



**Mondi Group**  
Sustainable development report  
**2017**

# Delighting our customers with innovative and sustainable packaging and paper solutions

As a global leader in packaging and paper, we offer a world of opportunities. Our expertise lies in finding the most dynamic and reliable solutions. Delivering value to our stakeholders is always top of mind.

This report provides a comprehensive view of our approach to sustainable development and our performance in 2017, across our 10 action areas. ERM CVS has provided assurance on selected information and key performance indicators as well as checking that the report is in accordance with the criteria for a 'Core' GRI G4 report.



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## Front cover

### SKOG for Food

This paper liner makes it possible to package fresh products like onions on vertical form-fill-seal machines. The liner can also be coated with our compostable barrier Sustainex®, making it even more sustainable. The eco-friendly packaging helps to extend the shelf life of the food.

## Our 2017 suite of reports

Please visit our Group website where copies of our reports can be downloaded:  
[www.mondigroup.com/investors/reports17](http://www.mondigroup.com/investors/reports17)



### Integrated report and financial statements 2017

A balanced overview of Mondi's performance in 2017 and insight into how our approach to strategy, governance, people and performance combine to generate value in a sustainable way.  
Also available online at [www.mondigroup.com/ir17](http://www.mondigroup.com/ir17)



### Partnering for change: Sustainable development 2017

A printed publication looking at how we're using our Growing Responsibly model to deliver meaningful improvements across some of the aspects of sustainability that are more relevant for our business and our stakeholders.  
Also available online at [www.mondigroup.com/sdpublication17](http://www.mondigroup.com/sdpublication17)



### Online Sustainable development report 2017

A comprehensive view of our approach to sustainable development and our performance in 2017, prepared in accordance with the GRI G4 Core guidelines. Available online as an interactive pdf at [www.mondigroup.com/sd17](http://www.mondigroup.com/sd17)

## How to use this report

This interactive report is compatible with both desktop computers and tablet or mobile devices. For best results, we recommend using the free software [Adobe Reader](#), or iBooks if viewing on an Apple mobile device.

You can navigate around this report from anywhere in the document, as well as selecting specific page and online links.

## Select:

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to previous page viewed\*

back a page\*

forward a page\*

to the home page (contents)

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**Underlined copy** on the contents and section dividers to go to that chapter

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Chairman of the DLC sustainable development committee  
and Chief Executive Officer's statement

# Collective action for responsible growth

**“As we further embed sustainability into our global operations and ensure delivery against our long-term strategic business objectives, transparent and collaborative relationships and partnerships remain key – both across our business and beyond.”**

**Peter Oswald**  
Chief Executive Officer



**“We’re encouraged to note the good progress made towards achieving our 2020 commitments, with our Growing Responsibly model continuing to be an effective tool for engaging our businesses and guiding our responsible growth.”**

**Stephen Harris**  
Chairman of the DLC sustainable  
development committee

## Chairman of the DLC sustainable development committee and Chief Executive Officer's statement

With sustainable development one of our four strategic value drivers, our Growing Responsibly model is fundamental to Mondi's long-term success. Nearly three years in, and we're making good progress across our 2020 commitments. The model has proven to be a highly effective tool for engaging our businesses as we work to embed sustainability deeper into our global operations.

We're committed to this journey and, while retaining a focus on our long-term strategic business objectives, we constantly adjust our response to the evolving sustainable development landscape. We're convinced that sustainability-related legislation and stakeholder expectations will continue to grow – both in terms of standards and complexity – and we are well placed to respond to these changes. The Task Force on Climate-related Financial Disclosures has published guidelines for more transparent climate-related disclosures by companies. We fully support this move towards more consistent reporting.

Also in the interests of new levels of collaboration and reporting, the UN Sustainable Development Goals (SDGs) enable collective action towards urgent global development priorities. We're determined to contribute to these goals and have, again this year, linked each of our action areas to the relevant SDGs and their respective targets.

### Taking partnership to the next level

What's clear is that we need more than just strong policies in place to ensure that we achieve our sustainability goals, meet the expectations of our stakeholders and manage our risks. We also need to demonstrate clear and consistent delivery, measure impact within our action areas that goes beyond traditional reporting, and deliver meaningful improvements across our entire value chain. While we're focused on ensuring our actions deliver the desired impact within our own business, our collaborative relationships and partnerships are key as we look to scale up our contribution beyond our own boundaries.

This year, we extended the global Mondi-WWF Partnership for another three years, a clear example of our commitment to cross-sector collaboration to find large-scale solutions to global sustainability challenges. Successes that stand out from the first three years of our Partnership include jointly advocating the cascading use of wood principle; expanding our work on wetland conservation to cover water stewardship across whole catchments; launching the Boreal Forest Platform (BFP) in Russia; and laying the groundwork for setting a science-based carbon emission target for our business.

Now, we're turning our attention towards a more risk-based approach to the responsible sourcing of fibre in different countries we source from, and looking beyond fibre as we manage our supply chain risks.

### Investing in people

Ultimately, it is people that determine our success; our employees and contractors, our customers and suppliers, our partners and communities. We depend on their trust, engagement and action to deliver against our commitments, and investing in their future is important to us.

Having had no fatalities in 2016, we are deeply saddened to report two fatalities and one person reported missing (presumed deceased) in 2017. Unsafe behaviour was a common factor in many of our incidents, showing we have more to do to strengthen our safety culture. We have introduced a 24-hour safety mindset approach, designed to help shape a culture where we act safely in everything we do. It's underpinned by robust risk assessment processes, training and engagement efforts, and our ongoing focus on the behavioural aspects of safety.

In 2017, we updated our Diversity Policy to reflect our increasing focus on inclusion and equal opportunities for all our employees, taking into account evolving regulatory requirements and stakeholder expectations.

As we work hard to identify and address any potential human rights risks in our supply chain, we're also working to improve the understanding of these issues within our businesses.

We remain committed to making a positive contribution to local communities – from supporting small and medium forest enterprises to investing in local communities, as well as delivering major capital expenditure projects such as our Štětí modernisation project in the Czech Republic. We are engaging with our stakeholders and developing methodologies to understand the true impacts of our investments.

### Raising our ambition

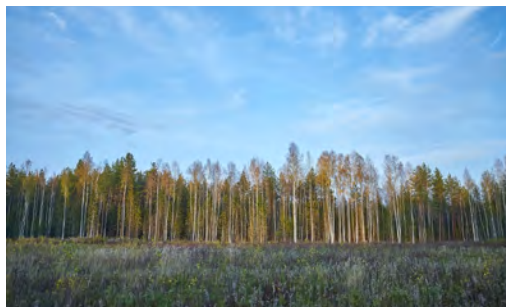
As we look to the future with confidence in our approach, we are exploring our ambitions beyond 2020.

With our ongoing investment in people, inclusion and diversity will become increasingly important, as will our relationships with communities. For a more transparent supply chain, we will continue to identify and address our supply chain risks. We will also develop a more robust approach to auditing and classifying suppliers.

When reflecting on our efforts to reduce our climate footprint back to our first commitment period, we reduced our specific CO<sub>2</sub>e emissions by 27% between 2004 and 2014 across our mills. During our second commitment period, which commenced in 2014, we've achieved a further 15% reduction to date. Our decision this year to set a long-term science-based target for production-related greenhouse gas (GHG) emissions demonstrates our commitment to addressing climate change risks. Also in 2017, we increased our mills' fuel consumption from biomass-based renewable sources to 65%, our highest ratio to date.

All of this adds up to greater responsibility, greater transparency and greater collaboration with our stakeholders. Only by working in this way can we realise the true benefits of collective action in ensuring our responsible growth at the same time as maximising our contribution to the UN SDGs and other societal priorities.

Thank you for taking the time to read this report.



Sustainable development highlights 2017

**65%**  
of mill fuel consumption from renewable biomass-based sources

Extended WWF global Partnership for further three years



24-hour safety mindset approach introduced



Joined WWF Climate Savers and introduced science-based target to 2050 for production-related CO<sub>2</sub>



**Excellent progress against our commitments<sup>1</sup>:**

<sup>1</sup> All commitments run to 2020, except our carbon commitment which runs to 2030

**829,900**  
training hours for employees and contractors

Signed agreement on Intact Forest Landscapes in Russia with local and national NGOs



**€9.6m**  
in community investments

**15%**  
reduction in specific CO<sub>2</sub>e against 2014

**71%**  
of wood FSC™- or PEFC™-certified<sup>2</sup>

<sup>2</sup> The Forest Stewardship Council™ ([info.fsc.org](http://info.fsc.org)) and Programme for the Endorsement of Forest Certification ([www.pefc.org](http://www.pefc.org))

**247,965**  
hours of general safety training

**18%**  
reduction in specific waste to landfill against 2015

**58,594**  
hours of critical safety training for employees

**9%**  
reduction in specific effluent load (COD) against 2015

About Mondi

# Our global packaging and paper Group

Mondi is a global integrated packaging and paper Group with a dual listed company structure – primary listing on the JSE Limited and premium listing on the London Stock Exchange.

### Financial highlights 2017

- Robust financial performance
- Over €750 million of approved major capital expenditure projects in progress, securing a strong growth pipeline
- Acquisitions totalling over €400 million completed or announced, expanding the Group's product offering to better serve our customers
- Recommended special dividend of 100.0 euro cents per share in addition to 62.0 euro cents per share total ordinary dividend

<b>Group revenue</b> €7,096m ↑7%	<b>Profit before tax</b> €887m ↑5%
<b>Underlying EBITDA</b> €1,444m ↑6%	<b>Capital expenditure</b> €611m
<b>Underlying operating profit</b> €1,018m ↑4%	<b>Underlying earnings per share</b> 149.5 euro cents ↑8%
<b>Return on capital employed</b> 19.7%	<b>Ordinary dividend per share</b> 62.0 euro cents ↑9%

### Our businesses



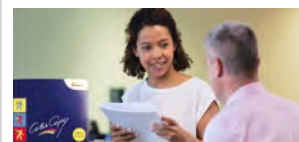
Packaging Paper



Fibre Packaging



Consumer Packaging

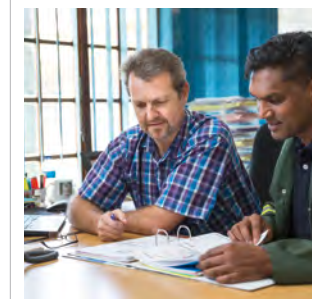


Uncoated Fine Paper

See page 60 of our Integrated report and financial statements 2017

### Our strategy

Our plan of action to build on our competitive advantages.



### Proactive risk management

Our risk management and internal control framework is designed to address all the significant strategic, financial, operational and compliance risks that could undermine our ability to achieve our business objectives in the future.

### Best-practice governance

Our Boards strongly support adherence to the highest standards of corporate governance with a focus on transparency, integrity and accountability. Our directors are committed to ensuring that we reflect best practice and dedicate time to reviewing developments, assessing our performance and enhancing our approach.



### Growing Responsibly model

Our Growing Responsibly model is the framework through which we respond to our sustainability challenges and opportunities. As one of the Group's strategic value drivers, it shapes our long-term response to sustainability issues and enables us to demonstrate,

monitor and improve our sustainability performance in everything we do, across the entire value chain.

The model covers 10 action areas which reflect the key social and environmental aspects of sustainability that are most relevant for Mondi and our stakeholders.



### Electricity self-sufficiency

96%

### Safety: Total recordable case rate

21% reduction against 2015 baseline

### FSC- or PEFC-certified

71%

### Total specific CO<sub>2</sub>e emissions

15% reduction against 2014 baseline



## About Mondi

# Our businesses

## Group financial highlights

### Revenue<sup>1</sup>

€7,096m

### Underlying operating profit<sup>2</sup>



### Return on capital employed

19.7%

### Operating profit

€957m

### Profit before tax

€887m

### Underlying earnings per share

149.5 euro cents

### Basic earnings per share

138.6 euro cents

<sup>1</sup> Group/segment revenue

<sup>2</sup> Excludes special items of €61 million

## Packaging Paper

€2,292m



### Products

Our virgin and recycled containerboard is used to make corrugated packaging designed to protect our customers' products and display them in-store. Sack kraft paper, including brown, white and polyethylene-coated grades, is the main component of valve and open mouth industrial bags. Our speciality kraft paper is used to make a variety of customised packaging solutions from industrial applications to retail shopping bags and attractive food packaging.



## Fibre Packaging

€2,055m



Our corrugated packaging products go well beyond traditional boxes to fully customised trays and wraps, multi-piece solutions, appealing point-of-sale displays and heavy-duty shipping containers. Industrial bags are a strong, light-weight and sustainable packaging solution optimised for high-speed filling and easy handling. They are mostly used for building materials and agricultural, chemical and food products. Extrusion coatings provide high-quality barriers for a range of products from food packaging to building insulation.



## Consumer Packaging

€1,646m



Our consumer goods packaging products extend shelf-life and improve end-user experience. We offer a range of flexible packaging such as stand-up pouches and re-closable bags. Personal care components form part of diaper, femcare and adult incontinence products. They include soft nonwovens, stretchy elastic films and laminates, mechanical fastening components and wrapping films. Our release liners are used for tapes, fibre composites and graphic arts; and our technical films provide solutions from high-barrier films to surface protection films.



## Uncoated Fine Paper

€1,832m



We transform responsibly sourced raw materials into innovative paper products that meet customer needs in a cost-effective and sustainable way. Our extensive range of office papers is designed to achieve optimal print results on laser, inkjet and copy machines. High-performance professional printing papers are dedicated for offset presses and the latest digital print technologies. With our wide range of high-quality papers we aim to provide customers a one-stop-shop solution for their needs.



## Group sustainability highlights

### Safety

24-hour

safety mindset introduced

### WWF global Partnership

3-year extension

### CO<sub>2</sub>e intensity

15% reduction

against 2014 baseline  
→ Joined WWF Climate Savers  
→ Introduced science-based target to 2050<sup>3</sup>

### Energy consumption

65%

of mill fuel from renewable sources

### Specific waste to landfill

18% reduction

against 2015 baseline

### Specific effluent load (COD)

9% reduction

against 2015 baseline

### Community investments

€9.6m

<sup>3</sup> Target is for production-related CO<sub>2</sub> only

## Our business model

# Creating value the Mondi Way

The **Mondi Way** is our unique framework for creating sustainable value. Our purpose provides context for our strategy, which we then execute through the **Mondi Diamond**, our operational framework, in line with our culture and values.



## Purpose

Our purpose states what we do and why we do it.

**We delight you with innovative and sustainable packaging and paper solutions. Every day.**



## Strategy

Our strategy is our plan of action designed to build on our competitive advantages so that we can achieve our purpose.

**We drive value accretive growth via our four strategic value drivers:**

- Drive performance along the value chain**
- Invest in assets with cost advantage**
- Inspire our people and grow responsibly**
- Partner with customers for innovation**



## Operating framework: The Mondi Diamond

The **Mondi Diamond** converts strategy into clear objectives that drive performance at an operational level.

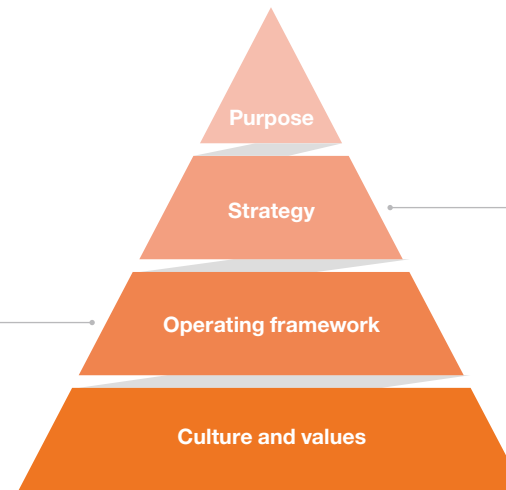
- **Cutting-edge solutions**
- **Inspired people**
- **Operational excellence**
- **Successful customers**
- **Sustainable development**



## Culture and values

Our culture and values connect, guide and inspire our people.

- **We are dynamic, entrepreneurial and empowered**  
Passion for performance
- **We are respectful and responsible**  
Caring
- **We encourage honesty and transparency**  
Acting with integrity



## Our business model

### Our key inputs in 2017

→ **High-quality, well-invested, cost advantaged integrated asset base**

90% pulp and paper capacity in two lowest cost quartiles  
€5.4 billion capital employed

→ **Engagement and collaboration with customers and suppliers**

9,000+ customers  
1,500 key suppliers

→ **Responsible procurement of raw materials and other inputs**

71% wood procured from FSC- or PEFC-certified sources  
65% mill fuel consumption from biomass-based renewable sources

→ **Diverse and talented people with a broad range of skills and experience**

26,300 employees  
22% women employed across our operations

→ **Strong financial position and cash flow generation**

€948m cash flow generated  
BBB/Baa1 S&P/Moody's credit rating

→ **Constructive relationships with communities, governments, NGOs and other stakeholders**

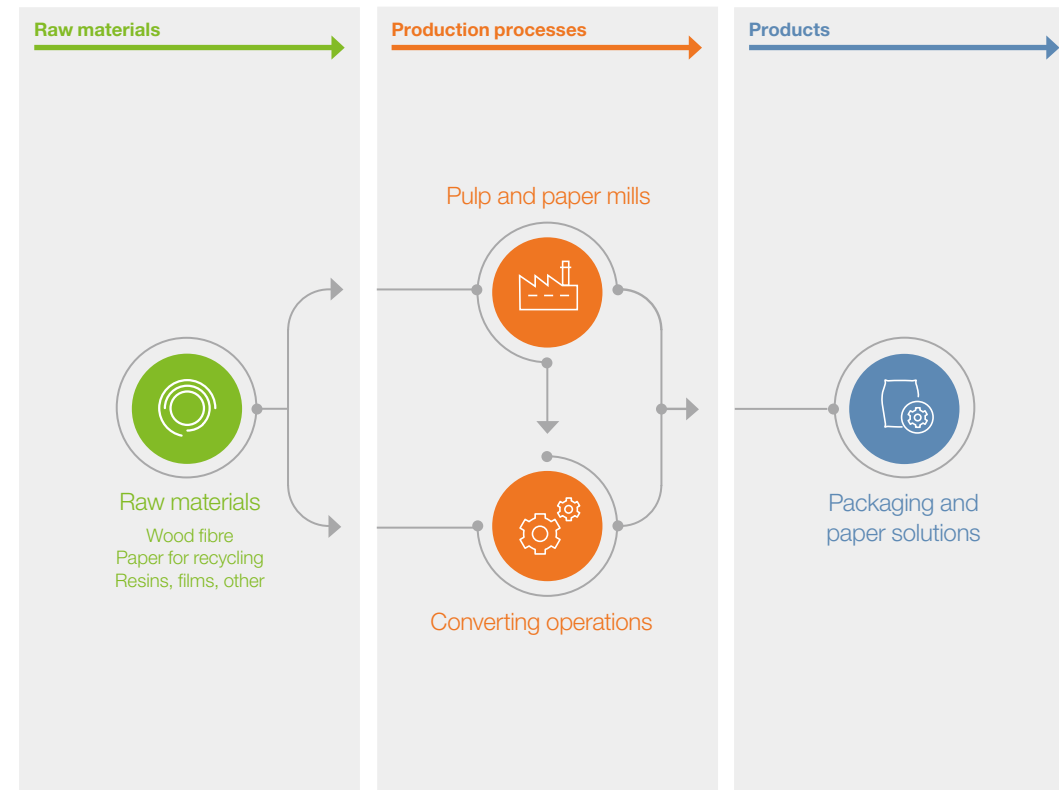
Numerous strategic partnerships, memberships and collaborations  
Majority of key operations have Community Engagement Plans in place

### Our value chain

Our integrated value chain shows how we convert raw materials into innovative and sustainable packaging and paper solutions. We use the Mondi Way as our framework to create sustainable value.

#### The risks we manage

- Strategic risks
- Financial risks
- Operational risks
- Compliance risks



### Our key outputs in 2017

→ **High-performing operations**

19.7% ROCE  
14 production records on pulp/paper machines

→ **Innovative products and solutions**

€23m spent on research & development  
7.9 out of 10 strong customer satisfaction (survey results)

→ **Sustainably managed natural resources and outputs**

10.1m GJ energy provided to communities and public grid  
100% managed forests certified

→ **Inspired and skilled people**

829,900 training hours  
9% reduction in total recordable case rate against 2016

→ **Capital appreciation and dividends to shareholders**

9% increase in ordinary dividend per share  
203% total shareholder return (5 years)

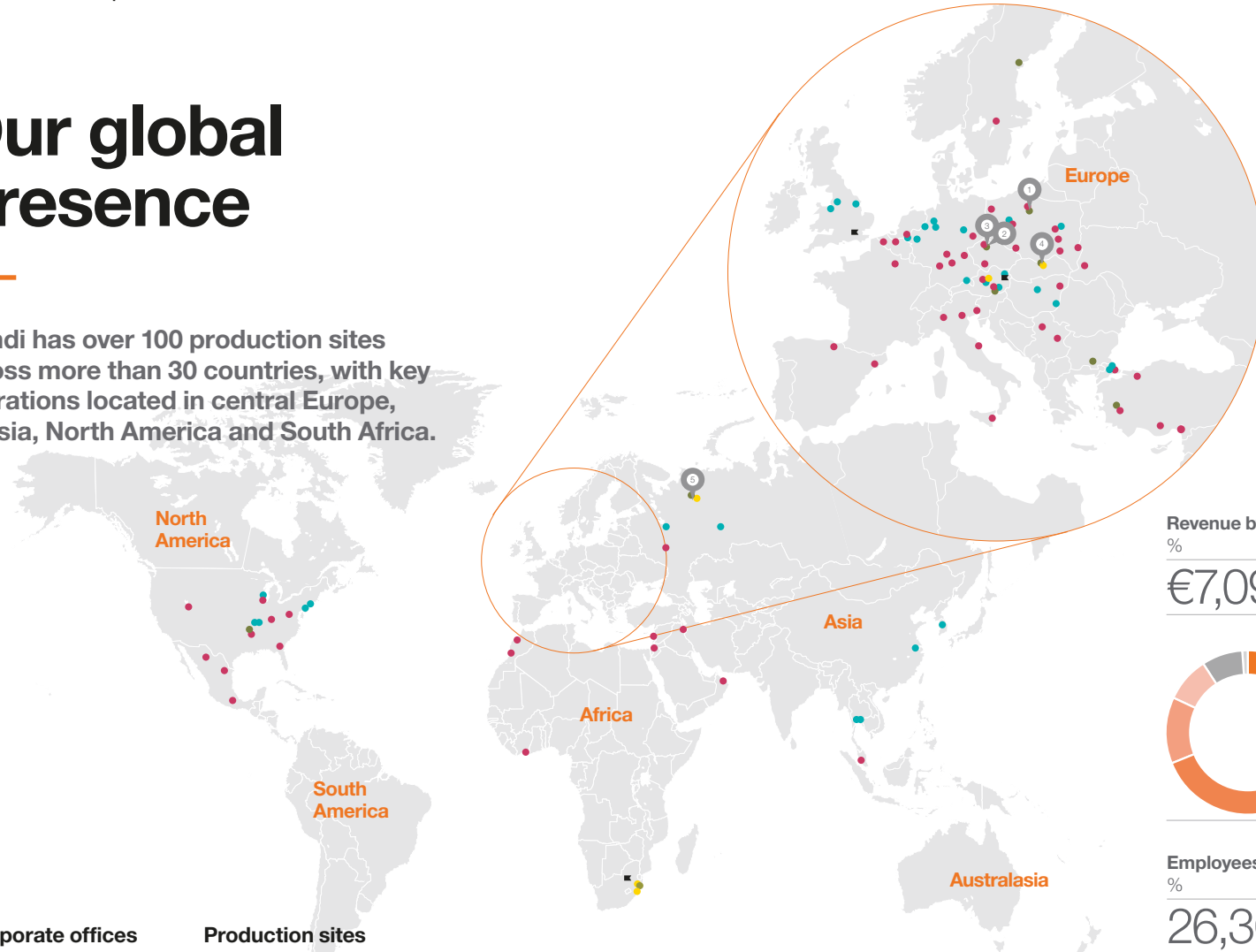
→ **Support to regional economies and local communities**

€151m direct taxes paid  
€9.6m community investments

Where we operate

# Our global presence

Mondi has over 100 production sites across more than 30 countries, with key operations located in central Europe, Russia, North America and South Africa.

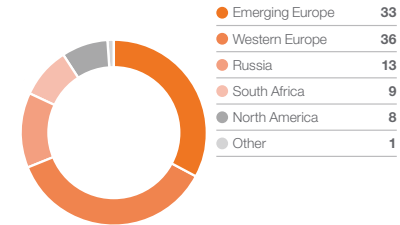


### Key

- Packaging Paper
- Fibre Packaging
- Consumer Packaging
- Uncoated Fine Paper

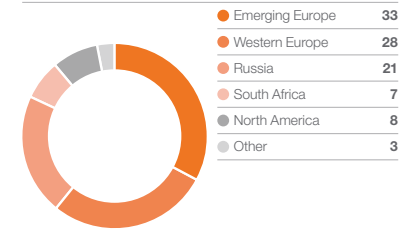
### Revenue by location of production

€7,096m



### Employees per region

26,300 employees



### Corporate offices

Johannesburg	■
London	■
Vienna	■

### Production sites

Austria	●●●●	Hungary	●●	Netherlands	●●	Spain	●
Belgium	●	Iraq	●	Oman	●	Sweden	●●
Bulgaria	●	Italy	●	Poland	●●●●	Thailand	●
China	●	Jordan	●	Russia	●●●●●	Turkey	●●●●
Côte d'Ivoire	●	Lebanon	●	Serbia	●	Ukraine	●
Czech Republic	●●	Malaysia	●	Slovakia	●●	UK	●
France	●	Mexico	●	South Africa	●●	US	●●●●
Germany	●●	Morocco	●	South Korea	●		

### Major capital investments

#### 1. Świecie (Poland)

€260m

Recovery boiler, turbine, biomass boiler, 100 ktpa pulp integrated to 80 ktpa light-weight kraftliner and increased share of kraft top liner (completed 2017)

#### 2. Štětí (Czech Republic)

€41m

Woodyard upgrade (completed 2017)

#### 3. Štětí (Czech Republic)

€335m

Recovery boiler, rebuild of fibre lines, debottlenecking of the existing packaging paper machines (in progress)

#### 4. Ružomberok (Slovakia)

€310m

Pulp mill upgrade (in progress) 300 ktpa kraft top white containerboard machine (approved)

#### 5. Syktyvkar (Russia)

€144m

Power plant rebuild and wastewater treatment plant modernisation (in progress)

## Our global context

# A rapidly changing world

**We operate in a rapidly changing world. With diverse and complex issues impacting on the wellbeing of society, the planet and business, we must find effective ways to support livelihoods and achieve sustainable economic growth, within the limits of the planet.**

Our success depends on effectively identifying and managing the risks and opportunities associated with the global trends that impact on our business, and working with others to find long-term solutions.

Here, we set out some of the global megatrends affecting society and our business. These megatrends have been considered in the development of our Growing Responsibly model, and continue to inform our action areas and commitments. Follow the links to discover how we are responding.

## Occupational safety and health

Occupational safety and health is a key element in achieving sustained decent working conditions and a strong safety culture. Close to 80% of all International Labour Organization (ILO) standards and instruments are either wholly or partly concerned with issues related to occupational safety and health<sup>1</sup>.

The human, social and economic costs of occupational incidents, diseases and major industrial disasters have long been cause for concern at all levels from the individual workplace to the national and international. The economic costs of these incidents – taking into account compensation, lost working time, interruption of production, training and retraining, medical expenses, etc. amount to approximately 4%<sup>2</sup> of global GDP every year, and possibly much more.

As a minimum, stakeholders expect businesses to apply robust risk management controls and procedures to keep people safe – including employees, contractors and people who are impacted by their operations.

### Growing Responsibly action area

 Employee and contractor safety  
See [page 27](#)




## Socio-demographic change and the future of work

Today's socially conscious employees are looking for purposeful, rewarding careers with companies that contribute clear social, economic and environmental value. Stakeholders also expect businesses to create jobs and contribute to the skills and technical capacity of the markets in which they operate. Enhancing talent pipelines and developing employees provides long-term and sustainable opportunities for business to create the skills capacity they need. Skills development will be critical in areas where automation, digitalisation, artificial intelligence and other trends could reduce or remove the need for lower-skilled jobs. Engaging employees and providing inspiring opportunities for personal and professional growth also helps to boost productivity and commitment, and attracts talented people.

Globally, demographic shifts especially in emerging markets, the ageing population and urbanisation have consequences for the recruitment and retention of skilled and motivated people, especially in more remote and rural locations. These shifts may provide access to a different, wider talent pool for employers, and those employers that are fair, equitable and inclusive will have the advantage when it comes to attracting the best people.

Ensuring that age, gender, race and health does not limit any person's opportunities, engagement and success in the workplace is key. Diverse teams demonstrably perform better and are more productive, can better support business strategy and objectives, and are better positioned to address the different needs and interests of stakeholder groups in a globalised business environment.

### Growing Responsibly action areas

-  A skilled and committed workforce  
See [page 32](#)
-  Fairness and diversity in the workplace  
See [page 36](#)



1 [http://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/@publ/documents/publication/wcms\\_093550.pdf](http://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/@publ/documents/publication/wcms_093550.pdf)  
2 <http://www.un.org/en/events/safeworkday/>




## Our global context

### Demand for sustainable products

Socio-economic and demographic changes globally and especially in emerging markets impact customer demand and purchasing power, as billions enter the middle classes by 2030 and as lifestyles become more urban, fast-paced and convenience-driven, but equally moving towards responsible, and socially conscious purchasing behaviour. Customers want products that are sourced, produced and disposed of responsibly, and legitimacy of businesses will be increasingly linked to the real value created for society as a whole, rather than for a few.

With more people looking for products that align with their values, the global market for sustainable goods continues to expand: a study of 30,000 consumers in 60 countries shows that 66% are willing to pay more for sustainable brands<sup>3</sup>. Developing solutions that are manufactured within the limits of the planet and enable society to address its challenges makes clear social, environmental and business sense and opens up opportunities for brand growth on a global scale.

#### Growing Responsibly action areas

-  Solutions that create value for our customers  
See [page 77](#)
-  Sustainable fibre  
See [page 41](#)
-  Supplier conduct and responsible procurement  
See [page 66](#)




### Limited availability of sustainable fibre

Forests are core to the cultures and livelihoods of communities worldwide: some 300 million people live in forests and millions more depend directly on them for their livelihoods<sup>4</sup>.

Deforestation and illegal logging contribute to biodiversity loss and climate change, negatively impact on ecosystem services, and encroach on the livelihoods and human rights of people around the world.

The last few decades have seen a slowdown in net global deforestation. More forest areas are coming under protection and more countries are actively improving forest management. Despite this, only around 11%<sup>5</sup> of global forests are certified and the shortage of sustainable fibre on the market remains a significant challenge. Current certification schemes are not yet able to meet global demand, and while solutions are being sought, certifications' complexity and resource demands lead to many communities and small and medium forest owners remaining excluded, and most forests remaining uncertified. A risk-based and collaborative approach by businesses, NGOs, certification schemes, farmers and others is needed to create environmental, social and economic value for all stakeholders across the value chain.

#### Growing Responsibly action areas



-  Sustainable fibre  
See [page 41](#)
-  Supplier conduct and responsible procurement  
See [page 66](#)
-  Biodiversity and ecosystems  
See [page 59](#)
-  Relationships with communities  
See [page 71](#)

5 UNECE/FAO Forest Products Annual Market Review 2016-2017

### Climate change

Climate change continues to be one of the greatest threats facing society, the environment and the economy. Despite international action, GHG emissions continue to rise with knock-on effects for biodiversity, water and food security. The Paris climate accord, negotiated and signed by 195 countries and adopted in December 2015, sets out a global action plan to limit global warming to well below 2°C above pre-industrial level. Achieving this will require urgent and fundamental action, beyond business as usual. Stakeholders expect businesses to play a part – both in reducing emissions and providing solutions for mitigating and adapting to climate change.

#### Growing Responsibly action areas

-  Climate change  
See [page 47](#)
-  Biodiversity and ecosystems  
See [page 59](#)



6 From WWF Living Planet Report 2016

7 Global Footprint Network © 2013–2018

8 Business in the Community, The Prince's Responsible Business Network, 'Forces for change' report

### Pollution, resource scarcity and industrial growth

Industrial growth since the mid-20<sup>th</sup> century has created wealth, development and economic growth, but it has also endangered the crucial environmental systems that society relies on<sup>6</sup>. Humanity currently uses the equivalent of 1.6 planets<sup>7</sup> to provide its resources and absorb its waste. The global population is growing at a rapid pace, especially in urban areas. Economic power and production patterns are also shifting to the east and south, with overall trade volumes and disposable incomes rising. With some 3.6 billion people expected to enter the middle classes by 2030, up from 1.7 billion people today<sup>8</sup>, demographic and economic shifts are driving increased demand for basic materials, energy and natural resources such as water.

Water is essential for sustaining livelihoods, wellbeing and development. Access to water is a basic human right, but competing demands for its use in agriculture, households and industry are impacting both water quality and availability, particularly for the most vulnerable. According to the 2030 Water Resources Group, without improvements in how water is managed and used, the world could face a 40% supply gap by 2030. Society increasingly expects business to play a role in mitigating and reversing these adverse impacts and to support development that does not come at the cost of people and nature.

#### Growing Responsibly action areas

-  Climate change  
See [page 47](#)
-  Biodiversity and ecosystems  
See [page 59](#)
-  Constrained resources and environmental impacts  
See [page 53](#)

3 <https://www.nielsen.com/content/dam/niensenglobal/dk/docs/global-sustainability-report-oct-2015.pdf>

4 [http://wwf.panda.org/about\\_our\\_earth/deforestation/](http://wwf.panda.org/about_our_earth/deforestation/)

## Our global context

### Loss of biodiversity and ecosystems

Ongoing deforestation and land conversion continue to cause biodiversity loss, and are major contributors to climate change. WWF's Living Planet Index 2016 highlights the severe degradation of ecosystems and loss of habitat and species that has occurred over the last decades. This has had a significant negative effect on ecosystem services upon which communities and business rely – especially soils, water and biodiversity. Without action, the world will become much less hospitable to our modern globalised society.

The last remaining Intact Forest Landscapes, like those in Russia, face increasing pressure. Sustainable management of secondary boreal forests is crucial to ensuring their future. Additionally, freshwater ecosystems are under increasing pressure, especially in water-stressed areas such as South Africa. Responsible stewardship of wetlands and freshwater ecosystems is the only sustainable way to meet the needs of communities and business.



#### Growing Responsibly action areas

-  Biodiversity and ecosystems  
See [page 59](#)
-  Constrained resources and environmental impacts  
See [page 53](#)
-  Relationships with communities  
See [page 71](#)

### Business and human rights

Human rights issues have become increasingly central to the public debate about the interaction between business and society. Today, respecting human rights is a global standard of conduct for all businesses, not only within their own operations, but also across their supply chains, wherever they operate. The issues include child labour or forced labour within the supply chain, safety and security practices, relationships with local communities and environmental pollution causing harm to people's health. There's an increasing expectation of businesses to proactively tackle their human rights issues, particularly in areas of weak governance. Meanwhile, legislation is expanding, with changes such as the introduction of the UK Modern Slavery Act.

#### Growing Responsibly action areas

-  Fairness and diversity in the workplace  
See [page 36](#)
-  Supplier conduct and responsible procurement  
See [page 66](#)



### Globalised, complex business supply chains

We operate in an increasingly connected world. With widespread use of the internet, mobile technology and social media, society now has greater access to a much wider range of information and the ability to use their collective power to shape business and influence public policy. In the eyes of today's stakeholders, businesses are responsible for managing their impact not only within their own operations, but also across their supply chains.

Global socio-economic shifts can provide business opportunities, but they may also mean greater exposure to risks such as human rights violations, poor environmental practices or controversial sourcing of raw materials. With production moving to emerging markets and business models changing dramatically, it is increasingly complex but more important than ever that business improves transparency of global supply chains and addresses risks related to human rights and environmental impact of supply chains. Global brands need to mitigate these adverse impacts on people and ecosystems using their resources and expertise, networks and financial leverage to drive responsible business. Achieving meaningful change means working together across global supply chains to develop practical, risk-based solutions that mitigate impacts where it is needed most. This is especially important in countries of weaker governance as suppliers move production to the emerging markets and business models change dramatically.


#### Growing Responsibly action areas

-  Supplier conduct and responsible procurement  
See [page 66](#)
-  Sustainable fibre  
See [page 41](#)
-  Fairness and diversity in the workplace  
See [page 36](#)

### Business and communities

Business is key to development. But for business to thrive, it is dependent on a healthy and prosperous local community for talent and skills, for supply of goods and services, for infrastructure, for political and economic stability, and for social legitimacy and stakeholder acceptance. Business cannot succeed in societies that fail. Likewise, where and when business is stifled, societies fail to thrive. A mutually beneficial relationship between business and community makes social, economic and environmental sense.

#### Growing Responsibly action area

-  Relationships with communities  
See [page 71](#)



## Growing responsibly

# Growing responsibly

**Built on our past achievements and designed for our future success, our Growing Responsibly model is the framework through which we respond to our sustainability challenges and opportunities. As one of the Group's strategic value drivers, it shapes our long-term response to sustainability issues and enables us to demonstrate, monitor and improve our sustainability performance in everything we do, across the entire value chain.**



Growing responsibly applies to all our operations Group-wide. It's designed to clearly articulate the business value of our sustainability commitments – to the ecosystems we rely on, to our business and to our stakeholders, including employees and contractors, customers, communities, suppliers and others.

The model covers 10 action areas which reflect those aspects of sustainability that are most relevant for Mondi and for our stakeholders. Within these action areas, we have made 16 public commitments which we aim to achieve by 2020, along with a carbon emission commitment which runs to 2030<sup>1</sup>.

In addition to driving our response to sustainability issues most relevant to our business, these commitments demonstrate our positive contribution towards achieving the UN SDGs and other global initiatives. In 2017 we once again assessed our contribution to the SDGs and refined our links to their respective targets, taking into account our activities in the year. We have highlighted the strongest links between our action areas and the SDGs and respective targets on the following page and throughout the report.

- See [page 18](#) for how our material issues, risks and opportunities are mapped against our 10 action areas and 16 commitments
- For more details on each commitment, refer to the relevant 'Action areas' pages of the report, or visit our 2020 commitments table ([page 83](#)).

**“Through this model, we're able to demonstrate, monitor and improve our sustainability performance as well as our contribution towards achieving the UN Sustainable Development Goals.”**



**Stephen Harris**  
Chairman of the DLC sustainable development committee

<sup>1</sup> Having achieved our 2030 commitment in 2017, we have now set a science-based 2050 target for our production-related CO<sub>2</sub> emissions intensity, as part of our Climate Savers membership (see [page 49](#))



# Growing responsibly



## Materiality

# Mapping our material issues

**Our material issues are defined as those that matter most to the sustainability of our business and the needs of our stakeholders. They capture what matters – to the business and to stakeholders – and where it matters, along our value chain. Understanding these issues is a crucial part of our approach.**



We identified our current material issues in 2015 and we review them every year to ensure they remain relevant. In reviewing our material issues, we make use of a wide range of insights and inputs, including:

## Business developments

Including investments, mergers, acquisitions and other changes to business assets and operations; product portfolio developments or changes in their strategic importance; entry to or exiting markets and associated legal jurisdictions; and changes to the Group's governance and organisational structures.

## Legislation

Across all markets where we are listed, operate or sell our goods, that may affect our practices, processes, standards, reporting and customer expectations.

## Stakeholder views, needs, and concerns

Through assessments such as Socio-economic Assessment Toolbox (SEAT) ([page 72](#)) and water impact assessments ([page 54](#)); customer surveys and direct customer engagement ([page 78](#)); Group-level memberships, partnerships and collaboration with sustainability experts and organisations on specific topics ([page 20](#)); incidents and complaints; investor/analyst questionnaires, indices and surveys ([page 94](#)); and other mechanisms (see [page 92](#)).

## Risks and opportunities

Discussion at Board level of risks and opportunities both in terms of our impact on the risk and the impact of the risk on us; annual process of updating the Group's sustainability risks and opportunities by the DLC sustainable development committee; and our overall process of managing our principal risks (see [page 35 of our Integrated report and financial statements 2017](#)).

## Global trends

Informed by research on global macro trends from credible sources and studies, and insights arising through our memberships, partnerships and collaboration with sustainability experts and organisations on key issues affecting our business and our stakeholders (see [page 13](#)).

## Materiality

In the table opposite, we have mapped our material issues against our Growing Responsibly model's 10 action areas and Group principal risks.

Our next annual review of material issues, risks and opportunities by the Boards will be conducted in 2018.

Material sustainability issues	Growing Responsibly model's related action area(s)	Related Group principal risks See our <a href="#">Integrated report and financial statements 2017, page 35</a>
<b>Employee and contractor safety</b>	Employee and contractor safety See <a href="#">page 27</a>	→ Employee and contractor safety
<b>Attracting and retaining skills and enhancing diversity</b>	A skilled and committed workforce See <a href="#">page 32</a> Fairness and diversity in the workplace See <a href="#">page 36</a>	→ Attraction and retention of key skills and talent
<b>Securing access to sustainable fibre</b>	Sustainable fibre See <a href="#">page 41</a> Biodiversity and ecosystems See <a href="#">page 59</a>	→ Cost and availability of raw materials
<b>Understanding and minimising our impact on and from climate change</b>	Climate change See <a href="#">page 47</a> Biodiversity and ecosystems See <a href="#">page 59</a>	→ Energy security and related input costs → Environmental impact
<b>Operating in a world of constrained resources and recognising concerns regarding biodiversity, forests, water and ecosystem services</b>	Biodiversity and ecosystems See <a href="#">page 59</a> Constrained resources and environmental impacts See <a href="#">page 53</a>	→ Environmental impact
<b>Increasing our products' eco-efficiency</b>	Constrained resources and environmental impacts See <a href="#">page 53</a> Solutions that create value for our customers See <a href="#">page 77</a>	→ Industry productive capacity → Product substitution → Environmental impact
<b>Maintaining our socio-economic licence to trade</b>	Relationships with communities See <a href="#">page 71</a>	→ Reputational risk → Country risk
<b>Respecting human rights in our operations and our supply chain</b>	Fairness and diversity in the workplace See <a href="#">page 36</a> Sustainable fibre See <a href="#">page 41</a> Supplier conduct and responsible procurement See <a href="#">page 66</a> Constrained resources and environmental impacts See <a href="#">page 53</a>	→ Cost and availability of raw materials → Reputational risk

## Our stakeholders

# Engaging with our stakeholders

**Given the scale and nature of the challenges we face, it's only by working together that we will achieve impact, innovation and scale necessary to bring about change. This motivates us to collaborate with others, building our shared understanding of sustainability issues – both the challenges and the opportunities – and developing the best solutions, together.**

Working together is an enabler for change and we promote collaboration across our value chain. Our key stakeholders include employees, customers, suppliers, investors, other land users, communities, scientific institutions, sustainability organisations and think-tanks, NGOs, lenders, processors and retailers. For views from selected partners, see [page 89](#), and for full details of our stakeholders and how we engage with them, see [page 92](#).



## Engaging with local communities

We engage openly and regularly with communities and look to increase the value we bring. Our businesses assess local socio-economic conditions around their operations and take appropriate action. Local partnership and engagement with stakeholders is key to our approach. Read more on [page 71](#).



## Supporting global partnerships

In 2017, we extended our global Mondi-WWF Partnership for another three years. We continue to believe in the power of cross-sector collaboration, such as this partnership, to find large-scale and long-term solutions to sustainability challenges. This global collaboration will continue to focus on stewardship of forests, climate, energy and fresh water – both in our own operations, and through engaging others. Read more on [page 97](#).

We're an active participant of the WBCSD Forest Solutions Group. This global platform for strategic collaboration among value chain partners aims to bring more of the world's forests under sustainable management and expand markets for responsible forest products. Read more on [page 95](#).

There are strong links between our performance and the UN SDGs, launched in 2015.

Our Growing Responsibly model reaffirms that we are working on the right things and that our thinking is aligned with the objectives of many of the SDGs. Each 'Action area' ([pages 26-81](#)) shows our strongest link to the SDGs.

### UN SDG



**17.6** Enhance the global partnership for sustainable development, complemented by multi-stakeholder partnerships that mobilise and share knowledge, expertise, technology and financial resources, to support the achievement of the sustainable development goals in all countries, in particular developing countries.

## Our stakeholders



### Developing joint solutions

We work closely with global and local NGOs, industry associations and scientific institutions to understand environmental and social challenges and maximise the shared value we create.

This includes contributing to multi-stakeholder collaborations that seek sustainable solutions along the entire wood value chain, developing responsible supply chains and creating innovative solutions.

Here are just a few examples of our stakeholder collaboration from the past year:

In our commitment to supporting credible certification, 2017 saw us become an international member of PEFC for the first time and we'll continue to strengthen collaborations with PEFC at national and international levels, focusing on our goal of credible certification. We will also continue our work with FSC and others to improve the FSC certification system as they implement their new strategy.

We continued to advocate that FSC use the new Controlled Wood (CW) Strategy to clarify the value of CW to all stakeholders and address the long-term need for an efficient and effective CW system.

We became a member of WWF's Climate Savers in 2017, a climate leadership programme that seeks to transform businesses into leaders of the low carbon economy by inspiring a change in thinking about climate solutions in companies and as agents of change within their sphere of influence (page 98).

Our WWF-Mondi Water Stewardship Partnership – formerly, the WWF-Mondi Wetlands Programme (WWF-MWP) – has been the catalyst and part-sponsor of the catchment work, to help develop best practice in water use and freshwater conservation for dairy farmers.

In 2017, we focused on the uMhlathuze and uMngeni catchments in South Africa where Mondi's Richards Bay mill and our large forest holdings are prominent features (page 63).

In support of the circular economy thinking, and through our membership of the WBCSD, we have started to investigate what the circular economy model means for our business, including any business opportunities it may present. In 2017, we also became a member of The Ellen MacArthur's New Plastics Economy (NPEC) Initiative, which brings together 40 leading businesses and experts to rethink and redesign the future of plastics, starting with packaging.



### Engaging with investors and analysts

There's wide and growing recognition among the investment community of the links between sustainable operations and long-term financial success. Fund managers' and investors' choice of companies with a strong sustainability performance is often based on external indices and rankings. It's a positive development that, as the global pool of socially responsible investors grows, sustainability performance is considered increasingly important to investors and ESG<sup>1</sup> analysts.

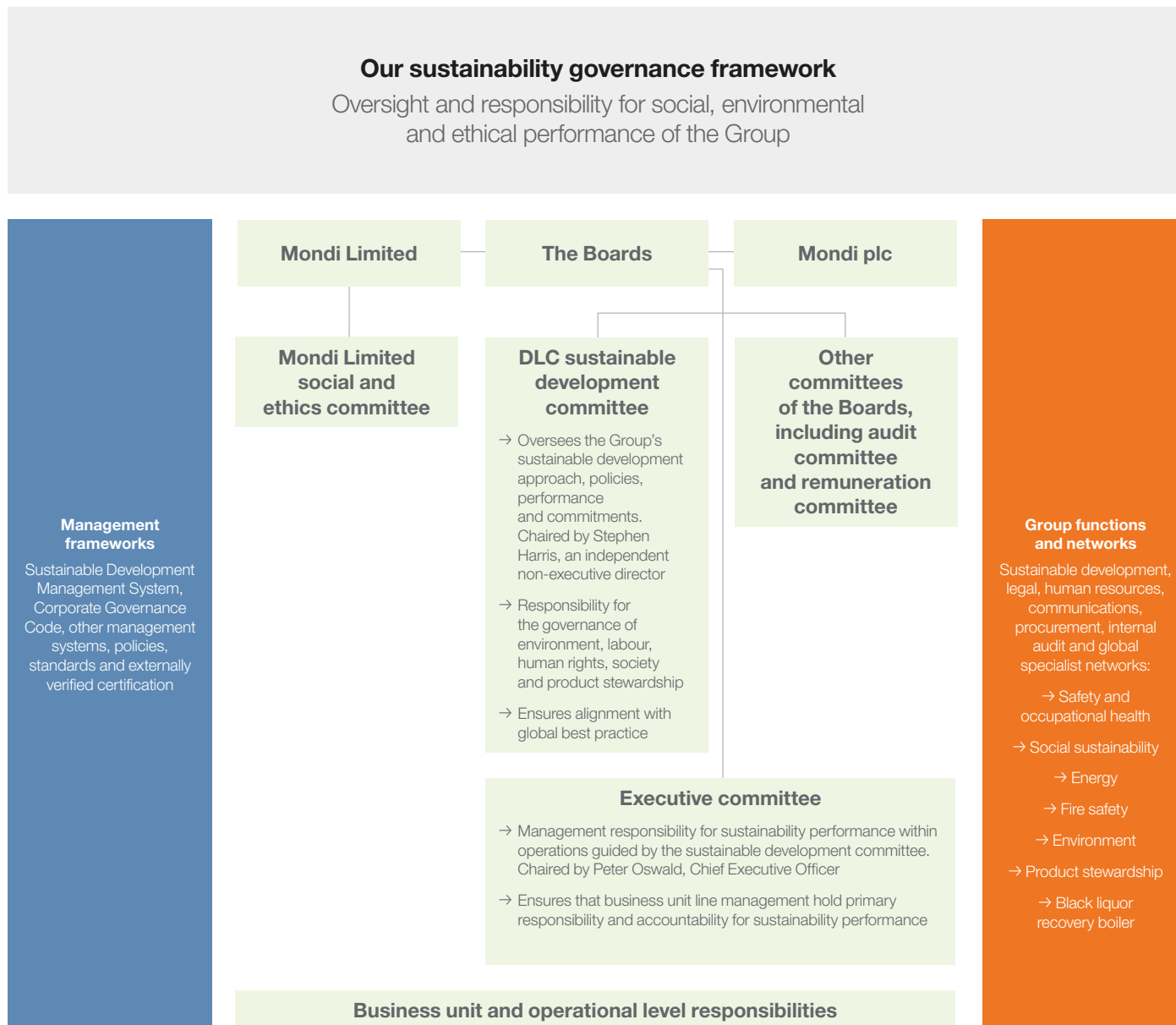
We regularly share our sustainability performance with our investors, analysts and shareholders in our annual reports and through formal and informal enquiries and meetings. Feedback from investors and analysts, in turn, helps inform our own reporting and management practices.

