

Mondi Group

Sustainable development review 2010

Taking stock of our sustainability footprint



Our approach

This Sustainable Development Review and our full online Sustainable Development Report 2010 have been prepared in accordance with the Global Reporting Initiative's (GRI) G3 guidelines to a B+ level. The compliance of these reports with the GRI G3 guidelines' application level B requirements has been assured by external auditor, ERM. The reports have also been checked by GRI.



Our approach to reporting

Our core purpose is to create long-term value for our stakeholders by transforming natural resources into innovative product solutions that meet customer needs in a responsible, cost-effective and sustainable way. Our products are inherently sustainable as they are based on natural fibres from renewable sources, and are highly recyclable.


Our sustainable development commitments give life to our vision, and we achieve these through our robust policies, systems and practices at a Group and operational level.

Our comprehensive online **Sustainable Development Report** may be found on our website at www.mondigroup.com/sustainability. Detailed discussions on all areas of sustainability, including our commitments and performance, are supported by case studies illustrating some of the challenges and opportunities we have faced during the year. This **Sustainable Development Review** has been compiled to provide our stakeholders with an overview of the way we work, our commitments to sustainable development, and a summary of our performance.

The theme of our 2010 report is **Taking Stock**, reflecting that we have reached a key milestone in the conclusion of our five-year sustainable development commitment period. In addition to reviewing our 2010 performance, we report our progress against our five-year key environmental, social and governance commitments.


We focus and report on those issues that are most material to the business and to our stakeholders, identified through stakeholder engagement and through our intensive risk management processes. These material issues are:

- ensuring that appropriate governance is in place at all levels of the Group;
- producing sought-after products in a responsible manner;
- securing continued access to raw materials in a resource-constrained world;
- attracting, retaining and caring for employees;
- achieving and maintaining our licence to operate through responsible management of our operations and their impacts; and
- consideration for our host communities.

See the discussion on our website: Engaging with stakeholders at www.mondigroup.com/engaging_with_stakeholders and Identifying material issues at www.mondigroup.com/material_issues. 


Although our original five-year commitments have come to an end, following a thorough review, we believe that the issues we identified remain valid. In developing the next generation of

commitments we will continue to review, amend and add to them as appropriate.

We also understand that deforestation and climate change are issues of broader global concern, and that this matter cuts across all of our environmental, social and governance commitments. We have recognised the importance of this as a holistic issue and have addressed it through a separate, dedicated section in our report: Responsible forestry and climate change at www.mondigroup.com/responsible_forestry_and_climate_change,  a summary of which appears on page 13.


Scope of the report

Our Sustainable Development Review is for the 2010 financial year, which runs from 1 January 2010 to 31 December 2010, and covers the activities of those production operations over which we have joint control or significant influence. Not included in this report are the UK-based, independently managed joint venture company, Aylesford Newsprint Limited; the paper distribution company, Europapier (which was sold in 2010); some of our smaller sales offices, and other smaller administrative functions. The data provided on environmental performance covers our environmentally material operations as defined in the glossary.

We are committed to external assurance, and in 2010 this was undertaken by ERM, whose scope and findings are outlined in the Assurance report on page 36. Specific data and commitments assured by ERM are indicated by .

Financial information is predominantly reported in euros (€).

There have been no significant changes in the scope, boundary and measurement methods used in preparing this report compared with previous reporting periods. Restatement of historical data has not had a material effect on the reported results.

See the online report for a more detailed discussion on the scope of the report: www.mondigroup.com/scope_of_report. 

Sustainability contacts

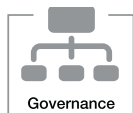
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Highlights 2010



Governance

- Sustainable development policy, sector policies and risk profile reviewed by DLC sustainable development committee
- DLC Board reviewed the application of certain principles to the South African King III Code of Corporate Governance and the UK Corporate Governance Code ahead of 2011 compliance date
- First in WWF's Fine Paper Company Environmental Index
- Recognised as best paper company for carbon disclosure by the Carbon Disclosure Project (CDP) in FTSE 350 and JSE 100
- Included in FTSE4Good and JSE SRI indices



Economic performance

- Group revenue of €6,228 million
- €778 million cash generated from operations
- Underlying earnings per share 47.0 euro cents
- Capital expenditure cash payments of €394 million, primarily in Russia



Forestry and climate change

- All plantations in South Africa and boreal forests in Russia managed sustainably, verified by FSC™ certification
- Group certification support of Russian State Forests (1.8 million hectares) maintained
- 60% of all wood supply FSC™- or PEFC-certified and all virgin fibre has controlled source origin certification
- Avoided CO₂e emissions of 4.9 million tonnes in 2010
- First forestry property proclaimed nature reserve: Gilboa estate, South Africa
- 33% of pulp consumed was from recovered fibre



Social performance

- 29,000 employees across the Group, with additional jobs for an estimated 21,000 contractors
- Continued compliance with Voluntary Principles of Security and Human Rights
- Lost-time injury frequency rate (LTIFR) reduced by 18%
- Green Range products extended
- Terra Bag introduced, the world's first biodegradable industrial bag with certified compostability
- Investment of €12.61 million in corporate social investment projects
- 11 land claims settled in South Africa
- Socio-economic impact assessment of the South African forest operations updated



Environmental performance

- All environmental commitments relating to waste, emissions to air and water met and exceeded
- Specific CO₂e emissions down 23% since 2004
- Specific energy consumption (pulp and paper manufacturing) down by 11% since 2004
- Use of renewable energy sources increased to 55%
- Electrical self-sufficiency at 79% with more than 90% of electricity consumed generated by combined heat and power (CHP) boilers
- Product carbon footprint (PCF) method established and externally verified
- Water footprint data reported

Our company and our products

Mondi is an international paper and packaging group, with production operations across 31 countries. Our key operations are located in central Europe, Russia and South Africa, servicing markets across the globe. Our headquarters are located in Johannesburg, South Africa.

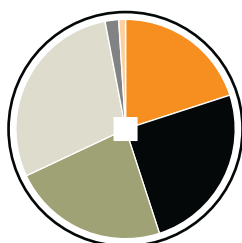
Mondi is fully integrated across the paper and packaging process, from the growing of wood and the manufacture of pulp and paper (including recovered paper), to the conversion of packaging papers into corrugated packaging and industrial bags. The Group is principally involved in the manufacture of uncoated fine paper (UFP), packaging paper and converted packaging products as well as speciality products.

In 2010, we employed an average of 29,000 people and, in addition, provided employment for an estimated average of 21,000 contractors during the year.

Mondi is a dual listed company (DLC), with listings on the Johannesburg and London stock exchanges with the ticker codes MND (JSE) and MNDI (LSE) respectively.

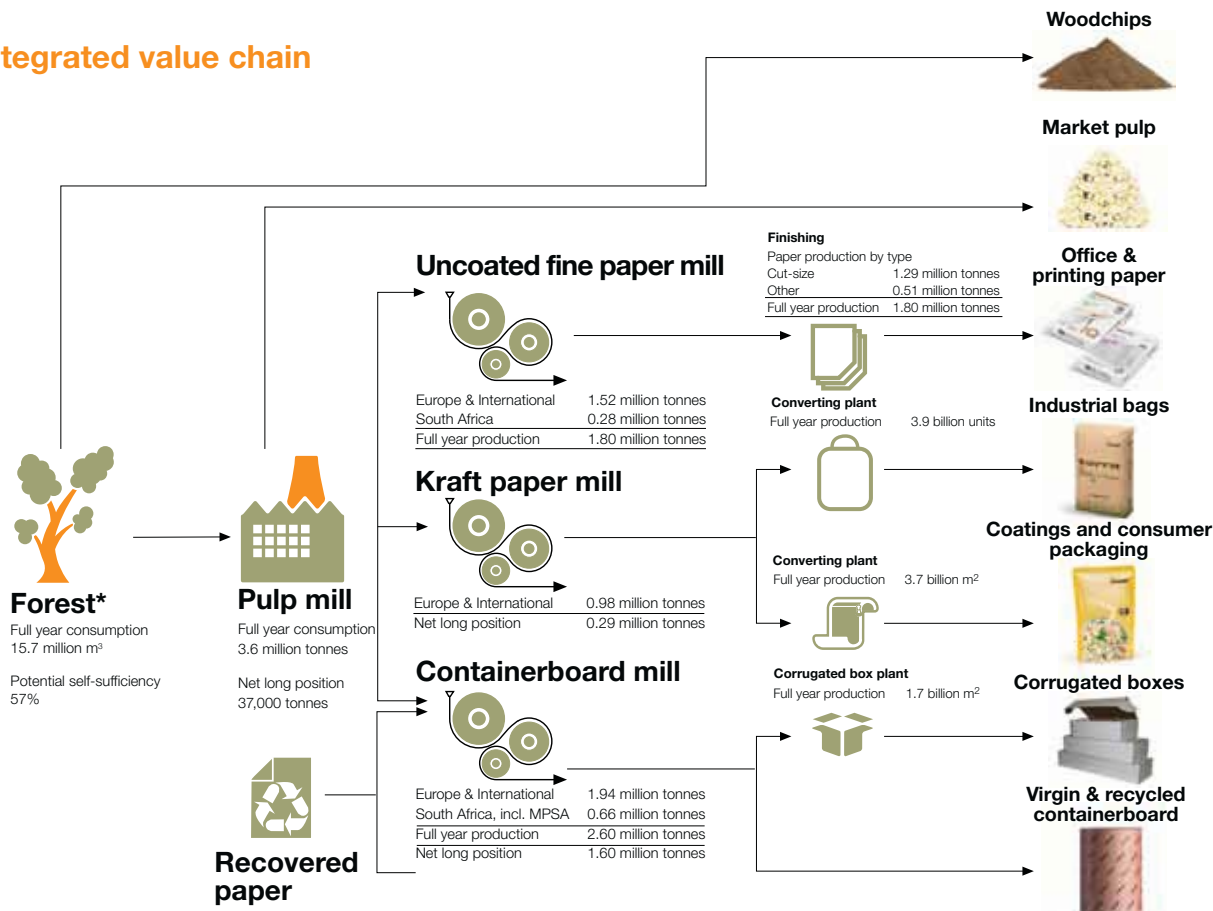
The Group has consistently been recognised for its sustainability performance through its inclusion in the FTSE4Good UK, in the European and Global Index Series since 2008, and in the JSE's Socially Responsible Investment (SRI) Index from 2007 to date.

Geographic location of employees (%)



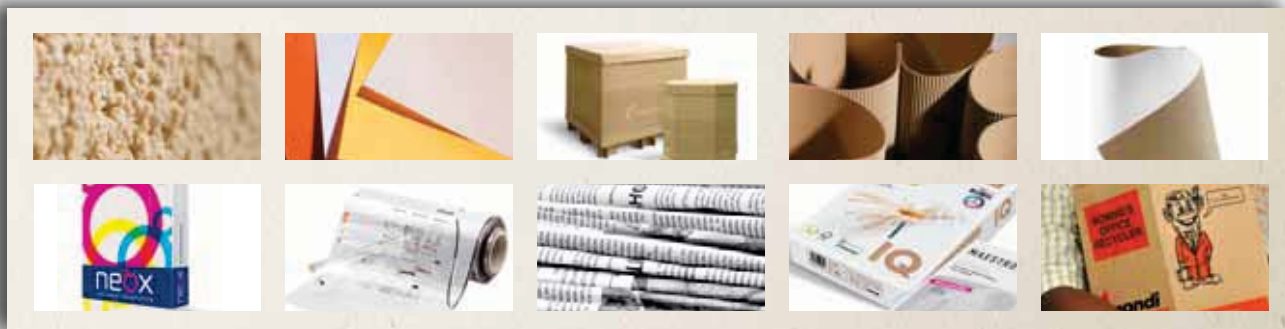
South Africa and the rest of Africa	20
Western Europe	25
Eastern Europe	23
Russia	29
North America	2
Asia and Australia	1

Integrated value chain



* The Sustainable Development Report covers all the activities of our global production operations in which we hold a minimum 50% shareholding or over which we have operational control. Based on this approach, we report 15.7 million m³ of wood consumed for sustainable development reporting purposes. This figure is slightly higher than that reported in our Annual Report and Accounts 2010, where joint ventures are proportionally consolidated.

Paper and packaging are essential components of modern life. Consumer products, food and communication materials are just a few examples of the paper and packaging products that form an integral part of our daily existence.



Pulp

Both hardwood and softwood pulp is produced largely for internal use. A total of 3.7 million tonnes was produced in 2010, with 0.5 million tonnes sold externally.

Uncoated fine paper

Mondi is a leading European, Russian and South African producer of UFP, used for a wide range of office and professional printing applications for inkjet and laser printing. Well-known brands include Color Copy, MAESTRO® and IQ, as well as the Russian Snegurochka and South African ROTATRIM brands.

Containerboard

A wide-ranging portfolio of corrugated case materials (virgin and recycled containerboard) is produced for corrugated box applications. To meet the corrugated industry's increasing demand for excellent lightweight liners and flutings, Mondi has invested in the construction of one of the world's fastest containerboard machines (1,700 m/min) in Poland.

Corrugated boxes

Mondi is a leading supplier of all forms of corrugated packaging, including conventional boxes and trays, point-of-sale displays, Shelf-Ready Packaging (SRP) and heavy-duty packaging. Radio Frequency Identification (RFID) enabled corrugated cases are an integral part of the Group's portfolio.

Kraft paper

Kraft papers within the Advantage range are widely used, from industrial applications (including building and chemicals) to consumer packaging (including food, pet food, medical and pharmaceuticals). A wide range of grades is offered, each catering to the specific requirements of different packaging concepts.

Industrial bags

Mondi is the world's largest producer of industrial bags and offers a wide variety, including ultra-strong and air-permeable bags with

sophisticated closure techniques. These products are used to package, among other products, cement, chemicals, seeds, animal feed, flour and milk powder, as well as automotive parts and organic and bio-waste.

Coatings & consumer packaging

These are high-quality products, such as extrusion coating products, release liners and consumer packaging. The Group's expertise in extrusion coating, laminating, siliconising and printing enables Mondi to offer customised products for the food, pet food, building, medical and hygiene industries among others. Sanocoat®, an anti-microbial packaging solution for increased shelf-life, is a recent innovation.

Newsprint

Mondi is a small producer of newsprint and telephone directory paper, manufactured in South Africa and the UK.

Green Range

Extended to include brands from our full range of products, the Mondi Green Range provides environmentally responsible paper and packaging solutions.

These products are either totally chlorine-free (TCF), manufactured from 100% recycled products or sourced from sustainably managed forests (FSC™/PEFC certified). See www.mondigroup.com/greenrange.

Carbon neutral products

The Nautilus SuperWhite carbon neutral office paper range provides customers with the option to reduce their impact on climate change by reducing their carbon footprint during the product life cycle.

Recycling

Almost all our products are made from natural fibres from renewable sources, are able to be recycled and are therefore inherently sustainable. See page 31 for further information.


Our sustainability footprint

Paper making and packaging production are technical processes that require significant resources, including wood fibre, water, energy, and other materials to produce final products. Although we manage renewable forests, some of the resources we use to produce our products are limited and need to be managed responsibly to ensure the sustainability of our forests and other resources and, ultimately, the continuation of our business.

Our business is highly integrated through the entire product life cycle, from the responsible development and management of forests, to the production and marketing of a variety of paper and packaging products and, finally, to the recycling of paper and packaging.

We are a global company with key market positions in central Europe, Russia and South Africa. In 2010, we produced around 3.7 million tonnes of pulp, of which 85% was for internal use and 15% was sold to third parties.

We consumed 15.7 million m³ of wood, 1.8 million tonnes of recovered paper, and 3.6 million tonnes of pulp in 2010.



Global
60% of all wood supply credibly certified to FSC™ or PEFC
Avoided CO ₂ e emissions of 4.9 million tonnes in 2010
Continued compliance with UN Global Compact
29,000 permanent employees; estimated 21,000 additional jobs for contractors
Included in FTSE4Good Index Series
LTIFR for employees and contractors reduced by 18%
Recognised by CDP for high rating on Carbon Performance Leadership Index (CPLI)
Specific CO ₂ e emissions down by 23% since 2004

We understand that our sustainability footprint has three critical components, economic, environmental and social, which are dictated by widely differing developmental and natural priorities and commitments.

