may vary. Below we summarize certain of these acquisitions.

On November 2, 2018, we completed the KapStone Acquisition. KapStone was a leading North American producer and distributor of containerboard, corrugated products and specialty papers, including liner and medium containerboard, kraft papers and saturating kraft. KapStone also owned Victory Packaging, a packaging solutions distribution company with facilities in the U.S., Canada and Mexico. We have included the financial results of KapStone in our Corrugated Packaging segment since the date of the acquisition.

See "**Note 3. Acquisitions and Investments**" of the Notes to Consolidated Financial Statements for additional information. See also Item 1A. "**Risk Factors — We May Be Unsuccessful in Making and Integrating Mergers, Acquisitions and Investments, and Completing Divestitures**".

## **EXECUTIVE SUMMARY**

In fiscal 2021, we continued to pursue our strategy of offering differentiated, sustainable paper and packaging solutions that help our customers win. As a result of our broad portfolio, 188 customers bought at least \$1 million from each of our Corrugated Packaging and Consumer Packaging segments in fiscal 2021. Net sales of \$18,746.1 million for fiscal 2021 increased \$1,167.3 million, or 6.6%, compared to fiscal 2020 primarily due to higher selling price/mix and higher volumes. In the second quarter of fiscal 2021, we experienced lost sales associated with the Ransomware Incident and winter weather events (the “**Events**”) and we estimate these Events decreased net sales by approximately \$189.1 million. Additionally, we experienced aggregate favorable impact of foreign currency across our segments. Volumes in fiscal 2020 were negatively impacted by COVID-19, primarily in the last half of the fiscal year.

Segment income increased \$211.3 million in fiscal 2021 compared to fiscal 2020, primarily due to higher Consumer Packaging and Corrugated Packaging segment income. A detailed review of our performance appears below under “**Results of Operations**”.

We generated \$2,279.9 million of net cash provided by operating activities in fiscal 2021, compared to \$2,070.7 million in fiscal 2020. The increase was primarily due to a \$141.0 million net decrease in the use of working capital compared to the prior year period, including the payment of certain fiscal 2020 bonuses and the Company’s 401(k) match and annual company contribution (i.e. up to 5% and 2.5%, respectively) in the form of stock, rather than cash, and deferral of certain payroll taxes in connection with the WestRock Pandemic Action Plan. See “**COVID-19 RESPONSE — WestRock Pandemic Action Plan**” for more information. We invested \$815.5 million in capital expenditures in fiscal 2021 while returning \$233.8 million in dividends to our stockholders and repurchasing \$122.4 million of Common Stock. We believe our strong balance sheet and cash flow provide us the flexibility to continue to invest to sustain and improve our operating performance. See “**Liquidity and Capital Resources**” for more information.

Earnings per diluted share was \$3.13 in fiscal 2021 compared to loss per diluted share of \$2.67 in fiscal 2020. Adjusted Earnings Per Diluted Share were \$3.39 and \$2.75 in fiscal 2021 and 2020, respectively. The loss per diluted share in fiscal 2020 was driven by a pre-tax non-cash goodwill impairment of \$1,333.2 million in our Consumer Packaging reporting unit.

A detailed review of our fiscal 2021 and 2020 performance appears below under “**Results of Operations**”.

### **Ransomware Incident**

As previously disclosed, on January 23, 2021, we detected a ransomware incident impacting certain of our systems. Promptly upon our detection of this incident, we initiated response and containment protocols and our security teams, supplemented by leading cyber defense firms, worked to remediate this incident. These actions included taking preventative measures, including shutting down certain systems out of an abundance of caution, as well as taking steps to supplement existing security monitoring, scanning and protective measures. We notified law enforcement and contacted our customers to apprise them of the situation.

We undertook extensive efforts to identify, contain and recover from this incident quickly and securely. Our teams worked to maintain our business operations and minimize the impact on our customers and teammates. In our second quarter Form 10-Q, we announced that all systems were back in service. All of our mills and converting locations began producing and shipping paper and packaging at pre-ransomware levels in March 2021 or earlier. Our mill system production was approximately 115,000 tons lower than planned for the quarter ended March 31, 2021 as a result of this incident. While shipments from some of our facilities initially lagged behind production levels, this gap closed as systems were restored during the second quarter of fiscal 2021. In locations where technology issues were identified, we used alternative methods, in many cases manual methods, to process and ship orders. We systematically brought our information systems back online in a controlled, phased approach.

We estimate the pre-tax income impact of the lost sales and operational disruption of this incident on our operations in the second quarter of fiscal 2021 was approximately \$50 million, as well as approximately \$20 million of ransomware recovery costs, primarily professional fees. In addition, we incurred approximately \$9 million of ransomware recovery costs in the third quarter of fiscal 2021. In the fourth quarter of fiscal 2021, we recorded a \$15 million credit for preliminary recoveries – approximately \$10 million as a reduction of selling, general, and administrative expenses (“**SG&A**”) excluding intangible amortization and approximately \$5 million as a reduction of



cost of goods sold. We expect to recover substantially all of the remaining ransomware losses from cyber and business interruption insurance in future periods. Disputes over the extent of insurance coverage for claims are not uncommon, and there will be a time lag between the incurrence of costs and the receipt of any insurance proceeds.

In response to the ransomware event, we accelerated information technology investments that we had previously planned to make in future periods in order to further strengthen our information security and technology infrastructure. We engaged a leading cybersecurity defense firm that completed a forensics investigation of the ransomware incident and we are taking appropriate actions in response to the findings. For example, in the short-term, we reset all credentials Company-wide and strengthened security tooling across our servers and workstations. Longer term, in collaboration with our strategic partners, we established a roadmap to advance the maturity and effectiveness of our information security and resiliency capabilities. This roadmap includes initiatives to further strengthen our information security posture across the Company, and to enable us to potentially detect, respond to and recover from security and technical incidents in a faster and more effective manner. More specifically, we are progressing projects to bolster our security monitoring capabilities, strengthen our access controls, reduce risks associated with third-parties, and to enhance the information security of our mills and plants.

See Item 1A. ***“Risk Factors — We are Subject to Cyber-Security Risks, Including Related to Customer, Employee, Vendor or Other Company Data”***.

### **Expectations for the First Quarter of Fiscal 2022 and Fiscal 2022**

In the first quarter of fiscal 2022, we expect a sequential decline in net sales and earnings from the fourth quarter of fiscal 2021 reflecting the normal season sequential volume declines in many of our businesses and scheduled mill maintenance outages. We expect lower volume with three fewer shipping days during the first quarter of fiscal 2022, although in line with shipping days in the first quarter of fiscal 2021. Due to delays in mill maintenance in fiscal 2021 for items such as COVID-19 and the Ransomware Incident, we expect approximately 200,000 tons of maintenance downtime, the peak maintenance outage period for fiscal 2022. We expect sequential cost inflation driven primarily by higher natural gas, transportation, and recycled and virgin fiber costs along with increased health insurance costs prior to the annual reset of employee deductibles. However, we expect the flow through of the previously published price increases we are implementing to more than offset inflation.

In fiscal 2022, we expect solid demand across most of our end markets and continued flow through of the previously published price increases. We expect record sales and operating profit despite continued commodity input cost inflation and productivity unavoidably affected by supply chain challenges and higher labor costs that may persist through the fiscal year. We expect the implementation of previously published price increases will outpace inflation despite our expectation for higher recycled fiber, energy, virgin fiber, chemical and transportation costs. In addition, we expect to benefit from the fiscal 2021 completion of strategic investments such as the new paper machine at our Florence, SC mill and our Tres Barras mill upgrade. We expect our planned mill maintenance outage schedule will be approximately 100,000 tons higher than in fiscal 2021.

With the completion of certain of our strategic projects in fiscal 2021, including the paper machine at our Florence, SC mill and the Tres Barras mill upgrade project, we expect capital expenditures of approximately \$1.0 billion in fiscal 2022.

### **COVID-19 RESPONSE**

#### **WestRock Pandemic Action Plan**

Given the uncertainties associated with the severity and duration of the pandemic, in May 2020 we announced, and began implementing, the WestRock Pandemic Action Plan. We are continuing to focus on the protection, safety and well-being of our teammates and continuing to match our supply with our customers' demand. We have modified the WestRock Pandemic Action Plan as the impact of COVID-19 has evolved. For example, we changed our capital expenditure assumptions, increased our May 2021 dividend, and in October 2021, announced an

incremental increase to our November 2021 dividend, in each case as described below. We expect that the actions that we have undertaken and will continue to undertake pursuant to the plan will provide an additional approximately \$1 billion in cash through the end of calendar 2021 that we will be able to use to reduce our outstanding indebtedness. In fiscal 2020, we achieved more than \$350 million of the approximately \$1 billion goal set forth in the WestRock Pandemic Action Plan, as modified. As of September 30, 2021, we had achieved more than \$975 million of the approximately \$1 billion goal. The ultimate level achieved has been impacted by modifications such as increased capital investments and increased dividends as we modified the WestRock Pandemic Action Plan.

Pursuant to the WestRock Pandemic Action Plan, we took a series of actions that were designed to protect the safety and well-being of our teammates and preserve cash that could be used to pay down our outstanding debt, all while continuing to match our supply with our customers' demand. For example, we committed to (i) reducing discretionary expenses, (ii) using Common Stock to make Company funded 401(k) match and annual contribution (i.e. up to 5% and 2.5%, respectively) from July 1, 2020 through September 30, 2021 (final period funded in October 2021), (iii) targeting a reduction of fiscal 2021 capital investments to a range of \$800 million to \$900 million, up from an initial range of \$600 to \$800 million (we invested \$815.5 million in fiscal 2021), and (iv) resetting our quarterly dividend to \$0.20 per share for an annual rate of \$0.80 per share, which we did in May 2020. We paid quarterly dividends of \$0.24 per share in May 2021 and August 2021 and in October 2021, our board of directors declared a quarterly dividend of \$0.25 per share, representing a \$1.00 per share annualized dividend or an increase of 25% since our February 2021 dividend. The recent decisions to increase our dividend reflects the confidence we have in our business and our ability to generate strong cash flows, as well as the progress we have made in reducing debt since we began implementing the WestRock Pandemic Action Plan.

In addition to the items addressed above, we (i) decreased the salaries of our senior executive team by up to 25% from May 1, 2020 through December 31, 2020 and decreased the retainer for members of our board of directors by 25% for the third and fourth calendar quarters of 2020, (ii) used Common Stock to pay our annual incentive for fiscal 2020 for nearly all participants and set the payout level at 50% of the target opportunity subject to a safety modifier, as well as for Company funded 401(k) match and our annual contribution as noted above, and (iii) postponed \$116.5 million of employment taxes incurred through the end of calendar year 2020, pursuant to relief offered under the Coronavirus Aid, Relief and Economic Security ("CARES") Act. We also reduced fiscal 2020 capital investments to \$978.1 million after targeting to reduce them by approximately \$150 million to approximately \$950 million. We expect to pay the employment taxes deferred under the CARES Act as required, 50% by December 2021 and the remaining 50% by December 2022.

During fiscal 2021, we recorded \$38.4 million of expense related to COVID-19, including \$22.0 million of relief payments to employees in the first quarter of fiscal 2021. The balance was for increased costs for safety, cleaning and other items related to COVID-19. During fiscal 2020, we provided one-time COVID-19 recognition awards to our teammates who work in manufacturing and operations and recognized expense of \$31.6 million for those awards. During fiscal 2020, we also incurred an additional expense of \$32.4 million for cleaning, safety supplies and equipment, screening resources and other items. We began tracking the impact of costs related to COVID-19 in the third quarter of fiscal 2020. We expect to continue to incur expenses for these items as needed in the future.

## RESULTS OF OPERATIONS

The following table summarizes our consolidated results for the two years ended September 30, 2021:

| (In millions)                                                          | Year Ended September 30, |                   |
|------------------------------------------------------------------------|--------------------------|-------------------|
|                                                                        | 2021                     | 2020              |
| Net sales                                                              | \$ 18,746.1              | \$ 17,578.8       |
| Cost of goods sold                                                     | 15,315.8                 | 14,381.6          |
| Gross profit                                                           | 3,430.3                  | 3,197.2           |
| Selling, general and administrative, excluding intangible amortization | 1,759.3                  | 1,624.4           |
| Selling, general and administrative intangible amortization            | 357.1                    | 400.5             |
| Loss (gain) on disposal of assets                                      | 4.1                      | (16.3)            |
| Multiemployer pension withdrawal income                                | (2.9)                    | (1.1)             |
| Restructuring and other costs                                          | 31.5                     | 112.7             |
| Goodwill impairment                                                    | —                        | 1,333.2           |
| Operating profit (loss)                                                | 1,281.2                  | (256.2)           |
| Interest expense, net                                                  | (372.3)                  | (393.5)           |
| Loss on extinguishment of debt                                         | (9.7)                    | (1.5)             |
| Pension and other postretirement non-service income                    | 134.9                    | 103.3             |
| Other income, net                                                      | 10.9                     | 9.5               |
| Equity in income of unconsolidated entities                            | 40.9                     | 15.8              |
| Income (loss) before income taxes                                      | 1,085.9                  | (522.6)           |
| Income tax expense                                                     | (243.4)                  | (163.5)           |
| Consolidated net income (loss)                                         | 842.5                    | (686.1)           |
| Less: Net income attributable to noncontrolling interests              | (4.2)                    | (4.8)             |
| Net income (loss) attributable to common stockholders                  | <u>\$ 838.3</u>          | <u>\$ (690.9)</u> |

### **Net Sales (Unaffiliated Customers)**

Net sales in fiscal 2021 increased \$1,167.3 million, or 6.6%, compared to fiscal 2020 primarily due to higher selling price/mix and higher volumes. In the second quarter of fiscal 2021, we experienced lost sales associated with the Events that we estimate decreased net sales by approximately \$189.1 million. Additionally, we experienced aggregate favorable impact of foreign currency across our segments. Volumes in fiscal 2020 were negatively impacted by COVID-19, primarily in the last half of the fiscal year. The change in net sales by segment is outlined below in ***“Results of Operations — Corrugated Packaging Segment”*** and ***“Results of Operations — Consumer Packaging Segment”***.

### **Cost of Goods Sold**

Cost of goods sold increased to \$15,315.8 million in fiscal 2021 compared to \$14,381.6 million in fiscal 2020. Cost of goods sold as a percentage of net sales was 81.7% in fiscal 2021 compared to 81.8% in fiscal 2020. The increase in cost of goods sold in fiscal 2021 compared to fiscal 2020 was primarily due to higher volumes, increased cost inflation and other items, including operational disruption associated with the Events. These items were partially offset by productivity improvements and other items. In fiscal 2020, we incurred approximately \$4.5 million of direct costs and property damage associated with Hurricane Michael, and received Hurricane Michael-related insurance proceeds of \$32.3 million and recorded a reduction of cost of goods sold of \$32.1 million in connection with an indirect tax claim in Brazil, primarily in the Corrugated Packaging segment. The Hurricane Michael-related insurance proceeds were for \$20.6 million of direct costs and property damage and for \$11.7 million for business interruption recoveries. In fiscal 2021, we recorded costs of goods sold of \$35.4 million related to COVID-19 primarily for relief payments to employees and increased costs for safety, cleaning and other items related to COVID-19. We began to track and report the impact of COVID-19 on fiscal 2020 in the third fiscal quarter. Fiscal 2020 includes costs of goods sold of \$56.5 million associated with COVID-19, including one-time recognition awards to our teammates who work in manufacturing and operations recorded in the third quarter of fiscal 2020, increased costs for safety, cleaning and other items related to COVID-19. We expect to continue to

incur additional costs related to safety, cleaning and other items related to COVID-19 as needed in the foreseeable future. We discuss these items in greater detail below in ***“Results of Operations — Corrugated Packaging Segment”*** and ***“Results of Operations — Consumer Packaging Segment”***.

### **Selling, General and Administrative, Excluding Intangible Amortization**

SG&A excluding intangible amortization increased \$134.9 million to \$1,759.3 million in fiscal 2021 compared to fiscal 2020 primarily due to a \$119.8 million increase in bonus and stock-based compensation expense as a result of expected fiscal 2021 payments being higher than fiscal 2020 payments, including a \$9.6 million acceleration of stock-based compensation in connection with the departure of our former Chief Executive Officer in the second quarter of fiscal 2021. In addition, we incurred increased aggregate costs for consulting, professional and legal fees of \$21.2 million compared to the prior year period, primarily associated with the Ransomware Incident. These increases were partially offset by a \$29.4 million decrease in bad debt expense compared to the prior year period, as well as a \$18.4 million reduction in travel and entertainment associated with prolonged shelter-in-place orders in response to the ongoing effects of COVID-19. SG&A excluding intangible amortization as a percentage of net sales increased in fiscal 2021 to 9.4% from 9.2% in fiscal 2020.

### **Selling, General and Administrative Intangible Amortization**

SG&A intangible amortization was \$357.1 million and \$400.5 million in fiscal 2021 and 2020, respectively. The decline was primarily attributable to certain intangibles from prior acquisitions reaching full amortization.

### **Restructuring and Other Costs**

We recorded aggregate pre-tax restructuring and other costs of \$31.5 million and \$112.7 million for fiscal 2021 and 2020, respectively. These amounts are not comparable since the timing and scope of the individual actions associated with each restructuring, acquisition, integration or divestiture vary. We generally expect the integration of a closed facility’s assets and production with other facilities to enable the receiving facilities to better leverage their fixed costs while eliminating fixed costs from the closed facility. See ***“Note 4. Restructuring and Other Costs”*** of the Notes to Consolidated Financial Statements for additional information, including a description of the type of costs incurred. We have restructured portions of our operations from time to time and it is likely that we will engage in additional restructuring opportunities in the future. See also Item 1A. ***“Risk Factors — We May Incur Additional Restructuring Costs and May Not Realize Expected Benefits from Restructuring”***.

### **Goodwill Impairment**

In fiscal 2020, we recorded a pre-tax non-cash goodwill impairment of \$1,333.2 million in our Consumer Packaging reporting unit. The impairment was driven by the expected lower volumes and cash flows related to certain external SBS end markets, including commercial print, tobacco and plate and cup stock markets. In fiscal 2021, no impairments were recorded as all reporting units that have goodwill have a fair value that exceeded their carrying values by more than 20% each.

### **Interest Expense, net**

Interest expense, net was \$372.3 million and \$393.5 million for fiscal 2021 and 2020, respectively. The decrease was primarily due to lower debt levels in the current fiscal year that was partially offset by higher interest rates in the current fiscal year. Additionally, fiscal 2020 was impacted by \$20.5 million of interest income recorded in connection with an indirect tax claim in Brazil partially offset by a \$15.0 million increase in interest expense associated with the remeasurement of our multiemployer pension liabilities. See ***“Note 17. Commitments and Contingencies — Indirect Tax Claim”*** of the Notes to Consolidated Financial Statements for additional information. See Item 1A. ***“Risk Factors — We Have Had Significant Levels of Indebtedness in the Past and May Incur Significant Levels of Indebtedness in the Future, Which Could Adversely Affect Our Financial Condition and Impair Our Ability to Operate Our Business”***.

### **Pension and Other Postretirement Non-Service Income**

Pension and other postretirement non-service income was \$134.9 million and \$103.3 million in fiscal 2021 and 2020, respectively. The increase was primarily due to the increase in plan asset balances used to determine the

expected return on plan assets for fiscal 2021. Customary pension and other postretirement (income) costs are included in segment income. See “**Note 5. Retirement Plans**” of the Notes to Consolidated Financial Statements for more information.

### **Other Income, net**

Other income, net was \$10.9 million and \$9.5 million in fiscal 2021 and 2020, respectively. Fiscal 2021 primarily included a \$16.5 million gain on sale of the Summerville, SC sawmill and a \$16.0 million gain on sale of a legacy cost method investment, which were partially offset by a \$22.5 million charge associated with not exercising an option to purchase an additional equity interest in Grupo Gondi.

### **Equity in Income of Unconsolidated Entities**

We recorded equity in income of unconsolidated entities of \$40.9 million in fiscal 2021 compared to \$15.8 million in fiscal 2020. The increase was driven by earnings improvement across the portfolio, most notably, our joint venture with Grupo Gondi.

### **Provision for Income Taxes**

We recorded income tax expense of \$243.4 million for fiscal 2021 at an effective tax rate of 22.4%, compared to an income tax expense of \$163.5 million at an effective tax rate of (31.3)% in fiscal 2020, due to the loss before income tax in fiscal 2020. See “**Note 6. Income Taxes**” of the Notes to Consolidated Financial Statements for additional information, including a table reconciling the statutory federal tax rate to our effective tax rate. Excluding the effect of the goodwill impairment, which was largely not tax deductible, our effective tax rate was 22.5% in fiscal 2020.

### **Hurricane Michael**

In October 2018, our containerboard and pulp mill located in Panama City, FL sustained extensive damage from Hurricane Michael. We shut down the mill's operations in advance of the hurricane's landfall. Repair work was completed on the two paper machines and related infrastructure during June 2019. In the first quarter of fiscal 2020, we settled our property damage and business interruption insurance claim for \$212.3 million (net of our \$15 million deductible) and received the remaining \$32.3 million of insurance proceeds (we received \$180.0 million in fiscal 2019 that consisted of \$55.3 million of business interruption recoveries and \$124.7 million for direct costs and property damage). The insurance proceeds received in fiscal 2020 consisted of \$11.7 million of business interruption recoveries and \$20.6 million for direct costs and property damage.

## **Corrugated Packaging Segment**

### **Corrugated Packaging Shipments**

Corrugated Packaging shipments are expressed as a tons equivalent, which includes external and intersegment tons shipped from our Corrugated Packaging mills plus Corrugated Packaging container shipments converted from billion square feet (“**BSF**”) to tons. We have presented the Corrugated Packaging shipments in two groups: North American and Brazil / India because we believe investors, potential investors, securities analysts and others find this breakout useful when evaluating our operating performance. The table below reflects shipments in thousands of tons, BSF and millions of square feet (“**MMSF**”) per shipping day. The number of shipping days vary by geographic location.

North American Corrugated Packaging Shipments

|                                                                   | First<br>Quarter | Second<br>Quarter | Third<br>Quarter | Fourth<br>Quarter | Fiscal<br>Year |
|-------------------------------------------------------------------|------------------|-------------------|------------------|-------------------|----------------|
| <u>Fiscal 2020</u>                                                |                  |                   |                  |                   |                |
| North American Corrugated Packaging Shipments - thousands of tons | 2,591.2          | 2,618.8           | 2,504.4          | 2,504.4           | 10,218.8       |
| North American Corrugated Containers Shipments - BSF              | 23.9             | 23.8              | 23.2             | 24.9              | 95.8           |
| North American Corrugated Containers Per Shipping Day - MMSF      | 385.9            | 371.2             | 369.3            | 388.0             | 378.6          |
| <u>Fiscal 2021</u>                                                |                  |                   |                  |                   |                |
| North American Corrugated Packaging Shipments - thousands of tons | 2,519.3          | 2,485.2           | 2,582.7          | 2,688.7           | 10,275.9       |
| North American Corrugated Containers Shipments - BSF              | 25.4             | 24.7              | 25.3             | 24.6              | 100.0          |
| North American Corrugated Containers Per Shipping Day - MMSF      | 416.7            | 391.5             | 402.0            | 383.6             | 398.2          |

Brazil / India Corrugated Packaging Shipments

|                                                                   | First<br>Quarter | Second<br>Quarter | Third<br>Quarter | Fourth<br>Quarter | Fiscal<br>Year |
|-------------------------------------------------------------------|------------------|-------------------|------------------|-------------------|----------------|
| <u>Fiscal 2020</u>                                                |                  |                   |                  |                   |                |
| Brazil / India Corrugated Packaging Shipments - thousands of tons | 168.1            | 182.5             | 176.4            | 185.1             | 712.1          |
| Brazil / India Corrugated Containers Shipments - BSF              | 1.7              | 1.6               | 1.6              | 1.9               | 6.8            |
| Brazil / India Corrugated Containers Per Shipping Day - MMSF      | 22.9             | 21.3              | 21.0             | 24.3              | 22.4           |
| <u>Fiscal 2021</u>                                                |                  |                   |                  |                   |                |
| Brazil / India Corrugated Packaging Shipments - thousands of tons | 156.8            | 183.9             | 194.9            | 201.1             | 736.7          |
| Brazil / India Corrugated Containers Shipments - BSF              | 1.8              | 1.9               | 1.9              | 2.1               | 7.7            |
| Brazil / India Corrugated Containers Per Shipping Day - MMSF      | 23.5             | 24.5              | 26.0             | 26.4              | 25.1           |

## **Corrugated Packaging Segment – Net Sales and Income**

| (In millions, except percentages) | Net Sales <sup>(1)</sup> | Segment Income    | Return on Sales |
|-----------------------------------|--------------------------|-------------------|-----------------|
| <b>Fiscal 2020</b>                |                          |                   |                 |
| First Quarter                     | \$ 2,909.5               | \$ 283.4          | 9.7%            |
| Second Quarter                    | 2,882.5                  | 244.5             | 8.5             |
| Third Quarter                     | 2,728.8                  | 227.9             | 8.4             |
| Fourth Quarter                    | 2,898.4                  | 281.9             | 9.7             |
| Total                             | <u>\$ 11,419.2</u>       | <u>\$ 1,037.7</u> | <u>9.1%</u>     |
| <b>Fiscal 2021</b>                |                          |                   |                 |
| First Quarter                     | \$ 2,864.5               | \$ 215.0          | 7.5%            |
| Second Quarter                    | 2,913.4                  | 205.3             | 7.0             |
| Third Quarter                     | 3,167.1                  | 321.7             | 10.2            |
| Fourth Quarter                    | 3,398.7                  | 374.8             | 11.0            |
| Total                             | <u>\$ 12,343.7</u>       | <u>\$ 1,116.8</u> | <u>9.0%</u>     |

(1) Net Sales before intersegment eliminations

### ***Net Sales (Aggregate) — Corrugated Packaging Segment***

Net sales before intersegment eliminations for the Corrugated Packaging segment increased \$924.5 million in fiscal 2021 compared to fiscal 2020 primarily reflecting \$675.7 million of higher selling price/mix and \$298.0 million of higher volumes that was partially offset by \$25.2 million of unfavorable impact of foreign currency. Volumes were negatively impacted by an estimated \$77.0 million and \$39.9 million due to the Ransomware Incident and winter weather, respectively, in the second quarter of fiscal 2021. Volumes in fiscal 2020 were negatively impacted by COVID-19, primarily in the last half of the fiscal year. Record North American per day box shipments during the fiscal year ended September 30, 2021 increased 5.2% compared to the prior fiscal year.

### ***Segment Income — Corrugated Packaging Segment***

Segment income attributable to the Corrugated Packaging segment in fiscal 2021 increased \$79.1 million compared to fiscal 2020, primarily due to \$686.5 million of margin impact from higher selling price/mix, \$93.7 million of higher volumes excluding the Events, \$24.8 million of lower depreciation and amortization, primarily due to accelerated depreciation incurred in the prior year period associated with the Florence, SC paper machine project and the North Charleston, SC reconfiguration project, an estimated \$19.9 million of lower economic downtime and other items, including higher segment income related to our North Charleston, SC mill and the Florence, SC mill following last year's reconfiguration and paper machine projects. The impact of COVID-19 recognition awards to our manufacturing and operations teammates and increased costs for safety, cleaning and other items related to COVID-19 for fiscal 2020 was \$33.5 million compared to \$20.8 million in fiscal 2021. These items were partially offset by an estimated \$553.3 million of net cost inflation, an estimated \$69.6 million of lower productivity, \$42.6 million of estimated impact from the Ransomware Incident, \$27.8 million of Hurricane Michael insurance recoveries net of direct costs and \$29.1 million of decreased indirect tax claims in Brazil both in the prior year period, \$15.9 million of estimated impact from winter weather in the second quarter of fiscal 2021 and other items. Net cost inflation consisted primarily of higher recovered fiber, wage and other, energy, freight, chemical and virgin fiber costs compared to the prior fiscal year.

## **Consumer Packaging Segment**

### **Consumer Packaging Shipments**

Consumer Packaging shipments are expressed as a tons equivalent, which includes external and intersegment tons shipped from our Consumer Packaging mills plus Consumer Packaging converting shipments converted from BSF to tons. The shipment data table excludes gypsum paperboard liner tons produced by Seven Hills since it is not consolidated.

|                                                  | First<br>Quarter | Second<br>Quarter | Third<br>Quarter | Fourth<br>Quarter | Fiscal<br>Year |
|--------------------------------------------------|------------------|-------------------|------------------|-------------------|----------------|
| <b>Fiscal 2020</b>                               |                  |                   |                  |                   |                |
| Consumer Packaging Shipments - thousands of tons | 922.4            | 987.7             | 984.5            | 976.8             | 3,871.4        |
| <b>Fiscal 2021</b>                               |                  |                   |                  |                   |                |
| Consumer Packaging Shipments - thousands of tons | 940.4            | 913.0             | 987.4            | 998.4             | 3,839.2        |

### **Consumer Packaging Segment – Net Sales and Income**

| (In millions, except percentages) | Net Sales <sup>(1)</sup> | Segment<br>Income | Return<br>on Sales |
|-----------------------------------|--------------------------|-------------------|--------------------|
| <b>Fiscal 2020</b>                |                          |                   |                    |
| First Quarter                     | \$ 1,536.9               | \$ 46.2           | 3.0%               |
| Second Quarter                    | 1,616.3                  | 90.8              | 5.6                |
| Third Quarter                     | 1,552.6                  | 95.3              | 6.1                |
| Fourth Quarter                    | 1,627.2                  | 91.4              | 5.6                |
| Total                             | <u>\$ 6,333.0</u>        | <u>\$ 323.7</u>   | <u>5.1%</u>        |
| <b>Fiscal 2021</b>                |                          |                   |                    |
| First Quarter                     | \$ 1,595.1               | \$ 92.5           | 5.8%               |
| Second Quarter                    | 1,589.9                  | 81.2              | 5.1                |
| Third Quarter                     | 1,734.7                  | 132.0             | 7.6                |
| Fourth Quarter                    | 1,783.0                  | 151.6             | 8.5                |
| Total                             | <u>\$ 6,702.7</u>        | <u>\$ 457.3</u>   | <u>6.8%</u>        |

(1) Net Sales before intersegment eliminations

### ***Net Sales (Aggregate) — Consumer Packaging Segment***

Net sales before intersegment eliminations for the Consumer Packaging segment increased \$369.7 million in fiscal 2021 compared to the prior year primarily due to \$202.6 million of higher selling price/mix, \$78.3 million of higher volumes and \$88.5 million of favorable impact of foreign currency. Volumes were negatively impacted by an estimated \$40.5 million and \$31.7 million due to the Ransomware Incident and winter weather, respectively, in the second quarter of fiscal 2021. Additionally, volumes in fiscal 2020 were negatively impacted by COVID-19, primarily in the last half of the fiscal year.

### ***Segment Income — Consumer Packaging Segment***

Segment income attributable to the Consumer Packaging segment in fiscal 2021 increased \$133.6 million compared to the prior year. Segment income in the period increased primarily due to \$168.3 million of margin impact from higher selling price/mix, an estimated \$158.4 million of productivity improvements, \$35.6 million of higher volumes excluding the Events, an estimated \$31.0 million of lower economic downtime, and other items. The impact of COVID-19 recognition awards to our manufacturing and operations teammates and increased costs for safety, cleaning and other items related to COVID-19 for fiscal 2020 was \$25.1 million compared to \$15.8 million in fiscal 2021. These items were partially offset by an estimated \$225.4 million of net cost inflation, an estimated \$14.1 million impact of winter weather, an estimated \$13.3 million impact of the Ransomware Incident, and other items. Net cost inflation consisted primarily of higher wage and other, recovered fiber, chemical, energy and freight costs.



## LIQUIDITY AND CAPITAL RESOURCES

We fund our working capital requirements, capital expenditures, mergers, acquisitions and investments, restructuring activities, dividends and stock repurchases from net cash provided by operating activities, borrowings under our credit facilities, proceeds from our accounts receivable sales agreements, proceeds from the sale of property, plant and equipment removed from service and proceeds received in connection with the issuance of debt and equity securities. See “**Note 13. Debt**” of the Notes to Consolidated Financial Statements for more information regarding our debt. Funding for our domestic operations in the foreseeable future is expected to come from sources of liquidity within our domestic operations, including cash and cash equivalents, and available borrowings under our credit facilities. As such, our foreign cash and cash equivalents are not expected to be a key source of liquidity to our domestic operations.

We are a party to enforceable and legally binding contractual obligations involving commitments to make payments to third parties. These obligations impact our short-term and long-term liquidity and capital resource needs. Certain contractual obligations are reflected on the consolidated balance sheet as of September 30, 2021, while others are considered future obligations. Our contractual obligations primarily consist of items such as: long-term debt, including current portion, lease obligations, purchase obligations and other obligations. See Item 7. “**Management’s Discussion and Analysis of Financial Condition and Results of Operations — Contractual Obligations**”, for additional information.

Cash and cash equivalents were \$290.9 million at September 30, 2021 and \$251.1 million at September 30, 2020. Approximately three-fourths of the cash and cash equivalents at September 30, 2021 were held outside of the U.S. The proportion of cash and cash equivalents held outside of the U.S. generally varies from period to period. At September 30, 2021, total debt was \$8,194.1 million, \$168.8 million of which was current. At September 30, 2020, total debt was \$9,430.6 million, \$222.9 million of which was current. Included in our total debt at September 30, 2021 was \$192.4 million of non-cash acquisition related step-up. Total debt was primarily impacted by net cash provided by operating activities exceeding aggregate capital expenditures, dividends and stock repurchases.

At September 30, 2021, we had approximately \$3.7 billion of availability under our long-term committed credit facilities and cash and cash equivalents. Our primary availability is under our revolving credit facilities and receivables securitization facility, the majority of which matures on November 21, 2024. This liquidity may be used to provide for ongoing working capital needs and for other general corporate purposes, including acquisitions, dividends and stock repurchases. On September 10, 2021, we redeemed \$400 million aggregate principal amount of our 4.900% senior notes due March 2022 using cash and cash equivalents and recorded a loss on extinguishment of debt of \$8.6 million.

Certain restrictive covenants govern our maximum availability under our credit facilities. We test and report our compliance with all of these covenants as required by these facilities and were in compliance with all of these covenants at September 30, 2021.

At September 30, 2021, we had \$63.2 million of outstanding letters of credit not drawn upon.

We use a variety of working capital management strategies including supply chain financing (“**SCF**”) programs, vendor financing and commercial card programs, monetization facilities where we sell short-term receivables to third-party financial institutions and a receivables securitization facility. We describe these programs below and in the Notes to Consolidated Financial Statements.

We engage in certain customer-based SCF programs to accelerate the receipt of payment for outstanding accounts receivables from certain customers. Certain costs of these programs are borne by the customer or us. Receivables transferred under these customer-based supply chain finance programs generally meet the requirements to be accounted for as sales in accordance with guidance under Financial Accounting Standards Board’s (“**FASB**”) Accounting Standards Codification (“**ASC**”) 860, “*Transfers and Servicing*” (“**ASC 860**”) resulting in derecognition of such receivables from our consolidated balance sheets. Receivables involved with these customer-based supply chain financing programs constitute approximately 2% of our annual net sales. In addition, we have monetization facilities that sell to third-party financial institutions all of the short-term receivables generated from certain customer trade accounts. For a discussion of our monetization facilities see “**Note 12. Fair Value — A/R Sales Agreements**”.

Our working capital management strategy includes working with our suppliers to revisit terms and conditions, including the extension of payment terms. Our current payment terms with the majority of our suppliers generally range from payable upon receipt to 120 days and vary for items such as the availability of cash discounts. We do not believe our payment terms will be shortened significantly in the near future, and we do not expect our net cash provided by operating activities to be significantly impacted by additional extensions of payment terms. Certain financial institutions offer voluntary SCF programs that enable our suppliers, at their sole discretion, to sell their receivables from us to the financial institutions on a non-recourse basis at a rate that leverages our credit rating and thus might be more beneficial to our suppliers. We and our suppliers agree on commercial terms for the goods and services we procure, including prices, quantities and payment terms, regardless of whether the supplier elects to participate in SCF programs. The suppliers sell us goods or services and issue the associated invoices to us based on the agreed-upon contractual terms. The due dates of the invoices are not extended due to the supplier's participation in SCF programs. Our suppliers, at their sole discretion if they choose to participate in a SCF program, determine which invoices, if any, they want to sell to the financial institutions. No guarantees are provided by us under SCF programs and we have no economic interest in a supplier's decision to participate in the SCF program. Therefore, amounts due to our suppliers that elect to participate in SCF programs are included in the line item accounts payable and accrued expenses in our consolidated balance sheets and the activity is reflected in net cash provided by operating activities in our consolidated statements of cash flows. Based on correspondence with the financial institutions that are involved with our two primary SCF programs, while the amount suppliers elect to sell to the financial institutions varies from period to period, the amount generally averages approximately 15% of our accounts payable balance.

We also participate in certain vendor financing and commercial card programs to support our travel and entertainment expenses and smaller vendor purchases. Amounts outstanding under these programs are classified as debt primarily because we receive the benefit of extended payment terms and a rebate from the financial institution that we would not have otherwise received without the financial institutions' involvement. We also have a receivables securitization facility that allows for borrowing availability based on the eligible underlying accounts receivable and compliance with certain covenants. For a discussion of our receivables securitization facility and the amount outstanding under our vendor financing and commercial card programs see "**Note 13. Debt**" of the Notes to Consolidated Financial Statements for additional information.

### **Cash Flow Activity**

| (In millions)                             | Year Ended September 30, |              |
|-------------------------------------------|--------------------------|--------------|
|                                           | 2021                     | 2020         |
| Net cash provided by operating activities | \$ 2,279.9               | \$ 2,070.7   |
| Net cash used for investing activities    | \$ (676.0)               | \$ (921.5)   |
| Net cash used for financing activities    | \$ (1,580.4)             | \$ (1,021.1) |

Net cash provided by operating activities during fiscal 2021 increased \$209.2 million from fiscal 2020 primarily due to higher consolidated net income and a \$141.0 million net decrease in the use of working capital compared to the prior year.

Net cash used for investing activities of \$676.0 million in fiscal 2021 consisted primarily of \$815.5 million for capital expenditures that were partially offset by \$58.5 million of proceeds from the sale of the Summerville, SC sawmill, \$44.9 million of proceeds from corporate owned life insurance and \$29.5 million of proceeds from the sale of investments. Net cash used for investing activities of \$921.5 million in fiscal 2020 consisted primarily of \$978.1 million for capital expenditures that were partially offset by \$35.0 million of proceeds from the sale of property, plant and equipment and \$16.9 million of proceeds from corporate owned life insurance.

We invested \$815.5 million in capital expenditures in fiscal 2021, which is in the range of the \$800 million to \$900 million we expected to invest heading into the year. With the completion of certain of our strategic projects in fiscal 2021, including the paper machine at our Florence, SC mill and the Tres Barras mill upgrade project, we expect capital expenditures of approximately \$1.0 billion in fiscal 2022. At this level of capital investment, we are confident that we will continue to invest in the appropriate safety, environmental and maintenance projects while also making investments to support productivity and growth in our business. However, it is possible that our capital

expenditure assumptions may change, project completion dates may change, or we may decide to invest a different amount depending upon opportunities we identify, or changes in market conditions, or to comply with environmental or other regulatory changes.

In fiscal 2021, net cash used for financing activities of \$1,580.4 million consisted primarily of a net decrease in debt of \$1,241.3 million and cash dividends paid to stockholders of \$233.8 million and stock repurchases of \$122.4 million. In fiscal 2020, net cash used for financing activities of \$1,021.1 million consisted primarily of a net decrease in debt of \$673.9 million and cash dividends paid to stockholders of \$344.5 million.

We estimate that we will invest approximately \$21 million for capital expenditures during fiscal 2022 in connection with matters relating to environmental compliance. We were obligated to purchase approximately \$249 million of fixed assets at September 30, 2021 for various capital projects. See Item 1A. ***“Risk Factors — Our Capital Expenditures May Not Achieve the Desired Outcomes or May Be Achieved at a Higher Cost than Anticipated”***.

At September 30, 2021, the U.S. federal, state and foreign net operating losses and other U.S. federal and state tax credits available to us aggregated approximately \$59 million in future potential reductions of U.S. federal, state and foreign cash taxes. Based on our current projections, we expect to utilize nearly all of the remaining U.S. federal net operating losses and other U.S. federal credits during the current fiscal year. Foreign and state net operating losses and credits will be used over a longer period of time. Our cash tax rate is highly dependent on our taxable income, utilization of net operating losses and credits, changes in tax laws or tax rates, capital expenditures and other factors. Barring significant changes in our current assumptions, including changes in tax laws or tax rates, forecasted taxable income, levels of capital expenditures and other items, we expect our fiscal 2022 cash tax rate will be slightly lower than our income tax rate. Our cash tax rate in fiscal 2023 and 2024 will be driven slightly higher than our income tax rate primarily due to the absence of certain nonrecurring tax credits, the expected release of a tax reserve and the reduction in capital investments, including the timing of depreciation on our qualifying capital investments as allowed under the Tax Cuts and Jobs Act.

During fiscal 2021 and 2020, we made contributions of \$23.2 million and \$22.5 million, respectively, to our U.S. and non-U.S. pension plans. Based on current facts and assumptions, we expect to contribute approximately \$25 million to our U.S. and non-U.S. pension plans in fiscal 2022. Based on current assumptions, including future interest rates, we estimate that minimum pension contributions to our U.S. and non-U.S. pension plans will be approximately \$23 million to \$24 million annually in fiscal 2023 through 2026. We have made contributions and expect to continue to make contributions in the coming years to our pension plans in order to ensure that our funding levels remain adequate in light of projected liabilities and to meet the requirements of the Pension Act and other regulations. The net overfunded status of our U.S. and non-U.S. pension plans at September 30, 2021 was \$405.1 million. See ***“Note 5. Retirement Plans”*** of the Notes to Consolidated Financial Statements.

In the normal course of business, we evaluate our potential exposure to MEPPs, including with respect to potential withdrawal liabilities. In fiscal 2018, we submitted formal notification to withdraw from PIUMPF and Central States, Southeast and Southwest Areas Pension Plan (***“Central States”***), and recorded estimated withdrawal liabilities for each. We also have liabilities associated with other MEPPs that we, or legacy companies, have withdrawn from in the past. Currently, we pay approximately \$14 million a year in withdrawal liabilities, excluding accumulated funding deficiency demands. With respect to certain other MEPPs, in the event we withdraw from one or more of the MEPPs in the future, it is reasonably possible that we may incur withdrawal liabilities in connection with such withdrawals. Our estimate of any such withdrawal liability, both individually and in the aggregate, is not material for the remaining plans in which we participate. At September 30, 2021 and September 30, 2020, we had withdrawal liabilities recorded of \$247.1 million and \$252.0 million, respectively, including liabilities associated with PIUMPF’s accumulated funding deficiency demands. See ***“Note 5. Retirement Plans — Multiemployer Plans”*** of the Notes to Consolidated Financial Statements for additional information. See also Item 1A. ***“Risk Factors — We May Incur Withdrawal Liability and/or Increased Funding Requirements in Connection with MEPPs”***.

In October 2021, our board of directors declared a quarterly dividend of \$0.25 per share, representing a \$1.00 per share annualized dividend or an increase of 25% since our February 2021 dividend. The recent decisions to increase our dividend reflects the confidence we have in our business and our ability to generate strong cash flows, as well as the progress we have made in reducing debt since we began implementing the WestRock Pandemic Action Plan. In fiscal 2021, we paid an annual dividend of \$0.88 per share (we paid a quarterly dividend of \$0.24, \$0.24, \$0.20 and \$0.20 per share in August 2021, May 2021, February 2021 and November 2020,

respectively) compared to \$1.33 per share in fiscal 2020 (we paid a quarterly dividend of \$0.20, \$0.20, \$0.465 and \$0.465 per share in August 2020, May 2020, February 2020 and November 2019, respectively) and \$1.82 per share in fiscal 2019. In May 2020, we reduced our dividend given the uncertain market conditions at the time driven by COVID-19. We believe the reduction was prudent given the uncertain market conditions at the time and the reduction has allowed us to allocate additional cash to pay down our outstanding debt. Our short-term goal has been to reduce debt and leverage and return capital to stockholders through a competitive annual dividend. Longer term, our capital allocation priorities include (i) investing in our business, (ii) consistently growing our dividend, (iii) maintaining our investment grade profile, (iv) pursue tuck-in acquisitions that align to our strategy and generate attractive returns, and (v) opportunistic share repurchases.

In July 2015, our board of directors authorized a repurchase program of up to 40.0 million shares of our Common Stock, representing approximately 15% of our outstanding Common Stock as of July 1, 2015. Shares of our Common Stock may be purchased from time to time in open market or privately negotiated transactions. The timing, manner, price and amount of repurchases will be determined by management at its discretion based on factors, including the market price of our Common Stock, general economic and market conditions and applicable legal requirements. The repurchase program may be commenced, suspended or discontinued at any time. In fiscal 2021, we repurchased approximately 2.5 million shares of our Common Stock for an aggregate cost of \$125.1 million (a portion of which settled after September 30, 2021). In fiscal 2020, we repurchased no shares of our Common Stock. In fiscal 2019, we repurchased approximately 2.1 million shares of our Common Stock for an aggregate cost of \$88.6 million. As of September 30, 2021, we had approximately 16.6 million shares of Common Stock available for repurchase under the program.

We anticipate that we will be able to fund our capital expenditures, interest payments, dividends and stock repurchases, pension payments, working capital needs, note repurchases, restructuring activities, repayments of current portion of long-term debt and other corporate actions for the foreseeable future from cash generated from operations, borrowings under our credit facilities, proceeds from our accounts receivable sales agreements, proceeds from the issuance of debt or equity securities or other additional long-term debt financing, including new or amended facilities. In addition, we continually review our capital structure and conditions in the private and public debt markets in order to optimize our mix of indebtedness. In connection with these reviews, we may seek to refinance existing indebtedness to extend maturities, reduce borrowing costs or otherwise improve the terms and composition of our indebtedness.

### **Contractual Obligations**

We summarize our enforceable and legally binding contractual obligations at September 30, 2021, and the effect these obligations are expected to have on our liquidity and cash flow in future periods in the following table. Certain amounts in this table are based on management's estimates and assumptions about these obligations, including their duration, the possibility of renewal, anticipated actions by third parties and other factors, including estimated minimum pension plan contributions and estimated benefit payments related to postretirement obligations, supplemental retirement plans and deferred compensation plans. Because these estimates and assumptions are subjective, the enforceable and legally binding obligations we actually pay in future periods may vary from those presented in the table.

| (In millions)                                                                                    | Payments Due by Period |                   |                            |                            |                   |
|--------------------------------------------------------------------------------------------------|------------------------|-------------------|----------------------------|----------------------------|-------------------|
|                                                                                                  | Total                  | Fiscal<br>2022    | Fiscal<br>2023<br>and 2024 | Fiscal<br>2025<br>and 2026 | Thereafter        |
| Long-Term Debt, including current portion,<br>excluding finance lease obligations <sup>(1)</sup> | \$ 7,787.9             | \$ 160.2          | \$ 1,258.2                 | \$ 1,990.4                 | \$ 4,379.1        |
| Lease obligations <sup>(2)</sup>                                                                 | 1,108.9                | 207.0             | 311.3                      | 184.0                      | 406.6             |
| Purchase obligations and other <sup>(3) (4) (5)</sup>                                            | 1,749.2                | 1,021.5           | 221.9                      | 128.8                      | 377.0             |
| <b>Total</b>                                                                                     | <b>\$10,646.0</b>      | <b>\$ 1,388.7</b> | <b>\$ 1,791.4</b>          | <b>\$ 2,303.2</b>          | <b>\$ 5,162.7</b> |

<sup>(1)</sup> Includes only principal payments owed on our debt assuming that all of our long-term debt will be held to maturity, excluding scheduled payments. We have excluded \$142.1 million of fair value of debt step-up, deferred financing costs and unamortized bond discounts from the table to arrive at actual debt obligations. See "Note 13. Debt" of the Notes to Consolidated Financial Statements for information on the interest rates that apply to our various debt instruments.