<sup>1</sup> Environment, social and governance

Sustainability governance

# Operating responsibly

Responsible governance is fundamental to building a resilient and successful organisation in which sustainability is embedded at all levels. We aim to work openly and transparently with our stakeholders across the value chain, to create an inclusive and fair business. Robust policies, standards and management systems help us meet our commitments and guide our businesses to address the risks and opportunities facing them.



## Sustainability governance

### Embedding sustainability

Our Boards and committees provide the leadership necessary to implement the principles of good corporate governance across the Group, ensuring that all our decisions and actions are based on integrity, responsibility, accountability, fairness and transparency. The Boards approve our approach and review performance.

Together, members of the Boards bring a wealth of experience and expertise to the Group. They are diverse in respect of origin, gender, race and education, reflecting the broad nature of our activities and our operational territories. At the end of 2017, we had female directors representing 25% of the composition of the Boards and one director of colour.

The Boards delegate specific areas of responsibility to a number of committees which have authority to make decisions according to their terms of reference. While the Boards have ultimate responsibility, accountability at Group level for our sustainable development policies, systems, practices, commitments and actions is guided and monitored on three levels:

- The sustainable development (SD) committee chaired by Stephen Harris, an independent non-executive director
- The executive committee chaired by Peter Oswald, our Chief Executive Officer
- The operational management team which consists of senior executives from across Group operations

Seven global specialist network groups provide expert insight and support to the business on specific sustainable development issues (see sustainability governance framework on [page 22](#)).

### Key sustainability topics discussed by the Boards

**In 2017, the Boards and associated committees discussed a range of sustainability-related topics.**

#### Safety and health

The safety of our employees and contractors continued to be a priority with safety performance reviewed in detail at each meeting. While safety has always been high on the agenda, the committee will refocus during 2018 on ensuring a culture of safe behaviour is embedded throughout the business. The approach of a 24-hour safety mindset was introduced in 2017 and we will continue to build on this.

#### Material issues, risks and opportunities

The annual materiality and risks and opportunities review discussed a better formulation of material issues and risks and opportunities, including rating and assessing the impact and likelihood of risks. It also looked at mapping sustainability material issues and risks against the Growing Responsibly model's action areas. This will remain a focus for the SD committee going forward as we work towards a more integrated approach to managing risks and opportunities facing the Group.



#### Modern Slavery

The SD committee conducted a review of Mondi's approach to the UK Modern Slavery Act. External support was engaged to assist us in fully understanding the requirements of the Act and how to apply these at Group level, as well as throughout our business. It was important for the SD committee to assess the current position in terms of our policies relating to labour and human rights, and supply chain and responsible procurement. The SD committee considered these policies in the context of our principal risks, key areas of our supply chain to be reviewed, and our reporting mechanisms, including the requirement for new KPIs. In preparing our UK Modern Slavery Act statement, input was provided by various businesses and corporate functions including, among others: sustainable development; the company secretariat; human resources; procurement; internal audit; finance; and communications. We also received input from external specialists. The statement was approved by each legal entity within the Mondi Group that had a turnover exceeding £36 million during 2016 and had directly or indirectly provided goods or services to the UK in 2016. The SD committee ultimately agreed and recommended to the Boards a statement for publication on Mondi's website. While we already have good policies and practices in place, further work is required and progress against the commitments we made in the statement will remain a focus for the SD committee into 2018.

#### Stakeholder engagement

The increasing focus on stakeholder interests and how companies are engaging with their stakeholders was also an area of consideration for the SD committee during the year. The annual

review of stakeholder engagement by the SD committee included discussion of local mechanisms such as SEATs and Community Engagement Plans (CEPs), and corporate and Group-level mechanisms such as: partnerships; cross-sector, industry and academic collaboration and initiatives; and an overview of how the sustainability landscape is evolving, including emerging stakeholder expectations. In light of the provisions in the King IV Governance Code, the proposed revisions to the UK Corporate Governance Code and Mondi's commitment to good corporate citizenship and ethical behaviour, this will remain a priority during the coming year.

#### Plastic-based packaging

Mondi's position paper on the sustainability of plastic-based flexible packaging, driven by the Consumer Packaging business unit, was presented to the committee during the year. It highlighted the Group's thinking and position on the sustainability of such packaging, and set out our approach to working with key stakeholders to tackle the social and environmental challenges of plastic packaging, while creating value for the business, customers and society through the many benefits of flexible, plastic-based packaging. Given the strategic importance of this area for the business, it will be a growing focus for the SD committee going forward.

#### Social and ethical values

The SD committee works together with the Mondi Limited social and ethics committee in addressing social and ethical values. The Group Heads of Sustainable Development and of Safety and Health attend all meetings of the committee and provide the link between the committee, management and the operations.

## Sustainability governance

### Mondi's Group sustainable development function

The Group SD function provides guidance and helps define the actions required to achieve our goal of growing responsibly. This includes the monitoring and assessment of material risks and opportunities facing the Group. In addition, the SD function monitors and reviews emerging changes to the regulatory environment, developments in our social and environmental operating context, and evolving stakeholder needs and expectations as they relate to our businesses. It also informs and supports the businesses in responding to stakeholder needs and expectations and shaping our long-term response to global megatrends.

It oversees the management of the Sustainable Development Management System (SDMS) and facilitates all Group sustainability reporting and external assurance.

Internal and external engagement is a key responsibility of the SD function. Internally, this means supporting business units and suppliers to better identify, understand and address relevant sustainability-related topics, business risks and opportunities, as well as reporting our positions and performance across the Growing Responsibly action areas.

Externally, it is about overseeing and fostering engagement and collaboration with stakeholders to develop a shared understanding of the SD landscape and help tackle the issues no single sector or organisation can solve alone. This includes engaging stakeholders on emerging issues that are important to our business.

We maximise our influence through sharing best practice, knowledge and resources as well as supporting and working with scientific and academic institutes, underlining our belief that science plays a crucial role in creating more sustainable and equitable societies and businesses.

### Our Sustainable Development Management System

Our established policies, procedures and management systems enable us to apply a consistent and standard approach to sustainability throughout our operations. We consider the key environmental, social and governance implications of our business decisions. Our SDMS guides the effective governance of all aspects of sustainability and the implementation of our policies and standards. It covers all facilities and activities that we manage and operate (including those in which we hold a controlling interest), new developments, and current and future mergers and acquisitions. Activities undertaken by contractors on Mondi sites or while under our management are incorporated into our SDMS, requiring them to comply with our policies, standards and requirements, specifically in relation to safety and health at work.



We updated and restructured our sustainable development policies in 2016 with the support of the SD committee. This update involved all relevant teams across the Group and was supported by external experts. Policy developments were informed by current best practice and aligned with our Growing Responsibly model. Our Sustainable Development Governance Policy supports our overall approach and is further supported by policies for:

- Safety and Occupational Health;
- Labour and Human Rights;
- Sustainable Forestry;
- Energy and Climate Change;
- Environment;
- Supply Chain and Responsible Procurement;
- Product Stewardship, and
- Communities.

These include some of our longer-term sustainability commitments and inform the setting of targets and commitments for each new period.

A sustainable development governance standard provides the link between our management standards and our corporate governance structure. Management standards define our governance requirements and provide a basis for the development, enhancement and application of our sustainable development principles. Operating standards define the minimum requirements for good operational management and control across all policy areas and provide guidance on the implementation of the SDMS at Group, business unit and operational levels.

The Boards review the Group's SD policies on an annual basis. The 2016 policy update included the addition of a Supply Chain and Responsible Procurement Policy and the expansion and update of our Labour and Human Rights Policy (formerly the Global Employment Policy) to reflect the increasing importance of human rights issues in business supply chains. In 2017, we undertook another review to ensure our policies met the requirements of the UK Modern Slavery Act 2015. The Boards also approved a new version of the Group's Diversity Policy in 2017 (see [page 37](#)).

The next update is scheduled for 2018. In 2018, we will also do a review of our operating standards, the second tier of our SDMS, which sets minimum requirements for each Mondi operation to comply with Group policies.

Our central reporting system captures and consolidates monthly and annual data on key safety and health, energy, environmental, wood procurement, forestry and other sustainability parameters from our global operations and we independently assure selected KPIs annually. This data allows us to benchmark individual operations and identify opportunities for improvement and best practice sharing across the Group.



## Sustainability governance

### How we're managing risks and opportunities

Our Group-wide risk management framework is designed to address all significant strategic, sustainable development, financial, operational and compliance risks that could undermine our ability to achieve our business objectives into the future. We exercise due diligence prior to the introduction of new operations, practices, processes and products.

Our sustainable development risk and change management standard guides the way sustainable development risks are identified and managed. Our risk management approach – particularly relating to environmental issues – incorporates the precautionary principle, which implies our responsibility to protect the natural environment from harm where there is a plausible risk.

We update our sustainable development risk register annually to ensure appropriate mitigation plans are in place for those risks with a high likelihood of occurrence and/or impact potential. These risks include inherent operational as well as strategic risks. In addition to the key impacts on our business and our stakeholders, we identify sustainability trends and opportunities and seek to mitigate risks that affect our longer-term prospects and financial performance.

Our risk management process is one of the internal processes that informs the identification of our material sustainability issues and the commitments we set to monitor and improve our performance within these. Please refer to [page 18](#) for more information on our material issues and [page 83](#) for progress against our commitments.

You can read more about our principal risks on [page 35 of our Integrated report and financial statements 2017](#).

### Mondi's internal audit function

Our internal audit function is an integral part of the Group's system of governance. The purpose of this independent assurance function is to evaluate whether the nature and extent of business risks are being managed effectively within the context of business objectives.

A system of internal control is one of the primary means of managing risk and the evaluation of its effectiveness is central to internal audit responsibilities.

Mondi's system of internal control comprises the policies, procedures and practices, as well as organisational culture that collectively support effective operation in the pursuit of our objectives.

This system of internal control enables us to respond to significant business risks, and is the direct responsibility of the Boards and executive management.

The assurance provided by internal audit assists the Boards in fulfilling their duties and obligations under the corporate governance codes of South Africa and the UK, and in reporting annually to shareholders on the effectiveness of Mondi's systems of control. The audit committee has primary responsibility for monitoring and reviewing the effectiveness of the Group's internal audit function.

### Our Speakout hotline

The audit committee oversees the adequacy of Speakout (our Group-wide anonymous whistle-blowing system – see Speakout on [our website](#)), while internal audit is responsible for the day-to-day monitoring of the Speakout process.

This ensures management is appropriately informed about reported issues and that related risks are adequately managed.



Summaries of all reported issues and the status of unresolved items are presented to the audit committee at each meeting to ensure appropriate investigation has been undertaken and responses given, with actions taken where any allegation proves to have some foundation.

During 2017, we received 120 Speakout messages (2016: 335) relating to 74 cases (2016: 76). These covered a number of topics, in particular the reporting of HR-related concerns, potential business irregularities and perceived fraudulent activities. The number of messages decreased in 2017 due to multiple messages for some cases in 2016.

### Political donations, gifts and bribes

Mondi is opposed to all forms of corruption and illegal practices. The Group does not tolerate the giving or receiving of bribes, nor does it condone anti-competitive practices in its dealings with governments or in the marketplace. Mondi does not permit contributions or donations for political purposes. Our approach to preventing corruption is published in company guidelines and policies, on the local and Group-wide intranets, and on the Group website. Mondi requires any lobbying undertaken to be in line with the Group's business ethics and policies. Our policies on these matters are set out in our Group Business Integrity Policy.

Mondi's definition of bribery, as defined in this Policy, includes facilitation payments, with an appendix dedicated to this aspect.

### Fines, non-monetary sanctions and significant legal issues

Mondi has not been the subject of any legal actions against it for anti-competitive behaviour, anti-trust, or monopoly practices during the year. Mondi has not received any material fines or non-monetary sanctions for non-compliance with laws and regulations.

In the year under review the Group received 51 inspections from various environmental regulatory agencies across its pulp and paper mills in nine countries. These inspections related mainly to legal compliance, permit requirements, emission levels, water and waste management, pollution controls and odour levels.

During the inspections, no material findings of non-compliance were noted. In some instances action plans were agreed with the relevant agencies and implemented. In two instances, feedback was still being awaited from the relevant agency at the time of publication.

No criminal sanctions were imposed but in four instances modest fines were levied and paid. The Group is not aware of any impending prosecutions.

## Action areas

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## Employee and contractor safety

The safety and health of our people is of paramount importance, and we take our goal of zero harm to employees and contractors very seriously. We're proud of the fact that our safety performance has improved steadily in recent years and that we're among the leaders in our industry.

### Why is this important to our stakeholders?

- The human cost of occupational accidents, diseases and major industrial disasters has a major global impact: the International Labour Organization (ILO) estimates that 6,300 people die every day as a result of occupational accidents and diseases – around 2.3 million deaths per year<sup>1</sup>
- Beyond the impact this has on people, the economic burden of occupational accidents, diseases and major industrial disasters is estimated at around 4% of global GDP each year<sup>2</sup>
- Our operations involve high-risk activities that could affect people's health and safety. As a minimum, stakeholders expect us to apply robust risk management controls and procedures to keep people safe

### Why is this important to Mondri?

- It's a moral and a business imperative that we do everything we can to avoid harm to people's safety and health while working at Mondri – including our employees, contractors and other people who have reason to be on Mondri sites
- We have a caring culture; when incidents occur it could have a devastating impact on the injured and their family as well as on their Mondri colleagues at all levels
- Safer operations are more efficient, profitable and successful, with employees enjoying higher levels of engagement and motivation
- People are also more likely to choose to work for us over those companies with poor safety performance



### Our Growing Responsibly commitments to 2020:

- Avoid work-related employee and contractor fatalities
- Prevent life-altering employee and contractor injuries
- Reduce TRCR by 5% compared to 2015 baseline, including new acquisitions

### Discover how we are...

- Working towards ISO 45001 certification of our management system
- Using 'current' and 'lead' indicators to monitor and drive progress
- Focusing on a 24-hour safety mindset among our workforce

### Next steps

- We will continue working on the top risks at each site, to engineer relevant safety and health risks out of the business
- We will also focus on improving the behavioural and sub-conscious elements of our safety culture, so that safety becomes an unconscious behaviour 24-hours a day, every day

### UN SDGs and targets



#### SDG 3 Good health and wellbeing

- Target 3.3 By 2030, end the epidemics of AIDS, tuberculosis, malaria and neglected tropical diseases and combat hepatitis, water-borne diseases and other communicable diseases



#### SDG 8 Decent work and economic growth

- Target 8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment

<sup>1</sup> <http://www.ilo.org/global/topics/safety-and-health-at-work/lang--en/index.htm>

<sup>2</sup> <http://www.un.org/en/events/safeworkday/>

## Employee and contractor safety

# Ensuring the safety of our people

**Our employees and contractors often work in potentially hazardous environments. To ensure their safety and health, and that of other people who have reason to be on Mondi sites, we have established clearly defined procedures and robust controls that everyone is required to adhere to.**

These include: close call and incident reporting and investigation; risk assessments; audits; permit to work requirements; energy isolation and lock out systems; specialist training programmes; safety procedures; and contractor safety management.

We continue to focus on the top risks at each site, implementing engineering controls where feasible and possible, and on ensuring continuous improvement in our safety and health controls and programmes. Detailed investigations are conducted for all our recordable cases to identify root causes and contributing factors and we develop suitable action plans in response.

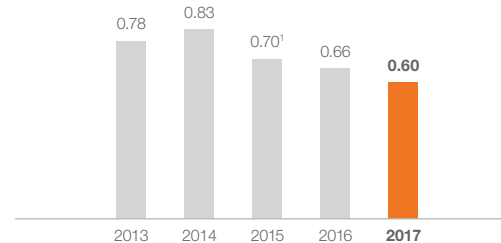
We are deeply saddened by the two fatalities we experienced in 2017, and one employee missing (presumed deceased) during preparation for cleaning activities on the river in our Syktyvkar (Russia) logging operation.

In February, a contractor lost his life in our South African forestry operations following a timber vehicle incident; and in August, an employee lost his life in our Tire Box operation in Turkey during electrical fault finding activities at a bundle-strapping machine. We also regret that we had three life-altering injuries during the year: an employee lost four fingers at our Ascania operation (Germany) when coming into contact with rotating equipment; a contractor lost his sight in one eye after an angle grinder disc broke during the annual maintenance shut at our Syktyvkar mill; and another contractor had a partial finger amputation at our Frantschach mill (Austria) when coming into contact with rotating parts of a vacuum dust extraction unit during housekeeping activities.

We had 217 recordable cases in our operations in 2017 (2016: 237). This equates to a total recordable case rate (TRCR) of 0.60, a 21% reduction compared to our 2015 baseline of 0.76 (adjusted to include acquisitions), and 9% improvement over our 2016 performance of 0.66.

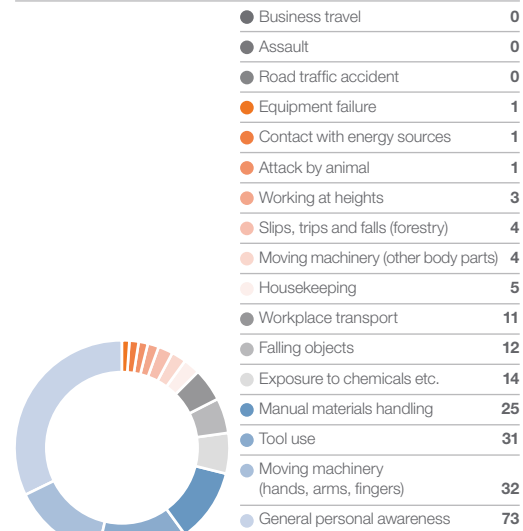
In all instances, we were kept fully up to date by management of the investigations into the above incidents, to help us understand the events involved and how we might prevent such incidents in the future.

### Total recordable case rate (TRCR) per 200,000 hours worked



<sup>1</sup> 2015 baseline for calculating progress against 2020 commitment is 0.76, which has been adjusted to include acquisitions

### Total recordable cases by injury classification 2017 cases



In focus:

### Embedding a 24-hour safety mindset

In 2017, we introduced the approach of a 24-hour safety mindset, whereby safety is seen as something we do for ourselves, for our families, and for our colleagues and their families. The approach is designed to tap into people's awareness on an emotional, unconscious level – by applying safety to all aspects of our lives, not just at work. It's based on the premise that there's no difference between being safe at work and being safe at home – the outcome is the same – and that if we develop our habits in a way that safety becomes an unconscious behaviour, then we'll ensure our own safety and that of those around us as a matter of course.

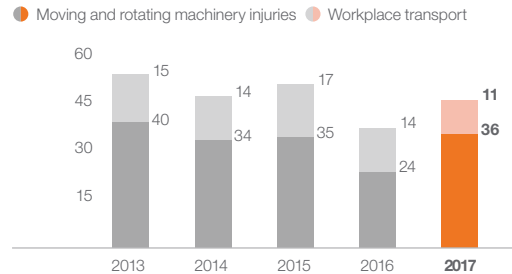
We launched the 24-hour safety mindset approach in March 2017 with a film spearheaded by our CEO. It was supported by promotional activities across the business, including campaign materials depicting real employees and their children in various safety scenarios.

Watch our safety campaign video

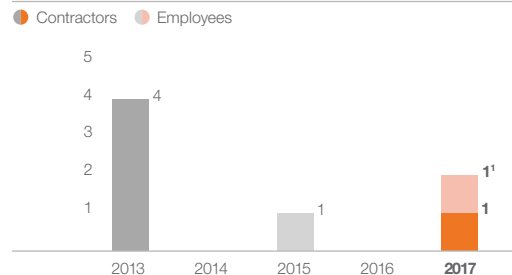
**8** Read the full story in our 2017 sustainability publication 'Partnering for change'

## Employee and contractor safety

### Injuries from high-risk activities instances



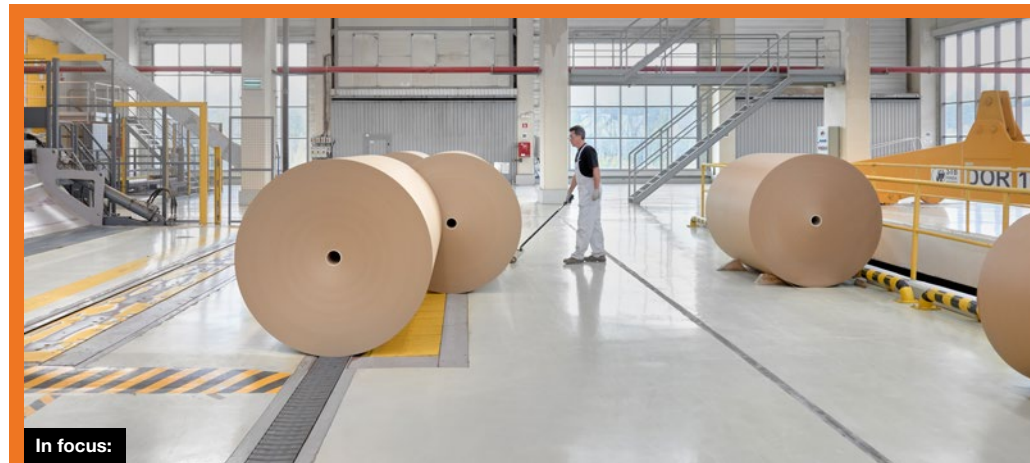
### Total fatalities of contractors and employees numbers



1 Excluding missing person

### Certification and management systems

We use internationally accredited safety management systems to ensure appropriate procedures and systems are applied across our entire business. Our operations and equipment are subject to ongoing internal and external audits designed to identify strengths and weaknesses in procedures and control systems and to guide necessary changes and improvements. Regular audits of our plant and equipment standards assure ongoing process controls and systems improvements.



In focus:

### Reducing exposure to hazardous areas at our Świecie mill

The area under the hood of our paper drying machines is extremely hazardous, with rotating cylinders, guiding rolls and ropes. Our Świecie mill (Poland) has identified it as a top risk and, although there are times that people may be required to enter the hazardous area, access must be strictly controlled into this ground-floor area.

To reduce the risk of inadvertent, unauthorised entry – whether by Mondi employees or contractors – the mill has introduced robust controls at all five of its paper machines. Every entrance to the area under the machine hood is now clearly marked as either authorised or unauthorised, and a system gives out a clear warning with the aim of preventing anyone from entering the area unauthorised.

Monitoring has shown the new system to be effective, but there is still room for human error. To reduce the risks further, we will consider adding locking mechanisms to prevent access to the hazardous area in the future.

All our mills<sup>3</sup> except Pine Bluff in the US and 74% of our converting operations (67 of 90) have the OHSAS 18001 system in place. Going forward, we will focus on ISO 45001 for recertification.

### Risk-based approach

Our risk-based approach is central to how we manage safety and health at Mondi. Risk assessments are an important tool for identifying hazards and putting necessary control measures in place. Every operation continues to identify their top risks and develop management plans to engineer them out of the business.

Where the latter is not feasible or possible, robust controls and procedures are introduced to reduce the risks.

Our Task Risk Management Methodology provides a practical, easy-to-understand approach to conducting pre-task risk assessments, assessing probability and severity of any incident and guiding action plans based on a hierarchy of controls to address the risks. This requires operations to consider the top three risk controls – elimination, substitution and engineering – before looking at administrative controls or issuing personal protective equipment.

The approach aims to firstly prevent incidents and then, if they do occur, to reduce their severity.

Building on the Top 5 Fatal Risks approach introduced from 2013, we continue to address the top risks in all our operations. The second phase of work commenced in 2016 with the identification of the next set of top risks for each operation and how best to address them. To support the approach, we rolled out the new Task Risk Management Methodology across the Group and finalised a new Permit to Work Methodology. We also acknowledge that we need to place more importance on behavioural aspects of safety, so in 2017 we introduced the 24-hour safety mindset, whereby safety is seen as something we do for ourselves, for our families, and for our colleagues and their families. This was done through the use of poster campaigns, the development of a new safety slogan and safety icon, and related video message from our Group Chief Executive Officer. Through these efforts, we will continue to strengthen our safety culture and our engagement and training efforts to prevent serious incidents from occurring in the future (see page 8 of our 2017 sustainability publication ‘Partnering for change’).

### Measuring progress through lead, current and lag indicators

In addition to conventional safety metrics which measure safety performance in terms of past incidents and TRCR – known as ‘lag indicators’, we use ‘current’ and ‘lead’ indicators. These allow us to monitor proactive efforts and improvements aimed at preventing incidents.

We use current indicators to measure the degree to which safety has been institutionalised and

<sup>3</sup> Dynäs mill (Sweden) is certified to AFS 2001:01 (the Swedish Work Environment Authority’s standard)

## Employee and contractor safety

how well our management systems have been executed. These include management risk-focused audits, first-line manager task audits, SHE professional focus audits, and peer observations. We also track the actions taken and closed, including SHE improvement plans, top risk action items, and actions identified after injuries occur. We also revise the risk assessments completed against a site-specific plan.

We use lead indicators to concentrate on issues that are key to successful safety performance, such as action tracking, critical safety training, revision of risk assessments using our Task Risk Management Methodology (launched in 2017), and the implementation of our new Permit to Work Methodology (see below).

Performance against current and lead indicators form part of our senior managers' bonus scheme, with targets assigned to each indicator as part of the annual performance and development reviews (PDR) process.

In 2017, 106,840 management risk-focused audits, first-line manager task audits, SHE professional focus audits and peer observations were carried out against a target of 76,592, and more than 95% of all action items were closed out. In addition to 247,965 hours of general safety training, we conducted 58,594 hours of critical safety training against a target plan of 28,137 hours.

### Working with contractors

Our contractors work for companies with varying safety requirements and cultures. We work closely with and support them to manage their safety and health risks to align with Mondi requirements. On a risk-based approach, we appoint contract managers to facilitate liaison between contractors and the Mondi team.

These managers work with Mondi SHE professionals and contracting companies to provide support and guidance, monitor contractor safety performance, and work with contractors to help address gaps and improve practices.

Our defined six-step process is summarised in a Safe Practice Note and helps with the management of contractors prior to and during their time on-site at Mondi, as well as post-contract evaluation. The six-step process includes: the selection of the Mondi contract manager; the pre-tender phase; preparation and awarding of contracts; engagement prior to entering the site; on-site engagement; and, finally, post-contract evaluation and guidance.

### Safe maintenance shuts and other projects

Our mills are subject to scheduled annual shuts, when machinery and equipment is maintained, replaced or upgraded. Other complex and large projects also involve non-routine work with many employees and contractors working on site at the same time. Some of our highest risk activities occur during these maintenance shuts and large or non-routine projects.



To manage the risks, Mondi site managers and SHE professionals maintain a visible presence on site and at key meetings, providing guidance and support where required. In addition to continuously monitoring performance on site, we apply our top risks approach and engage with contracting companies to align activities and agree common standards of work on Mondi sites. We also held pre-shut risk assessment sessions at the mills in 2017 with a focus on the high-risk activities. The purpose was to ensure all risks were identified and suitable management controls implemented.

During annual shuts and other major projects in 2017, our mills had between 200 and 3,000 contractors working on site at any one time. We engaged with some of our larger suppliers to ensure alignment with the standards and performance we require during these shuts and projects. While we have achieved good performance overall across our projects, one life-altering injury occurred in Syktyvkar during a maintenance shut. We continue to revise our risk assessments to prevent serious injuries from happening again.

### Training

Our training and skills development programmes address all aspects of safety and health including management, risk assessment, competency, policies and procedures, incident investigation, and auditing. Training is carried out in various formats spanning formal training, on-the-job training and toolbox talks. We've improved engagement with employees and contractors around safety and health-related issues, coaching them to take personal responsibility for their own safety and that of others.

In 2017, we continued to provide training to first-line managers, designed to give them the

tools and knowledge to manage the safety and health of their teams. When we acquire new assets and operations, safety professionals form part of the acquisition project teams to ensure new acquisitions are quickly aligned with Mondi systems, methodologies, culture and approach.

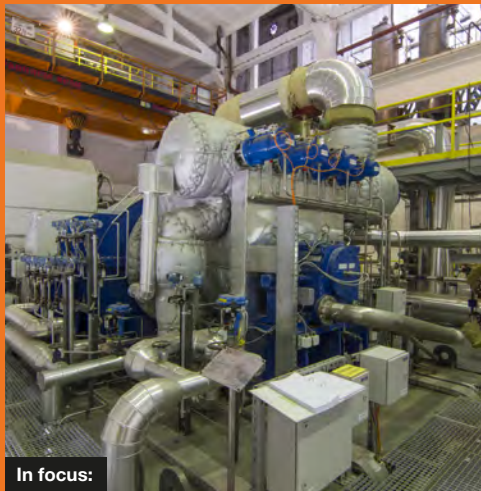
We have completed the roll-out of our new training programme to all safety and health professionals to ensure alignment and understanding of the Mondi safety and health methodologies and requirements. We are now developing the next module, which will be rolled out in Q3 of 2018 with all safety and health professionals required to have completed it by 2020.

To date, 151 people have attended the four-day safety and health professionals training programme and 1,125 have attended the three-day first-line managers training programme.

In 2017, we held our first global safety and health conference in Vienna which was attended by safety and health professionals from operations around the world. It focused on various safety and health issues including the launch of our new safety slogan and logo "Work safe, Home safe. Everybody, every day" as well as aligning the operations with Group requirements.

The senior safety and health team meets on a quarterly basis to address the relevant safety and health issues and align efforts to the Safety and Health Strategic plan. These meetings, chaired by the Group Head of Safety and Health, are attended by senior safety and health professionals from each business unit and segment, as well as invited participants. Due to the conference, the team only held three meetings in 2017. To ensure continuous understanding of and buy-in to new methodologies, specific training is at times included in the agenda of these meetings.

## Employee and contractor safety



In focus:

## Engaging safety volunteers at our Stambolijski mill

Our Stambolijski mill (Bulgaria) launched its Safety Volunteers initiative to drive continuous improvement and strengthen its safety culture. The initiative engages employees to contribute to the health and safety performance of their department and the whole mill – promoting active attitudes and safe behaviours and supporting our caring culture. With a 24/7 presence at the mill, volunteers help to reduce safety, health and environmental risks while, at the same time, developing facilitation skills through direct communication and engagement with their colleagues.

The initiative began during the annual shut in 2016 with 14 volunteers and was expanded in 2017 to become a year-round initiative involving 21 people. Volunteers completed 154 documented audits during annual shuts and 269 audits in total by the end of 2017. Seven volunteers also received external and internal auditor training, in accordance with OHSAS 18001.

21

Volunteers in 2017



**“I took the initiative as my personal responsibility – to take care of the people who work during the annual shut on the premises of our company so that everyone can go home safely at the end of the working day. Thanks to this experience, I’ve learned to consider the risks much better. I would join the next safety volunteering opportunity again.”**

**Miglena Aladzkhova**

Safety Volunteer and Junior Pulp Mill Technologist

**Developing our safety culture**

When it comes to our safety performance, we’ve come a long way over the last 10 years. Open and honest discussions about what safety means for all of us at Mondi have led to a step change in the way we engage with each other and take responsibility for safety. But, while we’re among the safety leaders in our industry, unsafe behaviour was a common factor in many of our 2017 incidents. We’ve come to realise that, ultimately, if we want to turn our zero harm ambition into a reality, then we need to create a safety culture where people act safely in everything they do, every day – not because someone tells them to do it, but because they want to stay safe and they want to keep everyone around them safe too.

**Health and wellbeing**

**We promote awareness of diseases such as HIV/AIDS, diabetes and tuberculosis. We do this by encouraging testing, counselling and treatment, providing treatment to employees and contractors, and by offering advice to avoid onward infection.**

At our South African operations, we facilitate access to free voluntary counselling and testing (VCT) and anti-retroviral treatment (ART) for all employees and contractors.

We hold monthly meetings with safety and health professionals, employees and contractors to raise awareness and prevent diseases such as HIV/AIDS. Our peer support programme trains employee and contractor representatives to engage with and train the workforce on health issues.

In our South African forestry operations, a mobile clinic service provider ensures access to medical services for all contractor employees. Several of our operations also have on-site health and wellbeing facilities, such as our wellness centre at Syktyvkar (Russia), as well as health monitoring services. In addition, we offer wellness programmes at many locations, for example the Štětí (Czech Republic) ‘Mondi (for) Life’ initiative, which promotes sports, health and recreation.

Our occupational health programmes are designed to eliminate risks to health, prevent occupational illness and diseases, and provide a healthy working environment. Key programmes include optimising ergonomics, regular health screening, reducing noise impact and occupational health hygiene surveys.

In 2017, 3,530 employees and contractors (2016: 3,273) participated in the HIV/AIDS voluntary programme in our South African operations, with 3,307 opting for testing (2016: 2,047). In addition, 40 employees (2016: 25) and 485 contractors (2016: 435) benefited from the ART programme. The higher participation and testing in 2017 was due to Mondi’s support of national efforts to increase HIV/AIDS testing in South Africa.

Our Food4Forests programme in our South African forestry operations supports the health of contractors with over 723,700 nutritious meals provided in 2017 (2016: 692,718).



**A skilled and committed workforce**

**Our culture aims to inspire, engage and develop all our people to reach their full potential and ensure our business continues to grow and succeed. With around 26,300 employees across 31 countries, this means inspiring and empowering a global workforce to deliver our Group strategy and providing outstanding opportunities for their personal and professional development.**



**Why is this important to our stakeholders?**

- Today's socially conscious employees are looking for more purposeful, rewarding careers with companies that contribute clear social, economic and environmental value
- Governments and other stakeholders increasingly expect businesses to contribute to the employment opportunities, skills and technical capacity of the markets in which they operate
- According to Business in the Community<sup>1</sup>, creating meaningful employment is one of the most significant ways that business contributes to the livelihoods of individuals and communities

**Why is this important to Mondi?**

- Socio-economic, demographic and other trends continue to impact the global marketplace, providing opportunities and challenges for our business
- Skills shortages can impact our ability to secure and retain skills for leadership and technical roles, especially in remote regions. Developing and retaining this talent is a key priority
- By engaging with our employees, we can boost productivity and increase our appeal to those who seek purposeful careers where they can make a meaningful contribution to society

**Our Growing Responsible commitment to 2020:**

- Develop a skilled and committed workforce, and engage our people to create a better workplace

**Discover how we are...**

- Engaging employees to strengthen our Inspire culture
- Using opportunities such as 360° feedback to transform employee development
- Building a deeper understanding of sustainable development, including human rights risks, across our business

**Next steps**

- We will continue to adapt and develop The Mondi Academy to meet current market trends and Mondi's requirements, and tailor programmes to the demands of specific target groups within Mondi
- We will identify and action the findings from our 2018 employee survey to strengthen engagement with our employees
- We will roll out a modified and tailored version of our new sustainable development training module for all employees in 2018

**UN SDGs and targets**



**SDG 4 Quality education**

- **Target 4.3** By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education
- **Target 4.4** By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship

<sup>1</sup> Business in the Community, The Prince's Responsible Business Network, is a business-led, issue-focused charity for building a fairer society and a more sustainable future



## A skilled and committed workforce

# Employee engagement

**Employee engagement is integral to our culture. By hearing, respecting and responding to what our people say, we inspire them to deliver against our Group strategy. Creating open, two-way communication channels throughout our business is fundamental to our long-term success.**

We use both formal and informal processes to communicate and engage with employees together with regular performance and development reviews. Alongside electronic and printed communication, face-to-face briefing sessions are held by executive and line managers on topics such as safety, operational objectives and performance, collaboration, financial performance and the Group's values and culture. We also consult employees through regular Group-wide employee surveys designed to better understand their perspective on certain issues and take their views into account during decision-making. These surveys also enable us to track our progress against specific actions resulting from previous employee surveys, and to understand how we are progressing on our Inspire journey.

### Inspire

Inspire is the programme through which we engage all our employees to live our three core values – passion for performance, acting with integrity and caring. Since its launch in 2011, we've worked together to develop a culture that is organised around six pillars: dynamic, respectful, responsible, entrepreneurial, empowered and transparent. Inspire remains at the heart of developing our people and our culture. It guides our approach to training and development, promotes transparency in our operations, and helps to engage and motivate our employees.

### Employee survey

Our last Group-wide employee survey, conducted in November 2015, was completed by 90% of employees. Overall, there was a higher level of engagement compared to the previous survey. Detailed outcomes are reported in our [2016 Sustainable development report](#) (page 30), including how each of our operations and offices have set out to address the findings.

Actions taken have included:

- a best practice sharing workshop involving managing directors from our various businesses;
- a new Leadership Programme for Middle Management translated into different languages for our operations;
- an updated internal communications handbook with simplified language;
- internal collaboration workshops; and
- a Q&A guide to leadership communication which aims to provide all employees with the opportunity to have their questions answered by senior leaders.

Progress on these and other locally important actions is tracked and reported at site level. As part of our 2017 reports' external assurance process, we conducted site visits at three mills and six converting operations for a selected scope of sustainability indicators, including the status of the 2015 employee survey actions. By the end of 2017, 89% of actions tracked across these operations were completed. In addition, the status of actions completed at some of our larger mills is as follows: 92% at Świecie (Poland), 95% at Syktyvkar (Russia), 99% at Ružomberok (Slovakia), and 100% at Richards Bay (South Africa).

In January 2018, we launched our next global employee survey and we will report on the results in our 2018 report. We also conducted internal surveys and three 'pulse check' surveys in our larger mills to track the progress on our actions and began integration surveys in our acquisitions (see case study opposite).

### Making a Difference Day

Making a Difference Day (MADD) is our Group-wide employee engagement initiative that focuses on what everyone can do to improve our safety, health, environmental and social performance. In addition to raising awareness, MADD is a way of collectively practising measures to prevent harm to our people, communities and the environment. The agenda for MADD is defined at Group level, with each site encouraged to address issues that are locally important.



**In focus:**

### Introducing 'integration' surveys in our newly acquired operations

In 2017, we started to conduct 'integration' surveys in our newly acquired operations. Working with an external partner, we ran seven such surveys at Ascania (Germany), Kalenobel (Turkey), KSP (South Korea), Lebedyan (Russia), Simet (Poland), Uralplastic (Russia) and Deeside (UK) to receive feedback from new employees on the integration process and opportunities to strengthen engagement. All of the employees at these operations as well as central integration project teams were invited to participate in the survey, with an overall good response rate. The results of the survey were communicated to all employees, activity planning workshops were organised at all seven operations, with the implementation of actions in response to findings in progress.

## A skilled and committed workforce

In 2017, our MADD activities focused on our engagement with local communities and on safety in the workplace as well as the safety of our colleagues and families. Examples of activities included a 'safe travel' video in which Mondi employees lost loved ones in road traffic accidents; a video competition entitled "I care about off-the-job safety"; a blood donation drive; cleaning up areas in the communities; and teaching learners from local schools about the protection of freshwater resources and discussing critical topics such as what it means to be 'water wise'.

### Transparency, assessment and feedback

Annual PDRs are an important tool for employees and their managers. They facilitate reflection on the past year's performance and provide an opportunity to set employees' individual goals for immediate and long-term development. PDRs are mandatory for all office employees and line managers, including shift leaders.

We use 360° feedback to allow managers to better understand employee behaviour (perceived or otherwise) and identify areas for improvement. Senior leaders, and line managers with at least three direct reports, receive 360° feedback every three years. Feedback is collected and collated anonymously from direct reports and other internal stakeholders via a questionnaire structured around our six cultural pillars and leadership competencies. New leaders receive 360° feedback around six to eight months from being appointed with a focus on their behaviour within the new role, their understanding of the business and their engagement with employees.

In 2017, we expanded the opportunity to conduct 360° feedback to a wider group of employees across the business. This was well received and perceived as value-adding. Employees without leadership functions found this individual feedback useful for personal development planning. A total of 358 employees have received a 360° feedback during the year.

From 2018, more flexible feedback will complement the 360° feedback process. Managers will be able to select five questions from the question library and receive feedback in a quick and flexible way, including via smartphone and tablet. This will support them to continuously work on their leadership behaviours.

We increasingly use external independent assessment of employees to inform their personal and professional development, strengthen our organisational culture, and support succession planning. Assessments look at competencies, skills, personality, strengths and development areas, with a growing focus on the strategic skills needed to move up the organisational structure. They help identify the right employee fit for each position and the right job fit for each employee.

Assessments are a mandatory requirement of some recruitment processes, such as our Senior Leaders Assessment and other specialist areas. One example is our global sales assessments where over 626 sales employees have undergone assessments since 2012, including 51 during 2017.

Another approach uses 'a day in the life of' assessment, which takes employees through a simulation of a particular job, what it involves on a typical day, the challenging situations that may arise, and how they deal with them.

## Training and development

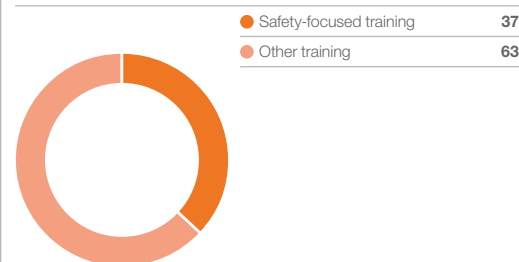
**Personal development and training enhances the skills of our people to help them realise their potential while meeting our business needs. It also enables our employees to be accountable for ensuring that their personal and our collective business conduct supports and upholds our principles and policies.**

In 2017, we devoted around 829,900 hours of employee and contractor time to training and development (2016: 790,000 hours). Roughly 37% of this training was dedicated to safety and health issues (2016: 38%). This figure does not include informal and on-the-job training, where much of our employee learning happens.

In addition to 247,965 hours of general safety training, we conducted 58,594 hours of critical safety training against a target plan of 28,137 hours.

### Coverage of safety in training hours 2017

%



In focus:

Achieving excellence together.  
Every day

'Excellence in touch with future' is a day dedicated to exploring how we can achieve excellence together, every day, by fostering collaboration and driving performance. In November, the Commercial and Supply Chain Excellence Team led the day, bringing Mondi head office and operational managers together with external experts and customers to explore and share key trends and industry developments. In 2017, we focused on how quality, innovation, leadership and excellence contribute to improving performance. Importantly, the role of people was emphasised as critical to developing a culture of quality and collaboration. It's people's engagement, commitment, skills and teamwork that makes our processes efficient, our approach innovative, and our products suited to the needs of our customers. Each topic was introduced by an external speaker, followed by a Mondi response. 'Gallery walks' provided an opportunity to explore and share innovative initiatives across each topic area in more detail.

## A skilled and committed workforce

Our induction process includes training related to our business and its strategic value drivers, including our products and approach to sustainable development. Specific training schemes are designed to empower and support diversity, particularly gender diversity. These include Success Management training with a focus on career strategies for higher management positions (20 completed this in 2017), and career development training for young female employees (20 completed this in 2017). Talent management and development initiatives include training modules such as 'Intercultural Diversity & International Business Competence' through The Mondi Academy to enhance the understanding and appreciation of the benefits of diversity within the business. 11 participated in this training in 2017. Employees in sales and marketing roles and those in positions that have, or may have, contact with competitors complete competition compliance training. 514 employees completed this training in 2017.

### The Mondi Academy

The Mondi Academy International is our global training facility based in Vienna (Austria). Established in 1998, it provides core business-related training programmes to leaders, line managers and other employees. Along with Group-wide training networks and local academies in Poland, Russia, Slovakia, the Czech Republic and South Africa (which adhere to Group quality standards), The Mondi Academy plays a key role in employee development, offering high-quality training as well as networking and knowledge sharing opportunities.

Customised training programmes, for example for procurement and sales teams and finance managers, place increasing emphasis on global topics and leadership. It also provides recommendations to managing directors and senior management on local and international business schools with a focus on general management, strategy, sales and marketing.

In 2017, we added a new programme, the Project Management Academy. We also opened a new Academy in the Czech Republic.

The Mondi Academy International conducted 148 seminars and programmes in 2017 which were attended by 1,180 Mondi employees globally. The participants in the Mondi academies in other countries totalled 2,400 in Russia, 3,633 in Slovakia, 298 in the Czech Republic, 336 in Poland, and 452 in South Africa. These included standard programmes such as specific on-demand seminars, the Sales Excellence Academy, First-Line Managers programmes, Financial Leadership Programme and Procurement Academy. Other seminars targeted business and technical excellence, personal excellence and leadership excellence.

### Building Group-wide understanding of sustainable development

In 2017, we developed a new training module to build understanding among our workforce of sustainable development topics relevant to our business and the various policies relating to those topics. Initially targeted at our leadership and management teams and structured around our 10 Growing Responsibly action areas, the module covers the increasingly important global issue of business and human rights, including our response to the 2015 UK Modern Slavery Act. This includes raising awareness of human rights issues and how we can address them in both our

supply chain and operations. We plan to include the training material in induction and leadership trainings. We also plan to evaluate the best way to roll out modified and tailored versions to relevant employees across the business, focusing on how each sustainability issue affects our business and its importance and relevance to specific functions and roles within Mondi. We have designed a separate awareness-raising campaign on the risks of modern slavery in global supply chains for roll-out to all employees via our intranet platform and other channels in 2018.

### Developing leaders from within

We have a strong focus on developing our high performing international and mobile employees, many of whom have worked for us in different geographical and cultural contexts. As our future leaders, we aim to enhance their leadership skills through dedicated development centres.

In 2017, we conducted 9 development centres with a total of 92 participants. Around 369 high potential employees have benefited from this programme to date.

### Mentoring and coaching

Our internal mentoring programme sees senior leaders and cultural role models from across the business mentor younger employees and advise them on managerial, technical and cultural topics. Mostly targeted at senior management in the past, we extended the coaching programme to include management and leadership roles at all levels, as well as wider employee groups.

The coaching programme is now delivered mostly by a network of global and local external coaches who fit with the Mondi culture and organisation. Coaching programmes target interpersonal, cultural and work/life balance skills, developing personal strengths and styles of

working, and supporting adaptation to new roles, working environments and challenging situations. For privacy reasons, we do not collect information on our coaching programmes, but we do receive very positive feedback on the value and benefits of coaching, both professionally and personally.

### Modernising training: gamification

In 2017, we introduced new gamification training schemes that apply game design elements and gaming principles to corporate learning contexts. The approach improves employees' engagement and interaction with the training subject, creates a more immersive learning experience, and generates competition and drive among participants – thereby enhancing learning and productivity.

One example is the gamification of our online training for managers involved in recruitment. The 'game' involved choosing the right candidate by creating situations and scenarios for the trainee to respond to, resulting in 'recruiting rookies' or 'recruiting champions'. The engaging nature of the training was a great advantage in embedding learning and identifying what to do and what to avoid in each situation.





**Fairness and diversity in the workplace**

The geographic, cultural and personal diversity of our workforce is one of our greatest strengths. We promote fair working conditions and uphold high standards of employment and human rights to create a fair and diverse workplace.

**Why is this important to our stakeholders?**

- Global equality, employment and human rights issues are central to the public debate about how business interacts with society
- Businesses that uphold high standards of human rights deliver significant value to society – promoting development opportunities and influencing positive change
- A clear commitment to human rights across our operations and supply chain supports customers in managing their own supply chain risks

**Why is this important to Mondi?**

- A more diverse workforce inspires innovation and creativity, while ensuring we can understand and meet the needs of our global stakeholders
- By upholding high standards of employment and human rights, we reduce our reputational and business risks and improve employee engagement, commitment and effectiveness
- We rely on a strong pipeline of talented employees from all backgrounds; increasingly, people want to work for companies that uphold only the highest ethical standards



**Our Growing Responsibly commitment to 2020:**

- Promote fair working conditions and diversity in the workplace

**Discover how we are...**

- Promoting diversity in the workplace by providing equal opportunities for all
- Focusing on improving diversity through strong policies, training and engagement
- Upholding employment and human rights across our business

**Next steps**

- We will continue to work on developing specific metrics that can more clearly monitor, measure and track our commitment to promoting fair working conditions in the workplace
- We will roll out tailored training and increase engagement to build understanding and awareness of the importance of human rights and anti-slavery among all our employees
- We will continue to work on a culture of equality and inclusion, underpinned by our new Diversity Policy, and supported by various development, training, recruitment and other initiatives targeted at enhancing diversity across Mondi

**UN SDGs and targets**



**SDG 8 Decent work and economic growth**

→ **Target 8.5** By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value

- **Target 8.7** Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms
- **Target 8.8** Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment

## Fairness and diversity

# Diversity and equal opportunities

**Our objective is to engage, involve and inspire everyone who is part of the Mondi Group as we strive to create an inclusive environment where differences are valued and embraced. We have a zero tolerance policy towards discrimination and harassment in our operations and we provide equal opportunities for all, irrespective of origin, nationality, disability or gender.**

### Promoting diversity and inclusion

Our policy is to treat everyone – all our employees and contractors whether part-time, full-time or temporary – fairly and with respect. Opportunities for employment, engagement, promotion, training or any other benefit are based on skills and ability. We monitor gender diversity across the business and both gender and regional diversity among our senior management. In line with our philosophy of encouraging diversity and inclusion, we provide equal opportunities for men and women regardless of race, age, gender, sexual orientation, ethnicity or any other difference across the Group. We are focusing on increasing the representation of women at all levels.

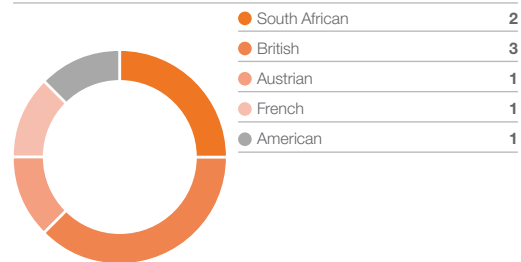
At the end of 2017, 22% of employees were female (2016: 22%), and we had two female directors representing 25% of the composition of the Boards and one director of colour. During 2017, we also reported to the Hampton-Alexander Review<sup>1</sup> that as at 30 June 2017 we had approximately 27% female representation across our executive committee and its direct reports. While the number of women on our executive committee has increased during the course of 2017, there is still further work required if we are to make progress towards 33%.

