Mondi Group
Integrated report and
financial statements 2019

SUSTAINABLE by DESIGN makes us MONDI

What makes MONDi SUSTAINABLE by DESiGN?

Mondi is a leading global packaging and paper group employing around 26,000 people across more than 30 countries.

We are contributing to a better world by making innovative, sustainable packaging and paper solutions, working with thousands of local and global brands using paper where possible, plastic when useful.

We want to create long-term value for the benefit of all our stakeholders. That's why we continuously engage colleagues, customers, investors, communities, suppliers, non-profit organisations and others to understand their needs so that we can better inform our plans – our continued success depends on it.

Clear strategy and business model

Sustainability is at the centre of our strategy and intrinsic in the way we do business. We focus on driving performance along the value chain, investing in assets with cost advantage, inspiring our people and partnering with customers for innovation. Our integrated business model provides us with distinct competitive advantages which can sustain performance through the economic cycle.

See what this means for stakeholders
Page 12-13

Manufacturing excellence

Being passionate about performance entails efficient processes, rigorous quality control and a culture of continuous improvement. This helps us to grow and operate sustainably across the value chain – securing wood responsibly, running our operations safely and effectively, minimising our environmental impact and contributing to our communities.

See what this means for stakeholders
Page 84-85

Customer-centric approach to sustainable solutions

Consumers are looking for products that maximise functionality, are competitively priced and designed to support a circular economy. We're leading the industry with our customer-centric EcoSolutions approach, asking the right questions to find the most sustainable solutions in a complex landscape – from strong yet lightweight paper bags to right-sized e-commerce boxes to fully recyclable flexible plastic pouches, and a whole lot more!

See what this means for stakeholders
Page 146-147

2019 at a glance

A robust performance

€1,658m
Underlying EBITDA
↓6%

€1,221m
Operating profit
↑2%

171.1 euro cents
Basic underlying earnings per share
↓10%

83.0 euro cents
Ordinary dividend per share
↑9%

167.6 euro cents
Basic earnings per share
↓1%

19.8%
Return on capital employed

15.5%
Reduction in total specific CO_2e emissions against 2014 baseline

22%
Safety: total recordable case rate reduction against 2015 baseline

100%
Sustainably sourced fibre (certified or controlled wood)

102%
Electricity self-sufficiency

→ Robust financial performance with strong margins, returns and cash generation

→ Strong cost control across the Group

→ Good contribution from capital investments and acquisitions completed in 2018

→ Capital investment pipeline to deliver further growth

→ Simplification of corporate structure completed

→ Delivering against our 2020 Growing Responsibly commitments and updated science-based climate commitment

Contents

In this year's report

Scope

Mondi's Integrated report and financial statements 2019 is our primary report to shareholders.

The scope of this report covers the Group's main business and operations, and provides an overview of the performance of the Group for the year ended 31 December 2019.

All significant items are reported on a like-for-like basis, unless otherwise stated.

Our Integrated report is prepared in accordance with the requirements of the Disclosure Guidance and Transparency and Listing Rules of the United Kingdom Listing Authority and the Listings Requirements of the JSE Limited. We also prepare a detailed Sustainable Development report, in accordance with the GRI Standards: Core option and is externally assured and available to read: www.mondigroup.com/sd19

Alternative Performance Measures

The Group presents certain measures of financial performance, position or cash flows in this report that are not defined or specified according to International Financial Reporting Standards (IFRS). These measures, referred to as Alternative Performance Measures (APMs), are defined in note 31 and where relevant reconciled to IFRS in the notes to the consolidated financial statements, and are prepared on a consistent basis for all periods presented.

Non-financial information statement, Section 172 statement and stakeholder engagement

In accordance with sections 414CA and 414CB of the UK Companies Act 2006, each of the required non-financial information disclosures can be found in the Strategic report. A summary table is set out on page 36.

An overview of our engagement with employees, customers, suppliers and other stakeholders can be found on pages 18 to 21 and 100 to 103, including our Section 172 statement in compliance with the Companies Act 2006.

Materiality

Mondi's Integrated report and financial statements 2019 aims to provide a fair, balanced and understandable assessment of our business model, strategy, performance and prospects in relation to material financial, economic, social, environmental and governance issues.

The material focus areas were determined considering the following:

- → Specific quantitative and qualitative criteria
- → Matters critical in relation to achieving our strategic objectives
- → Principal risks identified through our risk management process
- → Feedback from key stakeholders during the course of the year

Business unit reorganisation

Throughout this report, prior year figures have been restated to reflect the change in organisational structure effective from October 2019. The reorganisation has no impact on the Group's overall result.

Basis of restatement: Note 2 in the consolidated financial statements
Page 165-169

OVERVIEW 2–11

STRATEGIC REPORT 12–83

GOVERNANCE 84–145

FINANCIAL STATEMENTS 146–232

Our businesses

Packaging and paper that is sustainable by design

We are a leading containerboard producer with an integrated, well-invested, cost-advantaged asset base. We use our containerboard to make a range of regular and bespoke corrugated solutions designed to keep our customers' products safe, and differentiate their brands in-store and online. Our cost-effective fibre-based solutions are made from a renewable resource, and are lightweight, recyclable and biodegradable.

Business review: Corrugated Packaging
Page 68–71

Segment revenue

€2,014m

Underlying EBITDA

Leading market positions

- #1 virgin containerboard producer in Europe
- #1 containerboard producer in emerging Europe
- #3 corrugated solutions producer in emerging Europe

Industry end-use includes

→ FMCG and consumer products
→ E-commerce and retail
→ Automotive, heavy-duty and other specialised applications

As a global leader, we offer our customers a unique range of flexible packaging solutions using paper where possible, plastic when useful. Our world-class integrated mills produce kraft paper that we, or our customers, convert into strong yet lightweight paper bags and other paper-based solutions. We also make a variety of flexible plastic-based consumer packaging which gives our customers additional functionality when required. Wherever possible our range of flexible packaging is designed to minimise material usage, prioritise recyclability and use recycled content.

Business review: Flexible Packaging
Page 72–75

Segment revenue

€2,708m

Underlying EBITDA

Leading market positions

- #1 kraft paper producer globally
- #1 paper bag producer in Europe and a global leader
- #3 consumer flexible packaging producer in Europe

Industry end-use includes

→ FMCG products
→ Food service and retail
→ Cement and building materials
→ Chemicals, agricultural and other industrial

Our award winning products

Mondi won five awards at the WorldStar Packaging Awards 2020. The annual competition rewards the greatest achievements in packaging innovation and technologies worldwide, with a focus on both sustainability and end-user convenience.

WORLDSTAR WINNER 2020

The WorldStar awards are run by the World Packaging Organisation (WPO) and are considered to be the pre-eminent international awards in packaging. 2020 winners were announced in December 2019.

UpliftBox

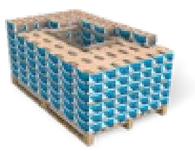
An ingenious lifting platform that raises a product as the packaging is opened, making it ideal for promotions.

DashV1Box

Universal packaging for vehicle dashboards that reduces supply chain complexity and cost.

Stabilising System

A packaging solution that secures goods during transport, increases capacity and is fully recyclable.



Engineered Materials brings together Mondi's leading positions and expertise across a range of specialised products. Personal care components include soft nonwovens, unique stretchy elastic films and laminates, and mechanical fastening components. Our high-performance extrusion solutions provide advanced barrier properties and our paper and film-based release liners protect various adhesive surfaces. We focus on prioritising the responsible use of resources and, wherever possible, designing for recycling or biodegradability.

Business review: Engineered Materials
Page 76-79

Segment revenue

€979m

Underlying EBITDA

Leading market positions

#1 commercial release liner producer in Europe

#2 extrusion solutions producer in Europe

Industry end-use includes

- → Baby care, feminine care, adult incontinence, and wipes
- → Tapes, labels and graphic arts
- → Food, building and industrial applications

Our vertically integrated, well-invested, cost-advantaged paper mills make a wide range of environmentally sound office and professional printing papers, tailored to the latest digital and offset print technologies. We also manage forests in Russia and South Africa providing sustainable wood fibre for our operations. Our focus is on transforming credibly sourced raw materials into innovative paper solutions to meet customer needs in a cost-effective and sustainable way.

Business review: Uncoated Fine Paper
Page 80-83

Segment revenue

€1,758m

Underlying EBITDA

Leading market positions

#1 uncoated fine paper supplier in Europe (including Russia)

#1 uncoated fine paper producer in South Africa

Industry end-use includes

- → Paper for home and office printers
- → Paper for professional digital and analogue printing presses

Protector Bag

An easily sealable lightweight 'envelope-like' bag replacing plastic packaging used for shipping door consoles.

StripPouch

An innovative 100% recyclable mono-material pouch that uses 70% less material than rigid plastic bottles holding the same volume.

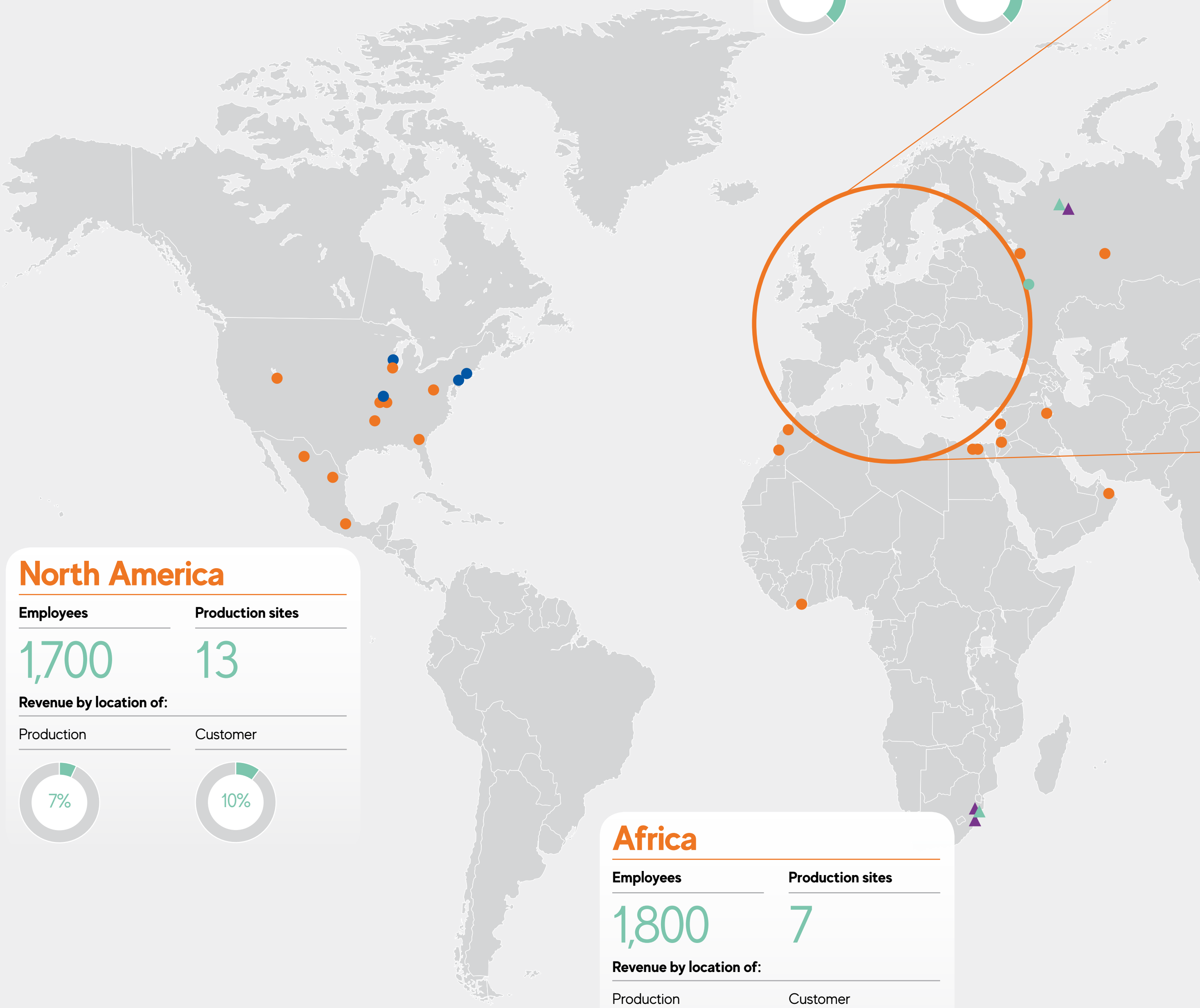
Other awards won by StripPouch

In addition to WorldStar, StripPouch also won various industry awards this year including: Kompack Green Packaging Star Award, Sustainability category winner – German Packaging Award, and is a Diamond Finalist in the 2019 Dow Packaging Innovation Awards.

Where we operate

Global leader in packaging and paper

Mondi employs around 26,000 people at 100 production sites across more than 30 countries, with key operations located in Europe, North America and Africa.



Western Europe

Employees	Production sites
7,300	35

Revenue by location of:

Production	Customer
38%	38%

North America

Employees	Production sites
1,700	13

Revenue by location of:

Production	Customer
7%	10%

Africa

Employees	Production sites
1,800	7

Revenue by location of:

Production	Customer
8%	9%

Revenue from customers in South America represented 2% in 2019

Emerging Europe

Employees	Production sites
9,100	32

Revenue by location of:

Production	Customer
34%	22%

Russia

Employees	Production sites
5,300	4

Revenue by location of:

Production	Customer
12%	10%

Asia & Australia

Employees	Production sites
700	10

Revenue by location of:

Production	Customer
1%	9%

Key

Corrugated Packaging
▲ Mill
● Converting plant

Flexible Packaging
▲ Mill
● Converting plant

Engineered Materials
● Converting plant

Uncoated Fine Paper
▲ Mill

Group offices

London	■
Vienna	■

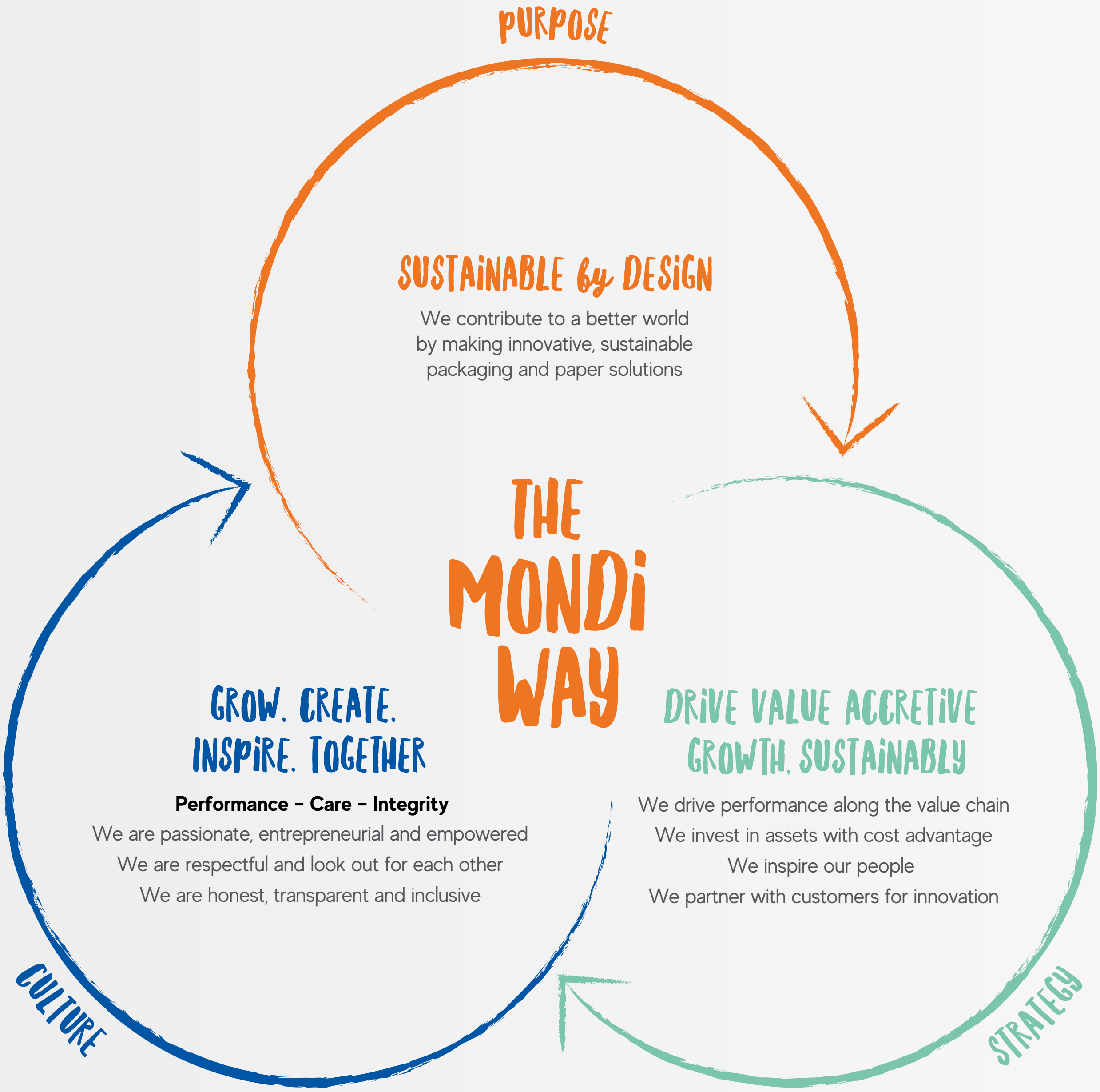
Production sites

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

The Mondi Way

The Mondi Way shows how we link purpose, strategy and culture to drive our business forward so that we can create sustainable value today and into the future for the benefit of our stakeholders.

When our people believe in what we are doing and know how best to contribute, we can maximise our potential and contribute to a better world.



PURPOSE

This year we updated our purpose to reflect our long-term focus on being sustainable by design. There has never been a better time for us to lead the industry in demonstrating the value of responsibly managed forests in tackling climate change, the role sustainable fit-for-purpose packaging plays in reducing waste, and the exciting opportunities manufacturing can offer to the best young talent. Together we really can contribute to a better world.

STRATEGY

Mondi's strategy has a strong track record of delivering value accretive growth through the economic cycle. Sustainability has always been central to how we operate, and we have updated our strategic framework to reflect this. Our four strategic value drivers build on the competitive advantages we enjoy today and set a clear roadmap for investment and operational decisions that create sustainable value today and in the future.

Our business model
Page 16-17

Our strategy
Page 24-25

CULTURE

We celebrate our differences, while understanding the important role culture plays in connecting, guiding and inspiring our people to achieve Mondi's purpose.

Three values 'Performance – Care – Integrity' underpin our culture, empowering our people to be passionate and entrepreneurial in a respectful and inclusive way. A recent example is our new brand look, which we co-created with colleagues from around the world to convey the passion, colour and creativity we experience every day at Mondi.

Corporate governance report
Page 99

MAXIMISING the potential of our BUSINESS

Creating sustainable value for our stakeholders

There is no generic template for long-term success. Businesses that flourish when times are good and show resilience in more challenging markets know how to foster an authentic culture that links to purpose and strategy. At Mondi, we set out our approach in a framework called The Mondi Way. It shows how purpose, strategy and culture can connect to drive our business forward in a way that creates sustainable value into the future for the benefit of our stakeholders.

The Mondi Way
Page 8-9

Considering our stakeholders

Mondi's business model is built on constructive relationships with stakeholders and using resources responsibly. As a Board we regularly discuss the impact our business has on our stakeholders and the wider environment. There has never been a better time for us to lead the industry in demonstrating the value of responsibly managed forests in tackling climate change, the role sustainable fit-for-purpose paper and plastic packaging can play in reducing waste, and the exciting opportunities manufacturing can offer to the best young talent.

We interact with a broad range of people to better understand the requirements of our stakeholders and the risks we need to manage when making strategic decisions. Acting with integrity and showing consideration for others is fundamental to how we think about Mondi's future as a leader in the packaging and paper industry.

We appreciate the trust our shareholders place in us to generate industry-leading returns while contributing to a better world. This includes supporting local communities; providing a safe, fair, diverse and inclusive working environment; and helping employees, customers and suppliers to realise their full potential. Mondi's success relies on engaging with key stakeholders in a meaningful way by finding the most effective channels of communication, focusing on the issues that are important to people, and taking action to make visible progress.

Safety remains our top priority and is a focus area at every Board meeting. It is a moral and a business imperative that we do all we can to avoid harm to people working for Mondi.

We are therefore deeply saddened that in addition to the fatal injury at Ružomberok (Slovakia) in January 2019, we experienced a fatality in the second half of 2019 at our Russian logging operation. We are also deeply saddened that another fatality occurred as a result of an incident during demolition activities at our Syktyvkar (Russia) mill in January 2020.

Our thoughts are with their families and colleagues. Robust investigations have been carried out to understand the events involved and identify ways to prevent future occurrences. We continue to promote behaviour that ensures everyone returns home safely to their families every day.

We know that in order to be successful in the future, we need to unlock the full potential of our people and nurture their passion. By treating people with care and respect, we can promote a culture that helps Mondi to build constructive partnerships with stakeholders.

Our business model
Page 16-17

Sustainability performance (including Non-financial information statement)
Page 34-51

Engaging with our stakeholders (including Section 172 statement)
Page 18-21

A culture of strong governance

Mondi's Board commits to the highest standards of corporate governance with a focus on transparency, honesty and accountability. Our governance framework is designed to guide our behaviour in all areas of decision-making and ensure an open-minded approach to discussions, while keeping our culture and values at the forefront when we consider how best to achieve our strategy. This allows us to balance our commitment to achieving long-term shareholder value with the diverse needs of all our stakeholders.

In 2019, we completed the Simplification of Mondi's dual listed company structure into a single holding company structure under Mondi plc. Since listing, Mondi has continued to grow as a successful global player and the Simplification was a natural step forward to simplify cash and dividend flows, enhance the Group's strategic flexibility, increase transparency and remove the complexity associated with the dual listed structure.

We consider the composition of the Board and length of service of individual board members to ensure an appropriate balance of capabilities, business experience, independence and diversity. Fred Phaswana retired as Joint Chair on 31 August having seen through the Simplification of Mondi's corporate structure. I would like to reiterate our thanks to Fred for his significant contribution to the Mondi Group since his appointment in 2013 and wish him all the best for the future.

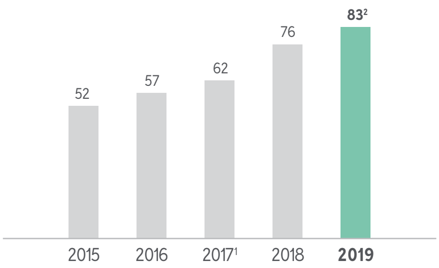
We were pleased to welcome Enoch Godongwana to the Board as a non-executive director, he brings significant leadership experience and invaluable knowledge of the South African business environment.

"There has never been a better time for us to lead the industry in demonstrating the value of sustainable fit-for-purpose packaging."

David Williams
Chair

Total ordinary dividend per share
euro cents

83.0 euro cents



1 In addition to the 2017 ordinary dividend, a special dividend of 100 euro cents was paid in 2018
2 Based on proposed final ordinary dividend of 55.72 euro cents per share

In January 2020, we announced the Board's agreement with Group CEO Peter Oswald that he would step down as CEO and leave the Group on 31 March 2020. Our sincere thanks go to Peter for the immense contribution he has made to the growth and development of Mondi since joining in 1992. We are extremely pleased that Andrew King, Group CFO, has agreed to take over as Group CEO from 1 April. Andrew has been with the Group for more than 17 years, playing a leading role in strategy formulation and capital allocation decisions. We are delighted to have someone of Andrew's calibre leading the Group and wish him all the best in his new role.

Corporate governance report
Page 94-105

An industry-leading performance

Mondi's strong track record of delivering value accretive growth sustainably is thanks to our diverse teams who have a real passion for performance. This includes working with customers to leverage our unique expertise in developing packaging and paper products that are sustainable by design.

As a Board we aim to amplify Mondi's ability to grow sustainably by building on the Group's inherent strengths to take advantage of opportunities while mitigating the impact of risks.

We are proud of the strong performance we have delivered over an extended period. Since listing in 2007, Mondi has achieved a compound annual growth in basic underlying earnings per share of 11%, and our current return on capital employed is industry-leading. We remain confident in the Group's ability to deliver long-term value to shareholders.

2019 was another successful year for Mondi, particularly given the challenging macro economic backdrop. Underlying EBITDA was €1,658 million, with an underlying EBITDA margin of 22.8%, operating profit was up 2% to €1,221 million, and return on capital employed was 19.8%. The Board has recommended a final ordinary dividend of 55.72 euro cents per share (2018: 54.55 euro cents per share). Together with the interim ordinary dividend of 27.28 euro cents per share, this amounts to a total ordinary dividend for the year of 83.0 euro cents per share, an increase of 9% from 2018.

We have a focused capital expenditure project pipeline securing our future growth, including major investments in our Ružomberok, Štětí (Czech Republic), Syktyvkar and Richards Bay (South Africa) pulp and paper mills, which are all progressing well.

We continue to use the Growing Responsibly model to shape our long-term response to sustainability. It covers 10 Action Areas and includes 16 public commitments running to the end of 2020, along with a carbon emissions commitment that runs to 2050. As a Board we are pleased with the progress we made during 2019, and we are committed to continue our efforts to achieve our 2020 and longer-term targets.

There is however always more we can do to play our part in securing the future of our world. Work to refine our approach beyond 2020 has already commenced, including stakeholder consultation to ensure that we build on our well-respected model to demonstrate, monitor and improve our sustainability performance across the value chain.

Looking forward, we do not expect the current political and market-related uncertainties to abate in the near term. However, with our strong balance sheet and industry-leading margins, the Board remains confident that Mondi will continue to prosper and is well placed to take advantage of any opportunities that may arise.

With my intention to retire later this year, it's a good opportunity to reflect on my time as Chair. I am certainly proud of what we have achieved together at Mondi, and more importantly, I have every confidence in Mondi's relevance and ability to prosper into the future.

On behalf of the Board we thank everyone who has given their time, energy and expertise to contribute to Mondi's performance in 2019. We have every reason to believe that together we will continue delivering value to our stakeholders alongside industry-leading returns into the future.

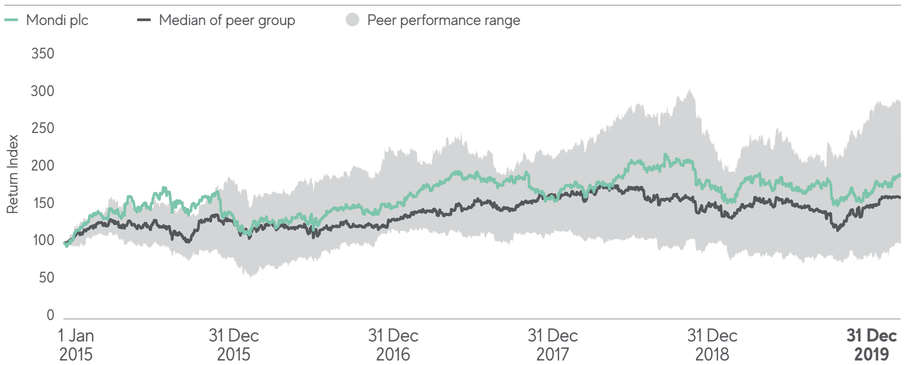
David Williams
Chair

Strategic performance
Page 26-33

Sustainability performance
Page 34-51

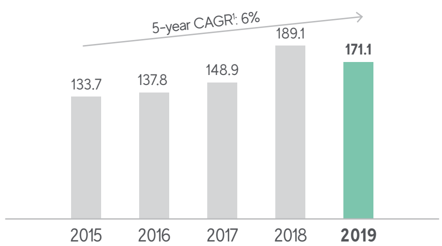
Financial performance
Page 62-65

Five-year total shareholder return (TSR) of 88%
(euro returns: indexed to 1 January 2015)



Basic underlying earnings per share
euro cents

171.1 euro cents



1 Compound annual growth rate

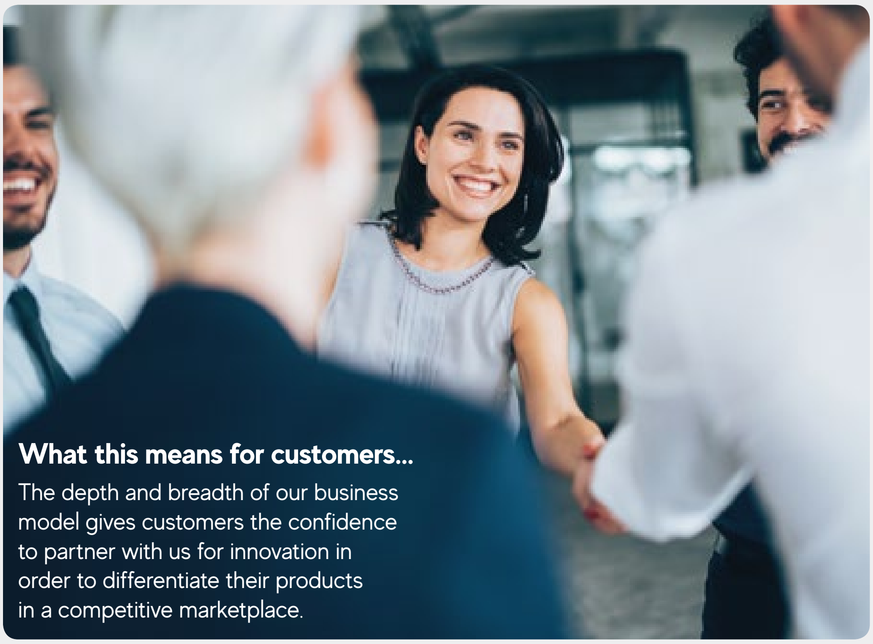
A CLEAR STRATEGY AND BUSINESS MODEL

makes Mondi

SUSTAINABLE by DESIGN

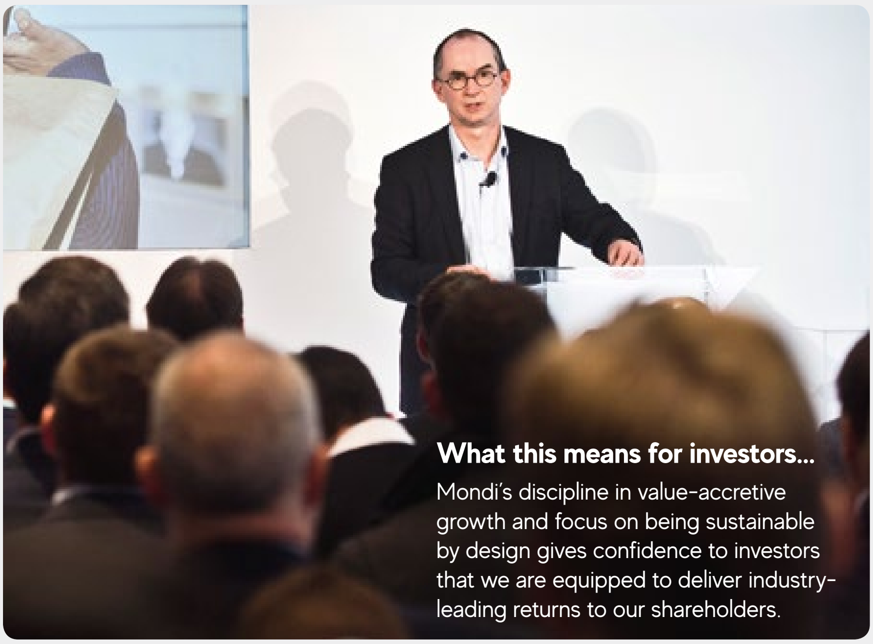
What this means for employees...

A consistent strategy that prioritises sustainability and investing in the business gives our people the confidence that Mondi is fit for the future and instils a sense of pride that the work we each do contributes to a better world.



What this means for customers...

The depth and breadth of our business model gives customers the confidence to partner with us for innovation in order to differentiate their products in a competitive marketplace.



What this means for investors...

Mondi's discipline in value-accretive growth and focus on being sustainable by design gives confidence to investors that we are equipped to deliver industry-leading returns to our shareholders.

STRATEGIC REPORT

The Strategic report was approved by the Board on 26 February 2020 and is signed on its behalf by:

David Williams
Chair

Andrew King
Group CFO

External context

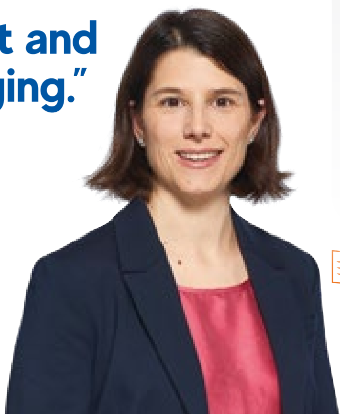
Key themes shaping the packaging industry and opportunities

We operate in a fast-paced world with diverse and complex issues impacting our planet, society and the way we do business. Our success is built on our ability to anticipate and respond to the challenges and opportunities we face today and in the future in the packaging markets where we operate, and partnering with others to find long-term solutions for our stakeholders.

To learn more about our wider context, take a look at our Sustainable Development report 2019 website:
www.mondigroup.com/sd19

"Mondi is well positioned to succeed in a world that is looking for innovative, efficient and sustainable packaging."

Clara Valera
Group Head of Strategy and Investor Relations



Sustainability

Context and challenges

- Our society continues to face significant environmental challenges. Climate change, degraded ecosystems, resource scarcity, access to sustainable fibre, increasing waste and pollution and the impact of plastic leakage on the environment are key issues our industry needs to be addressing with urgency
- Consumer awareness around these challenges continues to rise, requiring corporates to take decisive action and fostering sustainability pledges by major FMCGs, retailers and packaging players
- Sustainability-related legislation is increasing at a different scale and pace across geographies, creating an increasingly complex landscape to operate in

Opportunities

- Grow with our paper-based packaging solutions, which are renewable and widely recyclable, offering a sustainable packaging alternative
- Develop circular flexible plastic packaging, which is the most resource efficient plastic-based packaging, with a focus on increasing the use of recycled content and designing for recycling
- Collaborate with stakeholders along the value chain to find innovative solutions and educate end-consumers about sustainable choices

How we are responding

- Keeping sustainability core to our business, with sustainable growth at the centre of our strategic framework and clear sustainability performance targets across our Growing Responsibly Action Areas
- Working with our customers to achieve their sustainability goals, using our EcoSolutions approach to replace less sustainable packaging; reduce raw material usage; and design packaging ready to recycle
- Further lightweighting and right-sizing our packaging solutions without compromising strength and functionality
- Working with partners such as Ellen MacArthur Foundation, CEFLEX, CISL, CEPI's 4evergreen and WWF to play a leading role in finding tangible solutions and shape our approach to sustainability

Strategic performance Page 26-33
Sustainability performance Page 34-51
EcoSolutions case study Page 32
Sustainable Development report www.mondigroup.com/sd19

Digitalisation and interconnectivity

Context and challenges

- Digitalisation continues to shape the world we live in, connecting billions of people every day, with information generated and distributed at unprecedented speed and scale
- Traditional retail channels are being disrupted and new platforms are emerging
- More frequent purchases and faster deliveries are adding complexity to supply chains, requiring increased efficiency and transparency
- Consumers are ever more informed, price-savvy and time-pressured – expecting value, convenience and experience from their online purchases

Opportunities

- Serve the growing e-commerce sector with fit-for-purpose sustainable packaging solutions
- Benefit from automation and digitalisation with improvements in our manufacturing processes and cost structures and increasing efficiencies along the value chain
- Leverage data analytics to gain in-depth customer and end-consumer understanding, enabling us to help our customers offer more tailored shopping experiences
- Promote the value of greater traceability in our supply chain with a focus on raw material sourcing, especially fibre

How we are responding

- Investing in digital technologies as an accelerator, with advanced analytics, automation and robotics driving efficiency and quality, and digital platforms helping us to connect with customers and employees in an agile way
- Fostering transparency along the value chain through active engagement with key stakeholders
- Continuing to develop the right packaging solutions for our e-commerce customers, offering a multi-channel customer experience, reducing costs and optimising the amount of packaging

Strategic performance
Page 26-33

Business reviews
Page 66-83

Enhancing our customers' brand value

Context and challenges

- Competition between brands and private labels, together with the convergence of offline and online retail channels, make it important for products to stand out on shelves and screens
- Urbanisation, migration and an ageing population continue to reshape consumer lifestyles and purchasing decisions
- Busy consumers are looking for convenience, more personalised products and services, and sustainable packaging pre- and post-consumption
- Younger consumers want to buy brands whose purpose aligns with their own values
- Packaging needs to protect products through a 'frustration free' journey from manufacturing to consumption

Opportunities

- Help our customers stand out from the crowd, convey their brand purpose and meet their sustainability commitments with our sustainable materials and innovative converting and printing capabilities
- Work with our customers to stay competitive, simplifying their processes and reducing costs while enhancing shelf-attractiveness and product performance with our range of packaging solutions and services
- Grow with our customers and create fit-for-purpose packaging that prioritises functionality and creates a seamless consumer experience across channels

How we are responding

- Creating innovative packaging solutions that portray our customers' brand values and differentiate them across channels
- Using our EcoSolutions approach to support our customers so they achieve their sustainability goals by transitioning to more sustainable packaging solutions
- Leveraging our six R&D centres, unique cross-functional packaging development expertise, and strong customer relationships to become the go-to supplier for sustainable packaging
- Investing in enhancing the capacity and capabilities of our Corrugated Packaging and Flexible Packaging businesses to broaden our capabilities and grow with our customers

Strategic performance
Page 26-33

Business reviews
Page 66-83

Sustainability performance
Page 34-51

Our business model
How we create and protect value

Our integrated business model provides us distinct competitive advantages, using our key resources and relationships to convert raw materials into innovative and sustainable packaging and paper solutions for our customers.

Our strategy
Page 24-25

Our business model is grounded by our culture and values and driven by our purpose and strategy to create sustainable value today and into the future for the benefit of our stakeholders. See how it all connects in the Mondi Way.

The Mondi Way
Page 8-9

THE MONDI WAY

Competitive advantages of our integrated business model:

→ Leading producer of paper and plastic solutions and uniquely positioned to meet sustainable packaging requirements
→ Leading market positions providing scale and ability to innovate with our customers and service key accounts
→ Well-located operations with access to competitive fibre and a high-quality, well-invested, cost-advantaged asset base

Our key resources and relationships

High-quality, well-invested, cost-advantaged integrated assets

80%
pulp & paper capacity in two lowest cost quartiles

€6.6bn
capital employed

Collaboration with customers and suppliers

9,000
customers

2,000
key suppliers

Responsible procurement of raw materials

100%
sustainably sourced fibre (certified or controlled wood)

64%
mill fuel consumption from biomass-based renewable sources

Diverse and talented people

25,900
employees

21%
women employed across our operations

Strong financial position and cash flow generation

€1,215m
cash flow generated

BBB+/Baa1
S&P/Moody's credit ratings

Community and non-profit engagement

Numerous
strategic partnerships and memberships

86%
of mills & forestry operations completed a SEAT assessment to date

Our integrated value chain

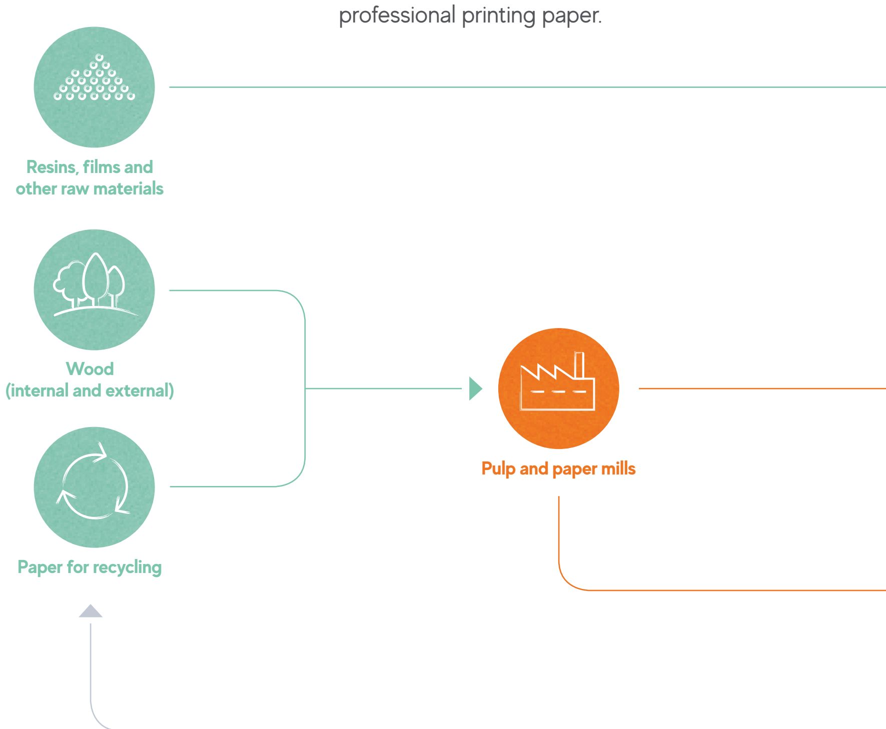
Forests and raw materials

Our manufacturing processes require access to natural resources, most notably water and energy, and raw materials, such as wood, paper for recycling, chemicals and polymers. Fibre is a key input in our pulp and paper production, which we source in a sustainable way from our 100% certified managed forests or externally from either certified sources (72%) or forests that meet minimum Controlled Wood requirements (28%), in line with industry best practice.

Pulp and paper mills

We operate vertically integrated pulp and paper mills producing pulp, packaging papers and uncoated fine paper. We have a high degree of electricity self-sufficiency in our operations and a high share of our mill fuel consumption comes from biomass-based renewable sources.

Our operations produce more pulp than we need which we sell externally. Our broad range of containerboard and kraft paper packaging grades are used by our converting operations, with the remainder sold to other customers. Our range of uncoated fine paper includes office and professional printing paper.



Managing our risks

Successfully managing our risks and appropriately setting our risk appetite is critical to ensuring we continue to generate long-term value.

Principal risks
Page 52-61

→ Vertical integration reducing exposure to price volatility, providing security of supply and production and logistics optimisation
→ Focus on excellence and driving performance along the whole value chain
→ Disciplined capital allocation and robust financial position providing strategic flexibility

Our integrated value chain
Page 66-67

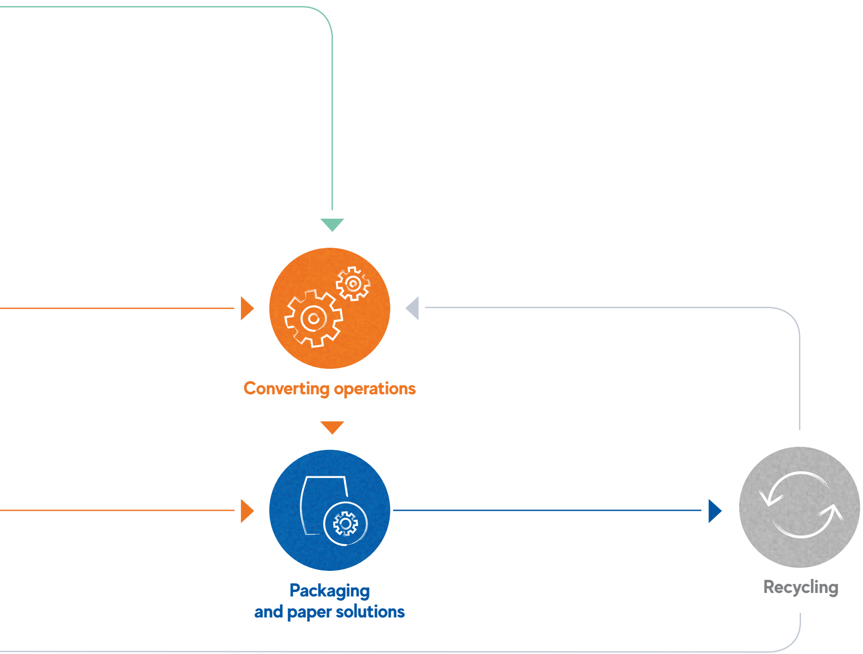
Converting operations

We convert packaging paper (sourced internally and externally), together with other raw materials into corrugated solutions, flexible packaging products (both paper and plastic-based), and speciality products for a wide range of consumer and industrial end-uses.

We collaborate and jointly create high-quality, innovative, sustainable packaging and paper solutions, by leveraging our R&D centres and innovation capabilities across the value chain.

Supporting a circular economy

Fibre is a renewable, recyclable and biodegradable resource. In addition to virgin fibre, we also use paper for recycling to produce containerboard which reduces waste and supports the circular economy. Our consumer flexible packaging operations and Engineered Materials business use resins, films and other raw materials as part of the production process. Mondi is collaborating with stakeholders across the value chain to innovate and develop sustainable solutions that are designed for recycling and include an increased proportion of recycled content.



Our key outputs

High-performing operations

19.8%
ROCE

7
production records on pulp/paper machines

Innovative products and solutions

€25m
spent on research and development

5
WorldStar Packaging awards (2020)

Sustainably managed natural resources and outputs

100%
mills certified to Chain-of-Custody standards

15.5%
reduction in specific CO_2e emissions since 2014

Inspired and skilled people

31
average annual training hours per employee

22%
reduction in total recordable case rate since 2015

Capital appreciation and dividends to shareholders

9%
increase in ordinary dividend per share

88%
five-year total shareholder return

Support to regional economies and local communities

€248m
direct taxes paid

€13m
community investments

Engaging with our stakeholders

Maintaining and nurturing our key relationships

Our business does not operate in isolation. Our success relies on our ability to understand and engage constructively with our key stakeholders.

Our employees

Why we engage
Our people make Mondi. By engaging with our employees and creating positive experiences for them, we shape our culture and live our values. We foster open dialogue to provide an opportunity to identify and resolve challenges together, as well as identify and support development initiatives so that our employees are prepared to drive our business forward.

How we engage
- → Regular group-wide employee surveys
- → Group-wide intranet (planetmondi) and other electronic communication
- → Performance and development reviews at regular intervals
- → Internal conferences such as European Communication Forum, Leadership Forums, Virtual Employee Meetings
- → Employee training programmes and workshops
- → Day-to-day team interaction and recognition schemes like You Make Mondi
- → Mondi Diamond Awards to recognise outstanding projects
- → Annual Make a Difference Day

Key issues discussed
- → Strategic direction and performance
- → Diversity and Inclusion
- → Employee experience
- → Development and training opportunities
- → Effective grievance mechanisms
- → Safety, health and fair working conditions

Read more about how we engaged in 2019

Employee and contractor safety and health
Page 37-38

A skilled and committed workforce
Page 39-40

Fairness and diversity in the workplace
Page 40-41

Our customers

Why we engage
Evolving consumer preferences and increasing demands on our products require close cooperation with our customers to understand their needs and anticipate market trends. Our engagement helps us to prioritise long-term success for our business and our customers by providing an opportunity to develop innovative sustainable solutions, improve our customer service and enhance product quality.

How we engage
- → Key account manager relationships
- → Digital customer interfaces
- → Collaboration on product innovation
- → Customer and industry events and exhibitions
- → Questionnaires
- → Regular customer satisfaction surveys
- → Ongoing conversations

Key issues discussed
- → Sustainable packaging and paper solutions
- → Product innovation
- → Quality and service
- → Responsible sourcing along the supply chain

Read more about how we engaged in 2019

Supplier conduct and responsible procurement
Page 48

Solutions that create value for our customers
Page 51

Our suppliers and contractors

Why we engage
We partner with our suppliers to find sustainable ways of using resources as efficiently as possible. We work together to find solutions to the social and environmental challenges we collectively face across the value chain, encouraging supply chain transparency and promoting fair working conditions. We work closely with our contractors to mitigate risks and improve practices ensuring they follow Mondi policies in areas such as safety, transparency and business ethics.

How we engage
- → Regular compliance and risk assessments of key suppliers
- → Strategic supplier partnerships
- → Discussions on credible certification systems to secure sustainable fibre
- → Meetings and workshops to develop common approaches based on shared values

Key issues discussed
- → Local procurement and resource support
- → Safety, health and fair working conditions
- → Responsible sourcing along the supply chain

Read more about how we engaged in 2019

Employee and contractor safety and health
Page 37-38

Fairness and diversity in the workplace
Page 40-41

Sustainable fibre
Page 42-43

Supplier conduct and responsible procurement
Page 48

Our communities

Why we engage
Our businesses are more likely to succeed when they are part of healthy, prosperous and dynamic communities. Ongoing and transparent dialogue with local communities enables us to collaboratively address challenges, understand and manage risks, generate employment and business opportunities, improve performance and build trust. We invest directly in the communities where we operate, supporting health, education, local enterprise and infrastructure.

How we engage
- Socio-economic Assessment Toolbox (SEAT) process
- Community Engagement Plans (CEPs)
- Open days and visits to our sites
- Partnering with communities and other stakeholders on development initiatives

Key issues discussed
- Employment and enterprise support
- Community health and impacts on the environment
- Local infrastructure investment

Read more about how we engaged in 2019

Climate change
Page 43-44

Constrained resources and environmental impacts
Page 45-46

Biodiversity and ecosystems
Page 46-47

Relationships with communities
Page 49-50

Our investors

Why we engage
We actively and regularly engage with our investors and analysts and use the feedback to inform our management and reporting practices. Our relationship with debt investors and banks as key providers of capital to the Group, together with credit rating agencies, ensures we have access to funding for investment opportunities through the business cycle.

How we engage
- Annual General Meetings
- Events including results presentations, trading update calls, site visits and capital markets days
- Roadshows, telephone calls and other meetings
- Integrated and Sustainable Development reports
- Questionnaires and ad hoc questions and requests
- Independent disclosure platforms for investors such as CDP
- Investor perception studies

Key issues discussed
- Strategy and financial performance and market dynamics
- Governance and remuneration
- Capital allocation
- Sustainability priorities and actions

Read more about how we engaged in 2019

Sustainability performance
Page 34-51

Strategic performance
Page 26-33

Financial performance
Page 62-65

Corporate governance report
Page 100-103

Partners, governments and regulators

Why we engage
We believe in global partnerships and initiatives where together we can bring about meaningful change. Shared resources and best practice merged together provide an opportunity for multi-stakeholder collaborations to find sustainable solutions along the entire value chain. We engage with national and local governments and regulators to share our intentions, understand their concerns and priorities, and find mutually beneficial solutions.

Among others, we engage with:
- WWF
- Ellen MacArthur Foundation
- The Cambridge Institute for Sustainability Leadership
- The United Nations Global Compact
- World Business Council for Sustainable Development
- Confederation of European Paper Industries
- Circular Economy for Flexible Packaging
- CEPI 4evergreen
- TCFD Preparer Forum

Key issues discussed
- Climate change and circular economy
- Fibre sourcing, water stewardship and biodiversity
- Regulatory compliance
- Support for research programmes

Read more about how we engaged in 2019

Sustainable fibre
Page 42-43

Climate change
Page 43-44

Constrained resources and environmental impacts
Page 45-46

Biodiversity and ecosystems
Page 46-47

Engaging with our stakeholders
Making informed decisions

This section serves as our Section 172 statement in compliance with the Companies Act 2006. Section 172 of the Companies Act requires the directors to have regard to the interests of our wider stakeholders when making key decisions across a range of areas. The interests of our stakeholders and our desire to ensure we act fairly, with a reputation for high standards of business conduct, and the long-term consequences of the decisions we take, underpin the way in which we operate. This statement, together with the sections of the Integrated report referred to, explains how our Board meets this requirement and also how stakeholder engagement influences decision making across the Group.

While we have a significant number of stakeholders, the Board determines those it believes are most relevant to Mondi as set out in this section. This includes an overview of how we engage, and the issues that stakeholders consider to be important. There is also a more comprehensive Stakeholder engagement matrix in our 2019 Sustainable Development report. The list of key stakeholders is reviewed by the Board at least annually.

Sustainable Development report
www.mondigroup.com/sd19

The Board ensures that strategic and operational decisions consider the needs of our key stakeholders and align with Mondi's culture and values. It's important that the Board remains, on an ongoing basis and in relation to specific matters, mindful of the views of our key stakeholders and that it has the right information to understand the impact of potential decisions. This is done via a range of formal and informal processes, ensuring that discussions on the impact of decisions on key stakeholders form part of decision documentation. Going forward the Board will continue to build on this approach, particularly bringing more structure to how stakeholder feedback is communicated. You can find more detailed information about how the Board engages with and establishes the views of our stakeholders in the governance report (page 100-103).

The Board's approach to considering stakeholder feedback is illustrated in the way it evaluates major capital expenditure projects, which is one of the key strategic areas of consideration for the Board during the year. Stakeholder input and feedback is therefore critical in the review and decision-making process. The following examples show practical ways in which the interests of our stakeholders are raised and how their needs inform our plans.

How stakeholder views have shaped our capital expenditure decisions

Štětí machine conversion (Czech Republic)

Growing consumer preferences for a more sustainable carrier bag solution, and increasing single use plastic bag legislation to reduce or eliminate waste have driven increased demand for our speciality kraft paper. We are therefore converting a containerboard machine at our cost-advantaged flagship kraft paper site at Štětí to be fully dedicated to the production of speciality kraft paper with a mix of recycled and virgin fibre content for shopping bag applications.

Board consideration of stakeholder input

When evaluating this investment, the Board considered a number of our key stakeholders including our customers, regulators and local government. Customer insights are important so that we can collaboratively address the fast growing needs for sustainable paper-based shopping bag solutions and how Mondi can fulfil these requirements. We talked to customers to understand their needs and end-consumer demands at numerous meetings and at our 'Let's paper the world' event, the first European shopping bag summit bringing together leading converters, suppliers and customers.

The decision to proceed was also influenced by anticipated changes in environmental legislation designed to reduce the use of plastic bags and the views of key retailers around their commitments towards eliminating plastic bags.

Richards Bay mill modernisation (South Africa)

We are modernising our Richards Bay mill to improve reliability and avoid unplanned shutdowns. Our aim is to sustain the mill into the future, while securing employment in the region and improving its environmental performance, including reducing emissions and related impact on the local community.

Board consideration of stakeholder input

The interests of almost all of our key stakeholder groups were relevant to the Board, with the most significant being our employees and the local community. The decision to proceed was influenced by the positive impact the project is expected to have on the local community, increasing employment during the period and permanently lowering emissions. The Board also looked at how the investment would benefit our 1,400 employees in South Africa by enhancing safety and efficiency, and extending the life of the mill.

In the lead up to the decision, the Board had detailed discussions around the reliability of the mill and its ability to meet environmental requirements into the future. All significant modernisation projects involve environmental impact assessments ensuring that the views of local associations are heard. Mondi South Africa's CEO also presented the wider South African business, providing useful context for the Board's deliberations.

Świecie standby power boilers (Poland)

We are investing in our Świecie mill to replace two coal boilers with new standby power boilers. The mill is a major regional employer, providing employment to more than 1,200 people and indirectly supporting the livelihoods of many more local suppliers and contractors. Once commissioned, we have the potential to eliminate coal as a fuel source at this site thereby reducing greenhouse gas emissions.

Board consideration of stakeholder input

A broad range of stakeholder views were taken into consideration when evaluating this investment, including regulatory requirements and government interests, along with local community impacts. As part of the 2019 Socio-economic Assessment Toolbox (SEAT) process at Świecie, all key stakeholder groups were consulted on how they see Mondi. The results of focus group meetings, which included employees; suppliers and contractors; trade unions; local authorities; communities; and NGOs, enable the Board to better understand where our impacts lie and what our stakeholders expect now and in the long term.

Read more about SEAT assessments
Sustainable Development report
www.mondigroup.com/sd19

The Board's decision to approve the project supports Mondi's aim of contributing to a better world as the new boilers will further reduce greenhouse gas emissions and increase overall resource efficiency by minimising mill downtime in the event of a shutdown of the primary boilers. Enabling the mill to meet new local emissions requirements was also a key factor in the Board's decision-making.

Key performance indicators
Tracking our performance

Our KPIs provide a broad measure of Mondi's strategic performance.

Using KPIs to measure the success of our strategy

Our strategy is to deliver value accretive growth, sustainably. This is underpinned by four strategic value drivers which build on the competitive advantages we enjoy today and set a clear roadmap for investment and operational decisions into the future. We use KPIs to provide a measure of Mondi's strategic performance and value creation. We set individual targets for each of our business units in support of these Group KPIs.

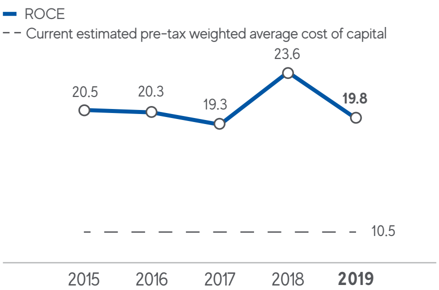
Our strategy
Page 24-25

Aligning KPIs to remuneration

Our Remuneration report describes how our executive directors and senior management are remunerated in line with these KPIs. In particular, the executive directors are set specific targets relating to ROCE, underlying EBITDA and safety for purposes of the Bonus Share Plan and on Total Shareholder Return and ROCE for the Long-Term Incentive Plan.

Remuneration report
Page 119-143

Return on capital employed (ROCE)
% (12-month trailing)



Why this is a KPI

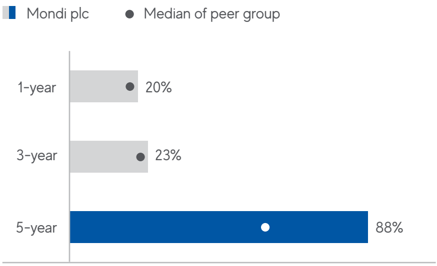
ROCE provides a measure of the efficient and effective use of capital in our operations.

We compare ROCE to our current estimated Group pre-tax weighted average cost of capital to measure the value we create.

2019 performance

ROCE of 19.8% reflects an industry-leading performance.

Total shareholder return (TSR)[1]
%



1 Based on 31 December value

Why this is a KPI

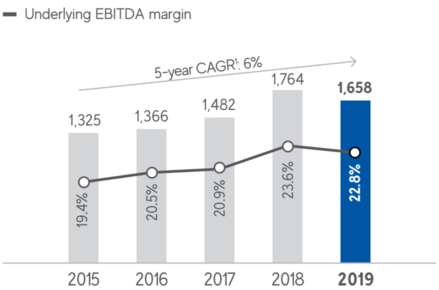
TSR provides a market-related measure of the Group's progress against our objective of delivering long-term value for our shareholders.

TSR measures the total return to Mondi's shareholders, including both share price appreciation and dividends paid.

2019 performance

Mondi realised a five-year TSR of 88% and recommended a total ordinary dividend of 83.0 euro cents per share.

Underlying EBITDA
€ million



1 Compound annual growth rate

Why this is a KPI

Underlying EBITDA provides a measure of the cash generating ability of the Group that is comparable from year to year.

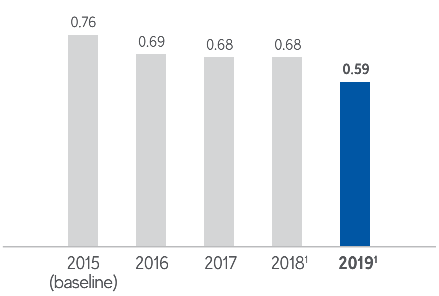
Tracking our cash generation is one of the components we measure when we assess our value creation through the cycle.

2019 performance

Underlying EBITDA of €1,658 million represents a 6% year-on-year decrease, with a five-year CAGR of 6%. In 2019, we delivered an industry-leading underlying EBITDA margin of 22.8%.

Total recordable case rate (TRCR)

per 200,000 hours worked



1 The recent acquisitions completed in 2018 (Powerflute and Egyptian paper bag plants) are excluded

Why this is a KPI

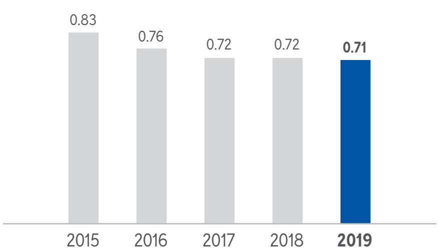
The safety and health of all our employees and contractors is of paramount importance. We are embedding a 24-hour safety mindset to help us reach our goal of sending everybody home safely in support of our strategy to grow in a sustainable way.

2019 performance

Our overall TRCR has improved by 22% against the 2015 baseline (and 13% against 2018) but we were deeply saddened by the two fatalities and two life-altering injuries during the year.

Total specific CO_2e emissions[1]

tonnes per tonne of saleable production



1 From our pulp and paper mills

Why this is a KPI

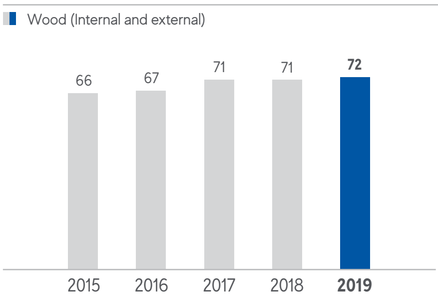
We continually focus on making our business less carbon intensive to address climate change-related impacts and secure the long-term success of our business. We have committed to reducing our specific CO_2e emissions by 2050 against our 2014 baseline through our science-based target.

2019 performance

To date, we have reduced our specific CO_2e emissions by 15.5% against our 2014 baseline. In 2019, our science-based greenhouse gas reduction targets were approved by the Science Based Targets initiative in which we committed to reduce our specific emissions 34% by 2025 and 72% by 2050, against our 2014 baseline.

Sustainable fibre supply

% FSC- or PEFC-certified wood procured



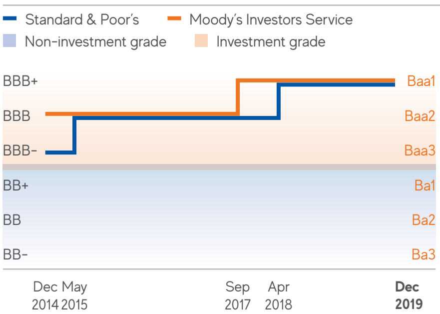
Why this is a KPI

Securing sustainable fibre for our products is critical for our long-term success. We only source our wood from responsible sources, and are committed to maintaining our 100% FSC-certified forests and procuring at least 70% of our wood from FSC- or PEFC-certified sources by 2020.

2019 performance

100% of our managed forests remained FSC-certified, and 72% of the wood we procured was FSC- or PEFC-certified (with the remainder meeting minimum Controlled Wood standards), exceeding our 2020 commitment.

Investment grade credit rating



Why this is a KPI

We aim to maintain investment grade credit ratings to ensure we have access to funding for value accretive investment opportunities through the business cycle.

2019 performance

Our investment grade credit ratings were reaffirmed during the year – Standard & Poor's BBB+ (stable outlook) and Moody's Investors Service Baa1 (stable outlook).

Strategic framework

Mondi's strategy is to deliver value accretive growth sustainably through our four strategic value drivers. Sustainability has always been central to how we operate, and we have updated our framework to emphasise this.

Our strategic approach allows us to build on the competitive advantages we enjoy today, and sets a clear roadmap for our investment and operational decisions so that we can continue creating value in a sustainable way into the future. All strategic value drivers are important, while priority levels differ across the value chain. We also incorporate digital initiatives across our four drivers to accelerate our value creation.

> **"Sustainability is at the centre of our strategy, and we see digitalisation accelerating our value creation."**
>
> **Andrew King**
> Group CFO and Group CEO designate

Our disciplined strategic approach, while retaining flexibility around how we execute on it, has positioned us as a leading global packaging and paper group with a strong platform for growth. We continue to expand our business, with a focus on assets and markets that offer us inherent advantages, and products that are core to our portfolio or bring related development opportunities.

Prioritising growth in our packaging businesses

We are actively working with our customers and other stakeholders to develop innovative and sustainable packaging solutions that are fit for purpose with our customer-centric, EcoSolutions, approach. To further support this ongoing growth in packaging, we plan to continue to pursue value-enhancing capital investments and acquisitions that build on our competitive advantages and enable us to better serve our customers.

Our Uncoated Fine Paper business has a clear cost competitive advantage and exposure to growing markets in central and eastern Europe, Russia and South Africa. We will continue to invest to maintain and improve its competitiveness and leverage this asset base to increase our exposure to faster growing packaging products where the opportunity arises.

Delivering value accretive growth sustainably

Sustainability lies at the centre of our strategy to drive value accretive growth. We believe that being part of the solution to global sustainability challenges will secure the long-term success of our business and benefit our stakeholders. Communicating openly and working together helps us to better understand and address risks and opportunities so that we can continue to generate value for our stakeholders long into the future and tackle the complex global challenges that no one organisation can solve in isolation.

Our Growing Responsibly model is the framework through which we respond to opportunities to address sustainability and societal challenges, especially by contributing to the UN Sustainable Development Goals and other global initiatives. It enables us to demonstrate, monitor and improve our sustainability performance across the value chain. The model comprises 10 Action Areas which reflect the aspects of sustainability that are most relevant for us and our stakeholders. Within these Action Areas we have made 16 public commitments running to the end of 2020. In addition, we have updated our science-based climate commitment in line with the Paris agreement to keep global temperature rise below 2°C. As we come to the end of our current sustainability commitment period, we are working on our post-2020 commitments to build on our achievements and enable our future success.

Collaborative relationships and partnerships are key. It is only by working together that we will achieve the impact, innovation and scale necessary to bring about positive change beyond our own boundaries.

Priorities in the medium term

- → Deliver on our 2020 commitments as set out in our Growing Responsibly model and focus on developing plans to achieve our science-based targets
- → Develop our post-2020 commitments to build on our achievements and enable our future success

Related risks and mitigation

5 9 10 11 12 13 14 15

Principal risks
Page 52-61

Drive performance along the value chain

Our passion for performance will always be central to the way we run our business – from our focus on commercial excellence and lean processes, to rigorous quality management and operational excellence programmes that enhance productivity and efficiency.

Our collaborative approach to benchmarking enables us to learn from our best performing operations and identify emerging issues to ensure performance is optimised throughout the organisation. We have continuous improvement systems and processes in place focused on enhancing productivity, increasing efficiency, reducing waste and ensuring our processes stay lean. We also focus on finding innovative ways of working and using digital technology to further enhance our performance.

We maintain selected centralised functions, where we believe we can benefit from a coordinated approach, such as procurement, technical, sustainable development, treasury and tax, to optimise collaboration and costs.

A key component of our success in driving performance along the value chain is creating an entrepreneurial and dynamic culture across our organisation.

Priorities in the medium term

- → Continuous improvement initiatives to enhance productivity, efficiency and reduce costs
- → Focus on procurement savings, commercial excellence programmes, quality management systems and digitalisation initiatives

Related risks and mitigation

1 3 5 9 10 11 16

Principal risks
Page 52-61

Invest in assets with cost advantage

We believe that our portfolio of assets is industry leading. Investing in our cost-advantaged asset base to maintain and enhance our competitiveness is of particular importance for our pulp and paper operations where products are generally more standardised and relative cost competitiveness is a key value driver. We focus on driving organic growth, strengthening our cost competitiveness, enhancing our product offering, quality and service to customers and improving our environmental footprint. We invest in our existing operations and, where appropriate, in acquisitions. We aim to acquire businesses that produce high-quality products with sustainable competitive advantage and the potential to achieve world-class operating standards. This enables us to generate synergies through integration, enhance our product and service offering and/or extend our geographic reach to better serve our customers.

Our integrated business model, with backward pulp integration and high electricity self-sufficiency, provides us with security of supply, reduced exposure to raw material price volatility and helps us manage sustainability risks and opportunities more holistically.

Our disciplined approach to investigating, approving and executing capital projects is one of our key strengths and plays an important role in successfully delivering strong returns through the cycle.

Priorities in the medium term

- → Continue to evaluate value enhancing organic and inorganic investment opportunities
- → On time and on budget execution of capital investment programme

Related risks and mitigation

1 2 3 4 5 10 11

Principal risks
Page 52-61

Inspire our people

Ensuring the safety of our people always comes first. Our employees and contractors work in potentially hazardous environments. We embed clearly defined methodologies, procedures and robust controls to ensure they, and other people who have reason to be on Mondi sites, stay safe. Above all we look to develop a safety mindset across the Group.

We engage with our people to nurture their commitment to a business which they feel has purpose, acts responsibly, and offers a range of development opportunities to help them grow. The Mondi Way sets out our culture and values and helps to connect them with our purpose and strategy. Creating an inclusive environment that fosters and respects diversity is vital to our success, and improves our competitive advantage in becoming an employer of choice. Enhancing the skills of our employees is a key part of developing an agile and motivated workforce that is capable of delivering our strategy and driving success in a sustainable way. Personal development and training supports employees to be accountable to our standards, principles and policies.

Priorities in the medium term

- → Continued focus on improving our safety performance and embedding a behaviour-based safety mindset
- → Continued initiatives to engage our people with special attention to diversity and inclusion

Related risks and mitigation

13 14 15

Principal risks
Page 52-61

Partner with customers for innovation

Working with our customers to create high-quality, innovative and sustainable solutions is key to our long-term success. As a leading producer of paper and plastic-based packaging, we are uniquely positioned to leverage our relationships and product know-how to offer our customers the most sustainable solutions, combining the best of our paper and flexible plastic packaging. Our backward integration into paper production provides us security of supply and enables us to carry developments in our upstream paper operations over to our converting plants.

Getting innovation right is critical to meeting increasingly sophisticated and bespoke customer needs. Our R&D centres and innovation activities span the entire value chain. We also cooperate with external partners to maximise the potential of our R&D around designs, technologies, procedures, and markets to deliver products that enable our customers to succeed, while minimising the impact on society.

Priorities in the medium term

- → Strong focus on product innovation especially around sustainable packaging solutions
- → Further implementation and enhancement of digital Customer Relationship Management systems across our businesses

Related risks and mitigation

2 3 5 15

Principal risks
Page 52-61

Strategic performance

A robust performance against a backdrop of challenging trading conditions

A solid operational performance, strong cost control and a good contribution from acquisitions and capital investment projects, partially offset the effects of market pressures seen in a number of key pulp and paper grades in 2019. We also completed the Simplification of our corporate structure and continued to build our portfolio of sustainable packaging solutions.

Our financial performance in 2019

Underlying EBITDA of €1,658 million was down 6% on the prior year. Strong performances from Flexible Packaging and Engineered Materials helped to mitigate the margin pressures seen in Corrugated Packaging and Uncoated Fine Paper in the face of market driven price decreases.

Group revenue was down 3% as a result of a combination of lower average selling prices and lower sales volumes, in turn primarily due to longer planned maintenance shuts and restructuring initiatives.

Our return on capital employed (ROCE) was 19.8%.

After taking into consideration the impact of depreciation and operating special items, operating profit of €1,221 million was up 2% (2018: €1,192 million).

Our capital investment programme to deliver value accretive growth and enhance the ongoing cost competitiveness of our operations remains on track. Having commissioned the pulp mill rebuild at our Ružomberok mill (Slovakia) in the second half of the year, we are making good progress on the related investment in a new 300,000 tonne kraft top white machine at the same site and previously announced major capital investment projects at our Syktyvkar (Russia) and Štětí (Czech Republic) mills. Smaller expansionary projects underway at a number of our converting packaging operations will further enhance our production capabilities and product offering to customers.

Basic underlying earnings of 171.1 euro cents per share were down 10% compared to 2018.

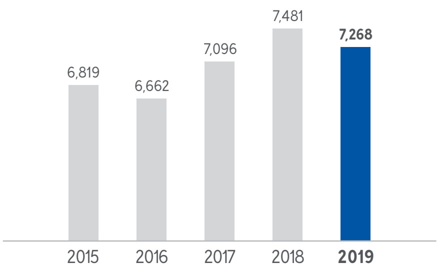
After taking the effect of special items into account, basic earnings of 167.6 euro cents per share were down 1% compared to 2018.

The Group remains strongly cash generative with cash generated from operations of €1,635 million (2018: €1,654 million). The impact of lower underlying EBITDA generation was mitigated by a net working capital inflow. Net debt at 31 December 2019 was down to €2,207 million (2018: €2,220 million) or 1.3 times (2018: 1.3 times) net debt to 12-month trailing underlying EBITDA, despite capital investments in the amount of €757 million or around 187% of depreciation, as we pursue our investment programme to continue to deliver value accretive growth.

Financial performance
Page 62-65

Group revenue
€ million

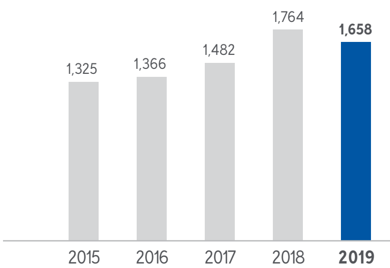
€7,268m

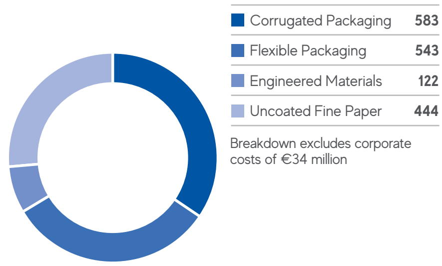


Group underlying EBITDA
€ million

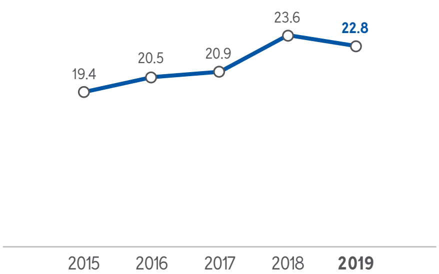
€1,658m

↓6% on 2018

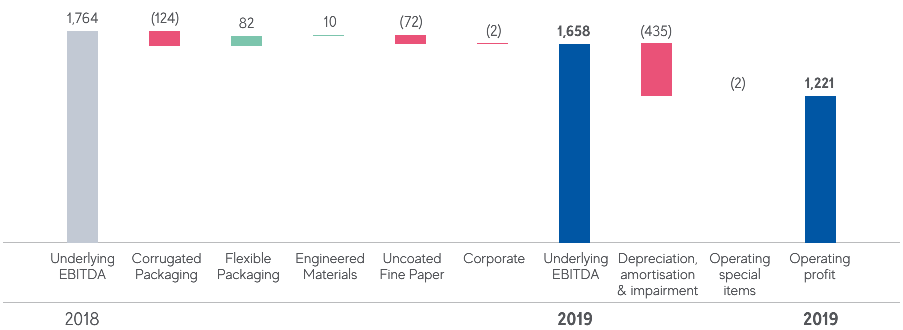




Underlying EBITDA margin
%



Underlying EBITDA development by Business Unit
€ million



Delivering value accretive growth sustainably

We made good progress across our strategic drivers in 2019, continuing to deliver value accretive growth sustainably while optimising our cost base. Our strong position as a global packaging and paper group secures a solid foundation to grow, with our packaging interests offering exposure to good structural growth opportunities.

While in recent years we have found greater opportunity for value-enhancing growth through organic capital investments, acquisition led growth remains important to our strategy and we continue to evaluate opportunities as they arise.

The attention to sustainable packaging continues to gain momentum. We have been making sustainable packaging products for our customers for over 50 years and we are pleased to see recent heightened awareness.

As a leading producer of paper and plastic-based packaging we are uniquely positioned to help our customers' transition to more sustainable packaging through our customer-centric EcoSolutions approach, using paper where possible, plastic when useful. Read more later in this section.

A number of our ongoing and recently completed major capital projects are expected to contribute to our sustainability commitments, in particular reducing greenhouse gas emissions and waste. As we continue to make progress in making our business less carbon intensive, we are pleased our total greenhouse gas emissions (per tonne of saleable production) have declined to 0.71, a 15.5% reduction against the 2014 baseline. The contribution of biomass-based renewable energy to the total fuel consumption of our mills has increased from 59% in 2014 to 64% in 2019.

As part of our global partnership, we joined WWF's Climate Savers programme in 2018. This leadership programme for businesses supports our commitment to further reducing our greenhouse gas emissions using science-based target setting methodology.

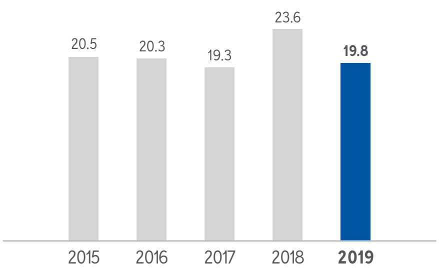
In 2019, Mondi's science-based reduction targets were approved, covering more than 95% of our total Scope 1 and 2 greenhouse gas emissions, including our energy sales. We have committed to reduce Scope 1 and 2 emissions 34% by 2025, and 72% by 2050 (per tonne of saleable production) against a 2014 baseline.

In addition to climate change, we continue working closely with WWF in the sixth year of our global partnership on key focus areas such as responsible fibre sourcing and water security. Our initiatives include water stewardship in South Africa, protection of intact forest landscapes in Russia, sustainable forest management and biodiversity.

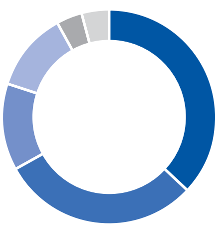
The social, economic and environmental health of local communities is important to our long-term success. During the year, we supported local livelihoods and businesses to build strong, proactive and transparent relationships with local stakeholders. As part of our stakeholder engagement initiatives and to deepen the understanding of our relationship and impact on local communities, we conducted in-depth socio-economic assessments in two of our mills during the year.

Return on capital employed (ROCE)
% (12-month trailing)

19.8%



Net operating assets by location
%



Emerging Europe	37
Western Europe	30
Russia	13
South Africa	12
North America	4
Other	4

"Our robust business model and sustainable packaging portfolio secure a solid platform for growth."

Andrew King
Group CFO and Group CEO designate

We are helping to lead the transformation towards circular thinking through our collaboration with customers and multi-stakeholder initiatives such as CEPI's 4evergreen, CEFLEX and the Ellen MacArthur Foundation's New Plastics Economy initiative. We signed up to the New Plastics Economy Global Commitment made by leading brand owners, retailers and packaging companies in 2018, pledging to ensure 100% of plastic-based packaging is reusable, recyclable or compostable and a minimum of 25% of post-consumer waste is incorporated across all our flexible packaging where food contact regulations allow by 2025. Our focus is on developing innovative plastic packaging solutions that are in line with circular design principles, and working with stakeholders across the value chain to address the current challenges we face in securing high-quality recycled plastic input required to transition to a circular plastic economy.

Sustainable Development report
www.mondigroup.com/sd19

Drive performance along the value chain

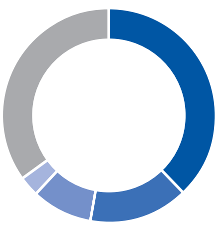
We continue to benefit from our ongoing operational excellence and cost control initiatives, driving productivity and efficiency as well as minimising waste.

Digital solutions are helping us to further enhance our competitive edge. After successful pilots in 2019, we are applying digital technologies and advanced analytics across a number of our pulp and paper production lines, which will enable us to increase equipment efficiency and reduce variable costs. We are implementing other digital projects to improve quality and pricing, gain efficiencies, optimise the value chain and introduce new ways to share best practice across our machines and plants.

To continue to optimise our production footprint and leverage our cost-advantaged locations, we undertook a number of restructuring initiatives during the year. Accelerated by weaker domestic market conditions, we shut a 65,000 tonne per annum recycled containerboard machine at our mill in Tire Kutsan (Turkey) in the second quarter, while continuing to operate the 75,000 tonne per annum machine on site. We sold a specialised extrusion coated products plant in Duffel (Belgium). In our paper bags business we reorganised our US and Egyptian paper bag operations and streamlined production across our European network and in Engineered Materials we initiated steps to right-size our major operations in Europe and the US in order to improve our competitiveness. We will continue to evaluate the actions required to ensure the long-term competitiveness of the business.

Value distribution[1]
%

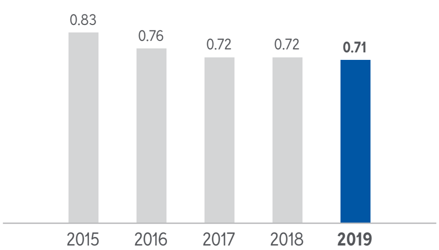
€2,729m



Employees	38
Providers of equity capital	15
Direct taxes paid	9
Providers of loan capital	3
Reinvested in the Group	35

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

Total specific CO_2e emissions[1]
tonnes per tonne of saleable production



1 From our pulp and paper mills

Mondi's digital transformation journey is about people using technology and data to make our strategic value drivers even more effective. In 2019, we set-up a specialised team of data scientists and digital project managers to work with our people across the world to identify digitalisation opportunities focusing on three areas:

Digital operations and production
This is the area with the most impact for Mondi as there are significant opportunities to drive efficiency, productivity and quality through advanced analytics, automation and robotics. For example, in our pulp and paper mills, we've installed machine learning models and soft sensors to continually measure a range of parameters in our production processes, enabling continuous prediction and helping us to stabilise and enhance performance and improve efficiency.

Digital customer experience
To connect better with our customers and drive process efficiency improvements, we have developed myMondi, a digital platform that allows customers to track orders online, access additional order and product information, file claims and, if applicable, place orders electronically. The tool is adapted for the requirements in each of our businesses. After its success with our Uncoated Fine Paper customers in 2018, we rolled out the platform to our paper bags business in 2019 and will be implementing it in our Corrugated Packaging business in 2020.

New ways of agile working
We are embedding agile methodologies including communities of practice and design thinking approaches in all areas of our work to improve processes and promote innovation. We see these changes as important for the vitality of our business, as well as for attracting and retaining the best talent, encouraging an entrepreneurial spirit among our people.

Invest in assets with cost advantage

During the year, we benefited from the contribution of our Štětí mill modernisation project completed in late 2018, to replace the recovery boiler, rebuild the fibre lines and debottleneck the existing packaging paper machines. This project provides cost and energy efficiencies, an improved environmental footprint, and additional annual production of 90,000 tonnes of softwood market pulp and 55,000 tonnes of packaging paper once fully ramped up.

