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Report scope and boundary

Our Sustainable development report 2012 follows the sustainability reporting guidelines as set out and defined by the Global Reporting Initiative (GRI) G3 guidelines according to B+ level requirements. We have applied these guidelines in our annual sustainable development reports since 2009. We believe that these guidelines offer us the best way to present our most important sustainability information in a fully transparent and reliable way.

This report covers the 2012 financial year (1 January 2012 to 31 December 2012) and should be read in conjunction with our Integrated report and financial statements 2012 as well as our response to global sustainability issues entitled [Shaping our sustainable future](#). Historical and forward-looking data has been provided for comparative purposes.

In October 2012, we completed the acquisition of Nordenia. Nordenia's operations, combined with Mondi's existing Consumer Packaging business, now form the new Mondi Consumer Packaging Business Unit. While we have begun monitoring the performance of the Nordenia operations, the 2012 performance data has been excluded from our sustainability reporting this year. Nordenia operations will be aligned with Mondi's standards and requirements within a period of two years and their full reporting will be integrated into our 2014 reports.

In terms of the performance data in our reports, the following should be noted:

- Our environmental performance covers our forestry, material and converting operations. See our [Glossary of terms](#) for operational and reporting definitions.
- Safety data includes all employees and contractors, but excludes service suppliers such as catering, office cleaning or telecommunications services and management consultants.
- Financial information is reported in euros (€), for ease of reading and to allow comparisons. Figures are based on the conversion rate at the end of December 2012.
- We have reported wood volumes in m³ across our reports, with this figure reflecting Solid Cubic Metres (SCM).
- Restatement of historical total reduced sulphur (TRS) data has had a material effect on the reported results due to refined monitoring.

We believe that external assurance is not only an important part of the way we work, but provides our stakeholders with assurance in respect of our performance. Environmental Resources Management Certification and Verification Services (ERM CVS) provided limited assurance on selected key performance indicators reported, status of compliance of the report with GRI G3 guidelines to level B, and verification of greenhouse gas (GHG) data in accordance with ISO 14064 to reasonable (material operations) and limited (converting operations) levels of assurance. Deloitte, our appointed statutory auditors, provided written assurance on our financial reporting.

We report our GHG emissions according to the GHG Protocol, published by the World Business Council for Sustainable Development and the World Resources Institute. See our [Environmental performance](#) for more details.

Sustainability contacts

For further information on our sustainability reporting, please contact:

Arnavaz Schatten
+43 (0) 1 790 130

Kerry Crandon Cooper
+27 (0) 11 994 5400

E-mail: sd@mondigroup.com



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The way we work

We aim to deliver exceptional value to our customers by developing solutions for their success through the transformation of responsibly sourced raw materials into innovative product solutions that meet customer needs in a sustainable way. Mondi recognises the need to integrate sound principles governing safety, business conduct, social, environmental and economic activities into business practices and decision-making.

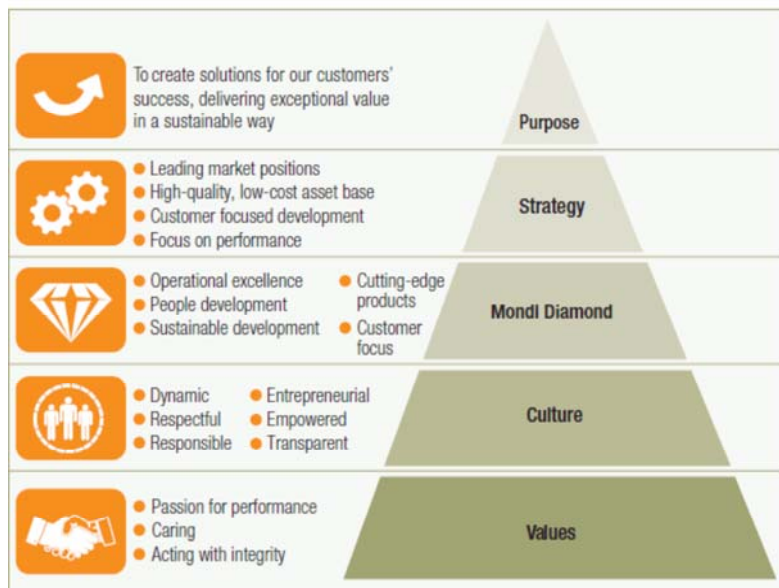
As a dual listed company (DLC), Mondi complies with the corporate and accounting regulations of South Africa and the UK. Most importantly, the Group complies with the regulations, legislation and permitting requirements of all countries and regions in which we operate.

Our Boards guide our overall strategy and chart our performance. Accountability for our sustainable development targets, strategy, and performance is delegated to the DLC sustainable development committee. This committee is responsible for ensuring that the Group's sustainable development strategy, policies and commitments are aligned with global best practice. It also oversees performance in respect of safety, health, environment, forestry, product stewardship and community matters across the Group.

Sustainability is integral to our business. We use the Mondi Way to visualise how our purpose, strategy and Mondi Diamond operational framework fit together, all built on a foundation of our culture and values. This approach guides the way we work. The Mondi Diamond shows how every aspect of our business contributes to our sustainability, including:

- people development;
- producing cutting-edge products;
- our customer focus;
- achieving operational excellence; and
- sustainable development.

The Mondi Way



The DLC executive committee chaired by chief executive, David Hathorn, has executive responsibility for our overall Group strategy, including our sustainability performance, and is supported by line management, the sustainable development function and specialist network groups.

Guiding sustainability

Our Sustainable Development Management System (SDMS) governs our approach to sustainability and the implementation of our sector policies. All facilities and activities that we own and operate (including those in which we hold a controlling interest), new developments, mergers, acquisitions and businesses that we plan to invest in, as well as activities undertaken by contractors on Mondi sites or while under our management, are incorporated into our SDMS and are required to comply with our policies, requirements and practices. The acquisition of the Nordenia operations in 2012 was subject to an appropriate level of sustainability due diligence and, in line with our policies, these operations will be brought in line with Mondi's standards and requirements within a period of two years, by 2014.

Our Sustainable Development Policy outlines our overall strategy and is supported by our sector policies dealing with sustainable forestry, environmental performance, climate change, product stewardship, corporate citizenship, global employment and safety and occupational health. Our policies may be found at www.mondigroup.com/policies.

Risk management and sustainable development

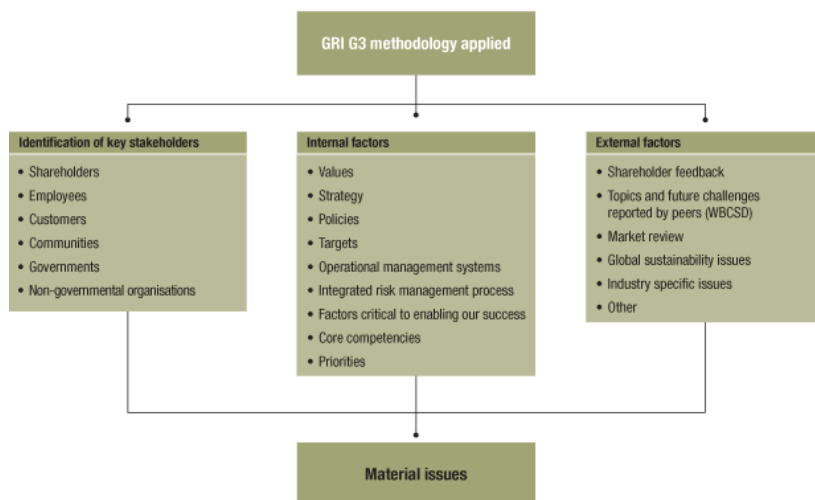
Risk management is an integral part of every aspect of our business. Through our Group-wide risk management framework we ensure the identification of potential risk on at least an annual basis, and ensure that mitigation plans are in place for those risks with a high likelihood of occurrence and/or impact potential. Please see our Integrated report and financial statements 2012, www.inserturl.com, for a comprehensive information on our approach to risk management and our material risks.

Our Sustainable Development Risk and Change Management Standard guides the ways in which sustainable development risks are identified and managed. We consider and review the concerns of stakeholders and incorporate these into the determination of our material issues – see [Engaging with our stakeholders](#). Included in this stakeholder review is our assessment of global and local sustainability trends – identifying those risks and opportunities that affect our long-term prospects and our performance.

Our material issues

In compiling this report, we identified those issues – both challenges and opportunities – that are material to Mondi and to our stakeholders. In 2011 we identified six material issues for the business. This year we reviewed these material issues to critically assess their relevance to Mondi and have refocused the 2012 reports in such a way that they better meet the needs of our stakeholders. See [Our performance against commitments](#)

Our process for determining our 2012 material issues



Specifically, we are concerned with:

- **Our sustainable development in a challenging macroeconomic environment**

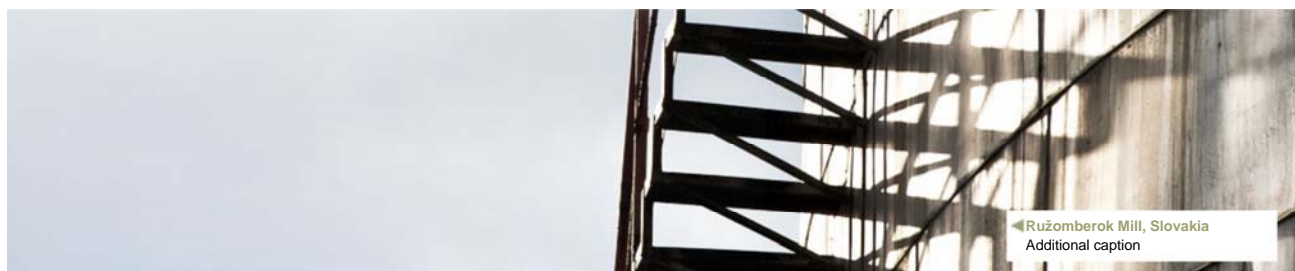
Our strategy supports the profitable development of innovative, sustainable and competitive products that meet customer demands and society's needs in response to global sustainability issues. Our sound governance and business practices reinforce our responsibility while operating in geographically-diverse, low-cost, high-growth markets.

- **Our sustainable development in a resource and ecologically constrained environment**

Our strategy aims to secure our long-term access to sustainable and credible sources of fibre by managing our natural capital, including our carbon, water and forest footprint.

- **Our sustainable socioeconomic development in our diverse working and social environments**

Our strategy is to enhance our social footprint by engaging with our stakeholders in a mutually beneficial way, thereby ensuring the safety and health of our employees and contractors; attracting, retaining and developing our people; and promoting participation and development.



← Ružomberok Mill, Slovakia
Additional caption

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Our approach to reporting

We recognise the interdependence between the financial and non-financial performance of our business – without the success of both of these, our sustainable development would not be possible. As our understanding and appreciation of the value of our natural and social capital grows, so does our ability to integrate these into our business strategy and report on such matters.

In 2011 we published our first integrated report and our [Integrated report and financial statements 2012](#), reflects our reporting progress towards producing a fully integrated report. In time, we anticipate that we will produce a single integrated report.

We understand that our reports are of interest to a wide range of stakeholders. While our Integrated report reflects the holistic nature of our business and strategy, there are those stakeholders who seek a more focused and detailed account of our governance, environmental, social and economic commitments and our performance against targets. For this reason we have published our Sustainable development report 2012, to be found exclusively online. This report is in line with the reporting guidelines of the Global Reporting Initiative (GRI) to a B+ level, and certain key performance indicators (KPIs) have been externally assured. The [GRI index](#) provides cross references to the Integrated report and financial statements 2012, this Sustainable development report 2012 and our website. Data summaries are provided as an easy and accessible way to allow comparisons of our performance in 2012 against our 2010 and 2011 performance on certain KPIs.

To bring our material issues to life, we have included [case studies](#) which examine our approach within a real-life context. The aim of our case studies is to bring understanding and to illustrate the way we work.

To download this entire report or sections of it go to the [download manager](#).

This year we have sought greater relevance to and accessibility by our stakeholders. We have considered the way in which we as a Group fit in with the broader global climate and context of sustainability. Our response, a separately published document entitled Shaping our sustainable future, provides us with a platform to highlight our priorities within a broader global environment. [Download a PDF of this positioning document](#).

To ensure that we captured the interests of stakeholders, reported on those issues that are critical, and reported in a balanced way, we asked Business in the Community (BITC), a UK-based charity, to act as an independent reviewer of Shaping our sustainable future. BITC is a business-led charity focused on promoting responsible business practice. [Read the charity's full statement](#).