In 2017, we updated our Diversity Policy to reflect our increasing focus on diversity, taking into account evolving regulatory requirements and stakeholder expectations. The updated Policy was informed by the Hampton-Alexander Review which recommends that boards, as well as executive committees and their direct reports combined, should be 33% women by 2020.

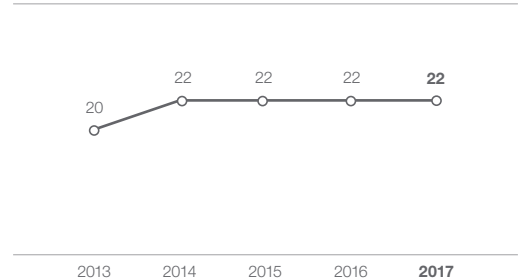
As well as gender diversity, the updated Policy provides a greater focus on ethnic and race diversity across our Board and executive committee members. The Diversity Policy continues to support our Labour and Human Rights Policy.

Diversity initiatives across the Group support our approach. Talent management and development initiatives include training modules such as 'Intercultural Diversity & International Business Competence' through The Mondi Academy to enhance the understanding and appreciation of the benefits of diversity within the business; 'Success Management training' with a focus on career strategies for higher management positions; and career development training for young female employees.

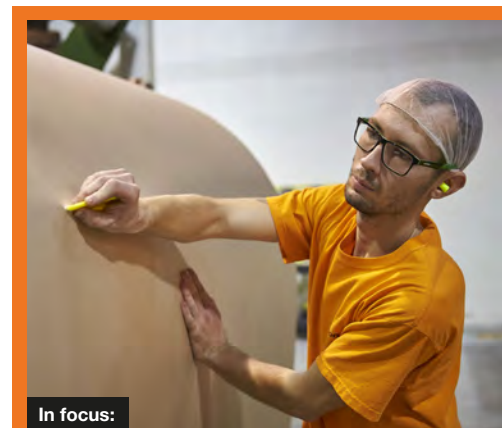
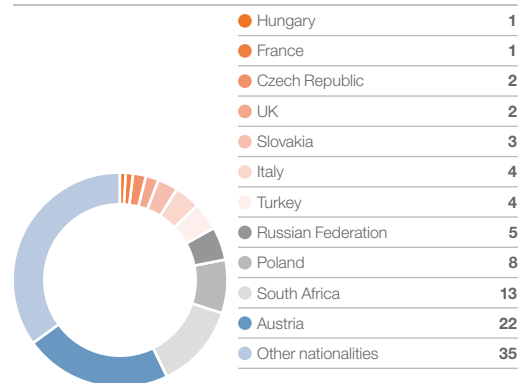
### Nationalities represented on the Boards



### Female % of total employees



### Management by origin 2017



In focus:

### Developing an inclusive culture: Mondi Coating Štětí

Mondi Coating Štětí employs some 130 people at its plant on the banks of the River Elbe in the Czech Republic. In recent years, the plant has employed a number of people from the Banat region of Romania as a source of talent to meet its workforce needs. There is high unemployment in Banat and many Romanians living there speak Czech and follow Czech traditions. This means they are attracted to employment opportunities in the nearby Czech Republic.

Mondi Štětí's management has worked hard to integrate the new employees from the Banat region and provide the support and training they need to make the transition to a new country. This has included tackling cultural issues and building a more positive working relationship between Czech and Romanian employees to ensure a welcoming environment for the foreign co-workers. The new Romanian employees have contributed to the inclusive culture at Mondi Coating Štětí.

"I am very happy to be able to help my colleagues from Banat. They will get a good job which will lead to a better life for them. And, at the same time, Mondi Coating Štětí gets enthusiastic and hardworking employees."

Manfred Stefan Anitescu, Shift Leaders' Manager, Mondi Coating Štětí

<sup>1</sup> An independent review body which builds on the work of the Davies Review to increase the number of women on FTSE boards and includes a focus to improve women's representation in senior leadership positions

## Fairness and diversity

Other initiatives include mentoring and development programmes, flexible working practices and membership of an LGBT+ network and consultancy in order to support diversity and employee integration across the business. A pilot initiative planned for 2018, targeted at disabled employees, will help us understand and address their specific needs, and ensure their integration and engagement, and access to equal opportunities.

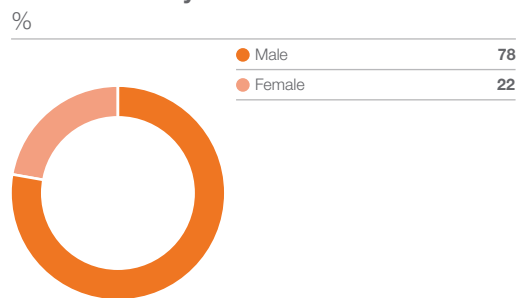
We are working on developing specific metrics that can more clearly monitor, measure and track our commitment to promoting fair working conditions in the workplaces.

At the end of 2017, 57% of Mondi South Africa's management team were previously disadvantaged individuals (2016: 47%).

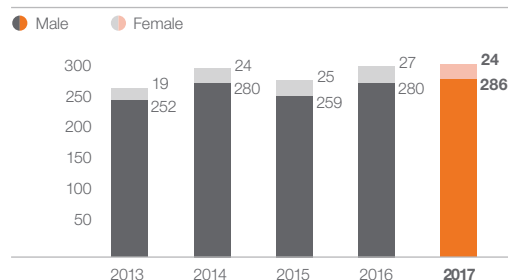
### Equal opportunities for all

We consider applications for employment in a fair and balanced way, seeking to cater to individual requirements, disabilities and needs. We also consider vulnerable groups in our workforce such as migrant and temporary workers. Our Labour and Human Rights Policy commits us to consistent and fair training, career development and promotion for everyone, including for people with disabilities as far as is possible. In the event of an employee suffering a life-altering or life-threatening injury at work, we facilitate appropriate medical treatment, transportation to and from the hospital for their families, as well as ongoing rehabilitation. Every effort is made to support their continued employment with Mondi.

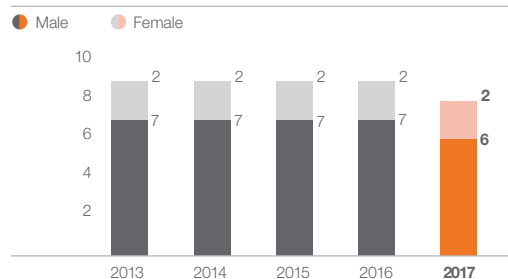
### Gender diversity 2017



### Gender diversity among senior leaders numbers



### Gender diversity among Board members numbers



While we acknowledge recommendations set out in credible external guidance, we ultimately base our decisions on candidates' capabilities, skills and experience. We continue to strengthen our succession planning to ensure a sufficient pipeline of high-calibre candidates of different backgrounds. We ensure succession planning is fair, equitable, non-discriminatory and in compliance with local legislation across the Group.

### Recruitment and training

Our hiring policies include a specific percentage of female candidates on long and short lists for external direct searches, and forward-looking strategic recruitment search for a pool of female top candidates. We've strengthened the Mondi leadership and training programmes to promote gender diversity. 'Success Management' training focuses on supporting career strategies for higher management positions for both genders and, in some locations, targeted training supports young female employees in career planning and balancing professional and personal goals.

We also provide mentoring and increase the visibility of female talent through targeted exposure to Business Unit/Business Segment and Operational Committee meetings or in-depth review meetings. We regularly feature successful female employees in internal newsletters to promote internal role models.

We support all employees to fulfil their career ambitions during and after maternity/paternity leave – offering guidance, training and flexible working packages to help them return to their roles. Some operations support or provide child day-care programmes and facilities. The kindergarten at our Vienna head office, for example, can accommodate 95 of our employees' children, up to six years of age.

To help embed and promote cultural diversity, we offer inter-cultural training. Where possible and appropriate, we provide cultural training and local coaches for employees posted to new countries, to help them settle and understand the cultural norms of their new home and working environment. For example at Korneuburg (Austria), employees of different nationalities are paired up with a 'language buddy' as support during the on-boarding phase and we run English classes for employees for whom English is their second language at some locations.

## Fairness and diversity

# Employment and human rights

## Employment rights

We comply with all applicable national laws and industry standards on working hours and we promote a culture that fosters workplace flexibility and work/life balance. Mondi does not tolerate inhumane treatment of employees or any form of forced labour, slavery, human trafficking, physical punishment or other abuse. Responsibility for implementing these principles lies with local line management and training is fundamental to our approach.

We protect the safety and health of our employees (see [page 27](#)) and invest in promoting the health and wellbeing of our employees and communities (see [page 31](#)).

## Human rights

The UN Guiding Principles on Business and Human Rights provide a sensible and effective framework for business. We're strengthening our monitoring and reporting of potential issues in our operations and supply chain, as reflected by our action areas and 2020 commitments. These include: a project to identify any human rights risks and better integration of sustainability criteria relating to labour and human rights in our Supplier Relationship Management (SRM) system, fibre procurement due diligence and audit processes, purchasing policies, Code of Conduct for Suppliers, and audit protocols (see [page 69](#)). We report annually on our compliance with the 10 principles of the United Nations Global Compact (UNGC). Our Communication on Progress is publicly available<sup>2</sup> and we report at 'Advanced Level'.

We are working to ensure that we implement comprehensive mechanisms to identify and address any human rights incidents which may occur in our supply chain, however we were not made aware of any human rights incidents in our operations or supply chain in 2017 through our Speakout tool.

## Building employee awareness of our human rights responsibilities

Our new training on sustainable development is structured around our Growing Responsibly model and places special emphasis on business and human rights and our response to the UK Modern Slavery Act of 2015. It aims to raise awareness across our global company of human rights issues and how we can respect and protect human rights along our supply chain and in our operations. The module will be used at our induction trainings and leadership trainings going forward. In 2018, we plan to roll out a modified and tailored version of the training for different employee groups. A more targeted training and awareness raising campaign on the risks of modern slavery in global supply chains was designed in 2017 and will be rolled out to employees via our intranet platform and other channels in 2018.

## Child labour and forced compulsory labour

We do not tolerate any forms of child labour in our operations or our supply chain. We never employ people who are either below the age of 15 or below the local minimum employment/mandatory school age – whichever is higher and relevant to the particular country.

We do not tolerate any form of forced labour, slavery or human trafficking (see [page 70](#) for our measures to identify and tackle risk of modern slavery in our supply chain).

<sup>2</sup> [www.mondigroup.com/ungc\\_cop](http://www.mondigroup.com/ungc_cop)



In focus:

## Embracing diversity at Mondi Simet

Mondi Simet is one of our corrugated converting plants in Poland, located in Piaski, which became a part of Mondi in 2016. As a business imperative in respecting equal rights, and in line with Mondi's culture of inclusion, Simet has always strived to embrace diversity in the local talent pool and provide equal opportunities to all. This includes disabled employees. They account for approximately 40% of Simet's total employees and have demonstrated high levels of engagement, and very low absenteeism.

Over the years, the plant has made adjustments and adaptations to the workplace to meet their specific needs, including to machinery and equipment, computers, facilities, and other aspects, and has provided medical assistance and special insurance. In addition to these tangible adjustments, the plant operates in a culture of respect, equality and teamwork, reflected in the way all employees treat each other. As a result, the plant has been recognised over the years as an attractive, fair and inclusive employer in the region as reflected in the higher rates of disabled employees working at Simet relative to other employers.

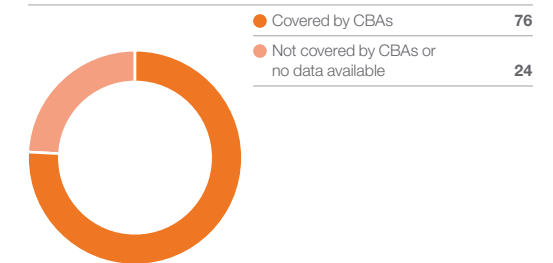
Mondi Simet's example has demonstrated true integration and inclusion, together with direct business benefits. These include access to a larger, more diverse talent pool, as well as an engaged and productive workforce.

## Collective bargaining and freedom of association

Mondi respects the rights of all employees to form and join trade unions and to take part in collective bargaining. We abide by legally binding collective agreements and, in locations where the right to freedom of association and collective bargaining is restricted by law, we can facilitate parallel means of independent and free employee representation. This includes ensuring employee representatives do not suffer discrimination and that they have open access to members in the workplace. We do not collect or report information on employee union membership at Group level due to differences in national legislation in the countries where we operate. However, as part of our annual remuneration survey, we do collect information from our local entities on salary increases resulting from collective bargaining agreements and the proportion of employees covered by these agreements.

In 2017, an estimated 76% of our employees were covered by collective bargaining agreements.

## Estimated coverage of employees by collective bargaining agreements (CBAs) 2017 %



## Fairness and diversity

### Remuneration

We provide fair wages and benefits that either meet or exceed legal or industry minimum standards. The Group has a number of performance-related pay schemes that reward employees for the pursuit and achievement of business objectives. The majority of our employees participate in these schemes.

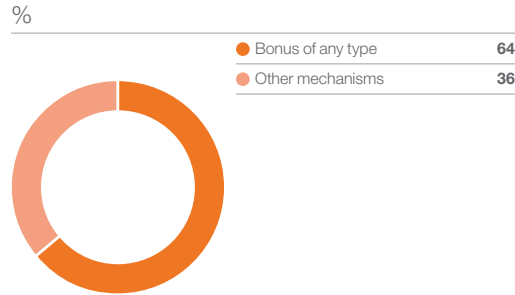
We base reward and recognition on performance. Total compensation consists of base salary plus benefits and incentives, which are determined by global rules, local legislation, market practice, seniority and individual performance (see [page 34](#) for more information on performance management processes).

Our organisation is decentralised and we do not collect information centrally on local remuneration schemes. Instead, we run an annual remuneration survey through which local entities provide information on incentive and pay schemes and salary increases resulting from collective bargaining agreements.

An estimated 64% of employees received a bonus of some kind in 2017. 36% of employees received the Mondi standard bonus, which is measured based on financial, personal and safety targets.

For our approach to executive and Board remuneration, please see [page 113 of our Integrated report and financial statements 2017](#).

### Employees receiving bonus 2017



### Grievance mechanisms

We have developed a strong internal process and tools to facilitate the reporting, investigation and resolution of grievances. Speakout is our confidential hotline for reporting grievances and whistleblowing. It is operated by an independent third party and provides a simple, accessible and confidential channel through which employees and other stakeholders can raise concerns. Social media channels are also increasingly used by our external stakeholders and employees to engage with us, share ideas and raise concerns. We monitor these, investigate and respond as appropriate.

During 2017, we received 120 Speakout messages (2016: 335) relating to 74 cases (2016: 76 cases). These covered a number of topics; in particular the reporting of HR-related concerns, potential business irregularities and perceived fraudulent activities. The number of messages decreased in 2017 due to multiple messages for some cases in 2016. All Speakout messages were forwarded to the respective Mondi management team in accordance with our standard procedures. We responded and took appropriate corrective action where required.

### Corporate restructuring

We constantly review opportunities to ensure the long-term sustainability and growth of our business. This process involves careful review of options with any decision about business restructuring requiring director-level approval. Where employees are affected, we follow our own HR policies and local labour rules as a minimum – including consultation, notice periods, regular briefings and trade union involvement where feasible/available. Where employee roles are at risk, we seek to provide retraining, re-employment and relocation of those employees affected, supporting entrepreneurship as well as severance payments depending on local regulations and available legal schemes. Active measures to promote employment and retraining are carried out in close cooperation with relevant authorities and other appropriate third parties.







## Sustainable fibre

**Commitment by businesses globally to deforestation-free supply chains and financing is a tangible step towards the conservation and sustainable use of forests and other ecosystems<sup>1</sup>. This is fundamental to achieving the UN SDG target of zero net deforestation and forest degradation by 2020. We source wood and fibre only from responsibly managed forests and we are committed to zero deforestation and no illegal logging.**



## Why is this important to our stakeholders?

- Forests are core to the cultures and livelihoods of communities worldwide: some 300 million people live in forests and more than one billion directly depend on them<sup>2</sup>
- Deforestation<sup>3</sup> and illegal logging contribute to biodiversity loss and climate change, negatively impact on ecosystem services, and encroach on the livelihoods and human rights of people around the world
- Increasingly aware consumers demand responsible products which increases the need for transparency across the whole wood supply chain
- Our customers also want more detailed information about our supply chain – from forest to mill and beyond

## Why is this important to Mondi?

- Wood is one of our primary raw materials, with sustainable sources of wood and fibre being essential to our business. We have a clear business imperative to contribute to a sustainable, fair and transparent wood supply chain
- We need to provide robust evidence that we only procure wood from sustainable sources to comply with global legislation and satisfy stakeholders

## Our Growing Responsibly commitment to 2020:

- Procure a minimum of 70% of our wood from FSC<sup>TM</sup>- or PEFC<sup>TM</sup>-certified<sup>4</sup> sources, with the balance meeting our company minimum wood standard that complies with FSC's Controlled Wood requirements

## Discover how we are...

- Working with our partners to increase the long-term supply of sustainable fibre, including collaborating with global certification schemes to improve access to credibly certified fibre
- Assessing risks in the countries we source our wood from, to define the requirements for responsible sourcing in different locations
- Supporting small and medium enterprises to help meet projected demand for wood-based products

## Next steps

- We will continue to refine our own Due Diligence Management System (DDMS), including further training of relevant employees
- As well as working with certification schemes to ensure an appropriate risk-based approach and improvement of due diligence for uncertified wood, we will (through our Partnership with WWF) evaluate and define responsible sourcing in the countries where we source wood

## UN SDGs and targets



### SDG 12 Responsible consumption and production

- Target 12.2 By 2030, achieve the sustainable management and efficient use of natural resources



### SDG 15 Life on land

- Target 15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally

1 [http://awsassets.panda.org/downloads/wwf\\_position\\_on\\_deforestation\\_free\\_1\\_june\\_2015.pdf](http://awsassets.panda.org/downloads/wwf_position_on_deforestation_free_1_june_2015.pdf)

2 [http://wwf.panda.org/about\\_our\\_earth/deforestation/](http://wwf.panda.org/about_our_earth/deforestation/)

3 The conversion of forest to other land use or the long-term reduction of the tree canopy cover below the minimum 10 percent threshold. See <http://www.fao.org/docrep/014/am665e/am665e00.pdf>

4 The Forest Stewardship Council<sup>TM</sup> ([info.fsc.org](http://info.fsc.org)) and Programme for the Endorsement of Forest Certification

## Sustainable fibre

# Responsible sourcing

**Wood fibre is one of our primary raw materials and we work hard to provide the best assurance for our stakeholders that the fibre we source comes from responsible sources.**

## Certification and management systems

We combine forest certification with a risk-assessment process as part of our Due Diligence Management System (DDMS), which meets the FSC's Controlled Wood requirements as a minimum and addresses the requirements of the European Union Timber Regulation (EUTR) and the US Lacey Act.

Our long-term aim is to increase the proportion of our fibre from credibly certified sources, and to support efforts to increase its long-term availability in the supply chain.

We maintain FSC certification of all our South African forests as well as FSC- and PEFC-certification in our Russian forests. In high-risk countries<sup>5</sup>, we source wood from FSC-certified forests or Controlled Wood sources.

See [our website](#) for Mondi's FSC-certification details.

We do not source wood or fibre from sources that involve any of the following unacceptable activities: violation of national and international legislation; violation of traditional and human rights; destruction of high conservation values, conversion of natural forest land to plantations or non-forest use; introduction of genetically modified trees; and violation of any of the ILO Core Conventions.

None of our sourcing contributes to deforestation or illegal logging and we don't use tropical species or those listed by the Convention on International Trade in Endangered Species (CITES).

## Due Diligence Management System

Our DDMS consists of three key components: the process description, the supplier questionnaire and the risk assessment. We work together with our direct suppliers and other members of the supply chain to complete a supplier questionnaire which forms part of the information gathering process and is the foundation for the risk-assessment process. The risk assessment process comprises three stages. The first stage confirms that the products are subject to risk assessment and explores the risks specific to the product and the supplier. The second stage looks at more general risks associated with the forest source. The final stage assesses the evidence of compliance with applicable legislation, if necessary. For non-certified wood to meet our minimum standards, we require, for example, information on the type, source and origin of the wood and evidence of its legality before it can be purchased. We use this information and other tools, such as the Global Forest Registry, the Corruption Perception Index, the Global Witness and the IUCN Red List of Threatened Species to identify local, country and/or regional risks.

Our DDMS thus helps to ensure that we, and our customers, can be confident that our raw materials were sustainably harvested, in compliance with applicable legislation, and that they were traded through our supply chains with due regard for local, national and international laws.

We will extend and update our DDMS in 2018 so that it addresses not only the requirements of the EUTR but also the US Lacey Act and the Australian Illegal Logging Prohibition Act. Our revised DDMS will also include all our paper converting operations. During the year, we held training on the implementation of our DDMS for our European- and US-based paper-converting operations.

In 2017, 71% of our total procured wood was certified to FSC or PEFC (2016: 67%), with 93% of our externally procured pulp from FSC or PEFC certified sources (2016: 89%<sup>6</sup>). The increase in the certified fibre percentage was primarily due to higher volumes procured from credibly certified suppliers and from countries where forest certification is more developed. We continue to recognise the challenges involved in securing credibly certified fibre to meet our needs and the requirements of our customers, so we continue to work with relevant stakeholders across the wood value chain, on a risk-based approach that can help increase the availability of credibly certified fibre on the market. This is critical to maintaining our commitment in the long term. In addition to securing credibly certified wood and pulp for our operations, all of our mills, with the exception of Pine Bluff (US), are certified to FSC and/or PEFC Chain-of-Custody standards.

<sup>5</sup> We define high-risk countries using various filters, including: Global Forest Registry, Corruption Perception Index, and other relevant indices where necessary, as part of Mondi's DDMS

<sup>6</sup> We restated our externally procured certified pulp in 2016 from 81% to 89% due to errors in reporting this figure last year which have subsequently been corrected



**In focus:**

## Increasing availability of credibly certified fibre

One of the aims of the Mondi-WWF Partnership is to help increase the availability of credibly certified fibre. Success relies on close interaction with the biggest forest certification schemes. In 2017, we started reviewing results of WWF's Certification Assessment Tool (CAT), which provides a comparison of the governance systems and of the global standards of the FSC and PEFC global schemes. In 2018, we will conduct a more detailed comparative analysis of the national requirements across forest certification schemes as well as national legislation for one of Mondi's main wood sourcing countries. As a pilot project we have selected the Czech Republic, because it has national standards for both FSC and PEFC as well as well-developed national forest legislation. This project will allow us to evaluate the key differences between the two forest certification schemes. We will also conduct an in-depth assessment of risk factors and possible control measures for the different countries Mondi sources its wood from. We aim to engage with relevant stakeholders on national and international levels in relation to the pilot results. Our ultimate goal is to define the minimum requirements for responsible sourcing in different locations in our wood supply chain by 2020.

## Sustainable fibre

### Supporting the evolution of forest certification schemes

We actively support the enhancement of global certification schemes, promoting credible forest certification that is robust and accessible to different forest users and which applies a balanced risk-based approach to different forest types and supply chains conditions.

While we support the approach of setting global standards for environmentally appropriate, socially beneficial and economically prosperous forest management, we don't believe 'one size fits all'. Different types of forests and communities have very different needs. Certification systems must reflect this by accommodating the major forest types and applying a risk-based approach to simplify certification. Without this practical change, the risk is that many communities and small to medium forest enterprises will continue to be excluded by the complexity and resource demands of certification, and many forests will remain uncertified.



We actively work with credible certification schemes, which are focused on developing and implementing innovative approaches and modern technologies to ensure effective risk-based solutions. Technology such as open maps indicating boundaries of forest units and high conservation value areas (e.g. core areas of Intact Forest Landscapes), could significantly reduce the administrative burden of ensuring traceability in complex wood supply chains. However, it would be important to avoid unintended consequences such as the risk of further complicating the certification process. Maps showing the boundaries of the cores of Intact Forest Landscapes in Komi and adjacent territories, are available (currently in Russian only) at <http://hcvf.ru/maps/hcvf-komi>.

In 2017, we took part in the FSC- and the PEFC-General Assemblies, which focused on defining the future strategic development of the respective certification schemes. We also actively work with certification schemes at national levels. In Russia, Mondi is on the FSC management board and in South Africa we work with FSC Africa through our partnership with WWF-South Africa. Mondi is contributing to the development of FSC national standards in both South Africa and Russia. These country-specific standards aim to adapt the current international generic indicators to reflect local conditions and issues. We are also participating in public consultation on the development of the South African national certification scheme for endorsement in PEFC.

### Applying Controlled Wood as a minimum standard

We continue to advocate the importance of Controlled Wood (CW) as a minimum standard in the wood and fibre supply chain. CW is integral to our ongoing commitment to increase the proportion of credibly certified fibre we use. It's our minimum requirement for procuring fibre-based products that are not certified. CW from acceptable sources is an important tool for managing the supply-demand dynamics of available responsible fibre.

We believe that a thorough consultation and practical, risk-based approach is critical for defining country-related risks, to ensure that forest owners as well as downstream users of wood and fibre products are able to implement responsible practices to respond to recognised and agreed risks.

We will continue to engage actively in the CW strategy review process, to ensure we are able to source sufficient responsible fibre to meet our business and customer requirements.



FSC is currently in the process of developing a new CW strategy. We are actively engaged in this work; we believe that the CW system should be maintained, simplified and improved to be a more effective tool for assuring responsible sourcing from uncertified suppliers.

One of the key challenges in relation to the FSC's new CW standard relates to centralised national risk assessments (CNRAs) – particularly in central Europe.

The new CNRAs have introduced significantly more onerous due diligence requirements in some of the countries we source wood (for example Slovakia and Bulgaria) and we are reviewing our DDMS and its application to ensure that uncertified wood that we procure meets the new standards. We believe that FSC must use the new CW strategy to clarify the value of CW to all stakeholders and address the long-term need for an efficient and effective CW system.

## Sustainable fibre

### Use of recycled fibre

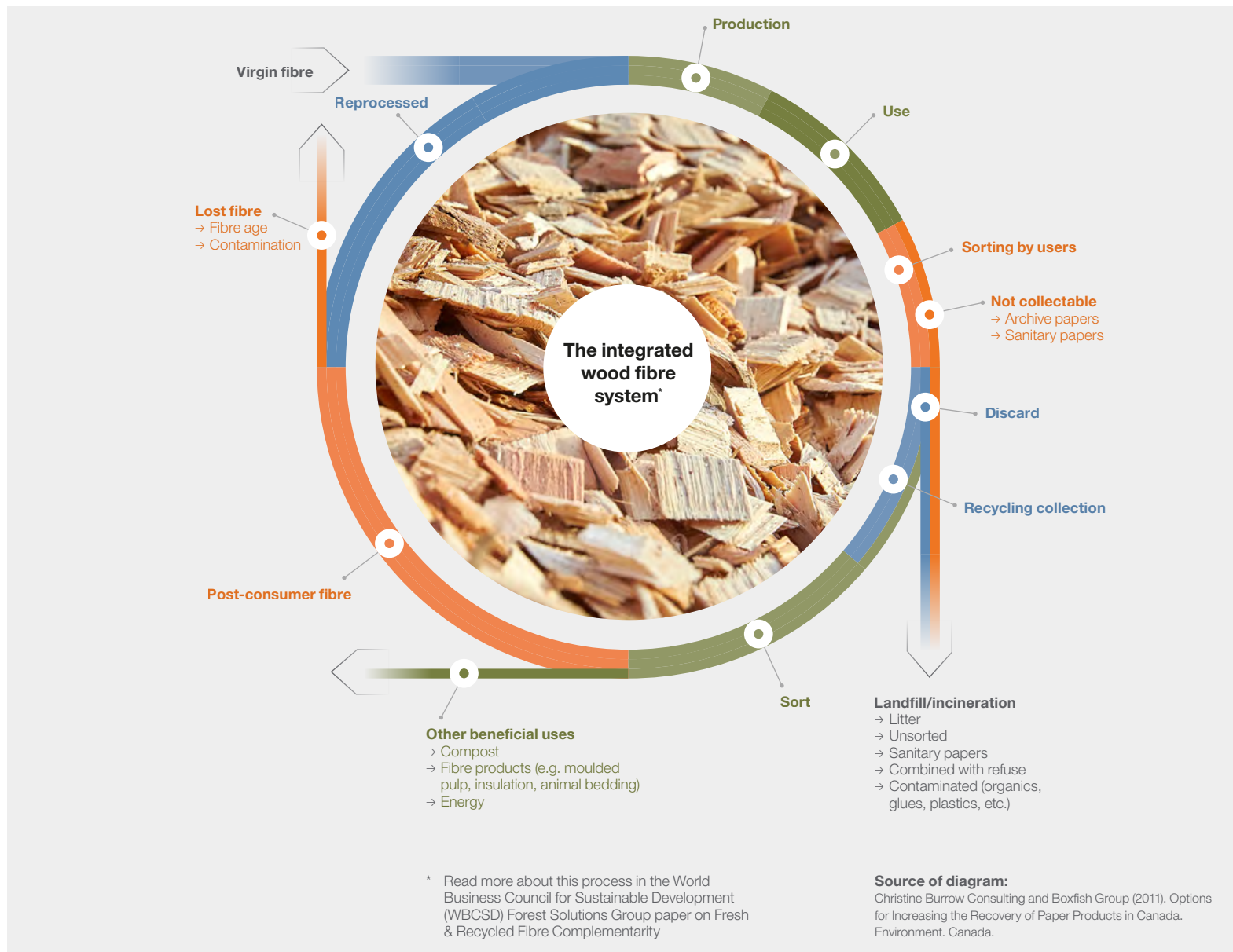
Recycled fibre is an important raw material for our packaging and paper products. We consider virgin and recycled fibres as complementary. We assess the balance between virgin and recycled fibres in our products on a case-by-case basis, using the optimum solutions to create high-quality, resource-efficient products for our customers.

As the diagram shows, both virgin and recycled fibres are key elements of an integrated wood fibre system. Because recycled fibre degrades over time, this system is only sustainable with the systematic introduction of virgin fibre for quality and strength. By sourcing our wood only from responsibly managed forests and by using recycled fibres, we make an important and sustainable contribution to this fibre cycle, supporting the principles of a circular economy.

We're currently limited by the availability and quality of recovered material for recycling and we actively oppose the burning of recovered paper as an energy source, which is often prioritised and subsidised<sup>7</sup>. In adopting the cascading use of wood principle, we aim to optimise our own use of virgin and recycled fibres.

In 2017, we used around 1.3 million tonnes of paper for recycling (recovered paper) (2016: 1.3).

**1.3 million**  
tonnes of paper for recycling



<sup>7</sup> "Woody Biomass for Power and Heat: Impacts on the Global Climate", Duncan Brack, Chatham House, 2017

## Sustainable fibre

### Cascading use of wood

We believe that sustainable consumption of wood needs to be at the heart of the circular economy and government policy (such as the European Commission's policy on bioenergy) to meet projected demand for wood-based products.

The cascading use of wood principle sets out to maximise the value society gains from the world's forests through the complementary use of virgin and recycled fibre. It prioritises value-adding non-fuel uses first and ensures wood is only burnt for energy after it has been used, reused or recycled for other purposes, wherever possible.

This realises the full value and potential wealth creation of forests, supporting livelihoods associated with the sustainable use of forest products.

The Confederation of European Paper Industries (CEPI) shows that wood used for paper-making is 2.38 times more resource-efficient than simple energy generation with the same amount of wood, based on the cascading use of wood principle<sup>8</sup>.

Woody biomass is an important source of renewable energy that can be burnt in existing power stations, making it a convenient choice for energy companies and governments. Substantial subsidies for producers of renewable energy have encouraged a new type of biomass business in some European countries.

We recognise biomass as a renewable energy source in principle but almost half of Europe's renewable energy consumption is already coming from woody biomass – supported by government subsidies – significantly increasing the demand for wood. This, in turn, leads to increased prices and additional pressure on the world's forests. In effect, we're seeing a shift away from the principle of the cascading use of wood.

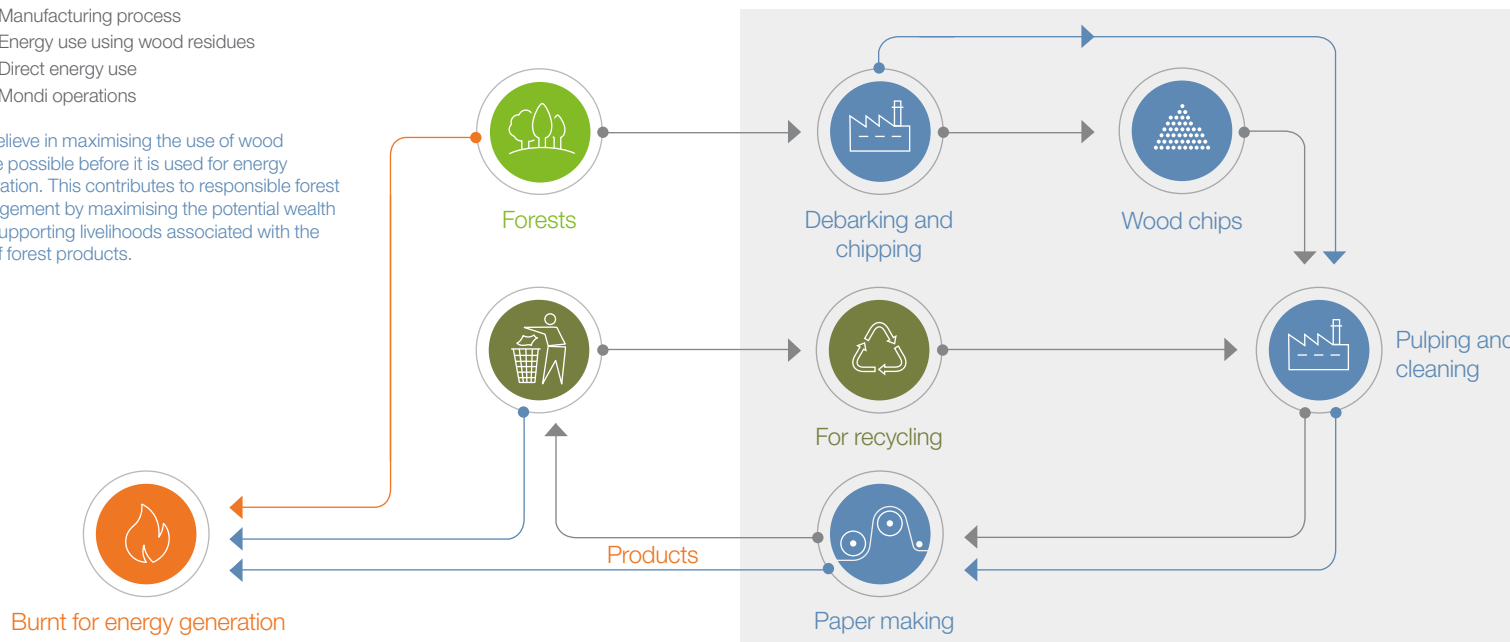
With the EU setting a new target in 2016 for member states to obtain 27% of their energy from renewable sources by 2030, government policy is urgently needed to ensure targets are met without causing inadvertent damage to the world's forests and the sustainable wood supply chain.

<sup>8</sup> "Resource efficiency in the Pulp and Paper Industry: Making More from Our National Resources", CEPI 2014

### The cascading use of wood process

- Manufacturing process
- Energy use using wood residues
- Direct energy use
- Mondi operations

We believe in maximising the use of wood where possible before it is used for energy generation. This contributes to responsible forest management by maximising the potential wealth and supporting livelihoods associated with the use of forest products.



In focus:

### Supporting community forestry enterprise in South Africa

Ikhasi (Pty) Ltd is a community-owned forestry business that has been mentored and supported by the Mondi Zimele team and Mondi foresters since it was established in 2008. The company now handles all the silviculture work on a 1,500 ha forestry estate in the Kranskop area, creating jobs and empowering the local community. The forestry estate is owned by the Siyathokoza Community Trust (SCT), which acquired the land when it was purchased from Mondi by the government through the land restitution programme (see page 76). Since then, with our support, the Trust has established Ikhasi – its forestry contracting business – which employs some 46 people and has won a number of safety awards.

46

People employed by the Siyathokoza Community Trust (SCT)

In 2017, CEPI published an analysis of sustainability criteria for solid biomass fuels in the EU Commission's proposal for a revised Renewable Energy Directive. CEPI supports the proposal's response to the challenges caused by the policy-induced increase in the use of biomass for energy.

Mondi is one of the core members of the World Business Council for Sustainable Development (WBCSD) Forest Solutions Group (FSG). In 2017, the FSG's strategy was revised and its scope extended to include a focus on the circular economy (bio-economy) in addition to sustainable forestry topics.

### Supporting small and medium enterprises

We believe that small and medium enterprises (SMEs) in the forestry business can help to meet projected demand for wood-based products. They are also crucial to supporting local livelihoods and the wellbeing of forest communities. However, SMEs have fewer competitive advantages compared to big contractors and they are typically unable to ensure large volumes.



In focus:

### Supporting forest suppliers to gain certification in Russia

One example of successful supplier engagement in Komi is the support we provided to a large independent supplier of pulpwood and wood chips to help it develop its capabilities to meet the FSC certification requirements. Mondi experts provided technical support and training over a period of two years to prepare for the recertification audit in 2016. Our support enabled the supplier to reach a level required to maintain their own certification. In 2017, they successfully and independently passed their first annual surveillance audit for some 210,000 hectares of forest land.

**210,000**

hectares of forest reconfirmed for certification for our supplier in 2017

While it is often more cost-effective and efficient to cooperate with larger companies, we believe in supporting SMEs for the value they bring to communities, local livelihoods and their part in the sustainable wood supply chain.

We offer training, support and long-term partnerships to SMEs and we actively explore opportunities to develop business enterprise and prioritise local suppliers. If a supplier is not able to meet our minimum requirements, we may work with them to implement appropriate corrective actions. We reserve the right to suspend sourcing from the supplier until we are satisfied with their performance.

In Russia, our Syktyvkar mill supports small-scale forest enterprises that would normally have limited access to resources. We are the biggest holder of leased forest land and the biggest consumer of pulpwood in the Komi Republic. Local companies are given access to forest stands in Mondi's leased areas, together with a permit to reserve saw logs for their own sawmills and a guarantee that we will purchase pulpwood from them.

In 2017, we signed contracts with six companies covering nearly 100,000m<sup>3</sup> of standing wood in our forests around Syktyvkar. We hold regular meetings and training events to help the local companies fulfil the environmental, safety and social requirements in line with our minimum sourcing standards.

Mondi Zimele, our South African enterprise development arm, delivers a range of initiatives that provide financial support and skills transfer to emerging forestry growers (see [page 76](#)).

In South Africa, portions of our landholdings are subject to community land claims under the Restitution of Land Rights Act (22 of 1994). Once a claim is settled, the community gains legal ownership of the land and has the opportunity to generate a sustainable income through leasing the property back to Mondi and by developing forestry contracting businesses. Mondi provides post-settlement support to the claimants as well as discounted funding and business mentorship to their contracting businesses.

The Mondi community woodlot scheme aims to support and develop community woodlot growers in KwaZulu-Natal through education, secure markets and other inputs such as quality seedlings. Mondi sources over 80,000 tonnes per annum from these growers which is a significant lever for participation and local economic development.



## Climate change

Climate change continues to be one of the greatest threats facing society, the environment and the global economy. Despite international action, emissions continue to rise – impacting on biodiversity, ecosystem services and economic development, and amplifying risks for livelihoods and food security.

### Why is this important to our stakeholders?

- As human activities increasingly disrupt the climate, the risk of severe and irreversible impacts on people and ecosystems grows
- While we have the collective means to limit climate change and allow continued economic development, stabilising the temperature increase to below 2°C<sup>1</sup> requires urgent and fundamental action beyond business as usual<sup>2</sup>
- Stakeholders expect businesses to play a part both in reducing emissions and providing solutions for limiting and adapting to climate change

### Why is this important to Mondi?

- Climate change may affect our operations and supply chain through its impacts on water resources, changing weather conditions, rising sea levels, carbon regulation and taxation, and energy availability and affordability
- Our forests may also be impacted by more frequent forest fires, pests and diseases
- As an energy-intensive business, we must clearly demonstrate progress in reducing our emissions to protect our market share and reputation, and secure investment and talent
- There are opportunities to increase energy self-sufficiency, and enjoy financial savings and additional revenue from green electricity sales

### Our Growing Responsibly commitment to 2030:

- Reduce specific CO<sub>2</sub>e emissions from our pulp and paper mills by 15% by 2030 against a 2014 baseline

### Discover how we are...

- Introducing a science-based target
- Investing in energy efficiency
- Improving our risk assessment approach in line with the Taskforce on Climate-related Financial Disclosures (TCFD)

### Next steps

- We will use scenario analysis to inform our understanding of climate change risks and opportunities
- We plan to increase the accuracy of calculating our Scope 3 emissions
- We are working towards our 2030 carbon emission commitment

### UN SDGs and targets



#### SDG 7 Affordable and clean energy

- Target 7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
- Target 7.3 By 2030, double the global rate of improvement in energy efficiency



#### SDG 12 Responsible consumption and production

- Target 12.2 By 2030, achieve the sustainable management and efficient use of natural resources

<sup>1</sup> Relative to pre-industrial levels

<sup>2</sup> Climate Change 2014 Synthesis Report, IPPC



## Climate change

# What climate change means for our business

**The production of pulp, paper and packaging is energy-intensive, and energy generation is the major source of our greenhouse gas (GHG) emissions. Climate change brings risks and opportunities for our business.**

**We manage our impact by optimising energy and process efficiencies and replacing fossil-based energy with biomass-based renewable sources. This approach is supported by ongoing investments in low carbon energy technologies, and continued focus on responsible, sustainable forestry.**

### Climate change risks and opportunities

Our approach to climate change addresses both the risks and opportunities in transitioning to a low carbon economy. Focus areas include energy optimisation programmes, increasing the ratio of renewable energy and biomass-based fuels, and moving towards electricity self-sufficiency.

We have eight pulp and paper mills located in the EU covered by the EU Emissions Trading Scheme (EU ETS). We support international carbon trading and investigate opportunities to deliver carbon credits under accepted flexible mechanisms as well as selling energy, green fuels and CO<sub>2</sub> allowances not used by our mills' EU ETS permissible GHG emissions. Our reported CO<sub>2</sub>e figures do not include any carbon off-setting.

Some of our risks and opportunities related to climate change include:

- Climate change can adversely impact our operations and disrupt our supply chain through increased frequency and intensity of water shortages, floods, storms and rising sea levels, as well as forest fires, pests and diseases that impact on our forest assets and fibre sourcing
- The price of carbon and uncertainties over future carbon regulation and taxation, as well as energy availability and affordability, can adversely affect our industry

- A perceived lack of an adequate climate response from us by stakeholders could lead to: loss of market share and customers; damage to brand and reputation; negative impacts on recruitment and retention of an increasingly environmentally-conscious talent pool; reduced access to private and public funds; and loss of our social licence to operate
- A strategic climate approach delivers wide business benefits. By prioritising investments in technology and equipment we increase energy efficiency, renewable energy generation and energy self-sufficiency across our operations. This in turn reduces our dependency on external power suppliers and associated risks
- Other opportunities and benefits of reducing our carbon intensity and increasing our use of biomass-based renewable energy include financial savings and additional revenue from the sale of green electricity to local communities and municipalities in the areas where our pulp and paper mills are located
- Future opportunities include potential new and increased revenue streams from products and services that help customers transition to a low carbon economy



### Task Force on Climate-related Financial Disclosures

Investors are increasingly interested in climate-related disclosures such as how vulnerable an organisation is to climate-related risks and how such risks are addressed. We recognise that climate change is a global concern and we are committed to adhering to internationally accepted recommendations to investigate and report on climate-related risks and opportunities, and to publish that information.

To assist in addressing the need for consistent, comprehensive and comparable reporting on climate-related risks, the Financial Stability Board has established an industry-led Task Force on Climate-related Financial Disclosures (TCFD). The Task Force has developed guidelines for voluntary climate-related financial disclosures to appropriately assess and quantify the potential financial impacts and benefits of these risks and opportunities. According to the TCFD recommendations, the disclosure should include details on: governance of climate-related risks and opportunities; material impacts (both actual and potential) of climate-related risks and opportunities on business, strategy, and financial planning; identifying, assessing, and managing these risks; and metrics and targets used to assess and manage material climate-related risks and opportunities where such information is material.



## Climate change

We have evaluated the reporting requirements included in the TCFD recommendations and can confirm that we cover most of the required parameters in our annual sustainability report as well as our annual CDP response. In line with the recommendations, we are currently investigating the use of scenarios to quantify the potential financial implication of relevant climate-related risks and opportunities in greater detail.

We are considering the following three global scenarios<sup>3</sup> relating to CO<sub>2</sub> trajectories:

- The 6°C Scenario (6DS), which is largely an extension of current trends. In this scenario it is assumed that global primary energy demand and CO<sub>2</sub> emissions will grow by approximately 60% from 2013 to 2050.
- New Policies Scenario (World Energy Outlook), which broadly serves as the IEA baseline scenario. It takes into account broad policy commitments and country-specific plans (e.g. the Paris climate agreement) to reduce GHG emissions and plans to phase out fossil-based energy subsidies, even if the measures to implement these commitments have yet to be identified or announced.
- The 2°C Scenario (2DS), which lays out an energy system deployment pathway and an emissions trajectory to allow CO<sub>2</sub> emissions to be reduced by almost 60% by 2050 compared with 2013. In this scenario, carbon emissions are projected to decline after 2050 until carbon neutrality is reached.

In order to improve the integration of climate-related risks in our overall business risk assessment process, and to develop accurate estimates of potential financial impacts, we're involving a cross-functional team within our business. It includes financial controlling specialists, risk specialists, technical experts and sustainability specialists who, together, are evaluating the financial impact of the climate-related risks and opportunities within the three scenarios. We are also consulting with external experts and collaborating with other corporates to improve our understanding of reporting requirements and best practice, for example our membership and participation in the WBCSD initiatives related to implementing the TCFD recommendations.



### Increasing energy efficiency and reducing carbon emissions

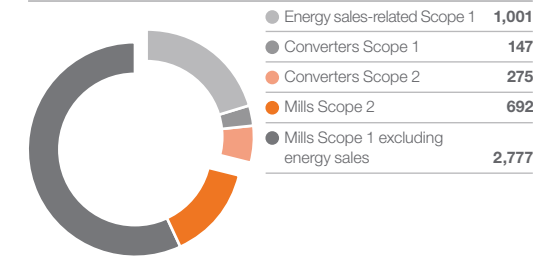
We combine strategic energy-related investments across our pulp and paper mills with good management and sharing of best practice to reduce emissions, improve energy efficiency and replace fossil fuels with renewable biomass-based energy where it is practical and economically feasible. Mondi's GHG and energy data are third-party verified to a reasonable level of assurance (see page 111).

We have made excellent progress towards achieving our GHG commitment for 2030 and are now moving on to a more challenging science-based carbon emission target: We are committed to reducing our production-related specific GHG emissions to 0.25 tonnes CO<sub>2</sub> per tonne of saleable production by 2050, against a 2014 baseline of 0.59 tonnes CO<sub>2</sub> per tonne of saleable production. To drive progress, we will set short-term milestones to allow us to report on our progress towards achieving our 2050 target. Our first milestone has been set at 0.44 tonnes CO<sub>2</sub> per tonne of saleable production by 2025.

Approximately 20% of the Group's GHG emissions are energy-sales related. In 2018, we will work with WWF to explore a separate reduction target for our energy sales-related GHG emissions as part of our Climate Savers membership.

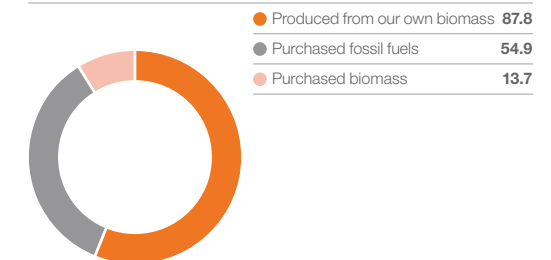
### CO<sub>2</sub>e emissions by activity 2017

thousand tonnes CO<sub>2</sub>e



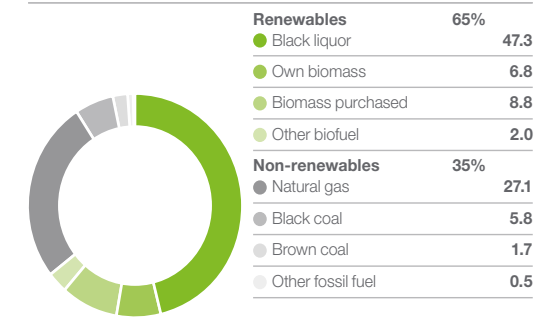
### Fuel consumption of our pulp and paper mills 2017

million GJ



### Fuel sources for our pulp and paper mills 2017

renewable vs non-renewable (%)



<sup>3</sup> IEA, World Energy Outlook 2017; IEA, Energy Technology Perspectives 2017

# Climate change

## Energy use and generation

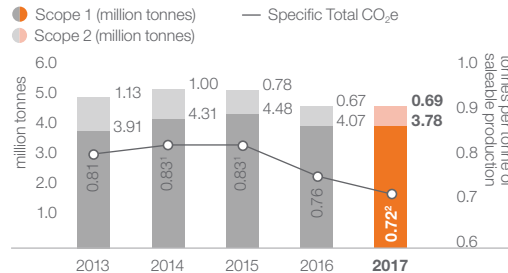
In 2017, total energy use by our mills was 151.6 million GJ (2016: 153.1). 93.1 million GJ was consumed for pulp and paper core processes in the form of heat and electricity at our operations (2016: 93.2), 8.4 million GJ was sold to the local grids (2016: 10.0) with total energy sales including green fuel sales amounting to 10.1 million GJ (2016: 11.6), and we purchased 5.2 million GJ electricity from external sources (2016: 6.3). Our total electricity requirements for producing pulp and paper amounted to 20.0 million GJ in 2017 (2016: 20.0). Our total heat requirements for producing pulp and paper core processes were 73.0 million GJ (2016: 73.3).<sup>4</sup>

The contribution of biomass-based renewable energy to the total fuel consumption of our mills increased from 59% in 2014 to 65% in 2017, mainly due to the new biomass boilers at our mill in Świecie (Poland), as well as production increases at Syktyvkar (Russia) during this period. This resulted in increased biomass (black liquor and bark) incinerations which, in combination with reduced energy sales at Syktyvkar, led to a higher ratio of biomass-based energy production.