- (2) See “**Note 14. Leases**” of the Notes to Consolidated Financial Statements for additional information.
- (3) Purchase obligations include agreements to purchase goods or services that are enforceable and legally binding and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provision; and the approximate timing of the transaction. Purchase obligations exclude agreements that are cancelable without penalty.
- (4) We have included future estimated minimum pension plan contributions, MEPP withdrawal payments with definite payout terms and estimated benefit payments related to postretirement obligations, supplemental retirement plans and deferred compensation plans. Our estimates are based on factors, such as discount rates and expected returns on plan assets. Future contributions are subject to changes in our underfunded status based on factors such as investment performance, discount rates, returns on plan assets and changes in legislation. It is possible that our assumptions may change, actual market performance may vary or we may decide to contribute different amounts. We have excluded \$80.2 million of MEPP withdrawal liabilities recorded as of September 30, 2021, including our estimate of the accumulated funding deficiency, due to lack of definite payout terms for certain of the obligations. See “**Note 5. Retirement Plans – Multiemployer Plans**” of the Notes to Consolidated Financial Statements for additional information.
- (5) We have not included the following items in the table:
- An item labeled “other long-term liabilities” reflected on our consolidated balance sheet because these liabilities do not have a defined pay-out schedule.
  - \$250.4 million for certain provisions of ASC 740, “*Income Taxes*” associated with liabilities, primarily for uncertain tax positions due to the uncertainty as to the amount and timing of payment, if any.

In addition to the enforceable and legally binding obligations presented in the table above, we have other obligations for goods and services and raw materials entered into in the normal course of business. These contracts, however, are subject to change based on our business decisions.

### **Expenditures for Environmental Compliance**

See Item 1. “**Business — Governmental Regulation — Environmental**” and “**Business — Governmental Regulation — Climate Change**” for a discussion of our expenditures for environmental compliance.

### **Guarantor Summarized Financial Information**

WRKCo, Inc. (the “**Issuer**”), a wholly owned subsidiary of Parent (as defined below), has issued the following debt securities pursuant to offerings registered under the Securities Act of 1933, as amended (collectively for purposes of this subsection, the “**Notes**”):

| Aggregate<br>Principal<br>Amount<br>(in millions) | Stated<br>Coupon<br>Rate | Maturity Date  | Referred to as:     |
|---------------------------------------------------|--------------------------|----------------|---------------------|
| \$ 500                                            | 3.000%                   | September 2024 | the 2024 Notes      |
| \$ 600                                            | 3.750%                   | March 2025     | the 2025 Notes      |
| \$ 750                                            | 4.650%                   | March 2026     | the 2026 Notes      |
| \$ 500                                            | 3.375%                   | September 2027 | the 2027 Notes      |
| \$ 600                                            | 4.000%                   | March 2028     | the 2028 Notes      |
| \$ 500                                            | 3.900%                   | June 2028      | the June 2028 Notes |
| \$ 750                                            | 4.900%                   | March 2029     | the 2029 Notes      |
| \$ 500                                            | 4.200%                   | June 2032      | the 2032 Notes      |
| \$ 600                                            | 3.000%                   | June 2033      | the June 2033 Notes |

Upon issuance, the Notes maturing in 2024, 2025, 2027 and March 2028 were fully and unconditionally guaranteed by the Company, WRKCo Inc. and WestRock RKT, LLC (“**RKT**”) and WestRock MWV, LLC (“**MWV**”, and together with RKT, the “**Guarantor Subsidiaries**”). On November 2, 2018, in connection with the consummation of the KapStone Acquisition, Whiskey Holdco, Inc. became the direct parent of the Issuer, changed its name to WestRock Company (“**Parent**”) and fully and unconditionally guaranteed these Notes. The remaining Notes were issued by the Issuer subsequent to the consummation of the KapStone Acquisition and were fully and

unconditionally guaranteed at the time of issuance by the Parent and the Guarantor Subsidiaries. Accordingly, each series of the Notes is fully and unconditionally guaranteed on a joint and several basis by the Parent and the Guarantor Subsidiaries (together, the “**Guarantors**”). Collectively, the Issuer and the Guarantors are the “**Obligor Group**”.

Each series of Notes and the related guarantees constitute unsecured unsubordinated obligations of the applicable obligor. Each series of Notes and the related guarantees ranks equally in right of payment with all of the applicable obligor’s existing and future unsecured and unsubordinated debt; ranks senior in right of payment to all of the applicable obligor’s existing and future subordinated debt; is effectively junior to the applicable obligor’s existing and future secured debt to the extent of the value of the assets securing such debt; and is structurally subordinated to all of the existing and future liabilities of each subsidiary of the applicable obligor (that is not itself an obligor) that does not guarantee such Notes.

The indentures governing each series of Notes contain covenants that, among other things, limit our ability and the ability of our subsidiaries to grant liens on our assets and enter into sale and leaseback transactions. In addition, the indentures limit, as applicable, the ability of the Issuer and Guarantors to merge, consolidate or sell, convey, transfer or lease our or their properties and assets substantially as an entirety. The covenants contained in the indentures do not restrict the Company’s ability to pay dividends or distributions to stockholders.

The guarantee obligations of the Guarantors under the Notes are also subject to certain limitations and terms similar to those applicable to other guarantees of similar instruments, including that (i) the guarantees are subject to fraudulent transfer and conveyance laws and (ii) the obligations of each Guarantor under its guarantee of each series of Notes will be limited to the maximum amount as will result in the obligations of such Guarantor under its guarantee of such Notes not to be deemed to constitute a fraudulent conveyance or fraudulent transfer under federal or state law.

Under each indenture governing one or more series of the Notes, a Guarantor Subsidiary will be automatically and unconditionally released from its guarantee upon consummation of any transaction permitted under the applicable indenture resulting in such Guarantor Subsidiary ceasing to be an obligor (either as issuer or guarantor). Under the indentures, the guarantee of the Parent will be automatically released and will terminate upon the merger of the Parent with or into the Issuer or another guarantor, the consolidation of the Parent with the Issuer or another guarantor or the transfer of all or substantially all of the assets of the Parent to the Issuer or a guarantor. In addition, if the Issuer exercises its defeasance or covenant defeasance option with respect to the Notes of a series in accordance with the terms of the applicable indenture, each guarantor will be automatically and unconditionally released from its guarantee of the Notes of such series and all its obligations under the applicable indenture.

The Issuer and each Guarantor is a holding company that conducts substantially all of its business through subsidiaries. Accordingly, repayment of the Issuer’s indebtedness, including the Notes, is dependent on the generation of cash flow by the Issuer’s and each Guarantor’s subsidiaries, as applicable, and their ability to make such cash available to the Issuer and the Guarantors, as applicable, by dividend, debt repayment or otherwise. The Issuer’s and the Guarantors’ subsidiaries may not be able to, or be permitted to, make distributions to enable them to make payments in respect of their obligations, including with respect to the Notes in the case of the Issuer and the guarantees in the case of the Guarantors. Each of the Issuer’s and the Guarantors’ subsidiaries is a distinct legal entity and, under certain circumstances, legal and contractual restrictions may limit the Issuer’s and the Guarantors’ ability to obtain cash from their subsidiaries. In the event that the Issuer and the Guarantors do not receive distributions from their subsidiaries, the Issuer and the Guarantors may be unable to make required principal and interest payments on their obligations, including with respect to the Notes and the guarantees.

Pursuant to amended Rule 3-10 of Regulation S-X, the summarized financial information below is presented for the Obligor Group on a combined basis after the elimination of intercompany balances and transactions among the Obligor Group and equity in earnings from and investments in the non-Guarantor Subsidiaries. The summarized financial information below should be read in conjunction with the Company’s consolidated financial statements contained herein, as the summarized financial information may not necessarily be indicative of results of operations or financial position had the subsidiaries operated as independent entities.

## SUMMARIZED STATEMENT OF OPERATIONS

| (In millions)                                           | Year Ended<br>September 30,<br>2021 |         |
|---------------------------------------------------------|-------------------------------------|---------|
| Net sales to unrelated parties                          | \$                                  | 1,550.4 |
| Net sales to non-Guarantor Subsidiaries                 | \$                                  | 1,049.5 |
| Gross profit                                            | \$                                  | 631.5   |
| Interest expense, net with non-Guarantor Subsidiaries   | \$                                  | (66.8)  |
| Net loss and net loss attributable to the Obligor Group | \$                                  | (94.8)  |

## SUMMARIZED BALANCE SHEETS

| (In millions)                                          | September 30, |             |
|--------------------------------------------------------|---------------|-------------|
|                                                        | 2021          | 2020        |
| <b>ASSETS</b>                                          |               |             |
| Total current assets                                   | \$ 310.4      | \$ 334.8    |
| Noncurrent amounts due from non-Guarantor Subsidiaries | \$ 306.1      | \$ 310.0    |
| Other noncurrent assets <sup>(1)</sup>                 | 1,980.5       | 2,096.7     |
| Total noncurrent assets                                | \$ 2,286.6    | \$ 2,406.7  |
| <b>LIABILITIES</b>                                     |               |             |
| Current amounts due to non-Guarantor Subsidiaries      | \$ 2,281.4    | \$ 1,520.1  |
| Other current liabilities                              | 130.4         | 237.9       |
| Total current liabilities                              | \$ 2,411.8    | \$ 1,758.0  |
| Noncurrent amounts due to non-Guarantor Subsidiaries   | \$ 3,437.4    | \$ 2,821.3  |
| Other noncurrent liabilities                           | 7,296.6       | 8,633.4     |
| Total noncurrent liabilities                           | \$ 10,734.0   | \$ 11,454.7 |

<sup>(1)</sup> Other noncurrent assets includes aggregate goodwill and intangibles, net of \$1,699.2 million and \$1,797.2 million as of September 30, 2021 and September 30, 2020, respectively.

## NON-GAAP FINANCIAL MEASURES

We report our financial results in accordance with generally accepted accounting principles in the U.S. (“GAAP”). However, management believes certain non-GAAP financial measures provide our board of directors, investors, potential investors, securities analysts and others with additional meaningful financial information that should be considered when assessing our ongoing performance. Management also uses these non-GAAP financial measures in making financial, operating and planning decisions, and in evaluating our performance. Non-GAAP financial measures should be viewed in addition to, and not as an alternative for, our GAAP results. The non-GAAP financial measures we present may differ from similarly captioned measures presented by other companies.

We use the non-GAAP financial measures “Adjusted Net Income” and “Adjusted Earnings Per Diluted Share”. Management believes these measures provide our board of directors, investors, potential investors, securities analysts and others with useful information to evaluate our performance because they exclude restructuring and other costs and other specific items that management believes are not indicative of the ongoing operating results of the business. We and our board of directors use this information to evaluate our performance relative to other periods. We believe that the most directly comparable GAAP measures to Adjusted Net Income and Adjusted

Earnings Per Diluted Share are Net income (loss) attributable to common stockholders and Earnings (loss) per diluted share, respectively.

Set forth below is a reconciliation of the non-GAAP financial measure Adjusted Earnings Per Diluted Share to Earnings (loss) per diluted share, the most directly comparable GAAP measure (in dollars per share) for the periods indicated.

|                                                                               | Years Ended September 30, |                |
|-------------------------------------------------------------------------------|---------------------------|----------------|
|                                                                               | 2021                      | 2020           |
| Earnings (loss) per diluted share                                             | \$ 3.13                   | \$ (2.67)      |
| Goodwill impairment                                                           | —                         | 5.07           |
| Restructuring and other items                                                 | 0.09                      | 0.33           |
| COVID-19 employee payments                                                    | 0.06                      | 0.09           |
| Grupo Gondi option                                                            | 0.06                      | —              |
| Ransomware recovery costs, net of insurance proceeds                          | 0.05                      | —              |
| Accelerated compensation – former CEO                                         | 0.04                      | —              |
| Loss on extinguishment of debt                                                | 0.03                      | —              |
| Losses at closed plants, transition and start-up costs                        | 0.01                      | 0.07           |
| North Charleston and Florence transition and reconfiguration costs            | —                         | 0.13           |
| Accelerated depreciation on major capital projects and certain plant closures | —                         | 0.05           |
| MEPP liability adjustment due to interest rates                               | —                         | 0.05           |
| Gain on sale of investment                                                    | (0.05)                    | —              |
| Gain on sale of sawmill                                                       | (0.03)                    | —              |
| Brazil indirect tax claim                                                     | —                         | (0.14)         |
| Litigation recovery                                                           | —                         | (0.07)         |
| Adjustment related to Tax Cuts and Jobs Act                                   | —                         | (0.06)         |
| Direct recoveries from Hurricane Michael, net of related costs                | —                         | (0.05)         |
| Gain on sale of certain closed facilities                                     | —                         | (0.05)         |
| Other                                                                         | —                         | 0.02           |
| Adjustment to reflect adjusted earnings on a fully diluted basis              | —                         | (0.02)         |
| Adjusted Earnings Per Diluted Share                                           | <u>\$ 3.39</u>            | <u>\$ 2.75</u> |



The GAAP results in the tables below for Pre-Tax, Tax and Net of Tax are equivalent to the line items “Income (loss) before income taxes”, “Income tax expense” and “Consolidated net income (loss)”, respectively, as reported on the Consolidated Statements of Operations. Set forth below are reconciliations of Adjusted Net Income to the most directly comparable GAAP measure, Net income (loss) attributable to common stockholders (represented in the table below as the GAAP Results for Consolidated net income (loss) (i.e., Net of Tax) less net income attributable to Noncontrolling interests), for the periods indicated (in millions):

|                                                                                  | Year ended September 30,<br>2021 |                   |                 | Year ended September 30,<br>2020 |                   |                 |
|----------------------------------------------------------------------------------|----------------------------------|-------------------|-----------------|----------------------------------|-------------------|-----------------|
|                                                                                  | Pre-Tax                          | Tax               | Net of<br>Tax   | Pre-Tax                          | Tax               | Net of<br>Tax   |
| As reported                                                                      | \$ 1,085.9                       | \$ (243.4)        | \$ 842.5        | \$ (522.6)                       | \$ (163.5)        | \$ (686.1)      |
| Goodwill impairment                                                              | —                                | —                 | —               | 1,333.2                          | (18.9)            | 1,314.3         |
| Restructuring and other items                                                    | 31.5                             | (7.7)             | 23.8            | 112.7                            | (28.2)            | 84.5            |
| COVID-19 employee payments                                                       | 22.0                             | (5.4)             | 16.6            | 31.6                             | (7.7)             | 23.9            |
| Grupo Gondi option                                                               | 22.5                             | (6.7)             | 15.8            | —                                | —                 | —               |
| Ransomware recovery costs, net of insurance<br>proceeds                          | 18.9                             | (4.7)             | 14.2            | —                                | —                 | —               |
| Accelerated compensation – former CEO                                            | 11.7                             | —                 | 11.7            | —                                | —                 | —               |
| Loss on extinguishment of debt                                                   | 9.7                              | (2.4)             | 7.3             | 1.5                              | (0.4)             | 1.1             |
| Losses at closed plants, transition and<br>start-up costs                        | 3.0                              | (0.6)             | 2.4             | 21.9                             | (5.4)             | 16.5            |
| Accelerated depreciation on major capital<br>projects and certain plant closures | 0.7                              | (0.2)             | 0.5             | 17.3                             | (4.2)             | 13.1            |
| North Charleston and Florence transition and<br>reconfiguration costs            | —                                | —                 | —               | 43.4                             | (10.6)            | 32.8            |
| Multiemployer pension withdrawal expense                                         | —                                | —                 | —               | 0.9                              | (0.2)             | 0.7             |
| Gain on sale of investment                                                       | (16.0)                           | 2.4               | (13.6)          | —                                | —                 | —               |
| Gain on sale of sawmill                                                          | (16.5)                           | 8.3               | (8.2)           | —                                | —                 | —               |
| Gain on sale of certain closed facilities                                        | (0.9)                            | 0.2               | (0.7)           | (15.6)                           | 3.8               | (11.8)          |
| Brazil indirect tax claim                                                        | (0.9)                            | 0.3               | (0.6)           | (51.9)                           | 16.0              | (35.9)          |
| MEPP liability adjustment due to interest rates                                  | (0.4)                            | 0.1               | (0.3)           | 15.0                             | (3.7)             | 11.3            |
| Litigation recovery                                                              | —                                | —                 | —               | (23.9)                           | 5.9               | (18.0)          |
| Adjustment related to Tax Cuts and Jobs Act                                      | —                                | —                 | —               | —                                | (16.4)            | (16.4)          |
| Direct recoveries from Hurricane Michael, net<br>of related costs                | —                                | —                 | —               | (16.1)                           | 4.0               | (12.1)          |
| Land and Development operating results                                           | —                                | —                 | —               | (1.3)                            | 0.3               | (1.0)           |
| Other                                                                            | —                                | —                 | —               | 6.0                              | (1.5)             | 4.5             |
| Adjusted Results                                                                 | <u>\$ 1,171.2</u>                | <u>\$ (259.8)</u> | <u>\$ 911.4</u> | <u>\$ 952.1</u>                  | <u>\$ (230.7)</u> | <u>\$ 721.4</u> |
| Noncontrolling interests                                                         |                                  |                   | (4.2)           |                                  |                   | (4.8)           |
| Adjusted Net Income                                                              |                                  |                   | <u>\$ 907.2</u> |                                  |                   | <u>\$ 716.6</u> |

We discuss certain of these charges in more detail in “**Note 4. Restructuring and Other Costs**”, “**Note 7. Segment Information**” and “**Note 17. Commitments and Contingencies — Indirect Tax Claim**”.

### CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES

We have prepared our accompanying consolidated financial statements in conformity with GAAP, which requires management to make estimates that affect the amounts of revenues, expenses, assets and liabilities reported. Certain significant accounting policies are described in “**Note 1. Description of Business and Summary of Significant Accounting Policies**” of the Notes to Consolidated Financial Statements.

These critical accounting policies are both important to the portrayal of our financial condition and results of operations and require some of management’s most subjective and complex judgments. The accounting for these

matters involves the making of estimates based on current facts, circumstances and assumptions that, in management's judgment, could change in a manner that would materially affect management's future estimates with respect to such matters and, accordingly, could cause our future reported financial condition and results of operations to differ materially from those that we are currently reporting based on management's current estimates.

### **Goodwill**

We review the carrying value of our goodwill annually at the beginning of the fourth quarter of each fiscal year, or more often if events or changes in circumstances indicate that the carrying amount may exceed fair value as set forth in ASC 350, *"Intangibles — Goodwill and Other."* We test goodwill for impairment at the reporting unit level, which is an operating segment or one level below an operating segment, referred to as a component.

ASC 350 allows an optional qualitative assessment, prior to a quantitative assessment test, to determine whether it is "more likely than not" that the fair value of a reporting unit exceeds its carrying amount. We generally do not attempt a qualitative assessment and move directly to the quantitative test. As part of the quantitative test, we utilize the present value of expected cash flows or, as appropriate, a combination of the present value of expected cash flows and the guideline public company method to determine the estimated fair value of our reporting units. This present value model requires management to estimate future cash flows, the timing of these cash flows, and a discount rate (based on a weighted average cost of capital), which represents the time value of money and the inherent risk and uncertainty of the future cash flows. The assumptions we use to estimate future cash flows are consistent with the assumptions that the reporting units use for internal planning purposes, which we believe would be generally consistent with that of a market participant. If we determine that the estimated fair value of the reporting unit exceeds its carrying amount, goodwill of the reporting unit is not impaired. If we determine that the carrying amount of the reporting unit exceeds its estimated fair value, we measure the goodwill impairment charge based on the excess of a reporting unit's carrying amount over its fair value as required under ASU 2017-04, *"Simplifying the Test for Goodwill Impairment"*, which we early adopted starting with our fiscal 2020 annual goodwill impairment test on July 1, 2020. We describe our accounting policy for goodwill further in **"Note 1. Description of Business and Summary of Significant Accounting Policies — Goodwill and Long-Lived Assets"** of the Notes to Consolidated Financial Statements.

During the fourth quarter of fiscal 2021, we completed our annual goodwill impairment testing. We considered factors such as, but not limited to, our expectations for the short-term and long-term impacts of COVID-19, macroeconomic conditions, industry and market considerations, and financial performance, including planned revenue, earnings and capital investments of each reporting unit. The discount rate used for each reporting unit ranged from 8.0% to 12.0%. We used perpetual growth rates in the reporting units ranging from 0.5% to 1.0%. All reporting units that have goodwill were noted to have a fair value that exceeded their carrying values by more than 20% each. If we had concluded that it was appropriate to increase the discount rate we used by 100 basis points to estimate the fair value of each reporting unit, the fair value of each of our reporting units would have continued to exceed its carrying value.

At September 30, 2021, the North American Corrugated, Consumer Packaging, Brazil Corrugated and Victory Packaging reporting units had \$3,518.5 million, \$2,295.9 million, \$103.7 million and \$41.1 million of goodwill, respectively. Our long-lived assets, including intangible assets remain recoverable. Subsequent to our annual test, we monitored industry economic trends until the end of our fiscal year and determined no additional testing for goodwill impairment was warranted. We have not made any material changes to our impairment loss assessment methodology during the past three fiscal years. Currently, we do not believe there is a reasonable likelihood that there will be a material change in future assumptions or estimates we use to calculate impairment losses. However, we cannot predict certain market factors with certainty, including the impact of COVID-19, and have certain risks inherent to our operations as described in Item 1A. **"Risk Factors"**. If actual results are not consistent with our assumptions and estimates, we may be exposed to additional impairment losses that could be material.

See Item 1A. **"Risk Factors — We Have a Significant Amount of Goodwill and Other Intangible Assets and a Write-Down Would Adversely Impact Our Operating Results and Shareholders' Equity"**.

### **Long-Lived Assets**

We follow the provisions included in ASC 360, *"Property, Plant, and Equipment"* in determining whether the carrying value of any of our long-lived assets, including right-of-use assets ("ROU") and amortizing intangibles

other than goodwill, is impaired. We review long-lived assets for impairment when events or changes in circumstances indicate that the carrying amount of the long-lived asset might not be recoverable. If we determine that indicators of impairment are present, we determine whether the estimated undiscounted cash flows for the potentially impaired assets are less than the carrying value. This requires management to estimate future cash flows through operations over the remaining useful life of the asset and its ultimate disposition. The assumptions we use to estimate future cash flows are consistent with the assumptions we use for internal planning purposes, updated to reflect current expectations. If our estimated undiscounted cash flows do not exceed the carrying value, we estimate the fair value of the asset and record an impairment charge if the carrying value is greater than the fair value of the asset. We estimate fair value using discounted cash flows, observable prices for similar assets, or other valuation techniques.

Our judgments regarding the existence of impairment indicators are based on legal factors, market conditions and operational performance. Future events could cause us to conclude that impairment indicators exist and that assets associated with a particular operation are impaired. Evaluating impairment also requires us to estimate future operating results and cash flows, which also require judgment by management.

### ***Accounting for Income Taxes***

Our income tax expense, deferred tax assets and liabilities, and liabilities for unrecognized tax benefits, reflect management's best assessment of estimated current and future taxes to be paid. Significant judgments and estimates are required in determining the consolidated income tax expense. In evaluating our ability to recover our deferred tax assets within the jurisdiction from which they arise we consider all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies, recent financial operations and their associated valuation allowances, if any. We use significant judgment in (i) determining whether a tax position, based solely on its technical merits, is "more likely than not" to be sustained upon examination and (ii) measuring the tax benefit as the largest amount of benefit that is "more likely than not" to be realized upon ultimate settlement. We do not record any benefit for the tax positions where we do not meet the "more likely than not" initial recognition threshold. Income tax positions must meet a "more likely than not" recognition threshold at the effective date to be recognized. We generally recognize interest and penalties related to unrecognized tax benefits in income tax expense in the Consolidated Statements of Operations. Resolution of the uncertain tax positions could have a material adverse effect on our cash flows or materially benefit our results of operations in future periods depending upon their ultimate resolution. A 1% change in our effective tax rate would increase or decrease tax expense by approximately \$10.9 million for fiscal 2021. A 1% change in our effective tax rate used to compute deferred tax liabilities and assets, as recorded on the September 30, 2021 consolidated balance sheet, would increase or decrease tax expense by approximately \$124 million for fiscal 2021.

### ***Pension***

The funded status of our qualified and non-qualified U.S. and non-U.S. pension plans increased \$353.4 million in fiscal 2021. Our U.S. qualified and non-qualified pension plans were over funded by \$387.9 million as of September 30, 2021. Our non-U.S. pension plans were over funded by \$17.2 million as of September 30, 2021. Our U.S. pension plan benefit obligations were negatively impacted in fiscal 2021 primarily by a 1-basis point decrease in the discount rate compared to the prior measurement date. The non-U.S. pension plan obligations were positively impacted in fiscal 2021 by a 47-basis point increase in the discount rate compared to the prior measurement date.

The determination of pension obligations and pension expense requires various assumptions that can significantly affect liability and expense amounts, such as the expected long-term rate of return on plan assets, discount rates, projected future compensation increases and mortality rates for each of our plans. These assumptions are determined annually in conjunction with our actuary. The accounting for these matters involves the making of estimates based on current facts, circumstances and assumptions that, in management's judgment, could change in a manner that would materially affect management's future estimates with respect to such matters and, accordingly, could cause our future reported financial condition and results of operations to differ materially from those that we are currently reporting based on management's current estimates.

A 25-basis point change in the discount rate, compensation level, expected long-term rate of return on plan assets and interest crediting rate, factoring in our corridor (as defined herein) as appropriate, would have had the following effect on fiscal 2021 pension expense (amounts in the table in parentheses reflect additional income, in millions):

|                                                  | Pension Plans           |                         |
|--------------------------------------------------|-------------------------|-------------------------|
|                                                  | 25 Basis Point Increase | 25 Basis Point Decrease |
|                                                  | Discount rate           | \$ (14.5)               |
| Compensation level                               | \$ 0.3                  | \$ (0.3)                |
| Expected long-term rate of return on plan assets | \$ (16.7)               | \$ 16.7                 |
| Interest crediting rate                          | \$ 0.4                  | \$ (0.4)                |

## New Accounting Standards

See “**Note 1. Description of Business and Summary of Significant Accounting Policies**” of the Notes to Consolidated Financial Statements for a full description of recent accounting pronouncements, including the respective expected dates of adoption and expected effects on our results of operations and financial condition.

## Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk from changes in, among other things, interest rates, foreign currencies and commodity prices. We aim to identify and understand these risks and then implement strategies to manage them. When evaluating these strategies, we evaluate the fundamentals of each market, our sensitivity to movements in pricing, and underlying accounting and business implications. Our chief executive officer and chief financial officer must approve the execution of all transactions contemplated in accordance with our Financial and Commodity Risk Management Corporate Policy. The sensitivity analyses we present below do not consider the effect of possible adverse changes in the general economy, nor do they consider additional actions we may take to mitigate our exposure to such changes. We may not be successful in managing these risks.

### Containerboard and Paperboard Shipments

We are exposed to market risk related to our sales of containerboard and paperboard. We sell a significant portion of our mill production and converted products pursuant to contracts that provide that prices are either fixed for specified terms or provide for price adjustments based on negotiated terms, including changes in specified index prices. We have the capacity to annually ship approximately 12.1 million tons in our Corrugated Packaging segment and approximately 4.1 million tons in our Consumer Packaging segment. Although our mill system operating rates may vary from year to year due to changes in market and other factors, our simple average mill system operating rates for the last three years averaged 91%. A hypothetical \$10 per ton change in the price of containerboard and paperboard throughout the year based on our capacity would impact our sales by approximately \$121 million and \$41 million in our Corrugated Packaging and Consumer Packaging segments, respectively. See Item 1A. “**Risk Factors — Our Earnings Are Highly Dependent on Volumes**”.

### Energy

Energy is one of the most significant costs of our mill operations. The cost of natural gas, coal, oil, electricity, diesel and wood by-products (biomass) at times have fluctuated significantly. In our recycled paperboard mills, we use primarily natural gas and electricity, supplemented with coal and fuel oil to generate steam used in the paper making process and, at a few mills, to generate electricity used on site. In our virgin fiber mills, we use biomass, natural gas and coal to generate steam used in the pulping and paper making processes and to generate some or all of the electricity used on site. We primarily use electricity and natural gas to operate our converting facilities. We generally purchase these products from suppliers at market or tariff rates. We may from time to time use commodity contracts to hedge energy exposures.

We spent approximately \$903 million and \$773 million on all energy sources in fiscal 2021 and 2020, respectively to operate our facilities. The increase in energy costs in fiscal 2021 was primarily due to inflation. Natural gas and electricity each account for approximately 30% to 40% of our energy purchases depending upon

pricing. While the amount of energy we consume may vary from year to year due to production levels and other factors, in fiscal 2022 we expect to consume approximately 90 million MMBtu of natural gas. A hypothetical 10% change in the price of energy throughout the year would impact our cost of energy by approximately \$90 million based on fiscal 2021 pricing and consumption.

## Recycled Fiber

Recycled fiber is the principal raw material we use in the production of recycled paperboard and a portion of our containerboard. In fiscal 2021 and 2020, we consumed approximately 5.8 million and 5.5 million tons of recycled fiber, respectively. Recycled fiber prices can fluctuate significantly. Our purchases of old corrugated containers and double-lined kraft clippings accounted for our largest recycled fiber costs and approximately 85% to 90% of our recycled fiber purchases. The remaining 10% to 15% of our recycled fiber purchases consisted of a number of other grades of recycled paper. The mix of recycled fiber may vary due to factors such as market demand, availability and pricing. Recycled fiber prices increased in fiscal 2021 from prior year levels. While the amount of recycled fiber we consume may vary from year to year due to production levels and other factors, in fiscal 2022 we expect to consume approximately 5.9 million tons of recycled fiber. A hypothetical 10% change in recycled fiber prices in our mills for a fiscal year would impact our costs by approximately \$59 million.

## Virgin Fiber

Virgin fiber is the principal raw material we use in the production of a portion of our containerboard, bleached paperboard and market pulp. While virgin fiber prices have generally been more stable than recycled fiber prices, they also fluctuate, particularly due to significant changes in weather, such as during prolonged periods of heavy rain or drought, or during housing construction slowdowns or accelerations. Virgin fiber prices increased modestly in fiscal 2021 from prior year levels. A hypothetical 10% change in virgin fiber prices in our mills for a fiscal year would impact our costs by approximately \$138 million.

## Freight

Inbound and outbound freight is a significant expenditure for us. Factors that influence our freight expense are items such as distance between our shipping and delivery locations, distance from customers and suppliers, mode of transportation (rail, truck, intermodal and ocean) and freight rates, which are influenced by supply and demand and fuel costs, primarily diesel. Freight costs increased in fiscal 2021, following a decline in freight costs in fiscal 2020, primarily due to inflation and supply constraints. A hypothetical 10% change in freight costs for fiscal 2021 and 2020 would impact our costs by approximately \$190 million and \$161 million, respectively. In fiscal 2022, we expect to consume approximately 83 million gallons of diesel. See Item 1A. ***“Risk Factors — We May Face Increased Costs For, or Inadequate Availability of, Raw Materials, Energy and Transportation”***.

## Interest Rates

We are exposed to changes in interest rates, primarily as a result of our short-term and long-term debt. As discussed below, we may from time to time use interest rate swap agreements to manage the interest rate characteristics of a portion of our outstanding debt. Based on the amounts and mix of our fixed and floating rate debt at September 30, 2021 and 2020, including the impact of our interest rate swaps, if market interest rates change an average of 100 basis points, our annual interest expense would be impacted by approximately \$11 million and \$13 million, respectively. We determined these amounts by considering the impact of the hypothetical interest rates on our borrowing costs. This analysis does not consider the effects of changes in the level of overall economic activity that could exist in such an environment. See Item 1A. ***“Risk Factors — We Have Had Significant Levels of Indebtedness in the Past and May Incur Significant Levels of Indebtedness in the Future, Which Could Adversely Affect Our Financial Condition and Impair Our Ability to Operate Our Business”***.

## Derivative Instruments / Forward Contracts

We periodically may issue and settle foreign currency denominated debt, exposing us to the effect of changes in spot exchange rates between loan issue and loan repayment dates and changes in spot exchange rates on open balances at each balance sheet date. From time to time, we may use foreign exchange contracts to hedge these exposures with terms of generally one month. Based on our open foreign exchange contracts as of September 30, 2021 and 2020, the effect of a 1% change in exchange rates would impact Other income, net by

approximately \$3 million for each year. Although these foreign currency sensitive instruments expose us to market risk, fluctuations in the value of these instruments are mitigated by expected offsetting fluctuations in the foreign currency denominated debt exposures. The fluctuation of these instruments may cause future cash settlement of the hedge.

We periodically may also enter into interest rate swaps to manage the interest rate risk associated with a portion of our outstanding debt but currently have no active interest rate swaps or commodity forward contracts. Interest rate swaps are either designated for accounting purposes as cash flow hedges of forecasted floating interest payments on variable rate debt or fair value hedges of fixed rate debt, or we may elect not to treat them as accounting hedges. We may enter into swaps or forward contracts on certain commodities to manage the price risk associated with forecasted purchases or sales of those commodities.

## Pension Plans

Our pension plans are influenced by trends in the financial markets and the regulatory environment, among other factors. Adverse general stock market trends and falling interest rates increase plan costs and liabilities. During fiscal 2021 and 2020, the effect of a 0.25% decrease in the discount rate would have reduced pre-tax income by approximately \$15 million and \$13 million, respectively, and a 0.25% increase in the discount rate would have increased pre-tax income by \$15 million and \$15 million, respectively. Similarly, MEPPs in which we participate could experience similar circumstances which could impact our funding requirements and therefore expenses. See **“Note 5. Retirement Plans — Multiemployer Plans”** of the Notes to Consolidated Financial Statements. See also Item 1A. **“Risk Factors — We May Incur Withdrawal Liability and/or Increased Funding Requirements in Connection with MEPPs”**.

## Foreign Currency

We predominately operate in markets in the U.S., but derived 18.5% of our net sales in fiscal 2021 from outside the U.S. through international operations, some of which were transacted in U.S. dollars. In addition, certain of our domestic operations have sales to foreign customers. Although we are impacted by the exchange rates of a number of currencies, our largest exposures are generally to the Brazilian Real, British Pound, Canadian dollar, Euro and Mexican Peso. In conducting our foreign operations, we also make inter-company sales and receive royalties and dividends denominated in different currencies. These activities expose us to the effect of changes in foreign currency exchange rates. Flows of foreign currencies into and out of our operations are generally stable and regularly occurring and are recorded at fair market value in our financial statements.

At times, certain of our foreign subsidiaries have U.S. dollar-denominated external debt. In these instances, we may hedge the non-functional currency exposure with derivatives. We issue inter-company loans to and receive foreign cash deposits from our foreign subsidiaries in their local currencies, exposing us to the effect of changes in spot exchange rates between loan issue and loan repayment dates and changes in spot exchange rates from deposits. From time to time, we may use foreign-exchange hedge contracts with terms of generally less than one year to hedge these exposures. Although our derivative and other foreign currency sensitive instruments expose us to market risk, fluctuations in the value of these instruments are mitigated by expected offsetting fluctuations in the matched exposures.

During fiscal 2021 and 2020, the effect of a hypothetical 10% change in foreign currencies that we have exposure to compared to the U.S. dollar would have impacted our segment results by approximately \$40 million and \$30 million, respectively. See **“Note 7. Segment Information”** of the Notes to Consolidated Financial Statements for additional information.

During fiscal 2021 and 2020, the effect of a hypothetical 1% change in exchange rates would have impacted accumulated other comprehensive income by approximately \$30 million and \$21 million, respectively. This impact does not consider the effects of a stronger or weaker U.S. dollar on our ability to compete for export business or the overall economic activity that could exist in such an environment. Changes in foreign exchange rates could impact the price and the demand for our products such as a strengthening U.S. dollar causes exports to become more expensive to foreign customers and business that have to pay for them in other currencies. See Item 1A. **“Risk Factors — We May Be Adversely Affected by Factors That Are Beyond Our Control, Such as U.S. and Worldwide Economic and Financial Market Conditions, and Social and Political Change”**.

## Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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**WESTROCK COMPANY**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

| (In millions, except per share data)                                   | Year Ended September 30, |                   |                 |
|------------------------------------------------------------------------|--------------------------|-------------------|-----------------|
|                                                                        | 2021                     | 2020              | 2019            |
| Net sales                                                              | \$ 18,746.1              | \$ 17,578.8       | \$ 18,289.0     |
| Cost of goods sold                                                     | 15,315.8                 | 14,381.6          | 14,540.0        |
| Gross profit                                                           | 3,430.3                  | 3,197.2           | 3,749.0         |
| Selling, general and administrative, excluding intangible amortization | 1,759.3                  | 1,624.4           | 1,715.2         |
| Selling, general and administrative intangible amortization            | 357.1                    | 400.5             | 400.2           |
| Loss (gain) on disposal of assets                                      | 4.1                      | (16.3)            | (41.2)          |
| Multiemployer pension withdrawal income                                | (2.9)                    | (1.1)             | (6.3)           |
| Land and Development impairments                                       | —                        | —                 | 13.0            |
| Restructuring and other costs                                          | 31.5                     | 112.7             | 173.7           |
| Goodwill impairment                                                    | —                        | 1,333.2           | —               |
| Operating profit (loss)                                                | 1,281.2                  | (256.2)           | 1,494.4         |
| Interest expense, net                                                  | (372.3)                  | (393.5)           | (431.3)         |
| Loss on extinguishment of debt                                         | (9.7)                    | (1.5)             | (5.1)           |
| Pension and other postretirement non-service income                    | 134.9                    | 103.3             | 74.2            |
| Other income, net                                                      | 10.9                     | 9.5               | 2.4             |
| Equity in income of unconsolidated entities                            | 40.9                     | 15.8              | 10.1            |
| Income (loss) before income taxes                                      | 1,085.9                  | (522.6)           | 1,144.7         |
| Income tax expense                                                     | (243.4)                  | (163.5)           | (276.8)         |
| Consolidated net income (loss)                                         | 842.5                    | (686.1)           | 867.9           |
| Less: Net income attributable to noncontrolling interests              | (4.2)                    | (4.8)             | (5.0)           |
| Net income (loss) attributable to common stockholders                  | <u>\$ 838.3</u>          | <u>\$ (690.9)</u> | <u>\$ 862.9</u> |
| Basic earnings (loss) per share attributable to common stockholders    | <u>\$ 3.16</u>           | <u>\$ (2.67)</u>  | <u>\$ 3.36</u>  |
| Diluted earnings (loss) per share attributable to common stockholders  | <u>\$ 3.13</u>           | <u>\$ (2.67)</u>  | <u>\$ 3.33</u>  |

See Accompanying Notes



**WESTROCK COMPANY**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

| (In millions)                                                                                               | Year Ended September 30, |            |          |
|-------------------------------------------------------------------------------------------------------------|--------------------------|------------|----------|
|                                                                                                             | 2021                     | 2020       | 2019     |
| Consolidated net income (loss)                                                                              | \$ 842.5                 | \$ (686.1) | \$ 867.9 |
| Other comprehensive income (loss), net of tax:                                                              |                          |            |          |
| Foreign currency:                                                                                           |                          |            |          |
| Foreign currency translation gain (loss)                                                                    | 124.3                    | (215.0)    | (143.4)  |
| Derivatives:                                                                                                |                          |            |          |
| Deferred (loss) gain on cash flow hedges                                                                    | (0.1)                    | (10.0)     | 1.1      |
| Reclassification adjustment of net loss (gain) on cash flow hedges included in earnings                     | 5.5                      | 3.6        | (0.2)    |
| Defined benefit pension and other postretirement benefit plans:                                             |                          |            |          |
| Net actuarial gain (loss) arising during period                                                             | 165.6                    | 24.2       | (248.5)  |
| Amortization and settlement recognition of net actuarial loss, included in pension and postretirement cost  | 25.5                     | 35.4       | 17.2     |
| Prior service cost arising during period                                                                    | (4.2)                    | (19.6)     | (3.3)    |
| Amortization and curtailment recognition of prior service cost, included in pension and postretirement cost | 4.5                      | 3.8        | 1.8      |
| Other comprehensive income (loss), net of tax                                                               | 321.1                    | (177.6)    | (375.3)  |
| Comprehensive income (loss)                                                                                 | 1,163.6                  | (863.7)    | 492.6    |
| Less: Comprehensive income attributable to noncontrolling interests                                         | (4.5)                    | (4.5)      | (3.6)    |
| Comprehensive income (loss) attributable to common stockholders                                             | \$ 1,159.1               | \$ (868.2) | \$ 489.0 |

See Accompanying Notes

**WESTROCK COMPANY**  
**CONSOLIDATED BALANCE SHEETS**

| (In millions, except per share data)                                                                                                                                           | September 30, |             |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|-------------|
|                                                                                                                                                                                | 2021          | 2020        |
| <b>ASSETS</b>                                                                                                                                                                  |               |             |
| Current assets:                                                                                                                                                                |               |             |
| Cash and cash equivalents                                                                                                                                                      | \$ 290.9      | \$ 251.1    |
| Accounts receivable (net of allowances of \$68.1 and \$66.3)                                                                                                                   | 2,586.9       | 2,142.7     |
| Inventories                                                                                                                                                                    | 2,173.3       | 2,023.4     |
| Other current assets                                                                                                                                                           | 597.6         | 520.5       |
| Assets held for sale                                                                                                                                                           | 10.9          | 7.0         |
| Total current assets                                                                                                                                                           | 5,659.6       | 4,944.7     |
| Property, plant and equipment, net                                                                                                                                             | 10,570.1      | 10,778.9    |
| Goodwill                                                                                                                                                                       | 5,959.2       | 5,962.2     |
| Intangibles, net                                                                                                                                                               | 3,318.8       | 3,667.2     |
| Restricted assets held by special purpose entities                                                                                                                             | 1,260.5       | 1,267.5     |
| Prepaid pension asset                                                                                                                                                          | 674.3         | 368.7       |
| Other assets                                                                                                                                                                   | 1,811.8       | 1,790.5     |
| Total assets                                                                                                                                                                   | \$ 29,254.3   | \$ 28,779.7 |
| <b>LIABILITIES AND EQUITY</b>                                                                                                                                                  |               |             |
| Current liabilities:                                                                                                                                                           |               |             |
| Current portion of debt                                                                                                                                                        | \$ 168.8      | \$ 222.9    |
| Accounts payable                                                                                                                                                               | 2,123.7       | 1,674.2     |
| Accrued compensation and benefits                                                                                                                                              | 656.8         | 386.7       |
| Other current liabilities                                                                                                                                                      | 694.8         | 645.1       |
| Total current liabilities                                                                                                                                                      | 3,644.1       | 2,928.9     |
| Long-term debt due after one year                                                                                                                                              | 8,025.3       | 9,207.7     |
| Pension liabilities, net of current portion                                                                                                                                    | 254.7         | 305.2       |
| Postretirement benefit liabilities, net of current portion                                                                                                                     | 133.7         | 145.4       |
| Non-recourse liabilities held by special purpose entities                                                                                                                      | 1,127.3       | 1,136.5     |
| Deferred income taxes                                                                                                                                                          | 2,944.4       | 2,916.9     |
| Other long-term liabilities                                                                                                                                                    | 1,433.1       | 1,490.3     |
| Commitments and contingencies (Note 17)                                                                                                                                        |               |             |
| Redeemable noncontrolling interests                                                                                                                                            | 1.7           | 1.3         |
| Equity:                                                                                                                                                                        |               |             |
| Preferred stock, \$0.01 par value; 30.0 million shares authorized; no shares outstanding                                                                                       | —             | —           |
| Common stock, \$0.01 par value; 600.0 million shares authorized; 265.0 million and 260.4 million shares outstanding at September 30, 2021 and September 30, 2020, respectively | 2.7           | 2.6         |
| Capital in excess of par value                                                                                                                                                 | 11,058.8      | 10,916.3    |
| Retained earnings                                                                                                                                                              | 1,607.9       | 1,031.6     |
| Accumulated other comprehensive loss                                                                                                                                           | (999.1)       | (1,319.9)   |
| Total stockholders' equity                                                                                                                                                     | 11,670.3      | 10,630.6    |
| Noncontrolling interests                                                                                                                                                       | 19.7          | 16.9        |
| Total equity                                                                                                                                                                   | 11,690.0      | 10,647.5    |
| Total liabilities and equity                                                                                                                                                   | \$ 29,254.3   | \$ 28,779.7 |

See Accompanying Notes

**WESTROCK COMPANY**  
**CONSOLIDATED STATEMENTS OF EQUITY**

| (In millions, except per share data)                                                       | Year Ended September 30, |                    |                    |
|--------------------------------------------------------------------------------------------|--------------------------|--------------------|--------------------|
|                                                                                            | 2021                     | 2020               | 2019               |
| <b>Number of Shares of Common Stock Outstanding:</b>                                       |                          |                    |                    |
| Balance at beginning of fiscal year                                                        | 260.4                    | 257.8              | 253.5              |
| Issuance of common stock, net of stock received for tax withholdings <sup>(1)</sup>        | 7.1                      | 2.6                | 6.4                |
| Purchases of common stock <sup>(2)</sup>                                                   | (2.5)                    | —                  | (2.1)              |
| Balance at end of fiscal year                                                              | 265.0                    | 260.4              | 257.8              |
| <b>Common Stock:</b>                                                                       |                          |                    |                    |
| Balance at beginning of fiscal year                                                        | \$ 2.6                   | \$ 2.6             | \$ 2.5             |
| Issuance of common stock, net of stock received for tax withholdings <sup>(1)</sup>        | 0.1                      | —                  | 0.1                |
| Balance at end of fiscal year                                                              | 2.7                      | 2.6                | 2.6                |
| <b>Capital in Excess of Par Value:</b>                                                     |                          |                    |                    |
| Balance at beginning of fiscal year                                                        | 10,916.3                 | 10,739.4           | 10,588.9           |
| Compensation expense under share-based plans                                               | 88.5                     | 130.3              | 64.8               |
| Issuance of common stock, net of stock received for tax withholdings <sup>(1)</sup>        | 158.8                    | 46.6               | 101.1              |
| Fair value of share-based awards issued in business combinations                           | —                        | —                  | 70.8               |
| Purchases of common stock <sup>(2)</sup>                                                   | (103.7)                  | —                  | (86.2)             |
| Other                                                                                      | (1.1)                    | —                  | —                  |
| Balance at end of fiscal year                                                              | 11,058.8                 | 10,916.3           | 10,739.4           |
| <b>Retained Earnings:</b>                                                                  |                          |                    |                    |
| Balance at beginning of fiscal year                                                        | 1,031.6                  | 1,997.1            | 1,573.3            |
| Adoption of accounting standards <sup>(3)</sup>                                            | (3.8)                    | 73.5               | 43.5               |
| Net income (loss) attributable to common stockholders                                      | 838.3                    | (690.9)            | 862.9              |
| Dividends declared (per share - \$0.88, \$1.33 and \$1.82) <sup>(4)</sup>                  | (236.3)                  | (348.1)            | (479.8)            |
| Issuance of common stock, net of stock received for tax withholdings                       | (0.5)                    | —                  | (0.4)              |
| Purchases of common stock <sup>(2)</sup>                                                   | (21.4)                   | —                  | (2.4)              |
| Balance at end of fiscal year                                                              | 1,607.9                  | 1,031.6            | 1,997.1            |
| <b>Accumulated Other Comprehensive Loss:</b>                                               |                          |                    |                    |
| Balance at beginning of fiscal year                                                        | (1,319.9)                | (1,069.2)          | (695.3)            |
| Adoption of ASU 2018-02 reclassification of stranded tax effects resulting from Tax Reform | —                        | (73.4)             | —                  |
| Other comprehensive loss, net of tax                                                       | 320.8                    | (177.3)            | (373.9)            |
| Balance at end of fiscal year                                                              | (999.1)                  | (1,319.9)          | (1,069.2)          |
| <b>Total Stockholders' equity</b>                                                          | <b>11,670.3</b>          | <b>10,630.6</b>    | <b>11,669.9</b>    |
| <b>Noncontrolling Interests: <sup>(5)</sup></b>                                            |                          |                    |                    |
| Balance at beginning of fiscal year                                                        | 16.9                     | 14.3               | 13.0               |
| Net income                                                                                 | 1.7                      | 2.7                | 3.2                |
| Contributions                                                                              | —                        | —                  | 0.2                |
| Distributions and adjustments to noncontrolling interests                                  | 1.1                      | (0.1)              | (2.1)              |
| Balance at end of fiscal year                                                              | 19.7                     | 16.9               | 14.3               |
| <b>Total Equity</b>                                                                        | <b>\$ 11,690.0</b>       | <b>\$ 10,647.5</b> | <b>\$ 11,684.2</b> |

<sup>(1)</sup> Included in the issuance of common stock in fiscal 2019 is the issuance of approximately 1.6 million shares of Common Stock valued at \$70.1 million in connection with the KapStone Acquisition.