Our sustainable development reporting journey

2009

GRI-aligned report – Application level B
Certain KPIs externally assured
Printed summary report of online report integrated into website

2010

GRI-aligned report – Application level B+
Certain KPIs and GRI compliance externally assured
Comprehensive online SD report, with a summary printed review

2011

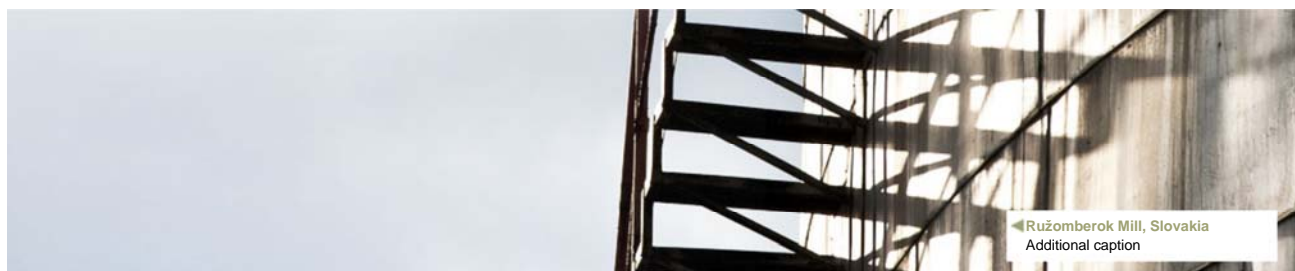
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2012

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GRI check
Comprehensive HTML online report
Printed report in response to global sustainability concerns

2015

Fully integrated GRI-aligned report



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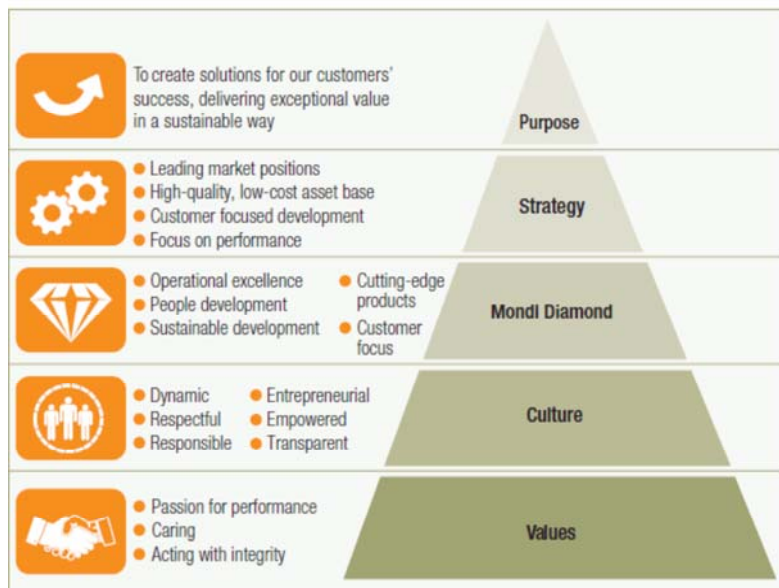
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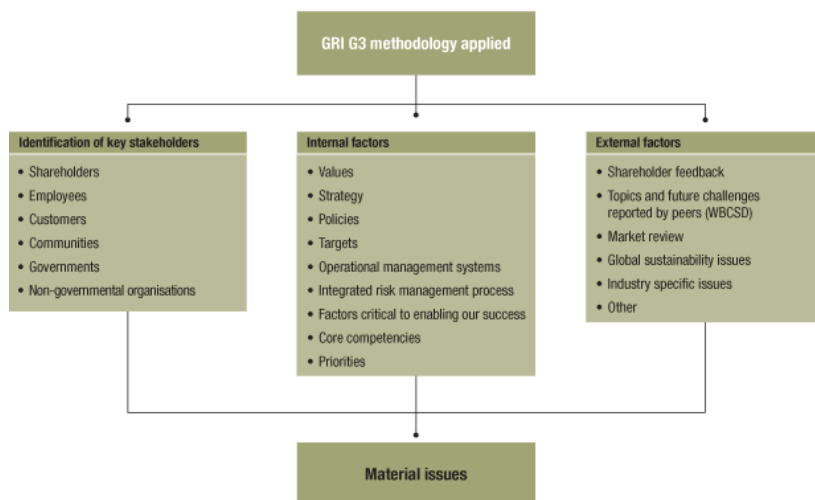
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Our process for determining our 2012 material issues



Specifically, we are concerned with:

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External review

Reporting accurately and transparently

We believe that external assurance is an important part of the way we work.

In addition to formal assurance of our report, to ensure that we captured the interests of stakeholders, reported on those issues that are critical, and reported in a fair and balanced manner, we also asked Business in the Community (BITC), a UK-based business-led charity, to act as an independent reviewer of *Shaping our sustainable future*. BITC is focused on promoting responsible business practice. The following is a summary of BITC's review.

BITC's review of Mondy's *Shaping our Sustainable Future Report*

Mondy has reported on its material sustainability issues and performance since 2004. In 2011, the company produced its first Integrated Report making even more evident the company's commitment to sustainability and its importance to the way they do business.

As part of their ambition to engage with different stakeholder groups; Mondy decided to continue producing an online Sustainable development report and its summary version called *Shaping our Sustainable Future Report*.

Business in the Community (BITC) was approached by Mondy to provide feedback on the *Shaping our Sustainable Future Report* (from now on the report). This statement provides our assessment on Mondy's report; it expresses our views on whether the company adequately identified material issues for the business and how these are being addressed; and the fairness and balance of the report. BITC did not engage in formal verification on assurance processes regarding the accuracy or completeness of the information or data presented in the report. Views expressed in this statement are based on the review of *Shaping our Sustainable Future Report* only, and do not include any opinion or analysis of Mondy's Integrated Report or online Sustainable development report.

Mondy's approach to Sustainable Development

The first section of the report is dedicated to Mondy's sustainability strategy and how it relates to its core business.

Mondy's strategy and business

The report gives a comprehensive summary and overview of Mondy's business structure and strategy. It also outlines Mondy's definition of stakeholders and who are the most important to the business according to this definition. From the information in the report BITC has no reason to believe that any stakeholder group has been excluded from dialogue. However, from the format of the report there is not much information of the type or level of engagement with each stakeholder group.

Mondy identified three areas of concern resulting from the review of business risks and opportunities and stakeholders' interests and expectations. BITC has no reason to believe that any other material aspects to Mondy's sustainable development have been excluded from this analysis. BITC recognises the process described in the report as good practice in materiality analysis.

The summary facilitates the engagement with new stakeholders who are getting familiar with Mondy as a business and its reporting. Page 7 of the report provides a visual explanation of how Mondy's operating framework (Mondy Diamond) relates to its values, culture, strategy and purpose. This framework helps to make the case to stakeholders that sustainability is not a separate part of the business but that it is, indeed, the way they do business.

Mondy's ambitions

One aspect worth mentioning is Mondy's work with the World Business Council for Sustainable Development (WBCSD) and its Vision 2050. BITC commends Mondy's long-term commitment to sustainable development; however it is not clear in the rest of the report how the Group is moving beyond incremental changes (i.e. in the report most targets go as far as 2015).

Embracing WBCSD's Vision 2050 is a step in the right direction, and Mondy has already started rethinking its business model to be able to respond to global mega trends. Moving forward Mondy is revising its objectives and targets to better reflect the new 2020 milestones from the Vision 2050. BITC is looking forward to see what Mondy's new long-term commitments will be and how these will shape its unique contribution to the Vision 2050.

Governance

Commitment to sustainable development is also reinforced in the letter from the chairman of the sustainable development committee and the CEO. Leadership from the top is shown in, how clear objectives and targets have been set for the leaders of the organisation and how they are embedded in performance management and remuneration systems. The letter talks about Mondy's key three concerns; and reaffirm Mondy's ambitions of being the best-performing packaging and paper group in the world.

Mondy's response to global sustainability issues

The second section of the report covers Mondi's three concerns and how the Group will respond to them in more detail. Mondi has built a strong business case for each global sustainability issue, accurately articulating the commercial importance of taking action as well as demonstrating social benefits.

People and human development

In this section Mondi focuses on several employee issues such as health and safety, equality and diversity, employee development and employee wellbeing. The performance section of the report would be enhanced through the inclusion of additional indicators in relation to employee wellbeing and development (e.g. staff turnover, absence rates, results of annual job satisfaction or engagement surveys, uptake / utilisation rate for occupational health service or skills development programmes, proportion of senior positions filled by internal applicants, etc.).

For diversity BITC will recommend to offer more information on strands other than gender such as ethnicity, disability, and age.

The section also shows Mondi's commitment to the communities where it operates. This commitment goes beyond providing job placements to local people by dealing with other social issues such as protecting the rights of indigenous people and food security.

Mondi makes use of its socio-economic assessment toolbox (SEAT) as a framework to evaluate the effectiveness of community investment projects. BITC commends Mondi for its clear criteria to prioritise its involvement in such projects. These criteria help to avoid ad-hoc activities and concentrate efforts in those projects which will bring the most benefit to the business and communities.

As a way of building on this strength, BITC recommends to provide further information on the outcomes of different community projects (e.g. employee feedback on Mondi's Food 4 Forests programme).

Forests and associated ecosystems

Forest management systems are in place and they follow high standards of conservation and minimisation of negative impacts.

Economy

This section is about consumers' needs and expectations for more responsible and greener products, improvements in productivity and the effect on the local economy. It adequately addresses the financial success of the Group and how the natural and social capitals play a role in this as well.

BITC recommends providing more information of Mondi's engagement with customers, and how their feedback was used to develop new greener products.

Energy and climate change

This section demonstrates Mondi's ambitious goal of becoming carbon neutral and energy self-sufficient. BITC commends Mondi in its efforts to prepare, anticipate and go beyond legislation in climate change.

Materials

Mondi demonstrate great effort in product design to reduce material use and waste generated.

BITC will expect to see in future reports how Mondi is addressing the final stages of its product life cycles. BITC recommends including information about the Group's approach to influence end users behaviour when they discard paper or packaging produced by Mondi. It is important to consider this aspect to accurately assess the close-loop recycling of all products.

Water

The fact that Mondi is now reporting on water as a global emerging issue and separate from climate change, demonstrates that the business priorities are reviewed regularly and Mondi is prepared to respond and face new challenges as they arise.

BITC commends the work Mondi is currently undertaken to calculate the Group water footprint as well as engagement with academic institutions to better understand water issues and their management.

BITC will expect to see more information about the results of the water footprint calculation and improvement in performance over time.

Overall report quality and format

Overall Mondi's report is comprehensive and presented in a reader-friendly format. The structure allows stakeholders to understand the business and its strategy, what the main and key issues are, and how the Group is responding to them. It further gives detailed information about the approach and performance issue by issue.

The report also offers numerous links to the other two reports, (Integrated Report and Sustainable development report), giving stakeholders access to more detailed information on the Group's activities and performance.

For all sections there is a link to the Vision 2050, which helps stakeholders understand the connection between the information reported and Mondi's long-term commitments.

BITC recommends Mondi to use more charts and graphs, including information on targets. Targets help to put the data presented into context and give a more accurate reflection of the effectiveness of different undertaken actions.

BITC's recommendation on Mondi's response to global sustainability issues

- **People and human development:** This section could be enhanced by including additional indicators of employee wellbeing, development and diversity. Mondi is committed to the communities in which it operates and BITC commends Mondi for its clear criteria to prioritise its involvement in community projects. As a way of building on this strength, BITC recommends Mondi provides further information on the outcomes of such projects.
- **Economy:** This section addresses the financial success of the Group and how natural and social capital play a role in this. BITC would like to see more information of Mondi's engagement with customers and how their feedback is used to develop greener products.
- **Energy and climate change:** BITC acknowledges Mondi's efforts to prepare, anticipate and go beyond legislation in climate change.
- **Materials:** Mondi demonstrates great effort in product design to reduce material use and waste generated. BITC expects Mondi to address the final stages of its product life cycles in the future.
- **Water:** Reporting on water as a global emerging issue and separate from climate change, shows that Mondi is prepared to face new challenges.

Conclusions

In BITC's opinion Mondi was able to identify those issues that are most material for the business and its stakeholders. The report offers detailed and easy-to-read information on how these issues are being addressed and the Group's performance against different indicators.

BITC commends Mondi's great progress made so far, and encourages it to develop and publish long-term objectives and targets, which will guide the Group towards achieving the Vision 2050.

Elena Espinoza Consultant - Advisory Services
Business in the Community
1st February 2013




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Assurance

Independent assurance statement to the directors of Mondi

Our brief

ERM Certification and Verification Services Ltd ('ERM CVS') was appointed by Mondi Limited and Mondi plc ('Mondi') to provide independent assurance on selected information presented in its 2012 Sustainable Development ('SD') Report.