Globally we aim to:



Increase our economic footprint through market development and value generation



Expand our forestry footprint through responsible, sustainable forestry



Minimise our environmental footprint



Enhance our social footprint, by promoting safe production, equity and the development of human capital

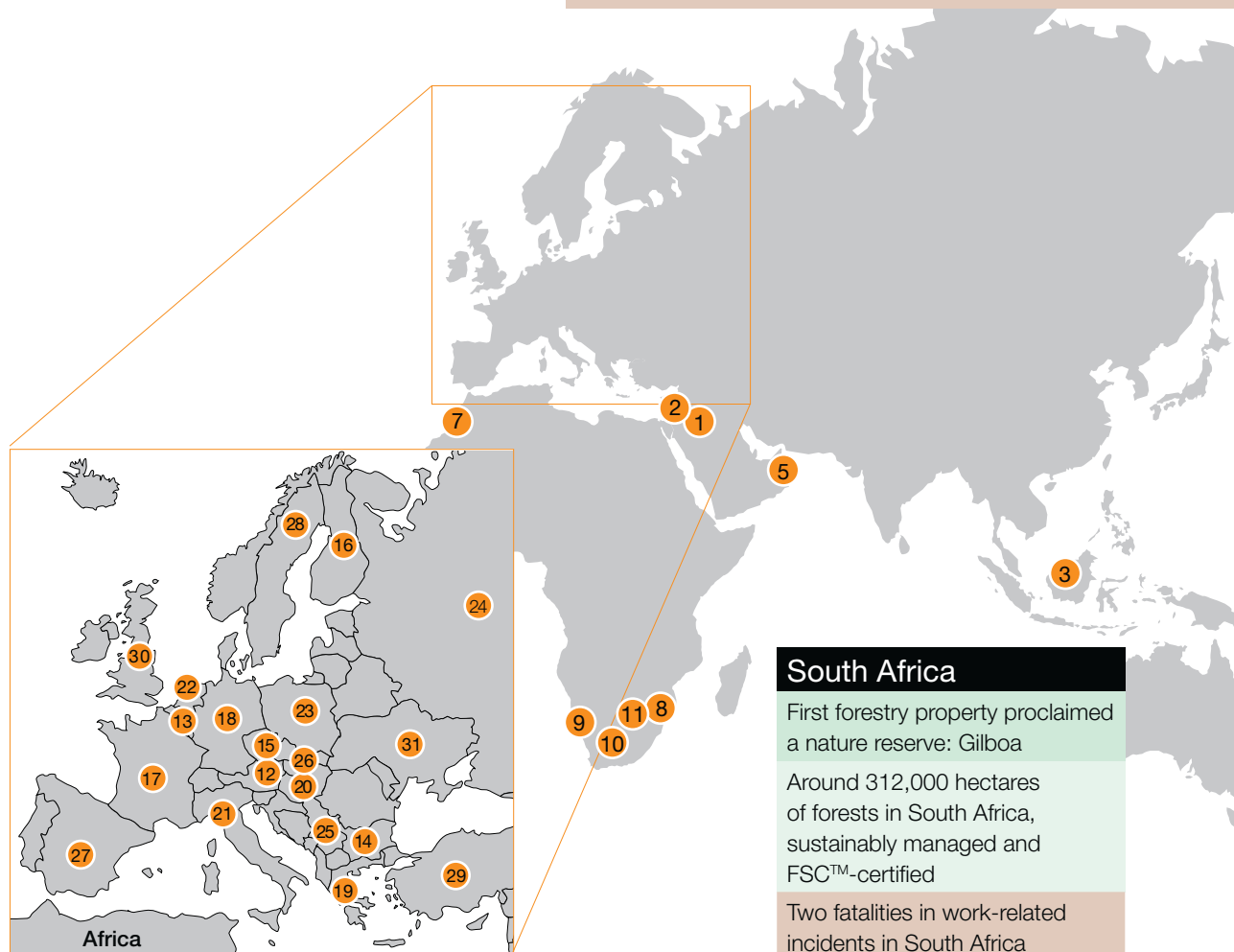
Russia

2.1 million hectares of boreal forests in Russia, sustainably managed and FSC™-certified

Group certification support for 1.8 million hectares of Russian State forests

€140 million capex at Syktyvkar in 2010

SEAT results from 2009 review available



South Africa

First forestry property proclaimed a nature reserve: Gilboa

Around 312,000 hectares of forests in South Africa, sustainably managed and FSC™-certified

Two fatalities in work-related incidents in South Africa

Included in JSE SRI Index

91 employees on ART, funded by Mondi

Forestry SEAT review undertaken in 2010

Operations – International

Ref	Country
01.	Jordan
02.	Lebanon
03.	Malaysia
04.	Mexico
05.	Oman
06.	USA

Operations – Africa

Ref	Country
07.	Morocco
08.	Mozambique
09.	Namibia
10.	South Africa
11.	Zimbabwe

Operations – Europe including Russia

Ref	Country
12.	Austria
13.	Belgium
14.	Bulgaria
15.	Czech Republic
16.	Finland
17.	France
18.	Germany
19.	Greece
20.	Hungary
21.	Italy
22.	The Netherlands
23.	Poland
24.	Russia
25.	Serbia
26.	Slovakia
27.	Spain
28.	Sweden
29.	Turkey
30.	UK
31.	Ukraine

Letter from CEO and DLC sustainable development committee chairman



David Hathorn – CEO



Colin Matthews – DLC sustainable development committee chairman

Transparency, engagement and performance: taking stock of our footprint

Transparency

We recognise that we have a broad role in society – as a creator of wealth, as a fair and safe employer and as a responsible corporate citizen. We understand that sustainability must be an integral part of the way we work. Our products are inherently sustainable, based on natural fibres from renewable sources, and are highly recyclable.

We pride ourselves on being a responsible corporate citizen, operating in respectful relationships with our host communities, host governments and the greater environment – with the aim of creating long-term value for all our stakeholders.

We provide jobs for around 29,000 employees and an estimated average of 21,000 contractors worldwide. At many of our operations, we are the major employer and frequently supplement local government's efforts to provide our communities with infrastructure, education and health care.

We like to believe that we have a thorough understanding of our role and responsibilities, while recognising the risks associated with the business. We believe that the progress we have made in balancing these aspects has contributed to our Group establishing a robust business case for sustainability.

The global move towards an integrated approach to reporting, linking business and sustainability performances to provide a balanced perspective of the year's performance to shareholders, is in line with Mondi's plans and our 2011 Annual Report will reflect this. In addition to this Sustainable Development Review 2010, we publish a comprehensive Sustainable Development Report (available online at www.mondigroup.com/sustainability) that is produced in line with the Global Reporting Initiative's G3 guidelines. Certain performance parameters, our performance against our commitments, and the compliance of this report with the GRI G3 level B+ requirements, have been assured by external auditor, ERM.

Engagement

We know that transparency and engagement are key to our success. Mondi is an active participant in the World Business Council for Sustainable Development (WBCSD) and we are supportive of the WBCSD's Vision 2050 of a world well on the way to sustainability by 2050.

We are pleased to continue working at both a strategic and operational level with the WBCSD, WWF, The Forest Dialogue (TFD), the Forest Stewardship Council™ (FSC™), and other NGOs and associations, to further their and our endeavours. In this regard we refer you to the extensive discussion on stakeholder engagement on our website, which forms a fundamental pillar of our approach.

Performance

In the pages that follow, we report in summary on our performance during the year and over the past five years. Safety deserves special mention as it remains paramount across the Group. Safety is a key item on the agenda at every DLC Board meeting and we have tasked management with finding new ways to further entrench safe behaviour throughout the business. Following 2009's success in delivering zero fatalities, we deeply regret that two people were fatally injured during the year, both in South Africa. The Group's policy of zero harm remains our goal and a thorough investigation was undertaken after each incident to ensure that we continue to refine the safety measures, including training programmes, necessary to keep all our employees and contractors safe. A number of operations have been very successful in their pursuit of zero harm, with nine out of our 21 mills and forest areas reporting more than a million lost-time injury-free hours.

Taking stock

In our 2009 report, we said we wanted to make sustainability a reality in our business. Now, on having reached the 2010 landmark of our five-year commitments, it is useful to look back to see what we have achieved in the past five years.

The past five years have posed a range of challenges to our business. We had to manage the obstacles associated with growth and doing business in emerging markets, cope with the financial turbulence of the past few years highlighted by the deepest economic recession in decades, and determine how we could further minimise our impact on the environment and contribute to overcoming the global threat of climate change. These were among the most significant challenges we faced.

Despite these various internal and external challenges, we are pleased to look back and be able to say that almost all of our commitments set in 2005 were exceeded, met or almost met (by more than 90%). Most importantly, we can say that we worked together with our stakeholders, listened to one another and learned from each other. Our next key milestone is the 2015 sustainable development commitments, which are in the process of being finalised and will be reported on in next year's Sustainable Development and Annual Reports. While these commitments are still being developed, we will maintain our focus on addressing the sustainability challenges discussed in this report and our 2015 commitments will reflect how we plan to respond to these challenges going forward.

Feedback welcome

As we continue our journey towards sustainability, we welcome feedback on our performance and on our reporting.

David Hathorn
Chief executive officer

Colin Matthews
DLC sustainable
development committee
chairman

24 March 2011




Taking stock: performance against our commitments

In 2005, Mondi put in place a number of key environmental, social and governance commitments against which our performance could be measured, providing a sound base for the management of sustainability across the Group. This was a significant step for the Group as it embedded five-year sustainable development commitments and targets into the business, and provided a platform for measurement and reporting.

The scorecard that follows summarises our performance against our sustainable development commitments for our five-year commitment period (from 1 January 2006 to

31 December 2010). All data is presented against a 2005 base year. Data for energy and greenhouse gas emissions (GHGs) is the exception, as this is compared with a 2004 base year.

A detailed assessment of our performance against our commitments, including a discussion on how performance improvements are calculated and how the commitments have evolved since 2005, can be found in our online Sustainable Development Report at www.mondigroup.com/performance_against_commitments. 



Our sustainable development commitments provide tangible objectives to benchmark our performance. We are currently developing our next set of five-year targets and will report on these in our 2011 report.

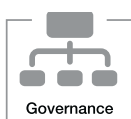


During the past five years, a number of our sustainable development commitments have evolved in terms of wording and timing to reflect the completion and/or expiration of those commitments already met, and to ensure alignment with our measurement tools and reporting tools, as well as our external assurance processes. None of these developments are material.

Our sustainable development risks and material issues have remained unchanged and valid throughout the period. Please see the Governance section to read more about our sustainable development risks, and visit our website to access our past reports. We engaged ERM to provide independent assurance on the performance rating assigned for each of our commitments and this is clearly indicated below.

Progress		Definition
Not achieved	✗	The commitment has not been achieved
Little progress made	✗	The commitment has not been achieved but a limited number of actions have been carried out which have started to progress Mondi towards delivering on the commitment
Good progress made	✓	The commitment has not been achieved but actions have been carried out to deliver demonstrable performance improvements or to reach key milestones in relation to the commitment
Almost achieved	✓	The commitment has not been fully delivered, but actions have been carried out which have resulted in the commitment being over 90% delivered
Commitment achieved	✓	The performance has reached the level required by the commitment; all the required actions are completed
Commitment exceeded	✓+	The performance has exceeded the level required by the commitment; more actions than required to deliver against the commitment have been completed

Taking stock: performance against our commitments



Governance

Commitment	Performance	
Demonstrate status of implementation of the Mondi sustainable development management system (SDMS)	Our SDMS – comprising the sustainable development policy, the seven sector policies, 20 more detailed management and operating standards, and 60 specific and practice-oriented performance requirements – provides the framework of our operational practices and ensures sustainability in conducting business at every level. The responsibility for implementing the SDMS is with operations' management and the Group provides support, guidance and training where necessary. In order to verify the implementation of the SDMS, checks are done by the Group sustainable development team and Internal Audit, along with self-assessments and external certification/verification. We are confident that the implementation fairly covers our performance requirements on safety and health, forestry and environment. However, we believe further work is needed to expand the SDMS implementation checks to ensure that they cover all performance requirements	✓
Report progress against our sustainable development commitments internally and externally	Internally, the progress against the sustainable development commitments has been a regular item on the agenda of the DLC sustainable development committee and the sustainable development leadership panel meetings throughout the year. Externally, we have reported progress against our commitments in every annual sustainable development report	✓
All mill operations to obtain and maintain ISO 14001 certification or equivalent	16 out of 18 mills have ISO 14001 certification. The exceptions are the Tire paper mill, our acquisition in 2007, and Stambolijski, which was mothballed in 2009 but restarted in 2010	✓
75% of mill operations to obtain and maintain OHSAS 18000 certification	12 out of 18 mills have OHSAS 18000 certification	✓
Report sickness and absence rates	The sickness and absence rates have been reported on our website since 2008 based on our MORIS reporting system, and we have reported on these internally and externally	✓



Forestry

Commitment	Performance	
Certify all owned, leased and managed forestry to FSC™	All our owned, leased and managed forests in Russia and in South Africa are FSC™-certified	✓
No wood procured from controversial sources	With the exception of Piet Retief and Stambolijski, all of our mills have Chain-of-Custody certificates in place, ensuring that the wood procured in 2010 is from non-controversial sources. At Piet Retief all wood is sourced directly from Mondi-owned FSC™-certified forests, and at Stambolijski (which was reopened in mid-2010), controls have been implemented to ensure that wood is procured from non-controversial sources	✓
Procure over 60% of wood, virgin fibre and biomass products from credible sources	60% of wood, virgin fibre and biomass procured in 2010 was from credible sources (as defined in the glossary)	✓
Work with FSC™ to find a practical solution for certifying small growers	Mondi is working with the WBCSD and The Forest Dialogue to co-ordinate efforts between certification bodies, forestry companies, NGOs and small growers, to find a practical solution to small growers' certification. Mondi has actively participated in this process, and one possible solution has been identified, namely group certification schemes. Also, in South Africa where we are finalising land restitution settlements on FSC™ land, we are providing funding for training, coaching and mentoring to ensure that small growers continue to successfully manage their forests according to FSC™ standards	✓



People

Commitment	Performance	
Zero work-related employee and contractor fatalities	Regrettably Mondi has experienced a number of fatalities since 2005. Please refer to page 22 for further discussion	✗
Achieve an LTIFR of 0.1 in 2010, including employees and contractors	The LTIFR achieved in 2010 was 0.14 (0.12 when excluding the performance of the recent acquisitions). We will continue our efforts with all our operations to meet our safety milestones	✓
Report the number of incidents of occupational illnesses	Occupational illnesses have been reported on our website since 2005	✓
Report Category II and III environmental incidents	Level II and III incidents have been reported on our website and the print report since 2005	✓



Products

Commitment	Performance	
Monitor and report the amount of recycled fibre used for the manufacture of Mondi products	The volumes of recovered paper produced or purchased have been internally and externally reported since 2008	✓



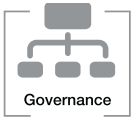
Society

Commitment	Performance	
All mills and forestry operations to have a rolling community engagement plan (CEP) and a socio-economic assessment toolbox (SEAT) process	A decision was made in 2005 to focus our SEAT assessments on those mills and forestry operations considered 'socially material', and these assessments have been completed. An exception is Stambolijski, which has recently been re-opened, for which a SEAT will be carried out in 2011. CEPs are in place at most mills, although some of these have not been recently reviewed. However, for all the 'socially material' mills, active community engagement processes and structures are in place. The CEP programme will be rejuvenated in 2011	✓
Make antiretroviral treatment for HIV/AIDS available to all employees in South Africa, and provide training and awareness campaigns in partnership with local clinics and NGOs	Antiretroviral treatment for HIV/AIDS is available to all employees in South Africa, and is provided in partnership with local clinics and NGOs. We have active HIV training and awareness programmes, which include voluntary counselling and testing, in place at all our sites. Details of our HIV efforts can be found at www.mondigroup.com/community_health .	✓



Environment

Commitment	Performance	
Aggregate target of a 15% reduction in energy consumption for pulp and paper making per unit of saleable production from our mills, against a 2004 base year, to be met in 2014	11% reduction achieved between 2004 and 2010	✓
Aggregate target of a 15% reduction in CO ₂ e equivalent emissions per unit of saleable production from our mills, against a 2004 base year, to be met in 2014	23% reduction achieved between 2004 and 2010	✓+
Aggregate target of a 30% reduction in effluent load (measured as chemical oxygen demand (COD)) into receiving waters from our mills, against a 2005 base year	34% reduction achieved between 2005 and 2010	✓+
Aggregate target of a 30% reduction in adsorbable organic halogens (AOX) emissions from our mills into receiving water, against a 2005 base year	63% reduction achieved between 2005 and 2010	✓+
Reduce the total reduced sulphur (TRS) emissions from our mills to the atmosphere by 65%, against a 2005 base year	70% reduction achieved between 2005 and 2010	✓+
Reduce the total waste to landfill from our mills by 20%, against a 2005 base year	36% reduction achieved between 2005 and 2010	✓+



Governance, structures and management approach

Mondi is committed to strong ethical values and professionalism in all its activities. As an essential part of this commitment, the boards of Mondi Limited and Mondi plc strive to achieve the highest standards of corporate governance and best practice, and are committed to the principles of transparency, integrity and accountability. For a detailed account of corporate governance go to our Annual Report and our online Sustainable Development Report at www.mondigroup.com/sustainability. 