We have a focused capital expenditure project pipeline securing future organic growth:

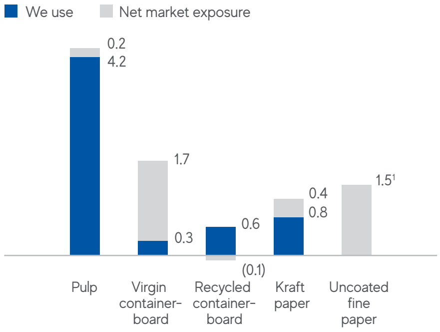
- → The investment in a new 300,000 tonne per annum kraft top white machine and related pulp mill upgrade at Ružomberok is making good progress. The pulp mill rebuild was successfully commissioned in the second half of 2019, while the kraft top white machine is expected to start up at the end of 2020.
- → The project to convert a containerboard machine at Štětí to be fully dedicated to the production of speciality kraft paper with a mix of recycled and virgin fibre content for shopping bag applications is on track. The investment is supported by the drive to replace plastic carrier bags with paper-based alternatives and allows us to optimise productivity and efficiency at Świecie (Poland), where this grade is currently produced. The project will result in an additional 75,000 tonnes per annum of speciality kraft paper capacity while reducing our containerboard capacity by around 30,000 tonnes per annum. Start-up is expected by the end of 2020.
- → Our investment programme to debottleneck production and avoid unplanned shuts at our Syktyvkar mill is progressing well, including various upgrades of the mill infrastructure, fibre lines and pulp dryer, and a new evaporation plant.
- → We are investing in the modernisation of our Richards Bay mill (South Africa), including upgrading the energy and chemical plants to improve reliability and avoid unplanned shutdowns.
- → We continue to invest in our packaging and Engineered Materials' converting plants to grow with our customers, enhance our product and service offering and reduce conversion costs.

Our recently completed and planned major capital expenditure projects in the Czech Republic, Slovakia and Russia are expected to increase our current saleable pulp and paper production by around 8% when in full operation.

Over the past three years, our major capital expenditure projects have cumulatively contributed an estimated €75 million of annual incremental operating profit. The incremental operating profit contribution from capital investment projects in 2019 was around €30 million and we expect to generate a further €40 million in 2020.

Given the approved project pipeline, our capital expenditure is expected to be in the range of €700-800 million in 2020 and €450-550 million in 2021 in the absence of any other major investment.

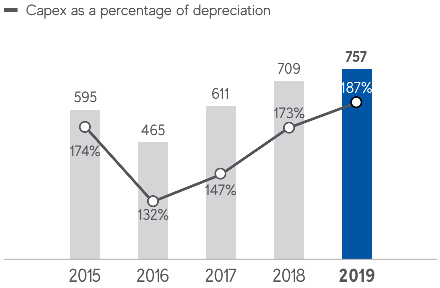
Vertical integration
production in million tonnes



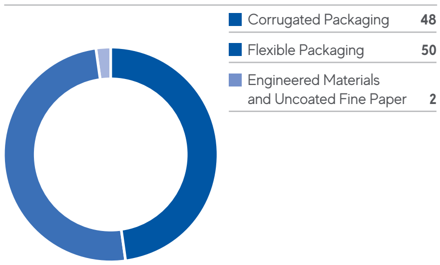
1 In addition to the 1.5mt of uncoated fine paper, the Group also produced 0.2mt of newsprint in 2019

Capital expenditure
€ million

€757m



Five-year net investment[1]
%



1 Net investment calculated as capex less depreciation and amortisation, plus acquisitions, less disposals

As part of our Štětí mill modernisation completed in 2018, we used 40,000m³ of concrete and laid 520km of cables

Acting sustainably, inspiring our people
While there has been unprecedented attention to sustainability and the climate crisis recently, Mondi has had sustainable business principles embedded for more than 25 years. For many, our very focus on sustainability offers a sense of purpose, to contribute to a better world, which inspires and drives our people. As we move forward, we aim to support sustainable business practices that can make a direct contribution to our stakeholders, our bottom-line and ultimately the health of the planet.

From words to action
The response from society and the private sector to global sustainability challenges has been passionate, and at Mondi we can show tangible results across the 10 Action Areas of our Growing Responsibly model, such as:

1) Climate change – we have reduced CO_2e emissions by 15.5% since our 2014 baseline and in 2019, we have set a new long-term science-based target to further reduce our emissions.

2) Forestry – our managed forests are 100% certified and 72% of our procured wood is derived from certified sources, with the remaining volume meeting Controlled Wood standards to ensure responsible sourcing.

3) Communities – we have invested €46 million in local community initiatives over the past five years and our industry leading Socio-economic Assessment toolbox (SEAT) stakeholder engagement process has been completed across 86% of our mills.

Fine-tuning our impacts – introducing SDG 6
While the focus of our communication has been on the six United Nations Sustainable Development Goals (SDGs) where we believe we have the greatest impact and opportunity to make a real and lasting difference – SDGs 7, 8, 9, 12, 13, and 15, this year we have added SDG 6 (Clean Water and Sanitation). Water scarcity is becoming a key issue of concern in the regions where we operate. Beyond historically sensitive regions such as South Africa, the impacts of our pulp and paper mills on water is a relevant area of focus in all the countries in which we work.

Scaling great ideas
As part of our commitment to support Lead2030, we formulated a challenge related to SDG 12 'Responsible Consumption and Production' to address the issue of waste. The Lead2030 initiative, funded by some of the world's leading businesses, aims to find, fund and accelerate youth-led solutions that contribute to achieving the SDGs. In May, we selected Eco Blocks and Tiles as the challenge winner, providing them with $50,000 to invest in the business, alongside 12 months' business coaching to help scale the business. Following the success of this year's initiative we have committed a further $50,000 investment in 2020 to fund a new project by a young innovator contributing to SDG 12.

Inspire our people

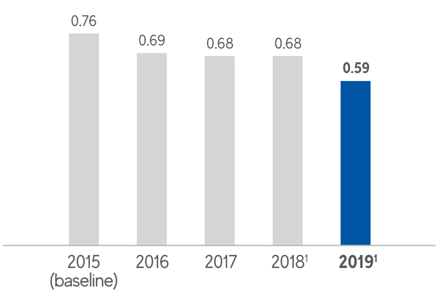
We want to develop and inspire a diverse and inclusive workforce where opportunities for employment, engagement, promotion, training and any other benefits are based on skills and ability. We believe in lifelong learning which is why we run The Mondi Academy and focus on creating tailored development plans.

Over the past decade, our open and honest discussions have transformed the way we engage in and take responsibility for safety. We are among the safety leaders in our industry yet unsafe behaviour continues to be a common factor in incidents.

We sincerely regret two fatalities during 2019. In January, a contractor lost his life conducting pile drilling activities at the construction site of our new paper machine in Ružomberok, and in August, a contractor was fatally injured during towing activities at our Russian forestry operations. We are also deeply saddened that a contractor died as a result of an incident during demolition activities at our Syktyvkar mill in January 2020. Thorough investigations are conducted after all incidents and action plans implemented to address root causes and prevent repeat incidents.

We continue to focus on the top fatal risks at each site, implementing clearly defined methodologies, procedures and robust controls to drive continuous improvement in safety across the business.

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



1 The recent acquisitions completed in 2018 (Powerflute and Egyptian paper bag plants) are excluded

In 2019, we had 222 recordable cases (2018: 262), which equates to a Total Recordable Case Rate (TRCR) of 0.59 (2018: 0.68) representing a 13% reduction compared to 2018 and a 22% improvement against our 2015 baseline, well ahead of our 2020 commitment to reduce TRCR by 5%.

Examples of initiatives to develop and inspire our people include a female leadership initiative at our Świecie mill, knowledge-sharing opportunities at our Richards Bay mill, and a talent programme in our corrugated solutions plant network. Our aim is to provide leadership opportunities that encourage gender, age and cultural diversity. We believe that this will ensure we have the right talent and succession plans across our operations to deliver on our long-term strategic targets.

In 2019, we joined the growing community of businesses publicly demonstrating their commitment to gender equality in the workplace by signing the UN Women's Empowerment Principles.

We plan to carry out our next biennial group-wide employee survey in March 2020 to understand our employees' concerns and key areas for engagement. In between surveys, we implement a range of initiatives at a Group level and in individual locations to respond to employee feedback and make Mondi a better and more inspiring place to work. Progress is communicated locally and via our group-wide intranet platform. We will report on the outcomes of the survey in our 2020 report.

Employee and contractor safety and health
Page 37-38

A skilled and committed workforce
Page 39-40

Fairness and diversity in the workplace
Page 40-41

Partner with customers for innovation

As a business we have increased our focus on innovating with our customers and are pleased with the external recognition we have received. We won a number of awards and are particularly proud of our five WorldStar Packaging Awards, three for Corrugated Solutions and two for Flexible Packaging innovations.

Delivering innovative, sustainable packaging solutions for our customers was again a key focus in 2019. We are uniquely positioned, as a manufacturer of paper, but also flexible plastic packaging, to create the best solutions for forward-thinking, consumer brands in collaboration with sustainable materials suppliers and recyclers.

During the year, we centred our efforts on developing paper-based packaging solutions to replace unnecessary plastic packaging, helping our customers to achieve their own sustainability targets and reduce their environmental footprint.

Paper-based packaging is renewable and recyclable which means it is an optimal solution for many of today's applications. When certain functionality barriers are required, plastic-based flexible packaging can deliver many benefits when manufactured, used and disposed appropriately, from reducing food waste through shelf-life extension to resource efficiency (by reducing raw material usage, being lightweight and less transport intensive).

We have focused on designing consumer plastic-based flexible packaging for recycling to improve its circularity and we have also looked for ways to increase, where possible, the proportion of recycled plastic content in our solutions.

EcoSolutions case study
Page 32

Our businesses
Page 4-5

During the year, we spent €25 million on R&D across our businesses to develop innovative products for our customers. We continue to evolve our customer interaction and partnership using digital solutions.

In Uncoated Fine Paper we have leveraged our digital customer platform to interact directly and promote Mondi's brands to decision makers in the paper-buying process and end-users. We continue to explore digital platforms that further connect to our customers.

Strategic risk management

The industries and geographies in which we operate expose us to specific risks. These include:

- → Industry productive capacity
- → Product substitution
- → Fluctuations and variability in selling prices or gross margins
- → Country risk
- → Climate change related risk

These risks are long term in nature as they are directly related to the Group's strategy and operating footprint. The Board continues to monitor our exposure to these risks and investment decisions are evaluated against our exposures and the established tolerance levels for any individual strategic risk. Our conservative funding model and low level of financial leverage provide some protection against these risks, while we continually monitor key trends impacting our business, taking early and decisive action to mitigate emerging risks where necessary.

Principal risks
Page 52-61

ECOSOLUTIONS – PAPER where possible, PLASTIC when useful

In a race to protect our planet, sustainable packaging can contribute to a better world. However, the decision on what is the most sustainable solution might not always be straight forward. As a leader in packaging and paper, there are numerous trade-offs to consider when defining a sustainable packaging solution. For example, we know that for many applications paper packaging is the best choice as it's made from a renewable resource and is fully recyclable. It is also a lot stronger than most people expect.

Alternatively, there are applications where plastic solutions provide functionality that is difficult to replicate with any other packaging material – for example barrier properties for food or product preservation. Additionally, within plastic solutions, flexible plastic packaging typically uses 70% less plastic than rigid-based alternatives thereby reducing raw material input requirements. We need to ask the right questions to find the best solution for protecting products across the value chain using paper where possible, plastic when useful.

Our approach to sustainable packaging solutions

REPLACE

…less sustainable products with solutions following our principle "paper where possible, plastic when useful"

REDUCE

…the volume of raw material used through design, operational efficiency and raw material choices

RECYCLE

…packaging by developing solutions that are designed for recycling

Supporting customers achieve their goals

- → **Challenge** needs and define the route towards sustainability
- → **Analyse** supply and value chains
- → **Identify** the right solution for relevant impact areas
- → **Demonstrate** the solution is sustainable by design
- → **Review** product evolution to meet future requirements

Advantage Smooth White Strong

The challenge

Most pasta packaging in Europe is made from plastic

Our solution

A paper-based solution, with the option for a large paper window

Key benefits

- → Excellent strength and product preservation
- → Outstanding printability
- → Suitable for paper recycling streams

PerFORMing

The challenge

Conventional trays are made of non-recyclable PET/PE

Our solution

A natural, brown or white, formable coated paper solution for food applications such as portion packs and trays

Key benefits

- → Reduces plastic use by up to 80%
- → Reduces CO_2 emissions by 70%
- → Recyclability in certain paper streams

Strategic financial priorities and returns to shareholders

We manage our cost of capital by maintaining an appropriate capital structure with a balance between equity and net debt. The primary sources of our debt include our €2.5 billion Guaranteed Euro Medium Term Note Programme and our €750 million Syndicated Revolving Credit Facility. The Group's liquidity position remains robust. At the end of the year, €660 million of our €2.5 billion committed debt facilities were undrawn and the weighted average maturity of committed debt facilities was 3.2 years. In February 2020, the Group entered into an additional debt facility with a maturity of 18 months, increasing the undrawn, committed debt facilities available to the Group by €250 million, further strengthening the Group's liquidity position.

Our free cash flow priorities remain unchanged. We are focused on maintaining investment grade credit metrics, undertaking selective organic capital investment opportunities and supporting the ordinary dividend. To the extent we have capacity beyond these requirements, we are able to consider acquisitions and/or additional shareholder distributions. We believe that a strong and stable financial position, supported by an investment grade credit rating, increases our flexibility and provides opportunities to access capital markets throughout the business cycle, allowing us to take advantage of strategic opportunities when they arise.

We pursue a dividend policy that reflects our strategy of disciplined and value-creating investment and growth, with the aim of offering shareholders long-term dividend growth.

We target an ordinary dividend cover range of two to three times underlying earnings on average over the cycle, although the payout ratio in each year will vary in accordance with the business cycle.

Given our strong financial position and confidence in the future of the business, the Board has recommended payment of a final ordinary dividend of 55.72 euro cents per share, bringing the total ordinary dividend for the year to 83.0 euro cents per share, an increase of 9% on 2018.

Simplification of corporate structure

At the end of July 2019, we completed the simplification of our corporate structure from a dual listed company structure into a single holding company under Mondi plc (the "Simplification"). We believe this has simplified cash and dividend flows, increased transparency, removed the complexity associated with the previous structure and enhanced strategic flexibility.

As a result of the Simplification, each Mondi plc shareholder has the same voting and capital interests in the Group as each Mondi plc ordinary shareholder and Mondi Limited ordinary shareholder had under the dual listed company structure. The Simplification did not result in any changes to management, operations, locations, activities or staffing levels of the Group. Nor did it, save for one-off expenses to effect the Simplification, have any significant impact on the reported profits or net assets of the Group.

Near-term outlook

Looking ahead, we remain confident in the structural growth drivers in the packaging sectors in which we operate. Heightened macro-economic uncertainties are likely to continue to affect markets in the short term and, while we are seeing indications of stability in pricing in certain segments, we start the year with lower prices across our key paper grades. Input cost relief, our ongoing profit improvement programmes and customer-centric innovation initiatives, and the benefits from our capital expenditure pipeline will continue to support our performance.

With our robust business model, centred around our high-quality, cost-advantaged asset base, our culture of continuously driving performance, and the strategic flexibility our strong cash generation and financial position bring, we continue to look to the future with confidence.

David Williams
Chair

Andrew King
Group CFO

Farewell from Peter Oswald

"It has been a great honour to have worked for the Mondi Group over the past 28 years, and I am extremely proud of what we have achieved together. I leave knowing that the Group is in the hands of a strong Board and an experienced senior management team led by Andrew King, who will ensure its continued success."

Peter Oswald
Outgoing Group CEO

Message from Andrew King

"I am excited to accept the role as CEO of Mondi. We have a clear strategic focus, robust business model and many talented and dedicated people.

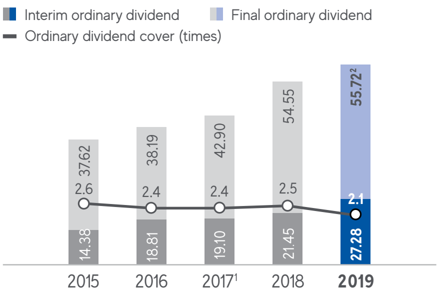
I look forward to working with the Board and wider leadership team to continue the successful development of the Group."

Andrew King
Group CFO and Group CEO designate

Total ordinary dividend per share

euro cents

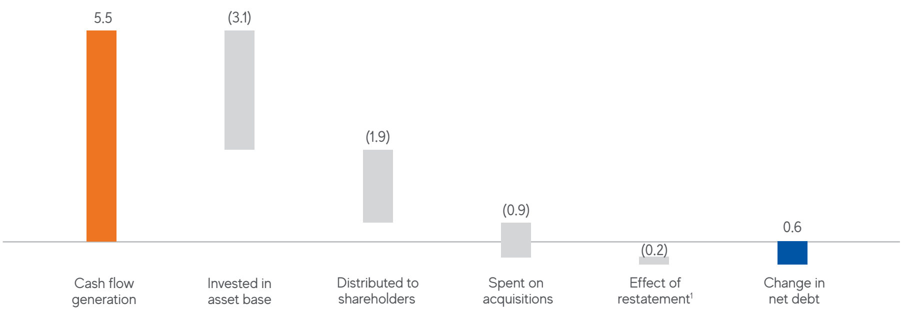
83.0 euro cents



1 In addition to the 2017 ordinary dividend, a special dividend of 100 euro cents was paid in 2018
2 Proposed

Five-year cumulative cash flow

€ billion



1 Net debt prior to 2017 does not include the effect of IFRS 16

Sustainability performance
Growing responsibly

Our Growing Responsibly model remains the framework through which we respond to our sustainability challenges and opportunities, providing a solid structure for our future success. It also enables us to implement our strategy to drive value accretive growth, sustainably, as well as monitor and improve our performance across the value chain.

The model covers 10 Action Areas, which reflect the aspects of sustainability that are most relevant for Mondi and our stakeholders. Within these Action Areas, we have made 16 public commitments running to the end of 2020, along with long-term science-based carbon emissions commitments.

Contributing to the UN Sustainable Development Goals (SDGs)

In 2019, we reviewed our contribution to the SDGs to identify those areas where we believe we have the greatest impact and opportunity to make a real and lasting difference. As a result, we added SDG 6 (Clean water and sanitation) to the six SDGs which were highlighted as most relevant in last year's report. Water scarcity is a key concern that extends beyond historically sensitive regions such as South Africa; the impacts of our pulp and paper mills on water quality and quantity is a pertinent topic in all countries where we operate.

6 Clean water & sanitation
7 Affordable & clean energy
8 Decent work & economic growth
9 Industry, innovation & infrastructure
12 Responsible consumption & production
13 Climate action
15 Life on land

Materiality

Our material issues articulate what matters most to our business and our stakeholders. This is crucial to identify and manage our risks and opportunities and to respond effectively to our stakeholders. We carried out an assessment of our material sustainability issues in 2018 to understand their relative importance and identify new and emerging issues. It combined qualitative and quantitative inputs from internal and external stakeholders, meeting GRI guidance and best-practice standards. Identifying and understanding our material issues supports the development of our commitments beyond 2020.

Sustainable Development report – Materiality section
www.mondigroup.com/sd19

Solutions that create value for our customers

UN SDGs

We encourage sustainable, responsibly manufactured products and closer collaboration with our customers and partners.

Read more
Page 51

Relationships with communities

UN SDGs

We aim to enhance our social value to communities through effective stakeholder engagement and meaningful social investments, using global frameworks that enable us to address local priorities.

Read more
Page 49-50

Supplier conduct and responsible procurement

UN SDGs

We're taking steps to encourage greater transparency and promote fair working conditions by developing a responsible, inclusive and sustainable supply chain.

Read more
Page 48

Biodiversity and ecosystems

UN SDGs

We promote ecosystem stewardship to sustain services that our businesses and communities rely on through sharing best practices and continued, long-term collaboration with our stakeholders.

Read more
Page 46-47

Constrained resources and environmental impacts

UN SDGs

Our focus on operational excellence drives efficiency improvements to ensure responsible use of water, reduction of waste and emissions, the cascading use of wood and development of resource-efficient products.

Read more
Page 45-46

Employee and contractor safety and health

UN SDGs: 8 Decent work and economic growth

Our goal is zero harm to employees and contractors, and a safe and healthy workplace.

Read more
Page 37-38

A skilled and committed workforce

UN SDGs: 8 Decent work and economic growth; 9 Industry, innovation and infrastructure

We're developing a culture that aims to inspire, engage and develop all our people to reach their full potential, while ensuring our business can continue to grow and succeed.

Read more
Page 39-40

Fairness and diversity in the workplace

UN SDGs: 8 Decent work and economic growth; 9 Industry, innovation and infrastructure

The diversity of our workforce is one of our greatest strengths. We promote fair working conditions for a better, more diverse workplace.

Read more
Page 40-41

Sustainable fibre

UN SDGs: 12 Responsible consumption and production; 15 Life on land

We're promoting positive change to support credible certification systems that will meet increasing demand for sustainable fibre. We also manage our own forests sustainably.

Read more
Page 42-43

Climate change

UN SDGs: 7 Affordable and clean energy; 9 Industry, innovation and infrastructure; 13 Climate action

We consider climate change in our business decisions through sound investments to improve energy efficiency and responsible procurement of wood and fibre. Our sustainably managed forests also play an important role in storing carbon.

Read more
Page 43-44

"We are committed to enhancing our positive contribution and addressing our negative impacts."

Dominique Reiniche
Chair of the sustainable development committee

Sustainable Development report
www.mondigroup.com/sd19

Growing responsibly: Our approach

Strong governance is fundamental to building a resilient and successful organisation in which sustainability is embedded at all levels. We engage openly and transparently with stakeholders across the value chain through our governance processes to create an inclusive and fair business.

Sustainability governance

The Board and committees provide the leadership necessary to implement the principles of good corporate governance across the Mondi Group, ensuring all decisions and actions are based on integrity, responsibility, accountability, fairness and transparency. The Board reviews the sustainability performance approach and outcomes.

Policies and standards

Linked to our material issues and aligned with our Growing Responsibly model, comprehensive policies, standards and management systems help us meet our commitments, guide our practice and enable us to address the risks and opportunities we face.

Our Sustainable Development Governance Policy supports our overall approach and is further supported by the following policies, which apply to all our owned and managed operations:

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

Our policies include some of our longer-term sustainability commitments and inform the setting of targets and commitments for each new period. Operating standards define the minimum requirements for good operational management and control across all policy areas and provide guidance on the implementation of the Sustainable Development Management System (SDMS) at Group, business unit and operational levels.

We apply due diligence processes to our practices and performance to ensure alignment with our policies. These include: monthly and annual monitoring of our operations' sustainability performance and regular reporting to the sustainable development committee; active and voluntary use of external assurance and verification of our external sustainability reporting; internal audits to monitor operations' adherence to our standards; training and communication on current and future regulatory requirements and material sustainability issues; and the use of externally certified standards at operational and Group level.

We review our operating standards and practice notes to ensure that they remain relevant and up to date. We seek appropriate expert input into the standards the Group should adopt to be in line with industry good practice and to assess our operations' readiness to meet the upcoming requirements contained in the standards.

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www.mondigroup.com/sd19

Code of business ethics

Mondi's code of business ethics sets clear standards that ensure we conduct business to a high ethical standard, build trust with stakeholders, and comply with all applicable laws and regulation across the Group. It is based on a number of voluntary codes and guidelines and comprises five principles under the following headings: legal compliance; honesty and integrity; human rights; stakeholders and sustainability.

Detailed application of the code is documented in Mondi's policies and procedures, in particular the business integrity policy, which addresses Mondi's zero tolerance approach to bribery and corruption. There is a clearly defined process for reporting violations, with the Group CEO, Group CFO and Group Head of Internal Audit being notified in all instances.

Regular training is provided to all relevant employees and compliance with the policy is monitored by the audit committee. The directors believe that the Group has robust compliance procedures in place in relation to the Code and are not aware of any material non-compliance with the Code.

We have rigorous internal processes to facilitate the reporting, investigation and resolution of any issues. Speakout, our confidential hotline operated by an independent third party, is the primary tool through which employees and other stakeholders can raise concerns.

In 2019, we received 162 Speakout messages (2018: 104) relating to 104 cases (2018: 65). These covered a range of topics, in particular the reporting of employee-related concerns, potential business irregularities and perceived fraudulent activities.

Non-financial information statement

In accordance with Sections 414CA and 414CB of the UK Companies Act 2006, the required non-financial information disclosures can be found integrated throughout the Strategic report.

A summary of key areas of disclosure is set out below:

Business model	Page 16-17
Information relating to environmental matters	Page 42 to 47
Information relating to employees	Page 37 to 41
Information relating to social matters	Page 49-50
Information relating to respect for human rights	Page 41
Information relating to anti-corruption and anti-bribery matters	Page 36
Principal risks	Page 52 to 61
Non-financial key performance indicators	Page 23, 34 to 51, and 68 to 83

External assurance

Our Sustainable Development (SD) report provides a comprehensive view of our approach to sustainable development and our performance in 2019 across our 10 Growing Responsibly Action Areas. ERM CVS has provided assurance on selected information and key performance indicators as well as checked that the SD report is in accordance with the Global Reporting Initiative (GRI) Standards: Core option and that information included in our Integrated Report is consistent and comparable.

External recognition

Our sustainability performance has been disclosed in or received recognition by a number of external corporate ratings and indices, including:

WE SUPPORT

- → Advanced Reporter
- → The CEO Water Mandate – joined 2015

- → Leadership level A for water and A- for climate change and forests

- → ESG Rating AAA

- → Ranked #2 in sector

Now a Part of S&P Global

- → Sustainability Yearbook 2020, Ranked #2 in sector

- → UK 20; Europe 120

- → GOLD recognition level
- → Top 1% of all suppliers

- → Member of the ESI Excellence Europe

- → Member of the FTSE4Good Index Series
- → FTSE/JSE Responsible Investment Index: Top 30

- → Ranked sixth FTSE 100 company

Growing responsibly: Our progress in 2019

Performance worse than or the same as the base year | Achievement of the commitment behind target | Achievement of the commitment on track

Our commitments to 2020	2019 performance in brief	Status[1]
Avoid work-related employee and contractor fatalities	There were two fatal injuries	Red
Prevent life-altering employee and contractor injuries	There were two life-altering injuries	Red
Reduce TRCR by 5% compared to 2015 baseline, including new acquisitions	TRCR was down 22% on 2015	Green

Over the past decade, we've seen open and honest discussions transform the way we engage in and take responsibility for safety. But while we're among the safety leaders in our industry, unsafe behaviour continues to be a common factor in incidents. To achieve our ambition of sending everybody home safely every day, we need to create a safety culture where people act safely in everything they do.

With deepest regret, we report two fatalities in 2019. In January 2019, a contractor conducting pile drilling works at the construction site of a new paper machine at our Ružomberok mill (Slovakia) was fatally injured.

In August, a contractor log delivery driver was fatally injured in our Russian logging operations during towing activities.

We are also deeply saddened to report that a contractor died in January 2020 as a result of an incident during demolition activities at our Syktyvkar mill (Russia).

Robust investigations have been carried out to understand the events involved and identify ways to prevent future occurrences of such incidents and the findings communicated.

We had 222 recordable cases in our operations in 2019 (2018: 262). This equates to a total recordable case rate (TRCR) of 0.59 (2018: 0.68) and represents a 22% decrease compared to our 2015 baseline of 0.76.

1 For fatalities and life-altering injuries we compare our performance to our goal of zero harm

Growing responsibly: Our progress in 2019

Embedding a 24-hour safety mindset

Our '24-hour safety mindset' approach positions safety as something we do for ourselves, for our families, for our colleagues and for their families. We developed the concept to tap into people's awareness on an emotional, conscious and unconscious level by applying safety to all aspects of their lives, not just to work. It is based on the premise that there is no difference between being safe at work or at home – the outcome is the same – and if we develop our habits so that safety becomes a conscious and unconscious behaviour, we'll ensure our own safety and that of those around us.

We are developing programmes and tools to develop both the conscious and unconscious mindset of our employees, as well as improving safety engagement between first line managers and their teams. In 2019, we launched new safety videos to promote the 24-hour safety mindset and new e-learning tools for selected safety topics.

Read more about how we promoted a 24-hour safety mindset in 2019
www.mondigroup.com/sd19

All Mondi safety and health colleagues are required to complete our safety for professionals programme by 2021. This programme addresses leadership and training skills, as well as selected methodologies, such as task risk assessment and permit to work. At the end of 2019, 1,524 people had also attended the three-day first-line managers training programme.

Risk-based approach

We take a risk-based approach to managing safety and health. Risk assessments are an important tool for identifying hazards and putting necessary control measures in place. We provide training on our methodologies to ensure teams understand and align with the requirements.

In 2019, we continued with our top fatal risks approach. Each operation identified the next set of top risks and developed management plans to engineer them out of the business. Where this was not feasible or possible, we introduced robust controls and procedures to reduce the risks.

Our 'Nine Safety Rules to Live By' cover hazards that pose a risk of high-consequence injuries. They include: work at heights; mobile plant; chemicals; confined spaces; work in forests; permit to work activities; lifting activities; and moving and rotating equipment.

They are supported by our Task Risk Management Methodology, which provides a practical, easy-to-understand approach to conducting pre-task risk assessments. It enables us to assess probability and severity of a potential incident and shape action plans based on a hierarchy of controls to firstly prevent incidents and then, if they do occur, reduce their severity.

In 2019, we introduced working groups, chaired by the business unit Safety, Health and Environment (SHE) managers, to develop safe practice notes for all operations for the following high-risk topics:

- → Manual intervention with moving and rotating parts in converting operations
- → Safe bleaching chemical handling
- → Safe lime handling
- → Social psychology of risk engagement tool
- → Visitors induction programmes
- → Safety requirements for doctor blade handling
- → Prevention of noise induced hearing loss

The safe practice notes were distributed during the second quarter of 2019 and an engagement board tool was developed and rolled out at selected sites.

Measuring progress: lead, current and lag indicators

Conventional safety performance metrics focus on incidents and total recordable case rate (TRCR), known as 'lag' indicators. We also use 'current' and 'lead' indicators, enabling us to monitor proactive efforts and improvements aimed at preventing incidents. 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 Review (PDR) process.

In 2019, we carried out 100,620 safety audits against a target of 68,458, including management risk-focused audits, first-line manager task audits, SHE professional focus audits and peer observations. More than 96% of resulting actions were completed.

Health and wellbeing

We raise awareness of diseases such as HIV/AIDS, diabetes and tuberculosis among the people who work for us. We also offer health and wellbeing facilities and wellness programmes at many locations. In 2019, 3,269 employees and contractors participated in the HIV/AIDS voluntary programme in our South African operations (2018: 3,465), with 1,827 opting for testing. In addition, 13 employees and 1,099 contractors benefited from the anti-retroviral treatment (ART) programme.

In January 2019, we extended our Employee Assistance Programme (EAP) to 14 countries. It is a 100% confidential telephone hotline, provided by an external company of qualified counsellors and advisers, which can be used by Mondi colleagues and their families free of charge and around the clock, 24/7/365.

A SKILLED AND COMMITTED WORKFORCE

Our commitment to 2020	2019 performance in brief	Status
Engage with our people to create a better workplace	Action was taken across the Group in response to the 2018 employee survey A new employee survey conducted in March 2020	●

With approximately 26,000 employees across more than 30 countries, our vision is to provide an employee experience that inspires and empowers a global workforce to deliver our Group strategy. Engaging and motivating our people to reach their full potential and providing opportunities for their personal and professional development ensures our business continues to grow and succeed.

Employee engagement is integral to our culture and to creating an inspiring workplace where people feel valued and included. Providing a strong employee experience, supported by open, two-way communication, positions Mondi as an attractive employer to current and future employees.

Employee engagement
Page 102

Our cultural development programme 'Inspire' drives our people to live by Mondi's three core values – performance, care and integrity and is the lens through which we consider all our HR processes, engagement and development mechanisms.

We use both formal and informal processes to communicate and engage with employees, together with Performance and Development Reviews (PDRs). In addition to our global intranet platform, regular local sessions focus on safety, operational objectives, performance and the Group's purpose, strategy, values and culture. There are a number of performance-related pay schemes that reward employees for the pursuit and achievement of business objectives, in which the majority of our employees participate. We also have long service and recognition awards across the organisation.

Our group-wide employee survey enables us to better understand employee views so we can consider them in strategy and decision-making. Following our most recent employee survey in March 2020, we will report in more detail on the outcomes and actions in our 2020 report. Our previous employee survey was carried out in 2018. Detailed outcomes can be found on page 48 of our 2018 Sustainable Development Report.

We share the detailed results of our group-wide employee survey for each business and location to allow for targeted action planning.

We also support local operations to develop their response by sharing best practice and through a new guide to "Employee survey action planning and workshop design".

Transparency, assessment and feedback

Annual and mid-year PDRs are an opportunity for employees and their managers to reflect on individual performance and set personal development goals. The PDR process includes all office employees and production employees with a leadership role including team leaders, plant supervisors and shift leaders. We also use a variety of 360° feedback tools to enable people to better understand their behaviours and areas for improvement. In 2019, we adjusted the 360° feedback's questions and evaluation criteria to support our Diversity and Inclusion (D&I) journey. The questions explore respect for diversity in the organisation, communication with diverse audiences and adaptation to cultural norms.

Training and development

By enhancing the skills of our people, we support them to realise their potential and develop an agile workforce that is capable of meeting our changing business needs.

Our employee induction includes training related to the business, its strategic value drivers, products and our approach to sustainable development. We have designed specific training to empower employees and support diversity, particularly gender diversity. In 2019, we introduced 'Conscious Inclusion' to enable employees and management to become more mindful of their unconscious perspectives and biases.

Employees in sales and marketing roles, and others that may come into contact with competitors, annually complete competition compliance training which also covers Group Organisational Policies and Business Integrity. We extended this training in 2019 to include sustainability policies, with special emphasis on our Labour and Human Rights Policy.

Growing responsibly: Our progress in 2019

In 2019, we devoted around 801,900 hours of employee and contractor time to training and development (2018: 819,200 hours). This does not include informal and on-the-job training, where much of our employee learning happens. Some 46% of this training was dedicated to safety and health issues (2018: 40%).

In addition to 302,032 hours of general safety training (2018: 267,028), we conducted 68,625 hours of critical safety training (2018: 59,995).

We launched a Reverse Mentoring programme in 2019 to enable our leadership teams to benefit from learning from early-career employees outside of their usual circles, developing awareness of the challenges they may face, the unique value they bring, and what they expect from leaders.

Digital transformation

We have begun our digital transformation journey to use data to improve our processes and support our people. This includes simplifying tasks, providing expertise and instructions that may be lacking in some areas, and developing the skills that will help people secure quality jobs. For us, digital transformation is not about cutting jobs – it's about freeing up people's time to enable human creativity and innovation, and reduce stress. Ultimately, our employees will be better equipped for the job market of tomorrow with digital skills that will be necessary across all industries and markets.

The Mondi Academy

The Mondi Academy is our global learning hub. It provides business-related training programmes for leaders, line managers and employees through group-wide training networks and local academies (currently in Poland, Russia, Slovakia, Czech Republic and South Africa). It develops customised programmes – with an emphasis on global topics and leadership. The Mondi Academy International (based in Vienna) conducted 135 seminars and programmes in 2019 (2018:126). which were attended by 1,420 employees, 33% female (2018: 1,196, 26% female). We also launched Digital Bootcamps in 2019 to support employees in developing their digital skills.

Our commitment to 2020	2019 performance in brief	Status
Promote fair working conditions and diversity in the workplace	The group-wide D&I taskforce made good progress in 2019 Mondi joined the UN Women's Empowerment Principles – We Mean Business initiative	●

The diversity of our workforce drives innovation and better decision-making, enabling us to meet the needs of our employees, customers, communities and shareholders. To maintain a fair, diverse and inclusive workplace, we promote good working conditions and uphold high standards of employment and human rights.

We strive to create an inclusive environment where differences are valued and embraced and we apply a zero tolerance policy towards discrimination and harassment. Equal opportunities for all is a priority across our operations.

Although labour and collective bargaining practices differ from country to country, basic rights and fair employment standards (including fair wages[1]) apply throughout the business. They are managed locally, guided by Group policies and standards.

Diversity & Inclusion (D&I)

Our policy is to treat everyone – including our employees and contractors, whether part-time, full-time or temporary – fairly and with respect. Our approach is designed to promote diversity, eliminate bias, and support equal opportunity across our operations.

We monitor gender diversity across the business, and among our senior management. We provide equal opportunities for all regardless of gender, race, age, sexual orientation, ethnicity or any other difference and we are working to increase the representation of women at all levels.

Our Diversity & Inclusion Policy reflects the Hampton-Alexander Review[2] recommendation that boards and executive committees and their direct reports combined should be 33% women by 2020. It also includes a focus on ethnic and racial diversity across our board and executive committee members and supports our Labour and Human Rights Policy. In 2019, we joined the growing community of businesses publicly demonstrating their commitment to advancing gender equality in the workplace by signing the UN Women's Empowerment Principles.

At the end of 2019, 21% of employees were female (2018: 21%), with two female directors (25%) on the Board and one director of colour. In June 2019, we reported to the Hampton-Alexander Review that we had 22% female representation on our executive committee and 27% in the direct reports to the executive committee, giving a combined total of 27% (2018: 27%). As at 31 December 2019, this had increased to 33% female representation on our executive committee and 29% in the direct reports to the executive committee, giving a combined total of 30%. We also reported in June that 22% of the executive committee members were between 30 and 50 years old, with the remaining 78% being over 50. 64% of Mondi South Africa's management team (seven out of 11 operational committee members) were previously disadvantaged individuals (2018: 60%, six out of 10).

Gender diversity 2019*	Male	%	Female	%
Directors	6	75	2	25
Senior managers	186	87	29	13
Employees	20,267	79	5,379	21

* As at 31 December 2019
Senior managers including subsidiary directors as per the definition set out in Section 414C of the UK Companies Act 2006

We consider all applications for employment in a fair and balanced way, based on capabilities, skills and experience. Our Labour and Human Rights Policy commits us to consistent and fair training, career development and promotion, including for people with disabilities.

At our Group office in Vienna, we have partnered with myAbility, a social business which brings together companies and people with disabilities to foster a more inclusive workplace.

In the event of an employee suffering a life-altering injury at work, we facilitate appropriate medical treatment and ongoing rehabilitation, and support their continued employment by finding alternative equivalent jobs for them.

Our D&I taskforce – a cross-business, cross-functional team launched in 2018 – is helping to shape and embed our approach to managing D&I across the Group. In 2019, it focused on communication and good practice sharing, piloting 'Conscious Inclusion' training with the Group Executive and Operational Committees and several senior leadership teams, and a review of 'Inspire', our cultural framework, to foster an inclusive environment.

Human rights

We are strengthening the monitoring and reporting of potential human rights risks across our operations and areas of our supply chain. We have added labour and human rights criteria to our procurement processes – including fibre procurement due diligence and audit processes, purchasing policies, Code of Conduct for Suppliers, and supplier audit protocols.

Respecting and protecting human rights is embedded in many of our practices, including: safety and health; fair treatment of employees; respect for the law; engaging and investing in communities; minimising environmental footprint; producing products to the highest safety, health and hygiene standards; and working with suppliers and contractors to meet high standards of business conduct.

In 2019, we started to develop a new human rights due diligence process with the support of the Danish Institute for Human Rights (DIHR)[3] and will report on the outcomes and actions arising from this process.

We are investigating the need for formal human rights training based on risk, and developing tools and guidance.

As a first step, we have extended competition compliance training to include our sustainability policies, with emphasis on our Labour and Human Rights Policy. We are also working on the implementation of comprehensive mechanisms to identify and address human rights incidents in our supply chain.

There were no reports of human rights incidents in our operations or supply chain through our Speakout tool or any other reporting mechanisms in 2019.

We support the UK Modern Slavery Act and its requirement for organisations to prepare an annual slavery and human trafficking statement. The latest statement was published on our website in June 2019 for the financial year 2018, with the next update due in June 2020.

Restructuring, divestitures and closures

When employees are affected by organisational restructuring, we follow our own human resources policies and local labour rules as a minimum, including consultation, notice periods, regular briefings and trade union involvement where available. If roles are at risk, we support affected employees through retraining, re-employment and relocation, supporting entrepreneurship and providing severance payments, depending on local regulations and available legal schemes. In 2019, we divested a plant in Duffel (Belgium) and in Turkey we ceased production on a recycled containerboard machine at our Tire Kutsan operation, affecting 60 employees (out of the operation's total of 300). We have offered compensation packages in mutual agreements to those affected. In the US, our paper bags operation in Pine Bluff went through restructuring (affecting 55 employees), and the relocation of our head office in North America as well as sales and regional restructuring affected a further 10 people. We provided all employees impacted with severance packages as well as outplacement services with an external service provider, offering support to find jobs through online courses and personal coaching.

1 Ensuring that wages paid for a standard working week shall at least meet legal or industry minimum standards and shall always be sufficient to meet the basic needs of our employees and to provide some discretionary income

2 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

3 An independent state-funded institution with a mandate to promote and protect human rights in Denmark and abroad

Growing responsibly: Our progress in 2019

Our commitments to 2020	2019 performance in brief	Status
Procure at least 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 (CW)	72% of wood and 99% of pulp sourced from certified sources All Chain-of-Custody (CoC) certifications with Controlled Wood (CW) requirements were maintained	●
Maintain FSC certification for 100% of our owned and leased forest lands in South Africa and Russia and promote sustainable forest management	100% of owned and leased forest lands maintained as certified	●

Mondi uses wood fibre from responsibly managed forests to make its packaging and paper products. Responsibly sourced wood is a sustainable, renewable resource and we work hard to provide the best assurance that our wood fibre is sourced responsibly and transparently.

The majority of our wood fibre is sourced in the form of roundwood and wood chips. Around one quarter of this originates in our managed forests in Russia and South Africa and the remainder we buy from external suppliers, mainly in central Europe. We also buy a small proportion of our wood fibre in the form of market pulp. We have maintained 100% compliance with FSC™, PEFC™ or Controlled Wood sourcing of all wood and pulp in 2019, ensuring full transparency in our supply chain.

Our risk-based approach

We recognise that there are significant global challenges related to deforestation, which affect biodiversity and ecosystems, our climate and livelihoods. We are committed to zero deforestation, no illegal logging, and no use of illegal wood or species listed by the Convention of International Trade on Endangered Species (CITES) or the Red List of International Union for Conservation of Nature (IUCN). We do not use wood from genetically modified (GM) trees.

Our primary wood sourcing regions are in South Africa, north-west Russia and Europe. By sourcing wood from these regions, in line with our Due Diligence Management System (DDMS), we minimise the risk of controversial wood entering our supply chain. We support multi-stakeholder platforms globally to address root causes of deforestation.

Our DDMS applies a risk-based approach to ensure legal compliance and also to address broader economic, social and environmental issues across our entire wood supply chain. It focuses on two key areas:

Legal compliance: We classify our wood sourcing countries into three categories of risk – high, medium and low. Risk levels are based on the strength of national governance systems and the prevalence of legal risks within each country. Within each risk category we have defined the level of assurance or certification grade of materials sufficient to comply with legal requirements for each country.

Sustainability issues: We go beyond the requirements of current assurance mechanisms by screening economic, social and environmental issues, using publicly available information and insights from partners to ensure timely detection and targeted response to critical issues in our wood supply chains on a case-by-case basis.

We do not source wood or products from sources that involve any of the following: violation of national and international legislation; violation of traditional and human rights; destruction of high conservation values, conversion of forests to plantations or non-forest use; introduction of genetically modified organisms; or violation of any of the International Labour Organization (ILO) Core Conventions.

In 2019, 72% of our total procured wood was certified to FSC or PEFC (2018: 71%) and 99% of our externally procured pulp was from FSC- or PEFC-certified sources (2018: 94%). All our mills are certified to FSC and/or PEFC Chain-of-Custody standards.

We have established a Certification Managers Network which brings Mondi's wood supply teams from across Europe together with external experts to facilitate collaboration and alignment of local Due Diligence Systems and practical implementation of control measures.

Effective use of wood fibre in the forest products value chain

The world is facing growing demand for sustainable forests and sustainable wood fibre. The current focus on substitution of materials – paper packaging instead of plastic, wood biomass energy instead of fossil fuels – will continue to drive this trend. We believe there are a number of approaches that are fundamental to meeting the demand for sustainable wood fibre in the long term:

Sustainable Working Forests model: Securing resilient forest landscapes is key to producing sustainable virgin fibre. The Sustainable Working Forest model[1] integrates productive renewable forest sites with effective ecological networks, and is the basis of how we practice forestry at Mondi.

Integrated wood fibre system: Virgin and recycled fibres are complementary across the forest products value chain. A proportion of virgin wood fibre will always be needed in the fibre supply chain to ensure recycled paper production and supply are sustainable in the long term.

Cascading use of wood approach: In order to reduce the pressure on the world's forests, wood should first be used to make high-value products like furniture, packaging and fine papers before it is reused, recycled and finally burnt for energy generation. We are not in favour of direct use of wood as an energy source.

Over the last 25 years the forests area in Europe has been growing. Forest area has expanded by 17.5 million hectares and wood stock grew by 10.1 billion m^3 with total biomass carbon stocks increasing by 42%[2]. We consider not only the positive impact of forests on climate change, but also the obvious impact of climate change on forests.

1 https://www.mondigroup.com/en/sustainability/working-forest/
2 Forest Europe, State of Europe's forests 2015, https://foresteurope.org/state-europes-forests-2015-report/

Our commitments to 2025 and 2050	2019 performance in brief	Status
Reduce Scope 1 and 2 GHG emissions 34% per tonne of saleable production by 2025 and 72% per tonne of saleable production by 2050, from a 2014 baseline	15.5% reduction of specific Scope 1 and 2 CO_2e emissions against the 2014 baseline	
Reduce Scope 2 GHG emissions 39% per MWh by 2025 and 86% per MWh by 2050 from a 2014 baseline	6.1% reduction of specific Scope 2 CO_2e emissions per MWh against the 2014 baseline	

Our customers are increasingly concerned about the consequences of climate change and are looking to us for more sustainable solutions. We are taking action and managing our impacts by transitioning to low carbon energy technologies, reducing the carbon footprint of our products and refining our approach to sustainable fibre and forest management. In 2019 our science-based greenhouse gas reduction targets to address the climate crisis were approved by the Science Based Targets initiative and we updated our commitments accordingly.

Producing pulp, paper and packaging is energy-intensive and energy generation is the major source of our greenhouse gas (GHG) emissions. In addition, fibre is the main raw material for our products and forests are an important carbon store, with sustainably managed forests having the opportunity to support a circular bioeconomy. We combine strategic energy-related investments across our pulp and paper mills with good management and best-practice sharing. We invest in optimising energy and process efficiencies and replacing fossil fuel-based energy with renewable biomass sources.

Sustainable Development report
www.mondigroup.com/sd19

Managing climate-related risks and opportunities

We identify and assess climate-related risks using our group-wide risk management framework. It includes pre-determined risk tolerance limits, established by the Board, based on the likelihood and severity of risk factors.

Climate change has the potential to affect our business in various ways. While these may not be severe in the short term, we believe climate-related risks are likely to have a medium and long-term impact on our business. We have identified both transition and physical risks. Governments and regulators are likely to take action to curb carbon emissions that may impact our business, such as the introduction of carbon taxes. Changes in precipitation patterns and extreme weather conditions such as floods, storms, droughts and fires may impact our plantations and the forests we source wood from and could result in fibre supply chain interruptions and higher fibre costs. Higher temperatures may also increase the vulnerability of forests to pests and disease. Increased severity of extreme weather events may also interrupt our operations. In water-scarce countries, we may see an impact on our production process as a result of limited water availability.

Growing responsibly: Our progress in 2019

We assess the financial implications of climate-related risks according to the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) recommendations, considering a 2°C scenario and a business as usual scenario. Three key climate-related risks and three opportunities have been identified to calculate our first estimate of the financial implications. We have evaluated the impact the reduction of CO_2 allowances during the next EU Emissions Trading System (ETS) period would have on our manufacturing operations in the European Union. We have also identified how extreme weather conditions may result in reduced tree growth yields at our South African forests and how water scarcity may impact our operations in the country. Our climate-related opportunities include reduced operating costs through greater energy and water efficiency and generating income by selling low-carbon, biomass based chemical by-products from our pulp process (such as turpentines) as well secondary raw materials.

Working with WWF's Climate Savers programme to set science-based targets

In 2018, we joined Climate Savers[1], WWF's climate leadership programme for businesses. In 2019, the Science Based Targets initiative (SBTi)[2] assessed and approved our Scope 1 and Scope 2 science-based target submissions against the Call to Action's eligibility criteria. These science-based targets will help Mondi support the global transition to a low-carbon economy.

Our science-based targets together cover more than 95% of Mondi's total Scope 1 and 2 emissions[3]. They are:

1) Reduce Scope 1 and 2 GHG emissions by 34% per tonne of saleable production by 2025 and 72% per tonne of saleable production by 2050 from a 2014 base year.

2) Reduce Scope 2 GHG emissions by 39% per MWh by 2025 and 86% per MWh by 2050 from a 2014 base year.

"By setting science-based GHG reduction targets, Mondi has taken an important step in supporting the achievement of SDG13."

Manuel Pulgar-Vidal,
WWF's global climate and energy practice lead

Energy-related investments

To achieve our climate goals, we make targeted energy-related investments across our pulp and paper mills, mainly through recovery boilers that utilise the biomass residues of our pulp making process. Since 2013, Mondi has invested around €700 million in energy efficiency measures and generating biomass-based energy in our mills. We identify potential energy efficiency projects through our ongoing internal energy efficiency programme (DIANA). Projects are assessed against the level of investment, potential financial and energy savings, CO_2 reduction and their contribution to energy security.

GHG emissions:[4, 5]

	2014 baseline CO_2e	2018 CO_2e	2019 CO_2e	% change 2018-2019
Our mills' absolute scope 1 emissions	4.3 million tonnes	3.8 million tonnes	3.9 million tonnes	2.7% increase
Our mills' absolute scope 2 emissions	1.0 million tonnes	0.58 million tonnes	0.46 million tonnes	21.7% decrease
Our mills' specific GHG emissions (per tonne of saleable production)[6]	0.84 tonnes	0.72 tonnes	0.71 tonnes	1.8% decrease
Our mills' specific scope 1 emissions (per tonne of saleable production)[6]	0.69 tonnes	0.63 tonnes	0.64 tonnes	1.4% increase
Our mills' specific scope 2 emissions (per tonne of saleable production)[6]	0.15 tonnes	0.10 tonnes	0.07 tonnes	22.7% decrease

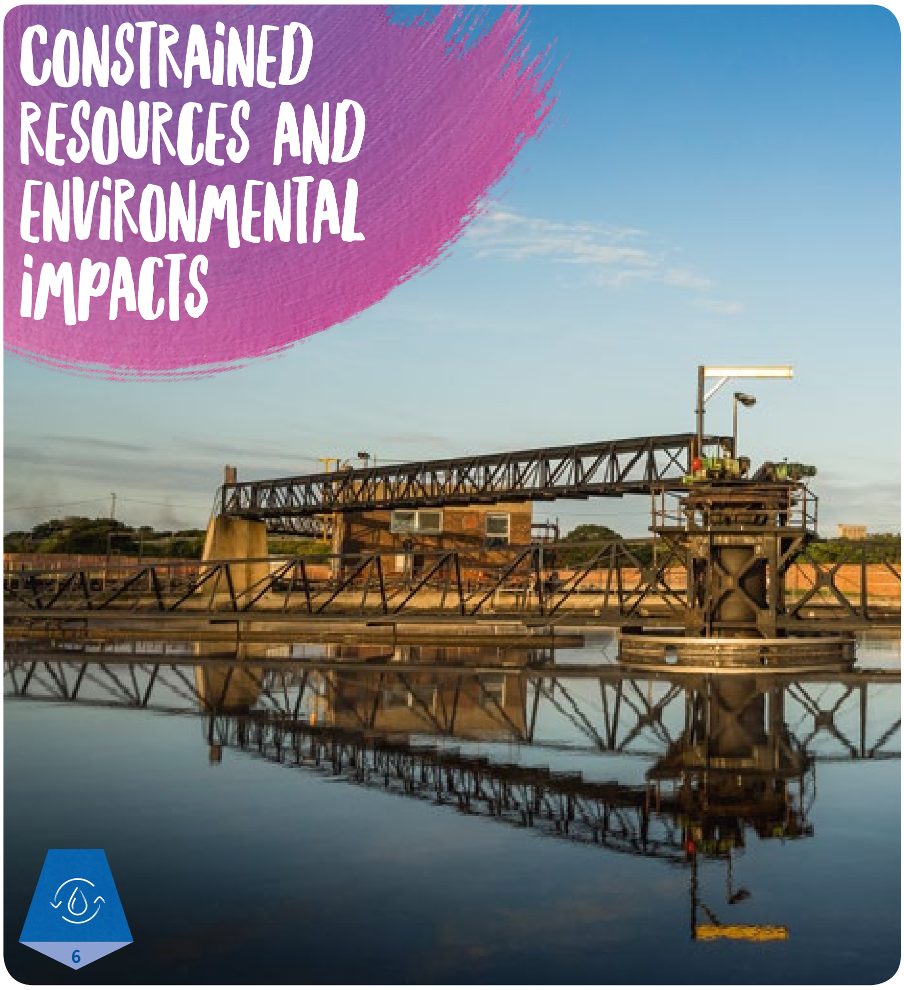
Our GHG methodology
Sustainable Development report
www.mondigroup.com/sd19

Energy consumption and energy intensity (mill operations):[5]

	2014 baseline GJ	2018 GJ	2019 GJ	% change 2018-2019
Energy consumed by pulp and paper core processes in the form of heat and electricity at our operations	90.7 million	91.6 million	91.1 million	0.5% decrease
Electricity purchased by our mills from external sources	7.6 million	4.3 million	3.6 million	14.7% decrease
Total electricity requirements for producing pulp and paper	20.0 million	19.3 million	19.8 million	2.6% increase
Total heat requirements for producing pulp and paper	70.7 million	72.2 million	71.3 million	1.4% decrease
Energy sold to the local grids	10.8 million	8.5 million	8.3 million	3.2% decrease
Total energy sales including green fuel sales	12.8 million	10.2 million	9.8 million	3.6% decrease
Our mill's electricity self-sufficiency (including energy sales)	95%	100%	102%	
Our mill's electricity self-sufficiency (excluding energy sales)	77%	85%	87%	

1 https://climatesavers.org
2 https://sciencebasedtargets.org/
3 Scope 1 emissions of our converting operations are excluded from our science-based GHG reduction target as there is currently no sector based calculation approach available.
4 We report our GHG emissions according to the Greenhouse Gas Protocol, published by the WBCSD and the WRI, and have reported our scope 1 and 2 GHG data in compliance with ISO 14064:1-2006. ERM CVS has provided reasonable (pulp and paper mills) and limited (converting operations) levels of assurance on our scope 1 and 2 GHG data in accordance with ISO 14064. See their full statement at www.mondigroup.com/sd19
5 Figures have been rounded for ease of reading, however % change 2018-2019 has been calculated using full performance figures as disclosed in our Sustainable Development report www.mondigroup.com/sd19
6 2014 baseline excludes divested mills

CONSTRAINED RESOURCES AND ENVIRONMENTAL IMPACTS



Our commitments to 2020	2019 performance in brief	Status
Reduce specific contact water consumption from our pulp and paper mills by 5% compared to a 2015 baseline	1.9% reduction of specific contact water consumption against the 2015 baseline	
Reduce specific waste to landfill by 7.5% compared to a 2015 baseline	3.0% decrease of specific waste to landfill against the 2015 baseline	
Reduce specific NOx emissions from our pulp and paper mills by 7.5% compared to a 2015 baseline	12.6% reduction of specific NOx emissions against the 2015 baseline	
Reduce specific effluent load to the environment (measure COD) by 5% compared to a 2015 baseline	7.9% increase of specific effluent load against the 2015 baseline.	

The linear use and discard of materials has led to resource scarcity, pollution, biodiversity loss, degradation of land and water, and climate change. Using raw materials and energy efficiently is fundamental to being a sustainable business, ensuring we manage our adverse impacts and maximise our opportunities.

Resource efficiency is relevant to many of our material issues – from product design to minimising our environmental impacts and sourcing responsibly. We consider waste disposed at landfills and emissions to air and water as wasted resources and we take action to minimise them across our operations. Our investments in Best Available Techniques (BAT)[1] have enabled us to achieve significant improvements in resource efficiency.

Water reduction and recycling

The paper and pulp industry is water-intensive; our mills and converting operations impact on water resources and communities through their withdrawal and use. We are committed to managing our water impacts by reducing our water use and increasing water recycling.

In 2019, we worked with WWF to develop a new water stewardship assessment methodology to help us identify basin- and production-related water risks, understand shared challenges facing the catchment and identify measures to manage future risks.

Total Group water input was around 306 million m^3 in 2019 (2018: 303 million m^3), with specific contact water consumption at our mills at 33.0 m^3 per tonne of saleable production (2018: 33.2 m^3). In water scarce areas in South Africa, we used 27 million m^3 of water (2018: 25 million m^3), a 5.5% increase on the previous year. This increase was mainly due to process instabilities at our Richards Bay (South Africa) mill during 2019 negatively impacting our water use efficiency.

Effluent and wastewater quality

We have invested €75 million in modernising our wastewater treatment plants, including at our mills in Świecie (Poland) and Syktyvkar, since 2013.
Our commitment is to reduce the specific effluent load (COD) of waste water by 5% by 2020 (against a 2015 baseline). As of the end of 2019, the Group's COD had increased by 7.9%. As above, this is mainly due to process instabilities at our Richards Bay mill, which caused increasing COD loads to be treated by the mill's wastewater treatment plant. Improvements to the production site and in the wastewater treatment plant are planned for 2020.

1 In support of the EU's Directive on Industrial Emissions (IED, 2010/75/EU), Best Available Techniques (BAT) reference documents, the so-called BREFs have been published under http://eippcb.jrc.ec.europa.eu/reference/

Growing responsibly: Our progress in 2019

Managing waste

We work closely with partners such as the World Business Council for Sustainable Development (WBCSD), WWF, New Plastics Economy initiative and CEPI to support the transition to a circular economy. Our goal is zero waste to landfill and we focus on developing initiatives to enable our business and the packaging and paper sector as a whole to achieve greater resource efficiency.

We have committed to reduce the waste we send to landfill by 7.5% by 2020, against a 2015 baseline. In 2019, we sent 37.1 kg of waste to landfill per tonne of saleable production (2018: 38.2 kg). This is a 3.0% decrease against 2015 and a 2.8%[2] decrease since the previous year. It was achieved through recycling programmes for effluent fibre and boiler ash, and aided by the shutdown of a paper machine at our Merebank mill (South Africa).

Air emissions

We are committed to minimising environmental impacts resulting from air emissions from our sites. We carefully manage our air emissions and use ISO standards to monitor, analyse and calculate absolute emissions of pollutants.

In 2019, we emitted 44 tonnes of TRS (2018: 55 tonnes). This 19.7%[2] decrease compared with 2018 has been achieved mainly by modernisation projects at our mills.

In 2019, our SO_2 emissions were 1,276 tonnes (2018: 1,567 tonnes). This represents an 77.2% reduction against 2015 levels and a 18.6% decrease on 2018, mainly due to our boiler investments at our mill in Štětí (Czech Republic).

Our specific NOx emissions amounted to 1.8 kg per tonne of saleable production (2018: 1.7 kg), down 12.6% against 2015 levels. We emitted 928 tonnes of fine dust emissions (particulates) (2018: 1,023), a 38.1% decrease since 2015.

2 Figures have been rounded for ease of reading, however % change 2018-2019 has been calculated using full performance figures as disclosed in our Sustainable Development report www.mondigroup.com/sd19

Mondi supports the WWF's efforts to develop a population recovery programme for reindeer in the Komi Republic and Kamchatka.

Our commitment to 2020	2019 performance in brief	Status
Promote ecosystem stewardship in the landscapes where we operate through continued multi-stakeholder collaboration	We continued active support and collaboration with a number of organisations We took steps to extend management of the biodiversity impacts of our operations.	

Biodiversity is a crucial component of healthy functioning forests and other important ecosystems.[1] We focus on implementing best available practices for managing conservation areas and maintaining natural capital in our operations.

We aim to go beyond our forestry operations to promote and catalyse ecosystems stewardship by working in partnership across broad landscapes and product value chains.

Our most significant biodiversity impacts and dependencies occur in our forestry operations due to their large scale and landscape-wide impacts. Biodiversity is also relevant to our manufacturing operations through the local impacts of our mills.

We have forestry operations in Russia and South Africa. We manage 2.1 million hectares of slow-growing natural boreal forests in Russia and 254,000 hectares of fast-growing forestry plantation landholdings in South Africa, with around a quarter set aside for conservation and protection of biodiversity and ecosystem services.

The measures we apply to manage our impacts on natural ecosystems vary depending on the region. In Russia, we work with others to protect Intact Forest Landscapes (IFLs) and Intact Forest Areas (IFAs). We protect High Conservation Values (HCV) areas, preserving them in the natural state, imitating natural dynamics in forestry and protecting watercourses and soils. In 2019, a new national park was established in Komi, Koigorodsky National Park, which we achieved together with Silver Taiga Foundation after more than a decade of collaboration. In our South African forestry landholdings, we recognise the value of well-designed and managed ecological networks to protect or enhance biodiversity, and to increase the resilience to adverse effects of severe weather events and the climate crisis.

We have been exploring potential impacts and dependencies of our pulp and paper mills since 2015. Next steps will be to develop site-specific Biodiversity Action Plans (BAPs) for any relevant sites following biodiversity impact assessment outcomes.

Sustainable Working Forest and landscape approach

Our Sustainable Working Forest model concept represents a resilient production landscape, which maximises timber production while seeking to maintain biodiversity and ecosystem services. A Sustainable Working Forest promotes effective integration of productive forest areas within a robust nature conservation network. We aim to go beyond the boundaries of our forestry operations and proactively promote landscape stewardship practices by engaging land tenants and other stakeholders via our landscape level initiatives.

Measuring our biodiversity impacts

We continue to improve existing metrics and are developing new metrics to aid measurement across our value chain. For forests, we focus on locally relevant and specific metrics which enable an effective, targeted management response to biodiversity conservation within forest management plans.

Scaling up our impact through collaboration

To have a meaningful positive impact, we contribute to international dialogues and processes, and actively engage with multi-stakeholder platforms and organisations. We work closely with WWF through our global partnership, and regionally through the WWF Russian Boreal Forest Platform (BFP) and New Generation Plantations Platform (NGP). Other key partnerships include the WBCSD Forest Solutions Group (FSG), the Natural Capital Impact Group (NCIG) at the Cambridge Institute for Sustainability Leadership (CISL), the HCV Resource Network (HCVRN) and International Union of Forest Research Organisations (IUFRO).

1 https://www.worldwildlife.org/publications/below-the-canopy

Growing responsibly: Our progress in 2019

Our commitment to 2020	2019 performance in brief	Status
Encourage supply chain transparency and promote fair and sustainable working conditions with our key suppliers	Further rolled out the responsible procurement process and screened 1,000 suppliers Improved our latest Modern Slavery statement by using best-practice reporting guidance	

In today's globally connected economy, supply chain transparency is a priority for stakeholders worldwide. It is a complex challenge that requires cooperation across the value chain. We are improving transparency and managing our impacts by partnering with suppliers to build a responsible and inclusive supply chain.

Our global supply chain spans more than 14,000 tier one suppliers[1] in 66 countries around the world, of which 2,000 are key suppliers[2]. Our focus on responsible sourcing helps to ensure there are no human rights violations and improves our understanding of climate change and water-related risks in our supply chain.

Risk-based approach

We take a targeted, risk-based approach to focus on relevant parts of our supply chain and use credible third-party risk ranking data such as the Corruption Perception Index, Global Slavery Index, the World Bank's Worldwide Governance Indicators and other public sources.

We have defined four key risk areas: labour rights, climate change, water and biodiversity. Our responsible procurement process[3] addresses these risks by identifying high-risk suppliers with whom we will work to resolve or effectively mitigate risks. Wood fibre procurement is covered by our Due Diligence Management System (DDMS).

We conduct regular assessments of key suppliers of wood, fibre and other raw materials to evaluate the reliability of supply, quality of service and environmental and social practices of suppliers.

In 2019, we continued the rollout of our responsible procurement process to our key suppliers across specific procurement categories. This included training procurement teams and engaging with our suppliers on our approach, principles and goals.

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 issues. We updated the Code in 2018 and rolled it out in 2019 through our responsible procurement process.

Human rights in the supply chain

Understanding and managing our human rights impacts enables us to reduce risks, meet shareholder needs, secure access to resources, and strengthen our supply chains. We continue to work on strengthening the monitoring and reporting of potential issues in our operations and supply chain, including integration of labour and human rights risks into our responsible procurement process.

Through our responsible procurement approach, we are taking steps to identify and address suppliers with high labour risk exposure or non-compliance with our Code of Conduct on labour issues. We have started working with the Danish Institute for Human Rights to strengthen our human rights due diligence, impact assessment, and governance.

"Our responsible procurement process ensures continuity in the way we communicate our values of environmental and social responsibility to our key suppliers worldwide."

Beatrix Praeceptor
Chief Procurement Officer

1 Direct suppliers that were active in 2019 with at least one purchase order

2 Our key suppliers are categorised as high spend suppliers delivering their goods and services to more than one Mondi site and classified within our supplier relationship management (SRM) with the biggest share of strategic and captive suppliers

3 Wood and fibre are not part of the responsible procurement process, but risk-assessed through our Due Diligence Management System

Relationships with communities

Mondi SCP (Slovakia) – Project Regiochem, visit to the Science Centre in Brno

Our commitment to 2020	2019 performance in brief	Status
Enhance social value in our communities through effective stakeholder engagement and meaningful social investments	SEATs were carried out at two further sites and new investments were made in health and education We revised and improved investment guidelines, to be rolled out in 2020	●

As a global company employing around 26,000 people, we play an important role in local communities – creating employment and business opportunities and investing in local infrastructure. We're developing our approach to measure the social value we create through our investments in communities around the world.

We work hard to support local livelihoods and businesses and to build strong, proactive and transparent relationships with local stakeholders. We are continuously improving our understanding of our social, environmental and economic impacts on local communities – be they positive or negative, actual or potential, short- or long-term, direct or indirect, and intended or unintended.

We do this through various forms of impact assessment, monitoring and reporting, including our tailored Socio-economic Assessment Toolbox (SEAT) and additional formal and informal stakeholder engagement.

Outputs include SEAT reports, action plans and community/stakeholder engagement plans. We use these to inform and target our community development programmes, investments and initiatives, community forums, and training of our community and human resource professionals. Committees and functions such as works councils, health and safety committees and others help shape our response to the findings of local impact assessments.

Our SEAT at Frantschach mill (Austria) was conducted in 2018 and the report published in 2019. We conducted two SEATs in 2019, at our Dynäs mill (Sweden) and Świecie mill. Other local engagement processes include targeted stakeholder surveys, impact assessments, legally-required social and environmental due diligence processes for acquisitions and investments, and regular direct engagement with local stakeholders.

Investing in communities

We base our community investment decisions on the principles of sustainable development, the needs of the community, our business objectives and the potential effectiveness of projects. The majority of our initiatives promote education, health, employment and enterprise support, or support local infrastructure and community development.

We've invested some €46 million in local community initiatives over the past five years, including employee time and gifts in kind. Our investments in 2019 totalled €13.1 million (2018: €7.9 million) and supported a wide range of outcomes including: building healthier communities and improving their future prospects; securing our supply chain; strengthening local relationships; engaging employees; and building trust in the Mondi brand. The increase this year is largely due to more accurate categorisation and reporting of our infrastructure investments in Russia.

Our voluntary investments go beyond monetary contributions; we create social value through Mondi employees giving their time and expertise and by sharing our core skills, networks and influence.

Education

We support educational programmes with a focus on science, technology, engineering and maths (STEM) education. This helps to secure talent and skills for our future business by addressing the need for technical knowledge in the areas where we operate. Our mill in Ružomberok launched 'Project Regiochem' in 2019. It promotes science and chemistry education with a link to paper making for primary school pupils aged 6 to 15.

Growing responsibly: Our progress in 2019

Health

Public health provision can be a challenge in some remote communities where we operate and improving the health of our workforce and local communities is an important element of our community strategy. We actively promote the health and wellbeing of our people.

Examples include:

- → An on-site medical facility at our Stambolijski mill (Bulgaria) which is accessible to both employees and the local community
- → 'Mondi for Life' project at Štětí mill which now supports 432 members from the workforce and the community to promote a healthy work-life balance and a healthy and active lifestyle
- → Health programmes at our Syktyvkar mill, including a medical treatment facility and family care programmes
- → Our Austria-wide health management programme which focuses on safe and healthy working conditions and sustainable health management for employees
- → In South Africa, we operate nine mobile clinics in partnership with local NGOs and the Department of Health. They provide comprehensive health care for our forestry contractor employees and remote communities that do not have access to health care services

Infrastructure and community development

We invest in improving infrastructure and development in the communities where we operate. High-quality infrastructure promotes access to important services, empowers enterprise, facilitates improved levels of health and education, and supports our efficient business operations.

In some cases, impact assessments (for example through SEAT) highlight the need to support improvement of local infrastructure. Examples include in Russia, where we build or maintain more than 100 kilometres of forest roads annually, and some of our mills, such as at Syktyvkar and Ružomberok, which treat community waste water in their wastewater treatment facilities at no cost to the municipality.

Employment and enterprise support

Our support for local enterprise creates wealth and employment, strengthens the local supply chain and builds more independent, resilient communities. In South Africa, our main channel for supporting enterprise is Mondi Zimele[1], which supported 21 businesses and provided discounted loan funding of €1.4 million in 2019. This brings the total to €12 million since 2012, supporting over 230 local businesses, and contributing to creating over 3,500 jobs.

The small-scale timber grower programme has benefited over 3,200 growers through Mondi Zimele supporting and sourcing timber from 1-2 hectare households in rural communities. It has helped generate direct revenues of €6.75 million to date. As part of the programme, Mondi Zimele has distributed 2.1 million seedlings to eligible small growers, and provided training, mill visits and knowledge-sharing field days.

Sibuyile Investments, a community owned silviculture supported by Mondi Zimele

1 http://www.mondizimele.co.za/

Our commitments to 2020	2019 performance in brief	Status
Encourage sustainable responsibly procured products	Introduced EcoSolutions, our customer-centric approach Joined CEPI's '4evergreen' platform	
Additional commitment added in 2018 **Ensure 100% of plastic packaging is reusable, recyclable, or compostable by 2025**	The first Progress Report on the Global Commitment was published Completed Project Proof, a pre-competitive project to design a prototype plastic-based flexible packaging solution that can be recyclable at scale	

Innovative, responsibly produced packaging and paper products play a crucial role in tackling issues such as food waste, resource scarcity, plastic leakage into the environment and the climate crisis. Rising demand for responsibly produced products is an opportunity to grow our business by engaging partners to unlock fit-for-purpose plastic and paper-based solutions supporting a circular economy.

Packaging and paper that is sustainable by design

Mondi is uniquely positioned to offer a range of high-performance paper-based, flexible plastic and hybrid packaging products. To ensure packaging is fit-for-purpose and supports customers to achieve their sustainability goals, we have rolled out our customer-centric approach, EcoSolutions. We aim to enable our customers to make a conscious decision to use packaging that is sustainable by design.

Our sustainable solutions are created to offer functionality, maximise recyclability and minimise waste. Our benchmark for sustainable products is that they must meet at least two of our Sustainable Products criteria, with responsible sourcing mandatory.

In 2019, our businesses finalised business-specific criteria and now track progress in developing sustainable products. This will increase the transparency of our sustainable products portfolio for our business, customers and partners.

Developing the circular economy

We are committed to supporting the transition to a circular economy. Our approach is characterised by collaboration with customers and partners who share our commitments. We are helping to lead the change through multi-stakeholder initiatives such as CEPI's 4evergreen, CEFLEX[1], and the Ellen MacArthur Foundation's New Plastics Economy initiative[2]. We signed up to the New Plastics Economy Global Commitment made by leading brand owners in 2018, retailers and packaging companies to achieve 100% reusable, recyclable or compostable plastic packaging by 2025. As part of our involvement in the New Plastics Economy Commitment initiative, we led a pre-competitive partnership project to design and prototype a plastic-based flexible packaging solution that is scalable and commercially viable and can be processed in sorting and recycling facilities at scale.

Innovation – our R&D approach

In 2019, we invested €25 million in R&D (2018: €22 million). We aim to increase investment in research and development to drive deeper collaboration throughout our supply chain as we move away from non-renewable and non-recyclable plastic. Mondi's research centres drive innovation and collaboration across all Mondi businesses, including the UFP Product and Process Development Centre at Hausmening (Austria), the R&D Innovation Centre and Bag Application Centre at Frantschach and the Consumer Flexibles R&D Centre at Gronau (Germany).

Our Sustainable Products criteria reflect all stages of the value chain:

Responsible sourcing: Products using responsibly sourced raw materials and services from suppliers that meet our social, environmental, legal and ethical criteria

Renewable materials: Products made with renewable material or feedstock

Recycled materials: Products made with recycled content without compromising on quality or safety

Resource optimisation: Products designed, engineered and manufactured to best utilise available resources and reduced emissions to air, water or land

Enhanced product performance: Products and solutions (including substitution of materials) with sustainable features to reduce product loss and/or environmental impact in the supply chain

Next life: Products optimised for the most desirable end-of-life scenario to retain value into their next life, such as reusability and recyclability, or compostability and biodegradability

For Uncoated Fine Paper (UFP), our Green Range labelling system has been in place since 2006. It is designed to communicate three sustainability criteria specific to our uncoated fine paper products: FSC- or PEFC-certified; or 100% recycled fibre; or totally chlorine free (TCF).

1 https://ceflex.eu
2 https://www.ellenmacarthurfoundation.org/our-work/activities/new-plastics-economy

Our proactive approach to risk management

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

Our risk management framework and internal control environment

External audit

- External assurance is provided through external audit which is designed to detect material errors and material irregularities that impact the financial statements

Board

- Overall responsibility for the Group's strategy and risk management
- Determines risk appetite in line with Group strategy, and approves the Group's risk management framework
- Approves the annual budget and three-year plan

Sustainable development committee

- Monitors and reviews material safety, health, environment and other sustainable development risks

Audit committee

- Reviews and monitors the adequacy and effectiveness of the Group's internal control and risk management processes
- Ongoing review of the principal risks through the course of the year
- Approves the annual internal audit plan

Executive committee

- Formulates risk management policies in terms of the approved risk management framework to ensure risks are managed within accepted tolerance levels
- Assesses and monitors risks on an ongoing basis

Internal audit

- The Group has a centrally coordinated internal audit function, which makes use of local competency, and reports directly to the audit committee

Business units

- Responsible for identification of emerging risks and for implementation of risk management policies and procedures

Group functions

- Responsible for providing oversight, and management of certain specialised risk areas that benefit from central coordination (e.g. tax, treasury, information technology, sustainable development, safety and health)
- Work closely with the business units to manage and monitor these risk areas

The three levels of assurance in our internal control environment

Operational management

- Key policies and procedures covering all main areas of business conduct are approved by the Board and each business unit is required to adhere to these overall Group policies.
- Management is responsible for regularly reviewing its entity's operating and financial performance and for preparing and reviewing monthly management accounts and business reports including safety, health, environmental and other material sustainability matters for the reporting period.
- Twice a year, all financial managers are required to complete an internal control assessment and provide written confirmation of compliance with Group policies and procedures. This formal confirmation highlights any control weaknesses or deficiencies identified.

Management review and assurance

- Management is responsible for regularly reviewing the Group's operating and financial performance, including monthly management accounts, the progress of significant capital investment projects and plans, safety, health, environmental and other sustainability matters.
- Management at Group level and, in more depth, at business unit level is responsible for a detailed assessment of current market conditions.
- The Group functions (information technology, Group and business unit controlling, sustainable development, safety and health, treasury and tax) each have board-approved policies in place against which conduct is regularly assessed.

Independent assurance

- Internal and external audit.
- Speakout provides a confidential hotline for reporting irregularities. Follow up is coordinated by internal audit and reported to the Board and audit committee.
- The Group is subject to independent audits against internationally accepted standards such as ISO.
- The Group is subject to regular review and vetting by external regulatory bodies as well as non-regulatory parties, including annual insurance assessments, sustainable development data assurance, and information security programmes.

Risk management is by its nature a dynamic and ongoing process. Our well-defined approach is flexible to ensure that it remains relevant at all levels of the business, and dynamic to ensure we can be responsive to changing business conditions. This is particularly important given the diversity of the Group's locations, markets and production processes.

In combination with the audit committee, the Board has conducted a robust assessment of the Group's emerging and principal risks to which Mondi is exposed and it is satisfied that the Group has effective systems and controls in place to manage its principal risks within the risk tolerance levels established.

The details of the review and the risk management framework and processes on which the Group's risk review is based are set out in this section. This report addresses the Group's principal risks.

Our risk management framework

The Board has overall responsibility for setting the Group's strategy and it is responsible for monitoring and maintaining the effectiveness of the Group's risk management activities and internal control processes. The Board has put in place procedures for identifying, evaluating, and managing the risks faced by the Group.

The Board has determined the Group's risk appetite, using a risk rating matrix which takes into consideration both the likelihood of the risk event occurring and the magnitude of the impact in the event that the risk event occurs. The risk rating matrix is based on the residual risk that the Group faces after taking into consideration the internal control environment and other mitigating factors. The Board has also established specific risk tolerance levels for each category of risk. The Board considers changes in current principal risks and reviews emerging risks during the year.

The audit committee performs an annual review of the risk management policy and plan, including consideration of acceptable risk tolerance levels for the Group. Each of the Group's principal risks is reviewed in detail by the audit committee through the course of the year, considering the detailed risk description, the controls and mitigating actions in place and the resultant residual risk exposure. As in prior years, in 2020 the audit committee will continue to focus on the principal risks to the Group and the actions taken to mitigate these risks.

Business units are required to conduct an annual, detailed review of their risks and compile a risk register which is reviewed and approved by the business unit operating committees. The risk management process ensures that the various business unit operating committees review the principal risks in their respective businesses and identify the actions and controls in place to mitigate risk. Management assurance is provided on both a formal and informal basis, and risk management is embedded in all decision-making processes, with ongoing review by the Board and risk assessments forming part of all investment decisions.

Our internal control environment

Our internal control environment is designed to safeguard the Group's assets, ensure reliability and integrity of information and ensure compliance with laws and regulations, thereby providing reasonable assurance that the Group's business objectives will be achieved.

Through our structured approach, the control environment is subject to regular oversight and review to ensure that there are no significant deficiencies, control weaknesses are identified and addressed, and new or emerging risks are identified early and monitored regularly. The Group's internal control systems have been in place for the year under review and up to the date of approval of the Integrated report and financial statements 2019 and are in accordance with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued by the Financial Reporting Council. No significant failings or weaknesses were identified in the internal control systems for the year under review.

The Group's organisational structure is regularly reviewed and where circumstances dictate, changes to the organisational structure are recommended to the executive committee or Board to ensure it remains relevant.

The Board and its committees have approved the Group's financial, business conduct, operating, and administrative policies, including those relating to delegation of signing authorities and information security. The policies provide a framework for the Group's internal control environment and outline required standards of behaviour. Business units are required to ensure that they adhere to approved Group policies and that they have implemented their own supporting policies where appropriate. In line with the approved delegation of authorities, specific matters are reserved for executive committee or Board approval including the approval of major capital investments, acquisitions, and disposals.

Management is responsible for regularly reviewing the Group's financial performance and it is the responsibility of management at all operational levels to ensure that risks are appropriately managed and a proper internal control environment is in place to anticipate and respond to risks. The Group's financial reporting process includes the monthly flash and management reports, a quarterly outlook, and the annual budget and three-year plan. Detailed monthly management reports and variance analyses comparing actual with planned results are prepared. In-depth reviews of business units and market developments are carried out by the Board. These regular reviews are designed to ensure ongoing monitoring of financial performance and early identification of potential issues and/or emerging risks. In addition, the Board reviews the Integrated report and financial statements to ensure these are fair, balanced and understandable and the audit committee reviews and approves the accounting policies for each financial year.

Our principal risks

Over the course of the past year, the audit committee has reviewed the principal risks set out below. In evaluating the Group's risk management and internal control processes, the audit committee has considered both internal and external audit reports and received confirmation from the finance directors of the business units that financial control frameworks have operated satisfactorily. The sustainable development risks are considered throughout our business and consolidated into the principal risks where relevant. These risks have been reviewed by the sustainable development committee during the year.

Key changes in the year

The majority of the Group's most significant risks are long term in nature and in general do not change significantly in the short term. The assessment of principal risks is updated annually to reflect the developments in our strategic priorities and Board discussions on emerging risks. During the year, we enhanced our understanding of the risks and implications related to climate change, demand for sustainable packaging solutions including substitution of plastic packaging and the UK's exit from the European Union.

We recognise investors and other stakeholders are seeking a better understanding of how companies are evaluating and responding to climate change related risks. We have been evaluating the impact and reporting on these risks for a number of years and this year have included climate change related risk as a separate principal risk to provide further clarity on the key impacts on our business and our associated response.

We have considered and will continue to closely monitor the potential impact of COVID-19 on our business. We have not seen any impact on the Group to date. The Group's direct exposure to China is limited, with revenues in the country accounting for less than 1% of the total. We continue to monitor its impact on global trade and the macro-economic outlook.

1. Industry productive capacity
2. Product substitution
3. Fluctuations and variability in selling prices or gross margins
4. Country risk
5. Climate change related risk
6. Capital structure
7. Currency risk
8. Tax risk
9. Cost and availability of raw materials
10. Energy security and related input costs
11. Technical integrity of our operating assets
12. Environmental impact
13. Employee and contractor safety
14. Attraction and retention of key skills and talent
15. Reputational risk
16. Information technology risk

Strategic risks

Risk tolerance:

Low — Medium to low — **High**

Key person responsible:
Group CEO

The industries and geographies in which we operate expose us to specific long-term risks which are accepted by the Board as a consequence of the Group's chosen strategy and operating footprint.

We continue to monitor recent capacity announcements and demand developments, how consumers are demanding more sustainable packaging, the developments in the transition period after the UK ended its membership of the European Union, the stability of the Eurozone, the increasing prevalence of trade tariffs and economic sanctions and the potential impacts of the coronavirus outbreak. Furthermore, while we continue to increase our understanding of climate change related risks and the impacts become clearer, we will continue to improve our disclosures and develop our responses.

The executive committee and Board monitor our exposure to these risks and evaluate investment decisions against our overall exposures so that our strategic capital investments and acquisitions take advantage of the opportunities arising from our deliberate exposure to such risks.