Our engagement objectives were to provide assurance on the following:

- The status of compliance of the SD report with the GRI G3 Guidelines Level B requirements.
- Selected 2012 SD Key Performance Indicators (KPIs):

KPIs	Boundary			Assurance type	
	Global material operations	Global converting operations	Forestry operations in South Africa	Reasonable assurance	Limited assurance
Environment					
Total GHG emissions from fossil fuel combustion, processes, mobile transportation, waste and waste water treatment (Scope 1) (tonnes of CO ₂ e)	√	√		√	√
Total GHG emissions from electricity purchased (Scope 2) (tonnes of CO ₂ e)	√	√		√	√
Total energy usage (GJ)	√	√		√	√
Reduction in total waste to landfill compared to 2010 baseline (percentage)	√	√			√
Total water input (cubic metres)	√	√			√
Safety					
Total recordable case rate (number/ 200,000 hrs)	√	√			√
Social					
Land claims settled (number and percentage)			√		√
Land transferred to claimant communities (area and percentage)			√		√
Product					
Chain-of-Custody certified timber-based product in portfolio (percentage)	√	√			√
Management systems					
Material operations with ISO 14001 certification (number)	√				√
Material operations with OHSAS 18000 certification (number)	√				√
Converting operations with OHSAS 18000 certification (number)		√			√
Food contact packaging operations certified to a recognised food hygiene standard (number)	√	√			√

Note: Global material operations refers to Mondi's pulp and paper mills, and global converting operations refers to operations for the conversion of original paper into specific paper products for the end user market.

Assurance approach and limitations

We performed our work in accordance with ERM CVS' assurance methodology, which is based on the following international assurance and audit standards: ISAE 3000 and ISO 19011. In relation to our assurance work on the Scope 1 and Scope 2 GHG data, our work was based on ISO 14064-3:2006.

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 conclusions as to whether the reported information and data set out in 'Our Brief' was:

- When delivering reasonable assurance: that the information was free from material misstatement
- When delivering limited assurance: that nothing came to our attention to suggest that the information is misstated.

When undertaking our assurance work, we used the following assessment criteria:

- The ISO14064-1:2006 and the WBCSD WRI GHG Corporate Accounting and Reporting standard (2004) for the Scope 1 and Scope 2 GHG emissions;
- Mondi's own definitions for the other SD KPIs. These are presented in more detail in the SD Report; and
- The GRI B level requirements.

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.

A multi-disciplinary team of sustainability and assurance specialists performed work at group level and at selected Mondi operating locations. Our assurance activities included:

- Face-to-face interviews to understand the processes in place for reporting the selected SD data and the production of the SD Report, and the underlying data management systems;
- Site visits to seven Mondi operations, which involved testing on a sample basis the SD data measurement, collection, aggregation and reporting processes in place;
- Evaluation of GHG data and reporting processes to establish conformance of Mondi's Scope 1 and Scope 2 GHG data and associated systems and controls against ISO14064-1:2006;
- Reviewing the verification conclusions of accredited third-party verification bodies relating to CO2 emissions for 2012 from Mondi's material operations that fall within the scope of the EU emissions trading scheme (EU ETS) and comparing the verified emissions with those included by Mondi in its SD Report;
- Reviewing the calculation of uncertainties associated with the measuring and reporting of GHG emissions data for Mondi's material operations at site and Group levels;
- Reviewing and testing of selected evidence related to the design, information collection, and production of the Report in accordance to GRI requirements; and
- Reviewing the presentation of information relevant to the scope of our work in the SD Report to ensure consistency with our findings.

Respective responsibilities and ERM CVS' independence

Mondi is responsible for preparing the SD Report and for the collection and presentation of information within it. ERM CVS' responsibility is to express our assurance conclusions on the agreed brief.

ERM CVS is a member of the ERM Group. The work that ERM CVS conducts for clients is solely related to independent assurance activities and training programmes related to auditing techniques and approaches. Our processes are designed to ensure that the work we undertake with clients is free from bias and conflict of interest. ERM CVS and the staff that have undertaken work on this assurance exercise provide no consultancy related services to Mondi in any respect.

Assurance conclusions

Based on the approach and limitations described above, we conclude that:

Reasonable Assurance

- Total GHG emissions from fossil fuel combustion, processes, mobile transportation, waste and wastewater treatment (Scope 1) (tonnes) and electricity purchased (Scope 2) (tonnes) for Mondi's global material operations are free from material misstatement.

Limited Assurance

- Nothing came to our attention to suggest that, in all material respects, Mondi's statement regarding the compliance of its SD Report with the GRI G3 level B requirements is misstated.
- Nothing came to our attention to suggest that, in all material respects, the KPIs as presented above for Safety, Environment, Social, Product and Management Systems are misstated.

In relation to our assurance work on ISO14064-1:2006, our [independent verification statement](#) can be found on this website.

Key observations

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

- Whilst there has been a continued improvement in the Total Recordable Case Rate (TRCR), the deaths of 2 persons in 2012, and the same number of fatalities in each of the previous two years, emphasises the need to continue to focus attention on health and safety risks in striving toward Mondi's ultimate goal of zero harm in the workplace.
- Whilst Mondi is making progress against its 2015 SD commitments, particular challenges remain in respect of the use of contact water, where specific consumption has increased compared with the 2010 baseline.
- Mondi has further strengthened its reporting practices this year by presenting within its 'Shaping our Sustainable Future' report the status of its sustainability management practices and performance within the context of the World Business Council on Sustainable Development (WBCSD) report '2050 Vision: the new agenda for business'.
- We consider that Mondi has further improved its reporting of stakeholder engagement practices, however we encourage Mondi to include within its future SD Reports the views of its key stakeholders with regards to its SD practices and performance.
- It is notable that Mondi has for the first time commissioned reasonable assurance to be delivered on its Scope 1 and Scope 2 GHG emissions for its global material operations.

Melanie Eddis
21 March 2013
ERM Certification and Verification Services, London
www.ermcv.com, Email: post@ermcv.com

ERM CVS

ERM Certification and Verification Services is an independent global provider of assurance services that include corporate report assurance, carbon verification and validation and certification services related to environmental, occupational health, and safety management. We are a member of the ERM Group of Companies.

Our assurance statement provides no assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular whether any changes may have occurred to the information since the date of our statement. These matters are the responsibility of Mondi.



◀ Zeltweg, Austria
Inventory check at our Austrian
coatings operation

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GRI Index

Mondi has reported in line with the Global Reporting Initiative's (GRI) G3 reporting guidelines and has provided an index below of compliance with the guidelines and the core performance indicators.

Mondi has declared a B+ level of reporting, which has been checked by external auditor ERM CVS, as well as by GRI. See our [GRI Application Level Check Statement](#)

The independent Assurance Statement detailing the assurance work performed and conclusions reached, as issued by ERM CVS, is found under [ERM CVS Assurance Statement](#).

The 20 GRI key performance indicators reviewed from the B+ application level are marked with an asterisk (*).

Profile		Online sustainable development report 2012	Compliance
1. Strategy and analysis			
1.1	Statement from senior decision maker	Letter from the chairman of the DLC sustainable development committee and the chief executive officer	Fully
1.2	Description of key impacts, risks, and opportunities	The way we work, Governance, Letter from the chairman of the DLC sustainable development committee and the chief executive officer and Integrated report and financial statements 2012: Corporate governance report	Fully
2. Organisational profile			
2.1	Organisation's name	Our business	Fully
2.2	Major products	Our business and Our products	Fully
2.3	Operational structure and major divisions	Our business	Fully
2.4	Location of headquarters	Our business	Fully
2.5	Countries of operation	Our business and Our footprint	Fully
2.6	Nature of ownership	Our business and Report scope and boundary	Fully
2.7	Markets served including geographic breakdown/sectors served/customers	Our footprint and Our products	Fully
2.8	Scale of organisation including number of employees, net sales/revenues, total capitalisation	Our business , Our footprint , Our products and Economic performance: Direct and indirect economic contributions	Fully
2.9	Significant changes during reporting period	Our approach to reporting and Report scope and boundary	Fully
2.10	Awards	Economic performance: Product responsibility	Fully
3. Report parameters			
3.1	Reporting period	Report scope and boundary	Fully
3.2	Date of previous report	Our approach to reporting and Report scope and boundary	Fully
3.3	Reporting cycle	Report scope and boundary	Fully
3.4	Contact point	Report scope and boundary	Fully
Report scope and boundary			
3.5	Process for defining report content	The way we work: Our material issues	Fully
3.6	Boundary of the report	Our business , Our footprint and Report scope and boundary	Fully
3.7	Limitations on the scope or boundary of the report	Report scope and boundary	Fully
3.8	Basis for reporting on joint ventures, etc.	Report scope and boundary	Fully
3.9	Data measurement techniques and bases of calculations including assumptions	Report scope and boundary and throughout the report	Fully
3.10	Restatements of information	Report scope and boundary and throughout the report	Fully
3.11	Significant changes from previous reporting periods	Our approach to reporting and Report scope and boundary	Fully
GRI content index			

Profile		Online sustainable development report 2012	Compliance
3.12	Table identifying the location of the disclosures in the report	This page.	Fully
Assurance			
3.13	Policy and practice for seeking independent assurance for report	Report scope and boundary	Fully
4. Governance, commitments and engagement			
4.1	Governance structure including committees	Governance and Integrated report and financial statements 2012: Corporate governance report	Fully
4.2	Indicate whether chair of highest governance body is also an executive officer	Governance	Fully
4.3	Number of independent directors	Governance	Fully
4.4	Mechanisms for shareholders and employees to provide recommendations/direction to highest governance body	Our stakeholders: Engaging with stakeholders	Fully
4.5	Linkage between compensation and organisation's performance for members of highest governance body/senior executives	Governance and Integrated report and financial statements 2012: Corporate governance report	Fully
4.6	Process for the Board to ensure conflicts of interest are avoided	Governance	Fully
4.7	Processes for determining qualifications and expertise for guiding strategy	Governance and Integrated report and financial statements 2012: Corporate governance report	Fully
4.8	Mission and values statements, codes of conduct, principles relevant to economic, environmental and social performance, and status of implementation	Governance	Fully
4.9	Procedures of highest governance body for overseeing economic, environmental and social performance including compliance and codes of conduct	Governance	Fully
4.10	Processes for evaluating performance of governance body with respect to economic, environmental and social performance	Governance	Fully
Commitments to external initiatives			
4.11	Explanation of how precautionary approach/principle is addressed by organisation	Governance and Integrated report and financial statements 2012: Corporate governance report	Fully
4.12	Externally developed, voluntary economic, environmental, and social charters, sets of principles, or other initiatives	Throughout this report	Fully
4.13	Significant memberships in associations and/or advocacy organisations	Our stakeholders: Engaging with stakeholders	Fully
Stakeholder engagement			
4.14	List of stakeholder groups	Our stakeholders: Engaging with stakeholders	Fully
4.15	Basis for identification and selection of stakeholders with whom to engage	Our stakeholders: Engaging with stakeholders	Fully
4.16	Approaches to stakeholder engagement, including frequency and type	Our stakeholders: Engaging with stakeholders	Fully
4.17	Key issues raised through stakeholder engagement and how organisation has responded	Our stakeholders: Engaging with stakeholders	Fully
Economic performance indicators			
Management approach		Economic performance and Integrated report and financial statements 2012	Fully
Economic performance indicators			
EC1*	Economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	Economic performance: Direct and indirect economic contributions	Fully
EC2*	Financial implications and other risks and opportunities for the organisation's activities due to climate change	Environmental performance: Energy and climate change	Fully
EC3	Coverage of the organisation's defined benefit plan obligations	Economic performance: Direct and indirect economic contributions and Integrated report and financial statements 2012	Fully
EC4	Significant financial assistance received from government.	Not reported	Not reported
Market presence			
EC5	Range of ratios of standard entry-level wage compared to local minimum wage at significant locations of operation	Not reported	Not reported
EC6	Policy, practices and proportion of spending on locally based suppliers at significant locations of operation	Economic performance: Economic transformation and empowerment in South Africa	Partially
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	People: Employment	Fully

Profile		Online sustainable development report 2012	Compliance
Indirect economic impacts			
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro bono engagement.	Society: Corporate social investment	Fully
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	Economic performance: Direct and indirect economic contributions and Society	Fully
Environmental performance indicators			
Management approach		Environmental performance	Fully
Materials			
EN1*	Materials used by weight or volume	Environmental performance: Responsible forestry	Fully
EN2	Percentage of materials used that are recycled input materials.	Environmental performance: Waste management and Economic performance - Product stewardship	Fully
Energy			
EN3*	Direct energy consumption by primary energy source	Environmental performance: Energy and climate change	Fully
EN4*	Indirect energy consumption by primary source	Environmental performance: Energy and climate change	Fully
EN5	Energy saved due to conservation and efficiency improvements	Environmental performance: Energy and climate change	Fully
EN6	Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives	Environmental performance: Energy and climate change	Fully
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	Environmental performance: Energy and climate change	Fully
Water			
EN8	Total water withdrawal by source	Environmental performance: Water	Fully
EN9	Water sources significantly affected by withdrawal of water	Environmental performance: Water	Fully
EN10	Percentage and total volume of water recycled and reused	Environmental performance: Water	Fully
Biodiversity			
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Environmental performance: Managing natural boreal forests and High conservation value areas	Fully
EN12	Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	Environmental performance: Managing natural boreal forests, High conservation value areas and Managing ecosystems and biodiversity	Fully
EN13	Habitats protected or restored	Environmental performance: Managing natural boreal forests, High conservation value areas and Managing ecosystems and biodiversity	Fully
EN14	Strategies, current actions and future plans for managing impacts on biodiversity	Environmental performance: Managing natural boreal forests, High conservation value areas and Managing ecosystems and biodiversity	Fully
EN15	Number of Red List species with habitats in areas affected by operations	Environmental performance: Managing plantation forests	Fully
Emissions, effluents and waste			
EN16*	Total direct and indirect greenhouse gas emissions by weight	Environmental performance: Carbon footprint	Fully
EN17*	Other relevant indirect greenhouse gas emissions by weight	Environmental performance: Carbon footprint	Fully
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	Environmental performance: Carbon footprint	Fully
EN19*	Emissions of ozone-depleting substances by weight	Environmental performance: Air quality	Fully
EN20	NOx, SOx and other significant air emissions by type and weight	Environmental performance: Air quality	Fully
EN21	Total water discharge by quality and destination.	Environmental performance: Water	Partially
EN22*	Total weight of waste by type and disposal method	Environmental performance: Waste management	Fully
EN23	Total number and volume of significant spills	Environmental performance: Waste management	Fully
EN24	Weight of transported, imported, exported or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III and VIII, and percentage of transported waste shipped internationally	Environmental performance: Waste management	Partially
EN25	Identity, size, protected status and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoff	Environmental performance: Water	Partially
Products and services			
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	Environmental performance	Fully
EN27		Not reported	Not reported