The Group's mills' electricity self-sufficiency was 96% in 2017 compared to 98% in 2016. This 2% reduction was caused by reduced energy sales at our Syktyvkar mill.

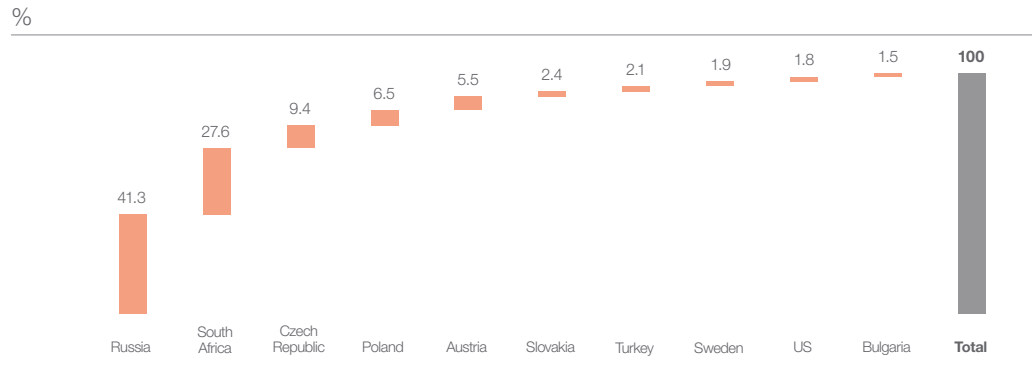
In 2016, we calculated a more representative electricity self-sufficiency by capping each mill's electricity self-sufficiency at 100% and excluding its energy sales beyond that limit. This equated to 83% in 2017, 83% in 2016 and 76% in 2014.

## GHG emissions from our pulp and paper mills

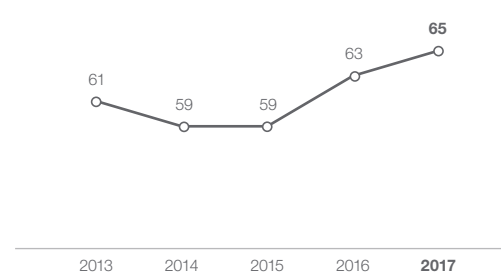


1 2014 and 2015 restated due to adjusted production volumes  
 2 Progress against 2030 commitment is calculated excluding Raubling mill from 2014 based on 0.844 (2014) and 0.717 (2017)

## GHG emissions by country 2017



## Renewable energy in mills' fuel consumption



## GHG emissions

### Pulp and paper mills

In 2017, the Scope 1 emissions of our mills<sup>5</sup> have been reduced to 3.8 million tonnes CO<sub>2</sub>e compared to 4.1 in 2016 (mainly due to Świecie's new biomass boiler). This equated to 0.61 tonnes CO<sub>2</sub>e per tonne of saleable production (2016: 0.65).

We increased our mills' Scope 2 emissions from 0.67 million tonnes CO<sub>2</sub>e in 2016 to 0.69 in 2017, equating to specific emissions of 0.11 tonnes per tonne of saleable production (2016: 0.11). This was mainly caused by a change to new electricity providers (e.g. for our Austrian operations which are providing electricity with a higher specific CO<sub>2</sub> factor). All our mills use market-based emission factors for reporting Scope 2 emissions.



4 In 2016 we revised the methodology to calculate electricity consumption and heat consumption of our pulp and paper mills for a more consistent approach

5 Includes energy sales-related Scope 1

## Climate change



In focus:

### Environmental benefits of our past investments, and moving forward with new investments

Over the last decade, we have increased energy self-sufficiency, reduced carbon emissions, increased energy efficiency and reduced the overall environmental footprint of our mills through major investments. The most recent investments have included:

- New recovery boiler at Syktyvkar in 2010, generating green electricity for the mill, making it fully self-sufficient in energy;
- New turbine at Stamboljiski in 2013, generating green electricity for the mill and a surplus for the grid;
- New recovery boiler at Frantschach in 2013, improving the mill's energy efficiency;
- New recovery boiler, turbine and lime kiln at Ružomberok in 2014, doubling green energy generation, and reducing organic emissions, dust emissions, water emissions, and lime sludge waste;

- New recovery boiler, rebuild of the old recovery boiler into a biomass boiler and installation of a new turbine at Świecie in 2015, improving energy efficiency, reducing dust emissions and generating green electricity for the mill and surplus for the grid.

Future investments include:

- Investment at Štětí mill expected to start-up by the end of 2018 and includes the replacement of the recovery boiler, with projected benefits including increased energy efficiency, electricity self-sufficiency and lower carbon intensity as well as reduced emissions to air and water (including significant reduction of SO<sub>2</sub>, TRS and AOX);
- Investment at Syktyvkar by 2019, including a new biofuel boiler and turbine, replacing the current three bark boilers and four turbines, increasing energy efficiency and reducing carbon intensity of the mill, and making it possible to use the mill's total bark and sewage sludge for energy generation. The investment will also substitute 127 million m<sup>3</sup> of natural gas, resulting in a total capacity for green energy generation of 170 MW.

Going forward, we will continue to report on our investments and demonstrate the environmental benefits realised by upgrading or replacing existing equipment, finding new solutions to utilise our waste as recycled material and energy, and reducing our emissions to water and air.

Our current commitment is to reduce specific GHG emissions from our pulp and paper mills by 15% by 2030, against a 2014 baseline. In 2017, our specific GHG emissions were 0.72 tonnes CO<sub>2</sub>e per tonne of saleable production, meaning we have met our target, achieving a 15% reduction against the 2014 baseline of 0.84 tonnes CO<sub>2</sub>e per tonne of saleable production<sup>6</sup>. This reduction was mainly achieved through the newly installed biomass boiler and recovery boiler at our Świecie mill, and the new biomass boiler in Syktyvkar. We also implemented fuel switch projects, increasing the biomass and low carbon content of our energy supply, and introduced heat exchangers enabling us to use excess heat (e.g. from waste water).

### Converting operations

The Scope 1 emissions from our converting operations totalled 0.15 million tonnes CO<sub>2</sub>e in 2017 (2016: 0.14). Their Scope 2 emissions totalled 0.27 million tonnes CO<sub>2</sub>e (2016: 0.25). Our converting operations contributed 28% of the Group's total Scope 2 emissions. Two of these converting operations, which contribute 25% of total converting operations' Scope 2 emissions, use market-based factors<sup>7</sup>. The rest of the converting operations use location-based<sup>8</sup> (country-specific) average grid factors to calculate their Scope 2 emissions.

<sup>6</sup> As per 0.844 (2014) and 0.717 (2017)

<sup>7</sup> Market-based method: A method to quantify Scope 2 GHG emissions, based on GHG emissions emitted by the generators from which the reporter contractually purchases electricity bundled with instruments, or unbundled instruments on their own (CDP, 'Accounting of Scope 2 emissions', V3, 2016)

<sup>8</sup> Location-based method: A method to quantify Scope 2 GHG emissions based on average energy generation emission factors for defined locations, including local, sub-national, or national boundaries (CDP, 'Accounting of Scope 2 emissions', V3, 2016)

### Energy-related investments

The targeted energy-related investments that we make across our pulp and paper mills, mainly related to recovery boilers that utilise the biomass residues of our pulp-making process, play a significant role in achieving our climate goals. In 2017, Mondi initiated two projects at our mills in Štětí (Czech Republic) and Syktyvkar (Russia). See case study opposite.

### Energy sales-related GHG emissions

Our energy sales-related GHG emissions totalled 1.0 million tonnes CO<sub>2</sub>e in 2017 (2016: 1.1). This accounts for 20% of the Group's total CO<sub>2</sub>e emissions (2016: 22%). The decrease in energy sales-related CO<sub>2</sub>e emissions is mainly due to reduced energy sales at our Syktyvkar mill (Russia).

### Scope 1 GHG emissions related to production (for pulp and paper mills) and energy sales

	Production-related emissions out of fuel combustion (tonnes)	Energy-sales related CO <sub>2</sub> e (tonnes)	Total emissions out of fuel combustion (tonnes)
<b>2014</b>	2,807,250	1,396,321	4,203,570
<b>2015</b>	2,966,879	1,399,185	4,366,065
<b>2016</b>	2,806,949	1,121,871	3,928,820
<b>2017</b>	2,613,509	1,000,772	3,614,281

## Climate change

### Scope 3 emissions

Our indirect (Scope 3) emissions arise from transportation of products and raw materials, employee commuting, business travel, and the production of fuel and raw materials. All other Scope 3 categories referred to in the GHG Protocol are not relevant for Mondi (see our CDP Response 2017<sup>9</sup> for more details).

In 2017, our Scope 3 emissions were estimated to amount to 3.01 million tonnes CO<sub>2</sub>e (2016: 2.98). Over the last few years, we have increased the number of categories we report as Scope 3 emissions to provide a more complete picture of our indirect emissions. We are currently working with WWF and ERM to replace some of the secondary data with primary data<sup>10</sup>. We undertake surveys with a representative number of employees to get a more precise picture of the GHG emissions attributed to people commuting. Additionally, we are updating the CO<sub>2</sub> factors from transportation of our raw materials and products by developing a more detailed primary database on upstream and downstream transportation.

### Avoided emissions

We sell the excess energy we generate from our pulp and paper processes, usually to the public grid for district heating and electricity in the vicinity of our mills. In 2017, we avoided emissions of some 0.13 million tonnes of CO<sub>2</sub>e through the sale of approximately 1.73 million GJ green fuels (including pitch fuel, sulphate soap, tall oil and turpentine). We also avoided emissions by substituting natural gas with the biogas generated in anaerobic wastewater treatment plants at our mills. In 2017, we used about 0.09 million GJ of biogas as fuel to replace natural gas, avoiding around 0.01 million tonnes of CO<sub>2</sub>e.

Using waste streams with high biomass content for energy generation, and reusing and recycling waste, are other ways we avoid emissions. By sending about 63,000 tonnes of foil waste last year from the recycled pulp process to a nearby company that generates energy out of waste, we avoided about 0.08 million tonnes of CO<sub>2</sub>e in 2017.

### Science-based targets

Science-based targets are designed to contribute to delivering the level of decarbonisation needed to limit global temperature increase to 2°C compared to pre-industrial levels, which will likely prevent the worst effects of climate change.

We believe that using a science-based methodology will help us better understand and communicate our carbon footprint and play a role in the transition to a low carbon economy. Our methodology separates the GHG emissions of our pulp and paper production from the GHG emissions of our energy sales, enabling us to calculate and set a science-based target specifically for production-related emissions.



In 2016, working with WWF and Ecofys, we calculated a 2°C decarbonisation pathway for our pulp and paper mills' production-related GHG emissions, using the Sectoral Decarbonization Approach (SDA). We used the methodology to set specific science-based targets for our production-related CO<sub>2</sub> emissions, based on the pulp and paper sector pathway to deliver the 2050 SDA target of 0.25 tonnes CO<sub>2</sub> per tonne of saleable production. We found our specific production-related GHG emissions to be below average for the pulp and paper industry.

In 2017, our specific CO<sub>2</sub> emissions out of fuel combustion per tonne of saleable production directly related to our pulp and paper production (excluding energy sales) was 0.53 tonnes CO<sub>2</sub> emissions<sup>11</sup> per tonne of saleable production. This means we are well on our way to achieving the 2050 SDA target for our sector due to our significant focus on reducing GHG emissions by increasing energy efficiency at our mills and the use of renewable biomass-based energy over the past 10 years.

### Transparency

We participate in a wide range of benchmarking and transparency initiatives including CDP, Paper Profile, WWF's Check Your Paper initiative and WWF's Environmental Paper Company Index (EPCI), last conducted in November 2017.

We can provide our customers with detailed product carbon footprints for all our fibre-based products on request, based on the principles of CEPI's 10 Toes Framework for the development of carbon footprints for paper and board products. We disclose our energy and climate performance in our annual reports.

Our Scope 1 and Scope 2 GHG emissions are calculated according to the GHG Protocol, published by the WBCSD and WRI, EU ETS monitoring and reporting regulations, and ISO 14064-1. Scope 3 emissions are calculated at Group level based on the GHG protocol's 'Corporate Value Chain (Scope 3) accounting and reporting standard' (Oct 2011). Mondi has disclosed GHG relevant information in CDP Climate Change Report 2017.

In 2016, we received special acknowledgment as a leader in transparency in WWF's Environmental Paper Awards. Detailed results can be viewed [here](#).

We are a member of the We Mean Business Coalition and we support its Responsible Corporate Engagement in Climate Policy initiative. This includes an internal audit program for all activities that influence climate policy (thereby ensuring consistency) as well as communicating on actions and outcomes via CDP disclosure or our Climate Savers membership.



<sup>9</sup> [www.cdp.net](http://www.cdp.net)

<sup>10</sup> Primary data includes data provided by suppliers or other value chain partners related to specific activities in the reporting company's value chain. Secondary data includes industry-average data (e.g., from published databases, government statistics, literature studies, and industry associations), financial data, proxy data, and other generic data

<sup>11</sup> Based on Scope 1 emissions from fuel combustion and Scope 2 emissions



**Constrained resources and environmental impacts**

Over the past century, the global economy has undergone unprecedented growth. Using and discarding raw materials at an ever increasing rate has led to resource scarcity, pollution, biodiversity loss, degradation of land and water, and climate change.

At Mondi, using resources wisely and managing environmental impacts has been a long-term driver of our sustainable growth.



**Why is this important to our stakeholders?**

- Industrial growth since the mid-20th century has created wealth, development and economic growth, but it has also endangered the crucial environmental systems society relies on. Without action, the earth will become much less hospitable to our modern globalised society<sup>1</sup>
- Society expects business to play a key role in both mitigating and reversing these adverse impacts and in supporting more sustainable models of development
- As population growth drives competition for natural resources such as water and fuel, businesses must use these resources equitably and efficiently, and minimise any adverse impacts

**Why is this important to Mondi?**

- Our business is natural resource-intensive and we impact on water, air and land through our emissions and waste
- Alongside the environmental and social benefits, using resources wisely and efficiently makes good business sense
- Water is vital to our production processes and we treat our waste water to a high standard. We also operate in some water scarce regions where the availability of water is a risk factor
- Stricter regulation drives our investments to reduce air emissions such as NOx and fine dust emissions
- Environmental incidents pose a risk to the environment as well as to our reputation, and can have financial and operational implications

**Our Growing Responsible commitments to 2020:**

- Against a 2015 baseline:
- Reduce specific<sup>2</sup> contact water consumption from our pulp and paper mills by 5%
  - Reduce specific waste to landfill by 7.5%
  - Reduce specific NOx emissions from our pulp and paper mills by 7.5%
  - Reduce specific effluent load to the environment (measure COD) by 5%

**Discover how we are...**

- Investing in our mills to further reduce our environmental impact
- Improving water stewardship at our operations
- Extending the strategic Mondi-WWF Partnership for another three years

**Next steps**

- We are beginning to look beyond 2020 to revise our environmental commitments
- We are also working to define the specific work streams of the next phase of the Mondi-WWF Partnership

**UN SDGs and targets**



**SDG 6 Clean water and sanitation**

- **Target 6.3** By 2030, improve water quality by reducing pollution, eliminating dumping and minimising release of hazardous chemicals and materials, halving the proportion of untreated waste water and substantially increasing recycling and safe reuse globally
- **Target 6.4** By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of fresh water to address water scarcity and substantially reduce the number of people suffering from water scarcity



**SDG 9 Industry, innovation and infrastructure**

- **Target 9.4** By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities



**SDG 12 Responsible consumption and production**

- **Target 12.2** By 2030, achieve the sustainable management and efficient use of natural resources
- **Target 12.4** By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimise their adverse impacts on human health and the environment
- **Target 12.5** By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse

1 From WWF Living Planet Report 2016  
2 Specific is the measurement of emissions or consumption, normalised for tonnes of saleable production

## Constrained resources and environmental impacts

# Resource efficiency

**We adhere to the principle of Resource Efficiency as defined by the United Nations Environment Programme (UNEP)<sup>3</sup>. We consider solid waste and emissions to air and water as wasted resources, so we work to minimise them across our operations. Our investments in Best Available Techniques (BAT) have contributed to us achieving significant improvements in resource efficiency.**

Our approach to resource efficiency includes:

- Optimising processes and products to reduce emissions to air and water and encouraging the recycling, reuse and substitution of resources
- Increasing our energy efficiency and reducing the energy intensity of our processes where we can ([page 49](#))
- Increasing our use of renewable energy ([page 50](#))
- Using by-products of the pulping process for internal energy generation or selling them for use in biofuels and chemicals
- Using water efficiently and responsibly
- Working to address the challenges related to commercial viability of recycling flexible plastics in the scale and quality required to support the circular economy (see [page 80](#))

## Water reduction and recycling

Water is vital to our business, from growing trees and producing paper and packaging to non-contact purposes such as cooling in our production facilities. The cost of the water we use and of treating the effluent from our production processes can be significant. Uncertainties over water availability in some of the countries we operate in can also be a risk factor.

Given the critical importance of water to our business, to local communities and to other stakeholders, we strive to manage our water use wisely and efficiently. We also expect water regulation to become stricter due to the impacts of climate change on rainfall patterns and related regulatory changes. Reducing freshwater consumption where we operate, and especially in water stressed regions, is a particular focus.

Since 2011, our water risk management approach has included conducting water impact assessments of all our forest operations and pulp and paper mills. These assessments, updated at least every five years, help to mitigate water risks, understand shared challenges in the catchment, and identify measures to manage future risks. In 2017, Richards Bay mill and South African forestry operations updated their initial assessments.

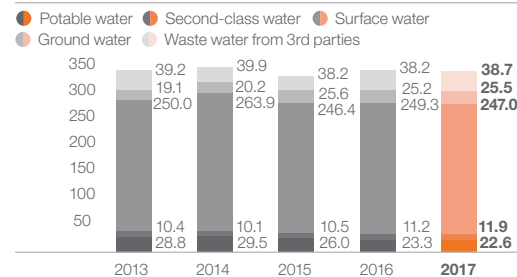
We have developed and communicated a guidance standard which aims to support our operations in consistently calculating their recycling of water. We have piloted it at our mill in Frantschach (Austria), to test the implications and effectiveness before broader application and will report on it in 2018. We reduce specific contact water consumption mainly by implementing closed loops and recycling water used in our processes. We seek to increase the recycling rate of water, where feasible, especially in water stressed areas such as South Africa.

## Water consumption

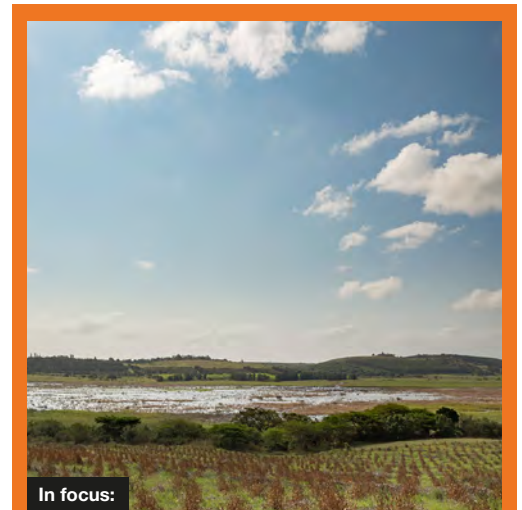
We've committed to reducing the specific contact water consumption of our pulp and paper mills by 5% by 2020, against a 2015 baseline. In 2017, our specific contact water stood at 32.8 m<sup>3</sup> per tonne of saleable production (2016: 33.0), resulting in a reduction of 3.3% against the 2015 baseline. This was mainly achieved by a further 19% reduction of specific contact water consumption at our Richards Bay mill.

In 2017, our total Group water input was around 307 million m<sup>3</sup> (2016: around 309), of which 205 million m<sup>3</sup> was directly used as contact water and around 98 million m<sup>3</sup> indirectly for cooling purposes (which doesn't bring the water into contact with our production processes).

### Total water input million m<sup>3</sup>



The water footprint chart over the page shows our freshwater use for production and our indirect water use. According to the Water Footprint Network<sup>4</sup>, the blue water footprint represents surface and ground water use, green water relates to rainwater necessary for growing our fibre, and grey water is the volume of fresh water required to assimilate the load of pollutants based on existing ambient quality standards.



In focus:

### Adopting a landscape approach: The WWF-Mondi Water Stewardship Partnership

We each have a role to play in reducing our own water footprint and managing our water-related risks. At the same time, we need to work together to ensure scalable solutions and effectively leverage collective resources and action. The Mondi Wetlands Programme (1991-2016) played an important role in transforming wetland management in South Africa and helped to advance our own wetland management practices (see [page 21](#)). In 2017, we renamed it the WWF-Mondi Water Stewardship Partnership, reflecting its broader focus on catchment-based water stewardship which prioritises catchments with possible water-related risks. We conducted water stewardship assessments at our Richards Bay mill and two plantations in South Africa against the international Alliance for Water Stewardship Standard<sup>5</sup>, which provides a globally-applicable framework for major water users to understand their water use and impacts. We're now using the outcomes to investigate meaningful, cost-effective improvements to our management system to meet and advance the requirements of the standard. We are in the process of discussing the findings with external parties such as WWF.

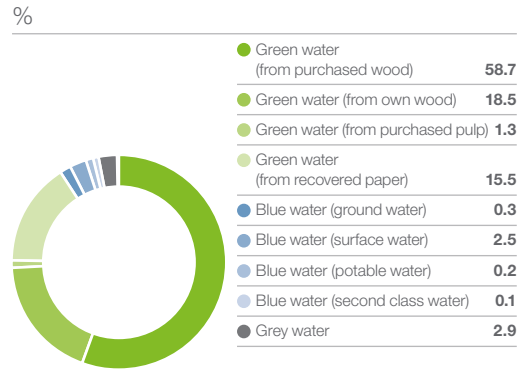
<sup>3</sup> [www.unep.org/resourceefficiency/](http://www.unep.org/resourceefficiency/)

<sup>4</sup> Water footprint assessment manual, 2011. [http://waterfootprint.org/media/downloads/TheWaterFootprintAssessmentManual\\_2.pdf](http://waterfootprint.org/media/downloads/TheWaterFootprintAssessmentManual_2.pdf)

<sup>5</sup> <http://afws.org>

## Constrained resources and environmental impacts

### Water footprint by type 2017<sup>1</sup>



<sup>1</sup> Representing a total of approximately 10 billion m<sup>3</sup>

As part of our global partnership with WWF, we supported the development of their Water Risk Filter<sup>6</sup>, including making it more useful for the pulp and paper sector, and testing a high-resolution Water Risk Filter for South Africa. Our own water impact assessment tool is based on WWF's Water Risk Filter and WBCSD's Global Water Tool, but includes more detailed and operation-specific data, as well as a forecasting element.

Extended water shortages in South Africa remain a concern and we continue to look for opportunities to improve water security in the areas where we operate. We are working with the government and other industries to seek potential solutions. Plans include reducing total water consumption, piping water from a larger supply river and increasing the recycling of water. Our total freshwater consumption in South Africa has reduced by 16% compared to 2015. In Merebank, we've replaced approximately 7 million m<sup>3</sup> of potable water annually (more than 90% of its total water input) by using treated waste water for certain processes.



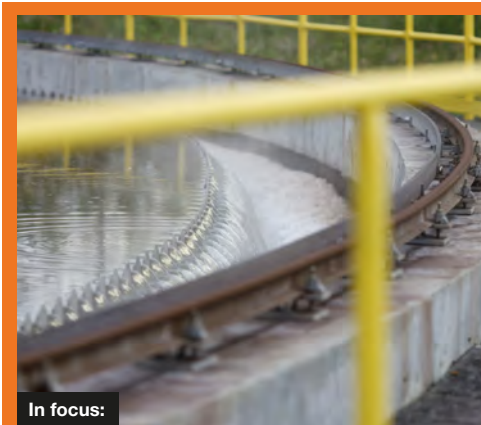
In January 2018, we were included in CDP's Supplier Water A List<sup>7</sup> as one of the 3% of 4,800 companies assessed that have been recognised as leaders in their efforts and actions to address water security.

### Effluent and waste water quality

Water that has been used in production is treated in wastewater treatment plants before it is released back into the aquatic environment. We monitor and manage a number of key indicators of water discharge quality from our pulp and paper mills, most importantly:

- Chemical oxygen demand (COD), reflecting the organic load of waste water discharged by our operations after treatment. Our commitment is to reduce the specific effluent load (COD) of this waste water by 5% by 2020 (against a 2015 baseline) by closing loops in production processes and investing in wastewater treatment plants.
- Adsorbable organic halogens (AOX), reflecting adsorbable halogen compounds present in water released from the pulp bleaching process. We've achieved significant reductions in AOX emissions from 390 tonnes in 2005 to 170 tonnes in 2017 mainly by discontinuing our use of elemental chlorine for bleaching and we look for opportunities to make further improvements.

In 2017, we released a total of 232 million m<sup>3</sup> of treated waste water back to the aquatic environment (2016: 236). This includes around 39 million m<sup>3</sup> from third parties.



In focus:

### Investing in waste water treatment at Syktyvkar, Russia

Our Syktyvkar mill in Komi (Russia) is one of the largest pulp and paper mills in Russia. Its wastewater treatment plant treats the mill's own industrial waste water as well as the waste water from the local community and other industrial operations. In 2016, we commenced our €42 million project to modernise the wastewater treatment works and improve the efficiency and reliability of equipment and the quality of the waste water discharged back into the environment. The project will allow municipal and industrial waste water to be mixed before entering the treatment plant – improving the operation of the wastewater treatment plant and saving on nutrient costs. In 2017, work included the upgrade of two secondary clarifiers, two primary clarifiers, two rabble rakes, disc filters and the nutrient dosing system. These improvements saw specific COD emissions improve by 22% in 2017 compared to 2015.

€42m

Invested in modernisation project

Specific COD after waste water treatment was 6.85 kg per tonne of saleable production (2016: 7.0), an 8.7% reduction against 2015. This was mainly achieved through the start-up of our new wastewater treatment plant at Świecie mill (Poland) as well as the ongoing modernisation of the wastewater treatment plant at our Syktyvkar mill (Russia).

Total AOX emissions after waste water treatment amounted to 170 tonnes in 2017 (2016: 155<sup>8</sup>). The increase was mainly caused by an 8% increase in production volume at our Richards Bay mill in South Africa and a slightly reduced AOX removal efficiency due to process instabilities in our wastewater treatment plant at the end of 2017.

### Energy efficiency and renewable energy

Please refer to our action area on Climate change (page 47) to discover how we are improving energy efficiency and increasing our use of renewable energy throughout our operations.

### Promoting the circular economy

We actively support the transition to a more circular economy. We are working with partners such as the World Business Council for Sustainable Development (WBCSD), WWF and the Confederation of European Paper Industries (CEPI) to support developments that will lead to a more circular economy. This includes initiatives that will enable our business, and the packaging and paper sector more broadly, to achieve greater resource efficiency, as well as developments that target the most efficient use of biomass resources (see page 45).

<sup>6</sup> <http://waterriskfilter.panda.org>

<sup>7</sup> CDP Supply Chain Report 2017 / 2018 "Closing the Gap: Scaling up sustainable supply chains"

<sup>8</sup> 2016 restated due to corrected reporting errors in AOX numbers for one of our mills (see page 110)

## Constrained resources and environmental impacts

We strongly support CEPI's call for the EU to place the 'cascading use of wood' principle at the core of its climate and energy policy (see [page 45](#)). We also work with CEPI to lobby for European waste policies that promote paper recovery to improve the flow of recycled fibre into the supply chain. Progress requires improvement in the recyclability and the de-inkability of paper-based products, reduced bureaucracy, and the removal of cost barriers to recycling.

Other ways we support the transition to a circular economy include:

- Pursuing a goal of 'zero waste to landfill' by reducing waste from our operations;
- Where a waste stream cannot be avoided, promoting recycling and reuse - mainly as a secondary fuel for energy or by diverting waste to other manufacturing companies for use as secondary raw material;
- Increasing our use of renewable biomass-based energy ([page 49](#));
- Increasing recycling of water during production ([page 54](#));
- Investing in technology and processes that help to reduce our water and energy intensity ([page 51](#));
- Investigating ways to reduce packaging weight and to improve recyclability (see [page 80](#));
- Developing innovative packaging solutions that extend the shelf-life of packaged goods ([page 79](#)); and
- Working across the value chain to address the challenges related to the commercial viability of recycling flexible plastics at the scale and in the quality required.

### Use of recycled fibre

We aim to maximise the use of recycled fibre content in our paper and board products. Certain product applications require virgin fibre input, and we look to optimise the balance between recycled and virgin fibre in these products (see [page 44](#)).

At times, and in certain geographies, we are limited by the availability and quality of recycled fibre. This is a focus area for CEPI – to secure a recycled fibre supply chain that can meet demand for recycled fibre.

In 2017, we used 1.3 million tonnes of paper for recycling (recovered paper) to produce containerboard (2016: 1.3).

### Flexible plastic-based packaging

Innovating sustainable, plastic-based packaging solutions can greatly support the circular economy – both through design and through increased recyclability and reusability. But while flexible plastic packaging brings numerous benefits to society, it also has adverse environmental impacts, primarily due to challenges related to collecting and recycling the combined materials used to make it, and the slow decomposition rate of plastics. If not disposed of responsibly, waste plastic can contaminate waterways, oceans, forests and other natural habitats, with animals often mistaking plastic for food.

We need broad and systemic change to address the persistent challenges around plastic recovery, reuse and recycling. Our approach is characterised by collaboration with customers and other strategic partners who share our commitment to the circular economy, for example through our membership with the New Plastics Economy initiative (see [page 80](#)).

### Managing waste

We monitor the amount of process waste generated by our operations. Our key waste streams include green liquor dregs, boiler ash, lime mud, rejects from the generation of recycled pulp, and fibre sludge.

Our ultimate goal is zero waste to landfill. It drives us to develop more efficient products and processes and to minimise waste where possible. This includes finding reuse or recycling solutions for our remaining waste streams. To achieve it, we work with industry partners to investigate opportunities for them to use our waste as secondary raw material in their own production processes. For example, some of our waste is used in the production of cement or bricks.

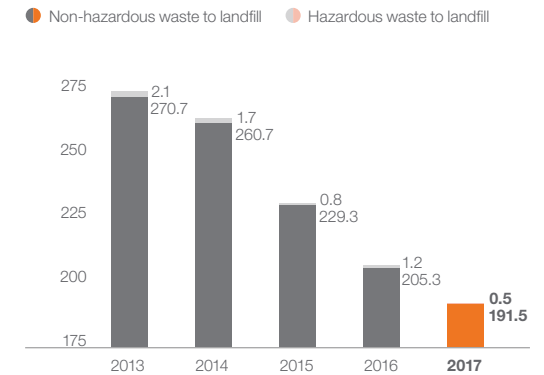
Where it is not possible to reuse or recycle a particular waste stream, we use a range of options to enable it to be disposed of responsibly. This includes treatment such as drying and filtration to change its physical status and/or chemical composition; treatment to change hazardous waste into non-hazardous waste; combustion in incineration facilities (preferably in combination with energy recovery); and, only as the last option, disposal to landfill.

We've committed to reducing the specific total waste we send to landfill by 7.5% by 2020, against a 2015 baseline. In 2017, we sent 30.8kg of waste to landfill per tonne of saleable production (2016: 33.1). This 18.4% reduction against 2015 was mainly achieved through further progress at our Świecie mill (Poland) in converting waste to energy instead of landfilling, and through lower ash generation due to reduced coal consumption at our Richards Bay mill (South Africa).

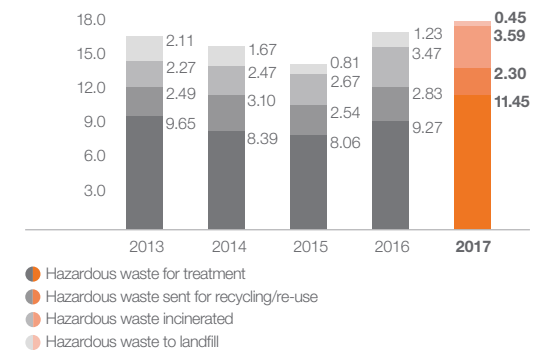
### Managing our impacts

We apply a precautionary approach<sup>9</sup> to our decision making, investigating potential negative impacts on people and the environment resulting from our emissions, discharges and waste before potential harm can occur. Once identified, we set appropriate measures to avoid them.

#### Waste to landfill thousand tonnes



#### Hazardous waste thousand tonnes





## Constrained resources and environmental impacts



### Tackling odour and reducing the environmental footprint of our Štětí mill

Our €335 million modernisation project at Štětí mill is fundamental to realising its ambition of significantly improving environmental performance. Odour complaints have been a contentious issue over the years; with the technology used at Štětí mill being over 30 years old, it has required major investments to reduce odorous emissions. The investment programme includes the rebuild of fibre lines, de-bottlenecking of the existing packaging paper machines and a new recovery boiler.

Key benefits of the project are:

- Increased electricity self-sufficiency, lower energy costs, and reduced carbon intensity
- Increased production volume
- Significant reductions in specific air emissions (particulates, TRS, SO<sub>2</sub>), water emissions (AOX) and waste

Importantly, the new recovery boiler – expected to start up in late 2018 – will also address the topic of odour, with a significant reduction in smell expected when odorous gases are combusted in the new boiler.



12

Read the full story in our 2017 sustainability publication 'Partnering for change'

### Management systems and certification

To help manage our impacts and improve environmental performance across our operations, we use tools such as environmental management systems and certification. All our pulp and paper mills<sup>10</sup> and forestry operations, as well as 56% of our converting operations, are certified to the international environmental management system standard, ISO 14001. All our mills and converting operations are governed by our sustainable development management system (SDMS) which sets global policies, standards and requirements in relation to all aspects of sustainable development (see [page 22](#)).

### Air emissions

We aim to reduce emissions to air from our production processes. Reducing emissions of malodorous gases (monitored as total reduced sulphur (TRS) compounds) from kraft pulp mills is a particular focus as they can create an odour nuisance for local communities, sometimes resulting in public complaints. Our approach includes burning TRS-containing off-gases in our recovery boilers and installing TRS monitoring both within and (at several locations) beyond our boundaries.

Reducing SO<sub>2</sub> and NOx emissions from the combustion of fossil fuels and biomass at our on-site energy generation plants is necessary due to their association with adverse environmental and health impacts. We do this by increasing the efficiency of our boilers and the systems used in the purification of exhaust gases.

Reducing fine dust emissions is an increasing priority for the pulp and paper industry and it is receiving greater public and industry attention.

Stricter legislation is underway which will increase the need for investments in emissions reduction.

We reduce particulate emissions by modernising our energy boilers, which also reduces NOx and SO<sub>2</sub> emissions.

### TRS emissions

We've reduced TRS emissions by 87% since 2005, mainly by investing in new boilers and by collecting and burning off-gases containing these substances. In 2017, we emitted 56 tonnes of TRS (2016: 52), a slight increase compared with 2016. This was mainly due to instabilities at our recovery boilers, where these gases are combusted, at Štětí mill (Czech Republic) and Richards Bay mill (South Africa). Ongoing and future investments, including Štětí's modernisation project, will help reduce these emissions in the future (see case study opposite).

### SO<sub>2</sub> emissions

SO<sub>2</sub> is emitted mostly as a result of the combustion of coal for energy generation. In 2017, our SO<sub>2</sub> emissions were 1,447 tonnes (2016: 1,985). This represents a 74% reduction against 2015 levels, mainly due to the new biomass boiler and the fuel switch from coal and heavy fuel oil to natural gas at our Świecie mill (Poland).

### NOx emissions

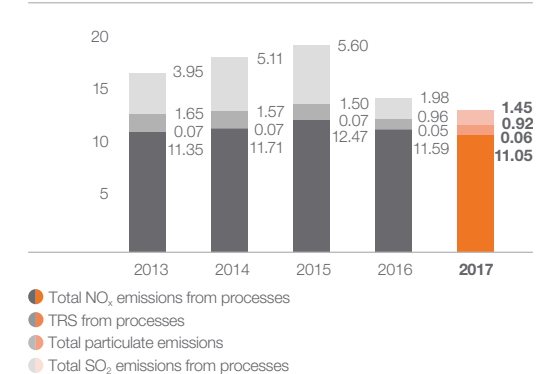
We set a new commitment in 2015 to reduce our specific NOx emissions by 7.5% by 2020 against a 2015 baseline. We've implemented programmes to increase efficiency in our boilers and introduced de-NOx systems in the purification of exhaust gases. In 2017, our specific NOx emissions amounted to 1.8kg per tonne of saleable production (2016: 1.9), down 13.4% against 2015 levels. The reduction was mainly achieved due to reduced coal consumption at Richards Bay mill (South Africa).

### Fine dust emissions

We emitted 921 tonnes of fine dust emissions (particulates) in 2017 (2016: 963), a slight reduction compared to 2016 mainly due to reduced fuel consumption at our energy plants.

### Air emissions

thousand tonnes



### Environmental incidents and compliance

Our environmental performance and management across all our operations must meet local and regional environmental laws, regulations, and other requirements such as site permits. We also require all our operations to meet the standards set out in our SDMS. Legal compliance ensures we retain our local licence to operate and reduces our exposure to financial and other risks such as fines and damage to our reputation. In some circumstances, non-compliance can lead to costly clean-up obligations and other environmental liabilities.

<sup>10</sup> With the exception of Pine Bluff mill (US) acquired in 2015

## Constrained resources and environmental impacts

### Incidents

Environmental incidents related to our operations mainly arise from the unexpected release of chemicals or 'loss of primary containment' (LOPC). We have well-established management systems and procedures in place to avoid such incidents happening. When they do occur due to unforeseen circumstances or gaps in our internal systems, we monitor and thoroughly investigate every incident and take corrective actions to avoid reoccurrence.

In 2015, we introduced a new procedure to categorise LOPC occurrences based on the nature and amount of the chemicals released. In 2016, we developed a process for formalising and automating the reporting of safety and environmental incidents. Our new web-based reporting tool, launched in 2017, has simplified and standardised the generation, distribution and communication of incident reports and corrective actions. It has also enabled more robust statistical analysis of incidents to identify potential systematic underlying causes.

In 2017, we had four major<sup>11</sup> environmental incidents:

**Stamboljiski (Bulgaria):** A washing line of a filtrate tank leaked and 1 m<sup>3</sup> of filtrate was released to the effluent treatment plant. A container was immediately installed to collect the spilled filtrate in order to avoid chemical contamination of the sewer. The mill will replace the obsolete equipment and tanks of the washing line by year-end 2018.

**Pereslavl (Russia):** A solvent supply hose became disconnected and solvent was spilt onto the floor around a printing machine. The solvent was removed and the subsequent investigation

resulted in changes to the hose specifications to prevent reoccurrence of an incident of this nature. The incident report has also been shared with other operations.

**Kematen (Austria):** Around 400 litres of black liquor leaked from a black liquor tank. All liquid was collected in the collection drip pan and returned to the process. Modifications were made to the black liquor tank to ensure that any future overflows will be routed to another tank rather than overflow to the collection tray.

**Frantschach (Austria):** The short cut at the 8 MVA-transformer resulted in a mill trip. During the subsequent mill start up process odorous gases had to be burnt in the off-gas incinerator. Fluctuating pressure in the stripper off-gas system and accumulated condensate in the pipe system caused incomplete combustion of the odorous gases for about 13 minutes. This resulted in odour complaints in the area of the city of Wolfsberg, some 5km from the mill. A number of actions were implemented to avoid reoccurrence: pressure alarms were installed and the pipe system has been re-checked to ensure adequate mechanical condition. The relevant standard operating procedures have been revised and operators trained. In addition, the odorous gas system (dimension, capacity, technical standard) has been reviewed with external specialists.

### Listening to stakeholder concerns

Our production processes have the potential to give rise to concerns or grievances from local communities, NGOs and other stakeholders.

These typically relate to issues such as odour caused by TRS, noise or environmental incidents.

As well as our formal Group Speakout mechanism (page 25), some operations provide the community with dedicated telephone lines that connect the complainant directly to the relevant person at our operation. Immission monitoring stations are also provided at a number of our pulp and paper mills. Our Socio-economic Assessment Toolbox (SEAT) process at our mills and forest operations provides a formal, strategic mechanism to address environmental grievances by local stakeholders.

### Complaints

In 2017, we received 194 complaints (2016: 187). We saw a significant reduction in odour complaints, mainly due to our efforts to reduce diffuse emissions through combusting off-gases containing odorous substances in our boilers. However, there has been a significant increase in noise-related complaints, mainly from a single case not linked to an incident or a technical problem at our Frantschach mill. The investigation into this matter is ongoing, and we are engaging with the complainant to resolve it.

All complaints are managed locally; we try to contact complainants where required to better understand the grievance and investigate the cause. All complaints are investigated, reported and corrective actions are defined. The success of the corrective action is checked and, if applicable, the complainant is contacted for follow up.

	2016	2017
Total complaints	187	194
Odour complaints	152	108
Noise complaints	24	82
Other complaints	11	4



In focus:

### Landfill rehabilitation at Stamboljiski mill

When we acquired our paper mill in Stamboljiski (Bulgaria) in 2006, bark from the debarking process was landfilled in the nearby Gornovitsa area. Self-ignition of the decaying wood waste caused frequent inconvenience to the local community, mainly due to the unpleasant odour of the smouldering bark. We engaged with the Municipality of Stamboljiski and agreed that the mill would use the residual bark as an energy source and that we would restore the landfill site as green space for the local community. After removing the decaying wood, mainly for reuse as an energy source, the resultant pits were refilled with soil and remediation and monitoring was undertaken. To restore the original landscape, we put down a 30 cm-deep re-cultivated top layer using sediments from the lagoon adjacent to the mill's biological wastewater treatment plant. The State Acceptance Commission approved the recultivated terrain to join the adjacent areas in November 2017. Mondi Stamboljiski is not only compliant with legislation and stakeholder expectations, it has significantly improved the environment for the community of Stamboljiski.

<sup>11</sup> Major environmental incidents have been called Level II environmental incidents in the past. We have changed the name due to alignment with safety terms. A major environmental incident is any occurrence that has actually resulted in the loss of primary containment of at least 1kg GHS hazard category 1 substance or > 10kg of all other GHS classified substances. GHS is the 'Globally Harmonized System of Classification and Labelling of Chemicals' used to categorise chemicals by their hazardous characteristics. GHS is an internationally agreed upon system, created by the United Nations



## Biodiversity and ecosystems

Forests are home to as much as 80% of the world's land-based animal and plant species<sup>1</sup>. They provide a host of benefits – from regulating climate and water cycles to absorbing carbon and providing food, shelter, fuel and an income for over a billion people worldwide. Despite this, global deforestation and land conversion continue to threaten biodiversity and contribute to climate change.

## Why is this important to our stakeholders?

- WWF's Living Planet Report 2016 highlights that, increasingly, people are victims of the deteriorating state of nature: without action, the world will become much less hospitable to our modern globalised society<sup>2</sup>
- The last remaining intact forest landscapes, like those in Russia, face increasing pressure from human activities. Sustainable management of secondary boreal forests is crucial to ensure future balance between conservation and wood fibre production
- Fresh water is an increasingly scarce resource, especially in water-stressed areas such as South Africa. Responsible stewardship of wetlands and other freshwater ecosystems is key to meeting the current and future needs of communities and business

## Why is this important to Mondi?

- Wood fibre is one of our primary raw materials; access to sustainable and responsible sources of wood fibre is essential to our business
- We manage 2.1 million hectares of natural boreal forests in Russia and around 245,000 hectares of plantation forests in South Africa
- We manage our owned and leased forests in a way that secures their long-term productivity, whilst maintaining quantity and quality of water, soils, biodiversity, and social value
- Some of our manufacturing operations are located near sensitive ecosystems, protected areas or other high conservation value areas. Managing our impacts in these areas is a responsibility we take seriously

## Our Growing Responsibly commitment to 2020:

- Promote ecosystem stewardship in the landscapes where we operate through continued multi-stakeholder collaboration

## Discover how we are...

- Managing our working forests to ensure sustainable growth of natural capital and to balance the long-term productivity and viability of forest stands by maintaining biodiversity and ecosystem services
- Promoting ecosystem stewardship at a landscape level to manage critical High Conservation Value (HCV) areas and priority ecosystems
- Developing landscape-scale freshwater stewardship by collaborating with stakeholders from key land uses across entire water catchments
- Using supporting science to establish the value of our work and inform our activities on the ground

## Next steps

- We will continue to pursue opportunities to maximise our positive impact through shared learning on water stewardship and biodiversity conservation
- We aim to focus our work in this area at landscape level and across different forest types

## UN SDGs and targets



### SDG 6 Clean water and sanitation

- Target 6.6 By 2020, protect and restore water-related ecosystems, including mountains, forests, wetlands, rivers, aquifers and lakes



### SDG 12 Responsible consumption and production

- Target 12.2 By 2030, achieve the sustainable management and efficient use of natural resources



### SDG 15 Life on land

- Target 15.1 By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements
- Target 15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally

1 FAO, Eleventh World Forestry Congress, 'Protective and environmental functions of forests'

2 [http://wwf.panda.org/about\\_our\\_earth/all\\_publications/lpr\\_2016/](http://wwf.panda.org/about_our_earth/all_publications/lpr_2016/)



## Biodiversity and ecosystems

# The sustainable working forest

**Our aim is to optimise timber production in commercial forests while maintaining the main components of natural capital, ultimately contributing to more resilient production landscapes.**

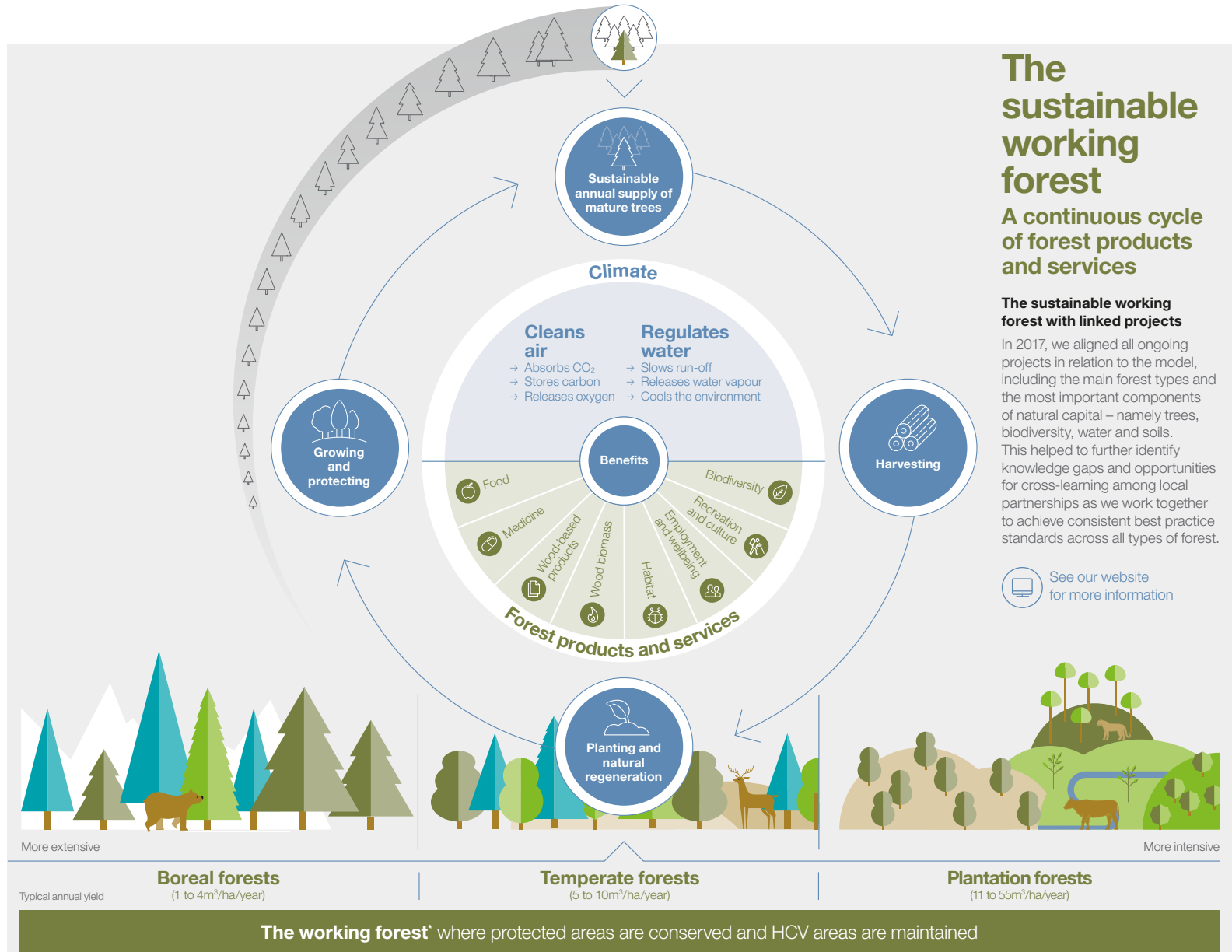
To achieve this, we develop approaches to sustainable forest management that take into account the specific features of different forest types.

We promoted the working forest concept in 2016 to communicate our vision. It provides a visual representation of the positive contribution that sustainably managed commercial forests make to society and the environment, and clearly illustrates the benefits provided by a wide range of working forest types.

For Mondi, the working forest concept includes the three main forest types that we source wood from, namely:

- intensively managed plantation forests in South Africa;
- extensive areas of slow-growing boreal forests in Russia with long rotation periods; and
- historically small- and medium-scale temperate forests of central Europe.

Since its launch, we have used the working forest concept to illustrate our goal of securing a sustainable, long-term fibre supply whilst maintaining essential ecosystem services. The concept has gained recognition among other stakeholders and we support WBCSD Forest Solutions Group in promoting wider uptake of the concept.