<sup>(2)</sup> In fiscal 2021, we repurchased approximately 2.5 million shares of our Common Stock for an aggregate cost of \$125.1 million (a portion of which settled after September 30, 2021). In fiscal 2019, we repurchased approximately 2.1 million shares of our Common Stock for an aggregate cost of \$88.6 million.

<sup>(3)</sup> For fiscal 2021, the amount relates to the adoption of ASU 2016-13 (as hereinafter defined). For fiscal 2020, the amount primarily relates to the adoption of ASU 2018-02, "Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income". For fiscal 2019, the amount relates to the adoption of ASC 606 (as hereinafter defined).

<sup>(4)</sup> Includes cash dividends paid and dividend equivalent units on certain restricted stock awards.

<sup>(5)</sup> Excludes amounts related to contingently redeemable noncontrolling interests, which are separately classified outside of permanent equity in the Consolidated Balance Sheets.

See Accompanying Notes

**WESTROCK COMPANY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

| (In millions)                                                                                  | Year Ended September 30, |            |           |
|------------------------------------------------------------------------------------------------|--------------------------|------------|-----------|
|                                                                                                | 2021                     | 2020       | 2019      |
| <b>Operating activities:</b>                                                                   |                          |            |           |
| Consolidated net income (loss)                                                                 | \$ 842.5                 | \$ (686.1) | \$ 867.9  |
| Adjustments to reconcile consolidated net income to net cash provided by operating activities: |                          |            |           |
| Depreciation, depletion and amortization                                                       | 1,460.0                  | 1,487.0    | 1,511.2   |
| Cost of real estate sold                                                                       | —                        | 16.1       | 17.3      |
| Deferred income tax (benefit) expense                                                          | (38.3)                   | 43.0       | 37.1      |
| Share-based compensation expense                                                               | 88.6                     | 130.3      | 64.2      |
| 401(k) match and company contribution in common stock                                          | 136.1                    | 20.8       | —         |
| Pension and other postretirement funding more than expense (income)                            | (111.5)                  | (80.1)     | (61.3)    |
| Cash surrender value increase in excess of premiums paid                                       | (49.4)                   | (25.2)     | (29.3)    |
| Gain on sale of sawmill                                                                        | (16.5)                   | —          | —         |
| Gain on sale of investment                                                                     | (16.0)                   | —          | —         |
| Land and Development impairments                                                               | —                        | —          | 13.0      |
| Goodwill impairment                                                                            | —                        | 1,333.2    | —         |
| Other impairment adjustments                                                                   | 34.6                     | 25.8       | 38.3      |
| Loss (gain) on disposal of plant, equipment and other, net                                     | 3.7                      | (13.2)     | (43.0)    |
| Other                                                                                          | (29.2)                   | (15.2)     | (57.2)    |
| Change in operating assets and liabilities, net of acquisitions and divestitures:              |                          |            |           |
| Accounts receivable                                                                            | (428.9)                  | 30.5       | 272.9     |
| Inventories                                                                                    | (200.0)                  | 21.8       | (110.5)   |
| Other assets                                                                                   | (379.6)                  | (202.4)    | (124.6)   |
| Accounts payable                                                                               | 430.3                    | (86.4)     | (39.1)    |
| Income taxes                                                                                   | 0.7                      | (27.6)     | 7.2       |
| Accrued liabilities and other                                                                  | 552.8                    | 98.4       | (53.9)    |
| Net cash provided by operating activities                                                      | 2,279.9                  | 2,070.7    | 2,310.2   |
| <b>Investing activities:</b>                                                                   |                          |            |           |
| Capital expenditures                                                                           | (815.5)                  | (978.1)    | (1,369.1) |
| Cash paid for purchase of businesses, net of cash acquired                                     | —                        | —          | (3,374.2) |
| Proceeds from corporate owned life insurance                                                   | 44.9                     | 16.9       | 33.2      |
| Proceeds from sale of sawmill                                                                  | 58.5                     | —          | —         |
| Proceeds from sale of investment                                                               | 29.5                     | —          | —         |
| Proceeds from sale of property, plant and equipment                                            | 6.3                      | 35.0       | 119.1     |
| Proceeds from property, plant and equipment insurance settlement                               | 3.2                      | 6.5        | 25.5      |
| Other                                                                                          | (2.9)                    | (1.8)      | (14.1)    |
| Net cash used for investing activities                                                         | (676.0)                  | (921.5)    | (4,579.6) |
| <b>Financing activities:</b>                                                                   |                          |            |           |
| Proceeds from issuance of notes                                                                | —                        | 598.6      | 2,498.2   |
| Additions to revolving credit facilities                                                       | 435.0                    | 428.0      | 222.2     |
| Repayments of revolving credit facilities                                                      | (415.0)                  | (528.2)    | (227.2)   |
| Additions to debt                                                                              | 259.9                    | 696.4      | 5,061.6   |
| Repayments of debt                                                                             | (1,544.3)                | (1,449.2)  | (5,631.6) |
| Changes in commercial paper, net                                                               | —                        | (339.2)    | 339.2     |
| Other financing additions (repayments)                                                         | 23.1                     | (80.3)     | 52.2      |
| Issuances of common stock, net of related tax withholdings                                     | 18.2                     | 22.2       | 18.3      |
| Purchases of common stock                                                                      | (122.4)                  | —          | (88.6)    |
| Cash dividends paid to stockholders                                                            | (233.8)                  | (344.5)    | (467.9)   |
| Other                                                                                          | (1.1)                    | (24.9)     | 3.8       |
| Net cash (used for) provided by financing activities                                           | (1,580.4)                | (1,021.1)  | 1,780.2   |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash                  | 16.3                     | (28.6)     | 4.0       |
| Increase (decrease) in cash, cash equivalents and restricted cash                              | 39.8                     | 99.5       | (485.2)   |
| Cash, cash equivalents and restricted cash at beginning of period                              | 251.1                    | 151.6      | 636.8     |
| Cash, cash equivalents and restricted cash at end of period                                    | \$ 290.9                 | \$ 251.1   | \$ 151.6  |

See Accompanying Notes

**WESTROCK COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1. Description of Business and Summary of Significant Accounting Policies**

***Description of Business***

Unless the context otherwise requires, “we”, “us”, “our”, “WestRock” and “the Company” refer to the business of WestRock Company, its wholly-owned subsidiaries and its partially-owned consolidated subsidiaries for periods on or after November 2, 2018 and to WRKCo Inc. (formerly known as WestRock Company, “WRKCo”) for periods prior to November 2, 2018.

WestRock is a multinational provider of sustainable fiber-based paper and packaging solutions. We partner with our customers to provide differentiated, sustainable paper and packaging solutions that help them win in the marketplace. Our team members support customers around the world from our operating and business locations in North America, South America, Europe, Asia and Australia.

On November 2, 2018, we completed the KapStone Acquisition. KapStone is a leading North American producer and distributor of containerboard, corrugated products and specialty papers, including liner and medium containerboard, kraft papers and saturating kraft. KapStone also owns Victory Packaging, a packaging solutions distribution company with facilities in the U.S., Canada and Mexico. KapStone is reported in our Corrugated Packaging segment. WRKCo was the accounting acquirer in the transaction; therefore, the historical consolidated financial statements of WRKCo for periods prior to the KapStone Acquisition are also considered to be the historical financial statements of the Company. See “**Note 3. Acquisitions and Investments**” for additional information.

***Basis of Presentation and Principles of Consolidation***

The preparation of financial statements in accordance with GAAP requires management to use judgment in the application of accounting policies, including making estimates and assumptions. Actual results may differ from these estimates.

The consolidated financial statements include the accounts of WestRock and our partially owned subsidiaries for which we have a controlling financial interest, including variable interest entities for which we are the primary beneficiary.

Equity investments in which we exercise significant influence but do not control and are not the primary beneficiary are accounted for using the equity method. Investments without a readily determinable value in which we are not able to exercise significant influence over the investee are accounted under the measurement alternative (i.e., cost less impairment, adjusted for any qualifying observable price changes). Our investments accounted for under the equity method or the measurement alternative method are not material either individually or in the aggregate. We have eliminated all significant intercompany accounts and transactions. See “**Note 7. Segment Information**” for our equity method investments.

***Reclassifications and Adjustments***

During fiscal 2021, we corrected our interest, net of amounts capitalized supplemental disclosure for the prior years by an immaterial amount. Certain amounts in prior periods have been reclassified to conform with the current year presentation.

***COVID-19 Pandemic***

COVID-19 continues to evolve. The pandemic has affected our operational and financial performance to varying degrees and the extent of its effect on our operational and financial performance will continue to depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration, scope and severity of the pandemic (including due to new variants such as Delta), the actions taken to contain or mitigate its impact (including the distribution and effectiveness of vaccines), and the direct and indirect economic effects of the pandemic and related containment measures and government responses, among others. Our net

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

sales, primarily in the last half of fiscal 2020, were negatively impacted by COVID-19, and we have experienced and are currently experiencing higher supply chain costs and tight labor markets in part due to the impacts of COVID-19.

***Ransomware Incident***

As previously disclosed, on January 23, 2021 we detected a ransomware incident impacting certain of our systems. Promptly upon our detection of this incident, we initiated response and containment protocols and our security teams, supplemented by leading cyber defense firms, worked to remediate this incident. These actions included taking preventative measures, including shutting down certain systems out of an abundance of caution, as well as taking steps to supplement existing security monitoring, scanning and protective measures. We notified law enforcement and contacted our customers to apprise them of the situation.

We undertook extensive efforts to identify, contain and recover from this incident quickly and securely. Our teams worked to maintain our business operations and minimize the impact on our customers and teammates. In our second quarter Form 10-Q, we announced that all systems were back in service. All of our mills and converting locations began producing and shipping paper and packaging at pre-ransomware levels in March 2021 or earlier. Our mill system production was approximately 115,000 tons lower than planned for the quarter ended March 31, 2021 as a result of this incident. While shipments from some of our facilities initially lagged behind production levels, this gap closed as systems were restored during the second quarter of fiscal 2021. In locations where technology issues were identified, we used alternative methods, in many cases manual methods, to process and ship orders. We systematically brought our information systems back online in a controlled, phased approach.

We estimate the pre-tax income impact of the lost sales and operational disruption of this incident on our operations in the second quarter of fiscal 2021 was approximately \$50 million, as well as approximately \$20 million of ransomware recovery costs, primarily professional fees. In addition, we incurred approximately \$9 million of ransomware recovery costs in the third quarter of fiscal 2021. In the fourth quarter of fiscal 2021, we recorded a \$15 million credit for preliminary recoveries – approximately \$10 million as a reduction of SG&A excluding intangible amortization and approximately \$5 million as a reduction of cost of goods sold. We expect to recover substantially all of the remaining ransomware losses from cyber and business interruption insurance in future periods. Disputes over the extent of insurance coverage for claims are not uncommon, and there will be a time lag between the incurrence of costs and the receipt of any insurance proceeds.

In response to the ransomware event, we accelerated information technology investments that we had previously planned to make in future periods in order to further strengthen our information security and technology infrastructure. We engaged a leading cybersecurity defense firm that completed a forensics investigation of the ransomware incident and we are taking appropriate actions in response to the findings. For example, in the short-term, we reset all credentials Company-wide and strengthened security tooling across our servers and workstations. Longer term, in collaboration with our strategic partners, we established a roadmap to advance the maturity and effectiveness of our information security and resiliency capabilities. This roadmap includes initiatives to further strengthen our information security posture across the Company, and to enable us to potentially detect, respond to and recover from security and technical incidents in a faster and more effective manner. More specifically, we are progressing projects to bolster our security monitoring capabilities, strengthen our access controls, reduce risks associated with third-parties, and to enhance the information security of our mills and plants.

***Use of Estimates***

Preparing consolidated financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates, and the differences could be material.

We use estimates in accounting for, among other things, impairment testing of goodwill and long-lived assets, useful lives for depreciation and amortization, income tax expenses, deferred income tax assets and potential income tax assessments, pension benefits, self-insured obligations, restructuring activities, fair values related to business acquisition accounting, slow-moving and obsolete inventory, allowance for doubtful accounts, share-based compensation and loss contingencies. Various assumptions and other factors underlie the determination of these estimates. The process of determining significant estimates is fact specific and takes into account factors

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

such as historical experience, current and expected economic conditions, product mix, and in some cases, actuarial techniques. The global impact of the COVID-19 pandemic may also affect our accounting estimates, which may materially change from period to period due to changing market factors. We regularly evaluate these significant factors and make adjustments where facts and circumstances dictate.

**Revenue Recognition**

We generally recognize revenue on a point-in-time basis when the customer takes title to the goods and assumes the risks and rewards for the goods, which coincide with the transfer of control of our goods to the customer. Additionally, we manufacture certain customized products that have no alternative use to us (since they are made to specific customer orders), and we believe that for certain customers we have a legally enforceable right to payment for performance completed to date on these products, including a reasonable profit. For products that meet these two criteria, we recognize revenue “over time”. This results in revenue recognition prior to the date of shipment or title transfer for these products and results in the recognition of a contract asset (unbilled receivables) balance with a corresponding reduction in finished goods inventory on our balance sheet.

We net, against our gross sales, provisions for discounts, returns, allowances, customer rebates and other adjustments. Such adjustments are based on historical experience which is consistent with the most likely method as provided in ASC 606 “*Revenue from Contracts with Customers*” (“**ASC 606**”).

As permitted by ASC 606, we have elected to treat costs associated with obtaining new contracts as expenses when incurred if the amortization period of the asset we would recognize is one year or less. We do not record interest income when the difference in timing of control transfer and customer payment is one year or less. We also account for sales and other taxes that are imposed on and concurrent with individual revenue-producing transactions between a customer and us on a net basis which excludes the taxes from our net sales.

**Shipping and Handling Costs**

We classify shipping and handling costs, such as freight to our customers’ destinations, as a component of cost of goods sold. When shipping and handling costs are included in the sales price charged for our products, they are recognized in net sales since we treat shipping and handling as fulfillment activities.

**Cash Equivalents**

We consider all highly liquid investments that mature three months or less from the date of purchase to be cash equivalents. The carrying amounts of our cash and cash equivalents approximate fair market values. We place our cash and cash equivalents primarily with large credit worthy banks, which limits the amount of our credit exposure.

**Accounts Receivable and Allowances**

We derive our accounts receivable from revenue earned from customers located primarily in North America, South America, Europe, Asia and Australia. Given our diverse customer base, we have limited exposure to credit loss from any particular customer or industry segment, and hence we generally do not require collateral. We perform an evaluation of lifetime expected credit losses inherent in our accounts receivable at each balance sheet date. Such an evaluation includes consideration of historical loss experience, trends in customer payment frequency, present economic conditions, and judgment about the future financial health of our customers and industry sector. The average of our receivables collection is within 30 to 60 days. We are a party to accounts receivable sales agreements to sell to third-party financial institutions all of the short-term receivables generated from certain customer trade accounts. See “**Note 12. Fair Value — Accounts Receivable Sales Agreements**”.

We state accounts receivable at the amount owed by the customer, net of an allowance for estimated credit impairment losses, returns and allowances, cash discounts and other adjustments. We do not discount accounts receivable because we generally collect accounts receivable over a relatively short time. We charge off receivables when they are determined to be no longer collectible. Bad debt expense was a credit of \$9.4 million in fiscal 2021 and expense of \$19.9 million and \$10.0 million in fiscal 2020 and 2019, respectively.

**WESTROCK COMPANY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

The following table represents a summary of the changes in the reserve for allowance for doubtful accounts, returns and allowances and cash discounts for fiscal 2021, 2020 and 2019 (in millions):

|                                                      | 2021           | 2020           | 2019           |
|------------------------------------------------------|----------------|----------------|----------------|
| Balance at beginning of fiscal year                  | \$ 66.3        | \$ 53.2        | \$ 49.7        |
| Reduction in sales and charges to costs and expenses | 236.5          | 270.8          | 259.6          |
| Deductions                                           | (234.7)        | (257.7)        | (256.1)        |
| Balance at end of fiscal year                        | <u>\$ 68.1</u> | <u>\$ 66.3</u> | <u>\$ 53.2</u> |

***Inventories***

We value our U.S. inventories at the lower of cost or market, with cost for the majority of our U.S. inventories determined on the last-in first-out (“**LIFO**”) basis. We value all other inventories at the lower of cost and net realizable value, with cost determined using methods that approximate cost computed on a first-in first-out inventory valuation method (“**FIFO**”) basis. These other inventories represent primarily foreign inventories, distribution business inventories, spare parts inventories and certain inventoried supplies and aggregate to approximately 36% and 37% of FIFO cost of all inventory at September 30, 2021 and 2020, respectively. See “**Note 9. Inventories**” for additional information.

Prior to the application of the LIFO method, our U.S. operating divisions use a variety of methods to estimate the FIFO cost of their finished goods inventories. Such methods include standard costs, or average costs computed by dividing the actual cost of goods manufactured by the tons produced and multiplying this amount by the tons of inventory on hand. Lastly, certain operations calculate a ratio, on a plant by plant basis, the numerator of which is the cost of goods sold and the denominator is net sales. This ratio is applied to the estimated sales value of the finished goods inventory. Variances and other unusual items are analyzed to determine whether it is appropriate to include those items in the value of inventory. Examples of variances and unusual items that are considered to be current period charges include, but are not limited to, production levels, freight, handling costs, and wasted materials (spoilage) that are determined to be abnormal. Cost includes raw materials and supplies, direct labor, indirect labor related to the manufacturing process and depreciation and other factory overheads. Our inventoried spare parts are measured at average cost.

***Leased Assets***

We adopted the provisions of ASC 842, “*Leases*” on October 1, 2019 using the modified retrospective approach and, as a result, did not restate prior periods. See “**Note 14. Leases**” for additional information. We lease various real estate, including certain operating facilities, warehouses, office space and land. We also lease material handling equipment, vehicles and certain other equipment. We record our operating lease ROU assets and liabilities at the commencement date of the lease based on the present value of lease payments over the lease term.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Our leases may include options to extend or terminate the lease. These options to extend are included in the lease term when it is reasonably certain that we will exercise that option. While some leases provide for variable payments, they are not included in the ROU assets and liabilities because they are not based on an index or rate. Variable payments for real estate leases primarily relate to common area maintenance, insurance, taxes and utilities. Variable payments for equipment, vehicles and leases within supply agreements primarily relate to usage, repairs, and maintenance. As the implicit rate is not readily determinable for our leases, we apply a portfolio approach using an estimated incremental borrowing rate to determine the initial present value of lease payments over the lease terms on a collateralized basis over a similar term, which is based on market and company specific information. We use the unsecured borrowing rate and risk-adjust that rate to approximate a collateralized rate, and apply the rate based on the currency of the lease, which is updated on a monthly basis for measurement of new lease liabilities.

We have made an accounting policy election to not recognize an ROU asset and liability for leases with a term of 12 months or less unless the lease includes an option to renew or purchase the underlying asset that we are reasonably certain to exercise. In addition, the Company has applied the practical expedient to account for the



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

lease and non-lease components as a single lease component for all of the Company's leases. See “**Note 14. Leases**” for additional information.

### ***Property, Plant and Equipment***

We record property, plant and equipment at cost less accumulated depreciation. Cost includes major expenditures for improvements and replacements that extend useful lives, increase capacity, increase revenues or reduce costs, while normal maintenance and repairs are expensed as incurred. For financial reporting purposes, we provide depreciation and amortization primarily on a straight-line method generally over the estimated useful lives of the assets as follows:

|                                     |             |
|-------------------------------------|-------------|
| Buildings and building improvements | 15-40 years |
| Machinery and equipment             | 3-25 years  |
| Transportation equipment            | 3-8 years   |

Generally, our machinery and equipment have estimated useful lives between 3 and 25 years; however, select portions of machinery and equipment primarily at our mills have estimated useful lives up to 44 years. Greater than 90% of the cost of our mill assets have useful lives of 25 years or less. Leasehold improvements are depreciated over the shorter of the asset life or the lease term, generally between 3 and 10 years.

### ***Goodwill and Long-Lived Assets***

In accordance with ASC 350, “*Intangibles — Goodwill and Other*”, we review the carrying value of our goodwill annually at the beginning of the fourth quarter of each fiscal year, or more often if events or changes in circumstances indicate that the carrying amount may exceed fair value. We test goodwill for impairment at the reporting unit level, which is an operating segment or one level below an operating segment, referred to as a component. A component of an operating segment is a reporting unit if the component constitutes a business for which discrete financial information is available and segment management regularly reviews the operating results of that component. However, two or more components of an operating segment are aggregated and deemed a single reporting unit if the components have similar economic characteristics. The amount of goodwill acquired in a business combination that is assigned to one or more reporting units as of the acquisition date is the excess of the purchase price of the acquired businesses (or portion thereof) included in the reporting unit, over the fair value assigned to the individual assets acquired or liabilities assumed from a market participant perspective. Goodwill is assigned to the reporting unit(s) expected to benefit from the synergies of the combination even though other assets or liabilities of the acquired entity may not be assigned to that reporting unit. We determine recoverability by comparing the estimated fair value of the reporting unit to which the goodwill applies to the carrying value, including goodwill, of that reporting unit. We determine the fair value of each reporting unit using the discounted cash flow method or, as appropriate, a combination of the discounted cash flow method and the guideline public company method.

ASC 350 allows an optional qualitative assessment, prior to a quantitative assessment test, to determine whether it is “more likely than not” that the fair value of a reporting unit exceeds its carrying amount. We generally do not attempt a qualitative assessment and move directly to the quantitative test. As part of the quantitative test, we utilize the present value of expected cash flows or, as appropriate, a combination of the present value of expected cash flows and the guideline public company method to determine the estimated fair value of our reporting units. This present value model requires management to estimate future cash flows, the timing of these cash flows, and a discount rate (based on a weighted average cost of capital), which represents the time value of money and the inherent risk and uncertainty of the future cash flows. Factors that management must estimate when performing this step in the process include, among other items, sales volume, prices, inflation, discount rates, exchange rates, tax rates, anticipated synergies and productivity improvements resulting from past acquisitions, capital expenditures and continuous improvement projects. The assumptions we use to estimate future cash flows are consistent with the assumptions that the reporting units use for internal planning purposes, which we believe would be generally consistent with that of a market participant. The guideline public company method involves comparing the reporting unit to similar companies whose stock is freely traded on an organized exchange. The fair values determined by the discounted cash flow and guideline public company methods are weighted to arrive at the concluded fair value of the reporting unit. However, in instances where comparisons to our peers is less meaningful, no weight is placed on the guideline public company method to arrive at the concluded

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

fair value of the reporting unit. If we determine that the estimated fair value of the reporting unit exceeds its carrying amount, goodwill of the reporting unit is not impaired. If we determine that the carrying amount of the reporting unit exceeds its estimated fair value, we measure the goodwill impairment charge based on the excess of a reporting unit's carrying amount over its fair value as required under ASU 2017-04 "*Simplifying the Test for Goodwill Impairment*", which we early adopted starting with our fiscal 2020 annual goodwill impairment test on July 1, 2020.

During the fourth quarter of fiscal 2021, we completed our annual goodwill impairment testing. We considered factors such as, but not limited to, our expectations for the short-term and long-term impacts of COVID-19, macroeconomic conditions, industry and market considerations, and financial performance, including planned revenue, earnings and capital investments of each reporting unit. The discount rate used for each reporting unit ranged from 8.0% to 12.0%. We used perpetual growth rates in the reporting units that have goodwill ranging from 0.5% to 1.0%. All reporting units that have goodwill were noted to have a fair value that exceeded their carrying values by more than 20% each. If we had concluded that it was appropriate to increase the discount rate we used by 100 basis points to estimate the fair value of each reporting unit, the fair value of each of our reporting units would have continued to exceed its carrying value.

At September 30, 2021, the North American Corrugated, Consumer Packaging, Brazil Corrugated and Victory Packaging reporting units had \$3,518.5 million, \$2,295.9 million, \$103.7 million and \$41.1 million of goodwill, respectively, which remained recoverable at the current year-end. Subsequent to our annual test, we monitored industry economic trends until the end of our fiscal year and determined no additional testing for goodwill impairment was warranted. We have not made any material changes to our impairment loss assessment methodology during the past three fiscal years. Currently, we do not believe there is a reasonable likelihood that there will be a material change in future assumptions or estimates we use to calculate impairment losses. However, we cannot predict certain market factors with certainty, including the impact of COVID-19, and have certain risks inherent to our operations as described in Item 1A. "*Risk Factors*". If actual results are not consistent with our assumptions and estimates, we may be exposed to additional impairment losses that could be material.

We follow the provisions included in ASC 360, "*Property, Plant, and Equipment*" in determining whether the carrying value of any of our long-lived assets, including ROU assets and amortizing intangibles other than goodwill, is impaired. The ASC 360 test is a three-step test for assets that are "held and used" as that term is defined by ASC 360. We determine whether indicators of impairment are present. We review long-lived assets for impairment when events or changes in circumstances indicate that the carrying amount of the long-lived asset might not be recoverable. If we determine that indicators of impairment are present, we determine whether the estimated undiscounted cash flows for the potentially impaired assets are less than the carrying value. This requires management to estimate future cash flows through operations over the remaining useful life of the asset and its ultimate disposition. The assumptions we use to estimate future cash flows are consistent with the assumptions we use for internal planning purposes, updated to reflect current expectations. If our estimated undiscounted cash flows do not exceed the carrying value, we estimate the fair value of the asset and record an impairment charge if the carrying value is greater than the fair value of the asset. We estimate fair value using discounted cash flows, observable prices for similar assets, or other valuation techniques. We record assets classified as "held for sale" at the lower of their carrying value or estimated fair value less anticipated costs to sell. Our long-lived assets, including intangible assets remain recoverable.

Included in our long-lived assets are certain identifiable intangible assets. These intangible assets are amortized based on the approximate pattern in which the economic benefits are consumed or straight-line if the pattern was not reliably determinable. Estimated useful lives range from 1 to 40 years and have a weighted average life of approximately 15.6 years.

Our judgments regarding the existence of impairment indicators are based on legal factors, market conditions and operational performance. Future events could cause us to conclude that impairment indicators exist and that assets associated with a particular operation are impaired. Evaluating impairment also requires us to estimate future operating results and cash flows, which also require judgment by management. Any resulting impairment loss could have a material adverse impact on our financial condition and results of operations.

### ***Restructuring and Other Costs***

Our restructuring and other costs include primarily items such as restructuring portions of our operations, acquisition costs, integration costs and divestiture costs. We have restructured portions of our operations from time

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

to time, have current restructuring initiatives taking place, and it is likely that we will engage in future restructuring activities. Identifying and calculating the cost to exit these operations requires certain assumptions to be made, the most significant of which are anticipated future liabilities, including severance costs, contractual obligations, and the adjustments of property, plant and equipment and lease ROU assets to their fair value. We believe our estimates are reasonable, considering our knowledge of the industries we operate in, previous experience in exiting activities and valuations we may obtain from independent third parties. Although our estimates have been reasonably accurate in the past, significant judgment is required, and these estimates and assumptions may change as additional information becomes available and facts or circumstances change. See “**Note 4. Restructuring and Other Costs**” for additional information, including a description of the type of costs incurred.

**Business Combinations**

From time to time, we may enter into business combinations. In accordance with ASC 805, “*Business Combinations*”, we generally recognize the identifiable assets acquired, the liabilities assumed, and any noncontrolling interests in an acquiree at their fair values as of the date of acquisition. We measure goodwill as the excess of consideration transferred, which we also measure at fair value, over the net of the acquisition date fair values of the identifiable assets acquired and liabilities assumed. The acquisition method of accounting requires us to make significant estimates and assumptions regarding the fair values of the elements of a business combination as of the date of acquisition, including the fair values of identifiable intangible assets, deferred tax asset valuation allowances, liabilities including those related to debt, pensions and other postretirement plans, uncertain tax positions, contingent consideration and contingencies. Significant estimates and assumptions include subjective and/or complex judgements regarding items such as discount rates, customer attrition rates, economic lives and other factors, including estimating future cash flows that we expect to generate from the acquired assets.

The acquisition method of accounting also requires us to refine these estimates over a measurement period not to exceed one year to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts recognized as of that date. If we are required to adjust provisional amounts that we have recorded for the fair values of assets and liabilities in connection with acquisitions, these adjustments could have a material impact on our financial condition and results of operations. If the subsequent actual results and updated projections of the underlying business activity change compared with the assumptions and projections used to develop these values, we could record future impairment charges. In addition, we have estimated the economic lives of certain acquired assets and these lives are used to calculate depreciation and amortization expense. If our estimates of the economic lives change, depreciation or amortization expenses could be increased or decreased, or the acquired asset could be impaired.

**Fair Value of Financial Instruments and Nonfinancial Assets and Liabilities**

We estimate fair values in accordance with ASC 820, “*Fair Value Measurement*.” We define fair value as the price that would be received from the sale of an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

Financial instruments not recognized at fair value on a recurring or nonrecurring basis include cash and cash equivalents, accounts receivables, certain other current assets, short-term debt, accounts payable, certain other current liabilities and long-term debt. With the exception of long-term debt, the carrying amounts of these financial instruments approximate their fair values due to their short maturities. The fair values of our long-term debt are estimated using quoted market prices or are based on the discounted value of future cash flows. We disclose the fair value of long-term debt in “**Note 13. Debt**” and our pension and postretirement assets and liabilities in “**Note 5. Retirement Plans**”. We have, or from time to time may have, financial instruments recognized at fair value including supplemental retirement savings plans (“**Supplemental Plans**”) that are nonqualified deferred compensation plans pursuant to which assets are invested primarily in mutual funds, interest rate derivatives, commodity derivatives or other similar class of assets or liabilities, the fair value of which are not significant. We measure the fair value of our mutual fund investments based on quoted prices in active markets, and our derivative contracts, if any, based on discounted cash flows.

We measure certain nonfinancial assets and nonfinancial liabilities at fair value on a nonrecurring basis. These assets and liabilities include equity method investments when they are deemed to be other-than-temporarily impaired, investments for which the fair value measurement alternative is elected, assets acquired and liabilities

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

assumed when they are deemed to be other-than-temporarily impaired, assets acquired and liabilities assumed in a merger or an acquisition or in a nonmonetary exchange, property, plant and equipment, ROU assets related to operating leases, goodwill and other intangible assets that are written down to fair value when they are held for sale or determined to be impaired. See “**Note 4. Restructuring and Other Costs**” for impairments associated with restructuring activities. Given the nature of nonfinancial assets and liabilities, evaluating their fair value from the perspective of a market participant is inherently complex. Assumptions and estimates about future values can be affected by a variety of internal and external factors. Changes in these factors may require us to revise our estimates and could result in future impairment charges for goodwill and acquired intangible assets, or retroactively adjust provisional amounts that we have recorded for the fair values of assets and liabilities in connection with business combinations. These adjustments could have a material impact on our financial condition and results of operations. We discuss fair values in more detail in “**Note 12. Fair Value**”.

**Derivatives**

We are exposed to interest rate risk, commodity price risk and foreign currency exchange risk. To manage these risks, from time to time and to varying degrees, we may enter into a variety of financial derivative transactions and certain physical commodity transactions that are determined to be derivatives. Interest rate swaps may be entered into to manage the interest rate risk associated with a portion of our outstanding debt. Interest rate swaps are either designated for accounting purposes as cash flow hedges of forecasted floating interest payments on variable rate debt or fair value hedges of fixed rate debt, or we may elect not to treat them as accounting hedges. Swaps or forward contracts on certain commodities may be entered into to manage the price risk associated with forecasted purchases or sales of those commodities. In addition, certain commodity financial derivative contracts and physical commodity contracts that are determined to be derivatives may not be designated as accounting hedges because either they do not meet the criteria for treatment as accounting hedges under ASC 815, “*Derivatives and Hedging*”, or we elect not to treat them as accounting hedges under ASC 815. Generally, we elect the normal purchase, normal sale scope exception for physical commodity contracts that are determined to be derivatives. We may also enter into forward contracts to manage our exposure to fluctuations in foreign currency rates with respect to transactions denominated in foreign currencies. These also can either be designated for accounting purposes as cash flow hedges or not so designated.

Outstanding financial derivative instruments expose us to credit loss in the event of nonperformance by the counterparties to the derivative agreements. Our credit exposure related to these financial instruments is represented by the fair value of contracts reported as assets. We manage our exposure to counterparty credit risk through minimum credit standards, diversification of counterparties and procedures to monitor concentrations of credit risk. We may enter into financial derivative contracts that may contain credit-risk-related contingent features which could result in a counterparty requesting immediate payment or demanding immediate and ongoing full overnight collateralization on derivative instruments in net liability positions.

For financial derivative instruments that are designated as a cash flow hedge for accounting purposes, the entire change in fair value of the financial derivative instrument is reported as a component of other comprehensive income and reclassified into earnings in the same line item associated with the forecasted transaction, and in the same period or periods during which the forecasted transaction affects earnings.

We have at times entered into interest rate swap agreements that effectively modified our exposure to interest rate risk by converting a portion of our interest payments on floating rate debt to a fixed rate basis, thus reducing the impact of interest rate changes on future interest expense. These agreements typically involved the receipt of floating rate amounts in exchange for fixed interest rate payments over the life of the agreements without an exchange of the underlying principal amount.

At September 30, 2021, the notional amount of foreign currency exchange contract derivative was \$270.2 million. The fair value of this derivative instrument was not significant as of September 30, 2021. At September 30, 2020, the notional amounts of interest rate and foreign currency exchange contract derivatives were \$600.0 million and \$250.2 million, respectively. The fair value of these derivative instruments was not significant as of September 30, 2020. See “**Note 13. Debt**” for additional information on the foreign currency derivatives.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Health Insurance**

We are self-insured for the majority of our group health insurance costs. However, we seek to limit our health insurance costs by entering into certain stop loss insurance coverage. Due to mergers, acquisitions and other factors, we may have plans that do not include stop loss insurance. We calculate our group health insurance reserve on an undiscounted basis based on estimated reserve rates. We utilize claims lag data provided by our claims administrators to compute the required estimated reserve rate. We calculate our average monthly claims paid using the actual monthly payments during the trailing 12-month period. At that time, we also calculate our required reserve using the reserve rates discussed above. While we believe that our assumptions are appropriate, significant differences in our actual experience or significant changes in our assumptions may materially affect our group health insurance costs.

**Workers' Compensation**

We purchase large risk deductible workers' compensation policies for the majority of our workers' compensation liabilities that are subject to various deductibles to limit our exposure. We calculate our workers' compensation reserves on an undiscounted basis based on estimated actuarially calculated development factors. While we believe that our assumptions are appropriate, significant differences in our actual experience or significant changes in our assumptions may materially affect our workers' compensation costs.

**Income Taxes**

We account for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statement carrying amount and the tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date. All deferred tax assets and liabilities are classified as noncurrent in our consolidated balance sheet.

We record net deferred tax assets to the extent we believe these assets will more likely than not be realized. In making such determination, we consider all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies, recent financial operations and their associated valuation allowances, if any. In the event we were to determine that we would be able to realize or not realize our deferred income tax assets in the future in their net recorded amount, we would make an adjustment to the valuation allowance, which would reduce or increase the provision for income taxes, respectively.

Certain provisions of ASC 740, "Income Taxes" provide that a tax benefit from an uncertain tax position may be recognized when it is "more likely than not" that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. We use significant judgment in (i) determining whether a tax position, based solely on its technical merits, is "more likely than not" to be sustained upon examination and (ii) measuring the tax benefit as the largest amount of benefit that is "more likely than not" to be realized upon ultimate settlement. We do not record any benefit for the tax positions where we do not meet the "more likely than not" initial recognition threshold. Income tax positions must meet a "more likely than not" recognition threshold at the effective date to be recognized. We generally recognize interest and penalties related to unrecognized tax benefits in income tax expense in the Consolidated Statements of Operations. Resolution of the uncertain tax positions could have a material adverse effect on our cash flows or materially benefit our results of operations in future periods depending upon their ultimate resolution.

**Pension and Other Postretirement Benefits**

We account for pension and other postretirement benefits in accordance with ASC 715, "Compensation – Retirement Benefits". Accordingly, we recognize the funded status of our pension plans as assets or liabilities in our Consolidated Balance Sheets. The funded status is the difference between our projected benefit obligations and fair value of plan assets. The determination of our obligation and expense for pension and other postretirement benefits is dependent on our selection of certain assumptions used by actuaries in calculating such amounts. We describe these assumptions in "Note 5. Retirement Plans", which include, among others, the discount rate,

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

expected long-term rates of return on plan assets and rates of increase in compensation levels. We defer actual results that differ from our assumptions, i.e., actuarial gains and losses, and amortize the difference over future periods. Therefore, these differences generally affect our recognized expense and funding requirements in future periods. Actuarial gains and losses occur when actual experience differs from the estimates used to determine the components of net periodic pension cost and when certain assumptions used to determine the fair value of the plan assets or projected benefit obligation are updated, such as but not limited to, changes in the discount rate, plan amendments, differences between actual and expected returns on plan assets, mortality assumptions and plan remeasurement.

The amount of unrecognized actuarial gains and losses recognized in the current year's operations is based on amortizing the unrecognized gains or losses for each plan that exceed the larger of 10% of the projected benefit obligation or the fair value of plan assets, also known as "the corridor". The amount of unrecognized gain or loss that exceeds the corridor is amortized over the average future service of the plan participants or the average life expectancy of inactive plan participants for plans where all or almost all of the plan participants are inactive. While we believe that our assumptions are appropriate, significant differences in our actual experience or significant changes in our assumptions may materially affect our pension and other postretirement benefit obligations and our future expense.

***Share-Based Compensation***

We recognize expense for share-based compensation plans based on the estimated fair value of the related awards in accordance with ASC 718, "*Compensation – Stock Compensation*". Pursuant to our incentive stock plans, we can grant options and restricted stock, stock appreciation rights and restricted stock units to employees and our non-employee directors. The grants generally vest over a period of up to three years depending on the nature of the award, except for non-employee director grants, which typically vest over a period of up to one year. The majority of our restricted stock grants to employees generally contain performance or market conditions that must be met in conjunction with a service requirement for the shares to vest, others contain only a service requirement. We charge compensation expense under the plan to earnings over each award's individual vesting period. Forfeitures are estimated based on historical experience. In fiscal 2020, in connection with our WestRock Pandemic Action Plan we issued restricted stock grants to the majority of our employees to replace their annual cash bonus. See "**Note 20. Share-Based Compensation**" for additional information.

***Asset Retirement Obligations***

We account for asset retirement obligations in accordance with ASC 410, "*Asset Retirement and Environmental Obligations*". A liability and an asset are recorded equal to the present value of the estimated costs associated with the retirement of long-lived assets where a legal or contractual obligation exists and the liability can be reasonably estimated. The liability is accreted over time and the asset is depreciated over the remaining life of the related asset. Upon settlement of the liability, we recognize a gain or loss for any difference between the settlement amount and the liability recorded. Asset retirement obligations with indeterminate settlement dates are not recorded until such time that a reasonable estimate may be made. Our asset retirement obligations consist primarily of landfill closure and post-closure costs at certain of our mills. At September 30, 2021 and September 30, 2020, we had recorded liabilities of \$73.6 million and \$72.3 million, respectively. The liabilities are primarily reflected as Other long-term liabilities on the Consolidated Balance Sheets.

***Repair and Maintenance Costs***

We expense routine repair and maintenance costs as we incur them. We defer certain expenses we incur during planned major maintenance activities and recognize the expenses ratably over the shorter of the estimated interval until the next major maintenance activity or the life of the deferred item. This maintenance is generally performed every twelve to twenty-four months and has a significant impact on our results of operations in the period performed primarily due to lost production during the maintenance period. Planned major maintenance costs deferred at September 30, 2021 and 2020 were \$110.7 million and \$118.2 million, respectively. The assets are recorded as Other assets on the Consolidated Balance Sheets.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Foreign Currency**

We translate the assets and liabilities of our foreign operations from their functional currency into U.S. dollars at the rate of exchange in effect as of the balance sheet date. We reflect the resulting translation adjustments in equity. We translate the revenues and expenses of our foreign operations at a daily average rate prevailing for each month during the fiscal year. We include gains or losses from foreign currency transactions, such as those resulting from the settlement of foreign receivables or payables, in the Consolidated Statements of Operations. We recorded a loss on foreign currency transactions of \$0.7 million in fiscal 2021 and a gain on foreign currency transactions of \$6.6 million and \$18.5 million in fiscal 2020 and 2019, respectively.

**Environmental Remediation Costs**

We accrue for losses associated with our environmental remediation obligations when it is probable that we have incurred a liability and the amount of the loss can be reasonably estimated. We generally recognize accruals for estimated losses from our environmental remediation obligations no later than completion of the remedial feasibility study and adjust such accruals as further information develops or circumstances change. We recognize recoveries of our environmental remediation costs from other parties as assets when we deem their receipt probable. See **“Note 17. Commitments and Contingencies — Environmental.”**

**New Accounting Standards — Adopted in fiscal 2021**

In November 2018, the FASB issued Accounting Standards Update (“ASU”) 2018-18 *“Collaborative Arrangements (Topic 808): Clarifying the Interaction Between Topic 808 and Topic 606”*, which provides targeted amendments to ASC 808, *“Collaborative arrangements”* and ASC 606. The amendments in this ASU require transactions between participants in a collaborative arrangement to be accounted for under ASC 606 only when the counterparty is a customer. We adopted the provisions of ASU 2018-18 on October 1, 2020. The adoption did not have a material impact on our consolidated financial statements.

In October 2018, the FASB issued ASU 2018-17 *“Consolidation: Targeted Improvements to Related Party Guidance for Variable Interest Entities”*. This ASU changes how entities evaluate decision-making fees under the variable interest entity guidance. To determine whether decision-making fees represent a variable interest, an entity considers indirect interests held through related parties under common control on a proportionate basis, rather than in their entirety, as currently required under GAAP. We adopted the provisions of ASU 2018-17 on October 1, 2020. The adoption did not have a material impact on our consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15 *“Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract”*. The amendments in this ASU align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by these amendments. We adopted the provisions of ASU 2018-15 prospectively on October 1, 2020. The adoption did not have a material impact on our consolidated financial statements.

In August 2018, the FASB issued ASU 2018-14 *“Compensation – Retirement Benefits – Defined Benefit Plans – General (Subtopic 715-20): Changes to the Disclosure Requirements for Defined Benefit Plans”*. The amendments in this ASU modify the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans to remove disclosures that no longer are considered cost beneficial, clarify the specific requirements of disclosures and add disclosure requirements identified as relevant. We adopted the provisions of ASU 2018-14 retrospectively on October 1, 2020. The adoption did not have a material impact on our consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13 *“Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments (Topic 326)”* (“ASU 2016-13”), which modifies the measurement of expected credit losses of certain financial instruments and replaces the incurred loss model with a model that reflects expected credit losses. Subsequently, the FASB issued certain additional clarifications and narrow amendments to ASU 2016-13 intended to make the standards easier to understand and eliminate certain inconsistencies. We adopted ASU 2016-13 and its subsequent revisions using the modified retrospective transition approach on

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

October 1, 2020. The adoption of ASU 2016-13 and its subsequent revisions resulted in us recognizing a cumulative effect adjustment of \$3.8 million (net of tax) decrease to opening balance of retained earnings related to our allowance for doubtful accounts primarily for our trade accounts receivable balance.

***New Accounting Standards — Pending to be Adopted in Fiscal 2022***

In December 2019, the FASB issued ASU 2019-12 “*Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*”. This ASU removes certain exceptions from recognizing deferred taxes for investments, performing intraperiod allocation and calculating income taxes in interim periods. It also reduces complexity in certain areas, including recognizing deferred taxes for tax goodwill and allocating taxes to members of a consolidated group. This ASU is effective for fiscal years beginning after December 15, 2020 (fiscal 2022 for us) and interim periods within those fiscal years. Early adoption is permitted. We do not expect the adoption of this ASU to have a material impact on our consolidated financial statements.

In July 2021, the FASB issued ASU 2021-05 “*Leases (Topic 842): Lessors – Certain Leases with Variable Lease Payments*”. This ASU requires lessors to classify leases as operating leases if they have variable lease payments that do not depend on an index or rate and would have selling losses at lease commencement if they were classified as sales-type or direct financing leases. For lessors that had adopted ASC 842 as of July 19, 2021, when the amendments were issued, the amendments can be applied either retrospectively or prospectively and are effective for annual periods beginning after December 15, 2021 (fiscal 2023 for us) and interim periods within those annual periods. Early adoption is permitted. We plan to early adopt this ASU using the prospective transition approach beginning October 1, 2021. We do not expect the adoption of this ASU to have a material impact on our consolidated financial statements.

***New Accounting Standards — Recently Issued***

In March 2020, the FASB issued ASU 2020-04 “*Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*”. This ASU provides temporary optional expedients and exceptions for applying GAAP guidance on contract modifications and hedge accounting to ease the financial reporting burdens of the expected market transition from the London Interbank Offered Rate (“LIBOR”) and other interbank offered rates to alternative reference rates, such as the Secured Overnight Financing Rate. In January 2021, the FASB issued ASU 2021-01, which adds implementation guidance to clarify certain optional expedients in Topic 848. The ASUs can be adopted after their respective issuance dates through December 31, 2022. We are currently evaluating our contracts and the impact of optional expedients provided by these ASUs.