Profile		Online sustainable development report 2012	Compliance
	Percentage of products sold and their packaging materials that are reclaimed by category		
Compliance			
EN28*	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Governance	Fully
Transport			
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce	Environmental performance: Energy and climate change	Fully
Overall			
EN30	Total environmental protection expenditures and investments by type	Environmental performance (Introduction)	Partially
Social performance: Labour practices and decent work performance indicators			
Management approach		Social performance: People (Introduction)	Fully
Employment			
LA1	Total workforce by employment type, employment contract and region	Not reported	Not reported
LA2	Total number and rate of employee turnover by age group, gender and region	Not reported. Employee turnover is not centrally monitored or reported. The measurement of this indicator is the responsibility of the individual operations, and is monitored locally	Not reported
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	Social performance: People - Employment	Fully
Labour/management relations			
LA4	Percentage of employees covered by collective bargaining agreements	Social performance: People - Employment	Fully
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements	Social performance: People - Employment	Fully
Occupational health and safety			
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes	Social performance: People - Occupational safety – Safety communication	Partially
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	Social performance: People - Occupational safety, Occupational health and Employment	Fully
LA8*	Education, training, counseling, prevention and risk-control programmes in place to assist workforce members, their families or community members regarding serious diseases	Social performance: People - Occupational health	Fully
LA9	Health and safety topics covered in formal agreements with trade unions	Not reported. This information is not available at a Group level as this engagement is undertaken at divisional and site levels	Not reported
Training and education			
LA10	Average hours of training per year per employee by employee category	Social performance: People - Training and development	Partially
LA11	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Social performance: People - Training and development	Fully
LA12	Percentage of employees receiving regular performance and career development reviews	Social performance: People - Training and development	Partially
Diversity and opportunity			
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity	Social performance: People – Employment The Group does not monitor its employees according to gender.	Partially
LA14	Ratio of basic salary of men to women by employee category	Not reported. 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	Not reported
Human Rights performance indicators			
Management approach		Social performance: People – Human rights	Fully
Investment and procurement practices			
HR1			Not reported

Profile		Online sustainable development report 2012	Compliance
	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	Not reported as this information is not collated. Respect for human rights is a core value of the Group and is considered as part of all significant due diligence processes undertaken by the Group. However, this parameter is not formally measured or reported on	
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	Social performance: People – Human rights and Governance: Business ethics and conflicts of interest Respect for human rights is considered to be a core value of the Group and is considered in the appointment of contractors and suppliers. A code of conduct is provided to all contractors and suppliers and Mondi expects them to adhere to this. However, this parameter is not formally measured or reported on	Partially
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	Social performance: People – Training and development	Partially
Non-discrimination			
HR4*	Total number of incidents of discrimination and actions taken	Social performance: People – Human rights	Fully
Freedom of association and collective bargaining			
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	Social performance: People – Human rights	Fully
Child labour			
HR6	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour	Social performance: People – Human rights	Fully
Forced and compulsory labour			
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of forced or compulsory labour	Social performance: People – Human rights	Fully
Security practices			
HR8	Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations	Not reported as this information is not collated	Not reported
Indigenous rights			
HR9*	Total number of incidents of violations involving rights of indigenous people and actions taken	Social performance: People – Human rights	Fully
Society performance indicators			
Management approach		Social performance: Society	Fully
Community			
SO1	Nature, scope and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities, including entering, operating and exiting	Social performance: Society	Fully
Corruption			
SO2	Percentage and total number of business units analysed for risks related to corruption	Social performance: People – Human rights and Governance: Business ethics and conflicts of interest	Partially
SO3	Percentage of employees trained in organisation's anti-corruption policies and procedures	Governance: Political donations, gifts and bribes	Partially
SO4	Actions taken in response to incidents of corruption	Social performance: People – Human rights and Governance: Business ethics and conflicts of interest	Fully
Public policy			
SO5	Public policy positions and participation in public policy development and lobbying	Governance: Business ethics and conflicts of interest	Fully
SO6*	Total value of financial and in-kind contributions to political parties, politicians and related institutions by country	Governance: Political donations, gifts and bribes	Fully
Anti-competitive behaviour			
SO7	Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices, and their outcomes	Governance: Fines, non-monetary sanctions and significant legal issues	Fully
Compliance			
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Governance: Fines, non-monetary sanctions and significant legal issues	Fully
Product responsibility performance indicators			
Management approach		Economic performance: Product responsibility	Fully

Profile		Online sustainable development report 2012	Compliance
Customer health and safety			
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	Economic performance: Product responsibility	Fully
PR2*	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	Economic performance: Product responsibility	Fully
Products and services			
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	Economic performance: Product responsibility	Fully
PR4*	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	Economic performance: Product responsibility	Fully
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Economic performance: Product responsibility	Fully
Marketing communication			
PR6	Programmes for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship	Economic performance: Product responsibility	Fully
PR7*	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship by type of outcomes	Economic performance: Product responsibility	Fully
Customer privacy			
PR8*	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Economic performance: Product responsibility	Fully
Compliance			
PR9*	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Economic performance: Product responsibility	Fully



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Engaging with our stakeholders

FAST FACTS:

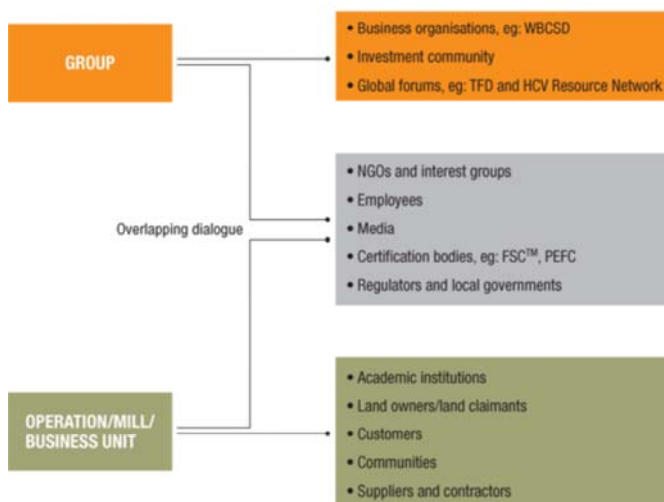
- Forest Stewardship Council™ (FSC™) certification and our socioeconomic assessment toolbox (SEAT) process provide a good base for stakeholder mapping and engagement.
- We encourage the contributions made by non-governmental organisations in identifying matters of concern, and their engagement with environmental and social projects.
- We support associations, advocacy groups and institutions that bring together and represent stakeholder groups at a global, national and regional level.
- We have entered into various partnerships aimed at broadening access to research and information, and the ensuing benefits, to as broad an audience as possible.
- Mondi is a supporter of The Forests Dialogue (TFD), a global multi-stakeholder forum committed to the conservation and sustainable use of forests and improved livelihoods, and participates on the TFD Steering Committee and in numerous dialogues.
- We are an active member of the World Business Council for Sustainable Development (WBCSD), a coalition of some 200 companies throughout the world with a shared commitment to sustainable development.

We recognise that there is a broad range of stakeholders who have an interest in Mondi and its activities, and on whom our operations and products have an impact. There are also those stakeholders whose activities have an impact on our operations and interests, and other stakeholders where co-operation leads to mutual benefit.

We engage actively with our stakeholders – shareholders, customers, employees and suppliers, as well as governments, non-governmental organisations (NGOs), academic institutions, local communities, certification bodies and regulators, and the media – in order to understand and respond to their concerns and benefit from their contribution. We do this at a global, national, Group and operation or business unit level. Our approach is one of both informal and formal multi-stakeholder dialogue and we seek to engage regularly and transparently. Our formal and fully transparent SEAT process and community engagement plans (CEPs) demonstrate the level of our engagement in socially material operations and using the FSC™ provides a global standard for the monitoring of stakeholder engagement in our forests.

We encourage the contributions made by NGOs in identifying matters of concern, and also their engagement with environmental and social projects involving businesses, government agencies, and research and community groups. In many cases our collaboration with NGOs and the scientific community is producing encouraging results. One example is our involvement in a multi-stakeholder initiative in Russia to preserve areas of virgin forest with high conservation, environmental and social values. We appreciate and benefit from this dialogue and endeavour to maintain open and productive relationships.

Multi-stakeholder dialogue



Stakeholder group	Key topics and concerns	Engagement process

Stakeholder group	Key topics and concerns	Engagement process
Shareholders (see the Sustainable development review in the Integrated report and financial statements 2012 for further information)	<p>Group financial performance issues relating to the sustainability of the Group and its operations, in particular:</p> <ul style="list-style-type: none"> • safety • carbon emissions • energy • responsible forestry • land claims 	<ul style="list-style-type: none"> • Formal reporting and accountability systems, processes and structures for the Johannesburg and London stock exchanges • Annual general meetings • Road shows • Investor visits to sites • Mondi briefings and presentations • Mondi website • Announcements • Media releases • Group reports including integrated and sustainable development reports • Carbon Disclosure Project (CDP) and CDP Water reports
Customers (see our website and the Product responsibility section for further information)	<ul style="list-style-type: none"> • Changing needs of customers and consumers • Innovation • Responsible forestry • Legality and source of raw materials • Recycling • Resource efficiency • Carbon and clean production • Waste disposal • Health and safety • Certification • Responsible sourcing and product certification to: <ul style="list-style-type: none"> • exclude illegal wood and deforestation • support market credibility • help set operational benchmarks and process controls • identify product lifecycle impacts 	<ul style="list-style-type: none"> • Annual and bi-annual customer satisfaction surveys • Sustainability conferences, seminars and exhibitions • Product exhibitions • CDP reports • Water disclosure reports • Product certification and labelling • Mondi website • Customer visits, meetings and field visits • Direct contact with customers by responding to their queries and questionnaire on supplier performance • Chain-of-Custody certification
Employees (see Our people section for further information)	<ul style="list-style-type: none"> • Job security and wages • Career development • Employment equity • Corporate activity • Health and safety Sustainability • Mondi's growth and development 	<ul style="list-style-type: none"> • Group policies • Bi-annual employee and climate surveys • Annual training needs assessments • Collective bargaining practices • Two-way manager and employee communication • Team briefings • Dialogue sessions • Intranet • Internal employee publications and electronic chief executive officer updates • Recruitment and retention campaigns • Performance development discussions and meetings • Leadership conferences • SEAT • Employees' safety and health representatives • SD Reports • Annual 'Making a difference' days • Mondi Diamond Awards
Suppliers and contractors (see Our people and Economic performance sections for further information)	<ul style="list-style-type: none"> • Safety and health • Quality control • Employment practices • Business training and support • Legality and origin of supplies • Supply chain transparency 	<ul style="list-style-type: none"> • Group contractor and supplier policies • New legislation: EU Timber Regulations and US Lacey Act • Surveys • Questionnaires • Preferential procurement programmes • Enterprise development programmes
NGOs (see Economic performance section for further information)	<ul style="list-style-type: none"> • Biodiversity • Ecosystem values and services • Responsible forestry • High Conservation Value (HCV) areas • Carbon and clean production • Water • Economic growth • Poverty • Accountability for natural capital • Benefit sharing • Human rights 	<ul style="list-style-type: none"> • Liaison with and technical cooperation with local and international NGOs • Direct partnerships and/or projects eg Mondi Wetlands Programme • Multi-stakeholder forums • WBCSD • Trade Associations (eg CEPI, FSA) • TFD • FSC/PEFC Certification • HCV Resource Network • SEAT