## The sustainable working forest

**A continuous cycle of forest products and services**

### The sustainable working forest with linked projects

In 2017, we aligned all ongoing projects in relation to the model, including the main forest types and the most important components of natural capital – namely trees, biodiversity, water and soils. This helped to further identify knowledge gaps and opportunities for cross-learning among local partnerships as we work together to achieve consistent best practice standards across all types of forest.

[See our website for more information](#)

More extensive

More intensive

**Boreal forests**  
(1 to 4m³/ha/year)

**Temperate forests**  
(5 to 10m³/ha/year)

**Plantation forests**  
(11 to 55m³/ha/year)

**The working forest\*** where protected areas are conserved and HCV areas are maintained

\* Tropical forests are most sensitive to disturbance and any commercial use of forest products requires a more sensitive and selective working forest approach

## Biodiversity and ecosystems

### Long-term productivity of forest lands

We depend on the long-term productivity of our commercial forests for maintaining or increasing yields. Minimising losses from forest disturbances<sup>3</sup> that are intensified by climate change and other external factors is an important aspect of long term productivity. Negative impacts may include increased frequency and intensity of pests and diseases, droughts and forest fires, and may also include management impacts on soil, water and biodiversity. We work continuously to maintain or improve the long-term productivity and stability of our forests, thereby ensuring long-term wood supplies to remain globally competitive.

#### South Africa

In South Africa, we manage around 245,000 hectares of plantation forests, planted mainly with eucalyptus and pine species. As the need to mitigate and adapt to the impacts of climate change comes to the fore, our comprehensive tree improvement programme aims to produce stronger, more robust hybrids that are better able to resist disturbances such as drought, pests and diseases. This will enable us to maintain yields of forest stands and minimise losses.

Fire remains an ongoing challenge for our South African plantations, exacerbated by drought conditions and socio-economic factors. We mitigate fire risks with naturally vegetated open corridors (ecological networks) as fire breaks between forest plantations to help prevent large areas from catching fire. In recent years we have made significant improvements to the firefighting fleet, including decreasing the overall vehicle age, improved safety specifications, and greater mobile water carrying capacity.

We also manage biomass that remains behind at logging sites after harvesting operations to minimise extent of combustible material that increases the risk of fire. This includes prescribed burning of logging residues in compliance with legal requirements and our own standards. In 2017, we improved our procedure on pre- and post-burning assessments at harvesting sites, based on expertise provided by scientists from the University of Stellenbosch. The assessments aim to mitigate the risks of erosion and nutrient loss after prescribed burning to ensure healthy soils, which are critical for productive plantation forestry operations.

#### Russia

In Russia, we manage 2.1 million hectares of natural forests, presented mostly by spruce, pine, birch and aspen. We place increasing emphasis on sound silviculture to improve yields and output of high-quality logs from secondary forests. These secondary forests are managed within a landscape layout where intact forest landscapes (IFLs) and other HCV areas are protected. In addition to growing seedlings for planting, we are developing effective methods for supporting successful natural regeneration of forests. The strength of tree growth in boreal forests depends on the free space they have and their access to light, water and nutrients. In both naturally regenerated and planted forests, the most important step is to tend young forest stands, keeping the strongest and best trees and eliminating competition from undesirable vegetation during pre-commercial thinning.

<sup>3</sup> A forest disturbance is a temporary change in environmental conditions that noticeably alter the physical structure of a forests ecosystem. These changes can be sudden and can have a significant impact – for example a fire or a pest outbreak

Our Russian forests demonstrate a strong resistance to pests and diseases, largely due to using only native species for forest regeneration, which are adapted to local conditions. These forest stands are heterogeneous with a mix of several primary tree species.

Forest fires are a real threat to our Russian forests. While the likelihood of fires is relatively low, the impact can be significant. The main challenge is the complexity of physically extinguishing fires within vast areas of largely inaccessible forests. We therefore place great emphasis on fire prevention, while still ensuring the quantities and quality of fire extinguishing equipment and machinery. Regular activities include maintaining fire breaks, arranging forest monitoring and patrolling, maintenance of forest fire roads, establishing firewater ponds, arranging equipped places for rest, installing information posters, ensuring stock of fuel, meals, and safety equipment for fire brigades.



### Certification and compliance

Credible third-party certification of our forests is an important part of our management approach. It assures compliance with globally recognised standards for sustainable forest management (see page 42). We apply a complementary combination of recognised certification schemes to our forestry operations for more sustainable forest management.

Our managed forests are not associated with any form of deforestation or illegal logging. We do not undertake forestry in the tropics and do not use tropical species or those listed by the Convention on International Trade in Endangered Species (CITES). We also do not use wood from genetically modified (GM) trees or grow GM crops.

For full details of how we ensure that all our wood and fibre comes from responsible sources, see page 42.

In 2017, our forest management system in South Africa successfully passed a reassessment audit against the FSC standards. As a result, the new certificate was issued for the next five-year period, covering all Mondi's land holdings in South Africa.

Our forest management system in Russia also maintained certification in compliance with FSC and PEFC standards for its forests, including new forest areas that were leased in 2016 (38,720ha). In 2017, two more forest areas were added, together accounting for approximately 38,900ha of forest. These will be included in the certification scope by the end of 2018.

Both our Russian and South African forestry operations maintained ISO 14001 certification in 2017. Our forestry operations revised their environmental management system, including policies and procedures, incorporating the new ISO 14001 requirements.

## Biodiversity and ecosystems

### Ecosystems and biodiversity

Ecosystem degradation and the resultant loss of habitats and species have a significant negative effect on the ecosystem services that both communities and business rely on. Mondi is committed to managing biodiversity and ecosystem services in its forestry operations. We focus on maintaining an effective network of HCV areas and priority ecosystems, and on imitating natural dynamics for key types of ecosystems where possible. We have updated Ecosystem Management Plans (EMPs) to guide the management of the conservation area or ecological networks on our landholdings. These EMPs focus on maintaining or enhancing the environmental values on our landholdings, whilst mitigating risks to these values.

We have set aside about 25% of all our owned and leased land for conservation purposes. Our conservation network includes HCV areas, corridors and patches of natural ecosystems, and habitats of rare and endangered species. The forestry operations in South Africa and Russia are in process of updating the HCV assessment.



Within the Biodiversity and Ecosystems workstream of the WWF Global Partnership, we continue to investigate and develop best practice, together with WWF, across the main forest types (page 60) and together with regional partners in Russia (Silver Taiga Foundation with its High Conservation Value Forests (HCVF) project) and in South Africa (Stellenbosch University with its Mondi Ecological Networks Programme (MENP) (page 99), where Mondi has its forestry operations.

#### South Africa

Our South African forestry operations do not convert natural forests or protected areas into plantations. Furthermore, we manage different parts of our conservation area network, including our HCV areas, to maintain their ecological value. One of the greatest threats to biodiversity is the impact of invasive alien plants. We continue to implement our invasive alien plant management system including prescribed burning of natural grassland areas among our plantations, which are fire-dependent ecosystems. We implement fire protection practices in accordance with national legislation and forestry sector best practices.

In 2017, the University of Stellenbosch concluded more than 10 years of scientific research through our partnership initiative, the MENP. The findings include practical recommendations on the design and management of ecological networks and provide a scientific basis for implementing the concept of ecological networks in plantation forestry landholdings. The recommendations have been globally peer-reviewed and promoted through the New Generation Plantations (NGP) and other platforms. They will serve as a valuable contribution to best practice in plantation forestry management globally.

#### Russia

In the Komi Republic (Russia), we've supported the identification, mapping and securing of official protection for HCV areas and some of the last intact forest landscapes (IFLs) within the framework of our sound landscape approach. The well-developed HCV network has been designed using best available practices and expertise, setting a framework for managing different types of productive forests.

In 2017, we signed an agreement with WWF Russia and local NGO, Silver Taiga Foundation which summarises and supports the results of 10 years of collaboration in developing an inventory of IFLs in the Komi Republic and adjacent territories. The agreement applies to current Mondi forest areas, areas managed by our suppliers and any future areas we may source wood from. It is the first landscape-level agreement to depict core areas beyond boundaries of forest management units. The agreement and the map of cores areas is available online<sup>4</sup>.

Our partner, Silver Taiga Foundation, finalised guidelines in 2017 on landscape ecosystem management planning, with recommendations on the use of remote sensing and GIS. The guidance includes field recommendations for the delineation of logging sites. In 2016 and 2017, we provided in-field training to all employees of logging operations based on those recommendations. We also prepared a publication to help external stakeholders, including our suppliers and contractors, to use the guidelines.

#### Manufacturing operations

We manage the biodiversity impacts of our manufacturing operations. In 2015, we used the Integrated Biodiversity Assessment Tool (IBAT) to identify a number of mills located near protected areas, which could potentially impact on important biodiversity. To better understand potential impacts, we engaged with local experts around our large pulp and paper mills in three different regions: South Africa, Russia and Bulgaria. The results of this work will form part of a practical guide for our operations on how to identify and mitigate biodiversity risks for each respective production facility.

#### Water stewardship

We aim for effective water stewardship in our forestry operations and in our manufacturing operations. We recognise collaboration with stakeholders at the landscape or catchment scale as best practice. This multi-stakeholder approach incorporates the bio-physical and social elements within the landscape; including different land uses that impact on the freshwater ecosystem across the entire catchment. As Mondi, we therefore help catalyse participation in a landscape approach to freshwater stewardship. Through partnerships with key civil society organisations, stakeholders, who share the same interest in a catchment, are encouraged to develop and implement solutions and actions to secure water-related ecosystem services at scale. In this way, Mondi promotes water stewardship across water catchments, well beyond its forest areas.

4 <http://hcvf.ru/en/moratorium>

## Biodiversity and ecosystems



In focus:

### Promoting water stewardship in Russia

We have been working with Silver Taiga in the Komi Republic to assess the long-term impacts of logging operations on the Mezen River catchment. Historically, extensive harvesting and logging practices have left huge clear-cut areas, with communities convinced these practices have impacted on water levels and depleted the Atlantic salmon populations they depend on.

Mondi and Silver Taiga Foundation launched a joint project 'Model River Mezen' in 2011. Our aim was to develop constructive dialogue with stakeholders to understand the long-term impacts of logging operations on fish resources, so that we could identify appropriate mitigation measures and measure ongoing progress.

Our initial analysis found that, since commercial fishing stopped in the early 1980s, there had been no reliable statistical data on fish populations for the Mezen River. In 2011, methodology for tracking the number of active salmon spawning in the river was adapted, working with local experts and stakeholders. This early research indicated that illegal and uncontrolled fishing was having a large negative impact on fish populations, with some experts suggesting that annual fish population changes were also a result of climate impacts such as high or low water levels due to heavy rainfall or drought in particular years. The main conclusion was that over-fishing and illegal fishing have a greater impact on fish populations than logging operations in the long term.

In 2017, Silver Taiga summarised data from seven years of monitoring the quality of spawning of Atlantic salmon. Based on this data, the Polar Institute of Fisheries and Oceanography has included the Mezen River in its list of water bodies recommended for the release of a number of valuable fish species. Almost half a million grayling are planned for release in 2018.

In 2017, the first Mezen River festival attracted 400 people from surrounding settlements. The aim of the festival was to communicate and promote responsible management of fish resources among local communities, to showcase best practice, and to assist in highlighting to authorities the need for effective restoration of fish resources. There are now plans to hold the festival annually in different settlements along the Mezen River.

While the impacts of logging operations on the Mezen River's fish populations were not significant at the primary catchment level, we are still keen to increase our understanding of the long-term impacts of logging operations on water resources and soil. We have therefore shifted the focus of our impact assessments to lower catchment levels linked to smaller forest rivers within the Mezen catchment and including the Verkhnyaya Vychedga catchment, where the Mondy Syktyvkar mill and most of our leased forest areas are located. In 2017, we launched a new GIS platform that aims to systemise all available data on hydrology and soils so we can use it to better inform forest management at water-catchment levels. The platform collects data on the dynamics of harvested logging areas, the fluctuation of hydrological characteristics, and landscape transformation within water catchments, classification of erosion processes on logging sites, made based on images from unmanned aerial vehicles (UAV).

### Pioneering a landscape approach to water stewardship

In recent years, the WWF-Mondi Water Stewardship Partnership has focused on applying social learning and expanding awareness and best practice in the management of freshwater ecosystems and water resources among stakeholders operating across whole catchments. This is critical, as isolated good practice by a single player cannot address the water challenges facing a catchment due to their scale and nature. Through our partnership, WWF brings key stakeholders together who have a shared interest in maintaining freshwater ecosystems and services at the landscape level, including farmers, local government, corporate land users, and insurance and banking partners. Applying social learning helps to engage key users and stakeholders more effectively.

To date, Mondy has piloted this landscape approach in both South African and Russian forestry operations:

- **In South Africa**, Phase One of the WWF-Mondi Water Stewardship Partnership focused on the Upper uMngeni catchment in KwaZulu-Natal, with a focus on dairy, sugar and forestry landowners. In 2017, the focus was extended to include the uMhlathuze catchment where our Richards Bay mill is located and where forestry, sugar, citrus and communal land holdings are a prominent feature. See [page 54](#) to read about reducing water use in our South African manufacturing operations.
- **In Russia**, the landscape approach has been piloted in the Mezen River catchment with engagement of local communities and authorities within Model River Mezen project with the Silver Taiga Foundation. In 2017, the focus was extended to include the Verkhnyaya Vychedga catchment, where our Syktyvkar mill is located and where the majority of our leased forest areas are located.

### Promoting transparency and collaboration

We promote ecosystem stewardship at a landscape scale through our long-term collaboration and partnerships and by sharing best practices in ecosystem stewardship across our own industry sector and beyond. To maximise our positive impact, we share knowledge and learning with other stakeholders, seek joint solutions, and participate in developing good practices across sectors and value chains to protect ecosystems and biodiversity. You can find details of our key partnerships and collaborations on [pages 95-100](#).

We remain committed to the New Generation Plantations (NGP) platform<sup>5</sup>, which brings companies from different sectors together with local communities and government agencies to share knowledge and improve plantation forestry management. This year, the NGP celebrated its 10-year anniversary. We've worked with WWF and other partners to develop and champion the NGP concept since it was established in 2007 and are supporting the application of the concept to other forest types.

Launched in 2015, the Boreal Forest Platform (BFP)<sup>6</sup> brings stakeholders together across the boreal landscape, particularly in north-west Russia, to develop a shared understanding of responsible forest management. With 21 members, including forestry and natural resources authorities, scientific and research institutions, environmental NGOs and forestry companies, the BFP is becoming increasingly well-known and recognised among international stakeholders. Similar to the NGP, it is seeking opportunities to become a global platform for addressing issues affecting boreal forests around the world.

<sup>5</sup> <http://newgenerationplantations.org>

<sup>6</sup> <http://borealforestplatform.org/en/>

## Biodiversity and ecosystems

The current focus is on developing a sustainable forestry model for Russia, based on best practices in Canada and Scandinavia. In 2017, the BFP held two international field seminars, one in Finland and the other in Canada.

We have participated in the CDP Forests global disclosure system since its inception and we were included in the Leadership 'A-' list for timber products.

Launched by the WBCSD in July 2016, the Natural Capital Protocol (NCP) is a framework designed to help generate trusted, credible, and actionable information to enable business managers to make informed decisions.

The Protocol aims to support better decisions by considering how we interact with nature or, more specifically, natural capital. In 2017, Mondi within the Natural Capital and Ecosystems Cluster, provided input and case studies for development of the Forest Sector Guide to the NCP.

We will continue to participate in the work of the Cambridge Institute for Sustainability Leadership (CISL) Natural Capital Impact Group aimed at promoting resilient productive landscapes and developing metrics on healthy ecosystems including biodiversity, water, and soils.

Mondi is a core member of the WBCSD Forest Solutions Group (FSG), and the Working Forest concept has gained support within this group.

In 2017, FSG developed a new strategy, extending their scope from natural capital and forestry issues to include circular and bio-economy topics.



In focus:

### Promoting water stewardship in South Africa

In water-stressed South Africa, over half of the country's wetlands were destroyed or degraded since the early 20th century. This loss – much of it due to historically poor agricultural and plantation forestry practices – seriously impacted ecological integrity and freshwater quality and flows. This in turn had long-term consequences for the productivity and sustainability of surrounding land and for downstream users of these water resources.

The conservation areas of our plantation forestry landholdings contain many wetlands. As such, the delineation and management of wetlands is an essential component of plantation forestry management, ultimately minimising the negative impacts on water resources. As one of the main priorities within the earlier phases of the WWF-Mondi Water Stewardship Partnership we delineated planted areas out of wetlands on Mondi landholdings. In the process, we actively restored some priority wetlands, while managing the passive restoration of the balance. Today, these wetlands contribute to conservation goals and water security, including for some rural communities living downstream of our forestry operations.

In 2010, we assessed the state of a representative sample of our wetlands across our forestry landholdings. The results provided the basis for guiding the future management and maintenance of our wetlands. In 2016, and in consultation with key wetland specialists, we developed and initiated a more regular wetlands monitoring programme, including key methodological improvements. This meant we could improve our understanding of the state of our wetlands at smaller scale operational units, and use the results to better plan future management activities.

In 2016, we also initiated an improved approach to our freshwater monitoring programme. The focus is now on understanding whether our forestry management system is effective at minimising or avoiding impacts on water quality on our forestry landholdings. The improved approach is being rolled out in two of our three ecoregions within our South African forestry landholdings, with improved monitoring due to commence in the third ecoregion in 2018.

We also continue to support the Two Streams catchment project in South Africa. Research teams from the Council for Scientific and Industrial Research (CSIR) and the University of KwaZulu-Natal have been carrying out research in our forestry areas in the Two Streams catchment. The project has received funding from Working for Water (based in the Department of Environmental Affairs) and from the Water Research Commission, to study the impact of plantation trees on soil hydrological processes. We've committed to the next phase of the Two Streams research project, scheduled to commence in 2018, which will compare water use of eucalyptus with previous results on acacia.



## Biodiversity and ecosystems

### Supporting science

Science plays an essential role in informing our management practices and establishing the value of our work on the ground. To see the real impact of our activities and to make it more effective and targeted, we need scientific research to provide robust evidence. We support wide-ranging partnerships and research collaborations with academic and research institutions, NGOs and other stakeholders.

The following institutions remain our key scientific partners:

#### In Russia:

- the Institute of Biology of Komi Science Centre of Russian Academy of Science
- Syktyvkar Forest Institute of St. Petersburg's State Forest Technical University, and Syktyvkar State University

#### In South Africa:

- the University of Stellenbosch
- the University of KwaZulu-Natal
- the University of Pretoria's Forestry and Agricultural Biotechnology Institute (FABI)

You can find details of our work with key scientific partners on [page 99](#).

#### In focus:

### Mondi supports IUFRO

International Union of Forest Research Organizations (IUFRO) is a non-profit, non-governmental international network of forest scientists which promotes global cooperation in forest-related research and enhances the understanding of the ecological, economic and social aspects of forests and trees. It unites more than 15,000 scientists in over 110 countries.

In September 2017, Mondi supported IUFRO to host an open dialogue at the IUFRO's 125th Anniversary Congress in Freiburg (Germany). The dialogue set out to identify strategies and options for a long-term structured collaboration between business and science, aimed at moving closer to achieving the United Nations Sustainable Development Goals (SDGs).

Critical questions posed at the dialogue included:

- What are the major forest- and SDG-related challenges facing business?
  - What is the role of science and where are the knowledge gaps?
  - Does (forest) education provide the knowledge, expertise and skills that business needs?
  - How can IUFRO support business in understanding sustainability challenges and finding solutions?
- Mondi's Operations and Technical Director, Christian Skilich, represented the forest industry. The lively discussion raised a number of key messages, including:
- Forests contribute to almost all SDGs, but this contribution is not always visible to key decision makers within the policy-formulation arena, in business and broader society;
  - The SDGs are interconnected and must be addressed together through integrated approaches that include environmental, social and economic dimensions;
  - To provide food, energy and products for a growing world population, it is important to explore the trade-offs between the SDGs and take a balanced approach to conflicts between agricultural production, emissions reduction and biodiversity protection; and
  - Business plays a critical role in the achievement of the SDGs – as a source of finance, a driver of innovation and technology, and an engine of economic growth and employment.

There is a need for closer cooperation between science and business along the entire product value chain and to define sustainable land management.

The session received excellent feedback from the audience, who voiced a strong interest in participating in future dialogues with the aim of developing concrete actions together.





**Supplier conduct and responsible procurement**

In an increasingly globalised and connected economy, sustainable growth depends on creating transparent and responsible supply chains. But achieving it is a complex challenge shared by businesses worldwide. We're taking steps to improve transparency and promoting fair working conditions for a responsible, inclusive and sustainable supply chain.

**Why is this important to our stakeholders?**

- Through the lens of today's stakeholders, businesses need to manage adverse impacts on people and ecosystems, including issues such as labour and human rights, both within their own operations and in their supply chains
- Our customers request increasingly detailed information about how we manage our supply chain to support them in managing their own risks
- Global socio-economic shifts can provide business opportunities, but they may also mean greater exposure to risks such as human rights violations, poor environmental practices or controversial sourcing of raw materials

**Why is this important to Mondi?**

- A responsible supply chain delivers far-reaching benefits for our business – from continuity of supply and reduced impact of market volatility to greater collaboration and innovation
- Managing our supply chain impacts is crucial to our sustainable growth
- Achieving meaningful change means working across our global supply chain to develop practical, risk-based solutions that mitigate impacts where it is needed most
- It's crucial we manage our risks in countries of weaker governance as suppliers globally shift production to the emerging markets and supply chains become increasingly complex



**Our Growing Responsible commitment to 2020:**

- Encourage supply chain transparency and promote fair working conditions together with our key suppliers

**Discover how we are...**

- Developing our Supplier Risk Management System to ensure a more robust, integrated and consistent approach to managing risk
- Strengthening our response to the UK Modern Slavery Act
- Developing a more efficient wood transport system

**Next steps**

- We will continue to work towards and report on the identification of key sustainability risks in the supply chain and assess sustainability performance among selected suppliers
- We will provide additional training for procurement teams on our updated policies, approach, risk areas and response to sustainability challenges and opportunities
- We will carry out audits of our suppliers, based on an assessment of need and risk, and will put in place further measures to address risks and opportunities in collaboration with our partners and suppliers

**UN SDGs and targets**



**SDG 8 Decent work and economic growth**

- Target 8.7 Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking, and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms
- Target 8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment



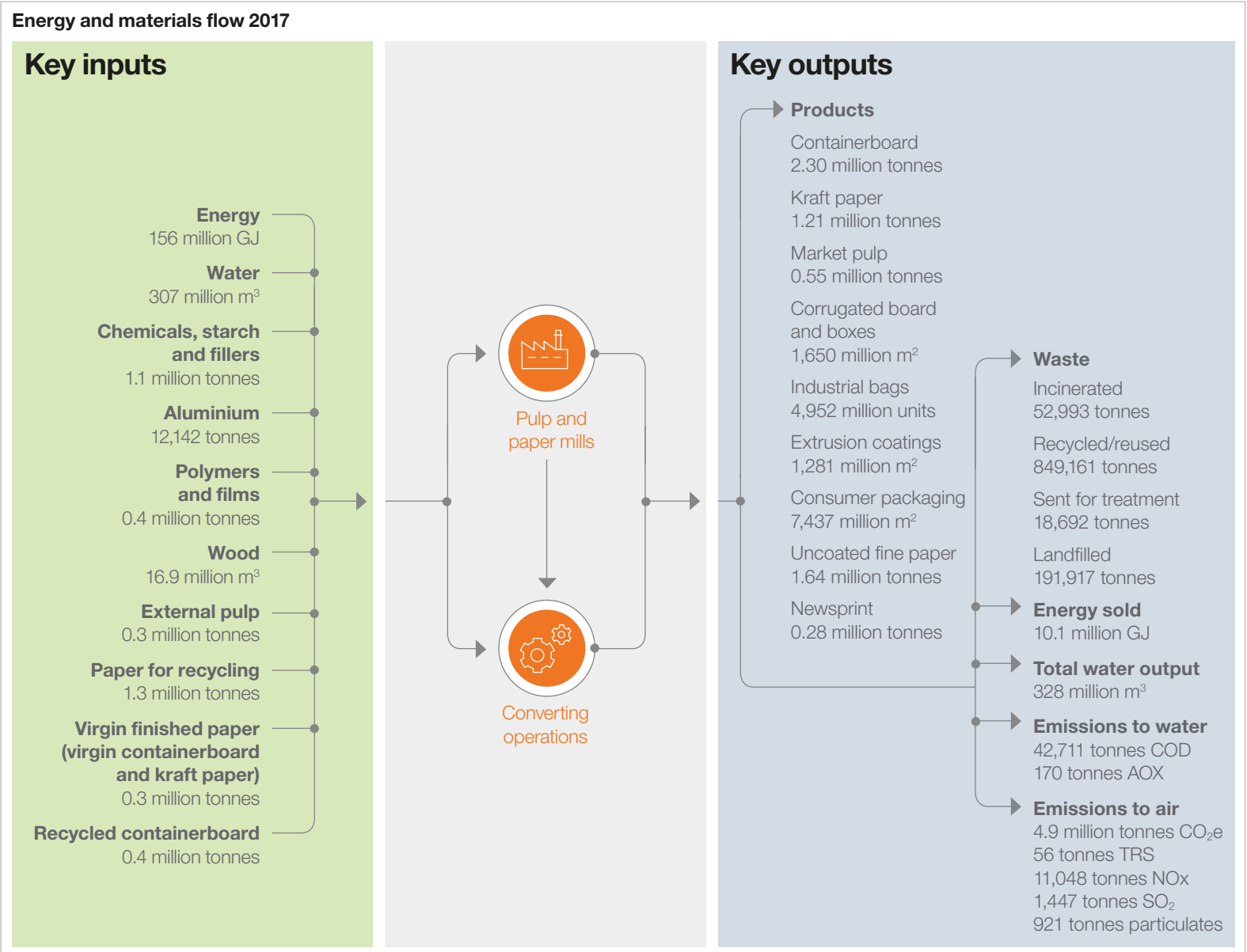
**SDG 12 Responsible consumption and production**

- Target 12.2 By 2030 achieve the sustainable management and efficient use of natural resources

## Supplier conduct and responsible procurement

# Our global supply chain

Our global supply chain spans more than 18,000 direct suppliers<sup>1</sup> in 86 countries around the world. 27% of our total spend in 2017 was on wood, pulp, paper, and paper for recycling, with plastics and film the next largest category, at 13%. Plastics are the largest strategic spend category for our Consumer Packaging and Extrusion Coatings businesses.

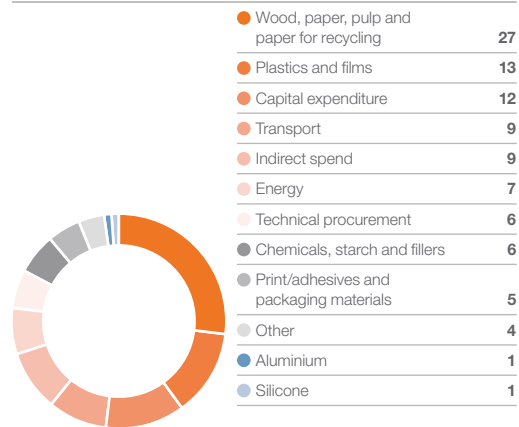


<sup>1</sup> Direct suppliers that were active in 2017 with at least one purchase order, grouped into single entities

## Supplier conduct and responsible procurement

### Breakdown of supply spend 2017

%



Our key procurement categories:

- Wood, pulp and paper
- Plastics
- Chemicals, starch and fillers
- Transport and logistics

Procurement in a number of these categories is managed centrally, with some volumes managed regionally or locally. Each of these raw materials and services presents a unique set of potential sustainability-related risks that we must manage. Some of these risks are linked to the geographies from where raw materials and services originate or are procured. For example, in areas of weaker governance there may be a greater risk of labour and human rights violations, weaker regulation of environmental practices or waste disposal and/or controversial sourcing of raw materials. Other risks are inherent in the nature and production of the commodity or service – for example the risk of illegal logging and deforestation featuring in wood

and fibre supply chains (see [page 42](#) for detailed description of how we ensure we're not party to any form of deforestation or illegal logging).

To determine the overall level of risk for each category, we consider these issues along with business considerations such as the magnitude of our spend with, our dependency on, and the strategic nature of our relationship with each supplier. In 2017, we began developing a more standardised approach to identifying sustainability risks and assessing supplier performance. This work supports our response to the UK Modern Slavery Act and will enable us to improve the transparency in our supply chain, thereby minimising risk to our business, while also meeting the increasing expectations of stakeholders for global supply chain transparency, particularly around human rights and environmental practices.

Some of our current practices and initiatives related to key areas of spend and major procurement categories include:

### Wood, pulp and paper

Fibre is one of our primary raw materials. We procured 16.9 million m<sup>3</sup> of wood, 0.3 million tonnes of external pulp, 1.3 million tonnes of paper for recycling (recovered paper) and 0.7 million tonnes of virgin and recycled finished paper in 2017, representing 27% of our overall spend. We have made it a priority to procure it only from sustainable sources and we use forest certification to assist us in assuring that the fibre we source comes from sustainably managed forests. Our long-term aim is to increase the proportion of our fibre from credibly certified sources, and to support efforts to increase its long-term availability in the supply chain (see [page 42](#)).

### Plastics

The plastics category includes different types of polymers, films and fabrics. The Group procurement team is responsible for strategy development, key strategic sourcing projects and negotiations with our Group suppliers. They work closely with the local procurement teams to create visibility on spend and implement the aligned strategies and processes.

The plastics category is highly exposed to the raw material price changes. In addition to focusing on price developments and delivering cost improvements, we focus on securing the expected volume demand, risk management, responsible sourcing and enhancement of quality requirements to support our high quality products. Regular audits of plastics suppliers support our quality standards as well as hygiene management, environment and safety.

To support our businesses in down-gauging and light-weighting our plastic-based products, we purchase plastics suitable for designed-for-recycling mono-material solutions that qualify for existing recycling streams; bio-based packaging for the food industry; and laminates made from recycled plastics for home and personal care (read more on [page 80](#)).



In focus:

### Suppliers risk assessment

In 2017, we launched a new project to complete a high-level risk assessment of a representative sample of suppliers so that we can better understand the geographies, product categories and suppliers that pose the highest risks to Mondi and its stakeholders along the value chain. The results of this risk assessment will inform the risk categories and evaluation criteria for supplier evaluation going forward, as well as the update of our Code of Conduct for Suppliers, and training and audit protocols. Our intention is for this entire process to be managed in SRM once it is fully rolled out and live. We anticipate that this project will run until 2020, ultimately covering all supplier categories across our global operations.

## Supplier conduct and responsible procurement



In focus:

### A more efficient wood transport system

An optimised wood supply chain is one of the most crucial aspects when it comes to costs and environmental impacts such as CO<sub>2</sub> emissions. A well-coordinated logistics system reduces transport distances covered by truck or rail, leading to higher transport efficiency, delivering cost savings and reduced emissions. We place significant emphasis on developing new and innovative solutions.

The Mondi-Mercer Joint Venture, wood2M GmbH, was launched in 2016 when Mercer and Mondi decided to channel their demand for imported wagon through a joint limited liability procurement company. Our shared aim is to optimise logistics streams and improve international competitiveness by combining truck, rail and vessel logistics.

As large volumes of wood are delivered by rail to our mills (about one third of wood transport is via rail cargo), we are also involved in a project that is focused on developing innovative rail technologies, mainly used for longer transport distances. The project will improve wagon equipment for higher volumes, also using lightweight wagons. The rail strategy is linked to enhancing efficiency for an improved carbon footprint.

In 2018, we will also be part of an innovative new project involving a consortium of partners along the entire wood supply chain in Austria. Logistics experts from the University of Natural Resources and Life Sciences in Vienna and the University of Graz will work with forest-based industry stakeholders to identify opportunities to enhance efficiency, security and sustainability of the wood supply chain.

### Chemicals, starch and fillers

We use starch, fillers and other paper- and process chemicals, mainly as coating in the pulp- and paper-making process, and in combination with other input materials for creating high performance packaging products. These amounted to 1.1 million tonnes in 2017.

Our chemicals and polymers are sourced through a number of large companies as well as local suppliers close to our operations. The majority of these suppliers are based in Europe with subsidiaries in Asia, Middle East and the US.

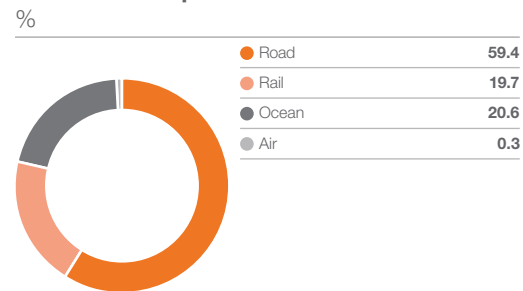
Our procurement teams conduct regular audits of our suppliers, covering various commercial, quality and sustainability (mostly safety and health, and hygiene) aspects. In 2017, three paper chemicals suppliers and one starch supplier were audited by our teams.

### Transport and logistics

We use rail transport as well as combined rail-road transport solutions, and rail transport to ports for onward shipping. In certain instances, products travel by sea – even for shorter routes. We monitor indirect CO<sub>2</sub> emissions (Scope 3 emissions) arising from our supply chain, of which transport emissions – both from upstream and downstream activities – is a significant contributor. We estimate that our 2017 Scope 3 emissions amounted to 3.01 million tonnes CO<sub>2</sub>e (2016: 2.98), of which close to 23% arose from the transport and distribution of raw materials and products (see page 52 for more detail on our Scope 3 emissions). We continue to look for opportunities to reduce these emissions, for example by working with our shipping companies that are investing in new equipment including vessels and trucks, and redesigning our packaging solutions to reduce their transport impacts.

All our tenders include Mondi's safety requirements, according to the specific needs of our mills and converting operations.

### Modes of transport 2017



### Managing risks and driving performance

#### Our Code of Conduct for Suppliers

We expect every company in our supply chain to adhere to our Code of Conduct for Suppliers which covers social, environmental, governance, legal and ethical aspects. In 2017, as part of our work to identify and address supplier sustainability risks in our value chain, we updated our Code to include a stronger and more explicit human rights element. This update addresses the issues of human trafficking and modern slavery risks as part of our response to the UK Modern Slavery Act of 2015. The updated Code will be rolled out to suppliers in 2018 and included in training for our procurement specialists. Compliance with our Code – including formal acceptance by our suppliers, evidence of compliance, and link to audits and annual evaluation processes – will be managed through our Supplier Relationship Management (SRM) system once it is fully rolled out and live across our operations and procurement categories.

### Supplier Relationship Management (SRM) System

We launched our Group-wide SRM tool in 2015. It is being rolled out in a phased approach to all Mondi businesses and procurement categories. The system provides a globally consistent framework for selecting, monitoring, assessing, managing and developing our supplier base. This enables us to identify risks and opportunities, establish strategic partners, build long-term relationships, drive collaboration and improvements, enhance transparency, and help manage the impacts of our supply chain and products.

We continued to develop our SRM system in 2017, introducing a common approach to auditing and classifying suppliers and rolling out training across the business. Developments included better integration of the SRM process by linking the supplier evaluation process with supplier classification. This will help increase transparency in our supplier base and deliver efficient strategies for supplier development. In 2017, we also set up a Shared Service Centre in Poland which maintains supplier master data (SMD) for three businesses, Uncoated Fine Paper, Consumer Packaging and Corrugated Packaging, with a fourth one to follow in 2018. Central SMD maintenance can ensure a higher quality of master data and accuracy of reports by which business decisions are informed. The next step is to maintain SMD as part of the SRM system. The pilot is planned for 2018.

## Supplier conduct and responsible procurement

### Risk-based approach

By assessing supplier risk, we take a targeted, risk-based approach to prioritising areas in our supply chain that require attention. When assessing supplier risk, we consider geography-based risk, product-based risk, the significance of a raw material or service to Mondi, and the spend involved. We use credible third-party risk ranking data such as the Corruption Perception Index, Global Slavery Index, the World Bank's Worldwide Governance Indicators and others.

Our SRM approach covers the on-boarding, evaluation and audit stages of assessing supplier performance. We conduct regular assessments of key suppliers of wood, fibre and other raw materials, working with local procurement teams including our wood procurement network. This allows us to evaluate reliability of supply and quality of service, as well as the environmental and social practices of suppliers.

### Understanding our supply chain risks

In response to the increasing importance of supply chain sustainability among stakeholders, the potential risks facing Mondi, and legislation such as the UK Modern Slavery Act, we are working to improve how we address sustainability risks in the supply chain and evaluate our suppliers' sustainability performance. Ultimately, we aim to better integrate sustainability across all aspects of procurement – from risk assessment to on-boarding, supplier development and evaluation.

### Human rights in the supply chain

Human rights risks and opportunities are not limited to our own operations. They can occur at any point along the value chain through our business impacts, relationships and suppliers. Potential business impacts on people and their human rights may occur in many ways, including but not limited to: worker safety and health; product safety; air or water pollution; use of forced or child labour; discrimination against employees based on their race, gender, age or other reasons; and depletion of resources that communities rely on. To create lasting value for all stakeholders and prevent negative impacts on people and ecosystems, we believe everyone involved in the value chain must work together. Transparency and collaboration is key to improving performance and to managing our collective risks and opportunities.

The UN Guiding Principles on Business and Human Rights provides a sensible and effective framework for businesses to manage their human rights risks. We're strengthening our monitoring and reporting of potential issues in our operations and supply chain, including through better integration of sustainability criteria relating to labour and human rights in our SRM system, fibre procurement due diligence and audit processes, purchasing policies, Code of Conduct for Suppliers, and audit protocols.

### UK Modern Slavery Act

The UK Modern Slavery Act, introduced in 2015, addresses the crimes of holding another person in slavery, servitude, forced or compulsory labour, or trafficking a person. It is a clear example of the need for businesses, suppliers and other stakeholders to work together to develop a joint approach to risk. We support the Act and its requirement for commercial organisations to prepare an annual slavery and human trafficking statement. Our statement, outlining the steps we have taken to ensure that slavery and human trafficking are not present in our business activities or supply chain, was published on [our website](#) in June 2017. The next statement will be available by June 2018.

We updated our sustainability policies in 2016, including the addition of a new Supply Chain and Responsible Procurement Policy, and the expansion and update of our Labour and Human Rights Policy to address the increasing importance of human rights issues in business supply chains. In 2017, we undertook another review to ensure our policies met the requirements of the UK Modern Slavery Act. The next update is scheduled for 2018, including the update of our operating standards (including those related to supply chain and procurement, and labour and human rights aspects).





## Relationships with communities

Around the world, businesses have a significant impact on local people. As a global company and a major employer, we play an important role in the local communities where we operate – from creating employment and business opportunities to paying taxes and investing in local infrastructure. It's important to listen to our stakeholders and consider their needs in our business decisions.

## Why is this important to our stakeholders?

- Business plays a fundamental role in the wellbeing of local communities, but conflict and mistrust can arise and opportunities may be missed if impacts are not managed and stakeholder concerns not considered
- Mondi is a major employer and people rely on us for their livelihoods, both directly and through our supply chain
- We use natural resources and local infrastructure and we have an impact on the environment; our stakeholders expect us to share resources fairly and to manage our impacts
- In more remote areas, we contribute to local communities through services like energy and waste water treatment, and by supporting infrastructure and community development

## Why is this important to Mondi?

- We depend on thriving local communities to continue to prosper; our businesses are more likely to grow and succeed when they are part of a healthy, prosperous and dynamic community
- We depend on our surrounding communities for talent and skills, and goods and services, while our 'social licence to operate' is influenced by local relationships
- By engaging with local communities, we better understand potential conflicts and risks and identify opportunities for mutually beneficial relationships
- Working together with local stakeholders helps leverage our collective positive impact and share know-how and skills

## Our Growing Responsible commitment to 2020:

- Enhance social value in our communities through effective stakeholder engagement and meaningful social investments

## Discover how we are...

- Improving consistency in the way we engage with communities and report on progress
- Engaging with the communities early on in major investment decisions
- Increasing our understanding of the impacts we achieve for communities through our investments

## Next steps

- We will maintain transparent dialogue with our communities to address challenges, understand and manage our risks, generate opportunities and improve our business performance
- We will continue working to define meaningful, practical metrics to monitor and evaluate individual projects and investment, and explore how these metrics can be consolidated at Group-level to reflect our total community footprint and help us track performance against our 2020 commitment
- We will work towards consistent and meaningful implementation of standards, policies and monitoring/ measurement frameworks to assess our community impact and develop appropriate management response

## UN SDGs and targets



### SDG 4 Quality education

- Target 4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship



### SDG 9 Industry, innovation and infrastructure

- Target 9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human wellbeing, with a focus on affordable and equitable access for all
- Target 9.3 Increase the access of small-scale industrial and other enterprises, particularly in developing countries, to financial services including affordable credit and their integration into value chains and markets



## Relationships with communities

# Mutually beneficial relationships with communities

**The social, economic and environmental health of local communities is important to our success and we work hard to maintain a positive and open relationship with them. Our ongoing engagement helps to address challenges, understand and manage risks, generate opportunities, identify material issues and improve our business performance.**

### Defining our local communities

We direct our community engagement, initiatives and investments at the people who live adjacent to our operations, on or around our landholdings, or within our zone of influence.

The locality of these communities and our zone of influence are determined geographically based on the social, economic and environmental footprint of our operations and supply chain, the social materiality of our operations, and local development needs. This is determined locally by each operation based on an approach informed by Group guidelines. Our community stakeholders include local residents, employees, contractors and suppliers, customers, neighbours, community members, trade unions, NGOs and government authorities.

### Our impact on communities

We have a significant socio-economic impact on the communities where we operate. Our mills and forestry operations, located in Russia, South Africa, Poland, Czech Republic, Slovakia, Bulgaria, Turkey, US, Sweden and Austria, are generally larger and employ more people than our converting operations. Some of our mills and forestry operations are located in remote regions where there may be high levels of poverty and unemployment, meaning Mondi is a key employer.

As well as providing direct employment, we support local livelihoods by creating indirect employment and business opportunities. We also contribute to local development by supporting infrastructure improvement, paying local and regional taxes, and through voluntary social investments that support health, education, infrastructure and enterprise (see [page 74](#)).

We aim to be an active member of the communities where we operate and we work hard to maintain positive and open relationships with local stakeholders. Ongoing, transparent dialogue helps

### Value distribution<sup>1</sup>



<sup>1</sup> Value distribution defined as operating profit before taking into account personnel costs and depreciation, amortisation and impairments

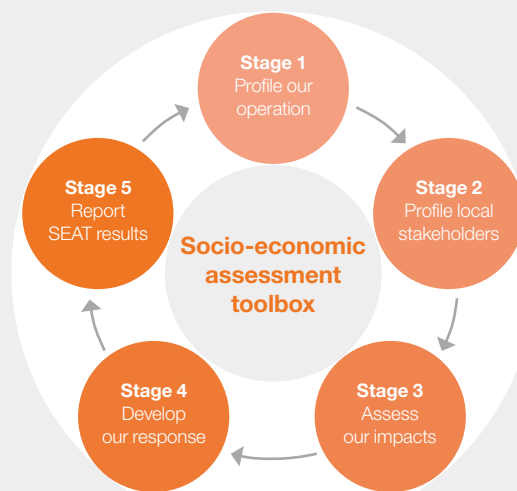
### Impact assessment

We developed our socio-economic assessment toolbox (SEAT) process in 2005 to support our pulp and paper mills and forestry operations in ensuring open and transparent dialogue with their local communities. Facilitated by an independent third party, SEAT assessments help us understand where our impacts lie and what our stakeholders expect. Where and when a SEAT process is conducted, it can be used to inform Community Engagement Plans (CEPs) – annual plans of engagement with local stakeholders which set out the specific topics, stakeholders and engagement activities to be undertaken by our pulp and paper mills and forestry operations. We make all SEAT reports publicly available on [our website](#) and our

operations openly discuss the contents of CEPs with local stakeholders during their development. We did not conduct any new SEAT assessments in 2017. Our most recent SEAT reviews were completed at our Merebank mill (South Africa) and our Syktyvkar logging operations (Russia) in 2015.

The reports were published on our website and distributed to our stakeholders in 2016 – see our SEAT timeline on [our website](#). Examples of where we have acted on the information provided through the SEAT process include the infrastructure projects and investments in our Russian and South African forestry operations (see relevant SEAT reports [here](#)).

### SEAT assessments help us understand where our local impacts lie, what our stakeholders expect, and plan our response.



#### Stage 1

**Profile our operation:** basic information about the operation's history, finances, employment, production and existing community interactions and initiatives.

#### Stage 2

**Profile local stakeholders:** define our zone of influence, profile local areas and communities, identify our stakeholders and engage for SEAT participation

#### Stage 3

**Assess our impacts** – using independently facilitated stakeholder dialogue

#### Stage 4

**Develop our response** – to improve our social performance and identify plans for action

#### Stage 5

**Report SEAT results** and share with local stakeholders



## Relationships with communities

us to address challenges, understand and manage our risks, generate opportunities and improve our business performance.

In 2018, we will update our Sustainable Development Management System (SDMS) operating standard (related to stakeholders) to provide Group-level guidance on where and how often we need to conduct a SEAT. For example, while a first-time SEAT can create a foundation for engagement with the local community (feeding into a CEP) and for more targeted investments, further SEAT reviews may be conducted should the baseline change.

Examples may include acquiring new land or operations, upgrading or downscaling an existing operation, employing significantly more or fewer people within a defined period, and growth in assets, production, environmental footprint and supply chain. Alternative processes to SEAT (such as targeted stakeholder surveys, our impact assessments piloted in 2016, legally required social and environmental due diligence processes for acquisitions and investments, as well as regular direct engagement with local stakeholders), also help us understand our local footprint and stakeholder expectations. We use them actively in parallel with and in between SEATs.



### Community engagement plans

While all our forestry operations and most pulp and paper mills have had a CEP in place for several years, they have not always been consistent in terms of content and application. In 2017, we developed a global CEP template that is more comprehensive and ensures consistency, facilitating the sharing and benchmarking of information across Mondi's businesses. It provides a clear global framework for local monitoring and communication of our footprint and programmes, both internally and externally. The template was developed in collaboration with Business in the Community<sup>1</sup> and involved human resources and community professionals from across the Group. Our mills and forestry operations provided input on the new global template and we will roll it out for Group-wide use in 2018.

### The Impact Pathway

To inform our community investment decisions and demonstrate their effectiveness, we need to measure the real impacts and outcomes we achieve on the ground. This year, we continued our work launched in 2016 to develop our 'Impact Pathway' methodology. This takes us beyond just looking at direct inputs and outputs of projects and aims to provide a more holistic assessment of meaningful outcomes, impacts and value created by our initiatives and projects. It's important for both our business and for the intended community beneficiaries.

We piloted the Impact Pathway methodology in two of our operations in 2016 and have used the learnings to develop an indicator-based toolkit. This toolkit aims to measure the social and business value created by our community investments.

### Impact Pathway pilots

The pilots looked at the impacts of selected projects at two sites: our Świecie mill in Poland and our forestry operation in South Africa. Assessments involved direct and indirect data collection, including accessing existing data from our partners and conducting new surveys of partners, beneficiaries and communities. We also carried out impact assessments of our voluntary community investments and programmes to determine the effectiveness, value and success of our interventions.

Some of our high-level learnings include:

- Partnership models are successful, and we will continue to collaborate with governments, NGOs and communities
- Monitoring, reporting, measurement and setting targets are key to success and in optimising benefits for communities and the business
- Increased focus on business impacts and dependencies and the broader global development agenda (such as the UN SDGs) is key in selecting and running strategic projects
- Enhanced ongoing communication and exchange with partners is necessary to deliver optimum results
- Learnings, metrics and targets from these pilots are applicable elsewhere at Mondi

Looking ahead, we aim to define more meaningful and practical metrics to monitor and evaluate projects, and explore how these metrics can be consolidated at Group-level to ultimately reflect our total community footprint.

Business in the Community's toolkit for the Świecie pilot has been selected for Group-wide application for impact assessments of community investments and initiatives. The toolkit is conducive to wide application given its compatibility with most local contexts where we operate and based on it being designed to assess all Świecie community projects (in contrast to the South African pilot which aimed to measure the local impacts of a single and very particular project). The piloted operations started to use the toolkit in 2017 to address the initial findings.

### Our 2020 commitment

As part of our Growing Responsibly commitments, we have said that we will enhance social value in our communities through effective stakeholder engagement and meaningful social investments. While we believe that our existing mechanisms of community- and stakeholder engagement and impact assessments already support this goal, a more consistent and credible methodology across our operations is needed – to support us in making meaningful improvements to our response.

This will involve credible measurement and consistent monitoring. Given our diverse geographic, socio-economic and business context, this continues to be a challenge, but we're working towards that common methodology (based on the Impact Pathway toolkit). Importantly, we're looking to provide sufficient consistency across the Group, while allowing local flexibility – to review the impact of key community projects and develop action plans for each operation to address findings. We will continue to work on a metric and will report on our progress in our 2018 report.

<sup>1</sup> Business in the Community, The Prince's Responsible Business Network, is a UK-based member-led charity focused on promoting responsible business practices

## Relationships with communities

**“We are delighted by Mondi Štětí’s commitment to being a good corporate citizen. The investments made by the mill and its employees in community projects in the past have contributed significantly to enhancing the quality of life here, and continue to encourage young people to stay in the region.”**

**Tomáš Ryšánek**  
Mayor of Štětí

**In focus:**

### Mondi Štětí: creating social and economic value through investments

Our Štětí mill (Czech Republic) has set its sights on an ambitious new vision: to cement its position as Europe’s number one kraft paper centre by significantly expanding its production of top quality products, at the lowest costs in the market. This Štětí investment project is fundamental to realising this ambition: to transform production and significantly improve the environmental performance of the mill – all contributing to becoming a better place to live and work in. By offering significant local employment opportunities, we also hope that it will attract more employees from the region.

Engaging with the Štětí community has been and continues to be key, and we’re seeing the benefits through improved local relationships and opportunities.

We started to involve the local community in the project as early as 2015 when we began scoping the Environmental Impact Assessment. From early 2016, we proactively engaged local government, NGO and community representatives in a nine month consultation process, during which we went to lengths to explain our proposals, understand concerns and explore solutions. This has resulted in a number of positive outcomes to address stakeholder interests.