Governance and accountability structures

Key features include:

- Compliance with the corporate and accounting regulations of South Africa and the UK as a DLC. Mondi subscribes to the principles contained in King II and Section 1 of the UK Combined Code.
- Five of our nine board members are independent non-executive directors. The roles between the joint chairmen and chief executive officer are distinct.

Business ethics

The Mondi Code of Business Ethics covers the key principles and values that guide our conduct and support our policies, principles and guidelines:


- we comply with all applicable laws and regulations;
- we observe the highest standards of honesty and integrity;
- we respect the Universal Declaration of Human Rights;
- we have due regard for the interests of stakeholders; and
- we conduct our business sustainably, ensuring safety, health and the protection of the environment.

Political donations, gifts and bribes

No Mondi Group companies make contributions or donations for political purposes. Corrupt practices, including bribery and facilitation payments are strictly prohibited. Mondi's Speakout programme is a confidential reporting tool for employees and external partners, designed to support our commitment to ethical, transparent business practices and conduct.

Accountability for sustainability

Accountability for our sustainable development policies, systems, practices, commitments and actions is provided by the DLC sustainable development committee, DLC executive committee, Mondi sustainable development leadership panel and five global specialist network groups.

To make sustainability a reality, we consider the environmental, safety, health, economic and social implications of every decision we make. Our sustainable development policy outlines our overall strategy and is supported by seven sector policies on: sustainable forestry, environmental performance, climate change, product stewardship, corporate citizenship, global employment, and safety and occupational health. These policies are available at www.mondigroup.com/policies. 

Our sustainable development management system (SDMS) provides a robust and comprehensive mechanism for ensuring effective sustainability governance and implementing our sustainable development sector policies.

Risk is inherent to our business. Identifying and managing risk is central to our success. Risk can take many forms and

has the potential to have an impact on our safety and health, environmental, regulatory, market and financial performance, as well as our reputation and community relationships. Our Group-wide management framework ensures the effective governance of our material risks – those that have a potential impact on the achievement of our sustainable development commitments or strategic plans. We exercise due diligence prior to the introduction of new practices, processes and products.

Our SDMS guides sustainable development risk management within the Group. Our sustainable development risk register is updated annually to ensure that action plans are in place to mitigate all risks with a high potential impact and likelihood. The profile covers inherent operational risks and strategic risks such as climate change and failures in our governance procedures. In 2010, we reviewed our sustainability risks in terms of the key impacts that we have on sustainability and on our stakeholders; and the risks and opportunities from sustainability trends that affect our long-term prospects and financial performance – see page 12.

Our sustainable development reporting and information system, MORIS, is closely aligned with our sustainable development commitments, and captures the sustainable development data globally across our organisation. Comprehensive reporting guidelines were finalised during 2009 and used to frame the scope, frequency and content of our sustainable development reports.

Engaging with stakeholders

We engage actively with our stakeholders – shareholders, customers, employees and suppliers as well as governments, non-governmental organisations (NGOs), academic institutions, certification bodies and regulators, and the media to understand and respond to their concerns. We appreciate the benefits derived from this dialogue and endeavour to maintain open and productive relationships. We actively identify issues raised by stakeholders at a national and international level, and ensure that these are addressed.

Associations we support

Participation in forums, support and membership of various associations at local, regional and international levels ensures that we stay in touch with current and proposed developments in the regulatory and commercial environment. Mondi is currently an active supporter, member and participant of the World Business Council for Sustainable Development (WBCSD), the WBCSD Sustainable Forest Products Industry Working Group, the HCV Resource Network, The Forest Dialogue, the United Nations Global Compact, national industry associations, and national and local NGOs such as Silver Taiga in Russia and the Wildlife and Environment Society of South Africa (WESSA).

Complaint by South African NGO to JSE/DEA report

Mondi notes the complaint by an NGO, the Centre for Environmental Rights, to the JSE Limited in December 2010 in respect of our participation in the SRI Index. This followed and was related to The National Environmental Compliance & Enforcement Report 2009/2010 released by the South African Department of Environmental Affairs in November 2010, which stated that Mondi was requested to provide clarity in relation to certain compliance issues, and that "this information is still outstanding". The request to Mondi for more information came at the end of the Department's reporting period and Mondi's response, provided in March 2010,

was not reflected in the annual report. Also see the case study on improving emissions at Richards Bay at www.mondigroup.com/casestudies/richardsbay_odour.

Awards and recognition

Awards and recognition received in 2010:

- First in WWF's Fine Paper Company Environmental Index. The index, a rating tool for measuring fine paper companies' global environmental footprints, analysed the performance in responsible fibre sourcing, emissions in the manufacturing process, and transparency.
- Helios prize for energy efficiency for Mondi Neusiedler, for energy-focused projects, which result in an annual CO₂e emission reduction of approximately 16,000kg.
- Terra Bag wins EUROSAC Grand Prix Sack of the Year 2010.
- TRIGOS 2010, renowned Austrian award for corporate social responsibility initiatives, for projects with Caritas.
- Three awards at the Paper & Pulp International (PPI) awards in Brussels in November 2010, for leadership, vision, innovation and strategic accomplishments within the pulp and paper industry.
- Finalist UK Green Business Awards (for carbon emission reduction).
- Mondi's report rated 'excellent' in Ernst & Young annual sustainability report survey in South Africa.
- Included in Carbon Disclosure Leadership Index (CDLI) by the Carbon Disclosure Project (CDP). Mondi achieved second place in the materials sector (and an overall ranking of 19) of the FTSE 350 companies and overall fifth place in the JSE 100 for displaying transparency in reporting on greenhouse gas emissions and climate strategy. The Group was also recognised within the Carbon Performance Leadership Index (CPLI).
- JSE Socially Responsible Investment (SRI) Index membership maintained. The SRI Index is a broad-based triple bottom line and governance index amongst listed companies.
- FTSE4Good Index Series membership maintained.

Material sustainability risk issues in 2010

KEY IMPACTS ON SUSTAINABILITY AND OUR STAKEHOLDERS

Potential risk		Mitigation and control strategies
Employee/ contractor safety and health	High inherent risk of fatality, serious injury, illness, disease and substance abuse	<ul style="list-style-type: none"> • Visible management commitment to 'zero harm' in the workplace – safety is a value and has the same priority as other business objectives • Up-to-date register of significant safety risks • Mandatory Group management system, standards and performance requirements • Aligned skills training for safe behaviours being based on our Nine Safety Rules to Live By • Work within externally accredited safety management systems such as OHSAS 18001
Process safety	High inherent risk of catastrophic failure of plant and equipment	<ul style="list-style-type: none"> • Clear standards, a regular review of our hazard analysis and an up-to-date risk register of significant process safety risks • Mandatory Group management system, standards and performance requirements, including the safety manual for kraft recovery boiler plant operation • Inspections, assessments, audits, assurance reports and improvement plans • Rehearsal and drill of local emergency plans and arrangements
Combustible materials	High inherent risk of fire due to combustible inventories at operations and in forestry	<ul style="list-style-type: none"> • Regular review of fire risks prevention measures • Regular third-party loss prevention programme (asset value > €5 million) • Emergency preparedness and business continuity planning
Change in South African harvesting practices – mechanisation of plantation forestry	High inherent risk due to public perception of the change/ loss of rural support and due to chronic ill-health of current contractor workforce	<ul style="list-style-type: none"> • Change from manual to mechanical harvesting in a socially responsible manner • Provision of meals for contractors (Food 4 Forests programme) • Mkhondo development programme • Mondi Zimele enterprise development programme
Land claims in South Africa	Continued inherent moderate risk of loss of fibre supply from land claims in South Africa	<ul style="list-style-type: none"> • Continue working constructively with government and communities to develop claimant communities into sustainable forestry enterprises
Environmental impact from loss of containment	Moderate inherent risk due to loss of containment in pulp manufacturing	<ul style="list-style-type: none"> • Up-to-date register of significant environmental risks • Mandatory Group management system and standards and performance requirements that are based on recognised good industry practice • Inspections, assessments, audits, assurance reports and improvement plans • ISO 14001 certifications • Frequent review of Best Available Technique concepts and related emission level values
Public health claims in South Africa	Moderate inherent health risks owing to health effects from plant emissions on surrounding communities	<ul style="list-style-type: none"> • Nuisance reduction programme • Active issue management addressing specific concerns and regular communication with stakeholders • First phase of odour reduction project in Richards Bay (as a nuisance reduction measure)

RISKS AND OPPORTUNITIES FROM SUSTAINABILITY TRENDS

Unsustainable forestry practices	High inherent risk of loss of access to credible resources due to loss of certification	<ul style="list-style-type: none"> • Internationally credible certifications • Chain-of-Custody certifications for operations • Compliance with FSC™'s Controlled Wood Standard • Participation in international forestry dialogues
Climate change footprint	Moderate inherent risk as fossil fuel emissions reduce at a slower pace	<ul style="list-style-type: none"> • Reduction of specific GHG emissions by 23% against a 2004 base year • Aim to increase share of biomass in energy generation • Provision of product carbon footprint information



Critical issues: responsible forestry and climate change



As a significant holder and manager of land, particularly in developing countries, and as an operator in an industry that potentially has a high impact on the natural environment, we recognise our stewardship role and responsibility in using natural forestry resources in a sustainable way.

This section of the report deals with issues faced by the forestry sector as a whole and by Mondi. There is much overlap between this section of our report and the environmental and social sections, since a sustainable approach to forestry requires an integrated and holistic view that encompasses both the social and natural environments.

As sustainable forestry and climate change are areas of global debate and scrutiny, we have invited the views of the FSC™ on page 14.

No life without forests

Forests provide a range of goods and services. They serve as habitats for two-thirds of terrestrial animal and plant species; prevent soil erosion and water run-off; maintain the chemical balance of soil, air and water; recycle nutrients; break down pollutants; clean the air and water; are vital to watershed protection and soil formation; and play a major role in regulating climate.

The main factors contributing to deforestation and forest degradation are increased agriculture, illegal logging, population growth, poverty and urbanisation. Primary concerns include deforestation resulting from illegal logging in protected or high conservation value (HCV) areas, and timber obtained from controversial sources.

Although Mondi is involved in the felling of trees, we are not party to deforestation. For every tree felled in our plantation forests, at least one more tree is planted. In our natural forests, felled areas are left to regenerate naturally and poor regeneration is supplemented

with plantings. Mondi is not involved in illegal logging, or logging in tropical rainforests, and has strict fibre sourcing controls.

The sustainable development challenge for Mondi, and our sector, lies in balancing growing demand for forestry goods and services with enhanced ecological, landscape and social values, and building stakeholder confidence in the sustainable forestry industry.

Mondi has developed policies and practices based on responsible, sustainable forestry. We believe that responsible operations within a resource-constrained environment are both achievable and sustainable.

Mondi engages with stakeholders at local, regional and global levels, both in partnership and multi-stakeholder forums. We collaborate with NGOs such as the WBCSD, and scientific communities in Europe, Russia and South Africa. This engagement informs our actions.

Managing plantation forests

Plantation forests, even-aged monocultures established primarily for wood and fibre production, are intensively managed. Such forests currently account for 5% of global forest cover but supply 40% of total global commercial wood requirements.

Plantation forests can be of important economic and ecological value and have eased the pressure on natural forests. But, if not managed responsibly, they can be environmentally and socially costly.

Sustainable plantation forests are supported by intensive breeding programmes based on a wide genetic base. They are carefully situated in the landscape to maintain functioning ecosystems and biodiversity, and offer protection to HCV areas. Mondi's plantation forests, which in South Africa cover an area of 312,000 hectares, are sustainably managed and FSC™-certified.

External view: forests, climate change and the FSC™

Forests play a critical role in regulating the earth's climate. By removing carbon dioxide (CO₂) from the atmosphere, they form the world's largest terrestrial store of atmospheric carbon. Conversely, when forests are cleared, large amounts of carbon are released into the atmosphere. The destruction and degradation of forests worldwide accounts for a higher share of global CO₂ emissions than the entire transport sector.

These emissions contribute to the greenhouse effect, increasing the risk of catastrophic climate change. It is therefore imperative for mankind to manage the world's remaining forests in a responsible manner. Protecting forests from conversion to other land uses such as agriculture, introducing management practices that maintain the integrity of the forest, as well as restoring degraded forests, all contribute to reducing the impacts of climate change.

FSC™ certification is internationally recognised as the benchmark for responsible forestry. Well-managed forests provide a wide range of social and economic benefits and environmental services, such as livelihoods for people and habitats for animals and plants. FSC™ standards ensure that these benefits and services are realised and are not disregarded in favour of other management objectives, such as carbon sequestration or storage. Research indicates that FSC™-certified operations deliver direct and indirect climate benefits. Direct benefits are generated from the environmental impact of FSC™-certified forests such as the minimisation of waste and damage from harvesting, the increase in the size and number of protected forest areas, and the retention of old trees and fallen wood for habitat so that carbon is kept in the forest for longer.

The social and economic impacts of FSC™ certification generate indirect climate benefits by providing a solution to some of the causes of forest degradation, for example, the resolution of conflicts with local communities, the prevention of unauthorised harvesting and other activities, the diversification of product range and the encouragement of local processing. FSC™ uses certification to engage the market, driving recognition of the value of forests to improve social and environmental practices in forest management worldwide. There are currently over 132 million hectares of forests certified to FSC™ standards in more than 80 countries.

FSC™'s current growth is a response to market demand for FSC™-certified products and demonstrates a large political and economic force that is endorsing and promoting the FSC™ system globally. Verifying FSC™-certified timber through the production chain, FSC™ CoC certification is for companies willing to demonstrate to their customers that they use responsibly harvested forest materials. By facilitating this demand and creating incentives for forest managers, FSC™ certification empowers businesses to have a direct influence on the future of the world's forests. Through FSC™ certification, procurement decisions can help ensure that forest resources are valued, conserved, restored and used wisely to the benefit of present and future generations.

Marcelle Peuckert
Corporate Relations Manager
15 February 2011

More information is available at www.fsc.org/pc



Managing natural boreal forests

Mondi has logging rights over 2.1 million hectares of boreal forest in the Komi Republic of Russia. The boreal forests not only provide timber, they are also a safeguard of biodiversity and an important moderator of the global climate. They are classified as slow-growth natural forests and managed on a rotation of approximately 110 years. Some of these forests, the last remaining intact forests in Europe, have been set aside for conservation. Global issues around boreal forests include illegal logging, felling of intact pristine forests and other HCV areas, and felling in a way that disturbs the natural dynamics necessary for maintaining biodiversity in the boreal system.

Natural boreal forests can be harvested sustainably, and can even be enhanced through sound silvicultural practices.