Stakeholder group	Key topics and concerns	Engagement process
	<ul style="list-style-type: none"> • Traditional rights and use of natural resources • Transparency and traceability throughout the value chain • Forest and product certification • Food, forests, fibre, fuel and freshwater for all 	<ul style="list-style-type: none"> • CEPs • Site visits
Communities (see Society section for further information)	<ul style="list-style-type: none"> • Land claims and restitution • Participation and FPIC (free prior and informed consent) • Benefit sharing and use of natural resources • Employment and local beneficiation. • Mechanisation • Local economic development programmes • Skills development programmes • Sustainability and impact on local environment • Corporate social investment/social agreements • Environmental impact and rehabilitation • Health care, in particular HIV/AIDS 	<ul style="list-style-type: none"> • Community based organisations • Local government forums and programmes • Industry partnerships • CEPs • SEAT • Community forums • Dialogue • Participatory rural appraisals • Annual meetings • Local NGOs • HIV/AIDS campaigns • Site visits and open days
Government (see Sustainable development review in the Integrated report and financial statements 2012, Economic performance and Society sections for further information)	<ul style="list-style-type: none"> • Resource utilisation • Employment • Land claims and restitution • Level the 'playing fields' for all sectors (avoid perverse subsidies) • Local economic development programmes • Corporate social investment • Licence to operate • Industry specific matters 	<ul style="list-style-type: none"> • Formal processes • Participation in forestry associations • Participation in industry associations • Site permit meetings and performance presentations • Multi-stakeholder platforms
Academic institutions (see Environmental performance section for further information)	<ul style="list-style-type: none"> • Improved operational practices, for example: biodiversity and responsible forestry • Resource efficiency • New technology and innovation • Forest protection • Adaptation and mitigation measures (climate change etc) 	<ul style="list-style-type: none"> • Industry specific training programmes • Research and development • Research programmes (eg. Forestry and Agricultural Biotechnology Institute, Mondi Ecological Network Programme and the Komi Academy) • Sector institutes
Media (see our website for further information)	<ul style="list-style-type: none"> • Financial results • Corporate activity • Environmental issues • Marketing • Community related topics 	<ul style="list-style-type: none"> • Group announcements • Media releases • Interviews and recordings • Group reports • Site visits • Dialogue • Profiles in local media

Associations and advocacy groups supported by Mondi

We believe that it is important to support associations, advocacy groups and institutions that bring together and represent stakeholder groups at a global, national and regional level. We believe that debate, research and external watchdogs play an important regulatory role in society and in industry and that our support for these independent bodies provides the Group with valuable insight and industry leadership. Further, our participation in forums, and support of and membership in various associations, ensure that we stay in touch with current and proposed developments in the regulatory and commercial environment.

Mondi is an active supporter, member and/or participant in:

- The **WBCSD**, a coalition of some 200 companies with a shared commitment to sustainable development. Mondi's chief executive officer is a core member of the WBCSD Ecosystem Focus Area Action Team (FACT). Mondi is a core member of the WBCSD's Forestry Solutions Group, a group currently comprising 29 leading global forest products companies, who address global sustainability issues in our sector. Mondi also participates in the WBCSD Energy and Climate FACT and Water Project. (www.wbscd.org).

WBCSD's Ecosystems Focus Area Action Team

Mondi chief executive, David Hathorn, is a member of the WBCSD's Ecosystems Focus Area Action Team, together with the chief executives of nine other global companies. The WBCSD Ecosystems Focus Area aims to support the business licence of member companies to operate, innovate and grow by proactively addressing business risks associated with accelerating ecosystem degradation and the loss of ecosystem services. More specifically, it serves to 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 changed its focus from the Ecosystem Services Review to valuing ecosystems and their services in the Ecosystem Valuation Initiative, of which Mondi's South Africa Division is a user. The Mhlatuze catchment is home to Mondi's Richards Bay mill and a large section of Mondi's forestry plantations. This area is an ideal site for valuing the freshwater ecosystem, as detailed information on the use and cost of water, for all important user sectors, is readily available.

- The **CDP**, a not-for-profit organisation, providing a global system for companies and cities to measure, disclose, manage and share environmental information, in order to drive greenhouse gas emissions reduction and sustainable water use.
- The **HCV Resource Network**, a global network of organisations and individuals that support and promote a practical and consistent approach to HCV methodology. (www.hcvnetwork.org)
- The **Forest Dialogue**, a global multi-stakeholder forum, comprising individuals from NGOs, inter-governmental organisations (IGOs), indigenous people, local communities, forest companies and local government who are committed to the conservation and sustainable use of forests. (www.environment.yale.edu/tfd).

The Forests Dialogue

Mondi is an active participant and supporter of TFD, a global multi-stakeholder forum committed to the conservation and sustainable use of forests and improved livelihoods, and participates on the Steering Committee and in numerous dialogues. TFD has been particularly successful in helping people engage and explore difficult issues, find collaborative solutions, and make positive changes through constructive dialogue processes among all key stakeholders and is currently developing international multi-stakeholder dialogue initiatives on the following key global challenges:

- Food, Forests, Fuel and Fibre (4Fs)
- FPIC (see [Land claims](#) and [SEAT](#) process)
- Investing in locally controlled forests. This is in line with our commitment to find practical solutions for certifying small growers
- Forests and climate (see [Climate change](#) and [Carbon sequestration](#))
- Genetically modified trees

In the past, TFD has led extensive dialogue initiatives on intensively managed planted forests; forests and poverty reduction; forests and biodiversity conservation; illegal logging and forest governance; and forest certification. For more information on all TFD initiatives go to www.theforestsdialogue.org

- The **United Nations Global Compact (UNGC)**. During 2008 we became a signatory to the UNGC, reinforcing our commitment to socially responsible business practices on a worldwide basis. (www.unglobalcompact.org and download our Global Compact report)
- **Global NGOs**, including the World Wide Fund for Nature (WWF), particularly in respect of the Mondi Wetlands Programme, the New Generation Plantation Project and the WWF Silver Taiga HCV project in north-west Russia. (www.wwf.org) Also in association with WBCSD, the World Resources Institute on ecosystems and responsible sourcing.
- **Ezemvelo KZN Wildlife**, the provincial authority responsible for biodiversity in KwaZulu-Natal and the South African National Biodiversity Institute National Grassland Programme. We are involved with both institutions in respect of our HCV areas. (www.sanbi.org and www.kznwildlife.com)
- **Academic institutions**. In Europe, we have worked with the University of Bodenkultur in Austria on carbon sequestration topics, and we regularly engage with undergraduate and postgraduate students from various universities by providing them with a platform for research and guiding and supporting their academic work. In South Africa, we support Stellenbosch University's Mondi Ecological Network Programme. The project aims to improve the design and management of ecological networks (ENs) in developed landscapes including plantations (www.cons-ent.com/research.php). ENs consist of remnant set-aside natural land for mitigating any negative effects of intensive land-use such as plantation forestry. ENs are large-scale interconnecting linkages (corridors or stepping-stone patches) and nodes (mini or true nature reserves) that together play an important role in ensuring connectivity across the landscape. They link important areas together and so reduce the effects of fragmentation, and also create extra space for organisms to survive in these ENs as if they were protected areas. See case study: [Active stewardship and Mondi SA's ecosystem management plans](#).

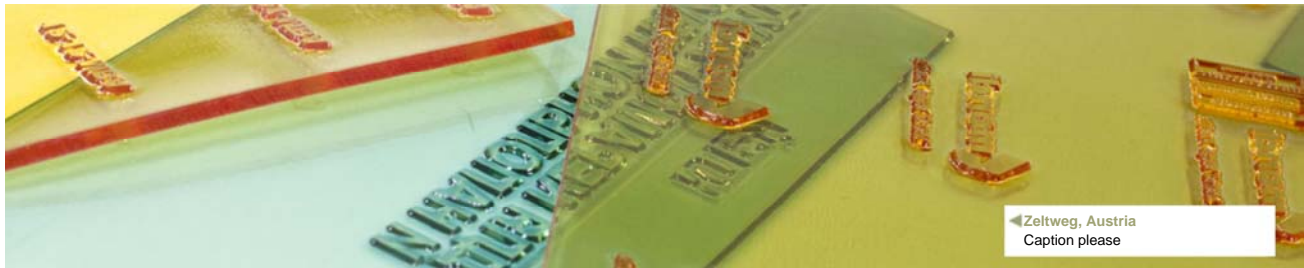
Mondi has also entered into various partnerships to provide access to wider information and research with the aim of obtaining benefits from research as quickly as possible. These include a partnership with the University of Pretoria and a Mondi Chair in Plant Pathology. Mondi also has a partnership with the Forest Molecular Genetic group at the same Institute. We are also an active partner in gene conservation through the Camcore group, based at the North Carolina State. In addition, Mondi is a patron organisation of the Institute of Commercial Forestry Research, based at the University of KwaZulu-Natal in Pietermaritzburg, which conducts applied research work on their behalf.

- **National industry associations**, including the Confederation of European Paper Industries in Europe, Paper Manufacturers Association of South Africa and Forestry South Africa.
- **National and local NGOs**, such as Silver Taiga in Russia and the Wildlife and Environment Society of South Africa (WESSA). (www.silvertaiga.ru/en/ and www.wessa.org.za)

Mondi takes action

Mondi's philosophy is to act quickly when it becomes aware of any shortcomings in its controls.

See <http://www.greenpeace.org/international/en/news/Blogs/makingwaves/xerox-honesty-is-the-best-policy-when-you-are/blog/39674/> for an example of Mondi's action related to two associate companies.



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External review

Reporting accurately and transparently

We believe that external assurance is an important part of the way we work.

In addition to formal assurance of our report, to ensure that we captured the interests of stakeholders, reported on those issues that are critical, and reported in a fair and balanced manner, we also asked Business in the Community (BITC), a UK-based business-led charity, to act as an independent reviewer of Shaping our sustainable future. BITC is focused on promoting responsible business practice. The following is a summary of BITC's review.

BITC's review of Mondi's *Shaping our Sustainable Future* Report

Mondi has reported on its material sustainability issues and performance since 2004. In 2011, the company produced its first Integrated Report making even more evident the company's commitment to sustainability and its importance to the way they do business.

As part of their ambition to engage with different stakeholder groups; Mondi decided to continue producing an online Sustainable development report and its summary version called Shaping our Sustainable Future Report.

Business in the Community (BITC) was approached by Mondi to provide feedback on the Shaping our Sustainable Future Report (from now on the report). This statement provides our assessment on Mondi's report; it expresses our views on whether the company adequately identified material issues for the business and how these are being addressed; and the fairness and balance of the report. BITC did not engage in formal verification on assurance processes regarding the accuracy or completeness of the information or data presented in the report. Views expressed in this statement are based on the review of Shaping our Sustainable Future Report only, and do not include any opinion or analysis of Mondi's Integrated Report or online Sustainable development report.

Mondi's approach to Sustainable Development

The first section of the report is dedicated to Mondi's sustainability strategy and how it relates to its core business.

Mondi's strategy and business

The report gives a comprehensive summary and overview of Mondi's business structure and strategy. It also outlines Mondi's definition of stakeholders and who are the most important to the business according to this definition. From the information in the report BITC has no reason to believe that any stakeholder group has been excluded from dialogue. However, from the format of the report there is not much information of the type or level of engagement with each stakeholder group.

Mondi identified three areas of concern resulting from the review of business risks and opportunities and stakeholders' interests and expectations. BITC has no reason to believe that any other material aspects to Mondi's sustainable development have been excluded from this analysis. BITC recognises the process described in the report as good practice in materiality analysis.

The summary facilitates the engagement with new stakeholders who are getting familiar with Mondi as a business and its reporting. Page 7 of the report provides a visual explanation of how Mondi's operating framework (Mondi Diamond) relates to its values, culture, strategy and purpose. This framework helps to make the case to stakeholders that sustainability is not a separate part of the business but that it is, indeed, the way they do business.

Mondi's ambitions

One aspect worth mentioning is Mondi's work with the World Business Council for Sustainable Development (WBCSD) and its Vision 2050. BITC commends Mondi's long-term commitment to sustainable development; however it is not clear in the rest of the report how the Group is moving beyond incremental changes (i.e. in the report most targets go as far as 2015).

Embracing WBCSD's Vision 2050 is a step in the right direction, and Mondi has already started rethinking its business model to be able to respond to global mega trends. Moving forward Mondi is revising its objectives and targets to better reflect the new 2020 milestones from the Vision 2050. BITC is looking forward to see what Mondi's new long-term commitments will be and how these will shape its unique contribution to the Vision 2050.

Governance

Commitment to sustainable development is also reinforced in the letter from the chairman of the sustainable development committee and the CEO. Leadership from the top is shown in, how clear objectives and targets have been set for the leaders of the organisation and how they are embedded in performance management and remuneration systems. The letter talks about Mondi's key three concerns; and reaffirm Mondi's ambitions of being the best-performing packaging and paper group in the world.

Mondi's response to global sustainability issues

The second section of the report covers Mondi's three concerns and how the Group will respond to them in more detail. Mondi has built a strong business case for each global sustainability issue, accurately articulating the commercial importance of taking action as well as demonstrating social benefits.

People and human development

In this section Mondi focuses on several employee issues such as health and safety, equality and diversity, employee development and employee wellbeing. The performance section of the report would be enhanced through the inclusion of additional indicators in relation to employee wellbeing and development (e.g. staff turnover, absence rates, results of annual job satisfaction or engagement surveys, uptake / utilisation rate for occupational health service or skills development programmes, proportion of senior positions filled by internal applicants, etc.).