One example is the extra monitoring of noise we will undertake before, during and after project start up.

To date, the consultation and authorisation process has been positive both for Mondi and for the community. The project authorisation was granted without objection and it received a statement of support from the Ministry of Environment.

We’re proud of the fact that our relationship with the community is on firm ground, and we’re confident this will continue into the future. We plan to host regular visits by community representatives to share project developments and reflect our commitment to complete transparency. We’ve also signed a Memorandum of Co-operation with the town of Štětí and local NGOs, setting out how we will work together to develop the region in the coming years.

You can read more about the Štětí modernisation project, including updates and press releases at [ecoflex.mondigroup.com](http://ecoflex.mondigroup.com)



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Read the full story in our 2017 sustainability publication *Partnership for change*

### Community and social investments<sup>2</sup> (‘000 €)

	2013	2014	2015	2016	2017
Health and wellbeing	211	85	172	653	1,959
Education	574	2,078	1,775	565	731
Infrastructure and development	9,213	4,996	5,044	6,425	6,509
Enterprise and employment support				254	432
<b>Total<sup>2</sup></b>	<b>9,998</b>	<b>7,159</b>	<b>6,991</b>	<b>7,897</b>	<b>9,631</b>

<sup>2</sup> In 2016, we restructured and revised our investment categories. Our new ‘Health and wellbeing’ and ‘Education’ categories correspond to equivalent previous categories and therefore their historic data were not restated. Our new ‘Infrastructure and development’ combines the previous categories ‘Environment’, ‘Community development’, ‘Arts, culture and heritage’, ‘Housing’ and ‘Other’, and will be a wider, more comprehensive category going forward. Our new ‘Enterprise and employment support’ category will not include any historic data, but investments in support of employment and enterprise have effectively been part of the scope in past years, even if it is not formally reflected as an individual category

### Investments

We base our community investment decisions on the principles of sustainable development, considering the needs of the community, our own business objectives and the potential effectiveness of projects. The majority of our initiatives and investments are targeted at promoting education, health, employment and enterprise support, as well as supporting local infrastructure and community development. These are the areas where we believe we can make the greatest difference. Our voluntary investments go beyond monetary contributions, with Mondi employees giving their time and expertise to support local projects. In this way, we create social value by sharing our core skills, networks and influence.

We’ve invested around €41.7 million in local community initiatives over the past five years, as well as contributing employee time and gifts in kind. Our investments in 2017 totalled €9.6 million and contributed to a wide range of outcomes including: building healthier communities and improving their future prospects; securing our supply chain in some areas; strengthening our local relationships; engaging our employees; and strengthening the Mondi brand.

The figures reported above reflect our operations’ investment in key development focus areas. However, many of our projects contribute to multiple focus areas, therefore, as part of evaluating the impact of our investments, we are evaluating our reporting against these areas to ensure that selected categories best reflect the targeted impact and value creation. We will report on our findings in the 2018 report.

# €9.6 million

invested in local community initiatives across the Group in 2017

## Relationships with communities

### Development focus areas

Our commitment to empowering local communities is brought to life through practical support and assistance focused on the following key development enablers:

#### Education

Educational programmes help to secure talent and skills for our future business and address limited technical knowledge in some of the communities where we operate. The programmes we support help to develop the skills of young people, reduce unemployment, provide a pathway to higher quality jobs and careers, and incentivise young people to opt for technical studies (see our 2016 case studies *Inspiring young foresters in Syktyvkar (Russia)* and *Promoting engineering excellence in Sweden*). See case study opposite on how we are helping young people in marginalised communities develop life and work skills.

#### Health

Public health can be a challenge in some of the more remote communities where we operate. As a result, we actively promote the health and wellbeing of our people. Improving the health of our workforce and local communities remains an important element of our community strategy (see our [2016 case study](#)).

#### Infrastructure and community development

We invest in improving infrastructure and development in some of the communities where we operate. High-quality infrastructure promotes access and opportunities, empowers enterprise, facilitates improved levels of health and education, and supports efficient business operations. In some cases, impact assessments (for example through SEAT or impact pathway pilots) also highlight the need to support the improvement of local infrastructure (see our [2016 case study](#)).

**“I am passing knowledge on to the youth, I work in areas with low education and high drug rates and much alcohol abuse. I make the youth see things in a different way, and show lost youth the right way.”**

**Sithabile Zulu**  
Youth Leader  
Ubumbano Youth Group  
Umkhomas, Midlands



In focus:

### Promoting social inclusion among South Africa's marginalised youth

#### INGWE youth development programme

Many young people across the communities of KwaZulu-Natal and Mpumalanga in South Africa live in marginalised areas where unemployment, lack of education and crime rates are high. The INGWE Youth Development Programme is a public-private-partnership between Mondi and the GIZ<sup>3</sup> Inclusive Violence and Crime Prevention Programme. It aims to provide opportunities for young people by encouraging positive relationships and strengthening their leadership skills. Mondi's community development facilitators have been trained in basic youth work and mentoring skills to act as mentors.

<sup>3</sup> The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH is a German federal enterprise that supports the German Government in international cooperation for sustainable development

Since its inception in 2015, INGWE has trained 46 young people with special emphasis placed on ensuring sufficient representation of young women as beneficiaries in the programme. The trained youth have returned to their communities and formed youth groups which have embarked on social and/or economic development projects. Social activities include sports tournaments, spelling and debating clubs, afterschool classes, environmental protection and participation in local decision making, all designed to steer young people away from crime and violence and help them develop life and work skills.

Small business projects have included vegetable farming, tourism development, safety awareness campaigning and establishing a gymnasium.

In 2017, an independent evaluation of the programme by the South African Institute for Sport and Development confirmed positive impacts and reported that each youth leader influenced between 500 and 2,000 people in their community. The results from the initial group of youth leaders showed that they had made

significant progress and that substantive behavioural changes were evident. Youth leaders were acting with confidence and engaging with peers and community groups.

One of the evaluators expressed astonishment about the impact of the INGWE Programme on the lives of youth leaders, commenting 'considering how much Mondi is getting out of this initiative, by sowing a little seed, one can harvest such a lot and the potential of this type of initiative is huge.'

The evaluation results also show that challenges continue to exist with respect to a lack of gender equity in some areas as well as continued risky behaviour by youth. However, key lessons from the INGWE intervention, and its training and youth-led projects, have proven valuable for future use in other programmes.

## Relationships with communities

### Employment and enterprise support

Mondi supports local enterprise, which in turn creates wealth and employment, strengthens the local supply chain, enables independence and builds community resilience (see case study below and see our [2016 case study](#)).



In focus:

### Independence through enterprise: Mondi Zimele<sup>7</sup>

We established Mondi Zimele in South Africa in 2007. A 100% Mondi Limited owned subsidiary, its initial aim was to accelerate black economic empowerment in the forestry value chain. However, in 2012 Mondi Zimele expanded its focus to incorporate support for community-based small businesses around Mondi's operations. This was enabled through the establishment of the Mondi Zimele Jobs Fund, an enterprise development initiative co-funded by the South African Government Treasury Jobs Fund.

Mondi Zimele continues to drive local participation through the creation of jobs in community small businesses, the development of competitive local contractors and the support of emerging forestry growers. Since 2012, Mondi Zimele has provided approximately €10.2 million in loan funding to assist over 200 local businesses in the creation of more than 2,800 jobs. Mondi Zimele has also been instrumental in the establishment of several land claimant community contractors where we continue to emphasise productivity improvement, business administration and compliance as the key to success for these SMEs.

<sup>7</sup> <http://www.mondizimele.co.za>

### Collaboration

We work with others to maximise the value we deliver. Our community investments and initiatives are almost always delivered in partnership with local stakeholders, charitable institutions, NGOs, government institutes and municipalities, universities and other stakeholders. This helps to scale our impact, contributes to transparency, gives more credibility to projects, leverages know-how and funds, and strengthens our relationships with local stakeholders.

### Driving performance through sharing

Driving performance is one of our strategic value drivers. To achieve it, we depend on strong internal networks that support the management and delivery of best practice across our operations. Our Social Sustainability Network brings together human resources and community specialists from across our mills and forestry operations to manage and coordinate social investments and activities. Engagement with strategic partners – such as Business in the Community, The Prince's Responsible Business Network – is critical to its success.

Now in its third year, the network is helping to develop and communicate best practice and measure the effectiveness of our community investments. Key actions have included: continuing to work on and share community engagement and investment best practice; aiming for a more consistent approach to CEPs through a common template/framework; applying our 'Impact Pathway' thinking beyond the impact assessment pilots and developing a toolkit to enable us to consistently measure the impact of projects across the Group; strengthening central reporting mechanisms for community-related reporting; developing an appropriate Group community commitment metric to 2020; communicating the

refreshed Communities Policy throughout the business; and undertaking an update of the next tier of our SDMS – the operating standard (related to stakeholders). Looking ahead, the network will continue to scale up our positive impact by helping local teams implement their ideas within a global framework and sharing best practice knowledge and tools.

### Indigenous rights

The cultural heritage of indigenous communities is an important consideration, particularly in our forestry areas. We're sensitive to local concerns and we endeavour to resolve any issues in a spirit of respect, trust and dialogue. We respect the rights of indigenous people and, where relevant, we cooperate with stakeholders to address historical injustices that pre-date our involvement in an area.

### Land reform in South Africa

Portions of our landholdings in South Africa are subject to community land claims under the Restitution of Land Rights Act. We cooperate with government around the settlement of all legitimate land claims affecting our land. Our baseline for reporting progress in settling these claims is 66 claims covering 118,901 hectares of our owned land. This baseline relates to claims received during the first window of opportunity opened by the government in 1998 to lodge claims<sup>4</sup>.

By the end of 2017, we had settled 21 out of 66 claims, covering around 37,000 hectares. We continue to work with stakeholders to settle the remaining claims.

2017 status:

- 31% of land settled to date<sup>5</sup>
- Number of additional claims gazetted during 2017: 3
- 46% of our owned land under claims to date<sup>6</sup>

Following a successful land claim process, communities gain ownership of the land and derive a sustainable income from it, while at the same time progressively developing their own businesses to operate within the forestry value chain.

We ensure that land claim beneficiaries receive post-settlement support and gain meaningful and sustainable benefits, while also ensuring sources of fibre are both assured and sustainably managed to retain credible certification.

### Grievance mechanisms

All our operations make formal grievance mechanisms available to employees and the general public. These include local hotlines and our Group-wide anonymous whistle-blowing system, Speakout (see [page 25](#) for messages received in 2017).

The SEAT process at our mills and forestry operations provides further opportunity for local stakeholders to inform us of potential grievances. Impact assessments and measurements provide a platform for communities and beneficiaries to give feedback, along with community open-door days, community liaison forums and other meetings.

These initiatives allow us to receive feedback, understand community and environmental concerns, and initiate a formal and appropriate response.

We are not aware of any violation by our operations of the rights of indigenous people during 2017.

<sup>4</sup> As new claims may be added, or existing claims de-gazetted, or due to land acquisitions and disposals this figure may change in future  
<sup>5</sup> Based on settled land (in hectares) out of a total of gazetted, pre-gazette and settled land  
<sup>6</sup> Based on the total of pre-gazette and gazetted land out of current owned land holdings



### Solutions that create value for our customers

Consumer interest in responsible products continues to rise, with companies willing to respond to a new kind of socially-conscious consumer, unlocking opportunities for brand growth, and the ways products are packaged and marketed on a global scale. We're responding with innovations, collaboration and partnerships that aim to deliver sustainable products and solutions.

### Why is this important to our stakeholders?

- An increasing number of consumers consider sustainability to be an imperative rather than a benefit
- With more people looking for products that align with their values, the global market for sustainable goods continues to expand: a study of 30,000 consumers in 60 countries<sup>1</sup> shows that 66% are willing to pay more for sustainable brands<sup>2</sup>
- Our customers increasingly look to us to help them deliver their sustainability commitments by reducing the impacts of their packaging and helping them reduce landfill, food waste and emissions

### Why is this important to Mondi?

- Responding to the increasing demand for sustainable products provides us with opportunities to collaborate with our customers and develop unique solutions to meet their needs
- Developing solutions that are manufactured within the limits of the planet and enable society to address its social and environmental challenges makes good social, environmental and business sense. In contrast, global brands that ignore this trend face reputational and business risks



### Our Growing Responsibly commitment to 2020:

- Encourage sustainable, responsibly produced products

### Discover how we are...

- Using innovation to create value for our customers, our business and for society
- Collaborating with customers and partners across the value chain to develop solutions that can be scaled across different markets
- Promoting the sustainability credentials of our products to encourage more sustainable consumption patterns and purchasing decisions by our customer

### Next steps

- We will continue to develop solutions with a reduced environmental impact at all stages of the product life cycle and collaborate with others to jointly address the sustainability impacts of plastic packaging
- We will introduce a Group-wide commitment metric within our Growing Responsibly model to encourage sustainable, responsibly-produced products with our customers and consumers

### UN SDGs and targets



#### SDG 12 Responsible consumption and production

- **Target 12.2** By 2030, achieve the sustainable management and efficient use of natural resources

- **Target 12.4** By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimise their adverse impacts on human health and the environment
- **Target 12.5** By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse

1 Across Asia-Pacific, Europe, Latin America, the Middle East, Africa, and North America

2 <https://www.nielsen.com/content/dam/nielsen-global/dk/docs/global-sustainability-report-oct-2015.pdf>

## Solutions that create value for customers

# Products for a more sustainable future

**Responsibly produced and innovative packaging and paper products have a role to play in addressing climate change, scarce resources and food waste. We are working collaboratively on packaging solutions that can help us and our customers contribute to the transition to the low carbon economy.**

### Ensuring compliance

We seek to ensure that our products and operations meet all applicable safety, health and hygiene standards, and other regulations. We offer our customers high-quality sustainable packaging and paper solutions, and maintain relevant and credible certification at our operations, based on the requirements for different sectors and applications.

Where applicable, we communicate sourcing standards, and production and product certification, through our own and external product labelling schemes.

In 2017, we were not made aware of any:

- complaints about breaches of customer privacy and losses of customer data;
- non-compliance with marketing, advertising, promotion and sponsorship regulations and voluntary codes;
- fines for non-compliance in the provision and use of our products;
- incidents of non-compliance with the product information and labelling regulations and voluntary codes to which we subscribe; or
- incidents of non-compliance with regulations and voluntary codes on customer safety and health.

### Food hygiene standards and product safety

Our products are subject to voluntary and compulsory testing to maintain a high level of safety and quality. We ensure production processes and product characteristics are communicated clearly to customers and other stakeholders along the value chain.

The Mondi Group Food Safety Laboratory in Frantschach (Austria) supports the business in developing smart and customised packaging solutions that are optimised for food contact. Given the increasingly stringent regulatory requirements, our expertise in the composition of raw materials and finished products, and the suitability for packaging food products, creates great value for our customers.

One focus area is the interaction of packaging and the packaged goods, depending on the intended application (dry, wet, fatty or frozen foodstuffs, or foods handled at ambient conditions or, for example, microwave heated). We assess more than 10,000 chemical parameters every year. The Mondi Group Food Contact Database contains information on products and raw materials, suppliers, internal and external data, and current regulatory requirements to ensure compliance of Mondi's products.

The Mondi Group Food Safety Laboratory supports our operations to build up and maintain the required good manufacturing practice system by using central databases and knowledge sharing. Numerous product safety laws need to be looked through and taken action on to ensure compliance. Second-party hygiene audits are conducted annually for all operations that hold a hygiene management certificate as part of certification requirements.

Of the 77 Mondi sites producing food contact packaging in 2017, 57 (74%) were certified to a recognised food hygiene standard (2016: 73%)<sup>3</sup>. In 2017, we implemented a hygiene management system certified to EN 15593:2008 at our Uncoated Fine Paper (UFP) operations in Hausmending and Kematen (both in Austria).

### Customer engagement and collaboration

We engage closely with our customers to understand their needs, communicate the sustainable value of our products and identify opportunities for collaboration.

We use surveys to measure customer satisfaction and inform design, production, labelling, distribution and management processes. In addition, our businesses conduct their own customer surveys to measure customer satisfaction and as an indication of sustainability challenges and opportunities. While we usually receive a good response rate overall, this varies across our businesses. We also host customer events and participate in exhibitions.

Our attendance at the triennial Interpack, an international trade fair held in May 2017 in Düsseldorf, Germany, demonstrates the value of trade fairs for engaging with customers and enhancing customer relationships. The Mondi booth had more than 2,000 visitors over seven

days. This year's theme of 'Discover how Mondi's products touch millions of lives, every day' highlights our consistent customer focus, ongoing product innovation and commitment to sustainability. We showcased three of our many customer industries: food and beverages; home and personal care; and building and construction. We also presented the Growing Responsibly model and highlighted specific projects, such as the WWF-Mondi Water Stewardship Partnership (page 54).

Hosted by Mondi Świecie for the eighth time this year, the three-day Mondi containerboard seminar "From fibre to corrugated board" welcomed around 250 participants from more than 28 countries. It proved to be a valuable forum for sharing opinions, knowledge and ideas. The seminar, which took place in Toruń, Poland, focused in particular on performance packaging, the influence of moisture on paper and corrugated board, the gluing process and corrugator efficiency and sustainable packaging.

We did not conduct any sustainability-related customer satisfaction surveys in 2017. We will report on our 2018 surveys in future reports.



<sup>3</sup> The food hygiene standards that Mondi's operations are certified against include: ISO 22000, EN 15593, BRC/IoP, HACCP and AIB

## Solutions that create value for customers

### Innovative. Every Day.

At Mondi, innovation is about solving problems and developing solutions that create value for our customers, for our business and for society. Because the manufacturing footprint of our packaging products is only a part of their total environmental footprint, we use a life cycle approach to understand and improve the sustainability performance and impacts of our products throughout the value chain.

“Innovative. Every Day” – our R&D slogan – supports our commitment to strengthening existing competencies and share insights and expertise with internal and external specialists. There is strong cooperation between all Mondi research centres, for example the Uncoated Fine Paper Product and Process Development Centre at Hausmening (Austria), the R&D Innovation Centre at Frantschach (Austria) including the Bag Application Centre and the Consumer Packaging R&D Centre at Gronau (Germany) which support all Mondi businesses. We also cooperate with external partners to ensure all R&D efforts enhance new ideas, designs, technologies, procedures, and markets, and ultimately, deliver new products and solutions for our customers.

We partner with customers and leading research institutes to conduct research and development, test new raw materials and design high-quality products that can create sustainable value and deliver more efficient production processes.

In 2017, we invested €23 million in R&D<sup>4</sup> (2016: €19 million), including a number of projects with external partners.

The Christian Doppler (CD) Laboratory<sup>5</sup> for Fibre Swelling and Paper Performance was launched in January 2016 and continued in 2017 with two new partners coming on board. The results of the research contributes to process improvements such as energy reduction and development of high-speed inkjet papers.

In 2017, FLIPPR<sup>2</sup> (Future Lignin and Pulp Processing Research) was launched, a collaborative research project by international pulp and paper companies including Mondi and three universities. The research deals with the development of future business areas based on lignin and modern fibre utilisation. Building on the successful completion of initial FLIPPR, the project has delivered new findings which are projected to have positive implications for recyclability, among other environmental benefits. The target of FLIPPR<sup>2</sup> is increasing the efficiency of utilising the wood components.

### Responsible products

We aim to offer solutions that create value for our customers through sustainable, responsibly-produced products. Our responsible products criteria include: promoting sustainable forestry; renewable materials; recycled materials; material optimisation; enhanced packaging performance; next life; and reduced emissions.

4 Including South Africa, which was excluded from the 2016 figure

5 The Christian Doppler Research Association promotes the cooperation between science and business in Austria. Highly qualified scientists and researchers work together with commercial partners on innovative responses to business-related research issues and provide application-orientated basic research

6 Food and Agriculture Organization of the United Nations (FAO), 2011

7 A biodegradable and bioactive thermoplastic aliphatic polyester derived from renewable resources

8 <http://epci.panda.org/>

### Avoiding food waste

Roughly one-third of global food production – approximately 1.3 billion tonnes – is lost or wasted every year<sup>6</sup>. Effective packaging can protect food on its journey from field to market, reducing wastage on route and extending shelf life. We respond to the challenge by creating packaging solutions such as re-closable bags and single-serve pouches, extrusion-coated barrier material and water-resistant containerboard. Mondi has been a member of the SAVE FOOD initiative since 2014, a campaign supported by the UN Food and Agriculture Organization, the UN Environment Programme, Messe Düsseldorf (one of the leading export platforms worldwide) and the Interpack trade fair. Member companies seek to tackle global food losses by developing solutions across the entire food value chain.

At this year's Interpack we shared our insights on how to minimise food waste. Together with suppliers, customers and research institutes, we have defined four major areas where the packaging industry can reduce food loss. These include: reducing logistics-caused food losses with improved and fit-for-purpose packaging; adapting packaging design to evolving socio-demographics; achieving packaging traceability for better inventory management; and extending shelf and product life with innovative technologies and materials like barriers.

Some of our product examples include:

- Mondi's FlexziBox, recloseable plastic bags for petfood and single-serve stand-up pouches, making meal preparation more convenient for consumers and reducing food waste
- ProVantage Kraftliner Aqua, a containerboard grade that stands up to high humidity environments, hot temperatures and cold storage. Even with no paraffin coating, ProVantage Kraftliner Aqua protects fresh fruits and vegetables from harsh conditions, producing a stable packaging solution that reduces food waste.
- Virgin fibre speciality kraft paper grades like Advantage Smooth White for attractive, functional and certified food packaging, specially designed to protect sensitive goods and make them stand out on supermarket shelves are ideally suited for sugar bags and other sensitive food packaging applications.
- An innovative chocolate bar wrapper – specially presented at Interpack – which contains a bio-based film derived from potato waste and polylactic acid<sup>7</sup>. This will now be offered globally to interested customers.

### Transparency and benchmarking

To increase transparency, we measure our performance and participate in a wide range of benchmarking initiatives, such as WWF's biennial Check Your Paper and EPCI (2017)<sup>8</sup> and Paper Profile.

In 2016, we received special acknowledgement as a leader in transparency in WWF's Environmental Paper Awards (Detailed results can be [viewed here](#)).

## Solutions that create value for customers

We achieved the following category results this year (relative to previous results)<sup>9</sup>:

Graphic Paper: 85.5% (2013: 74.9%; 2015: 81.4%).  
Sub-category scores as follows: sourcing 82%, clean production 76%, transparency 100%

Packaging: 85.6% (2013: 73.7%; 2015: 83.8%).  
Sub-category scores: sourcing 88%, clean production 87%, transparency 82%

Pulp: 70.4% (2013: 63.2%; 2015: 69.4%).  
Sub-category scores: sourcing 72%, clean production 73%, transparency 65%

### Green Range

Our Uncoated Fine Paper business's Green Range comprises smart, resource-efficient paper products that meet high environmental and social standards. The range was developed by and for our UFP business and includes seven criteria that are important to consider in providing clear benefits for our customers, partners and businesses:

- Promoting sustainable forestry – our forestry management practices focus on optimising wood production while maintaining important ecosystem services. The wood we procure is certified to FSC or PEFC standards in the countries where we operate, or meets our company minimum wood standard that complies with FSC's requirements for Controlled Wood
- Renewable materials – we create products made from verified, responsibly produced, renewable materials
- Recycled materials – our products are made with recycled materials that do not compromise quality or safety
- Material optimisation – our products optimise material usage with due regard to quality and safety

- Enhanced packaging performance – our packaging must protect products during transport and extend shelf life
- Next life – our products are optimised for reusability, recyclability, compostability and degradability
- Reduced emissions – emissions to air, water, or land are minimised during production and through supply chain optimisation

We have increased the volume of Green Range products by 0.6% in 2017 compared to 2016.

### Supporting the circular economy

We also support the circular economy principles through our membership of the World Business Council for Sustainable Development (WBCSD). We are investigating what the circular economy model means for our business, including any business opportunities it may present. At Mondi innovation goes hand in hand with sustainability to create high-quality products and solutions for our customers. Preserving and enhancing natural capital is a key strategic priority. We are working to define the actions required to move closer to a circular economy approach, this will be a key focus for Mondi in 2018.



### Combining innovation and sustainability in flexible plastic packaging

As we respond to increasing customer demand for flexible, customised packaging solutions, we're supporting the transition to a more circular economy that supports modern-day lifestyles.

Flexible plastic-based packaging is the fastest growing packaging segment in the world. It combines the best qualities of film, paper and foil – typically in the shape of a bag, pouch, line or overwrap – to deliver a broad range of protective properties while using a minimum quantity of material<sup>10</sup>. Innovation in flexible plastic-based packaging also offers opportunities to promote the circular economy.

These include: superior barrier properties that extend the shelf life of products and help to reduce food contamination and spoilage; reduced overall packaging volume and, as a result, waste; less energy and water consumed during manufacturing; and technical features such as re-closability that support sustainable consumer behaviour.

We also acknowledge that flexible plastic packaging has negative environmental impacts. Primarily, the challenges relate to collecting and recycling the combined materials used to make this packaging, and the slow decomposition rate of plastics. If not disposed of responsibly, waste plastic can contaminate waterways, oceans, forests and other natural habitats, causing damage to ecosystems. We need broad and systemic change to address the persistent challenges posed by plastic recovery, reuse and recycling.

Our approach is characterised by collaboration with customers and other strategic partners who share our commitment to the circular economy.

Our flexible packaging business actively pursues four innovation priorities to drive the transition towards a circular economy:

- The development and commercialisation of solutions made from renewable materials
- Improving resource efficiency to reduce energy consumption and waste per unit output
- Designing for recycling – keeping components and materials contributing to the economy and investing in technologies that allow the specific polymers used in packaging materials to be traced, enabling their recycling and reuse
- Innovation 'moonshots' – collaborating with customers and partners to create breakthrough innovations in sustainable plastic-based packaging solutions

We also want to demonstrate industry leadership through innovating sustainable, plastic-based packaging solutions that promote the principles of a circular economy – both through design and through increased recovery, recyclability and reusability.

We are a member of The New Plastics Economy initiative<sup>11</sup>, which brings together 40 leading businesses and experts to rethink and redesign the future of plastics, starting with packaging. We are also a founding member of CEFLEX<sup>12</sup>, a Europe-wide consortium that aims to enhance the performance of flexible packaging in the circular economy through collaboration across the entire value chain – from packaging design to waste sorting and reprocessing infrastructure.

<sup>9</sup> <https://epci.panda.org/results/mondii>

<sup>10</sup> <https://www.flexpack.org/advantages/>

<sup>11</sup> <https://newplasticseconomy.org/>

<sup>12</sup> <https://ceflex.eu>



## Examples of our solutions



### Nestlé coffee: aluminium-free packaging

Aluminium foil has one of the highest carbon footprints per kilogramme of all flexible packaging materials. Environmentally conscious Swedish consumers have motivated the Swedish coffee manufacturer, to substitute aluminium foil and metalised barriers with more sustainable solutions. Nestlé Helsingborg (Sweden) was one of the pioneers in responding to this need.

Mondi Halle (Germany) supplies barrier aluminium-free laminates for roast and ground coffee and coffee beans to Nestlé Helsingborg under the leading market brand "Zoegas".

The core product is the inner lining for the vacuum pack. It is a transparent laminate made of PET which guarantees a high level of oxygen, aroma and water vapour barrier, to ensure that the taste and flavour of the coffee is maintained during the entire shelf life, thereby reducing food waste.

We are now working on a second generation lining to further enhance its environmental performance by reducing packaging weight per unit. We are also developing longer term initiatives such as laminate solutions based on 100% renewable material to support Nestlé in meeting its sustainability targets.

**ZOEGAS**



### Reduced packaging material for transporting ventilation systems

Ebm-papst Muldingen, the air and drive solutions manufacturer, approached Mondi's Wellpappe Ansbach operation to look into the optimisation potential of their packaging solution for axial flow fans, with a focus on improved material efficiency and handling while ensuring compliance with top load requirements for international truck and container shipping. Our solution consists of a two-piece stacking corner designed to support the fan during transportation. When transporting industrial ventilation systems, up to six pieces are stacked and stretch wrapped for shipping. To achieve better handling efficiency and material usage, the new stacking corners are made from only one piece of cardboard delivering a 30% reduction in material usage for the customers compared to the former two-piece stacking corners (or 1.2m<sup>2</sup> of cardboard per fan). As a result, Mondi received the German Packaging Award 2017 for the efficiency of transport packaging.



### Watermelon packaging reducing food waste

The Turkish market is suffering from a steady increase in market prices resulting from food loss in the fresh fruit and vegetable supply chain (losses between field and wholesaler are estimated to amount to 25% of the 100 billion Turkish Lira (TRY) worth of fresh fruit and vegetable production in Turkey). In 2017, the Turkish Food Committee issued a new regulation on the transportation of fresh produce with the aim to reduce the rate of food loss in this industry. The association wants to encourage farmers and farming associations to invest in shipment and packaging systems.

In 2017, Mondi launched a packaging solution for improved watermelon transportation and storage called 'Watermelon's Dream'. It is a corrugated cardboard carrying box offering a unique alternative to standard solutions and includes a window showing the product. The sustainability benefits lie in the special product design which makes it easy to assemble and stack onto trucks, saving transportation costs. In addition, the packaging reduces food waste by achieving 13% less damage to the watermelons in the supply chain. The watermelons are sorted into carrying boxes that protect them from damage during transportation. Efficient stacking of watermelons results in a 50% reduction in related CO<sub>2</sub> emissions.

Watermelon's Dream received the WorldStar Packaging Award 2017.



### Coffee packaging with a lower carbon footprint

Finland is Europe's number one coffee consuming nation; 12kg of raw coffee beans are consumed per capita per year<sup>13</sup>. Paulig Coffee is the market leader in Finland and the Baltics, and in Russia it is the second largest supplier of roasted coffee. Paulig has set a target to reduce its climate impact by 40% between 2015 and 2020. We commissioned an independent institute to analyse the production set-up at our Mondi Poznan operation (Poland) and found that substitution of standard PE with sugarcane bio PE can achieve an almost 10% reduction in the carbon footprint of this coffee packaging. The laminate supplied by Mondi ensures a high barrier against oxygen and light for improved protection. Mondi Poznan has scaled-up its bio PE capability for Paulig's Mundo brand of high-quality aromatic coffee. The finished product will be offered in grocery stores across Finland for the first time during 2018.

<sup>13</sup> <http://www.independent.co.uk/travel/europe/helsinki-best-coffee-scene-good-life-mikaela-gervard-most-per-capita-a7813056.html>

# Performance

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## Our 2020 commitments

Figures reported in 'specific' terms are normalised to saleable production. Specific CO<sub>2</sub>e emissions are reported in tonnes per tonne of saleable production; specific contact water in m<sup>3</sup> per tonne; and specific waste to landfill, specific COD and specific NOx all in kg per tonne.

Progress percentages are calculated based on excluding the performance of our Raubling mill (Germany) which was sold in 2015, from baseline data.

Progress percentages including Raubling are provided as a separate scenario in footnotes.

Action area	What we said	What we did in 2017	Performance in brief
<b>Employee and contractor safety</b>	<b>Avoid work-related employee and contractor fatalities</b>	We were deeply saddened to have had two fatalities in 2017, and one employee missing (presumed deceased) in our Syktyvkar operation (Russia) during preparation for riverbank cleaning activities. An investigation into these incidents was conducted to identify the causes and contributing factors in order to prevent similar incidents from happening again.	Two fatalities and one employee missing (presumed deceased)
	<b>Prevent life-altering employee and contractor injuries</b>	We also regret that we had three life-altering injuries during the year at our Ascania operation (Germany), at Syktyvkar mill (Russia), and at Frantschach mill (Austria). We continued to focus on the top risks at all our operations in 2017 to prevent serious injuries from happening again. We recognise that we need to place more importance on behavioural aspects of safety, so in 2017 we introduced the 24-hour safety mindset approach (see <a href="#">page 28</a> ).	Three life-altering injuries
	<b>Reduce TRCR by 5% compared to 2015 baseline, including new acquisitions</b>	Our TRCR was 0.60 in 2017, a 21% improvement against the 2015 baseline of 0.76 (which included acquisitions). Looking ahead, we will continue to address the top risks in all our operations in order to engineer them out of the business. We also need to continue to strengthen our risk assessment procedures and our cultural focus on the behavioural aspects of safety to make sure that not only our TRCR improves, but that fatalities and serious injuries are prevented.	0.60 TRCR
<b>A skilled and committed workforce</b>	<b>Engage with our people to create a better workplace</b>	Our last Group-wide employee survey, conducted in November 2015, was completed by 90% of employees. Detailed outcomes were reported in 2016 and resulting actions have included a best-practice sharing workshop involving managing directors, a newly developed leadership programme available in different languages, an internal collaboration framework and workshops. The next survey was launched in January 2018 and we will report on the results in our next report. Looking ahead, we will continue to use the survey actively to improve our understanding of how our employees perceive and experience our culture and working conditions (see <a href="#">page 33</a> ). We are working on developing specific metrics that can more clearly monitor, measure and track our commitment to engaging our employees to create a better workplace.	Progress made on 2015 survey actions, and next global employee survey launched in January 2018

## Our 2020 commitments

Action area	What we said	What we did in 2017	Performance in brief
<b>Fairness and diversity in the workplace</b>	<b>Promote fair working conditions and diversity in the workplace</b>	<p>In 2017, we updated our Group-wide Diversity Policy to reflect our increasing focus on inclusion and equal opportunities for all our employees, taking into account evolving regulatory requirements and stakeholder expectations. Diversity initiatives across the Group support our approach. Talent management and development initiatives include training modules such as 'Intercultural Diversity &amp; International Business Competence' through The Mondi Academy to enhance the understanding and appreciation of the benefits of diversity within the business; 'Success management training' with a focus on career strategies for higher management positions; and a training on career building for young female employees. Other initiatives include mentoring and development programmes, flexible working practices and membership of an LGBT+ network and consultancy in order to support diversity and employee integration across the business. A pilot initiative planned for 2018 targeted at disabled employees will help us understand and address their specific needs, and ensure their integration, engagement, and access to equal opportunities (see <a href="#">page 37-38</a>).</p> <p>We are working on developing specific metrics that can more clearly monitor, measure and track our commitment to promoting fair working conditions in the workplace.</p>	<p>Updated our Diversity Policy, with various diversity, talent management and development initiatives in place to support our approach</p>

## Our 2020 commitments

Action area	What we said	What we did in 2017	Performance in brief
Sustainable fibre	<b>Maintain 100% Forest Stewardship Council™ (FSC™) certification of our owned and leased forestry operations and promote sustainable forest management</b>	<p>In 2017, our forest management system in South Africa successfully passed a reassessment audit against the FSC standards. As a result, the new certificate was issued for the next five year period, covering all Mondi's land holdings in South Africa.</p> <p>Our forest management system in Russia also maintained certification in compliance with FSC and Programme for the Endorsement of Forest Certification (PEFC™) standards for all its forests, including new forest areas that were leased in 2016. In 2017, two more forest areas were added, together accounting for approximately 30,000 ha of forest. These will be included in the certification scope by the end of 2018.</p> <p>In addition to securing credibly certified wood and pulp for our operations, all of our mills, with the exception of Pine Bluff (US), are certified to FSC and/or PEFC Chain-of-Custody standards.</p>	100% of owned and leased forests certified
	<b>Procure a minimum of 70% of our wood from FSC- or PEFC-certified sources with the balance meeting our company minimum wood standard that complies with FSC's requirements for Controlled Wood</b>	71% of our total procured wood was certified to FSC or PEFC (2016: 67%). The increase in the certified fibre percentage was primarily due to higher volumes procured from credibly certified suppliers and from countries where forest certification is more developed. We continue to recognise the challenges involved in securing credibly certified fibre to meet our needs and the requirements of our customers, so we continue to work with relevant stakeholders across the wood value chain, on a risk-based approach to help increase the availability of credibly certified fibre in the market. This is critical to maintaining our commitment in the long term.	71% of wood certified
Climate change	<b>Reduce specific CO<sub>2</sub>e emissions from our pulp and paper mills by 15% by 2030 against a 2014 baseline</b>	<p>In 2017, we met our 2030 target against a 2014 baseline<sup>1</sup>. This reduction was mainly achieved through our investments in a newly installed biomass boiler and recovery boiler at our Świecie mill (Poland), and a new biomass boiler in Syktyvkar (Russia).</p> <p>We have now adopted a new science-based target to reduce our production-related specific Scope 1 and 2 CO<sub>2</sub> emissions to 0.25 tonnes of CO<sub>2</sub> per tonne of saleable production by 2050 against a 2014 baseline of 0.59.</p>	15% <sup>2</sup> reduction in specific CO <sub>2</sub> e emissions against 2014 baseline

1 Based on 0.717 (2017) and 0.844 (2014)

2 Progress including Raubling in the commitment's base year: 14 % reduction; 2014 figure: 0.83

## Our 2020 commitments

Action area	What we said	What we did in 2017	Performance in brief
<b>Constrained resources and environmental impacts</b>	<b>Reduce specific contact water consumption of our pulp and paper mills by 5% compared to a 2015 baseline</b>	We achieved a reduction of 3.3% against the 2015 baseline, with our specific contact water consumption reduced to 32.8m <sup>3</sup> per tonne of saleable production. This was mainly due to a water saving programme at our Richards Bay mill (South Africa) based on process improvements, in response to the ongoing drought in South Africa.	3.3% <sup>3</sup> reduction in specific contact water consumption against 2015 baseline
	<b>Reduce specific waste to landfill by 7.5% compared to a 2015 baseline</b>	We sent 30.8kg of waste to landfill per tonne of saleable production. This 18.4% reduction against 2015 was mainly achieved through progress at our Świecie mill (Poland) in converting waste to energy instead of landfilling, and through lower ash generation due to reduced coal consumption at our Richards Bay mill (South Africa).	18.4% <sup>4</sup> reduction of specific waste to landfill against 2015 baseline
	<b>Reduce specific NOx emissions from our pulp and paper mills by 7.5% compared to a 2015 baseline</b>	Our specific NOx emissions amounted to 1.8kg per tonne of saleable production, down 13.4% against 2015 levels. The reduction was mainly achieved due to reduced coal consumption at our Richards Bay mill (South Africa) and due to process optimisation of our energy boilers and reduced energy sales at Syktyvkar mill (Russia).	13.4% <sup>5</sup> reduction of specific NOx emissions against 2015 baseline
	<b>Reduce specific effluent load to the environment (measure COD) by 5% compared to a 2015 baseline</b>	We released a total of 232 million m <sup>3</sup> of treated waste water back to the aquatic environment. Specific COD after waste water treatment was 6.9kg per tonne of saleable production, an 8.7% reduction against 2015. This was mainly achieved through the start-up of our new wastewater treatment plant at Świecie mill in Poland as well as the second phase in our modernisation of the wastewater treatment plant at our Syktyvkar mill (Russia).	8.7% <sup>6</sup> reduction of specific effluent load against 2015 baseline

3 Progress including Raubling in the commitment's base year: 1% reduction; 2015 figure: 33.15

4 Progress including Raubling in the commitment's base year: 15.7% reduction; 2015 figure: 36.52

5 Progress including Raubling in the commitment's base year: 10.5% reduction; 2015 figure: 1.98

6 Progress including Raubling in the commitment's base year: 6.3% reduction; 2015 figure: 7.31

## Our 2020 commitments

Action area	What we said	What we did in 2017	Performance in brief
<b>Biodiversity and ecosystems</b>	<b>Promote ecosystem stewardship in the landscapes where we operate through continued multi-stakeholder collaboration</b>	<p>In our plantation forests in South Africa the WWF-Mondi Water Stewardship Partnership has focused on applying social learning and expanding awareness and best practice among stakeholders operating across whole catchments. The water stewardship work has gone beyond our own forest plantations to include engagement with the agriculture sector and other forest growers. In 2017, the focus was extended to include the uMhlatuze catchment where our Richards Bay mill is located and where forestry, sugar, citrus and communal landholdings are a prominent feature.</p> <p>In our boreal forests in the Komi Republic (Russia), we have worked with Silver Taiga Foundation and WWF Russia for 10 years to identify, map and secure official protection for high conservation value areas and some of the last intact forest landscapes (IFLs) within the framework of our sound landscape approach. In 2017, we signed a multilateral landscape agreement related to the protection of IFLs and consolidated our efforts aimed to secure official status to the IFLs cores.</p> <p>We remain committed to the New Generation Plantations (NGP) platform<sup>7</sup> and to the Boreal Forest Platform (BFP)<sup>8</sup> which bring stakeholders together across whole landscapes to develop a shared understanding of responsible forest management.</p> <p>In 2017, the NGP held three field seminars in China, UK and Chile celebrating its 10-year anniversary, and in the same year, the BFP held two international field seminars, one in Finland and the other in Canada.</p> <p>We continue to participate in the work of the Cambridge Institute for Sustainability Leadership's Natural Capital Impact Group and the WBCSD's Natural Capital and Ecosystems Cluster. In 2017, Mondi provided input and case studies for the development of the Natural Capital Protocol's (NCP) Forest Sector Guide.</p> <p>We are working on developing specific metrics to monitor, measure and track our commitment to promoting ecosystem stewardship in the landscapes where we operate.</p>	<p>Extended the work of the WWF-Mondi Partnership in South Africa and Russia</p> <p>Continued to actively support collaborations including the NGP, the BFP and the NCP</p>

<sup>7</sup> <http://newgenerationplantations.org>

<sup>8</sup> <http://borealforestplatform.org/en/>

## Our 2020 commitments

Action area	What we said	What we did in 2017	Performance in brief
<b>Supplier conduct and responsible procurement</b>	<b>Encourage supply chain transparency and promote fair working conditions together with our key suppliers</b>	<p>In 2017, we launched a new project to complete a high-level risk assessment of a representative sample of suppliers so that we can better understand the geographies, product categories and suppliers that pose the highest risks to Mondi and its stakeholders along the value chain. The results of this risk assessment will inform the risk categories and evaluation criteria for supplier evaluation going forward, as well as the update of our Code of Conduct for Suppliers, and training and audit protocols. It is our aim for this process to be managed in SRM once it is fully rolled out and live. We anticipate that this project will run until 2020, ultimately covering all supplier categories across our global operations using a risk-based approach (see <a href="#">pages 69-70</a>).</p> <p>We are working on developing specific metrics that can more clearly monitor, measure and track our commitment to encouraging supply chain transparency and promoting fair working conditions together with our key suppliers.</p>	Initiated a high-level risk assessment of our key suppliers
<b>Relationships with communities</b>	<b>Enhance social value to our communities through effective stakeholder engagement and meaningful social investments</b>	<p>While we believe that our existing mechanisms of community- and stakeholder engagement and impact assessments already support our goal, a more consistent monitoring and credible measurement methodology across our operations is needed to support us in making meaningful improvements to our response.</p> <p>This will involve credible measurement and consistent monitoring. Given our diverse geographic, socio-economic and business context, this continues to be a challenge, but we're working towards that common methodology, based on the Impact Pathway toolkit (see <a href="#">page 73</a>). Importantly, we're looking to provide sufficient consistency across the Group, while allowing local flexibility – to review the impact of key community projects and develop action plans for each operation to address findings. We will continue to work on a metric and will report on our progress in our 2018 report.</p>	Progress made on an indicator-based toolkit to measure the social and business value of community investments
<b>Solutions that create value for our customers</b>	<b>Encourage sustainable, responsibly produced products</b>	<p>We continued to promote sustainable products: focusing on light-weighting; product safety, avoiding food waste and working towards flexible plastic-based packaging solutions that support the transition to a circular economy.</p> <p>Through membership of the World Business Council for Sustainable Development (WBCSD), we are investigating what the circular economy model means for our business and products (see <a href="#">page 80</a>).</p> <p>Together with suppliers, customers and research institutes, we have defined four major areas where the packaging industry can reduce food loss (see <a href="#">page 79</a>).</p> <p>Acknowledging the need for broad and systemic change to address the persistent challenges posed by plastic recovery, reuse and recycling, we are working with customers and other strategic partners who share our commitment to the circular economy. Our flexible packaging business actively pursues four innovation priorities to drive the transition towards a circular economy (see <a href="#">page 80</a>).</p> <p>We are working on developing specific metrics that can more clearly monitor, measure and track our commitment to encouraging sustainable, responsibly produced products.</p>	Progress made on working with key stakeholders on developing sustainable, responsibly produced products



## External views

# Thoughts from selected partners

This year we asked three of our key partners what they thought of us as a sustainable business, how our report reflected this, and what lies ahead. Their views, published here in full (without Mondi edits), help us improve our understanding and communication of material sustainability issues.



WWF

## What makes Mondi a sustainable business?

Mondi has ambitious sustainability goals and is making good progress toward operating within planetary boundaries while supporting the Sustainable Development Goals.

For a number of years, the company has been very proactive, often initiating or being amongst first movers, in addressing key material environmental and social issues. Beginning with a focus on forests, this work now encompasses water and climate. And today, a significant proportion of the company's raw materials are derived from certified sustainable renewable resources.

Mondi leads by example. The company certifies its own forests to the same standards it require of its suppliers; promotes good water stewardship, engaging stakeholders in catchments and beyond; and is willing to share good practice to improve sector sustainability.

WWF is encouraged by what Mondi has achieved to date and the company's ongoing efforts to improve its sustainability.

## To what extent does our 2017 report reflect who we are, our material issues, and our stakeholder expectations?

This year's report reflects Mondi's progress on material sustainability issues, including initial scoping around the company's roles and responsibilities in the use of plastics in packaging.

WWF would like to see deeper engagement and faster progress on the delivery of water stewardship, as well as greater ambition in addressing climate resilience.

## What could be our key challenges for the years ahead, and what should we focus on improving?

**Resource Costs** - Increasing costs and availability of raw materials that meet Mondi requirements for quality and sustainability will present a growing challenge for the business in the years ahead.

**Plastics** – Mondi are increasingly profiling themselves as a packaging company and growing the plastics-based packaging side of their business. The sustainable production, use and disposal of plastics presents multiple challenges. Mondi are beginning to consider how to find solutions to these. Building on the company's current work on plastic-based packaging, WWF looks forward to supporting Mondi in further developing their response and, in due course, making public sustainability commitments on plastics.

**Water** – The threat of water scarcity in areas of the world where Mondi operates, including Turkey and parts of South Africa, has become ever more critical in recent years. Richards Bay – home to one of Mondi's mills – and Cape Town, are at the time of writing, on the verge of running out of water. The latest WEF Global Risks report continues to flag water as a top risk. Expectations from all stakeholders for better management of water use for crops such as exotic plantation trees will only grow - especially in important Water Source Areas where many plantations are situated – and Mondi needs to respond. Efforts need to be redoubled to achieve the necessary change, with Mondi focusing on playing a leading role in delivering resilience and water stewardship across the sector.

**Climate** – All companies have a key role to play in working with and helping governments tackle climate change and deliver SDG 13. Mondi recognises that climate change affects its business and is already doing much to address impacts in line with what is proposed by the SDG Compass. Going forward, WWF would like to see Mondi strengthen its engagement with climate change adaptation and resilience, including through direct engagement on climate policy, and through further building resilience in its operations, supply chains and the communities in which the company operates.

**Stakeholder Engagement** – The term stakeholder is used nearly 200 times in the 2017 report. Clearly, Mondi considers stakeholder views important in shaping its business but WWF would like to see a stronger 'voice' in the report from key stakeholders. Rather than relying on an annual questionnaire, a formal stakeholder panel, convened to discuss and debate issues, challenges and solutions in an open and transparent manner on a regular basis, would be welcome.

## External views



## wbcscd

**What makes Mondi a sustainable business?**

There is a greater call for businesses to contribute to societies and sustainability. Many companies that have started, are already seeing the benefits and opportunities that it brings - including Mondi.

Mondi is clearly conscious of global sustainability trends and challenges such as climate change and human rights. Their strategic approach to sustainability – specifically their Growing Responsibly model – demonstrates their commitment to sustainability and how they are working to be aligned with the Sustainable Development Goals (SDGs).

As evidenced in the report, Mondi has included sustainability in board discussions, governance, risk management and building science-based targets. This is vital because understanding sustainability risks and opportunities is crucial to ensure business resilience and long-term success.

**To what extent does our 2017 report reflect who we are, our material issues, and our stakeholder expectations?**

The report clearly shows the commitment to the sustainability action areas. What catches the reader's eye are the case studies illustrating the impact and signs of future development.

Mondi should continue to work towards disclosing all material issues and their assessment together – even in their sustainability report. In addition, strengthening the links between all material issues and the value chain would help the reader to construct a strong overview.

Mondi also shows commitment through detailed descriptions why action areas are important to stakeholders. To continue on this path, future materiality reviews and assessments should ensure that stakeholders are given the attention they deserve.

Mondi's sustainability report has been a good practice example in WBCSD's Reporting Matters publication in 2017 for navigation and flow. This is still the case. The logical order makes it quick and easy to find information and makes the reader's experience agreeable.

**What could be our key challenges for the years ahead, and what should we focus on improving?**

The challenges ahead – for Mondi and for all businesses – will be the need for long-term and innovative thinking.

Mondi is on a good path to create opportunities from the challenges that Mondi faces - e.g. resource scarcity, plastics and human rights. Business solutions such as circular economy, value chain management and integrating environmental, social and governance (ESG) into risk management enables organizations to realize long-term value and enhance corporate performance. Mondi should also continue setting clear targets towards all material issues while creating strong links between targets, SDGs and the Paris agreement.

Solutions are also often collaborative. Partnerships' and joint ventures' impact can be larger than the sum of its parts. Mondi has shown that they are forward-thinking through collaborative efforts with NGOs, SMEs and think-tanks.

We look forward to seeing the long-term business value created for Mondi from integrating sustainability into all aspects of business.

**Business in the Community,  
The Prince's Responsible Business Network****What makes Mondi a sustainable business?**

As a key strategic social sustainability partner for Mondi, Business in the Community has actively worked with Mondi to help it further enhance its local social licence to operate. In striving to be a fully sustainable business, Mondi is integrating globally a new social impact measurement framework that we have developed for the business. This will enable Mondi to adopt a consistent, comprehensive and impact focused approach to capturing and integrating the community investment activity into Mondi's business strategy and operations. As a stakeholder we have had a transparent and collaborative working relationship with Mondi and by directly helping its global social sustainability network we have seen how Mondi is seeking to inspire and include employees and communities on its sustainable development journey, and attract and retain diverse talent for the future evolving world of work.