**Note 2. Revenue Recognition*****Disaggregated Revenue***

ASC 606 requires that we disaggregate revenue from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The tables below disaggregate our revenue by geographical market and product type (segment). Net sales are attributed to geographical markets based on our selling location. In fiscal 2020, we completed our real estate monetization; therefore, we did not have any Land and Development sales in fiscal 2021.

| (In millions)                       | Year Ended September 30, 2021 |                    |                      |                    | Total              |
|-------------------------------------|-------------------------------|--------------------|----------------------|--------------------|--------------------|
|                                     | Corrugated Packaging          | Consumer Packaging | Land and Development | Intersegment Sales |                    |
| <b>Primary Geographical Markets</b> |                               |                    |                      |                    |                    |
| North America                       | \$ 11,813.7                   | \$ 5,218.3         | \$ —                 | \$ (299.1)         | \$ 16,732.9        |
| South America                       | 457.6                         | 82.5               | —                    | —                  | 540.1              |
| Europe                              | 5.1                           | 1,101.2            | —                    | (0.3)              | 1,106.0            |
| Asia Pacific                        | 67.3                          | 300.7              | —                    | (0.9)              | 367.1              |
| Total                               | <u>\$ 12,343.7</u>            | <u>\$ 6,702.7</u>  | <u>\$ —</u>          | <u>\$ (300.3)</u>  | <u>\$ 18,746.1</u> |



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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

| (In millions)                       | Year Ended September 30, 2020 |                    |                      |                    |                    |
|-------------------------------------|-------------------------------|--------------------|----------------------|--------------------|--------------------|
|                                     | Corrugated Packaging          | Consumer Packaging | Land and Development | Intersegment Sales | Total              |
| <b>Primary Geographical Markets</b> |                               |                    |                      |                    |                    |
| North America                       | \$ 10,975.8                   | \$ 4,978.2         | \$ 18.9              | \$ (191.4)         | \$ 15,781.5        |
| South America                       | 393.1                         | 70.1               | —                    | —                  | 463.2              |
| Europe                              | 7.9                           | 1,006.4            | —                    | (0.3)              | 1,014.0            |
| Asia Pacific                        | 42.4                          | 278.3              | —                    | (0.6)              | 320.1              |
| Total                               | <u>\$ 11,419.2</u>            | <u>\$ 6,333.0</u>  | <u>\$ 18.9</u>       | <u>\$ (192.3)</u>  | <u>\$ 17,578.8</u> |

| (In millions)                       | Year Ended September 30, 2019 |                    |                      |                    |                    |
|-------------------------------------|-------------------------------|--------------------|----------------------|--------------------|--------------------|
|                                     | Corrugated Packaging          | Consumer Packaging | Land and Development | Intersegment Sales | Total              |
| <b>Primary Geographical Markets</b> |                               |                    |                      |                    |                    |
| North America                       | \$ 11,314.7                   | \$ 5,166.6         | \$ 23.4              | \$ (155.5)         | \$ 16,349.2        |
| South America                       | 437.2                         | 73.2               | —                    | —                  | 510.4              |
| Europe                              | 1.6                           | 1,064.7            | —                    | (0.1)              | 1,066.2            |
| Asia Pacific                        | 63.2                          | 301.5              | —                    | (1.5)              | 363.2              |
| Total                               | <u>\$ 11,816.7</u>            | <u>\$ 6,606.0</u>  | <u>\$ 23.4</u>       | <u>\$ (157.1)</u>  | <u>\$ 18,289.0</u> |

**Revenue Contract Balances**

Contract assets are rights to consideration in exchange for goods that we have transferred to a customer when that right is conditional on something other than the passage of time. Contract assets are reduced when the control of the goods passes to the customer. Contract liabilities represent obligations to transfer goods or services to a customer for which we have received consideration. Contract liabilities are reduced once control of the goods is transferred to the customer.

The opening and closing balances of our contract assets and contract liabilities are as follows. Contract assets and contract liabilities are reported within Other current assets and Other current liabilities, respectively, on the Consolidated Balance Sheets.

| (In millions)                       | Contract Assets (Short-Term) | Contract Liabilities (Short-Term) |
|-------------------------------------|------------------------------|-----------------------------------|
| Beginning balance - October 1, 2020 | \$ 185.8                     | \$ 12.0                           |
| Ending balance - September 30, 2021 | 199.1                        | 12.8                              |
| Increase                            | <u>\$ 13.3</u>               | <u>\$ 0.8</u>                     |

**Performance Obligations and Significant Judgments**

We primarily derive revenue from fixed consideration. Certain contracts may also include variable consideration, typically in the form of cash discounts and volume rebates. If a contract with a customer includes variable consideration, we estimate the expected cash discounts and other customer refunds based on historical experience. We concluded this method is consistent with the most likely amount method under ASC 606 and allows us to make the best estimate of the consideration we will be entitled to from customers.

Contracts or purchase orders with customers could include a single type of product or multiple types and grades of products. Regardless, the contract price with the customer is agreed to at the individual product level outlined in the customer contracts or purchase orders. Management has concluded that the prices negotiated with each individual customer are representative of the stand-alone selling price of the product.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Note 3. Acquisitions and Investments**

We account for acquisitions in accordance with ASC 805, “Business Combinations”. The estimated fair values of all assets acquired and liabilities assumed in acquisitions are provisional and may be revised as a result of additional information obtained during the measurement period of up to one year from the acquisition date. The measurement periods for all prior acquisitions were closed in fiscal 2020.

***KapStone Acquisition***

On November 2, 2018, we completed the KapStone Acquisition. Effective as of the effective time of the KapStone Acquisition (the “**Effective Time**”), Whiskey Holdco, Inc. changed its name to “WestRock Company” and WRKCo changed its name to “WRKCo Inc.”

KapStone was a leading North American producer and distributor of containerboard, corrugated products and specialty papers, including liner and medium containerboard, kraft papers and saturating kraft. KapStone also owned Victory Packaging, a packaging solutions distribution company with facilities in the U.S., Canada and Mexico. We have included the financial results of KapStone in our Corrugated Packaging segment since the date of the acquisition.

Pursuant to the KapStone Acquisition, at the Effective Time, (a) each issued and outstanding share of common stock, par value \$0.01 per share, of WRKCo was converted into one share of common stock, par value \$0.01 per share, of the Company (“**Company common stock**”) and (b) each issued and outstanding share of common stock, par value \$0.0001 per share, of KapStone (“**KapStone common stock**”) (other than shares of KapStone common stock owned by (i) KapStone or any of its subsidiaries or (ii) any KapStone stockholder who properly exercised appraisal rights with respect to its shares of KapStone common stock in accordance with Section 262 of the Delaware General Corporation Law) was automatically canceled and converted into the right to receive (1) \$35.00 per share in cash, without interest (the “**Cash Consideration**”), or, at the election of the holder of such share of KapStone common stock, (2) 0.4981 shares of Company common stock (the “**Stock Consideration**”) and cash in lieu of fractional shares, subject to proration procedures designed to ensure that the Stock Consideration would be received in respect of no more than 25% of the shares of KapStone common stock issued and outstanding immediately prior to the Effective Time (the “**Maximum Stock Amount**”). Each share of KapStone common stock in respect of which a valid election of Stock Consideration was not made by 5:00 p.m. New York City time on September 5, 2018 was converted into the right to receive the Cash Consideration. KapStone stockholders elected to receive Stock Consideration that was less than the Maximum Stock Amount and no proration was required.

The consideration for the KapStone Acquisition was \$4.9 billion including debt assumed, a long-term financing obligation and assumed equity awards. As a result, KapStone stockholders received in the aggregate approximately \$3.3 billion in cash and 1.6 million shares of WestRock common stock with a value of \$70.1 million, or approximately 0.6% of the issued and outstanding shares of WestRock common stock immediately following the Effective Time. Pursuant to the Merger Agreement, at the Effective Time, the Company assumed any outstanding awards granted under the equity-based incentive plans of WRKCo and KapStone (including the shares underlying such awards), the award agreements evidencing the grants of such awards and, in the case of the WRKCo equity-based incentive plans, the remaining shares available for issuance under the applicable plan, in each case subject to adjustments to such awards in the manner set forth in the Merger Agreement. Included in the consideration was \$70.8 million related to outstanding KapStone equity awards that were replaced with WestRock equity awards with identical terms for pre-combination service. The amount related to post-combination service will be expensed over the remaining service period of the awards. See “**Note 20. Share-Based Compensation**” for additional information on the converted awards.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes the fair values of the assets acquired and liabilities assumed in the KapStone Acquisition by major class of assets and liabilities as of the acquisition date, as well as adjustments made during fiscal 2019 and fiscal 2020 (referred to as “**measurement period adjustments**”) (in millions):

|                                                     | Amounts<br>Recognized as of<br>the Acquisition<br>Date | Measurement<br>Period<br>Adjustments <sup>(1)</sup> | Amounts<br>Recognized as of<br>Acquisition Date<br>(as Adjusted) <sup>(2)</sup> |
|-----------------------------------------------------|--------------------------------------------------------|-----------------------------------------------------|---------------------------------------------------------------------------------|
| Cash and cash equivalents                           | \$ 8.6                                                 | \$ —                                                | \$ 8.6                                                                          |
| Current assets, excluding cash and cash equivalents | 878.9                                                  | (30.2)                                              | 848.7                                                                           |
| Property, plant and equipment, net                  | 1,910.3                                                | 11.5                                                | 1,921.8                                                                         |
| Goodwill                                            | 1,755.0                                                | 0.5                                                 | 1,755.5                                                                         |
| Intangible assets                                   | 1,336.1                                                | 30.3                                                | 1,366.4                                                                         |
| Other long-term assets                              | 27.9                                                   | (0.1)                                               | 27.8                                                                            |
| Total assets acquired                               | <u>5,916.8</u>                                         | <u>12.0</u>                                         | <u>5,928.8</u>                                                                  |
| Current portion of debt                             | 33.3                                                   | —                                                   | 33.3                                                                            |
| Current liabilities                                 | 337.5                                                  | 7.9                                                 | 345.4                                                                           |
| Long-term debt due after one year                   | 1,333.4                                                | —                                                   | 1,333.4                                                                         |
| Accrued pension and other long-term benefits        | 9.8                                                    | 2.8                                                 | 12.6                                                                            |
| Deferred income taxes                               | 609.7                                                  | (1.4)                                               | 608.3                                                                           |
| Other long-term liabilities                         | 118.4                                                  | 2.7                                                 | 121.1                                                                           |
| Total liabilities assumed                           | <u>2,442.1</u>                                         | <u>12.0</u>                                         | <u>2,454.1</u>                                                                  |
| Net assets acquired                                 | <u>\$ 3,474.7</u>                                      | <u>\$ —</u>                                         | <u>\$ 3,474.7</u>                                                               |

(1) The measurement period adjustments recorded in fiscal 2019 and fiscal 2020 did not have a significant impact on our Consolidated Statements of Operations in any period.

(2) The measurement period adjustments were primarily due to refinements to third-party appraisals and carrying amounts of certain assets and liabilities, as well as adjustments to certain tax accounts based on, among other things, adjustments to deferred tax liabilities. The net impact of the measurement period adjustments to goodwill were essentially flat.

The fair value assigned to goodwill is primarily attributable to buyer-specific synergies expected to arise after the KapStone Acquisition (e.g., enhanced geographic reach of the combined organization, increased vertical integration and other synergistic opportunities) and the assembled work force of KapStone, as well as from establishing deferred tax liabilities for the assets and liabilities acquired. The goodwill and intangible assets resulting from the acquisition are not amortizable for tax purposes.

The following table summarizes the weighted average life and the fair value of intangible assets recognized in the KapStone Acquisition, excluding goodwill (in millions, except lives):

|                           | Weighted Avg.<br>Life | Amounts Recognized<br>as of the<br>Acquisition Date |
|---------------------------|-----------------------|-----------------------------------------------------|
| Customer relationships    | 11.7                  | \$ 1,303.0                                          |
| Trademarks and tradenames | 16.9                  | 54.2                                                |
| Favorable contracts       | 6.0                   | 9.2                                                 |
| Total                     | <u>11.9</u>           | <u>\$ 1,366.4</u>                                   |

None of the intangible assets have significant residual value. The intangible assets are expected to be amortized over estimated useful lives ranging from one to 20 years based on the approximate pattern in which the economic benefits are consumed or straight-line if the pattern was not reliably determinable.

**Grupo Gondi Investment**

On April 1, 2016, we completed the formation of a joint venture with Grupo Gondi in Mexico. We contributed \$175.0 million in cash and the stock of an entity that owns three corrugated packaging facilities in Mexico in return

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

for a 25.0% ownership interest in the joint venture together with future put and call options. The investment was valued at approximately \$0.3 billion. On October 20, 2017, we increased our ownership interest in Grupo Gondi in Mexico (the “**Joint Venture**”) from 27.0% to 32.3% through a \$108 million capital contribution, which followed the joint venture entity having a stock redemption from a minority partner in April 2017 that increased our ownership interest to approximately 27.0%. The October 2017 capital contribution was used to support the joint venture’s capital expansion plans, which include a containerboard mill and several converting plants.

In connection with the investment in the Joint Venture, we entered into an option agreement pursuant to which we and certain other shareholders of the Joint Venture (the “**Partners**”) agreed to future put and call options with respect to the equity interests in the Joint Venture held by each party. Pursuant to the option agreement, the Partners had the right on April 1, 2020 to sell us up to 24% of the equity interest in the Joint Venture at fair market value. The Partners did not exercise this right. Pursuant to the option agreement, between October 1, 2020 and April 1, 2021, we had the right to exercise a right to purchase an additional 18.7% equity interest in the Joint Venture from the Partners at a predetermined purchase price. We did not exercise this right. In addition, our joint venture partners may call our 32.3% equity interest at a predetermined price between October 1, 2021 and April 1, 2022. At any time after April 1, 2022, we may elect to sell, and upon such election our joint venture partners will be obligated to buy, all of our equity interest at a price as determined under the provisions of the agreement. Fiscal 2021 reflects a charge of \$22.5 million associated with not exercising the option to purchase the additional equity interest in Grupo Gondi that was recorded in Other income, net in the second quarter of fiscal 2021.

**Note 4. Restructuring and Other Costs****Summary of Restructuring and Other Initiatives**

We recorded pre-tax restructuring and other costs of \$31.5 million, \$112.7 million and \$173.7 million for fiscal 2021, 2020 and 2019, respectively. Of these costs, \$12.6 million, \$29.8 million and \$56.5 million were non-cash for fiscal 2021, 2020 and 2019, respectively. These amounts are not comparable since the timing and scope of the individual actions associated with each restructuring, acquisition, integration or divestiture vary. We present our restructuring and other costs in more detail below.

The following table summarizes our Restructuring and other costs for fiscal 2021, 2020 and 2019 (in millions):

|                               | 2021           | 2020            | 2019            |
|-------------------------------|----------------|-----------------|-----------------|
| Restructuring                 | \$ 28.5        | \$ 93.7         | \$ 111.0        |
| Other                         | 3.0            | 19.0            | 62.7            |
| Restructuring and Other Costs | <u>\$ 31.5</u> | <u>\$ 112.7</u> | <u>\$ 173.7</u> |

**Restructuring**

Our restructuring charges are primarily associated with restructuring portions of our operations (i.e., partial or complete plant closures). A partial plant closure may consist of shutting down a machine and/or a workforce reduction. We generally incur various reduction in workforce actions, plant closure activities, impairment costs and certain lease terminations in each fiscal year. In fiscal 2021, our restructuring charges also included an impairment of assets and a gain on lease termination associated with our Richmond, VA regional office (in Corporate). In fiscal 2020, our restructuring charges also included those associated with reducing the capacity of our Consumer mill system with the announced shutdown of an SBS machine at our Evadale, TX mill and employee costs due to merger and acquisition-related workforce reductions and voluntary retirement programs in fiscal 2019 and 2020. In fiscal 2019, charges also included those associated with reducing the linerboard capacity of our Corrugated mill system related to the announced shutdown of a machine at our North Charleston, SC mill. In addition, in fiscal 2019, we began recording charges in our Corrugated Packaging segment associated with the replacement of three paper machines at our Florence, SC mill with a new one.

When we close a facility, if necessary, we recognize a write-down to reduce the carrying value of related property, plant and equipment and lease ROU assets to their fair value and record charges for severance and other employee-related costs. We reduce the carrying value of the assets classified as held for sale to their estimated fair value less cost to sell. Any subsequent change in fair value less cost to sell prior to disposition is

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

recognized as it is identified; however, no gain is recognized in excess of the cumulative loss previously recorded unless the actual selling price exceeds the original carrying value. For plant closures, we also generally expect to record costs for equipment relocation, facility carrying costs and costs to terminate a lease or contract before the end of its term.

Although specific circumstances vary, our strategy has generally been to consolidate our sales and operations into large well-equipped plants that operate at high utilization rates and take advantage of available capacity created by operational excellence initiatives and/or further optimize our system following mergers and acquisitions or a changing business environment. Therefore, we generally transfer a substantial portion of each closed plant's assets and production to our other plants. We believe these actions have allowed us to more effectively manage our business. In our former Land and Development segment, the restructuring charges primarily consisted of severance and other employee costs associated with the wind-down of operations and lease costs.

While restructuring costs are not charged to our segments and, therefore, do not reduce segment income, we highlight the segment to which the charges relate. The following table presents a summary of restructuring charges related to active restructuring initiatives that we incurred during the last three fiscal years, the cumulative recorded amount since we started the initiatives, and our estimate of the total we expect to incur (in millions):

|                                          | 2021    | 2020    | 2019     | Cumulative | Total<br>Expected |
|------------------------------------------|---------|---------|----------|------------|-------------------|
| <b>Corrugated Packaging</b>              |         |         |          |            |                   |
| Net property, plant and equipment costs  | \$ 2.6  | \$ 2.2  | \$ 32.1  | \$ 97.0    | \$ 97.0           |
| Severance and other employee costs       | 4.6     | 8.7     | 16.9     | 64.5       | 64.9              |
| Equipment and inventory relocation costs | 0.8     | 2.2     | 4.8      | 9.5        | 10.3              |
| Facility carrying costs                  | 1.7     | 2.6     | 3.9      | 22.6       | 23.7              |
| Other costs                              | 0.6     | (1.9)   | 1.2      | 4.5        | 4.8               |
| Restructuring total                      | \$ 10.3 | \$ 13.8 | \$ 58.9  | \$ 198.1   | \$ 200.7          |
| <b>Consumer Packaging</b>                |         |         |          |            |                   |
| Net property, plant and equipment costs  | \$ 0.7  | \$ 23.5 | \$ 0.5   | \$ 35.9    | \$ 35.9           |
| Severance and other employee costs       | 9.8     | 19.8    | 6.0      | 47.2       | 47.2              |
| Equipment and inventory relocation costs | 0.6     | 1.4     | 1.0      | 4.2        | 4.2               |
| Facility carrying costs                  | 0.5     | —       | 0.2      | 1.6        | 1.6               |
| Other costs                              | 1.9     | 10.5    | 4.3      | 20.7       | 20.7              |
| Restructuring total                      | \$ 13.5 | \$ 55.2 | \$ 12.0  | \$ 109.6   | \$ 109.6          |
| <b>Land and Development</b>              |         |         |          |            |                   |
| Net property, plant and equipment costs  | \$ —    | \$ —    | \$ —     | \$ 1.8     | \$ 1.8            |
| Severance and other employee costs       | —       | —       | 0.1      | 13.8       | 13.8              |
| Other costs                              | —       | 2.0     | —        | 5.0        | 5.0               |
| Restructuring total                      | \$ —    | \$ 2.0  | \$ 0.1   | \$ 20.6    | \$ 20.6           |
| <b>Corporate</b>                         |         |         |          |            |                   |
| Net property, plant and equipment costs  | \$ 8.8  | \$ —    | \$ —     | \$ 8.8     | \$ 8.8            |
| Severance and other employee costs       | 0.9     | 21.1    | 37.5     | 60.2       | 60.2              |
| Other costs                              | (5.0)   | 1.6     | 2.5      | 3.6        | 3.6               |
| Restructuring total                      | \$ 4.7  | \$ 22.7 | \$ 40.0  | \$ 72.6    | \$ 72.6           |
| <b>Total</b>                             |         |         |          |            |                   |
| Net property, plant and equipment costs  | \$ 12.1 | \$ 25.7 | \$ 32.6  | \$ 143.5   | \$ 143.5          |
| Severance and other employee costs       | 15.3    | 49.6    | 60.5     | 185.7      | 186.1             |
| Equipment and inventory relocation costs | 1.4     | 3.6     | 5.8      | 13.7       | 14.5              |
| Facility carrying costs                  | 2.2     | 2.6     | 4.1      | 24.2       | 25.3              |
| Other costs                              | (2.5)   | 12.2    | 8.0      | 33.8       | 34.1              |
| Restructuring total                      | \$ 28.5 | \$ 93.7 | \$ 111.0 | \$ 400.9   | \$ 403.5          |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

We have defined “**Net property, plant and equipment costs**” as used in this **Note 4** as property, plant and equipment write-downs, subsequent adjustments to fair value for assets classified as held for sale, subsequent (gains) or losses on sales of property, plant and equipment and related parts and supplies on such assets, if any.

**Other Costs**

Our other costs consist of acquisition, integration and divestiture costs. We incur costs when we acquire or divest businesses. Acquisition costs include costs associated with transactions, whether consummated or not, such as advisory, legal, accounting, valuation and other professional or consulting fees, as well as potential litigation costs associated with those activities. We incur integration costs pre- and post-acquisition that reflect work being performed to facilitate merger and acquisition integration, such as work associated with information systems and other projects including spending to support future acquisitions, and primarily consist of professional services and labor. Divestiture costs consist primarily of similar professional fees. We consider acquisition, integration and divestiture costs to be Corporate costs regardless of the segment or segments involved in the transaction.

The following table presents our acquisition, integration and divestiture costs that we incurred during the last three fiscal years (in millions):

|                   | 2021          | 2020           | 2019           |
|-------------------|---------------|----------------|----------------|
| Acquisition costs | \$ 0.5        | \$ 0.2         | \$ 28.2        |
| Integration costs | 1.7           | 18.7           | 34.3           |
| Divestiture costs | 0.8           | 0.1            | 0.2            |
| Other total       | <u>\$ 3.0</u> | <u>\$ 19.0</u> | <u>\$ 62.7</u> |

The following table summarizes the changes in the restructuring accrual, which is primarily composed of accrued severance and other employee costs, and a reconciliation of the restructuring accrual charges to the line item “**Restructuring and other costs**” on our Consolidated Statements of Operations for the last three fiscal years (in millions):

|                                         | 2021           | 2020           | 2019           |
|-----------------------------------------|----------------|----------------|----------------|
| Accrual at beginning of fiscal year     | \$ 17.2        | \$ 32.3        | \$ 31.6        |
| Additional accruals                     | 17.4           | 51.3           | 60.0           |
| Payments                                | (17.2)         | (56.6)         | (55.9)         |
| Adjustment to accruals                  | (2.1)          | (6.2)          | (3.2)          |
| Foreign currency rate changes and other | (1.9)          | (3.6)          | (0.2)          |
| Accrual at end of fiscal year           | <u>\$ 13.4</u> | <u>\$ 17.2</u> | <u>\$ 32.3</u> |

Reconciliation of accruals and charges to restructuring and other costs (in millions):

|                                                                      | 2021           | 2020            | 2019            |
|----------------------------------------------------------------------|----------------|-----------------|-----------------|
| Additional accruals and adjustments to accruals<br>(see table above) | \$ 15.3        | \$ 45.1         | \$ 56.8         |
| Acquisition costs                                                    | 0.5            | 0.2             | 28.2            |
| Integration costs                                                    | 1.7            | 18.7            | 34.3            |
| Divestiture costs                                                    | 0.8            | 0.1             | 0.2             |
| Net property, plant and equipment                                    | 12.1           | 25.7            | 32.6            |
| Severance and other employee costs                                   | 0.3            | 1.6             | 6.8             |
| Equipment and inventory relocation costs                             | 1.4            | 3.6             | 5.8             |
| Facility carrying costs                                              | 2.2            | 2.6             | 4.1             |
| Other costs <sup>(1)</sup>                                           | (2.8)          | 15.1            | 4.9             |
| Total restructuring and other costs, net                             | <u>\$ 31.5</u> | <u>\$ 112.7</u> | <u>\$ 173.7</u> |

(1) Other costs primarily includes lease and contract termination costs.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Note 5. Retirement Plans**

We have defined benefit pension plans and other postretirement benefit plans for certain U.S. and non-U.S. employees. We use a September 30 measurement date for our plans. Certain plans were frozen for salaried and non-union hourly employees at various times in the past, and nearly all of our remaining salaried and non-union hourly employees accruing benefits ceased accruing benefits as of December 31, 2020. In addition, we participate in several MEPPs that provide retirement benefits to certain union employees in accordance with various CBAs. We also have supplemental executive retirement plans and other non-qualified defined benefit pension plans that provide unfunded supplemental retirement benefits to certain of our current and former executives. The supplemental executive retirement plans provide for incremental pension benefits in excess of those offered in the plan. The other postretirement benefit plans provide certain health care and life insurance benefits for certain salaried and hourly employees who meet specified age and service requirements as defined by the plans.

The benefits under our defined benefit pension plans are based on either compensation or a combination of years of service and negotiated benefit levels, depending upon the plan. We allocate our pension assets to several investment management firms across a variety of investment styles. Our defined benefit Investment Committee meets at least four times a year with our investment advisors to review each management firm's performance and monitors its compliance with its stated goals, our investment policy and applicable regulatory requirements in the U.S., Canada, and other jurisdictions.

Investment returns vary. We believe that, by investing in a variety of asset classes and utilizing multiple investment management firms, we can create a portfolio that yields adequate returns with reduced volatility. Our qualified U.S. plans employ a liability matching strategy augmented with Treasury futures to materially hedge against interest rate risk. After we consulted with our actuary and investment advisors, we adopted the target allocations in the table that follows for our pension plans to produce the desired performance. These target allocations are guidelines, not limitations, and occasionally plan fiduciaries will approve allocations above or below target ranges or modify the allocations.

Our target asset allocations by asset category at September 30 were as follows:

|                          | Pension Plans |                |             |                |
|--------------------------|---------------|----------------|-------------|----------------|
|                          | 2021          |                | 2020        |                |
|                          | U.S. Plans    | Non-U.S. Plans | U.S. Plans  | Non-U.S. Plans |
| Equity investments       | 19%           | 21%            | 19%         | 20%            |
| Fixed income investments | 73%           | 74%            | 75%         | 72%            |
| Short-term investments   | 1%            | 1%             | 1%          | 2%             |
| Other investments        | 7%            | 4%             | 5%          | 6%             |
| Total                    | <u>100%</u>   | <u>100%</u>    | <u>100%</u> | <u>100%</u>    |

Our asset allocations by asset category at September 30 were as follows:

|                          | Pension Plans |                |             |                |
|--------------------------|---------------|----------------|-------------|----------------|
|                          | 2021          |                | 2020        |                |
|                          | U.S. Plans    | Non-U.S. Plans | U.S. Plans  | Non-U.S. Plans |
| Equity investments       | 21%           | 21%            | 22%         | 21%            |
| Fixed income investments | 71%           | 72%            | 72%         | 72%            |
| Short-term investments   | 3%            | 2%             | 3%          | 2%             |
| Other investments        | 5%            | 5%             | 3%          | 5%             |
| Total                    | <u>100%</u>   | <u>100%</u>    | <u>100%</u> | <u>100%</u>    |

We manage our retirement plans in accordance with the provisions of the Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations thereunder as well as applicable legislation in Canada and other foreign countries. Our investment policy objectives include maximizing long-term returns at

WESTROCK COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

acceptable risk levels, diversifying among asset classes, as applicable, and among investment managers, as well as establishing certain risk parameters within asset classes. We have allocated our investments within the equity and fixed income asset classes to sub-asset classes designed to meet these objectives. In addition, our other investments support multi-strategy objectives.

In developing our weighted average expected rate of return on plan assets, we consulted with our investment advisors and evaluated criteria based on historical returns by asset class and long-term return expectations by asset class. We expect to contribute approximately \$25 million to our U.S. and non-U.S. pension plans in fiscal 2022. However, it is possible that our assumptions or legislation may change, actual market performance may vary or we may decide to contribute a different amount. Therefore, the amount we contribute may vary materially. The expense for MEPPs for collective bargaining employees generally equals the contributions for these plans, excluding estimated accruals for withdrawal liabilities or adjustments to those accruals.

The weighted average assumptions used to measure the benefit plan obligations at September 30, were:

|                               | Pension Plans |                |            |                |
|-------------------------------|---------------|----------------|------------|----------------|
|                               | 2021          |                | 2020       |                |
|                               | U.S. Plans    | Non-U.S. Plans | U.S. Plans | Non-U.S. Plans |
| Discount rate                 | 2.99%         | 2.63%          | 3.01%      | 2.16%          |
| Interest crediting rate       | 3.48%         | N/A            | 3.47%      | N/A            |
| Rate of compensation increase | 2.50%         | 2.65%          | 2.50%      | 2.68%          |

At September 30, 2021, the discount rate for the U.S. pension plans was determined based on the yield on a theoretical portfolio of high-grade corporate bonds, and the discount rate for the non-U.S. plans was determined based on a yield curve developed by our actuary. The theoretical portfolio of high-grade corporate bonds used to select the September 30, 2021 discount rate for the U.S. pension plans includes bonds generally rated Aa- or better with at least \$100 million outstanding par value and bonds that are non-callable (unless the bonds possess a “make whole” feature). The theoretical portfolio of bonds has cash flows that generally match our expected benefit payments in future years.

Our assumption regarding the future rate of compensation increases is reviewed periodically and is based on both our internal planning projections and recent history of actual compensation increases.

We typically review our expected long-term rate of return on plan assets periodically through an asset allocation study with either our actuary or investment advisor. In fiscal 2022, our expected rate of return used to determine net periodic benefit cost is 5.75% for our U.S. plans and 3.81% for our non-U.S. plans. Our expected rates of return in fiscal 2022 are based on an analysis of our long-term expected rate of return and our current asset allocation.

In December 2019, the USW ratified a new master agreement that applies to substantially all of our U.S. facilities represented by the USW. The agreement has a four-year term and covers a number of specific items, including wages, medical coverage and certain other benefit programs, substance abuse testing, and safety. Individual facilities will continue to have local agreements for subjects not covered by the master agreement and those agreements will continue to have staggered terms. The master agreement permits us to apply its terms to USW employees who work at facilities we acquire during the term of the agreement, including most former MeadWestvaco Corporation, KapStone and other acquired facilities.



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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table shows the changes in benefit obligation, plan assets and funded status for the years ended September 30 (in millions):

|                                                       | Pension Plans |                |            |                |
|-------------------------------------------------------|---------------|----------------|------------|----------------|
|                                                       | 2021          |                | 2020       |                |
|                                                       | U.S. Plans    | Non-U.S. Plans | U.S. Plans | Non-U.S. Plans |
| <u>Change in projected benefit obligation:</u>        |               |                |            |                |
| Benefit obligation at beginning of fiscal year        | \$ 5,264.5    | \$ 1,471.5     | \$ 5,048.9 | \$ 1,443.1     |
| Service cost                                          | 42.5          | 8.6            | 44.2       | 8.4            |
| Interest cost                                         | 154.6         | 32.7           | 165.0      | 33.6           |
| Amendments                                            | 5.0           | 0.6            | 25.2       | (0.2)          |
| Actuarial loss (gain)                                 | 20.7          | (66.1)         | 214.3      | 41.9           |
| Plan participant contributions                        | —             | 1.9            | —          | 2.0            |
| Benefits paid                                         | (248.2)       | (78.0)         | (233.1)    | (72.0)         |
| Curtailments                                          | —             | —              | —          | 3.2            |
| Settlements                                           | —             | (1.4)          | —          | (9.0)          |
| Foreign currency rate changes                         | —             | 68.7           | —          | 20.5           |
| Benefit obligation at end of fiscal year              | \$ 5,239.1    | \$ 1,438.5     | \$ 5,264.5 | \$ 1,471.5     |
| <u>Change in plan assets:</u>                         |               |                |            |                |
| Fair value of plan assets at beginning of fiscal year | \$ 5,369.7    | \$ 1,418.0     | \$ 5,005.3 | \$ 1,400.9     |
| Actual gain on plan assets                            | 491.9         | 38.7           | 582.6      | 65.4           |
| Employer contributions                                | 13.6          | 9.6            | 14.9       | 7.6            |
| Plan participant contributions                        | —             | 1.9            | —          | 2.0            |
| Benefits paid                                         | (248.2)       | (78.0)         | (233.1)    | (72.0)         |
| Settlements                                           | —             | (1.4)          | —          | (9.0)          |
| Foreign currency rate changes                         | —             | 66.9           | —          | 23.1           |
| Fair value of plan assets at end of fiscal year       | \$ 5,627.0    | \$ 1,455.7     | \$ 5,369.7 | \$ 1,418.0     |
| Funded status                                         | \$ 387.9      | \$ 17.2        | \$ 105.2   | \$ (53.5)      |

Amounts recognized in the Consolidated Balance

Sheets:

|                                                  |          |          |          |           |
|--------------------------------------------------|----------|----------|----------|-----------|
| Prepaid pension asset                            | \$ 566.8 | \$ 107.5 | \$ 290.6 | \$ 78.1   |
| Other current liabilities                        | (13.5)   | (1.0)    | (10.7)   | (1.1)     |
| Pension liabilities, net of current portion      | (165.4)  | (89.3)   | (174.7)  | (130.5)   |
| Over (under) funded status at end of fiscal year | \$ 387.9 | \$ 17.2  | \$ 105.2 | \$ (53.5) |

The actuarial loss (gain) in the change in benefit obligation for the U.S. Plans and Non-U.S. Plans are generally driven by a change in discount rates and to a lesser degree the rate of compensation change in the Non-U.S. Plans.

Certain U.S. plans have benefit obligations in excess of plan assets. These plans, which consist primarily of non-qualified plans, have aggregate projected benefit obligations of \$219.3 million, aggregate accumulated benefit obligations of \$219.3 million, and aggregate fair value of plan assets of \$40.4 million at September 30, 2021. Our qualified U.S. plans were in a net overfunded position at September 30, 2021.

The accumulated benefit obligation of U.S. and non-U.S. pension plans was \$6,627.1 million and \$6,682.2 million at September 30, 2021 and 2020, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The pre-tax amounts in accumulated other comprehensive loss September 30 not yet recognized as components of net periodic pension cost, including noncontrolling interest, consist of (in millions):

|                                            | Pension Plans   |                 |                 |                 |
|--------------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                            | 2021            |                 | 2020            |                 |
|                                            | U.S. Plans      | Non-U.S. Plans  | U.S. Plans      | Non-U.S. Plans  |
| Net actuarial loss                         | \$ 573.1        | \$ 125.9        | \$ 753.2        | \$ 188.6        |
| Prior service cost                         | 42.4            | 2.6             | 45.6            | 2.4             |
| Total accumulated other comprehensive loss | <u>\$ 615.5</u> | <u>\$ 128.5</u> | <u>\$ 798.8</u> | <u>\$ 191.0</u> |

The pre-tax amounts recognized in other comprehensive loss (income), including noncontrolling interest, are as follows at September 30 (in millions):

|                                                               | Pension Plans     |                  |                 |
|---------------------------------------------------------------|-------------------|------------------|-----------------|
|                                                               | 2021              | 2020             | 2019            |
| Net actuarial (gain) loss arising during period               | \$ (208.0)        | \$ (26.2)        | \$ 312.0        |
| Amortization and settlement recognition of net actuarial loss | (34.5)            | (48.2)           | (25.3)          |
| Prior service cost arising during period                      | 5.6               | 25.0             | 3.5             |
| Amortization of prior service cost                            | (8.4)             | (7.8)            | (5.2)           |
| Net other comprehensive (income) loss recognized              | <u>\$ (245.3)</u> | <u>\$ (57.2)</u> | <u>\$ 285.0</u> |

The net periodic pension (income) cost recognized in the Consolidated Statements of Operations is comprised of the following for fiscal years ended (in millions):

|                                     | Pension Plans    |                  |                  |
|-------------------------------------|------------------|------------------|------------------|
|                                     | 2021             | 2020             | 2019             |
| Service cost                        | \$ 51.1          | \$ 52.6          | \$ 42.8          |
| Interest cost                       | 187.3            | 198.6            | 232.6            |
| Expected return on plan assets      | (368.1)          | (362.3)          | (340.2)          |
| Amortization of net actuarial loss  | 34.2             | 46.8             | 24.5             |
| Amortization of prior service cost  | 8.4              | 7.5              | 5.2              |
| Curtailment loss                    | —                | 0.4              | 1.0              |
| Settlement loss (gain)              | 0.4              | 1.4              | (0.2)            |
| Company defined benefit plan income | (86.7)           | (55.0)           | (34.3)           |
| Multiemployer and other plans       | 1.6              | 2.0              | 1.4              |
| Net pension income                  | <u>\$ (85.1)</u> | <u>\$ (53.0)</u> | <u>\$ (32.9)</u> |

The Multiemployer and other plans line in the table above excludes the estimated withdrawal liabilities recorded. See “**Note 5. Retirement Plans — Multiemployer Plans**” for additional information.

The Consolidated Statements of Operations line item “Pension and other postretirement non-service income” is equal to the non-service elements of our “Company defined benefit plan income” and our “Net postretirement cost” outlined in this note.

WESTROCK COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Weighted-average assumptions used in the calculation of benefit plan expense for fiscal years ended:

|                                                  | Pension Plans |                |            |                |            |                |
|--------------------------------------------------|---------------|----------------|------------|----------------|------------|----------------|
|                                                  | 2021          |                | 2020       |                | 2019       |                |
|                                                  | U.S. Plans    | Non-U.S. Plans | U.S. Plans | Non-U.S. Plans | U.S. Plans | Non-U.S. Plans |
| Discount rate                                    | 3.01%         | 2.16%          | 3.35%      | 2.42%          | 4.50%      | 3.42%          |
| Interest crediting rate                          | 3.47%         | N/A            | 4.22%      | N/A            | 4.15%      | N/A            |
| Rate of compensation increase                    | 2.50%         | 2.68%          | 3.00%      | 2.65%          | 3.00%      | 2.67%          |
| Expected long-term rate of return on plan assets | 6.00%         | 3.73%          | 6.25%      | 4.26%          | 6.50%      | 4.69%          |

For our U.S. pension and postretirement plans, we considered the mortality tables and improvement scales published by the Society of Actuaries and evaluated our specific mortality experience to establish mortality assumptions. Based on our experience and in consultation with our actuaries, for fiscal 2021, 2020 and 2019 we utilized the base Pri-2012 mortality tables with specific gender and job classification increases applied for fiscal 2021 ranging from 6% to 13%, for fiscal 2020 ranging from 5% to 12% and for fiscal 2019 6% to 12%.

For our Canadian pension and postretirement plans, we utilized the 2014 Private Sector Canadian Pensioners Mortality Table adjusted to reflect industry and our mortality experience for fiscal 2021, 2020 and 2019. As of September 30, 2021, these adjustment factors were updated to reflect the most recent mortality experience.

Our projected estimated benefit payments (unaudited), which reflect expected future service, as appropriate, are as follows (in millions):

|                          | Pension Plans |                |
|--------------------------|---------------|----------------|
|                          | U.S. Plans    | Non-U.S. Plans |
| Fiscal 2022              | \$ 277.4      | \$ 76.1        |
| Fiscal 2023              | \$ 279.1      | \$ 76.5        |
| Fiscal 2024              | \$ 283.7      | \$ 76.0        |
| Fiscal 2025              | \$ 291.2      | \$ 76.3        |
| Fiscal 2026              | \$ 280.8      | \$ 75.7        |
| Fiscal Years 2027 – 2031 | \$ 1,435.0    | \$ 378.4       |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes our pension plan assets measured at fair value on a recurring basis (at least annually) as of September 30, 2021 (in millions):

|                                                          | Total      | Quoted Prices<br>in Active<br>Markets for<br>Identical<br>Assets (Level 1) | Significant<br>Other<br>Observable<br>Inputs (Level 2) |
|----------------------------------------------------------|------------|----------------------------------------------------------------------------|--------------------------------------------------------|
| Equity securities:                                       |            |                                                                            |                                                        |
| U.S. equities <sup>(1)</sup>                             | \$ 275.1   | \$ 275.1                                                                   | \$ —                                                   |
| Non-U.S. equities <sup>(1)</sup>                         | 9.4        | 9.4                                                                        | —                                                      |
| Fixed income securities:                                 |            |                                                                            |                                                        |
| U.S. government securities <sup>(2)</sup>                | 292.4      | —                                                                          | 292.4                                                  |
| Non-U.S. government securities <sup>(3)</sup>            | 113.2      | —                                                                          | 113.2                                                  |
| U.S. corporate bonds <sup>(3)</sup>                      | 2,987.8    | 137.6                                                                      | 2,850.2                                                |
| Non-U.S. corporate bonds <sup>(3)</sup>                  | 511.1      | —                                                                          | 511.1                                                  |
| Other fixed income <sup>(4)</sup>                        | 435.5      | —                                                                          | 435.5                                                  |
| Short-term investments <sup>(5)</sup>                    | 195.5      | 195.5                                                                      | —                                                      |
| Benefit plan assets measured in the fair value hierarchy | \$ 4,820.0 | \$ 617.6                                                                   | \$ 4,202.4                                             |
| Assets measured at NAV <sup>(6)</sup>                    | 2,262.7    |                                                                            |                                                        |
| Total benefit plan assets                                | \$ 7,082.7 |                                                                            |                                                        |

The following table summarizes our pension plan assets measured at fair value on a recurring basis (at least annually) as of September 30, 2020 (in millions):

|                                                          | Total      | Quoted Prices<br>in Active<br>Markets for<br>Identical<br>Assets (Level 1) | Significant<br>Other<br>Observable<br>Inputs (Level 2) |
|----------------------------------------------------------|------------|----------------------------------------------------------------------------|--------------------------------------------------------|
| Equity securities:                                       |            |                                                                            |                                                        |
| U.S. equities <sup>(1)</sup>                             | \$ 253.0   | \$ 253.0                                                                   | \$ —                                                   |
| Non-U.S. equities <sup>(1)</sup>                         | 4.0        | 4.0                                                                        | —                                                      |
| Fixed income securities:                                 |            |                                                                            |                                                        |
| U.S. government securities <sup>(2)</sup>                | 331.7      | —                                                                          | 331.7                                                  |
| Non-U.S. government securities <sup>(3)</sup>            | 103.1      | —                                                                          | 103.1                                                  |
| U.S. corporate bonds <sup>(3)</sup>                      | 2,875.3    | 124.9                                                                      | 2,750.4                                                |
| Non-U.S. corporate bonds <sup>(3)</sup>                  | 540.7      | —                                                                          | 540.7                                                  |
| Other fixed income <sup>(4)</sup>                        | 388.0      | —                                                                          | 388.0                                                  |
| Short-term investments <sup>(5)</sup>                    | 168.7      | 168.7                                                                      | —                                                      |
| Benefit plan assets measured in the fair value hierarchy | \$ 4,664.5 | \$ 550.6                                                                   | \$ 4,113.9                                             |
| Assets measured at NAV <sup>(6)</sup>                    | 2,123.2    |                                                                            |                                                        |
| Total benefit plan assets                                | \$ 6,787.7 |                                                                            |                                                        |

(1) Equity securities are comprised of the following investment types: (i) common stock, (ii) preferred stock, and (iii) equity exchange traded funds. Level 1 investments in common and preferred stocks and exchange traded funds are valued using quoted market prices multiplied by the number of shares owned.

(2) U.S. government securities include treasury and agency debt. These investments are valued using broker quotes in an active market.

(3) The level 1 non-U.S. government securities investment is an exchange cleared swap valued using quoted market prices. The level 1 U.S. corporate bonds category is primarily comprised of U.S. dollar denominated investment grade securities and valued using quoted market prices. Level 2 investments are valued utilizing a market approach that includes various valuation techniques and sources such as value generation models, broker quotes in active and non-active markets, benchmark yields and securities, reported trades, issuer spreads, and/or other applicable reference data.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

- (4) Other fixed income is comprised of municipal and asset-backed securities. Investments are valued utilizing a market approach that includes various valuation techniques and sources, such as broker quotes in active and non-active markets, benchmark yields and securities, reported trades, issuer spreads and/or other applicable reference data.
- (5) Short-term investments are valued at \$1.00/unit, which approximates fair value. Amounts are generally invested in interest-bearing accounts.
- (6) Investments that are measured at net asset value (“NAV”) (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy.

The following table summarizes assets measured at fair value based on NAV per share as a practical expedient as of September 30, 2021 and 2020 (in millions):

|                                                                                                                  | Fair value        | Redemption Frequency | Redemption Notice Period | Unfunded Commitments |
|------------------------------------------------------------------------------------------------------------------|-------------------|----------------------|--------------------------|----------------------|
| <b>September 30, 2021</b>                                                                                        |                   |                      |                          |                      |
| Hedge funds <sup>(1)</sup>                                                                                       | \$ 38.9           | Monthly              | Up to 30 days            | \$ —                 |
| Commingled funds, private equity, private real estate investments, and equity related investments <sup>(2)</sup> | 1,498.2           | Monthly              | Up to 60 days            | 171.7                |
| Fixed income and fixed income related instruments <sup>(3)</sup>                                                 | 725.6             | Monthly              | Up to 10 days            | —                    |
|                                                                                                                  | <u>\$ 2,262.7</u> |                      |                          | <u>\$ 171.7</u>      |
| <b>September 30, 2020</b>                                                                                        |                   |                      |                          |                      |
| Hedge funds <sup>(1)</sup>                                                                                       | \$ 39.2           | Monthly              | Up to 30 days            | \$ —                 |
| Commingled funds, private equity, private real estate investments, and equity related investments <sup>(2)</sup> | 1,416.9           | Monthly              | Up to 60 days            | 228.9                |
| Fixed income and fixed income related instruments <sup>(3)</sup>                                                 | 667.1             | Monthly              | Up to 10 days            | —                    |
|                                                                                                                  | <u>\$ 2,123.2</u> |                      |                          | <u>\$ 228.9</u>      |

- (1) Hedge fund investments are primarily made through shares of limited partnerships or similar structures. Hedge funds are typically valued monthly by third-party administrators that have been appointed by the funds’ general partners.
- (2) Commingled fund investments are valued at the NAV per share multiplied by the number of shares held. The determination of NAV for the commingled funds includes market pricing of the underlying assets as well as broker quotes and other valuation techniques.
- (3) Fixed income and fixed income related instruments consist of commingled debt funds, which are valued at their NAV per share multiplied by the number of shares held. The determination of NAV for the commingled funds includes market pricing of the underlying assets as well as broker quotes and other valuation techniques.

We maintain holdings in certain private equity partnerships and private real estate investments for which a liquid secondary market does not exist. The private equity partnerships are commingled investments. Valuation techniques, such as discounted cash flow and market based comparable analyses, are used to determine fair value of the private equity investments. Unobservable inputs used for the discounted cash flow technique include projected future cash flows and the discount rate used to calculate present value. Unobservable inputs used for the market-based comparisons technique include earnings before interest, taxes, depreciation and amortization multiples in other comparable third-party transactions, price to earnings ratios, liquidity, current operating results, as well as input from general partners and other pertinent information. Private equity investments have been valued using NAV as a practical expedient.

Private real estate investments are commingled investments. Valuation techniques, such as discounted cash flow and market based comparable analyses, are used to determine fair value of the private equity investments. Unobservable inputs used for the discounted cash flow technique include projected future cash flows and the discount rate used to calculate present value. Unobservable inputs used for the market-based comparison technique include a combination of third-party appraisals, replacement cost, and comparable market prices. Private real estate investments have been valued using NAV as a practical expedient.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Equity-related investments are hedged equity investments in a commingled fund that consist primarily of equity indexed investments which are hedged by options and also hold collateral in the form of short-term treasury securities. Equity related investments have been valued using NAV as a practical expedient.

**Postretirement Plans**

The postretirement benefit plans provide certain health care and life insurance benefits for certain salaried and hourly employees who meet specified age and service requirements as defined by the plans.