For diversity BITC will recommend to offer more information on strands other than gender such as ethnicity, disability, and age.

The section also shows Mondi's commitment to the communities where it operates. This commitment goes beyond providing job placements to local people by dealing with other social issues such as protecting the rights of indigenous people and food security.

Mondi makes use of its socio-economic assessment toolbox (SEAT) as a framework to evaluate the effectiveness of community investment projects. BITC commends Mondi for its clear criteria to prioritise its involvement in such projects. These criteria help to avoid ad-hoc activities and concentrate efforts in those projects which will bring the most benefit to the business and communities.

As a way of building on this strength, BITC recommends to provide further information on the outcomes of different community projects (e.g. employee feedback on Mondi's Food 4 Forests programme).

Forests and associated ecosystems

Forest management systems are in place and they follow high standards of conservation and minimisation of negative impacts.

Economy

This section is about consumers' needs and expectations for more responsible and greener products, improvements in productivity and the effect on the local economy. It adequately addresses the financial success of the Group and how the natural and social capitals play a role in this as well.

BITC recommends providing more information of Mondi's engagement with customers, and how their feedback was used to develop new greener products.

Energy and climate change

This section demonstrates Mondi's ambitious goal of becoming carbon neutral and energy self-sufficient. BITC commends Mondi in its efforts to prepare, anticipate and go beyond legislation in climate change.

Materials

Mondi demonstrate great effort in product design to reduce material use and waste generated.

BITC will expect to see in future reports how Mondi is addressing the final stages of its product life cycles. BITC recommends including information about the Group's approach to influence end users behaviour when they discard paper or packaging produced by Mondi. It is important to consider this aspect to accurately assess the close-loop recycling of all products.

Water

The fact that Mondi is now reporting on water as a global emerging issue and separate from climate change, demonstrates that the business priorities are reviewed regularly and Mondi is prepared to respond and face new challenges as they arise.

BITC commends the work Mondi is currently undertaken to calculate the Group water footprint as well as engagement with academic institutions to better understand water issues and their management.

BITC will expect to see more information about the results of the water footprint calculation and improvement in performance over time.

Overall report quality and format

Overall Mondi's report is comprehensive and presented in a reader-friendly format. The structure allows stakeholders to understand the business and its strategy, what the main and key issues are, and how the Group is responding to them. It further gives detailed information about the approach and performance issue by issue.

The report also offers numerous links to the other two reports, (Integrated Report and Sustainable development report), giving stakeholders access to more detailed information on the Group's activities and performance.

For all sections there is a link to the Vision 2050, which helps stakeholders understand the connection between the information reported and Mondi's long-term commitments.

BITC recommends Mondi to use more charts and graphs, including information on targets. Targets help to put the data presented into context and give a more accurate reflection of the effectiveness of different undertaken actions.

BITC's recommendation on Mondi's response to global sustainability issues

- **People and human development:** This section could be enhanced by including additional indicators of employee wellbeing, development and diversity. Mondi is committed to the communities in which it operates and BITC commends Mondi for its clear criteria to prioritise its involvement in community projects. As a way of building on this strength, BITC recommends Mondi provides further information on the outcomes of such projects.
- **Economy:** This section addresses the financial success of the Group and how natural and social capital play a role in this. BITC would like to see more information of Mondi's engagement with customers and how their feedback is used to develop greener products.
- **Energy and climate change:** BITC acknowledges Mondi's efforts to prepare, anticipate and go beyond legislation in climate change.
- **Materials:** Mondi demonstrates great effort in product design to reduce material use and waste generated. BITC expects Mondi to address the final stages of its product life cycles in the future.
- **Water:** Reporting on water as a global emerging issue and separate from climate change, shows that Mondi is prepared to face new challenges.

Conclusions

In BITC's opinion Mondi was able to identify those issues that are most material for the business and its stakeholders. The report offers detailed and easy-to-read information on how these issues are being addressed and the Group's performance against different indicators.

BITC commends Mondi's great progress made so far, and encourages it to develop and publish long-term objectives and targets, which will guide the Group towards achieving the Vision 2050.

Elena Espinoza Consultant - Advisory Services
Business in the Community
1st February 2013





Štětí, Czech Republic

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Assurance

Independent assurance statement to the directors of Mondi

Our brief

ERM Certification and Verification Services Ltd ('ERM CVS') was appointed by Mondi Limited and Mondi plc ('Mondi') to provide independent assurance on selected information presented in its 2012 Sustainable Development ('SD') Report.

Our engagement objectives were to provide assurance on the following:

- The status of compliance of the SD report with the GRI G3 Guidelines Level B requirements.
- Selected 2012 SD Key Performance Indicators (KPIs):

KPIs	Boundary			Assurance type	
	Global material operations	Global converting operations	Forestry operations in South Africa	Reasonable assurance	Limited assurance
Environment					
Total GHG emissions from fossil fuel combustion, processes, mobile transportation, waste and waste water treatment (Scope 1) (tonnes of CO ₂ e)	√	√		√	√
Total GHG emissions from electricity purchased (Scope 2) (tonnes of CO ₂ e)	√	√		√	√
Total energy usage (GJ)	√	√		√	√
Reduction in total waste to landfill compared to 2010 baseline (percentage)	√	√			√
Total water input (cubic metres)	√	√			√
Safety					
Total recordable case rate (number/ 200,000 hrs)	√	√			√
Social					
Land claims settled (number and percentage)			√		√
Land transferred to claimant communities (area and percentage)			√		√
Product					
Chain-of-Custody certified timber-based product in portfolio (percentage)	√	√			√
Management systems					
Material operations with ISO 14001 certification (number)	√				√
Material operations with OHSAS 18000 certification (number)	√				√
Converting operations with OHSAS 18000 certification (number)		√			√
Food contact packaging operations certified to a recognised food hygiene standard (number)	√	√			√

Note: Global material operations refers to Mondi's pulp and paper mills, and global converting operations refers to operations for the conversion of original paper into specific paper products for the end user market.

Assurance approach and limitations

We performed our work in accordance with ERM CVS' assurance methodology, which is based on the following international assurance and audit standards: ISAE 3000 and ISO 19011. In relation to our assurance work on the Scope 1 and Scope 2 GHG data, our work was based on ISO 14064-3:2006.

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 conclusions as to whether the reported information and data set out in 'Our Brief' was:

- When delivering reasonable assurance: that the information was free from material misstatement
- When delivering limited assurance: that nothing came to our attention to suggest that the information is misstated.

When undertaking our assurance work, we used the following assessment criteria:

- The ISO14064-1:2006 and the WBCSD WRI GHG Corporate Accounting and Reporting standard (2004) for the Scope 1 and Scope 2 GHG emissions;
- Mondi's own definitions for the other SD KPIs. These are presented in more detail in the SD Report; and
- The GRI B level requirements.

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.

A multi-disciplinary team of sustainability and assurance specialists performed work at group level and at selected Mondi operating locations. Our assurance activities included:

- Face-to-face interviews to understand the processes in place for reporting the selected SD data and the production of the SD Report, and the underlying data management systems;
- Site visits to seven Mondi operations, which involved testing on a sample basis the SD data measurement, collection, aggregation and reporting processes in place;
- Evaluation of GHG data and reporting processes to establish conformance of Mondi's Scope 1 and Scope 2 GHG data and associated systems and controls against ISO14064-1:2006;
- Reviewing the verification conclusions of accredited third-party verification bodies relating to CO2 emissions for 2012 from Mondi's material operations that fall within the scope of the EU emissions trading scheme (EU ETS) and comparing the verified emissions with those included by Mondi in its SD Report;
- Reviewing the calculation of uncertainties associated with the measuring and reporting of GHG emissions data for Mondi's material operations at site and Group levels;
- Reviewing and testing of selected evidence related to the design, information collection, and production of the Report in accordance to GRI requirements; and
- Reviewing the presentation of information relevant to the scope of our work in the SD Report to ensure consistency with our findings.

Respective responsibilities and ERM CVS' independence

Mondi is responsible for preparing the SD Report and for the collection and presentation of information within it. ERM CVS' responsibility is to express our assurance conclusions on the agreed brief.

ERM CVS is a member of the ERM Group. The work that ERM CVS conducts for clients is solely related to independent assurance activities and training programmes related to auditing techniques and approaches. Our processes are designed to ensure that the work we undertake with clients is free from bias and conflict of interest. ERM CVS and the staff that have undertaken work on this assurance exercise provide no consultancy related services to Mondi in any respect.

Assurance conclusions

Based on the approach and limitations described above, we conclude that:

Reasonable Assurance

- Total GHG emissions from fossil fuel combustion, processes, mobile transportation, waste and wastewater treatment (Scope 1) (tonnes) and electricity purchased (Scope 2) (tonnes) for Mondi's global material operations are free from material misstatement.

Limited Assurance

- Nothing came to our attention to suggest that, in all material respects, Mondi's statement regarding the compliance of its SD Report with the GRI G3 level B requirements is misstated.
- Nothing came to our attention to suggest that, in all material respects, the KPIs as presented above for Safety, Environment, Social, Product and Management Systems are misstated.

In relation to our assurance work on ISO14064-1:2006, our [independent verification statement](#) can be found on this website.

Key observations

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

- Whilst there has been a continued improvement in the Total Recordable Case Rate (TRCR), the deaths of 2 persons in 2012, and the same number of fatalities in each of the previous two years, emphasises the need to continue to focus attention on health and safety risks in striving toward Mondi's ultimate goal of zero harm in the workplace.
- Whilst Mondi is making progress against its 2015 SD commitments, particular challenges remain in respect of the use of contact water, where specific consumption has increased compared with the 2010 baseline.
- Mondi has further strengthened its reporting practices this year by presenting within its 'Shaping our Sustainable Future' report the status of its sustainability management practices and performance within the context of the World Business Council on Sustainable Development (WBCSD) report '2050 Vision: the new agenda for business'.
- We consider that Mondi has further improved its reporting of stakeholder engagement practices, however we encourage Mondi to include within its future SD Reports the views of its key stakeholders with regards to its SD practices and performance.
- It is notable that Mondi has for the first time commissioned reasonable assurance to be delivered on its Scope 1 and Scope 2 GHG emissions for its global material operations.

Melanie Eddis
21 March 2013
ERM Certification and Verification Services, London
www.ermcv.com, Email: post@ermcv.com

ERM CVS

ERM Certification and Verification Services is an independent global provider of assurance services that include corporate report assurance, carbon verification and validation and certification services related to environmental, occupational health, and safety management. We are a member of the ERM Group of Companies.

Our assurance statement provides no assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular whether any changes may have occurred to the information since the date of our statement. These matters are the responsibility of Mondi.



◀ Zeltweg, Austria
Inventory check at our Austrian
coatings operation

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GRI Index

Mondi has reported in line with the Global Reporting Initiative's (GRI) G3 reporting guidelines and has provided an index below of compliance with the guidelines and the core performance indicators.

Mondi has declared a B+ level of reporting, which has been checked by external auditor ERM CVS, as well as by GRI. See our [GRI Application Level Check Statement](#)

The independent Assurance Statement detailing the assurance work performed and conclusions reached, as issued by ERM CVS, is found under [ERM CVS Assurance Statement](#).

The 20 GRI key performance indicators reviewed from the B+ application level are marked with an asterisk (*).