1 Industry productive capacity

Potential impact

Plant utilisation levels are the main driver of profitability in paper mills. New capacity additions are usually in large increments, which influence market prices through their impact on the supply/demand balance. Unless market growth exceeds capacity additions, excess capacity may lead to lower selling prices. In the markets where our converting plants operate, investments in newer technology may lower operating costs and provide increased product functionality, increasing competition and impacting margins.

Monitoring, mitigation, and where relevant, independent assurance activities

Our strategic focus on low-cost production and innovation aims to achieve cost advantages and produce higher value-added, sustainable and responsibly produced products. This is combined with our focus on growing markets and consistent investment in our existing asset base securing our competitiveness.

We monitor industry developments in terms of changes in capacity, utilisation levels both short and long term, as well as market trends and trade flows in our own product markets. This helps us to establish target capacity utilisation levels in the short term and to evaluate capital investment projects in the long term. We maintain strong relationships with machine suppliers to identify current market developments and technologies, and we routinely review our asset portfolio and capacity utilisation levels to identify underperforming assets and take decisive action to drive performance.

2 Product substitution

Potential impact

Global socio-economic and demographic trends and changing consumption patterns, including increased public awareness of sustainability and increasing customer purchasing power, are driving changes in customers' needs and attitudes, and could affect the demand for Mondi products. The increased public and stakeholder focus on the impact of plastic-based packaging on marine and terrestrial ecosystems has led to heightened environmental considerations, changes in legislation and a shift in consumer attitudes towards packaging. While this could create opportunities for the Group, there could also be a risk of substitution, which may be to different solutions not produced by Mondi meeting the same customer requirements.

Factors that may positively or negatively impact the demand for our products include reduced weight of packaging materials, electronic substitution of paper products, increased use of recycled raw materials, substitution of plastic packaging, substitution of rigid plastic by flexible packaging, increased demand for high-quality printed material, increased demand for paper-based packaging, certified and responsibly produced goods, and changes in demand for specific material qualities such as recyclable/biodegradable packaging.

EcoSolutions case study
Page 32

Monitoring, mitigation, and where relevant, independent assurance activities

Our ability to meet changes in consumer demand depends on our capacity to correctly anticipate change and develop new products on a sustainable, competitive and cost-effective basis. Opportunities also exist for us to take market share from substitutes produced by our competitors. Our focus is on products enjoying positive substitution dynamics and growing regional markets.

We regularly monitor trends, new developments and innovations in our product markets. We conduct customer surveys to get a better insight into our customers' needs. Our sustainability task force on EcoSolutions collaborates across the organisation to identify and respond to sustainability requirements from suppliers, customers and consumers. It also monitors the current market trends and legislative developments around sustainability of our plastic-based packaging. As a member of the Ellen MacArthur Foundation's New Plastics Economy initiative, we collaborate with stakeholders across the plastic value chain.

Our research and development pipeline ensures that our products remain cutting-edge with added focus on sustainability properties (e.g. recyclable, compostable or biodegradable products, sourced responsibly). Our broad range of converting products provides some protection from the effects of substitution between paper- and plastic-based packaging products.

3 Fluctuations and variability in selling prices or gross margins

Potential impact

The Group operates in cyclical markets and fluctuations in our key packaging and paper prices or converting margins can have material profit and cash flow implications. Our selling prices are determined by changes in capacity and demand for our products, which are, in turn, influenced by macroeconomic conditions, competitive behaviour, consumer spending preferences, and inventory levels maintained by our customers. Changes in prices differ between products and geographic regions and the timing and magnitude of such changes have varied significantly over time. Gross margins in our downstream converting operations are impacted by fluctuations in key input costs, which cannot be passed on to customers in all cases.

Monitoring, mitigation, and where relevant, independent assurance activities

Our strategic focus is on higher growth markets and products where we enjoy a competitive advantage through innovation, proximity or production cost. We continue to invest in our high-quality, cost-advantaged asset base to ensure we maintain our competitive cost position. We continue to further develop businesses in higher growth markets with better long-term fundamentals.

Our high levels of vertical integration reduce our exposure to price volatility of our key input costs. In our downstream operations the focus is on passing through our main material costs to sales prices. Our financial policies and structures take the inherent price volatility of the markets in which we operate into consideration.

We regularly review and monitor the current market fundamentals, market demand trends and market prices to evaluate price expectations in the short term but also to understand the long-term trends. We monitor our order intake to identify changing trends and developments in our own product markets.

4 Country risk

Potential impact

The Group has operations across more than 30 countries with differing political, economic and legal systems. In some countries, such systems are less predictable than in countries with more developed institutional structures. Political or economic upheaval, inflation, changes in laws, protectionism, nationalisation, or expropriation of assets may have a material effect on our operations in those countries.

The current macroeconomic environment is impacted by a number of uncertainties, including the effects of increased protectionism, use of trade tariffs, economic sanctions, the stability of the Eurozone, the uncertainty over the outcome of agreements between the UK and the European Union after the UK ended its membership of the European Union and more recently the potential effects of the coronavirus outbreak in China (COVID-19).

In South Africa, the Group is subject to land claims and could face adverse land claims rulings. In February 2018, a motion was passed in the National Assembly in South Africa for Section 25 of the South African Constitution to be reviewed and amended to allow government to expropriate land without compensation. A process to have the South African Constitution amended accordingly has started and is expected to be finalised in 2020. There could be other changes in legislation governing land ownership in South Africa.

Monitoring, mitigation, and where relevant, independent assurance activities

Our geographic diversity and decentralised management structure, utilising local resources in countries in which we operate, reduce our exposure to any specific jurisdiction. To mitigate the effect of country specific risks we structure our capital and debt in each country based on assessed risks and exposures. We regularly review our sales strategies to mitigate export risk in countries with less predictable environments and, where possible, we obtain credit insurance.

The Board has approved specific country risk premiums to be added to the required returns on investment projects in those countries where risks are deemed to be higher and new investments are subject to rigorous strategic and commercial evaluation. Where we have large operations in higher risk locations, we maintain a permanent internal audit presence and operate asset protection units.

During the year, further analysis has been undertaken to better understand the possible consequences of the UK's exit from the European Union. However, the Group's exposure to the UK is limited. The Group operates two Flexible Packaging plants in the UK, which are expected to be closed in 2020 and exports containerboard and uncoated fine paper to the UK. Revenues from customers in the UK represent around 3% of the Group's total. The impact on trade flows between the UK and the European Union continues to be monitored closely. We are continuously assessing the risks, analysing the supply chain and developing backup plans to manage any short-term disruptions. Given the limited direct trading exposure of the Group to the UK, we do not expect Brexit to materially impact our ability to continue normal business operations. Although the Group operates one Engineered Materials plant in China and its overall direct exposure is limited, with revenues in the country accounting for less than 1% of the Group's revenue, we continue to closely monitor the potential impact of the coronavirus outbreak.

In South Africa the Group has settled a number of land claims structured as sale and leaseback arrangements which provide a framework for settling future land claims and continues to work with other stakeholders to engage with government on land matters. We actively monitor all countries and environments in which we operate. Regular formal and informal interaction with government officials, local communities, and business partners assists us to remain abreast of changes and new developments.

Strategic risks

5 Climate change related risk

Potential impact

Climate change has the potential to affect our business in various ways. While these may not be severe in the short term, we believe climate change related risks are likely to have a medium and long-term impact on our business. Our manufacturing operations are energy-intensive, resulting in both Scope 1 and Scope 2 GHG emissions. In addition, fibre is the main raw material for our products and forests are an important carbon store, with sustainably managed forests having the opportunity to support a circular bioeconomy. Customers and consumers are increasingly concerned about the consequences of climate change and are looking for solutions produced from renewable materials and reduced carbon footprints. Our climate change related risks relate to transition and physical risks and are described below.

Governments and regulators are likely to take action to curb carbon emissions that may impact our business, such as the introduction of carbon taxes. For example, the EU Parliament recently declared a climate emergency and called on all EU countries to phase out all direct and indirect fossil fuel subsidies by 2020, in addition to encouraging an EU policy to reach climate neutrality as soon as possible, and latest by 2050. In Europe, all of our pulp and paper mills fall under the EU Emissions Trading Scheme (EU ETS) and in South Africa, the government has committed to introduce a carbon tax. In Russia, the strategy for the development of a low-carbon economy is currently under development.

Changes in precipitation patterns and extreme weather conditions such as floods, storms, droughts and fires may impact our plantations and the forests we source wood from and could result in fibre supply chain interruptions and higher fibre costs. Higher temperatures may also increase the vulnerability of forests to pests and disease. Increased severity of extreme weather events may also interrupt our operations. In water-scarce countries, we may see an impact on our production process as a result of limited water availability.

Monitoring, mitigation, and where relevant, independent assurance activities

We focus on measures to reduce our GHG emissions by improving our energy efficiency, optimising the use of biomass-based fuels in order to reduce our use of fossil-based energy sources, and to decrease carbon-intensive energy sources such as coal. We do this with a combination of capital investments and ongoing efficiency programmes.

We look to source our wood from diverse regions and forest types to mitigate the potential impacts of climate change on our wood supplies, in particular in Europe. In South Africa, we continue to investigate and develop wood species which require less rainfall and are more resistant to pests and disease.

We monitor and measure our impact on climate change. Our reporting on GHG emissions and energy is independently assured and we have set science-based targets for our Scope 1 and Scope 2 emissions. We support WWF Climate Savers programme and the We Mean Business Coalition which aims to catalyse business action and drive policy ambition to accelerate the zero-carbon transition.

We are committed to adhering to internationally accepted recommendations, such as those published by the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD), to investigate and report on climate-related risks and opportunities. We will continue to investigate the financial implication of our mid- and long-term climate-related risks and opportunities using the International Energy Agency's 2°C scenario and a business as usual scenario (RCP8.5).

Climate change
Pages 43-44

Sustainable Development report
www.mondigroup.com/sd19

Financial risks

Risk tolerance:

Low — **Medium to low** — High

Key person responsible:
Group CFO

Our approach to financial risk management is set out in more detail in the Strategic performance and Financial performance sections. We aim to maintain an appropriate capital structure and to conservatively manage our financial risk exposures in compliance with all laws and regulations.

Despite ongoing short-term currency volatility and increased scrutiny of the tax affairs of multinational companies, our overall residual risk exposure remains similar to previous years, reflecting our conservative approach to financial risk management.

6 Capital structure

Potential impact

A strong and stable financial position increases our flexibility and provides us with the ability to take advantage of strategic opportunities as they arise. Our ability to raise debt and/or equity financing is significantly influenced by general economic conditions, developments in credit markets, equity market volatility, and our credit rating.

Failure to obtain financing at reasonable rates could prevent us from realising our strategy and have a negative impact on our competitive position.

Monitoring, mitigation, and where relevant, independent assurance activities

We operate a central treasury function under a board-approved treasury policy. We target investment grade credit ratings and we have access to diverse sources of funding with varying maturities. The majority of our external debt is issued centrally. We use a blend of floating and fixed rate debt contracts to mitigate the interest rate risk.

We report regularly to the Board on our treasury management policies. Our central treasury function monitors compliance with treasury policies at operating level and we engage external advisors to review the treasury function at regular intervals.

7 Currency risk

Potential impact

As a multinational group, operating globally, we are exposed to the effect of changes in foreign currency rates. The impact of currency fluctuations affects us because of mismatches between the currencies in which our operating costs are incurred and those in which revenues are received.

Key operating cost currencies that are not fully offset by local currency denominated revenues include the South African rand, Polish zloty, Swedish krona and Czech koruna; whilst the fluctuations in the US dollar, Russian rouble, UK pound sterling and Turkish lira can also have a material impact as our revenues in these currencies are greater than operating costs incurred.

Additionally, appreciation of the euro compared with the currencies of the other key paper-producing regions or paper pricing currencies, notably the US dollar, reduces the competitiveness of Mondi products in Europe compared with imports from such key paper-producing regions which can result in lower revenues and earnings.

Monitoring, mitigation, and where relevant, independent assurance activities

Balance sheet exposures and material forecasted capital expenditures are hedged upon identification. We do not hedge our exposure to projected future sales or operating costs and our businesses respond to adverse currency fluctuations by increasing selling prices or increasing exports where competitiveness improves as operating currencies weaken. Entities also borrow in their local currencies to minimise translation risk. We continuously monitor exchange rate movements and sensitivities, and evaluate the impact of exchange variances on our results. We regularly review our prices and monitor the import and export trade flows.

Overview
Strategic report
Governance
Financial statements

8 Tax risk

Potential impact

We operate in a number of countries – all with different tax systems. In addition, the international tax environment is becoming more onerous, requiring increasing transparency and reporting and in-depth scrutiny of the tax affairs of multinational companies. We make significant intragroup charges, the basis for which is subject to review during tax audits.

Monitoring, mitigation, and where relevant, independent assurance activities

We aim to manage our affairs conservatively and our operations are structured tax efficiently to take advantage of available incentives and exemptions. We have dedicated tax resources throughout the Group supported by a centralised Group tax team.

Arm's length principles are applied in the pricing of all intragroup transactions in accordance with Organisation for Economic Cooperation and Development guidelines. The Board has approved the Group tax strategy and performs a formal review of the Group's tax affairs at least annually.

We obtain external advisory opinions for all major tax projects, such as acquisitions and restructuring activities, and make use of external benchmarks where possible. We regularly engage with external advisors to stay up-to-date with changes in tax legislation and tax practice.

Operational risks

Risk tolerance:

Low — Medium to low — High

Key people responsible:
Group CEO,
Group Technical & Sustainability Director

A low residual risk tolerance is demonstrated through our focus on operational excellence, investment in our people and commitment to the responsible use of resources.

Our investments to improve our energy efficiency, engineer out our most significant safety risks, improve operating efficiencies, and renew our equipment continue to reduce the likelihood of operational risk events. However, the potential impact of any such event remains unchanged.

9 Cost and availability of raw materials

Potential impact

Access to sustainable sources of raw materials is essential to our operations. The raw materials used by the Group include significant amounts of wood, pulp, paper for recycling, polymers and chemicals. The prices for many of these raw materials generally fluctuate in correlation with global commodity cycles.

Wood prices and availability may be adversely affected by reduced quantities of available wood supply that meet our standards for credibly certified or controlled wood, increased frequency of severe weather events, changes in rainfall or increased instances of pest and disease outbreaks and increasing use of wood as a biofuel.

We have access to our own sources of wood in Russia and South Africa and we purchase wood, paper for recycling, pulp, and polymers to meet our needs in the balance of our operations. Where we source our raw materials in areas of weaker governance, we may face potential social and environmental risks related to waste, pollution, poor safety and labour practices and human rights issues.

Monitoring, mitigation, and where relevant, independent assurance activities

We are committed to acquiring our raw materials from sustainable, responsible sources and avoiding the use of any controversial or illegal supply. We are involved in multi-stakeholder processes to address challenges in meeting the global demand for sustainable, responsible fibre and we encourage legislation supporting the local collection of recycled materials.

Sustainable management of our forestry operations is key in managing our overall social and environmental impact, helping to protect ecosystems, protect worker and community rights, and to develop resilient landscapes.

We have multiple suppliers for each of our operations and our centralised procurement teams work closely with our operations in actively pursuing longer-term agreements with strategic suppliers. In Europe, we source our wood from diverse regions and forest types to mitigate the potential impacts of unforeseen events on our wood supplies.

We have developed a responsible procurement process to assess and evaluate the performance of our suppliers and their adherence to our Code of Conduct for Suppliers. Supplier performance is evaluated through questionnaires and audits. Wood and pulp suppliers are assessed as part of our Due Diligence Management System which addresses the main legal and sustainability risks.

We have built strong forestry management resources in Russia and South Africa to actively monitor and manage our wood resources in those countries. We continue to certify our forests with credible external certifications. In South Africa, we have tree improvement programmes in place, which aim to produce stronger, more robust hybrids that are better able to resist disturbances such as drought, pests and diseases.

Operational risks

10 Energy security and related input costs

Potential impact

Mondi is a significant consumer of electricity which is generated internally and purchased from external suppliers.

Where we do not generate electricity from biomass and by-products of our production processes, we are dependent on external suppliers for raw materials such as gas, oil and coal. Fossil-based energy sources could pose a sustainability and regulatory risk to our energy security.

Higher energy costs contribute significantly to increasing chemical, fuel, and transportation costs which are often difficult to pass on to customers. As an energy-intensive business, operating globally and relying on global supply chains, we face potential physical and regulatory risks.

Monitoring, mitigation, and where relevant, independent assurance activities

We focus on improving the energy efficiency of our operations by investing in improvements to our energy profile and increased electricity self-sufficiency, including the use of renewable energy sources, while reducing ongoing operating costs and carbon emission levels.

Where we generate electricity surplus to our own requirements, we may sell such surplus externally. We also generate income from the sale of green energy credits in certain of our operations at prices determined in the open market. We focus on optimising the use of biomass-based fuels in order to reduce our use of fossil-based energy sources, and to decrease carbon-intensive energy sources such as coal.

Energy costs are closely monitored and benchmarked against external sources and we monitor our electricity usage, carbon emission levels and use of renewable energy. Most of our larger operations have high levels of electricity self-sufficiency.

We actively monitor the renewable energy market fundamentals and changes in legislation and maintain contact with local energy regulators. We have undertaken detailed compliance assessments regarding Industry Emissions and Energy Efficiency Directives to determine future investment requirements.

11 Technical integrity of our operating assets

Potential impact

We have five major mills which account for approximately 75% of our total pulp and paper production capacity, and a significant Engineered Materials manufacturing facility in Germany.

If operations at any of these key facilities are interrupted for any significant length of time, it could have a material adverse effect on our financial position or performance.

Incidents such as fires, explosions, or large machinery breakdowns or the inability of our assets to perform the required function effectively and efficiently whilst protecting people, business, the environment and stakeholders could result in property damage, loss of production, reputational damage, and/or safety and environmental incidents.

We have established a central digital transformation function to drive operational efficiency through advanced analytics, automation and robotics.

Monitoring, mitigation, and where relevant, independent assurance activities

Our capital investment programme supports the replacement of older equipment to improve both reliability and integrity, and our proactive repair and maintenance strategy is designed to improve production reliability and minimise breakdown risks. We conduct detailed risk assessments of our high-priority equipment and have specific processes and procedures in place for the ongoing management and maintenance of such equipment. Our Asset Management and Technical Integrity Management systems have contributed to a continuous improvement of our risk profile.

We continue to develop our Asset Management system to ensure best practices for maintenance procedures and we have a maintenance training programme for our employees. Benchmarking activities enable us to optimise our production throughout the organisation by learning from our best performing operations and to identify any emerging issues early.

We actively monitor all incidents and have a formal process which allows us to share lessons learned across our operations, identify emerging issues, conduct benchmarking, and evaluate the effectiveness of our risk reduction activities. We engage external experts to perform technical integrity assessments at our major sites and enhance our engineering and loss prevention competencies and capabilities.

Our Fire Protection programme is supported by external experts and independent loss prevention audits and we take out property insurance cover for key risks.

12 Environmental impact

Potential impact

We operate in a sector where the environmental impact of our business can be high and we need to manage the associated risks.

Our operations are water, carbon and energy intensive; consume materials such as fibre, polymers, metals and chemicals; and generate emissions to air, water and land. We are the custodian of more than two million hectares of forested land. We consider potential negative impacts on constrained resources and loss of biodiversity and ecosystems from our forestry and manufacturing operations.

We are subject to a wide range of international, national and local environmental laws and regulations, as well as the requirements of our customers and expectations of our broader stakeholders. Costs of continuing compliance, potential restoration and clean-up activities, and increasing costs from the effects of emissions could have an adverse impact on our profitability.

Monitoring, mitigation, and where relevant, independent assurance activities

We ensure that we are complying with all applicable environmental and health and safety requirements where we operate. Our own policies and procedures, at or above local policy requirements, are embedded in all our operations and are supported through the use of externally accredited environmental management systems.

We focus on a clean production philosophy to address the impact from emissions, discharge, and waste. We manage our water resources responsibly to address risks related to water scarcity in some of our operations, and to ensure equitable use of water resources among local stakeholders wherever we operate. We emphasise the responsible management of forests and associated ecosystems and protect high conservation value areas. We ensure that we manage our forests responsibly and implement measures to protect biodiversity.

We collaborate with customers and supply chain stakeholders to better understand the concerns related to the impact of plastics in the environment, and to work together on scaleable, meaningful solutions to address this. Our product design and innovation efforts focus on reducing the environmental impact of our products throughout their life cycle.

We monitor our environmental performance indicators and report our progress against our 2020 commitments, with our GHG emissions independently assured to reasonable assurance level. We monitor regulatory developments to ensure compliance with existing operating permits and perform SEAT (Socio-economic Assessment Toolbox) assessments and water impact assessments locally to better understand our local environmental footprint and stakeholder needs.

13 Employee and contractor safety

Potential impact

We operate large facilities, often in remote locations. Incidents cause injury to our employees or contractors, property damage, lost production time, and/or harm to our reputation.

Risks include fatalities, serious injuries, occupational diseases, and substance and drug abuse.

Monitoring, mitigation, and where relevant, independent assurance activities

To ensure the safety of our employees and contractors, we apply safety management systems, including amongst others, risk assessments, safety procedures and controls. We have a goal of zero harm and aim to continuously advance our 24-hour safety mindset and safety culture of sending everybody home safely.

We continue with the project to engineer out the most significant risks in our operations supported by robust controls and procedures for operating those assets and conducting related tasks. We have a Permit to Work methodology across the Group to improve our safety performance.

We provide extensive training to ensure that performance standards and practice notes are communicated and understood and our incentives are impacted by the non-achievement of safety milestones (lag indicators) as well as achievement of lead indicators. We continually investigate and monitor incidents and major close calls and actively transfer learnings across our operations. Our Task Risk Management Methodology provides a practical approach to conducting pre-task risk assessments, and our focus is on better understanding the high risk tasks in our operations.

We apply externally accredited safety management systems and conduct regular audits of our operations to ensure our facilities remain fit-for-purpose.

14 Attraction and retention of key skills and talent

Potential impact

Our success is driven by our people. Key to our long-term success is attracting, retaining, recruiting and developing a skilled and committed workforce.

Access to the right skills, particularly management and technical skills, is critical to support the performance and growth of our business. Operations in remote locations or highly competitive markets make attracting and retaining skilled employees challenging.

Losing skills or failing to attract new talent to our business has the potential to undermine our ability to drive performance and deliver on our strategic objectives.

Monitoring, mitigation, and where relevant, independent assurance activities

Our culture and values play a key role in empowering and inspiring our people. These are highlighted by various Inspire Programmes and collaboration initiatives throughout our operations. We have a zero tolerance policy towards discrimination and we provide equal opportunities for all employees.

To attract skills and talent we are investing in employer branding. We are engaged in fair and transparent recruitment practices and have diversity and inclusion, labour and human rights policies in place. We ensure competitive compensation levels through benchmarking and continue to support and invest in group-wide as well as local training programmes. We have implemented measures to monitor and manage succession planning, staff turnover, internal placements and training.

We perform 360° feedback at a management level and regularly conduct performance and development reviews at a local level. We carry out a group-wide employee survey approximately every two years.

Through a confidential reporting hotline, Speakout, employees can raise concerns about conduct that may be contrary to our values.

Compliance risks

Risk tolerance:

Low — Medium to low — High

Low

We have a zero tolerance approach to compliance risks. Our strong culture and values, emphasised in every part of our business, with a focus on integrity, honesty, and transparency, underpin our approach.

Key person responsible:
Group CFO

15 Reputational risk

Potential impact

Non-compliance with the legal and governance requirements and globally established responsible business conduct in any of the jurisdictions in which we operate and within our supply chain could expose us to significant risk if not actively managed. Failure to successfully manage relationships with our stakeholders could disrupt our operations and adversely impact the Group's reputation.

These requirements include laws relating to the environment, exports, price controls, taxation, competition compliance, data protection, human rights, and labour.

Fines imposed by authorities for non-compliance are severe and, in some cases, legislation can result in criminal sanction for entities and individuals found guilty.

Areas of weaker governance also present the challenge of addressing potential human rights issues in our operations and supply chain. The introduction of human rights legislation, such as the UK Modern Slavery Act 2015, has further highlighted the need to identify and address potential risks of child labour, forced or bonded labour and human trafficking in our supply chain.

Monitoring, mitigation, and where relevant, independent assurance activities

We operate a comprehensive training and compliance programme, supported by self-certification and reporting, with personal sanction for failure to comply with Group policies.

We engage with our stakeholders through formal and informal processes such as our SEAT assessment and Community Engagement Plans. We perform sustainable development risk assessments for our suppliers and have updated the Code of Conduct for Suppliers.

Our legal and governance compliance is supported by a centralised legal compliance team and is subject to regular internal audit review.

We have a confidential reporting hotline, Speakout, enabling employees, customers, suppliers, managers and other stakeholders to raise concerns about misconduct.

16 Information technology risk

Potential impact

Many of our operations are dependent on the availability of IT services and an extended interruption of such services may result in a plant shutdown and an inability to meet customer requirements.

Cybercrime continues to increase and attempts are increasingly sophisticated, with the consequences of successful attacks including compromised data, financial fraud, and system shutdowns.

Monitoring, mitigation, and where relevant, independent assurance activities

We have a comprehensive IT Security Policy approved by the Board and we operate an extensive training and awareness programme for all our users.
The IT infrastructure is regularly tested and verified and where possible, we have redundancies in place. Our system landscape is based on well-proven products.

We conduct regular threat assessments and utilise external providers to evaluate and review our security policies and procedures and we have cybercrime insurance in place.

Viability statement

As part of the approval of this Integrated report, the Board has assessed the Group's prospects and viability.

Factors in assessing long-term prospects

The Group's business model and strategic framework are described in detail on pages 16 to 25. Our strategy is to deliver value accretive growth sustainably by focusing on our four strategic value drivers. Our industry-leading asset portfolio and our focus on performance and sustainability is supported by our strong capital expenditure project pipeline and where relevant by acquisitions to build on our competitive advantages and to better serve our customers. Our current and future prospects are discussed in more detail in our strategy and strategic performance section.

Mondi's geographical spread, product diversity and large customer and supplier base mitigate potential risks of customer or supplier liquidity issues. Ongoing initiatives by management in implementing profit improvement programmes, which include ongoing investment in operations; plant optimisation; cost-cutting; and rationalisation activities, have consolidated the Group's leading positions in its chosen markets.

Assessment of viability

The Board believes that the three-years to December 2022 is an appropriate period over which a reasonable expectation of the Group's longer-term viability can be evaluated. In coming to this view, the Board has considered the inherent volatility in commodity prices and exchange rates, the time taken for new investments in pulp and paper production capacity to be introduced into the market, typical new product development cycles, and the Group's capital structure. Given the strategic risks described above, the Board believes that the ability to assess the Group's longer-term viability beyond this period becomes increasingly reduced. The Board has considered the Group's current financial position, strategy and plans for the next three years, marking the end of the Group's formal planning horizon.

The Group's principal risks identified on pages 54 to 60 have been assessed for potential impact as part of the risk assessment.

The Group's budget and three-year plan has been tested for the most severe but plausible downside scenarios. The purpose of this is to test the impact of events that have the ability to threaten the viability of the Group, but are hypothetical in the sense that multiple control measures and mitigation actions are in place to prevent such events from occurring. In an event that a scenario partly or fully takes place, the Group has various options available to maintain liquidity and continue operations.

The risks associated with industry productive capacity and fluctuations and variability in selling prices and gross margins were tested with scenarios of lower packaging paper and uncoated fine paper prices, weaker demand for products in both upstream and downstream operations and lower gross margins in downstream operations. Testing was performed for individual scenarios and their combinations for a duration of three years. Furthermore, the currency risk was tested as the wide geographic spread exposes the Group to the potential impact of exchange rate fluctuations. We have evaluated the impact of weaker US dollar, Russian rouble and Turkish lira exchange rates, and stronger other emerging market currencies including South African rand, relative to the euro.

Based on the results of these scenarios, the Board is satisfied that the Group would be able to respond to such circumstances through various means which could include a reduction of capital expenditure and further rationalisation and/or restructuring, to ensure that the Group continues to meet its ongoing obligations.

The Group meets its funding requirements from a variety of sources as more fully described in the financial statements. The Board is satisfied that the Group will have sufficient liquidity to meet its needs over the planning horizon.

The scenario testing is carried out against Mondi's current debt facilities, with an assumption that the Group's €500 million Eurobond maturing in September 2020 is successfully refinanced and the €750 million Syndicated Revolving Credit Facility is refinanced ahead of maturing in July 2021. The Board believes that the strong and stable financial position of the Group, supported by a continued strong investment grade credit rating, ensures the Group has access to funding throughout the business cycle.

In the scenarios evaluated, the Group remains within its key financial covenant ratio in terms of which its net debt to 12-month trailing underlying EBITDA ratio must not exceed 3.5 times. The ratio net debt to 12-month trailing underlying EBITDA at the end of 2019 was 1.3 times, which remains substantially below the maximum covenant level of 3.5 times, providing significant headroom. Underlying EBITDA would need to fall 62% before triggering the covenant.

Taking into account the Group's long-term strategy, the principal risks described above, and the results of the downside scenario assessments, the directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of the assessment.

Going concern

The directors have reviewed the Group's budget, considered the assumptions contained in the budget, and reviewed and assessed the significant risks as stated in the Integrated report which may impact the Group's performance in the near term. This includes an evaluation of the current macroeconomic environment and reasonably possible changes in the Group's trading performance.

The Group's financial position, cash flows, liquidity position, and borrowing facilities are described in the annual financial statements.

The Group's net debt at 31 December 2019 was €2,207 million (2018: €2,220 million) representing a gearing level of 33.5% (2018: 36.7%). The Group's net debt to 12-month trailing underlying EBITDA at 31 December 2019 was 1.3 times, well within the key financial covenant requirement of 3.5 times.

At 31 December 2019, the Group had €660 million of undrawn, committed debt facilities. The Group's debt facilities have maturity dates of between less than 1 year and 7 years, with a weighted average maturity of 3.2 years. In February 2020, the Group entered into an additional debt facility with a maturity of 18 months, increasing the undrawn, committed debt facilities available to the Group by €250 million.

Based on our evaluation the Board considered it appropriate to prepare the financial statements on the going concern basis.

Accordingly, the Group continues to adopt the going concern basis in preparing the Integrated report and financial statements 2019.

Financial performance
Strong financial position

Our strong cash flow generation and financial position make us resilient and provide us with strategic flexibility to take advantage of opportunities.

Our financial performance

€ million	2019	2018	% change
Group revenue	**7,268**	**7,481**	**(3)%**
Underlying EBITDA	**1,658**	**1,764**	**(6)%**
% margin	*22.8%*	*23.6%*	
Depreciation, amortisation and impairments	(435)	(446)	
Underlying operating profit	**1,223**	**1,318**	**(7)%**
% margin	*16.8%*	*17.6%*	
Underlying net finance costs	(104)	(88)	
Net profit from equity accounted investees	–	1	
Underlying profit before tax	**1,119**	**1,231**	**(9)%**
Underlying tax charge	(257)	(273)	
Underlying non-controlling interests	(33)	(42)	
Underlying earnings	**829**	**916**	**(9)%**
Special items (before tax)	(16)	(126)	
Profit for the year attributable to shareholders	**812**	**824**	**(1)%**
Basic earnings per share (euro cents)	**167.6**	**170.1**	**(1)%**
Basic underlying earnings per share (euro cents)	**171.1**	**189.1**	**(10)%**
ROCE %	**19.8%**	**23.6%**	

Our financial position

€ million	2019	2018
Property, plant and equipment	4,800	4,340
Goodwill	948	942
Working capital	952	972
Other assets	620	540
Other liabilities	(728)	(749)
Net assets excluding net debt	**6,592**	**6,045**
Equity	4,015	3,485
Non-controlling interests in equity	370	340
Net debt	2,207	2,220
Capital employed	**6,592**	**6,045**

Mondi delivered a robust performance in 2019 against a backdrop of challenging trading conditions, with Group revenue of €7,268 million, down 3% on the prior year and underlying EBITDA of €1,658 million, down 6%. A solid operational performance, strong cost control and a good contribution from acquisitions and capital investment projects, partially offset the effects of market pressures seen in a number of key pulp and paper grades.

Strategic performance
Page 26-33

Input costs were generally higher year-on-year, although we did see some cost relief in the second half of the year, measured both on a sequential and year-on-year basis. On average, wood costs were higher in local currency terms. We saw higher wood costs in Russia, South Africa and northern Europe, while costs in some countries in central and eastern Europe were lower due to favourable regional wood supply dynamics. Driven by Chinese import policies, average benchmark paper for recycling costs were down 21% on the prior year, with the rate of decline accelerating in the second half of the year. Chemical costs were higher on average versus the prior year, albeit we did see them coming down over the course of the year, while energy costs were lower. Cash fixed costs were higher on average as a result of inflationary cost pressures and mill maintenance shut effects, although again we saw a positive trend over the course of the year.

The impact of planned maintenance shuts on underlying EBITDA in 2019 was around €150 million (2018: €110 million). Based on prevailing market prices, we estimate that the impact of planned maintenance shuts on underlying EBITDA in 2020 will be around €100 million, of which the first half year effect is estimated at around €55 million (2019: €80 million).

Depreciation and amortisation charges were marginally lower during the period as the effects of acquisitions and our capital investment programme were more than offset by the impact of a revision in the estimated useful lives on certain fixed assets (refer to note 31 of the consolidated financial statements).

Underlying operating profit of €1,223 million was down 7% on the prior year. After taking into consideration the impact of operating special items of €2 million (2018: €126 million), operating profit of €1,221 million was up 2% (2018: €1,192 million).

The net special item charge before tax of €16 million (2018: €126 million) comprised the following:

Flexible Packaging

- → Announced closure of two consumer flexibles plants in the UK. Restructuring and closure costs of €1 million and related impairment of assets of €3 million were recognised. Additional restructuring costs will be incurred in 2020 with total costs expected to exceed €10 million.
- → Release of restructuring and closure provisions of €5 million, partly offset by additional restructuring costs of €1 million, and reversal of impairment of assets of €1 million were recognised. All credits/(charges) related to special items from prior years.
- → Additional provision of €5 million relating to the 2012 Nordenia acquisition was recognised. The provision relates to a special item from prior years.

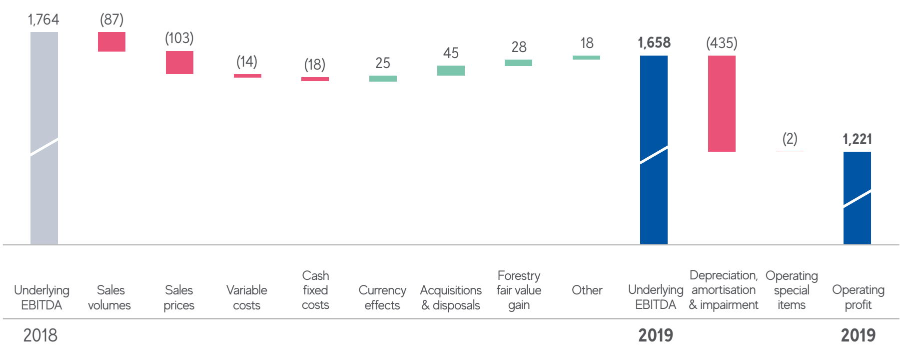
Uncoated Fine Paper

- → Impairment of the Neusiedler operation in Austria. Impairment of assets of €39 million was recognised.
- → On 13 December 2018, a change in the Austrian Social Security Law was enacted. Effective 1 January 2020, the law states that the plan liabilities of the Group's Austrian health insurance fund are assumed by the Republic of Austria. The effect of the change in law is classified as a third party taking on the obligation for future contributions which is a one-off non-cash benefit to the Group of €41 million. Further detail is provided in note 23 of the consolidated financial statements.

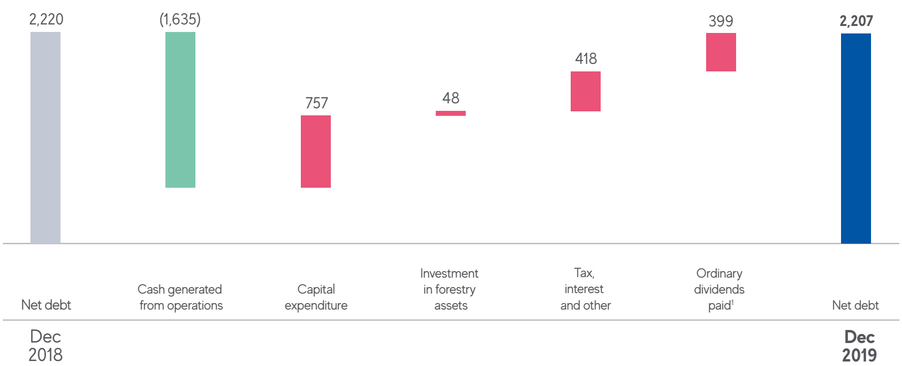
Corporate

- → To effect the Simplification of the corporate structure from a dual listed company structure into a single holding company structure under Mondi plc, the Group incurred one-off transaction costs of €20 million, of which €14 million were charged as a financing special item to the consolidated income statement and €6 million were attributed to equity in accordance with IAS 32. Further detail is provided in note 21 of the consolidated financial statements.

Underlying EBITDA development
€ million



Movement in net debt
€ million



1 Ordinary dividends paid to shareholders and non-controlling interests

Net debt and interest

€ million	2019	2018	% change
Net debt	**2,207**	**2,220**	**(1)%**
Average net debt	2,243	1,979	13%
Net interest expense	95	83	14%
Effective interest rate	4.2%	4.2%	
Committed facilities	2,476	2,487	
Of which undrawn	660	616	
Net debt to 12-month trailing underlying EBITDA (times)	1.3	1.3	

Strong cash flow generation

Cash generated from operations of €1,635 million (2018: €1,654 million), reflects the continued strong cash generating capability of the Group, with the impact of lower underlying EBITDA generation mitigated by a net working capital inflow.

Working capital as a percentage of revenue was 13.1%, in line with the prior year (13.0%) and within our expected range of 12% to 14%. The net cash inflow from movements in working capital during the year was €35 million (2018: €117 million outflow).

In 2019, capital expenditure amounted to €757 million (2018: €709 million), driven by our major capital expenditure programme. Tax paid of €248 million (2018: €248 million) was in line with the prior year.

Further outflows from financing activities included the payment of ordinary dividends of €396 million (2018: €309 million) and interest paid of €96 million (2018: €73 million).

Managing our financial risks

Our capital structure

Capital employed is managed on a basis that enables the Group to continue trading as a going concern, while delivering acceptable returns to shareholders. We are committed to managing our cost of capital by maintaining an appropriate capital structure, with a balance between equity and net debt.

Our capital employed is used to fund the growth of the business and to finance our liquidity needs. The sources of funding set out below provide us with a diversity of funding sources with various debt maturities.

Our short-term liquidity needs are met through our €750 million Syndicated Revolving Credit Facility. We aim to maintain sufficient headroom under this facility for the potential needs of the Group.

The Group's liquidity position remains robust. At the end of the year, €660 million of our €2.5 billion committed debt facilities were undrawn and the weighted average maturity of committed debt facilities was 3.2 years.

Gearing at the same date was 33.5% and our net debt to 12-month trailing underlying EBITDA ratio was 1.3 times, well within our key financial covenant requirement of 3.5 times. In February 2020, the Group entered into an additional debt facility with a maturity of 18 months, increasing the undrawn, committed debt facilities available to the Group by €250 million and further strengthening the Group's liquidity position.

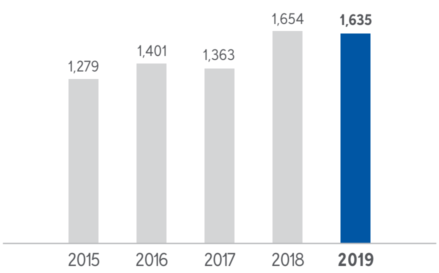
The Group's investment grade credit metrics were reaffirmed during the course of the year, at BBB+ and Baa1 for Standard & Poor's and Moody's Investors Service, respectively.

Net debt at 31 December 2019 was €2,207 million, down from €2,220 million at 31 December 2018, reflecting the strong cash-generating capacity of our business, while we continue to deliver on our capital investment programme.

Underlying net finance costs of €104 million were €16 million higher than the previous year. While the effective interest rate was stable at 4.2% (2018: 4.2%), trailing 12-month average net debt of €2,243 million was higher (2018: €1,979 million) as a result of the special dividend paid to shareholders (€484 million) and acquisitions totalling €424 million completed during 2018.

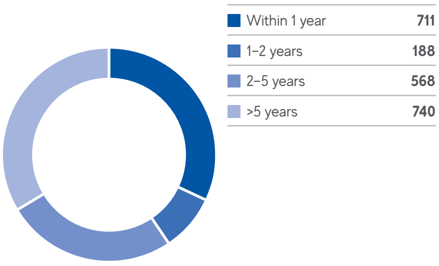
Cash generated from operations
€ million

€1,635m

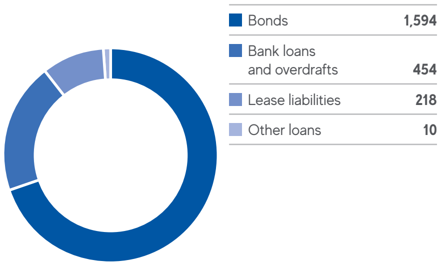


Maturity profile of net debt
€ million

€2,207m



Composition of debt
€ million



Currencies

Our global presence results in exposure to foreign exchange risk in the ordinary course of business. Currency exposures arise from commercial transactions denominated in foreign currencies, financial assets and liabilities denominated in foreign currencies and translational exposure on our net investments in foreign operations.

Our policy is to fund subsidiaries in their local functional currency wherever practical. External funding is obtained in a range of currencies and, where required, converted into the subsidiaries' functional currencies through the swap market.

We hedge material net balance sheet exposures and forecast future capital expenditure. We do not hedge our exposures to projected future sales or purchases. We do not take speculative positions with derivative contracts.

Currency movements had a net positive impact on underlying EBITDA versus the comparable prior year period. The negative impact of a weaker Turkish lira on translation of our domestically focused Turkish businesses was more than offset by the benefits to certain of our export orientated businesses of a stronger US dollar and weaker South African rand.

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Tax

We aim to manage our tax affairs conservatively, consistent with our approach to all aspects of financial risk management. Our objective is to structure our operations tax efficiently, taking advantage of available incentives and exemptions, while complying with all applicable laws and regulations. In accordance with Organisation for Economic Cooperation and Development guidelines, our policy is that all intra-group transactions are conducted on an arm's length basis.

While ultimate responsibility for the tax affairs of the Group rests with the Board, the executive committee ensures that the tax governance framework is aligned with the principles of financial management applied throughout the Group. We have dedicated internal tax resources throughout the organisation, supported by a centralised Group tax department who take day-to-day responsibility for management of the Group's tax affairs. We maintain a detailed set of operational guidelines aimed at ensuring a sound tax control environment. In addition, we seek regular professional advice to ensure that we remain up to date with changes in tax legislation, disclosure requirements and best practice.

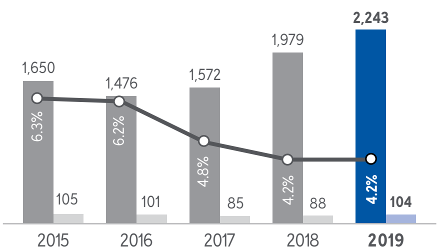
Tax risks are monitored on a continuous basis and are more formally reviewed on a half-yearly basis by the audit committee as part of our half-yearly reporting process. As Mondi operates in a number of countries, each with a different tax system, the Group is regularly subject to routine tax audits and tax authority reviews which may take a considerable period of time to conclude. Our intention is to maintain a constructive dialogue with tax authorities and to work collaboratively with them to resolve any disputes. Where necessary, provision is made for known issues and the expected outcomes of any negotiations or litigation.

Our underlying tax charge for the year was €257 million (2018: €273 million) giving an effective tax rate of 23%, in line with our expectations. Tax relief on special items was nil (2018: €34 million).

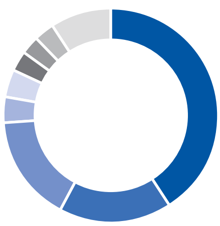
Assuming a similar geographic profit mix and stable statutory tax rates, we expect our effective tax rate in 2020 to remain around 23%.

Net debt and finance costs
€ million

Average net debt ▪ Net finance cost (underlying)
— Effective interest



Currency split of net debt
%



Euro	41
Czech koruna	17
Polish zloty	16
South African rand	4
Russian rouble	4
US dollar	3
Turkish lira	3
Pound sterling	3
Other	9

Our integrated value chain

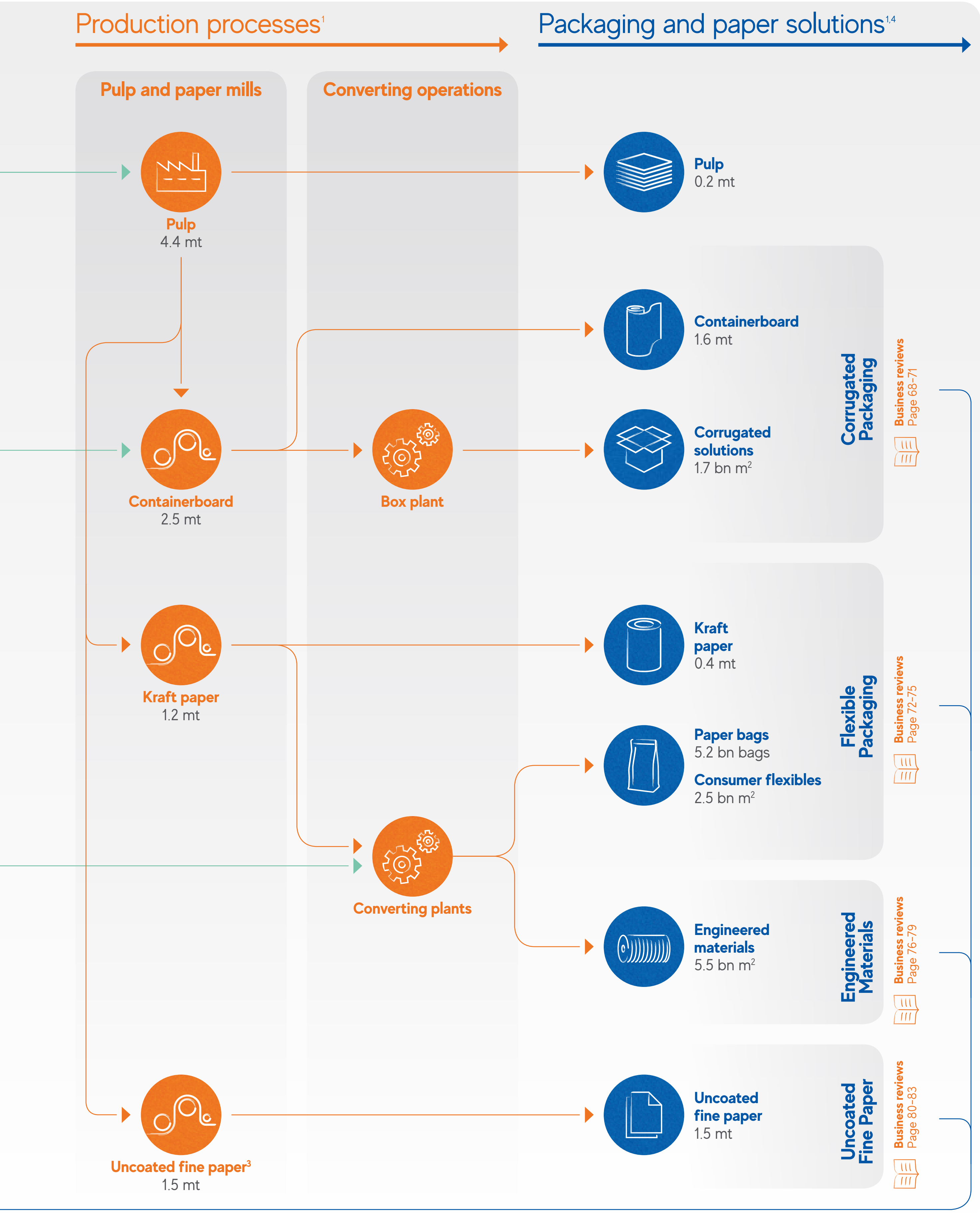
We are integrated across the packaging and paper value chain. Our sustainably managed forests, backward pulp integration and high electricity self-sufficiency provide us with security of fibre supply, reduced exposure to raw material price volatility and the ability to manage risks and opportunities more holistically.

Our business however does not operate in isolation. Our success relies on our ability to understand and engage constructively with our key stakeholders along the value chain most notably our employees, customers, investors, communities, suppliers and non-profit organisations.

We believe that the integrated nature of our business places us in an ideal position to develop sustainable packaging and paper solutions for our customers. We engage with our suppliers at each step along the value chain aiming to build a responsible and inclusive supply chain where we can be seen as a reliable and reputable business partner.

Engaging with our stakeholders
Page 18–21

1 Based on 2019 statistics
2 Due to commercial, logistic and sustainability considerations, the actual wood procured from our managed forests was lower than the annual allowable cut
3 In addition to the 1.5 mt of uncoated fine paper, the Group also produced 0.2 mt of newsprint in 2019
4 Pulp and packaging paper net exposure


Production processes[1]
Packaging and paper solutions[1,4]
Pulp and paper mills
Converting operations
Pulp
4.4 mt
Containerboard
2.5 mt
Kraft paper
1.2 mt
Uncoated fine paper[3]
1.5 mt
Box plant
Converting plants
Pulp
0.2 mt
Containerboard
1.6 mt
Corrugated solutions
1.7 bn m²
Corrugated Packaging
Business reviews
Page 68–71
Kraft paper
0.4 mt
Paper bags
5.2 bn bags
Consumer flexibles
2.5 bn m²
Flexible Packaging
Business reviews
Page 72–75
Engineered materials
5.5 bn m²
Engineered Materials
Business reviews
Page 76–79
Uncoated fine paper
1.5 mt
Uncoated Fine Paper
Business reviews
Page 80–83

Our Corrugated Packaging business produces and sells a wide range of containerboard and converted corrugated solutions.

We are a leading containerboard producer with an integrated, well-invested, cost-advantaged asset base. We use our containerboard to make a range of regular and bespoke corrugated solutions designed to keep our customers' products safe, and differentiate their brands in-store and online. Our cost-effective fibre-based solutions are made from a renewable resource, and are lightweight, recyclable and biodegradable.

Industry end-use includes:

- → FMCG and consumer products
- → E-commerce and retail
- → Automotive, heavy-duty and other specialised applications

Leading market positions:

- → #1 virgin containerboard producer in Europe
- → #1 containerboard producer in emerging Europe
- → #3 corrugated solutions producer in emerging Europe

Operating sites

21 in 8 countries

Paper mills: 5

Converting plants: 16

Employees

6,700

Production capacity

2,535 ktpa

Containerboard[1]

1 In addition, the Štětí mill (Czech Republic) has 120 ktpa of containerboard capacity

ECOSOLUTIONS HIGHLIGHTS

BucketBox

Working closely with global chemical company Wacker, we created BucketBox a new easy to handle, leak-proof, one-piece corrugated solution for chewing gum premix production, designed to hold 110°C hot molasses which turns solid after three days. Using our EcoSolutions approach, we assembled a team of experts to work with Wacker to determine their packaging and sustainability requirements. Our engineers applied their extensive experience in extrusion coatings to develop a food-safe corrugated solution that is fully recyclable and replaces difficult to recycle barrier boxes and rigid plastic drums.

EnvelopeMailer

In response to growing e-retail sales and the need to reduce product loss experienced with commonly used mailers while keeping transport volumes at a minimum, we created a corrugated EnvelopeMailer. The design allows packing from flat to box shape, offering utmost flexibility with a single packaging item. This instantly ready, self-adjusting package ensures products are well protected and tightly packed. To develop the solution our experts worked with key stakeholders from across the value chain to determine the sustainability attributes needed for e-commerce packaging lifecycles, including recycling infrastructure and CO_2 reduction associated with light-weighting and transportation optimisation. The result is a high-strength paper-based solution that leverages our knowledge of corrugated manufacturing and experience from creating our patented sack kraft paper MailerBag to offer another fully recyclable alternative to plastic e-commerce bags.

Financial review

While margins and returns remain strong, underlying EBITDA was down 18% on the prior year to €583 million, with lower average containerboard selling prices and the effects of longer planned maintenance shuts more than offsetting the full year contribution from the acquisition of Powerflute (Finland) completed in 2018 and a strong performance in the downstream corrugated solutions business. Performance in the year was further supported by enhanced value chain alignment and our ongoing profit improvement programme.

Following sharp declines in the first half, containerboard prices stabilised in the third quarter before some further price erosion towards the end of the year. The magnitude of the decreases varied by grade. Average benchmark European prices for unbleached kraftliner were down 11% year-on-year while benchmark recycled containerboard prices were down around 18% year-on-year. Prices in the specialty grades of white top kraftliner and semi-chemical fluting were down around 3% year-on-year. Encouragingly, we saw a deceleration of customer de-stocking and improvement in order books as we progressed through the second half and into the new year. In response to these improved market conditions we are currently in discussions with customers around price increases for unbleached kraftliner and recycled containerboard.

Corrugated Solutions achieved 3% overall box volume growth, with strong growth in central and eastern Europe, underpinned by good demand in fast moving consumer goods, retail, e-commerce and specialised applications. This was partly offset by weaker volumes in Turkey. The business benefited from lower input paper prices while it remained focused on further enhancing its product offering, quality and service to customers and implementing continuous improvement initiatives to reduce conversion costs.

Input costs were on average stable year-on-year. Cash fixed costs were modestly higher, driven by maintenance costs and inflationary cost pressures.

Planned maintenance shuts were completed during the first half of the year at Syktyvkar (Russia), Powerflute and Richards Bay (South Africa) and during the second half at Świecie (Poland). A similar maintenance shut plan is scheduled for 2020.

Financial performance

€ million	% change	2019	Restated[1] 2018
Segment revenue	(5)%	2,014	2,115
Underlying EBITDA	(18)%	583	707
Underlying EBITDA margin		28.9%	33.4%
Underlying operating profit	(21)%	459	582
Capital expenditure cash payments		257	157
Operating segment net assets		2,166	2,001
ROCE		24.9%	34.7%

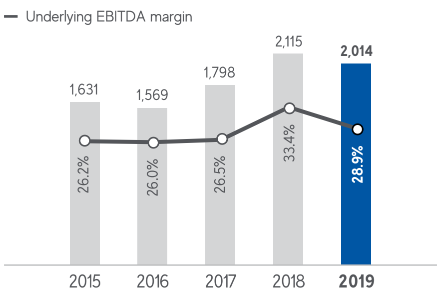
Sustainable development

		2019	Restated[1] 2018
TRCR	per 200,000 hours worked	0.73	0.77
Gender diversity	% women employed	21	21
Training hours	thousand hours	111	96
Energy consumption	million GJ	28.16	23.52
Scope 1 and 2 GHG emissions	million tonnes CO_2e	0.51	0.39
FSC- or PEFC-certified wood procured	%	94	91
Environmental management certification	% of operations certified to ISO 14001 standards	79	79
CoC Certification	% operations certified to FSC or PEFC CoC standards	100	95
Hygiene certification	% food contact operations certified to recognised food hygiene standards	79	58

1 Refer to note 2 in the notes to the consolidated financial statements for basis of restatement

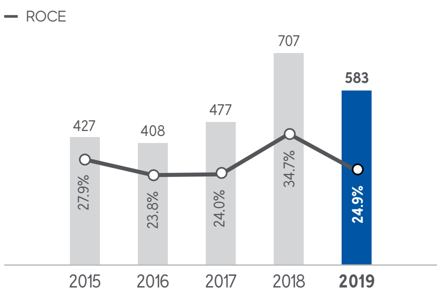
Segment revenue
€ million

€2,014m



Underlying EBITDA
€ million

€583m



Operational review – delivering on our strategy

We want to grow our business responsibly, addressing sustainability challenges and opportunities along the value chain. Climate change is one of our Growing Responsibly model Action Areas and we focus on energy optimisation programmes and increasing the use of renewable energy as we transition to a low carbon economy. We are investing in new standby power boilers at our Świecie mill to replace two coal boilers. The new boilers can eliminate coal as a fuel source and will reduce the mill's greenhouse gas emissions. The €27 million investment is planned to be completed in the second half of 2021. This year we hosted several open door day events at Świecie to proactively engage with the local community. We also conducted a socio-economic assessment and will publish the report findings in 2020 to provide an overview of the feedback received from stakeholders on issues that are important to them.

Engaging with our stakeholders
Page 21

We continue to focus on enhancing performance across our business. In 2019, we pre-selected a number of paper machines across our network and set improvement targets on a quarterly basis to further drive operational excellence. We successfully improved efficiency and productivity through our targeted action plans and detailed monitoring, as well as collaboration and best-practice sharing between our people. In our corrugated solutions plant network, we commenced a similar programme during the year to drive performance and reduce converting costs. Continuous improvement initiatives will remain a focus area in 2020.

Strategic performance
Page 26-33

Our commercial excellence initiatives this year focused on broadening our geographic reach in our containerboard sales and optimising corrugated solutions pricing. We increased our containerboard export sales volumes in existing markets and in new geographies, benefiting from our enlarged product portfolio following the integration of Powerflute, acquired last year. In our converting network, we focused on strengthening our international key account relationships and tailored solutions for our customers. To further support this, we also implemented dynamic digital pricing tools based on advanced analytics.

As part of our ongoing portfolio review, accelerated by weaker domestic market conditions, we shut a 65,000 tonne per annum recycled containerboard machine at our mill in Tire Kutsan (Turkey) in the second quarter, while continuing to operate the 75,000 tonne per annum machine on-site.

The investment in a new 300,000 tonne per annum kraft top white machine and related pulp mill upgrade at Ružomberok (Slovakia) is making good progress. The pulp mill rebuild was successfully commissioned in the second half of 2019 while the kraft top white machine is expected to start up at the end of 2020.

Our ongoing investments at our corrugated solutions' plants are progressing well. At our Bupak (Czech Republic) plant, we are investing to broaden capabilities, reduce conversion costs and focus on growing e-commerce applications, and in Ansbach (Germany), we are investing to grow with our customers, reduce conversion costs and secure the plant's long-term competitiveness as a leading heavy-duty corrugated packaging supplier.

We were encouraged that during our annual maintenance shuts, we had no major safety incidents. We engaged with our employees and contractors in detail ahead of time and through practical advice and shared responsibility, everyone felt a greater sense of ownership, resulting in an improved safety awareness and performance.

During the year, and as part of promoting a diverse and inclusive workplace, our Świecie mill started a female leadership initiative aimed at attracting and retaining women in leadership roles. We also piloted a recognition programme across the business called 'You make Mondi' to encourage our people to provide feedback and actively recognise good work identified by colleagues which has now been rolled out across the Group. Our corrugated solutions business continued to attract and retain people through a talent programme, creating a pipeline of future leaders within the business. The programme provided employees with an opportunity to develop their leadership skills and has already yielded several managerial placements across this plant network, while promoting gender, age and cultural diversity.

To connect better with our customers and drive process efficiency improvements, we developed our myMondi digital customer platform for both our corrugated solutions and containerboard customers, to be implemented in 2020. These tools will allow our customers to track their orders online, file claims, access additional order and product information and, if applicable place their orders electronically.

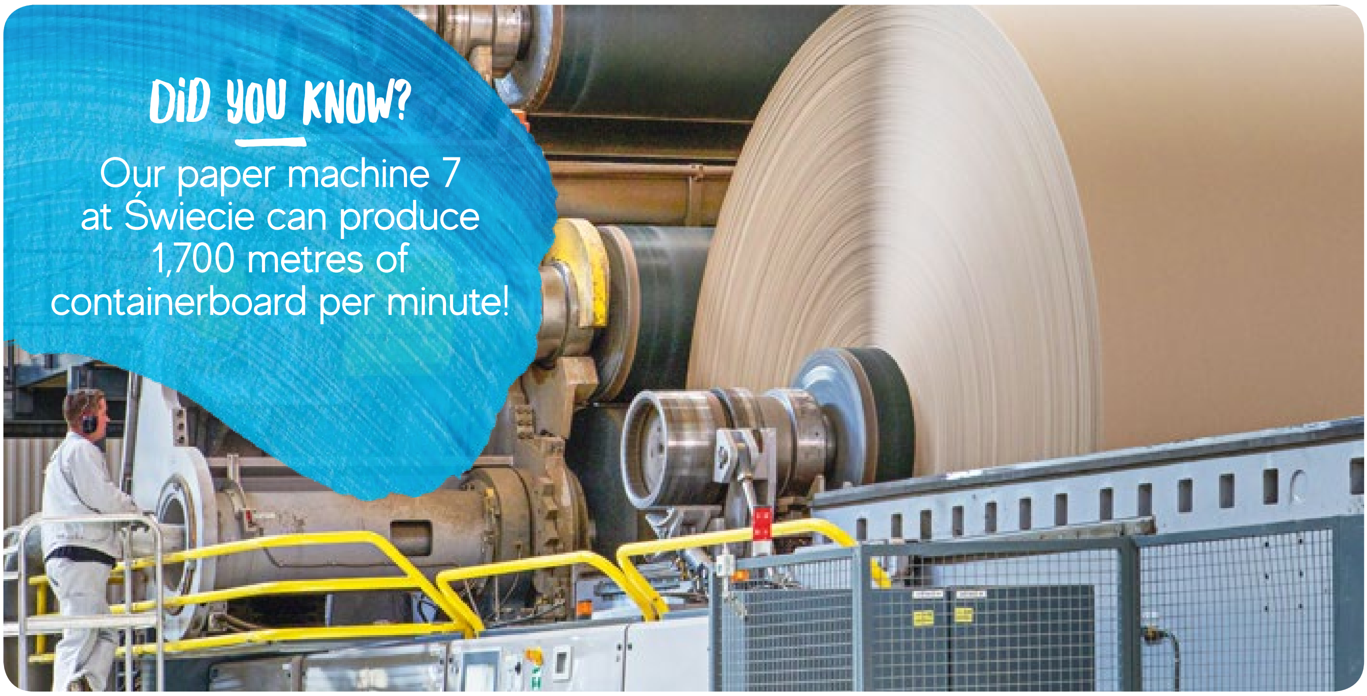
Pleasingly, Corrugated Solutions won three 2020 WorldStar[1] awards, building on its success in winning 12 such awards in the prior two years, proof of our ambition to continue delivering innovative solutions that best meet our customers' needs. Our WorldStar awarding winning Stabilising System is one such example of our innovative capabilities where we developed a stabilising component for transporting dairy products that secures the goods during transport, increases capacity by more than 40%, and is fully recyclable.

1 The WorldStar awards are open to packaging organisations from across the world, the competition acknowledges the best ideas, innovations and technologies in the market. Judges look for sustainable solutions to packaging challenges, demonstration of enhanced user convenience and reduced material waste. 2020 winners were announced in December 2019.

Delivering on our strategy

	Progress in 2019	Medium term priorities
Delivering value accretive growth sustainably	→ Commenced investment in new standby power boilers at our Świecie mill to reduce the mill's environmental footprint → Hosted several community open days **Sustainability performance** Page 34-51	→ Progress with energy optimisation programmes → Ongoing engagement with our communities to address challenges, understand and manage risks, generate opportunities and improve performance

Strategic value drivers	Progress in 2019	Medium term priorities
Drive performance along the value chain	→ Implemented and realised initial benefits from operational and commercial excellence initiatives → Closure of a paper machine at our Tire Kutsan mill	→ Continuous improvement initiatives to drive performance, benefiting from vertically integrated and more closely aligned business unit → Continue to roll out digital projects to improve performance from operations to pricing
Invest in assets with cost advantage	→ Progress made with new paper machine investment at Ružomberok and converting plant investments at Bupak and Ansbach	→ Commission new paper machine investment at Ružomberok, complete investments at Bupak and Ansbach and evaluate further investment opportunities
Inspire our people	→ Improved safety record and no major safety incidents recorded during annual maintenance shuts → Initiatives to inspire and promote a diverse and inclusive workforce	→ Continued focus on growing our safety maturity → Focus on talent attraction, retention and diversity and inclusion initiatives
Partner with customers for innovation	→ Development of myMondi digital customer platforms for both corrugated solutions and containerboard customers → Continuous innovation and product development with customers, with a number of external awards being received	→ Launch myMondi digital customer platforms and realise process efficiency gains → Continue to partner with customers to develop innovative sustainable packaging solutions → Prepare the ramp-up of the new kraft top white machine in Ružomberok



Our Flexible Packaging business produces and sells a broad range of kraft papers, converted paper bags and consumer flexible packaging, offering our customers a unique range of products for a variety of consumer and industrial applications.

As a global leader, we offer our customers a unique range of flexible packaging solutions using paper where possible, plastic when useful. Our world-class integrated mills produce kraft paper that we, or our customers, convert into strong yet lightweight paper bags and other paper-based solutions, and we make a variety of flexible plastic-based consumer packaging which gives our customers additional functionality when required. Wherever possible our range of flexible packaging is designed to minimise material usage, prioritise recyclability and use recycled content.

Industry end-use includes:

- FMCG products
- Food service and retail
- Cement and building materials
- Chemicals, agricultural and other industrial

Leading market positions:

- #1 kraft paper producer globally
- #1 paper bag producer in Europe and a global leader
- #3 consumer flexible packaging producer in Europe

Operating sites

63 in 30 countries

Paper mills: 5

Converting plants:

- Paper bags: 39
- Consumer flexibles: 19

Employees

10,400

Production capacity

1,216 ktpa

Kraft paper

MailerBag

Reducing packaging waste has become a key issue for the rapidly growing e-commerce industry as consumers actively seek more sustainable packaging alternatives. We therefore developed MailerBag, a patented, high-strength paper bag made of high-performance sack kraft paper. The bag features an easy opening strip, a double adhesive strip with a release liner on the flap for easy returns and provides excellent printability for attractive branding opportunities. Similar to our corrugated EnvelopeMailer, MailerBag provides a sustainable solution for the e-commerce industry, while reducing transportation costs, and is suitable for waste paper recycling streams even in countries with the most stringent standards.

StripPouch

Together with German cleaning products maker Werner & Mertz GmbH, we have developed an award winning, fully recyclable, flexible, mono-material stand-up pouch called StripPouch. The solution follows our EcoSolutions approach of replacing existing packaging with more sustainable alternatives. This innovative solution is the result of a four-year development process which applied Cradle-to-Cradle® principles to assess every aspect of the product, from design to optimal end-of-life options, to close the packaging loop. StripPouch has removable side panels to balance branding and recycling requirements. It is 100% recyclable, uses 70% less plastic and reduces CO_2 emissions by up to 70% compared to rigid plastic bottles that hold equivalent volumes.

Financial review

Underlying EBITDA was up 18% on the prior year to €543 million, with higher average selling prices, positive currency effects and good cost containment more than offsetting lower paper bags volumes.

Kraft paper prices were, on average, up around 6%, compared to the prior year as strong demand growth supported meaningful price increases during the second half of 2018 and into early 2019. Like-for-like sales volumes were higher versus the prior year period with an improved product mix, benefiting from the contribution of recently completed capital investment projects and our product development initiatives. The drive to replace plastic carrier bags with paper-based alternatives and consumer preferences for fibre based primary packaging continues to support good demand across our range of speciality kraft papers. However, slowing economic activity, particularly in the construction related sectors in various export markets, coupled with increased competition, resulted in kraft paper price reductions in the second half and into early 2020.

Paper bags sales volumes were down on a like-for-like basis, due to a combination of pricing discipline and weaker markets, in particular in the Middle East. Price increases were achieved in the early part of 2019 to compensate for higher paper input costs. Strong cost management and the benefit of rationalisation activities resulted in significant fixed cost savings during the period.

Consumer flexibles made progress during the year, benefiting from an improved product mix, previously implemented restructuring initiatives, and good cost control. The business has been focused on innovating with customers and other stakeholders along the value chain to develop recyclable plastic flexible packaging solutions and increase recycled plastic content in new packaging. Further product development and commercialisation will be a focus in 2020 and beyond.

Input costs were stable year-on-year. While cash fixed costs were higher due to inflationary cost pressures and the impact of maintenance shuts, this was mitigated by our cost reduction programmes.

All planned maintenance shuts at the kraft paper mills were completed in the second half of the year. In 2020, the majority of planned maintenance shuts are again scheduled for the second half.

Financial performance

€ million	% change	2019	Restated[1] 2018
Segment revenue	–%	2,708	2,708
Underlying EBITDA	18%	543	461
Underlying EBITDA margin		20.1%	17.0%
Underlying operating profit	29%	389	301
Special items		(4)	(102)
Capital expenditure cash payments		248	360
Operating segment net assets		2,603	2,442
ROCE		15.7%	14.3%

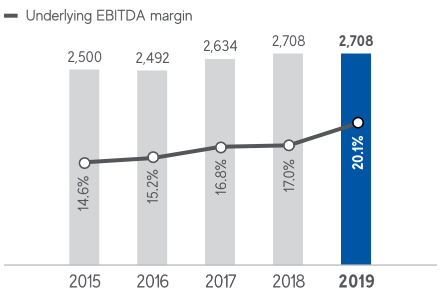
Sustainable development

		2019	Restated[1] 2018
TRCR	per 200,000 hours worked	1.00	0.98
Gender diversity	% women employed	21	21
Training hours	thousand hours	263	261
Energy consumption	million GJ	38.74	36.46
Scope 1 and 2 GHG emissions	million tonnes CO_2e	0.81	0.89
FSC- or PEFC-certified wood procured	%	51	49
Environmental management certification	% of operations certified to ISO 14001 standards	55	50
CoC Certification	% operations certified to FSC or PEFC CoC standards	41	40
Hygiene certification	% food contact operations certified to recognised food hygiene standards	83	88

1 Refer to note 2 in the notes to the consolidated financial statements for basis of restatement

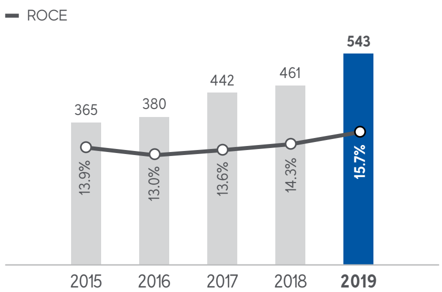
Segment revenue
€ million

€2,708m



Underlying EBITDA
€ million

€543m



Operational review – delivering on our strategy

Our people, the communities where we operate and the impacts of our operations on society and the environment are of utmost importance to us. We continually monitor emissions from our sites and invest to improve our performance. In 2019 we completed the investment in our Frantschach mill (Austria) to reduce malodorous gas emissions. During the year we hosted a number of events including visits by local students, family days and community open days.

The 70th anniversary celebration of our Štětí mill (Czech Republic) was a particular highlight, as we are one of the largest employers in the Ústí region and the country's leading paper mill in terms of size, production rates and environmental responsibility. We see clear benefits from these activities including improved community-site cooperation, local environmental and safety and health awareness, understanding of our industry, and support for the development of a pool of local technical skills.

In 2019 we published the report from our Socio-economic Assessment Toolbox (SEAT) assessment that we conducted at our Frantschach mill in 2018, highlighting the key findings from the stakeholder engagement. We also completed a SEAT assessment at our Dynäs (Sweden) mill and look forward to reporting on the findings during 2020.

We continue to drive operational excellence initiatives to increase productivity and efficiency and reduce conversion costs. During the year we reorganised our US and Egyptian paper bag operations and streamlined production across our European network. In early 2020, we announced the proposed closure of our two consumer flexibles plants in the UK due to the change in demand for the niche products produced at these sites leading to a special item charge estimated at over €10 million, of which €4 million was recognised in 2019.

Stronger quality management systems in our consumer flexibles business and implemented quality improvement initiatives have delivered a reduction in incidents and customer claim costs, improving overall customer experience.

We are now looking at how our other businesses could benefit from a similar programme to reduce costs and further enhance our product, service and process quality standards for customers. In our paper bags business we are also testing digital quality sensors.

In continuing to accelerate our performance through digitalisation, we implemented a speed optimisation pilot at one of our paper bag operations applying advanced analytics to monitor and report speed losses. The project has been successful in increasing productivity, employee motivation and competitiveness while maintaining safety, quality, downtime and set-up time standards. We are implementing similar projects across our paper bag network in 2020 to continue to improve our operational performance.

In addition to our operational and continuous improvement initiatives, we look to invest in our cost-advantaged asset base to grow and deliver value in a sustainable way. Our Štětí mill modernisation project completed in late 2018 has reduced our GHG emissions and generated a strong profit contribution in 2019.

The project to convert a containerboard machine at Štětí to be fully dedicated to the production of speciality kraft paper with a mix of recycled and virgin fibre content for shopping bag applications is on track. The investment is supported by the drive to replace plastic carrier bags with paper-based alternatives and allows us to optimise productivity and efficiency at Świecie (Poland), where this grade is currently produced. The project will result in an additional 75,000 tonnes per annum of speciality kraft paper capacity while reducing our containerboard capacity by around 30,000 tonnes per annum. Start-up is expected by the end of 2020.

Engaging with our stakeholders
Page 20

We continue to minimise the top safety risks in our operations to improve our year-on-year performance and are pleased to report that there were no major safety incidents at our mills during planned annual maintenance shuts in 2019. We however had one life-altering injury in May 2019 at our Dynäs mill when an employee severely injured one of his fingers. We have rolled out behaviour-based safety training using social psychology across our network to encourage our people to promote a safe working culture across the organisation.

The aim is to change personal behaviour through emotional identification with possible impacts on one's personal life. Subsequent improvements have been observed across our key indicators.

We are investing in our paper bag converting plant network to enable us to better serve our customers with an innovative and broader product portfolio. We will install a new state-of-the-art line at our Hammelburg (Germany) plant and digital printing equipment at our Abrera (Spain) plant. To grow with our customers and expand our geographical footprint we successfully expanded our plant in Abidjan (Côte d'Ivoire) with a second line which is already running at full capacity. We also approved a greenfield investment in a new paper bag plant in Cartagena (Colombia) with start-up planned for late 2020.

To capture further growth opportunities and innovate with more value added paper bag solutions, we organised a number of our paper bag plants in a specialised cluster, fully dedicated to the production of more technically demanding solutions for chemical, food, pet food, e-commerce and specialised applications.

In addition to expanding our footprint and increasing our customer offering, we are also leveraging digital platforms to improve customer engagement. During 2019 we successfully installed myMondi in our paper bag plant network providing an online system for our customers to place and track their orders. We expect to realise benefits from these initiatives from 2020.

Delivering innovative, sustainable packaging solutions for our customers was again a key focus in 2019. We are pleased Flexible Packaging won two 2020 WorldStar awards for our StripPouch and Protector Bag innovations.

EcoSolutions case study
Page 32

Our businesses – Award winning innovations
Page 4-5

Delivering on our strategy

	Progress in 2019	Medium term priorities
Delivering value accretive growth sustainably	→ Ongoing development of sustainable packaging solutions → Investment at Frantschach to reduce malodorous gas emissions → Community engagement through hosting events, open days and site visits Sustainability performance Page 34-51	→ Continue to work with stakeholders to develop sustainable packaging solutions → Reduce the impact on the environment from our operations → Continue to engage with our communities to build trust and develop relationships

Strategic value drivers	Progress in 2019	Medium term priorities
Drive performance along the value chain	→ Reorganised and streamlined paper bag production to optimise performance and drive productivity improvements → Tested digital pilots to enhance operational performance → Investment in quality assurance improvement technologies	→ Continued focus on performance initiatives across the value chain and reduction of our cost base → Roll-out of speed improvement project to paper bag network to drive productivity gains and evaluate further digitalisation initiatives
Invest in assets with cost advantage	→ Ramp-up of production and environmental improvements from the Štětí mill modernisation project completed in late 2018 → Progress with machine conversion investment at Štětí and investments in our converting plants	→ Complete machine conversion investment at Štětí → Realise benefits from recently completed investments and evaluate further investment opportunities
Inspire our people	→ Improved safety performance during annual mill shuts → Employee-supportive initiatives and programmes to engage with and develop our workforce	→ Ongoing focus on growing our safety maturity → Continued attention on promoting and developing a diverse workforce
Partner with customers for innovation	→ Ongoing product innovation in particular around sustainable packaging → Approved a number of investments to enhance our product offering and expand geographical paper bag footprint → Launched myMondi in our paper bag network to enhance customer engagement	→ Continue to partner with our customers to develop sustainable packaging solutions – paper where possible, plastic when useful → Complete approved investments in paper bags → Leverage recently implemented digital customer platforms

ENGINEERED MATERIALS

Our Engineered Materials business develops, manufactures and sells innovative components for personal care products, extrusion solutions and release liners.

Engineered Materials brings together Mondi's leading positions and expertise across a range of specialised products. Personal care components include soft nonwovens, unique stretchy elastic films and laminates, and mechanical fastening components. Our high-performance extrusion solutions provide advanced barrier properties and our paper and film-based release liners protect various adhesive surfaces. We focus on prioritising the responsible use of resources and, wherever possible, designing for recycling or biodegradability.

Industry end-use includes:

- → Baby care, feminine care, adult incontinence and wipes
- → Tapes, labels and graphic arts
- → Food, building and industrial applications

Leading market positions:

- → #1 commercial release liner producer in Europe
- → #2 extrusion solutions producer in Europe

Operating sites

15 in 8 countries

Employees

2,400

ECOSOLUTIONS HIGHLIGHTS

Biodegradable coating

Our Sustainex® portfolio represents a unique family of innovative biodegradable and industrially compostable packaging materials. Extrusion coated on various paper-based substrates, the DIN EN 13432 certified biopolymer provides excellent sealability as well as gas, grease, aroma and moisture barriers. End-uses include kitchen waste bags, single-use paper cups and hygiene products.

Biodegradable wipes

With our new Carded Airlaid Carded (CAC) technology, we can create innovative 3-layer wipes for hygienic and cleaning end-uses. This new line will use 100% cellulose content, including viscose and pulp from renewable resources, resulting in a wipe that is fully biodegradable and compostable. The three layers combined deliver a highly functional and stable composite material for wipes, and have absorption and cleaning functionality that matches currently available non-woven products. The technology will be able to produce the entire sustainable material in-line, while also providing embossing that creates a structured outer layer for increased cleaning functionality. increasing the end-consumer's comfort.

Financial review

Underlying EBITDA of €122 million was up 9% on the prior year.

Engineered Materials business benefited from an improved product mix, its continued focus on innovation with customers, previously implemented restructuring initiatives, good cost control and a one-off gain on disposal of a plant in Belgium of €9 million.

Performance in personal care components improved year-on-year, although we expect this area will continue to face pressure going forward as a key product matures. Release liner made progress as it benefited from an improved product mix, pricing discipline and good cost control. Extrusion solutions was impacted by lower like-for-like volumes in certain segments, which were partly offset by the benefits of cost reduction programmes. We continue to see strong demand for sustainable coating solutions for a range of packaging applications, an area of innovation and product development that offers further growth potential.

Financial performance

€ million	% change	2019	Restated[1] 2018
Segment revenue	(1)%	979	984
Underlying EBITDA	9%	122	112
Underlying EBITDA margin		12.5%	11.4%
Underlying operating profit	18%	86	73
Special items		–	(3)
Capital expenditure cash payments		32	31
Operating segment net assets		612	672
ROCE		13.8%	11.4%

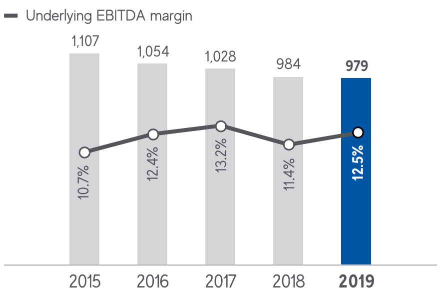
Sustainable development

		2019	Restated[1] 2018
TRCR	per 200,000 hours worked	0.73	0.80
Gender diversity	% women employed	15	14
Training hours	thousand hours	62	68
Energy consumption	million GJ	1.42	1.41
Scope 1 and 2 GHG emissions	million tonnes CO_2e	0.12	0.14
Environmental management certification	% of operations certified to ISO 14001 standards	86	87
Hygiene certification	% food contact operations certified to recognised food hygiene standards	100	100

1 Refer to note 2 in the notes to the consolidated financial statements for basis of restatement

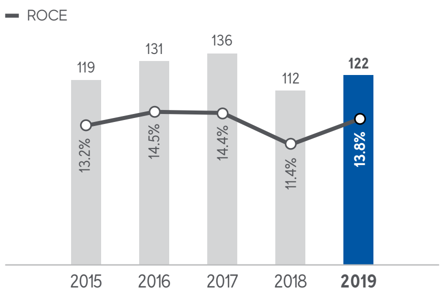
Segment revenue
€ million

€979m



Underlying EBITDA
€ million

€122m



Operational review – delivering on our strategy

We constantly drive performance along the value chain through operational excellence initiatives, lean processes, rigorous quality management and commercial excellence programmes that enhance productivity and efficiency. Towards the end of the year, we initiated steps to right-size our major operations in Europe and the US in order to improve our competitiveness.

In 2019, we focused on further improving our product mix by increasing our sales in value-added segments primarily in our extrusion solutions product offering. In order to streamline our portfolio, we sold a specialised extrusion coated products plant in Duffel (Belgium) serving customers across protective clothing, imaging, automotive and other speciality products markets. Mondi's remaining extrusion coatings plants in Europe are primarily focused on consumer and other selected applications.

Stronger quality management systems and implemented quality improvement initiatives have delivered a reduction in incidents and customer claim costs.

We remain focused on promoting an environment where all our employees can go home safely every day. We are pleased with our significantly improved safety record. One of the key safety initiatives in 2019 was a tailor-made approach where plants with a more mature safety culture could focus on advanced safety developments, while plants that do not yet meet requirements receive more specific assistance to improve safety performance. We also took action to further optimise our equipment so that we can minimise human interaction with moving and rotating parts, which was previously identified as a top safety risk. In 2020, we have set more demanding safety targets for our plants in order to drive an ongoing safety improvement culture.

Developing our people is a key focus and we made good progress in 2019 with a number of internal promotions to senior leadership positions within our business unit. To support our goal of having a diverse and inclusive workforce we have also reviewed the composition of our operational leadership team across our network and taken steps to improve the representation of women in management positions. To support the development of an inclusive culture we have committed to conduct diversity and inclusion training for our business unit's operational management committee in 2020.