**To what extent does our 2017 report reflect who we are, our material issues, and our stakeholder expectations?**

Mondi continues to report publicly on its Growing Responsibly model 2020 demonstrating its progress towards integrating social, environmental and financial objectives and targets. Mondi has used good practice by reporting in accordance with the recognised GRI G4 guidelines. The business presents Board members in the public domain with accountability for responsible business.

Future frequent materiality assessments could highlight the agile business response to the significance of social and other impacts of current and rapidly emerging simultaneous global megatrends, especially the digital revolution, and the associated influence on stakeholder assessments and decisions affecting the business.

Mondi demonstrates participation in collaborative partnerships. In the coming year we look forward to further engaging Mondi in the multiple business networks we convene at CEO and Director level for cross-sector learning, sharing and collaborating around all issues of responsible business.

**What could be our key challenges for the years ahead, and what should we focus on improving?**

Mondi could demonstrate how it is actively anticipating the unintended consequences of the rapid pace and scale of the digital transformation across the business and how it will continue to provide decent, meaningful work for all in the communities it serves. This together with an ongoing demonstration of its clear contribution to the UN-SDGs can enhance Mondi's relationships with cohesive communities and provide business resilience and a continued social licence to operate.

Mondi could demonstrate its public vision and successes in responsible business by aiming to win our Responsible Business of the Year Award, or one of our other Award categories or our CommunityMark. We look forward to continuing to work with Mondi in greater depth as a key strategic partner as the business seeks to scale up its partnerships to the next level in the future.

## External recognition

**Our sustainability performance has been disclosed in or received recognition by a number of external corporate ratings and indices. Some of these are included here.**



- Advanced reporter since 2008
- 2016 member of UN Global Compact 100



**The CEO Water Mandate**

- Joined 2015



**FTSE4Good**

- Member since 2008



- A List for Water
- Leadership for Climate and Forests disclosures



- Member since 2012

- Constituent of the JSE SRI Index since 2007 and constituent of the FTSE/JSE Responsible Investment Index since 2015



- Indices World 120
- Indices Europe 120
- Indices UK 20



**carbonclear**

- Ranked sixth FTSE100 in 2017



- GOLD recognition level
- Top 1% of all suppliers



## Stakeholder engagement matrix

Key stakeholders in 2017 <sup>1</sup>	Reason for engagement	Key engagement activities in 2017	What's next?
Employees	<p><b>Our employees matter and open and honest dialogue with them is crucial. Alongside day-to-day management contact, we engage in discussions and feedback about our values and culture – as expressed in The Mondri Way.</b></p> <p><b>Informal channels of communication and formal surveys give employees a voice and help us to understand their concerns and improve our performance, particularly around working conditions.</b></p>	<p>All our operations make formal grievance mechanisms available to employees. Additionally, we have our independent, confidential and anonymous hotline, <b>Speakout</b>, for reporting grievances and whistleblowing. It provides a simple, accessible and confidential channel through which employees and other stakeholders can raise concerns.</p> <p>Our last Group-wide employee survey took place in November 2015 with results published in January 2016 (see <a href="#">page 33</a>).</p> <p>Making a Difference Day (MADD) was celebrated across the Group in June 2017 and focused on our engagement with and investment in local communities, on safety and health in the workplace, as well as the safety and health of our colleagues and families (see <a href="#">page 33</a>).</p>	<p>Continue to work on the focus areas identified in the 2015 survey.</p> <p>Carry out the next employee survey in 2018.</p> <p>MADD is an ongoing annual event across the Group. Using the learnings from our 2017 safety incidents, we will focus on selected safety and health topic in 2018, including moving and rotating equipment and strengthening the 24 hour safety mindset. Our environmental theme will focus on loss of primary containment.</p>
Local communities	<p><b>We work with urban and rural communities in and around our operations, so it's vital that we understand and respect their concerns.</b></p> <p><b>We depend on thriving local communities to ensure our continued license to operate and prosper and it makes good business sense to contribute to the long-term stability of these communities. We also want to be a good employer so that we can attract and retain the necessary skills.</b></p> <p><b>We understand that local stakeholders need to be heard and their needs taken into account in our response and business planning. We use our formal socio-economic assessment toolbox (SEAT) process, alongside annual community engagement plans (CEPs).</b></p>	<p>We have in place a grievance management process and continue to monitor and report on legal non-compliances.</p> <p>Some operations provide the community with dedicated telephone lines that connect the complainant directly to the relevant person at our operation. Emission monitoring stations are also provided at a number of our pulp and paper mills.</p> <p>No SEAT studies were carried out in 2016 or 2017. Our most recent SEAT reviews were completed in 2015 at our Merebank mill (South Africa) and our Syktyvkar logging operations (Russia). The reports were published on our website and distributed to stakeholders in 2016.</p> <p>In 2017, in partnership with Business in the Community, The Prince's Responsible Business Network, we developed a global Community Engagement Plan (CEP) template for common use across all operations.</p> <p>In 2017, we carried out impact assessments of our voluntary investments and programmes to determine the effectiveness, value and success of our interventions (see <a href="#">page 73</a>).</p> <p>We continued to invest in and engage with local communities. Our investments in 2017 totalled €9.6 million. See <a href="#">page 74</a> for more details.</p>	<p>We will use the learnings from our impact assessment pilots to develop local and Group-wide measures and indicators for our global and local community footprints going forward.</p> <p>Our 2018 update of the Sustainable Development Management System (SDMS) Operating Standard related to stakeholders will provide guidance to operations on when and where a SEAT is necessary and beneficial. It will also set the standards for other means of impact assessment, consultation and engagement with local stakeholders to understand local needs and help our local operations shape their response in between SEAT reviews.</p> <p>We will roll the global CEP template out for use by our operations in 2018.</p> <p>Looking ahead, we aim to define more meaningful practical metrics to monitor and evaluate projects, and explore how these metrics can be consolidated at Group-level to ultimately reflect our total community footprint. This will help measure and track progress against our Growing Responsibly model's community commitment.</p>

<sup>1</sup> We engage regularly with these stakeholder groups, the frequency of which is determined by the requirements of the project schedules, scope and/or partnership agreements

## Stakeholder engagement matrix

Key stakeholders in 2017	Reason for engagement	Key engagement activities in 2017	What's next?
<b>Suppliers and contractors</b>	<p><b>Collaboration with our suppliers and contractors is essential to deliver innovative, sustainable packaging solutions.</b></p> <p><b>It is important that contractors who work on our sites understand and accept our safety standards and ways of working.</b></p> <p><b>The reporting, evaluation and monitoring of our sustainability performance along our supply chains are of increasing interest to our customers and investors.</b></p>	<p>We have our independent, confidential and anonymous hotline, <a href="#">Speakout</a>, for reporting grievances and whistleblowing. It provides a simple, accessible and confidential channel through which our stakeholders can raise concerns.</p> <p>We conduct regular compliance assessments of key suppliers – both fibre and non-fibre. We're also working to strengthen our supply chain transparency, and developing mechanisms for monitoring and reporting our operations' and our suppliers' human rights risks and impacts.</p> <p>Our SRM system helps us to identify and develop strategic partners, build long-term relationships and help mitigate any potential negative impacts from our supply chain and products.</p> <p>We work closely with our contractors, supporting them to manage their safety and health risks to align with Mondi requirements. We appoint contract managers to facilitate liaison between contracting companies and Mondi SHE professionals to provide support and guidance, monitor contractor safety performance, and work with contractors to help address gaps and improve practices (see <a href="#">page 30</a>).</p> <p>Together with external stakeholders, including the World Business Council for Sustainable Development (WBCSD), we continue to engage with certification systems such as FSC, and PEFC to encourage practical improvements to independent certification systems that will drive sustainable forestry practices and secure long-term wood fibre supplies. In 2017, we became a member of PEFC for the first time.</p> <p>In 2017, we published our statement on Modern Slavery in response to the UK Modern Slavery Act on our website.</p>	<p>Ongoing supplier and contractor engagement.</p> <p>Extend our supplier evaluation and assessment programme. We will formally request information on each supplier's sustainability performance to ensure that they are compliant with our Code of Conduct for Suppliers and key business practices.</p> <p>Continue to promote credible forest and chain of custody certification that effectively and efficiently includes small and medium enterprises (SMEs) and community suppliers.</p> <p>Complete initial risk assessment for supply chain sustainability across a pilot population of our suppliers worldwide. We will use the learnings to further shape on-boarding, evaluation, audit and other stages of supplier development within our SRM system (see <a href="#">page 69</a>).</p> <p>Continue to work closely with contractors on safety and health aspects.</p>
<b>Customers</b>	<p><b>Collaboration with our customers is important to help us deliver innovative, sustainable packaging solutions.</b></p>	<p>We work with our customers to better understand their needs, to design products that meet their sustainability objectives, and to communicate the sustainability value of our products (see <a href="#">page 78</a>).</p> <p>To promote transparency, we measure our performance and participate in a wide range of benchmarking initiatives such as WWF's Check Your Paper and Environmental Paper Company Index (<a href="#">page 79</a>).</p> <p>Regular surveys enable us to measure customer satisfaction and inform our design, production, labelling, distribution and management processes. Our businesses conduct their own customer surveys to measure overall customer satisfaction as well as identifying any sustainability challenges and opportunities. We usually receive good response rates on our customer surveys. No formal sustainability-focused customer surveys were conducted in 2017.</p> <p>We also host customer events and participate in exhibitions to exchange knowledge of our products, process and future trends (<a href="#">page 78</a>).</p> <p>We use the supplier sustainability rating company, EcoVadis, as a tool for our customers that request it. We achieved the highest rating, a Gold recognition level, for our CSR assessment completed in 2017. We also respond to all customer sustainability questionnaires and assessments and remain open to seeking collaborative solutions with our customers to improve sustainability performance in our supply chains.</p>	<p>Our businesses will continue to conduct customer-focused events and customer surveys which will include sustainability-related questions.</p> <p>We will continue to respond to customer surveys and questionnaires and will work with them to help meet the requirements of their own policies and codes of conduct.</p>

## Stakeholder engagement matrix

Key stakeholders in 2017	Reason for engagement	Key engagement activities in 2017	What's next?
Shareholder and investor community	<p><b>An active dialogue with our shareholder and investor community helps us to understand their expectations, while giving us the opportunity to explain our strategy. Our financial and non-financial performance indices help investors to assess companies across sectors and provide us with benchmarks against which we can measure our sustainability performance.</b></p>	<p>We engage with our shareholders and investors through the AGM, results presentations and trading updates, regular road shows, one-on-one meetings, questionnaires and surveys. We also host a more in-depth Capital Markets Day (CMD) every two years, giving investors and analysts further insight into our business, growth strategy and capital expenditure programme. Presentations and video recordings from our 2017 CMD event in London can be found at <a href="http://www.mondigroup.com/cmd">www.mondigroup.com/cmd</a>. Investors were also invited to visit two of our Consumer Packaging operations in Germany as part of this year's CMD.</p> <p>During the year, we proactively engaged with a number of our investors and Environment, Social and Governance rating companies via teleconference calls and webex meetings to gain a better understanding of their requirements.</p> <p>We're receiving increasingly more focused queries relating to our sustainability practices from analysts and the investor community, particularly in the areas of sustainable wood supply and forestry management practices, carbon and energy performance and human rights in the supply chain. Two areas of interest to investors are the requests for us to measure and evaluate our sustainability impacts and to report the financial implications of climate change related to our business' risks and opportunities (for e.g. TCFD).</p> <p>Our engagement has also led to the development of the concept of the 'working forest' (page 60), a more detailed and concise disclosure of some areas of our reporting – such as our labour practices, supply chain and our carbon performance (pages 40 and 50) – and continues to inform our annual policy review process.</p> <p>In 2017, we maintained membership of the FTSE4Good and JSE Socially Responsible Investment indices. We were also included in the Ethibel Sustainability Index and received a Prime corporate rating from Oekom.</p> <p>In 2017, Mondi participated in the CDP disclosures for climate, water, forest and supply chain, including the pilot forests supply chain disclosure request.</p>	<p>We will continue to engage with our investors and remain open to discussion and questions.</p> <p>Two areas of interest to investors are the requests for us to measure and evaluate our sustainability impacts and to report the financial implications of climate change related to our business' risks and opportunities (for e.g. TCFD) (including financial controlling specialists, risk specialists, technical experts and sustainability specialists) to evaluate the financial impact of our climate-related risks and opportunities.</p>
National and local governments	<p><b>We engage with national and local governments, working together with local operations teams to share our intentions, understand their concerns and priorities, and find mutually beneficial solutions. We are also required to comply with permit requirements and to meet local, national and international laws.</b></p>	<p>We regularly monitor and report on any legal non-compliances; additionally we support the consultation process of new laws and directives, mainly via our industry associations.</p> <p>In Russia, there is an annual agreement in place between Mondi Syktyvkar and the Komi Republic authority as well as with municipal administrations. This agreement covers a number of topics with commitments for all parties. We also engage with federal ministries in Russia, such as the Ministry of Industry and Trade and the Federal Forest Agency.</p> <p>In South Africa, many of our community investments and initiatives are in partnership with local government departments, institutes and other public organisations. One example is our Agri-villages project (see page 62 of our online <a href="#">2016 Sustainable development report</a>). We also work with the South African government to settle forestry land claims (see <a href="#">page 76</a>).</p> <p>Through CEPI, we continue to lobby government bodies on a number of issues. We support the call for the EU to place the 'cascading use of wood' principle at the core of its climate and energy policy to promote the most efficient use of the available biomass resource. We also work with CEPI to lobby for European waste policies that promote paper recovery (see <a href="#">page 56</a>).</p>	<p>Through regular engagement and local CEPs, we will continue to work with local, regional and national authorities to address mutual topics and to help support development and livelihoods in the communities where we operate.</p> <p>We will continue to monitor any legal or regulatory developments relevant to our business. Our SD policies require us to meet, as a minimum, all laws and directives as well as those internationally accepted standards relevant to our operations.</p> <p>We will revise our operating standards to ensure that they are aligned with all laws, directives and internationally accepted standards.</p>

## Stakeholder engagement matrix

Collaborative platforms and initiatives	Reason for engagement	Key engagement activities in 2017	What's next?
<b>United Nations Global Compact (UNGC)</b>	<b>To reinforce socially responsible business practices on a global basis. To demonstrate our commitment to universal principles in the areas of human rights, employment, environment and anti-corruption.</b>	In 2017, our Communication on Progress (CoP) met the requirements for an Advanced Level of reporting. We are also included in the UNGC 100 stock index and we continue to support the UNGC's CEO Water Mandate. The UNGC CEO Water Mandate reporting requirements are incorporated into our annual SD report (CoP).	We will continue to submit a CoP to the UNGC, which includes the requirements of the UNGC CEO Water Mandate.
<b>World Business Council for Sustainable Development (WBCSD)</b>	<b>The WBCSD is a global, CEO-led organisation that coordinates a corporate response to sustainability challenges such as climate change.</b> <b>Mondi is a member, alongside 200 other global companies, including many of our key customers.</b>	As a member of WBCSD Forest Solutions Group (FSG), we share our views and experience of sustainable forest management. In 2017, the FSG's strategy was revised and its scope extended to include a focus on the circular economy. As part of the FSG, we also continue to promote dialogue on the complementary nature of virgin and recycled fibre and to promote support of the sustainable working forest model (see <a href="#">page 60</a> ). In 2017, a sector guide on social impact valuation was published. The protocol is designed to help companies understand their relationship with society and how to measure, value and manage it in a way that enhances the stock of social capital for the benefit of society and business. Mondi is a member of the Natural Capital and Ecosystems cluster. Under the Ecosystem Cluster, Mondi participated in discussions on appropriate cross-sector biodiversity KPIs, which have been useful in helping us develop our own KPIs. In 2017, Mondi was actively involved in development of the Forest Sector Guide to Natural Capital providing case studies and its expertise. Mondi also supported the development of a <a href="#">video</a> , which was presented at World Natural Capital Forum in Edinburgh. Mondi is a member of the WBCSD's Social Impact cluster. In 2017, we provided a case study and participated in the publication of the Forest Sector Guide to Social Capital Protocol. Mondi is also a member of the Water cluster.	The WBCSD's Natural Capital and Ecosystems and water clusters will continue to have important input to the development of the NCP. Our participation in the development of the Social Capital Protocol and pilot results from the FSG member companies continue to help to improve the FSG's Social Impact indicators.
<b>Confederation of European Paper Industries (CEPI)</b>	<b>Mondi is a member of CEPI, a Brussels-based organisation that champions the pulp and paper industry and the benefits of its products.</b> <b>CEPI speaks on behalf of 495 companies operating more than 900 European pulp and paper mills.</b>	In 2017 the CEPI Board was chaired by Peter Oswald, CEO Mondi. In addition, we are part of the CEPI Environmental Footprint and Certification Network teams. A number of Mondi personnel participate in other CEPI committees. We continue to support CEPI's call for the EU to place the 'cascading use of wood' principle at the core of its climate and energy policy to promote the most efficient use of the available biomass resource. We also work with CEPI to lobby for European waste policies that promote paper recovery.	Continue to work with CEPI to address industry-related issues.
<b>Paper Profile</b>	<b>Paper Profile is a global, voluntary declaration scheme for presenting uniform environmental product information related to pulp and paper production. It enables the professional paper buyer to make well-informed product choices.</b>	Mondi's Group environmental manager is a member of the Paper Profile steering committee. Mondi is also a member of the technical working group which is helping to generate and improve a standardised description of paper product characteristics.	We will continue to actively support the Paper Profile steering committee and working group meetings.
<b>The Ellen MacArthur Foundation</b>	<b>The Ellen MacArthur Foundation works with business, government and academia to accelerate the transition to the circular economy. Since its creation, the charity has emerged as a global thought leader, establishing the circular economy on the agenda of decision makers across business, government and academia.</b>	During the year, Mondi became a member of The Ellen MacArthur Foundation's New Plastic Economy initiative which brings together 40 leading businesses and experts to rethink and redesign the future of plastics, starting with packaging. Mondi participates in several pioneer projects.	Mondi will continue to engage with the New Plastics Economy initiative and actively participate in relevant pioneer projects to support the transition to a circular economy for plastics packaging.

## Stakeholder engagement matrix

Collaborative platforms and initiatives	Reason for engagement	Key engagement activities in 2017	What's next?
<b>Flexible Packaging Europe (FPE)</b>	<b>Flexible Packaging Europe's (FPE) core activity is representing the European flexible packaging industry on the international stage. FPE deals with a wide range of issues relevant to the flexible packaging industry, most notably food contact, sustainability and environmental issues.</b>	Mondi has been a member of Flexible Packaging Europe's (FPE) Sustainability Committee since 2004. FPE has commissioned several scientific studies on the sustainability of flexible packaging. They clearly demonstrate the resource efficiency of flexible packaging versus other packaging formats.	FPE will commission the development of product category rules for the life cycle assessment of flexible packaging. Enhancing the circularity of flexible packaging will continue to be a point of discussion with FPE.
<b>SAVE FOOD</b>	<b>SAVE FOOD, a campaign supported by the UN Food and Agriculture Organization, the UN Environment Programme, Messe Düsseldorf (a global export platform) and Interpack (a leading trade fair for process and packaging) aims to encourage dialogue on food waste across industry, academia, politics and civil society.</b>	Mondi became a member of SAVE FOOD in 2013. We are helping to develop a wide range of innovative solutions to food packaging challenges, including re-closable bags, single-serve pouches, extrusion-coated barrier material and water-resistant containerboard. Please refer to <a href="#">page 79</a> of this report for further examples.	Contribute further to SAVE FOOD's work, addressing food waste with our customers and supply chain partners.
<b>CDP</b>	<b>CDP is a corporate transparency initiative. It plays an important role in disclosing high-quality, comparable data on company environmental performance to investors. The data covers climate change, water usage, forestry and supply chain.</b>	In 2017, we disclosed on all metrics – climate change, water, forestry and supply chain – and participated in the forestry supply chain pilot. Mondi was awarded a 'Leadership' status (A-) in climate change. We were also awarded Leadership status in water, forests and climate change supply chain. A-list for water. The A-list represents the highest-scoring companies that disclose information to CDP.	Continue to disclose information to CDP. We have set up a cross-functional team (including financial controlling specialists, risk specialists, technical experts and sustainability specialists) to evaluate the financial impact of our climate-related risks and opportunities.
<b>We Mean Business Coalition</b>	<b>We Mean Business is a global non-profit coalition working with the world's most influential businesses to take action on climate change. They aim to catalyse business leadership to drive policy ambition and accelerate the transition to a low carbon economy.</b>	We are a member of the We Mean Business Coalition <sup>2</sup> and support its Responsible Corporate Engagement in Climate Policy initiative by setting up a process to internally audit all activities that influence climate policy, ensuring consistency of those activities and communicating on actions and outcomes via the CDP disclosure or our Climate Savers membership.	As part of our WWF Mondi Partnership we will continue to support the We Mean Business Coalition through activities planned together with WWF (as part of our Climate Savers membership).
<b>Business in the Community, The Prince's Responsible Business Network</b>	<b>Business in the Community, The Prince's Responsible Business Network is a UK-based member-led charity that provides expert advice, benchmarking tools and networking opportunities for Mondi. It helps us to develop our social sustainability approach and measure our performance.</b>	We continued our membership of Business in the Community and strengthened our ties beyond cooperation at a Group level. In 2017, in partnership with Business in the Community, we developed a global CEP template for common use across all our operations. The template provides a clear global framework for local monitoring and communication of our footprint and programmes. We also started work to extend and apply the learnings of the pilot impact assessment in our Polish operation (Świecie mill, conducted in 2016) to a Group-wide toolkit for measuring, monitoring and improving our impact and local projects and investments worldwide. Business in the Community attended and actively contributed to our Social Sustainability Network meeting in 2017.	We will continue to work together with Business in the Community on social and community projects, including impact assessments, employee volunteering for social projects, formalising our reporting approach and further strengthening the network. We will roll out the CEP template for use by our operations in 2018. We will also complete and roll out the Group-wide toolkit for impact assessment and apply it to the measurement and reporting of our Growing Responsibly model's community commitment.

<sup>2</sup> <https://www.wemeanbusinesscoalition.org>



## Stakeholder engagement matrix

Collaborative platforms and initiatives	Reason for engagement	Key engagement activities in 2017	What's next?
Forest Stewardship Council (FSC)	<p><b>Since it was founded in 1993, the FSC has played a significant role in promoting responsible forest management. Despite progress made, only 11% of the world's forests are currently certified and there isn't enough certified wood to meet demand. We are working closely with the FSC to address these challenges within the pulp and paper industry.</b></p>	<p>During the year, we continued work with FSC and others to improve the FSC certification system as they implement their new strategy. We contributed to a constructive meeting on 'forest-type' at the FSC Plantations meeting in Brazil, which emphasised that the standard one-size-fits-all approach must urgently evolve.</p> <p>Mondi also continued to advocate that FSC use the new Controlled Wood (CW) Strategy to clarify the value of CW to all stakeholders and address the long-term need for an efficient and effective CW system.</p> <p>In 2017, we participated in the FSC General Assembly, where we, together with other national members, discussed a risk-based approach that uses modern digital tools, Geo Information Systems (GIS) and Earth Observation (EO) data, building on the promising results of our 2016 pilot testing of the Transparent Forests (TF) integrated platform in Russia and South Africa.</p> <p>In South Africa, we participated in the work to develop a new national FSC standard for South Africa with a reduced number of indicators. If approved, this will help us streamline the process and remove any unnecessary and costly administrative burden not relevant to South Africa.</p> <p>In Russia, a Mondi representative is a member of the FSC Russia Management Board.</p>	<p>We will continue to work with FSC, focusing on the development and improvement of simplified risk-based approaches and the improvement of accessibility of certification to SMEs. We will continue to advocate the importance of CW as a minimum standard in wood and fibre supply chains.</p> <p>We will continue to encourage and support implementation of the global strategy and promote and organise risk-based forest-type regional meetings. This should help to streamline the FSC AGM in the future.</p>
The Programme for the Endorsement of Forest Certification (PEFC)	<p><b>The Programme for the Endorsement of Forest Certification (PEFC) is an international non-profit, non-governmental organisation dedicated to promoting Sustainable Forest Management (SFM) through independent third-party certification.</b></p>	<p>In December 2017, Mondi became an international member of PEFC for the first time.</p>	<p>We will continue to strengthen collaborations with PEFC at national and international levels.</p>
WWF	<p><b>Our Partnership with WWF allows us to share perspectives and experiences and leverage skills and influence from both networks. We also look for opportunities where we can address issues that are important to both Mondi and WWF.</b></p>	<p>In 2017, we extended our global Partnership with WWF by another three years. Our collaboration will continue to focus on stewardship of forests, climate, energy and fresh water – both within our own operations and across sectors through engaging others.</p> <p>In the climate and energy work stream, we are working together with WWF (and ERM) to replace some of the literature-based assumptions with primary data for scope 3 emissions. We are also exploring the implications of setting a science-based target for GHG emissions from energy sales.</p> <p>In the freshwater work stream, we continued to support the development of The Water Risk Filter. We also continued the work delivered through the WWF-Mondi Wetlands Programme (WWF-MWP), which has brought the important role wetlands play to the forefront of conservation efforts, and driven change in the way that wetlands are identified, delineated, restored and protected across sectors in South Africa and beyond. In 2017, we renamed it the WWF-Mondi Water Stewardship Partnership, reflecting its broader focus on catchment-based water stewardship which prioritises catchments with possible water-related risks.</p> <p>Obvious synergies with the WWF New Generation Plantations (NGP) platform have been realised and there has been close cooperation in promoting social learning and freshwater stewardship as part of a landscape approach, both within the global NGP and WWF networks. We also supported WWF in the development and launch of the Boreal Forest Platform.</p>	<p>In 2018, we will review the results from the Water Risk Filter with local teams, follow up on actions and outcomes, and identify potential new findings and trends. Mondi and WWF are also working on a Group Water Stewardship Standard as part of the WWF Mondi Partnership's manufacturing work stream.</p> <p>We will continue with our existing work streams and look at further ways to promote the cascading use of wood.</p>
WWF New Generation Plantations (NGP) platform	<p><b>The NGP platform aspires to an ideal form of plantations that contribute positively to people and nature. It promotes well-managed, inclusive and profitable plantations by sharing knowledge and experience. This helps to maintain 'global credibility for plantations'.</b></p>	<p>As one of the founding participants, we've worked closely with WWF and other NGP participants to help promote the NGP concept to wider audiences and expand the use of the concept to other forest types and agriculture. We remain committed to the NGP platform which continues to make good progress in promoting and seeking solutions for SMEs and communities.</p> <p>In 2017, the NGP celebrated its 10<sup>th</sup> anniversary at the AGM in Edinburgh.</p>	<p>Mondi and WWF continue to explore how the NGP concept and principles might be applied to include other forest types and agriculture.</p> <p>We will continue to participate in and support the NGP platform and to promote freshwater and ecosystem stewardship through a landscape approach.</p> <p>The NGP platform will be exploring the latest technology to support SMEs and communities in certification and best practice.</p>

## Stakeholder engagement matrix

Collaborative platforms and initiatives	Reason for engagement	Key engagement activities in 2017	What's next?
<b>Boreal Forest Platform (BFP)</b>	<b>The BFP aims to bring stakeholders together across the boreal forest to develop a shared understanding of responsible forest management and to optimise yields from commercial forests while conserving intact forest landscapes (IFLs) and other HCV areas.</b>	The BFP has attracted 21 members to date, including the regional forestry and nature authorities. It is making progress on addressing intact forest landscape (IFL) issues while working to increase productivity in commercial forestry areas. WWF-Russia continues to make steady progress in securing protection for IFLs in north-west Russia, complementing Silver Taiga Foundation's work in Komi.  The current focus is on developing a sustainable forestry model for Russia, based on best practices in Canada and Finland. In 2017, the BFP held two international field seminars, one in Finland and the other in Canada.	We will continue to support the BFP in 2018 and conduct pilot tests in Komi Republic to develop best practice.
<b>WWF-Mondi Water Stewardship Partnership</b>	<b>The WWF-Mondi Water Stewardship Partnership is the next evolutionary phase of the WWF Mondi Wetlands Programme (WWF-MWP), which focused on the restoration of wetlands in forest plantations. The scope has now been extended beyond the boundaries of our own plantations to include the agricultural sector and small forest growers. This approach promotes the landscape approach to water stewardship with collective action within whole water catchments.</b>  <b>South Africa is a water-stressed country and freshwater ecosystems are vital to wildlife, people and our business.</b>	We are promoting freshwater stewardship using a landscape approach that focuses on wetlands and fresh water. The WWF-Mondi Water Stewardship Partnership brings stakeholders together to tackle the challenges facing freshwater ecosystems in three catchments in South Africa that are important to us and the partners. Using social learning tools and cooperating with the NGP platform globally, we continue to share best practice through the WWF network.  The WWF-MWP has been the catalyst and part-sponsor of catchment work to help develop best practice in water use and freshwater conservation for dairy farmers. Phase one of the Mondi-WWF Partnership focused on the Upper uMngeni catchment in KwaZulu-Natal, bringing together dairy, sugar and forestry landowners. In 2017, the focus was extended to include the uMhlathuze catchment where our Richards Bay mill is located and where forestry, sugar, citrus and communal land holdings are a prominent feature.	Continue to work within the Mondi-WWF Partnership to promote freshwater stewardship, building on the good work with other key land users and stakeholders.  Continue to promote water stewardship in two catchments – the uMngeni and the uMhlathuze – where Mondi's operations are located.  Continue to use the NGP platform to promote freshwater stewardship and responsible forestry practice.
<b>WWF Climate Savers programme</b>	<b>Climate Savers is a climate leadership programme that seeks to transform businesses into leaders of the low carbon economy by inspiring a change in thinking about climate solutions and as agents of change within their sphere of influence.</b>	During the year, we joined Climate Savers and have set a science-based carbon emission target. We are committed to reducing our specific production-related GHG emissions to 0.25 t CO <sub>2</sub> /t production volume by 2050, against 0.59 t CO <sub>2</sub> /t production volume (2014 baseline).	We will investigate a science-based 2050 target for energy sales GHG emissions and will work to improve the quality of Scope 3 calculations.  We will continue to seek opportunities to increase renewable energy use in our pulp and paper production and operate in the most sustainable way possible.
<b>The Forests Dialogue (TFD)</b>	<b>TFD is a WBCSD/World Bank initiative. It involves a global multi-stakeholder process for dealing with contentious social and environmental issues in forestry. Mondi is an active participant.</b>	We continue to contribute to TFD's dialogue, where relevant to Mondi. Mondi values TFD and continues to contribute financially to the secretariat and two dialogue streams – tree plantations in the landscape and sustainable woody biomass. The work complements our landscape work and maintains links to the TFD stakeholders.	Mondi will continue to support dialogues on tree plantations in the landscape and sustainable woody biomass.
<b>The High Conservation Value Resource Network (HCVRN)</b>	<b>The HCVRN works closely with the FSC, NGOs, inter-governmental organisations (IUCN, World Bank, FAO, UNEP etc.) and companies to bring a consistent HCV approach across all land uses.</b>	Mondi continues to participate in the HCV Resource Network.	Mondi will continue to be an active member of the HCVRN

## Stakeholder engagement matrix

Collaborative platforms and initiatives	Reason for engagement	Key engagement activities in 2017	What's next?
<b>Silver Taiga Foundation</b>	<p><b>Silver Taiga Foundation was founded in 2002 to promote the development of sustainable management of forest landscapes and renewable natural resources in the Komi Republic and other regions of the Russian Federation. We work with Silver Taiga Foundation to develop best boreal forestry practice for the Komi Republic.</b></p> <p><b>We also participate in shared projects with WWF Russia.</b></p>	<p>Mondi has been a sponsor of Silver Taiga Foundation's work since 2008. They continually provide us, and most other forest stakeholders in Komi, with relevant environmental information and technical support. In 2017, some of our joint projects included:</p> <ul style="list-style-type: none"> <li>• Model River Mezen: seven years of annual data on Atlantic salmon's spawning quality was summarised to support the programme for its preservation and restoration (see <a href="#">page 63</a>).</li> <li>• Protection of High Conservation Value forests: In 2017, Mondi, WWF Russia and Silver Taiga signed an agreement which summarises results of 10 years of work on an inventory of IFLs in Komi Republic and adjacent territories and firmly defines the boundaries of their cores. It is the first landscape-level unlimited agreement in the history of IFLs protection. Guidelines providing recommendations on use of remote sensing and GIS were published and a two-year field training schedule was completed across the Syktyvkar logging operations (see <a href="#">page 62</a>).</li> <li>• The assessment on the long-term impacts of logging on soil and water resources: a regional web-based GIS platform was developed and launched, which summarised the data on the harvested logging areas, the hydrological characteristics and landscape transformation within water catchments.</li> <li>• Social projects: Silver Taiga Foundation provides support in developing approaches to implementing Free Prior and Informed Consent (FPIC), to support participatory planning with settlements, where Mondi Syktyvkar has new forest sites, to arrange regular regional Komi Forest Dialogue following up the model of the first international on arranged in Komi via The Forest Dialogue.</li> </ul>	<p>We will continue to support and fund key Silver Taiga Foundation projects that benefit Komi and north west Russia. In 2018, Silver Taiga Foundation will develop a 10-year summary of its numerous projects and achievements. Silver Taiga Foundation will continue to distribute its learnings to a wider audience, including our suppliers and contractors, administrations and authorities.</p>
<b>Scientific institutes and universities</b>	<b>Reason for engagement</b>	<b>Key engagement activities in 2017</b>	<b>What's next?</b>
<b>Stellenbosch University</b>	<p><b>We support research which is making a significant contribution to biodiversity and ecosystem stewardship in production landscapes.</b></p>	<p>The Mondi Ecological Network Programme (MENP) at Stellenbosch University continues to provide important supporting science and management recommendations on biodiversity conservation and planning in our landscapes. In 2017, the University of Stellenbosch concluded more than 10 years of scientific research through the MENP. The findings include practical recommendations on the design and management of ecological networks and provide a scientific basis for implementing the concept of ecological networks in plantation forestry landholdings.</p> <p>We are working to further support the management of ecological networks (ENs) in our plantation forests, expanding the scope to include a focus on biodiversity of freshwater ecosystems and soil. MENP recommendations have been globally peer reviewed and promoted through the NGP platform and they will be a practical and useful tool for other relevant stakeholders.</p> <p>In 2017, the Department of Forestry and Wood Science set out the scientific basis for developing a comprehensive pre- and post-burning assessment of soils for the management of logging residues. We reviewed and updated our procedure on pre- and post-burning assessments at harvesting sites accordingly.</p>	<p>We will continue to support and promote the MENP initiative and expand the scope to include biodiversity aspects of freshwater ecosystems and soil in production landscapes.</p> <p>In 2018, we will focus on communicating the value of ENs to a wider audience. We will also support new research on the value of soil biota in maintaining crop productivity.</p> <p>We will continue to support MENP in defining the values of our ENs, which are our natural capital, in production landscapes.</p> <p>MENP's scientific and management recommendations on biodiversity conservation and planning have been globally peer-reviewed and promoted through the NGP platform.</p>
<b>Cambridge Institute for Sustainability Leadership (CISL)</b>	<p><b>We joined the Natural Capital Leadership Platform in 2015, currently known as the CISL Natural Capital Impact Group (CISL NCIG). A global network of companies, working collaboratively, to determine how business can sustain the natural world and its resources through its strategies and operating practices.</b></p>	<p>We were actively involved in preparing a CISL publication on resilience in commercial forestry that supports Mondi's 'working forest' concept and makes a link to the ongoing work on the development of KPIs for reporting on natural capital.</p>	<p>We will continue to support the work of the CISL NCIG, particularly the work on developing healthy ecosystem metrics, focused on biodiversity, soils and water.</p>

## Stakeholder engagement matrix

Scientific institutes and universities	Reason for engagement	Key engagement activities in 2017	What's next?
<b>International Union Of Forest Research Organizations (IUFRO)</b>	<b>IUFRO is a non-profit, non-governmental international network of forest scientists which promotes global cooperation in forest-related research and enhances the understanding of the ecological, economic and social aspects of forests and trees.</b> <b>It unites more than 15,000 scientists in almost 700 member organisations in over 110 countries.</b>	IUFRO hosted an open dialogue in September 2017 in Germany, which aimed to identify strategies and options for a long-term structured collaboration between business and science towards achieving the SDGs. The 'Science Meets Business Dialogue' assembled leading representatives from science, business and the UNEP to share and discuss expectations on forest research and education in tackling global sustainability challenges. Mondi represented the forest-based private sector on a panel of four. The dialogue underlined the importance of strengthening the cooperation between science and business.	We will continue tracking the main scientific events globally via IUFRO channels ( <a href="https://www.iufro.org/events/">https://www.iufro.org/events/</a> ) to stay up to date on developments related to sustainable forest management.
<b>University of Pretoria</b>	<b>We work with the University of Pretoria to stay informed of the most recent scientific trends and developments related to tree breeding and control of pests and diseases.</b>	The prevailing dry conditions in South Africa has increased stress on our trees and exacerbated pest and disease risks in our plantation forests. We are continuing with our tree protection partnership with the University of Pretoria through sponsorship of the Mondi Chair for Plant Pathology. Our ongoing participation in the Tree Protection Co-operative Programme (TPCP) at the University of Pretoria has greatly assisted developing practical measures to manage the Sirex and Chalcid wasps which damage pine and eucalyptus, respectively. This work also feeds into our tree improvement programme and enables selection of more resistant trees for our plantation forests.	We will continue to partner with the University of Pretoria's highly regarded Forestry and Agricultural Biotechnology Institute (FABI) and in particular with the TPCP. Focus remains on keeping our trees healthy and productive.
<b>University of KwaZulu-Natal (UKZN)</b>	<b>We work with UKZN on the Two Streams catchment project located on our land and sponsor part of the long-term research.</b>	The Two Streams catchment research project focuses on the impact of plantation trees on the hydrological cycle of the site and has reached the closing stage of the acacia tree-planting phase. We partner with the South African Environmental Observation Network (SAEON) to ensure regular maintenance of the long-term monitoring equipment, and the download and storage of the monitoring data. Mondi also funds research conducted at the Institute of Commercial Forestry Research (ICFR), a formal association of the UKZN. The institute conducts applied research for the forest sector in South Africa.	We're committed to the next phase of the Two Streams research, which will compare water use of eucalyptus, Mondi's main commercial species for its plantations, with previous results on acacia. We will continue to support the ICFR.
<b>Institute of Biology of Komi Scientific Centre</b>	<b>We engage with Komi scientists who conduct research for understanding long-term impacts of our operations on the environment.</b>	In 2017, we continued our engagement with the Institute of Biology. We supported research on the long-term trends in reforestation and soil recovery.	In 2018, the Institute of Biology will consider impacts of the mill on natural capital.
<b>Regional Komi Republic Universities (Syktyvkar Forest Institute of St. Petersburg's State Forest Technical University and the Syktyvkar State University)</b>	<b>We actively engage with the Komi Republic universities where we have our largest pulp and paper mill. We support the development of young experts and engage with students and academic staff. In 2012, together with the Komi Republic Authorities, we developed a Komi Forest Academy Award to motivate young researchers.</b>	In 2017, young researchers presented their results of their research, supported by technical experts from Mondi Syktyvkar. This approach enables us to use the results of the research to practically support our own operations.	We will continue to support research at the universities and to promote the practical application of their research findings, where relevant and appropriate.

## Consolidated performance data

## Financial performance

€ millions unless otherwise stated	2013	2014	2015	2016	2017
Group revenue	6,476	6,402	6,819	6,662	7,096
Underlying operating profit	699	767	957	981	1,018
Operating profit	605	728	900	943	957
Basic underlying earnings per share (EPS) (euro cents)	95.0	107.3	133.7	137.8	149.5
Basic EPS (euro cents)	79.8	97.4	124.0	131.8	138.6
Capital expenditure cash outflows	(405)	(562)	(595)	(465)	(611)
Net debt	1,619	1,613	1,498	1,383	1,326
ROCE (%)	15.3	17.2	20.5	20.3	19.7

## People and communities

## Gender diversity 2017

	Male	%	Female	%
Directors	6	75	2	25
Senior managers	286	92	24	8
Employees	20,188	78	5,701	22

## Management by origin 2017

	%
Hungary	1
France	1
Czech Republic	2
UK	2
Slovakia	3
Italy	4
Turkey	4
Russian Federation	5
Poland	8
South Africa	13
Austria	22
Other nationalities	35

## Consolidated performance data

	2013	2014	2015	2016	2017
Employee and contractor training hours	854,000	871,000	827,000	790,000	829,900

**Coverage of safety in training hours in 2017**

	%
Safety-focused training	37
Other training	63

**Safety****Number of work-related fatalities**

	2013	2014	2015	2016	2017
Employees	0	0	1	0	1 <sup>1</sup>
Contractors	4	0	0	0	1

**TRCR (per 200,000 hours worked)**

	2013	2014	2015	2016	2017
	0.78	0.83	0.70	0.66	0.60

**Communities****Community and social investments<sup>2</sup> ('000 €)**

	2013	2014	2015	2016	2017
Health and wellbeing	211	85	172	653	1,959
Education	574	2,078	1,775	565	731
Infrastructure and development	9,213	4,996	5,044	6,425	6,509
Enterprise and employment support				254	432
<b>Total<sup>3</sup></b>	<b>9,998</b>	<b>7,159</b>	<b>6,991</b>	<b>7,897</b>	<b>9,631</b>

**Forests and fibre procurement****Forestry data 2017**

	Russia	South Africa	Total
Total area of land (ha)	2,111,031	245,163	2,356,194
Proportion of land set aside for conservation (%)	25	27	25
Number of seedlings planted	3,235,550	29,350,000	32,585,550
Wood self-sufficiency potential (%)			48.5

1 Excluding missing person

2 In 2016, we restructured and revised our investment categories. Our new 'Health and wellbeing' and 'Education' categories correspond to equivalent previous categories and therefore their historic data were not restated. Our new 'Infrastructure and development' combines the previous categories 'Environment', 'Community development', 'Arts, culture and heritage', 'Housing' and 'Other', and will be a wider, more comprehensive category going forward. Our new 'Enterprise and employment support' category will not include any historic data, but investments in support of employment and enterprise have effectively been part of the scope in past years, even if it is not formally reflected as an individual category

3 Changes in investment levels over the years do not necessarily represent a change in investment strategy. They are sometimes reflective of the commencement or closure of projects. Most initiatives run over several years and require different levels of investment for each development phase

## Consolidated performance data

<b>Fibre use</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Wood (internal and external) (million m <sup>3</sup> )	16.4	16.3	16.4	16.6	16.9
Pulp (externally procured) (million tonnes)	0.4	0.4	0.3	0.4	0.3
Paper for recycling (million tonnes)	1.4	1.5	1.4	1.3	1.3

<b>Fibre procured from FSC or PEFC certified sources 2017 (%)</b>	<b>FSC</b>	<b>PEFC</b>	<b>Total</b>
Wood	50	21	71
Pulp (procured externally)	82	11	93

<b>Certified wood procured (%)</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
FSC	47	46	45	46	50
PEFC	19	20	21	21	21
<b>Total</b>	<b>66</b>	<b>66</b>	<b>66</b>	<b>67</b>	<b>71</b>

**Energy and climate**

<b>CO<sub>2</sub>e emissions from our pulp and paper mills (tonnes)</b>	<b>Scope 1</b>	<b>Scope 2</b>	<b>Total CO<sub>2</sub>e</b>
2013	3,914,452	1,129,899	5,044,351
2014	4,308,655	998,807	5,307,462
2015	4,477,666	777,329	5,254,995
2016	4,067,788	671,247	4,739,035
<b>2017</b>	<b>3,777,282</b>	<b>691,649</b>	<b>4,468,931</b>

<b>Specific CO<sub>2</sub>e emissions from our pulp and paper mills (tonnes per tonne of saleable production<sup>4</sup>)</b>	<b>Scope 1</b>	<b>Scope 2</b>	<b>Specific total (Scope 1 and 2) CO<sub>2</sub>e</b>
2013	0.62	0.18	0.81
2014	0.68	0.16	0.83 <sup>4</sup>
2015	0.71	0.12	0.83 <sup>4</sup>
2016	0.65	0.11	0.76
<b>2017</b>	<b>0.61</b>	<b>0.11</b>	<b>0.72<sup>5</sup></b>

4 2014 and 2015 restated due to adjusted production volumes

5 Progress against 2030 commitments is calculated based on excluding Raubling mill from 2014 as per 0.844 (2014) and 0.717 (2017)

## Consolidated performance data

<b>GHG emissions from our pulp and paper mills, by country 2017 (tonnes)</b>						<b>Tonnes</b>
Russia						1,843,171
South Africa						1,234,830
Czech Republic						418,608
Poland						291,382
Austria						247,532
Slovakia						108,866
Turkey						93,080
Sweden						83,437
US						80,813
Bulgaria						67,213
<b>Pulp and paper mills total</b>						<b>4,468,931</b>

<b>Electricity self-sufficiency of our pulp and paper mills (%)</b>					
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Own electricity produced	89.5	95.4	100.9	97.9	95.6
Electricity purchased	25.6	30.1	27.9	25.2	20.9
Electricity sold	15.2	25.5	28.7	23.1	16.5

<b>Fuel consumption for our pulp and paper mills (million GJ)</b>					
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Produced from our own biomass	82.5	81.7	83.3	87.2	87.8
Purchased fuel	65.4	71.5	75.6	71.2	68.6



## Consolidated performance data

<b>Energy use, pulp and paper mills (GJ)</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Electricity purchased	6,292,282	7,580,154	6,930,935	6,277,050	5,217,232
Own biomass	82,471,187	81,697,138	83,286,981	87,193,849	87,791,377
Purchased biomass	7,604,285	7,947,595	10,204,981	12,613,917	13,690,293
Fossil fuels consumed	57,826,324	63,535,990	65,348,140	58,616,253	54,887,101
Heat purchased	64,181	84,752	63,558	16,206	63,996
Energy sales	9,916,875	12,842,350	13,143,550	11,609,519	10,081,724
<b>Total energy use</b>	<b>144,341,384</b>	<b>148,003,278</b>	<b>152,691,044</b>	<b>153,107,757</b>	<b>151,568,275</b>
<b>Energy use, converting operations (GJ)</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Electricity purchased	1,664,432	1,657,052	1,786,181	1,881,472	1,965,292
Fossil fuels consumed	1,750,070	1,916,421	2,037,447	2,168,157	2,287,791
Heat purchased	209,856	170,687	183,093	187,220	174,977
<b>Total energy use</b>	<b>3,624,358</b>	<b>3,744,160</b>	<b>4,006,722</b>	<b>4,236,850</b>	<b>4,428,060</b>
<b>Scope 3 emissions (tonnes)</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Fuel and energy-related activities (not included in Scope 1 or 2)	399,000	435,000	439,291	399,966	385,613
Purchased goods and services	1,923,000	1,499,524	1,663,253	1,826,793	1,867,405
Employee commuting	47,000	48,705	47,177	48,514	49,469
Upstream transportation and distribution	424,000	421,137	471,914	435,692	447,613
Downstream transportation and distribution	262,000	263,869	260,980	260,035	259,998
Business travel	3,000	3,936	4,134	4,303	3,904
<b>Total</b>	<b>3,058,000</b>	<b>2,672,171</b>	<b>2,886,749</b>	<b>2,975,303</b>	<b>3,014,002</b>

## Consolidated performance data

## Water, air and waste

## Water

Water input (m <sup>3</sup> )	2013	2014	2015	2016	2017
<b>Total water input (m<sup>3</sup>)</b>	<b>308,225,924</b>	<b>323,647,294</b>	<b>308,530,242</b>	<b>309,031,879</b>	<b>307,071,545</b>
<b>Potable water input</b>	<b>28,791,667</b>	<b>29,451,135</b>	<b>25,997,450</b>	<b>23,315,191</b>	<b>22,620,731</b>
<b>Non-potable water</b>	<b>279,434,256</b>	<b>294,196,159</b>	<b>282,532,792</b>	<b>285,716,688</b>	<b>284,450,814</b>
Second-class water	10,361,089	10,065,008	10,534,946	11,217,052	11,928,377
Surface water	249,992,902	263,893,523	246,398,245	249,275,693	246,973,299
Ground water	19,080,265	20,237,628	25,599,600	25,223,943	25,549,137
Waste water from third parties and other Mondi operations	<b>39,212,851</b>	<b>39,919,055</b>	<b>38,249,896</b>	<b>38,229,853</b>	<b>38,669,589</b>
<b>Total water input (%)</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Non-potable water	91	91	92	92	93
Potable water	9	9	8	8	7
<b>Emissions to water (tonnes)</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Emissions to water, COD (tonnes)	45,552	44,901	46,043	43,879	42,711
Emissions to water, AOX (tonnes) <sup>6</sup>	151	150	147	155	170
<b>Effluent (water discharges) (m<sup>3</sup>)</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Water discharge via on-site or off-site treatment	229,832,212	230,690,929	238,401,299	235,945,906	231,652,362
Effluent direct to surface water without treatment	88,936,025	97,652,438	77,880,033	83,381,085	88,590,582
Effluent to irrigate land	24,338	6,637	52,236	51,367	50,645
Effluent sent to third parties for recycling or reuse of water	0	0	0	738,358	7,747,028
<b>Total water output</b>	<b>318,792,575</b>	<b>328,350,004</b>	<b>316,333,567</b>	<b>320,116,716</b>	<b>328,040,616</b>
Waste water from third parties and other Mondi operations	39,212,851	39,919,055	38,249,896	38,229,853	38,669,589
<b>Total water output (excluding third parties)</b>	<b>279,579,724</b>	<b>288,430,949</b>	<b>278,083,672</b>	<b>281,886,862</b>	<b>289,371,027</b>
<b>Contact and non-contact water use (m<sup>3</sup>)</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Non-contact water	90,478,291	105,153,432	85,388,509	91,897,722	98,448,861
Contact water	207,783,963	205,733,272	209,551,234	206,763,090	205,435,261

6 AOX restated for 2014 and 2015. See [page 109](#)

## Consolidated performance data

## Air

Air emissions (tonnes)	2013	2014	2015 <sup>7</sup>	2016	2017
Total NOx emissions from processes	11,348	11,705	12,468	11,591	11,048
Total reduced sulphur (TRS) from processes	65	67	71	52	56
Total particulate emissions	1,646	1,570	1,500	963	921
Total SO <sub>2</sub> emissions from processes	3,955	5,107	5,604	1,985	1,447

Emission of ozone-depleting substances (kg)	2013	2014	2015	2016	2017
HFC	4,826	4,146	6,383	6,262	4,289
HCFC	1,301	999	995	628	1,420
CFC	3	2	2	0	1
Halons	0	0	0	0	0
<b>Total loss of ozone-depleting substances</b>	<b>6,130</b>	<b>5,147</b>	<b>7,379</b>	<b>6,890</b>	<b>5,710</b>

## Waste

Waste to landfill (tonnes)	2013	2014	2015	2016	2017
Non-hazardous waste landfilled	270,676	260,697	229,253	205,251	191,462
Hazardous waste landfilled	2,107	1,671	814	1,230	455
<b>Total waste to landfill</b>	<b>272,783</b>	<b>262,368</b>	<b>230,068</b>	<b>206,481</b>	<b>191,917</b>

Hazardous waste (tonnes)	2013	2014	2015	2016	2017
Hazardous waste treated	9,652	8,387	8,059	9,273	11,445
Hazardous waste incinerated	2,265	2,467	2,668	3,473	3,593
Hazardous waste recycled/reused	2,485	3,102	2,539	2,829	2,298
Hazardous waste landfilled	2,107	1,671	814	1,230	455
<b>Total hazardous waste</b>	<b>16,509</b>	<b>15,627</b>	<b>14,081</b>	<b>16,806</b>	<b>17,792</b>

7 2015 restated to reflect updated air emissions of Pine Bluff mill

## Consolidated performance data

Non-hazardous waste (tonnes)	2013	2014	2015	2016	2017
Non-hazardous waste treated	1,419	2,454	1,948	2,949	7,247
Non-hazardous waste incinerated	65,951	90,994	85,039	61,346	49,400
Non-hazardous waste recycled/reused	872,385	699,304	735,083	831,846	846,862
Non-hazardous waste landfilled	270,676	260,697	229,253	205,251	191,462
<b>Total non-hazardous waste</b>	<b>1,210,431</b>	<b>1,053,449</b>	<b>1,051,323</b>	<b>1,101,392</b>	<b>1,094,972</b>
Total debris (tonnes)	2013	2014	2015	2016	2017
Non-hazardous debris	11,203	9,600	20,488	22,102	57,911
Hazardous debris	1,514	1,205	14	0	91
<b>Total debris</b>	<b>12,717</b>	<b>10,805</b>	<b>20,503</b>	<b>22,102</b>	<b>58,002</b>
Total solid waste (tonnes)	2013	2014	2015	2016	2017
	<b>1,239,657</b>	<b>1,079,881</b>	<b>1,085,907</b>	<b>1,140,299</b>	<b>1,170,765</b>

## About this report

# About this report

**This 2017 Sustainable development report covers the 2017 financial year (1 January 2017 to 31 December 2017) and should be read in conjunction with our Integrated report and financial statements 2017 as well as our 2017 Sustainability publication 'Partnering for change'. Our previous report was published in April 2017 for the financial year 1 January 2016 to 31 December 2016.**

## Reporting standards and format

This report provides a comprehensive view of our approach to sustainable development and our performance in 2017 with regard to environmental, social and governance issues. It is prepared in accordance with the Global Reporting Initiative (GRI) G4 Core guidelines.