Mondi's challenges in Russia include outdated forestry maps and inventories, implementation of the new Russian Forest Code and managing any conflicts/omissions with the Komi Republic legislation; poor infrastructure and skills shortages in rural areas; and the needs of rural people who depend on the forests for their livelihoods.

Forests and climate change

Climate change can in turn negatively affect forests. In South Africa, rising temperatures and climate variability, especially rainfall, are not expected to have significant consequences in the medium term as the tree breeding programme will produce the required plant material. In Komi in the medium term, increased yields and difficult and wet harvesting conditions are expected and in the longer term, a shift northwards of the boreal forests. With greater climate variability, the incidence of disease and fires will increase in the medium to long term in both South Africa and Russia, further exacerbating the effects of deforestation.

Given their ability to absorb and store CO₂, forests can help counteract or moderate climate change. Trees serve as 'sinks' within the carbon cycle, absorbing and storing CO₂ from the atmosphere. The faster a tree grows, the more carbon it absorbs. Growing sustainably managed forests thus contributes to reducing the levels of CO₂ in the atmosphere. The Group sustainably manages around 2.4 million hectares of forests. By applying the

principles of the United Nations Framework Convention on Climate Change (UNFCCC) methodology, the carbon sequestration of our own plantations in South Africa results in an avoidance of about 4.1 million tonnes of CO₂e (sustainably-managed natural forests are seen as carbon-neutral).

Ecosystems and biodiversity conservation

Mondi's business and ecosystem services are inextricably linked. Not only do we have an impact on ecosystems and their regulatory (climate regulation, flood control, waste disposal) and provisioning services (fresh water, fibre, food), but we also depend on them. There is an increasing focus globally on ecosystems and the economic value and importance of their services.

In line with our sustainable development commitments, we recognise our responsibility to conserve natural resources and, where possible, to help restore damaged ecosystems.

Biodiversity and forestry

Forest ecosystems are biologically diverse, encompassing not just trees and landscapes, but the multitude of plant and animal populations and micro-organisms that inhabit forest areas and their associated genetic diversity.

As forests are degraded, so too is biological diversity, thus lowering the resilience of forest ecosystems and making it more difficult for them to adapt to changing environmental conditions.

At the same time, forests provide livelihoods for people worldwide and contribute to the economic, social, and cultural lives of many indigenous communities. Safeguarding biodiversity is an integral aspect of sustainable forest management. We aim to maintain and increase biodiversity in our forests where this is possible, and promote best practice in sustainable forestry.

Mondi's operations and their impact on biodiversity are monitored to make sure that any negative impacts on soil and water resources are minimised and that we safeguard functioning ecosystems. The Group has been involved in pioneering work on ecosystems, playing a key role in wetland, grassland and HCV ecosystems.



World Business Council for
Sustainable Development

Playing an innovative role

In recognition of the importance of ecosystems to Mondi, our Group CEO, David Hathorn, is a member of the **World Business Council for Sustainable Development's (WBCSD) Ecosystems Focus Area Action Team**, together with the chief executives of nine other global companies. The WBCSD **Ecosystems Focus Area** supports the business licence of member companies to operate, innovate and grow by pro-actively addressing business risks associated with accelerating ecosystem degradation and the loss of ecosystem services. More specifically, it will promote the development and uptake of best practice mitigation and market-based approaches that support the sustainable management and use of ecosystems services – both on a stand-alone basis and in co-operation with other stakeholders. The Ecosystems Focus Area has amended its focus and implemented the Ecosystem Valuation Initiative, of which Mondi SA is a pilot user, to value ecosystems and their services.



Mondi adopts Mhambi, an endangered wattled crane

Wattled cranes are the most highly endangered and rarest of Africa's cranes. Only 250 birds remain in South Africa. Without significant intervention it is likely that the wild population will struggle to recover from decades of population decimation.

Mondi is contributing to the preservation of biodiversity in South Africa through the preservation of natural habitat and the adoption of the endangered wattled crane (*Bucroterus carunculatus*). To date, two wattled cranes have been adopted by Mondi, with Andrea (adopted in 2009) forming part of the Johannesburg Zoo's captive breeding programme and Mhambi (adopted in 2010) expected to join the Wattled Crane Recovery Programme's breeding flock at the Bill Barnes Crane and Oribi Nature Reserve in KwaZulu-Natal. See the full case study at www.mondigroup.com/casestudies/mhambi. 

Managing ecosystems and biodiversity

The development of ecosystem management plans (EMPs) for all our forestry operations in South Africa and Russia is a dynamic process, helping us improve the way we identify, protect, preserve, manage and in some cases restore functioning ecosystems and biodiversity.

Forest plantations can play a significant role in the provision and maintenance of ecosystem integrity and HCV areas, and contribute to economic growth and employment. Mondi not only actively manages biodiversity and ecosystems in its forest plantations but aims also, where possible, to help restore damaged or degraded ecosystems.

We do not convert natural forests, wetlands or protected areas into plantations. We identify and protect ecologically important areas under our management and in particular HCV wetlands, grasslands and natural forests, our aim is to connect these sensitive areas with ecological networks (ENs) to help preserve their biodiversity.

Mondi always leaves a reasonable percentage of land under management for conservation purposes and is committed to ensuring that at least 25% of our land is not converted to plantations.

Forests are one of the most biologically rich terrestrial systems. They offer diverse sets of habitats for plants, animals and micro-organisms, harbouring the vast majority of the world's terrestrial species. In biologically diverse forests, this complexity allows organisms to adapt to continually changing environmental conditions and to maintain ecosystem functions.

Global biodiversity concerns in boreal forests include illegal logging, felling in HCV areas and felling in a way that destroys the necessary conditions for biodiversity. Sustainable forestry in boreal forests means protecting valuable habitats, especially intact HCV forests, and managing them for their biodiversity value.

Third party certification

Wood is Mondi's most important raw material. It is in our interest to ensure that we meet and support the requirements of sustainable forestry practice, from the management of our own forests and the procurement of wood and fibre, through the supply chain.

Chain-of-Custody (CoC) and forest certifications are used to promote sustainable wood sourcing. Responsible forestry is becoming an increasingly important competitive tool, and demand for certified wood and forest products, particularly FSC™-certified, is growing. Credible certification provides Mondi, our customers,

consumers and stakeholders with assurance that the wood and fibre it buys is legitimately sourced from sustainable forests. This means that the traceability systems are regularly inspected, audited and certified by an external party.

Some of the certification tools/systems we use and support are:

- the FSC™ standard, the PEFC standard or the FSC™ Controlled Wood Standard for wood and fibre purchased; and
- the Mondi Requirements for the Procurement of Wood, Virgin Fibre and Biomass, which are based on the FSC™ Controlled Wood Standard/PEFC equivalent traceability system, and ensure that no wood or fibre originates from controversial sources.

Mondi is committed to ensuring that no wood is procured from controversial sources and that all virgin fibre mills are certified to internationally credible CoC standards.

In 2010, we reached our target of 60% of wood supplied to our processing plants being FSC™ or PEFC-certified. The uncertified balance meets the FSC™ Controlled Wood Standard (or the PEFC's Chain-of-Custody of Forest Based Products Requirements) and ensures suppliers source from legal and non-controversial sources. Mondi's ability to achieve increased certified wood percentages on an ongoing basis depends largely on the availability of certified products from external suppliers, in particular from small growers, a continuing challenge.

Mondi continues to work with the WBCSD and The Forest Dialogue to develop and find acceptable and practical solutions to make it easier and more cost efficient for such growers to certify their products without compromising sustainable forestry practices, acknowledging their right to control and manage local forests in a sustainable manner.

Supporting the preservation of HCV areas

Mondi actively supports the preservation of HCV areas in South Africa and Russia. We are engaged in partnerships to identify, classify and preserve forests and other ecosystems designated as HCV areas owing to their ecological or social significance.

We support the HCV Resource Network (HCV RN), a global network of organisations and individuals, which promotes a practical, consistent approach to HCV methodology, and we participate actively in its activities.

Mondi protects all HCV areas within its landholdings in South Africa and, where this includes existing remnants of critically endangered ecosystems such as mistbelt grasslands, we aim, where possible, to connect these remnants and/or link them to larger viable areas, on or off our properties, via ecological networks (biodiversity corridors), to help maintain biodiversity.



Protecting Russia's most valuable forests: identifying HCV areas

In its Komi forests in Russia, Mondi restricts or prohibits commercial forestry in intact forests considered to be of high conservation value (HCV). A multi-stakeholder HCV process with the Russian state, the WWF, Greenpeace, Silver Taiga and local communities to identify HCV pristine forests is currently under way. Mondi firmly believes that joint action by businesses and NGOs will be more effective in achieving a lasting solution, the ultimate goal of which is the introduction of federal legislation that recognises and protects intact HCV forests. See the full case study at www.mondigroup.com/casestudies/hcv_forests.

Following the identification of HCV areas within its boundaries, Mondi's Gilboa estate became the first forestry property under the Land Stewardship Programme in South Africa to be proclaimed a nature reserve in 2010. Gilboa is rich in biodiversity, especially in terms of vegetation, species conservation and fresh water production. Linking these HCV aspects to adjacent protected areas has enhanced the conservation value of both properties.

In the Komi Republic in Russia, we are involved in a multi-stakeholder HCV process with the Russian State through the Ministry of Natural Resources, WWF, Greenpeace, Silver Taiga, and local communities to identify pristine HCV forests. WWF Russia has submitted proposals to the Ministry of Natural Resources of the Russian Federation for the protection of four pristine forests in Udora, in one of the most sensitive socio-economic regions of Komi. The project has also presented proposals for the protection of these forests to representatives of the Komi Forestry Committee (including members from business), the Ministry of Industry and the Ministry of Environment in Komi. The Group has faced significant challenges in gaining federal protection for these areas and it is expected that the introduction of federal legislation that recognises and protects HCV areas will take some time.

New generation plantations

Mondi is a partner in the New Generation Plantations (NGP) Project, a collaboration between the WWF, companies and governments, working together to develop sustainable forestry solutions and to promote management frameworks that create good environmental, social and economic results.


SiyaQhubeka Forests is a good example of Mondi's support for NGPs. Through SiyaQhubeka Forests – a partnership between Mondi and our BEE partners, government and local communities – we have successfully applied the thinking behind NGPs in KwaZulu-Natal, South Africa. SiyaQhubeka Forests has played a leading role in ensuring that 9,000 hectares of land, including a large plantation area, is incorporated into the iSimangaliso Wetland Park which was listed as South Africa's first world heritage site, providing protection for sensitive wetland and other HCV areas and much-needed space for elephant, rhino, buffalo, cheetah and other game to roam freely.

Managing wild fire risks

The risk of fire is a perennial concern for all forestry operations owing to the high combustibility of the forest resource during dry periods. In response to serious fire damage a few years ago, we focused on fire preparedness and appointed fire specialists to develop and implement fire preparedness plans, best operating practice and a refurbishment programme for fire protection equipment. There is still a high incidence of fires in the South African plantations but damage has been well contained and Mondi was complimented by stakeholders for the substantial improvement in fire protection during the 2010 Forestry SEAT process. Having partly abdicated their responsibilities for forest protection in the process of restructuring state departments, the serious fires in Russia in 2010 prompted the state to place forestry under the Ministry of Natural Resources with a special focus on forest protection.



Nature reserve proclaimed on Mondi Shanduka forestry estate

Following a three-year process, and in partnership with a number of environmental organisations, Mondi Shanduka Newsprint's Gilboa estate in Karkloof, KwaZulu-Natal (KZN) is the first forestry property to be proclaimed as a private nature reserve. Located at the headwaters of three of KZN's important river systems, namely the Umvoti River, the Myamvubu River and the Mholweni River, it includes functional wetlands which provide significant services such as water purification and flood control, and has 283 hectares of 'critically endangered' Midlands mistbelt grasslands, home to various threatened species. See the full case study at www.mondigroup.com/casestudies/shanduka_forestry_estate. 



Economic performance



Our business case for sustainability rests on our long-term access to raw materials, through resource efficiency, holding operating licences in our host countries and retaining competent and capable people.

Sound delivery

We aim to create solutions for our customers' success, delivering exceptional value in a sustainable way. To achieve this we:

- build on our leading positions in packaging and UFP, particularly in emerging markets;
- maintain our position as the lowest-cost, high-quality producer in our key markets by selectively investing in production capacity in lower-cost regions, and exploiting the benefits of upstream integration, including forestry; and
- focus on continuous business productivity improvement and cost reduction, delivered through business excellence programmes and rigorous asset management.

We integrate sound corporate governance with the effective management of our societal and environmental impacts to ensure that we deliver sustainable long-term value to all our stakeholders – shareholders, employees, customers and the communities in which we operate.


Our business case for sustainability rests on our long-term access to raw material, through resource efficiency, to ensure our competitiveness, the continuation of our operating licences in our chosen host countries of operation and the retention of competent and capable people.

We believe that we benefit from pursuing sustainable development in two basic ways: by driving cost efficiencies and by generating top-line growth.

The Group is coming to the end of a significant asset modernising programme with most large operations having now been overhauled, and more than €2 billion spent on the major mills over the past 10 years, underpinning our long-term emerging market strategy. During the year under review around €140 million was spent at Syktyvkar, Russia, bringing this €545 million investment to completion.

We support the WBCSD's Vision 2050. In total, 29 WBCSD member companies developed a vision of a world well on the way to sustainability by 2050.


Financial and operating performance

The Group's financial and operating performance is discussed extensively in our Annual Report and on our website. Please see www.mondigroup.com. 

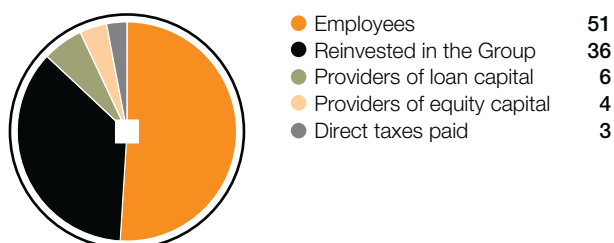
Adding value

Value added statement (€000)		
	2010	2009
Turnover	6,228	5,257
Purchased materials and services	(4,365)	(3,788)
Value added	1,863	1,469
Distributed to:		
Employees	963	871
Providers of equity capital	72	48
Providers of loan capital	117	163
Direct taxes paid	47	32
Reinvested in the Group	664	355
Total	1,863	1,469

CSI expenditure is not currently reflected separately and is actually recorded under cost. Please see page 29 for details.

Mondi did not receive any significant payments from governments in 2010. Full disclosure appears at www.mondigroup.com/adding_value. 

Distribution of value — 2010 (%)



Transformation and empowerment in South Africa

Mondi subscribes fully to the tenets of transformation and broad-based black economic empowerment (BBBEE) within South Africa. We recognise that South African society continues to reflect significant social and economic disparities, from the lack of equal economic participation in the country's wealth, to access to basic education, health care, and basic services. Our empowerment strategy encompasses both a moral and fiduciary duty, and will benefit employees, our shareholders, our communities and the country as a whole.

Mondi is a signatory to the Forest Sector Transformation Charter, the main objective of which is to promote BBBEE in and through

the forestry sector. Giving life to our transformation imperatives at an equity level is evident in our relationship with Shanduka Resources, a leading BEE company in South Africa, which holds a 42% interest in Mondi's integrated South African newsprint business, Mondi Shanduka Newsprint, and a 25% interest in Mondi Packaging South Africa.

We have actively driven transformation. We track and report on our BBBEE progress as prescribed by the BBBEE Codes of Good Practice regulated by the South African Department of Trade and Industry. The codes provide principles and guidelines to facilitate, accelerate and measure the implementation of the elements of BBBEE in a meaningful and sustainable manner. In 2010 an independent verification agency certified Mondi as a Level 3 BBBEE contributor (on a scale of 1 to 8, with 1 being the most highly rated), noting specifically the Group's performance in respect of preferential procurement, enterprise development and socio-economic development. This is an improvement on our rating as a Level 4 contributor in 2009.

Internally, Mondi has prioritised three areas of transformation, namely: employment equity, skills development and preferential procurement.