We are working with our customers to create more sustainable solutions. During the year we continued developing films and paper-based laminates to replace aluminium and plastic-based packaging. In our commitment to support the circular economy, we further developed films with increased recycled plastic content that can be used in various applications including labels.

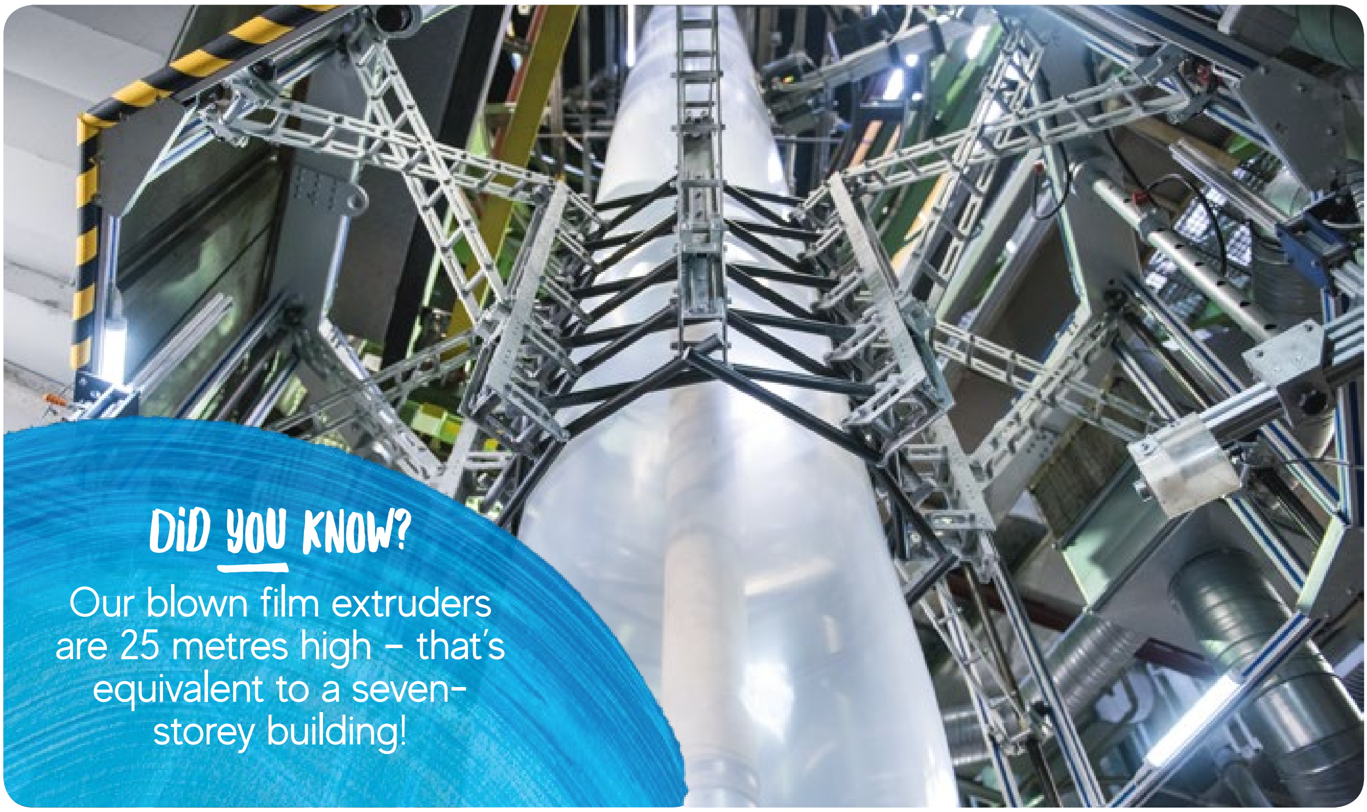
An investment in a new line at our Ascania plant (Germany) was approved during the year, which will enable us to produce sustainable wipes using renewable and biodegradable raw materials. Start-up is planned for early 2021.

Partnering with our customers for innovation is key to our success. We are developing the next generation of elastic laminates for personal care products components with the application of glue-free technologies and enhanced breathe-ability. This is expected to deliver efficiency improvements and raw material savings while retaining softness and elasticity properties and reducing the product's environmental footprint.

Delivering on our strategy

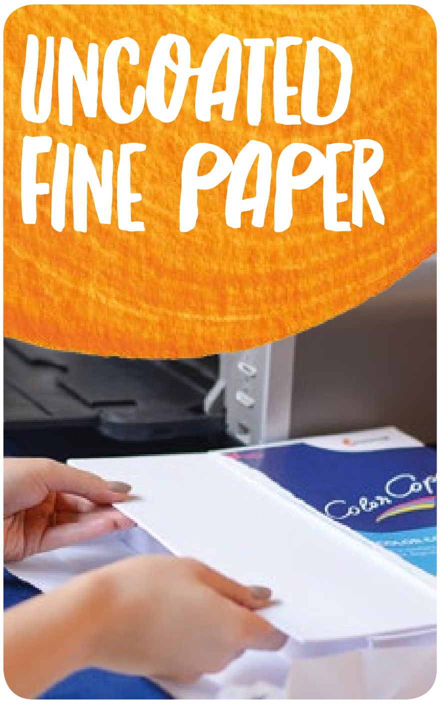
	Progress in 2019	Medium term priorities
Delivering value accretive growth sustainably	→ Partnerships with key stakeholders to develop and promote cutting-edge, sustainable solutions → Ongoing initiatives to reduce our environmental footprint **Sustainability performance** Page 34-51	→ Continue to collaborate along the value chain to improve the sustainability of our product offering → Ongoing initiatives to reduce our environmental footprint

Strategic value drivers	Progress in 2019	Medium term priorities
Drive performance along the value chain	→ Sale of a specialised extrusion coated products plant and initial steps to right-size business → Improved our product mix and quality systems	→ Ongoing continuous improvement initiatives focusing on quality and efficiency to reduce cost and waste supported by digital technologies
Invest in assets with cost advantage	→ Stay-in business investments to maintain cost competitiveness	→ Evaluate investments to enhance our cost competitiveness
Inspire our people	→ Significantly improved safety record → Initiatives to increase diversity and foster an inclusive workforce	→ Ongoing and more demanding safety targets set to drive a continuous safety improvement culture → Continuous efforts to develop an inclusive workforce and promote diversity → Continue to focus on talent development and internal promotions
Partner with customers for innovation	→ Developed next generation of elastic laminates for personal care components → Approved investment in sustainable wipes line → Ongoing product innovation with customers	→ Ramp-up production of next generation elastic laminates and sustainable wipes production → Continue to partner with customers to research and develop innovative and more sustainable solutions



DID YOU KNOW?

Our blown film extruders are 25 metres high – that's equivalent to a seven-storey building!



Our Uncoated Fine Paper (UFP) business manufactures and sells an extensive range of quality papers for use in offices and professional printing houses.

Our vertically integrated, well-invested, cost-advantaged paper mills make a wide range of environmentally sound office and professional printing papers, tailored to the latest digital and offset print technologies. We also manage forests in Russia and South Africa providing sustainable wood fibre for our operations. Our focus is on transforming credibly sourced raw materials into innovative paper solutions to meet customer needs in a cost-effective and sustainable way.

Industry end-use includes:

→ Paper for home and office printers

→ Paper for professional digital and analogue printing presses

Leading market positions:

→ #1 uncoated fine paper supplier in Europe (including Russia)

→ #1 uncoated fine paper producer in South Africa

Operating sites

6 in 4 countries

Employees

6,300

Production capacity

1,890 ktpa

Uncoated fine paper[1]

NAUTILUS®

We further expanded our NAUTILUS® range of recycled papers in 2019. The product now offers a diverse portfolio of high-white recycled papers in various grammages and covers a wide range of customer requirements from flyers to posters and brochures. The NAUTILUS® product family helps our customers look after the environment and reinforces their sustainability profile with certifications that include: FSC recycled, PEFC, the European Eco-label or the Blue Angel.

Color Copy

Our flagship office and professional printing paper is by far the most well-known brand of office paper in Europe for digital colour printing applications. In 2019, we introduced Color Copy Jet which has a special surface pigmentation allowing for quick drying and offers a silk appearance. Color Copy is part of our Green Range and CO_2 neutral. We measure the carbon footprint of all our paper mills as well as for each individual paper product that we produce using our Product Carbon Footprint tool.

1 Includes 205 ktpa of newsprint

Financial review

Underlying EBITDA was down 14% to €444 million as the business was impacted by lower average selling prices, longer planned maintenance shuts and higher costs. This was partially compensated for by ongoing profit improvement initiatives, positive currency effects and a higher forestry fair value gain. ROCE remains strong at 25.1% and margins robust at 25.3%.

Uncoated fine paper sales volumes were lower, mainly due to planned extended maintenance shuts and the closure of a small machine in Merebank (South Africa) in 2018. We continue to see ongoing structural decline in demand for uncoated fine paper in mature markets, with demand in Europe estimated to have declined around 5% in 2019. Demand in Russia and South Africa was also softer during the year, although we expect broadly flat demand in the medium term in these markets. Our superior cost position and emerging market exposures continue to provide us with competitive advantage.

Average uncoated fine paper selling prices achieved by our European operations were flat year-on-year but down in the second half as a result of price pressures in European markets and a higher proportion of exports. Uncoated fine paper selling prices in Russia and South Africa were higher year-on-year, offsetting domestic cost inflation.

Average benchmark European bleached hardwood pulp prices were 13% lower than the prior year and 21% down in the second half compared to the first half. Encouragingly, prices have stabilised in early 2020, notably in the key Asian markets. On an annualised basis, and including the pulp sales in our packaging businesses, we estimate the Group's net long pulp position in 2020 will be around 400,000 tonnes.

We saw overall higher input costs, most notably for wood and chemicals, while fixed costs were higher due to domestic inflationary cost pressures and the impact of maintenance shuts, partly compensated by our ongoing cost reduction initiatives.

Financial performance

€ million	% change	2019	2018
Segment revenue	(6)%	1,758	1,877
Underlying EBITDA	(14)%	444	516
Underlying EBITDA margin		25.3%	27.5%
Underlying operating profit	(18)%	324	395
Special items		2	(21)
Capital expenditure cash payments		220	161
Operating segment net assets		1,758	1,494
ROCE		25.1%	31.9%

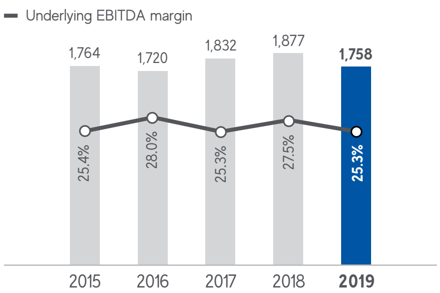
Sustainable development

		2019	2018
TRCR	per 200,000 hours worked	0.29	0.40
Gender diversity	% women employed	23	23
Training hours	thousand hours	366	394
Energy consumption	million GJ	87.52	91.76
Scope 1 and 2 GHG emissions	million tonnes CO_2e	3.31	3.38
Forest certification	% managed land certified to FSC standards[1]	100	100
FSC- or PEFC-certified wood procured	%	77	78
Environmental management certification	% of operations certified to ISO 14001 standards	100	100
CoC Certification	% operations certified to FSC or PEFC CoC standards	100	100
Hygiene certification	% food contact operations certified to recognised food hygiene standards	60	60

1 Our forestry operations in Russia are also 100% PEFC certified

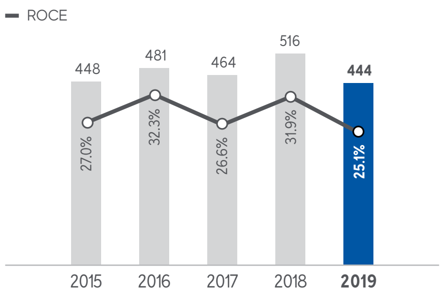
Segment revenue
€ million

€1,758m



Underlying EBITDA
€ million

€444m



Overview Strategic report Governance Financial statements

The forestry assets' fair value is dependent on a variety of external factors over which we have limited control, the most significant being the export price of timber, the exchange rate and domestic input costs. Higher export prices and net volume increases during the year resulted in a forestry fair value gain of €71 million, up €28 million on the prior year, but with the second half gain €33 million below that recognised in the first half of 2019. Based on current market conditions, we would expect a significantly lower forestry fair value gain in 2020 compared with 2019.

Planned maintenance shuts at our Syktyvkar (Russia) and Richards Bay (South Africa) mills were completed during the first half of the year. In the second half, we completed a project related shut at Ružomberok (Slovakia) and smaller planned maintenance shuts at our remaining operations. In 2020, our Syktyvkar and Richards Bay shuts are planned for the first half of the year while the remaining shuts are scheduled for the second half.

Operational review – delivering on our strategy

We continually strive to improve the environmental performance of our operations. We undertake investments, collaborate with key partners and associations, and monitor the impact from our processes across the value chain to ensure that our actions sustain ecosystems and minimise the impact on the surrounding communities and environment.

Regrettably, we experienced odour incidents at our Ružomberok and Richards Bay mills early in 2019. The improvements made over the course of the year at our Ružomberok mill had good results, and at our Richards Bay mill we are planning to invest to further reduce our odour emissions.

During the year we celebrated the 50th anniversary of our Syktyvkar mill along with our employees, the local community, customers, and other key partners. In addition to the celebratory event, we invested in renovating community facilities and local infrastructure around the mill such as upgrading sports facilities and roads.

By working with, and investing in our communities, we are able to build trust, collaboratively address challenges, understand and manage risks, generate opportunities and improve performance.

We continue to focus on operational improvements across our sites. In particular at our South African mills, we implemented initiatives to drive productivity and lean processes which have already delivered improvements in performance and maintenance practices. We continue to invest in modernising our South African forestry operations to mitigate rising operational costs and increasingly variable climate conditions. Our investment in digital tools, such as advanced direct sensing technologies for harvesting, transport and silviculture equipment, or remote sensing in plantations, has enhanced the information we gather, enabling value chain optimisation, efficiency and productivity. Our ongoing journey to modernise, mechanise and digitalise our forestry operations is delivering results in line with our relentless drive for continuous improvement.

We are investing in the modernisation of our Richards Bay mill, including upgrading the energy and chemical plants to improve reliability and avoid unplanned shutdowns.

Our investment programme to debottleneck production and avoid unplanned shuts at our Syktyvkar mill is progressing well, including various upgrades of the mill infrastructure, fibre lines and pulp dryer, and a new evaporation plant. We modified the scope of the power plant rebuild at the same site to replace three existing bark boilers and four turbines with a single new bark boiler and turbine. This will simplify processes while reducing our environmental footprint. This project is expected to complete in the first half of 2020 with total capital expenditure expected around €135 million.

With respect to safety at work, we have achieved an improvement in reducing the overall safety recordable case rate. The Merebank mill in particular recorded an incident free year, which is a world-class achievement. However, we have not made progress regarding the severity of incidents and we sincerely regret two fatalities during 2019.

In January, a contractor lost his life during drilling works at the construction site of our new paper machine in Ružomberok and in August, a contractor was fatally injured during towing activities at our Russian forestry operations. We unfortunately also had one life-altering injury at our Ružomberok mill. We are deeply saddened that a contractor died as a result of an incident during demolition activities at our Syktyvkar mill in January 2020. Thorough investigations are conducted after all incidents and action plans implemented to address root causes and prevent repeat incidents.

Towards the end of the year we started a structured knowledge sharing programme called 'Knowledge Circle' as colleagues across our European mill network were seconded to our Richards Bay mill to share best-practice techniques with their South African colleagues and transfer know-how. It also provided these employees with the opportunity to gain invaluable experience by working in a new location and encouraging cultural diversity among our people.

Following the successful roll out of myMondi in 2018 providing our customers with 24/7 access to detailed product information, order placement, tracking and enquiries, we have further leveraged our digital customer platform during the year to create awareness and promote Mondi's brands to decision makers in the paper-buying process and end-users through digital channels. This has enabled us to optimise the value chain, interact directly with end-users and improve our customers' buying experience. The successful implementation and ongoing enhancements of myMondi have resulted in productivity and efficiency gains and increased focus on improving sales and marketing functions which will continue to be a priority during 2020.

Delivering on our strategy

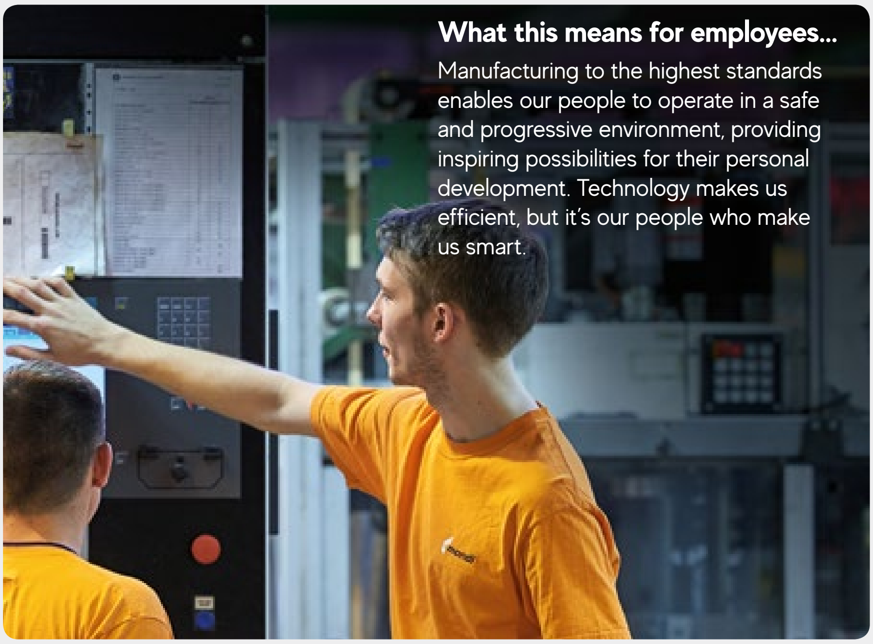
	Progress in 2019	Medium term priorities
Delivering value accretive growth sustainably	→ Improved odour abatement at Ružomberok and Richards Bay over the course of the year → Further optimisation of the wastewater treatment plant at Syktyvkar → Community investment and engagement initiatives and events **Sustainability performance** Page 34-51	→ Further improve odour abatement in our mills → Support biodiversity and sustain ecosystems around our operations → Complete investments and develop new initiatives to reduce the environmental footprint of our mills and increase energy efficiency

Strategic value drivers	Progress in 2019	Medium term priorities
Drive performance along the value chain	→ Improved performance and maintenance practices, most notably at our South African mills, through operational improvement initiatives → Investment in digital tools across our site network to drive productivity and efficiency gains	→ Continue to focus on operational improvements across our business → Realise efficiency and material use benefits from installed digital technologies in our fibre lines and paper machines and evaluate further projects
Invest in assets with cost advantage	→ Progressed with investment to debottleneck production at Syktyvkar → Continued with power plant modernisation project at Syktyvkar → Initiated investment programme in the Richards Bay facility to improve reliability and avoid unplanned shutdowns	→ Continue with investment programme to debottleneck Syktyvkar → Continue with the modernisation of our Richards Bay mill
Inspire our people	→ Improved overall safety performance in terms of frequency but not in severity → Promoted knowledge sharing and cultural diverse learning opportunities	→ Continued focus on improving our safety mindset to eliminate fatal and severe injuries → Leverage benefits from employee knowledge sharing initiatives
Partner with customers for innovation	→ Further enhancements to our myMondi digital platform to connect directly with decision makers along the paper-buying value chain and the end-users of our products	→ Leveraging digital platforms, primarily through myMondi, to attract and grow with our customers

MANUFACTURING EXCELLENCE

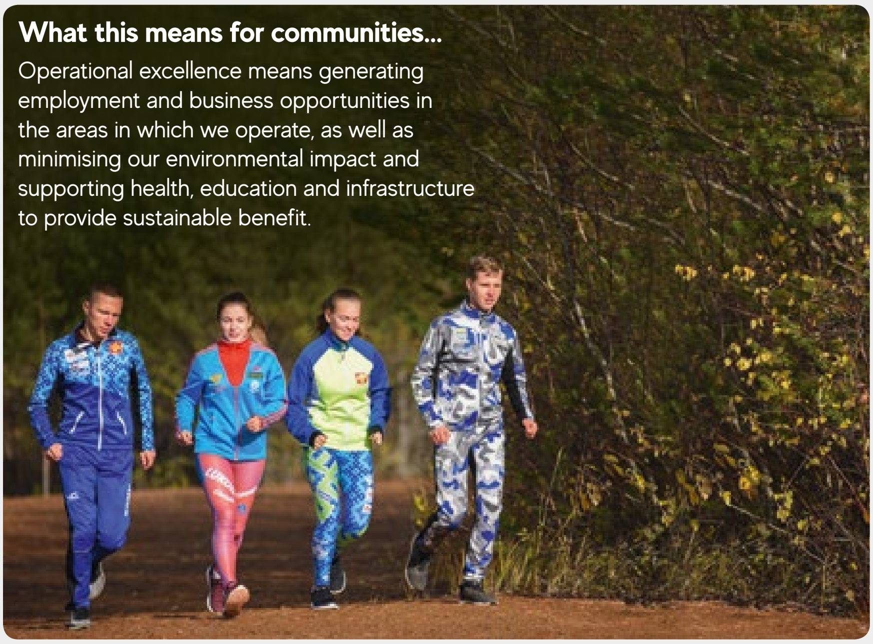
makes Mondi

SUSTAINABLE by DESIGN



What this means for employees...

Manufacturing to the highest standards enables our people to operate in a safe and progressive environment, providing inspiring possibilities for their personal development. Technology makes us efficient, but it's our people who make us smart.



What this means for communities...

Operational excellence means generating employment and business opportunities in the areas in which we operate, as well as minimising our environmental impact and supporting health, education and infrastructure to provide sustainable benefit.

What this means for suppliers and contractors...

We provide a wide range of opportunities to work with us across the value chain, encouraging supply chain transparency and promoting fair and safe working conditions. As a reliable and reputable business partner, we work together to find solutions to operational, social and environmental challenges.

GOVERNANCE

Introduction from the Chair
A culture of strong governance

Dear fellow shareholder

I would like to provide you with a more detailed look at how our governance framework operates in practice and the Board's key focus areas during the year.

Having a robust and effective governance framework is key to delivering on our strategy and ensuring the long-term sustainable success of our business, not only in the interests of our shareholders but also to the benefit of those stakeholders most impacted by what we do. It guides how the Board operates and provides a basis for its decision-making, ensuring that our culture and values are considered and that we act ethically and in line with our duties as directors. New governance and regulatory requirements provided an opportunity during 2019 to take a closer look at the impact our business has on our stakeholders and to ensure that we fully understand the issues they face. This report aims to provide clarity around how we did this.

In July 2019 we completed the simplification of our dual listed company structure into a single holding company structure under Mondi plc. This process was aimed at simplifying cash and dividend flows, increasing transparency, removing the complexity associated with the previous structure and enhancing strategic flexibility.

The UK Corporate Governance Code is now our primary governance framework. Pages 88 and 89 provide an overview of our compliance with the 2018 Code.

Board composition

Following the announcement in March 2019 that Fred Phaswana would retire from the Board following completion of the corporate simplification, Fred duly retired as Joint Chair on 31 August 2019 after more than six years on the Board. Fred made a significant contribution to Mondi during his time on the Board, providing invaluable insight and leadership. On behalf of the Board, I wish him all the best for the future.

At the same time, we welcomed Enoch Godongwana to the Board as an independent non-executive director.

Enoch brings a wealth of knowledge to the Board, particularly in relation to the South African business environment, and we look forward to continuing to work with him in 2020. Further information relating to Enoch's appointment and his induction can be found on pages 98 and 108.

In January 2020, we announced that Peter Oswald would step down as Group CEO and from the Board of Mondi plc on 31 March 2020. Peter has made an immense contribution to the growth and development of Mondi during his 28 years with the Group, most notably during his tenure as CEO of the former Europe & International Division and subsequently as Group CEO. Peter leaves with our best wishes for the future. We subsequently announced, in February 2020, that Andrew King, Group CFO, will be appointed as Group CEO with effect from 1 April 2020. I am delighted that someone of Andrew's calibre has agreed to succeed Peter as CEO. The formal review process undertaken by the nominations committee convinced the Board that he is the right person to lead the Group and we wish him all the best in his new role.

"Having a robust and effective governance framework is key to delivering on our strategy and ensuring the long-term sustainable success of our business."

David Williams
Chair

Safety

We were deeply saddened by the fatalities of two contractors during the year, one at our Ružomberok mill (Slovakia) and another at our Russian logging operations. Sadly, a contractor also died as a result of an incident during demolition activities at our Syktyvkar mill (Russia) in January 2020. We continue to strive to send everybody home safely, every day and this goal remains fundamental to the way we do business, so thorough investigations were undertaken in all instances and the findings reported to the Board. Actions being taken to prevent future similar incidents are always discussed by the Board in detail, with additional follow up actions agreed. We are very conscious of the need to avoid complacency and to ensure that lessons are learnt from every incident. Safe behaviour is a key part of Mondi's culture and we will continue to do everything we can to ensure that it is embedded across all sites, including at those operations that are new to Mondi and where additional work may be required to instil our culture. In 2019 we focused in particular on the social psychology of risk, aimed at addressing the conscious and unconscious aspects of individual behaviour that can often lead to incidents. Further details around the actions taken during the year to improve safety can be found on page 38.

Stakeholder engagement

Towards the end of 2018, the Board reviewed and agreed Mondi's key stakeholder groups, being those groups that our business has the greatest impact on and that are most influenced by the decisions we take.

While we have a duty to act in the interests of our shareholders, we also understand the importance of our wider stakeholders and want to ensure that, to the extent we can, we also act in their interests, considering the long-term consequences of our decisions and our desire to drive the business forward in a sustainable manner.

The Board has always considered the interests of our wider stakeholders, particularly through the work of our sustainable development committee and its long standing focus on our impact on the environment and local communities as well as our relationships with NGOs and other relevant bodies. However, the requirements of the new UK Corporate Governance Code introduced in 2018, as well as the requirement for a statement in accordance with Section 172 of the Companies Act 2006, encouraged us to re-assess whether we were doing enough in this area. As a result, we have introduced among other things regular updates to the Board on employee engagement matters and a requirement for all decision papers to include details of the potential impact on stakeholders. These changes have also strengthened our understanding of the extent to which Mondi's culture is embedded across the organisation.

More details of the ways in which we engage with and consider the views of our stakeholders are set out in this report on pages 100 to 103 and in the Strategic report on pages 18 to 21.

Board effectiveness

In line with best practice, we undertook an externally-facilitated board evaluation process in 2019. In light of the announcement that I will be stepping down in 2020, the process was led by Stephen Harris as Senior Independent Director on behalf of the nominations committee.

I am pleased to report that as a result of the process, the Board concluded that it continues to operate effectively, with strong levels of engagement and a boardroom atmosphere that allows for open and constructive challenge. More details can be found on page 105.

Looking ahead

Our focus during 2020 continues to be on leading the Group in line with our established culture and values while moving our strategy forward. Maintaining a safe working environment for our employees remains paramount while also taking account of the interests of our stakeholders and taking every opportunity to enhance the long-term sustainability of our business. Our strong governance processes will continue to provide the framework within which we do this.

While I intend to step down during 2020, I know that this will remain the Board's priority. I am extremely proud of everything the business has achieved since I joined the Board in 2007, the way it has grown and its strong sense of purpose and desire to act sustainably. This is thanks to the dedication of the people that work for Mondi and I am confident that it is in good hands for the future.

David Williams
Chair

How we comply with the UK Corporate Governance Code

Mondi aims to comply with the principles and provisions of the July 2018 edition of the UK Corporate Governance Code issued by the Financial Reporting Council (available at www.frc.org.uk).

It is the view of the Board that Mondi has applied the principles of the UK Corporate Governance Code throughout the year. As set out below, there are examples throughout this report of the way in which we do this.

Section 1

Board Leadership and Company Purpose

A	A successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.	Pages 90-91, 96
B	The board should establish the company's purpose, values and strategy and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.	Pages 8-9, 16-17, 99
C	The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.	Pages 52-53, 96
D	In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties.	Pages 18 to 21, 100 to 103
E	The board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.	Pages 36 to 41, 99, 116

Section 2

Division of Responsibilities

F	The chair leads the board and is responsible for its overall effectiveness in directing the company. The chair should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information.	Pages 95-96
G	The board should include an appropriate combination of executive and non-executive (and, in particular, independent non-executive) directors, such that no one individual or small group of individuals dominates the board's decision-making. There should be a clear division of responsibilities between the leadership of the board and the executive leadership of the company's business.	Pages 90-91, 95
H	Non-executive directors should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.	Pages 95, 107-108
I	The board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.	Pages 94 to 96

Section 3

Composition, Succession and Evaluation

J	Appointments to the board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.	Pages 108-109
K	The board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the board as a whole and membership regularly refreshed.	Pages 90-91, 94, 107
L	Annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.	Page 105

Section 4

Audit, Risk and Internal Control

M	The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.	Pages 114-115
N	The board should present a fair, balanced and understandable assessment of the company's position and prospects.	Page 114
O	The board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.	Pages 52 to 60, 112

Section 5

Remuneration

P	Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values, and be clearly linked to the successful delivery of the company's long-term strategy.	Pages 123 to 128, 134 to 137
Q	A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration should be established. No director should be involved in deciding their own remuneration outcome.	Page 140
R	Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.	Page 130

There were a number of provisions that were introduced in the 2018 version of the Code that Mondi is still working towards implementing. These are as follows:

- **Provision 19 –** David Williams remained as Chair throughout 2019, and continues to hold the role, despite having exceeded a nine-year term. We announced in March 2019 that David would step down in 2020, allowing time for us to undertake a search for a new Chair and to ensure an orderly succession. The search is progressing well but until a successor is appointed, David continues to contribute significant financial and business knowledge to the Group.
- **Provision 36 –** Mondi did not have a formal policy for post-employment shareholding requirements during 2019 but is proposing to introduce such requirements alongside a number of other changes to its directors' remuneration policy. Further details can be found on page 122.
- **Provision 38 –** we have reviewed the pension contribution rates for executive directors as part of our wider directors' remuneration policy review and changes are proposed to better align such contributions with those of the majority of the workforce in the relevant location. Further details can be found on page 122.

Board of directors

David Williams
Chair

Appointed to the Board
May 2007 and as Chair in August 2009

Independent
Yes (on appointment)

Committee memberships
Nominations (chair), remuneration

Qualifications
Graduated in economics from Manchester University, chartered accountant (UK)

Skills and experience

David has extensive board-level experience as both an executive and non-executive director and has held senior financial roles across a range of multinational companies. He continues to contribute significant financial and business knowledge to the Board and has an extensive understanding of Mondi and its history since listing. David was appointed Joint Chair of Mondi in August 2009 and became sole Chair following the corporate simplification in July 2019.

David served as finance director of Bunzl plc for 14 years before retiring in January 2006. He was previously a member of the Tootal management board and Finance Director of Tootal plc and has held a number of senior independent director and committee chair roles. David was formerly a non-executive director of the Peninsular & Oriental Steam Navigation Company, Dewhirst Group plc, Medeva plc, George Wimpey plc, Taylor Wimpey plc, Tullow Oil plc, Meggitt plc and Dubai-based DP World Limited.

Current external appointments

None.

Peter Oswald
Group CEO

Appointed to the Board
January 2008 and as Group CEO in May 2017

Independent
No

Committee memberships
Executive (chair), sustainable development,

Qualifications
Graduated in law from the University of Vienna and in business administration from WU-Vienna Business School

Skills and experience

Peter brings significant manufacturing industry experience to the Board, including 28 years in the packaging and paper sector. The business benefits from his track record of developing and growing Mondi's packaging businesses, overseeing and integrating over 50 acquisitions and his focus on inspiring diverse teams.

Peter began his career with Deutsche Bank and automotive company KTM. He joined the Frantschach Group in 1992 as the Head of Internal Audit, later becoming Corporate Controller. After serving as chief executive of the bag and flexibles business from 1995 to 2001, he was appointed chief executive of Mondi Packaging Europe in 2002, leading its subsequent integration with Frantschach into the new Mondi packaging division. Having held a number of senior executive roles within Mondi, Peter was appointed CEO of the former Europe & International Division in January 2008 and CEO of the Mondi Group in May 2017.

He was a non-executive director of Telekom Austria AG between 2008 and 2014 and of MIBA AG between 2014 and 2015 and chair of the supervisory board of OMV AG between 2015 and 2016.

It was announced on 10 January 2020 that Peter will step down as CEO, and leave the Group, on 31 March 2020.

Current external appointments

None.

Andrew King
Group CFO and Group CEO Designate

Appointed to the Board
October 2008

Independent
No

Committee membership
Executive

Qualifications
Graduated in commerce from the University of Cape Town, chartered accountant (South Africa)

Skills and experience

Andrew has more than 17 years' experience with Mondi in various strategy, business development and finance leadership roles, giving him a detailed understanding of Mondi's strategy, capital allocation priorities, financial structure and the environment in which the Group operates. He has played a key role in defining the Group's strategic direction and re-shaping the capital structure since listing.

Andrew completed articles with Deloitte & Touche in Johannesburg in 1994. In 1995 he joined Minorco, part of Anglo American, as a financial analyst, before assuming responsibility for the group's investment management activities, and transferring to their corporate finance department in 1998. He worked on a number of group M&A activities before being appointed a vice president of Anglo American Corporate Finance in 1999. He was appointed Mondi's Vice President of Business Development in 2002 and Corporate Development Director in 2004. He served as CFO of Mondi from June 2005 to May 2006. He was then appointed as Group Strategy and Business Development Director before becoming the CFO of the Mondi Group in 2008.

It was announced on 18 February 2020 that Andrew will be appointed CEO of the Mondi Group with effect from 1 April 2020.

Current external appointments

None.

Stephen Harris
Senior Independent Director

Appointed to the Board
March 2011

Independent
Yes

Committee memberships
Audit, nominations, remuneration, sustainable development

Qualifications
Chartered engineer, graduated in engineering from Cambridge University, master's degree in business administration from the University of Chicago, Booth School of Business

Skills and experience

Stephen brings to the Board extensive experience in engineering and manufacturing having spent his early career with Courtaulds plc before moving to the USA to join APV Inc, where he held several senior management positions between 1984 and 1995. Stephen was appointed to the board of Powell Duffryn plc as an executive director in 1995 and then went on to join Spectris plc as an executive director from 2003 until 2008. He was also a non-executive director of Brixton plc from 2006 to 2009.

In 2009 Stephen was appointed as CEO of Bodycote plc, a global provider of thermal processing services. His CEO background provides a unique insight to the Board and his leadership experience is vital to his role as Mondi's Senior Independent Director.

Current external appointments

CEO of Bodycote plc.

Tanya Fratto
Non-Executive Director

Appointed to the Board
January 2017

Independent
Yes

Committee memberships
Audit, nominations, remuneration (chair)

Qualifications
BSc in electrical engineering

Skills and experience

Tanya has wide experience in product innovation, profit and loss, sales and marketing and engineering in a range of sectors. This experience, together with Tanya's extensive knowledge of operating in the US, brings a vital perspective to the Board. She was CEO of Diamond Innovations, Inc., a world-leading manufacturer of super-abrasive products, until 2010. Before that she enjoyed a successful 20-year career with General Electric where she ran a number of businesses and built an experience base in product management, operations, Six Sigma and supply chain management. Prior to starting her career with General Electric, she worked at International Paper Company.

Current external appointments

Non-executive director of Advanced Drainage Systems, Inc., Smiths Group plc and Ashtead Group plc.

Enoch Godongwana
Non-Executive Director

Appointed to the Board
September 2019

Independent
Yes

Committee memberships
Nominations, sustainable development

Qualifications
MSc in Financial Economics from the University of London

Skills and experience

Enoch brings to the Board significant leadership experience and invaluable knowledge of the South African business environment.

Enoch spent the early part of his career working for the National Union of Metal Workers of South Africa, holding a number of key roles until becoming General Secretary. He went on to hold a number of South African governmental roles, including Deputy Minister of Public Enterprises from 2009 to 2010 and Deputy Minister of Economic Development from 2010 to 2012, before being appointed head of the African National Congress' economic transformation committee.

Current external appointments

Non-executive director and chair of the Development Bank of South Africa and a non-executive director of New Development Bank.

Dominique Reiniche
Non-Executive Director

Appointed to the Board
October 2015

Independent
Yes

Committee memberships
Nominations, remuneration, sustainable development (chair)

Qualifications
MBA from ESSEC Business School in Paris

Skills and experience

Dominique has extensive business understanding of operating in senior leadership positions in Europe as well as international strategic, consumer marketing and innovation experience, allowing her to provide valuable insight to the Board.

She started her career with Procter & Gamble before moving to Kraft Jacobs Suchard as Director of Marketing and Strategy where she was also a member of their executive committee. After helping Jacobs Suchard through its acquisition by Kraft-Mondelez, Dominique joined The Coca-Cola System in 1992, starting as Marketing and Sales Director and then holding various roles of increasing responsibility up to general manager France. From 2002 to early 2005 she was CEO Europe for Coca-Cola Enterprises and from 2005 she was CEO Europe for the Coca-Cola Company and then chair from 2013 until stepping down in 2014.

Dominique was a non-executive director of Peugeot-Citroen SA between 2012 and 2015 and of AXA SA between 2005 and 2017.

Current external appointments

Non-executive director and chair of Chr. Hansen Holding A/S and Eurostar International Limited and a non-executive director of Paypal (Europe) and Severn Trent Plc.

Stephen Young
Non-Executive Director

Appointed to the Board
May 2018

Independent
Yes

Committee memberships
Audit (chair), nominations, sustainable development

Qualifications
Graduated in mathematics from Southampton University, member of the Chartered Institute of Management Accountants (UK)

Skills and experience

Stephen brings a strong financial and general management background to the Board with experience gained internationally across a variety of sectors, including industrial and engineering. He spent his early career in commercial accounting and finance roles at companies including Ford Motor Company, Mars, Inc and Grand Metropolitan plc (now Diageo plc). He was Group Finance Director of the Automobile Association until its acquisition by Centrica in 2000 before becoming Group Finance Director at Thistle Hotels plc.

In 2004 Stephen was appointed Group Finance Director at Meggitt plc, an international engineering business specialising in aerospace equipment. He held this role for nine years before being appointed CEO in 2013. Stephen stepped down from the board of Meggitt plc on 31 December 2017. He was also a non-executive director of Derwent London plc from 2010 until May 2019.

Current external appointments

Non-executive director and audit committee chair at Weir Group plc

Executive committee and company secretary

Peter Oswald
Group CEO

See full biography
Page 90

Andrew King
Group CFO and
Group CEO Designate

See full biography
Page 90

Markus Gärtner
CEO, Corrugated Packaging

Appointed to the executive committee
October 2018

Qualifications
Doctorate of Technical Sciences from ETH Zürich and a Master of Science in Electrical Engineering from Stanford University

Skills and experience
Markus has significant industrial and international business experience. He started his career at McKinsey & Company, working on numerous operational and strategic projects across a variety of industries.

Markus went on to join Novelis AG, a leading producer of rolled aluminium products, where he held various roles in strategy and sales with growing responsibility until he eventually became the head of one of Novelis' three businesses as Vice President & General Manager Specialities. In this capacity, he was responsible for a diverse range of applications, including consumer packaging solutions and industrial products.

Markus joined Mondi in September 2018 as CEO, Fibre Packaging/Paper and was appointed to the Executive Committee in October that year. He subsequently became CEO, Corrugated Packaging in October 2019.

Current external appointments
None.

Michael Hakes
Group HR Director

Appointed to the executive committee
April 2018

Qualifications
Human Resources Management Degree from Chamber of Commerce and Industry of the Lower Rhine Region, member of the Advanced HR Executive Programme at the University of Michigan and the Global Leadership Programme at INSEAD

Skills and experience
Michael has more than 30 years of international HR experience gained across the automotive, manufacturing and industrial services sectors.

Michael began his career in various HR roles at companies across Europe including the Mitsubishi Electric Group, Johnson Controls and Faurecia. In 2007 he was appointed Group Chief HR Officer at LM Wind Power, a Danish-based supplier of rotor blades to the wind industry.

Michael went on to become Group Senior Vice President Human Resources at Germanischer Lloyd until its merger with Det Norske Veritas in 2013. Following the merger, he was appointed Executive Vice President HR of the maritime division of the newly-formed organisation DNV GL, an international ship and offshore classification society.

Michael joined Mondi in April 2018 as Group HR Director.

Current external appointments
None.

Vivien McMenamin
CEO,
South Africa

Appointed to the executive committee
October 2017

Qualifications
MSc in Economics from the University of London and certificate in Advanced High Performance Leadership from IMD Switzerland

Skills and experience
Viv has over 15 years' experience in the pulp and paper industry having held executive responsibility in Mondi South Africa for marketing and sales, human resources, corporate affairs and transformation. Viv's roles have included Mondi Group Head of Sustainable Development and Director Land and Forestry. In October 2017, she was appointed CEO of Mondi South Africa.

Viv was instrumental in the establishment of Mondi Zimele, Mondi's small business development organisation and crafting Mondi's innovative approach to land reform.

Prior to Mondi, Viv worked in government and the anti-apartheid movement in South Africa, serving Nelson Mandela as a member of the President's Task Force on Local Economic Development and as a member of President Thabo Mbeki's Economic Advisory Panel.

Viv previously served on the boards of SiyaQhubeka Forests, South African Association for Marine Biological Research (SAAMBR) and Durban Girls College.

Current external appointments
Non-executive director of KAP Industrial Holdings Limited.

Peter Orisich
CEO, Flexible Packaging and Engineered Materials

Appointed to the executive committee
May 2017

Qualifications
Graduated in business administration from the WU-Vienna business school

Skills and experience
Peter has extensive experience in the industrial and consumer packaging industry, having started his career at Unilever where he spent 14 years. He held management roles in a number of divisions across central and eastern Europe.

In 1998 he joined Lafarge Perlmooser as CFO, later going on to become CEO and leading the Austrian and Slovenian cement subsidiaries of Lafarge, a global manufacturer of building materials.

After 10 years at Lafarge Perlmooser, Peter joined Mondi as CEO of Mondi Industrial Bags, taking responsibility for the strategy and operations of Mondi's industrial bags business. He went on to be appointed as CEO of Mondi's Uncoated Fine Paper business in 2012. In February 2020, he was appointed CEO of Mondi's Flexible Packaging and Engineered Materials businesses.

Peter is also responsible for overseeing Mondi's Group procurement function.

Current external appointments
None.

Gunilla Saltin
CEO, Uncoated Fine Paper and Group Technical & Sustainability Director

Appointed to the executive committee
December 2019

Qualifications
MSc in chemical engineering from the Royal Institute of Technology in Stockholm, a PhD in chemical engineering from the University of Idaho in the US and an executive MBA in general management from the Stockholm School of Economics

Skills and experience
Gunilla has more than 19 years' experience in the pulp industry, having worked for Södra Cell, one of the largest pulp producers, from 2000 until joining Mondi in August 2019.

Gunilla started her career in R&D engineering, holding a number of roles in this field before joining Södra Cell as a process development manager. She went on to manage Södra's kraft paper mill in Värö in Sweden for three years before being appointed Södra Cell's Executive Vice President in 2008, with responsibility for production, sales and marketing and leading the business through several investments including a significant mill extension project. During this period Gunilla was also Acting CEO of Södra Skogsägarna Ekonomisk Förening, a forestry cooperative with 52,000 forest owners.

Gunilla was appointed Group Technical & Sustainability Director on 1 December 2019 and CEO, Uncoated Fine Paper in February 2020.

Current external appointments
Member of the Board of Luossavaara-Kiirunavaara Aktiebolag (LKAB).

Sara Sizer
Group Communication & Marketing Director

Appointed to the executive committee
September 2017

Qualifications
Degree in Business Administration from Loughborough University

Skills and experience
Sara has more than 30 years' experience in communication and marketing, having held senior positions at a number of large international industrial companies.

In 1997, she joined Rolls-Royce plc as Head of Communication before being appointed as Head of Group Communications at Shell International. Sara went on to become Group Head of Marketing at BG Group.

In 2010, Sara joined Mondelēz International (formerly Kraft Foods Inc), the multinational food and beverage company, where she held the role of Director Corporate & Government Affairs Europe and then Vice President Global Communication.

Sara joined Mondi in September 2017 as Group Communication & Marketing Director. She also chairs Mondi's Diversity & Inclusion steering committee.

Current external appointments
None.

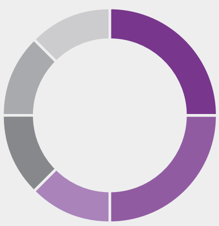
Jenny Hampshire
Company Secretary

Skills and experience
Jenny Hampshire, a fellow of the Institute of Chartered Secretaries & Administrators, joined Mondi in May 2007 and has held various roles in the company secretariat, including five years as Assistant Company Secretary.
She was appointed Company Secretary of Mondi plc in December 2016. Prior to joining Mondi Jenny worked for The BOC Group plc in its company secretariat.

Diversity of the executive committee
%

Female	37.5
Male	62.5

Nationalities represented on the executive committee



South African	2
Austrian	2
British	1
German	1
Swedish	1
Swiss	1

Composition of the Board

The directors holding office during the year ended 31 December 2019 are listed below, together with their attendance at board meetings. Biographical details for those in office at the date of this report can be found on pages 90 and 91.

The size and composition of the Board and its committees are kept under review by the nominations committee. We are of the view that collectively there is an appropriate balance of capabilities, business experience, independence and diversity on the Board to meet the Group's current business needs. The directors have experience gained from a range of international organisations.

Board attendance[1]

Directors	
Fred Phaswana[2]	5/5
David Williams	7/7
Tanya Fratto	7/7
Enoch Godongwana[3]	2/2
Stephen Harris	7/7
Andrew King	7/7
Peter Oswald	7/7
Dominique Reiniche	7/7
Stephen Young	7/7

1 The maximum number of scheduled meetings held during the year that each director could attend is shown next to the number attended. Additional meetings were held as required. Until 26 July 2019, Mondi plc's board meetings were held as joint meetings with Mondi Limited in accordance with its dual listed company structure. Board meetings held following completion of the corporate simplification on 26 July 2019 were meetings of Mondi plc only.

2 Fred Phaswana retired from the Board on 31 August 2019. Fred attended all meetings up to the time of his retirement

3 Enoch Godongwana joined the Board on 1 September 2019. Enoch attended all meetings following his appointment

Non-executive director meetings

The Chair and the Non-Executive Directors met twice during the year. These meetings focus particularly on the performance of the executives although the agendas are driven by the Non-Executive Directors themselves and cover a variety of topics. One of these meetings is attended by the Group CEO in order to provide input to the discussions on executive performance and succession.

Board policies and procedures

Professional advice

A policy is in place pursuant to which each director may obtain independent professional advice at Mondi's expense in the furtherance of their duties as a director of Mondi plc. No requests were received during the year.

In addition, each of the committees are empowered, through their terms of reference, to seek independent professional advice at Mondi's expense in the furtherance of their duties.

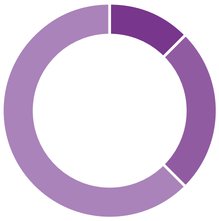
Directors' & Officers' liability insurance

Throughout the year to 31 December 2019, in line with market practice, Mondi maintained directors' and officers' liability insurance.

Procedure for conflicts of interest

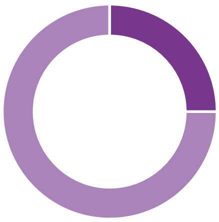
Company law and the articles of association of Mondi plc allow directors to manage potential conflicts. A formal procedure is in place for the reporting and review of any potential conflicts of interest involving the Board with support from the Company Secretary, with authorisations reviewed on an annual basis.

Composition of the Board



Chair	1
Executive directors	2
Non-executive directors	5

Diversity of the Board
%

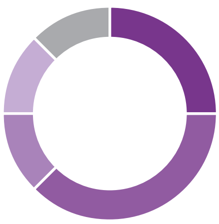


Female	25%
Male	75%

Non-executive director tenure

0–3 years	2
3–6 years	2
6–9 years	1
9+ years	0

Nationalities represented on the Board



South African	2
British	3
Austrian	1
French	1
American	1

Division of responsibilities

The division of responsibilities between the Chair and the Group CEO has been clearly defined and approved by the Board. The functions and duties of the Senior Independent Director are also set out in a separate statement.

Role

Chair

David Williams

Biography
Page 90

- leads and manages the Board, setting the agenda, providing direction and focus, ensuring effectiveness and open and transparent debate
- undertakes regular engagement with the Group CEO in between meetings
- ensures there is a constructive relationship between the executive and non-executive directors
- ensures high standards of corporate governance and ethical behaviour and oversees the culture of the Group
- oversees the induction, training and development of directors and the consideration of succession
- ensures effective communication with shareholders and other stakeholders
- ensures the Board receives accurate, timely and clear information to support discussion and decision-making

Role

Group CEO

Peter Oswald

Biography
Page 90

- leads and manages the business with day-to-day responsibility for running the operations and, in particular, the execution of strategy within the delegated authority from the Board
- ensures the communication of Mondi's values and goals throughout the organisation, leading by example
- chairs the executive committee and leads and motivates the management team
- ensures the Group has effective processes, controls and risk management systems
- develops and implements Group policies, including with regard to safety and sustainability
- together with the Group CFO, leads the relationship with institutional shareholders

Role

Executive Director

Andrew King

Biography
Page 90

- manages the day-to-day operations of the Group, in this case within his remit as Group CFO, in accordance with authority delegated by the Board
- together with the Group CEO, leads the relationship with institutional shareholders

Role

Senior Independent Director (SID)

Stephen Harris

Biography
Page 90

- provides support to, and acts as a sounding board for, the Chair and the Non-Executive Directors
- acts as a point of contact for shareholders
- available as a trusted intermediary for the other directors, as necessary
- manages chair succession

Role

Independent Non-Executive Directors

Tanya Fratto

Enoch Godongwana

Dominique Reiniche

Stephen Young

Biographies
Page 91

- provide independent oversight of the Group's activities
- offer an external perspective to, and constructively challenge, management
- provide to the Board a diversity of knowledge and experience
- monitor management performance and the development of the organisational culture
- review and agree strategic priorities and monitor the delivery of the Group's strategy
- ensure the integrity of financial reporting and the effectiveness of internal controls and risk management
- determine executive director remuneration

Role

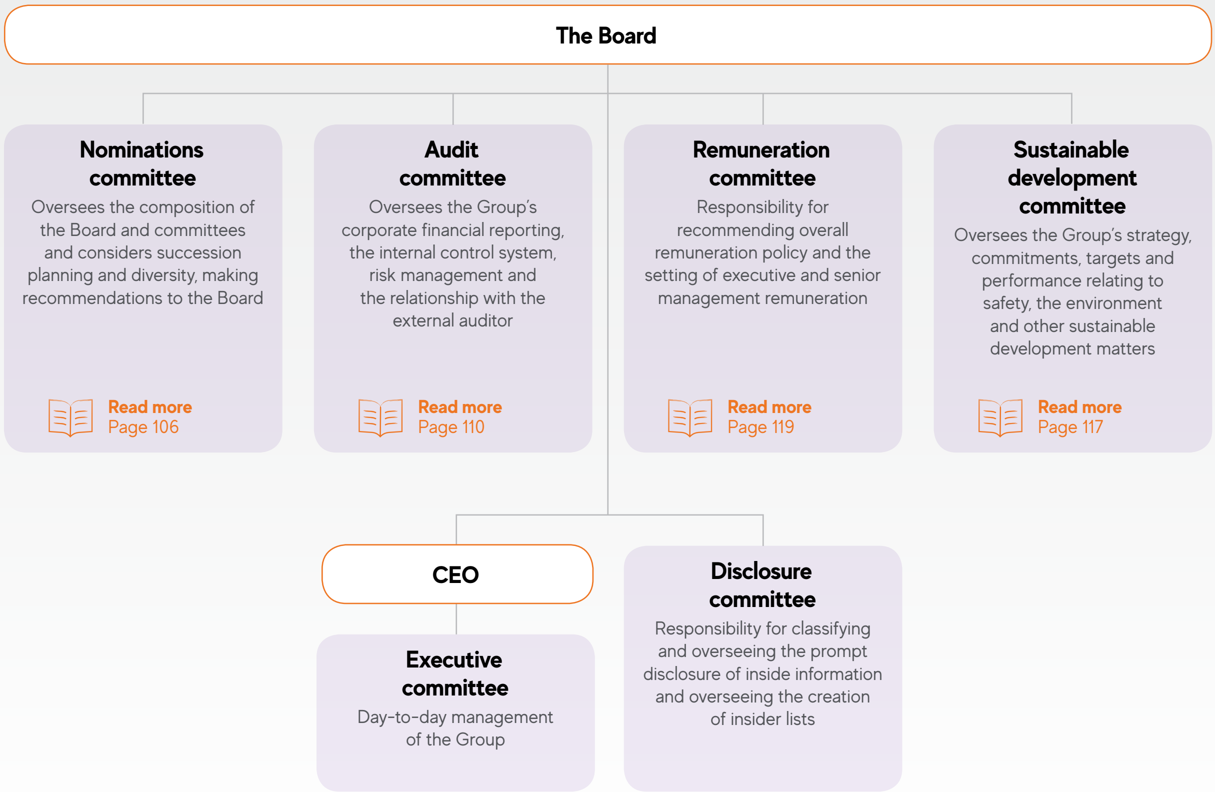
Company Secretary

Jenny Hampshire

Biography
Page 93

- supports the Chair in the delivery of accurate and timely information ahead of each meeting
- ensures compliance with board and committee procedures
- acts as a key point of contact for Chair and Non-Executive Directors
- provides support to the Board and committees, and advises on governance, statutory and regulatory requirements
- provides advice on legal, governance and listing requirements, in particular relating to continuing obligations and directors' duties

Board leadership and governance



The primary role of the Board is to lead the Group and to ensure its long-term success, taking into consideration the views and interests of not only our investors, but our other key stakeholders. The Board, led by the Chair, has responsibility for setting, and overseeing the implementation of, the Group's strategy, ensuring the implementation of an appropriate risk management framework and overseeing financial performance. Underpinning this are the values and culture defined by the Board and a strong corporate governance framework, designed to ensure ethical and sustainable performance.

There is a clearly defined Schedule of Matters Reserved for the Board, setting out those key matters that require Board approval and cannot be delegated. The Board meets at least seven times a year and an annual rolling agenda is agreed with the Board to ensure that all key matters reserved for the consideration of the Board are covered in the annual cycle of meetings.

In relation to other matters, the Board is supported by a number of committees, each of which has its own Terms of Reference and annual work programme. The Matters Reserved for the Board and the Terms of Reference are reviewed at least annually and are available on the Mondi Group website. The committees meet prior to meetings of the Board to enable the committee chairs to report to the Board. This facilitates communication between directors. It also ensures that all aspects of the Board's mandate have been addressed and enables any necessary recommendations or advice relevant for deliberations to be provided.

The agenda for each meeting is agreed with the Chair to ensure that, in addition to regular items, consideration is being given to matters that may impact the Group's operations from the wider economic or business environment. Responding appropriately to the changing environment in which the Group operates is vital for Mondi's long-term success.

The Chair, with support from the Company Secretary, ensures the distribution of appropriate, accurate and well-presented materials, with meeting packs being circulated electronically a week before each meeting. Each board programme is usually held over two days enabling the directors to spend more time together and form a greater understanding of each other, developing a culture that allows each board member to feel that they are able to be open and transparent, encouraging discussion and challenge in the boardroom. Ensuring there is sufficient debate and consultation with management and advisers as well as between the directors themselves during meetings is key to allowing them to reach considered and effective decisions. As appropriate, other senior executives and advisers are invited to attend and present at meetings, providing the Non-Executive Directors with a broader perspective on matters under consideration and assisting the Board with monitoring performance and achieving its objectives.

Board activity

The key matters considered by the Board during the year are set out below. In addition, each meeting includes a report from the Group CEO providing an operational update; a report from the Group CFO on the Group's financial performance; an update on safety performance; country risk assessments for key geographic locations where the Group operates; and a report from the Company Secretary on recent governance and regulatory matters.

Financial performance

→ Reviewed and approved the full and half-yearly results and trading updates.

→ Reviewed and approved the Mondi Group Integrated report and financial statements, ensuring they are fair, balanced and understandable (see page 114 for more information).

→ Considered dividend recommendations and declarations in light of the Group's stated dividend policy (see page 32 for more information).

→ Reviewed and approved the Group business plan for 2020–2022 and the budget for 2020, considering assumptions made and the reasonableness of the plan and focusing on the operational overviews, cash flow management and capital allocation.

→ Annual reviews of the Group treasury and Group tax functions and performance, including approval of the Group's tax strategy statement for publication on Mondi's website.

Strategy formulation and monitoring

→ A strategy review session, considering where Mondi is today, its strategic focus, options for future growth and detailed business unit strategic initiatives, resulting in continued support for Mondi's strategic direction and confidence that Mondi's strategy is sustainable in the long-term (see pages 24 and 25 for more information).

→ Discussed and implemented the simplification of Mondi's corporate structure.

→ Considered and approved a number of capital expenditure projects, taking into consideration the interests of Mondi's key stakeholders (see pages 20 and 21).

→ Regular review of competitor and market analyses.

→ Regular review of shareholder analysis reports.

Operational performance

→ Detailed reports in relation to the fatalities and life-altering injuries and oversight of management's response.

→ Reports from the CEOs of the business units.

→ Monitored the implementation of a number of large capital projects, including the investment in a new kraft top white machine and pulp mill upgrade at Ružomberok (see page 29 for more information).

Governance and stakeholders

→ Regular reports from the chair of each committee.

→ Reviewed the Group's corporate governance framework in light of governance and regulatory developments.

→ Reviewed investor feedback (see pages 100 and 101 for more information).

→ Reviewed employee engagement and customer satisfaction survey results (see pages 102 and 103).

→ Reviewed key stakeholders (see pages 18 and 19).

→ Reviewed reports received via Mondi's confidential reporting hotline, Speakout (see pages 36 and 116).

→ Approved the renewal of terms of office for Tanya Fratto and Stephen Harris.

→ Reviewed and approved the Group's Modern Slavery Act statement.

→ Reviewed the output from the external board evaluation process and agreed an action plan (see page 105 for more information).

→ Reviewed principal Group policies.

→ Reviewed arrangements for the Annual General Meeting, in particular feedback received from shareholders and voting indications.

Risk management

→ Reviewed the Group's risk management processes, plan and risk tolerance levels and internal controls, with consideration of risk monitoring, mitigation activities and independent assurance processes. Emerging risks were also considered. This process resulted in the inclusion of climate change-related risk as a separate principal strategic risk (see pages 52 to 60 for more information).

→ Half-yearly presentations on IT risks and cyber security (see page 114 for more information).

→ Reviewed the Group insurances, ensuring an appropriate balance of risk between the Group and our insurers.

Leadership

→ Considered and agreed to the recommendation of the nominations committee that Enoch Godongwana be appointed as a non-executive director.

→ Agreed that Peter Oswald would step down as Group CEO and considered and agreed to the recommendation of the nominations committee that Andrew King be appointed as Group CEO.

→ Considered recommended changes to the membership of the executive committee.

→ Considered succession and talent management plans, including initiatives to improve diversity levels across the Group.

Induction, training and development

When new directors join the Board they undertake an induction. While there is an outline induction programme in place, this is discussed with each new director and is tailored to meet any specific requirements, in particular any committee responsibilities. The aim is to familiarise a new director with the nature of the Group's business and operations, highlighting the key challenges and opportunities as well as the regulatory environment in which the Group operates, the key duties of the director, including in relation to section 172 and stakeholder interests, and the culture and values of the Group. Following his appointment to the Board on 1 September 2019, an induction programme was undertaken by Enoch Godongwana, the details of which can be found below.

We also aim to ensure that existing directors receive ongoing training and development opportunities. We offer the directors the opportunity to keep up to date with regulatory, governance and economic changes as well as developments in the markets and environments in which we operate.

We do this through board presentations, both from internal and external presenters, site visits, updates aimed at providing wider context to the Group's activities and position in the market and regular reports from the Company Secretary highlighting developing trends and future changes in governance and regulation.

We recognise that valuable experience can also be gained from executive directors accepting appointments as non-executive directors on other boards. Mondi has a policy setting out the parameters regarding such appointments.

A director will retain any fee paid to them in respect of directorships external to Mondi. Neither of Mondi's executive directors currently holds a directorship external to Mondi. The policy also covers non-executive directors who are required to notify the Chair of any proposed appointments, including the time commitment and any potential conflicts of interest, so that the nominations committee can consider and, if appropriate, agree to the appointment.

Each director can discuss any development needs with the Chair at any time but the opportunity arises more formally during the annual review process when discussions regarding individual performance are held. In addition, all directors are encouraged to strengthen and refresh their knowledge by attending workshops, seminars and courses relevant to their respective roles, and details of the availability of these are provided regularly.

Enoch Godongwana – Induction Programme

In the lead up to and following Enoch's appointment as a non-executive director on 1 September 2019, a number of meetings and briefings were organised in order to provide Enoch with a detailed overview of the Group and to allow him to make as full and effective a contribution as possible to the Board's deliberations and decision-making during the first few months following his appointment.

Company Secretary

Enoch's induction started with a briefing from the Company Secretary to explain Mondi's structure and the governance and regulatory environment in which it operates, as well as more practical matters including board meeting arrangements. He was given access to an online director handbook containing a number of key documents, including guidance on the duties and obligations of listed company directors, covering, among other things, the Section 172 duty to consider the interests of our key stakeholders, key policies and the terms of reference for each of Mondi's committees.

Chair and Non-Executive Directors

While Enoch met with members of the Board during the recruitment and interview process, further meetings were arranged as appropriate around the time of his appointment and the board programme.

Senior management

Meetings with key members of senior management were held in order to give Enoch an understanding of the Group's business, risk areas and key focus areas, giving him context for the matters discussed at Board and committee meetings and to give him the opportunity to hear first hand about the Group's culture and operational style. Meetings were held with the Group Heads of Tax and Treasury, the Group Head of Strategy & Investor Relations and the Group Heads of Sustainable Development and Safety and Health. Given Enoch's membership of the sustainable development committee, Enoch also met with the Group Technical & Sustainability Director.

Site visits

Enoch's first board programme included visits to Mondi's plants in Gronau (Germany) and Korneuburg (Austria), allowing him early on in his tenure to see our operations, to meet with local management and to see our culture and approach to safety in practice. Further details can be found on page 102.

We remain aware that the induction needs to be an ongoing process, particularly during the first year of appointment, and so we continue to look for additional opportunities to offer Enoch a broader perspective of the business.

How do we monitor culture?

It is critical to the strategy and long-term success of the Group that we have a culture and set of values that are widely understood and that guide everything we do. These are clearly defined in The Mondi Way, our framework for creating sustainable value, and are set out on pages 8 and 9. They are reinforced by our Code of Business Ethics which sets out key principles under five headings that guide the way we do business – legal compliance, honesty and integrity, human rights, stakeholders and sustainability. The Board has responsibility for assessing and monitoring the culture of the Group and ensuring that the Group's policies and practices are aligned with this. This responsibility is embedded in the Matters Reserved for the Board.

There are a number of ways in which the Board monitors and assesses culture, including:

Site visits

The directors are encouraged wherever possible to visit Mondi's key assets and operations so that they can get a more in-depth understanding of the business. Such visits offer directors the opportunity to see for themselves how our safety and sustainability culture is working in practice, to talk to local management and employees and to see how Mondi's values are communicated at a local level. During 2019 the Board visited our Engineered Materials plant in Gronau (Germany) and our Flexible Packaging plant in Korneuburg (Austria) (see page 102 for further details). The Board also visited our Merebank mill (South Africa) in January 2020.

Board presentations

The Board has in place a rolling programme of presentations from members of the executive committee and other senior management. These presentations give the directors direct exposure to members of senior management beyond the executive directors, allowing them the opportunity to ask questions and hear their views and opinions. The directors also gain valuable insight for the purposes of succession planning. Presenters are additionally invited to attend board dinners, offering a more informal setting for discussion.

Employee survey results

The Board receives regular reports from the Group HR Director on the results of our biennial employee survey, the issues raised and the follow up actions being taken, giving the Board an insight into how employees feel about the culture of the Group and particular areas that may need addressing. Results are classified into categories including acting with integrity, caring, empowered and transparent, allowing comparison of the results in each category against previous surveys. More information about the way in which the views of employees are gathered and assessed can be found on page 18.

Speakout statistics and themes

The Board regularly receives details of the messages received via our confidential reporting hotline, Speakout. The Board reviews the types of messages received and the actions being taken in response. These details allow the Board to identify any particular trends and common issues. Messages are classified into categories including HR and culture, business integrity and safety and the environment. Further details on Speakout can be found on page 36.

Safety reports and statistics

The Board reviews safety statistics and key safety focus areas at every meeting. Caring for our employees is a significant part of Mondi's culture and this includes ensuring safe behaviour. Reviewing the safety reports highlights to the Board any concerns around the approach to safety.

Review of key policies

The Board undertakes an annual review of Mondi's key policies, including the Business Integrity Policy. This gives the Board the opportunity to assess whether policies remain suitable for Mondi, reflect the appropriate values and approach to the way the business is run and support its long-term sustainable success.

Stakeholder engagement

Understanding the views of our stakeholders, including our shareholders, and the issues that are of most relevance to them is key to the achievement of our vision and strategy and securing long-term sustainable value. The views of our stakeholders inform all Board discussions and decision making and having regard to their interests is one of the key principles of our Code of Business Ethics. The Board cannot effectively judge the long-term consequences of the decisions it takes without understanding the impact on our stakeholders. The Engaging with our stakeholders section (including the Section 172 statement), which identifies who our key stakeholders are, engagement activities undertaken during the year and the matters that are of most importance to them, is set out on pages 18 to 21. The information provided over the next few pages aims to explain how the feedback from this engagement is fed back to the Board and how it influences the Board's decision making.

Investor engagement

While the Chair maintains responsibility for ensuring there is effective communication with shareholders, it is the Group CEO and Group CFO who undertake active engagement with investors on a regular basis, meeting with Mondi's largest shareholders, analysts and other fund managers. The Senior Independent Director is available to meet with shareholders as required should any issues arise that are not resolved through the more regular channels.

Details of the key investor events that have taken place during 2019, including meetings, investor roadshows and participation in investor conferences, can be found opposite. In November 2019, we held an investor site visit at our Štětí operation in the Czech Republic. More than 40 analysts, investors and relationship bankers attended the day which included presentations from senior executives focusing on the role of sustainability and digitalisation in our strategy and our approach to sustainable packaging. In addition, the presentations were well followed via webcast. The day was completed with a tour of the pulp and paper mill and the paper bag plant. Video recordings and copies of the presentations are available on the Group's website.

In addition, the executive management and the Group Head of Strategy & Investor Relations make themselves available to investors on an ongoing basis in order to maintain an open dialogue, resulting in a number of ad hoc meetings and calls taking place throughout the year.

We also maintain ongoing contact with our debt providers and the Group CFO and Group Treasurer have held regular meetings with the credit rating agencies, relationship banks and debt investors.

The remuneration committee consults with shareholders on remuneration matters when appropriate, most recently in relation to changes to the Group's remuneration policy which will be proposed to shareholders for approval at the Annual General Meeting in 2020.

The Company Secretary's office is the focus for private shareholder communications, responding to individual shareholder correspondence, and coordinating our engagement on corporate governance matters.

All directors are kept informed of shareholder views and feedback, particularly from the full and half-year investor roadshows, which are presented and discussed at board meetings.

Analyst reports are shared regularly with the Board and consideration given to any views both positive and negative regarding the Group's performance, future direction and the perceptions of the management team. These views provide context for, and feed into, the Board's discussions around strategy, capital allocation and succession planning.

During 2019, an overview of the actions taken in response to the study carried out by Investor Perceptions in 2018 was provided. The study was intended to help us understand how a broad cross-section of stakeholders and sell-side analysts perceive Mondi and the findings of the study helped inform our debates on strategy and refine the key messages we wanted to convey to investors.

Mondi's Annual General Meeting also presents an opportunity for shareholders to question the directors about our activities and prospects. Directors are available to meet informally with shareholders immediately before and after the meetings. At the 2019 Annual General Meeting all resolutions were passed. Overall in excess of 72% of the total Group shares were voted.

The next Annual General Meeting is scheduled to be held on 7 May 2020. Separate resolutions will be proposed for each item of business to be considered at the meeting with the voting conducted by poll. The notice, which includes explanations of each resolution, is contained in a separate circular which will be made available to all shareholders in advance of the meeting. The voting results will be announced and published on the Mondi Group website as soon as practicable following the close of the meeting.

Investor events

Month	Event
February	→ Preliminary results announcement
March	→ Investor roadshow in Europe (London, Edinburgh & Frankfurt), including Jefferies packaging conference → Investor roadshow in South Africa (Johannesburg & Cape Town) → Sun City BoAML conference (South Africa) → Exane basic materials conference (London)
April	→ Discussions with investors and advisory bodies prior to Annual General Meeting → Investor roadshow day (London)
May	→ Trading update → Annual General Meeting → Investor roadshow in the US (Boston, Chicago & New York)
June	→ Investor roadshow day (Paris) → Investor roadshow day (London)
August	→ Half-yearly results → Investor roadshow in South Africa (Johannesburg & Cape Town) → Consultation with major shareholders and advisory bodies regarding proposed changes to remuneration policy
September	→ Investor roadshow in Europe (London and Edinburgh)
October	→ Trading update
November	→ Investor site visit (Štětí, Czech Republic) → London UBS European conference
December	→ London BoAML Paper conference

2019 Investor site visit to our world-class Štětí mill in the Czech Republic

Employee engagement

The effect our decisions will have on our employees is one of the Board's primary considerations when determining our future strategy, reviewing transaction and capital expenditure proposals and considering our approach to safety and sustainability. Rather than use only one method to establish the views of our employees, we use a combination of different methods, consisting of a formal workforce panel in line with the UK Corporate Governance Code as well as a number of other arrangements. Mondi employs around 26,000 people across more than 30 countries. Some of our people are office-based but many work in our plants and forests. There is therefore no one method that is suitable for all employees. By using a range of methods, we aim to reach as many people as we can.

While we have always had engagement mechanisms in place, we have looked to strengthen these over recent years and to improve the provision of information in this regard to the Board given the importance of our workforce to the business.

In 2019, we introduced regular presentations on employee engagement to the Board's rolling agenda. At least twice a year, the Group HR Director provides a detailed update to the Board on engagement activities undertaken, the views expressed by employees, their key concerns and issues and the actions being taken to address them.

One of the most significant forms of engagement is Mondi's European Communication Forum, a formally constituted body designed to facilitate communication between Mondi and its employees. At least once a year, employee representatives from plants across Europe attend the Forum, at which a number of presentations are given by senior management, including in relation to operational and financial performance, HR activities and safety and health. The meetings also allow for open discussion and questions and are usually attended by the Group CEO, the Group CFO and the Group HR Director, together with other executive committee members as appropriate. Discussion topics raised by employees at the last meeting of the Forum included contractor safety compliance, incident reporting, the employee survey and the future strategy for specific plants.

In addition, the Group HR Director holds a number of meetings every year with employees at a range of levels across plants worldwide to obtain their views and feedback and to understand their concerns. Feedback from these meetings provides an insight for the Board into the issues of most concern to employees, highlighting that they are most interested in local issues directly affecting their day-to-day working lives.

In addition to the Forum and the presentations from the Group HR Director, the Board also uses the following mechanisms to ensure it has a broad view of the issues affecting our employees and their views on key matters:

- The latest global employee survey – the last survey, undertaken in January 2018, had a participation rate of 89% and the results and follow up actions, as well as the results of interim pulse surveys, have been reviewed by the Board at regular intervals since. The next survey will take place in March 2020.
- Site visits, giving the Board the opportunity to engage with local employees, as well as dinners involving members of local management (see below for more information).
- Senior leadership forums, usually attended by several members of the Board and held at least every three years.
- Speakout reports – the Board regularly receives details of the messages received via our confidential reporting hotline, Speakout, providing insight into specific issues affecting our employees. Further details on Speakout can be found on page 36.
- Review of usage rates for Mondi's Employee Assistance Programme which offers an anonymous counselling service for employees.

Further information in relation to the engagement activities undertaken across the Group
Page 18 to 21

The October 2019 board programme was held at our Engineered Materials plant in Gronau (Germany). The two-day visit incorporated the scheduled Board and committee meetings but also provided the opportunity for the Board to listen to presentations from the local management team and to have a tour of the plant. A dinner with representatives from the plant was also held. Safety, financial performance and key challenges in particular were discussed and the Board was able to see first hand the drive to innovate and create new, sustainable products.

Members of the Board went on to visit Mondi's Group office in Vienna (Austria), meeting the Chief Information Officer and key members of his team and receiving presentations on EcoSolutions, our customer centric approach to sustainable packaging solutions, and the Consumer Flexibles packaging business. This was followed by a tour of the Korneuburg plant.

Wider stakeholder engagement

The Board also takes a number of actions to ensure it understands the views of our other key stakeholders, beyond investors and employees. During 2019 these included:

- Review of the results of the latest customer satisfaction survey, including the primary areas of concern for our customers and the actions we need to take to improve
- Presentations from the CEO of each business unit, highlighting those stakeholder issues that are of specific relevance to their businesses
- Updates on the global initiatives Mondi participates in, primarily related to climate change and sustainability matters, and collaboration with external bodies
- Reports on the outcomes of the Socio-economic Assessment Toolbox (SEAT) processes undertaken at our Dynäs (Sweden) and Świecie (Poland) sites during the year, including positive feedback and areas for improvement (see pages 49 and 50 and our 2019 sustainability report for more information), as well as detailed overviews of the education, health, employment and community initiatives in place at each of our key sites
- Regular environmental performance reviews given at meetings of the sustainable development committee, which all board members attend

How does the Board consider our stakeholders when taking decisions?

The views and issues raised by our stakeholders through the engagement methods referred to above and on pages 18 and 19 and the information provided to the Board in this regard form a key part of the Board's decision making process.

They provide context to the Board, so that the directors always have them in mind when considering the Group's strategy and taking decisions.

To assist the Board, all papers requiring material decisions include clear explanation as to the expected impact on those stakeholders relevant to the decision, whether positive or negative. Having this discipline not only acts as a reminder for the Board of the need to specifically consider our stakeholders but also reiterates this to those in senior management and at lower levels. For capital expenditure decisions in particular, a thorough review of the impact on our stakeholders is part of the established process we have for developing the necessary business case.

Examples of the ways in which stakeholder interests and views have influenced the Board's decision making during the year can be found on pages 20 and 21.

ENGAGING STAKEHOLDERS on Mondi's sustainable packaging offering to reduce waste

Context

Packaging has an important role to play in addressing some of the world's greatest challenges. Our ability to contribute to a better world is closely linked to how we engage with stakeholders to find sustainable, fit-for-purpose, packaging solutions using paper where possible, plastic when useful. Well-designed packaging contributes to a circular economy and can reduce food waste, alleviate plastic waste, and ensure that we do not over-package products. Working with stakeholders enables us to better understand their needs so that we can make informed strategic decisions around how we set up our business to develop our sustainable product offering going forward.

In 2019 we engaged with stakeholders in a variety of ways, such as:

- Bespoke workshops with customers such as Henkel, Intersnack, Mars, Nestlé, Reckitt Benckiser and Rewe to discuss how we can co-create innovative packaging solutions that help them meet their sustainability commitments
- Worked with NGOs and industry associations such as the Ellen McArthur Foundation and CEFLEX on projects that challenge the status quo across the packaging spectrum
- Researched the trade-offs of various packaging options with partners including Cambridge Institute for Sustainability Leadership, and Quantis who have done a series of product life-cycle assessments for us
- Discussed design parameters and material selection with leading recyclers such as Suez and Veolia to ensure we are designing packaging for recycling
- Participated in global events, including Future of Sustainable Packaging, MIT Solve, Responsible Business Summit, Sustainability in Packaging, The Klosters Forum, and The Telegraph Plastic Sustainability Summit, to share our views and further understand how stakeholders perceive different packaging alternatives and the role Mondi can play in addressing global challenges
- Connected cross-functional teams around the business to innovate more effectively to meet our customers' sustainability goals
- Shared our views on sustainable packaging options with investors and analysts and listened to their feedback

Outcomes

Our engagement with stakeholders has informed the debate across our organisation around the trade-offs to consider when making sustainable packaging decisions. In turn this has guided our discussions both at Board and committee level, influencing Mondi's strategic direction. Actions taken in response to this engagement, in addition to capital investment decisions as outlined in the Strategic report, include:

- Update to our strategic framework to reflect sustainability as central to how we operate
- Reorganisation of the Group to further strengthen our value chain integration, enhance our offering in sustainable packaging solutions and improve the way we partner with our customers
- Ramp-up of our customer-centric EcoSolutions approach, asking the right questions to help our customers meet their sustainable packaging requirements using paper where possible, plastic when useful
- Agreement to continue building on our stakeholder engagement and collaboration, and ensure that the Board is given appropriate opportunities to discuss the outcomes as input into their decision-making

Read more in Strategic report
Page 24 to 32

2018 internal performance evaluation

Below are the key actions reported last year following the internal evaluation undertaken in 2018 and details of the progress we have made against those actions:

Action agreed from 2018 evaluation	Progress achieved
Subject to shareholder and necessary regulatory approval, to ensure the smooth implementation of the corporate simplification announced in November 2018.	The corporate simplification was implemented in July 2019 after receiving shareholder approval at the Annual General Meeting in May 2019.
To maintain the focus on succession planning at board and executive committee level, particularly in light of Mondi's commitment to meeting gender and ethnic diversity targets.	This continued to be a key area of discussion for the Board and the nominations committee during the year. Enoch Godongwana was appointed as a new non-executive director in September 2019 and the search for a new chair is progressing well. There were changes to the Executive Committee during the year, with the percentage of women on the committee increasing.
To continue to focus on safety performance and developing Mondi's safety culture, looking in particular at new and innovative ways in which we can communicate with employees in this regard and continually refresh the safety message.	A number of new initiatives were implemented or progressed during 2019, including the use of social psychology of risk tools and the video and poster safety campaign initiated at the end of 2018. The Engagement Board tool has also been developed and trialled with positive feedback.
To continue to actively consider a variety of strategic growth options for the Group, giving due consideration to evolving industry trends.	The Board has had regular discussions during the year around growth options for the Group and updates on industry developments, including during its annual in-depth review of the Group's strategy. A number of capital expenditure proposals have been considered by the Board during the year (see pages 20 and 21 for more details). This remains a key focus.
To ensure that proposed changes to practice to meet new regulatory and Corporate Governance Code requirements continue to be implemented effectively, ensuring Mondi is in a strong position to report against the new requirements.	Adjustments to the Board's Matters Reserved, each of the committee terms of reference and the rolling agendas have been made to reflect the new requirements. The required disclosures and evidence of the ways in which we have implemented the new requirements can be found throughout this governance report.

2019 external board evaluation process

In line with best practice, in 2019 we conducted an external board evaluation, the last one having been in 2016. The evaluation was undertaken by Lintstock, which has no other connection to Mondi. Anonymity was ensured throughout the process to allow for the provision of candid and open feedback by participants. In light of David Williams' planned departure from the Board during 2020, the evaluation process was led by the Senior Independent Director, in conjunction with the nominations committee.

The process is illustrated below:

Decision to engage Lintstock to conduct the evaluation

Questionnaires relating to the Board, committees and individual performance completed by directors, the Company Secretary and other regular attendees at Board and committee meetings

Review of board and committee papers issued for the latest meeting to provide context for interviews

One-on-one interviews conducted by Lintstock with each director and the Company Secretary

Detailed report issued and reviewed with the Senior Independent Director

Report presented by Lintstock at a meeting of the nominations committee

Action plan recommended by the nominations committee and agreed by the Board

As a result of the process, the Board concluded that it continues to operate in an effective manner, benefiting from positive dynamics, strong engagement and relationships with senior management and a boardroom culture that allows for open and constructive challenge. Each director continues to contribute effectively to the Board.

There was consensus around the priorities for the forthcoming year and the key actions agreed by the Board as a result of the evaluation include:

→ To increase the focus at Board level on customer requirements and perspectives

→ Following the appointment of a new chair, to give renewed consideration to the composition of the Board and whether the balance of skills is appropriate

→ To expand the provision of information to the audit committee and Board around emerging risks, increasing the level of discussion in this regard

→ To consider the introduction of further deep dives into specific elements of the Group's strategy

The Board considers that it continues to benefit from the annual review process, the results from which help guide the future focus of meeting agendas and behaviours.

Nominations committee

The search for a new chair was a priority during 2019, with much of the committee's time spent discussing and agreeing the process and the attributes that the committee would be seeking, taking into consideration the future strategy of the Group.

David Williams
Chair of the nominations committee

Composition and attendance[1]

Members throughout the year	Committee member since	Meeting attendance
Tanya Fratto	January 2017	7/7
Enoch Godongwana[2]	September 2019	2/2
Stephen Harris	March 2011	7/7
Fred Phaswana[3]	June 2013	5/5
Dominique Reiniche	October 2015	7/7
David Williams, chair	May 2007	7/7
Stephen Young[4]	May 2018	6/7

1 The maximum number of scheduled meetings held during the year that each director could attend is shown next to the number attended. Additional meetings were held as required.
2 Enoch Godongwana joined the committee on 1 September 2019.
3 Fred Phaswana stepped down from the committee on 31 August 2019.
4 Stephen Young missed one scheduled meeting of the committee during the year due to a commitment made prior to his appointment to the Board.

Other regular attendees

→ Group CEO

Dear Shareholder

This report provides an overview of the committee's key activities and focus areas during the year and the framework within which it operates.

Composition

We welcomed Enoch Godongwana to the committee in September 2019 upon his appointment to the Board. This is in line with our practice of appointing all non-executive directors to the committee, ensuring that the committee has as wide a range of skills and experience as possible.

Areas of focus

The key focus of the committee is to ensure that the composition of the Board is appropriate and relevant to the Group and that the Board is in the best position to drive the agreed strategy. This includes consideration of diversity and succession matters.

Following the announcement in March 2019 that I would step down as chair in 2020, succession and in particular the search for a new chair became a high priority, with much of the committee's time spent discussing and agreeing the process and the attributes that the committee would be seeking, taking into consideration the future strategy of the Group. Stephen Harris is leading this process in his role as Senior Independent Director. The search is progressing well.