The weighted average assumptions used to measure the benefit plan obligations at September 30 were:

|               | Postretirement plans |                |            |                |
|---------------|----------------------|----------------|------------|----------------|
|               | 2021                 |                | 2020       |                |
|               | U.S. Plans           | Non-U.S. Plans | U.S. Plans | Non-U.S. Plans |
| Discount rate | 2.98%                | 6.45%          | 3.00%      | 4.84%          |

The following table shows the changes in benefit obligation, plan assets and funded status for the fiscal years ended September 30 (in millions):

|                                                               | Postretirement Plans |                |            |                |
|---------------------------------------------------------------|----------------------|----------------|------------|----------------|
|                                                               | 2021                 |                | 2020       |                |
|                                                               | U.S. Plans           | Non-U.S. Plans | U.S. Plans | Non-U.S. Plans |
| <u>Change in projected benefit obligation:</u>                |                      |                |            |                |
| Benefit obligation at beginning of fiscal year                | \$ 93.6              | \$ 62.5        | \$ 98.3    | \$ 75.7        |
| Service cost                                                  | 0.6                  | 0.6            | 0.6        | 0.7            |
| Interest cost                                                 | 2.8                  | 3.1            | 3.2        | 3.7            |
| Amendments                                                    | —                    | —              | (0.1)      | 2.0            |
| Actuarial gain                                                | (6.1)                | (8.1)          | (3.1)      | (5.3)          |
| Benefits paid                                                 | (4.5)                | (2.8)          | (5.3)      | (2.9)          |
| Foreign currency rate changes                                 | —                    | 3.0            | —          | (11.4)         |
| Benefit obligation at end of fiscal year                      | \$ 86.4              | \$ 58.3        | \$ 93.6    | \$ 62.5        |
| <u>Change in plan assets:</u>                                 |                      |                |            |                |
| Fair value of plan assets at beginning of fiscal year         | \$ —                 | \$ —           | \$ —       | \$ —           |
| Employer contributions                                        | 4.5                  | 2.8            | 5.3        | 2.9            |
| Benefits paid                                                 | (4.5)                | (2.8)          | (5.3)      | (2.9)          |
| Fair value of plan assets at end of fiscal year               | \$ —                 | \$ —           | \$ —       | \$ —           |
| Underfunded Status                                            | \$ (86.4)            | \$ (58.3)      | \$ (93.6)  | \$ (62.5)      |
| <u>Amounts recognized in the Consolidated Balance Sheets:</u> |                      |                |            |                |
| Other current liabilities                                     | \$ (8.2)             | \$ (2.8)       | \$ (8.0)   | \$ (2.7)       |
| Postretirement benefit liabilities, net of current portion    | (78.2)               | (55.5)         | (85.6)     | (59.8)         |
| Underfunded status at end of fiscal year                      | \$ (86.4)            | \$ (58.3)      | \$ (93.6)  | \$ (62.5)      |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The pre-tax amounts in accumulated other comprehensive loss at September 30 not yet recognized as components of net periodic postretirement cost, including noncontrolling interest, consist of (in millions):

|                                                     | Postretirement Plans |                |            |                |
|-----------------------------------------------------|----------------------|----------------|------------|----------------|
|                                                     | 2021                 |                | 2020       |                |
|                                                     | U.S. Plans           | Non-U.S. Plans | U.S. Plans | Non-U.S. Plans |
| Net actuarial (gain) loss                           | \$ (16.1)            | \$ 4.8         | \$ (10.6)  | \$ 13.0        |
| Prior service (credit) cost                         | (3.2)                | 1.1            | (5.7)      | 1.2            |
| Total accumulated other comprehensive (income) loss | \$ (19.3)            | \$ 5.9         | \$ (16.3)  | \$ 14.2        |

The pre-tax amounts recognized in other comprehensive loss (income), including noncontrolling interest, are as follows at September 30 (in millions):

|                                                                      | Postretirement Plans |          |         |
|----------------------------------------------------------------------|----------------------|----------|---------|
|                                                                      | 2021                 | 2020     | 2019    |
| Net actuarial (gain) loss arising during period                      | \$ (14.2)            | \$ (8.4) | \$ 23.9 |
| Amortization and settlement recognition of net actuarial gain (loss) | 0.6                  | (0.1)    | 2.0     |
| Prior service cost arising during period                             | —                    | 1.9      | 0.4     |
| Amortization or curtailment recognition of prior service credit      | 2.4                  | 2.7      | 2.8     |
| Net other comprehensive (income) loss recognized                     | \$ (11.2)            | \$ (3.9) | \$ 29.1 |

The net periodic postretirement cost recognized in the Consolidated Statements of Operations is comprised of the following for fiscal years ended (in millions):

|                                           | Postretirement Plans |        |        |
|-------------------------------------------|----------------------|--------|--------|
|                                           | 2021                 | 2020   | 2019   |
| Service cost                              | \$ 1.2               | \$ 1.3 | \$ 1.2 |
| Interest cost                             | 5.9                  | 6.9    | 7.7    |
| Amortization of net actuarial (gain) loss | (0.6)                | 0.1    | (2.0)  |
| Amortization of prior service credit      | (2.4)                | (2.7)  | (2.8)  |
| Net postretirement cost                   | \$ 4.1               | \$ 5.6 | \$ 4.1 |

The assumed health care cost trend rates used in measuring the accumulated postretirement benefit obligation (“APBO”) are as follows at September 30, 2021:

|                                                                                   |       |
|-----------------------------------------------------------------------------------|-------|
| <u>U.S. Plans</u>                                                                 |       |
| Health care cost trend rate assumed for next year                                 | 5.34% |
| Rate to which the cost trend rate is assumed to decline (the ultimate trend rate) | 4.00% |
| Year the rate reaches the ultimate trend rate                                     | 2047  |
| <u>Non-U.S. Plans</u>                                                             |       |
| Health care cost trend rate assumed for next year                                 | 6.00% |
| Rate to which the cost trend rate is assumed to decline (the ultimate trend rate) | 6.00% |
| Year the rate reaches the ultimate trend rate                                     | 2021  |

WESTROCK COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Weighted-average assumptions used in the calculation of benefit plan expense for fiscal years ended:

|                               | Postretirement Plans |                |            |                |            |                |
|-------------------------------|----------------------|----------------|------------|----------------|------------|----------------|
|                               | 2021                 |                | 2020       |                | 2019       |                |
|                               | U.S. Plans           | Non-U.S. Plans | U.S. Plans | Non-U.S. Plans | U.S. Plans | Non-U.S. Plans |
| Discount rate                 | 3.00%                | 4.84%          | 3.34%      | 5.64%          | 4.50%      | 6.61%          |
| Rate of compensation increase | N/A                  | N/A            | N/A        | N/A            | N/A        | N/A            |

Our projected estimated benefit payments (unaudited), which reflect expected future service, as appropriate, are as follows (in millions):

|                          | Postretirement Plans |                |
|--------------------------|----------------------|----------------|
|                          | U.S. Plans           | Non-U.S. Plans |
| Fiscal 2022              | \$ 8.2               | \$ 2.8         |
| Fiscal 2023              | \$ 7.2               | \$ 2.9         |
| Fiscal 2024              | \$ 6.8               | \$ 2.9         |
| Fiscal 2025              | \$ 6.5               | \$ 3.0         |
| Fiscal 2026              | \$ 6.2               | \$ 3.0         |
| Fiscal Years 2027 – 2031 | \$ 27.2              | \$ 16.1        |

**Multiemployer Plans**

We participate in several MEPPs that provide retirement benefits to certain union employees in accordance with various CBAs. The risks of participating in MEPPs are different from the risks of participating in single-employer pension plans. These risks include (i) assets contributed to a MEPP by one employer are used to provide benefits to employees of all participating employers, (ii) if a participating employer withdraws from a MEPP, the unfunded obligations of the MEPP allocable to such withdrawing employer may be borne by the remaining participating employers, and (iii) if we withdraw from a MEPP, we may be required to pay that plan an amount based on our allocable share of the unfunded vested benefits of the plan, referred to as a withdrawal liability, as well as a share of the MEPP's accumulated funding deficiency.

Our contributions to a particular MEPP are established by the applicable CBAs; however, our required contributions may increase based on the funded status of a MEPP and legal requirements, such as those set forth in the Pension Act, which requires substantially underfunded MEPPs to implement a FIP or a RP to improve their funded status. Contributions to MEPPs are individually and in the aggregate not significant.

In the normal course of business, we evaluate our potential exposure to MEPPs, including with respect to potential withdrawal liabilities. In fiscal 2018, we submitted formal notification to withdraw from PIUMPF and Central States, and recorded estimated withdrawal liabilities for each. The PIUMPF estimated withdrawal liability assumed both a payment for withdrawal liability and for our proportionate share of PIUMPF's accumulated funding deficiency. The estimated withdrawal liability excludes the potential impact of a future mass withdrawal of other employers from PIUMPF, which was not considered probable or reasonably estimable and was discounted at a credit adjusted risk free rate. Subsequently, we continued to refine the estimate of the withdrawal liability, the impact of which was not significant. It is reasonably possible that we may incur withdrawal liabilities with respect to certain other MEPPs in connection with such withdrawals. Our estimate of any such withdrawal liability, both individually and in the aggregate, is not material for the remaining plans in which we participate.

In September 2019, we received a demand from PIUMPF asserting that we owe \$170.3 million on an undiscounted basis (approximately \$0.7 million per month for the next 20 years) with respect to our withdrawal liability. The initial demand did not address any assertion of liability for PIUMPF's accumulated funding deficiency. In October 2019, we received two additional demand letters from PIUMPF related to a subsidiary of ours asserting that we owe \$2.3 million on an undiscounted basis to be paid over 20 years with respect to the subsidiary's withdrawal liability and \$2.0 million for its accumulated funding deficiency. We received an updated demand letter decreasing the accumulated funding deficiency demand from \$2.0 million to \$1.3 million in April 2020. In February 2020, we received a demand letter from PIUMPF asserting that we owe \$51.2 million for our pro-rata share of PIUMPF's accumulated funding deficiency, including interest. We dispute the PIUMPF accumulated funding



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

deficiency demands. We began making monthly payments (approximately \$0.7 million per month for 20 years) for these withdrawal liabilities in fiscal 2020, excluding the accumulated funding deficiency demands.

In July 2021, PIUMPF filed suit against us in the U.S. District Court for the Northern District of Georgia claiming the right to recover our pro rata share of the pension fund's accumulated funding deficiency. We believe we are adequately reserved for this matter.

At September 30, 2021 and September 30, 2020, we had withdrawal liabilities recorded of \$247.1 million and \$252.0 million, respectively including liabilities associated with PIUMPF's accumulated funding deficiency demands.

With respect to certain other MEPPs, in the event we withdraw from one or more of the MEPPs in the future, it is reasonably possible that we may incur withdrawal liabilities in connection with such withdrawals. Our estimate of any such withdrawal liabilities, both individually and in the aggregate, are not material for the remaining plans in which we participate.

Approximately 56% of our employees are covered by CBAs in the U.S. and Canada, of which approximately 26% are covered by CBAs that expire within one year and another 16% are covered by CBAs that have expired.

**Defined Contribution Plans**

We have 401(k) and other defined contribution plans that cover certain of our U.S., Canadian and other non-U.S. salaried union and nonunion hourly employees, generally subject to an initial waiting period. The 401(k) and other defined contribution plans permit participants to make contributions by salary reduction pursuant to Section 401(k) of the Internal Revenue Code, or the taxing authority in the jurisdiction in which they operate. Due primarily to acquisitions, CBAs and other non-U.S. defined contribution programs, we have plans with varied terms. At September 30, 2021, our contributions may be up to 7.5% for U.S. salaried and non-union hourly employees, consisting of a match of up to 5% and an automatic employer contribution of 2.5%. Certain other employees who receive accruals under a defined benefit pension plan, certain employees covered by CBAs and non-U.S. defined contribution programs receive generally up to a 3.0% to 4.0% contribution to their 401(k) plan or defined contribution plan. During fiscal 2021, 2020 and 2019, we recorded expense of \$164.7 million, \$150.1 million and \$150.9 million, respectively, related to employer contributions to the 401(k) plans and other defined contribution plans, including the automatic employer contribution. In connection with the WestRock Pandemic Action Plan, we began funding our matching contributions to the WestRock Company 401(k) Retirement Savings Plan in Common Stock effective July 1, 2020 and ending September 30, 2021 (final period funded in October 2021).

**Supplemental Retirement Plans**

We have Supplemental Plans that are nonqualified deferred compensation plans. We intend to provide participants with an opportunity to supplement their retirement income through deferral of current compensation. Amounts deferred and payable under the Supplemental Plans are our unsecured obligations and rank equally with our other unsecured and unsubordinated indebtedness outstanding. Participants' accounts are credited with investment gains and losses under the Supplemental Plans in accordance with the participant's investment election or elections (or default election or elections) as in effect from time to time. At September 30, 2021, the Supplemental Plans had assets totaling \$191.0 million that are recorded at market value, and liabilities of \$171.0 million. The investment alternatives available under the Supplemental Plans are generally similar to investment alternatives available under 401(k) plans. The amount of expense we recorded for the current fiscal year and the preceding two fiscal years was not significant.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Note 6. Income Taxes**

The components of income (loss) before income taxes are as follows (in millions):

|                                   | Year Ended September 30, |                   |                   |
|-----------------------------------|--------------------------|-------------------|-------------------|
|                                   | 2021                     | 2020              | 2019              |
| United States                     | \$ 822.4                 | \$ (440.7)        | \$ 891.6          |
| Foreign                           | 263.5                    | (81.9)            | 253.1             |
| Income (loss) before income taxes | <u>\$ 1,085.9</u>        | <u>\$ (522.6)</u> | <u>\$ 1,144.7</u> |

**Impacts of the Tax Act**

On December 22, 2017, the U.S. enacted comprehensive tax legislation, commonly referred to as the Tax Act. The Tax Act contained significant changes to corporate taxation, including (i) the reduction of the corporate income tax rate to 21%, (ii) the acceleration of expensing for certain business assets, (iii) the one-time transition tax related to the transition of U.S. international tax from a worldwide tax system to a territorial tax system, (iv) the repeal of the domestic production deduction, (v) additional limitations on the deductibility of interest expense, and (vi) expanded limitations on executive compensation. In conjunction with guidance set forth under SAB 118 pertaining to the Tax Act, we recorded provisional amounts both for the impact of remeasurement on our U.S. net deferred tax liabilities to the new U.S. statutory rate of 21% and for the mandatory transition tax on unrepatriated foreign earnings during fiscal 2018. During the first quarter of fiscal 2019, we completed the accounting for the income tax effect related to the Tax Act and made the following adjustments to the provisional amounts: (i) a \$0.4 million tax expense from the true up and revaluation of deferred tax assets and liabilities to reflect the new tax rate and (ii) an additional \$3.7 million tax expense, as a result of the refinement to the transition tax provisional liability. We have reclassified the transition tax liability for financial statement purposes to a reserve for uncertain tax position due to uncertainty in the realizability of certain foreign earnings and profits deficits. During the third quarter of fiscal 2020, we reduced our transition tax reserve by \$16.4 million based on adjustments to expected post-1986 deferred foreign income as of the transition tax date.

Beginning in fiscal 2019, we were subject to several provisions of the Tax Act, including computations under Global Intangible Low Taxed Income (“**GILTI**”), Foreign Derived Intangible Income (“**FDII**”), Base Erosion and Anti-Abuse Tax (“**BEAT**”), and IRC Section 163(j) interest limitation (“**Interest Limitation**”) rules. We recorded the immaterial tax impact of FDII in our effective tax rate for fiscal 2020. For the BEAT computation, we did not record any amount in our effective tax rate for fiscal 2020 because this provision of the Tax Act did not impact tax expense for the fiscal year.

As part of the enacted Tax Act, GILTI provisions were introduced that would impose a tax on foreign income in excess of a deemed return on tangible assets of foreign corporations. In January 2018, the FASB issued a question-and-answer document, stating that either accounting for deferred taxes related to GILTI inclusions or treating any taxes on GILTI inclusions as period costs are both acceptable methods subject to an accounting policy election. The GILTI provisions did not take effect for WestRock until fiscal 2019, and the Company has elected to treat any potential GILTI inclusions as a period cost during the year incurred.

WESTROCK COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Income tax expense consists of the following components (in millions):

|                                         | Year Ended September 30, |                 |                 |
|-----------------------------------------|--------------------------|-----------------|-----------------|
|                                         | 2021                     | 2020            | 2019            |
| <b>Current income taxes:</b>            |                          |                 |                 |
| Federal                                 | \$ 171.2                 | \$ 31.6         | \$ 134.7        |
| State                                   | 27.2                     | 23.5            | 34.9            |
| Foreign                                 | 78.4                     | 66.8            | 69.5            |
| <b>Total current expense</b>            | <b>276.8</b>             | <b>121.9</b>    | <b>239.1</b>    |
| <b>Deferred income taxes:</b>           |                          |                 |                 |
| Federal                                 | (39.0)                   | 42.4            | 44.1            |
| State                                   | (10.2)                   | 6.2             | 6.1             |
| Foreign                                 | 15.8                     | (7.0)           | (12.5)          |
| <b>Total deferred (benefit) expense</b> | <b>(33.4)</b>            | <b>41.6</b>     | <b>37.7</b>     |
| <b>Total income tax expense</b>         | <b>\$ 243.4</b>          | <b>\$ 163.5</b> | <b>\$ 276.8</b> |

During fiscal 2021, 2020 and 2019, cash paid for income taxes, net of refunds, were \$271.9 million, \$147.2 million and \$226.1 million, respectively.

The differences between the statutory federal income tax rate and our effective income tax rate are as follows:

|                                                                           | Year Ended September 30, |                     |              |
|---------------------------------------------------------------------------|--------------------------|---------------------|--------------|
|                                                                           | 2021                     | 2020 <sup>(1)</sup> | 2019         |
| Statutory federal tax rate                                                | 21.0%                    | 21.0%               | 21.0%        |
| Foreign rate differential                                                 | 0.9                      | (1.1)               | 1.3          |
| Adjustment and resolution of federal, state and foreign tax uncertainties | 0.1                      | 2.7                 | 1.2          |
| State taxes, net of federal benefit                                       | 2.0                      | (0.3)               | 2.9          |
| Excess tax benefit related to stock compensation                          | 0.2                      | (0.5)               | (0.3)        |
| Research and development and other tax credits, net of reserves           | (0.5)                    | 3.7                 | (0.7)        |
| Income attributable to noncontrolling interest                            | 0.1                      | 0.1                 | (0.1)        |
| Change in valuation allowance                                             | 2.8                      | (4.1)               | 0.2          |
| Nondeductible transaction costs                                           | —                        | —                   | 1.0          |
| Goodwill impairment                                                       | —                        | (51.2)              | —            |
| Nontaxable increased cash surrender value                                 | (1.1)                    | 1.3                 | (0.6)        |
| Withholding taxes                                                         | 0.2                      | (0.7)               | 0.6          |
| FDII                                                                      | (1.2)                    | 1.3                 | (0.5)        |
| Deferred rate change                                                      | (1.0)                    | (1.8)               | (0.4)        |
| Brazilian net worth deduction                                             | (0.7)                    | 1.7                 | (0.9)        |
| Other, net                                                                | (0.4)                    | (3.4)               | (0.5)        |
| <b>Effective tax rate</b>                                                 | <b>22.4%</b>             | <b>(31.3)%</b>      | <b>24.2%</b> |

<sup>(1)</sup> The negative tax rate for fiscal year 2020 is the result of applying total income tax expense to the loss before income taxes. The signs within the table are consequently the opposite compared to fiscal 2021 and 2019.

**WESTROCK COMPANY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

The tax effects of temporary differences that give rise to deferred income tax assets and liabilities consist of the following (in millions):

|                                                                | September 30,     |                   |
|----------------------------------------------------------------|-------------------|-------------------|
|                                                                | 2021              | 2020              |
| <b>Deferred income tax assets:</b>                             |                   |                   |
| Accruals and allowances                                        | \$ 6.7            | \$ 5.3            |
| Employee related accruals and allowances                       | 119.0             | 121.3             |
| Pension                                                        | —                 | 60.5              |
| State net operating loss carryforwards, net of federal benefit | 57.5              | 67.0              |
| State credit carryforwards, net of federal benefit             | 84.9              | 79.4              |
| Federal and foreign net operating loss carryforwards           | 193.6             | 188.3             |
| Restricted stock and options                                   | 30.2              | 33.7              |
| Lease liabilities                                              | 177.1             | 179.1             |
| Other                                                          | 42.1              | 52.8              |
| <b>Total</b>                                                   | <b>711.1</b>      | <b>787.4</b>      |
| <b>Deferred income tax liabilities:</b>                        |                   |                   |
| Property, plant and equipment                                  | 1,805.2           | 1,885.5           |
| Deductible intangibles and goodwill                            | 796.6             | 841.5             |
| Inventory reserves                                             | 243.5             | 216.2             |
| Deferred gain                                                  | 272.8             | 272.2             |
| Basis difference in joint ventures                             | 32.9              | 33.8              |
| Pension                                                        | 36.3              | —                 |
| Right-of-use assets                                            | 164.9             | 163.8             |
| <b>Total</b>                                                   | <b>3,352.2</b>    | <b>3,413.0</b>    |
| Valuation allowances                                           | 277.5             | 257.5             |
| <b>Net deferred income tax liability</b>                       | <b>\$ 2,918.6</b> | <b>\$ 2,883.1</b> |

Deferred taxes are recorded as follows in the Consolidated Balance Sheets (in millions):

|                                             | September 30,     |                   |
|---------------------------------------------|-------------------|-------------------|
|                                             | 2021              | 2020              |
| Long-term deferred tax asset <sup>(1)</sup> | \$ 25.8           | \$ 33.8           |
| Long-term deferred tax liability            | 2,944.4           | 2,916.9           |
| <b>Net deferred income tax liability</b>    | <b>\$ 2,918.6</b> | <b>\$ 2,883.1</b> |

<sup>(1)</sup> The long-term deferred tax asset is presented in Other assets on the Consolidated Balance Sheets.

At September 30, 2021 and September 30, 2020, we had gross U.S. federal net operating losses of approximately \$2.7 million and \$2.6 million, respectively. These loss carryforwards generally expire between fiscal 2031 and 2038.

At September 30, 2021 and September 30, 2020, we had gross state and local net operating losses, of approximately \$1,190 million and \$1,461 million, respectively. These loss carryforwards generally expire between fiscal 2022 and 2040. The tax effected values of these net operating losses are \$57.5 million and \$67.0 million at September 30, 2021 and 2020, respectively, exclusive of valuation allowances of \$20.4 million and \$12.7 million at September 30, 2021 and 2020, respectively.

At September 30, 2021 and September 30, 2020, gross net operating losses for foreign reporting purposes of approximately \$779.1 million and \$765.1 million, respectively, were available for carryforward. A majority of these loss carryforwards generally expire between fiscal 2022 and 2040, while a portion have an indefinite carryforward. The tax effected values of these net operating losses are \$193.0 million and \$187.7 million at September 30, 2021 and 2020, respectively, exclusive of valuation allowances of \$177.6 million and \$165.9 million at September 30, 2021 and 2020, respectively.

**WESTROCK COMPANY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

At September 30, 2021 and 2020, we had state tax credit carryforwards of \$84.9 million and \$79.4 million, respectively. These state tax credit carryforwards generally expire within 5 to 10 years; however, certain state credits can be carried forward indefinitely. Valuation allowances of \$76.3 million and \$71.9 million at September 30, 2021 and 2020, respectively, have been provided on these assets. These valuation allowances have been recorded due to uncertainty regarding our ability to generate sufficient taxable income in the appropriate taxing jurisdiction.

The following table represents a summary of the valuation allowances against deferred tax assets for fiscal 2021, 2020 and 2019 (in millions):

|                                                             | 2021            | 2020            | 2019            |
|-------------------------------------------------------------|-----------------|-----------------|-----------------|
| Balance at beginning of fiscal year                         | \$ 257.5        | \$ 218.0        | \$ 229.4        |
| Increases                                                   | 22.2            | 46.2            | 25.4            |
| Allowances related to acquisition accounting <sup>(1)</sup> | —               | —               | 0.8             |
| Reductions                                                  | (2.2)           | (6.7)           | (37.6)          |
| Balance at end of fiscal year                               | <u>\$ 277.5</u> | <u>\$ 257.5</u> | <u>\$ 218.0</u> |

<sup>(1)</sup> Amounts in fiscal 2019 relate to the KapStone Acquisition.

Consistent with prior years, we consider a portion of our earnings from certain foreign subsidiaries as subject to repatriation and we provide for taxes accordingly. However, we consider the unremitted earnings and all other outside basis differences from all other foreign subsidiaries to be indefinitely reinvested. Accordingly, we have not provided for any taxes that would be due.

As of September 30, 2021, we estimate our outside basis difference in foreign subsidiaries that are considered indefinitely reinvested to be approximately \$1.4 billion. The components of the outside basis difference are comprised of acquisition accounting adjustments, undistributed earnings, and equity components. In the event of a distribution in the form of dividends or dispositions of the subsidiaries, we may be subject to incremental U.S. income taxes, subject to an adjustment for foreign tax credits, and withholding taxes or income taxes payable to the foreign jurisdictions. As of September 30, 2021, the determination of the amount of unrecognized deferred tax liability related to any remaining undistributed foreign earnings not subject to the Transition Tax and additional outside basis differences is not practicable.

A reconciliation of the beginning and ending amount of gross unrecognized tax benefits is as follows (in millions):

|                                                                            | 2021            | 2020            | 2019            |
|----------------------------------------------------------------------------|-----------------|-----------------|-----------------|
| Balance at beginning of fiscal year                                        | \$ 206.7        | \$ 224.3        | \$ 127.1        |
| Additions related to purchase accounting <sup>(1)</sup>                    | —               | —               | 1.0             |
| Additions for tax positions taken in current year <sup>(2)</sup>           | 2.7             | 5.0             | 103.8           |
| Additions for tax positions taken in prior fiscal years                    | 10.8            | 11.7            | 1.8             |
| Reductions for tax positions taken in prior fiscal years <sup>(2)</sup>    | —               | (16.7)          | (0.5)           |
| Reductions due to settlement <sup>(3)</sup>                                | —               | —               | (4.0)           |
| Additions (reductions) for currency translation adjustments                | 1.5             | (8.8)           | (1.7)           |
| Reductions as a result of a lapse of the applicable statute of limitations | (22.2)          | (8.8)           | (3.2)           |
| Balance at end of fiscal year                                              | <u>\$ 199.5</u> | <u>\$ 206.7</u> | <u>\$ 224.3</u> |

<sup>(1)</sup> Amounts in fiscal 2019 relate to the KapStone Acquisition.

<sup>(2)</sup> Additions for tax positions taken in fiscal 2019 and reductions taken in fiscal 2020 include primarily positions taken related to foreign subsidiaries.

<sup>(3)</sup> Amounts in fiscal 2019 relate to the settlements of state and foreign audit examinations.

WESTROCK COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

As of September 30, 2021 and 2020, the total amount of unrecognized tax benefits was approximately \$199.5 million and \$206.7 million, respectively, exclusive of interest and penalties. Of these balances, as of September 30, 2021 and 2020, if we were to prevail on all unrecognized tax benefits recorded, approximately \$188.7 million and \$189.5 million, respectively, would benefit the effective tax rate. We regularly evaluate, assess and adjust the related liabilities in light of changing facts and circumstances, which could cause the effective tax rate to fluctuate from period to period. Resolution of the uncertain tax positions could have a material adverse effect on our cash flows or materially benefit our results of operations in future periods depending upon their ultimate resolution. See **“Note 17. Commitments and Contingencies — Brazil Tax Liability”**.

As of September 30, 2021 and 2020, we had liabilities of \$79.7 million and \$72.4 million, respectively, related to estimated interest and penalties for unrecognized tax benefits. Our results of operations for the fiscal year ended September 30, 2021, 2020 and 2019 include expense of \$4.4 million, \$6.6 million and \$9.7 million, respectively, net of indirect benefits, related to estimated interest and penalties with respect to the liability for unrecognized tax benefits. As of September 30, 2021, it is reasonably possible that our unrecognized tax benefits will decrease by up to \$31.5 million in the next twelve months due to expiration of various statutes of limitations and settlement of issues.

We file federal, state and local income tax returns in the U.S. and various foreign jurisdictions. With few exceptions, we are no longer subject to U.S. federal income tax examinations by tax authorities for years prior to fiscal 2017 and state and local income tax examinations by tax authorities for years prior to fiscal 2010. We are no longer subject to non-U.S. income tax examinations by tax authorities for years prior to fiscal 2009, except for Brazil for which we are not subject to tax examinations for years prior to 2006. While we believe our tax positions are appropriate, they are subject to audit or other modifications and there can be no assurance that any modifications will not materially and adversely affect our results of operations, financial condition or cash flows.

**Note 7. Segment Information**

We report our financial results of operations in the following two reportable segments: Corrugated Packaging, which consists of our containerboard mills, corrugated packaging and distribution operations, as well as our merchandising displays and recycling procurement operations; and Consumer Packaging, which consists of our consumer mills, food and beverage and partition operations. Prior to the completion of our monetization program in fiscal 2020, we had a third reportable segment, Land and Development, which previously sold real estate, primarily in the Charleston, SC region. Certain income and expenses are not allocated to our segments and, thus, the information that management uses to make operating decisions and assess performance does not reflect such amounts. Items not allocated are reported as non-allocated expenses or in other line items in the selected operating data table below after segment income.

In the first quarter of fiscal 2022, we expect to realign our segments and will disclose three reportable segments: Packaging, which will consist of our converting operations and associated integrated profit from our mill system; Paper, which will consist of third-party paper sales and associated profit from our mill system; and Distribution, which will consist of our distribution business combined with our merchandising display assembly operations.

Some of our operations included in the segments are located in locations such as Canada, Mexico, South America, Europe, Asia and Australia. The table below reflects financial data of our foreign operations for each of the past three fiscal years, some of which were transacted in U.S. dollars (in millions, except percentages):

|                                                             | Years Ended September 30, |            |            |
|-------------------------------------------------------------|---------------------------|------------|------------|
|                                                             | 2021                      | 2020       | 2019       |
| Foreign net sales to unaffiliated customers                 | \$ 3,466.9                | \$ 3,105.6 | \$ 3,332.4 |
| Foreign segment income                                      | \$ 397.6                  | \$ 298.2   | \$ 392.3   |
| Foreign long-lived assets                                   | \$ 1,501.3                | \$ 1,390.6 | \$ 1,466.4 |
| Foreign operations as a percent of consolidated operations: |                           |            |            |
| Foreign net sales to unaffiliated customers                 | 18.5%                     | 17.7%      | 18.2%      |
| Foreign segment income                                      | 25.3%                     | 21.9%      | 21.9%      |
| Foreign long-lived assets                                   | 14.2%                     | 12.9%      | 13.1%      |

WESTROCK COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

We evaluate performance and allocate resources based, in part, on profit from operations before income taxes, interest and other items. The accounting policies of the reportable segments are the same as those described in “**Note 1. Description of Business and Summary of Significant Accounting Policies**”. We account for intersegment sales at prices that approximate market prices. For segment reporting purposes, we include our equity in income of unconsolidated entities in segment income, as well the related investments in segment identifiable assets. Equity in income of unconsolidated entities is not material and we disclose our investments in unconsolidated entities below.

The following table shows selected operating data for our segments (in millions):

|                                            | Years Ended September 30, |                    |                    |
|--------------------------------------------|---------------------------|--------------------|--------------------|
|                                            | 2021                      | 2020               | 2019               |
| <b>Net sales (aggregate):</b>              |                           |                    |                    |
| Corrugated Packaging                       | \$ 12,343.7               | \$ 11,419.2        | \$ 11,816.7        |
| Consumer Packaging                         | 6,702.7                   | 6,333.0            | 6,606.0            |
| Land and Development                       | —                         | 18.9               | 23.4               |
| <b>Total</b>                               | <b>\$ 19,046.4</b>        | <b>\$ 17,771.1</b> | <b>\$ 18,446.1</b> |
| <b>Less net sales (intersegment):</b>      |                           |                    |                    |
| Corrugated Packaging                       | \$ 87.2                   | \$ 71.0            | \$ 75.3            |
| Consumer Packaging                         | 213.1                     | 121.3              | 81.8               |
| <b>Total</b>                               | <b>\$ 300.3</b>           | <b>\$ 192.3</b>    | <b>\$ 157.1</b>    |
| <b>Net sales (unaffiliated customers):</b> |                           |                    |                    |
| Corrugated Packaging                       | \$ 12,256.5               | \$ 11,348.2        | \$ 11,741.4        |
| Consumer Packaging                         | 6,489.6                   | 6,211.7            | 6,524.2            |
| Land and Development                       | —                         | 18.9               | 23.4               |
| <b>Total</b>                               | <b>\$ 18,746.1</b>        | <b>\$ 17,578.8</b> | <b>\$ 18,289.0</b> |
| <b>Segment income:</b>                     |                           |                    |                    |
| Corrugated Packaging                       | \$ 1,116.8                | \$ 1,037.7         | \$ 1,399.6         |
| Consumer Packaging                         | 457.3                     | 323.7              | 388.1              |
| Land and Development                       | —                         | 1.4                | 2.5                |
| <b>Segment income</b>                      | <b>1,574.1</b>            | <b>1,362.8</b>     | <b>1,790.2</b>     |
| Gain on sale of certain closed facilities  | 0.9                       | 15.6               | 52.6               |
| Multiemployer pension withdrawal income    | 2.9                       | 1.1                | 6.3                |
| Land and Development impairments           | —                         | —                  | (13.0)             |
| Restructuring and other costs              | (31.5)                    | (112.7)            | (173.7)            |
| Goodwill impairment                        | —                         | (1,333.2)          | —                  |
| Non-allocated expenses                     | (89.4)                    | (70.7)             | (83.7)             |
| Interest expense, net                      | (372.3)                   | (393.5)            | (431.3)            |
| Loss on extinguishment of debt             | (9.7)                     | (1.5)              | (5.1)              |
| Other income, net                          | 10.9                      | 9.5                | 2.4                |
| <b>Income (loss) before income taxes</b>   | <b>\$ 1,085.9</b>         | <b>\$ (522.6)</b>  | <b>\$ 1,144.7</b>  |

|                                       | Years Ended September 30, |                   |                   |
|---------------------------------------|---------------------------|-------------------|-------------------|
|                                       | 2021                      | 2020              | 2019              |
| <b>Depreciation and amortization:</b> |                           |                   |                   |
| Corrugated Packaging                  | \$ 926.6                  | \$ 951.4          | \$ 950.6          |
| Consumer Packaging                    | 527.8                     | 529.5             | 552.1             |
| Corporate                             | 5.6                       | 6.1               | 8.5               |
| <b>Total</b>                          | <b>\$ 1,460.0</b>         | <b>\$ 1,487.0</b> | <b>\$ 1,511.2</b> |

In October 2018, our containerboard and pulp mill located in Panama City, FL sustained extensive damage from Hurricane Michael. In fiscal 2019, we received \$180.0 million of Hurricane Michael-related insurance proceeds that were recorded as a reduction of cost of goods sold in our Corrugated Packaging segment. The

**WESTROCK COMPANY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

insurance proceeds consisted of \$55.3 million for business interruption recoveries and \$124.7 million for direct costs and property damage. Our Consolidated Statements of Cash Flows in fiscal 2019 included \$154.5 million in net cash provided by operating activities and \$25.5 million in net cash used for investing activities. In fiscal 2020, we received the remaining Hurricane Michael-related insurance proceeds of \$32.3 million, that were recorded as a reduction of cost of goods sold in our Corrugated Packaging segment. The insurance proceeds consisted of \$11.7 million of business interruption recoveries and \$20.6 million for direct costs and property damage. Our Consolidated Statements of Cash Flows for fiscal 2020 included \$30.9 million in net cash provided by operating activities and \$1.4 million of cash proceeds included in net cash used for investing activities related to Hurricane Michael. In addition, we had other minor amounts for various claims that were recorded as a reduction of cost of goods sold across our segments.

Corrugated Packaging segment income in fiscal 2019 was reduced by \$24.7 million of expense for inventory stepped-up in purchase accounting, net of related LIFO impact.

The following table shows selected operating data for our segments (in millions):

|                                   | Years Ended September 30, |                    |                    |
|-----------------------------------|---------------------------|--------------------|--------------------|
|                                   | 2021                      | 2020               | 2019               |
| <b>Identifiable assets:</b>       |                           |                    |                    |
| Corrugated Packaging              | \$ 16,691.0               | \$ 16,507.0        | \$ 16,681.1        |
| Consumer Packaging                | 9,553.3                   | 9,584.9            | 11,038.7           |
| Land and Development              | —                         | —                  | 28.3               |
| Assets held for sale              | 10.9                      | 7.0                | 25.8               |
| Corporate                         | 2,999.1                   | 2,680.8            | 2,382.8            |
| <b>Total</b>                      | <b>\$ 29,254.3</b>        | <b>\$ 28,779.7</b> | <b>\$ 30,156.7</b> |
| <b>Goodwill:</b>                  |                           |                    |                    |
| Corrugated Packaging              | \$ 3,663.3                | \$ 3,673.5         | \$ 3,695.0         |
| Consumer Packaging                | 2,295.9                   | 2,288.7            | 3,590.6            |
| <b>Total</b>                      | <b>\$ 5,959.2</b>         | <b>\$ 5,962.2</b>  | <b>\$ 7,285.6</b>  |
| <b>Intangibles, net:</b>          |                           |                    |                    |
| Corrugated Packaging              | \$ 1,240.9                | \$ 1,423.0         | \$ 1,655.1         |
| Consumer Packaging                | 2,077.9                   | 2,244.2            | 2,404.4            |
| <b>Total</b>                      | <b>\$ 3,318.8</b>         | <b>\$ 3,667.2</b>  | <b>\$ 4,059.5</b>  |
| <b>Capital expenditures:</b>      |                           |                    |                    |
| Corrugated Packaging              | \$ 500.7                  | \$ 731.1           | \$ 961.4           |
| Consumer Packaging                | 284.1                     | 217.1              | 365.9              |
| Corporate                         | 30.7                      | 29.9               | 41.8               |
| <b>Total</b>                      | <b>\$ 815.5</b>           | <b>\$ 978.1</b>    | <b>\$ 1,369.1</b>  |
| <b>Equity method investments:</b> |                           |                    |                    |
| Corrugated Packaging              | \$ 434.4                  | \$ 414.3           | \$ 457.1           |
| Consumer Packaging                | 18.5                      | 14.9               | 11.6               |
| Corporate                         | 0.4                       | 0.4                | 0.4                |
| <b>Total</b>                      | <b>\$ 453.3</b>           | <b>\$ 429.6</b>    | <b>\$ 469.1</b>    |

The Corrugated Packaging segment's equity method investments primarily relate to the Grupo Gondi investment. Equity method investments are included in the Consolidated Balance Sheets in Other assets. The investment in Grupo Gondi that in fiscal 2021 and 2020 exceeds our proportionate share of the underlying equity in net assets by approximately \$105.7 million and \$101.7 million, respectively. Approximately \$40.2 million and \$41.9 million remains amortizable to expense in Equity in income of unconsolidated entities over the estimated life of the underlying assets ranging from 10 to 15 years beginning with our investment in fiscal 2016. The Gondi investment is denominated in Mexican Pesos.



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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The changes in the carrying amount of goodwill for the fiscal years ended September 30, 2021, 2020 and 2019 are as follows (in millions):

|                                       | Corrugated<br>Packaging | Consumer<br>Packaging | Total             |
|---------------------------------------|-------------------------|-----------------------|-------------------|
| Balance as of October 1, 2018         |                         |                       |                   |
| Goodwill                              | \$ 1,966.8              | \$ 3,653.6            | \$ 5,620.4        |
| Accumulated impairment losses         | (0.1)                   | (42.7)                | (42.8)            |
|                                       | 1,966.7                 | 3,610.9               | 5,577.6           |
| Goodwill acquired                     | 1,746.4                 | 3.8                   | 1,750.2           |
| Purchase price allocation adjustments | 0.9                     | (1.4)                 | (0.5)             |
| Translation and other adjustments     | (19.0)                  | (22.7)                | (41.7)            |
| Balance as of September 30, 2019      |                         |                       |                   |
| Goodwill                              | 3,695.1                 | 3,633.3               | 7,328.4           |
| Accumulated impairment losses         | (0.1)                   | (42.7)                | (42.8)            |
|                                       | 3,695.0                 | 3,590.6               | 7,285.6           |
| Goodwill impairment                   | —                       | (1,333.2)             | (1,333.2)         |
| Goodwill disposed of                  | —                       | (0.3)                 | (0.3)             |
| Purchase price allocation adjustments | 14.3                    | (0.6)                 | 13.7              |
| Translation adjustments               | (35.8)                  | 32.2                  | (3.6)             |
| Balance as of September 30, 2020      |                         |                       |                   |
| Goodwill                              | 3,673.6                 | 3,664.6               | 7,338.2           |
| Accumulated impairment losses         | (0.1)                   | (1,375.9)             | (1,376.0)         |
|                                       | 3,673.5                 | 2,288.7               | 5,962.2           |
| Goodwill disposed of                  | (16.4)                  | —                     | (16.4)            |
| Translation adjustments               | 6.2                     | 7.2                   | 13.4              |
| Balance as of September 30, 2021      |                         |                       |                   |
| Goodwill                              | 3,663.4                 | 3,671.8               | 7,335.2           |
| Accumulated impairment losses         | (0.1)                   | (1,375.9)             | (1,376.0)         |
|                                       | <u>\$ 3,663.3</u>       | <u>\$ 2,295.9</u>     | <u>\$ 5,959.2</u> |

During the fourth quarter of fiscal 2020, we recorded a \$1,333.2 million pre-tax non-cash goodwill impairment of our Consumer Packaging reporting unit. The impairment was driven by the expected lower volumes and cash flows related to certain external SBS end markets, including commercial print, tobacco and plate and cup stock markets. We had experienced significant declines in demand for those products that we believed were more systemic and our view of related growth and earnings opportunities had been diminished.

During the fourth quarter of fiscal 2021, we completed our annual goodwill impairment testing. Each of our reporting units had fair values that exceeded their respective carrying values by more than 20% each. See **"Note 1. Description of Business and Summary of Significant Accounting Policies — Goodwill and Long-Lived Assets"** for a discussion of our fiscal 2021 impairment test.

The goodwill acquired in fiscal 2019 primarily related to the KapStone Acquisition in the Corrugated Packaging segment.

**Note 8. Interest**

The components of interest expense, net is as follows (in millions):

|                       | Years Ended September 30, |                   |                   |
|-----------------------|---------------------------|-------------------|-------------------|
|                       | 2021                      | 2020              | 2019              |
| Interest expense      | \$ (418.9)                | \$ (465.5)        | \$ (489.4)        |
| Interest income       | 46.6                      | 72.0              | 58.1              |
| Interest expense, net | <u>\$ (372.3)</u>         | <u>\$ (393.5)</u> | <u>\$ (431.3)</u> |

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

Cash paid for interest, net of amounts capitalized, of \$384.7 million, \$423.4 million and \$443.9 million were made during fiscal 2021, 2020 and 2019, respectively.

During fiscal 2021, 2020 and 2019, we capitalized interest of \$14.0 million, \$24.6 million and \$23.8 million, respectively.

**Note 9. Inventories**

Inventories are as follows (in millions):

|                                    | September 30,     |                   |
|------------------------------------|-------------------|-------------------|
|                                    | 2021              | 2020              |
| Finished goods and work in process | \$ 972.7          | \$ 844.2          |
| Raw materials                      | 888.1             | 772.7             |
| Supplies and spare parts           | 536.4             | 500.3             |
| Inventories at FIFO cost           | 2,397.2           | 2,117.2           |
| LIFO reserve                       | (223.9)           | (93.8)            |
| Net inventories                    | <u>\$ 2,173.3</u> | <u>\$ 2,023.4</u> |

It is impracticable to segregate the LIFO reserve between raw materials, finished goods and work in process. In fiscal 2021, 2020 and 2019, we reduced inventory quantities in some of our LIFO pools. These reductions result in liquidations of LIFO inventory quantities generally carried at lower costs prevailing in prior years as compared with the cost of the purchases in the respective fiscal years, the effect of which typically decreases cost of goods sold. Alternatively, higher costs prevailing in prior years increases costs of goods sold. The impact of the liquidations in fiscal 2021, 2020 and 2019 was not significant.

In fiscal 2021, we experienced higher inventory costs primarily due to inflation, the effect of which increased cost of goods sold and our LIFO reserve by \$130.1 million.

**Note 10. Property, Plant and Equipment**

Property, plant and equipment consists of the following (in millions):

|                                                            | September 30,      |                    |
|------------------------------------------------------------|--------------------|--------------------|
|                                                            | 2021               | 2020               |
| Property, plant and equipment at cost:                     |                    |                    |
| Land and buildings                                         | \$ 2,626.0         | \$ 2,524.7         |
| Machinery and equipment                                    | 15,853.1           | 15,147.3           |
| Forestlands and mineral rights                             | 120.0              | 110.8              |
| Transportation equipment                                   | 26.1               | 29.1               |
| Leasehold improvements                                     | 93.9               | 103.6              |
|                                                            | <u>18,719.1</u>    | <u>17,915.5</u>    |
| Less: accumulated depreciation, depletion and amortization | (8,149.0)          | (7,136.6)          |
| Property, plant and equipment, net                         | <u>\$ 10,570.1</u> | <u>\$ 10,778.9</u> |

Depreciation expense for fiscal 2021, 2020 and 2019 was \$1,069.7 million, \$1,054.9 million and \$1,074.6 million, respectively. Non-cash additions to property, plant and equipment at September 30, 2021, 2020 and 2019 were \$108.5 million, \$85.0 million and \$219.9 million, respectively.

WESTROCK COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Note 11. Other Intangible Assets**

The gross carrying amount and accumulated amortization relating to intangible assets, excluding goodwill, are as follows (in millions, except weighted avg. life):

|                           | Weighted<br>Avg. Life<br>(in years) | September 30,               |                             |                             |                             |
|---------------------------|-------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|                           |                                     | 2021                        |                             | 2020                        |                             |
|                           |                                     | Gross<br>Carrying<br>Amount | Accumulated<br>Amortization | Gross<br>Carrying<br>Amount | Accumulated<br>Amortization |
| Customer relationships    | 15.6                                | \$ 5,429.3                  | \$ (2,190.6)                | \$ 5,418.1                  | \$ (1,841.2)                |
| Trademarks and tradenames | 22.0                                | 130.8                       | (71.3)                      | 130.5                       | (65.7)                      |
| Favorable contracts       | —                                   | 44.0                        | (44.0)                      | 44.0                        | (41.6)                      |
| Technology and patents    | 11.6                                | 37.7                        | (23.6)                      | 37.5                        | (21.6)                      |
| License costs             | 10.7                                | 26.5                        | (25.4)                      | 26.5                        | (22.8)                      |
| Non-compete agreements    | 2.0                                 | 5.2                         | (3.5)                       | 3.4                         | (3.3)                       |
| Other                     | 29.5                                | 4.0                         | (0.3)                       | 3.7                         | (0.3)                       |
| <b>Total</b>              | <b>15.6</b>                         | <b>\$ 5,677.5</b>           | <b>\$ (2,358.7)</b>         | <b>\$ 5,663.7</b>           | <b>\$ (1,996.5)</b>         |

Estimated intangible asset amortization expense for the succeeding five fiscal years is as follows (in millions):

|             |          |
|-------------|----------|
| Fiscal 2022 | \$ 352.4 |
| Fiscal 2023 | \$ 345.8 |
| Fiscal 2024 | \$ 324.5 |
| Fiscal 2025 | \$ 309.9 |
| Fiscal 2026 | \$ 302.4 |

Intangible amortization expense was \$360.6 million, \$405.4 million and \$408.0 million during fiscal 2021, 2020 and 2019, respectively. We had other intangible amortization expense, primarily for packaging equipment leased to customers of \$29.7 million, \$26.7 million and \$28.6 million during fiscal 2021, 2020 and 2019, respectively.