Preferential procurement

We aim to increase our procurement spend with BBBEE enterprises and to build relationships with suppliers that evolve into enduring mutually beneficial business partnerships. To achieve this, we ensure that all procurement processes are and are seen to be accessible, fair and inclusive. Our procurement processes also apply a preferential adjudication system to suppliers that comply with the principles and legislation underpinning BBBEE at the same time as being cost-effective and competitive.

In 2010, particular emphasis was placed on improving our BBBEE procurement levels, particularly with regard to black-owned and black women-owned businesses, by specifically identifying and engaging with suppliers that meet these criteria and our requirements.

Enterprise development

We recognise that small and medium-sized enterprises face many challenges when establishing their businesses. We have sought to address this by establishing Mondi Zimele, which makes available equity, loans and development support to small and medium enterprises (SME) primarily, but not exclusively, through the Mondi value chain.

Since its inception in 2007, Mondi Zimele has invested more than ZAR35 million in the establishment of 14 separate empowered small enterprises. These businesses, working throughout Mondi's value chain, enjoyed a collective turnover in excess of ZAR250 million in the past year and employed around 2,100 people. Mondi Zimele has established community-based small business hubs around our forestry operations. The aim of these hubs is to provide small business loans to promote the development of community enterprises and to boost job creation.



Social performance

including people (safety and health, employment, diversity, human rights and community health), society and product responsibility.



We seek to develop and empower all our people. We embrace diversity and uphold human rights. We are intent that zero harm should come to our employees and contractors at work. We are concerned with the health of our communities. We take our commitment to responsible product stewardship seriously. We engage with and support our communities through economic development and corporate social investment initiatives.

Social
performance

As a global company with operations in 31 countries, we seek to develop and empower our employees and people from the communities that surround or are directly affected by our operations. We embrace diversity and are committed to fair and equitable treatment of all, irrespective of origin, race or gender in an environment that fosters performance and personal growth for employees and encourages mutually beneficial relationships with our communities.

For us, the safety and health of our employees and communities is both a business and personal value and we therefore have systems and practices in place that help us work towards our ultimate goal of zero harm. We actively engage with our communities and endeavour to address not only their health concerns but also issues related to enhancing their capacities and improving their quality of life.



People

At Mondri we regard the safety and health of our employees at work as paramount and are committed to zero harm in the workplace. We also strive for a dynamic working culture that accurately reflects the diversity of the countries and communities in which we operate.



Society

We want Mondri to be a sustainable, socially responsible business that makes a real and lasting contribution to the communities in which we live and work, both through direct and indirect economic contributions and through community engagement programmes.



Product responsibility

Mondri is committed to developing and delivering cost-efficient, high-performance, environmentally responsible paper and packaging solutions for our customers and users.



Social performance:

People

Safety and health

At Mondi, we regard the safety and health of our employees at work as paramount. We are intent on meeting our ultimate objective of zero harm in the workplace.

We take positive and proactive actions to improve our safety and health performance. We believe that all injuries are preventable and that no incident should be repeated if we learn from experience. Improvements in leadership, people involvement, safety practices and infrastructure have led to recent reductions in injuries and incidents, but we recognise that there is much that remains to be done.

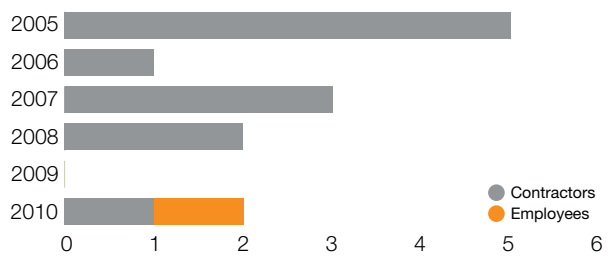
We also recognise that aligned and consistent safety training is necessary to improve our performance and we ensure that everyone who works for Mondi has the necessary safety awareness and skills to recognise and avoid risk.

Our approach to safety and health management is underpinned by our desire to move towards an interdependent culture, where the responsibility for safety and health is a shared one. While ultimate responsibility for safety and health lies in the hands of line management, all employees and contractors are required to act in a safe way as a condition of employment.

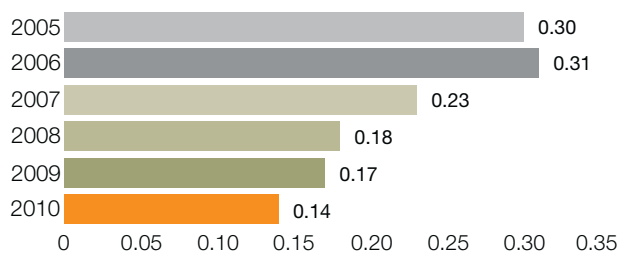
It is with great regret that we report two fatalities during the year, both in South Africa – one involving a contractor working in the forests, and the other, an employee at the Merebank mill.

Importantly, our lost-time injury frequency rate (LTIFR) (per 200,000 hours worked) for employees and contractors declined by 18% compared with the previous year, and by 53% over the five-year commitment period. We have not, however, met our target of an LTIFR of 0.1.

Work-related fatalities



Lost-time injury frequency rate (per 200,000 hours)



The Group's lost-time injury frequency rate for employees and contractors has been reduced by over 50% compared with 2005 (60% when excluding the performance of the acquisitions).

We have a specific focus on contractor safety management. Contractor safety management includes a six-step process for contractor manager appointment: contract appraisal and contractor selection, safety plans and documentation, contractor orientation and induction, contractor supervision and monitoring, performance review, and preferred status assignment.

During 2010 additional focus was placed on annual maintenance outages as well as large projects. Assistance was provided by safety professionals across the Group, as well as by line managers to contractors to ensure that Mondi standards were maintained. Employees were seconded from various operations to assist during these high-risk periods. Line personnel at some operations received additional safety training to enable them to act as safety marshals during the annual outage periods and to improve contractor induction programmes. This approach resulted in all the material sites completing their annual maintenance outage periods without a single lost-time injury.

As the operation of black liquor recovery boilers is one of the major risks of the business, a black liquor recovery boiler working group was set up to develop a manual for the safe operation of recovery boilers and an assurance programme is now being developed. Audits were conducted at Štětí (Czech Republic), Dynäs (Sweden) and Stamboljiski (Bulgaria) in 2010.

Other key initiatives during the year included:

- aligning risk control measures across the Group;
- the Annual Safety Calendar, which ensures consistent application of safety and health programmes and ongoing awareness of safety and health matters;
- Making a Difference Day 2010, dedicated to safety, health, environment and community engagement. The E&I operations undertook a number of activities, showing visible management commitment through meetings, initiatives and walkabouts; safety discussions on selected topics; practical exercises; health examinations for employees and contractors; individual and team pledges to take action on safety and environmental topics; safe practice in the use of firefighting equipment or personal protective equipment; and inviting neighbours and other stakeholders to open days;
- continuing the Phepha safety programme in South Africa. This was particularly important given the high incidence of lost-time injuries as well as the fatal incident experienced by the logging operations; and
- ensuring that the details of any safety incident are shared with all operations, as part of our drive to prevent repeat incidents.

Occupational health will receive additional attention in 2011. Current systems vary due to the differing actual occupational health stressors present. Most operations have recognisable noise levels and programmes are therefore in place to measure noise levels, demarcate and place warning signs in all noisy zones, and provide suitable hearing protection devices to protect employees, contractors and visitors from noise exposure, so as to prevent noise-induced hearing loss. All persons working in noisy zones are required to attend regular medical examinations to monitor their hearing and to identify early signs of noise-induced hearing loss, and to take appropriate preventative measures. Please see www.mondigroup.com/safety_and_health for our health statistics.



Safety marshals ensure lost-time injury-free shut downs at E&I UFP operations in 2010

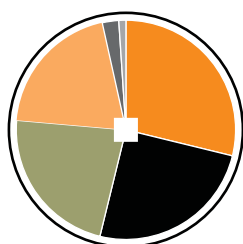
A significant safety achievement of the E&I uncoated fine paper (UFP) and containerboard operations in 2010 was the completion of the annual shut downs at the Syktyvkar mill in Russia, Mondi SCP in Slovakia, Świecie in Poland and the Neusiedler mill in Austria, without any lost-time injuries.

These large-scale shut downs pose serious safety risks as they involve hundreds of extra contractors on site at one time, initially unfamiliar with the plant and its safety procedures. But through collaboration, extra safety marshals and visible leadership, these mills managed to achieve 650,000 injury-free hours during these outages and uphold our zero harm objective. See the full case study at www.mondigroup.com/casestudies/safety_marshals.

Employment

At Mondi we develop and empower our people to achieve good performance and personal growth in a dynamic culture that embraces diversity. The number of employees in the Group at the end of 2010 was around 29,000 people (2009: 31,000). In addition, the Group employed, on average, an estimated 21,000 contractors during the year.

Number of employees



● Russia	8,300
● Western Europe	7,200
● Eastern Europe	6,500
● South Africa and rest of Africa	5,800
● North America	700
● Asia/Australia	300

Recruitment and retention

Employee turnover is not centrally monitored or reported. The measurement of this indicator is the responsibility of the individual operations, and is monitored locally.

While turnover levels remained relatively low, it has become apparent – particularly in Europe – that greater attention needs to be paid both to the image of the Group and to attracting young engineers into the business. We have found that there is a lack of interest in technical disciplines, and that paper-making and printing are not sought-after careers for young engineers. Given that our existing workforce is aging, these factors are a priority if we are to continue recruiting competent, talented employees in the future.

At a local level, several innovative campaigns to counter these trends were undertaken during the year. One of these at our Świecie operation in Poland, involved close collaboration with specialist technical universities, offering young engineers practical workplace experience. Another is the 3G programme at our SCP operations in Slovakia, developed to attract and retain employees

across three generations. At Neusiedler in Austria, a programme to attract and retain new apprentices was put in place.

In South Africa, the turnover level was also low, and resulted from natural attrition. This is adequately addressed by developing local people through initiatives such as learnerships, apprenticeships and on-the-job training.

Employment practices and collective bargaining

We uphold the basic labour rights set out in the Fundamental Rights Conventions of the International Labour Organization (ILO), ensuring fair employment practices. Our remuneration practices are competitive and do not discriminate on the grounds of age, race or gender.

We recognise the right of employees to freedom of association and support the practice of collective bargaining. In South Africa and in many European countries, collective bargaining is enshrined within legislation.

While collective bargaining practices differ from country to country, they are embedded within the functioning of the Group, and are supported by appropriate policies. Our policies, which comply with local legislation, ensure that employment practices are fair and employees are represented appropriately.

Training and development

We support the training and development of our employees and contractors, not only so that they may undertake their jobs safely and productively, but also so that they may fulfil their potential. In 2010, a total of 1.65 million hours of employee and contractor time were devoted to training and development. The safety training particularly focused on critical tasks as determined by one of our safety indicators for 2010.

Mondi continues to expand its employees' skills base through a three-tiered approach comprising:

- bursaries and other forms of financial assistance towards higher education for employees, their children and the general public;
- recognised training and development courses on a part-time study basis through approved tertiary institutions; and
- selected training courses, seminars and programmes for knowledge upliftment, offered both internally by the company, inter alia through the Mondi Academy, and externally by approved training institutions.

The Mondi Academy offers leadership, technical, business and personal development courses in Austria, Poland and Russia. In South Africa, the Mondi Academy will be launched in 2011, and will focus on leadership development, problem solving, finance, negotiation skills and conflict resolution.

The process of developing our culture includes a review to simplify our corporate values and what we expect of leaders. Mondi offers two kinds of leadership development programmes:

- local initiatives designed and implemented at operational level; and
- leadership development programmes designed and managed centrally to ensure consistency across the Group.

During the year local initiatives included, for example, a mill development programme for individuals identified as talented at our Ružomberok operation in Slovakia and Mondi Knowledge Days for our Europe & International Division.

Centrally driven leadership development activities consist of assessment modules (development centres, assessment discussions); training modules like the Mondi Enhanced Leadership Programme for experienced managers with further potential; the Mondi Leadership Development Programme for junior managers with high leadership potential; the Mondi Senior Sales Development Programme for senior sales managers; and other supporting tools like the Mondi Mentoring Programme and the 360 Degree Feedback for Executives Programme.

Diversity

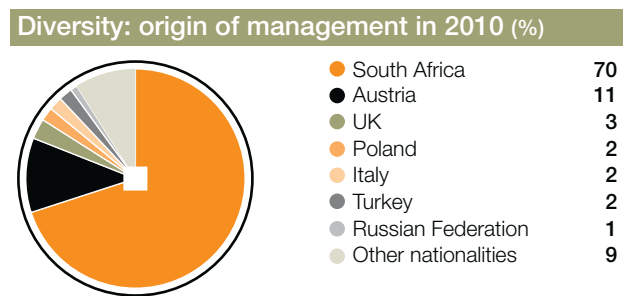
As a global organisation operating in 31 countries, Mondi seeks to develop and empower all of its people. As an illustration of how truly diverse we are, our employees together speak more than 35 different languages.

Mondi is proud to provide equal opportunities to men and women, and we endeavour to ensure that our policies and practices support this.

We encourage and embrace diversity, and are committed to the fair and equitable treatment of all, irrespective of origin, race, or gender. However, we recognise that in some of the countries in which we operate, such as South Africa, there is a need to redress historical imbalances in the workplace, in the recruitment and development of segments of our workforce, and in the opportunities that have been available to them.

Fostering diversity

To make Mondi a successful global organisation, we need a skilled, committed workforce that reflects the demographic profile of the countries in which we are located. While we believe in developing local talent and local leaders, we also see the value of sharing talent across international boundaries, and believe that there is an equitable balance to be achieved between the two objectives.



Employment equity in South Africa

We are committed to employing, empowering and developing competent people with the necessary potential required to expand their careers and to become valuable participants in sustaining our

competitive business advantage. In South Africa, we are committed to making a positive contribution to the process of transformation towards a fully democratic and non-discriminatory society and economy, particularly within the forestry sector.

We have established transformation committees at our South African operations to allow our employees to discuss employment equity and training-related issues and ideas.

We make every effort to:

- equalise opportunities for previously disadvantaged persons;
- create and maintain an environment that is free of unfair discrimination;
- develop an organisational culture that respects diversity; and
- implement diversity management and affirmative action initiatives in a manner that is sensitive, reasonable, justifiable and fair.

We do this so as to create a racially and culturally diverse staff profile; to ensure that promotion and advancement is based on merit, without tokenism or paternalism; and to ensure that each company and operation division develops and implements a process that allows employees to raise and resolve grievances.

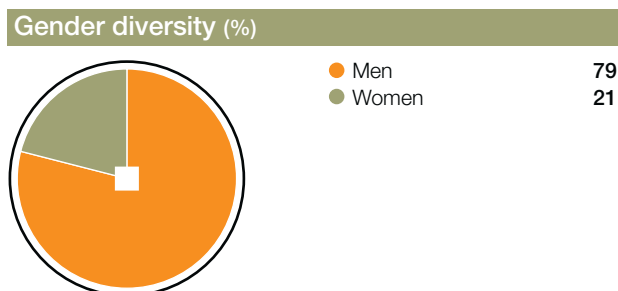
Our employment equity policy ensures that the career development of non-designated persons is not ignored and that all employees will continue to be recognised for their competencies, based on statutory and merit considerations.

Although we continue to be faced with many challenges in reaching our employment equity objectives at our South African operations, we remain committed to these and have training and career development in place to develop previously disadvantaged persons in a manner that is beneficial and meaningful to the Group and employees.

Supporting women at work

In line with our philosophy of encouraging diversity and excluding discrimination, we provide equal opportunity for men and women in the Group. It is our intent that there be no disparity between the remuneration of men and women, but this is not currently monitored.

At the end of December 2010, 21% of employees were women and 21% of our managers were women.



Mondi's sexual harassment policy recognises the right of all people to be treated with dignity, and prohibits sexual harassment in the workplace. Appropriate mechanisms, such as grievance procedures, are in place to support this.

While the nature of our industry and available skill pool does pose inherent challenges in recruiting women, Mondi gives preference to previously disadvantaged groups in the awarding of bursaries, learnerships and apprenticeships.