In light of my intention to step down, the Board has accepted the committee's recommendation that Stephen Harris remain on the Board for a further year following the completion of nine years in office in March 2020 to ensure a smooth transition to the new Chair. The committee considered in detail Stephen's performance, independence and ability to commit the required time to Mondi.

It was agreed that Stephen continues to take an active interest in Mondi, dedicating sufficient time to his duties, and regularly demonstrates a willingness to challenge management when required. It was therefore concluded that he remains independent and able to effectively contribute and that it is in the best interests of shareholders for him to remain on the Board during the transition period.

Following the announcement that Peter Oswald will step down as Group CEO and as a director of Mondi plc on 31 March 2020, the committee, following a formal review process assessing both internal and external candidates, recommended to the Board the appointment of Andrew King as Peter's successor. The Board accepted the committee's recommendation. Andrew has consistently demonstrated considered and effective leadership during his time with Mondi and I am confident he will bring significant insight and leadership to the role.

The other key focus area remained diversity, both at Board level and on the executive committee and among senior management. The committee received a detailed presentation from the Group HR Director providing an update on progress towards improving diversity across the Group at all levels. More information regarding our approach to diversity can be found on page 109.

A more detailed overview of the key matters considered by the committee during the year can be found opposite.

Committee effectiveness

The committee's performance and effectiveness was reviewed as part of the external board evaluation undertaken during the year, more details of which can be found on page 105. In light of my intended retirement, Stephen Harris led this process on behalf of the committee. I am pleased to confirm that the committee is seen to be operating effectively and fulfilling the duties delegated to it by the Board.

David Williams
Chair, nominations committee

Nominations Committee activity

Set out below are some of the key matters addressed by the committee.

Board and committee composition

- → Considered succession planning for the Chair, resulting in a recruitment process which is progressing well.
- → Discussed and agreed the recruitment process for the CEO role, including the key attributes required, resulting in the decision to appoint Andrew King.
- → Reviewed the composition of the Board to ensure maintenance of an appropriate balance of skills and diversity of experience to support the future growth strategy, resulting in the appointment of Enoch Godongwana (see page 108 for more information).
- → Reviewed the composition of each of the committees and committee chairs.
- → Considered the composition of the executive committee, including the skills, experience and qualifications required, diversity and succession planning, and proposals from management and recommended new appointments to the Board for approval.
- → Reviewed Tanya Fratto's performance and contribution to the Board as she completed her three-year term in office, with the committee concluding that Tanya remained independent and able to contribute effectively to Mondi in the best interests of shareholders, both in her role as a director and as chair of the remuneration committee.
- → Reviewed Stephen Harris' performance and contribution to the Board in advance of his completion of nine years in office, focusing particularly on his ability to remain independent. Further details are provided opposite.
- → Reviewed the continued independence of each non-executive director, including consideration of their term in office and any potential conflicts of interest.
- → Reviewed the time commitment required of each non-executive director, concluding that all non-executive directors continued to devote appropriate time to address their duties to Mondi.

Succession planning

- → Considered the Board's succession plans, including in relation to existing directors and the requirements of the Board in the longer term.
- → Received a report and presentation on talent management practices within the Group.
- → Received a report and presentation on diversity within the Group and a review of measures being taken to improve this (see page 109 for more information on our approach to diversity).
- → Reviewed the succession plans for the executive committee members and senior management within the Group, discussing any potential gaps and actions to address them.

Board evaluation

- → Monitored progress against the agreed action plan from the prior year's evaluation process (see page 104 for more information).
- → Considered and agreed the process for the 2019 external evaluation of the Board, committees and individual directors (see page 105 for more information).

Corporate governance and other matters

- → Considered the proposed appointment of Dominique Reiniche as a director and chair of EIL Limited. After reviewing the expected time commitment and any potential conflicts of interest, the committee agreed that the role would not interfere with Dominique's duties to Mondi and she was permitted to accept.
- → Considered requests from members of the executive committee to take on directorships at other companies, confirming that the time commitment would not interfere with their duties to Mondi.
- → Considered, and recommended to the Board, the re-election of all directors at the Annual General Meeting.
- → Reviewed the committee's terms of reference, performance and work programme.
- → Considered, and agreed to, the committee's report for inclusion in the Group's Integrated report and financial statements.

Board appointments

Mondi has an agreed process in place for the recruitment and appointment of new directors to the Board. This process was followed in relation to the appointment of Enoch Godongwana and is set out below:

- Agreement of key business experience and skills required, taking into account succession and diversity requirements, and candidate specification drawn up
- External independent search agent engaged to assist with the selection process
- Search conducted and long list of potential candidates provided for consideration, the long list to include male and female candidates from a variety of backgrounds
- Short list chosen from long list for interview by the Chair and SID
- Short list reduced to an agreed number of candidates for interview by other executive and non-executive directors
- Nominations committee considers the preferred candidates including ability to commit time to the role and any potential conflicts of interest, and makes a recommendation to the Board
- Board considers the recommendation and whether to proceed with the appointment

Russell Reynolds Associates, an external search agency, was engaged to assist with the selection processes leading to the appointments of Enoch and Andrew King as CEO. Russell Reynolds is a signatory to the Voluntary Code of Conduct for Executive Search Firms and does not provide any services to the Mondi Group other than board-level recruitment.

On appointment each non-executive director receives a letter of appointment setting out, among other things, their term of appointment, the expected time commitment for their duties to Mondi and details of any committees of which they will be a member. Non-executive directors are initially appointed for a three-year term, after which a review is undertaken to consider renewal of the term for a further three years. However, Mondi follows governance best practice with all directors standing for re-election by shareholders at each Annual General Meeting.

Diversity & Inclusion

Mondi is committed to encouraging and promoting diversity and inclusion (D&I) in all its forms.

As a global organisation operating in more than 30 countries, D&I forms an integral part of the way we do business and we know that having a diverse Board and workforce and the broad range of perspectives this brings strongly supports the achievement of our strategy. We are committed to creating a culture that embraces D&I and provides a working environment that is flexible and non-discriminatory, from recruitment and people development to reward and our talent management approach. We strive for an inclusive environment where differences are valued and embraced. We employ, empower and develop competent people with the necessary potential required to meet our business needs and maintain a competitive business advantage.

The Group's formal D&I policy, which was approved by, and has the full support of, the Board, is intended to help us meet these goals and sets out guidelines for such matters as recruitment, the use of search firms, succession and annual reviews, both at board level and in relation to the wider workforce.

Key policy requirements include:

At board and executive committee level:

- → For board appointments, Mondi will, wherever possible, engage executive search firms that have signed up to the Voluntary Code of Conduct in relation to the search process.
- → Search firms will be requested to include on the longlist a sufficient number of qualified female candidates and candidates from a variety of ethnic backgrounds, a requirement that is also reflected in the Voluntary Code of Conduct.
- → The nominations committee will review, at least annually, succession plans in relation to the Board, the executive committee and other senior managers in light of D&I levels across the Group and taking into account skills, experience and diversity requirements.

At employee level:

- → Recruitment activities are aligned with the aims of our D&I policy, including to promote diversity of all types and to ensure fair and non-discriminatory working practices.
- → We aim to ensure that a sufficient pipeline of candidates from a variety of backgrounds are considered during succession planning.
- → We aim to ensure that the nationalities of candidates at long and short list stages are appropriately representative of our international footprint, subject to the availability of candidates with the necessary qualifications and experience.
- → We will ensure fair and equal training and development opportunities.

The policy also confirms the Board's intention to work towards achieving the Hampton-Alexander Review's recommended target of 33% women on boards and across executive committees and their direct reports and the Parker Review's recommended target of one person of colour on boards, a target that we currently meet.

However, while gender, ethnicity, race and other forms of D&I form a key part of our succession planning discussions, appointments at all levels will continue to be made based on skill and ability. It remains important to ensure that D&I is seen in a broader context and that we have the right mix of backgrounds, skills, knowledge and experience on our Board, and throughout the Group, to meet our business needs and future strategy. Additional information on the specific process followed for board-level appointments can be found on page 108.

At the end of 2019, we had two female directors representing 25% of the composition of the Board and one director of colour. During 2019, we also reported to the Hampton-Alexander Review that as at 30 June 2019 we had 22% female representation on our executive committee and 27% in the direct reports to the executive committee, giving a combined total of 27%. As at 31 December 2019, this had increased to 33% female representation on our executive committee and 29% in the direct reports to the executive committee, giving a combined total of 30%.

However, we still have a long way to go, particularly in developing the pipeline up to the executive committee and ultimately up to the Board, a process that will take time. This remains a priority at all levels of the organisation.

As part of the Board's oversight of Mondi's D&I policy, a presentation was provided to the nominations committee during the year in relation to D&I and succession planning, covering new and ongoing initiatives. Regular discussions are also held at both executive committee and operational committee level.

Our D&I taskforce – a cross-business, cross-functional team launched in 2018 – is helping to shape and embed our approach. In 2019, it focused on communication and good practice sharing, piloting 'Conscious Inclusion' training with the executive committee and several senior leadership teams, and a review of our cultural framework to foster an inclusive environment.

In South Africa we are committed to making a positive contribution to the process of transformation. We have taken active steps to meet the requirements of broad-based black economic empowerment (BBBEE), including establishing transformation forums in our South African operations to allow our employees to discuss equity and training-related issues and ideas.

D&I is also an essential part of Mondi's leadership development programme. We offer success management training with a focus on female career strategies for higher management positions and training on career building for young female employees. In addition, employee exchanges where individuals spend time working in different business units and locations around the Group enable them to gain experience of different working practices and skills as well as having exposure to different cultures. 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 world.

The Mondi cultural characteristics incorporate our aim to hire and work effectively with people who differ in ethnicity and race, gender, culture, age and background. We measure our progress through the use of tools such as our global employee surveys and 360° feedback.

While it is recognised that there are many challenges and there is more work to do, Mondi believes that continually sharing best practice, networking and sharing experiences both internally and externally will allow us to make good progress.

More details can be found on pages 40 and 41.

AUDIT COMMITTEE

Oversight of Mondi's principal risks remained high on the agenda during the year, with a number of the key risks falling within the committee's remit reviewed at each meeting, Cyber security risk was a particular focus for the committee.

Stephen Young
Chair of the audit committee

Composition[1]

Members throughout the year	Committee member since	Meeting attendance
Tanya Fratto	May 2017	4/4
Stephen Harris	March 2011	4/4
Stephen Young, chair[2]	May 2018	4/4

1 The maximum number of scheduled meetings held during the year that each director could attend is shown next to the number attended.
2 Stephen Young satisfies the requirement for the committee to have a member with recent and relevant financial experience given his previous role as Group Finance Director at Meggitt plc and the other commercial accounting and finance roles he has held during his career. Stephen is a member of the Chartered Institute of Management Accountants.

Other regular attendees

- → Group CEO
- → Group CFO
- → Chair and Non-Executive Directors who are not members of the committee
- → Group Controller
- → Group Head of Internal Audit
- → Representatives from PwC as external auditor

Dear Shareholder

This report provides an overview of the committee's key activities and focus areas during the year and the framework within which it operates.

Composition

The membership of the committee remained unchanged during the year, with the Board remaining comfortable that the committee members have the appropriate knowledge, skills and experience to fulfil the duties delegated to the committee. The members of the committee each have appropriate knowledge and understanding of financial matters and have commercial expertise gained from industries with similar capital intensive manufacturing, engineering and technology-focused international operations, giving the committee as a whole competence relevant to the sector in which the Group operates.

Areas of focus

The committee's primary responsibility is to oversee the Group's corporate financial reporting, including the relationship with the external auditor, as well as Mondi's internal control and risk management framework and to assist the Board with any judgements and decision-making required in this regard. This remained the key focus of the committee during the year, with its activities being consistent with prior years and in line with its terms of reference.

The committee spent time during the year assessing the accounting impact of the Group's corporate simplification, which was completed in July 2019, as well as the required assessment of the impact of the transaction on the working capital of the Group to support the working capital statement made by the directors in the prospectus. After detailed consideration, the committee confirmed that it was comfortable with the proposed accounting treatment and reported as such to the Board.

Oversight of Mondi's principal risks remained high on the agenda during the year, with a number of the key risks falling within the committee's remit reviewed at each meeting. Cyber security risk was a particular focus for the committee (see page 114 for more information) and the decision was taken to recommend to the Board the inclusion of climate change-related risk as a separate strategic risk.

For the first time in 2019, the Group HR Director presented to the committee on the risks associated with the attraction and retention of key skills and talent, giving the committee a deeper understanding of the challenges faced in this area.

A more detailed overview of the key matters considered by the committee during the year can be found opposite.

Approach to regular financial reporting

The committee continually reviews its approach to financial reporting, being aware of the need for transparency and maintaining a focus on long-term value creation. During the year, the practice of publishing a quarterly update on trading conditions was reviewed. Given the cyclical nature of our business, our competitor reporting cycles and our desire to keep the market informed, it was agreed that we should continue with this practice. We also took into account feedback received from some of the Group's largest shareholders who have indicated their support for this approach as they find that it bridges the gap between the full reporting periods and provides an update on important market dynamics that affect the sector in which Mondi operates. We continue to monitor market practice and to keep the position under review.

FRC review of Integrated report

During the year the Conduct Committee of the Financial Reporting Council (FRC) reviewed the Mondi Group's Integrated report and financial statements 2018 as part of its review of compliance with relevant reporting requirements. While the review was based solely on the Integrated report and not on detailed knowledge of the business and the FRC does not provide any sort of assurance, after responding to a number of queries, the review was satisfactorily concluded with no further queries raised. As a result of the review, we have enhanced our disclosures around critical accounting judgements and significant accounting estimates.

Committee effectiveness

The committee's performance and effectiveness was reviewed as part of the external board evaluation undertaken during the year, more details of which can be found on page 105. I am pleased to confirm that the committee is seen to be operating effectively and fulfilling the duties delegated to it by the Board.

Stephen Young
Chair, audit committee

Audit Committee activity

Set out below are some of the key matters addressed by the committee.

Financial reporting

→ Reviewed the integrity of all financial announcements with input provided by the Group CFO, Group Controller and PwC.
→ Reviewed the Mondi Group Integrated report and financial statements for tone and consistency and considered whether the report as a whole was fair, balanced and understandable (see page 114 for more information).
→ Considered and agreed the accounting treatment applicable to the simplification of the Group's corporate structure.
→ Reviewed and discussed PwC's reports to the committee.
→ Reviewed accounting policies to be applied for the year ending 31 December 2019.
→ Reviewed new accounting pronouncements and any potential impact for the Group's financial reporting.
→ Reviewed the going concern basis of accounting and the longer-term viability statement (see page 61 for more information).
→ Reviewed and considered the outcome of the FRC's review of Mondi's 2018 Integrated report and financial statements and the response provided (see opposite for more details).

External audit matters

→ Recommended to the Board that the appointment of PwC for the 2019 audit be put to shareholders at the Annual General Meeting.
→ Reviewed the independence, objectivity and effectiveness of PwC (see page 115 for more information).
→ Reviewed and approved the external audit plan, taking account of the scope, materiality and audit risks and agreeing the audit fees.
→ Received a report at each meeting of any non-audit services performed by PwC in order to monitor auditor independence.
→ Reviewed and agreed the engagement and representation letters.
→ Held two meetings with PwC without management present; the committee chair also engaged regularly with the lead audit partner.

Risk management and internal controls

→ Undertook a detailed review of the Group's risk management policy, plan and tolerance levels and of the process to assess the risks. Emerging risks were also considered. This resulted in a recommendation to the Board that climate change-related risk be included as a separate principal strategic risk (see pages 52 to 60 for more information).
→ Reviewed the effectiveness of the risk management and internal control systems (see pages 52 to 60 for more information).
→ At each committee meeting undertook a more in-depth review of a number of the most significant Group risks.
→ Received half-yearly presentations on IT risk management and cyber security (see page 114 for more information).

Internal audit matters

→ Reviewed and agreed the internal audit plan, confirming the focus on key risk areas and adequate cover of all material operations.
→ Received reports from the Group Head of Internal Audit at each meeting (see page 116 for more information).
→ Reviewed the effectiveness of the internal audit team.
→ Held a meeting with the Group Head of Internal Audit without management present.

Governance and other

→ Monitored and reviewed the continued implementation of those elements of the Group's Code of Business Ethics reserved for review by the committee, as well as the supporting framework of the Business Integrity Policy.
→ Reviewed the legal and compliance risks faced by the Group.
→ Reviewed Mondi's competition compliance programme.
→ Reviewed the committee's terms of reference, performance and work programme.

Internal control

The Group's internal control and risk management framework, embedded in all key operations, 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 and is managed within risk tolerance levels defined by the Board. In accordance with the provisions of the UK Corporate Governance Code, the Group has in place an internal control environment to protect the business from principal risks which have been identified. Management is responsible for establishing and maintaining adequate internal controls over financial reporting and we have responsibility for ensuring the effectiveness of these controls. Full details of Mondi's internal control and risk management framework can be found in the Strategic report on pages 52 to 60.

The committee has reviewed the risk management process and the Group's system of internal controls. The committee considers that the system of internal controls operated effectively throughout the financial year and up to the date on which the financial statements were signed.

Significant issues related to the financial statements

The committee has considered each of the following items based on discussions with, and submissions by, management and satisfied itself as to the accounting treatment and presentation thereof. The most significant items were discussed with the external auditors during the planning stage and on completion of the audit. These issues are broadly similar to those addressed by the committee during 2018.

The key considerations in relation to the 2019 financial statements were:

Matter considered	Action
Special items are those financial items which the Group considers should be separately disclosed on the face of the income statement to assist in understanding the underlying financial performance achieved by the Group as special items affect year-on-year comparability. The classification of an item as special is based on materiality in the context of the current year's financial performance and generally must exceed €10 million. Subsequent adjustments to items previously reported as special items continue to be reflected as special items in future periods even if they do not exceed the quantitative reporting threshold. The net special item charge for the year was €16 million before tax. It included impairment of assets of €39 million of the Neusiedler operation (Austria) and other net asset impairments of €2 million; a third party contribution relating to the Group's Austrian health insurance fund of €41 million (income); a financing special item of €14 million related to the Simplification of the corporate structure; restructuring and closure costs more than offset by release of restructuring and closure provisions from prior years totalling €3 million (income); and an additional provision of €5 million relating to the 2012 Nordenia acquisition. Details of the special items are included in the Strategic report on page 63 and in note 3 of the financial statements.	The committee has critically reviewed each item presented by management as being special to ensure that the items are in line with the Group's accounting policy. The committee considered both the quantification and presentation of special items. The committee has reviewed the adequacy of the descriptions of the special items in the financial statements and the Strategic report. The committee has also considered whether any significant transactions that were not classified as special were appropriately classified in the financial statements and appropriately described in the Strategic report.
The basis of preparation has changed for the year ended 31 December 2019 due to the Simplification of the corporate structure. Prior to the Simplification, Mondi Limited and Mondi plc operated under a dual listed company structure as a single economic entity, and as such, together with their respective subsidiaries, were reported on a combined and consolidated basis as a single reporting entity. Post Simplification, the Group is reported on a consolidated basis. The details of the Simplification are further described in notes 21 and 31 of the consolidated financial statements and notes 1 and 5 of the notes to the Mondi plc parent company financial statements.	The committee has considered a report from management in relation to the Simplification of the corporate structure and satisfied itself that the treatment is according to the Group's accounting policy.
The Group has revised the estimated useful economic lives of property, plant and equipment. In accordance with IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Error', the effect of the change in accounting estimate has been recognised prospectively in the consolidated income statement and is not considered material.	The committee has considered a report from management in relation to the revised estimated useful economic lives and satisfied itself that the review process and recognition of the results were appropriate.

Matter considered	Action
In addition to property, plant and equipment of €4,800 million, intangible assets of €81 million and goodwill of €948 million are included as assets in the statement of financial position. As set out in the accounting policies, the Group performs an impairment review at least annually and whenever there is any indication that certain of its assets may be impaired. See notes 10, 12 and 13 of the financial statements.	The committee considered a report from management describing potential impairment indicators for tangible and intangible assets and the outcomes of related impairment tests. The committee also considered a report from management on the outcomes of the annual goodwill impairment test. The critical underlying assumptions applied were reviewed by the committee and compared with the Group's budget and the current macroeconomic environment. The committee considered the sensitivities underlying the primary assumptions to determine the consequences that reasonably possible changes in such assumptions may have on the recoverable amount of the underlying assets. The committee satisfied itself that no impairment related to goodwill was required and that the impairments to property, plant and equipment and other intangible assets were appropriate.
The Group has operations in a number of countries each with a different tax system. The Group is regularly subject to routine tax audits and provisions are made based on the tax laws in the relevant country and the expected outcomes of any negotiations or settlements. The Group's recognition of deferred tax assets, relating to future utilisation of accumulated tax losses, is dependent on the future profitability and performance of the underlying businesses. See note 7 of the financial statements.	The committee receives regular reports from management about new legislative developments that may impact the Group's tax positions. The committee has considered reports from management outlining the Group's most significant tax exposures, including ongoing tax audits and litigation, and has reviewed the related tax provisions recognised by management, satisfying itself these are appropriate and the risk of new unexpected exposures arising is low. The committee has considered a report from management outlining the key judgements relating to the recognition of deferred tax assets and satisfied itself that the assumptions made are reasonable and consistent from year to year.
Significant judgement is required in determining the assumptions to be applied for the valuation of the Group's forestry assets and retirement benefit obligations. Such assumptions are based, as far as possible, on observable market data and, in the case of the retirement benefit obligations, the input and advice of actuaries. The most significant assumptions and sensitivities are disclosed in note 14 for forestry assets and 23 for retirement benefits in the financial statements.	The assumptions applied in the valuation of the forestry assets and retirement benefits were reviewed by the committee. The committee considered the basis on which these assumptions were determined, and evaluated the assumptions by comparing them with prior years and considering market developments during 2019. The committee satisfied itself that the assumptions, and the changes to those assumptions when compared with the year ended 31 December 2018, were appropriate.
During 2019, the Group reorganised its business units to strengthen value chain integration and improve customer focus. The prior year figures have been restated to reflect the new organisational structure. The reorganisation has no impact on the overall Group result. The Group is organised across four business units (previously three business units): Corrugated Packaging, comprising the operations of containerboard and corrugated solutions; Flexible Packaging, comprising kraft paper, paper bags and consumer flexibles operations; Engineered Materials, comprising personal care components, extrusion solutions and release liner operations; and Uncoated Fine Paper.	The committee has considered a report from management in relation to the restated segmental information. The process of restatement was discussed with management and the committee satisfied itself that the restated segmental information was appropriate.

Fair, balanced and understandable

In line with the committee's responsibility for ensuring there are robust financial reporting procedures and internal controls in place and the UK Corporate Governance Code requirement for the committee to advise the Board in relation to the annual report and accounts, the committee undertook an assessment of the Integrated report and financial statements 2019. This incorporated the work undertaken by the committee throughout the year to monitor financial reporting. The process and outcome are set out below.

Oversight through the year

- Review of applicable accounting policies and pronouncements and their application
- Review of regular financial results and announcements
- Reports from the Group Controller and PwC
- Reports from internal audit

Review included

- Provision of an outline plan including content and structure, design concepts and timetable
- Consideration of regulatory and governance requirements for reporting
- Review of detailed reports from the Group Controller and PwC providing the opportunity for debate and challenge
- Summaries of areas where management judgements or significant accounting estimates had been made
- Consideration of going concern and longer-term viability
- Separate meetings with PwC without management present
- Sufficient opportunity to review drafts

Review confirmed

- Well documented planning and procedures for the preparation of the report
- Collaborative approach between all parties required to contribute to the report
- Basis of preparation consistent with financial reporting throughout the year
- All significant issues had been considered
- Messaging was consistent particularly the narrative reflecting the financials

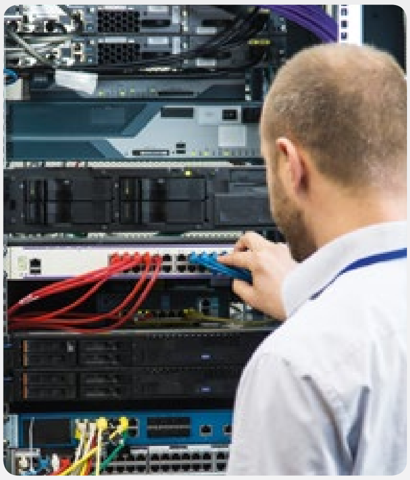
Conclusion

After completion of the detailed review, the committee was satisfied that:

- taken as a whole, the Group's Integrated report and financial statements 2019, were fair, balanced and understandable;
- the report accurately reflected the information shareholders would require in order to assess the Group's position and performance, business model and strategy; and
- the use of alternative performance measures contained in the report assists in presenting a fair review of the Group's business

Recommendation

- The committee reported its findings and conclusion to the Board



Information technology risk

The committee undertakes, on a half-yearly basis, a detailed review of information technology risk and mitigation actions. The Group's IT risk management framework has been explained to the committee, with comfort obtained that it is holistic and robust, having been audited by independent third parties.

While these reviews cover all relevant aspects of IT risk, including security, compliance and availability, the focus is increasingly on cyber security, with the top five IT risks being in this area. Cyber security drives the principal mitigation activities, particularly in the areas of network design and security architecture. Lessons learnt from attempted security breaches and cyber security training for employees were key areas of focus for the committee during the year.

In addition, the committee continued to monitor implementation of a number of measures designed to give greater protection to Mondi's key operational assets following the detailed audit by KPMG in 2018 and looked to understand in greater detail the ways in which Mondi's data is stored and the associated risks.

The committee was encouraged by the level of focus being given to cyber security across the Group. The emphasis being placed on employee awareness, education and testing was welcomed by the committee. Overall the committee concluded that the Group's IT risk management was effective and that management ensured that it was subject to continuous monitoring and improvement (see page 60 for more information).

External audit

PricewaterhouseCoopers LLP (PwC) was first appointed as auditor, with Andrew Kemp as audit partner, by shareholders at the Annual General Meeting in May 2017, replacing Deloitte LLP following a tender process. The 2019 audit was PwC's third for Mondi.

The committee confirms its compliance for the financial year ended 31 December 2019 with the provisions of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

Non-audit services

A policy is in place that governs the provision of non-audit services provided by PwC to Mondi, differentiating between those services that are permissible and prohibited and including the requirements for the approval of permissible services.

For all non-audit services, the business must submit a formal request setting out the objectives, scope of work, likely fee level and the rationale for requiring the work to be carried out by the Group's external auditor, as well as sufficient information to allow an assessment of materiality.

The committee monitors compliance with the policy, receiving reports at each meeting detailing all approved non-audit services.

The breakdown of the fees paid to PwC during the year, including the split between audit and non-audit fees, is included in note 4 to the financial statements on page 171. Total fees for non-audit services amounted to €0.5 million, representing 10.9% of the audit fee paid, with the majority of the non-audit fees incurred relating to the half year review, comfort related to statutory reporting on the corporate simplification and other audit-related assurance services.

External audit independence, objectivity and effectiveness

A formal framework for the assessment of the effectiveness of the external audit process and quality of the audit has been adopted by the committee, covering all aspects of the audit service provided by PwC. While part of the assessment is managed annually, it is treated as an ongoing review throughout the cycle.

Evaluation focus

→ Robustness of audit process

→ Audit quality, including quality controls

→ Audit partners and team, including skills, character and knowledge

→ Independence and objectivity

→ Formal reporting

Inputs

Audit committee

→ Continual monitoring of audit performance throughout the year

→ Reviewed and agreed the audit plan

→ Reviewed the quality of reporting to the committee, the level of challenge and professional scepticism and the understanding demonstrated by PwC of the business of the Group

→ Reviewed the quality of the audit team, technical skills and experience and the allocation of resources during the audit

→ Considered the interaction with management and the level of challenge

→ Regular meetings held between the chair of the committee and the audit engagement partner

→ Reviewed feedback from committee members including views on how PwC has supported the work of the committee and communication with the committee

→ Considered the effectiveness of Mondi's policies and procedures for maintaining auditor independence

Management

→ Feedback from engagement with the Group CFO, Group Controller and Group Head of Internal Audit

→ Feedback from questionnaires issued at corporate and business unit level to those personnel involved with the audit

PwC

→ Provided the committee with confirmation that they operate in accordance with the ethical standards required of audit firms

→ Confirmed the policies and procedures they have in place to maintain their independence

Regulators

→ The UK Financial Reporting Council's (FRC) 2018/19 report on Audit Quality Inspections included a review of audits carried out by PwC

Key outputs

→ The quality of the audit partners and team were confirmed with no material issues raised in the feedback received

→ The audit had been well planned and delivered with work completed on schedule and management comfortable that any key findings had been raised appropriately, active engagement on misstatements and appropriate judgements on materiality

→ PwC demonstrated a good understanding of the Group and had identified and focused on the areas of greatest financial reporting risk

→ PwC's reporting to the committee was clear, open and thorough, including explanations of the rationale for particular conclusions as appropriate

→ It was confirmed that there had been an appropriate level of challenge

Conclusion

The committee, having considered all relevant matters, has concluded that it is satisfied that auditor independence, objectivity and effectiveness have been maintained

Internal audit

Mondi's internal audit function forms an integral part of Mondi's governance and risk management and internal control frameworks. The primary purpose of the internal audit function is to help the Board and executive management to protect the assets, reputation and sustainability of the organisation and to manage and mitigate its risks effectively. This includes assessing whether all significant risks are identified and appropriately reported by management to the Board and executive management and whether they are adequately controlled.

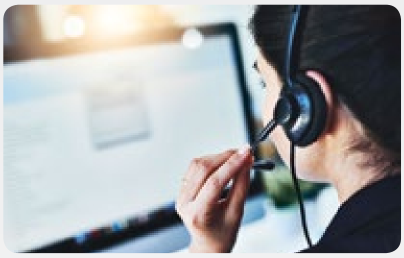
The audit committee has primary responsibility for monitoring and reviewing the scope and effectiveness of the Group's internal audit function. The Group Head of Internal Audit has direct access to, and responsibility to, the committee as well as regular access to Mondi's executive management.

An internal audit charter, approved by the committee, is in place. The charter sets out the purpose, remit and authority of the internal audit function. Each year the committee considers and approves the internal audit plan which is designed to focus on the Group's key risks to ensure that they are managed effectively within the context of our business objectives and that appropriate internal controls are in place.

The committee ensures that all material operations are covered and that there is an appropriate degree of financial and geographical coverage. Every Mondi operation is visited at least once every five years with all major plants audited annually.

Reports are given at each committee meeting providing an update on activities, resourcing levels, progress against plan, results from audits carried out and management's response to address any areas highlighted for improvement. The committee will consider deviations from plan as the need arises during the year, usually in response to a material acquisition or change in the Group's risk profile highlighted through audit reports and through matters raised via the confidential reporting hotline, Speakout. Maintaining sound oversight and control of activities through the use of internal audit reviews is considered by the committee to be a key element of its work.

In 2015 an external review of the internal audit function was undertaken by Ernst & Young LLP with a full report presented to the committee. The review concluded that the internal audit function is fit for purpose and meeting its mandate to provide assurance primarily in the financial and operational areas. Of particular note was the clear affirmation that the function is independent and objective. An internal review was undertaken in 2019, confirming that the internal audit function remains effective. A further external review is scheduled to take place during 2020.



Code of Business Ethics and Speakout

Mondi continues to have a stated policy of zero tolerance of bribery and corruption. The Board has adopted a Code of Business Ethics that governs our corporate conduct and which applies throughout the Group. The code sets out five fundamental principles that govern the way in which Mondi and its employees conduct business.

The Group has a confidential reporting hotline called 'Speakout' operated by an independent third party. Speakout, monitored by the Board and audit committee, is a simple, accessible and confidential channel through which our employees, customers, suppliers, and other stakeholders can raise concerns about unethical practices and conduct contrary to Mondi's values. Any type of concern can be raised via Speakout. The Board and the audit committee receive regular reports of Speakout messages received and ensure that appropriate investigation into each message has been undertaken and responses given with actions taken where any allegation proves to have some foundation. The effectiveness of the Speakout facility is kept under regular review. More information about Mondi's approach to anti-bribery and anti-corruption as well as Speakout can be found on page 36.

SUSTAINABLE DEVELOPMENT COMMITTEE

The committee assisted the Board with a review of Mondi's key stakeholders, the engagement activities undertaken during the year and the issues that matter most to our stakeholders. This insight will ultimately provide context for future decision-making by the Board.

Dominique Reiniche
Chair of the sustainable development committee

Composition[1]

Members throughout the year	Committee member since	Meeting attendance
Enoch Godongwana[2]	September 2019	2/2
Stephen Harris	March 2011	6/6
Peter Oswald	May 2017	6/6
Dominique Reiniche, chair	May 2017	6/6
Stephen Young	May 2018	6/6

1 The maximum number of scheduled meetings held during the year that each director could attend is shown next to the number attended.
2 Enoch Godongwana joined the committee on 1 September 2019.

Other regular attendees

→ Group CFO
→ Chair and Non-Executive Directors who are not members of the committee
→ Group Technical & Sustainability Director
→ Group Head of Sustainable Development
→ Group Head of Safety and Health

Dear Shareholder

This report provides an overview of the committee's key activities and focus areas during the year and the framework within which it operates.

Composition

In September 2019 Enoch Godongwana joined the committee following his appointment to the Board. Enoch's knowledge and previous experience mean he will be able to make a valuable contribution to the committee and bring a new perspective and I look forward to working alongside him on sustainability matters.

Membership of the committee otherwise remains consistent with the previous year.

Areas of focus

The committee oversees and monitors the progress of our sustainable development (SD) approach, commitments, targets and performance within a global context. It provides guidance in relation to sustainability matters, reviewing and updating the Group's framework of sustainability policies and strategies, ensuring they are aligned with global best practice. A summary report from the directors on the Group's sustainability practices is set out on pages 34 to 51.

The safety of our employees and contractors was our primary focus during the year with safety performance reviewed in detail at each meeting. Despite this, we were deeply saddened by the two fatalities we experienced during 2019. In January, a contractor lost his life conducting pile drilling works at the construction site of our new paper machine in Ružomberok (Slovakia) and in August, a contractor was fatally injured during towing activities in our Russian logging operations. Sadly, a contractor also died as a result of an incident during demolition activities at our Syktyvkar mill (Russia) in January 2020.

It was extremely important for the committee to understand the reasons for each incident. To assist with this, the managing director of the affected plant in respect of each fatality attended a meeting of the committee to provide more context and to explain the detailed outcome of the investigations. We fully acknowledge the impact such incidents have on the families, friends and colleagues of those involved and we continue to work hard to further embed our safety culture across the Group. Further details of the actions being taken can be found on page 38.

One of the other key topics of discussion during the year was Mondi's science-based greenhouse gas (GHG) emissions targets. Having set a long-term reduction goal for production-related GHG emissions in 2018, the goal was reviewed to comply with the criteria set by the Science Based Targets initiative. This resulted in revised targets, more details of which can be found on page 44. Our impact on the environment and the risks to Mondi's performance associated with climate change are high on the committee's agenda, both in respect of our long-term prospects and financial performance, and work is being undertaken by the Group to ensure we are in a position to make the disclosures recommended by the Task Force on Climate-related Financial Disclosures. Information relating to Mondi's climate-related risks can be found on page 56 and additional details can be found in Mondi's online sustainability report.

We also increased our focus on stakeholder engagement. This has always been one of the committee's primary responsibilities but it was important to reiterate this during the year in light of new regulatory and governance requirements in this regard. The committee assisted the Board with a review of Mondi's key stakeholders, the engagement activities undertaken during the year and the issues that matter most to our stakeholders. This insight will ultimately provide context for future decision-making by the Board. There was a particular focus on the outcomes of the two Socio-economic Assessments undertaken during the year using Mondi's 'SEAT' approach[1], more details of which can be found on pages 49 and 50 and in our 2019 sustainability report. Further information on the way in which Mondi engages with its key stakeholders, including the section 172 statement, can be found on pages 18 to 21.

A more detailed overview of the key matters considered by the committee during the year can be found opposite.

Committee effectiveness

The committee's performance and effectiveness was reviewed as part of the external board evaluation undertaken during the year, more details of which can be found on page 105. I am pleased to confirm that the committee is seen to be operating effectively and fulfilling the duties delegated to it by the Board.

Dominique Reiniche
Chair, sustainable development committee

Sustainable development committee activity

Set out below are some of the key matters addressed by the committee.

Safety performance and serious incidents

- Reviewed detailed reports on the fatalities at our Syktyvkar and Ružomberok mills and received follow up reports on the outcome of the investigations into each incident, management's response and actions taken.
- Reviewed detailed reports of selected incidents, for example those resulting in life-altering injuries or having a high risk potential and reviewed management's response.
- Received a presentation in relation to social psychology of risk, how it applies to safety and how it can improve our safety performance.
- Received regular reports on safety performance at Group and business unit level, including individual mill performance, classification of incidents and peer comparisons.
- Considered the safety milestones and leading and lagging indicators for the next reporting period.

Sustainable development governance and risks

- Reviewed those elements of the Group's Code of Business Ethics reserved for review by the committee.
- Reviewed the material SD issues, risks and opportunities, including in relation to climate change which is now mapped separately.
- Reviewed and approved the Group's human trafficking and modern slavery statement.
- Reviewed and approved the annual SD reporting.
- Reviewed the committee's terms of reference and performance.
- Considered and agreed the committee's annual work programme.

Environmental performance

- Received regular reviews on performance against each of the environmental key performance indicators and commitments.
- Received information on any material environmental incidents and considered management's response.

Policies and commitments

- Reviewed the achievements against the 2020 commitments (see pages 36 to 51 for more information).
- Reviewed an initial proposal for the approach to setting post-2020 commitments.
- Considered and agreed the revised science-based GHG targets (see page 44 for more information).
- Reviewed Group SD policies and approved amendments to reflect best practice.

Forestry

- Reviewed an update on the forestry operations in Russia.
- Reviewed an update on the forestry operations in South Africa.

Community and other relationships

- Reviewed the Group's relationships and engagement with key stakeholders, including governments, NGOs and analysts, their key issues and the actions being taken to address them.
- Reviewed our social and community engagement, including community investments and initiatives at our pulp and paper mills, and the outcome of the SEATs undertaken at our Dynäs (Sweden) and Świecie (Poland) mills during 2019 (see pages 49 and 50 for more information).

Product stewardship

- Received a report on the Group's product stewardship practices, including updates to the Due Diligence Management System.
- Considered in detail work being undertaken in relation to sustainable products, including the criteria used to define sustainable products, prototypes being developed and the key challenges.

1 Socio-economic Assessment Toolbox

Remuneration report
Statement from the Remuneration Committee Chair

REMUNERATION COMMITTEE

Our remuneration policy is simple and aligned to our shareholders' interests.

Tanya Fratto
Chair of the remuneration committee

Fellow shareholder, it is with pleasure that I present the committee's report on directors' remuneration.

At the 2020 AGM we are submitting the Directors' Remuneration Policy (DRP)[1] for triennial approval, in accordance with statutory requirements. The current DRP was strongly supported at the AGM in 2017, with a vote of over 95% in favour. The operation of the policy has also been supported by our shareholders in subsequent financial years, with votes of 99%, 95% and 99% in favour in 2017, 2018 and 2019 respectively. The new DRP, which is set out in full in this Remuneration Report has been updated to take account of the latest developments in the UK Corporate Governance Code and market practice.

The remainder of this Directors' Remuneration Report, which describes how the policy was implemented in 2019, will be put to the usual advisory vote at the AGM.

Remuneration principles

Remuneration for our executive directors is based on the principles of pay for performance, alignment with shareholders and simplicity. Annual bonuses are dependent on a scorecard of mainly financial and some non-financial elements, and 50% of any bonus is deferred into Mondi shares for three years. The Long-Term Incentive Plan (LTIP) is aligned to sustained, three-year performance, measured through percentage Return on Capital Employed (ROCE), and our relative total shareholder return (TSR) compared to other international companies in our sector. Vested LTIP shares are required to be retained (net of sales to settle tax on vesting) for two further years. Executive directors are also required to build a personal shareholding in Mondi, and, in the new DRP, to retain a shareholding post-employment.

Board changes

As we announced on 10 January 2020, on 31 March 2020 Peter Oswald will step down as CEO and leave the Group. Details of the remuneration arrangements applying to him on departure are included in this Remuneration Report. Peter's 12-month notice period under his contract commenced on 10 January 2020, the date of the announcement. He will however cease employment on 31 March 2020, with no payment in lieu of notice (PILON) for the remainder of the 12-month notice period. In accordance with the relevant plan rules, he will retain deferred bonuses earned for prior years, and LTIP awards which will be subject to time pro-ration and assessment of performance at the normal vesting dates. He will be required to retain shares from LTIP awards vesting in 2020, 2021 and 2022, net of tax, for a further two years after vesting, which implies a post-employment shareholding requirement of up to four years.

As announced on 18 February 2020, Andrew King will be appointed as Group CEO with effect from 1 April 2020. Full details of his remuneration are included in this Remuneration Report.

Review of Directors' Remuneration Policy and shareholder consultation

In advance of the triennial vote on the DRP, we have undertaken a thorough review of the remuneration structures in place for our executive directors. We have aimed to ensure that the policy continues to support Mondi's success for the next three-year cycle, incentivising the management team to deliver outstanding shareholder value and reflecting the updated UK Corporate Governance Code requirements. The remuneration philosophy, which has been strongly supported by shareholders, remains unchanged.

The key changes are:

→ an increase in the minimum shareholding requirement for executive directors

→ a new post-employment shareholding requirement for executive directors, for two years post-employment

→ reduction of the pension allowance, for new executive director appointments, in line with the majority of the workforce in the relevant location

→ reduction in pension allowance for existing executive directors

→ adjusting maximum bonus and LTIP opportunities to take account of market norms, accompanied by a reduction in the on-target bonus (percentage of maximum), and a commitment to limit bonus and LTIP award levels in 2020 below the policy maximum.

We have consulted on the proposed changes with our largest shareholders and with proxy voting agencies, and received a good level of support from respondents.

1 The full policy can be found on pages 123 to 131 of this report

Performance and remuneration for 2019

As described in the Strategic report, Mondi's financial performance, which has a weighting of 70% of the annual bonus, was robust against a backdrop of challenging trading conditions. ROCE performance was 19.8% and underlying EBITDA was €1,658 million, relative to challenging targets of 22% and €1,795 million respectively. While financial performance was strong, outcomes were below the demanding targets set by the committee. This is reflected in the bonuses that were paid. Bonus performance outcomes relative to the targets that were set are outlined in the annual report on remuneration.

Performance outcomes are reflected in the remuneration received by directors:

- Annual bonuses of 44% of the maximum have been awarded in respect of performance in 2019 for Peter Oswald and Andrew King. This recognises the Group's financial performance as well as performance against the personal, operational and strategic objectives that were set at the start of the year.
- The performance period for the 2017 LTIP ended on 31 December 2019. Half of the award was based on ROCE performance and half on relative TSR performance. ROCE for the three-year performance period was 20.9%, above the stretch performance requirement of 18%. The Group's TSR over the period was 22.3%, which placed it above the median of the comparator group. As a result of this performance, 100% of the ROCE element, and 34.4% of the TSR element, and therefore 67.2% of the overall LTIP award, vested.
- The Committee considered whether any discretion should be exercised to override the outcomes for 2019, for bonus and LTIP, and decided this was not necessary as the outcomes are a fair reflection of the overall performance achieved for shareholders.

Performance outcomes

Annual bonus

Formulaic **28%** → Personal **16%** → **Final outcome 44%**

Underlying EBITDA	€1,658 million
ROCE	19.8%
TRCR	0.59

Read more
Pages 133 to 135

Performance shares (LTIs)

ROCE **50%** → TSR **17.2%** → **Final outcome 67.2%**

3-year ROCE	20.9%
TSR peer rank	8th
TSR	34.4%

Read more
Page 136

Remuneration outcomes

Peter Oswald Group CEO

Year	Salary, benefits, pension & other	Annual bonus	Performance shares (LTIPs)	Total
2019	**40%**	**21%**	**39%**	**€3,800,781**
2018	33%	35%	32%	€4,416,016
2017	40%	27%	33%	€3,679,789
2016	36%	20%	44%	€3,930,944[1]

1 Peter Oswald's remuneration is shown for 2016, albeit he wasn't CEO

Andrew King Group CFO

Year	Salary, benefits, pension & other	Annual bonus	Performance shares (LTIPs)	Total
2019	**46%**	**18%**	**36%**	**€2,229,187**
2018	34%	28%	38%	€2,809,404
2017	60%[1]	15%	25%	€3,769,548
2016	36%	20%	44%	€2,724,990

1 Includes one-off relocation assistance for relocation from South Africa to UK

Executive directors' shareholdings

Peter Oswald Group CEO

Shares at 31/12/19: **191,518** → % base salary: **346%**

Read more
Page 139

Andrew King Group CFO

Shares at 31/12/19: **73,178** → % base salary: **208%**

Read more
Page 139

2020 implementation of the Directors' remuneration policy

Salary

Peter Oswald's base salary has been increased by 2.6%, effective from 1 January 2020, in line with that of the UK workforce average of 2.6%. As CFO Andrew King's base salary was also increased by 2.6%. As CEO, with effect from 1 April 2020, Andrew King's base salary will increase to £970,000, the same level as Peter Oswald at prevailing exchanges rates, on an annualised basis.

Pension

Subject to approval of the new policy, for the period 1 January to 31 March 2020, Peter Oswald and Andrew King's pension allowance will reduce from the current 25% of base salary to 23%. With effect from 1 April 2020, Andrew King's pension allowance will reduce to that of the majority of the UK workforce, expected to be 8%.

Variable pay

For 2020, Peter Oswald's maximum bonus opportunity will be set at 185% of base salary, this will be pro-rated for the part of the year worked. Andrew King's maximum bonus opportunity will be 155% of his base salary as CFO. This will be pro-rated for the period in 2020 as CFO. These awards are 15 and 45 percentage points, below the new policy maximum and FTSE 100 market median. As CEO, Andrew will receive a maximum bonus opportunity of 185% of base salary, pro-rated in 2020 for the period Andrew serves as CEO.

As with the annual bonus, we will continue to use the capacity in the policy for the LTIP conservatively. For 2020, Peter Oswald will not receive a LTIP grant. Andrew King will receive a grant level set at 230% of his CEO base salary, 20 percentage points below the new policy maximum and the FTSE 100 median.

We will continue to set robust and challenging performance targets for bonus and LTIP.

Conclusion

Thank you for the strong support you have given our remuneration approach in prior years. I very much hope that you will give your support to the remuneration resolutions at the 2020 AGM.

Tanya Fratto
Chair of the remuneration committee

Summary of proposed changes at a glance

Minimum Shareholding Requirement (MSR)

Increased in-employment MSR to 300% of base salary for the CEO, and 250% for the CFO (currently 200% of base salary for both). New appointees will be required to meet this requirement within five years of appointment.

As CEO, Andrew King will be required to meet the new requirement of 300% within a reasonable time period.

Annual bonus

Reduction in bonus payable for on-target financial performance, as a percentage of maximum from 62.5% of maximum to 50%.

Increased annual bonus maximum in the policy to 200% of base salary (currently 175%). For the financial year 2020, Peter Oswald's maximum bonus opportunity will be 185% of base salary, pro-rated for the period worked. As CFO, Andrew King's maximum bonus opportunity will be 155% of base salary, pro-rated for the period he serves as CFO. As CEO, Andrew's maximum bonus opportunity will be 185% of base salary, pro-rated for the period he serves as CEO.

Post-employment shareholding requirement

Introduction of a post-employment shareholding requirement for current and future executive directors to retain a shareholding for two years post-employment.

LTIP

Increased LTIP maximum in the policy to 250% of base salary. For 2020, Peter Oswald will not receive a grant. Andrew King will receive a grant of 230% of his CEO base salary (20 percentage points below the new policy maximum).

Pension

Pension allowances for new executive director appointments will be reduced to align with the majority of the workforce in the relevant location.

For the period from 1 January to 31 March 2020, existing executive directors' pension allowances will reduce from 25% to 23%. On his appointment as CEO on 1 April 2020, Andrew King's pension allowance will align with the majority of the UK workforce, expected to be 8%.

Dividend equivalents

For grants from 2020 onwards, any dividend equivalents delivered on the deferred bonus, or under the LTIP, will be in shares, and will only vest to the extent the award vests.

The report

The report has been prepared by the remuneration committee and approved by the Board of Mondi plc. PricewaterhouseCoopers LLP has independently audited the items stipulated in the regulations:

- → executive directors' and non-executive directors' remuneration and associated footnotes on page 132;
- → the table of share awards granted to executive directors and associated footnotes on page 141; and
- → the statement of directors' shareholdings and share interests in Mondi on page 139.

Directors' remuneration policy

This part of the directors' remuneration report sets out the remuneration policy for the Group and has been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended). The policy has been developed taking into account the principles of the UK Corporate Governance Code and the views of our major shareholders. The policy is submitted for approval by a binding shareholder vote at the Mondi plc Annual General Meeting on 7 May 2020. The key changes proposed to the policy are summarised in the table in the committee chair's introductory statement to the remuneration report. The committee consulted with major shareholders on the proposed changes.

The Group's remuneration policy has been set with the objective of attracting, motivating and retaining high-calibre directors, in a manner that promotes the long-term success of the Group, is consistent with best practice and aligned with the interests of the Group's shareholders.

Remuneration policy for executive directors is framed around the following key principles:

- → remuneration packages should be set at levels that are competitive in the relevant market;
- → the structure of remuneration packages and, in particular, the design of performance-based remuneration schemes, should be aligned with shareholders' interests and should support the achievement of the Group's business strategy and the management of risk;
- → a significant proportion of the remuneration of executive directors should be performance-based;
- → the performance-based element of remuneration should be appropriately balanced between the achievement of short-term objectives and longer-term objectives; and
- → the remuneration of executive directors should be set taking appropriate account of remuneration and employment conditions elsewhere in the Group.

Executive directors' remuneration policy table

The following table summarises key elements of the remuneration of executive directors in accordance with reporting regulations:

	Purpose and link to strategy	Operation	Maximum opportunity
Base salary	To recruit and reward executives of a suitable calibre for the role and duties required.	Reviewed annually by the committee, taking account of Group and individual performance, changes in responsibility and levels of increase for the broader employee population. Reference is also made to market median levels in companies of similar size and complexity. The committee considers the impact of any base salary increase on the total remuneration package. Salaries (and other elements of the remuneration package) may be paid in different currencies as appropriate to reflect their geographic location.	There is no prescribed maximum base salary or annual increase. However, increases will normally be no more than the general level of increase in the UK business or the locations in which the executive is based. On occasions a larger increase may be needed to recognise, for example, development in role or change in responsibility. Details of the outcome of the most recent review are provided in the annual report on remuneration.
Benefits	To provide market competitive benefits.	The Group typically provides: → car allowance or company car; → medical insurance; → death and disability insurance; → limited personal taxation and financial advice; and → other ancillary benefits, including relocation and assistance with expatriate expenses (as required). The policy authorises the committee to make minor changes to benefits provision from time to time, including if appropriate implementing all-employee share plans up to the limits approved by tax authorities.	Maximum values are determined by reference to market practice, avoiding paying more than is necessary.
Pension	To provide market competitive pension contributions or allowances.	Defined contribution to pension, or cash allowance of equivalent value. Only base salary is pensionable.	For new appointments, the maximum company pension allowance will be no more than available to the majority of the workforce in the relevant country from time to time. For the period from 1 January to 31 March 2020, existing executive directors' pension allowances will reduce from 25% to 23%. On his appointment as CEO on 1 April 2020, Andrew King's pension allowance will align with the majority of the UK workforce, expected to be 8%.

	Purpose and link to strategy	Operation	Maximum opportunity
Bonus Share Plan (BSP)	To provide incentive and reward for annual performance achievements. To also provide sustained alignment with shareholders through a deferred component.	Awards are based on annual performance against a balanced scorecard of metrics as determined by the committee from time to time such as underlying EBITDA, percentage ROCE and safety. These have the highest weighting (currently 35%, 35% and 10% respectively of the total). Individual performance is also assessed against suitable objectives, and currently has a 20% weighting. These metrics are selected as they provide strong alignment to Mondi's strategy. The policy gives the committee the authority to select suitable performance metrics, aligned to Mondi's strategy and shareholders' interests, and to assess the performance outcome. Half of the award is normally delivered in cash and half in deferred shares which normally vest after three years (subject to service conditions), and with no matching element. For grants from 2020 onwards, any dividend equivalents accruing on shares between the date when the awards were granted and when they vest, will be delivered in shares. Malus and clawback provisions apply to both the cash and share based element of awards, for a period of three years; from the date of payment (cash) or date of release (shares) in the event of: → misstatement of financial results; → misstatement of performance; → gross or serious misconduct; → corporate failure; → severe downturn in financial or operational performance; or → severe reputational damage.	The maximum annual bonus is 200% of base salary (increased from 175% under the previous policy). The committee retains discretion to set the actual maximum below the policy maximum. For the 2020 financial year, the CEO's maximum annual bonus opportunity will be set at 185% of base salary (pro-rated for time worked), and that of the CFO at 155% of base salary (pro-rated for the period as CFO) (i.e below policy maximum). As CEO, Andrew King's maximum annual bonus opportunity for 2020 will be set at 185% of his CEO base salary for the period he serves as CEO. The on-target bonus, as a percentage of maximum, will be reduced from 62.5% to 50% for financial targets from the 2020 performance year. The bonus payable at threshold (entry level) performance is 25% of the maximum. The implementation of the policy in the 2020 financial year is detailed in later sections of this report.

	Purpose and link to strategy	Operation	Maximum opportunity
Long-Term Incentive Plan (LTIP)	To provide incentive and reward for the delivery of the Group's strategic objectives, and provide further alignment with shareholders through the use of shares.	Individuals are considered each year for an award of shares that vest after three years to the extent that performance conditions are met and in accordance with the terms of the plan approved by shareholders. Under the plan rules, in exceptional circumstances, the committee has the ability to cash-settle awards, if necessary. There is no current intention for awards to the executive directors to be delivered in this way. Awards are granted subject to continued employment and satisfaction of stretching performance conditions measured over three years, which are set by the committee before each grant. For awards to be granted in 2020, metrics comprise TSR against a suitable peer group, and percentage ROCE, each with a 50% weighting. The vesting outcome can be reduced, if necessary, to reflect the underlying or general performance of the Group. For awards granted from 2020 onwards, any dividend equivalents will be delivered in shares, at the end of the vesting period, based on the proportion of the award that vests. Malus and clawback provisions apply to awards made, for a period from grant to the third anniversary of vesting of the award, in the event of: → misstatement of financial results; → misstatement of performance; → gross or serious misconduct; → corporate failure; → severe downturn in financial or operational performance; or → severe reputational damage. A two-year post-vesting holding period applies for LTIP shares that vest (net of tax). The two-year holding requirement will continue if the director leaves employment during the holding period, or is permitted to retain any part of an award as a good leaver. The shares held will count towards the executive director's normal holding requirement.	The maximum grant limit is 250% of base salary (face value of shares at grant), to any individual in a single year (increased from 225% in the previous policy). For 2020, Peter Oswald will not receive a grant. Andrew King will receive a grant of 230% of his CEO base salary (20 percentage points below the maximum). 25% of the grant is available for threshold performance, rising on a straight-line scale to 100% of the grant for performance at the 'stretch' level. Individual awards, up to the policy limit, are determined each year by the committee. The committee's practice has historically been to make grants below the policy maximum as detailed in the annual report on remuneration.

	Purpose and link to strategy	Operation	Maximum opportunity
Share ownership policy	To further align the interests of executive directors with those of shareholders.	The Minimum Shareholding Requirement (MSR) for the CEO is increased to 300% of base salary and to 250% for the CFO, (the MSR under the previous policy was 200% of base salary for both roles). A new executive director is normally required to meet the MSR within five years from the date of appointment to the Board. While the executive director is building to the required shareholding level, deferred bonus awards under the BSP, net of the expected tax liability that will apply on vesting, will count towards the requirement. Once the required shareholding has been met, such shares will not count unless the committee, at its sole discretion, determines that a number of deferred shares may count towards the holding requirement of a director. Unvested LTIP awards (i.e. those awards where performance targets and/or a service requirement must still be met for awards to vest) will not count towards the holding requirement. LTIP shares that have vested and on which tax has been paid and that are within the two-year post-vesting holding period will count towards the holding requirement. Previously compliant directors who do not meet the minimum requirements on annual assessment are normally required to achieve compliance by 31 December of the same year. In order to allow the committee to deal with unexpected circumstances, the committee retains discretion on how to operate the Policy and may make exceptions and allowances if it sees fit. **Post-employment MSR:** A post-employment shareholding requirement applies. Under the new policy, executive directors will be required to retain a shareholding for two-years post-employment. For the first year post-employment, the full in-employment MSR level applies. For the second year post-employment, one-half of the in-employment MSR level applies. New executive directors who have not achieved the necessary in-employment MSR level at date of exit will be required to retain the level of shares held at date of exit, reducing in the second year to the lessor of one-half of the in-employment MSR, or the actual shares held.	Not applicable.

Choice of performance measures and approach to target setting

Bonus Share Plan (BSP)

The table below shows the metrics for 2019, why the metrics were chosen and how targets are set.

Metric	Why chosen?	How targets are set
Underlying EBITDA (35%) KPI Page 22	Underlying EBITDA provides a measure of the cash-generating ability of the business that is comparable from year to year.	Targets and ranges are set each year by the committee taking account of required progress towards strategic goals, and the prevailing market conditions.
ROCE (35%) KPI Page 22	ROCE provides a measure of the efficient and effective use of capital in our operations.	Targets and ranges are set each year by the committee taking account of the required progress towards strategic goals, and the prevailing market conditions.
Safety (10%) KPI Page 23	One of the key indicators of whether the business is meeting its sustainability goal of zero harm.	The committee considers input from the sustainable development committee, and sets appropriate standards and goals.
Personal performance (20%)	An indicator of the contribution each executive director is making to the overall success of the management team.	Targets are set each year by the committee, based on the specific priorities, and areas of responsibility, of the role.

The policy gives the committee the authority to select suitable performance metrics, aligned to Mondi's strategy and shareholders' interests.

Long-Term Incentive Plan (LTIP)

The table below shows the metrics for 2019 grants, why they were chosen and how targets are set.

Metric	Why chosen?	How targets are set
TSR, relative to a peer group of competitors (50%)	TSR measures the total returns to Mondi's shareholders, including both share appreciation and dividends paid, so provides close alignment with shareholder interests.	The committee sets the performance requirements for each grant. A peer group of packaging and paper sector companies is used. Nothing vests below median. 25% vests for median performance; 100% vests for upper quartile performance, with a straight-line scale between these two points.
ROCE (50%)	ROCE provides a measure of the efficient and effective use of capital in our operations.	The committee sets threshold and stretch levels, aligned to the Group's strategic targets for ROCE. Nothing vests below threshold. 25% vests for threshold performance; 100% vests for stretch performance, with a straight-line scale between these two points.

The policy gives the committee the authority to select suitable performance metrics, aligned to Mondi's strategy and shareholders' interests.

Remuneration policy for executive directors compared to other employees

The remuneration policy for the executive directors and employees varies, which is necessary to reflect the different levels of responsibility and market practices. The key difference is the increased emphasis on performance-related pay in senior roles. Lower maximum incentive pay opportunities apply below executive level, driven by market benchmarks and the relative impact of the role. Only the most senior executives in the Group participate in the LTIP and the BSP as these plans are targeted on those individuals who have the greatest accountability for Group performance.

Executive directors' existing service contracts, and policy on loss of office

CEO

As announced on 10 January 2020, Peter Oswald will step down as Group CEO on 31 March 2020, and leave the Group. Details of the remuneration arrangements applying to him on departure are included in this Remuneration Report.

Peter Oswald's contract is, as required under Austrian law, for a fixed period, which expires on 30 April 2022. However, it can be terminated before that date on one year's notice by either party. In the event of termination by Mondi, other than for 'cause', the contract provides for payment of base salary, benefits and pension contribution in respect of the 12-month notice period and eligibility for annual bonus in respect of the period he has worked. He would also be eligible for a lump sum amount calculated as €908,800 plus interest on this amount accrued at the Euribor interest rate for the period since 1 January 2008.

CFO

The service contract for Andrew King provides for one year's notice by either party. It includes pay in lieu of notice provisions which may be invoked at the discretion of the Group. The payment in lieu of notice would comprise base salary, benefits and pension contributions for the notice period and an amount in compensation for annual bonus only for that part of the financial year the individual has worked.

Andrew's new service contract as CEO, which will take effect on 1 April 2020, provides for termination on one year's notice by either party. The Group may elect to make a payment in lieu of notice and, if it does so, to apply mitigation. Payment in lieu of notice would comprise base salary, benefits and pension contributions for the notice period (or, if applicable, the balance of the notice period).

Notice periods for the executive directors who served during the period under review are as follows:

Executive director	Unexpired term/notice period
Peter Oswald	Contract terminates on 31 March 2020
Andrew King	Terminable on 12 months' notice

A director's service contract may be terminated without notice and without any further payment or compensation, except for sums accrued up to the date of termination, on the occurrence of certain events such as gross misconduct.

Service contracts for new appointments

Normally, for any new executive director appointments, the Group's policy is that the service contracts should provide for one year's notice by either party. The contract would provide that, in the event of termination by the company, other than for 'cause', the executive would be eligible for payment of the base salary, pension contribution and benefits in respect of the unexpired portion of the 12-month notice period;

In exceptional circumstances, such as to secure for the Group the appointment of a highly talented and experienced executive in a market such as Germany or Austria where it is common for the most senior executives to have three-year or five-year fixed term contracts, the committee may need to offer a longer initial notice period that reduces progressively to one year over a set time period. In such exceptional circumstances, the committee would seek to ensure that any special contract provisions are not more generous than is absolutely necessary to secure the appointment. The committee would also take account of the remuneration and contract features that the executive may be foregoing or relinquishing in order to join Mondi, in comparison with the overall remuneration package that Mondi is able to offer.

Policy on loss of office

Notice periods will not normally exceed 12 months (as described above). The Group may elect to make a payment in lieu of notice and, if it does so, to apply mitigation. The Group would seek to apply the principles of mitigation to any payment in lieu of notice by, for example, making payments in instalments that can be reduced or ended if the former executive wishes to commence alternative employment during the payment period.

An executive director's eligibility for bonus on cessation of employment will be determined by the committee in accordance with the relevant plan rules (taking into account the reason for their departure). Where eligible, the departing director's bonus would typically be determined in the normal way after the relevant year end, i.e. based on the applicable performance conditions, pro-rated for the period worked in that year, save that no portion would be required to be deferred into a BSP award. However, the committee has the discretion to apply different treatment.

Any share-based entitlements granted to an executive director under the Group's share plans will be determined based on the relevant plan rules. The default treatment is that any outstanding awards lapse on cessation of employment. However, in certain prescribed circumstances, such as death, disability, retirement or other circumstances at the discretion of the committee (taking into account the individual's performance and the reasons for their departure) 'good leaver' status can be applied. For good leavers, vesting of BSP awards is accelerated to as soon as practical after employment termination (as they are not subject to performance conditions). Typically, LTIP awards remain subject to performance conditions (measured over the original time period) and are reduced pro rata to reflect the proportion of the performance period actually served. The committee has the discretion to apply different treatment (including to disapply the application of performance conditions and/or time pro rating) if it considers it appropriate to do so. However, it is envisaged that this would only be applied in exceptional circumstances. Post-vesting holding periods will continue to apply, notwithstanding any cessation of employment.

Approach to remuneration for new executive director appointments

The remuneration package for a newly appointed executive director would be set in accordance with the terms of the Group's approved remuneration policy in force at the time of appointment. The variable remuneration for a new executive director would be determined in the same way as for existing executive directors, and would be subject to the maximum limits on variable pay referred to in the policy table on pages 124 to 127.

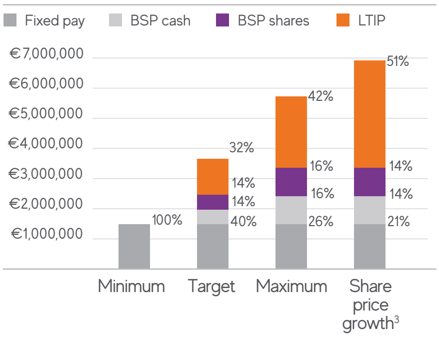
For an internal appointment, any legacy pay elements awarded in respect of the prior role would be allowed to pay out according to their terms.

For internal and external appointments, the Group may meet certain relocation expenses, as appropriate.

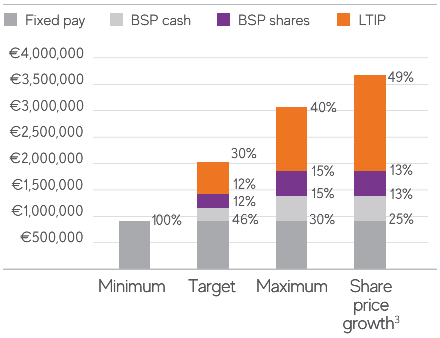
For external appointments, the committee may also offer additional cash and/or share-based elements when it considers these to be in the best interests of Mondi and shareholders, to replace variable remuneration awards or arrangements that an individual has foregone in order to join the Group. This includes the use of awards made under Section 9.4.2 of the UK Listing Rules. Any such payments would take account of the details of the remuneration foregone including the nature, vesting dates and any performance requirements attached to that remuneration.

Remuneration scenarios at different performance levels[1,2]

CEO



CFO



The charts above illustrate the total potential remuneration for each executive director at three performance levels.

1 Assumptions:
Minimum = fixed pay only (salary + benefits + pension)
On-target = 53% vesting of the annual bonus and 50% for LTIP awards
Maximum = 100% vesting of the annual bonus and LTIP awards
Salary levels (on which other elements of the package are calculated) are based on those applying on 1 January 2020
2 Benefit values for both the Group CEO and the Group CFO exclude the costs of business travel and accommodation
3 To reflect the impact of a share price increase between award and vesting, the LTIP value in the 'Maximum' column has been increased by 50% in the 'Share Price Growth' column

Committee discretion

The Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of the policy. These include (but are not limited to) the following:

- who participates in the incentive plans;
- the timing of award grants and/or payments;
- the size of an award and/or a payment (within the limits set out in the policy table on pages 124 to 127);
- the choice and weighting of performance metrics (in accordance with the statements made in the policy table on pages 124 to 127);
- in exceptional circumstances, determining that any share-based award (or any dividend equivalent) shall be settled (in full or in part) in cash;
- discretion relating to the measurement of performance in the event of a change of control or restructuring;
- determination of a good leaver (in addition to any specified categories) for incentive plan purposes based on the rules of each plan and the appropriate treatment in such circumstances;
- determining the extent of payment or vesting of an award based on the assessment of any performance conditions, including discretion as to the basis on which performance is to be measured if an award vests in advance of normal timetable (on cessation of employment as a good leaver or on the occurrence of a corporate event) and whether (and to what extent) pro-ration shall apply in such circumstances;
- whether (and to what extent) malus and/or clawback shall apply to any award;
- adjustments required in certain circumstances (e.g. rights issues, corporate restructuring, on a change of control and special dividends); and
- the ability to adjust existing performance conditions for exceptional events so that they can still fulfil their original purpose while being no less stretching.

Remuneration policy for non-executive directors

Remuneration policy for non-executive directors

Element	Purpose and link to strategy	Operation	Maximum opportunity
Non-executive board chair fees	To attract and retain a high-calibre chair, with the necessary experience and skills. To provide fees which take account of the time commitment and responsibilities of the role.	The Chair receives an all-inclusive fee.	The Chair's fees are reviewed periodically by the committee. While there is not a maximum fee level, fees are set by reference to market median data for companies of similar size and complexity to Mondi.
Other non-executive fees	To attract and retain high-calibre non-executives, with the necessary experience and skills. To provide fees which take account of the time commitment and responsibilities of the role.	The non-executives are paid a basic fee. Attendance fees are also paid to reflect the requirement for non-executive directors to attend meetings in various international locations. The chairs of the main board committees and the senior independent director are paid additional fees to reflect their extra responsibilities.	Non-executive directors' fees are reviewed periodically by the Chair and executive directors. While there is not a maximum fee level, fees are set by reference to market median data for companies of similar size and complexity to Mondi.

The Group may reimburse the reasonable expenses of board directors that relate to their duties on behalf of Mondi (including tax thereon if applicable). The Group may also provide advice and assistance with board directors' tax returns where these are impacted by the duties they undertake on behalf of Mondi.

All non-executive directors have letters of appointment with Mondi plc for an initial period of three years. In accordance with best practice, non-executive directors are subject to annual re-election at the Annual General Meeting. Appointments may be terminated by either party with six months' notice. No compensation is payable on termination, other than accrued fees and expenses.

Statement of consideration of employment conditions elsewhere in the Group

The Group's remuneration policy for the remuneration of executive directors and other senior executives is set taking appropriate account of remuneration and employment conditions of other colleagues in the Group.

The committee annually receives a report from management on pay practices across the Group, including salary levels and trends, collective bargaining outcomes and bonus participation. At the time that base salary increases are considered the committee additionally receives a report on the approach management proposes to adopt for general staff increases. Both these reports are taken into account in the committee's decisions about the remuneration of executive directors and other senior executives.

The Group does not engage in formal consultation with employees on directors' remuneration policy. However, employees of the Group are encouraged to provide feedback on the Group's general employment policies. In some countries where the Group operates, more formal consultation arrangements with employee representatives are in place relating to employment terms and conditions, in accordance with local custom and practice. The Group also conducts periodic employee engagement surveys which gauge employees' satisfaction with their working conditions. The Board receives feedback on these survey results.

Shareholder context

The committee considers the views of shareholders in its deliberations about the remuneration of executive directors and other senior executives, and consults directly with major shareholders when any material changes to policy are being considered.

In the event that either the remuneration policy or implementation resolutions receive a significant proportion of votes against, the committee will seek to further engage with shareholders to understand the reasons behind these votes and any particular concerns they may have.

Legacy arrangements

For the avoidance of doubt, in approving this policy report, authority is given to the Group to honour any commitments entered into with current or former directors that have been disclosed to shareholders in previous remuneration reports. Details of any payments to former directors will be set out in the annual report on remuneration as they arise.

2019 remuneration of directors (audited)

This table reports executive and non-executive directors' remuneration in accordance with UK reporting regulations applicable to financial reporting periods ending on or after 1 October 2013.

		Base salary/ NED fees[1]	Benefits[2]	Pension contribution[12]	Annual bonus including grant value of BSP award	Value of LTIP vesting in the performance year[3]	Value of LTIP vesting at date of grant[4]	Share price gain on vesting LTIP award between grant and vest dates[5]	Other[6]	Total
Peter Oswald	2019	€1,105,000	€61,208	€276,250	€807,974	€1,466,211	€1,481,769	€0	€84,138	€3,800,781
	2018	€1,076,000	€46,962	€269,015	€1,562,352	€1,417,326	€1,162,023	€255,303	€44,361	€4,416,016
Andrew King[7,8]	2019	€680,296	€45,734	€170,074	€405,149	€811,648	€784,241	€27,408	€116,286	€2,229,187
	2018	€654,467	€64,001	€163,617	€786,326	€1,060,880	€830,806	€230,075	€80,113	€2,809,404
Fred Phaswana[9]	2019	€228,936							€2,050	€230,986
	2018	€331,159							€2,035	€333,194
David Williams	2019	€383,904								€383,904
	2018	€331,159								€331,159
Tanya Fratto	2019	€114,121								€114,121
	2018	€111,773								€111,773
Enoch Godongwana[10]	2019	€32,057								€32,057
	2018	Nil								Nil
Stephen Harris	2019	€111,517								€111,517
	2018	€109,625								€109,625
Dominique Reiniche	2019	€116,903							€2,050	€118,953
	2018	€107,127							€2,035	€109,162
Stephen Young[11]	2019	€109,161								€109,161
	2018	€66,950								€66,950

1 The non-executive directors' fees are denominated in pound sterling. Euro amounts are reported based on exchange rates on the dates actual payments were made. Non-executive director fees were increased by circa 2.6% with effect from 9 May 2019 following the passing of a resolution at the Annual General Meeting. See the table on page 143 for current fee levels

2 Accommodation cost for some of Peter Oswald's business trips is, for reasons of UK tax regulation, subject to UK income tax, and is therefore required to be included in the disclosure. The figure for Peter Oswald in the 'Benefits' column includes €8,004.09 in respect of accommodation cost for his business travel and the cost of any grossed up income tax paid during the year.

3 For 2019, the three-year performance cycle of the 2017 LTIP award ended on 31 December 2019. The award value shown has been based on the average share price over the last three months of the financial period. The 2017 LTIP vesting value includes cash amounts of equivalent value to all dividends (including ordinary dividends and, where applicable, special dividends) on vested LTIP awards during the year. For 2018, the three-year performance cycle of the 2016 LTIP award ended on 31 December 2018. The award value shown in the 2018 remuneration report was an estimate based on the average share price over the last three months of the financial period which was £17.65 for Mondi plc LTIP awards and ZAR 329.45 for Mondi Limited LTIP awards. The actual award price on vesting was £17.91 for Mondi plc LTIP awards and ZAR 340.63 for Mondi Limited LTIP awards. The award values for 2018 have been restated on this basis

4 For 2019, the value is shown of the 2017 LTIP award made at the start of the three-year performance cycle, and for 2018, the value of the 2016 LTIP award made at the start of the three-year performance cycle

5 For 2019, the value shown of the 2017 Mondi plc LTIP is based on the share price loss between grant and the average share price over the last three months of the financial period. The value of Mondi plc's shares decreased from £18.76 to £16.49 during this time. As a consequence a zero gain is shown for Peter Oswald. Peter's loss due to share price depreciation was €15,558. For 2018, the enhanced value is shown of the 2016 LTIP that vested based on share price appreciation during the holding period. The value of Mondi plc's shares increased from £12.88 to £17.91, and the value of Mondi Limited shares from ZAR 282.00 to ZAR 340.63

6 Includes cash amounts of equivalent value to all dividends (including ordinary dividends and, where applicable, special dividends) on vested BSP shares during the year. See table of share awards granted to executive directors on page 141. Peter Oswald received equivalent dividends to the value of €84,138, Andrew King €61,375. Accommodation costs in Vienna for Andrew King's business trips are, for reasons of Austrian and UK tax regulation, subject to income tax, and are therefore required to be included in the disclosure. The figure for Andrew King in the 'Other' column includes €54,911.21 in respect of accommodation costs for his business travel and the cost of any grossed up income tax paid during the year. Fred Phaswana and Dominique Reiniche received tax advice in the year to the value of €2,050 each

7 Andrew King's salary is denominated in pound sterling. His 2018 salary was £579,000, and 2019 was £594,500

8 Andrew King's 2017 LTIP grant was awarded in Mondi plc and Mondi Limited shares. After the corporate simplification, the Mondi Limited shares were converted to Mondi plc shares on a 1:1 basis. The value shown for 2019 for the LTIP vesting at date of grant and share price gain are solely based on the Mondi plc shares including those converted.

9 Fred Phaswana's fees for 2019 cover the period to his retirement from the Board on 31 August 2019

10 Enoch Godongwana's fees for 2019 cover the period from his appointment to the Board on 1 September 2019

11 Stephen Young's fees for 2018 cover the period from his appointment to the Board on 1 May 2018

12 None of the executive directors have entitlements under a defined benefit pension scheme. No retrospective payments were made to past directors in respect of the period during which they served as directors and no payments were made to past directors for loss of office

Corporate Simplification

During 2019, Mondi completed the simplification of its dual listed company structure into a single holding company structure under Mondi plc. Therefore, in line with all other shareholders, executive directors holding, or granted, Mondi Limited shares had these converted to Mondi plc shares on the same basis as other shareholders. Therefore, the shareholding of Andrew King reflects him solely holding Mondi plc shares from 2019. In addition, the performance assessment of the 2017 LTIP grant onwards, will solely be based on Mondi plc's TSR.

Departure of Peter Oswald

As we announced on 10 January 2020, on 31 March 2020 Peter will step down as Group CEO and leave the employment of Mondi. The remuneration committee has considered the treatment of Peter's remuneration as a result of his departure, in accordance with the Directors' Remuneration Policy, his service contract, the relevant incentive plan rules, and best practice principles

Peter's 12 month notice period commenced on 10 January 2020 when we announced his forthcoming departure. He continues working as Group CEO for the initial period to 31 March 2020. During this period when he remains in post, he continues to receive his base salary, pension allowance and benefits. He is also eligible for a pro-rata annual bonus for this part of 2020 that he remains in post (i.e. up to 31 March 2020); the bonus is subject to the normal performance conditions and any amount earned is payable in 2021 following the committee's usual assessment of performance.

As disclosed in the Remuneration Report, Peter also received a bonus for 2019 performance, which was determined in accordance with the normal performance conditions and assessment.

Peter will not receive any pay in lieu of notice (PILON) for the remainder of his notice period (i.e. from 1 April 2020 to 9 January 2021). Peter will also not receive a LTIP award in 2020.

The committee determined, in accordance with the Plan rules, that Peter should be permitted to retain his subsisting deferred bonus share plan (BSP) awards, as these had been earned based on previous performance in prior years. Peter has also been permitted to retain his subsisting LTIP awards granted in prior years but on a pro-rated basis, according to the relevant portion of the performance period that he has worked. These awards will vest in the normal time horizon and remain subject to the performance conditions. All awards remain subject to malus and clawback provisions.

Peter is required to retain a shareholding in Mondi for an extended period after employment. He is required to retain shares from LTIP vestings in 2020, 2021 and 2022, (net of sales to settle tax on vesting) for a further two years after vesting. This means the holding period can extend up to 2024, four years after leaving employment.

Annual bonus

2019 bonus outcomes (audited)

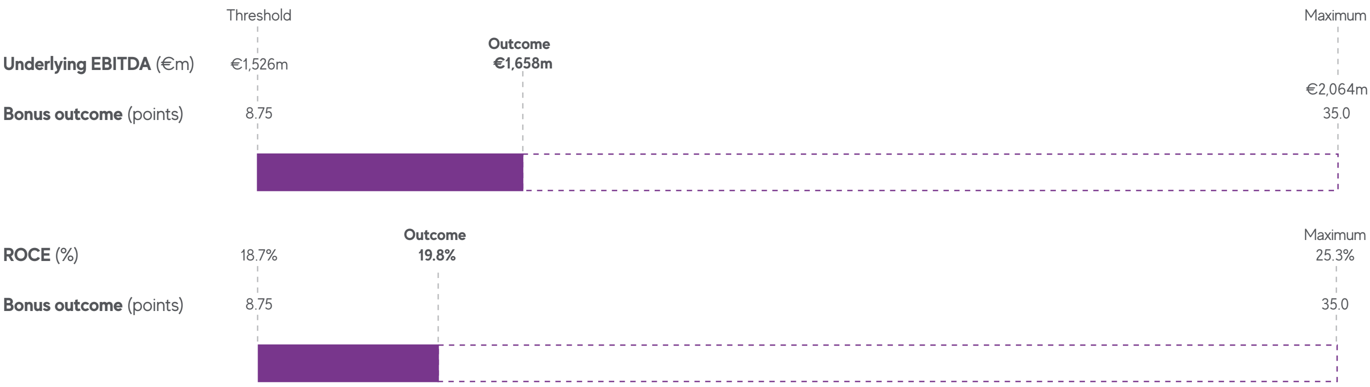
For the annual bonus in respect of 2019 performance, the performance measures and achievement levels were:

	BSP performance measures				
	Underlying EBITDA	**ROCE**	**Safety**	**Personal**	**Total**
Weight	35	35	10	20	100
Outcomes:					
Peter Oswald	15	13	0	16	44
Andrew King	15	13	0	16	44

Financial element of 2019 bonus (audited)

Financial performance was assessed against the underlying EBITDA and ROCE ranges that were set for 2019. The ranges and outcomes were:

2019 Financial bonus elements



Safety element of 2019 bonus (audited)

A maximum of 10 points are awarded for safety. Up to five points are awarded, based on the assessment of the Total Recordable Case Rate (TRCR), as follows:

2019 Safety bonus elements

The other five points were payable if there were no fatalities within the Mondi Group. If there is one fatality then these five points are forfeited. If there are two fatalities during the year then the entire 10 points attributable to safety are forfeited.

As a result of the tragic and unacceptable two contractor fatalities in 2019, as reported on page 37, zero payment was made under the safety element of the 2019 bonus. The two fatalities are highly regrettable as they are set against a backdrop of 2019 having the lowest level of recorded accidents (TRCR) in the history of Mondi, and among the lowest in our industry. The committee considered whether to exercise any discretion to reduce the bonus further in light of the fatalities. As the effect of the fatalities was already to reduce the award for the entire safety metric to zero, and in view of the low overall accident rate (TRCR) and that there was an improvement in life altering injuries in 2019 (two compared to five in 2018), the committee concluded that it was not necessary to override the calculated outcome under the metrics. Nonetheless, we strive for continued improvement. From 2020, we are moving from focusing mainly on our controls, to focusing on risk-taking behaviours, including focusing on the mindset of our employees and contractors, and emphasising the inputs. Focusing on the inputs (lead) as much as the outputs (lag) of our performance. This was piloted in 2019 and contributed to the TRCR being the lowest in our history and among the best in our industry.

The TRCR that was achieved for 2019 was 0.59, however because of the two fatalities no points were therefore awarded for this part of the safety element.