**Note 12. Fair Value**

**Assets and Liabilities Measured or Disclosed at Fair Value**

We estimate fair values in accordance with ASC 820 “Fair Value Measurement”. ASC 820 provides a framework for measuring fair value and expands disclosures required about fair value measurements. Specifically, ASC 820 sets forth a definition of fair value and a hierarchy prioritizing the inputs to valuation techniques. ASC 820 defines fair value as the price that would be received from the sale of an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Additionally, ASC 820 defines levels within the hierarchy based on the availability of quoted prices for identical items in active markets, similar items in active or inactive markets and valuation techniques using observable and unobservable inputs. We incorporate credit valuation adjustments to reflect both our own nonperformance risk and the respective counterparty’s nonperformance risk in our fair value measurements.

We disclose the fair value of our long-term debt in “**Note 13. Debt**” and the fair value of our pension and postretirement assets and liabilities in “**Note 5. Retirement Plans**”. We have, or from time to time may have, financial instruments recognized at fair value including Supplemental Plans, interest rate derivatives, commodity derivatives or other similar classes of assets or liabilities, the fair value of which are not significant. See “**Note 1 — Description of Business and Summary of Significant Accounting Policies — Fair Value of Financial Instruments and Nonfinancial Assets and Liabilities**” for additional information.

Fiscal 2021 reflects a charge of \$22.5 million associated with not exercising an option to purchase an additional equity interest in Grupo Gondi that was recorded in Other income, net in the second quarter of fiscal 2021.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Financial Instruments Not Recognized at Fair Value**

Financial instruments not recognized at fair value on a recurring or nonrecurring basis include cash and cash equivalents, accounts receivable, certain other current assets, short-term debt, accounts payable, certain other current liabilities and long-term debt. With the exception of long-term debt, the carrying amounts of these financial instruments approximate their fair values due to their short maturities.

**Accounts Receivable Sales Agreements**

We are a party to an accounts receivable sales agreement to sell to a third-party financial institution all of the short-term receivables generated from certain customer trade accounts (the “**A/R Sales Agreement**”). On September 17, 2020, we amended the then existing agreement and increased the purchase limit to \$700.0 million. The terms of the A/R Sales Agreement limit the balance of receivables sold to the amount available to fund such receivables sold, thereby eliminating the receivable for proceeds from the financial institution at any transfer date. On August 31, 2021, we further amended the A/R Sales Agreement to extend the maturity date to September 16, 2022. Transfers under the A/R Sales Agreement meet the requirements to be accounted for as sales in accordance with guidance in ASC 860, “*Transfers and Servicing*”. We also have a similar facility that we entered into on December 4, 2020, that has a \$88.5 million purchase limit, is uncommitted and has a one year term. The customers from these facilities are not included in the Receivables Securitization Facility that is discussed in “**Note 13. Debt**”.

The following table represents a summary of these accounts receivable sales agreements for fiscal 2021 and 2020 (in millions):

|                                                                    | 2021        | 2020        |
|--------------------------------------------------------------------|-------------|-------------|
| Receivable from financial institutions at beginning of fiscal year | \$ —        | \$ —        |
| Receivables sold to the financial institutions and derecognized    | (2,732.2)   | (2,446.2)   |
| Receivables collected by financial institutions                    | 2,655.6     | 2,449.4     |
| Cash proceeds from (payments to) financial institutions            | 76.6        | (3.2)       |
| Receivable from financial institutions at September 30,            | <u>\$ —</u> | <u>\$ —</u> |

Receivables sold under these accounts receivable sales agreements as of the respective balance sheet dates were approximately \$665.9 million and \$589.4 million as of September 30, 2021 and September 30, 2020, respectively.

Cash proceeds related to the receivables sold are included in cash from operating activities in the Consolidated Statements of Cash Flows in the accounts receivable line item. While the expense recorded in connection with the sale of receivables may vary based on current rates and levels of receivables sold, the expense recorded in connection with the sale of receivables was \$11.1 million, \$12.7 million and \$17.3 million in fiscal 2021, 2020 and 2019, respectively, and is recorded in Other income, net in the Consolidated Statements of Operations. Although the sales are made without recourse, we maintain continuing involvement with the sold receivables as we provide collections services related to the transferred assets. The associated servicing liability is not material given the high quality of the customers underlying the receivables and the anticipated short collection period.

**Fair Value of Nonfinancial Assets and Nonfinancial Liabilities**

As discussed in “**Note 1. Description of Business and Summary of Significant Accounting Policies**”, we measure certain nonfinancial assets and nonfinancial liabilities at fair value on a nonrecurring basis. See “**Note 7. Segment Information**” for a discussion of a \$1,333.2 million pre-tax non-cash goodwill impairment of our Consumer Packaging reporting unit recorded in fiscal 2020. See “**Note 4. Restructuring and Other Costs**” for impairments associated with restructuring activities including the impairment of a paper machine at our Evadale, TX mill included in the Consumer Packaging segment in fiscal 2020, the impairment of a paper machine at our Charleston, SC mill included in the Corrugated Packaging segment in fiscal 2019 and other such similar items presented as “net property, plant and equipment costs”. During fiscal 2021, 2020 and 2019, we did not have any significant non-goodwill or non-restructuring nonfinancial assets or nonfinancial liabilities that were measured at fair value on a nonrecurring basis in periods subsequent to initial recognition other than the \$13.0 million pre-tax

**WESTROCK COMPANY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

non-cash impairment of certain mineral rights in fiscal 2019 following the termination of a third-party leasing relationship.

**Note 13. Debt**

The public bonds issued by WRKCo, RKT and MWV are guaranteed by WestRock and have cross-guarantees between the three companies. The industrial development bonds associated with the finance lease obligations of MWV are guaranteed by the Company or its subsidiaries. The public bonds are unsecured, unsubordinated obligations that rank equally in right of payment with all of our existing and future unsecured, unsubordinated obligations. The bonds are effectively subordinated to any of our existing and future secured debt to the extent of the value of the assets securing such debt. At September 30, 2021, all of our debt was unsecured with the exception of our Receivables Securitization Facility (as defined below) and finance lease obligations.

The following were individual components of debt (in millions, except percentages):

|                                               | September 30, 2021 |                            | September 30, 2020 |                            |
|-----------------------------------------------|--------------------|----------------------------|--------------------|----------------------------|
|                                               | Carrying Value     | Weighted Avg Interest Rate | Carrying Value     | Weighted Avg Interest Rate |
| Public bonds due fiscal 2022                  | \$ —               | N/A                        | \$ 399.3           | 5.0%                       |
| Public bonds due fiscal 2023 to 2028          | 3,778.2            | 4.0%                       | 3,773.6            | 4.0%                       |
| Public bonds due fiscal 2029 to 2033          | 2,766.5            | 4.5%                       | 2,778.9            | 4.5%                       |
| Public bonds due fiscal 2037 to 2047          | 178.2              | 6.2%                       | 178.6              | 6.2%                       |
| Term loan facilities                          | 598.9              | 3.0%                       | 1,547.6            | 1.9%                       |
| Revolving credit and swing facilities         | 270.0              | 1.1%                       | 250.0              | 1.1%                       |
| Finance lease obligations                     | 264.1              | 4.1%                       | 274.8              | 4.0%                       |
| Vendor financing and commercial card programs | 113.1              | N/A                        | 89.8               | N/A                        |
| International and other debt                  | 225.1              | 4.8%                       | 138.0              | 3.1%                       |
| Total debt                                    | 8,194.1            | 4.0%                       | 9,430.6            | 3.8%                       |
| Less: current portion of debt                 | 168.8              |                            | 222.9              |                            |
| Long-term debt due after one year             | <u>\$ 8,025.3</u>  |                            | <u>\$ 9,207.7</u>  |                            |

On September 10, 2021, we redeemed \$400 million aggregate principal amount of our 4.900% senior notes due March 2022 using cash and cash equivalents and recorded a \$8.6 million loss on extinguishment of debt.

A portion of the debt classified as long-term may be paid down earlier than scheduled at our discretion without penalty. Certain customary restrictive covenants govern our maximum availability under our credit facilities. We test and report our compliance with these covenants as required and were in compliance with all of our covenants at September 30, 2021. The carrying value of our debt includes the fair value step-up of debt acquired in mergers and acquisitions, and the weighted average interest rate includes the fair value step up. At September 30, 2021, excluding the step-up, the weighted average interest rate on total debt was 4.2%. At September 30, 2021, the unamortized fair market value step-up was \$192.4 million, which will be amortized over a weighted average remaining life of 10.6 years. At September 30, 2021, we had \$63.2 million of outstanding letters of credit not drawn upon. At September 30, 2021, we had approximately \$3.7 billion of availability under long-term committed credit facilities and cash and cash equivalents. This liquidity may be used to provide for ongoing working capital needs and for other general corporate purposes including acquisitions, dividends and stock repurchases. The estimated fair value of our debt was approximately \$9.0 billion and \$10.4 billion as of September 30, 2021 and September 30, 2020, respectively. The fair value of our long-term debt is categorized as level 2 within the fair value hierarchy and is primarily either based on quoted prices for those or similar instruments, or approximate their carrying amount, as the variable interest rates reprice frequently at observable current market rates. During fiscal 2021, 2020 and 2019, amortization of debt issuance costs charged to interest expense were \$8.3 million, \$8.2 million and \$7.8 million, respectively.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Public Bonds / Notes Issued**

At September 30, 2021 and September 30, 2020, the face value of our public bond obligations outstanding were \$6.6 billion and \$7.0 billion, respectively.

On June 1, 2020, WRKCo issued \$600.0 million aggregate principal amount of its 3.00% Senior Notes due 2033 (the “**June 2033 Notes**”) in a registered offering pursuant to the Company’s automatic shelf registration statement on Form S-3 under the Securities Act of 1933, as amended, (the “**Securities Act**”). The June 2033 Notes transaction closed on June 3, 2020. The June 2033 Notes are WRKCo’s unsecured unsubordinated obligations, ranking equally with all of WRKCo’s other existing and future unsubordinated obligations. The June 2033 Notes will be effectively subordinated to any of WRKCo’s existing and future secured obligations to the extent of the value of the assets securing such obligations. WestRock Company (“**Parent**”), RKT and MWV (MWV together with RKT, the “**Guarantor Subsidiaries**”) guaranteed WRKCo’s obligations under the June 2033 Notes. We may redeem the June 2033 Notes, in whole or in part, at any time at specified redemption prices, plus accrued and unpaid interest, if any. The proceeds from the issuance of the June 2033 Notes were primarily used to repay the \$100.0 million principal amount of MWV’s 9.75% notes due June 2020 and reduce outstanding indebtedness under our Receivables Securitization Facility (as defined below) and Revolving Credit Facility (as defined below).

On May 16, 2019, WRKCo issued \$500.0 million aggregate principal amount of its 3.90% Senior Notes due 2028 (the “**June 2028 Notes**”) and \$500.0 million aggregate principal amount of its 4.20% Senior Notes due 2032 (the “**2032 Notes**” and, together with the June 2028 Notes, the “**May 2019 Notes**”) in a registered offering pursuant to the Company’s automatic shelf registration statement on Form S-3 under the Securities Act. The Company and the Guarantor Subsidiaries have guaranteed WRKCo’s obligations under the May 2019 Notes. We may redeem the May 2019 Notes, in whole or in part, at any time at specified redemption prices, plus accrued and unpaid interest, if any. The proceeds from the issuance of the May 2019 Notes were used primarily to repay \$600.0 million principal amount of outstanding notes that came due in the following several quarters and reduce amounts then outstanding under our 3-year term loan with Wells Fargo, as administrative agent.

On December 3, 2018, WRKCo issued \$750.0 million aggregate principal amount of its 4.65% Senior Notes due 2026 (the “**2026 Notes**”) and \$750.0 million aggregate principal amount of its 4.90% Senior Notes due 2029 (the “**2029 Notes**” and, together with the 2026 Notes, the “**December 2018 Notes**”) in an unregistered offering. The Company and the Guarantor Subsidiaries have guaranteed WRKCo’s obligations under the December 2018 Notes. We may redeem the December 2018 Notes, in whole or in part, at any time at specified redemption prices, plus accrued and unpaid interest, if any. The proceeds from the issuance of the December 2018 Notes were used primarily to prepay a portion of the amounts then outstanding under our term loans with Wells Fargo, as administrative agent.

**Exchanged Notes**

During fiscal 2019, we conducted offers to exchange WRKCo’s \$500.0 million aggregate principal amount of 3.00% Senior Notes due 2024 (the “**2024 Notes**”), \$600.0 million aggregate principal amount of 3.75% Senior Notes due 2025 (the “**2025 Notes**”), 2026 Notes, \$500.0 million aggregate principal amount of 3.375% Senior Notes due 2027 (the “**2027 Notes**”), \$600.0 million aggregate principal amount of 4.00% Senior Notes due 2028 (the “**2028 Notes**”) and 2029 Notes for new notes of the applicable series with terms substantially identical with the notes of such series that are registered under the Securities Act. As a result of the exchange offer, \$490.0 million in aggregate principal amount of the 2024 Notes, \$600.0 million in aggregate principal amount of the 2025 Notes, \$749.3 million in aggregate principal amount of the 2026 Notes, \$491.0 million in aggregate principal amount of the 2027 Notes, \$590.0 million in aggregate principal amount of the 2028 Notes and \$750.0 million in aggregate principal amount of the 2029 Notes were validly tendered and subsequently exchanged.

**Revolving Credit Facility**

On November 21, 2019, we amended our \$2.0 billion unsecured revolving credit facility entered into on July 1, 2015 to, among other things, increase the committed principal to \$2.3 billion, increase the maximum permitted Debt to Capitalization Ratio (as defined in the credit agreement) from 0.60:1.00 to 0.65:1.00 and extend its maturity date to November 21, 2024 (“**Revolving Credit Facility**”). The facility is unsecured and is guaranteed by the Company and the Guarantor Subsidiaries. The portion of the 5-year senior unsecured revolving credit facility that may be used to fund borrowings in non-U.S. dollar currencies including Canadian dollars, Euro and British Pounds

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

was increased from \$400 million to \$500 million. Up to \$150 million under the Revolving Credit Facility may be used for the issuance of letters of credit. Additionally, we may request up to \$200 million of the Revolving Credit Facility to be allocated to a Mexican peso revolving credit facility. At September 30, 2021 and September 30, 2020, we had no amounts outstanding under the Revolving Credit Facility.

At our option, loans issued under the Revolving Credit Facility will bear interest at either LIBOR or an alternate base rate, in each case plus an applicable interest rate margin. Loans will initially bear interest at LIBOR plus 1.125% per annum, in the case of LIBOR borrowings, or at the alternate base rate plus 0.125% per annum, in the alternative, and thereafter the interest rate will fluctuate between LIBOR plus 1.00% per annum and LIBOR plus 1.75% per annum (or between the alternate base rate plus 0.00% per annum and the alternate base rate plus 0.75% per annum), based upon our corporate credit ratings or the leverage ratio (as defined in the Credit Agreement) (whichever yields a lower applicable interest rate margin) at such time. In addition, we will be required to pay fees that will fluctuate between 0.125% per annum to 0.30% per annum on the unused amount of the revolving credit facility, based upon our corporate credit ratings or the leverage ratio (whichever yields a lower fee) at such time. Loans under the Revolving Credit Facility may be prepaid at any time without premium.

**European Revolving Credit Facility**

On February 26, 2021, we amended and replaced our existing European revolving credit facility with Coöperatieve Rabobank U.A., New York Branch, as administrative agent. The amendments included, among other things, increasing the facility to €600.0 million while maintaining the incremental €100.0 million accordion feature. This facility provides for a three-year unsecured U.S. dollar, Euro and British Pound denominated borrowing of not more than €600.0 million maturing on February 26, 2024. At September 30, 2021, we had borrowed \$270.0 million under this facility and entered into foreign currency exchange contracts of \$270.2 million as an economic hedge for the U.S. dollar denominated borrowing plus interest by a non-U.S. dollar functional currency entity. The net of gains or losses from these foreign currency exchange contracts and the changes in the remeasurement of the U.S. dollar denominated borrowing in our foreign subsidiaries have been immaterial to our Consolidated Statements of Operations. At September 30, 2020, we had borrowed \$250.0 million under the then-existing facility.

**Receivables Securitization Facility**

On March 12, 2021, we amended our \$700.0 million receivables securitization agreement (the “**Receivables Securitization Facility**”) entered into on May 2, 2019 (subsequently amended March 27, 2020) to, among other things, extend its maturity date from May 2, 2022 to March 11, 2024 and establish the transition to the Secure Overnight Funding Rate at a future date from a blend of the market rate for asset-backed commercial paper and the one-month LIBOR rate plus a credit spread, and revising certain fees. Borrowing availability under this facility is based on the eligible underlying accounts receivable and compliance with certain covenants. The agreement governing the Receivables Securitization Facility contains restrictions, including, among others, on the creation of certain liens on the underlying collateral. We test and report our compliance with these covenants monthly; we were in compliance with all of these covenants at September 30, 2021. The Receivables Securitization Facility includes certain restrictions on what constitutes eligible receivables under the facility and allows for the exclusion of eligible receivables of specific obligors each calendar year subject to the following restrictions: (i) the aggregate of excluded receivables may not exceed 7.5% of eligible receivables under the Receivables Securitization Facility and (ii) the excluded receivables of each obligor may not exceed 2.5% of the aggregate outstanding balance. At September 30, 2021 and September 30, 2020 there were no amounts outstanding under this facility. At September 30, 2021 and September 30, 2020, maximum available borrowings, excluding amounts outstanding under the Receivables Securitization Facility, were \$690.3 million and \$700.0 million, respectively. The carrying amount of accounts receivable collateralizing the maximum available borrowings at September 30, 2021 and September 30, 2020 were approximately \$1,318.4 million and \$1,128.3 million, respectively. We have continuing involvement with the underlying receivables as we provide credit and collections services pursuant to the Receivables Securitization Facility agreement. The current borrowing rate consists of a blend of the market rate for asset-backed commercial paper and the one-month LIBOR rate plus a credit spread of 0.90%. The commitment fee was 0.35% and 0.25% as of September 30, 2021 and September 30, 2020, respectively.

**Commercial Paper Program**

On December 7, 2018, we established a new unsecured commercial paper program with WRKCo as the issuer. Under the new program, we may issue short-term unsecured commercial paper notes in an aggregate

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

principal amount at any time not to exceed \$1.0 billion with up to 397-day maturities. The program has no expiration date and can be terminated by either the agent or us with not less than 30 days' notice. Our Revolving Credit Facility is intended to backstop the commercial paper program. Amounts available under the program may be borrowed, repaid and re-borrowed from time to time. The net proceeds from issuances of notes under the program were initially used to repay amounts outstanding under the KapStone securitization facility that was assumed in the KapStone Acquisition and subsequently terminated, and have been, and are expected to continue to be, used for general corporate purposes. The new program replaced our then-existing program. At September 30, 2021 and 2020, there was no amount outstanding.

**Term Loans**

At September 30, 2020, there was \$648.9 million outstanding on the five-year unsecured term loan we entered into with Wells Fargo, as administrative agent, on March 7, 2018. During the first quarter of fiscal 2021, we paid off the term loan primarily using cash on hand.

On June 7, 2019, we entered into a \$300.0 million credit agreement providing for a five-year unsecured term loan with Bank of America, N.A., as administrative agent. The facility was scheduled to mature on June 7, 2024. At September 30, 2020, the outstanding balance of this facility was \$300.0 million. In December 2020 and May 2021, we repaid \$50.0 million and \$250.0 million, respectively, using cash and cash equivalents which resulted in the facility being terminated.

On September 27, 2019, one of our wholly-owned subsidiaries, WestRock Southeast, LLC, entered into a credit agreement (the "**Farm Loan Credit Agreement**") with CoBank ACB, as administrative agent, that replaced our then-existing facility. The Farm Loan Credit Agreement provides for a seven-year senior unsecured term loan in an aggregate principal amount of \$600.0 million (the "**Farm Loan Credit Facility**"). At any time, we may increase the principal amount by up to \$300.0 million by written notice. The Farm Loan Credit Facility is guaranteed by the Guarantor Subsidiaries. The carrying value of this facility at September 30, 2021 and September 30, 2020 was \$598.9 million and \$598.7 million, respectively.

**Brazil Export Credit Note**

On January 18, 2021, we entered into a credit agreement to provide for R\$500.0 million of a senior unsecured term loan of WestRock Celulose, Papel E Embalagens Ltda. (a subsidiary of the Company), as borrower, and the Company, as guarantor. The outstanding amount of the principal will be repaid in equal, semiannual installments beginning on January 19, 2023 until the facility matures on January 19, 2026. The proceeds of the facility are to be used to support the production of goods or acquisition of inputs that are essential or ancillary to export activities. Loans issued under the facility will bear interest at a floating rate based on Brazil's Certificate of Interbank Deposit rate plus a spread of 2.50%. At September 30, 2021, there was R\$500.0 million (\$92.3 million) outstanding.

**Brazil Delayed Draw Credit Facilities**

On April 10, 2019, we entered into a credit agreement to provide for R\$750.0 million of senior unsecured term loans with an incremental R\$250.0 million accordion feature (the "**Brazil Delayed Draw Credit Facilities**"). The principal was available to be drawn at any time over the initial 18 months in up to 10 drawdowns of at least BRL 50.0 million each and will be repaid in equal, semiannual installments beginning on April 10, 2021 until the facility matures on April 10, 2024. The proceeds of the Brazil Delayed Draw Credit Facilities are to be used to support the production of goods or acquisition of inputs that are essential or ancillary to export activities. The Brazil Delayed Draw Credit Facilities are senior unsecured obligations of Rigesa Celulose, Papel E Embalagens Ltda. (a subsidiary of the Company), as borrower, and the Company, as guarantor. Loans issued under the Brazil Delayed Draw Credit Facilities will bear interest at a floating rate based on Brazil's Certificate of Interbank Deposit rate plus a spread of 1.50%. In addition, we will be required to pay fees of 0.45% on the unused amount of the facility. At September 30, 2021 and 2020, the carrying value of the facility was R\$639.2 million (\$118.0 million) and R\$695.1 million (\$123.0 million), respectively.



WESTROCK COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Aggregate Maturities of Debt**

As of September 30, 2021, the aggregate maturities of debt, excluding finance lease obligations, for the succeeding five fiscal years and thereafter are as follows (in millions):

|                                                                                     |    |                |
|-------------------------------------------------------------------------------------|----|----------------|
| Fiscal 2022                                                                         | \$ | 160.2          |
| Fiscal 2023                                                                         |    | 420.5          |
| Fiscal 2024                                                                         |    | 837.7          |
| Fiscal 2025                                                                         |    | 627.0          |
| Fiscal 2026                                                                         |    | 1,363.4        |
| Thereafter                                                                          |    | 4,379.1        |
| Fair value of debt step-up, deferred financing costs and unamortized bond discounts |    | 142.1          |
| Total                                                                               | \$ | <u>7,930.0</u> |

See “**Note 14. Leases**” of the Notes to Consolidated Financial Statements for the aggregate maturities of finance lease obligations for the succeeding five fiscal years and thereafter.

**Note 14. Leases**

On October 1, 2019, we adopted ASC 842, using the modified retrospective approach and as a result we did not restate prior periods as discussed in “**Note 1. Description of Business and Summary of Significant Accounting Policies — Leased Assets**”. We elected the package of three practical expedients permitted within the standard pursuant to which we did not reassess initial direct costs, lease classification or whether our contracts contain or are leases. The adoption of ASC 842 resulted in the recognition of ROU assets of \$731.1 million (net of deferred rent and favorable/unfavorable lease liabilities) with corresponding operating lease liabilities of \$783.9 million.

**Components of Lease Costs**

The following table presents certain information related to the lease costs for finance and operating leases (in millions):

|                                     | Years Ended September 30, |                 |
|-------------------------------------|---------------------------|-----------------|
|                                     | 2021                      | 2020            |
| Operating lease costs               | \$ 211.0                  | \$ 201.2        |
| Variable and short-term lease costs | 104.6                     | 105.5           |
| Sublease income                     | (8.9)                     | (6.7)           |
| Finance lease cost:                 |                           |                 |
| Amortization of lease assets        | 9.6                       | 10.5            |
| Interest on lease liabilities       | 7.2                       | 7.9             |
| Total lease cost, net               | <u>\$ 323.5</u>           | <u>\$ 318.4</u> |

Rental expense for the year ended September 30, 2019 was approximately \$346.7 million including lease payments under cancelable leases and maintenance charges on transportation equipment.

WESTROCK COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Supplemental Balance Sheet Information Related to Leases**

The table below presents the lease-related assets and liabilities recorded on the balance sheet (in millions):

|                                        | Consolidated Balance Sheet Caption | September 30,   |                 |
|----------------------------------------|------------------------------------|-----------------|-----------------|
|                                        |                                    | 2021            | 2020            |
| <b>Operating leases:</b>               |                                    |                 |                 |
| Operating lease right-of-use asset     | Other assets                       | \$ 676.0        | \$ 658.6        |
| Current operating lease liabilities    | Other current liabilities          | \$ 177.9        | \$ 172.7        |
| Noncurrent operating lease liabilities | Other long-term liabilities        | 537.9           | 545.8           |
| Total operating lease liabilities      |                                    | <u>\$ 715.8</u> | <u>\$ 718.5</u> |
| <b>Finance leases:</b>                 |                                    |                 |                 |
| Property, plant and equipment          |                                    | \$ 143.2        | \$ 143.2        |
| Accumulated depreciation               |                                    | (28.3)          | (19.1)          |
| Property, plant and equipment, net     |                                    | <u>\$ 114.9</u> | <u>\$ 124.1</u> |
| Current finance lease liabilities      | Current portion of debt            | \$ 8.7          | \$ 9.0          |
| Noncurrent finance lease liabilities   | Long-term debt due after one year  | 255.4           | 265.8           |
| Total finance lease liabilities        |                                    | <u>\$ 264.1</u> | <u>\$ 274.8</u> |

Our finance lease portfolio includes certain assets that are either fully depreciated or transferred for which the lease arrangement requires a one-time principal repayment on the maturity date of the lease obligation.

**Lease Term and Discount Rate**

|                                               | September 30, |           |
|-----------------------------------------------|---------------|-----------|
|                                               | 2021          | 2020      |
| <b>Weighted average remaining lease term:</b> |               |           |
| Operating leases                              | 5.4 years     | 5.9 years |
| Finance leases                                | 8.3 years     | 9.0 years |
| <b>Weighted average discount rate:</b>        |               |           |
| Operating leases                              | 2.4%          | 2.6%      |
| Finance leases                                | 4.1%          | 4.0%      |

**Supplemental Cash Flow Information Related to Leases**

The table below presents supplemental cash flow information related to leases (in millions):

|                                                                                | Years Ended September 30, |          |
|--------------------------------------------------------------------------------|---------------------------|----------|
|                                                                                | 2021                      | 2020     |
| <b>Cash paid for amounts included in the measurement of lease liabilities:</b> |                           |          |
| Operating cash flows related to operating leases                               | \$ 227.0                  | \$ 204.1 |
| Operating cash flows related to finance leases                                 | \$ 8.3                    | \$ 7.8   |
| Financing cash flows related to finance leases                                 | \$ 9.1                    | \$ 10.1  |
| <b>ROU assets obtained in exchange for lease liabilities:</b>                  |                           |          |
| Operating leases                                                               | \$ 160.9                  | \$ 124.4 |

WESTROCK COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Maturity of Lease Liabilities**

The table below reconciles the undiscounted cash flows for each of the first five years and total of the remaining years to the operating lease liabilities and finance lease liabilities recorded on the balance sheet (in millions):

|                                        | September 30, 2021  |                 |                 |
|----------------------------------------|---------------------|-----------------|-----------------|
|                                        | Operating<br>Leases | Finance Leases  | Total           |
| Fiscal 2022                            | \$ 191.5            | \$ 15.5         | \$ 207.0        |
| Fiscal 2023                            | 159.6               | 13.5            | 173.1           |
| Fiscal 2024                            | 126.0               | 12.2            | 138.2           |
| Fiscal 2025                            | 93.2                | 12.0            | 105.2           |
| Fiscal 2026                            | 66.9                | 11.9            | 78.8            |
| Thereafter                             | 132.5               | 274.1           | 406.6           |
| Total lease payments                   | 769.7               | 339.2           | 1,108.9         |
| Less: Interest <sup>(1)</sup>          | (53.9)              | (75.1)          | (129.0)         |
| Present value of future lease payments | <u>\$ 715.8</u>     | <u>\$ 264.1</u> | <u>\$ 979.9</u> |

(1) Calculated using the interest rate for each lease.

**Note 15. Special Purpose Entities**

Pursuant to a sale of certain large-tract forestlands in 2007, a special purpose entity MWV Timber Notes Holding, LLC (“**MWV TN**”) received, and WestRock assumed upon the strategic combination of Rock-Tenn Company and MeadWestvaco Corporation’s respective businesses (the “**Combination**”), an installment note receivable in the amount of \$398.0 million (“**Timber Note**”). The Timber Note does not require any principal payments until its maturity in October 2027 and bears interest at a rate approximating LIBOR. In addition, the Timber Note is supported by a bank-issued irrevocable letter of credit obtained by the buyer of the forestlands. The Timber Note is not subject to prepayment in whole or in part prior to maturity. The bank’s credit rating as of October 2021 was investment grade.

Using the Timber Note as collateral, MWV TN received \$338.3 million in proceeds under a secured financing agreement with a bank. Under the terms of the agreement, the liability from this transaction is non-recourse to the Company and is payable from the Timber Note proceeds upon its maturity in October 2027. As a result, the Timber Note is not available to satisfy any obligations of WestRock. MWV TN can elect to prepay at any time the liability in whole or in part, however, given that the Timber Note is not prepayable, MWV TN expects to only repay the liability at maturity from the Timber Note proceeds.

The Timber Note and the secured financing liability were fair valued on the opening balance sheet in connection with the Combination. As of September 30, 2021, the Timber Note was \$376.0 million and is included within Restricted assets held by special purpose entities on the Consolidated Balance Sheets and the secured financing liability was \$327.8 million and is included within Non-recourse liabilities held by special purpose entities on the Consolidated Balance Sheets.

Pursuant to the sale of MWV’s remaining U.S. forestlands, which occurred on December 6, 2013, another special purpose entity MWV Timber Notes Holding Company II, LLC (“**MWV TN II**”) received, and WestRock assumed upon the Combination, an installment note receivable in the amount of \$860.0 million (the “**Installment Note**”). The Installment Note does not require any principal payments until its maturity in December 2023 and bears interest at a fixed rate of 5.207%. However, at any time during a 180-day period following receipt by the borrower of notice from us that we intend to withhold our consent to any amendment or waiver of this Installment Note that was requested by the borrower and approved by any eligible assignees, the borrower may prepay the Installment Note in whole but not in part for cash at 100% of the principal, plus accrued but unpaid interest, breakage, or other similar amount if any. As of September 30, 2021, no event had occurred that would allow for the

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

prepayment of the Installment Note. We monitor the credit quality of the borrower and receive quarterly compliance certificates. The borrower's credit rating as of October 2021 was investment grade.

Using the Installment Note as collateral, MWV TN II received \$774.0 million in proceeds under a secured financing agreement with a bank. Under the terms of the agreement, the liability from this transaction is non-recourse to WestRock and is payable from the Installment Note proceeds upon its maturity in December 2023. As a result, the Installment Note is not available to satisfy any obligations of WestRock. MWV TN II can elect to prepay, at any time, the liability in whole or in part, with sufficient notice, but would avail itself of this provision only in the event the Installment Note was prepaid in whole or in part. The secured financing agreement however requires a mandatory repayment, up to the amount of cash received, if the Installment Note is prepaid in whole or in part.

The Installment Note and the secured financing liability were fair valued on the opening balance sheet in connection with the Combination. As of September 30, 2021, the Installment Note was \$884.5 million and is included within Restricted assets held by special purpose entities on the Consolidated Balance Sheets and the secured financing liability was \$799.5 million and is included within Non-recourse liabilities held by special purpose entities on the Consolidated Balance Sheets.

**Note 16. Related Party Transactions**

We sell products to affiliated companies. Net sales to the affiliated companies for the fiscal years ended September 30, 2021, 2020 and 2019 were approximately \$237.7 million, \$311.5 million and \$368.4 million, respectively. Accounts receivable due from the affiliated companies at September 30, 2021 and 2020 was \$33.5 million and \$23.3 million, respectively, and was included in Accounts receivable on our Consolidated Balance Sheets.

**Note 17. Commitments and Contingencies*****Capital Additions***

Estimated costs for future purchases of fixed assets that we are obligated to purchase as of September 30, 2021 total approximately \$249 million.

***Environmental***

Environmental compliance requirements are a significant factor affecting our business. We employ manufacturing processes that involve discharges to water, air emissions, water intake and waste handling and disposal activities. These processes are subject to numerous federal, state, local and international environmental laws and regulations, as well as the requirements of environmental permits and similar authorizations issued by various governmental authorities. Complex and lengthy processes may be required to obtain and renew approvals, permits, and licenses for new, existing or modified facilities. Additionally, the use and handling of various chemicals or hazardous materials require release prevention plans and emergency response procedures. Our integrated chemical pulping mills in the U.S. and Brazil are subject to numerous and more complex environmental programs and regulations, but all of WestRock's manufacturing facilities have environmental compliance obligations. We have incurred, and expect that we will continue to incur, significant capital, operating and other expenditures complying with applicable environmental laws and regulations including, for example, projects to replace and/or upgrade our air pollution control devices, wastewater treatment systems, and other environmental infrastructure. Changes in these laws, as well as litigation relating to these laws, could result in more stringent or additional environmental compliance obligations for the Company that may require additional capital investments or increase our operating costs.

We are involved in various administrative and other proceedings relating to environmental matters that arise in the normal course of business, and we may become involved in similar matters in the future. Although the ultimate outcome of these proceedings cannot be predicted with certainty and we cannot at this time estimate any reasonably possible losses based on available information, we do not believe that the currently expected outcome of any environmental proceedings and claims that are pending or threatened against us will have a material adverse effect on our results of operations, financial condition or cash flows.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

We face potential liability under federal, state, local and international laws as a result of releases, or threatened releases, of hazardous substances into the environment from various sites owned and operated by third parties at which Company-generated wastes have allegedly been deposited. Generators of hazardous substances sent to off-site disposal locations at which environmental contamination exists, as well as the owners of those sites and certain other classes of persons, are liable for response costs for the investigation and remediation of such sites under CERCLA and analogous laws. While joint and several liability is authorized under CERCLA, liability is typically shared with other PRPs and costs are commonly allocated according to relative amounts of waste deposited and other factors.

In addition, certain of our current or former locations are being investigated or remediated under various environmental laws, including CERCLA. Based on information known to us and assumptions, we do not believe that the costs of these investigation and remediation projects will have a material adverse effect on our results of operations, financial condition or cash flows. However, the discovery of contamination or the imposition of additional obligations, including natural resources damages at these or other sites in the future, could impact our results of operations, financial condition or cash flows.

We believe that we can assert claims for indemnification pursuant to existing rights we have under certain purchase and other agreements in connection with certain remediation sites. In addition, we believe that we have insurance coverage, subject to applicable deductibles or retentions, policy limits and other conditions, for certain environmental matters. However, there can be no assurance that we will be successful with respect to any claim regarding these insurance or indemnification rights or that, if we are successful, any amounts paid pursuant to the insurance or indemnification rights will be sufficient to cover all our costs and expenses. We also cannot predict with certainty whether we will be required to perform remediation projects at other locations, and it is possible that our remediation requirements and costs could increase materially in the future and exceed current reserves. In addition, we cannot currently assess with certainty the impact that future changes in cleanup standards or federal, state or other environmental laws, regulations or enforcement practices will have on our results of operations, financial condition or cash flows.

As of September 30, 2021, we had \$4.8 million reserved for environmental liabilities on an undiscounted basis, of which \$1.7 million is included in Other long-term liabilities and \$3.1 million is included in Other current liabilities on the Consolidated Balance Sheets, including amounts accrued in connection with environmental obligations relating to manufacturing facilities that we have closed. We believe the liability for these matters was adequately reserved at September 30, 2021.

### ***Climate Change***

Some of our paper mills, our most energy-intensive manufacturing facilities, burn renewable biomass to generate more than 60 percent of their energy needs based on overall fuel mix. Most of these facilities also self-generate the steam and power needed for their manufacturing processes using combined heat and power or “cogeneration” systems. Our recycling operations help to divert approximately seven to eight million tons of paper and packaging from landfills where it would otherwise degrade and release greenhouse gases in the form of methane. Our fiber procurement activities create economic incentives for landowners and family tree farmers to maintain their holdings as working forests that sequester carbon and provide many other environmental benefits, including protection for fresh water supplies and habitats for diverse species of plants and animals.

Addressing issues related to climate change presents opportunities for our business. For example, we produce renewable energy and generate RECs at our integrated kraft mills. We have sold RECs in the past and may sell them in the future. The RECs we generate are flexible, market-based tools that support the renewable energy market. Our recycling activities also may present the opportunity to generate offsets that could be used to meet climate-related obligations for ourselves or others.

Climate change also presents potential risks and uncertainties for us. With respect to physical climate risks, our manufacturing operations may be impacted by weather-related events such as hurricanes and floods, potentially resulting in lost production, supply chain disruptions and increased material costs. Unpredictable weather patterns also may impact virgin fiber supplies and prices, which may fluctuate during prolonged periods of heavy rain or drought. On the other hand, changes in climate also could result in more accommodating weather patterns for greater periods of time in certain areas, which may create favorable fiber market conditions. We incorporate a review of meteorological forecast data into our fiber procurement decisions and strategies. To the

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

extent that climate-related risks materialize, and we are unprepared for them, we may incur unexpected costs, which could have a material effect on our financial results of operations.

Responses to climate change may result in regulatory risks as new laws and regulations aimed at reducing GHG emissions come into effect. These rules and regulations could take the form of cap-and-trade, carbon taxes, or GHG reductions mandates for utilities that could increase the cost of purchased electricity. New climate rules and regulations also may result in higher fossil fuel prices or fuel efficiency standards that could increase transportation costs. Certain jurisdictions in which we have manufacturing facilities or other investments have already taken actions to address climate change. In the U.S, the EPA has issued the Clean Air Act permitting regulations applicable to certain facilities that emit GHG. The EPA also has promulgated a rule requiring certain industrial facilities that emit 25,000 metric tons or more of carbon dioxide equivalent per year to file an annual report of their emissions. While we have facilities subject to existing GHG permitting and reporting requirements, the impact of these requirements has not been material to date.

In addition to these national efforts, some U.S. states in which we have manufacturing operations, including Washington, New York and Virginia, are taking measures to reduce GHG emissions, such as requiring GHG emissions reporting or developing regional cap-and-trade programs. In addition, several of our international facilities are located in countries that have already adopted GHG emissions trading programs. Other countries in which we conduct business, including China, European Union member states and India, have set GHG reduction targets in accordance with the agreement signed in April 2016 among over 170 countries that established the Paris Agreement, which became effective in November 2016 and to which the United States formally rejoined in February 2021.

Regulation related to climate change continues to develop in the areas of the world where we conduct business. We have systems in place for tracking the GHG emissions from our energy-intensive facilities, and we carefully monitor developments in climate related laws, regulations and policies to assess the potential impact of such developments on our results of operations, financial condition, cash flows and disclosure obligations. Compliance with climate programs may require future expenditures to meet GHG emission reduction obligations in future years. These obligations may include carbon taxes, the requirement to purchase GHG credits, or the need to acquire carbon offsets. Also, we may be required to make capital and other investments to displace traditional fossil fuels, such as fuel oil and coal, with lower carbon alternatives, such as biomass and natural gas.

### ***Litigation***

During fiscal 2018, we submitted formal notification to withdraw from the PIUMPF and recorded a liability associated with the withdrawal. Subsequently, in fiscal 2019 and 2020, we received demand letters from PIUMPF, including a demand for withdrawal liabilities and for our proportionate share of PIUMPF's accumulated funding deficiency, and we refined our liability, the impact of which was not significant. We began making monthly payments for the PIUMPF withdrawal liabilities in fiscal 2020, excluding the accumulated funding deficiency demands. We dispute the PIUMPF accumulated funding deficiency demands. In February 2020, we received a demand letter from PIUMPF asserting that we owe \$51.2 million for our pro-rata share of PIUMPF's accumulated funding deficiency, including interest. Similarly, in April 2020, we received an updated demand letter related to a subsidiary of ours asserting that we owe \$1.3 million of additional accumulated funding deficiency, including interest. In July 2021, the PIUMPF filed suit against us in the U.S. District Court for the Northern District of Georgia claiming the right to recover our pro rata share of the pension fund's accumulated funding deficiency. We believe we are adequately reserved for this matter. See "**Note 5. Retirement Plans — Multiemployer Plans**" of the Notes to Consolidated Financial Statements for more information regarding our withdrawal liabilities.

We have been named a defendant in asbestos-related personal injury litigation. To date, the costs resulting from the litigation, including settlement costs, have not been significant. As of September 30, 2021, there were approximately 1,600 such lawsuits. We believe that we have substantial insurance coverage, subject to applicable deductibles and policy limits, with respect to asbestos claims. We also have valid defenses to these asbestos-related personal injury claims and intend to continue to defend them vigorously. Should the volume of litigation grow substantially, it is possible that we could incur significant costs resolving these cases. We do not expect the resolution of pending asbestos litigation and proceedings to have a material adverse effect on our results of operations, financial condition or cash flows. In any given period or periods, however, it is possible such proceedings or matters could have a material adverse effect on our results of operations, financial condition or cash flows. At September 30, 2021, we had \$15.2 million reserved for these matters.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

We are a defendant in a number of other lawsuits and claims arising out of the conduct of our business. While the ultimate results of such suits or other proceedings against us cannot be predicted with certainty, we believe the resolution of these other matters will not have a material adverse effect on our results of operations, financial condition or cash flows.

***Brazil Tax Liability***

We are challenging claims by the Brazil Federal Revenue Department that we are liable for underpayment of tax, penalties and interest in relation to a claim that a subsidiary of MeadWestvaco Corporation had reduced its tax liability related to the goodwill generated by the 2002 merger of two of its Brazil subsidiaries. The matter has proceeded through the Brazil Administrative Council of Tax Appeals (“CARF”) principally in two proceedings, covering tax years 2003 to 2008 and 2009 to 2012. The tax and interest claim relating to tax years 2009 to 2012 was finalized and is now the subject of an annulment action we filed in the Brazil federal court. CARF notified us of its final decision regarding the tax, penalties and interest claims relating to tax years 2003 to 2008 on June 3, 2020. We have filed an annulment action in Brazil federal court with respect to that decision as well. The dispute related to penalties for tax years 2009 to 2012 remains before CARF.

We assert that we have no liability in these matters. The total amount in dispute before CARF and in the annulment actions relating to the claimed tax deficiency was R\$701 million (\$129 million) as of September 30, 2021, including various penalties and interest. The U.S. dollar equivalent has fluctuated significantly due to changes in exchange rates. The amount of our uncertain tax position reserve for this matter, that excludes certain penalties, is included in the unrecognized tax benefits table. See “**Note 6. Income Taxes**”. Resolution of the uncertain tax positions could have a material adverse effect on our cash flows and results of operations or materially benefit our results of operations in future periods depending upon their ultimate resolution.

***Guarantees***

We make certain guarantees in the normal course of conducting our operations, for compliance with certain laws and regulations, or in connection with certain business dispositions. The guarantees include items such as funding of net losses in proportion to our ownership share of certain joint ventures, debt guarantees related to certain unconsolidated entities acquired in acquisitions, indemnifications of lessors in certain facilities and equipment operating leases for items such as additional taxes being assessed due to a change in tax law and certain other agreements. We estimate our exposure to these matters to be less than \$50 million. As of September 30, 2021 and 2020, we had recorded \$2.3 million and \$9.6 million, respectively, for the estimated fair value of these guarantees. The decline in fiscal 2021 was due to the expiration of certain guarantees. We are unable to estimate our maximum exposure under operating leases because it is dependent on potential changes in the tax laws; however, we believe our exposure related to guarantees would not have a material impact on our results of operations, financial condition or cash flows.

***Indirect Tax Claim***

In March 2017, the Supreme Court of Brazil issued a decision concluding that certain state value added tax should not be included in the calculation of federal gross receipts taxes. Subsequently, in fiscal 2019 and 2020, the Supreme Court of Brazil rendered favorable decisions on eight of our cases granting us the right to recover certain state value added tax. The tax authorities in Brazil filed a Motion of Clarification with the Supreme Court of Brazil. Based on our evaluation and the opinion of our tax and legal advisors, we believe the decision reduced our gross receipts tax in Brazil prospectively and retrospectively, and will allow us to recover tax amounts collected by the government. Due to the volume of invoices being reviewed (January 2002 to September 2019), we recorded the estimated recoveries across several periods beginning in the fourth quarter of fiscal 2019 as we reviewed the documents and the amount became estimable. In May 2021, the Supreme Court of Brazil judged the Motion of Clarification and concluded on the gross methodology, which was consistent with our evaluation and that of our tax and legal advisors. In fiscal 2021, we recorded a receivable for our expected recovery and interest that consisted primarily of a \$0.6 million reduction of Cost of goods sold and \$0.3 million reduction of Interest expense, net. In fiscal 2020, we recorded a \$51.9 million receivable for our expected recovery and interest that consisted primarily of a \$32.1 million reduction of Cost of goods sold and \$20.5 million reduction of Interest expense, net. In fiscal 2019, we recorded a \$12.2 million receivable for our expected recovery and interest that consisted primarily of

WESTROCK COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Cost of goods sold. We are monitoring the status of our remaining cases, and subject to the resolution in the courts, we may record additional amounts in future periods.

**Note 18. Accumulated Other Comprehensive Loss and Other Comprehensive Income (Loss)**

The following table summarizes the changes in accumulated other comprehensive loss by component for the fiscal years ended September 30, 2021 and 2020 (in millions):

|                                                                | Deferred<br>(Loss) Income<br>on Cash<br>Flow Hedges | Defined Benefit<br>Pension and<br>Postretirement<br>Plans | Foreign<br>Currency<br>Items | Total <sup>(1)</sup> |
|----------------------------------------------------------------|-----------------------------------------------------|-----------------------------------------------------------|------------------------------|----------------------|
| Balance at September 30, 2019                                  | \$ 0.7                                              | \$ (698.0)                                                | \$ (371.9)                   | \$ (1,069.2)         |
| Other comprehensive (loss) income before reclassifications     | (9.9)                                               | 5.1                                                       | (214.7)                      | (219.5)              |
| Amounts reclassified from accumulated other comprehensive loss | 3.6                                                 | 38.6                                                      | —                            | 42.2                 |
| Net current period other comprehensive (loss) income           | (6.3)                                               | 43.7                                                      | (214.7)                      | (177.3)              |
| Reclassification of stranded tax effects                       | —                                                   | (73.4)                                                    | —                            | (73.4)               |
| Balance at September 30, 2020                                  | \$ (5.6)                                            | \$ (727.7)                                                | \$ (586.6)                   | \$ (1,319.9)         |
| Other comprehensive (loss) income before reclassifications     | (0.1)                                               | 161.7                                                     | 124.2                        | 285.8                |
| Amounts reclassified from accumulated other comprehensive loss | 5.5                                                 | 29.5                                                      | —                            | 35.0                 |
| Net current period other comprehensive income                  | 5.4                                                 | 191.2                                                     | 124.2                        | 320.8                |
| Balance at September 30, 2021                                  | \$ (0.2)                                            | \$ (536.5)                                                | \$ (462.4)                   | \$ (999.1)           |

<sup>(1)</sup> All amounts are net of tax and noncontrolling interest.