Human rights

We aim to develop a diverse, multinational workforce that accurately reflects the diversity of the countries and communities in which we operate. We ensure that our suppliers and customers operate in line with the same principles.

We recognise that issues related to the cultural heritage of indigenous communities affected by our operations, particularly those living in or close to forests, need to be addressed in a sensitive manner. We aim to resolve these issues in a spirit of respect, trust and dialogue.

Principles and compliance

We subscribe to the Universal Declaration on Human Rights and the Voluntary Principles on Security and Human Rights and ensure the provision of a fair, safe and healthy workplace for all employees, free from discrimination, harassment or abuse.

We are a signatory to the United Nations Global Compact (UNGC) and ensure alignment of our policies and practices with UNGC principles. We also encourage our suppliers, customers and business partners to work in accordance with these principles. We report our compliance to the UNGC principles annually – see our website to view our Communication on Progress (COP) in 2010: www.mondigroup.com/UNGC_COP. 

In line with the Fundamental Rights Conventions of the ILO, to which we subscribe, all employees are free to bargain collectively and can join a trade union of their choice. Our labour standards ensure that our remuneration systems are fair. We prohibit the employment of under-age labour and we do not procure goods or services from suppliers who use child labour. We do not engage in forced or compulsory labour practice and none of our operations are deemed to be at risk in this regard. We have developed a Code of Conduct for Mondi Group suppliers that requires their adherence to these principles.

Respect for communities and indigenous people

We recognise the rights of indigenous people and are committed to their fair treatment and, where necessary, to the restitution of historical injustices even if these are not of our own making.

Our Community Engagement Programmes (CEPs) form the basis for constructive dialogue with neighbouring communities, ensuring that their voices are heard. Our CEPs are typically based on the findings of comprehensive socio-economic assessment toolbox (SEAT) reports which ensure that our corporate social investment programmes meet the most pressing needs of local people. See page 28 for details on our approach to land claims in South Africa.



We seek to address community health issues in South Africa, including malnutrition and HIV/AIDS, amongst others.

Community health

The primary community health concerns for our South African employees and communities are malnutrition and HIV/AIDS. Other global health issues of concern are pulmonary tuberculosis (TB), malaria, diabetes mellitus, heart disease, hypertension, and alcohol and other substance abuse.

Dealing with malnutrition

Inadequate nutrition, especially in impoverished rural communities in close proximity to some of our operations, is a significant community health issue in South Africa. Research conducted by the University of KwaZulu-Natal's Department of Dietetics and Human Nutrition suggests that 50% of men and 25% of women working in the forestry industry in South Africa do not consume sufficient calories during their working day. As a result, they lack the energy required for demanding physical tasks and often experience fatigue and poor concentration, which decreases productivity and

increases the risk of injury. For employees with HIV/AIDS, the health risks can be even greater.

In 2008, Mondi South Africa launched the Food 4 Forests programme with the aim of ensuring that employees and contractors working in Mondi forestry operations receive and consume a nutritionally balanced meal during the course of their day's work. In 2010 the programme delivered over 1.8 million meals to 8,050 people provided by four catering companies. A total of 24,048 weekend standby rations were delivered during the fire season.

Dealing with HIV/AIDS in South Africa

The HIV/AIDS pandemic continues to cause deaths and illness amongst employees and community members alike. Equally tragic is the significant number of orphans and vulnerable children (OVCs) in largely rural communities that this disease is leaving in its wake.

We have programmes in place to address HIV/AIDS in the workplace. Our HIV/AIDS management system is based on World



Mkhondo mobile clinics: providing one-stop health care services

The Mkhondo mobile clinic service provides health care and HIV/AIDS programmes to rural communities and contractor employees living around Mondi's forestry operations in Mkhondo, Mpumalanga. During 2010, two additional mobile clinics known as Mobile One and Mobile Two were put on the road following the success of the first mobile clinic service initiated in 2008.

The mobile clinic project aims to provide primary health care to all community members, promote behavioural change, identify and train peer educators, encourage community members to participate in voluntary counselling and testing (VCT), and assist HIV-positive community members to access treatment via the Department of Health. See the full case study at www.mondigroup.com/casestudies/mobile_clinics.

Health Organization (WHO) guidelines and is in line with the ILO Code of Practice on HIV/AIDS and the World of Work.

Programmes for employees

Our HIV/AIDS policy in South Africa deals with the prevention of discrimination, the management of HIV-associated illnesses and disabilities, the treatment of HIV infection, measures to reduce the impact of HIV, antiretroviral treatment (ART) and disease monitoring.

Our efforts focus on improving employees' understanding of the condition, managing the impact of HIV/AIDS in the workplace, offering treatment to those who are HIV-positive, and facilitating access to health care for rural communities.

Voluntary counselling and testing (VCT) is freely available to all employees. In 2010 again, nearly 3,000 employees participated in VCT. We are particularly pleased with the results of our VCT initiatives at Richards Bay, where 85% of the workforce is tested annually.

HIV/AIDS education and training begins during an employee's induction and continues throughout the duration of an individual's employment. Peer educators provide education and awareness and encourage their colleagues and members of their communities to participate in VCT.

ART is available to all employees and, in 2010, 91 employees participated in this programme (2009: 98). ART begins when an employee's CD4 count reaches 350 (higher than the Department of Health's level of 250) and adherence is closely monitored, as is the threat of TB.

Addressing HIV/AIDS in our forestry communities

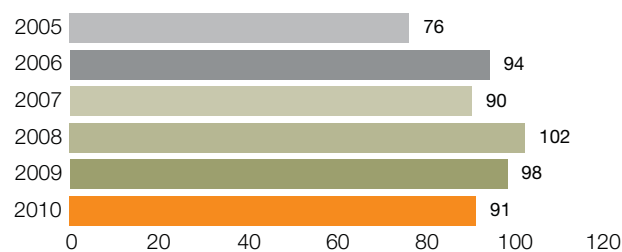
We are committed to reducing the spread of the disease in the wider community and supporting those who are affected by it.

Mondi set up a pilot mobile clinic in the KwaZulu-Natal Midlands in 2008 in partnership with an NGO, TLC, and government, to take

HIV/AIDS programmes and primary health care to contractor employees and communities living around Mondi's forestry operations. In 2010, following the success of this pilot project, the model was extended to the remote rural area of Mkhondo, Mpumalanga, where Mondi played a significant role in putting two additional mobile clinics on the road.

Another example of our efforts against HIV/AIDS is the Isibindi Project, a community-based programme which Mondi has rolled out in Iswepe (Mpumalanga) and Tygerskloof and KwaMbonambi (KwaZulu-Natal) to address the needs of OVCs directly affected by the disease. The project involves training community members as child and youth care workers through an accredited two-year course. Services focus on strengthening the capacity and resilience of people infected and affected by HIV/AIDS, and on promoting their access to social and economic opportunities. This includes assistance in accessing education, health care, food or nutritional support, protection from abuse, trauma counselling, skills training, holiday programmes and community mobilisation.

Number of employees on ART (SA only)



Dealing with TB

TB is a significant public health threat in South Africa and, as there is a strong link between HIV/AIDS and TB, we pay significant attention to this illness. Our wellness days include TB screening and routine medical examinations. Mobile clinics play an important role in the detection, referral and follow up treatment of TB patients.



Social performance:

Society

We want Mondi to be a sustainable, socially responsible business that makes a real and lasting contribution to the communities in which we operate, both through direct and indirect economic contributions and through community engagement programmes.

We engage on a sustainable basis with local communities in close proximity to our operations and those directly affected by our operations in order to build mutually beneficial relationships that enhance their capacity and improve their quality of life.

Our community investment is focused on the following identified priorities, although we are mindful that there may be site-specific imperatives:

- education and training;
- local economic development;
- poverty alleviation;
- health care and, in South Africa particularly, HIV/AIDS;
- environmental education and rehabilitation; and
- sports and recreation.

Engaging with local communities

Many of Mondi's operations are in transitional or developing economies where poverty, unemployment, illiteracy, environmental degradation and infectious diseases such as HIV/AIDS are often endemic. Many of our forestry operations are located in rural areas or close to small towns where we are the major employer of local people.

All socially material operations are required to complete a socio-economic assessment toolbox (SEAT), which is subject to review every three to five years, to identify and manage the operation's social and economic impacts and to improve its overall social performance if this is required.

Smaller operations undertake simpler reviews of socio-economic impacts, opportunities and risks using the SEAT principles. SEAT assessments assist Mondi in developing a structured approach to improving the wellbeing of our communities. The process is undertaken by:

- profiling our operations and the communities within a particular range of them;
- engaging with all the interest groups in the area to identify the perceived impacts of our operations;
- producing a management plan designed to meet each

community's development needs and to reduce the negative impact of our activities; and

- compiling and publishing – in conjunction with local stakeholders – a local report that provides the basis of the ongoing relationship between the community and Mondi.

SEAT reviews were undertaken in Russia in 2009 and at the South African forestry operations in 2010. Assessments at selected Russian, Bulgarian and South African mills will be performed in 2011.

Community engagement plans

Community engagement plans (CEPs) are in place at all Mondi mills and forestry operations and assist us in maintaining constructive dialogue with our neighbours to ensure that their concerns are raised and addressed. These programmes ensure that the communities that surround our operations gain social and economic advantages from our activities.

Our CEPs seek to build beneficial relationships with governments and local authorities, engaging with NGOs, local industry and resident associations, local businesses and action groups. Many of Mondi's CEPs are based on the findings of the SEAT reports. These serve as the baseline against which we benchmark the progress our operations have made towards meeting CEP goals.

Land claims in South Africa

Mondi has developed an innovative model for engaging and settling with land claimant communities in South Africa, and is working constructively with government and communities to develop claimant communities into sustainable forestry enterprises. Land claims are enshrined in South Africa's Constitution to address the wrongs that have deprived many indigenous South Africans of their rightful heritage. We collaborate with the South African National Office of the Land Claims Commission towards implementing sustainable models for the settlement of land claims – ensuring the rights of communities to return to their land while preserving our access to raw materials. To date, 11 land claims have been settled and 71 remain.

Corporate social investment (CSI)

At Mondi, good corporate citizenship means being a sustainable, socially responsible business that makes a real and lasting



Mondi signs another forestry land deal

Mondi has successfully finalised another land restitution settlement involving Mondi forestry land, after lengthy negotiations with the Regional Land Claims Commissioner (RLCC) and the Mkhwanazi community of Port Durnford in KwaZulu-Natal. The deal was officially signed at KwaMbonambi in September 2010. In terms of this settlement, 258 hectares of Mondi land under forestry will be transferred to the Mkhwanazi community beneficiaries (comprising 50 households), who will own the land through their Phalane Trust. The community will gain ownership of the land and derive a sustainable income from it, while progressively developing their own businesses to operate along the forestry value chain. To date, 11 land claims have been settled. See the full case study at www.mondigroup.com/casestudies/land_deals.

contribution to its employees, their families, and the communities where we operate. All operations are required to have a CSI strategy, which needs to be developed during the CEP planning process and is based on consultation with the local community.

During 2010, Mondi contributed €12.6 million (2009: €9.3 million) towards charitable donations and CSI projects.

Corporate social investment expenditure (€000)		
	2010	2009
Community health and welfare	691	140
Education and youth	679	596
Environment	29	69
Community development	6,427	5,133
Arts, culture and heritage	146	306
Housing	837	–
Other	3,802	3,101
Total	12,611	9,345

CSI contributions may be monetary, or in the form of employee time, resources or gifts in kind, and bring benefits over and above those directly associated with core business activities. Some of the specific areas in which we are engaged, and the causes we support, are discussed on our website at www.mondigroup.com/society.

Meeting the socio-economic needs of our communities

South African forests

We support social and economic development in rural communities across our forests in South Africa through job creation, land reform, business generation and improvements to basic infrastructure, working closely with local government, NGOs and other stakeholders.

To determine the best development plans and priorities for communities, we run Participatory Rural Appraisals (PRAs) which comprise in-depth analyses of targeted communities and an

examination of their demographics, skills-sets and other empirical data. From these we have identified the following key areas of need:

- education, with an emphasis on science and mathematics;
- environmental improvement;
- infrastructure, community and neighbourhood development;
- the prevention and treatment of HIV/AIDS; and
- local economic development and poverty alleviation.

In South Africa, in terms of the Broad-Based Black Economic Empowerment (BBBEE) Forestry Charter, we have committed to investing 4% of net profits from South African forestry operations in communities. In 2010, we invested some ZAR4 million in infrastructure and service improvements, sustainable livelihoods, education, training and health care.

We recognise that the working conditions of certain field workers in our South African forests need to be improved by eliminating the manual debarking, stacking and loading of timber. We recognise that mechanisation is a pressing and potentially contentious issue. The technical and economic feasibility of increased mechanisation has been tested through pilot studies in 2010 and these will continue in 2011. The social implications and mitigation measures will also continue to receive attention and a strategy is being developed to map the way forward.

Russian forests

Historically, state forest enterprises have held wide social importance in Russian society, providing employment, offering the opportunity to produce goods and services, and making available a large variety of social facilities for employees and the local population. We remain committed to helping our forestry employees and host communities in Russia adapt to changes in our business and ultimately to benefit from them.

Following the SEAT review at our Russian forestry operation at the end of 2009, the following issues needed to be addressed:

- reaching social agreements with host communities and districts;
- improving communication about strategy and practice;
- improving productivity; and
- updating our technology base.



Integration through education: a new start for disadvantaged children in Austria

In January 2009, Mondi initiated its support for Caritas, the international charity whose wide-ranging Austrian programme of social initiatives primarily includes support for children and youth in need, as well as for social education and integration.

Mondi's support of the Caritas programme comprises financial support and employee participation. Working with Caritas is in line with Mondi's belief that a solid educational background facilitates social integration and improves one's future opportunities.

Furthermore, we believe that involving our employees not only improves their understanding of the world around them, but also generates an awareness of their ability to contribute in a beneficial and long-lasting way. See the full case study at www.mondigroup.com/casestudies/integration_through_education.



Social performance: Product responsibility

Mondi is committed to developing and delivering cost-efficient, high-performance, environmentally responsible paper and packaging solutions for our customers and users. We work to make sustainability a reality at every step of the supply chain to contribute to our customers' success, ensuring their competitive advantage and ours, by providing the products needed at the lowest possible financial, environmental and social cost. We value mutually beneficial interaction with our customers and strive for lasting business relationships.

Product stewardship

Responsible and effective product stewardship involves actively managing the environmental, and safety and health impacts of our products throughout their life cycles, from our forests to the end product, for all our products. Our stewardship approach is based on the integrated approach advocated by the Life Cycle Initiative as set out in the United Nations Environment Programme.

Significant work has been undertaken to address the environmental impacts of our products, to improve the energy efficiency of our

pulp and paper plants, and to reduce CO₂e emissions. We have continued our efforts to measure and report the carbon footprints of our primary products; this is being done in line with accepted standards and guidelines such as the GHG Protocol, life cycle inventory and the Confederation of European Paper Industry (CEPI) framework for the development of carbon footprints for paper and board products. Not only do we account for our carbon emissions by product, but we also account for carbon at different stages of the supply chain, and are able to provide offset figures for projects and activities that have a positive impact on our carbon footprint. During the last five years, we have reduced specific CO₂e emissions by around 23% equivalent to an absolute reduction of over a million tonnes since 2004.


A group-wide tool for calculating our product CO₂e footprint has been embedded into our sustainable development reporting system. We have aligned our supply chain management with our environmental commitments, and have started to monitor and calculate the carbon footprint associated with the transport and distribution of our products.



Mondi's Terra Bag: the world's first certified biodegradable industrial bag

Launched in 2010 as part of the **Mondi Green Range**, the Terra Bag is the world's first biodegradable industrial bag. It is made of paper optimised for industrial composting and includes an optional biodegradable film for humidity protection.

The Terra Bag received the internationally recognised OKTM compost label in 2010 and additional certification for a full range of bag constructions is due in 2011.

Development work on the bag began three years ago when long-standing Mondri customer, Ciments Calcia, asked Mondri about a tangible waste management solution for construction sites. Now industrial packaging can be turned into valuable compost. See the full case study at www.mondigroup.com/casestudies/terra_bag. 