Profile		Online sustainable development report 2012	Compliance
1. Strategy and analysis			
1.1	Statement from senior decision maker	Letter from the chairman of the DLC sustainable development committee and the chief executive officer	Fully
1.2	Description of key impacts, risks, and opportunities	The way we work, Governance, Letter from the chairman of the DLC sustainable development committee and the chief executive officer and Integrated report and financial statements 2012: Corporate governance report	Fully
2. Organisational profile			
2.1	Organisation's name	Our business	Fully
2.2	Major products	Our business and Our products	Fully
2.3	Operational structure and major divisions	Our business	Fully
2.4	Location of headquarters	Our business	Fully
2.5	Countries of operation	Our business and Our footprint	Fully
2.6	Nature of ownership	Our business and Report scope and boundary	Fully
2.7	Markets served including geographic breakdown/sectors served/customers	Our footprint and Our products	Fully
2.8	Scale of organisation including number of employees, net sales/revenues, total capitalisation	Our business , Our footprint , Our products and Economic performance: Direct and indirect economic contributions	Fully
2.9	Significant changes during reporting period	Our approach to reporting and Report scope and boundary	Fully
2.10	Awards	Economic performance: Product responsibility	Fully
3. Report parameters			
3.1	Reporting period	Report scope and boundary	Fully
3.2	Date of previous report	Our approach to reporting and Report scope and boundary	Fully
3.3	Reporting cycle	Report scope and boundary	Fully
3.4	Contact point	Report scope and boundary	Fully
Report scope and boundary			
3.5	Process for defining report content	The way we work: Our material issues	Fully
3.6	Boundary of the report	Our business , Our footprint and Report scope and boundary	Fully
3.7	Limitations on the scope or boundary of the report	Report scope and boundary	Fully
3.8	Basis for reporting on joint ventures, etc.	Report scope and boundary	Fully
3.9	Data measurement techniques and bases of calculations including assumptions	Report scope and boundary and throughout the report	Fully
3.10	Restatements of information	Report scope and boundary and throughout the report	Fully
3.11	Significant changes from previous reporting periods	Our approach to reporting and Report scope and boundary	Fully
GRI content index			

Profile		Online sustainable development report 2012	Compliance
3.12	Table identifying the location of the disclosures in the report	This page.	Fully
Assurance			
3.13	Policy and practice for seeking independent assurance for report	Report scope and boundary	Fully
4. Governance, commitments and engagement			
4.1	Governance structure including committees	Governance and Integrated report and financial statements 2012: Corporate governance report	Fully
4.2	Indicate whether chair of highest governance body is also an executive officer	Governance	Fully
4.3	Number of independent directors	Governance	Fully
4.4	Mechanisms for shareholders and employees to provide recommendations/direction to highest governance body	Our stakeholders: Engaging with stakeholders	Fully
4.5	Linkage between compensation and organisation's performance for members of highest governance body/senior executives	Governance and Integrated report and financial statements 2012: Corporate governance report	Fully
4.6	Process for the Board to ensure conflicts of interest are avoided	Governance	Fully
4.7	Processes for determining qualifications and expertise for guiding strategy	Governance and Integrated report and financial statements 2012: Corporate governance report	Fully
4.8	Mission and values statements, codes of conduct, principles relevant to economic, environmental and social performance, and status of implementation	Governance	Fully
4.9	Procedures of highest governance body for overseeing economic, environmental and social performance including compliance and codes of conduct	Governance	Fully
4.10	Processes for evaluating performance of governance body with respect to economic, environmental and social performance	Governance	Fully
Commitments to external initiatives			
4.11	Explanation of how precautionary approach/principle is addressed by organisation	Governance and Integrated report and financial statements 2012: Corporate governance report	Fully
4.12	Externally developed, voluntary economic, environmental, and social charters, sets of principles, or other initiatives	Throughout this report	Fully
4.13	Significant memberships in associations and/or advocacy organisations	Our stakeholders: Engaging with stakeholders	Fully
Stakeholder engagement			
4.14	List of stakeholder groups	Our stakeholders: Engaging with stakeholders	Fully
4.15	Basis for identification and selection of stakeholders with whom to engage	Our stakeholders: Engaging with stakeholders	Fully
4.16	Approaches to stakeholder engagement, including frequency and type	Our stakeholders: Engaging with stakeholders	Fully
4.17	Key issues raised through stakeholder engagement and how organisation has responded	Our stakeholders: Engaging with stakeholders	Fully
Economic performance indicators			
Management approach		Economic performance and Integrated report and financial statements 2012	Fully
Economic performance indicators			
EC1*	Economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	Economic performance: Direct and indirect economic contributions	Fully
EC2*	Financial implications and other risks and opportunities for the organisation's activities due to climate change	Environmental performance: Energy and climate change	Fully
EC3	Coverage of the organisation's defined benefit plan obligations	Economic performance: Direct and indirect economic contributions and Integrated report and financial statements 2012	Fully
EC4	Significant financial assistance received from government.	Not reported	Not reported
Market presence			
EC5	Range of ratios of standard entry-level wage compared to local minimum wage at significant locations of operation	Not reported	Not reported
EC6	Policy, practices and proportion of spending on locally based suppliers at significant locations of operation	Economic performance: Economic transformation and empowerment in South Africa	Partially
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	People: Employment	Fully

Profile		Online sustainable development report 2012	Compliance
Indirect economic impacts			
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro bono engagement.	Society: Corporate social investment	Fully
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	Economic performance: Direct and indirect economic contributions and Society	Fully
Environmental performance indicators			
Management approach		Environmental performance	Fully
Materials			
EN1*	Materials used by weight or volume	Environmental performance: Responsible forestry	Fully
EN2	Percentage of materials used that are recycled input materials.	Environmental performance: Waste management and Economic performance - Product stewardship	Fully
Energy			
EN3*	Direct energy consumption by primary energy source	Environmental performance: Energy and climate change	Fully
EN4*	Indirect energy consumption by primary source	Environmental performance: Energy and climate change	Fully
EN5	Energy saved due to conservation and efficiency improvements	Environmental performance: Energy and climate change	Fully
EN6	Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives	Environmental performance: Energy and climate change	Fully
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	Environmental performance: Energy and climate change	Fully
Water			
EN8	Total water withdrawal by source	Environmental performance: Water	Fully
EN9	Water sources significantly affected by withdrawal of water	Environmental performance: Water	Fully
EN10	Percentage and total volume of water recycled and reused	Environmental performance: Water	Fully
Biodiversity			
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Environmental performance: Managing natural boreal forests and High conservation value areas	Fully
EN12	Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	Environmental performance: Managing natural boreal forests, High conservation value areas and Managing ecosystems and biodiversity	Fully
EN13	Habitats protected or restored	Environmental performance: Managing natural boreal forests, High conservation value areas and Managing ecosystems and biodiversity	Fully
EN14	Strategies, current actions and future plans for managing impacts on biodiversity	Environmental performance: Managing natural boreal forests, High conservation value areas and Managing ecosystems and biodiversity	Fully
EN15	Number of Red List species with habitats in areas affected by operations	Environmental performance: Managing plantation forests	Fully
Emissions, effluents and waste			
EN16*	Total direct and indirect greenhouse gas emissions by weight	Environmental performance: Carbon footprint	Fully
EN17*	Other relevant indirect greenhouse gas emissions by weight	Environmental performance: Carbon footprint	Fully
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	Environmental performance: Carbon footprint	Fully
EN19*	Emissions of ozone-depleting substances by weight	Environmental performance: Air quality	Fully
EN20	NOx, SOx and other significant air emissions by type and weight	Environmental performance: Air quality	Fully
EN21	Total water discharge by quality and destination.	Environmental performance: Water	Partially
EN22*	Total weight of waste by type and disposal method	Environmental performance: Waste management	Fully
EN23	Total number and volume of significant spills	Environmental performance: Waste management	Fully
EN24	Weight of transported, imported, exported or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III and VIII, and percentage of transported waste shipped internationally	Environmental performance: Waste management	Partially
EN25	Identity, size, protected status and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoff	Environmental performance: Water	Partially
Products and services			
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	Environmental performance	Fully
EN27		Not reported	Not reported

Profile		Online sustainable development report 2012	Compliance
	Percentage of products sold and their packaging materials that are reclaimed by category		
Compliance			
EN28*	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Governance	Fully
Transport			
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce	Environmental performance: Energy and climate change	Fully
Overall			
EN30	Total environmental protection expenditures and investments by type	Environmental performance (Introduction)	Partially
Social performance: Labour practices and decent work performance indicators			
Management approach		Social performance: People (Introduction)	Fully
Employment			
LA1	Total workforce by employment type, employment contract and region	Not reported	Not reported
LA2	Total number and rate of employee turnover by age group, gender and region	Not reported. Employee turnover is not centrally monitored or reported. The measurement of this indicator is the responsibility of the individual operations, and is monitored locally	Not reported
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	Social performance: People - Employment	Fully
Labour/management relations			
LA4	Percentage of employees covered by collective bargaining agreements	Social performance: People - Employment	Fully
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements	Social performance: People - Employment	Fully
Occupational health and safety			
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes	Social performance: People - Occupational safety – Safety communication	Partially
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	Social performance: People - Occupational safety, Occupational health and Employment	Fully
LA8*	Education, training, counseling, prevention and risk-control programmes in place to assist workforce members, their families or community members regarding serious diseases	Social performance: People - Occupational health	Fully
LA9	Health and safety topics covered in formal agreements with trade unions	Not reported. This information is not available at a Group level as this engagement is undertaken at divisional and site levels	Not reported
Training and education			
LA10	Average hours of training per year per employee by employee category	Social performance: People - Training and development	Partially
LA11	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Social performance: People - Training and development	Fully
LA12	Percentage of employees receiving regular performance and career development reviews	Social performance: People - Training and development	Partially
Diversity and opportunity			
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity	Social performance: People – Employment The Group does not monitor its employees according to gender.	Partially
LA14	Ratio of basic salary of men to women by employee category	Not reported. 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	Not reported
Human Rights performance indicators			
Management approach		Social performance: People – Human rights	Fully
Investment and procurement practices			
HR1			Not reported

Profile		Online sustainable development report 2012	Compliance
	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	Not reported as this information is not collated. Respect for human rights is a core value of the Group and is considered as part of all significant due diligence processes undertaken by the Group. However, this parameter is not formally measured or reported on	
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	Social performance: People – Human rights and Governance: Business ethics and conflicts of interest Respect for human rights is considered to be a core value of the Group and is considered in the appointment of contractors and suppliers. A code of conduct is provided to all contractors and suppliers and Mondi expects them to adhere to this. However, this parameter is not formally measured or reported on	Partially
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	Social performance: People – Training and development	Partially
Non-discrimination			
HR4*	Total number of incidents of discrimination and actions taken	Social performance: People – Human rights	Fully
Freedom of association and collective bargaining			
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	Social performance: People – Human rights	Fully
Child labour			
HR6	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour	Social performance: People – Human rights	Fully
Forced and compulsory labour			
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of forced or compulsory labour	Social performance: People – Human rights	Fully
Security practices			
HR8	Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations	Not reported as this information is not collated	Not reported
Indigenous rights			
HR9*	Total number of incidents of violations involving rights of indigenous people and actions taken	Social performance: People – Human rights	Fully
Society performance indicators			
Management approach		Social performance: Society	Fully
Community			
SO1	Nature, scope and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities, including entering, operating and exiting	Social performance: Society	Fully
Corruption			
SO2	Percentage and total number of business units analysed for risks related to corruption	Social performance: People – Human rights and Governance: Business ethics and conflicts of interest	Partially
SO3	Percentage of employees trained in organisation's anti-corruption policies and procedures	Governance: Political donations, gifts and bribes	Partially
SO4	Actions taken in response to incidents of corruption	Social performance: People – Human rights and Governance: Business ethics and conflicts of interest	Fully
Public policy			
SO5	Public policy positions and participation in public policy development and lobbying	Governance: Business ethics and conflicts of interest	Fully
SO6*	Total value of financial and in-kind contributions to political parties, politicians and related institutions by country	Governance: Political donations, gifts and bribes	Fully
Anti-competitive behaviour			
SO7	Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices, and their outcomes	Governance: Fines, non-monetary sanctions and significant legal issues	Fully
Compliance			
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Governance: Fines, non-monetary sanctions and significant legal issues	Fully
Product responsibility performance indicators			
Management approach		Economic performance: Product responsibility	Fully

Profile		Online sustainable development report 2012	Compliance
Customer health and safety			
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	Economic performance: Product responsibility	Fully
PR2*	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	Economic performance: Product responsibility	Fully
Products and services			
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	Economic performance: Product responsibility	Fully
PR4*	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	Economic performance: Product responsibility	Fully
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Economic performance: Product responsibility	Fully
Marketing communication			
PR6	Programmes for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship	Economic performance: Product responsibility	Fully
PR7*	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship by type of outcomes	Economic performance: Product responsibility	Fully
Customer privacy			
PR8*	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Economic performance: Product responsibility	Fully
Compliance			
PR9*	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Economic performance: Product responsibility	Fully



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Engaging with our stakeholders

FAST FACTS:

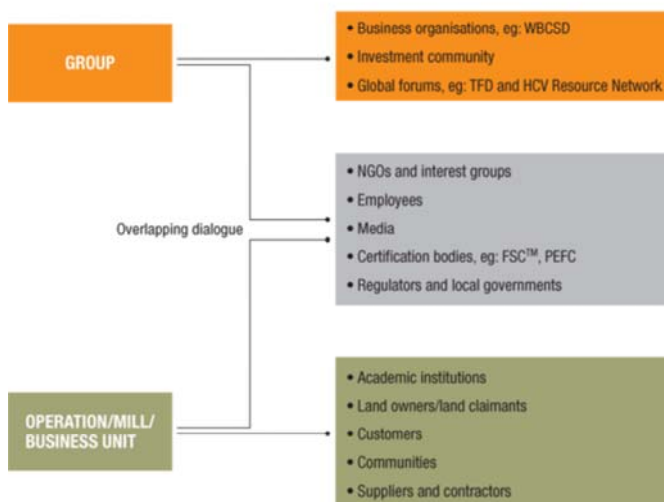
- Forest Stewardship Council™ (FSC™) certification and our socioeconomic assessment toolbox (SEAT) process provide a good base for stakeholder mapping and engagement.
- We encourage the contributions made by non-governmental organisations in identifying matters of concern, and their engagement with environmental and social projects.
- We support associations, advocacy groups and institutions that bring together and represent stakeholder groups at a global, national and regional level.
- We have entered into various partnerships aimed at broadening access to research and information, and the ensuing benefits, to as broad an audience as possible.
- Mondi is a supporter of The Forests Dialogue (TFD), a global multi-stakeholder forum committed to the conservation and sustainable use of forests and improved livelihoods, and participates on the TFD Steering Committee and in numerous dialogues.
- We are an active member of the World Business Council for Sustainable Development (WBCSD), a coalition of some 200 companies throughout the world with a shared commitment to sustainable development.