The following table summarizes the reclassifications out of accumulated other comprehensive loss by component for the fiscal years ended September 30, 2021 and 2020 (in millions):

|                                                                                  | Years Ended September 30, |         |            |           |         |            |
|----------------------------------------------------------------------------------|---------------------------|---------|------------|-----------|---------|------------|
|                                                                                  | 2021                      |         |            | 2020      |         |            |
|                                                                                  | Pre-Tax                   | Tax     | Net of Tax | Pre-Tax   | Tax     | Net of Tax |
| Amortization of defined benefit pension and postretirement items: <sup>(1)</sup> |                           |         |            |           |         |            |
| Actuarial losses <sup>(2)</sup>                                                  | \$ (33.3)                 | \$ 8.3  | \$ (25.0)  | \$ (47.7) | \$ 12.8 | \$ (34.9)  |
| Prior service costs <sup>(2)</sup>                                               | (6.0)                     | 1.5     | (4.5)      | (5.0)     | 1.3     | (3.7)      |
| Reclassification of stranded tax effects <sup>(3)</sup>                          | —                         | —       | —          | —         | 73.4    | 73.4       |
| Subtotal defined benefit plans                                                   | (39.3)                    | 9.8     | (29.5)     | (52.7)    | 87.5    | 34.8       |
| Derivative Instruments: <sup>(1)</sup>                                           |                           |         |            |           |         |            |
| Interest rate swap hedge loss <sup>(4)</sup>                                     | (7.4)                     | 1.9     | (5.5)      | (2.3)     | 0.6     | (1.7)      |
| Natural gas commodity hedge loss <sup>(5)</sup>                                  | —                         | —       | —          | (2.6)     | 0.7     | (1.9)      |
| Subtotal derivative instruments                                                  | (7.4)                     | 1.9     | (5.5)      | (4.9)     | 1.3     | (3.6)      |
| Total reclassifications for the period                                           | \$ (46.7)                 | \$ 11.7 | \$ (35.0)  | \$ (57.6) | \$ 88.8 | \$ 31.2    |

<sup>(1)</sup> Amounts in parentheses indicate charges to earnings. Amounts pertaining to noncontrolling interests are excluded.

<sup>(2)</sup> These accumulated other comprehensive income components are included in the computation of net periodic pension cost. See "Note 5. Retirement Plans" for additional information.



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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

- (3) Amount reclassified to retained earnings as a result of the adoption of ASU 2018-02.  
(4) These accumulated other comprehensive income components are included in Interest expense, net.  
(5) These accumulated other comprehensive income components are included in Cost of goods sold.

A summary of the components of other comprehensive income (loss), including noncontrolling interest, for the years ended September 30, 2021, 2020 and 2019, is as follows (in millions):

| Fiscal 2021                                                                      | Pre-Tax           | Tax              | Net of Tax        |
|----------------------------------------------------------------------------------|-------------------|------------------|-------------------|
| Foreign currency translation gain                                                | \$ 124.3          | \$ —             | \$ 124.3          |
| Deferred loss on cash flow hedges                                                | (0.1)             | —                | (0.1)             |
| Reclassification adjustment of net loss on cash flow hedges included in earnings | 7.4               | (1.9)            | 5.5               |
| Net actuarial gain arising during period                                         | 222.2             | (56.6)           | 165.6             |
| Amortization and settlement recognition of net actuarial loss                    | 33.9              | (8.4)            | 25.5              |
| Prior service cost arising during the period                                     | (5.6)             | 1.4              | (4.2)             |
| Amortization of prior service cost                                               | 6.0               | (1.5)            | 4.5               |
| Consolidated other comprehensive income                                          | 388.1             | (67.0)           | 321.1             |
| Less: Other comprehensive income attributable to noncontrolling interests        | (0.3)             | —                | (0.3)             |
| Other comprehensive income attributable to common stockholders                   | <u>\$ 387.8</u>   | <u>\$ (67.0)</u> | <u>\$ 320.8</u>   |
| <b>Fiscal 2020</b>                                                               | <b>Pre-Tax</b>    | <b>Tax</b>       | <b>Net of Tax</b> |
| Foreign currency translation loss                                                | \$ (215.0)        | \$ —             | \$ (215.0)        |
| Deferred loss on cash flow hedges                                                | (13.3)            | 3.3              | (10.0)            |
| Reclassification adjustment of net loss on cash flow hedges included in earnings | 4.9               | (1.3)            | 3.6               |
| Net actuarial gain arising during period                                         | 34.6              | (10.4)           | 24.2              |
| Amortization and settlement recognition of net actuarial loss                    | 48.3              | (12.9)           | 35.4              |
| Prior service cost arising during the period                                     | (26.9)            | 7.3              | (19.6)            |
| Amortization of prior service cost                                               | 5.1               | (1.3)            | 3.8               |
| Consolidated other comprehensive loss                                            | (162.3)           | (15.3)           | (177.6)           |
| Less: Other comprehensive loss attributable to noncontrolling interests          | 0.3               | —                | 0.3               |
| Other comprehensive loss attributable to common stockholders                     | <u>\$ (162.0)</u> | <u>\$ (15.3)</u> | <u>\$ (177.3)</u> |
| <b>Fiscal 2019</b>                                                               | <b>Pre-Tax</b>    | <b>Tax</b>       | <b>Net of Tax</b> |
| Foreign currency translation loss                                                | \$ (143.4)        | \$ —             | \$ (143.4)        |
| Deferred gain on cash flow hedges                                                | 1.5               | (0.4)            | 1.1               |
| Reclassification adjustment of net gain on cash flow hedges included in earnings | (0.3)             | 0.1              | (0.2)             |
| Net actuarial loss arising during period                                         | (335.9)           | 87.4             | (248.5)           |
| Amortization and settlement recognition of net actuarial loss                    | 23.3              | (6.1)            | 17.2              |
| Prior service cost arising during the period                                     | (3.9)             | 0.6              | (3.3)             |
| Amortization of prior service cost                                               | 2.4               | (0.6)            | 1.8               |
| Consolidated other comprehensive loss                                            | (456.3)           | 81.0             | (375.3)           |
| Less: Other comprehensive loss attributable to noncontrolling interests          | 1.5               | (0.1)            | 1.4               |
| Other comprehensive loss attributable to common stockholders                     | <u>\$ (454.8)</u> | <u>\$ 80.9</u>   | <u>\$ (373.9)</u> |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Note 19. Stockholders' Equity*****Capitalization***

Our capital stock consists solely of Common Stock. Holders of our Common Stock are entitled to one vote per share. Our amended and restated certificate of incorporation also authorizes preferred stock, of which no shares have been issued. The terms and provisions of such shares will be determined by our board of directors upon any issuance of such shares in accordance with our certificate of incorporation.

***Stock Repurchase Plan***

In July 2015, our board of directors authorized a repurchase program of up to 40.0 million shares of our Common Stock, representing approximately 15% of our outstanding Common Stock as of July 1, 2015. The shares of our Common Stock may be repurchased over an indefinite period of time at the discretion of management. In fiscal 2021, we repurchased approximately 2.5 million shares of our Common Stock for an aggregate cost of \$125.1 million (a portion of which settled after September 30, 2021). In fiscal 2020, we repurchased no shares of our Common Stock. In fiscal 2019, we repurchased approximately 2.1 million shares of our Common Stock for an aggregate cost of \$88.6 million. As of September 30, 2021, we had approximately 16.6 million shares of Common Stock available for repurchase under the program.

**Note 20. Share-Based Compensation*****Share-based Compensation Plans***

At our Annual Meeting of Stockholders held on January 29, 2021, our stockholders approved the WestRock Company 2020 Incentive Stock Plan. The 2020 Incentive Stock Plan allows for the granting of 4.95 million shares of options, restricted stock, SARs and restricted stock units to certain key employees and directors. As of September 30, 2021, there were 3.1 million shares available to be granted under this plan. At our Annual Meeting of Stockholders held on February 2, 2016, our stockholders approved the WestRock Company 2016 Incentive Stock Plan. The 2016 Incentive Stock Plan was amended and restated on February 2, 2018 (the "**Amended and Restated 2016 Incentive Stock Plan**"). The Amended and Restated 2016 Incentive Stock Plan allows for the granting of 11.7 million shares of options, restricted stock, SARs and restricted stock units to certain key employees and directors. As of September 30, 2021, there were 1.5 million shares available to be granted under this plan. In addition, there were 12.2 million shares available for grant under prior plans approved by stockholders and plans assumed upon mergers and acquisitions. We do not expect to make any new awards under those plans.

Our results of operations for the fiscal years ended September 30, 2021, 2020 and 2019 include share-based compensation expense of \$88.6 million, \$130.3 million and \$64.2 million, respectively. The increase in fiscal 2020, and subsequent decline, was due to shares of restricted stock granted in fiscal 2020 to satisfy certain annual bonus incentives in connection with the WestRock Pandemic Action Plan. The total income tax benefit in the results of operations in connection with share-based compensation was \$22.3 million, \$33.2 million and \$16.3 million, for the fiscal years ended September 30, 2021, 2020 and 2019, respectively.

Cash received from share-based payment arrangements for the fiscal years ended September 30, 2021, 2020 and 2019 was \$57.5 million, \$32.4 million and \$61.5 million, respectively.

***Equity Awards Issued in Connection with Acquisitions***

In connection with the KapStone Acquisition, we replaced certain outstanding awards of restricted stock units granted under the KapStone long-term incentive plan with WestRock stock options and restricted stock units. No additional shares will be granted under the KapStone plan. The KapStone equity awards were replaced with awards with identical terms utilizing an approximately 0.83 conversion factor as described in the Merger Agreement. The acquisition consideration included approximately \$70.8 million related to outstanding KapStone equity awards related to service prior to the effective date of the KapStone Acquisition – the balance related to service after the effective date are being expensed over the remaining service period of the awards.

WESTROCK COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

As part of the KapStone Acquisition, we issued 2,665,462 options that were valued at a weighted average fair value of \$20.99 per share using the Black-Scholes option pricing model. The weighted average significant assumptions used were:

|                         | 2019  |
|-------------------------|-------|
| Expected term in years  | 3.1   |
| Expected volatility     | 27.7% |
| Risk-free interest rate | 3.0%  |
| Dividend yield          | 4.1%  |

**Stock Options and Stock Appreciation Rights**

Stock options granted under our plans generally have an exercise price equal to the closing market price on the date of the grant, generally vest in three years, in either one tranche or in approximately one-third increments, and have 10-year contractual terms. However, a portion of our grants are subject to earlier expense recognition due to retirement eligibility rules. Presently, other than circumstances such as death, disability and retirement, grants will include a provision requiring both a change of control and termination of employment to accelerate vesting.

At the date of grant, we estimate the fair value of stock options granted using a Black-Scholes option pricing model. We use historical data to estimate option exercises and employee terminations in determining the expected term in years for stock options. Expected volatility is calculated based on the historical volatility of our stock. The risk-free interest rate is based on U.S. Treasury securities in effect at the date of the grant of the stock options. The dividend yield is estimated based on our historic annual dividend payments and current expectations for the future. Other than in connection with replacement awards in connection with acquisitions, we did not grant any stock options in fiscal 2021, 2020 and 2019.

The table below summarizes the changes in all stock options during the fiscal year ended September 30, 2021:

|                                   | Stock<br>Options | Weighted<br>Average<br>Exercise<br>Price | Weighted<br>Average<br>Remaining<br>Contractual<br>Term<br>(in years) | Aggregate<br>Intrinsic<br>Value<br>(in millions) |
|-----------------------------------|------------------|------------------------------------------|-----------------------------------------------------------------------|--------------------------------------------------|
| Outstanding at September 30, 2020 | 3,456,297        | \$ 35.26                                 |                                                                       |                                                  |
| Exercised                         | (1,563,086)      | 30.58                                    |                                                                       |                                                  |
| Expired                           | (47,539)         | 52.43                                    |                                                                       |                                                  |
| Outstanding at September 30, 2021 | <u>1,845,672</u> | \$ 38.79                                 | 2.2                                                                   | \$ 23.4                                          |
| Exercisable at September 30, 2021 | <u>1,845,672</u> | \$ 38.79                                 | 2.2                                                                   | \$ 23.4                                          |

The aggregate intrinsic value of options exercised during the years ended September 30, 2021, 2020 and 2019 was \$29.1 million, \$11.8 million and \$44.5 million, respectively.

As of September 30, 2021, there was no remaining unrecognized compensation cost related to nonvested stock options.

As part of the Combination, we issued SARs to replace outstanding MWV SARs. The SARs were valued using the Black-Scholes option pricing model. We measure compensation expense related to the SAR awards at the end of each period. We do not expect to issue additional SARs. The aggregate intrinsic value of SARs exercised during the years ended September 30, 2021, 2020 and 2019 was \$0.2 million, \$0.2 and zero million, respectively, and the number of SARs outstanding at September 30, 2021 was de minimis.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Restricted Stock**

Restricted stock is typically granted annually to non-employee directors and certain of our employees. Our non-employee director awards generally vest over a period of up to one year and are treated as issued and carry dividend and voting rights until they vest. The vesting provisions for our employee awards may vary from grant to grant; however, vesting generally is contingent upon meeting various service and/or performance or market goals including, but not limited to, achievement of various financial targets such as Cash Flow Per Share and relative Total Shareholder Return (each as defined in the award documents). Subject to the level of performance attained, the target award for some of the grants may increase up to 200% of target or decrease to zero depending upon the terms of the individual grant. The employee grants generally vest in three years. Presently, other than circumstances such as death, disability and retirement, the grants generally include a provision requiring both a change of control and termination of employment to accelerate vesting. For certain employee grants, the grantee is entitled to receive dividend equivalent units, but will generally forfeit the restricted award and the dividend equivalents if the employee separates from us during the vesting period or if the predetermined goals are not accomplished. As mentioned above, in fiscal 2020 in connection with the WestRock Pandemic Action Plan, we issued restricted stock grants to satisfy certain annual bonus incentives. Those awards vested in October 2020 at 105% of target.

The table below summarizes the changes in restricted stock during the fiscal year ended September 30, 2021:

|                                                  | Shares/Units     | Weighted<br>Average<br>Grant Date Fair<br>Value |
|--------------------------------------------------|------------------|-------------------------------------------------|
| Outstanding at September 30, 2020 <sup>(1)</sup> | 6,615,367        | \$ 38.36                                        |
| Granted                                          | 2,104,393        | 44.17                                           |
| Vested and released                              | (3,194,223)      | 32.87                                           |
| Forfeited                                        | (548,078)        | 59.51                                           |
| Outstanding at September 30, 2021 <sup>(1)</sup> | <u>4,977,459</u> | \$ 42.02                                        |

<sup>(1)</sup> Target awards granted with a performance condition, net of subsequent forfeitures, may be increased up to 200% of the target or decreased to zero, subject to the level of performance attained. The awards are reflected in the table at the target award amount of 100%. Based on current facts and assumptions we are forecasting the performance of the aggregate outstanding grants to be attained at levels that would result in the issuance of approximately 0.2 million additional shares. However, it is possible that the performance attained may vary.

There was approximately \$94.5 million of unrecognized compensation cost related to all nonvested restricted shares as of September 30, 2021 that will be recognized over a weighted average remaining vesting period of 1.5 years.

**WESTROCK COMPANY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

The following table represents a summary of restricted stock shares granted in fiscal 2021, 2020 and 2019 with terms defined in the applicable grant letters. The shares are not deemed to be issued and carry voting rights until the relevant conditions defined in the award documents have been met, unless otherwise noted.

|                                                                                                                           | 2021                    | 2020                    | 2019                    |
|---------------------------------------------------------------------------------------------------------------------------|-------------------------|-------------------------|-------------------------|
| Shares of restricted stock granted to non-employee directors <sup>(1)</sup>                                               | 42,482                  | 49,236                  | 39,792                  |
| Shares of restricted stock granted to employees:                                                                          |                         |                         |                         |
| Shares granted for attainment of a performance condition at an amount in excess of target <sup>(2)</sup>                  | —                       | —                       | 1,149,592               |
| Shares granted with a service condition and a Cash Flow Per Share performance condition at target <sup>(3)</sup>          | 798,490                 | 869,065                 | 652,465                 |
| Shares granted with a service condition and a relative Total Shareholder Return market condition at target <sup>(3)</sup> | 127,050                 | 152,595                 | 407,300                 |
| Shares granted with a service condition <sup>(4)</sup>                                                                    | 1,009,387               | 889,030                 | 682,264                 |
| Shares of restricted stock granted for annual bonus <sup>(5)</sup>                                                        | 126,984                 | 2,486,249               | —                       |
| Share of restricted stock assumed in purchase accounting:                                                                 |                         |                         |                         |
| Shares granted with a service condition <sup>(6)</sup>                                                                    | —                       | —                       | 742,032                 |
| <b>Total restricted stock granted</b>                                                                                     | <b><u>2,104,393</u></b> | <b><u>4,446,175</u></b> | <b><u>3,673,445</u></b> |

(1) Non-employee director grants generally vest over a period of up to one year and are deemed issued on the grant date and have voting and dividend rights.

(2) Shares granted in the table above include shares subsequently issued for the level of performance attained in excess of target. Shares issued in fiscal 2021 for the fiscal 2018 Cash Flow Per Share were at 89.3% of target, therefore, the remainder of the grant was forfeited. Shares issued in fiscal 2020 for the fiscal 2017 Cash Flow Per Share were at 98.8% of target, therefore, the remainder of the grant was forfeited. Shares issued in fiscal 2019 for the fiscal 2016 Cash Flow Per Share were at 200% of target.

(3) These employee grants vest over approximately three years and have adjustable ranges from 0 - 200% of target subject to the level of performance attained in the respective award agreement. The employee grants with a relative Total Shareholder Return condition were valued using a Monte Carlo simulation, the terms of which are outlined below.

(4) These shares vest over approximately three to four years.

(5) Shares issued in fiscal 2021 for the fiscal 2020 restricted stock granted for annual bonus were at 105% of target.

(6) These shares vest over approximately one to three years.

The employee grants with a relative Total Shareholder Return market condition in fiscal 2021 were valued using a Monte Carlo simulation at \$53.69 per share. The significant assumptions used in valuing these grants included: an expected term of 3.0 years, an expected volatility of 46.2% and a risk-free interest rate of 0.2%. In addition, we had a subsequent grant for an individual valued using a Monte Carlo simulation at \$70.80 per share, using an expected term of 2.9 years, an expected volatility of 47.0% and a risk free rate of 0.3%. We amortize these costs on a straight-line basis over the explicit service period.

The employee grants with a relative Total Shareholder Return market condition in fiscal 2020 were valued using a Monte Carlo simulation at \$45.14 per share. The significant assumptions used in valuing these grants included: an expected term of 3.0 years, an expected volatility of 27.5% and a risk-free interest rate of 1.3%. We amortize these costs on a straight-line basis over the explicit service period.

The employee grants with a relative Total Shareholder Return market condition in fiscal 2019 were valued using a Monte Carlo simulation at \$42.64 per share. The significant assumptions used in valuing these grants included: an expected term of 2.9 years, an expected volatility of 27.2% and a risk-free interest rate of 2.4%. We amortize these costs on a straight-line basis over the explicit service period.

Expense is recognized on restricted stock grants on a straight-line basis over the explicit service period or for performance-based grants over the explicit service period when we estimate that it is probable the performance conditions will be satisfied. Expense recognized on grants with a performance condition that affects how many shares are ultimately awarded is based on the number of shares expected to be awarded.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table represents a summary of restricted stock vested and released in fiscal 2021, 2020 and 2019 (in millions, except shares):

|                                                              | 2021      | 2020    | 2019      |
|--------------------------------------------------------------|-----------|---------|-----------|
| Shares of restricted stock vested and released               | 3,194,223 | 766,431 | 2,933,556 |
| Aggregate fair value of restricted stock vested and released | \$ 125.1  | \$ 29.6 | \$ 115.2  |

The shares vested and released in fiscal 2021 reflect the vesting of the fiscal 2020 grants for annual bonus that vested at 105% of target and the fiscal 2018 grants, with a Cash Flow Per Share performance condition that vested at 89.3% of target, as well as certain shares with a service condition. The shares vested and released in fiscal 2020 reflect the vesting of the fiscal 2017 grants, with a Cash Flow Per Share performance condition that vested at 98.8% of target, as well as certain shares with a service condition. The shares vested and released in fiscal 2019 reflect the vesting of the fiscal 2016 grants, with a Cash Flow Per Share performance condition that vested at 200% of target, as well as certain shares with a performance and/or service condition.

**Employee Stock Purchase Plan**

At our Annual Meeting of Stockholders held on February 2, 2016, our stockholders approved the WestRock Company Employee Stock Purchase Plan (“ESPP”). Under the ESPP, shares of Common Stock are reserved for purchase by our qualifying employees. The ESPP allowed for the purchase of a total of approximately 2.5 million shares of Common Stock. During fiscal 2021, 2020 and 2019, employees purchased approximately 0.3 million, 0.4 million and 0.4 million shares, respectively, under the ESPP. We recognized \$1.9 million, \$2.1 million and \$1.2 million of expense for fiscal 2021, 2020 and 2019, respectively, related to the 15% discount on the purchase price allowed to employees. As of September 30, 2021, adjusted for the spinoff of our Specialty Chemicals business in 2016, approximately 1.3 million shares of Common Stock remained available for purchase under the ESPP.

**Note 21. Earnings per Share**

The restricted stock awards that we grant to non-employee directors are considered participating securities as they receive non-forfeitable rights to dividends at the same rate as our Common Stock. As participating securities, we include these instruments in the earnings allocation in computing earnings per share under the two-class method described in ASC 260, “Earnings per Share.” The following table sets forth the computation of basic and diluted earnings per share under the two-class method (in millions, except per share data):

|                                                                                  | September 30,   |                   |                 |
|----------------------------------------------------------------------------------|-----------------|-------------------|-----------------|
|                                                                                  | 2021            | 2020              | 2019            |
| <b>Numerator:</b>                                                                |                 |                   |                 |
| Net income (loss) attributable to common stockholders                            | \$ 838.3        | \$ (690.9)        | \$ 862.9        |
| Less: Distributed and undistributed income available to participating securities | (0.2)           | (0.1)             | (0.1)           |
| Distributed and undistributed income (loss) available to common stockholders     | <u>\$ 838.1</u> | <u>\$ (691.0)</u> | <u>\$ 862.8</u> |
| <b>Denominator:</b>                                                              |                 |                   |                 |
| Basic weighted average shares outstanding                                        | 265.2           | 259.2             | 256.6           |
| Effect of dilutive stock options and non-participating securities                | 2.3             | —                 | 2.5             |
| Diluted weighted average shares outstanding                                      | <u>267.5</u>    | <u>259.2</u>      | <u>259.1</u>    |
| Basic earnings (loss) per share attributable to common stockholders              | <u>\$ 3.16</u>  | <u>\$ (2.67)</u>  | <u>\$ 3.36</u>  |
| Diluted earnings (loss) per share attributable to common stockholders            | <u>\$ 3.13</u>  | <u>\$ (2.67)</u>  | <u>\$ 3.33</u>  |

**WESTROCK COMPANY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

Options and restricted stock in the amount of 0.5 million, 4.2 million and 1.3 million common shares in fiscal 2021, 2020 and 2019, respectively, were not included in computing diluted earnings per share because the effect would have been antidilutive. The dilutive impact of the remaining awards outstanding in each year were included in the effect of dilutive securities.

## Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors of  
WestRock Company

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of WestRock Company and subsidiaries (the Company) as of September 30, 2021 and 2020, the related consolidated statements of operations, comprehensive income (loss), equity and cash flows for each of the three years in the period ended September 30, 2021, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at September 30, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended September 30, 2021, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of September 30, 2021, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated November 19, 2021 expressed an unqualified opinion thereon.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

#### ***Goodwill Impairment Assessment of the Consumer Packaging Reporting Unit***

|                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|----------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>Description of the Matter</i> | As discussed in Note 1 of the consolidated financial statements, goodwill is tested for impairment at least annually at the reporting unit level. This requires management to estimate the fair value of the reporting units with goodwill allocated to them. The Company estimates the fair value based on a combination of the discounted cash flow method and guideline company method. As of September 30, 2021, the Company's goodwill balance was \$5,959.2 million, of which \$2,295.9 million related to the Consumer Packaging reporting unit. |
|----------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Auditing management's goodwill impairment tests involved especially subjective judgements due



to the significant estimation required in determining the fair value of the reporting units. In particular, the estimates of the fair values of the Company's reporting units are sensitive to assumptions such as the discount rate, EBITDA multiples and expected future net cash flows, including projected operating results, long term growth rate, capital expenditures and tax rates, which are affected by expectations about future market and economic conditions.

*How We Addressed the Matter in Our Audit*

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's goodwill impairment review process. For example, we tested controls over the estimation of the fair value of the reporting unit, including the Company's controls over the valuation model, the mathematical accuracy of the valuation model and development of underlying assumptions used to estimate such fair value of the reporting unit. We also tested management's review of the reconciliation of the aggregate estimated fair value of the reporting units to the market capitalization of the Company.

To test the estimated fair value of the Company's reporting unit, our audit procedures included, among others, assessing the valuation methodology, determination of the guideline public companies, and the underlying data used by the Company in its analysis, including testing the significant assumptions discussed above. We compared the significant assumptions used by management to current industry and economic trends, changes to the Company's business model and other relevant factors. We assessed the historical accuracy of management's assumptions of future expected net cash flows and performed sensitivity analyses of significant assumptions to evaluate the changes in the fair value of the reporting unit that would result from changes in the assumptions. We involved valuation specialists to assist in our evaluation of the valuation methodology and the significant assumptions, including the discount rate used in determining the fair value of the reporting unit. We also tested the reconciliation of the aggregate estimated fair value of the reporting units to the market capitalization of the Company.

***Uncertain Tax Positions***

*Description of the Matter*

As discussed in Note 6 to the consolidated financial statements, the Company has unrecognized income tax benefits of \$199.5 million related to its uncertain tax positions at September 30, 2021. The Company uses significant judgement in (1) determining whether a tax position, based solely on its technical merits, is more likely than not to be sustained upon examination, and (2) in measuring the tax benefit as the largest amount of benefit which is more likely than not to be realized upon ultimate settlement. The Company does not record any benefit for the tax positions that do not meet the more-likely-than-not initial recognition threshold.

Auditing management's analysis of its uncertain tax positions and resulting unrecognized income tax benefits involved especially subjective and complex judgements because each tax position carries unique facts and circumstances that require interpretation of laws, regulations and legal rulings, and other factors.

*How We Addressed the Matter in Our Audit*

We tested the Company's controls that address the risks of material misstatement relating to uncertain tax positions. For example, we tested controls over management's application of the two-step recognition and measurement principles, including management's review of the inputs and resulting calculations of unrecognized income tax benefits.

To test the Company's measurement and recording of its uncertain tax positions, our audit procedures included, among others, inspecting the Company's analysis and related tax opinions to evaluate the assumptions the Company used to develop its uncertain tax positions and related unrecognized income tax benefit amounts by jurisdiction. We also tested the completeness and accuracy of the underlying data used by the Company to calculate its uncertain tax positions. For example, we compared the recorded unrecognized income tax benefits to similar positions in prior periods and assessed management's consideration of current tax controversy and litigation trends in similar positions challenged by tax authorities. In addition, we involved tax subject matter resources to evaluate the application of relevant tax laws in the Company's recognition determination. We also evaluated the Company's income tax disclosures in relation to these matters included in Note 6 to the consolidated financial statements.

/s/ Ernst & Young LLP

We have served as the Company's or its predecessor's auditor since at least 1975, but we are unable to determine the specific year.

Atlanta, Georgia

November 19, 2021

## **Report of Independent Registered Public Accounting Firm**

To the Stockholders and Board of Directors of  
WestRock Company

### **Opinion on Internal Control over Financial Reporting**

We have audited WestRock Company and subsidiaries' internal control over financial reporting as of September 30, 2021, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, WestRock Company (the Company) maintained, in all material respects, effective internal control over financial reporting as of September 30, 2021, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of September 30, 2021 and 2020, and the related consolidated statements of operations, comprehensive income (loss), equity and cash flows for each of the three years in the period ended September 30, 2021, and the related notes and our report dated November 19, 2021, expressed an unqualified opinion thereon.

### **Basis for Opinion**

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report On Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### **Definition and Limitations of Internal Control Over Financial Reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Atlanta, Georgia

November 19, 2021

**WESTROCK COMPANY**  
**MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

**Management's Responsibility for the Financial Statements**

The management of WestRock Company is responsible for the preparation and integrity of the consolidated financial statements appearing in our Annual Report on Form 10-K. The financial statements were prepared in conformity with GAAP appropriate in the circumstances and, accordingly, include certain amounts based on our best judgments and estimates. Financial information in this Annual Report on Form 10-K is consistent with that in the financial statements.

**Internal Control Over Financial Reporting**

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Rule 13a-15(f) under the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements. Our internal control over financial reporting is supported by a program of internal audits and appropriate reviews by management, written policies and guidelines, careful selection and training of qualified personnel and a written code of conduct adopted by our board of directors that is applicable to all officers and employees of our Company and subsidiaries, as well as a code of conduct that is applicable to all of our directors.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements and even when determined to be effective, can only provide reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting as of September 30, 2021. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control—Integrated Framework* (2013 framework). The scope of our efforts to comply with Section 404 of the Sarbanes-Oxley Act with respect to fiscal 2021 included all of our operations. Based on our assessment, management believes that we maintained effective internal control over financial reporting as of September 30, 2021. Our independent auditors, Ernst & Young LLP, an independent registered public accounting firm, are appointed by the Audit Committee of our board of directors. Ernst & Young LLP has audited and reported on the consolidated financial statements of WestRock Company, and has issued an attestation report on the effectiveness of our internal control over financial reporting. The report of the independent registered public accounting firm is contained in this Annual Report.

**Audit Committee Responsibility**

The Audit Committee of our board of directors, composed solely of directors who are independent in accordance with the requirements of the NYSE listing standards, the Exchange Act and our Corporate Governance Guidelines, meets with the independent auditors, management and internal auditors periodically to discuss internal control over financial reporting and auditing and financial reporting matters. The Audit Committee reviews with the independent auditors the scope and results of the audit effort. The Audit Committee also meets periodically with the independent auditors and the chief internal auditor without management present to ensure that the independent auditors and the chief internal auditor have free access to the Audit Committee. Our Audit Committee's Report will be contained in our definitive proxy statement issued in connection with our 2022 annual meeting of stockholders and is incorporated herein by reference.

DAVID B. SEWELL,  
*Chief Executive Officer and President*

ALEXANDER W. PEASE,  
*Executive Vice President and Chief Financial Officer*

November 19, 2021

**Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

There were no changes in or disagreements with accountants on accounting and financial disclosure.

**Item 9A. CONTROLS AND PROCEDURES**

**Evaluation of Disclosure Controls and Procedures**

We maintain disclosure controls and other procedures that are designed with the objective of ensuring the following:

- that information required to be disclosed by us in the reports that we file or submit under the Exchange Act are recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms; and
- that information required to be disclosed by us in the reports that we file under the Exchange Act is accumulated and communicated to our management, including our CEO and our Chief Financial Officer ("CFO"), as appropriate to allow timely decisions regarding required disclosure.

We have performed an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2021, under the supervision and with the participation of our management, including our CEO and CFO. Based on that evaluation, our CEO and CFO have concluded that our disclosure controls and procedures were effective as of September 30, 2021, to provide reasonable assurance that we record, process, summarize and report the information we must disclose in reports that we file or submit under the Exchange Act within the time periods specified in the SEC's rules and forms and to allow timely decisions regarding required disclosure.

In designing and evaluating our disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, as ours are designed to do. Management also noted that the design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and that there can be no assurance that any such design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote. Management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

**Internal Control Over Financial Reporting**

The report called for by Item 308(a) of Regulation S-K is incorporated herein by reference to Management's Annual Report on Internal Control over Financial Reporting of WestRock Company, included in Part II, Item 8 of this report.

The attestation report called for by Item 308(b) of Regulation S-K is incorporated herein by reference to the Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting, included in Part II, Item 8 of this report.

Management has evaluated, with the participation of our CEO and CFO, changes in our internal controls over financial reporting during the quarter ended September 30, 2021. In connection with that evaluation, we have determined that there has been no change in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13a-15 or 15d-15 that occurred during the fourth quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## **CEO and CFO Certifications**

Our CEO and CFO have filed with the SEC the certifications required by Section 302 of the Sarbanes-Oxley Act as Exhibits 31.1 and 31.2, respectively, to this Annual Report on Form 10-K. In addition, on February 18, 2021, our CEO certified to the NYSE that he was not aware of any violation by the Company of the NYSE corporate governance listing standards as in effect on February 18, 2021. The foregoing certification was unqualified.

### **Item 9B. *OTHER INFORMATION***

Not applicable.

### **Item 9C. *DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS***

Not applicable.

## PART III

### Item 10. *DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE*

#### EXECUTIVE OFFICERS

##### *Identification of Executive Officers*

The executive officers of the Company are as follows as of November 12, 2021:

| <b>Name</b>        | <b>Age</b> | <b>Position Held</b>                                    |
|--------------------|------------|---------------------------------------------------------|
| David B. Sewell    | 53         | Chief Executive Officer and President                   |
| Alexander W. Pease | 50         | Executive Vice President and Chief Financial Officer    |
| Peter C. Durette   | 48         | President, Corrugated Packaging                         |
| Patrick M. Kivits  | 54         | President, Consumer Packaging                           |
| Patrick E. Lindner | 52         | President, Commercial, Innovation and Sustainability    |
| John L. O'Neal     | 56         | President, Global Paper                                 |
| Thomas M. Stigers  | 58         | President, Mill Operations                              |
| Vicki L. Lostetter | 62         | Chief Human Resources Officer                           |
| Julia A. McConnell | 52         | Senior Vice President and Chief Accounting Officer      |
| Robert B. McIntosh | 64         | Executive Vice President, General Counsel and Secretary |

David B. Sewell has served as WestRock's chief executive officer and president since March 15, 2021. He previously served as president and chief operating officer of The Sherwin-Williams Company, where he was responsible for all operating segments for the \$18 billion global coatings company, since March 2019. From August 2014 to March 2019, he served as president of the company's performance coatings group. Prior to joining the company in February 2007, Mr. Sewell spent 15 years working for General Electric Company.

Alexander W. Pease has served as WestRock's executive vice president and chief financial officer since November 8, 2021. He served as executive vice president and chief financial officer of CommScope Holding Company, Inc., an \$8 billion global provider of infrastructure solutions for communication and entertainment networks, since 2018. From 2016 to 2018, he served as executive vice president and chief financial officer of Snyder's-Lance, Inc. He served as a principal at McKinsey & Company as a leader in its global corporate finance and business functions practice from 2015 to 2016. From 2011 to 2015, he was senior vice president and chief financial officer of EnPro Industries, Inc. Before joining EnPro, he worked at McKinsey & Company and served in the U.S. Navy as a SEAL Platoon commander.

Peter C. Durette has served as WestRock's president, Corrugated Packaging since June 2, 2021. He had previously served as the Company's executive vice president, corrugated container and chief strategy officer. Mr. Durette served as chief strategy officer of MeadWestvaco Corporation since 2009 and had retained this role with the Company since its formation in 2015 upon the combination of MeadWestvaco and Rock-Tenn Company. During his time with the Company and MeadWestvaco, Mr. Durette has held various other commercial and operating roles, including president of enterprise solutions, executive vice president of beverage packaging and senior vice president of home health and beauty. Prior to joining MeadWestvaco, he spent more than a decade with Marakon Associates, a boutique strategic advisory company.

Patrick M. Kivits has served as WestRock's president, Consumer Packaging since June 2, 2021. He had previously served as the Company's president, Multi Packaging Solutions since August 2020 and, prior to that, as executive vice president operations North America for Multi Packaging Solutions since November 2019. Prior to joining the Company, Mr. Kivits spent 20 years in the specialty chemical industry, working for H.B. Fuller and Henkel in adhesives for the packaging industry.

Patrick E. Lindner has served as WestRock's president, commercial, innovation and sustainability since June 2, 2021. He had previously served as the Company's president, consumer packaging since March 2019 and as chief innovation officer since October 2019. He previously served as chief operating officer for W.L. Gore & Associates. Prior to joining W.L. Gore & Associates, Mr. Lindner served in various leadership roles with E. I. Du Pont De Nemours and Company, including as president – DuPont Performance Materials and president – DuPont Performance Polymers.



John L. O'Neal has served as the Company's president, global paper since June 2, 2021. He had previously served as the Company's executive vice president, global food and beverage since 2016. From 2012 to 2016, he served in senior leadership roles in the Company's corrugated packaging and paper solution businesses. Prior to joining the Company, Mr. O'Neal spent 16 years working for Mirant Corporation.

Thomas M. Stigers has served as the Company's president, mill operations since June 2, 2021. He had previously served as the Company's executive vice president, containerboard mills. Mr. Stigers joined the Company in connection with its acquisition of Southern Container Corp in 2008, where he served as vice president of Solvay Paperboard. Mr. Stigers has worked in the paper industry since 1987 in various operational leadership roles with Champion International, Simpson Paper Company, Donohue Inc., and Abitibi-Consolidated Inc.

Vicki L. Lostetter has served as WestRock's chief human resources officer since February 2018. She previously served as General Manager, Talent and Organization Capability and General Manager, Global Talent Management with Microsoft Incorporated. Prior to joining Microsoft, Ms. Lostetter served in various leadership roles within the human resources function with Coca-Cola Enterprises, Inc., The Coca-Cola Company and Honeywell, Inc.

Julia A. McConnell has served as WestRock's senior vice president and chief accounting officer since June 2020. Prior to joining the Company, Ms. McConnell worked for Carter's, Inc., where she served as vice president, international & supply chain finance from 2018 to May 2020 and as vice president, finance and corporate controller from 2010 to 2019. Prior to joining Carter's, Ms. McConnell served in various roles, including as assistant controller, for PepsiCo, Inc. from 2004 to 2010.

Robert B. McIntosh has served as WestRock's executive vice president, general counsel and secretary since July 1, 2015. He served as RockTenn's executive vice president, general counsel and secretary from January 2009 through June 30, 2015 and as RockTenn's senior vice president, general counsel and secretary from August 2000 until January 2009. Mr. McIntosh joined RockTenn in 1995 as vice president and general counsel.

All of our executive officers are elected annually by, and serve at the discretion of, the board of directors.

See Part I, Item 1 "Available Information" of this Form 10-K for information about our Code of Ethical Conduct for our Chief Executive Officer and Senior Financial Officers, including that any amendments to, or waiver from, any provision of such code required to be disclosed will be posted on our website. The remainder of the information required by this item will be contained in our definitive proxy statement issued in connection with our 2022 annual meeting of stockholders and is incorporated herein by reference.

#### **Item 11. EXECUTIVE COMPENSATION**

The information required by this item will be contained in our definitive proxy statement issued in connection with our 2022 annual meeting of stockholders and is incorporated herein by reference.

#### **Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The information required by this item will be contained in our definitive proxy statement issued in connection with our 2022 annual meeting of stockholders and is incorporated herein by reference.

#### **Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information required by this item will be contained in our definitive proxy statement issued in connection with our 2022 annual meeting of stockholders and is incorporated herein by reference.

#### **Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

The information required by this item will be contained in our definitive proxy statement issued in connection with our 2022 annual meeting of stockholders and is incorporated herein by reference.

## PART IV

### Item 15. **EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

#### (a) 1. **Financial Statements.**

The following consolidated financial statements of our company and our consolidated subsidiaries and the Report of the Independent Registered Public Accounting Firm are included in Part II, Item 8 of this report:

|                                                                                                                 | <b>Page<br/>Reference</b> |
|-----------------------------------------------------------------------------------------------------------------|---------------------------|
| <u>Consolidated Statements of Operations for the years ended September 2021, 2020 and 2019</u>                  | 60                        |
| <u>Consolidated Statements of Comprehensive Income (Loss) for the years ended September 2021, 2020 and 2019</u> | 61                        |
| <u>Consolidated Balance Sheets as of September 30, 2021 and 2020</u>                                            | 62                        |
| <u>Consolidated Statements of Equity for the years ended September 30, 2021, 2020 and 2019</u>                  | 63                        |
| <u>Consolidated Statements of Cash Flows for the years ended September 30, 2021, 2020 and 2019</u>              | 64                        |
| <u>Notes to Consolidated Financial Statements</u>                                                               | 65                        |
| <u>Report of Independent Registered Public Accounting Firm</u>                                                  | 124                       |
| <u>Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting</u>     | 127                       |
| <u>Management's Annual Report on Internal Control Over Financial Reporting</u>                                  | 129                       |

#### 2. **Financial Statement Schedule of WestRock Company.**

All schedules are omitted because they are not applicable or not required because this information is provided in the financial statements.

#### 3. **Exhibits.**

See separate Exhibit Index attached hereto and incorporated herein.

**(b) See Item 15(a)(3) and separate Exhibit Index attached hereto and incorporated herein.**

**(c) Not applicable.**

### Item 16. **FORM 10-K SUMMARY**

None.

## INDEX TO EXHIBITS

| Exhibit Number | Description of Exhibits                                                                                                                                                                                                                                                                                                                                                                                                   |
|----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2.1            | <u>Agreement and Plan of Merger, dated January 28, 2018, among KapStone Paper and Packaging Corporation, WestRock Company, Whiskey Holdco, Inc., Whiskey Merger Sub, Inc. and Kola Merger Sub, Inc. (incorporated by reference to Exhibit 2.1 of WestRock's Current Report on Form 8-K filed on January 29, 2018).</u>                                                                                                    |
| 3.1            | <u>Amended and Restated Certificate of Incorporation of WestRock Company, effective as of November 2, 2018 (incorporated by reference to Exhibit 3.1 of WestRock's Current Report on Form 8-K filed on November 5, 2018).</u>                                                                                                                                                                                             |
| 3.2            | <u>Certificate of Correction to the Amended and Restated Certificate of Incorporation of WestRock Company dated November 13, 2018 (incorporated by reference to Exhibit 3.2 of WestRock's Annual Report on Form 10-K for the year ended September 30, 2018).</u>                                                                                                                                                          |
| 3.3            | <u>Amended and Restated Bylaws of WestRock Company, effective as of November 2, 2018 (incorporated by reference to Exhibit 3.2 of WestRock's Current Report on Form 8-K filed on November 5, 2018).</u>                                                                                                                                                                                                                   |
| 4.1(a)         | <u>First Supplemental Indenture, dated as of March 1, 1987, to the Indenture dated as of July 15, 1982, between The Mead Corporation and Deutsche Bank Trust Company Americas (formerly Bankers Trust Company), as Trustee (incorporated by reference to Exhibit 4.viv of MWV's Annual Report on Form 10-K for the Transition Period ended December 31, 2001).</u>                                                        |
| 4.1(b)         | <u>Second Supplemental Indenture, dated as of October 15, 1989, to the Indenture dated as of July 15, 1982, between The Mead Corporation and Deutsche Bank Trust Company Americas (formerly Bankers Trust Company), as Trustee (incorporated by reference to Exhibit 4.viv of MWV's Annual Report on Form 10-K for the Transition Period ended December 31, 2001).</u>                                                    |
| 4.1(c)         | <u>Third Supplemental Indenture, dated as of November 15, 1991, to the Indenture dated as of July 15, 1982, between The Mead Corporation and Deutsche Bank Trust Company Americas (formerly Bankers Trust Company), as Trustee (incorporated by reference to Exhibit 4.viv of MWV's Annual Report on Form 10-K for the Transition Period ended December 31, 2001).</u>                                                    |
| 4.1(d)         | <u>Fourth Supplemental Indenture, dated as of January 31, 2002, to the Indenture dated as of July 15, 1982, between The Mead Corporation, WestRock MWV, LLC (formerly MeadWestvaco Corporation), Westvaco Corporation and Deutsche Bank Trust Company Americas (formerly Bankers Trust Company), as Trustee (incorporated by reference to Exhibit 4.2 of MWV's Current Report on Form 8-K filed on February 1, 2002).</u> |
| 4.1(e)         | <u>Fifth Supplemental Indenture, dated as of December 31, 2002, to the Indenture dated as of July 15, 1982, between MW Custom Papers, Inc. and Deutsche Bank Trust Company Americas, as Trustee (incorporated by reference to Exhibit 4.2 of MWV's Current Report on Form 8-K filed on January 7, 2003).</u>                                                                                                              |
| 4.1(f)         | <u>Sixth Supplemental Indenture, dated as of December 31, 2002, to the Indenture dated as of July 15, 1982, between WestRock MWV, LLC (formerly MeadWestvaco Corporation) and Deutsche Bank Trust Company Americas, as Trustee (incorporated by reference to Exhibit 4.3 of MWV's Current Report on Form 8-K filed on January 7, 2003).</u>                                                                               |
| 4.1(g)         | <u>Seventh Supplemental Indenture, dated as of July 1, 2015, to the Indenture dated as of July 15, 1982, between WestRock MWV, LLC (formerly MeadWestvaco Corporation) and Deutsche Bank Trust Company Americas, as Trustee (incorporated by reference to Exhibit 4.3 of WestRock's Current Report on Form 8-K filed on July 2, 2015).</u>                                                                                |
| 4.1(h)         | <u>Eighth Supplemental Indenture, dated as of November 2, 2018, to the Indenture dated as of July 15, 1982, between MWV and Deutsche Bank Trust Company Americas, as Trustee (incorporated by reference to Exhibit 4.3 of WestRock's Current Report on Form 8-K filed on November 5, 2018).</u>                                                                                                                           |
| P 4.2(a)       | Form of Indenture, dated as of March 1, 1983, between Westvaco Corporation and The Bank of New                                                                                                                                                                                                                                                                                                                            |

York (formerly Irving Trust Company), as Trustee (incorporated by reference to Exhibit 2 of Westvaco Corporation's Registration Statement on Form 8-A filed on January 24, 1984).