Sustainable, responsible products

Mondi provides a wide variety of paper and packaging products to a broad consumer base. Our products are subject to various voluntary and compulsory standard-testing procedures to ensure that a high level of health and safety is maintained.

Our kraft paper is sourced from virgin fibre to ensure our packaging applications possess the necessary strength and adhere to the relevant, very strict hygiene standards and food safety requirements. Our Medi White paper, suitable for medical and pharmaceutical applications, is an example of a paper product that has to meet these demanding standards. Our intelligent packaging solutions ensure the food contents of our packaging stay fresh for longer, preserving nutrients and taste, while preventing unpleasant odours. All operations that supply paper or packaging to the medical and pharmaceutical industry comply with the highest quality and hygiene standards.

Mondi's pioneering Sustainex® biodegradable packaging is a range of sustainable plastics, including extruded film and coated materials based on biodegradable polymers made from renewable materials. Examples of packaging solutions with reduced environmental impacts include Sackpaper Advantage One Lightweight (which saves wood and increases the strength of our bleached one-ply sacks), Provantage Fluting Frost (used in recycled fibre-based cooling boxes), and the Easy Seal Bag Closure Valve. Other sustainable products include our Nautilus SuperWhite range, made from 100%-recovered fibre; Advantage One LightWeight, lightweight papers and board that save natural resources by using less raw material without diminishing product quality; Provantage Kraft Top Liner, a low-cost and more resource-efficient alternative to our Kraftliner and heavy substance Testliner products; and Terra Bag – a biodegradable, compostable industrial bag – see previous page.

Launched in 2009 and extended in 2010, the Mondi Green Range was developed in response to customers' growing demands for environmentally responsible paper and packaging solutions. Our 'green' products are all certified by internationally recognised bodies to ensure that we meet our commitment to conserving natural resources and reducing waste. The products of our Green Range are either sourced from well-managed forests with certification from the Forest Stewardship Council (FSC™) or the Programme for the Endorsement of Forest Certification (PEFC), are totally chlorine-free (TCF) or are from 100% recycled materials.

Responsible marketing

Certification is an important tool to support our credibility in the market. Not only does certification help us to set operational benchmarks, but it also allows consumers to choose products and brands from responsible manufacturers who are reducing the impact of their products across their respective full life cycles.

We offer packaging papers that are almost wholly made from controlled wood, and packaging that has both PEFC and CoC certification. We also offer industrial bags that are certified by the FSC™.

Our certified products carry clear and informative labelling to ensure that our customers are aware of the environmental process controls and health and safety assessments we conduct throughout the various life cycles of our products.

For example, in 2010 Mondi Industrial Bags, in collaboration with ARDEX Building Material, finalised the development of the Security Label Bag to help prevent the forgery of high-quality building materials, a problem that has been on the rise in central and eastern Europe. Mondi and ARDEX jointly submitted this product to Emballissimo, which rewards outstanding functionality and cutting-edge design. Both companies received the Emballissimo Award for industrial packaging.

Following an internal assessment, we are confident that our marketing communications are aligned with the principles of the ICC. We aligned the Mondi Green Range communications campaign with the ISO 14021 standard for self-declared environmental claims based on accurate verifiable facts.

Recycling

No product is more widely recycled than paper, with effective collection and recycling systems in wide use across our markets. Our corrugated board can be re-used up to seven times before the fibres become unusable, while de-inked newsprint can be re-used up to four times. Materials that are too degraded for use in paper or board products can still provide carbon-neutral energy.

We manufacture products that are easy for both our customers and end consumers to recycle. Since the commissioning of the PM7 lightweight containerboard machine at our Świecie mill in Poland in 2009, our recycling capacity has increased by some 20%. In 2010, a total of 33% of the fibre we used in production was from recovered paper.

In South Africa, our Mondi Recycling business unit supplies the three Mondi packaging mills and our newsprint mill with high-quality fibre at a competitive price. With a 40% market share, Mondi Recycling is the largest paper recycler in South Africa. Our collection and recycling activities in South Africa have environmental, economic and social benefits – including saved landfill space, a reduction in the number of trees cut for paper manufacturing, lower energy usage, reduced coal- and electricity-based emissions, along with cleaner production processes.

In 2010, Mondi collected and purchased some 1.8 million tonnes of used fibre.

Engaging with our customers

We believe that customer loyalty is key to sustaining and growing our organisation. We undertake regular customer satisfaction surveys, and the findings of these help us to keep up with the ever changing needs of our customer base.



Environmental performance

We are conscious of the environmental concerns linked to our business and our processes. We are committed to minimising our impact on the natural environment and are determined to conserve our high conservation value (HCV) natural resources, increase our use of renewable raw materials, develop cleaner production methods, and play our part in combatting climate change by improving energy efficiency and reducing our GHG emissions. We are committed to responsible, sustainable forestry.

Environmental issues have been integrated into Group and operational strategies and plans. Operations are responsible for the development and implementation of environmental programmes and practices based on Mondi Operating Standards and Performance Requirements.

We are committed to developing and implementing certified site environmental management systems at all our operations which have a significant environmental impact. All mill operations have environmental management systems certified to ISO 14001 in place, except for Stamboljiski in Bulgaria, which is awaiting certification after being mothballed in 2009 and restarted in 2010; and the Tire paper mill in Turkey, which is a recent acquisition and has not yet been certified.

Using our resources wisely

Wood is an essential raw material for all of our virgin fibre-based products. From wood fibre we produce pulp, the basic ingredient of all paper and paper-based packaging. We use pulp in our own production and also sell it wholesale to third parties. The pulp for paper-making may be produced from virgin fibre by either chemical or mechanical means, or it may be produced by the re-pulping of recovered paper. In the pulping process, the raw cellulose-bearing material is broken down into its individual fibres. In chemical pulping, chemicals are used to dissolve the lignin and free the fibres.

Recovered paper has become an indispensable raw material for our business and, in 2010, we used 1.8 million tonnes of recovered paper to produce pulp for paper and newsprint – this amounts to 33% of the total amount of pulp used.

The pulp and paper manufacturing process also requires a large amount of process water and energy (in the form of steam and electrical power), which makes it an energy- and natural resource-intensive one.

Materials used

	2010	2009
Wood (million m ³)	15.7	14.1
Pulp (million t)	3.6	3.8
Recovered paper (million t)	1.8	1.5

Energy and climate change

We recognise the need to consider and plan for the consequences of climate change, both in respect of the physical and non-physical impacts on our business, and the impacts on our markets. As we operate largely in developing economies, we consider the impacts of climate change on our communities and the need for adaptation.

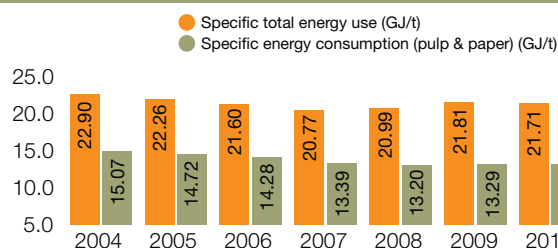
We recognise that we have a role to play in reducing GHG emissions, and note the positive impact that well-managed, sustainable plantations and forests have on CO₂ sequestration.

In 2005, Mondi first considered the risks and opportunities posed by climate change, when we set ourselves a target of reducing both our specific energy consumption and our specific CO₂e emissions by 15% by 2014, against a 2004 base year.

In 2010, our energy consumption in primary activities (the production of pulp and paper) was 86.1 million GJ (2009: 79.2 million GJ). The increase in energy consumption was mainly caused by increased production volumes in 2010. Total electricity requirements amounted to 5.6 million MWh (2009: 5.0 million MWh), with 79%* of this electricity generated by Mondi's own power plants, using 66.7 million GJ fossil fuels and 80.2 million GJ biomass. A total of 7.3 million GJ of energy was sold to third parties, mainly from our operations in Syktyvkar, Štětí and Ružomberok. Between 2004 and 2010, we reduced our specific energy consumption for pulp and paper making by 11%, against a 2004 base year.

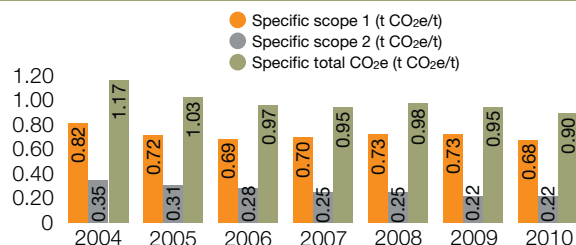
* In 2010, we have included Mondi Shanduka Newsprint for the first time in the scope of our energy reporting (our shareholding stands at 50%) and, since Mondi Shanduka Newsprint does not produce any of its own electricity, our electricity self-sufficiency has gone down from 83% in 2009 to 79% in 2010. The electricity self-sufficiency of the Group has nevertheless improved by 16% against a 2004 base year.

Energy use and consumption



In 2010, our direct (scope 1) Group-wide GHG emissions amounted to 4.45 million tonnes CO₂e (2009: 4.54 million tonnes CO₂e), while our indirect (scope 2) emissions from purchased energy were 1.41 million tonnes CO₂e (2009: 1.37 million tonnes CO₂e). Our indirect emissions (scope 3) from transporting our products, employee commuting and business travel (reported for the first time) amounted to 0.34 million tonnes CO₂e.

Specific CO₂e emissions



Between 2004 and 2010, we reduced our specific GHG emissions by 23%, against a 2004 base year.

Optimising energy consumption, reducing CO₂e emissions

CO₂e emissions from fossil fuel combustion are widely accepted to be one of the most significant drivers of climate change. Our climate

change programme is aimed largely at the more efficient use of energy, and increasing our use of renewable energy and switching to fossil fuels that are less carbon intensive.

Our energy projects are designed to improve the way we generate and consume energy at all our operations. Our network group of energy experts is working to increase profitability and competitiveness by optimising costs and efficiency improvements and to achieve productivity improvements.

One of the ways in which we optimise energy consumption, and hence reduce CO₂e emissions, is by maximising the use of combined heat and power (CHP) technology. More than 90% of our electricity consumption is generated by CHP, with commensurate energy savings of between 30% and 35% when compared with conventional generation methods.

To reduce our CO₂e emissions still further, we use less carbon-rich fossil fuels (natural gas to replace coal) wherever possible. We are also increasing our use of carbon-neutral biomass fuels. At all of our kraft pulp mills, we use biomass (for example, black liquor, an aqueous solution of residues from the kraft process used to produce pulp) as an alternative to fossil fuels, making them energy self-sufficient and net energy providers. Surplus energy is used in paper production or by local communities and third parties. An added benefit of using biomass is that this material would have been sent to landfill if not used as fuel.

Since 2004, Mondi has invested more than €300 million in, among other projects, modernising our mills at Syktyvkar, Russia; Richards Bay, South Africa and Ružomberok, Slovakia; constructing new biomass installations (multifuel boiler in Merebank, South Africa, and Stambolijski, Bulgaria), and to transform some of our fossil-based boilers to biomass incinerators (Świecie, Poland).

Since 2004, our use of renewable energy sources has increased from 47% to 55%.

In total, the Group has avoided emissions of some 4.9 million tonnes of CO₂e by:


- producing excess energy from renewable resources or carbon-neutral resources, which has been used for district heating in the vicinity of material plants and for introduction into the public grid, thereby replacing fossil fuels. Emissions of some 55,000 tonnes of CO₂e have been avoided by the sale of green fuels, and another 550,000 tonnes by the sale of electricity and thermal energy;
- reducing or preventing deforestation. By applying the principles of UNFCCC methodology AR-AM 0008 to calculate the impact of Mondi's South African plantations (312,000 hectares) a carbon sequestration of 4.1 million tonnes of CO₂e has been achieved annually;
- collecting and recycling paper. Recycled material replaces virgin material so that not only are GHG emissions linked to the production of virgin fibre avoided, but also the landfilling or incineration of this material paper is prevented. Assuming 310 kilograms of carbon saved per tonne of recycled paper (UBA, 2003), total CO₂e emissions of 143,000 tonnes have been avoided in this way; and
- using biogas generated in the anaerobic waste water treatment plants instead of natural gas as fuel, avoiding around 7,000 tonnes of CO₂e emissions.

The GHG Protocol is used as a basis for calculating emissions.

Product carbon footprints

A Group-wide methodology for calculating our products' carbon footprints, which meets the Life Cycle Analysis (ISO 14040/44) and PAS 2050:2008 requirements, is in place. We have established the carbon footprint of our top 25 products.

Carbon Disclosure Project

In 2010, we participated once again in the Carbon Disclosure Project (CDP), and were gratified to be recognised by CDP as a leading reporter and operator by admission to the Carbon Disclosure Leadership Index and the Carbon Performance Leadership Index. Our submission to the CDP and the results of the CDP survey may be downloaded from www.cdproject.net. 

Cleaner production

We recognise that our operations can and do have an impact on our surrounding natural environments. As a minimum standard, we ensure that all our operations comply with the environmental laws and regulations of the countries in which we operate.

To achieve our goal of cleaner production, we focus on three critical areas: emissions to air, emissions to water, and the management of waste.

We have identified the loss of primary containment as a sustainability risk that we need to address. Loss of containment is any non-planned discharge of hazardous or non-hazardous material that extends beyond its primary containment or area of intended use, for example, leaking pipes or non-tight packing. Spills of chemicals, oils, and fuels can have significant negative impacts on the surrounding environment, potentially affecting soil, water, air, biodiversity and human health. Monitoring information on spills and releases is essential in order to better understand how to focus on corrective actions where instances have occurred, and thereby avoid repeat occurrences.

Incident reporting systems are in place at all operations. All environmental incidents are recorded and classified as Level I: minor impact, short-term effect; Level II: moderate impact, medium-term effect; and Level III: significant impact, long-term effect.

There were no Level III incidents in 2010, including no significant spills. There were 22 Level II incidents in 2010 (2009: 23), occurring mainly at Stambolijski (Bulgaria), Syktyvkar (Russia), Springs and Richards Bay (South Africa). These incidents were largely a result of longer-term exceedances of permits; release of dust, malodorous gases and oil; and repeated complaints about odour from communities. Appropriate measures have been taken in an effort to avoid repeat incidents. Such measures included maintenance and repair of equipment; the clearing and removal of spills; the appropriate registration of complaints to address issues in a structured way and to communicate actions taken with the communities; and the continuation of projects and action plans to stabilise and minimise emission levels. Level I incidents are not reported at a Group level.

Water

We understand that water is a scarce resource globally and have committed to its responsible use and custodianship. We recognise that in water-scarce areas there may be significant risks to our

operations and communities which need to be understood, planned for and dealt with effectively and efficiently.

During 2010, all our operations assessed their water consumption relative to local water availability against recognised water scarcity databases. Water-impact assessments, taking into account historical changes in river flow, changes in lake or aquifer levels and violations of water quality standards will be done in 2011.

In 2010, we had a total water input of 309.8 million m³ (2009: 306.4 million m³).

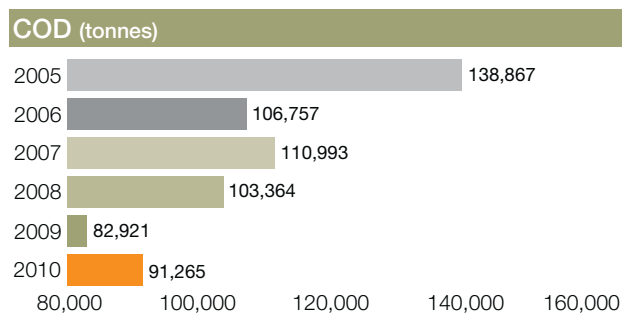
Water footprints have been calculated for all our material operations and fibre supply chains. While the operational water footprint associated with production was found to be a very small percentage of the total water footprint, it remains important to manage the operations' direct impacts on local water resources and particularly within the context of the local watersheds.

In total, 290 million m³ of water was discharged by Mondi's material operations in 2010 – approximately 20% was non-contact water (e.g. cooling water) which was discharged directly into the aquatic environment, 0.3% was used for irrigation and around 80% was treated in our own or third party's waste water treatment plants.