Personal objectives of executives for 2019 bonus (audited)

Key objectives and achievements

The executive directors share many key objectives and also have individual objectives that are specific to their roles. Key objectives, and achievements against these objectives during 2019, included:

Strategy development and execution	→ Successful ramp-up of the modernisation and expansion of the cost-advantaged Štětí mill (Czech Republic) → Good progress with investment in a new 300,000 tonne per annum kraft top white machine in Ružomberok (Slovakia), while related pulp line rebuild started up in the year → Ongoing investment to debottleneck the Syktyvkar mill (Russia) → Initiated modernisation of the Richards Bay mill (South Africa) to improve reliability, including upgrade of chemical and energy plants → Continued focus on evaluating value enhancing capital investment and acquisitions → Corporate simplification completed, simplifying cash and dividend flows, increasing transparency, removing the complexity associated with the previous dual listed company structure and enhancing strategic flexibility
Organisational performance	→ Strong operational performance across the Group → Continuous improvement initiatives to enhance productivity and efficiency and reduce costs → Targeted digitalisation projects started across all business units
Financial efficiency and financing	→ Maintained Moody's Baa1 and Standard & Poor's BBB+ credit ratings → Maintained a robust liquidity position → Further progress on tax risk mitigation
Organisational structure and resourcing	→ Reorganisation of business units to strengthen value chain integration and improve customer focus → Key senior appointments made during the year
Growing Responsibly	→ Continued focus on safety performance with best TRCR to date and six of our nine paper mills completing injury free shuts in 2019 → Improved initiatives to engage our people with special attention to diversity and inclusion → Approved science-based climate commitment that runs to 2050 → Good progress on developing post-2020 sustainability commitments to build on achievements and enable Mondi's future success
Stakeholder relationships	→ Extensive roadshows and individual meetings held throughout the year with existing and potential investors → Virtual leadership meetings to enhance communication with senior leaders → Award-winning planetmondi intranet platform rolled out to all operations
The ratings of the two executive directors were:	Peter Oswald 16/20 Andrew King 16/20

Detail of annual bonus awarded in the year

Name	Maximum bonus[2]	% of maximum	Awarded in cash	Awarded in shares	Total
Peter Oswald[1]	€1,823,250	44	€807,974	–	€807,974
Andrew King	€918,400	44	€202,574	€202,575	€405,149

1 Peter Oswald's bonus was paid in cash as he is leaving the business on 31 March 2020. Following his leaving date, the plan rules permit any deferred bonus he holds to be encashed
2 Peter Oswald and Andrew King's maximum bonus awards in 2019 were 165% and 135% of base salary respectively. Both below the policy maximum.

Malus and clawback

Under Mondi's BSP and LTIP rules, malus and clawback can be applied to awards made on or after 1 January 2011 if there has been a misstatement of financial results, or misstatement of performance relative to the conditions that are relevant to the Plans, that had the effect that awards were larger than they would have been had such errors not been made. This may at the committee's discretion take the form of a demand for the participant to repay amounts to Mondi, a reduction of future bonus payments to the participant, and a reduction in the number of conditional share awards held by a participant. For awards from 2019 onwards the potential malus and clawback triggers have been extended to include gross or serious misconduct, corporate failure, a severe downturn in financial or operational performance or severe reputational damage where this is as a result of management failure. In the case of employment termination Mondi is able to cancel subsisting but unvested share awards, withhold payments that would otherwise be due to the participant, and where appropriate initiate legal proceedings to recover funds to which the Group is legally entitled.

The committee considered whether there were any circumstances in the year that would have required clawback and agreed that such circumstances did not exist.

Long-Term Incentive Plan (LTIP) (audited)

Vesting of the 2017 awards

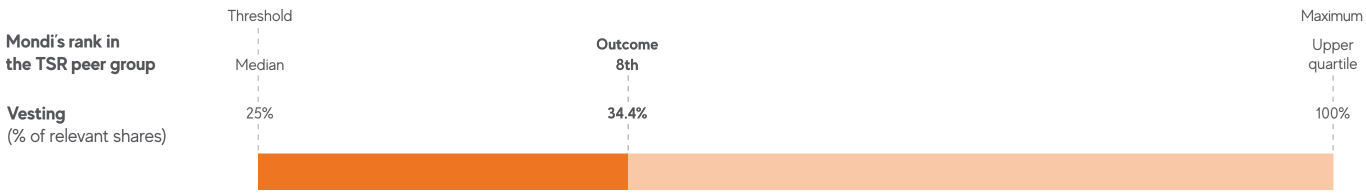
The LTIP awards that were made in 2017, with a three-year performance period ending on 31 December 2019, were assessed by the committee in February 2020, against the (equally weighted) relative TSR and ROCE performance conditions.

The three-year ROCE that was achieved was 20.9% (19.3% in 2017, 23.6% in 2018 and 19.8% in 2019). As this exceeded the 10% to 18% ROCE target range for these awards, 100% of the shares attributable to the ROCE performance condition vested in March 2020.

Vesting of the 2017 awards

Mondi plc achieved a TSR of 22.3%, over the performance period and Mondi's rank within the TSR peer group was 8th. This was above the median position required for vesting of 25% of the relevant shares, but below the upper quartile required for full vesting. Based on the performance calculation performed for the committee by Aon, 34.4% of the shares attributable to this element vested.

TSR peer group ranking



Overall, 67.2% of the 2017 LTIP shares under award therefore vested with the remainder lapsing. For Peter Oswald, 66,901 of the 99,555 shares under award vested. For Andrew King, 35,408 of the 52,690 Mondi plc shares under award vested. No discretion was exercised by the committee in determining the vesting outcomes.

As shares vested on 5 March 2020, after the finalisation of this report, the average share price, and average exchange rates, over the last three months of the financial year were used to estimate the value for the purpose of the table on page 132. The average share price was £16.49.

Awards granted in 2019

The maximum award that can be made to any LTIP participant in any year under the policy approved at the 2017 AGM is equal to 225% of base salary. For 2019, the award made to Peter Oswald was 210% of base salary and the award made to Andrew King was 175% of base salary.

For the LTIP awards made in 2019, the performance conditions are based on two performance measures of equal weight – relative TSR and ROCE – measured over a three-year performance period ending on 31 December 2021. This combination of metrics provides an appropriate means of aligning the operation of the LTIP with shareholders' interests and the Group's business strategy.

The TSR performance condition is based on the Group's TSR relative to a group of competitor companies. Since the 2013 LTIP awards, the following companies were selected:

Amcor	Domtar	Huhtamaki (2017)[1]	Metsä Board	Sappi	The Navigator Company
Bemis[2]	DSSmith	International Paper	RPC (2017)[1,3]	Smurfit Kappa	UPM
BillerudKorsnäs	Holmen	Mayr-Melnhof		Stora Enso	WestRock

1 Huhtamaki and RPC were added to the peer group for 2017 and subsequent awards
2 Bemis merged with Amcor in 2019. This was taken into account in calculating the TSR for the 2017 grant
3 RPC was acquired by Berry Global Group in 2019. This was taken into account in calculating the TSR for the 2017 grant
4 The remuneration committee will review replacements for Bemis and RPC for future awards

For the 50% of awards attributable to TSR: If the Group's TSR is below the median when ranked against the comparator group, this part of the award will lapse in full. For TSR at the median, 25% of this part of the award (i.e. 12.5% of the total award) will vest, with a straight-line progression to the upper quartile, at which point 100% of this part of the award (i.e. 50% of the total award) will vest.

For the 50% of awards attributable to ROCE: This part will lapse in full if ROCE is below 12%. 25% of this part of the award (i.e. 12.5% of the total award) will vest for achievement of ROCE of 12%, with a straight-line progression to full vesting of this part of the award for achievement of ROCE of 18% (i.e. 50% of the total award).

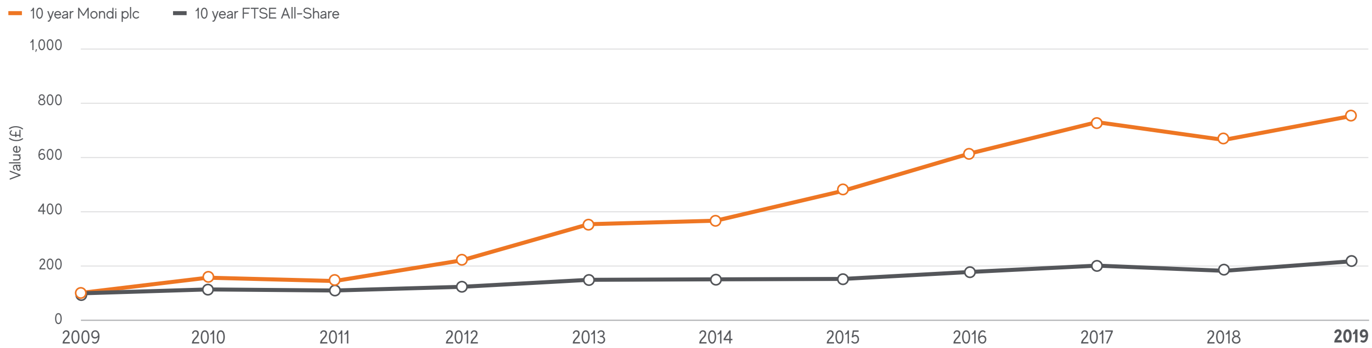
While the peer group for 2020 awards will remain the same, consideration will be given to replacements for Bemis and RPC.

Details of the awards granted in 2019 can be found on page 141.

Mondi's TSR performance over the last ten years

The following graph sets out the comparative TSR of Mondi plc relative to the FTSE All-Share Index, for the period between 31 December 2009 and 31 December 2019 as required in the reporting regulation. This index was chosen because it is the broad equity market index of Mondi plc.

FTSE All-Share Index
Total shareholder return
Source: FactSet



This graph shows the value, by 31 December 2019 of £100 invested in Mondi plc on 31 December 2009, compared with the value of £100 invested in the FTSE All-Share Index on the same date

CEO remuneration from 2010

Year	Total remuneration	% of maximum bonus earned	% of LTI vested
2019	€3,800,781	44	67.2
2018	€4,416,016[1]	88	76.6
2017	€3,828,077[2]	63	72.5
2016	€5,786,958	68.7	92.5
2015	€7,016,785	89.6	100
2014	€7,763,908	91.6	100
2013	€5,900,140	73	100
2012	€6,305,794	80	100
2011	€12,824,112[3]	78	92
2010	€3,160,318	89	33

1 The three-year performance cycle of the 2016 LTIP award ended on 31 December 2018. The award value shown in the 2018 Remuneration report was an estimate based on the average share price over the last three months of the financial year which was £17.65 for Mondi plc LTIP awards and ZAR 329.45 for Mondi Limited LTIP awards. The actual share price on vesting was £17.91 for Mondi plc LTIP awards and ZAR 340.63 for Mondi Limited LTIP awards. The total remuneration for 2018 has been restated on this basis

2 For 2017 the CEO remuneration reflects David Hathorn's remuneration up to his retirement from the Board on 11 May 2017, including the pro rata CEO annual bonus, and Peter Oswald's base salary, pension, benefits and pro rata CEO annual bonus, as well as the 2015 LTIP vesting amount, with effect from 11 May 2017

3 David Hathorn's remuneration in 2011 included €3.9 million from the proceeds of a one-off, shareholder approved, share award under a Co-Investment Plan he participated in at the time of the Group's demerger from Anglo American plc in 2007. Under this plan, he invested £1 million from his own funds in Mondi plc shares in August 2007. He was eligible to receive a match of up to 250% of the number of investment shares based on a relative TSR performance measure over a four-year period. As the TSR achieved by Mondi plc was better than the upper quintile – Mondi was the top-performing company in the comparator group – the committee approved the maximum vesting in accordance with the Plan rules

Comparison of 2019 and 2018 remuneration of CEO with other employees

	Percentage change in remuneration elements from 2018 to 2019		
	Base Salary	Benefits	Bonus
CEO[1]	2.7%	30.3%	-48.3%
Mondi Group[2]	4.9%	N/A[3]	-6.9[4]

1 The CEO's benefits have increased due to travel and accommodation costs and are now reflected in benefits costs. Plus there was increased travel to the UK and more consequential tax advice.
2 Includes salaries and bonuses (where applicable) for all employees of Mondi Group excluding the CEO with year-on-year movements reported in per capita terms
3 In most of the Group the majority of benefits are provided through social security. Additional benefits represent less than 5% of the salary bill
4 Aggregate bonuses paid during 2019 are compared with those paid in 2018. This includes annual bonuses that are paid in arrears and periodic bonuses that are paid more frequently. Each year's numbers therefore include some payments attributable to that year and some that reflect performance in the previous year. Bonuses are often based on specific objectives that are set at the level of local operations that do not necessarily correlate with group-wide metrics that underpin the CEO's bonus

Relative importance of spend on pay

€ million	2019	2018	% change
Dividends	396	309[2]	28%
Overall remuneration expenditure[1]	1,072	1,039	3%

1 Remuneration expenditure for all Mondi Group employees (underlying)
2 A special dividend of €484m was paid in 2018 in addition to the 2017 ordinary dividend.

Non-executive directors' remuneration (audited)

Fee levels during 2019 were as follows:

Role	Annual fee[3]
Joint Board Chair fee[1]	£304,500
Sole Chair fee[1,2]	£400,000
Non-executive base fee	£48,630
Additional fees:	
Supplement for audit committee chair	£12,160
Supplement for remuneration committee chair fee	£11,570
Supplement for sustainable development committee chair	£11,570
Supplement for senior independent director	£11,570
Supplement for senior independent director role if held by a non-executive who already chairs a committee	£6,320
Attendance fee for meetings outside country of residence (per meeting)	£6,080
Attendance fee for meetings inside country of residence (per day)	£1,820

1 No supplement is payable for additional commitments in relation to this role
2 Payable from 1 September 2019, when David Williams became the sole chair
3 Fees are determined in pound sterling. In the remuneration table on page 132, euro amounts are reported based on exchange rates on the dates actual payments were made

The board chair and the other non-executive directors are appointed by Mondi plc. The terms of their appointment provide for the appointment to be terminable on six months' notice.

CEO pay ratio (audited)

The table below sets out the CEO pay ratio at the median, 25th and 75th percentile and the pay details for the individuals at each percentile:

€ million	CEO pay	P25 (lower quartile)	P50 (median)	P75 (upper quartile)
Total Pay Ratio		126:1	98:1	67:1
Base Salary	£970,080	£21,995	£31,157	£48,500
Total pay	£3,336,706	£26,084	£33,399	£48,500

Mondi's UK annual average employee number in 2019 was 261, c1% of our global workforce. The overwhelming majority of our UK workforce are production workers. A significant proportion of the CEO's pay is delivered in LTI awards, which are linked to Mondi performance and share price movement. Mondi has chosen to use Option A under the regulations, where the total annual pay for all UK colleagues is calculated to identify those at median, 25th and 75th percentile. This calculation methodology was selected as the data was felt to be the most accurate way of identifying the percentiles. The lower quartile, median and upper quartile employees were calculated based on full-time equivalent base data as at 31 December 2019.

Statement of directors' shareholdings and share interests (audited)

Until the Annual General Meeting in May 2017, the CEO was required to achieve and maintain a minimum shareholding equivalent to 150% of base salary, and other executive directors a minimum shareholding of 100% of base salary. From the AGM in 2017, all executive directors were required to build a holding of a minimum of 200% of base salary, normally within a period of not more than five years from joining the Board. As at 31 December 2019, Peter Oswald and Andrew King each exceeded the requirement.

The beneficial and non-beneficial share interests of the directors and their connected persons as at 1 January 2019 (or, if later, on appointment), and as at 31 December 2019 (or as at their date of resignation if earlier) were as follows:

Executive directors (audited)

	Shareholding at 1 Jan 2019	Shareholding at 31 Dec 2019	Total shareholding as multiple of base salary (%)	Deferred BSP shares outstanding at 31 Dec 2019[1]	Deferred BSP shares as multiple of base salary (%)	Deferred LTIP shares outstanding at 31 Dec 2019[2]	Deferred LTIP shares as multiple of base salary (%)
Peter Oswald	172,391	191,518	346%	78,628	142%	316,919	572%
Andrew King[3]	65,000	73,178	208%	44,155	126%	164,088	467%

1 BSP shares subject to service condition
2 LTIP shares subject to service and performance conditions
3 Prior to the Simplification, Andrew held 208 Mondi Limited shares in addition to his Mondi plc shares. As a result of the Simplification, these shares were exchanged for Mondi plc shares on a 1:1 basis. The same applied to his Mondi Limited BSP and LTIP shares

Non-executive directors (audited)

	Shareholding at 1 Jan 2019	Shareholding at 31 Dec 2019
Fred Phaswana[1]	5,773	5,773
David Williams	5,000	5,000
Stephen Harris	1,000	1,000
Tanya Fratto	1,000	1,000
Enoch Godongwana[2]	–	–
Dominique Reiniche	1,000	1,000
Stephen Young	2,026	2,026

1. Fred Phaswana held 5,773 as at his retirement date, 31 August 2019
2. Enoch Godongwana held no shares on his appointment date, 1 September 2019

There has been no change in the interests of the directors and their connected persons between 31 December 2019 and the date of this report.

Remuneration committee governance

The remuneration committee

The remuneration committee is a formal committee of the Board. Its remit is set out in terms of reference adopted by the Board. A copy of the terms of reference is available on the Group's website at www.mondigroup.com. The committee's performance against these terms of reference is reviewed on an annual basis and the committee is satisfied that it has acted in accordance with its terms of reference during the year.

The primary purposes of the committee, as set out in its terms of reference, are:

→ to make recommendations to the Board on the Group's framework of executive remuneration;

→ to determine individual remuneration packages within that framework for the executive directors and certain senior executives;

→ to determine the remuneration of the Board Chair; and

→ to oversee the operation of the Group's share schemes.

Composition

Members throughout the year:	Committee member since	Meeting attendance
Tanya Fratto, chair	January 2017	6/6
Stephen Harris	March 2011	6/6
Dominique Reiniche	October 2015	6/6
David Williams	May 2007	6/6

1 The maximum number of scheduled meetings held during the year that each director could attend is shown next to the number attended. Additional meetings were held as required.

Other regular attendees

→ Group CEO

→ Group Head of Reward

→ External remuneration consultant

The committee is authorised to seek information from any director and employee of the Group and to obtain external advice. The committee is solely responsible for the appointment of external remuneration advisers and for the approval of their fees and other terms. No director or other attendee takes part in any discussion regarding his or her personal remuneration.

In the year to 31 December 2019, Aon provided remuneration advice and benchmarking data to the committee. Aon is appointed by the committee, taking account of their experience and expertise in remuneration advisory work. The committee expects the advisers to provide independent advice. Aon provides actuarial advice to the trustees of Mondi's three UK pension schemes and pension administration services, as well as certain insurance broking services. In addition, Aon provides actuarial advice to Mondi's deferred benefit schemes globally. These services are entirely independent of the advice to the committee. Aon is a signatory to The Code of Conduct of the Remuneration Consultants Group, which requires the advice Aon provides to be objective and impartial. Total fees paid to Aon as remuneration advisers in respect of the year under review were £227,272 based on consulting time required by the committee.

Sums paid to third parties in respect of a director's services

No consideration was paid or became receivable by third parties for making available the services of any person as a director of Mondi plc ('the Company'), or while a director of the Company, as a director of any of the Company's subsidiary undertakings, or as a director of any other undertaking of which he/she was (while a director of the Company) a director by virtue of the Company's nomination, or otherwise in connection with the management of the Company or any undertaking during the year to 31 December 2019.

Share awards granted to executive directors (audited)

The following tables set out the share awards granted to the executive directors. All share awards are determined by the three day average share price commencing the day Mondi announces its results.

Mondi plc

	Type of award[1]	Awards held at beginning of year or on appointment to the Boards	Awards granted during year	Shares lapsed	Awards exercised during year	Award price basis (GBp)	Date of award	Awards held as at 31 December 2019	Release date
Peter Oswald	BSP	30,258			30,258	1288	Mar 16	–	Mar 19
	BSP	17,730				1876	Mar 17	17,730	Mar 20
	BSP	23,030				1922	Mar 18	23,030	Mar 21
	BSP		37,868			1773	Mar 19	37,868	Mar 22
	LTIP	86,073		20,141	65,932	1288	Mar 16	–	Mar 19
	LTIP	99,555				1876	May 17	99,555	Mar 20
	LTIP	104,879				1922	Mar 18	104,879	Mar 21
	LTIP		112,485			1773	Mar 19	112,485	Mar 22
Andrew King	BSP	15,599			15,599	1288	Mar 16	–	Mar 19
	BSP	8,427				1876	Mar 17	8,427	Mar 20
	BSP	12,501				1922	Mar 18	12,501	Mar 21
	BSP		19,619			1773	Mar 19	19,619	Mar 22
	LTIP	44,022		10,301	33,721	1288	Mar 16	–	Mar 19
	LTIP	36,894				1876	May 17	36,894	Mar 20
	LTIP	52,719				1922	Mar 18	52,719	Mar 21
	LTIP		58,679			1773	Mar 19	58,679	Mar 22

	Type of award[1]	Awards held at beginning of year or on appointment to the Boards	Awards granted during year	Shares lapsed	Awards exercised during year	Award price basis (ZAc)	Date of award	Awards held as at 31 December 2019	Release date
Andrew King[3]	BSP SA	6,744			6,744	28200	Mar 16	–	Mar 19
	BSP SA	3,608				30352	Mar 17	3,608	Mar 20
	LTIP SA	19,032		4,453	14,579	28200	Mar 16	–	Mar 19
	LTIP SA	15,796				30352	May 17	15,796	Mar 20

1 The value on award of the 2019 BSP awards set out in this table were:
Peter Oswald £671,399.64 Andrew King £347,844.87
The LTIP performance measures for the awards made in 2019 as set out in this table are detailed on pages 136 and 137 of this report. The face values of the 2019 LTIP awards (granted as conditional share awards) were:
Peter Oswald £1,994,359.05 Andrew King £1,040,378.67

2 In addition to the number of shares that vested as shown in the table above in respect of the BSP and in respect of the LTIP awards that vested in 2019, the executive directors also received the following cash amounts of equivalent value to dividends on vested shares over the vesting period, in accordance with the plan rules:
Peter Oswald €267,475.53 Andrew King €193,388.48 (£166,082.03)

3 As a result of the completion of the corporate simplification, all of Andrew King's Mondi Limited shares were converted to Mondi plc shares on a 1:1 basis

All-employee share plans

The Group currently operates one HM Revenue & Customs approved all-employee share plan in the UK:

Share Incentive Plan (SIP) (audited)

Employees resident in the UK are eligible to participate in the SIP. Contributions of up to £150 are taken from participants' gross salary and used to purchase ordinary shares in Mondi plc each month. Participants receive one matching Mondi plc ordinary share free of charge for each share purchased. The shares are placed in trust and the matching shares are forfeited if participants resign from the Group's employment within three years. If the shares are left in trust for at least five years, they can be removed free of UK income tax and National Insurance contributions.

SIP

	Shares held at beginning of year or on appointment to the Boards	Partnership shares acquired during the year	Matching shares awarded during the year	Shares released during year	Total shares held as at 31 December 2019
Andrew King[1]	5,760	106	106	–	5,972

1 Since 1 January 2020 up to the date of this report Andrew King acquired 18 partnership shares and was awarded 18 matching shares

Mondi plc share prices

The closing price of a Mondi plc ordinary share on the London Stock Exchange on 31 December 2019 was £17.725 and the range during the period between 1 January 2019 and 31 December 2019 was £15.105 (low) to £18.980 (high).

Statement of voting at Annual General Meetings

The Annual General Meeting was held on 9 May 2019. All resolutions were passed. The voting result in respect of the remuneration report is given below. Overall in excess of 72% of the total Group shares were voted.

Resolution	Votes for	%	Votes against	%	Votes total	Votes withheld
To approve the remuneration report (other than the policy)	345,529,772	98.71	4,523,493	1.29	350,053,265	2,203,911

The remuneration policy was last approved at the AGM held on 11 May 2017, with a 95.57% vote for the resolution and 4.43% against, with 3,898,672 votes withheld.

Statement of implementation of directors' remuneration policy in 2020

Current salary levels, and increases awarded in January 2020, are as follows:

Name	Base salary effective 1 Jan 2020	Previous base salary	% change
Peter Oswald	€1,134,000	€1,105,000	2.6
Andrew King	£610,000	£594,500	2.6

The executive directors' base salaries were reviewed at the normal 1 January 2020 review date. Peter Oswald's (CEO) and Andrew King's (CFO) salaries were increased by 2.6%,which is in line with the average percentage increase for Mondi's wider workforce. Andrew will receive £610,000 pro-rated for the period in 2020 he serves as CFO. For the period that Andrew serves as CEO, he will receive an annualised pro-rated base salary of £970,000, the same level as Peter Oswald at prevailing exchange rates.

BSP and LTIP structure for 2020

Half of any bonus earned in respect of 2020 performance will be paid out in cash and the other half will be deferred for three years in conditional Mondi shares. The bonus structure for 2020 will remain as it was for 2019. A maximum of 70 points will be attributable to financial performance (35 on underlying EBITDA and 35 on ROCE), 20 points on personal objectives and 10 points on safety. The Board considers the 2020 annual bonus performance targets to be commercially sensitive. Targets will be disclosed in next year's report.

LTIP awards that are made in 2020 will continue to have two performance conditions of equal weight – TSR and ROCE, measured over a three-year performance period commencing on 1 January 2020.

For the 50% of the awards attributable to TSR: If the Group's TSR is below the median when ranked against the comparator group on page 136, this part of the award will lapse in full. For TSR at the median, 25% of this part of the award (i.e. 12.5% of the total award) will vest, with a straight-line progression to the upper quartile, at which point 100% of this part of the award (i.e. 50% of the total award) will vest.

For the 50% of the awards attributable to ROCE: This part will lapse in full if ROCE is below 12%. 25% of this part of the award (i.e. 12.5% of the total award) will vest for achievement of ROCE of 12%, with a straight-line progression to full vesting of this part of the award for achievement of ROCE of 18% (i.e. 50% of the total award).

Non-executive directors' fees

Current non-executive directors' fees, and increases implemented with effect from 1 January 2020, are shown in the table below. Other than for the Chair, whose fee has increased with effect from 1 September 2019, to reflect his position as sole Chair from this date, increases of circa 2.6% were implemented.

Role	2019 Annual fee	Fee with effect from 1 January 2020
Board Chair fee[1]	£304,500	£400,000
Non-executive base fee	£48,630	£49,890
Additional fees:		
Supplement for audit committee chair	£12,160	£12,470
Supplement for remuneration committee chair	£11,570	£11,870
Supplement for sustainable development committee chair	£11,570	£11,870
Supplement for senior independent director	£11,570	£11,870
Supplement for senior independent director role if held by a non-executive who already chairs a committee	£6,320	£6,490
Attendance fee for meetings outside country of residence (per meeting)	£6,080	£6,230
Attendance fee for meetings inside country of residence (per day)	£1,820	£1,870

1 The Chair's fee was increased with effect from 1 September 2019, the point at which David Williams became the sole Chair

This report was approved by the Board on 26 February 2020 and is signed on its behalf.

Tanya Fratto
Chair of the remuneration committee

Other statutory information

For the purposes of the Companies Act 2006, the disclosures below, including those incorporated by reference, together with the Corporate governance report set out on pages 84 to 118, form the Directors' report.

In addition, disclosures relating to the following items, which also form part of the Directors' report, have been included in the Strategic report which can be found on pages 12 to 83:

→ Dividends page 32
→ Financial risk management objectives and policies pages 64-65
→ Principal risks pages 52 to 60
→ Likely future developments in the business pages 14-15, 24 to 33, 68 to 83
→ Research and development activities pages 31-32, 51
→ Greenhouse gas (GHG) emissions pages 43-44
→ Employees pages 37 to 41

Information required to be disclosed under UK Listing Rule 9.8.4 R

The UK Listing Authority listing rules require the disclosure of certain specified information in the annual financial report of Mondi plc.

The information required under rule 9.8.4 (1) in relation to interest capitalised and related tax relief can be found on page 177. The information required under rules 9.8.4 (12) and (13) in relation to dividend waivers can be found on page 188. This information is incorporated by reference into this Directors' report.

Besides the above, the information required to be disclosed under rule 9.8.4 R is not applicable to Mondi plc and therefore no disclosures have been made in this regard.

Employee and stakeholder engagement

Information relating to engagement with employees and other stakeholders, including customers and suppliers, can be found in the Strategic report on pages 18 to 21 and in the Corporate governance report on pages 100 to 103.

Share capital

Full details of the Group's share capital can be found in note 21 to the financial statements.

Substantial interests

As at 31 December 2019, the company had received notifications from the following parties in the voting rights of Mondi plc. The number of voting rights and percentage interests shown are as disclosed at the date on which the holding was notified.

Shareholder	Number of voting rights	%[1]
Public Investment Corporation Limited	38,278,564	7.88
BlackRock, Inc	21,530,677	5.86
Investec Asset Management Limited	18,352,708	4.99
AXA S.A.	17,210,471	4.69
Standard Life Investments Limited	16,476,021	4.49
Norges Bank	17,622,617	3.66
Old Mutual plc	11,978,984	3.26
Sanlam Investment Management Proprietary Limited	10,936,128	3.00

1 Percentage provided was correct at the date of notification. No further notifications have been received under DTR Rule 5 as at the date of this report, except as detailed below.

The following changes in interests have been notified between 1 January 2020 and the date of this report.

Date	Shareholder	Number of voting rights	%
21 January 2020	Public Investment Corporation Limited	33,768,509	6.96

Additional information for shareholders

The information for shareholders required pursuant to the Companies Act 2006 can be found on pages 226 and 227 of this report.

Political donations

No political donations were made during 2019 and it is Mondi's policy not to make such donations.

Corporate simplification

In 2019, Mondi simplified its structure from the dual listed company structure to a single parent company structure under Mondi plc. Further details can be found in note 21 to the financial statements.

Auditors

Each of the directors of Mondi plc at the date when this report was approved confirms that:

→ so far as each of the directors is aware, there is no relevant audit information of which the Group's auditors are unaware; and

→ each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

PricewaterhouseCoopers LLP (PwC) has indicated its willingness to continue as auditor of Mondi plc. The Board has decided that a resolution to reappoint PwC will be proposed at the Annual General Meeting scheduled to be held on 7 May 2020.

The reappointment of PwC has the support of the audit committee, which will be responsible for determining its audit fee on behalf of the directors (see page 115 for more information).

Note 4 to the financial statements sets out the auditor's fees both for audit and non-audit work.

Events occurring after 31 December 2019

In addition to the final ordinary dividend proposed for 2019, included in note 9 to the financial statements, there have been the following material reportable events since 31 December 2019:

→ the Group has concluded the consultation with employee representatives relating to the closure of two consumer flexibles plants in the UK. Restructuring and closure costs and related impairment of assets of €4 million were recognised as a special item in 2019. Total restructuring and closure costs are expected to exceed €10 million

→ in February 2020, the Group entered into a €250 million debt facility maturing in August 2021

Annual General Meeting

The Annual General Meeting will be held at 10:30 (UK time) on Thursday 7 May 2020 at Haberdashers' Hall, 18 West Smithfield, London EC1A 9HQ, UK. The notice convening the meeting, which is sent separately to shareholders, details the business to be considered and includes explanatory notes for each resolution. The notice is available on the Mondi Group website at: www.mondigroup.com.

This Directors' report was approved by the Board on 26 February 2020 and is signed on its behalf.

Jenny Hampshire
Company Secretary

Mondi plc
Building 1, 1st Floor
Aviator Park
Station Road
Addlestone
Surrey
KT15 2PG

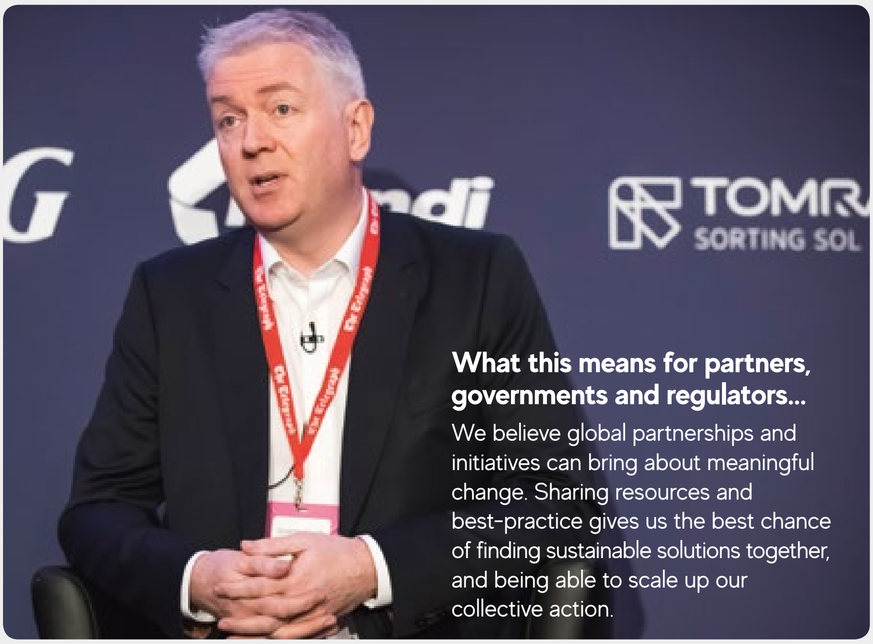
Registered No. 6209386

26 February 2020

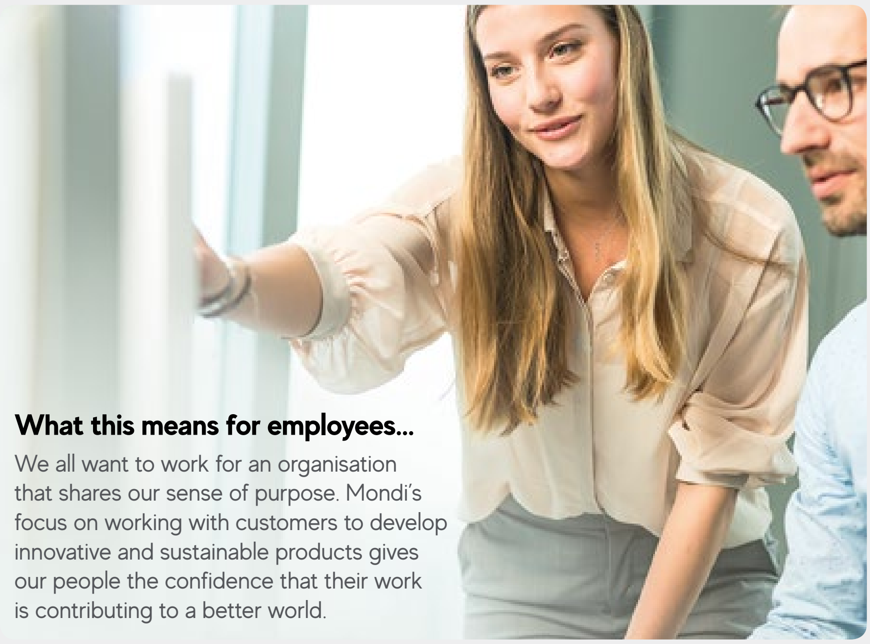
Customer-centric approach to SUSTAINABLE SOLUTIONS

makes Mondi SUSTAINABLE by DESIGN

What this means for customers...
With numerous competing routes to sustainability, we work with customers to help them make the right packaging and paper choices. With our EcoSolutions approach, we are uniquely placed to help navigate the complex landscape, from sourcing sustainable raw materials to minimising product carbon footprint and designing for recycling.



What this means for partners, governments and regulators...
We believe global partnerships and initiatives can bring about meaningful change. Sharing resources and best-practice gives us the best chance of finding sustainable solutions together, and being able to scale up our collective action.



What this means for employees...
We all want to work for an organisation that shares our sense of purpose. Mondi's focus on working with customers to develop innovative and sustainable products gives our people the confidence that their work is contributing to a better world.

FINANCIAL STATEMENTS

Financial statements

Directors' responsibility statement

The directors are responsible for preparing the Integrated report, Remuneration report and Financial statements in accordance with applicable laws and regulations.

Under the Companies Act 2006, the directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and Article 4 of the IAS Regulation, and have elected to prepare the Mondi plc parent company financial statements in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). In preparing the Group's financial statements, the directors have also elected to comply with IFRS, issued by the International Accounting Standards Board (IASB). Furthermore, under UK company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the parent company and of the profit or loss of the Group and the parent company for that period.

In preparing the Group's financial statements, International Accounting Standard 1, 'Presentation of Financial Statements', requires that the directors:

→ properly select and apply accounting policies;

→ present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

→ provide additional disclosure when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and

→ make an assessment of the Group's ability to continue as a going concern.

In preparing the Mondi plc parent company financial statements, the directors are required to:

→ select suitable accounting policies and then apply them consistently;

→ make judgements and accounting estimates that are reasonable and prudent;

→ state whether FRS 101 has been followed, subject to any material departures disclosed and explained in the financial statements; and

→ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and parent company's transactions; disclose with reasonable accuracy, at any time, the financial position of the Group and parent company; and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Report on the financial statements

These financial statements have been audited in accordance with the applicable requirements of the Companies Act 2006.

The Board confirms that to the best of its knowledge:

→ the financial statements of the Group prepared in accordance with IFRS as adopted by the EU, and Mondi plc, prepared in accordance with FRS 101, give a true and fair view of the assets, liabilities, financial position and profit or loss of Mondi plc and the undertakings included in the consolidation taken as a whole;

→ the Strategic report includes a fair review of the development and performance of the business and the position of Mondi plc and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that it faces; and

→ the Integrated report and financial statements 2019, taken as a whole, are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

The Group's consolidated financial statements, and related notes 1 to 31, were approved by the Board and authorised for issue on 26 February 2020, and were signed on its behalf by:

David Williams
Chair

Andrew King
Director

Independent auditors' report to the members of Mondi plc

Report on the audit of the financial statements

Opinion

In our opinion:

→ Mondi plc's Group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2019 and of the Group's profit and cash flows for the year then ended;

→ the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;

→ the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and

→ the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Integrated report and financial statements 2019 (the "Integrated Report"), which comprise: the consolidated statement of financial position and Mondi plc parent company balance sheet as at 31 December 2019; the consolidated income statement and consolidated statement of comprehensive income, the consolidated statement of cash flows, and the consolidated and Mondi plc parent company statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company.

Other than those disclosed in Note 4 of the Group financial statements, we have provided no non-audit services to the Group or the parent company in the period from 1 January 2019 to 31 December 2019.

Our audit approach

Overview

Overall Group materiality: €55 million (2018: €55 million), based on approximately 5% of profit before tax adjusted for special items.

Overall parent company materiality: €35 million (2018: €29 million), based on approximately 1% of total assets.

We identified three components (2018: three) as individually significant components which required an audit of their complete financial information due to their financial significance to the Group and a further four components (2018: seven) where we have concluded that the component engagement leader is a Key Audit Partner (as defined under ISAs (UK)). These seven components (2018: ten) are located in Austria, the Czech Republic, Poland, Russia, Slovakia and South Africa (2018: Austria, the Czech Republic, Germany, Poland, Russia, Sweden, Slovakia and South Africa).

We obtained full scope audit reporting from an additional 21 components (2018: 18), including operating units and treasury operations. Audit of specific financial statement line items was performed at a further 21 components (2018: 19).

We assessed the risks of material misstatement in the financial statements and determined the following key audit matters for 2019:

→ Taxation (Group);

→ Impairment assessment of goodwill (Group);

→ Special items (Group); and

→ Simplification of the corporate structure (Group and parent company).

The acquisition of Powerflute Group Holdings Oy (Powerflute) and the adoption of IFRS 16 'Leases' were considered key audit matters for 2018, but as they were event driven matters in the prior year they were not areas of most significance in the audit of the financial statements in 2019.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Group and industry in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to breaches of environmental regulations and unethical and prohibited business practices (see pages 58 and 60 of the Integrated Report), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and the UK Listing Rules. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue and management bias in accounting estimates and judgements. The Group engagement team shared this risk assessment with the component auditors so that the component auditors could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

→ Discussions with management, internal audit and the Group's internal legal counsel, including consideration of potential instances of non-compliance with laws and regulation and fraud;

→ Assessment of matters reported through the Group's whistleblowing helpline and the results of management's investigation of such matters; and

→ Challenging assumptions and judgements made by management in its accounting estimates or judgements, in particular in relation to taxation, assessment of impairment of goodwill, matters classified as special items and the accounting for the simplification of the corporate structure (see related key audit matters below).

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Taxation (Group)	
The Group has operations in a number of geographical locations and as such is subject to multiple tax jurisdictions, giving rise to complexity in accounting for the Group's taxation. In particular, the interpretation of complex tax regulations and the unknown future outcome of any pending judgements by the tax authorities results in the need to provide against a number of uncertain tax positions. There are also cross-border transactions which give rise to transfer pricing related risks that require judgement to determine the appropriate tax charge and any associated provisions, and for these reasons we considered it to be a key audit matter. In addition, the Group adopted IFRIC 23 'Uncertainty over income tax treatments' (IFRIC 23) as issued by the IFRS Interpretations Committee in the financial year. Refer to notes 7 and 31, and the Audit Committee's views set out on page 113.	Our audit work, which involved taxation audit specialists at Group and in specific locations where local tax knowledge was considered necessary, included the assessment of the Group's uncertain tax positions. As part of our audit challenge, we also involved transfer pricing experts to consider the appropriateness of the Group's assessment of its exposure to transfer pricing risks and related corporate tax provisions. Our assessment included reading correspondence with tax authorities to understand the current status of tax assessments and investigations and to monitor developments in ongoing disputes. We also read recent rulings by local tax authorities, as well as external tax advice received by the Group where relevant, to satisfy ourselves that the tax provisions had been appropriately recorded or adjusted to reflect the latest tax legislative developments. In assessing the adequacy of the tax provisions, we considered factors such as possible penalties and interest which could be imposed by the local tax authorities. We also determined whether the tax provisions were recognised in accordance with the relevant accounting standards. We considered the appropriateness of the related disclosures in note 7 and note 31 to the financial statements. Based on the procedures performed, we noted no material issues from our work.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill (Group)	
The Group has goodwill of €948 million (2018: €942 million). In October 2019, the Group announced a reorganisation of business units which led to a change in the Group's internal reporting and identification of operating segments. The reorganisation changed the level at which goodwill was monitored by the Group and required re-allocation of goodwill previously monitored in Consumer Packaging of €419 million to the groups of cash generating units (CGUs) of the new business unit structure of Engineered Materials and Flexible Packaging. For the groups of CGUs to which goodwill relates (which require an annual impairment test), the determination of the recoverable amount, being the higher of value in use (VIU) and fair value less costs of disposal (FVLCD), requires judgement and estimation by management. This is because the determination of a recoverable amount includes management's consideration of key internal inputs and external market conditions such as future paper prices, customer demand and forecast growth rates, which all impact future cash flows, and the determination of the most appropriate discount rate. Therefore, we considered it to be a key audit matter. Refer to notes 1, 2, 12 and 31, and the Audit Committee's views set out on page 113.	We satisfied ourselves as to the level at which goodwill is monitored for impairment by review of the internal reporting of financial performance by the Group to ensure the level of monitoring is consistent with, and not at a higher level than, the Group's identified operating segments. We challenged the basis for management's estimates of growth rates and future cash flows with reference to historical trading performance, market expectations and management forecasts. We used our internal valuation experts to independently recalculate the discount rates applied and checked the mathematical accuracy of management's valuation models. For the groups of CGUs that have goodwill attached to them, we also compared the Group's market capitalisation with the aggregate enterprise value reflected in management's impairment models. We recalculated management's assessment of the sensitivity of the Group's goodwill impairment models to reasonably possible changes in the key assumptions and considered the appropriateness of disclosures provided by the Group in relation to its impairment reviews. We focused our procedures on the goodwill balance allocated to Engineered Materials, as the carrying value of goodwill is a higher proportion of the asset base of this group of CGUs, relative to other goodwill balances, and therefore has a greater inherent sensitivity to changes in the assumptions used in the impairment test. We also requested management to perform an impairment assessment on goodwill balances at the date of the reorganisation of segments, which was completed in October 2019, to ensure that the goodwill was recoverable prior to its re-allocation to the new groups of CGUs. We tested key assumptions to supporting evidence and performed a comparison with the key assumptions applied in the annual impairment test performed subsequent to the reorganisation. We assessed management's re-allocation of the goodwill balance previously monitored in Consumer Packaging of €419 million to the Engineered Materials and Flexible Packaging groups of CGUs, based on their relative fair value, by testing key assumptions such as forecast cash flows, discount rate and medium-term growth rates, and performing sensitivity analysis on the relative fair value calculation. Based on the procedures performed, we noted no material issues from our work.

Key audit matter	How our audit addressed the key audit matter
Special items (Group)	
The classification of certain transactions as 'special items', which is defined in note 31 to the Group financial statements, is a key judgement because of its impact on the reported underlying financial performance of the Group. The Group has recognised a net €16 million expense in special items during the financial year, principally related to the following: → Impairment of assets at the Neusiedler operation in Austria – €39 million expense; → Implementation of a new law resulting in a third party assuming the obligation for future contributions related to the Group's Austrian health insurance fund – €41 million income; and → Transaction costs incurred in relation to the simplification of the corporate structure (Simplification) – €14 million expense. In addition, a net €4 million expense was recorded in special items relating to other matters. Refer to notes 3 and 31 and the Audit Committee's views set out on page 112.	Our testing was directed at the significant amounts classified within special items in 2019 related to the impairment of assets and the impact of the change in law related to the Austrian health insurance fund. The costs associated with the Simplification were tested as part of the key audit matter described separately below. **Impairment of Neusiedler assets** We satisfied ourselves as to the appropriateness of the judgement related to the level at which impairment of property, plant and equipment is assessed, being the lowest level at which largely independent cash inflows can be identified (the CGU). We also evaluated management's assessment of impairment indicators, as well as indicators of impairment reversal, including the conclusions reached. We specifically tested the impairment related to property, plant and equipment at the Neusiedler operation in Austria. We challenged the basis for management's estimates of growth rates and future cash flows with previous reference to historical trading performance, market expectations and management forecasts. We also used our internal valuation experts to independently recalculate the discount rates applied by management and medium-term growth assumptions and checked the mathematical accuracy of management's valuation models. In addition, where management had obtained independent, third party valuations to determine the fair value less costs of disposal of individual assets in the Neusiedler CGU, specifically land and buildings, we assessed the external valuation reports and the qualifications of these third party valuers. **Changes related to the Group's Austrian health insurance fund** We assessed the Group's analysis of the change in law and related accounting by reading correspondence with management's external legal counsel in Austria and discussing the impact of the change in law directly with them to confirm our understanding. We also assessed the accounting applied by the Group, supported by our accounting specialists, and read the disclosure of the matter in Note 23. We tested the scheme asset and defined benefit obligation at the year-end date by deploying local actuarial experts to review the scheme valuation as well as the key assumptions applied and testing scheme assets to supporting evidence. We also read the trust deed established by the Group for existing members of the health insurance fund to determine whether any future obligations remain with the Group beyond 2019 following establishment of the independent trust and transfer of future obligations to the Republic of Austria. **Overall presentation** We considered and challenged each item disclosed in 'special items' with reference to the guidance from the Financial Reporting Council and European Securities & Market Authority. We determined whether such categorisation is appropriate and consistent with the Group's stated policy and past practice for recognition of such items. Based on the procedures performed above, we noted no material issues from our work.

Key audit matter	How our audit addressed the key audit matter
Simplification of the corporate structure (Group and parent company)	
The Group completed the Simplification of the corporate structure in July 2019 which resulted in a transition to a single holding company structure under Mondi plc. This was completed through a scheme of arrangement, whereby Mondi plc became the shareholder of all Mondi Limited ordinary shares and the dual listed company ('DLC') structure was terminated. The Simplification involved significant accounting judgements, which affected both the Group and the parent company financial statements. For the Group financial statements, the Simplification was accounted for outside the scope of IFRS 3 'Business combinations' and the carrying value of the assets and liabilities of Mondi Limited were not adjusted to fair value, with the result that the share transactions were recorded directly in equity. The transaction costs incurred were recorded as a financing special item, except for costs directly related to the issuance of new equity shares of Mondi plc, which were deducted from the retained earnings in equity. For the parent company financial statements, the transaction required the directors to fair value the equity investment in Mondi Limited at the date of the transaction, with a merger reserve established based on the fair value of Mondi plc shares issued less the nominal value of the shares issued and amounts allocated to the premium paid for termination of the DLC structure. Mondi plc recognised an investment in Mondi Limited of €783 million (including the direct costs of acquisition) in the parent company financial statements and this required consideration by management of key internal inputs and the use of external market data. In addition, there were numerous material accounting entries posted as a result of the Simplification. Therefore, we considered it to be a key audit matter. Refer to notes 21 and 31 of the Group financial statements, and notes 1 and 5 of the parent company financial statements, and the Audit Committee's views set out on page 112.	We assessed management's transaction step plan to effect the Simplification and management's expert's opinion on the accounting for the Simplification, including the implications for the Group and parent company financial statements. We used our accounting specialists to help assess the accounting entries recorded by the Group and parent company, including consideration of possible alternative accounting treatments. We tested the implementation of the transaction step plan by corroboration to supporting evidence for the journals recorded. For the parent company, we tested the appropriateness of management's valuation of Mondi Limited through involvement of internal valuation experts and assessment of the valuation methodology. The testing included obtaining supporting evidence for key inputs such as discount rate, forecast cash flows, growth rates and the appropriateness of comparable companies used in benchmarking the overall valuation. We also tested the mathematical accuracy of the valuation model and performed a cross check of the equity value recorded by comparison with the Group's market capitalisation at the date of the transaction. In addition, we recalculated management's assessment of the sensitivity that is disclosed in the financial statements. Our testing of the transaction costs incurred included verification to underlying supporting documents and consideration of management's allocation of costs between equity and the income statement. We considered the appropriateness of the related disclosures in notes 21 and 31 to the Group financial statements and notes 1 and 5 to the parent company financial statements. Based on the procedures performed, we noted no material issues from our work.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the parent company, the accounting processes and controls, and the industry in which they operate.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at components by us, as the Group engagement team, or component auditors operating under our instruction.

We identified three components (2018: three) as significant components (as defined within ISAs (UK)) which, in our view, required an audit of their complete financial information, due to their financial significance to the Group. Outside of these components, we obtained full scope audit reporting from a further four components (2018: seven), where we concluded that the component engagement leader is a Key Audit Partner (as defined under ISAs (UK)), and an additional 21 components where full scope audits were performed (2018: 18). Together, these components were in 11 countries (2018: 11), representing the Group's principal businesses, and accounted for 66% (2018: 67%) of the Group's revenue.

Audit of specific financial statement line items was performed at a further 21 (2018: 19) components and central testing was performed on selected items, such as goodwill, primarily to ensure appropriate audit coverage. In aggregate, the locations subject to audit procedures represented 82% (2018: 81%) of the Group's revenue.

The components included within our scope of audit were determined based on the individual component's contribution to the Group's key financial statement line items (in particular revenue and profit or loss before tax), and considerations relating to aggregation risk within the Group.

Where work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

We issued formal written instructions to all component auditors setting out the audit work to be performed by each of them and maintained regular communication with them throughout the audit cycle. These interactions included attending certain component audit clearance meetings, as well as reviewing and assessing any matters reported. The Group engagement team also reviewed selected audit working papers for certain in-scope component teams, including all significant components and the further four components where we concluded that the component engagement leader is a Key Audit Partner.

In addition, senior members of the Group engagement team visited component teams in Austria, the Czech Republic, Finland, Germany, Poland, Turkey, Russia, Slovakia and South Africa. These visits included meetings with local management and with the component auditors, and typically involved operating site tours.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Overall materiality	€55 million (2018: €55 million).	€35 million (2018: €29 million).
How we determined it	Based on approximately 5% of profit before tax adjusted for special items as described in Note 3 to the financial statements.	Based on approximately 1% of total assets.
Rationale for benchmark applied	For overall Group materiality, we chose an adjusted profit before tax measure as the benchmark. The adjusted profit before tax measure removes the impact of significant items which do not recur from year to year or otherwise significantly affect the underlying trend of performance from continuing operations. This is the metric against which the performance of the Group is most commonly assessed by management and reported to members. We chose 5%, which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.	For overall Mondi plc parent company materiality, we determined the materiality based on total assets, which is more appropriate than a performance-related measure as the Company is an investment holding company for the Group. Using professional judgement, we determined materiality for this year at €35 million (2018: €29 million), which equates to approximately 1% of the current year's total assets.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between €2.5 million (2018: €2 million) and €35 million (2018: €40 million).

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €2.5 million (2018: €2 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group's and the parent company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and parent company's ability to continue as a going concern. For example, the terms of the United Kingdom's withdrawal from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and the wider economy.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Integrated Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

The directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

We have nothing material to add or draw attention to regarding:

- → The directors' confirmation on page 53 of the Integrated Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- → The disclosures in the Integrated Report that describe those risks and explain how they are being managed or mitigated.
- → The directors' explanation on page 61 of the Integrated Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the Group and parent company and their environment obtained in the course of the audit. (Listing Rules)

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- → The statement given by the directors, on page 149, that they consider the Integrated Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and parent company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and parent company obtained in the course of performing our audit.
- → The section of the Integrated Report on pages 110 to 116 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- → The directors' statement relating to the parent company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibility statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- → we have not received all the information and explanations we require for our audit; or
- → adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- → certain disclosures of directors' remuneration specified by law are not made; or
- → the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 11 May 2017 to audit the financial statements for the year ended 31 December 2017 and subsequent financial periods. The period of total uninterrupted engagement is three years, covering the years ended 31 December 2017 to 31 December 2019.

Andrew Kemp
(Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

26 February 2020

Consolidated income statement
for the year ended 31 December 2019

€ million	Notes	2019 Underlying	2019 Special items (note 3)	2019 Total	2018 Underlying	2018 Special items (note 3)	2018 Total
Group revenue	2	**7,268**	**–**	**7,268**	**7,481**	**–**	**7,481**
Materials, energy and consumables used		(3,449)	–	(3,449)	(3,526)	–	(3,526)
Variable selling expenses		(549)	–	(549)	(534)	–	(534)
Gross margin		3,270	–	3,270	3,421	–	3,421
Maintenance and other indirect expenses		(363)	–	(363)	(346)	–	(346)
Personnel costs	5	(1,072)	40	(1,032)	(1,039)	(15)	(1,054)
Other net operating expenses		(177)	(1)	(178)	(272)	(30)	(302)
EBITDA		**1,658**	**39**	**1,697**	**1,764**	**(45)**	**1,719**
Depreciation, amortisation and impairments		(435)	(41)	(476)	(446)	(81)	(527)
Operating profit	2	**1,223**	**(2)**	**1,221**	**1,318**	**(126)**	**1,192**
Net profit from equity accounted investees		–	–	–	1	–	1
Investment income	6	8	–	8	8	–	8
Foreign currency losses	6	(3)	–	(3)	(4)	–	(4)
Finance costs	6	(109)	(14)	(123)	(92)	–	(92)
Profit before tax		1,119	(16)	1,103	1,231	(126)	1,105
Tax (charge)/credit	7a	(257)	–	(257)	(273)	34	(239)
Profit for the year		**862**	**(16)**	**846**	**958**	**(92)**	**866**
Attributable to:							
Non-controlling interests	29	**33**	**1**	**34**	**42**	**–**	**42**
Shareholders		**829**	**(17)**	**812**	**916**	**(92)**	**824**

Earnings per share (EPS) attributable to shareholders (euro cents)	Notes	2019	2018
Basic EPS	8	**167.6**	**170.1**
Diluted EPS	8	**167.6**	**170.0**
Basic underlying EPS	8	**171.1**	**189.1**
Diluted underlying EPS	8	**171.1**	**189.0**

Consolidated statement of comprehensive income
for the year ended 31 December 2019

€ million	2019 Before tax amount	2019 Tax credit	2019 Net of tax amount	2018 Before tax amount	2018 Tax charge	2018 Net of tax amount
Profit for the year			**846**			**866**
Items that may subsequently be reclassified to the consolidated income statement						
Fair value (losses)/gains arising from cash flow hedges	(4)	–	(4)	1	–	1
Exchange differences on translation of foreign operations	143	–	143	(219)	–	(219)
Items that will not subsequently be reclassified to the consolidated income statement						
Remeasurements of retirement benefits plans:	(21)	3	(18)	(12)	(1)	(13)
Return on plan assets	10			(6)		
Actuarial gains/(losses) arising from changes in demographic assumptions	12			(24)		
Actuarial (losses)/gains arising from changes in financial assumptions	(47)			16		
Actuarial gains arising from experience adjustments	4			2		
Other comprehensive income/(expense) for the year	**118**	**3**	**121**	**(230)**	**(1)**	**(231)**
Other comprehensive income/(expense) attributable to:						
Non-controlling interests	(9)	–	**(9)**	(12)	–	**(12)**
Shareholders	127	3	**130**	(218)	(1)	**(219)**
Total comprehensive income attributable to:						
Non-controlling interests			**25**			**30**
Shareholders			**942**			**605**
Total comprehensive income for the year			**967**			**635**

Consolidated statement of financial position
as at 31 December 2019

€ million	Notes	2019	2018
Property, plant and equipment	10	4,800	4,340
Goodwill	12	948	942
Intangible assets	13	81	91
Forestry assets	14	411	340
Investment in equity accounted investees		14	9
Financial instruments		31	21
Deferred tax assets	7b	49	49
Net retirement benefits asset	23	17	6
Total non-current assets		**6,351**	**5,798**
Inventories	15	984	968
Trade and other receivables	16	1,111	1,190
Current tax assets		15	22
Financial instruments		5	9
Cash and cash equivalents	24b	74	52
Assets held for sale		–	3
Total current assets		**2,189**	**2,244**
Total assets		**8,540**	**8,042**
Short-term borrowings	20	(780)	(268)
Trade and other payables	17	(1,143)	(1,186)
Current tax liabilities		(101)	(140)
Provisions	18	(47)	(61)
Financial instruments		(9)	(13)
Total current liabilities		**(2,080)**	**(1,668)**
Medium and long-term borrowings	20	(1,496)	(2,002)
Net retirement benefits liability	23	(225)	(234)
Deferred tax liabilities	7b	(301)	(253)
Provisions	18	(37)	(46)
Other non-current liabilities		(16)	(14)
Total non-current liabilities		**(2,075)**	**(2,549)**
Total liabilities		**(4,155)**	**(4,217)**
Net assets		**4,385**	**3,825**
Equity			
Share capital and stated capital	21	97	542
Retained earnings and other reserves		3,918	2,943
Total attributable to shareholders		**4,015**	**3,485**
Non-controlling interests in equity		370	340
Total equity		**4,385**	**3,825**

The Group's consolidated financial statements, and related notes 1 to 31, were approved by the Board and authorised for issue on 26 February 2020 and were signed on its behalf by:

David Williams
Chair

Andrew King
Director

Consolidated statement of changes in equity
for the year ended 31 December 2019

€ million	Share capital and stated capital	Treasury shares	Retained earnings	Other reserves	Equity attributable to shareholders	Non-controlling interests	Total equity
At 1 January 2018	542	(27)	3,571	(403)	**3,683**	324	**4,007**
Total comprehensive income/(expense) for the year	–	–	824	(219)	**605**	30	**635**
Dividends	–	–	(793)	–	**(793)**	(18)	**(811)**
Purchases of treasury shares	–	(15)	–	–	**(15)**	–	**(15)**
Distribution of treasury shares	–	16	(16)	–	**–**	–	**–**
Mondi share schemes' charge	–	–	–	11	**11**	–	**11**
Issue of shares under employee share schemes	–	–	11	(13)	**(2)**	–	**(2)**
Put option held by non-controlling interests	–	–	(4)	4	**–**	–	**–**
Other movements in non-controlling interests	–	–	(4)	–	**(4)**	4	**–**
At 31 December 2018	**542**	**(26)**	**3,589**	**(620)**	**3,485**	**340**	**3,825**
Total comprehensive income for the year	–	–	812	130	**942**	25	**967**
Dividends	–	–	(396)	–	**(396)**	(3)	**(399)**
Purchases of treasury shares	–	(17)	–	5	**(12)**	–	**(12)**
Distribution of treasury shares	–	18	(18)	–	**–**	–	**–**
Mondi share schemes' charge (see note 22)	–	–	–	11	**11**	–	**11**
Issue of shares under employee share schemes	–	–	13	(13)	**–**	–	**–**
Issue of ordinary shares, net of expenses (see note 21)	23	–	(6)	(23)	**(6)**	–	**(6)**
Cancellation of deferred shares (see note 21)	(37)	–	8	29	**–**	–	**–**
Transfer of ordinary shares from Mondi Limited shareholders to Mondi plc (see note 21)	(431)	–	–	431	**–**	–	**–**
Retirement benefit plan settlement transferred to retained earnings	–	–	(30)	30	**–**	–	**–**
Other movements in non-controlling interests	–	–	(9)	–	**(9)**	8	**(1)**
At 31 December 2019	**97**	**(25)**	**3,963**	**(20)**	**4,015**	**370**	**4,385**

Other reserves

€ million	2019	2018
Cumulative translation adjustment reserve	(680)	(820)
Post-retirement benefits reserve	(52)	(75)
Share-based payment reserve	20	22
Cash flow hedge reserve	(4)	–
Merger reserve[1]	667	259
Other sundry reserves	29	(6)
Total other reserves	**(20)**	**(620)**

Note:

1 The movement in the merger reserve is driven by the Simplification of the corporate structure. Further detail is provided in notes 21 and 31

Consolidated statement of cash flows
for the year ended 31 December 2019

€ million	Notes	2019	2018
Cash flows from operating activities			
Cash generated from operations	24a	1,635	1,654
Dividends received from other investments		1	1
Income tax paid		(248)	(248)
Net cash generated from operating activities		**1,388**	**1,407**
Cash flows from investing activities			
Investment in property, plant and equipment		(757)	(709)
Investment in intangible assets	13	(12)	(10)
Investment in forestry assets	14	(48)	(53)
Investment in equity accounted investees		(5)	(7)
Proceeds from the disposal of property, plant and equipment		12	13
Acquisition of businesses, net of cash and cash equivalents		(2)	(402)
Proceeds from the disposal of businesses, net of cash and cash equivalents		20	3
Loans advanced to related and external parties		(9)	–
Interest received		7	8
Net cash used in investing activities		**(794)**	**(1,157)**
Cash flows from financing activities			
Proceeds from medium and long-term borrowings	24c	–	165
Repayment of medium and long-term borrowings	24c	(48)	–
Proceeds from Eurobonds	24c	–	600
Net (repayment)/proceeds from short-term borrowings		(20)	9
Repayment of lease liabilities		(23)	(25)
Interest paid		(96)	(73)
Transaction costs relating to the issue of share capital	21	(6)	–
Dividends paid to shareholders	9	(396)	(793)
Dividends paid to non-controlling interests	9	(3)	(18)
Purchases of treasury shares		(12)	(15)
Financing special item	3	(14)	–
Net cash inflow/(outflow) from derivatives		3	(25)
Other financing activities		5	(8)
Net cash used in financing activities		**(610)**	**(183)**
Net (decrease)/increase in cash and cash equivalents		**(16)**	**67**
Cash and cash equivalents at beginning of year		8	(66)
Cash movement in the year	24c	(16)	67
Effects of changes in foreign exchange rates	24c	1	7
Cash and cash equivalents at end of year	24b	**(7)**	**8**

Notes to the consolidated financial statements
for the year ended 31 December 2019

1 Basis of preparation

These consolidated financial statements as at and for the year ended 31 December 2019 comprise Mondi plc and its subsidiaries (referred to as the 'Group'), and the Group's share of the results and net assets of its associates and joint ventures.

On 9 May 2019 the Group's shareholders approved the Simplification of the corporate structure from a dual listed company (DLC) structure into a single holding company structure under Mondi plc. With effect from 26 July 2019, Mondi plc became the holder of all the Mondi Limited ordinary shares while, by other related actions, the DLC arrangements were terminated. Prior to the Simplification, Mondi Limited and Mondi plc operated under a DLC structure as a single economic entity, and as such, together with their respective subsidiaries, were reported on a combined and consolidated basis as a single reporting entity. Post Simplification, the Group is reported on a consolidated basis. Further detail is provided in note 21.

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations, as adopted by the European Union (EU), and the Financial Pronouncements as issued by the Financial Reporting Standards Council. The Group complies with Article 4 of the EU IAS Regulation and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The principal accounting policies adopted are set out in note 31.

There are no differences for the Group in applying IFRS as issued by the International Accounting Standards Board (IASB) and IFRS as adopted by the EU.

The consolidated financial statements have been prepared on a going concern basis as discussed in the Strategic report within 'Principal risks' under the heading 'Going concern' on page 61 under the historical cost basis of accounting, as modified by forestry assets and financial assets and financial liabilities held at fair value through profit and loss.

Critical accounting judgements and significant accounting estimates

The preparation of the Group's consolidated financial statements includes the use of estimates and assumptions. Although the estimates used are based on management's best information about current circumstances and future events and actions, actual results may differ from those estimates. The significant accounting estimates and critical accounting judgements in terms of IAS 1, 'Presentation of Financial Statements', are:

Significant accounting estimates

- → Fair value of forestry assets – refer to note 14
- → Actuarial valuations of retirement benefit obligations – refer to note 23

Critical accounting judgements

- → Accounting for the Simplification of corporate structure – refer to notes 21 and 31
- → Goodwill allocation relating to the reorganisation of the Group's business units – refer to notes 2 and 12
- → Accounting for and presentation of the Group's Austrian health insurance fund – refer to notes 3, 5 and 23

The consolidated financial statements include other areas of judgement and accounting estimates. While these areas do not meet the definition under IAS 1 of significant accounting estimates or critical accounting judgements, the recognition and measurement of certain material assets and liabilities are based on assumptions and/or are subject to longer term uncertainties.

Other areas of judgement and accounting estimates

- → Taxation – refer to notes 7 and 31
- → Impairment of non-current non-financial assets – refer to notes 10, 11, 12, 13 and 31
- → Residual values and useful economic lives of property, plant and equipment – refer to notes 10 and 31

2 Operating segments

The Group reorganised its business units to strengthen value chain integration and improve customer focus effective from 7 October 2019. The Group's four business units (previously three business units) are as follows:

- → Corrugated Packaging, comprising the operations of containerboard and corrugated solutions;
- → Flexible Packaging, comprising kraft paper, paper bags and consumer flexibles operations;
- → Engineered Materials, comprising personal care components, extrusion solutions and release liner operations; and
- → Uncoated Fine Paper, which remains unchanged.

Prior year figures have been restated to reflect the new organisational structure. The reorganisation has no impact on the overall Group result.

2 Operating segments

The Group generates revenue from the sale of manufactured products across the packaging and paper value chain. Revenue is generally recognised at a point in time, typically when the goods have been delivered to a contractually agreed location. Customer payment terms do not contain significant financing components.

The Group provides transport services after control of certain goods has passed to the customer. The Group generated transport revenue of €59 million (2018: €57 million) in the current financial year.

The material product types from which the Group's externally reportable segments derive their internal and external revenues are as follows:

Operating segments	Product types
Corrugated Packaging	Containerboard
	Corrugated solutions
	Pulp
Flexible Packaging	Kraft paper
	Paper bags
	Consumer flexibles
	Pulp
Engineered Materials	Personal care components
	Release liner
	Extrusion solutions (extrusion coatings and technical films)
Uncoated Fine Paper	Uncoated fine paper
	Newsprint
	Pulp

Year ended 31 December 2019

€ million, unless otherwise stated	Corrugated Packaging	Flexible Packaging	Engineered Materials	Uncoated Fine Paper	Corporate	Intersegment elimination	Total
Segment revenue	2,014	2,708	979	1,758	–	(191)	**7,268**
Internal revenue	(30)	(71)	(45)	(45)	–	191	**–**
External revenue	1,984	2,637	934	1,713	–	–	**7,268**
Underlying EBITDA	583	543	122	444	(34)	–	**1,658**
Depreciation and impairments	(118)	(142)	(28)	(118)	(1)	–	**(407)**
Amortisation	(6)	(12)	(8)	(2)	–	–	**(28)**
Underlying operating profit/(loss)	459	389	86	324	(35)	–	**1,223**
Special items	–	(4)	–	2	(14)	–	**(16)**
Operating segment assets	2,407	3,094	723	2,082	7	(117)	**8,196**
Operating segment net assets	2,166	2,603	612	1,758	(7)	–	**7,132**
Trailing 12-month average capital employed	1,846	2,485	622	1,290	(81)	–	**6,162**
Additions to non-current non-financial assets	275	256	37	310	–	–	**878**
Capital expenditure cash payments	257	248	32	220	–	–	**757**
Underlying EBITDA margin (%)	*28.9*	*20.1*	*12.5*	*25.3*	–	–	***22.8***
Return on capital employed (%)	*24.9*	*15.7*	*13.8*	*25.1*	–	–	***19.8***
Average number of employees (thousands)[1]	6.7	10.4	2.4	6.3	0.1	–	**25.9**

Note:

1 Presented on a full time employee equivalent basis

Year ended 31 December 2018 (restated)

€ million, unless otherwise stated	Corrugated Packaging	Flexible Packaging	Engineered Materials	Uncoated Fine Paper	Corporate	Intersegment elimination	Total
Segment revenue	2,115	2,708	984	1,877	–	(203)	**7,481**
Internal revenue	(41)	(69)	(45)	(48)	–	203	**–**
External revenue	2,074	2,639	939	1,829	–	–	**7,481**
Underlying EBITDA	707	461	112	516	(32)	–	**1,764**
Depreciation and impairments	(116)	(146)	(30)	(119)	(1)	–	**(412)**
Amortisation	(9)	(14)	(9)	(2)	–	–	**(34)**
Underlying operating profit/(loss)	582	301	73	395	(33)	–	**1,318**
Special items	–	(102)	(3)	(21)	–	–	**(126)**
Operating segment assets	2,277	2,944	789	1,852	4	(132)	**7,734**
Operating segment net assets	2,001	2,442	672	1,494	(9)	–	**6,600**
Trailing 12-month average capital employed	1,679	2,112	640	1,240	(88)	–	**5,583**
Additions to non-current non-financial assets	535	396	35	280	–	–	**1,246**
Capital expenditure cash payments	157	360	31	161	–	–	**709**
Underlying EBITDA margin (%)	*33.4*	*17.0*	*11.4*	*27.5*	–	–	***23.6***
Return on capital employed (%)	*34.7*	*14.3*	*11.4*	*31.9*	–	–	***23.6***
Average number of employees (thousands)[1]	6.5	10.6	2.4	6.5	0.1	–	**26.1**

Note:
1 Presented on a full time employee equivalent basis

Reconciliation of operating segment assets

€ million	2019 Segment assets	2019 Segment net assets	2018 Segment assets	2018 Segment net assets
Group total	**8,196**	**7,132**	**7,734**	**6,600**
Unallocated				
Investment in equity accounted investees	14	14	9	9
Deferred tax assets/(liabilities)	49	(252)	49	(204)
Other non-operating assets/(liabilities)	204	(302)	189	(360)
Group capital employed	**8,463**	**6,592**	**7,981**	**6,045**
Financial instruments/(net debt)	77	(2,207)	61	(2,220)
Total assets/equity	**8,540**	**4,385**	**8,042**	**3,825**

2 Operating segments

External revenue by location of production and by location of customer

€ million	External revenue by location of production		External revenue by location of customer	
	2019	2018	2019	2018
Africa				
South Africa	539	609	402	459
Rest of Africa	50	43	289	264
Africa total	589	652	691	723
Western Europe				
Austria	1,097	1,106	150	160
Germany	856	887	939	985
United Kingdom	43	64	205	233
Rest of western Europe	720	623	1,437	1,470
Western Europe total	2,716	2,680	2,731	2,848
Emerging Europe				
Czech Republic	536	483	184	183
Poland	1,059	1,161	599	636
Rest of emerging Europe	891	952	829	867
Emerging Europe total	2,486	2,596	1,612	1,686
Russia	889	944	707	694
North America	490	525	757	731
South America	–	–	112	100
Asia and Australia	98	84	658	699
Group total	**7,268**	**7,481**	**7,268**	**7,481**

There were no external customers which account for more than 10% of the Group's total external revenue in either year.

There are no contract assets and contract liabilities as at 31 December 2019 (2018: €nil). No contract costs were capitalised in either year presented.

The Group does not disclose information about remaining performance obligations that have original expected durations of one year or less, as permitted under IFRS 15.

Net assets by location

€ million	2019 Non-current non-financial assets	2019 Segment assets	2019 Segment net assets	2018 Non-current non-financial assets	2018 Segment assets	2018 Segment net assets
Africa						
South Africa	819	972	865	724	869	755
Rest of Africa	63	124	117	56	103	100
Africa total	882	1,096	982	780	972	855
Western Europe						
Austria	467	857	621	508	883	601
United Kingdom	46	78	69	44	65	53
Rest of western Europe	1,245	1,634	1,447	1,243	1,687	1,500
Western Europe total	1,758	2,569	2,137	1,795	2,635	2,154
Emerging Europe						
Czech Republic	824	897	799	728	824	734
Poland	781	992	884	793	1,022	916
Rest of emerging Europe	892	1,137	978	698	969	784
Emerging Europe total	2,497	3,026	2,661	2,219	2,815	2,434
Russia	832	1,002	896	653	793	693
North America	167	335	300	166	346	303
Asia and Australia	104	168	156	100	173	161
Group total	**6,240**	**8,196**	**7,132**	**5,713**	**7,734**	**6,600**

Average number of employees by principal location of employment[1]

thousands	2019	2018
South Africa	1.4	1.5
Rest of Africa	0.4	0.3
Western Europe	7.3	7.3
Emerging Europe	9.1	8.9
Russia	5.3	5.5
North America	1.7	1.9
Asia and Australia	0.7	0.7
Group total	**25.9**	**26.1**

Note:

1 Presented on a full time employee equivalent basis

3 Special items

€ million	2019	2018
Operating special items		
Impairment of assets	(42)	(83)
Reversal of impairment of assets	1	2
Restructuring and closure costs:		
Personnel costs	(1)	(15)
Other restructuring and closure costs	4	(30)
Third party contribution relating to the Group's Austrian health insurance fund (see note 23)	41	–
Provision relating to the 2012 Nordenia acquisition	(5)	–
Total operating special items	**(2)**	**(126)**
Financing special item		
Simplification of corporate structure (see note 21)	(14)	–
Total special items before tax	**(16)**	**(126)**
Tax credit (see note 7)	–	34
Total special items	**(16)**	**(92)**
Attributable to:		
Non-controlling interests	1	–
Shareholders	(17)	(92)

The special items during the year comprised:

→ Flexible Packaging
- Announced closure of two consumer flexibles plants in the UK. Restructuring and closure costs of €1 million and related impairment of assets of €3 million were recognised. Additional restructuring costs will be incurred in 2020 with total costs expected to exceed €10 million.
- Release of restructuring and closure provisions of €5 million, partly offset by additional restructuring costs of €1 million, and reversal of impairment of assets of €1 million were recognised. All credits/(charges) related to special items from prior years.
- Additional provision of €5 million relating to the 2012 Nordenia acquisition was recognised. The provision relates to a special item from prior years.

→ Uncoated Fine Paper
- Impairment of the Neusiedler operation in Austria. Impairment of assets of €39 million was recognised.
- On 13 December 2018 a change in the Austrian Social Security Law was enacted. Effective 1 January 2020, the law states that the plan liabilities of the Group's Austrian health insurance fund are assumed by the Republic of Austria. The effect of the change in law is classified as a third party taking on the obligation for future contributions which is a one-off non-cash benefit to the Group of €41 million. Further detail is provided in note 23.

→ Corporate
- To effect the Simplification of the corporate structure from a DLC structure into a single holding company structure under Mondi plc, the Group incurred one-off transaction costs of €20 million, of which €14 million were charged as a financing special item to the consolidated income statement and €6 million were attributed to equity in accordance with IAS 32. Further detail is provided in note 21.

4 Auditors' remuneration

€ million	2019	2018
Fees payable to the auditors for the audit of Mondi plc's annual financial statements	1.1	0.4
Fees payable to the auditors and their associates for the audit of Mondi plc's subsidiaries[1]	3.5	3.7
Total audit fees	**4.6**	**4.1**
Audit-related and other assurance services	0.5	0.4
Tax compliance services	–	–
Other services	–	–
Total non-audit fees	**0.5**	**0.4**
Total fees	**5.1**	**4.5**

Note:
1 Includes fees payable to the auditors for the audit of Mondi Limited's annual financial statements reported separately prior to the Simplification of the corporate structure

5 Personnel costs

€ million, unless otherwise stated	2019	2018
Within operating costs		
Wages and salaries	865	835
Social security costs	178	172
Defined contribution retirement plan contributions (see note 23)	14	13
Defined benefit retirement plan service costs net of gain from settlement (see note 23)	4	8
Share-based payments (see note 22)	11	11
Total within operating costs	**1,072**	**1,039**
Within special items		
Personnel costs relating to restructuring (see note 3)	1	15
Third party contribution relating to the Group's Austrian health insurance fund (see notes 3 and 23)	(41)	–
Total within special items (see note 3)	**(40)**	**15**
Within net finance costs		
Retirement benefit medical plan net interest costs	5	5
Retirement benefit pension plan net interest costs	4	3
Total within net finance costs (see note 6)	**9**	**8**
Group total	**1,041**	**1,062**
Average number of employees (thousands)[1]	**25.9**	**26.1**

Note:
1 Presented on a full time employee equivalent basis

6 Net finance costs

Net finance costs are presented below:

€ million	2019	2018
Investment income		
Investment income	**8**	**8**
Net foreign currency losses		
Net foreign currency losses	**(3)**	**(4)**
Finance costs		
Interest expense		
Interest on bank overdrafts and loans	(90)	(77)
Interest on lease liabilities (see note 11)	(13)	(14)
Net interest expense on net retirement benefits liability (see note 23)	(9)	(8)
Total interest expense	**(112)**	**(99)**
Less: Interest capitalised (see note 10)	3	7
Total finance costs	**(109)**	**(92)**
Net finance costs before special item	**(104)**	**(88)**
Financing special item		
Simplification of corporate structure (see notes 3 and 21)	(14)	–
Net finance costs after special item	**(118)**	**(88)**

Net interest expense, as defined in note 31, for the year was €95 million (2018: €83 million). The effective interest rate was 4.2% (2018: 4.2%) based on trailing 12-month average net debt of €2,243 million (2018: €1,979 million).

The weighted average interest rate applicable to capitalised interest on general borrowings for the year ended 31 December 2019 was 4.9% (2018: 4.1%) and was related to investments in the Czech Republic (2018: the Czech Republic and South Africa).

7 Taxation

(a) Analysis of tax charge for the year

The Group's effective rate of tax before special items for the year ended 31 December 2019 was 23% (2018: 22%).

€ million	2019	2018
UK corporation tax at 19% (2018: 19%)	1	1
Overseas tax[1]	218	265
Current tax in respect of prior years	(1)	–
Current tax	**218**	**266**
Deferred tax in respect of the current year	47	15
Deferred tax in respect of prior years	(8)	(8)
Tax charge before special items	**257**	**273**
Current tax on special items	(1)	(2)
Deferred tax on special items	1	(32)
Tax credit on special items (see note 3)	**–**	**(34)**
Tax charge for the year	**257**	**239**

Note:

1 Includes SA corporation tax at a statutory rate of 28% reported separately prior to the Simplification of the corporate structure

Factors affecting tax charge for the year

The Group's total tax charge for the year can be reconciled to the tax on the Group's profit before tax at the UK corporation tax rate of 19% (2018: 19%[1]), as follows:

€ million	2019	Restated[1] 2018
Profit before tax	**1,103**	**1,105**
Tax on profit before tax calculated at the UK corporation tax rate of 19% (2018: 19%)	**210**	**210**
Tax effects of:		
Expenses not deductible for tax purposes	**10**	**10**
Special items not tax deductible	4	–
Other non-deductible expenses	6	10
Non-taxable income	**–**	**(1)**
Temporary difference adjustments	**1**	**(6)**
Current year tax losses and other temporary differences not recognised	7	12
Prior year tax losses and other temporary differences not previously recognised	(6)	(18)
Other adjustments	**36**	**26**
Current tax prior year adjustments	(1)	–
Tax incentives[2]	(9)	(11)
Effect of differences between local rates and UK rate	28	22
Other adjustments	18	15
Tax charge for the year	**257**	**239**

Notes:

1 Prior to the Simplification the Group's total tax charge for the year was reconciled to the tax on the Group's profit before tax at the weighted average UK and SA corporation tax rate (2018: 19.67%). The 2018 disclosure has been restated for comparability purposes to reconcile to the tax on the Group's profit before tax at the UK corporation tax rate

2 The tax incentives principally relate to capital investments in Slovakia and the Czech Republic (2018: Russia and Slovakia)

7 Taxation

(b) Deferred tax

€ million	Deferred tax assets 2019	Deferred tax assets 2018	Deferred tax liabilities 2019	Deferred tax liabilities 2018
At 1 January	49	26	(253)	(248)
(Charged)/credited to the consolidated income statement	(1)	19	(39)	6
Credited/(charged) to the consolidated statement of comprehensive income	1	1	2	(2)
Acquired through business combinations	–	–	–	(24)
Reclassification	–	3	–	(3)
Currency movements	–	–	(11)	18
At 31 December	**49**	**49**	**(301)**	**(253)**

The amount of deferred tax (charged)/credited to the consolidated income statement comprises:

€ million	2019	2018
Capital allowances in excess of depreciation	(11)	8
Fair value adjustments	(15)	(10)
Tax losses (derecognised)/recognised	(1)	10
Other temporary differences	(13)	17
Total	**(40)**	**25**

Deferred tax comprises:

€ million	Deferred tax assets 2019	Deferred tax assets 2018	Deferred tax liabilities 2019	Deferred tax liabilities 2018
Capital allowances in excess of depreciation	(11)	(20)	(271)	(241)
Fair value adjustments	1	–	(108)	(89)
Tax losses[1]	24	21	9	14
Other temporary differences[1]	35	48	69	63
Total	**49**	**49**	**(301)**	**(253)**

Note:

1 Based on forecast data, the Group considers it probable that there will be sufficient future taxable profits available in the relevant jurisdictions to utilise these tax losses and other temporary differences

The current expectation regarding the maturity of deferred tax balances is:

€ million	Deferred tax assets 2019	Deferred tax assets 2018	Deferred tax liabilities 2019	Deferred tax liabilities 2018
Recoverable/(payable) within 12 months	26	23	(1)	(1)
Recoverable/(payable) after 12 months	23	26	(300)	(252)
Total	**49**	**49**	**(301)**	**(253)**

The Group has the following amounts in respect of which no deferred tax asset has been recognised as it is not considered probable that there will be future profit streams or gains against which these could be utilised:

€ million	2019	Restated[1] 2018
Tax losses – revenue	1,564	1,577
Tax losses – capital	16	16
Other temporary differences	13	11
Total	**1,593**	**1,604**

Note:

1 Following a review, an additional €171 million of tax losses (revenue) were identified as being available from an entity in the holding company structure. The 2018 disclosure has been restated to include these additional tax losses in respect of which no deferred tax asset has been recognised

There were no significant changes in the expected future profit streams or gains.