We have applied the GRI guidelines to our annual sustainable development reports since 2009 and believe that they offer us the best way to present our most important sustainability information in a fully transparent, accurate and reliable way.

Guided by the GRI framework for structure and principles of reporting, the content is defined through various internal and external processes including risk management (see Sustainability governance on [page 22](#)), materiality assessment and aspects (see the discussion on [page 18](#)) and stakeholder engagement at various levels (see Our stakeholders on [page 20](#)).

We also report our performance against the sustainability metrics defined in our non-financial reporting system (SIM) for internal and external reporting of key performance indicators (covering safety and health, wood procurement, forestry, environment, energy and products). In addition, we report on progress against the commitments we made for the period 2016 to 2020 against a 2015 baseline, with the exception of our climate commitment that covers the period from 2014 to 2030.

## Disclosures of management approach based on GRI G4 methodology

The action areas in this report reflect our Growing Responsibly model's framework for sustainability issues, which usually include more than one GRI G4 material aspect. For example, the 'Constrained resources and environmental impacts' action area includes the material aspects water, emissions, and effluents and waste; and the 'Skilled and committed workforce' and 'Fairness and diversity in the workplace' action areas include the material aspects employment, training and education, and diversity and equal opportunity.

Using the GRI G4 Guidance for Disclosures on Management Approach, we have described aspect-specific disclosures of management approach (DMAs) in the respective focus areas, whereas generic DMAs which apply across all material aspects and our own focus areas are provided here and include our approach to policies, commitments, goals and targets, responsibilities and resources.

Statements provided in the Governance section (see [page 22](#)) on the governance and accountability of sustainability at Mondi are valid for all reported focus areas and all GRI G4 material aspects reported in this report.

Our Sustainable Development Management System (SDMS), including policies, standards and performance requirements, governs our approach and we have systems in place to support the monitoring and measurement of our performance. Our Group-wide reporting systems include key performance indicators across our focus areas and reported material aspects, and our performance is guided by our public commitments – a set of mid- and long-

term goals that shape our approach and track our improvement regularly towards specific and measurable targets.

Please see the GRI index on [page 113](#) for a more detailed overview of our reporting according to G4 core criteria, and [page 83](#) for a more detailed overview of performance against our 2020 and 2030 commitments.

Roles and responsibilities for managing our focus areas and material aspects are described in the Governance section ([page 23](#)) under 'Embedding sustainability'.

The resources that we use to manage our focus areas and material aspects include:

- Our well-invested, low-cost, high-quality integrated mills and converting operations.
- A strong financial position to fund our business and pursue relevant growth opportunities.
- Our talented and committed people.
- Access to natural resources such as fibre and water, as well as fuels and electricity.
- Strong partnerships with our suppliers and our customers.
- Our constructive working relationship with communities, governments, NGOs and other stakeholders.

Please refer to our business model on [page 10](#) and see individual action areas for a more detailed overview of how we manage each material aspect.

## About this report

### Reporting scope

In terms of performance data, the following should be noted:

- No significant changes from previous reporting periods in the scope, boundary or measurement methods were applied in the report this year.
- No material restatements have been made to data in this report. Reported data remains comparable with last year's data, unless noted otherwise.
- Progress percentages for environmental commitments are calculated based on excluding the performance of our Raubling mill (Germany), which was closed in 2015, from baseline data. Progress percentages including Raubling are provided as a separate scenario in footnotes. See [page 86](#).
- A new lease of around 30,000 hectares of forestry land in Russia will be FSC certified during 2018. The new lease is included in the reported leased hectares but not in the certified percentage of leased land. See [page 61](#).
- Štětí mill's production volumes related to market pulp were restated for 2014 and 2015 due to an error in reporting, impacting our baseline calculations for commitments measures in specific terms (calculated per tonnes of saleable production).

- Ružomberok mill's AOX emissions were restated for 2015 and 2016, due to its double-reporting of AOX in error. The restatement has also impacted the Group's overall AOX numbers.
- The percentage of externally procured pulp certified to FSC or PEFC standards in 2016 was restated due to an error in reporting (see [page 42](#)).
- Our environmental performance covers our pulp and paper mills and converting operations (100% of our manufacturing operations), unless stated otherwise. Examples include some energy and climate-related data.
- Greenhouse gas (GHG) emissions are reported according to the GHG Protocol, published by the WBCSD and the World Resources Institute.
- Safety data includes all employees and contractors, but excludes service suppliers such as catering, office cleaning or telecommunications and management consultants.
- Financial information is reported in euros (€), for ease of reading and to allow comparisons. Where we have reported wood volumes in m<sup>3</sup>, this figure reflects solid cubic metres (SCM).
- Key performance data throughout our 2017 sustainability publication 'Partnering for change' is provided for context only, and our full performance is available in this online Sustainable development report 2017.

### External assurance

We believe that external assurance plays an important part in the way we work and that it provides stakeholders with assurance in respect of our performance. Environmental Resources Management Certification and Verification Services (ERM CVS) provided assurance on selected information and KPIs that we report, checking that the report is in accordance with the criteria for a 'Core' GRI G4 report, and verification of the Group's total GHG data in accordance with ISO 14064 to a reasonable level of assurance. PwC, our appointed statutory auditors, provided an unqualified audit opinion on our 2017 financial statements.

### Additional information

In addition to our online Sustainable development report 2017, other information – including policies and standards, report archives, governance of sustainability, associations we support, useful links and sustainability contacts – can be found at: [www.mondigroup.com/sustainability](http://www.mondigroup.com/sustainability).

In our 2017 sustainability publication 'Partnering for change' we look at how we're using our Growing Responsibly model to deliver meaningful improvements across some of the aspects of sustainability that are more relevant for our business and our stakeholders.

This document can be found at: [www.mondigroup.com/sdpublication17](http://www.mondigroup.com/sdpublication17).

## Independent assurance statement

# Engagement Summary

**ERM Certification and Verification Services (ERM CVS) was engaged by Mondi Group ('Mondi') to provide assurance in relation to the information set out below and presented in Mondi's online Sustainable development report 2017 (the Report).**

**Scope:**

1. Whether the 2017 data for the following key performance indicators ('KPIs') are fairly presented, in all material respects:

- Total energy usage (GJ);
- Total Scope 1 and Scope 2 GHG emissions (tonnes CO<sub>2</sub>e);
- Total Scope 3 GHG emissions from employee commuting, downstream transportation and distribution, business travel, purchased goods and services, upstream transportation and distribution, and fuel and energy-related activities not included in Scope 1 or Scope 2 (tonnes CO<sub>2</sub>e);
- Total water input (pulp and paper mills) (m<sup>3</sup>);
- Total water output (pulp and paper mills) (m<sup>3</sup>);
- Total contact and non-contact water use (m<sup>3</sup>);
- Total hazardous and non-hazardous waste (tonnes);
- NOx emissions (tonnes);
- COD emissions (tonnes);
- Total recordable case rate (number/ 200,000 hours);
- Total life-altering injuries (number);

- Management risk focused safety audits conducted (number);
  - Supervisor critical task audits conducted (number);
  - Critical safety training completed (hours);
  - Certified wood and pulp procured (percentage, tonnes);
  - Managed land set aside for conservation purposes (percentage);
  - Actions from 2015 employee engagement survey closed (percentage) – note, refers cumulatively to the actions closed between 2015 and 31 December 2017;
  - Social and community investments, per category (€);
  - Saleable production volume (tonnes, m<sup>2</sup>, sacks)
2. The disclosure relating to ecosystem management plans at forestry operations on [page 62](#) of the Report.
3. Whether the disclosures in the Report relating to 'Identified Material Aspects and Boundaries' and 'Stakeholder Engagement' have been prepared in accordance with the Standard Disclosures G4-17 to G4-27 of the GRI G4 Sustainability Reporting Guidelines (the 'GRI G4 Guidelines').
4. Whether the disclosures relating to the above KPIs in the Report are consistently presented in Mondi's Integrated report and financial statements 2017 (Integrated Report).
5. Whether the disclosures relating to GHG emissions presented in the section 'Climate change' on [page 50 of the Integrated Report](#) comply with the requirements of the UK Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

In addition we were asked to check whether the Report is in accordance with the criteria for a 'Core' GRI G4 report.

**Reporting Criteria:**

GRI's G4 Sustainability Reporting Guidelines and internal indicator criteria developed by Mondi and described in the section 'About this report' and the relevant performance sections of the Report.

ISO14064-1:2006 and the WBCSD WRI GHG Protocol (2004) (including the Scope 2 Guidance, 2015) for the Scope 1 and Scope 2 GHG emissions.

**Assurance Standard:**

ERM CVS' assurance methodology, based on the International Standard on Assurance Engagements (ISAE 3000).

ISO 14064-3:2006 for the Scope 1 and Scope 2 GHG emissions.

**Assurance level:**

Reasonable assurance: Scope 1 and Scope 2 GHG emissions.

Limited assurance: All other scopes set out above.

**Respective responsibilities:**

Mondi is responsible for preparing the Report and for the collection and presentation of the information in it.

ERM CVS' responsibility is to provide conclusions on the agreed scope based on the assurance activities performed and exercising our professional judgement.

**Our opinion**

In our opinion, the 2017 Scope 1 and Scope 2 GHG emissions are fairly presented, in all material respects, in accordance with the reporting criteria.

**Our conclusions**

Based on our activities:

- nothing has come to our attention to indicate that the 2017 data for the other KPIs, as listed under 'Scope' above, and the disclosure relating to ecosystem management plans at forestry operations on [page 62](#) of the Report, are not fairly presented, in all material respects, with the reporting criteria;
- nothing has come to our attention to indicate that the disclosures in the Report relating to 'Identified Material Aspects and Boundaries' and 'Stakeholder Engagement' have not been prepared in accordance with the Standard Disclosures G4-17 to G4-27 of the GRI G4 Guidelines;
- nothing has come to our attention to indicate that the disclosures relating to the above KPIs in the Report are not consistently presented in the Integrated Report; and
- nothing has come to our attention to indicate that the disclosures relating to GHG emissions presented in the section 'Climate change' on [page 50 of the Integrated Report](#) do not comply with the requirements of the UK Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

In addition, we confirm that the Report is in accordance with the criteria for a 'Core' GRI G4 report.

## Independent assurance statement

### Our assurance activities

A multi-disciplinary team of sustainability, GHG and assurance specialists performed the following activities:

- A review of external media reporting relating to Mondi Group to identify relevant sustainability issues in the reporting period.
- A review of the internal reporting guidelines, including conversion factors used.
- Two visits to Mondi Head Office in Vienna, Austria to
  - Interview relevant staff to understand Mondi Group's Sustainable Development (SD) strategy, policies and management systems for the KPIs.
  - Interview relevant staff to understand and evaluate the data management systems and processes (including IT systems and internal review processes) used for collecting and reporting SD data
  - Verify the source data underlying the Scope 3 GHG emissions.
- Physical and virtual visits to nine production sites in Austria, Czech Republic, Bulgaria, the United States, Germany and Italy to verify the source data underlying the Scope 1 and Scope 2 GHG emissions, the other environmental and safety indicators, and the indicators for certified wood and pulp, the employee engagement survey, community investment, and saleable production volume.
- An analytical review and desktop testing of the year-end data submitted by all sites included in the consolidated 2017 group data for the KPIs.
- Reviewing selected evidence related to the design, information collection, and production of the Report in accordance with the GRI G4 Guidelines.
- Reviewing the presentation of information relevant to the scope of our work in the Report to ensure consistency with our findings.

- Reviewing the consistency of the assured disclosures between the Report and the Integrated Report.
- Reviewing the GHG disclosures in the Integrated Report against the requirements of the UK Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

In addition, for the Scope 1 and Scope 2 GHG data:

- Assessing the conclusions of accredited third-party verification bodies relating to the verification of Scope 1 GHG emissions for 2017 from Mondi's pulp and paper mills that fall within the scope of the EU emissions trading scheme (EU ETS) and checking consistency of the verified emissions with the data for these operations included in the consolidated data in the Report.
- Requesting and performing desktop verification of underlying source data for GHG emissions from pulp and paper mills not covered by our site visits or the EU ETS verification process.
- Testing the calculation of the Scope 1 and Scope 2 GHG emissions and reviewing uncertainties associated with the measuring and reporting of GHG emissions data for Mondi's pulp and paper mills at site and Group levels.

### The limitations of our engagement

The reliability of the assured data is subject to inherent uncertainties, given the available methods for determining, calculating or estimating the underlying information. It is important to understand our assurance conclusions in this context. Our independent assurance statement provides no assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular whether any changes may have occurred to the information since it was first published.

### Our observations

We have provided Mondi with a separate detailed management report. Without affecting the conclusions presented above, we have the following key observations:

- Whilst Mondi's total recordable case rate (TRCR) has improved year-on-year and against the 2015 baseline, there have been a number of fatalities and life-altering injuries in 2017. We strongly encourage Mondi to continue its program of identifying and addressing the top safety risks at its operations, and to further strengthen its safety culture through the promotion of a 24-hour safety mindset to all of its employees and contractors.
- Mondi's consumer packaging business has continued to grow in 2017 and we note Mondi's acknowledgment of the negative environmental impacts of flexible plastic-based packaging, relating to disposal, recycling and slow decomposition rates. Addressing these impacts, and the related increase in consumer and public concern, will require further collaboration with customers and other strategic partners to design and produce packaging for greater recyclability, as well as innovation to develop new renewable, sustainable packaging materials.
- We note Mondi's achievement of its 2030 climate change commitment, and its setting of a new science-based target to further reduce its production-related GHG emissions by 2050. In response to the TCFD recommendations, Mondi has also begun to evaluate the financial implications of climate-related risks and opportunities for its business. We encourage Mondi to continue its efforts to reduce the carbon intensity of its operations towards meeting its 2050 target, and to disclose in future reporting the results of its assessment in line with the TCFD recommendations.
- In 2017 Mondi has made further progress on its commitment to reduce water consumption by, for example, increasing the recycling rate

of water at its operations. Given the extended water shortages which are impacting Mondi's operations in South Africa, and the potential effect of climate change on future water security, we recommend that Mondi continue its focus on water stewardship in order to reduce its own water footprint and to manage water-related risks.

- Our assurance activities at site level in 2017 indicated a high rate of completion of follow-up actions from the last Group-wide employee survey conducted in 2015. Tracking the follow-up to the 2018 employee survey at all its operations through the use of a dedicated database would provide Mondi with a more comprehensive view of the status of these actions as it monitors its progress on its Growing Responsibly commitment to create a better workplace.

Jennifer lansen-Rogers

Head of Corporate Assurance

29 March 2018



ERM Certification and Verification Services,  
London

[www.ermcvs.com](http://www.ermcvs.com)

Email: [post@ermcvs.com](mailto:post@ermcvs.com)

ERM CVS is a member of the ERM Group. The work that ERM CVS conducts for clients is solely related to independent assurance activities and auditor training. Our processes are designed and implemented to ensure that the work we undertake with clients is free from bias and conflict of interest. ERM CVS and the staff that have undertaken work on this assurance exercise provide no consultancy related services to Mondi Group in any respect.



## GRI G4 content index

## General standard disclosures

		Section covered in IR	Section covered in SD
<b>Strategy and analysis</b>			
G4-1	CEO Statement	Our external context, Joint chairmen's statement, Strategy review, Sustainability performance	CEO/Chairman statement (page 5), Our global context (page 13), Commitments table (page 83),
<b>Organisational profile</b>			
G4-3	Name of the organisation	Front cover	Front cover
G4-4	Primary brands, products and services	Our businesses	
G4-5	Location of the organisation's headquarters	Where we operate	
G4-6	Number of countries where the organisation operates	Where we operate	Consolidated performance data: Carbon emissions per country (reflects countries where we have pulp and paper mills) (page 104), Where we operate (page 12)
G4-7	Nature of ownership and legal form	A global packaging and paper Group	
G4-8	Markets served	2017 at a glance	
G4-9	Scale of the organisation, including employees, operations, revenues and quantity of products and services	2017 at a glance, Joint chairmen's statement, Strategy review, Our businesses, Business reviews, Financial statements, Production statistics	Skill and engagement (page 32), About Mondi (page 8)
G4-10	Total number of employees broken down by contract and gender and employment type, and supervised workers		Fairness and diversity (gender covered, type of contract not covered) (page 37)
G4-11	Percentage of total employees covered by collective bargaining agreements		Fairness and diversity (page 39)
G4-12	Description of the supply chain	Our business model	
G4-13	Significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain	Strategy review, Financial statements 'Operating special items' and notes 23 and 24	
<b>Commitments to external initiatives</b>			
G4-14	How the precautionary approach or principle is addressed by the organisation		Sustainability governance (page 25)
G4-15	External economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes		Stakeholder table (page 95), Climate change (page 52)
G4-16	Memberships of associations maintained at the organisational level		Stakeholder table (page 95)

## GRI G4 content index

	Section covered in IR	Section covered in SD
<b>Identified material aspects and boundaries</b>		
G4-17	Entities included the report	IR financial statements '6: List of subsidiary and associated undertakings and other significant holdings'
G4-18	Process for defining report content and Aspect Boundaries	About this report (page 109), Materiality (page 18)
G4-19	Material aspects identified in the process for defining report content	G4 index, see 'Material aspects' table (page 115)
G4-20	Aspect Boundary within the organisation	G4 index, see 'Material aspects' table (page 115)
G4-21	Aspect Boundary outside the organisation	G4 index, see 'Material aspects' table (page 115)
G4-22	Effect of any restatements of information provided in previous reports	About this report (page 109)
G4-23	Significant changes from previous reporting periods	About this report (page 109)
<b>Stakeholder engagement</b>		
G4-24	List of stakeholder groups engaged by the organisation	Stakeholder table (page 92)
G4-25	Basis for identification and selection of stakeholders with whom to engage	Stakeholder table (page 92)
G4-26	Approach to stakeholder engagement	Stakeholder table (page 92)
G4-27	Key topics and concerns that have been raised through stakeholder engagement	Stakeholder table (page 92), SEAT reports archive ( <a href="http://www.mondigroup.com/SEATarchive">www.mondigroup.com/SEATarchive</a> ), and throughout 'Action areas'
<b>Report profile</b>		
G4-28	Reporting period	About this report (page 109)
G4-29	Date of most recent previous report	About this report (page 109)
G4-30	Reporting cycle	About this report (page 109)
G4-31	Contact point for questions	Back cover
<b>Report profile: GRI content index</b>		
G4-32	The 'in accordance' option the organisation has chosen	About this report (page 109), Back cover
<b>Report profile: assurance</b>		
G4-33	Policy and current practice with regard to seeking external assurance for the report	About this report (page 110), ERM CVS Statement (page 111)
<b>Governance</b>		
G4-34	Governance structure of the organisation	Sustainability governance (page 22)
<b>Ethics and integrity</b>		
G4-56	The organisation's values, principles, standards, and norms of behaviour	Governance report
		Sustainability governance (page 22)

## GRI G4 content index

## Material aspect boundaries

Material aspects (G4-19)	DMA and indicators	Material within Mondi			Material outside Mondi	Section covered
		Pulp and paper mills	Converting operations	Forestry operations		
Economic	Economic Performance	✓	✓	✓	Payments to shareholders, lenders, governments, communities, suppliers, contractors, etc.	Integrated report and financial statements 2017, Communities (page 74)
	Indirect Economic Impacts	✓		✓	Communities	Communities (page 72)
Environmental	Materials	✓	✓	✓		Consolidated performance data (page 103), Supply chain (page 67)
	Energy	✓	✓		Indirect energy use (in the supply chain) and resulting carbon emissions	Climate change (pages 50 and 52), Consolidated performance data (page 105)
	Water	✓	✓		Impact on communities and other local stakeholders and natural ecosystems through consumption and discharges	Constrained resources (pages 54-55)
	Biodiversity	✓	✓	✓	Impact on communities and other local stakeholders and natural ecosystems through managing our land in Russia and South Africa and procuring fibre for our operations	Biodiversity (pages 61-64)
	Emissions	✓	✓		Indirect energy use (in the supply chain) and resulting carbon emissions; Impact on communities and other local stakeholders and natural ecosystems through emissions	Climate change (pages 50 and 51), Constrained resources (page 57)
	Effluents and Waste	✓	✓		Impact on communities and other local stakeholders and natural ecosystems through discharges and waste	Constrained resources (pages 55 and 56)
	Products and Services	✓	✓	✓	Customers and wider society	Products (page 77), Integrated report and financial statements 2017
	Compliance	✓	✓	✓		Sustainability governance (page 22)
	Transport	✓	✓	✓	Indirect energy use (in the supply chain) and resulting carbon emissions	Supply chain (page 69)
	Environmental Grievance Mechanisms	✓	✓	✓	Communities	Communities (page 76), Constrained resources (page 58), Sustainability governance (page 25)
Labour practices and decent work	Occupational Health and Safety	✓	✓	✓	Contractors and suppliers	Safety (page 27)
	Training and Education	✓	✓	✓		Skills and engagement (pages 34 and 35)
	Diversity and Equal Opportunity	✓	✓	✓		Fairness and diversity (pages 37 and 38)
	Labour Practices Grievance Mechanisms	✓	✓	✓		Fairness and diversity (page 40), Sustainability governance (page 25)
Human rights	Non-discrimination	✓	✓	✓		Fairness and diversity (pages 37-39)
	Indigenous Rights			✓	Communities	Communities (page 76)
Society	Local Communities	✓		✓	Communities	Communities (page 72)
	Anti-corruption	✓	✓	✓		Sustainability governance (page 25)
	Anti-competitive Behaviour	✓	✓	✓		Sustainability governance (page 25)
	Compliance	✓	✓	✓		Communities (page 71), Sustainability governance (page 22)
Product responsibility	Customer Health and Safety	✓	✓		Customers	Products (page 78)
	Product and Service Labelling	✓	✓		Customers	Products (page 78)
	Marketing Communications	✓	✓		Customers	Products (page 78)
	Customer Privacy	✓	✓		Customers	Products (page 78)
	Compliance	✓	✓		Customers	Products (page 78)

## GRI G4 content index

## Specific standard disclosures

Material aspects (G4-19)	DMA and indicators	Section covered in SD/IR	
<b>Economic</b>			
Economic performance	G4-EC1	Direct economic value generated and distributed	Value distribution 2017 graph (page 72)
	G4-EC2	Risks and opportunities posed by climate change	Climate change (page 48), Our global context (page 14) and Materiality (page 19), Our principal risks (Integrated report and financial statements 2017, page 34)
	G4-EC4	Financial assistance received from government	Sustainability governance (Political donations, gifts and bribes) (page 25), Financial statements (Integrated report and financial statements 2017, page 135)
Indirect economic impacts	G4-EC7	Development and impact of infrastructure investments and services supported	Communities (pages 75)
	G4-EC8	Significant indirect economic impacts, including the extent of impacts	Communities (pages 72)
<b>Environmental</b>			
Materials	G4-EN1	Materials used by weight or volume	Supply chain (page 67), and Performance data (page 103)
	G4-EN2	Percentage of materials used that are recycled input materials	Partial coverage under Supply chain (pages 67-68), Constrained resources (page 56)
Energy	G4-EN3	Energy consumption within the organisation	Climate change (page 50), Performance data (pages 104 and 105)
	G4-EN4	Energy consumption outside of the organisation	Indirectly as part of scope 3 disclosure in Climate change (page 52)
	G4-EN5	Energy intensity	Not tracked in new commitment period. Absolute energy figures and production figures separately reported (pages 50 and 67)
	G4-EN6	Reduction of energy consumption	Climate change (page 50), Performance data (pages 104-105)
	G4-EN7	Reductions in energy requirements of products and services	Indirectly as part of standard energy and carbon disclosures in Climate change, not specific to products (see above)
Water	G4-EN8	Total water withdrawal by source	Constrained resources (pages 54-55), Performance data (page 106)
	G4-EN9	Water sources significantly affected by withdrawal of water	Partial coverage under Constrained resources (pages 54-55), Biodiversity (pages 62-64)
	G4-EN10	Percentage and total volume of water recycled and reused	Partial coverage under Performance data (page 106), Constrained resources (pages 54-55)
Biodiversity	G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Biodiversity (pages 61-62)
	G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	Partial coverage under Biodiversity (pages 61-62)
	G4-EN13	Habitats protected or restored	Partial coverage under Biodiversity (pages 61-62)

## GRI G4 content index

Material aspects (G4-19)	DMA and indicators	Section covered in SD/IR
Emissions	G4-EN15 Direct greenhouse gas (ghg) emissions (scope 1)	Climate change (pages 50-51), Performance data (page 103)
	G4-EN16 Indirect GHG emissions (scope 2)	Climate change (pages 50-51), Performance data (page 103)
	G4-EN17 Other indirect GHG emissions (scope 3)	Climate change (page 52), Performance data (page 105)
	G4-EN18 GHG emissions intensity	Climate change (pages 50-51), Performance data (page 103)
	G4-EN19 Reduction of GHG emissions	Climate change (pages 50-51), Performance data (pages 103 and 105)
	G4-EN20 Emissions of ozone-depleting substances (ods)	Performance data (page 107)
	G4-EN21 NOx, sox, and other significant air emissions	Constrained resources (page 57), Performance data (page 107)
	G4-EN22 Total water discharge by quality and destination	Constrained resources (page 55), Performance data (page 106)
	G4-EN23 Total weight of waste by type and disposal method	Constrained resources (page 56), Performance data (pages 107-108)
	G4-EN24 Total number and volume of significant spills	Constrained resources (page 58)
Effluents and waste	G4-EN25 Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention	Partial coverage under Constrained resources (page 56), Performance data (page 107)
Products and services	G4-EN27 Extent of impact mitigation of environmental impacts of products and services	Constrained resources (pages 54-58), Products (pages 77-81), Performance data (pages 103-108)
Compliance	G4-EN29 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Sustainability governance (page 25)
Transport	G4-EN30 Significant environmental impacts of transporting products and other goods and materials for the organisation's operations, and transporting members of the workforce	Scope 3 emissions under Supply chain (page 69), Climate change (page 52)
Supplier environmental assessment	G4-EN33 Significant actual and potential negative environmental impacts in the supply chain and actions taken	Partial coverage under Supply chain (pages 69-70)
Environmental grievance mechanism	G4-EN34 Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	Environmental incidents and complaints under Constrained resources (page 58)

## GRI G4 content index

Material aspects (G4-19)	DMA and indicators	Section covered in SD/IR
<b>Category social labour practices and decent work</b>		
Employment	G4-LA3 Return to work and retention rates after parental leave, by gender	Partial coverage under Fairness and diversity ( <a href="#">page 38</a> )
Occupational health and safety	G4-LA6 Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	Partial coverage under Safety ( <a href="#">pages 28-29</a> )
	G4-LA7 Workers with high incidence or high risk of diseases related to their occupation	Health and wellbeing, under Safety ( <a href="#">page 31</a> )
Training and education	G4-LA9 Average hours of training per year per employee by gender, and by employee category	Partial coverage under Skills and engagement ( <a href="#">pages 34-35</a> )
	G4-LA10 Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Skills and engagement ( <a href="#">pages 34-35, 38</a> )
	G4-LA11 Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Skills and engagement ( <a href="#">page 34</a> )
Diversity and equal opportunities	G4-LA12 Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	Fairness and diversity ( <a href="#">page 37</a> )
Supplier assessment for labour practices	G4-LA15 Significant actual and potential negative impacts for labour practices in the supply chain and actions taken	Partial coverage under Fairness and diversity ( <a href="#">page 39</a> ), Supply chain ( <a href="#">page 69-70</a> )
Labour grievance mechanism	G4-LA16 Number of grievances about labour practices filed, addressed, and resolved through formal grievance mechanisms	Speakout under Sustainability governance ( <a href="#">page 25</a> )
<b>Human rights</b>		
Child Labour	G4-HR5 Operations and suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour	Partial coverage under Fairness and diversity ( <a href="#">page 39</a> ), Supply chain ( <a href="#">pages 69-70</a> )
Forced or Compulsory Labour	G4-HR6 Operations and suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour	Partial coverage under Fairness and diversity ( <a href="#">page 39</a> ), Supply chain ( <a href="#">pages 69-70</a> )
Indigenous Rights	G4-HR8 Total number of incidents of violations involving rights of indigenous peoples and actions taken	Communities ( <a href="#">page 76</a> )
Supplier Human Rights Assessment	G4-HR11 Significant actual and potential negative human rights impacts in the supply chain and actions taken	Partial coverage under Supply chain ( <a href="#">page 70</a> ), Fairness and diversity ( <a href="#">page 39</a> )
Human Rights Grievance Mechanisms	G4-HR12 Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	Land claims under Communities ( <a href="#">page 76</a> ), Speakout under Sustainability governance ( <a href="#">page 25</a> )

## GRI G4 content index

Material aspects (G4-19)	DMA and indicators	Section covered in SD/IR	
<b>Society</b>			
Local Communities	G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programmes	Communities (page 73), Stakeholder matrix (page 92)
	G4-SO2	Operations with significant actual and potential negative impacts on local communities	Constrained resources (page 58), Biodiversity (page 62)
Anti-Corruption	G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	Partial coverage under Sustainability governance (page 25)
	G4-SO4	Communication and training on anti-corruption policies and procedures	Partial coverage under Sustainability governance (page 25)
	G4-SO5	Confirmed incidents of corruption and actions taken	Sustainability governance (page 25)
Public Policy	G4-SO6	Total value of political contributions by country and recipient/beneficiary	Sustainability governance (page 25)
Anti-competitive Behaviour	G4-SO7	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes	Sustainability governance (page 25)
Compliance	G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Sustainability governance (page 25)
Supplier Assessment for Impacts on Society	G4-S10	Significant actual and potential negative impacts on society in the supply chain and actions taken	Partial coverage under Supply chain (pages 69-70)
Customer Health and Safety	G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	Products (page 78)
Product and Service Labelling	G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes	Products (page 78)
	G4-PR5	Results of surveys measuring customer satisfaction	Products (page 78), Stakeholder matrix (page 93)
Marketing Communications	G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	Products (page 78)
Customer Privacy	G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Products (page 78)

## Glossary

### AOX

Adsorbable organic halogen compounds is a metric for emissions to water and is measured in tonnes.

### ART

Anti-retroviral treatment.

### BAT

Best Available Technique. Technically and economically feasible environmental technology that is efficient and advanced, generally to reduce emissions and the impact on the environment as a whole. The BAT values are defined by IPPC (The European Integrated Pollution Prevention and Control Bureau) in the 'Reference Document on Best Available Technique for the Pulp and Paper Industry'.

### BFP

Boreal Forest Platform. An initiative developed by WWF in Russia that explores how timber production can be intensified sustainably in the boreal forests, without loss of important IFLs or biodiversity, or affecting the important services that forest ecosystems provide.

### Business in the Community, The Prince's Responsible Business Network

Business in the Community, a UK-based, business-led charity, focused on promoting responsible business practices.

### Blue water

Potable, surface, second-class and groundwater.

### CDP

CDP is an international not-for-profit organisation providing a global system for companies to measure, disclose, manage and share information on carbon, water, forests and supply chain.

### CDP Leadership A-List

The highest rating an organisation can achieve in a CDP disclosure. To achieve Leadership A-List status, companies must achieve the highest scores in the categories of disclosure, awareness, management and leadership.

### CEO Water Mandate

The United Nations Global Compact CEO Water Mandate mobilises business leaders to advance water stewardship, sanitation, and the Sustainable Development Goals – in partnership with the United Nations, governments, peers, civil society, and others.

### CEP

Community Engagement Plans (CEPs) provide the basis of our engagement and support for local communities and are updated manually by our mills.

### CEPI

The Confederation of European Paper Industries (CEPI) is a Brussels-based not-for-profit organisation that champions European pulp and paper industry, monitoring and analysing activities and initiatives in the areas of industry, environment, energy, forestry, recycling and competitiveness in general, and providing a unique source of information both for and on the industry. It represents some 495 pulp, paper and board producing companies across Europe and more than 900 pulp and paper mills.

### CFCs

Chlorofluorocarbons.

### CISL

Cambridge Institute for Sustainability Leadership. An institution within the University of Cambridge that challenges, informs and supports leaders from business and policy across complex and connected issues to deliver change towards sustainability.

### CITES

The Convention on International Trade in Endangered Species (CITES) is an international agreement between governments with the aim of ensuring that international trade in specimens of wild animals and plants does not threaten their survival.

### CO<sub>2</sub>e

Non-CO<sub>2</sub> GHGs (such as CH<sub>4</sub> or N<sub>2</sub>O) can be converted into an amount of CO<sub>2</sub> with an equivalent warming potential. Total GHG emissions are the sum of the equivalent amount of CO<sub>2</sub> for each GHG, abbreviated as CO<sub>2</sub>e.

### CoC

Chain-of-Custody is a tracking system that allows manufacturers and traders to demonstrate that wood comes from a forest that is responsibly managed in accordance with credible standards.

### COD

Chemical oxygen demand is a measure of the oxygen consuming capacity of inorganic and organic matter present in the waste water. It is a metric for emissions to water and is measured in tonnes.

### CO<sub>2</sub>e

GHGs are often compared on the basis of their estimated potential to cause global warming. Factors can be used to convert a quantity of non-CO<sub>2</sub> GHG (such as CH<sub>4</sub> or N<sub>2</sub>O) into an amount of CO<sub>2</sub> with an equivalent warming potential. Of importance in the pulp and paper industry, CH<sub>4</sub> and N<sub>2</sub>O emissions are considered. Every gram of CH<sub>4</sub> is equivalent to 21 grams of CO<sub>2</sub> and each N<sub>2</sub>O gram is equivalent to 310 grams of CO<sub>2</sub>. Total GHG emissions can be calculated as the sum of several GHGs expressed as the equivalent amount of CO<sub>2</sub>, abbreviated as CO<sub>2</sub>e.

### Contact water

The sum of all water volumes used on the production site for use in processes, for washing and as product input; for sanitary purpose and for non-industrial operations (e.g. in kitchens, toilets and bathrooms); and for use in boilers for steam production.

### Controversial sources

A term commonly used in the public domain in our industry. Mondi defines controversial sources as wood that is illegally harvested, harvested in violation of traditional and civil rights, harvested in forest management units in which HCVs are threatened by management activities, harvested in areas in which forests are being converted to plantations or non-forest use or harvested from forests in which genetically modified trees are planted.

### Converting operations

Operations for the conversion of corrugated packaging, industrial bags, extrusions coatings, release liner, consumer packaging and advanced films.

### CoP

Communication on Progress. Business participants in the UN Global Compact commit to issue an annual CoP, a public disclosure to stakeholders (e.g., investors, consumers, civil society, governments, etc.) on progress made in implementing the ten principles of the UN Global Compact, and in supporting broader UN development goals.

### CPI

Corruption Perception Index, an annual ranking of countries by their perceived levels of corruption, as determined by expert assessments and opinion surveys.

### Deforestation

The conversion of forest to other land use or the long-term reduction of the tree canopy cover below the minimum 10 percent threshold. For more information see <http://www.fao.org/docrep/014/am665e/am665e00.pdf>

### DLC

Dual listed company.

### Ecosystem services

Services that are generated by the natural environment, which enhance human wellbeing, and are directly used by people.

### The Ellen MacArthur's New Plastics Economy initiative

The Ellen MacArthur's New Plastics Economy initiative, which brings together 40 leading businesses and experts to rethink and redesign the future of plastics, starting with packaging.

### EMP

Ecosystem management plan.

### EN

Ecological network.

### ERM CVS

Environmental Resources Management Certification and Verification Services.

### EU ETS

European Union's Emissions Trading System.

### EUTR

The EU Timber Regulation came into effect on 3 March 2013, making it illegal to place illegally harvested timber and timber products on the EU market.

### FABI

Forestry and Agricultural Biotechnology Institute aims to help the development of novel food and fibre crops that will contribute to global economic development and food security.

### FAO

Food and Agriculture Organization of the United Nations' mandate is to raise levels of nutrition, improve agricultural productivity, better the lives of rural populations and contribute to the growth of the world economy.

### Food4Forests

An initiative by Mondi in South Africa to deliver nutritious meals to forestry contractors every day.

### Forest disturbance

A temporary change in environmental conditions that noticeably alter the physical structure of a forests ecosystem. These changes can be sudden and can have a significant impact – for example a fire or a pest outbreak.



## Glossary

### FSC

Forest Stewardship Council (FSC) Is an international not-for-profit, multi-stakeholder organisation established in 1993 to promote socially and environmentally responsible management of the world's forests by way of standard setting, third-party certification and labelling of forest products.

### FSC Controlled Wood Standard

An FSC standard for wood procurement which ensures due diligence in meeting legal compliance and no deforestation.

### FTSE4Good

The FTSE4Good Index Series has been designed to objectively measure the performance of companies that meet globally recognised corporate responsibility standards.

### GHG

Greenhouse gases (GHG) are gases listed in the Kyoto Protocol of the United Nations Framework Convention on Climate Change (UN-FCCC) that contribute to the greenhouse effect and are regulated by the Kyoto Protocol.

### GIS

Geographic information system is a system designed to capture, store, manipulate, analyse, manage, and present all types of spatial or geographical data.

### Global Forest Registry

A global forest register that provides designations of low and specified risk areas globally, and specifications of risks where they are present. It is aligned with FSC's revised risk assessment procedures.

### GM

Genetically modified.

### Green water

Rainwater stored in vegetation or soil as moisture. Water consumption during fibre growth in forests is counted and reported as green water.

### Grey water

Waste water that is generated from all streams such as baths, showers, washing machines and hand basins, but exclude all waste water from toilets.

### GRI

The Global Reporting Initiative is a not-for-profit organisation that produces one of the world's most prevalent standards for sustainability reporting.

### HCFCs

Hydrochlorofluorocarbons.

### HCV

High conservation value areas are critical areas in a landscape, which need to be appropriately managed in order to maintain or enhance high conservation values.

### HCVRN

HCV Resource Network is a global network which promotes a practical, consistent approach to HCV methodology.

### High-risk countries

High-risk countries are identified using various filters including: Global Forest Registry, Controlled Wood assessments, Corruption Perception Index, and other relevant global indexes where necessary, as part of the Mondi due diligence system for wood and fibre sourcing.

### IFL

An Intact Forest Landscape is an unbroken expanse of natural ecosystems within the zone of current forest extent, showing no signs of human activity and large enough that all native biodiversity, including viable populations of wide-ranging species, could be maintained. For more information see [www.intactforests.org](http://www.intactforests.org).

### ILO

The International Labour Organization is a UN agency dealing with labour issues, particularly international labour standards, social protection, and work opportunities for all.

### ISO 14001

International standard created by the International Standards Organization (ISO) for formal and certified environmental management systems.

### JSE

Johannesburg Stock Exchange Limited.

### JSE SRI

The Johannesburg Stock Exchange Socially Responsible Investment Index was launched in response to the debate around sustainability globally and particularly in the South African context.

### Komi

The Komi Republic is a federal subject of Russia (a republic) situated to the west of the Ural mountains, in the north east of the East European Plain. Its capital is the city of Syktyvkar.

### KPI

Key performance indicator.

### Land claims

Land claims in South Africa stem from a complex legacy of state-led forestation and forced removals of indigenous peoples, first initiated in 1913. The 1994 Restitution of Land Act aims to redress the deprivation of many indigenous South Africans of their rightful heritage. Restitution can take one of three forms including restoration of land, payment of compensation, or a combination of the two.

### LGBT

Lesbian, gay, bisexual, and transgender

### Life-altering injuries

An LTI resulting in permanent or significant loss of a major body part or organ function that permanently changes or disables the person's normal life activity.

### LOPC

Loss of Primary Containment is an unplanned or uncontrolled release of any material from primary containment, including non-toxic and non-flammable materials (e.g. steam, hot condensate, nitrogen, compressed CO<sub>2</sub> or compressed air).

### LTI

Lost-time injury.

### MADD

Making a Difference Day, Mondi's annual employee engagement initiative.

### MENP

Mondi Ecological Network Programme.

### Natural capital

The stock of renewable and non-renewable natural resources (for example, plants, animals, air, water, soils and minerals) that combine to yield benefits to people (adapted from Atkinson and Pearce 1995; Jansson et al. 1994).

### NGO

Non-governmental organisation.

### NGP

New Generation Plantations platform, a WWF initiative, collects knowledge and good practices in plantation forestry in order to promote better plantation management.

### NOx

Nitrogen oxide.

### OHSAS 18001

An internationally applied British standard for occupational health and safety management systems.

### Paper for recycling

Also known as 'recovered paper', this is a term used by CEPI to highlight the intended use of this secondary raw material for paper recycling only. It is defined as natural fibre-based paper suitable for recycling, consisting of paper in any shape or product made predominantly from paper, which may include other constituents that cannot be removed by dry sorting, such as coatings, laminates, spiral bindings, etc.

### Paper Profile

A global, voluntary declaration scheme for presenting uniform environmental product information related to pulp and paper production that enables the professional paper buyer to make well-informed product choices.

### PDI

Previously disadvantaged individuals, a term used in South Africa.

### PDR

Performance and development review.

### PEFC

Programme for the Endorsement of Forest Certification (PEFC) is an international not-for-profit nongovernment organisation dedicated to promoting sustainable forest management through independent third-party certification.

### Recovered paper

See 'paper for recycling'.

### Resilient production landscapes

Production landscapes where there is a mosaic of commercial and natural ecosystems that have the capacity to recover from disturbances such as climate change, intensive management, poverty-induced overuse, drought, fire, floods, pests and disease.

### SAVE FOOD

A campaign supported by the UN Food and Agriculture Organization, the UN Environment Programme, Messe Düsseldorf, and the Interpack trade fair to address challenges related to global food waste.

### Scope 1 emissions

Total GHG emissions from sources owned or controlled by Mondi and its subsidiaries. This includes CO<sub>2</sub>e from fossil fuels and processes, company leased/owned vehicles, waste and waste water treatment, make-up chemicals, and other GHGs.

## Glossary

### Scope 2 emissions

Total GHG emissions from sources that are related to generation of purchased energy outside the company boundaries.

### Scope 3 emissions

Total GHG emissions from the production of fuel and raw materials business travel; raw materials; transport of products and raw materials; and employee commuting.

### SDGs

The United Nations Sustainable Development Goals, a set of universal goals that meet the urgent environmental, political and economic challenges facing our world.

### SDMS

Sustainable Development Management System is used to govern our approach to sustainability and implement our sector policies.

### Science-based target

A carbon emission target is defined as 'science-based' if it is in line with the scale of reductions required to keep global temperature increase below 2°C compared to pre-industrial levels.

### SEAT

Socio-economic assessment toolbox process.

### SHE

Safety, health and environment.

### Silver Taiga Foundation

A Komi Republic regional NGO founded in 2002 is implementing the Model River Mezen and HCV Forests projects in Komi (Russia). The founder of the Silver Taiga Foundation is the Swiss Agency for Development and Cooperation (SDC) of the Swiss government.

### Silviculture

The growing and cultivation of trees.

### SMEs

Small and medium enterprises.

### Social learning

Collaborative learning, sharing knowledge and exploring solutions that create shared value. This process can lead to enhanced understanding and changes in outlook and behaviour. This, in turn leads to informed and inclusive decision making, innovative solutions, constructive relationships and trust.

### Speakout

Mondi's confidential reporting hotline and whistleblowing programme.

### Specific

Measurement of emissions or consumption normalised to saleable production tonnes.

### SRM

Mondi's Supplier Relationship Management system, which provides a globally consistent framework and approach for selecting, monitoring, assessing, managing and developing our supplier base.

### TCFD

The Task Force on Climate-related Financial Disclosures.

### TFD

The Forests Dialogue is a group of individuals from diverse interests and regions, committed to conservation and sustainable use of forests.

### TRCR

Total recordable case rate is calculated as the number of total recordable cases (the sum of fatalities, lost-time injuries, restricted work cases, medical treatment cases and occupational diseases) divided by the number of hours worked per 200,000 man hours.

### TRS

Total reduced sulphur compounds are the sum of the following reduced malodorous sulphur compounds generated in the pulping process: hydrogen sulphide, methyl mercaptan, dimethylsulphide and dimethyldisulphide expressed as sulphur. It is a metric for emissions to air and is measured in tonnes

### UNEP

United Nations Environment Programme provides leadership and encourages partnerships in caring for the environment by inspiring, informing and enabling nations and people to improve their quality of life, without compromising future generations.

### UNGC

United Nations Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labour, environment and anti-corruption.

### US Lacey Act

A United States law that bans trafficking in illegal wildlife, including plants and plant products such as timber and paper.

### VCT

Voluntary Counselling and Testing.

### WBCSD

World Business Council for Sustainable Development is a CEO-led, global association of over 200 international companies dealing exclusively with business and sustainable development.

### WRI

World Resources Institute is a global environment think tank that goes beyond research to put ideas into action with projects working on aspects of global climate change, sustainable markets, ecosystem protection and environmentally responsible governance.

### WWF

WWF is one of the world's largest and most experienced independent conservation organisations. WWF's mission is to stop the degradation of the planet's natural environment and to build a future in which humans live in harmony with nature.

### WWF Climate Savers

A leadership programme that seeks to transform businesses into leaders of the low carbon economy.

### WWF-MWP

WWF-Mondi Wetlands Programme is a joint programme between WWF-SA and Mondi Limited. It has been the most successful non-governmental wetland conservation programme in South Africa. The scope has now been extended beyond the boundaries of our own plantations to include the agricultural sector and small forest growers and has been renamed the WWF-Mondi Water Stewardship Partnership.

**Mondi sustainability team**

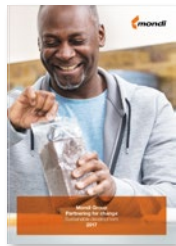
Building 1, 1<sup>st</sup> floor, Aviator Park  
Station Road, Addlestone  
Surrey KT15 2PG, UK  
[sd@mondigroup.com](mailto:sd@mondigroup.com)

**Our 2017 suite of reports**

Please visit our Group website where copies of our reports can be downloaded:  
<https://www.mondigroup.com/en/investors/results-and-reports/>

**Integrated report and financial statements 2017**

A balanced overview of Mondi's performance in 2017 and insight into how our approach to strategy, governance, people and performance combine to generate value in a sustainable way. Also available online at [www.mondigroup.com/ir17](http://www.mondigroup.com/ir17)

**Partnering for change: Sustainable development 2017**

A printed publication looking at how we're using our Growing Responsibly model to deliver meaningful improvements across some of the aspects of sustainability that are more relevant for our business and our stakeholders. Also available online at [www.mondigroup.com/sdpublication17](http://www.mondigroup.com/sdpublication17)

**Online Sustainable development report 2017**

A comprehensive view of our approach to sustainable development and our performance in 2017, prepared in accordance with the GRI G4 Core guidelines. Available online as an interactive pdf at [www.mondigroup.com/sd17](http://www.mondigroup.com/sd17)