We use two critical indicators of our emissions to water and have targets in place to reduce our overall impact on receiving water bodies. These are:

- **Chemical oxygen demand (COD)**, which reflects the effluent load for which we set a reduction target of 30% by 2010, against a 2005 base year.
- **Adsorbable organic halogens (AOX)**, which reflects all types of halogen compounds present in the water (measured at pulping operations) that can be adsorbed, for which we set a reduction target of 30% by 2010, against a 2005 base year.

Good progress was made in reducing COD emissions, with the Group having reduced COD by 34% over the five-year commitment period, from nearly 139,000 tonnes per annum in 2005 to approximately 91,000 tonnes per annum in 2010. The greatest impact on the reduction of COD has been achieved by the rebuild of the Richards Bay mill, South Africa, including a new waste water treatment plant as well as the efficiency improvements in Felixton, South Africa and Syktyvkar, Russia. In Świecie, Poland, a new anaerobic waste water treatment plant has been built allowing methane-containing biogas produced in the anaerobic process to be used to generate energy.

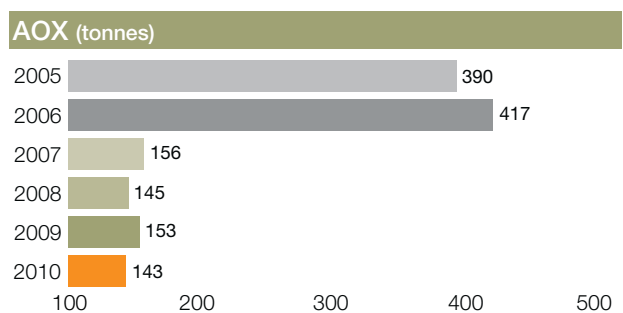


The increase in COD levels of the Group in 2010 in comparison with 2009 is a result of the increased production volumes in 2010 as well

as the extended commercial shutdowns in 2010. The Group's volume of COD lies within the BAT range as defined in the glossary of terms*.

*We have excluded the COD contribution of Felixton to the Group in this BAT comparison, as there are no BAT limits published by IPPC for pulp production out of bagasse.

Significant reductions in AOX emissions were achieved, largely as a result of the Group's policy to cease the use of elemental chlorine during bleaching. A reduction of 63% was achieved for the commitment period, from 390 tonnes per annum in 2005 to 143 tonnes per annum in 2010.



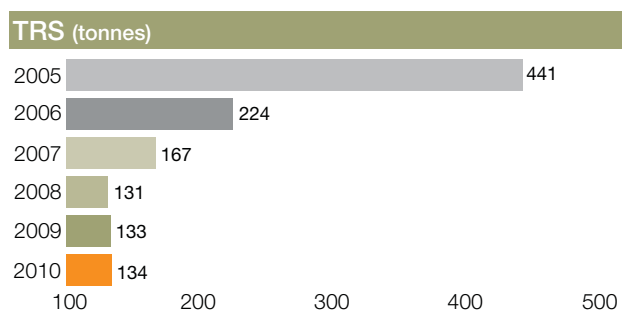
The Group's volume of AOX lies within the BAT range as defined in the glossary of terms.

Air

The most significant impact on air quality by our operations is the emission of total reduced sulphur (TRS) compounds from our pulp mills, which provide an odour nuisance to our neighbours even at very low concentrations. Concentrated gases are emitted from digester, evaporation plant and condensate strippers, while diluted gases, in lower concentrations, emanate mainly from chip-pre-steaming, screening, pulp washing, smelt dissolver and the ventilation of various tanks containing black liquor. While they do not pose a health threat at the concentrations emitted on this scale, trace amounts are enough to create an irritating odour.

In 2010, 137 complaints were reported, mainly relating to odour. We are committed to reducing TRS emissions even further and have invested millions of euros to improve the situation at our mills and their surroundings, such as the TRS reduction project in Richards Bay, South Africa.

We set ourselves a reduction target of 65% in TRS emissions to atmosphere by 2010, against a 2005 base year. By the end of 2010, we had more than achieved our target, with TRS emissions in tonnes per annum declining by 70% over the commitment period.



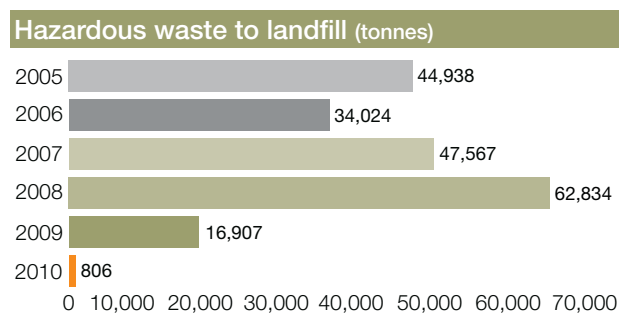
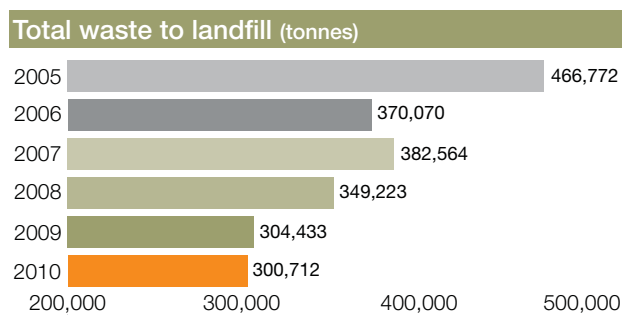
The Group's volume of TRS lies below the lower BAT level as defined in the glossary of terms.

A significant part of this reduction was achieved by the installation of closed reactors and the collection and incineration of any remaining emissions containing sulphur compounds, particularly the modernisation of the Ružomberok and Syktyvkar mills (the shut down of three old recovery boilers and the commissioning of a new recovery boiler); and the project for the reduction of TRS emissions in Richards Bay.

Waste

In 2005, we committed to reducing our total waste-to-landfill volumes by 20% by 2010. Through a concerted effort – by

increasing the recycling and re-use of materials, and by using more environmentally responsible processes – a 36% reduction to approximately 300,000 tonnes of total waste (hazardous and non-hazardous) to landfill per annum was achieved during this period. We ceased the landfilling of process-related hazardous waste in 2009 in alignment with our sustainable development commitment set in 2005. Nevertheless, for 2010 we have reported approximately 800 tonnes of non-process hazardous waste mainly in South Africa from decontamination, repairs and maintenance activities.



Váh River water quality improves as Mondi upgrades water systems

Operations at Mondi SCP Ružomberok have historically had an impact on the water quality of the Váh River.

Since the 1990s Mondi has implemented various measures to reduce the impact of its operations on the river. Following the implementation of these measures, there has been a step-by-step improvement, with the quality of the river water currently ranging between good and high quality levels as per the Water Framework Directive (WFD) classification.

Importantly, experts have identified some species that are typical bio-indicators in this water ecosystem. Among these is the Danube salmon (*Hucho hucho*). The huchen is able to reproduce in the river because of its favourable conditions including: a natural bottom, cold water and good to high quality water levels. Mondi has engaged with local organisations to manage the fish population in the river. See the full case study at www.mondigroup.com/casestudies/vah_river.



Assurance report



Our brief

Mondi Limited and Mondi plc (Mondi Group) appointed Environmental Resources Management Limited (ERM) to provide independent assurance on selected sustainable development information presented in its 2010 sustainability summary report and related web pages (the Report) as follows:

A. Progress against Mondi's sustainable development commitments, as presented on pages 9 and 10.

B. The following 2010 sustainable development Key Performance Indicators (KPIs), as presented throughout the report:

Safety (employees and contractors)

- Total recordable case rate (number/200,000 hrs)

Environment

- Total energy used (GJ)
- Total CO₂e emissions from electricity purchased, fossil fuels and processes (tonnes)
- Level II and III environmental incidents reported (number)
- Environmental complaints received (number)
- Total solid waste sent to landfill (tonnes)
- Total Chemical Oxygen Demand (COD) emissions (tonnes)
- Total Reduced Sulphides (TRS) emissions (tonnes)
- Total AOX in waste water (tonnes)

Product data

- Saleable production (tonnes)
- Wood procured from credible sources (%)

C. The status of compliance of the Mondi Sustainable Development Report with the GRI G3 Guidelines to Level B, as presented on the inside front cover.

Our approach

Standards and criteria used

We performed our work in accordance with ERM's assurance methodology, which is based on the following international assurance and audit standards: ISAE 3000, ISO 14064:3, and ISO 19011. We planned and performed our work to obtain all the information and explanations that we believe were necessary to provide a basis for our assurance conclusion on the reported information and data set out in the 'Our brief' section above, i.e. that nothing has come to our attention through the course of our work to indicate that the data have not been appropriately reported (limited assurance).

We used Mondi Group's own definitions of rating the progress made on a given commitment and the selected sustainable development KPIs as assessment criteria when undertaking our data assurance work. These are presented in more detail in the Sustainable Development Report. Similarly, we used the GRI B level requirements as our criteria for the above assurance subject matter C.

If we had been asked to conclude on whether the reported subject matters were robust (reasonable assurance), we would have needed to conduct more work at corporate and site levels and to gather further evidence to support our assurance opinion.

The reliability of the reported information and data is subject to inherent uncertainties, given the available methods for determining, calculating or estimating the underlying information. It is important to understand our assurance conclusions in this context.

Our work

Our assurance activities included:

- face-to-face interviews to understand and test the processes in place for reporting sustainable development data, the sustainable development commitments and the GRI application level, and the underlying data management systems;
- site visits to seven Mondi sites, which involved testing on a sample basis the measurement, collection, aggregation and reporting processes in place; and
- reviewing the presentation of information relevant to the scope of our work in the Sustainable Development Report to ensure consistency with our findings.

Respective responsibilities and ERM's independence


Mondi Group's management is responsible for preparing the report and for the collection and presentation of information within it. ERM's responsibility is to express our assurance conclusions on the agreed brief.

During 2010-11, ERM has worked with Mondi Group on other consulting engagements, but not in relation to the production of Mondi's Sustainable Development Report or the selected assurance topics. ERM operates strict conflict checks and we have confirmed our independence to Mondi Group for delivering our assurance engagement.

Our assurance conclusions

Based on the work undertaken, we conclude that in all material respects the following subject matters are appropriately reported in the 2010 Sustainable Development Report:

- A. the progress made against the sustainable development commitments;
- B. the selected sustainable development KPIs as presented above; and
- C. the status of compliance of Mondi's Sustainable Development Report with the GRI G3 Guidelines level B requirements.

The following logo  has been associated within the Sustainable Development Report with the selected disclosures which have been provided assurance on.

Our key observations and recommendations

Based on our work set out above, and without affecting our conclusions, our key observations and recommendations for improvement are:

Observations

- We commend Mondi's performance on their five-year sustainable development commitments, especially the environment commitments, for which 5 out of 6 have been exceeded.

Recommendations for improvement

- Continue to focus on improving performance in sustainable development areas where commitments have not been fully delivered.
- Ensure the next set of sustainable development commitments are fully aligned to Mondi's material sustainability risks and opportunities.
- Work toward GRI Application Level A+ by strengthening the systems required to collect and report the additional GRI A level KPIs.

Environmental Resources Management Limited (ERM)

London, UK, 24 March 2011

Abridged glossary of terms and acronyms

For the full glossary, please refer to www.mondigroup.com/glossary. 

A	
Aggregate target	A Group target set for a specific period, measured in terms of the overall consolidated performance of all operations. For this type of target the performance of each individual operation may differ, as long as the overall performance of the Group is met
AOX	Adsorbable organic halogens
ART	Anti-retroviral treatment
B	
BAT	Best Available Technique. Technically and economically feasible environmental technology that is efficient and advanced, generally to reduce emissions and the impact on the environment as a whole. The BAT comparisons in the environment section are calculated based on the BAT values as defined by IPPC (The European Integrated Pollution Prevention and Control Bureau) in the 'Reference Document on Best Available Technique for the Pulp and Paper Industry'
BBBEE	Broad-based black economic empowerment
C	
CDLI	Carbon Disclosure Leadership Index
CDP	Carbon Disclosure Project
CEP	Community engagement plan
CEPI	Confederation of European Paper Industry
CHP	Combined heat and power
CoC	Chain-of-Custody
COD	Chemical oxygen demand
Controlled wood	The FSC™ Controlled Wood Standard (FSC™-STD-40-005 V.2) defines controlled wood as wood that is not illegally harvested, in violation of traditional and civil rights, harvested in forest management units in which high conservation values are threatened by management activities, harvested in areas in which forests are being converted to plantations or non-forest use, or harvested from forests in which genetically modified trees are planted
Controversial sources	A term commonly used in the public domain in our industry. Mondi defines controversial sources as wood that is illegally harvested, in violation of traditional and civil rights, harvested in forest management units in which high conservation values are threatened by management activities, harvested in areas in which forests are being converted to plantations or non-forest use or harvested from forests in which genetically modified trees are planted
CPLI	Carbon Performance Leadership Index
Credible sources	A term commonly used in the public domain in our industry. For Mondi, 'credible sources' refers to sources that are FSC™- or PEFC-certified
CSI	Corporate social investment
D	
DEA	South African Department of Environmental Affairs
DLC	Dual listed company
E	
E&I	Europe & International Division
EMP	Ecosystem management plan
EN	Ecosystem networks
ERM	Environmental Resources Management Limited
F	
FSC™	Forest Stewardship Council
G	
GHGs	Greenhouse gases
GRI	Global Reporting Initiative
H	
HCV	High conservation value
HCV RN	High Conservation Value Resource Network
HIV	Human immunodeficiency virus
I	
ILO	International Labour Organization
IPCC	Intergovernmental Panel on Climate Change
ISO 14001	International standard created by the International Standards Organization (ISO) for formal and certified environmental management systems

K	
King II & III	South African Code on Corporate Governance
KZN	KwaZulu-Natal, South Africa
L	
Level II and Level III	Environmental incidents and complaints classified as either: Level II: moderate impact, medium-term effect Level III: significant impact, extensive or long-term effect
LTI	Lost-time injury
LTIFR	Lost-time injury frequency rate
M	
MORIS	Mondi reporting information system for non-financial (sustainability) data
N	
NGO	Non-governmental organisation
NGP	New generation plantation
O	
Occupational disease	A chronic disease that occurs as a result of work or occupational activity
OVCs	Orphans and vulnerable children
P	
PCF	Product carbon footprint
PEFC	Programme for the Endorsement of Forest Certification
PRA	Participatory rural appraisals
R	
RLCC	Regional Land Claims Commissioner
S	
Scope 1 emissions	Total GHG emissions from sources owned or controlled by Mondi and its subsidiaries of the Group boundaries. This includes CO ₂ e from fossil fuels and processes, company leased/owned vehicle, waste and waste water treatment, from make-up chemicals, and from other GHG gases
Scope 2 emissions	Total GHG emissions from sources that are related to generation of purchased energy outside the company boundaries (no other GHG considered but CO ₂)
Scope 3 emissions	Total GHG emissions from the production of purchased material, outsourced activities, disposal of waste and business travel
SDMS	Sustainable development management system
SEAT	Socio-economic assessment toolbox
SME	Small and medium sized enterprise
Socially material operations	Those operations with a significant socio-economic impact on the communities they operate in
Specific (specific consumption and emissions)	Calculated per saleable production (the absolute amount divided by the saleable production volumes)
SRI	The JSE's Socially Responsible Investment Index
T	
TB	Pulmonary tuberculosis
TCF	Totally chlorine-free
TFD	The Forest Dialogue
TRS	Total reduced sulphur compounds
U	
UFP	Uncoated fine paper
UNEP	United Nations Environment Programme
UNGC	United Nations Global Compact
V	
VCT	Voluntary counselling and testing
W	
WBCSD	World Business Council for Sustainable Development
WHO	World Health Organization
WWF	World Wide Fund for Nature

For further information, please see:



Mondi Group
Annual report and accounts 2010

www.mondigroup.com
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Design by Russell and Associates
www.rair.co.za

Printed by Colorpress (pty) Ltd
on FSC™ certified Mondi
250gsm BIO TOP 3®
and 120gsm BIO TOP 3®

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