Included in unrecognised tax losses are losses that will expire as follows:

€ million	2019	Restated[1] 2018
Expiry date		
Within one year	1	2
One to five years	3	25
After five years	44	53
No expiry date	1,532	1,513
Total	**1,580**	**1,593**

Note:

1 Following a review, an additional €171 million of tax losses (with no expiry date) were identified as being available from an entity in the holding company structure. The 2018 disclosure has been restated to include these additional tax losses in respect of which no deferred tax asset has been recognised

No deferred tax liability is recognised on gross temporary differences of €1,233 million (2018: €760 million) relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future. The increase in unrecognised gross temporary differences is partly due to the inclusion of unremitted earnings of SA subsidiaries as a result of the Simplification of the corporate structure. UK tax legislation largely exempts, from UK tax, overseas dividends received on or after 1 July 2009. As a result, the gross temporary differences at 31 December 2019 represent only the unremitted earnings of those overseas subsidiaries where remittance to the UK of those earnings would still result in a tax liability, principally as a result of dividend withholding taxes levied by the overseas tax jurisdictions in which these subsidiaries operate and non-UK corporate taxes on dividends.

8 Earnings per share (EPS)

	EPS attributable to shareholders	
(euro cents)	**2019**	**2018**
Basic EPS	167.6	170.1
Diluted EPS	167.6	170.0
Basic underlying EPS	171.1	189.1
Diluted underlying EPS	171.1	189.0
Basic headline EPS	172.5	184.8
Diluted headline EPS	172.5	184.7

The calculation of basic and diluted EPS, basic and diluted underlying EPS and basic and diluted headline EPS is based on the following data:

	Earnings	
€ million	**2019**	**2018**
Profit for the year attributable to shareholders	**812**	**824**
Special items attributable to shareholders (see note 3)	17	126
Related tax (see note 3)	–	(34)
Underlying earnings for the year	**829**	**916**
Special items not excluded from headline earnings	25	(45)
Gain on disposal of property, plant and equipment	(2)	(1)
Net (gain)/loss on disposal of businesses and equity accounted investees	(9)	3
Impairments not included in special items (see note 10)	2	2
Related tax	(9)	20
Headline earnings for the year	**836**	**895**

8 Earnings per share (EPS)

	Weighted average number of shares	
million	2019	2018
Basic number of ordinary shares outstanding	**484.6**	**484.4**
Effect of dilutive potential ordinary shares	–	0.2
Diluted number of ordinary shares outstanding	**484.6**	**484.6**

9 Dividends

euro cents per share	2019	2018
Final ordinary dividend paid (in respect of prior year)	54.55	42.90
Special dividend paid (in respect of prior year)	–	100.00
Interim ordinary dividend paid	27.28	21.45
Final ordinary dividend proposed for the year ended 31 December	**55.72**	**54.55**

€ million	2019	2018
Final ordinary dividend paid (in respect of prior year)	264	207
Special dividend paid (in respect of prior year)	–	484
Interim ordinary dividend paid	132	102
Total ordinary and special dividends paid	**396**	**793**
Final ordinary dividend proposed for the year ended 31 December	**270**	**264**
Declared by Group companies to non-controlling interests	3	18

Dividends proposed and paid to the shareholders of Mondi Limited and Mondi plc prior to the effective date of the Simplification of the corporate structure (see note 21) are presented on a combined basis.

The final ordinary dividend proposed has been recommended by the Board and is subject to the approval of the shareholders of Mondi plc at the Annual General Meeting scheduled for 7 May 2020.

10 Property, plant and equipment

€ million	Land and buildings[1]	Plant and equipment	Assets under construction	Other	Total
Net carrying value					
At 1 January 2018	1,207	2,429	377	115	**4,128**
Acquired through business combinations	32	97	5	2	**136**
Additions	42	167	512	41	**762**
Disposal of assets	(6)	(6)	(3)	(4)	**(19)**
Disposal of businesses	(3)	(3)	(2)	–	**(8)**
Depreciation charge for the year	(69)	(304)	–	(37)	**(410)**
Impairment losses recognised[2]	(20)	(51)	–	(3)	**(74)**
Impairment losses reversed[3]	1	1	–	–	**2**
Transfer from assets under construction	43	142	(198)	9	**(4)**
Reclassification	(3)	(2)	–	2	**(3)**
Currency movements	(44)	(96)	(24)	(6)	**(170)**
At 31 December 2018	**1,180**	**2,374**	**667**	**119**	**4,340**
Cost	2,033	6,765	674	394	**9,866**
Accumulated depreciation and impairments	(853)	(4,391)	(7)	(275)	**(5,526)**
Additions	108	300	364	46	**818**
Disposal of assets	(14)	(4)	–	(3)	**(21)**
Disposal of businesses	(3)	(6)	(1)	–	**(10)**
Depreciation charge for the year	(72)	(292)	–	(41)	**(405)**
Impairment losses recognised[2]	–	(43)	(1)	–	**(44)**
Impairment losses reversed[3]	1	–	–	–	**1**
Transfer from assets under construction	115	330	(463)	14	**(4)**
Reclassification	2	(2)	1	(1)	**–**
Currency movements	33	61	25	6	**125**
At 31 December 2019	**1,350**	**2,718**	**592**	**140**	**4,800**
Cost	2,250	7,322	599	436	**10,607**
Accumulated depreciation and impairments	(900)	(4,604)	(7)	(296)	**(5,807)**

Notes:

1 The land carrying value included in 'Land and buildings' is €179 million (2018: €171 million)

2 Impairment losses include €42 million (2018: €72 million) classified as special items and €2 million (2018: €2 million) of other impairments

3 Impairment losses reversed are classified as special items

Included in the additions above is €3 million (2018: €7 million) of interest incurred on qualifying assets which has been capitalised during the year. These amounts are deductible for tax purposes either when incurred or included in the amount permitted to be deducted for capital expenditure, depending on the jurisdiction in which they are capitalised.

The recoverable amount of property, plant and equipment is determined based on the use of the asset within the current business plans. Any change in future intentions could result in an impairment of varying magnitude, depending on the assets affected.

11 Leases

The Group has entered into various lease agreements. Leases over land and buildings have a weighted average term of 40 years (2018: 39 years), plant and equipment a weighted average term of 13 years (2018: 12 years) and other assets a weighted average term of four years (2018: four years).

The principal lease agreements in place include the following:

South African land lease

The Group entered into a land lease agreement on 1 January 2001 for a total term of 70 years. The lease commitment and annual escalation rate is renegotiated every five years. The lease does not contain any clauses with regard to contingent rent or an option to purchase the land at the end of the lease term, and does not impose any significant restrictions on the Group as a lessee.

Russian forestry leases

The majority of the forestry lease agreements were entered into by the Group in 2007, 2008, 2014 and 2015 for an average term of 46 years. The leases are not renewable. Rental escalates on an annual basis by the consumer price index of the local jurisdiction. The leases do not contain any clauses with regard to contingent rent or options to purchase the forestry assets at the end of the lease term, and do not impose any significant restrictions on the Group as a lessee. The Group applied the practical expedient per IFRS 16 not to separate non-lease components from lease components, consistent with prior years.

Office building

The Group entered into an office building lease agreement for a total term of 20 years from October 2013. The lease may only be terminated by the Group, after six months' notice, in September 2023 and again in September 2028. Rent escalates on an annual basis by the consumer price index of the local jurisdiction. The lease does not contain any option to purchase the building at the end of the lease term, and does not impose any significant restrictions on the Group as a lessee. Variable lease payments are included in the lease liability and calculated at the consumer price index.

Right-of-use assets

	Right-of-use assets		Depreciation charge	
€ million	**2019**	**2018**	**2019**	**2018**
Land and buildings	133	120	(13)	(14)
Plant and equipment	43	19	(7)	(7)
Other	8	9	(5)	(6)
Total	**184**	**148**	**(25)**	**(27)**

Additions to the right-of-use assets during 2019 were €62 million (2018: €25 million).

Lease liabilities

€ million	2019	2018
Maturity analysis – contractual undiscounted cash flows		
Less than one year	37	34
One to five years	95	84
More than five years	302	267
Total undiscounted cash flows	**434**	**385**
Total lease liabilities	**218**	**184**
Current	25	22
Non-current	193	162

The total cash outflow for leases during 2019 was €39 million (2018: €41 million).

Amounts recognised in the consolidated income statement

€ million	2019	2018
Depreciation charge	(25)	(27)
Interest on lease liabilities	(13)	(14)
Expenses relating to short-term leases	(2)	(1)
Expenses relating to leases of low-value assets	(1)	(1)

12 Goodwill

(a) Reconciliation

€ million	2019	2018
Net carrying value		
At 1 January	942	698
Acquired through business combinations	–	257
Disposal of businesses	(2)	–
Currency movements	8	(13)
At 31 December	**948**	**942**

(b) Assumptions

Goodwill acquired through business combinations is allocated to the group of cash-generating units (CGUs) that are expected to benefit from the synergies of the combination and represents the lowest level at which goodwill is monitored for internal management purposes. The recoverable amounts of these groups of CGUs are the higher of fair value less costs to dispose and value-in-use.

Goodwill is allocated to the groups of CGUs as follows:

2019/€ million, unless otherwise stated	Weighted average pre-tax discount rate	Medium-term growth rate	Carrying value
Corrugated Packaging	10.3%	2.7%	343
Flexible Packaging	9.8%	1.3%	359
Engineered Materials	9.1%	1.6%	214
Uncoated Fine Paper	11.4%	0.0%	32
Total goodwill			**948**

As a result of the reorganisation of the Group's business units (see note 2), the Group has changed the allocation of goodwill to its respective groups of CGUs with four groups of CGUs being identified as the lowest level at which goodwill is monitored for management purposes:

→ Corrugated Packaging, comprising the former groups of CGUs of Containerboard and Corrugated Packaging;

→ Flexible Packaging, comprising the former groups of CGUs of Kraft Paper and Industrial Bags, and a proportionate share of the former group of CGUs of Consumer Packaging;

→ Engineered Materials, comprising the former group of CGUs of Extrusion Coatings and a proportionate share of the former group of CGUs of Consumer Packaging; and

→ Uncoated Fine Paper, which remains unchanged.

The goodwill previously allocated to the Consumer Packaging group of CGUs was split in accordance with IAS 36 based on the relative fair values of the consumer flexibles operations and the personal care components and release liner operations respectively, with €210 million allocated to the Flexible Packaging group of CGUs and €209 million allocated to the Engineered Materials group of CGUs.

12 Goodwill

In the prior year, prior to the reorganisation, goodwill was allocated to the groups of CGUs as follows:

2018/€ million, unless otherwise stated	Weighted average pre-tax discount rate	Medium-term growth rate	Carrying value
Consumer Packaging	9.3%	2.0%	419
Containerboard	10.2%	2.7%	304
Kraft Paper	9.2%	1.0%	83
Industrial Bags	9.9%	1.0%	62
Corrugated Packaging	9.7%	2.7%	36
Uncoated Fine Paper	11.2%	0.0%	31
Extrusion Coatings	8.9%	0.0%	7
Total goodwill			**942**

Key assumptions

The key assumptions in the value-in-use calculations are:

→ cash flow forecasts which are derived from the budgets most recently approved by the Board covering the three-year period to 31 December 2022;

→ sales volumes, sales prices and variable input cost assumptions in the budget period are derived from a combination of economic forecasts for the regions in which the Group operates, industry forecasts for individual product lines, internal management projections, historical performance, and announced and expected industry capacity changes;

→ cash flow projections beyond three years are based on internal management projections taking into consideration industry forecasts and growth rates in the regions in which the Group operates. Growth rates (as per the table above) are applied to the groups of CGUs for each of the following seven years beyond the budget period and zero thereafter into perpetuity; and

→ capital expenditure forecasts are based on historical experience and include expenditure necessary to maintain the projected cash flows from operations at current operating levels.

The pre-tax discount rate is derived from the Group's weighted average cost of capital. In determining the discount rate applicable to each group of CGUs, adjustments are made to reflect the impacts of country risk and tax.

Sensitivity analyses

Expected future cash flows are inherently uncertain and could change materially over time. They are affected by a number of factors, including market and production estimates, together with economic factors such as prices, discount rates, currency exchange rates, estimates of production costs, and future capital expenditure.

Sensitivity analyses of reasonably possible changes in the underlying assumptions for each group of CGUs included:

→ 100 bps increase in discount rate;

→ 0% medium-term growth rate assumed for cash flow projections beyond three years;

→ 5% decrease in sales prices in the Corrugated Packaging, Flexible Packaging and Uncoated Fine Paper groups of CGUs; and

→ 3% decrease in gross margin in the Engineered Materials group of CGUs.

None of these downside sensitivity analyses in isolation indicated the need for an impairment.

13 Intangible assets

€ million	2019	2018
Net carrying value		
At 1 January	91	111
Acquired through business combinations	–	14
Additions	12	10
Impairment charge for the year	–	(11)
Amortisation charge for the year	(28)	(34)
Reclassification	4	4
Currency movements	2	(3)
At 31 December	**81**	**91**
Cost	325	316
Accumulated amortisation and impairments	(244)	(225)

The carrying value of intangible assets comprises:

€ million	2019	2018
Internally generated		
Software development costs	44	40
Acquired through business combinations		
Customer relationships	20	28
Patents and trademarks	13	18
Other	4	5
Total intangible assets	**81**	**91**

Research and development expenditure incurred by the Group and charged to the consolidated income statement during the year amounted to €25 million (2018: €22 million).

14 Forestry assets

€ million	2019	2018
At 1 January	340	325
Capitalised expenditure	46	46
Acquisition of assets	2	7
Acquired through business combinations	–	14
Fair value gains	71	43
Felling costs	(64)	(60)
Currency movements	16	(35)
At 31 December	**411**	**340**
Mature	251	197
Immature	160	143

The Group has 253,680 hectares (2018: 254,328 hectares) of owned and leased land available for forestry activities, all of which is in South Africa. 80,238 hectares (2018: 80,144 hectares) are set aside for conservation activities and infrastructure needs. 1,045 hectares (2018: 1,045 hectares) relate to non-core activities. The balance of 172,397 hectares (2018: 173,139 hectares) are under afforestation which forms the basis of the valuation set out above.

14 Forestry assets

Mature forestry assets are those plantations that are harvestable, while immature forestry assets have not yet reached that stage of growth. Timber is harvested according to a rotation plan, once trees reach maturity. This period ranges from 6.5 to 16.5 years, depending on species, climate and location.

The fair value of forestry assets is a level 3 measure in terms of the fair value measurement hierarchy, consistent with prior years.

The following assumptions have a significant impact on the valuation of the Group's forestry assets:

→ The net selling price, which is defined as the selling price less the costs of transport, harvesting, extraction and loading. The net selling price is based on third-party transactions and is influenced by the species, maturity profile and location of timber. In 2019, the net selling price used ranged from the South African rand equivalent of €17 per tonne to €48 per tonne (2018: €15 per tonne to €38 per tonne) with a weighted average of €31 per tonne (2018: €26 per tonne).

→ The conversion factor, which is used to convert hectares of land under afforestation to tonnes of standing timber, is dependent on the species, the maturity profile of the timber, the geographic location, climate and a variety of other environmental factors. In 2019, the conversion factors ranged from 8.5 to 24.3 (2018: 8.4 to 24.5).

→ The risk premium on immature timber of 13.9% (2018: 13.0%) is based on an assessment of the risks associated with forestry assets in South Africa and is applied for the years the immature timber has left to reach maturity. A risk premium on mature timber of 3.5% (2018: 0.0%) was applied from 2019. The increase in the proportion of mature timber and the risks associated with forestry assets in South Africa triggered a change in estimate.

The valuation of the Group's forestry assets is determined in South African rand and converted to euro at the closing exchange rate on 31 December of each year.

The Group has performed sensitivity analyses of reasonably possible changes in the significant assumptions and EUR/ZAR exchange rate, taking into account historical experience. The reported value of owned forestry assets would change as follows should there be a change in these underlying assumptions on the basis that all other factors remain unchanged:

€ million	2019
Effect of €5/tonne increase in net selling price	65
Effect of 1% increase in conversion factor (hectares to tonnes)	4
Effect of 1% increase in risk premium	(6)
Effect of 10% increase in EUR/ZAR exchange rate	(37)

15 Inventories

€ million	2019	2018
Valued using the first-in, first-out cost formula		
Raw materials and consumables	37	35
Work in progress	11	11
Finished products	33	26
Total valued using the first-in, first-out cost formula	**81**	**72**
Valued using the weighted average cost formula		
Raw materials and consumables	390	392
Work in progress	121	116
Finished products	392	388
Total valued using the weighted average cost formula	**903**	**896**
Total inventories	**984**	**968**
Of which, held at net realisable value	128	127
Consolidated income statement		
Cost of inventories recognised as an expense	(3,032)	(3,104)
Write-down of inventories to net realisable value	(37)	(21)
Aggregate reversal of previous write-downs of inventories	21	13
Green energy sales and disposal of emissions credits	88	88

16 Trade and other receivables

€ million	2019	2018
Trade receivables	953	1,052
Allowance for doubtful debts	(28)	(35)
Net trade receivables	**925**	**1,017**
Other receivables	34	30
Tax and social security	122	114
Prepayments and accrued income	30	29
Total trade and other receivables	**1,111**	**1,190**

Trade receivables: credit risk

The Group has a large number of unrelated customers and does not have significant credit risk exposure to any particular customer. The Group considers that there is no significant geographical or customer concentration of credit risk.

Each business segment manages its own exposure to credit risk according to the economic circumstances and characteristics of the relevant markets that they serve. The Group considers that management of credit risk on a decentralised basis enables it to assess and manage credit risk more effectively. However, broad principles of credit risk management are observed across all business segments, such as the use of credit rating agencies, credit guarantee insurance, where appropriate, and the maintenance of a credit control function.

€ million	2019	2018
Credit risk exposure		
Gross trade receivables	953	1,052
Credit insurance	(793)	(861)
Total exposure to credit risk	**160**	**191**

The insured cover is presented gross of contractually agreed excess amounts. In addition, the Group is in possession of bank guarantees and letters of credit securing trade and other receivables to the value of €4 million (2018: €8 million).

Credit periods offered to customers vary according to the credit risk profiles of, and invoicing conventions established by, participants operating in the various markets in which the Group operates. Interest is charged at appropriate market rates on balances which are considered overdue in the relevant market.

To the extent that recoverable amounts are expected to be less than their associated carrying values, impairment charges have been recorded in the consolidated income statement and the carrying values have been written down to their expected recoverable amounts. The total gross carrying value of trade receivables that were subject to impairment during the year is €50 million (2018: €55 million).

Included within the Group's aggregate trade receivables balance are specific debtor balances with customers totalling €31 million (2018: €35 million) which are past due but not impaired at the reporting date. The Group has assessed these balances for recoverability and considers that their credit quality remains intact.

An ageing analysis of net trade receivables is provided as follows:

€ million	2019	2018
Trade receivables within terms	894	982
Past due by less than one month	21	23
Past due by one to two months	4	4
Past due by two to three months	1	3
Past due by more than three months	5	5
At 31 December	**925**	**1,017**

16 Trade and other receivables

Movement in the allowance account for bad and doubtful debts

€ million	2019	2018
At 1 January	35	32
Increase in allowance recognised in consolidated income statement	7	11
Amounts written-off or recovered	(14)	(6)
Currency movements	–	(2)
At 31 December	**28**	**35**

17 Trade and other payables

€ million	2019	2018
Trade payables	574	601
Capital expenditure payables	119	113
Tax and social security	52	57
Other payables	53	52
Accruals and deferred income	345	363
Total trade and other payables	**1,143**	**1,186**

18 Provisions

€ million	Restructuring costs	Employee related provisions	Environmental restoration	Other	Total
At 1 January 2019	37	35	4	31	**107**
Charged to consolidated income statement	5	7	–	19	**31**
Disposal of businesses	–	(1)	–	–	**(1)**
Released to consolidated income statement	–	(1)	–	(3)	**(4)**
Amounts applied	(27)	(8)	–	(17)	**(52)**
Reclassification	(1)	–	–	1	**–**
Currency movements	1	(1)	–	3	**3**
At 31 December 2019	**15**	**31**	**4**	**34**	**84**
Current	13	5	–	29	47
Non-current	2	26	4	5	37

Other provisions are mainly attributable to potential claims against the Group and onerous contracts, none of which are individually significant. All non-current provisions are discounted using a discount rate relevant in the local countries, based on a pre-tax yield on long-term bonds.

19 Capital management

The Group defines its capital employed as equity, as presented in the consolidated statement of financial position, plus net debt.

€ million	2019	2018
Equity attributable to shareholders	4,015	3,485
Equity attributable to non-controlling interests	370	340
Total equity	**4,385**	**3,825**
Net debt (see note 24c)	**2,207**	**2,220**
Capital employed	**6,592**	**6,045**
Trailing 12-month average capital employed	**6,162**	**5,583**

Capital employed is managed on a basis that enables the Group to continue trading as a going concern, while delivering acceptable returns to shareholders. The Group is committed to managing its cost of capital by maintaining an appropriate capital structure, with a balance between equity and net debt.

The Group utilises its capital employed to fund the growth of the business and to finance its liquidity needs.

The primary sources of the Group's net debt include its €2.5 billion Guaranteed Euro Medium Term Note Programme, its €750 million Syndicated Revolving Credit Facility and financing from various banks and other credit agencies, thus providing the Group with access to diverse sources of debt financing.

The principal loan arrangements in place are the following:

€ million	Maturity	Interest rate %	2019	2018
Financing facilities				
Syndicated Revolving Credit Facility	July 2021	EURIBOR/LIBOR + margin	750	750
€500 million Eurobond	September 2020	3.375%	500	500
€500 million Eurobond	April 2024	1.500%	500	500
€600 million Eurobond	April 2026	1.625%	600	600
European Investment Bank Facility	June 2025	EURIBOR + margin	52	62
Export Credit Agency Facility	June 2020	EURIBOR + margin	2	15
Other	Various	Various	72	60
Total committed facilities			**2,476**	**2,487**
Drawn			(1,816)	(1,871)
Total committed facilities available			**660**	**616**

The €500 million Eurobond maturing in 2020 contains a coupon step-up clause whereby the coupon will be increased by 1.25% per annum if the Group fails to maintain at least one investment grade credit rating from either Moody's Investors Service or Standard & Poor's. Mondi currently has investment grade credit ratings from both Moody's Investors Service (Baa1, outlook stable) and Standard & Poor's (BBB+, outlook stable).

Short-term liquidity needs are met through the Syndicated Revolving Credit Facility.

The Group reviews its capital employed on a regular basis and makes use of several indicative ratios which are appropriate to the nature of its operations and consistent with conventional industry measures. The principal ratios used include:

	2019	2018
Pre-tax weighted average cost of capital (%)	10.5	10.5
Gearing (%)	33.5	36.7
Net debt to 12-month trailing underlying EBITDA (times)	1.3	1.3
Return on capital employed (%)	19.8	23.6

In order to manage its cost of capital, maintain an appropriate capital structure and meet its ongoing cash flow needs, the Group may issue new debt instruments; adjust the level of dividends paid to shareholders; issue new shares to, or repurchase shares from, investors; or dispose of assets to reduce its net debt exposure.

20 Borrowings

	2019			2018		
€ million	Current	Non-current	Total	Current	Non-current	Total
Secured						
Bank loans and overdrafts	–	–	–	2	–	2
Lease liabilities (see note 11)	25	193	218	22	162	184
Total secured	25	193	**218**	24	162	**186**
Unsecured						
Bonds	500	1,094	1,594	–	1,592	1,592
Bank loans and overdrafts	250	204	454	237	245	482
Other loans	5	5	10	7	3	10
Total unsecured	755	1,303	**2,058**	244	1,840	**2,084**
Total borrowings	**780**	**1,496**	**2,276**	**268**	**2,002**	**2,270**
Committed facilities drawn			1,816			1,871
Uncommitted facilities drawn			460			399

The Group's borrowings as at 31 December are analysed by nature and underlying currency as follows:

2019/€ million	Floating rate borrowings	Fixed rate borrowings	Total carrying value	Fair value
Euro	158	1,679	1,837	1,903
Pounds sterling	106	3	109	109
South African rand	70	29	99	99
Turkish lira	40	26	66	66
US dollar	13	14	27	27
Russian rouble	–	85	85	85
Other currencies	29	24	53	54
Carrying value	**416**	**1,860**	**2,276**	
Fair value	**416**	**1,927**		**2,343**

2018/€ million	Floating rate borrowings	Fixed rate borrowings	Total carrying value	Fair value
Euro	196	1,640	1,836	1,853
Pounds sterling	186	6	192	192
South African rand	6	28	34	34
Turkish lira	52	14	66	65
US dollar	11	20	31	31
Russian rouble	1	71	72	73
Other currencies	17	22	39	39
Carrying value	**469**	**1,801**	**2,270**	
Fair value	**469**	**1,818**		**2,287**

The fair values of the Eurobonds are estimated with reference to the last price quoted in the secondary market. All other financial liabilities are estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The maturity analysis of the Group's borrowings, presented net of interest, is as follows:

2019/€ million	< 1 year	1–2 years	2–5 years	> 5 years	Total[1]
Bonds	500	–	497	597	1,594
Bank loans and overdrafts	250	170	30	4	454
Lease liabilities (see note 11)	25	16	38	139	218
Other loans	5	2	3	–	10
Total borrowings	**780**	**188**	**568**	**740**	**2,276**
Effective interest on borrowings net of amortised costs and discounts	51	32	77	182	342
Total undiscounted cash flows	**831**	**220**	**645**	**922**	**2,618**

2018/€ million	< 1 year	1–2 years	2–5 years	> 5 years	Total[1]
Bonds	–	499	–	1,093	1,592
Bank loans and overdrafts	239	31	200	14	484
Lease liabilities	22	18	30	114	184
Other loans	7	–	3	–	10
Total borrowings	268	548	233	1,221	2,270
Effective interest on borrowings net of amortised costs and discounts	63	36	79	180	358
Total undiscounted cash flows	331	584	312	1,401	2,628

Note:

1 It has been assumed that, where applicable, interest and foreign exchange rates prevailing at the reporting date will not vary over the time periods remaining for future cash outflows

In addition to the above, the Group swaps euro and pound sterling debt into other currencies through the foreign exchange market as disclosed in note 27.

21 Share capital and stated capital

Since its formation in 2007, the Group had been an integrated corporate group established under a DLC structure with dual holding companies, Mondi Limited and Mondi plc. The substance of the DLC structure was such that Mondi Limited, Mondi plc and their respective subsidiaries operated together as a single economic entity through a sharing agreement, with neither parent entity assuming a dominant role. Accordingly, Mondi Limited and Mondi plc were reported on a combined and consolidated basis as a single reporting entity.

On 9 May 2019 the Group's shareholders approved the Simplification of the corporate structure from a DLC structure into a single holding company structure under Mondi plc by way of a South African scheme of arrangement (the 'Scheme') proposed by the Mondi Limited board between Mondi Limited and the Mondi Limited ordinary shareholders. On 11 July 2019 the Scheme became unconditional and, with effect from 26 July 2019, Mondi plc became the holder of all the Mondi Limited ordinary shares while, by other related actions, the DLC arrangements were terminated. Pursuant to the Scheme, Mondi Limited shareholders received one new Mondi plc ordinary share in exchange for each Mondi Limited ordinary share held.

As a result of the Simplification, each Mondi plc shareholder has the same voting and capital interests in the Group as each Mondi plc ordinary shareholder and Mondi Limited ordinary shareholder had under the DLC structure. The Simplification did not result in any changes to the management, operations, locations, activities or staffing levels of the Group, nor, save for one-off expenses to effect the Simplification as disclosed below, did it have any significant impact on the reported profits or net assets of the Group.

Depending on the nature of costs incurred, the Group recognised related transaction costs of €6 million as a deduction from equity in accordance with IAS 32 and €14 million as a financing special item charge, as described in note 3, to effect the Simplification of the corporate structure.

Mondi plc is not restricted in the number of shares that can be issued. Any issue of shares is subject to shareholder approval. Mondi plc ordinary shares issued on the London Stock Exchange and Johannesburg Stock Exchange have a nominal value of €0.20. All ordinary shares are called up, allotted and fully paid.

21 Share capital and stated capital

Mondi plc

Share capital[1]	Ordinary shares Number of shares	Ordinary shares € million	Special converting shares Number of shares	Special converting shares € million	Deferred shares Number of shares	Deferred shares € million	Total € million
At 1 January 2019	367,240,805	74	118,312,975	24	146,896,322	5	103
Conversion of special converting shares[2]	–	–	(118,312,975)	(24)	118,312,975	24	–
Cancellation of deferred shares	–	–	–	–	(265,209,297)	(29)	(29)
Issue of new ordinary shares[3]	118,312,975	23	–	–	–	–	23
At 31 December 2019	**485,553,780**	**97**	**–**	**–**	**–**	**–**	**97**

Mondi Limited

Stated capital[1]	Ordinary shares Number of shares	Ordinary shares € million	Special converting shares Number of shares	Special converting shares € million	Deferred shares Number of shares	Deferred shares € million	Total € million
At 1 January 2019	118,312,975	431	367,240,805	8	–	–	439
Conversion of special converting shares[2]	–	–	(367,240,805)	(8)	367,240,805	8	–
Cancellation of deferred shares	–	–	–	–	(367,240,805)	(8)	(8)
Transfer of ordinary shares from Mondi Limited shareholders to Mondi plc[3]	(118,312,975)	(431)	–	–	–	–	(431)
At 31 December 2019	**–**	**–**	**–**	**–**	**–**	**–**	**–**

Notes:

1 There were no movements in share capital of Mondi plc and stated capital of Mondi Limited in 2018

2 The special converting shares of Mondi Limited and Mondi plc were converted to deferred shares immediately prior to the effective date and time of the Scheme

3 111,430,518 (€22 million) of Mondi Limited ordinary shares were acquired by Mondi plc in exchange for newly issued Mondi plc ordinary shares on a one for one basis pursuant to the transfer mechanism under the Scheme. 6,882,457 (€1 million) of Mondi Limited ordinary shares were acquired by Mondi plc pursuant to the Buyback Option under the Scheme. There were no notices given under section 164(3) of the Companies Act of South Africa 2008

Treasury shares

Treasury shares represent the cost of shares in Mondi plc purchased in the market to satisfy share awards under the Group's employee share schemes (see note 22). These costs are reflected in the consolidated statement of changes in equity. Prior to the Simplification, treasury shares represented the cost of shares in Mondi Limited (held by the Mondi Incentive Schemes Trust) and Mondi plc (held by the Mondi Employee Share Trust). The Simplification resulted in the exchange of the Mondi Limited shares held by the Mondi Incentive Schemes Trust for shares in Mondi plc. Mondi plc assumed the rights and obligations of the Mondi Incentive Schemes Trust and became the residual beneficiary.

	Treasury shares held			
	2019		2018	
at 31 December	Number of shares held	Average price per share	Number of shares held	Average price per share
Mondi Incentive Schemes Trust				
Mondi Limited ordinary shares with no par value	–	–	355,471	ZAR230.96
Mondi plc €0.20 ordinary shares	266,788	ZAR222.25	–	–
Mondi Employee Share Trust				
Mondi plc €0.20 ordinary shares	626,265	GBP17.66	810,641	GBP19.07

A dividend waiver is in place in respect of shares held by the Mondi Employee Share Trust.

22 Share-based payments

Mondi share awards

The Group has established its own share-based payment arrangements to incentivise employees. Full details of the Group's share schemes are set out in the Remuneration report.

The fair values of the share awards granted under the Mondi schemes are calculated with reference to the facts and assumptions presented below:

	BSP 2019	BSP 2018	BSP 2017
Date of grant	29 March 2019	27 March 2018	24 March 2017
Vesting period (years)	3	3	3
Expected leavers p.a. (%)	5	5	5
Grant date fair value per instrument (GBP)	16.98	19.31	19.29
Grant date fair value per instrument (ZAR)	318.78	316.76	300.25
Number of shares conditionally awarded	365,679	266,721	301,175

	LTIP 2019	LTIP 2018	LTIP 2017[1]
Date of grant	29 March 2019	27 March 2018	24 March 2017
Vesting period (years)	3	3	3
Expected leavers p.a. (%)	5	5	5
Expected outcome of meeting performance criteria (%)			
ROCE component	100	100	100
TSR component	25	25	25
Grant date fair value per instrument (GBP)			
ROCE component	16.98	19.31	19.52
TSR component[2]	4.25	4.83	4.88
Grant date fair value per instrument (ZAR)			
ROCE component	318.78	316.76	312.04
TSR component[2]	79.70	79.19	78.01
Number of shares conditionally awarded	465,710	450,955	554,944

Notes:

1 All participants, except the Group CEO and CFO, were granted an award on 24 March 2017. The Group CEO and CFO were granted an award on 12 May 2017 after the remuneration policy approval at the Mondi Limited and Mondi plc AGMs. The weighted average grant date fair value is reflected in the table. All performance requirements are identical for all 2017 LTIP awards

2 The base fair value has been adjusted for contractually-determined market-based performance conditions

All of these schemes were settled by the award of ordinary shares in either Mondi Limited or Mondi plc prior to the Simplification of the corporate structure (see note 21). Post the Simplification all of these schemes awards are settled by the awards of ordinary shares in Mondi plc. The Group has no obligation to settle the awards made under these schemes in cash. An amount equal to the dividends that would have been paid on Bonus Share Plan (BSP) and Long-Term Incentive Plan (LTIP) share awards during the holding period are paid to participants upon vesting.

The total fair value charge in respect of all the Mondi share awards for the year ended 31 December is made up as follows:

€ million	2019	2018
Bonus Share Plan	6	6
Long-Term Incentive Plan	5	5
Total share-based payment expense	**11**	**11**

The weighted average share price of share awards that vested during the period:

	2019	2018
Mondi Limited	ZAR329.50	ZAR327.48
Mondi plc	GBP17.81	GBP19.81

22 Share-based payments

A reconciliation of share award movements for the Mondi share schemes is shown below:

	BSP			LTIP		
number of shares	**Mondi Limited**	**Mondi plc**	**Total**	**Mondi Limited**	**Mondi plc**	**Total**
At 1 January 2018	119,512	790,503	**910,015**	184,432	1,412,613	**1,597,045**
Shares conditionally awarded	20,930	245,791	**266,721**	19,165	431,790	**450,955**
Shares vested	(46,841)	(302,829)	**(349,670)**	(75,283)	(499,002)	**(574,285)**
Shares lapsed	(8,202)	(15,324)	**(23,526)**	(11,063)	(16,365)	**(27,428)**
At 31 December 2018	**85,399**	**718,141**	**803,540**	**117,251**	**1,329,036**	**1,446,287**
Shares conditionally awarded	27,071	338,608	**365,679**	20,302	445,408	**465,710**
Shares vested	(44,968)	(368,199)	**(413,167)**	(47,084)	(387,584)	**(434,668)**
Shares lapsed	–	(30,244)	**(30,244)**	(14,382)	(197,954)	**(212,336)**
Transfer[1]	(67,502)	67,502	**–**	(76,087)	76,087	**–**
At 31 December 2019	**–**	**725,808**	**725,808**	**–**	**1,264,993**	**1,264,993**

Note:

1 The Simplification resulted in the exchange of the Mondi Limited shares held by the Mondi Incentive Schemes Trust for shares in Mondi plc

23 Retirement benefits

The Group operates post-retirement defined contribution, post-retirement defined benefit pension plans and post-retirement medical plans for many of its employees.

Defined contribution plans

The assets of the defined contribution plans are held separately in independently administered funds. The charge in respect of these plans of €14 million (2018: €13 million) is calculated on the basis of the contribution payable by the Group in the financial year. There were no material outstanding or prepaid contributions recognised in relation to these plans as at the reporting dates presented. The expected contributions to be paid to defined contribution plans during 2020 are €13 million.

Defined benefit pension plans and post-retirement medical plans

The Group operates in excess of 100 defined benefit retirement plans across its global operations. A large proportion of the Group's defined benefit plans are closed to new members.

The majority of these plans are unfunded and provide pensions and severance benefits to members of those plans.

The most significant unfunded defined benefit plans are operated in Austria, Germany and Russia and funded plans are operated primarily in the UK. These plans are established in accordance with applicable local labour legislation and/or collective agreements with participating employees.

The benefits are based on a variety of factors, the most significant of which are a combination of pensionable service and final salary. A number of these plans also provide additional benefits in the event of death in service, disability or ill-health retirement which are derived from the final salary benefit formula.

The assets of the funded plans are held separately in independently administered funds, in accordance with statutory requirements or local practice where those funds are operated. The boards of trustees of these plans are required to act in the best interest of the plans and all relevant stakeholders of the plans (active employees, inactive employees, retirees and employers), and are responsible for the investment policy with regard to the assets of the plans.

The post-retirement medical plans provide health benefits to retired employees and certain of their dependants. Eligibility for cover is dependent upon certain criteria. The South African plan is unfunded and has been closed to new participants since 1 January 1999.

Developments in 2019

On 13 December 2018 a change in the Austrian Social Security Law was enacted. Effective 1 January 2020, the law states that the plan liabilities of the Group's Austrian health insurance fund are assumed by the Republic of Austria. The law permitted the Group to establish an independent trust to which it could contribute the health insurance fund plan assets for the benefit of the plan participants. Following further assessment and clarification of the law, and necessary implementation steps, the Group elected to use this option in 2019 and applied the accounting policy as described below.

The accounting treatment and presentation in the consolidated statement of financial position and in this note is considered a critical accounting judgement, in particular whether the change in law is accounted for as a reimbursement right or a third party contribution.

The impact of the change in law is presented at year end 31 December 2019 by analogy to paragraphs 92-94 of IAS 19 (Revised) due to a third party taking on the obligation for future contributions. As there is no requirement under the law for the Group to make continued contributions to fund the current deficit and the current deficit will be funded by another party (the Austrian State and an independent trust), none of that deficit is attributable to the Group at year end. In respect of the future service costs, there is no obligation for the Group to fund these costs. When, subsequent to 31 December 2019, the future service costs are recognised for this health insurance fund, those costs will be covered by the contributions of another party (the Austrian State and an independent trust) at that point in time and are not an obligation of the Group.

The effect of the change in law is classified as a third party taking on the obligation for future contributions which is a one-off non-cash benefit to the Group recognised as a special item reducing total personnel costs by €41 million in 2019. The third party contribution by the Austrian state and the contribution of the plan assets to an independent trust is classified as a special item and presented in the consolidated income statement. An adjustment to the plan liability for the amount to be assumed by the Austrian state is reflected in the consolidated statement of financial position, with a corresponding adjustment to the plan assets for the transfer of assets to an independent trust. The effect of the law change and establishment of an independent trust is presented on a 'net' basis in the consolidated statement of financial position (a net nil position) at year end 2019.

Except for the actuarial risks set out below, the Group has not identified any additional specific risks in respect of these plans.

Defined benefit plans typically expose the Group to the following actuarial risks:

Investment risk (Asset volatility)	The present value of the net retirement benefit liability/asset is calculated using a discount rate determined by reference to high-quality bond yields. If the return on plan assets is below this rate, it will create a plan deficit that needs to be funded/guaranteed by the employer. Currently the plan assets have a relatively balanced investment in equity and bonds. Due to the long-term nature of the plan liabilities, the boards of trustees consider it appropriate that a reasonable portion of the plan assets should be invested in equities.
Interest risk	A decrease in the bond interest rate will increase plan liabilities, however this will be partially offset by an increase in the value of the plan's fixed rate debt instruments.
Longevity risk	The present value of the net retirement benefit liability/asset is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan liabilities.
Salary risk	The present value of the net retirement benefit liability/asset is calculated by reference to the expected future salaries of plan participants. An increase in the salary of the plan participants will increase the plan liabilities.
Medical cost inflation risk	The present value of the post-retirement medical plans is calculated by reference to expected future medical costs. An increase in medical cost inflation will increase the plan liabilities.

Independent qualified actuaries carry out full valuations every year using the projected unit credit method.

Actuarial assumptions

The weighted average principal assumptions used in the actuarial valuations are detailed below:

	2019			2018		
%	South Africa	Europe	Other regions	South Africa	Europe	Other regions
Discount rate	9.2	1.2	8.5	9.8	2.1	10.1
Rate of inflation	5.5	2.2	4.7	6.3	2.3	5.9
Rate of increase in salaries	6.5	2.4	6.3	7.3	2.8	7.2
Rate of increase of pensions in payment	–	2.8	4.0	–	2.9	4.0
Expected average increase of medical costs	7.0	3.7	–	7.8	3.7	–

The assumption for the discount rate for plan liabilities is based on AA corporate bonds, which are of a suitable duration and currency. In South Africa, the discount rate assumption has been based on the zero coupon government bond yield curve.

23 Retirement benefits

Mortality assumptions

The assumed remaining life expectancies on retirement at age 65 are:

	2019			2018		
years	South Africa	Europe	Other regions	South Africa	Europe	Other regions
Retiring today						
Males	16.2	14.1–22.9	15.3–20.7	16.2	14.1–22.9	15.1–20.7
Females	20.3	17.8–27.4	17.7–25.3	20.2	17.7–27.4	17.7–25.3
Retiring in 20 years						
Males	21.8	14.1–25.5	15.3–21.0	21.7	14.1–25.4	15.1–21.0
Females	25.9	17.8–27.8	17.7–25.3	25.8	17.7–27.8	17.7–25.3

The mortality assumptions have been based on published mortality tables in the relevant jurisdictions.

The amounts recognised in the consolidated statement of financial position are determined as follows:

	2019				2018			
€ million	South Africa	Europe	Other regions	Total	South Africa	Europe	Other regions	Total
Present value of unfunded liabilities	(47)	(129)	(20)	(196)	(45)	(126)	(16)	(187)
Present value of funded liabilities	–	(140)	(2)	(142)	–	(173)	(3)	(176)
Present value of plan liabilities	**(47)**	**(269)**	**(22)**	**(338)**	**(45)**	**(299)**	**(19)**	**(363)**
Fair value of plan assets	–	130	–	130	–	135	–	135
Plan liabilities net of plan assets	**(47)**	**(139)**	**(22)**	**(208)**	**(45)**	**(164)**	**(19)**	**(228)**
Amounts reported in consolidated statement of financial position								
Defined benefit pension plans	–	17	–	17	–	6	–	6
Net retirement benefits asset	**–**	**17**	**–**	**17**	**–**	**6**	**–**	**6**
Defined benefit pension plans	–	(156)	(22)	(178)	–	(149)	(19)	(168)
Post-retirement medical plans	(47)	–	–	(47)	(45)	(21)	–	(66)
Net retirement benefits liability	**(47)**	**(156)**	**(22)**	**(225)**	**(45)**	**(170)**	**(19)**	**(234)**

The changes in the present value of defined benefit liabilities and fair value of plan assets are as follows:

	Defined benefit liabilities		Fair value of plan assets		Net liability	
€ million	2019	2018	2019	2018	2019	2018
At 1 January	(363)	(367)	135	142	(228)	(225)
Included in consolidated income statement						
Current service cost	(5)	(5)	–	–	(5)	(5)
Past service cost	(1)	(1)	–	–	(1)	(1)
Gain/(loss) from settlement	59	(2)	(16)	–	43	(2)
Interest	(12)	(11)	3	3	(9)	(8)
Included in consolidated statement of comprehensive income						
Remeasurement losses	(31)	(6)	–	–	(31)	(6)
Return on plan assets	–	–	10	(6)	10	(6)
Acquired through business combinations	–	(1)	–	–	–	(1)
Disposal of businesses	2	–	(2)	–	–	–
Contributions paid by scheme members	(3)	(3)	3	3	–	–
Contributions paid by employer	–	–	1	3	1	3
Benefits paid	25	24	(10)	(10)	15	14
Currency movements	(9)	9	6	–	(3)	9
At 31 December	**(338)**	**(363)**	**130**	**135**	**(208)**	**(228)**

The expected maturity analysis of undiscounted retirement benefits is as follows:

€ million	2019			2018		
	Defined benefit pension plans	Post-retirement medical plans	Total	Defined benefit pension plans	Post-retirement medical plans	Total
Less than a year	10	4	**14**	10	11	**21**
Between one and two years	11	4	**15**	13	4	**17**
Between two to five years	31	14	**45**	31	13	**44**
After five years	227	118	**345**	248	133	**381**

The weighted average duration of the defined retirement benefits liability for South Africa is nine years (2018: nine years), Europe 14 years (2018: 15 years) and other regions 13 years (2018: 13 years).

It is expected that the Group's share of contributions will increase as the schemes' members age. The expected contributions to be paid to defined benefit pension plans and post-retirement medical plans during 2020 are €15 million.

The market values of the plan assets in these plans are detailed below:

€ million	2019			2018		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
External equity	12	–	**12**	12	–	**12**
Bonds	32	–	**32**	51	–	**51**
Insurance contracts	11	15	**26**	–	17	**17**
Cash	1	–	**1**	8	–	**8**
Liability driven investment (LDI) portfolio	59	–	**59**	47	–	**47**
Fair value of plan assets	**115**	**15**	**130**	**118**	**17**	**135**

The majority of the Group's plan assets are located in the UK and the asset-liability matching/investing strategy in the UK is that the trustees invest in diverse portfolios of pooled funds and insured annuities. The long-term objective is to ensure that each plan can continue to meet the benefit payments without exposing either the plan or the Group to an undue level of risk. The mix of investments in each plan is determined taking into account the maturity, currency and nature of the expected benefit payments required. The LDI portfolio is constituted of bonds and derivatives and is a UK plan asset which is designed to hedge the interest rate risk of the pension fund liabilities.

There are no other financial instruments or property owned by the Group included in the fair value of plan assets.

The fair values of equity, bonds and cash are determined based on quoted prices in active markets. The fair value of insurance contracts is determined in accordance with IAS 19.

The actual return on plan assets in respect of defined benefit plans was a gain of €13 million (2018: loss of €3 million).

The market value of assets is used to determine the funding level of the plans and is sufficient to cover 92% (2018: 77%) of the benefits which have accrued to members, after allowing for expected increases in future earnings and pensions. Companies within the Group are paying contributions at rates agreed with the plans' trustees and in accordance with local independent actuarial advice and statutory provisions.

In certain jurisdictions, Group plans are subject to minimum funding requirements. At 31 December 2019, these minimum funding requirements did not give rise to the recognition of any additional liabilities.

Sensitivity analyses

The sensitivity analyses below have been determined based on reasonably possible changes to the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

The sensitivity analyses may not be representative of the actual changes in the net retirement benefits asset/(liability) as it is unlikely that the changes in assumptions would occur in isolation of one another and some of the assumptions may be inter-related. The projected unit credit method was used to calculate the sensitivity analyses below.

23 Retirement benefits

The sensitivity table is based on an illustrative 1% change, however the estimates may vary by greater amounts. Therefore the Group considers the retirement benefit obligations a key estimate.

€ million	1% increase	1% decrease
Discount rate		
(Decrease)/increase in current service cost	(1)	1
(Decrease)/increase in net retirement benefits liability	(39)	47
Rate of inflation		
Increase in current service cost	1	–
Increase/(decrease) in net retirement benefits liability	33	(29)
Rate of increase in salaries		
Increase in current service cost	1	–
Increase/(decrease) in net retirement benefits liability	11	(11)
Rate of increase of pensions in payment		
Decrease in current service cost	–	–
Increase/(decrease) in net retirement benefits liability	19	(16)
Medical cost trend rate		
Decrease in aggregate of the current service cost and interest cost	–	(1)
Increase/(decrease) in net retirement benefits liability	4	(3)
Mortality rates	**1 year increase**	
Increase in current service cost	–	
Increase in net retirement benefits liability	12	

24 Consolidated cash flow analysis

(a) Reconciliation of profit before tax to cash generated from operations

€ million	2019	2018
Profit before tax	**1,103**	**1,105**
Depreciation and amortisation	433	444
Impairment of property, plant and equipment (not included in special items)	2	2
Share-based payments	11	11
Net cash flow effect of current and prior year special items	(6)	97
Net finance costs	104	88
Net profit from equity accounted investees	–	(1)
Decrease in provisions and net retirement benefits	(23)	(7)
Increase in inventories	(1)	(112)
Decrease/(increase) in operating receivables	91	(84)
(Decrease)/increase in operating payables	(55)	79
Fair value gains on forestry assets	(71)	(43)
Felling costs	64	60
Profit on disposal of property, plant and equipment	(2)	(1)
Net (profit)/loss from disposal of businesses and equity accounted investees	(9)	3
Other adjustments	(6)	13
Cash generated from operations	**1,635**	**1,654**

(b) Cash and cash equivalents

€ million	2019	2018
Cash and cash equivalents per consolidated statement of financial position	74	52
Bank overdrafts included in short-term borrowings	(81)	(44)
Cash and cash equivalents per consolidated statement of cash flows	**(7)**	**8**

The fair value of cash and cash equivalents approximate their carrying values presented.

The Group operates in certain countries (principally South Africa) where the existence of exchange controls may restrict the use of certain cash balances. These restrictions are not expected to have any material effect on the Group's ability to meet its ongoing obligations.

(c) Movement in net debt

The Group's net debt position is as follows:

€ million	Cash and cash equivalents	Current financial asset investments	Total assets	Debt due within one year	Debt due after one year	Debt-related derivative financial instruments	Total debt	Total net debt
At 1 January 2018	(66)	1	**(65)**	(187)	(1,280)	–	**(1,467)**	**(1,532)**
Cash flow	67	–	**67**	16	(765)	–	**(749)**	**(682)**
Additions to lease liabilities	–	–	**–**	(5)	(19)	–	**(24)**	**(24)**
Disposal of lease liabilities	–	–	**–**	2	4	–	**6**	**6**
Acquired through business combinations	–	–	**–**	(31)	(1)	–	**(32)**	**(32)**
Movement in unamortised loan costs	–	–	**–**	–	(2)	–	**(2)**	**(2)**
Net movement in derivative financial instruments	–	–	**–**	–	–	(2)	**(2)**	**(2)**
Reclassification	–	–	**–**	(39)	42	–	**3**	**3**
Currency movements	7	–	**7**	20	19	(1)	**38**	**45**
At 31 December 2018	**8**	**1**	**9**	**(224)**	**(2,002)**	**(3)**	**(2,229)**	**(2,220)**
Cash flow	(16)	–	**(16)**	43	48	–	**91**	**75**
Additions to lease liabilities	–	–	**–**	(10)	(48)	–	**(58)**	**(58)**
Disposal of lease liabilities	–	–	**–**	2	9	–	**11**	**11**
Disposal of businesses	–	–	**–**	1	–	–	**1**	**1**
Movement in unamortised loan costs	–	–	**–**	–	(2)	–	**(2)**	**(2)**
Net movement in derivative financial instruments	–	–	**–**	–	–	(3)	**(3)**	**(3)**
Reclassification	–	–	**–**	(517)	517	–	**–**	**–**
Currency movements	1	–	**1**	6	(18)	–	**(12)**	**(11)**
At 31 December 2019	**(7)**	**1**	**(6)**	**(699)**	**(1,496)**	**(6)**	**(2,201)**	**(2,207)**

24 Consolidated cash flow analysis

(d) Cash flow generation

€ million	2019	2018
Net cash generated from operating activities	**1,388**	**1,407**
Investing activities	**(50)**	**(42)**
Net cash used in investing activities	(794)	(1,157)
Investment in property, plant and equipment	757	709
Investment in equity accounted investees	5	7
Proceeds from the disposal of businesses, net of cash and cash equivalents	(20)	(3)
Acquisition of businesses, net of cash and cash equivalents	2	402
Financing activities	**(123)**	**(139)**
Interest paid	(96)	(73)
Dividends paid to non-controlling interests	(3)	(18)
Purchases of treasury shares	(12)	(15)
Transaction costs relating to the issue of share capital	(6)	–
Financing special item	(14)	–
Net cash inflow/(outflow) from derivatives	3	(25)
Other financing activities	5	(8)
Cash flow generation	**1,215**	**1,226**

25 Capital commitments

€ million	2019	2018
Contracted for but not provided	442	434
Approved, not yet contracted for	1,214	1,606
Total capital commitments	**1,656**	**2,040**

These capital commitments relate to the following categories of non-current non-financial assets:

€ million	2019	2018
Intangible assets	47	40
Property, plant and equipment	1,609	2,000
Total capital commitments	**1,656**	**2,040**

The expected maturity of these capital commitments is:

€ million	2019	2018
Within one year	744	842
One to two years	487	663
Two to five years	425	535
Total capital commitments	**1,656**	**2,040**

Capital commitments are based on capital projects approved by the end of the financial year and the budget approved by the Board. Major capital projects still require further approval before they commence and are not included in the above analysis. The Group's capital commitments are expected to be financed from existing cash resources and borrowing facilities.

26 Contingent liabilities

Contingent liabilities comprise aggregate amounts as at 31 December 2019 of €3 million (2018: €6 million) in respect of loans and guarantees given to banks and other third parties. No acquired contingent liabilities have been recorded in the Group's consolidated statement of financial position for either year presented.

The Group is subject to certain legal proceedings, claims, complaints and investigations arising out of the ordinary course of business. Legal proceedings may include, but are not limited to, alleged breach of contract and alleged breach of environmental, competition, securities and health and safety laws. The Group may not be fully, or partly, insured in respect of such risks. The Group cannot predict the outcome of individual legal actions or claims or complaints or investigations. The Group may settle litigation or regulatory proceedings prior to a final judgement or determination of liability. The Group may do so to avoid the cost, management efforts or negative business, regulatory or reputational consequences of continuing to contest liability, even when it considers it has valid defences to liability. The Group considers that no material loss to the Group is expected to result from these legal proceedings, claims, complaints and investigations. Provision is made for all liabilities that are expected to materialise through legal and tax claims against the Group.

27 Financial instruments

The Group's trading and financing activities expose it to various financial risks that, if left unmanaged, could adversely impact current or future earnings. Although not necessarily mutually exclusive, these financial risks are categorised separately according to their different generic risk characteristics and include market risk (foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group is actively engaged in the management of all of these financial risks in order to minimise their potential adverse impact on the Group's financial performance.

The principles, practices and procedures governing the group-wide financial risk management process have been approved by the Board and are overseen by the executive committee. In turn, the executive committee delegates authority to a central treasury function (Group treasury) for the practical implementation of the financial risk management process across the Group and for ensuring that the Group's entities adhere to specified financial risk management policies. Group treasury continually reassesses and reports on the financial risk environment; identifying, evaluating and hedging financial risks by entering into derivative contracts with counterparties where appropriate. The Group does not take speculative positions on derivative contracts.

(a) Financial instruments by category

2019/€ million	Fair value hierarchy	At amortised cost	At fair value through profit or loss	At fair value through OCI	Total
Financial assets					
Trade and other receivables[1]		959	–	–	959
Financial asset investments	Level 2	12	19	–	31
Derivative financial instruments	Level 2	–	5	–	5
Cash and cash equivalents		74	–	–	74
Total		**1,045**	**24**	**–**	**1,069**

2018/€ million	Fair value hierarchy	At amortised cost	At fair value through profit or loss	At fair value through OCI	Total
Financial assets					
Trade and other receivables[1]		1,047	–	–	1,047
Financial asset investments	Level 2	3	18	–	21
Derivative financial instruments	Level 2	–	8	1	9
Cash and cash equivalents		52	–	–	52
Total		**1,102**	**26**	**1**	**1,129**

Note:

1 Excludes tax, social security, prepayments and accrued income

The fair values of financial assets investments represent the published prices of the securities concerned.

27 Financial instruments

2019/€ million	Fair value hierarchy	At amortised cost	At fair value through profit or loss	At fair value through OCI	Total
Financial liabilities					
Borrowings – bonds	Level 1	(1,594)	–	–	(1,594)
Borrowings – loans and overdrafts	Level 2	(464)	–	–	(464)
Lease liabilities	Level 3	(218)	–	–	(218)
Trade and other payables[1]		(1,084)	–	–	(1,084)
Derivative financial instruments	Level 2	–	(7)	(2)	(9)
Other non-current liabilities	Level 2/3	(16)	–	–	(16)
Total		**(3,376)**	**(7)**	**(2)**	**(3,385)**

2018/€ million	Fair value hierarchy	At amortised cost	At fair value through profit or loss	At fair value through OCI	Total
Financial liabilities					
Borrowings – bonds	Level 1	(1,592)	–	–	(1,592)
Borrowings – loans and overdrafts	Level 2	(494)	–	–	(494)
Lease liabilities	Level 3	(184)	–	–	(184)
Trade and other payables[1]		(1,121)	–	–	(1,121)
Derivative financial instruments	Level 2	–	(12)	(1)	(13)
Other non-current liabilities	Level 2/3	(14)	–	–	(14)
Total		**(3,405)**	**(12)**	**(1)**	**(3,418)**

Note:
1 Excludes tax, social security and deferred income

(b) Fair value measurement

There have been no transfers of assets or liabilities between levels of the fair value hierarchy during the year.

Except as detailed below, the carrying values of financial instruments at amortised cost as presented in the consolidated financial statements approximate their fair values.

	Carrying amount		Fair value	
€ million	2019	2018	2019	2018
Financial liabilities				
Borrowings	2,276	2,270	2,343	2,287

(c) Financial risk management

Market risk

The Group's activities expose it primarily to foreign exchange and interest rate risk. Both risks are actively monitored on a regular basis and managed through the use of foreign exchange contracts and interest rate swaps as appropriate. Although the Group's cash flows are exposed to movements in key input and output prices, such movements represent commercial rather than financial risk inherent to the Group.

Foreign exchange risk

The Group operates globally and is exposed to foreign exchange risk in the normal course of its business. Multiple currency exposures arise from commercial transactions denominated in foreign currencies, recognised financial assets and liabilities (monetary items) denominated in foreign currencies and translational exposure on net investments in foreign operations.

Foreign exchange contracts

The Group's treasury policy requires subsidiaries to actively manage foreign currency transactional exposures against their functional currencies by entering into foreign exchange contracts. For segmental reporting purposes, each subsidiary enters into, and accounts for, foreign exchange contracts with Group treasury or with counterparties that are external to the Group, whichever is more commercially appropriate.

Only material balance sheet exposures and highly probable forecast capital expenditure transactions are hedged.

Foreign currency sensitivity analysis

Foreign exchange risk sensitivity analysis has been performed on the foreign currency exposures inherent in the Group's financial assets and financial liabilities at the reporting dates presented, net of related foreign exchange contracts. The sensitivity analysis provides an indication of the impact on the Group's reported earnings of reasonably possible changes in the currency exposures embedded within the functional currency environments that the Group operates in. In addition, an indication is provided of how reasonably possible changes in foreign exchange rates might impact on the Group's equity, as a result of fair value adjustments to foreign exchange contracts designated as cash flow hedges. Reasonably possible changes are based on an analysis of historical currency volatility, together with any relevant assumptions regarding near-term future volatility.

Net monetary foreign currency exposures by functional currency zone

	Net monetary foreign currency exposures – assets/(liabilities)[1]			
	2019		2018	
€ million	**EUR**	**Other**	**EUR**	**Other**
Functional currency zones[2]				
Euro	–	(4)	–	(10)
South African rand	(3)	(3)	(6)	(4)
Czech koruna	1	1	14	–
Polish zloty	(11)	1	(7)	2
Russian rouble	(26)	(1)	13	(11)
Swedish krona	(41)	–	(26)	–
Turkish lira	(5)	1	(22)	(2)
Other	(68)	12	(66)	17

Notes:

1 Presented in euro, the presentation currency of the Group

2 Net monetary exposures represent financial assets less financial liabilities denominated in currencies other than the applicable functional currency, adjusted for the effects of foreign exchange risk hedging, excluding cash flow hedging of non-monetary assets and liabilities

Resultant impacts of reasonably possible changes to foreign exchange rates

The Group considers that for each functional to foreign currency net monetary exposure it is reasonable to assume a 5% appreciation/depreciation of the functional currency. If all other variables are held constant, the table below presents the impacts on the Group's consolidated income statement if these currency movements had occurred.

	Income/(expense)			
	2019		2018	
€ million	**+5%**	**-5%**	**+5%**	**-5%**
Functional currency zones				
Czech koruna	–	–	1	(1)
Swedish krona	2	(2)	1	(1)
Other	5	(5)	5	(5)

The corresponding fair value impact on the Group's equity, resulting from the application of these reasonably possible changes to the valuation of the Group's foreign exchange contracts designated as cash flow hedges, would have been €1 million. It has been assumed that changes in the fair value of foreign exchange contracts designated as cash flow hedges of non-monetary assets and liabilities are fully recorded in equity and that all other variables are held constant.

Interest rate risk

The Group holds cash and cash equivalents, which earn interest at a variable rate and has variable and fixed rate debt in issue. Consequently, the Group is exposed to interest rate risk. Although the Group has fixed rate debt in issue, the Group's accounting policy stipulates that all borrowings be held at amortised cost. As a result, the carrying value of fixed rate debt is not sensitive to changes in credit conditions in the relevant debt markets and there is, therefore, no exposure to fair value interest rate risk.

27 Financial instruments

Management of cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with short-term highly liquid investments which have a maturity of three months or less from the date of acquisition. Centralised cash pooling arrangements are in place, which ensure that cash is utilised most efficiently for the ongoing working capital needs of the Group's operating units and, in addition, to ensure that the Group earns the most advantageous rates of interest available.

Management of variable rate debt

The Group has multiple variable rate debt facilities, of which the most significant is the Syndicated Revolving Credit Facility (see note 19). When deemed necessary, Group treasury uses interest rate swaps to hedge certain exposures to movements in the relevant interbank lending rates.

The Group's cash and cash equivalents act as a natural hedge to movements in the relevant interbank lending rates on its variable rate debt, subject to any interest rate differentials that exist between the Group's corporate saving and lending rates.

Net variable rate debt sensitivity analysis

The net variable rate exposure represents variable rate debt less the future cash outflows swapped from variable-to-fixed via interest rate swap instruments and cash and cash equivalents. Reasonably possible changes in interest rates have been applied to the net variable rate exposure, denominated by currency, in order to provide an indication of the possible impact on the Group's consolidated income statement.

Interest rate risk sensitivities on variable rate debt

	Interest rate risk exposures					
	2019			2018		
€ million	**EUR**	**Other**	**Total**	**EUR**	**Other**	**Total**
Total debt	1,837	439	2,276	1,836	434	2,270
Less:						
Fixed rate debt	(1,608)	(34)	(1,642)	(1,593)	(24)	(1,617)
Lease liabilities	(71)	(147)	(218)	(47)	(137)	(184)
Cash and cash equivalents	(13)	(61)	(74)	(10)	(42)	(52)
Net variable rate debt and exposure	**145**	**197**	**342**	**186**	**231**	**417**

Included in other is net variable exposure to various currencies, the most significant of which are Polish zloty and South African rand (2018: South African rand and Turkish lira).

The Group did not have any outstanding interest rate swaps at 31 December 2019 (2018: €nil).

The potential impact on the Group's consolidated equity resulting from the application of +50 basis points to the variable interest rate exposure would be a gain of €2 million and vice versa for a -50 fall in basis points.

In addition to the above, the Group swaps euro and pound sterling debt into other currencies through the foreign exchange market using foreign exchange contracts which has the effect of exposing the Group to the interest rates of these currencies. The currencies swapped into/(out of) and the amounts as at 31 December were as follows:

€ million	**2019**	**2018**
Short-dated contracts with tenures of less than 12 months		
Pound sterling	(48)	(145)
Czech koruna	369	378
Polish zloty	339	285
Russian rouble	28	(91)
Swedish krona	40	39
US dollar	50	54
Other	141	118
Total swapped against the euro	**919**	**638**

Credit risk

The Group's credit risk is mainly confined to the risk of customers defaulting on sales invoices raised. The Group's exposure to the credit risk inherent in its trade receivables and the associated risk management techniques that the Group deploys in order to mitigate this risk are discussed in note 16.

Several Group entities have also issued certain financial guarantees to external counterparties in order to achieve competitive funding rates for specific debt agreements entered into by other Group entities. None of these financial guarantees contractually obligates the Group to pay more than the recognised financial liabilities in the entities concerned. As a result, these financial guarantee contracts have no bearing on the credit risk profile of the Group as a whole.

Liquidity risk

Liquidity risk is the risk that the Group could experience difficulties in meeting its commitments to creditors as financial liabilities fall due for payment. The Group manages its liquidity risk by using reasonable and retrospectively assessed assumptions to forecast the future cash-generative capabilities and working capital requirements of the businesses it operates and by maintaining sufficient reserves, committed borrowing facilities and other credit lines as appropriate.

The following table shows the amounts available to draw down on the Group's committed loan facilities:

€ million	2019	2018
Expiry date		
Within one year	57	48
Two to five years	603	568
Total committed facilities available (see note 19)	**660**	**616**

Forecast liquidity represents the Group's expected cash inflows, principally generated from sales made to customers, less the Group's expected cash outflows, principally related to the payment of employees, supplier payments and the repayment of borrowings plus the payment of any interest accruing thereon. The matching of these cash inflows and outflows rests on the expected ageing profiles of the underlying assets and liabilities.

Short-term financial assets and financial liabilities are primarily represented by the Group's trade receivables and trade payables. The matching of the cash flows that result from trade receivables and trade payables typically takes place over a period of three to four months from recognition in the consolidated statement of financial position and is managed to ensure the ongoing operating liquidity of the Group.

Financing cash outflows may be longer-term in nature. The Group does not hold long-term financial assets to match against these commitments, but is significantly invested in long-term non-financial assets which generate the sustainable future cash inflows, net of future capital expenditure requirements, needed to service and repay the Group's borrowings.

(d) Derivative financial instruments

At 31 December 2019, the Group recognised total derivative assets of €5 million (2018: €9 million) and derivative liabilities of €9 million (2018: €13 million). The full net liability of €4 million (2018: net liability of €4 million) will mature within one year.

The notional amount of €1,691 million (2018: €1,725 million) is the aggregate face value of all derivatives outstanding at the reporting date. They do not indicate the contractual future cash flows of the derivative instruments held or their current fair value and, therefore, do not indicate the Group's exposure to credit or market risks. Of the €1,691 million (2018: €1,725 million) aggregate notional amount, €1,301 million (2018: €1,300 million) relates to the economic hedging of foreign exchange exposures on short-term inter-company funding balances, which are fully eliminated on consolidation.

Derivative financial instruments are subject to International Swaps and Derivatives Association (ISDA) master netting agreements. The amounts are not offset in the consolidated statement of financial position.

Hedging

Cash flow hedges

The Group designates certain derivative financial instruments as cash flow hedges. The fair value gains/(losses) are reclassified from the cash flow hedge reserve to the consolidated income statement in the period when the hedged transaction affects profit and loss. For non-current non-financial assets, these gains/(losses) are included in the carrying value of the asset and depreciated over the same useful life as the cost of the asset.

Fair value losses of €2 million (2018: €nil) were reclassified from the cash flow hedge reserve to property, plant and equipment during the current year. There was no ineffectiveness recognised in the consolidated income statement arising on cash flow hedges for both years presented.

28 Related party transactions

The Group and its subsidiaries, in the ordinary course of business, enter into various sale, purchase and service transactions with equity accounted investees and others in which the Group has a material interest. These transactions are under terms that are no less favourable than those arranged with third parties. These transactions, in total, are not considered to be significant.

Transactions between Mondi plc and its subsidiaries, which are related parties, and transactions between its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

	Associates	
€ million	**2019**	**2018**
Sales to related parties	23	18
Purchases from related parties	213	208
Receivables due from related parties	1	2
Payables due to related parties	36	44

Compensation for the Board and key management

In accordance with IAS 24, 'Related Party Disclosures', key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, and includes directors (both Executive and Non-Executive) of Mondi plc. The Board and those members of the Group executive committee who are not directors comprise the key management personnel of the Group. The remuneration of the directors is disclosed in the Remuneration report.

€ million	2019	2018
Salaries and short-term employee benefits	7.4	8.4
Non-Executive Directors	1.1	1.1
Defined contribution plan payments	0.9	0.9
Social security costs	0.9	0.7
Share-based payments	4.8	5.1
Total	**15.1**	**16.2**

Details of the transactions between the Group and its pension and post-retirement medical plans are disclosed in note 23.

29 Group companies

Composition of the Group

The subsidiaries of the Group as at 31 December 2019 are set out in note 11 of the Mondi plc parent company financial statements. All of these interests are consolidated within the Group's financial statements.

The Group has no material joint ventures or associates.

Refer to Mondi's global footprint on pages 6 and 7 of the overview to the Integrated report for more information on the places of operation.

A list of subsidiaries taking advantage of an exemption from audit under section 479A of the Companies Act 2006 is disclosed in note 9 of the Mondi plc parent company financial statements.

Details of non-wholly-owned subsidiaries

	Proportion of ownership interests and voting rights held by non-controlling interests (%)		Profit attributable to non-controlling interests		Equity attributable to non-controlling interests	
€ million, unless otherwise stated	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Mondi SCP, a.s.	49	49	22	30	297	278
Individually immaterial subsidiaries with non-controlling interests			12	12	73	62
Total			**34**	**42**	**370**	**340**

Summarised financial information of the Group's material non-controlling interest is as follows:

Mondi SCP, a.s.

€ million	**2019**	**2018**
Statement of financial position		
Non-current assets	687	542
Current assets	253	352
Current liabilities	(196)	(193)
Non-current liabilities	(129)	(126)
Net assets	**615**	**575**
Equity attributable to owners of the company	318	297
Equity attributable to non-controlling interests	297	278
Income statement and statement of comprehensive income		
Revenue	759	806
Operating costs (including taxation)	(713)	(743)
Profit for the year	**46**	**63**
Attributable to owners of the company	24	33
Attributable to non-controlling interests	22	30
Profit and total comprehensive income for the year	**46**	**63**
Dividends paid to non-controlling interests	**–**	**15**
Statement of cash flows		
Net cash inflow from operating activities	93	113
Net cash outflow from investing activities	(183)	(79)
Net cash outflow from financing activities	(1)	(34)
Net cash outflow	**(91)**	**–**

The summarised financial information represents amounts before intra-group eliminations.

30 Events occurring after 31 December 2019

In addition to the final ordinary dividend proposed for 2019 (see note 9), there have been the following material reportable events since 31 December 2019:

→ The Group has concluded the consultation with employee representatives relating to the closure of two consumer flexibles plants in the UK. Restructuring and closure costs and related impairment of assets of €4 million were recognised as a special item in 2019. Total restructuring and closure costs are expected to exceed €10 million.

→ In February 2020, the Group entered into a €250 million debt facility maturing in August 2021.

31 Accounting policies

Basis of consolidation

The consolidated financial statements incorporate the revenues, expenses, assets, liabilities, equity and cash flows of Mondi plc and its subsidiaries (the Group), and the Group's share of equity accounted investees drawn up to 31 December each year. All intra-group balances and transactions are eliminated.

Prior to the Simplification (see note 21), Mondi Limited and Mondi plc were reported on a combined and consolidated basis as a single reporting entity. The combined and consolidated financial statements incorporated the revenues, expenses, assets, liabilities, equity and cash flows of Mondi Limited and Mondi plc, and its respective subsidiaries and the Group's share of equity accounted investees.

A subsidiary is an entity over which the Group has control. Control is evident where the Group is exposed to, or has rights to, variable returns from its involvement with that entity and has the ability to affect those returns through its power over that entity.

The results of subsidiaries acquired or disposed of during the years presented are included in the consolidated income statement from the effective date of acquiring control or up to the effective date of disposal.

Non-controlling interests are measured, at initial recognition, as the non-controlling proportion of the fair values of the assets and liabilities recognised at acquisition.

After initial recognition, non-controlling interests are measured as the aggregate of the value at initial recognition and their subsequent proportionate share of profits and losses less any distributions made.

Changes in the Group's interests in subsidiaries that do not result in a change in control are accounted for as equity transactions. Any resulting difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration payable or receivable is recognised directly in equity and attributed to the shareholders.

Foreign currency transactions and translation

Foreign currency transactions

Foreign currency transactions are translated into the functional currency of the entity that has undertaken the transaction using the exchange rates ruling on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the reporting date. Gains and losses arising on translation are included in the consolidated income statement and are classified as either operating or financing consistent with the nature of the monetary item giving rise to them.

Translation of overseas operations

The Group's results are presented in euro, the currency in which most of its business is conducted. On consolidation, the assets and liabilities of the Group's overseas operations are translated into the presentation currency of the Group at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the month in which they occur where these approximate the rates on the dates of the underlying transactions. Exchange differences, if any, are recognised directly in other comprehensive income, and accumulated in equity. Such translation differences are reclassified to profit or loss only on disposal or partial disposal of the overseas operation.

Fair value measurement

Assets and liabilities that are measured at fair value, or where the fair value of financial instruments has been disclosed in notes to the consolidated financial statements, are based on the following fair value measurement hierarchy:

- level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- level 3 – inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The assets measured at fair value on level 3 of the fair value measurement hierarchy are the Group's forestry assets as set out in note 14.

The fair values of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) are determined using generally accepted valuation techniques. These valuation techniques maximise the use of observable market data and rely as little as possible on Group specific estimates.

Specific valuation methodologies used to value financial instruments include:

- the fair values of interest rate swaps and foreign exchange contracts are calculated as the present value of expected future cash flows based on observable yield curves and exchange rates;
- the fair values of the Group's commodity price derivatives are calculated as the present value of expected future cash flows based on observable market data; and
- other techniques, including discounted cash flow analysis, are used to determine the fair values of other financial instruments.

Segmental reporting (note 2)

The Group's operating segments are reported in a manner consistent with the internal reporting provided to the executive committee, the chief operating decision-making body. The operating segments are managed based on the nature of the underlying products produced by those businesses and comprise four distinct segments (2018: three distinct segments).

Measurement of operating segment revenues, profit or loss, assets and non-current non-financial assets

Each of the reportable segments derives its income from the sale of manufactured products.

The operating segment measures adhere to the recognition and measurement criteria presented in the Group's accounting policies and are presented on an underlying basis, excluding special items. The Group has presented certain non-IFRS measures (Alternative Performance Measures) by segment to supplement the user's understanding. All intra-group transactions are conducted on an arm's length basis.

Revenue from contracts with customers (note 2)

Sale of goods

Revenue is recognised from the sale of goods and is measured at the amount of the transaction price received in exchange for transferring goods. The transaction price is the expected consideration to be received, to the extent that it is highly probable that there will not be a significant reversal of revenue in future, after deducting discounts, volume rebates, value added tax and other sales taxes. When the period of time between delivery of goods and subsequent payment by the customer is less than one year, no adjustment for a financing component is made.

Control of the goods is passed when title and insurance risk have passed to the customer, which is typically when the goods have been delivered to a contractually agreed location.

The incremental costs of obtaining a contract are recognised as an expense when the period of amortisation over which the costs would have been recognised is one year or less. If not, these costs are capitalised and amortised on a basis consistent with the transfer of goods to the customer to which the asset relates.

Transport revenue

Transport revenue is considered distinct when the Group provides transport services after the point in time when control of goods has passed to the customer. Such revenue is recognised over time.

Other income

Sale of green energy and CO_2e credits (note 15)

Income generated from the sale of green energy and CO_2e credits issued under international trading schemes is measured at the consideration received in exchange for transferring such credits. The income is recorded within other net operating expenses in the consolidated income statement when ownership rights pass to the buyer. Any unsold green energy credits are recorded in inventory.

31 Accounting policies

Investment income (note 6)

Interest income, which is derived from cash and cash equivalents and other interest-bearing financial assets, is accrued on a time proportion basis, by reference to the principal outstanding and at the applicable effective interest rate.

Taxation (note 7)

The tax expense represents the sum of the current tax charge and the deferred tax charge.

Current tax

The current tax charge is based on taxable profit for the year. The Group's asset/liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date. The Group is regularly subject to routine tax audits. Provision is made based on the tax laws in the relevant country and the expected outcomes of any negotiations or settlements.

The Group is subject to corporate taxes in a number of jurisdictions and a degree of estimation and judgement is required in determining the appropriate tax provision for transactions where the tax treatment is uncertain. In these circumstances, the Group recognises provisions for taxes based on information available where the anticipated liability is both probable and estimable.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amount of assets and liabilities in the Group's consolidated financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill or from the initial recognition, other than in a business combination, of other assets and liabilities in a transaction that affects neither the tax profit nor accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date. The carrying amount is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered within a reasonable period of time. Similarly, it is increased to the extent that it becomes probable that sufficient taxable profit will be available in the future for all or part of the deferred tax asset to be recovered within a reasonable period of time.

Deferred tax is calculated at the tax rates that have been enacted or substantively enacted and are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited to the consolidated income statement, except when it relates to items charged or credited directly to other comprehensive income and accumulated in equity, in which case the deferred tax is also taken directly to other comprehensive income and accumulated in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same tax authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The Group applies the initial recognition exemption model to account for any investment tax credits. Deferred tax is not recognised for temporary differences relating to investment tax credits due to the availability of the initial recognition exemption.

Earnings per share (EPS) (note 8)

Basic EPS

The basic EPS is calculated by dividing net profit attributable to ordinary shareholders by the weighted average number of Mondi plc shares in issue during the year, net of treasury shares.

Prior to the Simplification (see note 21) the basic EPS was calculated by dividing net profit attributable to ordinary shareholders by the weighted average number of the sum of ordinary Mondi Limited and Mondi plc shares in issue during the year, net of treasury shares.

Diluted EPS

For diluted EPS, the weighted average number of Mondi plc ordinary shares in issue, net of treasury shares, is adjusted to assume conversion of all dilutive potential ordinary shares. At present these only include share awards granted to employees. Potential or contingent share issues are treated as dilutive when their conversion to shares would decrease EPS.

Prior to the Simplification (see note 21), for diluted EPS the weighted average number of the sum of Mondi Limited and Mondi plc ordinary shares in issue, net of treasury shares, was adjusted to assume conversion of all dilutive potential ordinary shares.

Non-current non-financial assets excluding goodwill, deferred tax and net retirement benefit assets

Property, plant and equipment (note 10)

Property, plant and equipment principally comprise land and buildings, plant and equipment and assets under construction.

Property, plant and equipment is stated at cost less accumulated depreciation and impairment. Land and assets under construction are carried at cost less impairment. Cost includes site preparation, the purchase price of the equipment and directly attributable labour and installation costs. Borrowing costs are capitalised on qualifying assets. The capitalisation of costs ceases when the asset is in the location and condition necessary for it to be capable of commercial operation. Start-up and ongoing maintenance costs are recognised immediately as an expense.

Depreciation is charged to the consolidated income statement so as to write off the cost of assets, other than freehold land and assets under construction, over their estimated useful lives on a straight-line basis to their estimated residual values.

Residual values and useful lives are reviewed at least annually. Depreciation commences when the assets are ready for their intended use. Estimated useful lives range from three years to 25 years (2018: three years to 20 years) for items of plant and equipment and other categories and to a maximum of 50 years for buildings.

The Group has revised the estimated useful economic lives of plant and equipment. In accordance with IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', the effect of the change in accounting estimate has been recognised prospectively in the consolidated income statement and is considered not material.

Leases (note 11)

To the extent that a right-of-control exists over an asset subject to a lease, a right-of-use asset, representing the Group's right to use the underlying leased asset, and a lease liability, representing the Group's obligation to make lease payments, are recognised in the consolidated statement of financial position at the commencement of the lease.

The right-of-use asset is measured initially at cost and includes the amount of initial measurement of the lease liability, any initial direct costs incurred, including advance lease payments, and an estimate of the dismantling, removal and restoration costs required in terms of the lease. Depreciation is charged to the consolidated income statement so as to depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The lease term shall include the period of an extension option where it is reasonably certain that the option will be exercised. Where the lease contains a purchase option the asset is written off over the useful life of the asset when it is reasonably certain that the purchase option will be exercised.

The lease liability is measured at the present value of the future lease payments, including variable lease payments that depend on an index and the exercise price of purchase options where it is reasonably certain that the option will be exercised, discounted using the interest rate implicit in the lease, if readily determinable. If the implicit interest rate cannot be readily determined, the lessee's incremental borrowing rate is used. Finance charges are recognised in the consolidated income statement over the period of the lease.

Lease expenses for leases with a duration of one year or less and low-value assets are not recognised in the consolidated statement of financial position, and are charged to the consolidated income statement when incurred. Low-value assets are determined based on quantitative criteria.

Intangible assets and research and development expenditure (note 13)

Intangible assets are measured initially at purchase consideration and are amortised on a straight-line basis over their estimated useful lives. Estimated useful lives vary between three years and 10 years and are reviewed at least annually.

Research expenditure is expensed in the year in which it is incurred. Development costs are capitalised when the completion of the asset is both commercially and technically feasible and are amortised on a systematic basis over the economic life of the related development. Development costs are recognised immediately as an expense if they do not qualify for capitalisation.

31 Accounting policies

Impairment of property, plant and equipment and intangible assets

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated. If the recoverable amount of an asset, or cash-generating unit (CGU) to which the asset relates, is less than its carrying amount, the carrying amount of the asset, or CGU, is reduced to its recoverable amount and an impairment recognised as an expense.

The recoverable amount of the asset, or CGU, is the higher of its fair value less costs to dispose and its value-in-use. In assessing value-in-use, the estimated future cash flows generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the smallest CGU to which the asset belongs.

Where the underlying circumstances change such that a previously recognised impairment subsequently reverses, the carrying amount of the asset, or CGU, is increased to the revised estimate of its recoverable amount. Such a reversal is limited to the carrying amount that would have been determined (taking into account depreciation or amortisation in the intervening period) had no impairment been recognised for the asset, or CGU, in prior years. A reversal of an impairment is recognised in the consolidated income statement.

Agriculture – owned forestry assets (note 14)

Owned forestry assets are biological assets measured at fair value less costs to sell, calculated by applying the expected selling price, less costs to harvest and deliver, to the estimated volume of timber on hand at each reporting date. The fair value less costs to sell is determined using a market approach. The estimated volume of timber on hand is determined based on the maturity profile of the area under afforestation, the species, the geographic location and other environmental considerations and excludes future growth. The product of these is then adjusted for risks associated with forestry assets.

Changes in fair value are recognised in the consolidated income statement within other net operating expenses. At point of harvest, the carrying value of forestry assets is transferred to inventory and recorded as a felling cost reduction to the fair value of forestry assets.

Directly attributable costs incurred during the year of biological growth and investments in standing timber are capitalised and presented within cash flows from investing activities.

Goodwill (note 12)

Any excess of the consideration of the acquisition over the fair values of the identifiable net assets acquired is attributed to goodwill. Goodwill is subsequently measured at cost less any impairment.

Impairment of goodwill

Goodwill acquired through business combinations is allocated to the group of CGUs that is expected to benefit from the synergies of the combination and represents the lowest level at which goodwill is monitored for internal management purposes. The recoverable amount of the group of CGUs to which goodwill has been allocated is tested for impairment annually in the fourth quarter of each financial year and when events or changes in circumstances indicate that it may be impaired.