- 4.2(b) First Supplemental Indenture, dated as of January 31, 2002, to the Indenture dated as of March 1, 1983, by and among Westvaco Corporation, WestRock MWV, LLC (formerly MeadWestvaco Corporation), The Mead Corporation and The Bank of New York, as Trustee (incorporated by reference to Exhibit 4.1 of MWV's Current Report on Form 8-K filed on February 1, 2002).
- 4.2(c) Second Supplemental Indenture, dated as of December 31, 2002, to the Indenture dated as of March 1, 1983, between WestRock MWV, LLC (formerly MeadWestvaco Corporation) and The Bank of New York, as Trustee (incorporated by reference to Exhibit 4.1 of MWV's Current Report on Form 8-K filed on January 7, 2003).
- 4.2(d) Third Supplemental Indenture, dated as of July 1, 2015, to the Indenture dated as of March 1, 1983, between WestRock MWV, LLC (formerly MeadWestvaco Corporation) and The Bank of New York Mellon, as Trustee (incorporated by reference to Exhibit 4.4 of WestRock's Current Report on Form 8-K filed on July 2, 2015).
- 4.2(e) Fourth Supplemental Indenture, dated as of November 2, 2018, to the Indenture dated as of March 1, 1983, between MWV and The Bank of New York Mellon, as Trustee (incorporated by reference to Exhibit 4.4 of WestRock's Current Report on Form 8-K filed on November 5, 2018).
- 4.3(a) Indenture, dated as of February 1, 1993, between The Mead Corporation and The First National Bank of Chicago, as Trustee (incorporated by reference to Exhibit 4.vv of MWV's Annual Report on Form 10-K for the Transition Period ended December 31, 2001).
- 4.3(b) First Supplemental Indenture, dated as of January 31, 2002, to the Indenture dated as of February 1, 1993, between The Mead Corporation, WestRock MWV, LLC (formerly MeadWestvaco Corporation), Westvaco Corporation and Bank One Trust Company, NA, as Trustee (incorporated by reference to Exhibit 4.3 of MWV's Current Report on Form 8-K filed on February 1, 2002).
- 4.3(c) Second Supplemental Indenture, dated as of December 31, 2002, to the Indenture dated as of February 1, 1993, between MW Custom Papers, Inc. and Bank One Trust Company, NA, as Trustee (incorporated by reference to Exhibit 4.4 of MWV's Current Report on Form 8-K filed on January 7, 2003).
- 4.3(d) Third Supplemental Indenture, dated as of December 31, 2002, to the Indenture dated as of February 1, 1993, between WestRock MWV, LLC (formerly MeadWestvaco Corporation) and Bank One Trust Company, NA, as Trustee (incorporated by reference to Exhibit 4.5 of MWV's Current Report on Form 8-K filed on January 7, 2003).
- 4.3(e) Fourth Supplemental Indenture, dated as of July 1, 2015, to the Indenture dated as of February 1, 1993, between WestRock MWV, LLC (formerly MeadWestvaco Corporation) and The Bank of New York Mellon, as Trustee (incorporated by reference to Exhibit 4.5 of WestRock's Current Report on Form 8-K filed on July 2, 2015).
- 4.3(f) Fifth Supplemental Indenture, dated as of November 2, 2018, to the Indenture dated as of February 1, 1993, between MWV and The Bank of New York Mellon, as Trustee (incorporated by reference to Exhibit 4.5 of WestRock's Current Report on Form 8-K filed on November 5, 2018).
- 4.4(a) Indenture, dated as of April 2, 2002, by and among WestRock MWV, LLC (formerly MeadWestvaco Corporation), Westvaco Corporation, The Mead Corporation and The Bank of New York, as Trustee (incorporated by reference to Exhibit 4(a) of MWV's Current Report on Form 8-K filed on April 2, 2002).
- 4.4(b) First Supplemental Indenture, dated as of July 1, 2015, to the Indenture dated as of April 2, 2002, between WestRock MWV, LLC (formerly MeadWestvaco Corporation) and The Bank of New York Mellon, as Trustee (incorporated by reference to Exhibit 4.6 of WestRock's Current Report on Form 8-K filed on July 2, 2015).
- 4.4(c) Second Supplemental Indenture, dated as of November 2, 2018, to the Indenture dated as of April 2, 2002, between MWV and The Bank of New York Mellon, as Trustee (incorporated by reference to Exhibit 4.6 of WestRock's Current Report on Form 8-K filed on November 5, 2018).

- 4.5(a) Indenture, dated as of February 22, 2012, by and among Rock-Tenn Company, the Guarantors (as defined therein) and HSBC Bank USA, National Association, as Trustee (incorporated by reference to Exhibit 4.18 of RockTenn's Registration Statement on Form S-4 filed on February 8, 2013, File No. 333-186552).
- 4.5(b) First Supplemental Indenture, dated as of November 7, 2013, to the Indenture dated as of February 22, 2012, by and among Rock-Tenn Company, the Guarantors (as defined therein) and HSBC Bank USA, National Association, as Trustee (incorporated by reference to Exhibit 4.6(c) of WestRock's Annual Report on Form 10-K for the year ended September 30, 2015).
- 4.5(c) Second Supplemental Indenture, dated as of February 21, 2014, to the Indenture dated as of February 22, 2012, by and among Rock-Tenn Company, the Guarantors (as defined therein) and HSBC Bank USA, National Association, as Trustee (incorporated by reference to Exhibit 4.6(d) of WestRock's Annual Report on Form 10-K for the year ended September 30, 2015).
- 4.5(d) Third Supplemental Indenture, dated as of July 1, 2015, to the Indenture dated as of February 22, 2012, by and among Rock-Tenn Company, the Guarantors (as defined therein) and HSBC Bank USA, National Association, as Trustee (incorporated by reference to Exhibit 4.1 of WestRock's Current Report on Form 8-K filed on July 2, 2015).
- 4.5(e) Fourth Supplemental Indenture, dated as of November 2, 2018, to the Indenture dated as of February 22, 2012, by and among RKT, the guarantors party thereto and HSBC Bank USA, National Association, as Trustee (incorporated by reference to Exhibit 4.1 of WestRock's Current Report on Form 8-K filed on November 5, 2018).
- 4.6(a) Indenture, dated as of September 11, 2012, by and among Rock-Tenn Company, the Guarantors (as defined therein) and The Bank of New York Mellon Trust Company, N.A., as Trustee (incorporated by reference to Exhibit 4.1 of RockTenn's Current Report on Form 8-K filed on October 2, 2012).
- 4.6(b) First Supplemental Indenture, dated as of November 7, 2013, to the Indenture dated as of September 11, 2012, by and among Rock-Tenn Company, the Guarantors (as defined therein) and The Bank of New York Mellon Trust Company, N.A., as Trustee (incorporated by reference to Exhibit 4.7(c) of WestRock's Annual Report on Form 10-K for the year ended September 30, 2015).
- 4.6(c) Second Supplemental Indenture, dated as of February 21, 2014, to the Indenture dated as of September 11, 2012, by and among Rock-Tenn Company, the Guarantors (as defined therein) and The Bank of New York Mellon Trust Company, N.A., as Trustee (incorporated by reference to Exhibit 4.7(d) of WestRock's Annual Report on Form 10-K for the year ended September 30, 2015).
- 4.6(d) Third Supplemental Indenture, dated as of July 1, 2015, to the Indenture dated as of September 11, 2012, by and among Rock-Tenn Company, the Guarantors (as defined therein) and The Bank of New York Mellon Trust Company, N.A., as Trustee (incorporated by reference to Exhibit 4.2 of WestRock's Current Report on Form 8-K filed on July 2, 2015).
- 4.6(e) Fourth Supplemental Indenture, dated as of November 2, 2018, to the Indenture dated as of September 11, 2012, by and among RKT, the guarantors party thereto and The Bank of New York Mellon Trust Company, N.A., as Trustee (incorporated by reference to Exhibit 4.2 of WestRock's Current Report on Form 8-K filed on November 5, 2018).
- 4.7(a) Indenture, dated August 24, 2017, by and among WestRock Company, WestRock MWV LLC, WestRock RKT Company and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 of WestRock's Current Report on Form 8-K filed on August 24, 2017).
- 4.7(b) First Supplemental Indenture, dated August 24, 2017, to the Indenture dated as of August 24, 2017, by and among WestRock Company, WestRock MWV LLC, WestRock RKT Company and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.2 of WestRock's Current Report on Form 8-K filed on August 24, 2017).
- 4.7(c) Second Supplemental Indenture, dated as of March 6, 2018, to the Indenture dated as of August 24, 2017, by and among WestRock Company, WestRock MWV LLC, WestRock RKT Company and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 of WestRock's Current Report on Form 8-K filed on March 6, 2018).

- 4.7(d) Third Supplemental Indenture, dated as of November 2, 2018, to the Indenture dated as of August 24, 2017, among WRKCo, RKT, MWV and The Bank of New York Mellon, as Trustee (incorporated by reference to Exhibit 4.7 of WestRock's Current Report on Form 8-K filed on November 5, 2018).
- 4.8(a) Indenture, dated as of December 3, 2018, by and among WRKCo Inc., WestRock Company, WestRock MWV, LLC, WestRock RKT, LLC and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 of WestRock's Current Report on Form 8-K filed on December 3, 2018).
- 4.8(b) First Supplemental Indenture, dated as of December 3, 2018, to the Indenture dated as of December 3, 2018, by and among WRKCo Inc., WestRock Company, WestRock MWV, LLC, WestRock RKT, LLC and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.2 of WestRock's Current Report on Form 8-K filed on December 3, 2018).
- 4.8(c) Second Supplemental Indenture, dated as of May 20, 2019, by and among WRKCo Inc., WestRock Company, WestRock MWV, LLC, WestRock RKT, LLC and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.2 of WestRock Company's Current Report on Form 8-K filed on May 20, 2019). Second Supplemental Indenture, dated as of May 20, 2019, to the Indenture dated as of December 3, 2018, by and among WRKCo Inc., WestRock Company, WestRock MWV, LLC, WestRock RKT, LLC and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.2 of WestRock's Current Report on Form 8-K filed on May 20, 2019).
- 4.8(d) Third Supplemental Indenture, dated as of June 3, 2020, to the Indenture dated as of December 3, 2018, by and among WRKCo Inc., WestRock Company, WestRock MWV, LLC, WestRock RKT, LLC and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.2 of the WestRock's Current Report on Form 8-K filed on June 3, 2020).
- 4.9 Description of the Registrant's Common Stock Registered Pursuant to Section 12 of the Securities Exchange Act of 1934 (incorporated by reference to Exhibit 4.9 of WestRock's Annual Report on Form 10-K for the year ended September 30, 2019).
- \*10.1(a) The Mead Corporation 1996 Stock Option Plan, as amended through June 24, 1999 (incorporated by reference to Exhibit 10.3 of The Mead Corporation's Quarterly Report on Form 10-Q for the quarter ended July 4, 1999).
- \*10.1(b) The Mead Corporation 1996 Stock Option Plan, as amended February 22, 2001 (incorporated by reference to Appendix 2 of The Mead Corporation's Definitive Proxy Statement for the 2001 Annual Meeting of Shareholders filed with the SEC on March 9, 2001).
- \*10.1(c) Amendment to The Mead Corporation 1996 Stock Option Plan, effective April 23, 2002 (incorporated by reference to Exhibit 10.3 of MWV's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002).
- \*10.1(d) Amendment to The Mead Corporation 1996 Stock Option Plan, effective January 23, 2007 (incorporated by reference to Exhibit 10.4 of MWV's Annual Report on Form 10-K for the year ended December 31, 2007).
- \*10.2(a) WestRock Company Second Amended and Restated Annual Executive Bonus Plan (incorporated by reference to pages A-1 to A-3 of WestRock's Definitive Proxy Statement for the 2018 Annual Meeting of Shareholders filed with the SEC on December 19, 2017).
- \*10.2(b) WestRock Company Third Amended and Restated Annual Executive Bonus Plan, dated January 31, 2019 (incorporated by reference to Exhibit 10.1 of WestRock's Quarterly Report on Form 10-Q for the quarter ended March 31, 2019).
- \*10.3 Rock-Tenn Company Supplemental Retirement Savings Plan, effective as of May 15, 2003 (incorporated by reference to Exhibit 4.1 of RockTenn's Registration Statement on Form S-8 filed on April 30, 2003, File No. 333-104870).
- \*10.4(a) Rock-Tenn Company 2004 Incentive Stock Plan (incorporated by reference to Exhibit 10.1 of RockTenn's Current Report on Form 8-K filed on February 3, 2005).
- \*10.4(b) Amendment Number 1 to Rock-Tenn Company 2004 Incentive Stock Plan (incorporated by

- reference to Exhibit 10.1 of RockTenn's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007).
- \*10.4(c) Amendment Number 2 to Rock-Tenn Company 2004 Incentive Stock Plan (incorporated by reference to Exhibit 10.5 of RockTenn's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008).
  - \*10.4(d) Amendment Number 3 to Rock-Tenn Company 2004 Incentive Stock Plan (incorporated by reference to Exhibit 10.2 of RockTenn's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009).
  - \*10.4(e) Amendment Number 4 to Rock-Tenn Company 2004 Incentive Stock Plan (incorporated by reference to Exhibit 10.1 of RockTenn's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011).
  - \*10.4(f) Amendment Number 5 to Rock-Tenn Company 2004 Incentive Stock Plan (incorporated by reference to Exhibit 10.2 of RockTenn's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011).
  - \*10.5 MeadWestvaco Corporation 2005 Performance Incentive Plan effective April 22, 2005 and as amended February 26, 2007, January 1, 2009, February 28, 2011 and February 25, 2013 (incorporated by reference to Exhibit 10.1 of MWV's Current Report on Form 8-K filed on April 25, 2013).
  - \*10.6(a) Amended and Restated Rock-Tenn Company Supplemental Retirement Savings Plan, effective as of January 1, 2006 (incorporated by reference to Exhibit 10.4 of RockTenn's Quarterly Report on Form 10-Q for the quarter ended December 31, 2005).
  - \*10.6(b) Second Amendment to the Rock-Tenn Company Supplemental Retirement Savings Plan, effective as of November 16, 2007 (incorporated by reference to Exhibit 10.2 of RockTenn's Quarterly Report on Form 10-Q for the quarter ended December 31, 2007).
  - \*10.6(c) First Amendment to the Rock-Tenn Company Supplemental Retirement Savings Plan, effective as of October 1, 2011 (incorporated by reference to Exhibit 10.1 of RockTenn's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012).
  - \*10.7(a) MeadWestvaco Corporation Deferred Income Plan Restatement, effective January 1, 2007 (incorporated by reference to Exhibit 10.25 of MWV's Annual Report on Form 10-K for the year ended December 31, 2008).
  - \*10.7(b) First Amendment to the MeadWestvaco Corporation Deferred Income Plan (2007 Restatement) effective September 1, 2013 (incorporated by reference to Exhibit 10.7(b) of WestRock's Annual Report on Form 10-K for the year ended September 30, 2015).
  - \*10.7(c) Second Amendment to the MeadWestvaco Corporation Deferred Income Plan (2007 Restatement) effective January 1, 2015 (incorporated by reference to Exhibit 10.7(c) of WestRock's Annual Report on Form 10-K for the year ended September 30, 2015).
  - \*10.7(d) Third Amendment to the MeadWestvaco Corporation Deferred Income Plan (2007 Restatement) effective July 1, 2015 (incorporated by reference to Exhibit 10.7(d) of WestRock's Annual Report on Form 10-K for the year ended September 30, 2015).
  - \*10.8 MeadWestvaco Corporation Executive Retirement Plan, as amended and restated effective January 1, 2009 except as otherwise provided (incorporated by reference to Exhibit 10.24 of MWV's Annual Report on Form 10-K for the year ended December 31, 2008).
  - \*10.9 MeadWestvaco Corporation Retirement Restoration Plan, effective January 1, 2009, except as otherwise provided (incorporated by reference to Exhibit 10.26 of MWV's Annual Report on Form 10-K for the year ended December 31, 2008).
  - \*10.10 Stock Option Awards in 2009 - Terms and Conditions (incorporated by reference to Exhibit 10.3 of MWV's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009).
  - \*10.11 Service Based Restricted Stock Unit Awards in 2009 - Terms and Conditions (incorporated by reference to Exhibit 10.4 of MWV's Quarterly Report on Form 10-Q for the quarter ended March 31,

2009).

- \*10.12 Rock-Tenn Company Supplemental Executive Retirement Plan Amended and Restated effective as of October 27, 2011(incorporated by reference to Exhibit 10.2 of RockTenn's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012).
- \*10.13 Amended and Restated Rock-Tenn Company 2004 Incentive Stock Plan effective as of January 27, 2012 (incorporated by reference to Exhibit 10.1 of the RockTenn's Quarterly Report on Form 10-Q for the quarter ended June 30, 2012).
- \*10.14 Stock Option Awards (for 2012) (incorporated by reference to Exhibit 10.43 of MWV's Quarterly Report on Form 10-Q for the quarter ended June 30, 2012).
- \*10.15 Summary of MeadWestvaco Corporation 2013 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.46 of MWV's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013).
- \*10.16 Summary of MeadWestvaco Corporation 2015 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.51 of MWV's quarterly report on Form 10-Q for the period ended March 31, 2015).
- \*10.17 Summary of MeadWestvaco Corporation 2015 Annual Incentive Plan (incorporated by reference to Exhibit 10.50 to MWV's quarterly report on Form 10-Q for the period ended March 31, 2015).
- \*10.18 WestRock Company 2016 Deferred Compensation Plan for Non-Employee Directors (incorporated by reference to Exhibit 10.30 of WestRock's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016).
- \*10.19 Employee Stock Purchase Plan, dated February 2, 2016 (incorporated by reference to Exhibit 10.1 of WestRock's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016).
- \*10.20(a) WestRock Company 2016 Incentive Stock Plan (incorporated by reference to Exhibit 10.2 of WestRock's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016).
- \*10.20(b) WestRock Company Amended and Restated 2016 Incentive Stock Plan (incorporated by reference to pages B-1 to B-14 of WestRock's Definitive Proxy Statement for the 2018 Annual Meeting of Shareholders filed with the SEC on December 19, 2017).
- 10.21 Master Purchase and Sale Agreement, dated October 28, 2013, by and among MeadWestvaco Corporation, MWV Community Development and Land Management, LLC and MWV Community Development, Inc., as sellers, and Plum Creek Timberlands, L.P., Plum Creek Marketing, Inc., Plum Creek Land Company and Highland Mineral Resources, LLC, as purchasers, and Plum Creek Timber Company, Inc. (incorporated by reference to Exhibit 2.1 of MWV's Current Report on Form 8-K filed on October 29, 2013).
- \*10.22 Summary of MeadWestvaco Corporation 2014 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.51 of MWV's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014).
- \*10.23 Amendments to Grants under the MeadWestvaco Corporation 2005 Performance Incentive Plan Amended and Restated Effective February 25, 2013 (2005 Performance Incentive Plan), effective January 27, 2014 (incorporated by reference to Exhibit 10.47 of MWV's Annual Report on Form 10-K for the year ended December 31, 2013).
- 10.24(a) Sixth Amended and Restated Receivables Sale Agreement, dated July 22, 2016, among WestRock Company of Texas, WestRock Converting Company, WestRock Mill Company, LLC, WestRock - Southern Container, LLC, WestRock California, Inc., WestRock Minnesota Corporation, WestRock CP, LLC, WestRock - Solvay, LLC, WestRock - REX, LLC, WestRock - Graphics, Inc., WestRock Commercial, LLC, WestRock Packaging, Inc., WestRock Slatersville LLC, WestRock Consumer Packaging Group, LLC, WestRock Dispensing Systems, Inc., and WestRock Packaging Systems, LLC (incorporated by reference to Exhibit 10.20 of WestRock's Annual Report on Form 10-K for the year ended September 30, 2016).
- 10.24(b) Amendment No. 1, dated as of May 2, 2019, to the Sixth Amended and Restated Receivables Sale Agreement, among WestRock Company of Texas, WestRock Converting Company, WestRock Mill Company, LLC, WestRock - Southern Container, LLC, WestRock California, Inc., WestRock Minnesota Corporation, WestRock CP, LLC, WestRock - Solvay, LLC, WestRock - REX, LLC, WestRock - Graphics, Inc., WestRock Commercial, LLC, WestRock Packaging, Inc., WestRock



Slattersville LLC, WestRock Consumer Packaging Group, LLC, WestRock Dispensing Systems, Inc., and WestRock Packaging Systems, LLC (incorporated by reference to Exhibit 10.2 of WestRock's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019).

- 10.25(a) Amendment No. 1, dated as of May 2, 2019, to the Eighth Amended and Restated Credit and Security Agreement among WestRock Financial Inc., WestRock Converting Company, the lenders and co-agents from time to time party thereto and Coöperatieve Rabobank, U.A. (incorporated by reference to Exhibit 10.3 of WestRock's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019).
- 10.25(b) Amendment No. 2, dated as of March 27, 2020, to the Eighth Amended and Restated Credit and Security Agreement among WestRock Financial Inc., WestRock Converting Company, the lenders and co-agents from time to time party thereto and Coöperatieve Rabobank, U.A. (incorporated by reference to Exhibit 10.1 of WestRock's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020).
- 10.25(c) Amendment No. 3, dated as of March 12, 2021, to the Eighth Amended and Restated Credit and Security Agreement among WestRock Financial Inc., WestRock Converting Company, the lenders and co-agents from time to time party thereto and Coöperatieve Rabobank, U.A. (incorporated by reference to Exhibit 10.2 of WestRock's Quarterly Report on Form 10-Q for the quarter ended March 31, 2021).
- 10.26(a) Credit Agreement, dated as of July 1, 2015, among the Company, Rock-Tenn Company of Canada Holdings Corp./Compagnie de Holdings RockTenn du Canada Corp., certain subsidiaries of the Company from time to time party thereto as subsidiary borrowers, certain subsidiaries of the Company from time to time party thereto as guarantors, the lenders party thereto and Wells Fargo Bank, National Association, as administrative agent and multicurrency agent (incorporated by reference to Exhibit 10.1 of WestRock's Current Report on Form 8-K filed on July 2, 2015).
- 10.26(b) Amendment No. 1, dated July 1, 2015, among WestRock Company, WestRock Company of Canada Holdings Corp./Compagnie de Holdings WestRock du Canada Corp., the other Credit Parties, the Lenders thereto and Wells Fargo Bank, National Association, as administrative agent and multicurrency agent for the Lenders to the Credit Agreement, dated July 1, 2015 (incorporated by reference to Exhibit 10.27.1 of WestRock's Current Report on Form 8-K filed on July 7, 2016).
- 10.26(c) Amendment No. 2, dated June 30, 2017, to the Credit Agreement, dated July 1, 2015, among WestRock Company, WestRock Company of Canada Holdings Corp./Compagnie de Holdings WestRock du Canada Corp., the other Credit Parties, the Lenders thereto and Wells Fargo Bank, National Association, as administrative agent and multicurrency agent for the Lenders (incorporated by reference to Exhibit 10.2 of WestRock's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017).
- 10.26(d) Amendment No. 3, dated as of March 7, 2018, to the Credit Agreement, dated as of July 1, 2015, among WestRock Company, WestRock Company of Canada Holdings Corp./Compagnie de Holdings WestRock du Canada Corp., WestRock RKT Company, WestRock MWV, LLC, Wells Fargo Bank, National Association, and the lenders party thereto (incorporated by reference to Exhibit 10.2 of WestRock's Current Report on Form 8-K filed on March 9, 2018).
- 10.26(e) Joinder, dated as of November 2, 2018, to the Credit Agreement, dated as of July 1, 2015, among the Company, WRKCo, WestRock Company of Canada Holdings Corp./Compagnie de Holdings WestRock du Canada Corp. and Wells Fargo Bank, National Association, as administrative agent and multicurrency agent (incorporated by reference to Exhibit 10.3 of WestRock's Current Report on Form 8-K filed on November 5, 2018).
- 10.26(f) Amendment No. 4, dated as of November 21, 2019, to the Credit Agreement, dated as of July 1, 2015, among WRKCo Inc., WestRock Company of Canada Corp./Compagnie WestRock du Canada Corp., WRK Luxembourg S.à r.l., the other credit parties, the lenders party thereto and Wells Fargo Bank, National Association as administrative agent and multicurrency agent (incorporated by reference to Exhibit 10.1 of WestRock's Current Report on Form 8-K filed on November 25, 2019).
- 10.27 Credit Agreement, dated as of September 27, 2019, among WestRock Southeast, LLC, as borrower, the guarantors from time to time thereunder, the lenders party thereto and CoBank, ACB, as administrative agent (incorporated by reference to Exhibit 10.1 of WestRock's Current Report on

Form 8-K filed on September 27, 2019).

- 10.28 Fifth Amended and Restated Performance Undertaking, dated as of September 1, 2015, executed by Westrock RKT Company, as successor-in-interest to Rock-Tenn Company, and Westrock Company (incorporated by reference to Exhibit 10.29 of WestRock's Annual Report on Form 10-K for the year ended September 30, 2015).
- 10.29 Uncommitted Line of Credit, dated March 4, 2016, between Coöperatieve Rabobank U.A., New York Branch and WestRock Company (incorporated by reference to Exhibit 10.4 of WestRock's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016).
- @10.30 Commitment Agreement, dated September 8, 2016, among WestRock Company, Prudential Insurance Company of America and State Street Bank and Trust Company (incorporated by reference to Exhibit 10.44 of WestRock's Annual Report on Form 10-K for the year ended September 30, 2016).
- 10.31(a) Credit Agreement, dated as of March 7, 2018, among Whiskey Holdco, Inc., as borrower, WestRock Company and its subsidiaries from time to time party thereto, as guarantors, the lenders from time to time party thereto and Wells Fargo Bank, National Association, as administrative agent (incorporated by reference to Exhibit 10.1 of WestRock's Current Report on Form 8-K filed on March 9, 2018).
- 10.31(b) Amendment No. 1, dated as of February 26, 2019, to the Credit Agreement, dated as of March 7, 2018, among WRKCo Inc., the other credit parties from time to time party thereto, Wells Fargo Bank, National Association and the lenders referred to therein (incorporated by reference to Exhibit 10.4 of WestRock's Quarterly Report on Form 10-Q for the quarter ended March 31, 2019).
- 10.31(c) Amendment No. 2, dated as of November 21, 2019, to the Credit Agreement, dated as of March 7, 2018, among WRKCo Inc., the other credit parties, the lenders party thereto and Wells Fargo Bank, National Association as administrative agent (incorporated by reference to Exhibit 10.2 of WestRock's Current Report on Form 8-K filed on November 25, 2019).
- 10.32(a) Credit Agreement, dated as of April 27, 2018, among WestRock Company, as parent, WRK Luxembourg S.à r.l., WRK International Holdings S.à r.l., Multi Packaging Solutions Limited and WestRock Packaging Systems Germany GmbH, as borrowers, the lenders party thereto and Coöperatieve Rabobank U.A., New York Branch, as administrative agent (incorporated by reference to Exhibit 10.1 of WestRock's Current Report on Form 8-K filed on April 30, 2018).
- 10.32(b) Joinder, dated as of November 2, 2018, to the Credit Agreement dated as of April 27, 2018, by and among the Company, WRKCo and Coöperatieve Rabobank U.A., New York Branch, as administrative agent (incorporated by reference to Exhibit 10.4 of WestRock's Current Report on Form 8-K filed on November 5, 2018).
- 10.32(c) Amendment No. 1, dated as of November 21, 2019, to the Credit Agreement, dated as of April 27, 2018, among WRKCo Inc., WRK Luxembourg S.à r.l., WRK International Holdings S.à r.l., Multi Packaging Solutions Limited, WestRock Packaging Systems Germany GmbH, the other guarantors and lenders thereto and Coöperatieve Rabobank U.A., New York Branch, as administrative agent (incorporated by reference to Exhibit 10.3 of WestRock's Current Report on Form 8-K filed on November 25, 2019).
- 10.32(d) Credit Agreement, dated as of February 26, 2021, by and among WRKCo Inc., as Parent, Westrock Company, WRK Luxembourg S.à r.l., WRK International Holdings S.à r.l., Multi Packaging Solutions Limited, WestRock Packaging Systems Germany GmbH and certain additional subsidiaries of WestRock Company from time to time party hereto, as Borrowers, the lenders party thereto, Coöperatieve Rabobank U.A., New York Branch, as Administrative Agent, Coöperatieve Rabobank U.A., New York Branch, as Joint Lead Arranger and Sole Bookrunner, and Sumitomo Mitsui Banking Corporation, TD Bank, N.A., Bank of America Europe Designated Activity Company, The Bank of Nova Scotia, and ING Bank N.V., Dublin Branch, as Joint Lead Arrangers and Co-Syndication Agents.(incorporated by reference to Exhibit 10.1 of WestRock's Quarterly Report on Form 10-Q for the quarter ending March 31, 2021).
- 10.33 Form of Dealer Agreement among WestRock Company, WRKCo Inc., WestRock RKT, LLC, WestRock MWV, LLC and the Dealer party thereto (incorporated by reference to Exhibit 10.1 of WestRock's Current Report on Form 8-K filed on December 10, 2018).

- \*10.34 Letter Agreement between MeadWestvaco Corporation, Rock-Tenn Company and John A. Luke, Jr., dated June 30, 2015 (incorporated by reference to Exhibit 10.25 of WestRock's Annual Report on Form 10-K for the year ended September 30, 2015).
- \*10.35 Employment Agreement, dated July 31, 2007, between Southern Container Corp. and Jeffrey W. Chalovich (incorporated by reference to Exhibit 99.3 of WestRock's Current Report on Form 8-K filed on December 16, 2016).
- \*10.36 Employment Agreement, dated January 23, 2017, among Multi Packaging Solutions International Limited, WestRock Company and Marc Shore (incorporated by reference to Exhibit 10.1 of Multi Packaging Solutions' Current Report on Form 8-K filed on January 24, 2017).
- \*10.37(a) WestRock Company Executive Severance Plan, dated April 5, 2019 (incorporated by reference to Exhibit 10.1 of WestRock's Current Report on Form 8-K filed on April 9, 2019).
- \*10.37(b) Amendment No. 1 to WestRock Company Executive Severance Plan, dated April 22, 2019.
- \*10.38 Amended and Restated WestRock Company 401(k) Retirement Savings Plan, effective as of July 1, 2020 (incorporated by reference to Exhibit 10.1 of WestRock's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020).
- \*10.39 WestRock Company 2020 Incentive Stock Plan (incorporated by reference to Exhibit 10.44 of WestRock's Annual Report on Form 10-K for the year ended September 30, 2020).
- 21 Subsidiaries of the Registrant.
- 22 List of Guarantor Subsidiaries and Issuers of Guaranteed Securities (incorporated by reference to Exhibit 22 of WestRock's Quarterly Report on Form 10-Q for the quarter ended December 31, 2020).
- 23 Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.
- 31.1 Certification Accompanying Periodic Report Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, executed by David B. Sewell, Chief Executive Officer and President of WestRock Company.
- 31.2 Certification Accompanying Periodic Report Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, executed by Alexander W. Pease, Executive Vice President and Chief Financial Officer of WestRock Company.
- #32.1 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, executed by David B. Sewell, Chief Executive Officer and President of WestRock Company, and by Alexander W. Pease, Executive Vice President and Chief Financial Officer of WestRock Company.
- 101.INS Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
- 101.SCH Inline XBRL Taxonomy Extension Schema.
- 101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase.
- 101.DEF Inline XBRL Taxonomy Extension Definition Label Linkbase.
- 101.LAB Inline XBRL Taxonomy Extension Label Linkbase.
- 101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase.
- 104 Cover Page Interactive Data File – the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document (included in Exhibit 101).

\* Management contract or compensatory plan or arrangement.

@ Confidential treatment has been requested for certain portions omitted from this exhibit pursuant to Rule 24b-2 under the Exchange Act. Confidential portions of this exhibit have been separately filed with the SEC.

P Paper filing.

# In accordance with SEC Release No. 33-8238, Exhibit 32.1 is to be treated as “accompanying” this report rather than “filed” as part of the report.



Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

| <u>Signature</u>                                      | <u>Title</u>                                                                          | <u>Date</u>       |
|-------------------------------------------------------|---------------------------------------------------------------------------------------|-------------------|
| <u>/s/ DAVID B. SEWELL</u><br>David B. Sewell         | Chief Executive Officer and President<br>(Principal Executive Officer), Director      | November 19, 2021 |
| <u>/s/ ALEXANDER W. PEASE</u><br>Alexander W. Pease   | Executive Vice President and Chief Financial Officer<br>(Principal Financial Officer) | November 19, 2021 |
| <u>/s/ JULIA A. MCCONNELL</u><br>Julia A. McConnell   | Senior Vice President and Chief Accounting Officer<br>(Principal Accounting Officer)  | November 19, 2021 |
| <u>/s/ JOHN A. LUKE, JR.</u><br>John A. Luke, Jr.     | Director, Non-Executive Chairman of the Board                                         | November 19, 2021 |
| <u>/s/ COLLEEN F. ARNOLD</u><br>Colleen F. Arnold     | Director                                                                              | November 19, 2021 |
| <u>/s/ TIMOTHY J. BERNLOHR</u><br>Timothy J. Bernlohr | Director                                                                              | November 19, 2021 |
| <u>/s/ J. POWELL BROWN</u><br>J. Powell Brown         | Director                                                                              | November 19, 2021 |
| <u>/s/ TERRELL K. CREWS</u><br>Terrell K. Crews       | Director                                                                              | November 19, 2021 |
| <u>/s/ RUSSELL M. CURREY</u><br>Russell M. Currey     | Director                                                                              | November 19, 2021 |
| <u>/s/ SUZAN F. HARRISON</u><br>Suzan F. Harrison     | Director                                                                              | November 19, 2021 |
| <u>/s/ GRACIA C. MARTORE</u><br>Gracia C. Martore     | Director                                                                              | November 19, 2021 |
| <u>/s/ JAMES E. NEVELS</u><br>James E. Nevels         | Director                                                                              | November 19, 2021 |
| <u>/s/ BETTINA M. WHYTE</u><br>Bettina M. Whyte       | Director                                                                              | November 19, 2021 |
| <u>/s/ ALAN D. WILSON</u><br>Alan D. Wilson           | Director                                                                              | November 19, 2021 |

**CERTIFICATION ACCOMPANYING PERIODIC REPORT  
PURSUANT TO SECTION 302  
OF THE SARBANES-OXLEY ACT OF 2002**

I, David B. Sewell, Chief Executive Officer and President, certify that:

1. I have reviewed this Annual Report on Form 10-K of WestRock Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 19, 2021

/s/ David B. Sewell

David B. Sewell

Chief Executive Officer and President

A signed original of this written statement required by Section 302, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 302, has been provided to WestRock Company and will be retained by WestRock Company and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION ACCOMPANYING PERIODIC REPORT  
PURSUANT TO SECTION 302  
OF THE SARBANES-OXLEY ACT OF 2002**

I, Alexander W. Pease, Executive Vice President and Chief Financial Officer, certify that:

1. I have reviewed this Annual Report on Form 10-K of WestRock Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 19, 2021

/s/ Alexander W. Pease

Alexander W. Pease

Executive Vice President and Chief Financial Officer

A signed original of this written statement required by Section 302, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 302, has been provided to WestRock Company and will be retained by WestRock Company and furnished to the Securities and Exchange Commission or its staff upon request.



## Non-GAAP Measures and Reconciliations

We have included in the 2021 Annual Report financial measures that were not prepared in accordance with generally accepted accounting principles in the United States (“GAAP”). Non-GAAP financial measures should be viewed in addition to, and not as an alternative for, our GAAP results. The non-GAAP financial measures we present may differ from similarly captioned measures presented by other companies.

Below, we define the non-GAAP financial measures we use, discuss the reasons that we believe this information is useful to management and may be useful to investors and provide reconciliations of the non-GAAP financial measures to the most directly comparable financial measures calculated in accordance with GAAP.

### Adjusted Operating Cash Flow and Adjusted Free Cash Flow

WestRock uses the non-GAAP financial measures “Adjusted Operating Cash Flow” and “Adjusted Free Cash Flow”. Management believes these measures provide WestRock’s board of directors, investors, potential investors, securities analysts and others with useful information to evaluate WestRock’s performance relative to other periods because it excludes certain cash restructuring and other costs, net of tax that management believes are not indicative of the ongoing operating results of the business. We believe “Adjusted Free Cash Flow” provides even greater comparability across periods by excluding capital expenditures. Set forth below is a reconciliation of “Adjusted Operating Cash Flow” and “Adjusted Free Cash Flow” to “Net cash provided by operating activities”, the most directly comparable GAAP measure to each of these non-GAAP financial measures for the periods below (in millions):

|                                                                                                                         | Fiscal<br>2021    | Fiscal<br>2020    | Fiscal<br>2019    | Fiscal<br>2018    | Fiscal<br>2017    | Fiscal<br>2016    |
|-------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Net cash provided by operating activities                                                                               | \$ 2,279.9        | \$ 2,070.7        | \$ 2,310.2        | \$ 1,931.2        | \$ 1,463.8        | \$ 1,223.3        |
| Plus: Retrospective accounting policy adoptions                                                                         | —                 | —                 | —                 | 489.7             | 436.7             | 465.1             |
| Plus: Cash Restructuring and other costs, net of income tax benefit of \$9.1, \$19.4, \$29.9, \$14.5, \$36.4 and \$70.4 | 28.2              | 59.8              | 102.7             | 41.3              | 99.5              | 139.3             |
| Adjusted Operating Cash Flow                                                                                            | 2,308.1           | 2,130.5           | 2,412.9           | 2,462.2           | 2,000.0           | 1,827.7           |
| Less: Capital expenditures                                                                                              | (815.5)           | (978.1)           | (1,369.1)         | (999.9)           | (778.6)           | (796.7)           |
| Adjusted Free Cash Flow                                                                                                 | <u>\$ 1,492.6</u> | <u>\$ 1,152.4</u> | <u>\$ 1,043.8</u> | <u>\$ 1,462.3</u> | <u>\$ 1,221.4</u> | <u>\$ 1,031.0</u> |

### **Adjusted Segment EBITDA**

WestRock uses “Adjusted Segment EBITDA”, along with other factors, to evaluate our segment performance against our peers. Management believes this measure provides our board of directors, investors, potential investors, securities analysts and others useful information to evaluate WestRock’s performance relative to our peers. “Adjusted Segment EBITDA” on a consolidated basis is reconciled below to “Net income attributable to common stockholders”.

Set forth below are reconciliations of “Segment EBITDA” and “Adjusted Segment EBITDA” to the most directly comparable GAAP measure “Net income attributable to common stockholders” (in millions):

|                                                           | <u>Fiscal 2021</u> |
|-----------------------------------------------------------|--------------------|
| Net income attributable to common stockholders            | \$ 838.3           |
| <u>Adjustments:</u> <sup>(1)</sup>                        |                    |
| Less: Net income attributable to noncontrolling interests | 4.2                |
| Income tax expense                                        | 243.4              |
| Other income, net                                         | (10.9)             |
| Loss on extinguishment of debt                            | 9.7                |
| Interest expense, net                                     | 372.3              |
| Restructuring and other costs                             | 31.5               |
| Multiemployer pension withdrawal income                   | (2.9)              |
| Gain on sale of certain closed facilities                 | (0.9)              |
| Non-allocated expenses                                    | <u>89.4</u>        |
| Segment income                                            | 1,574.1            |
| Non-allocated expenses                                    | (89.4)             |
| Depreciation and amortization                             | <u>1,460.0</u>     |
| Segment EBITDA                                            | 2,944.7            |
| Adjustments                                               | <u>54.5</u>        |
| Adjusted Segment EBITDA                                   | <u>\$ 2,999.2</u>  |

<sup>(1)</sup> Schedule adds back expense or subtracts income for certain financial statement and segment footnote items to compute segment income, Segment EBITDA and Adjusted Segment EBITDA.

### Adjusted Net Debt

WestRock uses the non-GAAP financial measure “Adjusted Net Debt”. Management believes this measure provides WestRock’s board of directors, investors, potential investors, securities analysts and others with useful information to evaluate WestRock’s repayment of debt relative to other periods because it includes or excludes certain items management believes are not comparable from period to period. We believe “Adjusted Net Debt” provides greater comparability across periods by adjusting for cash and cash equivalents, as well as fair value of debt step-up included in Total Debt that is not subject to debt repayment. WestRock believes that the most directly comparable GAAP measure is “Total Debt” which is derived from the current portion of debt and long-term debt due after one year. Set forth below is a reconciliation of “Adjusted Net Debt” to “Total Debt” for the periods indicated (in millions):

|                                           | <u>Sep. 30,<br/>2021</u> | <u>Sep. 30,<br/>2020</u> |
|-------------------------------------------|--------------------------|--------------------------|
| Current portion of debt                   | \$ 168.8                 | \$ 222.9                 |
| Long-term debt due after one year         | <u>8,025.3</u>           | <u>9,207.7</u>           |
| Total debt                                | \$ 8,194.1               | \$ 9,430.6               |
| Less: Cash and cash equivalents           | (290.9)                  | (251.1)                  |
| Less: Fair value of debt step-up          | <u>(192.4)</u>           | <u>(208.9)</u>           |
| Adjusted Net Debt                         | <u>\$ 7,710.8</u>        | <u>\$ 8,970.6</u>        |
| <br>                                      |                          |                          |
| Total debt reduction - fiscal 2021        | <u>\$ 1,236.5</u>        |                          |
| <br>                                      |                          |                          |
| Adjusted Net Debt reduction - fiscal 2021 | <u>\$ 1,259.8</u>        |                          |

## Forward-looking Guidance

See “Forward-Looking Information” in our annual report on Form 10-K for a discussion of our use of forward-looking statements.

In addition to forward looking statements related to fiscal 2021 that were included in our annual report on Form 10-K, this 2021 Annual Report includes additional forward-looking statements that were not included in our annual report on Form 10-K (e.g., that our broad portfolio of packaging solutions provides us with greater opportunity and flexibility to focus on growing markets where customers value our differentiation; that we are more resilient because of our broad mix of products and customers; that we will continue to realize increasing benefits from our investments at our mills in Florence, South Carolina, and Tres Barras, Brazil in fiscal 2022 and beyond; we are investing in innovative materials science and design capabilities to ensure we remain on the forefront in addressing this sustainable packaging demand; we are well positioned for record performance; we have strong demand and great opportunities to grow our company and improve our results while providing value to our customers and shareholders; as we report our results in the future in four new segments, Corrugated Packaging, Consumer Packaging, Paper and Distribution, it will provide greater clarity into the performance of each area; we are making the investments needed to lead in sustainability and accelerate our innovation platform; we remain disciplined in our capital allocation strategy and will look to use our strong cash flow to create shareholder value; and the future is bright at WestRock).

We are not providing forward-looking guidance related to GAAP financial measures or reconciliations of forward-looking non-GAAP financial measures to the most directly comparable GAAP measure because of the inherent difficulty in predicting the occurrence, the financial impact and the periods in which potential non-GAAP adjustments may be recognized (e.g., acquisition and integration-related expenses, restructuring expenses, asset impairments, litigation settlements, changes to contingent consideration and certain other gains or losses). For the same reason, we are unable to address the probable significance of the unavailable information. These items are uncertain, depend on various factors, and could have a material impact on GAAP reported results for the guidance period.

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## STOCKHOLDER INFORMATION

### COMPANY ADDRESS

1000 Abernathy Road N.E.  
Atlanta, GA 30328  
770-448-2193

### TRANSFER AGENT AND REGISTRAR

**First Class/Registered/Certified Mail:**  
Computershare Investor Services  
P.O. Box 505000  
Louisville, KY 40233-5000

### Courier Services:

Computershare Investor Services  
462 South 4th Street  
Suite 1600  
Louisville, KY 40202

### INVESTOR RELATIONS

Investor Relations Department  
WestRock Company  
1000 Abernathy Road N.E.  
Atlanta, GA 30328  
678-291-7900  
Fax: 678-291-7903

### AUDITORS

Ernst & Young LLP  
55 Ivan Allen Jr. Boulevard  
Suite 1000  
Atlanta, GA 30308

### DIRECT DEPOSIT OF DIVIDENDS

WestRock stockholders may have their quarterly cash dividends automatically deposited to checking, savings or money market accounts through the automatic clearing house system. If you wish to participate in the program, please contact:

Computershare Trust Company, N.A.  
800-568-3476  
[computershare.com](http://computershare.com)

### ANNUAL MEETING

The annual meeting of stockholders will be held online at [virtualshareholdermeeting.com/WRK2022](http://virtualshareholdermeeting.com/WRK2022) at 9 a.m., Eastern Standard Time, Friday, January 28, 2022. Please refer to the proxy statement for information concerning the meeting.

### COMMON STOCK

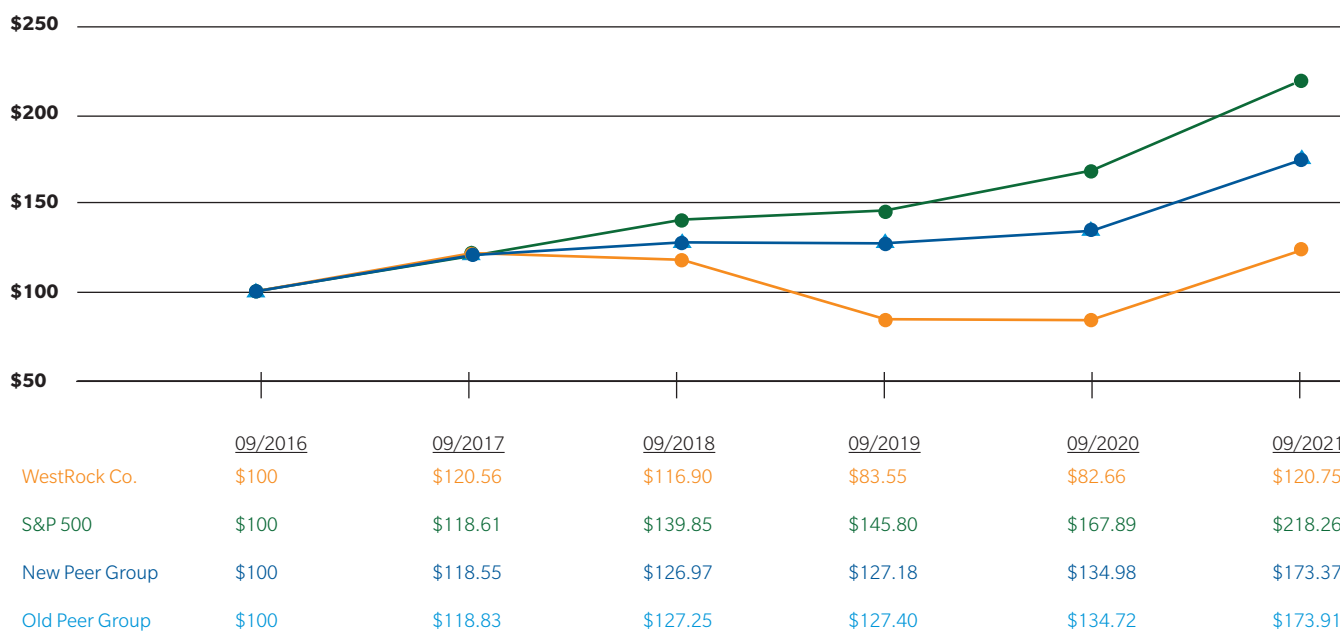
Our Common Stock trades on the New York Stock Exchange under the symbol "WRK."

As of December 3, 2021, there were approximately 6,136 stockholders of record of our Common Stock. The number of stockholders of record includes one single stockholder, Cede & Co., for all of the shares of our Common Stock held by our stockholders in individual brokerage accounts maintained at banks, brokers and institutions.

## STOCK PERFORMANCE

The graph below reflects the cumulative stockholder return on the investment of \$100 on September 30, 2016, in WestRock Company's Common Stock (assuming the reinvestment of dividends) through September 30, 2021, for WestRock Company's Common Stock compared to the return on the same investment in the S&P 500 Index and our Industry Peer Group and the reinvestment of dividends. Our Industry Peer Group consists of public companies that either compete directly in one or more of our product lines or are diversified, international manufacturing companies<sup>1</sup>. ©2021 Standard & Poor's, a division of The McGraw-Hill Companies Inc. All rights reserved.

Comparison of 5-Year Cumulative Total Return<sup>2</sup>



<sup>1</sup> Old Peer Group includes: 3M Company, Avery Dennison Corporation, Ball Corporation, Crown Holdings, Inc., Freepoint McMoRan Inc., The Goodyear Tire & Rubber Company, Honeywell International, Inc., International Paper Company, Kimberly-Clark Corporation, LyondellBasell Industries N.V., Nucor Corporation, Packaging Corporation of America, PPG Industries Inc., Sherwin-Williams Company, United States Steel Corporation and Weyerhaeuser Company. New Peer Group reflects the addition of Amcor plc. The Compensation Committee included Amcor plc based on its industry relevance to us, to account for changes in the competitive market for talent and to expand our peer group sample size.

<sup>2</sup> \$100 invested on Sept. 30, 2016, in stock or index, including reinvestment of dividends. Fiscal year ending September 30.



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[westrock.com](http://westrock.com)

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