The recoverable amount of a group of CGUs is determined based on value-in-use calculations. Value-in-use calculations use cash flow projections based on financial budgets covering a three-year period that are based on the latest forecasts for revenue and costs as approved by the Board. Projected revenues and costs are determined taking into consideration relevant industry forecasts for individual product lines, management's projections, historical performance and announced industry capacity changes.

Cash flow projections beyond three years are based on internal management projections. Growth rates in the countries in which the Group operates are determined with reference to published gross domestic product information, and for specific product lines are determined with reference to published industry studies.

The discount rate is determined as the Group's weighted average cost of capital using published market data and published borrowing rates and adjusted for country risk and tax.

Any impairment is recognised in the consolidated income statement. Impairments of goodwill are not subsequently reversed.

Current non-financial assets

Inventories (note 15)

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the first-in, first-out (FIFO) or weighted average cost basis, as appropriate. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value is defined as the selling price less any estimated costs to sell.

Provisions (note 18)

Provisions are recognised when the Group has a present obligation as a result of a past event, which it is probable it will be required to settle. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value using country specific discount rates for periods matching the duration of the underlying liability where the effect of discounting is material.

Equity instruments

Treasury shares (note 21)

The purchase by any Group entity of Mondi plc's equity instruments results in the recognition of treasury shares. The consideration paid or payable is deducted from equity. Where treasury shares are subsequently sold, reissued or otherwise disposed of, any consideration received or receivable is included in equity attributable to the shareholders of Mondi plc, net of any directly attributable incremental transaction costs and the related tax effects.

Prior to the Simplification (see note 21), the purchase by any Group entity of either Mondi Limited's or Mondi plc's equity instruments resulted in the recognition of treasury shares. The consideration paid was deducted from equity. Where treasury shares were subsequently sold, reissued or otherwise disposed of, any consideration received was included in equity attributable to the shareholders of either Mondi Limited or Mondi plc, net of any directly attributable incremental transaction costs and the related tax effects.

Dividend payments (note 9)

The dividend distributions to Mondi plc's ordinary shareholders are recognised as a liability when the dividends are declared and approved. Final dividends are accrued when approved by Mondi plc's ordinary shareholders at its Annual General Meeting and interim dividends are recognised when approved by the Board.

Prior to the Simplification (see note 21) the dividend distributions to Mondi Limited's and Mondi plc's ordinary shareholders were recognised as a liability when the dividends were declared and approved. Final dividends were accrued when approved by both Mondi Limited's and Mondi plc's ordinary shareholders at their respective Annual General Meetings and interim dividends were recognised when approved by the Boards.

Share-based payments (note 22)

The Group operates a number of equity-settled, share-based compensation schemes. The fair value of the employee services received in exchange for the grant of share awards is recognised concurrently as an expense and an adjustment to equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the share awards granted, as adjusted for market performance conditions and non-market vesting conditions. Vesting conditions are included in assumptions about the number of awards that are expected to vest. At each reporting date, the Group revises its estimates of the number of share awards that are expected to vest as a result of changes in non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

Financial instruments (note 27)

Financial assets and financial liabilities are recognised in the Group's consolidated statement of financial position when the Group becomes party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the consolidated income statement.

Cash and cash equivalents (note 24b)

Cash and cash equivalents comprise cash on hand and demand deposits, together with short-term, highly liquid investments of a maturity of three months or less from the date of acquisition that are readily convertible to a known amount of cash and that are subject to an insignificant risk of changes in value. Bank overdrafts are shown within short-term borrowings in current liabilities in the consolidated statement of financial position. Cash and cash equivalents presented in the consolidated statement of cash flows are net of overdrafts.

Trade receivables (note 16)

Trade receivables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest rate method, less an allowance for impairment.

31 Accounting policies

Impairment of trade receivables (note 16)

A simplified lifetime Expected Credit Loss (ECL) model is used to assess trade receivables for impairment. ECL is the present value of all cash shortfalls over the expected life of a trade receivable. Expected credit losses are based on historical loss experience on trade receivables, adjusted to reflect information about current economic conditions and reasonable and supportable forecasts of future economic conditions. At the date of initial recognition, the credit losses expected to arise over the lifetime of a trade receivable are recognised as an impairment.

Trade payables (note 17)

Trade payables are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest rate method.

Borrowings (note 20)

Interest bearing loans and overdrafts are initially recognised at fair value, net of direct transaction costs. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the consolidated income statement over the term of the borrowings using the effective interest rate method.

Borrowing costs (note 6)

Interest on borrowings directly relating to the acquisition, construction or production of qualifying assets is capitalised until such time as the assets are substantially ready for their intended use. Where funds have been borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the construction period.

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

Derivative financial instruments and hedge accounting (note 27d)

The Group enters into forward, option and swap contracts in order to hedge its exposure to foreign exchange, interest rate and commodity price risks.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and subsequently measured at fair value in the consolidated statement of financial position within financial instruments, and are classified as current or non-current depending on the maturity of the derivative.

Changes in the fair value of derivative financial instruments that are not formally designated in hedge relationships are recognised immediately in the consolidated income statement and are classified within operating profit or net finance costs, depending on the type of risk to which the derivative relates.

Cash flow hedges

The effective portion of changes in the fair value of derivative financial instruments that are designated as hedges of future cash flows are recognised directly in other comprehensive income and accumulated in equity. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement. If the cash flow hedge of a forecast transaction results in the recognition of a non-financial asset then, at the time the asset is recognised, the associated gains or losses on the derivative that had previously been recognised in the Group's cash flow hedge reserve in equity are included in the initial measurement of the asset. For hedges that do not result in the recognition of a non-financial asset, amounts deferred in the Group's cash flow hedge reserve in equity are recognised in the consolidated income statement in the same period in which the hedged item affects profit or loss on a proportionate basis.

Hedge accounting is discontinued when the hedge relationship is revoked or the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss deferred in equity remains in equity and is recognised in the consolidated income statement when the forecast transaction is ultimately recognised. If a hedge transaction is no longer expected to occur, the net cumulative gain or loss deferred in equity is included immediately in the consolidated income statement.

Retirement benefits (note 23)

The Group operates defined benefit pension plans and defined contribution pension plans for the majority of its employees as well as post-retirement medical plans.

Defined contribution plans

For defined contribution plans, the amount charged to the consolidated income statement is the contributions paid or payable during the reporting period.

Defined benefit pension plans and post-retirement medical plans

For defined benefit pension and post-retirement medical plans, actuarial valuations are performed at each financial year end using the projected unit credit method. The average discount rate for the plans' liabilities is based on investment grade rated corporate bonds or similar government bonds of a suitable duration and currency. Plans' assets are measured using market values at the end of the reporting period.

The net retirement benefits liability recognised in the consolidated statement of financial position represents the present value of the defined benefit liability as reduced by the fair value of any plan assets.

Any increase in the present value of plan liabilities expected to arise from employee service during the year is charged to personnel costs as service costs. Past service costs resulting from plan amendments or curtailments and gains or losses on settlements are charged to personnel costs. A net interest expense or net interest income is calculated by applying the discount rate, on a per plan basis, to the net defined benefit liability or asset and recognised in the consolidated income statement within finance costs.

Remeasurements comprising actuarial gains and losses and the return on plan assets (after recognising the net finance charge) are charged or credited to equity in other comprehensive income, net of deferred tax, in the reporting period in which they occur. Remeasurements recorded in other comprehensive income are not recycled to the consolidated income statement, but those amounts recognised in other comprehensive income may be transferred within equity.

Simplification accounting (note 21)

With the effect of the Simplification, Mondi Limited became a wholly owned subsidiary of Mondi plc and subsequently the stated capital of Mondi Limited is eliminated in the consolidated statement of changes in equity. The difference between the nominal value of new shares issued by Mondi plc (€23 million) and the stated capital of Mondi Limited recorded within the Group equity immediately prior to the Simplification (€431 million) is recognised in the merger reserve within equity.

The Simplification was accounted for outside the scope of IFRS 3, and consequently, the carrying values of the assets and liabilities of Mondi Limited were not adjusted to fair value, but continue to be reported under the same measurement principles as applied prior to the transaction.

Transaction costs incurred to effect the Simplification are charged as a financing special item in the consolidated income statement, except for costs incremental and directly attributable to the issuance of new shares of Mondi plc, which are debited directly to retained earnings within equity in accordance with IAS 32.

The Simplification accounting is identified as a critical accounting judgement in terms of IAS 1 due to the exceptional nature of the underlying transaction and the limited guidance available in IFRS, in particular the judgement applied by management that the transaction does not represent a business combination and so assets and liabilities of the Mondi Limited group were not remeasured to their fair value as at the transaction date. Instead the assets and liabilities continued to be held at their previous carrying amounts.

New accounting policies, early adoption and future requirements

Amendments to published Standards effective during 2019

The following amendments to Standards and a new Interpretation have been adopted for the financial year beginning on 1 January 2019, and have had no significant impact on the Group's results:

→ Annual improvements 2015-2017 cycle
→ Amendments to IFRS 9 – Financial Instruments
→ Amendments to IAS 19 – Employee Benefits
→ Amendments to IAS 28 – Investments in Associates and Joint Ventures
→ IFRIC 23 – Uncertainty over Income Tax Treatments

New Standards and amendments to published Standards that are not yet effective

The following amendments to Standards will be effective for the financial year beginning on 1 January 2020 and, while the Group's assessment of the impact is ongoing, are not expected to have a significant impact on the Group's results:

→ Amendments to IFRS 3 – Business Combinations
→ Amendments to IAS 1 – Presentation of Financial Statements
→ Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors
→ Amendments to References to the Conceptual Framework in IFRS Standards

31 Accounting policies

Alternative Performance Measures (APMs)

The Group presents certain measures of financial performance, position or cash flows in the consolidated financial statements that are not defined or specified according to IFRS. These measures, referred to as APMs, are prepared on a consistent basis for all periods presented in this report.

The most significant APMs are:

Special items (note 3)

Those financial items which the Group considers should be separately disclosed on the face of the consolidated income statement to assist in understanding the underlying financial performance achieved by the Group. Such items are generally material by nature and exceed €10 million and the Group, therefore, excludes these items when reporting underlying earnings and related measures in order to provide a measure of the underlying performance of the Group on a basis that is comparable from year to year. Subsequent adjustments to items previously recognised as special items continue to be reflected as special items in future periods even if they do not exceed the quantitative reporting threshold.

Underlying EBITDA (consolidated income statement)

Operating profit before special items, depreciation, amortisation and impairments not recorded as special items. Underlying EBITDA provides a measure of the cash generating ability of the business that is comparable from year to year.

Underlying EBITDA margin (note 2)

Underlying EBITDA expressed as a percentage of revenue provides a measure of the cash-generating ability relative to revenue.

Underlying operating profit (consolidated income statement)

Operating profit before special items. Underlying operating profit provides a measure of operating performance that is comparable from year to year.

Underlying operating profit margin

Underlying operating profit expressed as a percentage of revenue provides a measure of the profitability of the operations relative to revenue.

Underlying profit before tax (consolidated income statement)

Profit before tax and special items. Underlying profit before tax provides a measure of the Group's profitability before tax that is comparable from year to year.

Underlying earnings (and per share measure) (note 8)

Net profit after tax attributable to shareholders, before special items. Underlying earnings (and the related per share measure based on the basic, weighted average number of ordinary shares outstanding), provides a measure of the Group's earnings that is comparable from year to year.

Headline earnings (and per share measure) (note 8)

The presentation of headline earnings (and the related per share measure based on the basic, weighted average number of ordinary shares outstanding) is mandated under the Listings Requirements of the JSE Limited and is calculated in accordance with Circular 1/2019, 'Headline Earnings', as issued by the South African Institute of Chartered Accountants.

Return on capital employed (ROCE) (notes 2 and 19)

Trailing 12-month underlying operating profit, including share of equity accounted investees' net profit/(loss), divided by trailing 12-month average capital employed. ROCE provides a measure of the efficient and effective use of capital in the business.

Capital employed (and related trailing 12-month average capital employed) (notes 2 and 19)

Capital employed comprises equity, non-controlling interests in equity and net debt providing a measure of the level of invested capital in the business. Trailing 12-month average capital employed is the average capital employed over the last 12 months adjusted for spend on major capital expenditure projects which are not yet in production.

Net debt (note 24c)

A measure comprising short, medium, and long-term interest-bearing borrowings and the fair value of debt-related derivatives less cash and cash equivalents, net of overdrafts, and current financial asset investments. Net debt provides a measure of the Group's net indebtedness or overall leverage.

Operating segment assets and operating segment net assets (note 2)

Operating segment assets and operating segment net assets comprise total assets (excluding financial instruments) and capital employed respectively but excludes investment in equity accounted investees, deferred tax assets and liabilities and other non-operating assets and liabilities, and provide a measure of the operating assets in the business.

Working capital as a percentage of revenue

Working capital, defined as the sum of trade and other receivables and inventories less trade and other payables, expressed as a percentage of annualised Group revenue. A measure of the Group's effective use of working capital relative to revenue.

Net interest expense (note 6)

Net interest expense comprises interest expense on bank overdrafts, loans and lease liabilities net of investment income providing an absolute measure of the cost of borrowings.

Effective interest rate (note 6)

Annualised net interest expense expressed as a percentage of trailing average net debt over the period provides a measure of the cost of borrowings.

Effective tax rate (note 7a)

Underlying tax charge expressed as a percentage of underlying profit before tax. A measure of the Group's tax charge relative to its profit before tax expressed on an underlying basis.

Net debt to 12-month trailing underlying EBITDA (note 19)

Net debt divided by trailing 12-month underlying EBITDA. A measure of the Group's net indebtedness relative to its cash-generating ability.

Gearing (note 19)

Net debt expressed as a percentage of capital employed provides a measure of the financial leverage of the Group.

Ordinary dividend cover

Basic underlying EPS divided by total ordinary dividend per share paid and proposed provides a measure of the Group's earnings relative to its deployment towards ordinary dividend payments.

Cash flow generation (note 24d)

A measurement of the Group's cash generation before considering deployment of cash towards investment in property, plant and equipment ('capex' or 'capital expenditure'), acquisitions and disposals of businesses, investment in equity accounted investees and payment of dividends to shareholders. Cash flow generation is a measure of the Group's ability to generate cash through the cycle before considering deployment of such cash.

Mondi plc parent company balance sheet
as at 31 December 2019

€ million	Notes	2019	2018
Fixed asset investments	5	3,721	2,938
Total debtors: due within one year	6	35	3
Total assets		**3,756**	**2,941**
Total creditors: due within one year	7	(12)	(451)
Total provisions: due after more than one year		(1)	(2)
Total liabilities		**(13)**	**(453)**
Net assets		**3,743**	**2,488**
Capital and reserves			
Share capital	8	97	103
Profit or loss account		2,846	2,367
Merger reserve		754	–
Legal reserve		29	–
Share-based payments reserve		17	18
Total shareholders' funds		**3,743**	**2,488**

Mondi plc reported a profit of €818 million (2018: profit of €292 million) for the year ended 31 December 2019. The balance sheet and statement of changes in equity of Mondi plc and related notes were approved by the Board and authorised for issue on 26 February 2020 and were signed on its behalf by:

David Williams
Chair

Andrew King
Director

Mondi plc company registered number: 6209386

Mondi plc parent company statement of changes in equity
for the year ended 31 December 2019

€ million	Share capital	Profit or loss account	Merger reserve	Legal reserve	Share-based payments reserve	Total equity
At 1 January 2018	103	2,952	–	–	19	**3,074**
Total comprehensive income for the year	–	292	–	–	–	**292**
Dividends	–	(603)	–	–	–	**(603)**
Issue of shares under employee share schemes	–	11	–	–	(11)	**–**
Purchases of treasury shares	–	(16)	–	–	–	**(16)**
Mondi share schemes' charge	–	–	–	–	10	**10**
Transfer to Mondi Limited	–	(269)	–	–	–	**(269)**
At 31 December 2018	**103**	**2,367**	**–**	**–**	**18**	**2,488**
Total comprehensive income for the year	–	818	–	–	–	**818**
Dividends	–	(332)	–	–	–	**(332)**
Issue of shares under employee share schemes	–	11	–	–	(11)	**–**
Purchases of treasury shares	–	(12)	–	–	–	**(12)**
Mondi share schemes' charge	–	–	–	–	10	**10**
Cancellation of deferred shares	(29)	–	–	29	–	**–**
Acquisition of Mondi Limited	23	(6)	754	–	–	**771**
At 31 December 2019	**97**	**2,846**	**754**	**29**	**17**	**3,743**

Notes to the Mondi plc parent company financial statements
for the year ended 31 December 2019

1 Accounting policies

Basis of preparation

Mondi plc meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council. Accordingly, the financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) as issued by the Financial Reporting Council.

As permitted by FRS 101, Mondi plc has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain items, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions.

Where required, equivalent disclosures are given in the Group accounts of Mondi plc, which are publicly available. The results, assets and liabilities of Mondi plc are included in the publicly available consolidated Group financial statements.

Mondi plc has made use of the exemption from presenting a profit and loss account, in accordance with Section 408 of the Companies Act 2006.

The financial statements have been prepared on the going concern basis. This is discussed in the Strategic report within 'Principal risks' under the heading 'Going concern'.

The financial statements are prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies adopted are described below. They have all been applied consistently throughout the year and the preceding year.

Principal accounting policies

The principal accounting policies applied by Mondi plc are the same as those presented in notes 1 and 31 to the consolidated Group financial statements, to the extent that the Group's transactions and balances are applicable to the company financial statements. Principally, the accounting policies which are not directly relevant to the Mondi plc parent company financial statements are those relating to consolidation accounting and the recognition and subsequent measurement of goodwill.

The accounting policy, that is additional to those applied by the Group, is stated as follows:

Investments

Fixed asset investments are stated at cost, less, where appropriate, provisions for impairment. Any potential impairment is determined on a basis consistent with the Group accounting policy on the impairment of goodwill.

Costs incremental and directly attributable to the acquisition of investments are capitalised.

Simplification accounting

With the effect of the Simplification (see note 21 of the consolidated Group financial statements), Mondi plc became the sole holder of issued shares in Mondi Limited and recognised a fixed asset investment on the statement of financial position, as set out above. Mondi plc applied merger relief in accordance with Section 612 of the Companies Act 2006.

The difference between the nominal value (€23 million) and the fair value (€2,403 million) of new shares issued by Mondi plc netted by the fair value of the premium for the DLC structure cancelled (€1,626 million) at the transaction date is recognised in the merger reserve within equity (€754 million).

The cancellation of the deferred shares of Mondi plc is recognised in the legal reserve within equity in accordance with Section 733 of the Companies Act 2006.

Costs incremental and directly attributable to the issuance of new shares of Mondi plc are debited directly to the profit or loss account within equity in accordance with IAS 32.

The Simplification accounting is identified as a critical accounting judgement in terms of IAS 1 due to the exceptional nature of the underlying transaction and the limited guidance available in IFRS, in particular:

→ whether the transaction is in scope of the merger relief in accordance with Section 612 of the Companies Act 2006, under which the share premium that would otherwise have resulted on the issue of Mondi plc shares to cancel the DLC structure are not classified as a share premium but as merger reserve, and

→ the presentation of the corresponding movements in equity, whether there should be separate gross entries reflecting the fair value of new Mondi plc shares issued to cancel the DLC structure (credit to merger reserve) and the fair value of the premium for the DLC structure cancelled (debit to merger reserve), or whether it is appropriate for these items to be reported net.

In the absence of any further guidance, management decided to report a net entry to merger reserve as a result of the shares issued to cancel the DLC structure, as management believes that this is a fair representation of the transaction.

Notes to the Mondi plc parent company financial statements for the year ended 31 December 2019

1 Accounting policies

Critical accounting judgements and significant accounting estimates

The preparation of the financial statements of Mondi plc includes the use of estimates and assumptions. Although the estimates used are based on management's best information about current circumstances and future events and actions, actual results may differ from those estimates. The significant accounting estimates and critical accounting judgements in terms of IAS 1, 'Presentation of Financial Statements', are:

Significant accounting estimates

→ Valuation of fixed asset investments – refer to note 5

Critical accounting judgements

→ Accounting for Simplification of corporate structure – as described in this note

2 Auditors' remuneration

Disclosure of the audit fees payable to the auditors for the audit of Mondi plc's financial statements is set out in note 4 of the Group's consolidated financial statements.

3 Share-based payments

The share schemes and the underlying assumptions used to estimate the associated fair value charge are set out in note 22 of the Group's consolidated financial statements.

4 Deferred tax

A deferred tax asset of €2 million (2018: €2 million) has not been recognised in relation to temporary differences regarding the share-based payment arrangements. A deferred tax asset has not been recognised in relation to tax losses brought forward of €26 million (2018: €25 million) due to the low probability of future profit streams or gains against which these could be utilised.

5 Fixed asset investments

€ million	2019	2018
Unlisted		
Shares at cost	3,721	2,938

The investments are in Mondi Investments Limited (incorporated in the UK), a wholly-owned subsidiary which acts as an investment holding company, and Mondi South Africa (Pty) Limited (previously Mondi Limited, incorporated in South Africa), a wholly-owned subsidiary which manages forestry operations and manufactures pulp, uncoated fine paper and containerboard.

On 9 May 2019 the Group's shareholders approved the Simplification of the corporate structure from a DLC structure into a single holding company structure under Mondi plc by way of a South African scheme of arrangement (the 'Scheme') proposed by the Mondi Limited board between Mondi Limited and the Mondi Limited ordinary shareholders. On 11 July 2019 the Scheme became unconditional and, with effect from 26 July 2019, Mondi plc became the holder of all the Mondi Limited ordinary shares while, by other related actions, the DLC arrangements were terminated. Pursuant to the Scheme, Mondi Limited shareholders received one new Mondi plc ordinary share in exchange for each Mondi Limited ordinary share held.

Mondi plc measured the fair value of the investment in Mondi South Africa (Pty) Limited on the transaction date using an income approach and valuation multiples from comparable companies. The key assumptions in the income approach were:

- → cash flow forecasts which were derived from the budget most recently approved by the Board covering the period from the transaction date to 31 December 2022;
- → sales volumes, sales prices and variable input cost assumptions in the budget period were derived from a combination of economic forecasts, industry forecasts, internal management projections, historical performance, and announced industry capacity changes;
- → 12.9% post-tax discount rate was derived based on the weighted average cost of capital of Mondi South Africa (Pty) Limited;
- → zero growth rate was applied beyond the budget period into perpetuity; and
- → capital expenditure forecasts were based on historical experience and include expenditure necessary to maintain the projected cash flows from operations at current operating levels.

The sensitivity analyses below have been determined based on reasonably possible changes to the significant assumptions, while holding all other assumptions constant. Changes in the assumptions would have had the following effect on the carrying value of the fixed asset investment in Mondi South Africa (Pty) Limited at the transaction date and remains unchanged at 31 December 2019:

€ million	Increase	Decrease
Effect of 100 bps change in discount rate	(28)	33
Effect of 5% change in sales prices	163	(163)

The carrying value of the investment in Mondi South Africa (Pty) Limited is subject to an annual impairment review and is sensitive to any adverse future changes in key assumptions as outlined in the sensitivity analyses above.

6 Total debtors: due within one year

Amounts held on deposit in a cash pool facility with a subsidiary of €29 million (2018: €nil) are included within debtors due within one year.

7 Total creditors: due within one year

€nil (2018: €439 million) is owed in relation to a cash pool facility with a subsidiary.

8 Share capital

Full disclosure of the share capital of Mondi plc is set out in note 21 of the Group's consolidated financial statements.

9 Contingent liabilities

Mondi plc has issued financial guarantees in respect of the UK pension schemes of its subsidiaries, obligations incurred in the ordinary course of business and the borrowings of other Group undertakings. The likelihood of these financial guarantees being called is considered to be remote and, therefore, the estimated financial effect of issuance is €nil (2018: €nil). The fair value of these issued financial guarantees is deemed to be immaterial.

€ million	2019	2018
Pension scheme guarantees	79	79
Guarantees of obligations of subsidiaries of Mondi plc		
– Incurred in the ordinary course of business	32	29
– In favour of banks and bondholders	2,890	2,826
At 31 December	**3,001**	**2,934**

The following subsidiaries have taken advantage of an exemption from audit under section 479A of the Companies Act 2006. As the ultimate parent, Mondi plc has provided a statutory guarantee for any outstanding liabilities of those subsidiaries. All subsidiaries undertakings have been included in the consolidation of the Group.

- → Mondi Glossop Ltd
- → Mondi Packaging Limited
- → Mondi Packaging UK Holdings Limited
- → Mondi Scunthorpe Limited
- → Powerflute Group Holdings Limited

9 Contingent liabilities

Mondi plc is subject to certain legal proceedings, claims, complaints and investigations arising out of the ordinary course of business. Legal proceedings may include, but are not limited to, alleged breach of contract and alleged breach of environmental, competition, securities and health and safety laws. Mondi plc may not be insured fully, or at all, in respect of such risks. Mondi plc cannot predict the outcome of individual legal actions or claims or complaints or investigations. Mondi plc may settle litigation or regulatory proceedings prior to a final judgment or determination of liability. Mondi plc may do so to avoid the cost, management efforts or negative business, regulatory or reputational consequences of continuing to contest liability, even when it considers it has valid defences to liability. Mondi plc considers that no material loss to Mondi plc is expected to result from these legal proceedings, claims, complaints and investigations. Provision is made for all liabilities that are expected to materialise through legal and tax claims against Mondi plc.

10 Events occurring after 31 December 2019

In addition to the final ordinary dividend proposed for 2019, included in note 9 of the Group's consolidated financial statements, there has been the following material reportable event since 31 December 2019:

→ In February 2020, Mondi plc entered into a €250 million debt facility maturing in August 2021.

11 List of subsidiaries and associated undertakings and other significant holdings as at 31 December 2019

All shares are held indirectly through a subsidiary or associated undertaking except where noted. Except where stated, the shares held are ordinary shares.

On 30 September 2019, the Group disposed its specialised extrusion solutions plant Mondi Belcoat N.V. in Duffel (Belgium).

Company	Registered office	Principal activities	% of shares held by Group
Austria			
Mondi AG	Marxergasse 4A, 1030 Vienna	Holding, Corporate	100.00
Mondi Bags Austria GmbH	Bahnhofstrasse 3, 8740 Zeltweg	Service, Flexible Packaging	100.00
Mondi Coating Zeltweg GmbH	Bahnhofstrasse 3, 8740 Zeltweg	Production, Engineered Materials	100.00
Mondi Consumer Packaging GmbH	Marxergasse 4A, 1030 Vienna	Holding, Flexible Packaging	100.00
Mondi Corrugated Holding Österreich GmbH	Marxergasse 4A, 1030 Vienna	Holding, Corrugated Packaging	100.00
Mondi Corrugated Services GmbH	Marxergasse 4A, 1030 Vienna	Service, Corrugated Packaging	100.00
Mondi Engineered Materials GmbH	Marxergasse 4A, 1030 Vienna	Holding, Engineered Materials	100.00
Mondi Finance Europe GmbH[1]	Marxergasse 4A, 1030 Vienna	Service, Corporate	100.00
Mondi Frantschach GmbH	Frantschach 5, 9413 St. Gertraud	Production, Flexible Packaging	100.00
Mondi Grünburg GmbH	Steyrtalstrasse 5, 4594 Grünburg	Production, Corrugated Packaging	100.00
Mondi Holdings Austria GmbH	Marxergasse 4A, 1030 Vienna	Holding, Corporate	100.00
Mondi Industrial Bags GmbH	Marxergasse 4A, 1030 Vienna	Holding, Flexible Packaging	100.00
Mondi Korneuburg GmbH	Stockerauer Strasse 110, 2100 Korneuburg	Production, Flexible Packaging	100.00
Mondi Neusiedler GmbH	Theresienthalstrasse 50, 3363 Ulmerfeld-Hausmening	Production, Uncoated Fine Paper	51.00
Mondi Oman Holding GmbH	Marxergasse 4A, 1030 Vienna	Holding, Flexible Packaging	70.00
Mondi Paper Sales GmbH	Marxergasse 4A, 1030 Vienna	Distribution, Corrugated Packaging, Flexible Packaging, Uncoated Fine Paper	100.00
Mondi Release Liner Austria GmbH	Waidhofnerstrasse 11, 3331 Hilm	Production, Engineered Materials	100.00
Mondi Styria GmbH	Bahnhofstrasse 3, 8740 Zeltweg	Production, Flexible Packaging	100.00
Mondi Uncoated Fine & Kraft Paper GmbH	Marxergasse 4A, 1030 Vienna	Holding, Corrugated Packaging, Flexible Packaging, Uncoated Fine Paper	100.00
Papierholz Austria GmbH	Frantschach 5, 9413 St. Gertraud	Service, Flexible Packaging	25.00
Sulbit Handels GmbH	Marxergasse 4A, 1030 Vienna	Service, Flexible Packaging	100.00
Ybbstaler Zellstoff GmbH	Theresienthalstrasse 50, 3363 Ulmerfeld-Hausmening	Production, Uncoated Fine Paper	51.00
Belgium			
Mondi Poperinge N.V.	Nijverheidslaan 11, 8970 Poperinge	Production, Flexible Packaging	100.00
Bulgaria			
Mondi Stambolijski E.A.D	1 Zavodska Street, Stambolijski 4210, Plovdiv Region	Production, Flexible Packaging	100.00
China			
Mondi (China) Film Technology Co., Ltd.	No 29 Xinggang Road, Taicang Port Development Zone	Production, Engineered Materials	100.00
Mondi Trading (Beijing) Co., Ltd.	0912, Air China Plaza, Building 1, No.36 Xiaoyun Road, Chaoyang, Beijing	Dormant, Engineered Materials	100.00
Côte d'Ivoire			
Mondi Abidjan S.A.	Zone Industrielle de Yopougon 01, Abidjan, BP 5676	Production, Flexible Packaging	50.00
Czech Republic			
EURO WASTE a.s.[2]	Litoměřická 272, 41108 Štětí	Service, Flexible Packaging	100.00
Labe Wood s.r.o.	Litoměřická 272, 41108 Štětí	Production, Flexible Packaging	24.99
Lignocel s.r.o	Poupětova 3, 17000 Prague 7	In liquidation, Flexible Packaging	20.00
Mondi Bags Štětí a.s.	Litoměřická 272, 41108 Štětí	Production, Flexible Packaging	100.00

Company	Registered office	Principal activities	% of shares held by Group
Mondi Bupak s.r.o.	Papírenská 41, 37052 České Budějovice	Production, Corrugated Packaging	100.00
Mondi Coating Štětí a.s.	Litoměřická 272, 41108 Štětí	Production, Engineered Materials	100.00
Mondi Štětí a.s.	Litoměřická 272, 41108 Štětí	Production, Flexible Packaging	100.00
Mondi Štětí White Paper s.r.o	Litoměřická 272, 41108 Štětí	Production, Flexible Packaging	100.00
Roto a.s.	Litoměřická 272, 41108 Štětí	Dormant, Flexible Packaging	100.00
Wood & Paper a.s.	Hlina 57/18, 66491 Brno	Service, Flexible Packaging	46.50
Egypt			
Mondi Cairo for Packaging Material S.A.E.	Plots No. 6 and No. 7 in the Northern Expansion Area, Industrial Zone, 6th of October, Giza	Production, Flexible Packaging	100.00
Suez Bags Company (S.A.E.)[3]	30 Maadi Road, Katameya, Kilo 138, Cairo	Production, Flexible Packaging	98.34
Finland			
Harvestia Oy	Selluntie 142, 70420 Kuopio	Service, Corrugated Packaging	94.70
Mondi Finland Services Oy	Peltotie 20, 28400 Ulvila	Holding, Corrugated Packaging	100.00
Mondi Powerflute Oy	Selluntie 142, 70420 Kuopio	Production, Corrugated Packaging	100.00
France			
Mondi Gournay Sarl	5, rue Vernet, 75008 Paris	Service, Flexible Packaging	100.00
Mondi Lembacel SAS	11 Rue de Reims, 51490 Bétheniville	Production, Flexible Packaging	100.00
Mondi Paper Sales France Sarl	5, rue Vernet, 75008 Paris	Distribution, Corrugated Packaging	100.00
Germany			
Mondi Ascania GmbH	Daimlerstrasse 8, 06449 Aschersleben	Production, Engineered Materials	100.00
Mondi Bad Rappenau GmbH	Wilhelm-Hauff-Strasse 41, 74906 Bad Rappenau	Production, Corrugated Packaging	100.00
Mondi Consumer Packaging International GmbH	Jöbkesweg 11, 48599 Gronau	Holding, Flexible Packaging	100.00
Mondi Eschenbach GmbH	Am Stadtwald 14, 92676 Eschenbach	Production, Corrugated Packaging	100.00
Mondi Gronau GmbH	Jöbkesweg 11, 48599 Gronau	Production, Engineered Materials	100.00
Mondi Halle GmbH	Wielandstrasse 2, 33790 Halle	Production, Flexible Packaging	100.00
Mondi Hammelburg GmbH	Thüringenstrasse 1-3, 97762 Hammelburg	Production, Flexible Packaging	100.00
Mondi Holding Deutschland GmbH	Jöbkesweg 11, 48599 Gronau	Holding, Corporate	100.00
Mondi Inncoat GmbH	Angererstrasse 25, 83064 Raubling	Production, Engineered Materials	100.00
Mondi Jülich GmbH	Rathausstrasse 29, 52428 Jülich	Production, Engineered Materials	100.00
Mondi Lindlar GmbH	Wielandstrasse 2, 33790 Halle	Dormant, Flexible Packaging	100.00
Mondi Paper Sales Deutschland GmbH	Oberbaumbrücke 1, 20457 Hamburg	Distribution, Corrugated Packaging	100.00

Company	Registered office	Principal activities	% of shares held by Group
Mondi Sendenhorst GmbH	Thüringenstrasse 1-3, 97762 Hammelburg	Distribution, Flexible Packaging	100.00
Mondi Trebsen GmbH	Erich-Hausmann-Strasse 1, 04687 Trebsen	Production, Flexible Packaging	100.00
Mondi Wellpappe Ansbach GmbH	Robert-Bosch-Strasse 3, 91522 Ansbach	Production, Corrugated Packaging	100.00
wood2M GmbH	Hauptstrasse 16, 07366 Blankenstein	Service, Corporate	50.00
Greece			
Mondi Thessaloniki A.E.	Sindos Industrial Zone – Block 18, 57022 Thessaloniki	Distribution, Flexible Packaging	100.00
Hungary			
Mondi Bags Hungária Kft.	Tünde u. 2, 4400 Nyíregyháza	Production, Flexible Packaging	100.00
Mondi Békéscsaba Kft.	Tevan Andor u. 2, 5600 Békéscsaba	Production, Flexible Packaging	100.00
Mondi Szada Kft.	Vasút u. 13, 2111 Szada	Production, Flexible Packaging	100.00
Iraq			
Mondi Kaso Iraq Industrial Bags Ltd.	Takya, Bazian, Sulaimaniyah	Production, Flexible Packaging	34.55
Italy			
Mondi Gradisac S.r.l.	Via dell´Industria 11, 34072 Gradisca d´Isonzo, Gorizia	Production, Flexible Packaging	100.00
Mondi Italia S.r.l.	Via Balilla 32, 24058 Romano di Lombardia, Bergamo	Production, Flexible Packaging	100.00
Mondi Padova S.r.l.	Via Mazzini 21, 35010 San Pietro in Gu, Padua	Production, Flexible Packaging	100.00
Mondi Paper Sales Italia S.r.l.	Via Fara Gustavo 35, 20124 Milano	Distribution, Corrugated Packaging, Flexible Packaging, Uncoated Fine Paper	100.00
Mondi Silicart S.r.l.	Via Zanchetta 27, 35010 San Pietro in Gu, Padua	Dormant, Engineered Materials	100.00
Mondi Tolentino S.r.l.	Via Giovanni Falcone 1, 62029 Tolentino, Macerata	Production, Flexible Packaging	100.00
NATRO TECH S.r.l.	Via Balilla 32, 24058 Romano di Lombardia, Bergamo	Service, Flexible Packaging	100.00
Powerflute Italia S.r.l.	Via Giacomo Matteotti 2, 21013 Gallarate	Distribution, Corrugated Packaging	100.00
Japan			
Mondi Tokyo KK	7th floor 14-5, Akasaka 2-chrome, Minato-ku, Tokyo	Service, Engineered Materials	100.00
Jordan			
Jordan Paper Sacks Co. Ltd.	Al Salt, Industrial Area, P.O. Box 119, 19374, Balqa	Production, Flexible Packaging	67.74
Republic of Korea			
Krauzen Co., Ltd.	1420, Keumkang-Penterium IT tower, 282 Hakeui-ro, Dongang-gu, Anyang-si, Gyunggi-do	Service, Flexible Packaging	100.00
Mondi KSP Co., Ltd.	48-29, 439 Hongandaero, Dongang-gu, Anyang-si, Gyunggi-do	Production, Flexible Packaging	95.00
Lebanon			
Mondi Lebanon SAL	7th Floor, Bloc C, Kassis Building, Antelias Highway, Antelias	Production, Flexible Packaging	66.00

11 List of subsidiaries and associated undertakings and other significant holdings as at 31 December 2019

Company	Registered office	Principal activities	% of shares held by Group
Luxembourg			
Mondi Packaging S.à r.l.	1, rue Hildegard von Bingen, 1282	Holding, Corporate	100.00
Mondi S.à r.l.	1, rue Hildegard von Bingen, 1282	Holding, Corporate	100.00
Mondi Services S.à r.l.	1, rue Hildegard von Bingen, 1282	Holding, Corporate	100.00
Malaysia			
Mondi Kuala Lumpur Sdn. Bhd.	Lot Nos.PT 5034 & 5036, Jalan Teluk Datuk 28/40, 40000 Shah Alam, Selangor	Production, Flexible Packaging	62.00
Mexico			
Caja de Ahorro de Personal de Mondi Mexico Servicios A.C.	Av. San Nicolás No. 249, Colonia Cuauhtémoc, San Nicolás de los Garza, Nuevo Léon, 66450	Service, Flexible Packaging	100.00
Mondi Mexico S. de R.L. de C.V.	Av. San Nicolás No. 249, Colonia Cuauhtémoc, San Nicolás de los Garza, Nuevo Léon, 66450	Production, Flexible Packaging	100.00
Mondi Mexico Servicios S. de R.L. de C.V.	Av. San Nicolás No. 249, Colonia Cuauhtémoc, San Nicolás de los Garza, Nuevo Léon, 66450	Service, Flexible Packaging	100.00
Morocco			
Ensachage Moderne Sarl	Rue Boukraa N1, Quartier Industriel Dokkarat, Fes	Dormant, Flexible Packaging	80.64
Pap Sac Maghreb SA	Km 16, Route d´El Jadida, Casablanca	Production, Flexible Packaging	80.64
Netherlands			
Mondi Coating B.V.	Fort Willemweg 1, 6219 PA Maastricht	Holding, Engineered Materials	100.00
Mondi Consumer Bags & Films B.V.	Fort Willemweg 1, 6219 PA Maastricht	Holding, Flexible Packaging	100.00
Mondi Consumer Bags & Films Benelux B.V.	Fort Willemweg 1, 6219 PA Maastricht	Distribution, Flexible Packaging	100.00
Mondi Corrugated B.V.	Fort Willemweg 1, 6219 PA Maastricht	Holding, Corrugated Packaging	100.00
Mondi Corrugated Poland B.V.	Fort Willemweg 1, 6219 PA Maastricht	Holding, Corrugated Packaging	100.00
Mondi Heerlen B.V.	Imstenraderweg 15, 6422 PM Heerlen	Production, Engineered Materials	100.00
Mondi Industrial Bags B.V.	Fort Willemweg 1, 6219 PA Maastricht	Holding, Flexible Packaging	100.00
Mondi International Holdings B.V.	Fort Willemweg 1, 6219 PA Maastricht	Holding, Corrugated Packaging	100.00
Mondi Maastricht N.V.	Fort Willemweg 1, 6219 PA Maastricht	Production, Flexible Packaging	100.00
Mondi MENA B.V.	Fort Willemweg 1, 6219 PA Maastricht	Holding, Flexible Packaging	70.00
Mondi Packaging Paper B.V.	Fort Willemweg 1, 6219 PA Maastricht	Holding, Flexible Packaging	100.00
Mondi Paper Sales Netherlands B.V.	Bruynvisweg 14, 1531 AZ Wormer	Distribution, Corrugated Packaging, Flexible Packaging, Uncoated Fine Paper	100.00
Mondi SCP Holdings B.V.	Fort Willemweg 1, 6219 PA Maastricht	Holding, Uncoated Fine Paper	100.00

Company	Registered office	Principal activities	% of shares held by Group
Norway			
Mondi Moss AS	Rådmann Sirasvei 1, 1712 Grålum	Distribution, Flexible Packaging	100.00
Oman			
Mondi Oman LLC	P.O. Box 20, 124, Muscat Governorate, As Seeb, Al Rusayl	Production, Flexible Packaging	49.00
Poland			
Agromasa Sp. z o.o.	ul. Bydgoska 1, 86-100 Świecie	Service, Corrugated Packaging	100.00
Fredonia Investments Sp. z o.o.	ul. Bukowa 21, 87-148 Łysomice	Service, Corrugated Packaging	100.00
Mondi Bags Mielec Sp. z o.o.	ul. Wojska Polskiego 12, 39-300 Mielec	Production, Flexible Packaging	100.00
Mondi Bags Świecie Sp. z o.o.	ul. Bydgoska 12, 86-100 Świecie	Production, Flexible Packaging	100.00
Mondi BZWP Sp. z o.o.	ul. Zamenhofa 36, 57-500 Bystrzyca Kłodzka	Production, Corrugated Packaging	100.00
Mondi Corrugated Świecie Sp. z o.o.	ul. Bydgoska 1, 86-100 Świecie	Production, Corrugated Packaging	100.00
Mondi Dorohusk Sp. z o.o.	Brzezno 1, 22-174 Brzezno	Production, Corrugated Packaging	100.00
Mondi Kutno Sp. z o.o.	ul. Żołnierska 1, 99-300 Kutno	In liquidation, Flexible Packaging	100.00
Mondi Poznań Sp. z o.o.	ul. Wyzwolenia 34/36, 62-070 Dopiewo	Production, Flexible Packaging	100.00
Mondi Recykling Polska Sp. z o.o.	ul. Bydgoska 1, 86-100 Świecie	Service, Corrugated Packaging	100.00
Mondi Simet Sp. z o.o.	Grabonóg 77, 63-820 Piaski	Production, Corrugated Packaging	100.00
Mondi Solec Sp. z o.o.	Solec, 05-532 Baniocha	Production, Flexible Packaging	100.00
Mondi Świecie S.A.	ul. Bydgoska 1, 86-100 Świecie	Production, Corrugated Packaging	100.00
Mondi Szczecin Sp. z o.o.	ul. Sloneczna 20, 72-123 Kliniska Wielkie	Production, Corrugated Packaging	100.00
Mondi Warszawa Sp. z o.o.	ul. Tarczyńska 98, 96-320 Mszczonów	Production, Corrugated Packaging	100.00
Mondi Wierzbica Sp. z o.o.	Kolonia Rzecków 76, 26-680 Wierzbica	Production, Flexible Packaging	100.00
Świecie Rail Sp. z o.o.	ul. Bydgoska 1, 86-100 Świecie	Service, Corrugated Packaging	100.00
Świecie Recykling Sp. z o.o.	ul. Bydgoska 1/417, 86-100 Świecie	Service, Corrugated Packaging	100.00
Romania			
Mondi Bucharest S.R.L.	Filderman Wilhelm Nr. 4/3/19, Sector 3, 030353 Bucharest	Distribution, Flexible Packaging	100.00
Russia			
LCC Mondi Aramil	25 Klubnaya Street, 62400 Aramil, Sverdlovskii Region	Production, Flexible Packaging	100.00
LLC Mondi Lebedyan	Lva Tolstogo, Building 80, Office 52, 399612 Lebedyan, Lipetsk Region	Production, Corrugated Packaging	100.00
LLC Mondi Pereslavl	Mendeleeva sq. 2, Building 55, 152025 Pereslavl-Zalesski	Production, Flexible Packaging	100.00
LLC Mondi Syktyvkar Energy Company	pr. Bumazhnikov 2, 167026 Syktyvkar, Republic of Komi	Service, Uncoated Fine Paper	100.00

Company	Registered office	Principal activities	% of shares held by Group
OJSC Mondi Syktyvkar[4]	pr. Bumazhnikov 2, 167026 Syktyvkar, Republic of Komi	Production, Corrugated Packaging, Uncoated Fine Paper	100.00
OOO Mondi Sales CIS	2nd Brestskaya str. 8 Floor 13, 123047 Moscow	Distribution, Uncoated Fine Paper	100.00
Serbia			
Mondi Šabac d.o.o. Šabac	Nova 9, 15000 Šabac	Production, Flexible Packaging	100.00
Singapore			
Mondi Packaging Paper Sales Asia Pte. Limited	3 Anson Road 27-01, Springleaf Tower, 079909	Distribution, Flexible Packaging	100.00
Slovakia			
East Paper, spol. s.r.o.	Rastislavova 98, 04346 Kosice	Service, Corrugated Packaging	26.01
Mondi SCP, a.s.	Tatranská cesta 3, 03417 Ružomberok	Production, Flexible Packaging, Uncoated Fine Paper	51.00
Obaly SOLO, s.r.o	Tatranská cesta 3, 03417 Ružomberok	Production, Uncoated Fine Paper	51.00
RECOPAP, s.r.o.	Bratislavska 18, 90051 Zohor	Service, Corrugated Packaging	25.50
Slovpaper Recycling s.r.o.	Tatranská cesta 3, 03417 Ružomberok	Service, Corrugated Packaging	51.00
SLOVWOOD Ružomberok a.s.	Tatranská cesta 3, 03417 Ružomberok	Distribution, Uncoated Fine Paper	33.66
STRÁŽNA SLUŽBA VLA-STA s.r.o.	Tatranská cesta 3, 03417 Ružomberok	Distribution, Uncoated Fine Paper	51.00
South Africa			
Arctic Sun Trading 17 Proprietary Limited	380 Old Howick Road, Mondi House, Hilton, 3245	Distribution, Uncoated Fine Paper	50.00
Bongani Development Close Corporation	4th Floor, No 3 Melrose Boulevard, Melrose Arch, 2196	Service, Uncoated Fine Paper	100.00
Mondi Africa Holdings Proprietary Limited	4th Floor, No 3 Melrose Boulevard, Melrose Arch, 2196	Dormant, Uncoated Fine Paper	100.00
Mondi Forests Partners Programme Proprietary Limited	380 Old Howick Road, Mondi House, Hilton, 3245	Service, Uncoated Fine Paper	100.00
Mondi Newsprint Proprietary Limited	Merebank Mill, Travencore Drive, Merebank, 4052	In liquidation, Uncoated Fine Paper	100.00
Mondi Sacherie Moderne Holdings Proprietary Limited	Merebank Mill, Travencore Drive, Merebank, 4052	Holding, Uncoated Fine Paper	100.00
Mondi South Africa (Pty) Limited[5]	4th Floor, No 3 Melrose Boulevard, Melrose Arch, 2196	Production, Corrugated Packaging, Uncoated Fine Paper	100.00
Mondi Timber (Wood Products) Proprietary Limited	Merebank Mill, Travencore Drive, Merebank, 4052	Holding, Uncoated Fine Paper	100.00
Mondi Zimele Job Funds Proprietary Limited	380 Old Howick Road, Mondi House, Hilton, 3245	Service, Uncoated Fine Paper	100.00
Mondi Zimele Proprietary Limited	380 Old Howick Road, Mondi House, Hilton, 3245	Service, Uncoated Fine Paper	100.00
MZ Business Services Proprietary Limited	128 Lansdowne Road, Jacobs, 4052	In liquidation, Uncoated Fine Paper	100.00
MZ Technical Services Proprietary Limited	380 Old Howick Road, Mondi House, Hilton, 3245	In liquidation, Uncoated Fine Paper	56.00
Professional Starch Proprietary Limited	380 Old Howick Road, Mondi House, Hilton, 3245	In liquidation, Uncoated Fine Paper	100.00
Siyaqhubeka Forests Proprietary Limited	4th Floor, No 3 Melrose Boulevard, Melrose Arch, 2196	Service, Uncoated Fine Paper	51.00
Zimshelf Eight Investment Holdings Proprietary Limited	4th Floor, No 3 Melrose Boulevard, Melrose Arch, 2196	In liquidation, Uncoated Fine Paper	100.00
Spain			
Mondi Bags Ibérica S.L.	Autovía A-2, Km 582, 08630 Abrera	Production, Flexible Packaging	100.00
Mondi Ibersac S.L.	Calle La Perenal 4, 48840 Güeñes, Bizcaia	Production, Flexible Packaging	100.00
Mondi Sales Ibérica S.L.	Calle Joaquin Costa 36 2a, 28002 Madrid	Distribution, Flexible Packaging	100.00
Powerflute International S.L.	Josep Irla I Bosch, 1-3 P.6 PTA.2, 08034 Barcelona	Distribution, Corrugated Packaging	100.00
Sweden			
Mondi Dynäs AB	87381 Väja	Production, Flexible Packaging	100.00
Mondi Örebro AB	Papersbruksallen 3A, Box 926, 70130 Örebro	Production, Engineered Materials	100.00
Switzerland			
Dipeco AG	Bruehlstrasse 5, 4800 Zofingen	Production, Flexible Packaging	100.00
Thailand			
Mondi Bangkok Company, Limited	789/10 Moo 9 Bang Pla Sub-District, Bang Phli District, Bangkok, Samut Prakan Province	Production, Flexible Packaging	100.00
Mondi Coating (Thailand) Co. Ltd.	Nr 888/100-101 Soi Yingcharoen Moo 19, Bangplee-Tamru Road, Bangpleeyai, Bangplee, Samutprakam 10540	Service, Engineered Materials	100.00
Mondi TSP Company Limited	110, Moo 3, Nong Chumphon Nuea, Khao Yoi District, Petchaburi Province, 76140	Production, Flexible Packaging	97.55
Trinidad and Tobago			
TCL Packaging Limited	Southern Main Road, Claxton Bay	Production, Flexible Packaging	20.00
Turkey			
Mondi Istanbul Ambalaj Limited Şti.	No. 12A Türkgücü OSB Mah. Yilmaz Alpaslan Caddesi Corlu, Tekirdag, 59870	Production, Flexible Packaging	100.00
Mondi Kale Nobel Ambalaj Sanayi Ve Ticaret A.Ş.	Sevketiye Cobancesme Kavsagi, A2 Blok, No. 229/230 Yeşilköy, Bakirköy/Istanbul	Production, Flexible Packaging	100.00
Mondi Tire Kutsan Kagit Ve Ambalaj Sanayi A.Ş.	Toki Mahallesi, Hasan Tahsin Caddesi, No. 28, Tire, Izmir 35900	Production, Corrugated Packaging	79.15
Ukraine			
Mondi Packaging Bags Ukraine LLC	Fabrychna Street 20, Zhydachiv, Lviv Region, 81700	Production, Flexible Packaging	100.00
UK			
Frantschach Holdings UK Limited	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Dormant, Flexible Packaging	100.00
Hypac Limited	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Dormant, Corrugated Packaging	100.00
Medway Packaging Pension Trustee Limited	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Service, Flexible Packaging	100.00

11 List of subsidiaries and associated undertakings and other significant holdings as at 31 December 2019

Company	Registered office	Principal activities	% of shares held by Group
Mondi Aberdeen Limited	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Distribution, Flexible Packaging	100.00
Mondi Consumer Goods Packaging UK Ltd	Parkway, Deeside Industrial Park, Deeside, Clwyd, Wales, CH5 2NS	Production, Flexible Packaging	100.00
Mondi Finance plc	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Service, Corporate	100.00
Mondi German Investments Limited	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Holding, Corporate	100.00
Mondi Glossop Ltd	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Dormant, Engineered Materials	100.00
Mondi Holcombe Limited	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Dormant, Corrugated Packaging	100.00
Mondi Investments Limited[5]	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Holding, Corporate	100.00
Mondi Packaging (Delta) Limited	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Dormant, Corrugated Packaging	100.00
Mondi Packaging Limited	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Dormant, Corrugated Packaging	100.00
Mondi Packaging UK Holdings Limited	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Dormant, Corrugated Packaging	100.00
Mondi Pension Trustee Limited[5]	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Service, Corporate	100.00
Mondi Scunthorpe Limited[4]	Parkway, Deeside Industrial Park, Deeside, Clwyd, Wales, CH5 2NS	Dormant, Flexible Packaging	100.00
Mondi Services (UK) Limited	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Service, Corporate	100.00
Mondi UK Consumer Packaging Holding 1 Ltd	Parkway, Deeside Industrial Park, Deeside, Clwyd, Wales, CH5 2NS	Holding, Flexible Packaging	100.00
Mondi UK Consumer Packaging Holding 2 Ltd	Parkway, Deeside Industrial Park, Deeside, Clwyd, Wales, CH5 2NS	Holding, Flexible Packaging	100.00
Powerflute Group Holdings Limited	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Dormant, Corrugated Packaging	100.00
USA			
Mondi Akrosil, LLC	251 Little Falls Drive, Wilmington DE 19808	Production, Engineered Materials	100.00
Mondi Bags USA, LLC	251 Little Falls Drive, Wilmington DE 19808	Production, Flexible Packaging	100.00
Mondi Jackson LLC	251 Little Falls Drive, Wilmington DE 19808	Production, Flexible Packaging, Engineered Materials	100.00
Mondi Minneapolis, Inc.	220 South Sixth Street, Suite 2200, Minneapolis 55402	Service, Engineered Materials	100.00
Mondi Romeoville LLC	251 Little Falls Drive, Wilmington DE 19808	Production, Flexible Packaging	100.00
Mondi Tekkote LLC	251 Little Falls Drive, Wilmington DE 19808	Production, Engineered Materials	100.00

Notes:

1 % of shares held by the Group in 2018: nil

2 % of shares held by the Group in 2018: 33.33

3 % of shares held by the Group in 2018: 96.00

4 These companies have ordinary and preference shares

5 These companies are held directly

Production statistics

		2019	2018
Containerboard	'000 tonnes	2,524	2,530
Kraft paper	'000 tonnes	1,162	1,118
Uncoated fine paper	'000 tonnes	1,526	1,649
Newsprint	'000 tonnes	201	207
Pulp	'000 tonnes	4,387	4,330
Internal consumption	'000 tonnes	3,883	3,844
Market pulp	'000 tonnes	504	486
Corrugated solutions	million m^2	1,653	1,635
Paper bags	million units	5,228	5,255
Consumer flexibles	million m^2	2,457	2,711
Engineered materials	million m^2	5,506	5,797

Exchange rates

	Average		Closing	
versus euro	**2019**	**2018**	**2019**	**2018**
South African rand	16.18	15.62	15.78	16.46
Czech koruna	25.67	25.65	25.41	25.72
Polish zloty	4.30	4.26	4.26	4.30
Pound sterling	0.88	0.88	0.85	0.89
Russian rouble	72.45	74.04	69.96	79.72
Turkish lira	6.36	5.71	6.68	6.06
US dollar	1.12	1.18	1.12	1.15

Group financial record

Financial performance 2010–2019

Consolidated income statement

€ million, unless otherwise stated	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Group revenue	**7,268**	**7,481**	**7,096**	**6,662**	**6,819**	**6,402**	**6,476**	**5,790**	**5,739**	**5,610**
Underlying EBITDA	**1,658**	**1,764**	**1,482**	**1,366**	**1,325**	**1,126**	**1,068**	**927**	**964**	**798**
Corrugated Packaging (restated[1])	583	707	477	408	427	381	341	249	284	211
Flexible Packaging (restated[1])	543	461	442	380	365	317	302	276	294	198
Engineered Materials (restated[1])	122	112	136	131	119	111	96	51	34	39
Uncoated Fine Paper	444	516	464	481	448	349	359	383	394	379
Corporate	(34)	(32)	(37)	(34)	(34)	(32)	(30)	(32)	(32)	(32)
Discontinued and disposed operations	–	–	–	–	–	–	–	–	(10)	3
Underlying operating profit	**1,223**	**1,318**	**1,029**	**981**	**957**	**767**	**699**	**574**	**622**	**458**
Special items	(16)	(126)	(61)	(38)	(57)	(52)	(87)	(91)	(55)	(21)
Net finance costs (excluding financing special item)	(104)	(88)	(85)	(101)	(105)	(97)	(115)	(110)	(111)	(106)
Underlying earnings	**829**	**916**	**721**	**667**	**647**	**519**	**460**	**334**	**340**	**206**
Basic earnings	812	824	668	638	600	471	386	242	330	224
Basic underlying EPS (euro cents)	**171.1**	**189.1**	**148.9**	**137.8**	**133.7**	**107.3**	**95.0**	**69.2**	**68.1**	**40.6**
Basic EPS (euro cents)	167.6	170.1	137.9	131.8	124.0	97.4	79.8	50.1	57.5	37.8
Total ordinary dividend per share paid and proposed (euro cents)[2]	**83.0**	**76.0**	**62.0**	**57.0**	**52.0**	**42.0**	**36.0**	**28.0**	**26.0**	**20.0**

Notes:

1 Comparative information for 2010 to 2018 has been restated to reflect the changes from the reorganisation of the business units as described in note 2

2 A special dividend of 100 euro cents was paid in 2018 in addition to the 2017 ordinary dividend

Significant ratios

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Underlying EBITDA growth (%)	(6.0)	19.0	8.5	3.1	17.7	5.4	15.2	(3.8)	20.8	23.7
Underlying EBITDA margin (%)	22.8	23.6	20.9	20.5	19.4	17.6	16.5	16.0	16.8	14.2
Underlying operating profit margin (%)	16.8	17.6	14.5	14.7	14.0	12.0	10.8	9.9	10.8	8.2
ROCE (%)	19.8	23.6	19.3	20.3	20.5	17.2	15.3	13.6	15.0	12.3
Net debt to 12-month trailing underlying EBITDA (times)	1.3	1.3	1.0	1.0	1.1	1.4	1.5	2.0	0.9	1.7
Ordinary dividend cover (times)	2.1	2.5	2.4	2.4	2.6	2.6	2.6	2.5	2.6	2.0
PE Ratio	12.2	9.6	14.6	14.2	13.5	12.6	13.2	11.9	8.0	14.8
Mondi plc (LSE) – Share price at end of year (GBP pence per share)	1,773	1,634	1,931	1,666	1,334	1,050	1,046	670	455	514
Mondi plc (JSE) – Share price at end of year (ZAR per share)	326	304	319	279	309	190	181	91	57	54
Market capitalisation (€ million)[1]	10,165	8,901	10,523	9,457	8,803	6,563	6,081	4,001	2,655	3,097

Note:

1 The number of shares of Mondi plc increased in 2019 as a result of the Simplification of the corporate structure as described in note 21 with the effect that the total number of shares in issue was the same as the total in issue for the Group prior to Simplification

Significant cash flows

€ million	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Cash generated from operations	**1,635**	**1,654**	**1,363**	**1,401**	**1,279**	**1,033**	**1,036**	**849**	**917**	**778**
Working capital cash flows	35	(117)	(122)	68	9	(87)	(27)	(83)	(68)	(121)
Income tax paid	(248)	(248)	(151)	(173)	(160)	(106)	(126)	(109)	(85)	(47)
Capital expenditure cash outflows	**(757)**	**(709)**	**(611)**	**(465)**	**(595)**	**(562)**	**(405)**	**(294)**	**(263)**	**(394)**
Interest paid	(96)	(73)	(97)	(82)	(93)	(125)	(124)	(92)	(106)	(117)
Ordinary dividends paid to shareholders[1]	**(396)**	**(309)**	**(273)**	**(274)**	**(209)**	**(193)**	**(138)**	**(128)**	**(126)**	**(54)**

Note:
1 A special dividend of €484 million was paid in 2018 in addition to the 2017 ordinary dividend

Consolidated statement of financial position

€ million	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Property, plant and equipment	4,800	4,340	4,128	3,788	3,554	3,432	3,428	3,709	3,377	3,976
Goodwill	948	942	698	681	590	545	550	561	202	274
Working capital	952	972	899	799	794	811	711	764	575	660
Other assets	620	540	530	532	422	434	429	503	408	466
Other liabilities	(728)	(749)	(716)	(721)	(675)	(715)	(653)	(789)	(696)	(788)
Net assets excluding net debt	**6,592**	**6,045**	**5,539**	**5,079**	**4,685**	**4,507**	**4,465**	**4,748**	**3,866**	**4,588**
Equity	4,015	3,485	3,683	3,392	2,905	2,628	2,591	2,572	2,586	2,763
Non-controlling interests in equity	370	340	324	304	282	266	255	301	449	461
Net debt[1]	2,207	2,220	1,532	1,383	1,498	1,613	1,619	1,875	831	1,364
Capital employed	**6,592**	**6,045**	**5,539**	**5,079**	**4,685**	**4,507**	**4,465**	**4,748**	**3,866**	**4,588**

Note:
1 Net debt prior to 2012 does not include the effect of net debt-related derivatives

Additional information for Mondi plc shareholders

The disclosures below form part of the Directors' report on pages 144 and 145 of this report.

Introduction

Set out below is a summary of certain provisions of Mondi plc's articles of association (Articles) and applicable English law concerning companies (the Companies Act). This is a summary only and the relevant provisions of the Articles or the Companies Act should be consulted if further information is required. On 26 July 2019, Mondi completed a simplification of its corporate structure, pursuant to which Mondi plc adopted new articles of association and cancelled all shares issued under the previous dual listed company structure.

Share capital

Mondi plc's issued share capital as at 31 December 2019 comprised 485,553,780 ordinary shares of 20 euro cents each (the Ordinary Shares) representing 100% of the total share capital.

The shares are in registered form.

Purchase of own shares

Subject to the provisions of the Articles and the Companies Act, Mondi plc may purchase, or may enter into a contract under which it will or may purchase, any of its own shares of any class, including any redeemable shares.

Ordinary Shares

Dividends and distributions

Subject to the provisions of the Companies Act, Mondi plc may by ordinary resolution from time to time declare dividends not exceeding the amount recommended by the Board. The Board may pay interim dividends whenever the financial position of Mondi plc, in the opinion of the Board, justifies such payment.

The Board may withhold payment of all or any part of any dividends or other monies payable in respect of Mondi plc's shares from a person with a 0.25% or more interest in nominal value of the issued shares, if such a person has been served with a notice after failure to provide Mondi plc with information concerning interest in those shares required to be provided under the Companies Act.

Voting rights

Subject to any special rights or restrictions attaching to any class of shares, at a general meeting, every member present in person has, upon a show of hands, one vote. Every duly appointed proxy has, upon a show of hands, one vote unless the proxy is appointed by more than one member, in which case the proxy has one vote for and one vote against if (i) the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution or (ii) the proxy has been instructed by one or more members to vote either for or against the resolution and by one or more members to use their discretion as to how to vote. On a poll every member who is present in person or by proxy has one vote for every fully paid share of which they are the holder. In the case of joint holders of a share, the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the shares. Under the Companies Act, members are entitled to appoint a proxy, who need not be a member of Mondi plc, to exercise all or any of their rights to attend and to speak and vote on their behalf at a general meeting or class meeting. A member may appoint more than one proxy in relation to a general meeting or class meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy is not entitled to delegate the proxy's authority to act on behalf of a member to another person. A member that is a corporation may appoint one or more individuals to act on its behalf at a general meeting or class meeting as a corporate representative.

Restrictions on voting

No member shall be entitled to vote either in person or by proxy at any general meeting or class meeting in respect of any shares held by him if any call or other sum then payable by him in respect of that share remains unpaid. In addition no member shall be entitled to vote if he has been served with a notice after failure to provide Mondi plc with information concerning interests in those shares required to be provided under the Companies Act.

Deadlines for exercising voting rights

Votes are exercisable at a general meeting of Mondi plc in respect of which the business being voted upon is being heard. Votes may be exercised in person, by proxy, or in relation to corporate members, by corporate representatives. The Articles provide a deadline for submission of proxy forms of not less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting.

Variation of rights

Subject to the Companies Act, the Articles specify that rights attached to any class of shares may be varied with the written consent of the holders of not less than three-quarters in nominal value of the issued shares of that class, or with the sanction of a special resolution passed at a separate general meeting of the holders of those shares. At every such separate general meeting the quorum shall be two persons holding or representing by proxy at least one-third in nominal value of the issued shares of the class (calculated excluding any shares held as treasury shares). The rights conferred upon the holders of any shares shall not, unless otherwise expressly provided in the rights attaching to those shares, be deemed to be varied by the creation or issue of further shares ranking pari passu with them.

Notwithstanding the above, the relevant plan rules provide that any shares held by the trustee of the Mondi plc Share Incentive Plan from time to time will not be voted.

Transfer of shares

All transfers of shares which are in certificated form may be effected by transfer in writing in any usual or common form or in any other form acceptable to the directors. The instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully-paid shares) by or on behalf of the transferee and shall specify the name of the transferor, the name of the transferee and the number of shares being transferred. Transfers of shares which are in uncertificated form are effected by means of the CREST system.

The directors may also refuse to register an allotment or transfer of shares (whether fully paid or not) in favour of more than four persons jointly. If the directors refuse to register an allotment or transfer they shall, within 30 days after the date on which the letter of allotment or transfer was lodged with Mondi plc, send to the allottee or transferee a notice of the refusal.

The directors may decline to register any instrument of transfer unless: (i) the instrument of transfer is in respect of only one class of share, (ii) when submitted for registration is accompanied by the relevant share certificates and such other evidence as the directors may reasonably require and (iii) it is fully paid.

Subject to the Companies Act and regulations and applicable CREST rules, the directors may determine that any class of shares may be held in uncertificated form and that title to such shares may be transferred by means of the CREST system or that shares of any class should cease to be so held and transferred.

A shareholder does not need to obtain the approval of Mondi plc, or of other shareholders of shares in Mondi plc, for a transfer of shares to take place.

Notwithstanding the above, some of the Mondi plc employee share plans include restrictions on transfer of shares while the shares are subject to such plan.

Directors

Appointment and replacement of directors

Directors shall be no less than four and no more than 20 in number. A director is not required to hold any shares of Mondi plc by way of qualification. Mondi plc may by special resolution increase or reduce the maximum or minimum number of directors. Each director shall retire at the Annual General Meeting held in the third calendar year following the year in which the director was elected or last re-elected by Mondi plc, or at such earlier Annual General Meeting as the directors resolve. A retiring director shall be eligible for re-election.

The Board may appoint any person to be a director (so long as the total number of directors does not exceed the limit prescribed in the Articles). Any such director shall hold office only until the next Annual General Meeting (or if the notice of the next Annual General Meeting has already been sent at the time of such person's appointment, the Annual General Meeting following that one) and shall then be eligible for re-election.

Powers of the directors

Subject to the Articles, the Companies Act and any directions given by special resolution, the business of Mondi plc will be managed by the Board who may exercise all the powers of Mondi plc.

The Board may exercise all the powers of Mondi plc to borrow money and to mortgage or charge any of its undertaking, property and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of Mondi plc or of any third party.

Significant agreements: change of control

All of Mondi plc's employee share plans contain provisions relating to a change of control. Outstanding awards and options would normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions at that time.

Amendment of the Articles

Any amendments to the Articles may be made in accordance with the provisions of the Companies Act by way of special resolution.

Shareholder information

Mondi plc is a company registered in the UK. It has a premium listing on the London Stock Exchange and a secondary listing on the JSE Limited.

Financial calendar

7 May 2020	2020 Annual General Meeting
7 May 2020	Trading update
14 May 2020	Payment date for 2019 final ordinary dividend
6 August 2020	2020 half-yearly results announcement
September 2020	2020 interim ordinary dividend payment
15 October 2020	Trading update

Analysis of shareholders

As at 31 December 2019 Mondi plc had 485,553,780 ordinary shares in issue, of which 152,963,432 were held on the South African branch register.

By size of holding

Number of shareholders	% of shareholders	Size of shareholding	Number of shares	% of shares
2,022	51.91	1 – 500	425,127	0.09
469	12.04	501 – 1000	337,896	0.07
554	14.22	1,001 – 5,000	1,306,440	0.27
449	11.53	5,001 – 50,000	8,532,198	1.76
348	8.94	50,001 – 1,000,000	91,781,963	18.90
53	1.36	1,000,001 – highest	383,170,156	78.91
3,895	100.00		485,553,780	100.00

Managing your shares

Registrars

To manage your shares or if you have any queries, please contact the relevant Registrar:

	Shares held on the UK register	Shares held on the South African branch register
Registrar	Link Asset Services	Link Market Services South Africa Proprietary Limited (Link Market Services)
Postal address	The Registry 34 Beckenham Road Beckenham Kent BR3 4TU UK	PO Box 4844 Johannesburg, 2000 South Africa
Helpline number	0371 664 0300 (calls are charged at the standard geographic rate and will vary by provider; lines are open Monday to Friday between 9:00am to 5:30pm excluding public holidays in England and Wales) +44 371 664 0300 (if calling from outside the UK; calls will be charged at the applicable international rate)	011 713 0800 (if calling from South Africa) +27 11 713 0800 (if calling from outside South Africa)
Email	enquiries@linkgroup.co.uk	info@linkmarketservices.co.za
Online	www.signalshares.com	Not available

Sign up to email communications

Many of our shareholders have chosen to receive shareholder information electronically rather than by post. Benefits include faster notification of shareholder information, reduced costs and being more environmentally friendly.

Shareholders on the UK register can sign up to email communications by contacting Link Asset Services or via their online portal, Signal Shares.

Shareholders on the South African branch register holding their shares in certificated form can sign up to email communications by contacting Link Market Services or by emailing ecomms@linkmarketservices.co.za. Shareholders on the South African branch register with dematerialised shares should contact their Central Securities Depository Participant (CSDP) or broker.

You will be notified by email each time new financial reports, notices of shareholder meetings and other shareholder communications are published on our website at: www.mondigroup.com.

Manage your shares online

Shareholders on the UK register can sign up to Signal Shares, a free secure online site provided by Link Asset Services, where you can manage your shareholding quickly and easily. You can:

- → View your holding and get an indicative valuation
- → Change your address
- → Arrange to have dividends paid into your bank account
- → Request to receive shareholder communications by email rather than post
- → View your dividend payment history
- → Make dividend payment choices
- → Buy and sell shares and access stock market news and information
- → Register your proxy voting instruction
- → Download a Stock Transfer form

To register for Signal Shares just visit www.signalshares.com. All you need is your investor code which can be found on your share certificate or dividend confirmation.

Dividends

A proposed final ordinary dividend for the year ended 31 December 2019 of 55.72 euro cents per ordinary share will be paid to shareholders in accordance with the below timetable.

Payment of the final ordinary dividend is subject to the approval of shareholders at the Annual General Meeting scheduled for 7 May 2020.

Last date to trade shares cum-dividend	
JSE Limited	Tue 31 March 2020
London Stock Exchange	Wed 1 April 2020
Shares commence trading ex-dividend	
JSE Limited	Wed 1 April 2020
London Stock Exchange	Thu 2 April 2020
Record date	Fri 3 April 2020
Last date for receipt of Dividend Reinvestment Plan (DRIP) elections by Central Securities Depository Participants	Thu 9 April 2020
Last date for DRIP elections to South African Transfer Secretaries by shareholders	Tue 14 April 2020
Last date for DRIP elections to UK Registrar by shareholders	Tue 21 April 2020
Payment date	Thu 14 May 2020
DRIP purchase settlement dates (subject to the purchase of shares in the open market):	
South African Register	Wed 20 May 2020
UK Register	Mon 18 May 2020
Currency conversion dates	
ZAR/euro	Thu 27 February 2020
Euro/sterling	Tue 28 April 2020

Share certificates on Mondi plc's South African register may not be dematerialised or rematerialised between Wednesday 1 April 2020 and Friday 3 April 2020, both dates inclusive, nor may transfers between the UK and South African registers take place between Tuesday 24 March 2020 and Friday 3 April 2020, both dates inclusive.

Dividend tax will be withheld from the amount of the gross final ordinary dividend paid to shareholders on the South African branch register at the rate of 20%, unless a shareholder qualifies for an exemption.

Your dividend currency

All dividends are declared and paid in euro with the following exceptions:

UK residents	pound sterling
South African residents	South African rand

Shareholders on the UK register resident in the UK may however elect to receive their dividends in euro and shareholders on the UK register resident outside the UK may elect to receive their dividends in pound sterling.

Shareholders on the UK register wishing to elect to receive their dividends in an alternative currency should contact Link Asset Services using the details provided.

Payment of your dividends

Mondi encourages shareholders to have their dividends paid directly into their bank accounts. This means that the dividend will reach your bank account more securely and on the payment date without the inconvenience of depositing a cheque.

Shareholders on the UK register:

→ Shareholders with a UK bank account can elect to receive dividends directly into their bank account via Signal Shares or by contacting Link Asset Services.
→ Shareholders without a UK bank account may be able to take advantage of the International Payment Service offered by Link Asset Services. Find out more via Signal Shares or by contacting Link Asset Services.

Shareholders on the South African branch register:

→ The 2019 Interim dividend was the last dividend to be paid by cheque. Shareholders who previously received cheques should contact Link Market Services, if they have not already done so, to provide their bank details and ensure they continue to receive their dividends.
→ Shareholders without a South African bank account are encouraged to dematerialise their shares with a CSDP in South Africa as a CSDP is often able to pay dividends into foreign bank accounts. Find out more by contacting Link Market Services or any CSDP.

Reinvest your dividends

The dividend reinvestment plans (DRIPs) provide an opportunity for shareholders to have their cash dividends reinvested in Mondi plc ordinary shares.

The plans are available to all ordinary shareholders (excluding those in certain restricted jurisdictions). Fees may apply.

If you wish to participate in the DRIPs you can sign up via Signal Shares or by contacting either Link Asset Services in the UK or Link Market Services in South Africa as appropriate.

South African dematerialisation

Mondi encourages shareholders on the South African branch register to consider dematerialising their shares. By surrendering your share certificate, you will hold your shares electronically with a CSDP in South Africa.

Holding shares electronically can help to prevent share fraud, theft and loss of share certificates.

Find out more by contacting Link Market Services or any CSDP.

Shareholders who previously held Mondi Limited shares

Prior to 26 July 2019, Mondi had a dual listed company (DLC) structure comprising Mondi Limited, a company registered in South Africa and Mondi plc. Following the completion of the corporate simplification on 26 July 2019, this changed to a single holding company structure under Mondi plc. Mondi Limited (now Mondi South Africa (Pty) Limited) became a subsidiary of Mondi plc and the DLC arrangements between the two companies were terminated. Mondi Limited shareholders received Mondi plc shares held on the South African branch register. Shareholders who have any questions relating to their old Mondi Limited shares should contact Link Market Services.

Taxation

Mondi is unable to advise shareholders on taxation. Your tax obligations will vary depending on your jurisdiction and financial circumstances. With regard to your Mondi shareholding, we recommend all shareholders maintain records of dividend payments, share purchases and sales. A dividend confirmation will be sent with all dividend payments. For further assistance, please speak to an independent professional tax or financial adviser.

Donating shares to charity

If you have a small number of shares which would cost you more to sell than they are worth, there is the option to donate these unwanted shares to charity free of charge. These shares are then aggregated, sold and the proceeds distributed to various charities. Donate your shares or find out more using the relevant contact details below:

	Shares held on the UK register	Shares held on the South African branch register
	ShareGift	Strate Charity Shares
Postal address	PO Box 72253 London SW1P 9LQ UK	PO Box 78608 Sandton, 2146 South Africa
Helpline number	+44 (0)20 7930 3737	0800 202 363 (if calling from South Africa) +27 11 870 8207 (if calling from outside South Africa)
Email	help@sharegift.org	charityshares@computershare.co.za
Online	www.sharegift.org	http://www.strate.co.za/we-care/strate-charity-shares

Fraud

Shareholders should be aware that they may be targeted by certain organisations offering unsolicited investment advice or the opportunity to buy or sell worthless or non-existent shares. Should you receive any unsolicited calls or documents to this effect, you are advised not to give out any personal details or to hand over any money without ensuring that the organisation is authorised by the UK Financial Conduct Authority (FCA) and doing further research.

If you are unsure or think you may have been targeted you should report the organisation to the FCA. For further information, please visit the FCA's website at www.fca.org.uk, email consumer.queries@fca.org.uk or call the FCA consumer helpline on 0800 111 6768 if calling from the UK or +44 20 7066 1000 if calling from outside the UK.

Shareholders can also contact Link Asset Services in the UK, Link Market Services in South Africa or Mondi's company secretarial department on +44 (0)1932 826300.

Account amalgamations

If you receive more than one copy of any documents sent out by Mondi or for any other reason you believe you may have more than one Mondi plc account, please contact the relevant Registrar who will be able to confirm and, if necessary, arrange for the accounts to be amalgamated into one.

Alternative formats

If you would like to receive this report in an alternative format, such as in large print, Braille or in audio format, please contact Mondi's company secretarial department on +44 (0)1932 826300.

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Glossary of terms

In addition to the terms explained below, the Group presents certain financial measures that are not defined or specified according to IFRS. These measures, referred to as Alternative Performance Measures (APMs), are defined in note 31 in the notes to the consolidated financial statements. A full glossary of sustainability-related terms and partner organisations can be found in Mondi's online Sustainable development report 2019.

Sustainable Development report –
www.mondigroup.com/sd19

Certified wood

Certified wood is produced from wood fibre which originates from sustainably managed forest lands. The most recognised forest certification schemes are PEFC™ and FSC™.

FSC™

Forest Stewardship Council™ 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.

PEFC™

Programme for the Endorsement of Forest Certification™ is an international not-for-profit non-government organisation dedicated to promoting sustainable forest management through independent third-party certification.

Circular economy

An industrial system that is restorative or regenerative by intention and design. It replaces the 'end-of-life' concept with restoration, shifts towards the use of renewable energy, eliminates the use of toxic chemicals which impair reuse, and aims for the elimination of waste through the superior design of materials, products, systems and business models.

Ellen MacArthur Foundation definition™

CoC

Chain-of-Custody is a tracking system that allows manufacturers and traders to demonstrate that timber 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.

Controlled wood (CW)

Controlled wood is a special category of wood material which has been verified as having a low probability of including wood from:

- illegally harvested wood
- wood harvested in violation of traditional and civil rights
- wood harvested in forests in which high conservation values are threatened by management activities
- wood harvested in forests being converted from natural and semi-natural forest to plantations and non-forest use
- wood from forests in which genetically modified trees are planted

GHG and CO_2e

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. We convert non-CO_2 GHGs (such as CH_4 or N_2O) into an amount of CO_2 with an equivalent warming potential. Total GHG emissions are the sum of the equivalent amount of CO_2 for each GHG, abbreviated as CO_2e.

Scope 1 emissions

Total GHG emissions from sources owned or controlled by Mondi and its subsidiaries. This includes CO_2e from fossil fuels and processes, company leased/owned vehicles, waste and waste water treatment, make-up chemicals, and other GHGs.

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.

GRI

The Global Reporting Initiative is a not-for-profit organisation that produces one of the world's most prevalent frameworks for sustainability reporting.

Specific

Figures reported in specific terms are normalised to saleable production tonnes.

SDGs

The UN Sustainable Development Goals were launched in 2015, involving a comprehensive, far-reaching and people-centred set of 17 universal and transformative goals and 169 targets. They are integrated and indivisible, and will stimulate action over the next years until 2030 in areas of critical importance for humanity and the planet: people, planet, prosperity, peace and partnerships.

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 compensated occupational illnesses) divided by the number of hours worked per 200,000 man hours.

TRS

Total reduced sulphur compounds, generated in the pulping process, and a source of odorous emissions to air.

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.

Forward-looking statements

This document includes forward-looking statements. All statements other than statements of historical facts included herein, including, without limitation, those regarding Mondi's financial position, business strategy, market growth and developments, expectations of growth and profitability and plans and objectives of management for future operations, are forward-looking statements. Forward-looking statements are sometimes identified by the use of forward-looking terminology such as 'believe', 'expects', 'may', 'will', 'could', 'should', 'shall', 'risk', 'intends', 'estimates', 'aims', 'plans', 'predicts', 'continues', 'assumes', 'positioned' or 'anticipates' or the negative thereof, other variations thereon or comparable terminology. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Mondi, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements and other statements contained in this document regarding matters that are not historical facts involve predictions and are based on numerous assumptions regarding Mondi's present and future business strategies and the environment in which Mondi will operate in the future. These forward-looking statements speak only as of the date on which they are made.

No assurance can be given that such future results will be achieved; various factors could cause actual future results, performance or events to differ materially from those described in these statements. Such factors include in particular but without any limitation: (1) operating factors, such as continued success of manufacturing activities and the achievement of efficiencies therein, continued success of product development plans and targets, changes in the degree of protection created by Mondi's patents and other intellectual property rights and the availability of capital on acceptable terms; (2) industry conditions, such as strength of product demand, intensity of competition, prevailing and future global market prices for Mondi's products and raw materials and the pricing pressures thereto, financial condition of the customers, suppliers and the competitors of Mondi and potential introduction of competing products and technologies by competitors; and (3) general economic conditions, such as rates of economic growth in Mondi's principal geographical markets or fluctuations of exchange rates and interest rates.

Mondi expressly disclaims a) any warranty or liability as to accuracy or completeness of the information provided herein; and b) any obligation or undertaking to review or confirm analysts' expectations or estimates or to update any forward-looking statements to reflect any change in Mondi's expectations or any events that occur or circumstances that arise after the date of making any forward-looking statements, unless required to do so by applicable law or any regulatory body applicable to Mondi, including the JSE Limited and the LSE.

This document includes market position estimates prepared by the Group based on industry publications and management estimates. Main industry publication sources are:
Fastmarkets RISI, Pöyry, Henry Poole Consulting, Eurosac, Freedonia, Alexander Watson Associates, PCI Wood Mackenzie, EMGE, EURO-GRAPH, Pulp and Paper Products Council, Bumprom and SBO.

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www.mondigroup.com

Our 2019 suite of reports

Please visit our Group website where copies of our reports can be downloaded:
www.mondigroup.com/reports19

Integrated report and financial statements 2019
A balanced overview of Mondi's performance in 2019 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/ir19

Sustainable Development report 2019
A comprehensive view of our approach to sustainable development and our performance in 2019, prepared in accordance with the GRI Standards: Core option. Available online as an interactive pdf at:
www.mondigroup.com/sd19

PERGRAPHICA®

Printed on certified Mondi PERGRAPHICA® Classic Rough in 300gsm, 120gsm and 90gsm
Printing: CPI Colour | www.cpicolour.co.uk
Design and production: Radley Yeldar | www.ry.com