We recognise that there is a broad range of stakeholders who have an interest in Mondi and its activities, and on whom our operations and products have an impact. There are also those stakeholders whose activities have an impact on our operations and interests, and other stakeholders where co-operation leads to mutual benefit.

We engage actively with our stakeholders – shareholders, customers, employees and suppliers, as well as governments, non-governmental organisations (NGOs), academic institutions, local communities, certification bodies and regulators, and the media – in order to understand and respond to their concerns and benefit from their contribution. We do this at a global, national, Group and operation or business unit level. Our approach is one of both informal and formal multi-stakeholder dialogue and we seek to engage regularly and transparently. Our formal and fully transparent SEAT process and community engagement plans (CEPs) demonstrate the level of our engagement in socially material operations and using the FSC™ provides a global standard for the monitoring of stakeholder engagement in our forests.

We encourage the contributions made by NGOs in identifying matters of concern, and also their engagement with environmental and social projects involving businesses, government agencies, and research and community groups. In many cases our collaboration with NGOs and the scientific community is producing encouraging results. One example is our involvement in a multi-stakeholder initiative in Russia to preserve areas of virgin forest with high conservation, environmental and social values. We appreciate and benefit from this dialogue and endeavour to maintain open and productive relationships.

Multi-stakeholder dialogue



Stakeholder group	Key topics and concerns	Engagement process

Stakeholder group	Key topics and concerns	Engagement process
Shareholders (see the Sustainable development review in the Integrated report and financial statements 2012 for further information)	<p>Group financial performance issues relating to the sustainability of the Group and its operations, in particular:</p> <ul style="list-style-type: none"> • safety • carbon emissions • energy • responsible forestry • land claims 	<ul style="list-style-type: none"> • Formal reporting and accountability systems, processes and structures for the Johannesburg and London stock exchanges • Annual general meetings • Road shows • Investor visits to sites • Mondi briefings and presentations • Mondi website • Announcements • Media releases • Group reports including integrated and sustainable development reports • Carbon Disclosure Project (CDP) and CDP Water reports
Customers (see our website and the Product responsibility section for further information)	<ul style="list-style-type: none"> • Changing needs of customers and consumers • Innovation • Responsible forestry • Legality and source of raw materials • Recycling • Resource efficiency • Carbon and clean production • Waste disposal • Health and safety • Certification • Responsible sourcing and product certification to: <ul style="list-style-type: none"> • exclude illegal wood and deforestation • support market credibility • help set operational benchmarks and process controls • identify product lifecycle impacts 	<ul style="list-style-type: none"> • Annual and bi-annual customer satisfaction surveys • Sustainability conferences, seminars and exhibitions • Product exhibitions • CDP reports • Water disclosure reports • Product certification and labelling • Mondi website • Customer visits, meetings and field visits • Direct contact with customers by responding to their queries and questionnaire on supplier performance • Chain-of-Custody certification
Employees (see Our people section for further information)	<ul style="list-style-type: none"> • Job security and wages • Career development • Employment equity • Corporate activity • Health and safety Sustainability • Mondi's growth and development 	<ul style="list-style-type: none"> • Group policies • Bi-annual employee and climate surveys • Annual training needs assessments • Collective bargaining practices • Two-way manager and employee communication • Team briefings • Dialogue sessions • Intranet • Internal employee publications and electronic chief executive officer updates • Recruitment and retention campaigns • Performance development discussions and meetings • Leadership conferences • SEAT • Employees' safety and health representatives • SD Reports • Annual 'Making a difference' days • Mondi Diamond Awards
Suppliers and contractors (see Our people and Economic performance sections for further information)	<ul style="list-style-type: none"> • Safety and health • Quality control • Employment practices • Business training and support • Legality and origin of supplies • Supply chain transparency 	<ul style="list-style-type: none"> • Group contractor and supplier policies • New legislation: EU Timber Regulations and US Lacey Act • Surveys • Questionnaires • Preferential procurement programmes • Enterprise development programmes
NGOs (see Economic performance section for further information)	<ul style="list-style-type: none"> • Biodiversity • Ecosystem values and services • Responsible forestry • High Conservation Value (HCV) areas • Carbon and clean production • Water • Economic growth • Poverty • Accountability for natural capital • Benefit sharing • Human rights 	<ul style="list-style-type: none"> • Liaison with and technical cooperation with local and international NGOs • Direct partnerships and/or projects eg Mondi Wetlands Programme • Multi-stakeholder forums • WBCSD • Trade Associations (eg CEPI, FSA) • TFD • FSC/PEFC Certification • HCV Resource Network • SEAT

Stakeholder group	Key topics and concerns	Engagement process
	<ul style="list-style-type: none"> • Traditional rights and use of natural resources • Transparency and traceability throughout the value chain • Forest and product certification • Food, forests, fibre, fuel and freshwater for all 	<ul style="list-style-type: none"> • CEPs • Site visits
Communities (see Society section for further information)	<ul style="list-style-type: none"> • Land claims and restitution • Participation and FPIC (free prior and informed consent) • Benefit sharing and use of natural resources • Employment and local beneficiation. • Mechanisation • Local economic development programmes • Skills development programmes • Sustainability and impact on local environment • Corporate social investment/social agreements • Environmental impact and rehabilitation • Health care, in particular HIV/AIDS 	<ul style="list-style-type: none"> • Community based organisations • Local government forums and programmes • Industry partnerships • CEPs • SEAT • Community forums • Dialogue • Participatory rural appraisals • Annual meetings • Local NGOs • HIV/AIDS campaigns • Site visits and open days
Government (see Sustainable development review in the Integrated report and financial statements 2012, Economic performance and Society sections for further information)	<ul style="list-style-type: none"> • Resource utilisation • Employment • Land claims and restitution • Level the 'playing fields' for all sectors (avoid perverse subsidies) • Local economic development programmes • Corporate social investment • Licence to operate • Industry specific matters 	<ul style="list-style-type: none"> • Formal processes • Participation in forestry associations • Participation in industry associations • Site permit meetings and performance presentations • Multi-stakeholder platforms
Academic institutions (see Environmental performance section for further information)	<ul style="list-style-type: none"> • Improved operational practices, for example: biodiversity and responsible forestry • Resource efficiency • New technology and innovation • Forest protection • Adaptation and mitigation measures (climate change etc) 	<ul style="list-style-type: none"> • Industry specific training programmes • Research and development • Research programmes (eg. Forestry and Agricultural Biotechnology Institute, Mondi Ecological Network Programme and the Komi Academy) • Sector institutes
Media (see our website for further information)	<ul style="list-style-type: none"> • Financial results • Corporate activity • Environmental issues • Marketing • Community related topics 	<ul style="list-style-type: none"> • Group announcements • Media releases • Interviews and recordings • Group reports • Site visits • Dialogue • Profiles in local media

Associations and advocacy groups supported by Mondi

We believe that it is important to support associations, advocacy groups and institutions that bring together and represent stakeholder groups at a global, national and regional level. We believe that debate, research and external watchdogs play an important regulatory role in society and in industry and that our support for these independent bodies provides the Group with valuable insight and industry leadership. Further, our participation in forums, and support of and membership in various associations, ensure that we stay in touch with current and proposed developments in the regulatory and commercial environment.

Mondi is an active supporter, member and/or participant in:

- The **WBCSD**, a coalition of some 200 companies with a shared commitment to sustainable development. Mondi's chief executive officer is a core member of the WBCSD Ecosystem Focus Area Action Team (FACT). Mondi is a core member of the WBCSD's Forestry Solutions Group, a group currently comprising 29 leading global forest products companies, who address global sustainability issues in our sector. Mondi also participates in the WBCSD Energy and Climate FACT and Water Project. (www.wbcsd.org).

WBCSD's Ecosystems Focus Area Action Team

Mondi chief executive, David Hathorn, is a member of the WBCSD's Ecosystems Focus Area Action Team, together with the chief executives of nine other global companies. The WBCSD Ecosystems Focus Area aims to support the business licence of member companies to operate, innovate and grow by proactively addressing business risks associated with accelerating ecosystem degradation and the loss of ecosystem services. More specifically, it serves to 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 changed its focus from the Ecosystem Services Review to valuing ecosystems and their services in the Ecosystem Valuation Initiative, of which Mondi's South Africa Division is a user. The Mhlatuze catchment is home to Mondi's Richards Bay mill and a large section of Mondi's forestry plantations. This area is an ideal site for valuing the freshwater ecosystem, as detailed information on the use and cost of water, for all important user sectors, is readily available.

- The **CDP**, a not-for-profit organisation, providing a global system for companies and cities to measure, disclose, manage and share environmental information, in order to drive greenhouse gas emissions reduction and sustainable water use.
- The **HCV Resource Network**, a global network of organisations and individuals that support and promote a practical and consistent approach to HCV methodology. (www.hcvnetwork.org)
- The **Forest Dialogue**, a global multi-stakeholder forum, comprising individuals from NGOs, inter-governmental organisations (IGOs), indigenous people, local communities, forest companies and local government who are committed to the conservation and sustainable use of forests. (www.environment.yale.edu/tfd).

The Forests Dialogue

Mondi is an active participant and supporter of TFD, a global multi-stakeholder forum committed to the conservation and sustainable use of forests and improved livelihoods, and participates on the Steering Committee and in numerous dialogues. TFD has been particularly successful in helping people engage and explore difficult issues, find collaborative solutions, and make positive changes through constructive dialogue processes among all key stakeholders and is currently developing international multi-stakeholder dialogue initiatives on the following key global challenges:

- Food, Forests, Fuel and Fibre (4Fs)
- FPIC (see [Land claims](#) and [SEAT](#) process)
- Investing in locally controlled forests. This is in line with our commitment to find practical solutions for certifying small growers
- Forests and climate (see [Climate change](#) and [Carbon sequestration](#))
- Genetically modified trees

In the past, TFD has led extensive dialogue initiatives on intensively managed planted forests; forests and poverty reduction; forests and biodiversity conservation; illegal logging and forest governance; and forest certification. For more information on all TFD initiatives go to www.theforestsdialogue.org

- The **United Nations Global Compact (UNGC)**. During 2008 we became a signatory to the UNGC, reinforcing our commitment to socially responsible business practices on a worldwide basis. (www.unglobalcompact.org and download our Global Compact report)
- **Global NGOs**, including the World Wide Fund for Nature (WWF), particularly in respect of the Mondi Wetlands Programme, the New Generation Plantation Project and the WWF Silver Taiga HCV project in north-west Russia. (www.wwf.org) Also in association with WBCSD, the World Resources Institute on ecosystems and responsible sourcing.
- **Ezemvelo KZN Wildlife**, the provincial authority responsible for biodiversity in KwaZulu-Natal and the South African National Biodiversity Institute National Grassland Programme. We are involved with both institutions in respect of our HCV areas. (www.sanbi.org and www.kznwildlife.com)
- **Academic institutions**. In Europe, we have worked with the University of Bodenkultur in Austria on carbon sequestration topics, and we regularly engage with undergraduate and postgraduate students from various universities by providing them with a platform for research and guiding and supporting their academic work. In South Africa, we support Stellenbosch University's Mondi Ecological Network Programme. The project aims to improve the design and management of ecological networks (ENs) in developed landscapes including plantations (www.cons-ent.com/research.php). ENs consist of remnant set-aside natural land for mitigating any negative effects of intensive land-use such as plantation forestry. ENs are large-scale interconnecting linkages (corridors or stepping-stone patches) and nodes (mini or true nature reserves) that together play an important role in ensuring connectivity across the landscape. They link important areas together and so reduce the effects of fragmentation, and also create extra space for organisms to survive in these ENs as if they were protected areas. See case study: [Active stewardship and Mondi SA's ecosystem management plans](#).

Mondi has also entered into various partnerships to provide access to wider information and research with the aim of obtaining benefits from research as quickly as possible. These include a partnership with the University of Pretoria and a Mondi Chair in Plant Pathology. Mondi also has a partnership with the Forest Molecular Genetic group at the same Institute. We are also an active partner in gene conservation through the Camcore group, based at the North Carolina State. In addition, Mondi is a patron organisation of the Institute of Commercial Forestry Research, based at the University of KwaZulu-Natal in Pietermaritzburg, which conducts applied research work on their behalf.

- **National industry associations**, including the Confederation of European Paper Industries in Europe, Paper Manufacturers Association of South Africa and Forestry South Africa.
- **National and local NGOs**, such as Silver Taiga in Russia and the Wildlife and Environment Society of South Africa (WESSA). (www.silvertaiga.ru/en/ and www.wessa.org.za)

Mondi takes action

Mondi's philosophy is to act quickly when it becomes aware of any shortcomings in its controls.

See <http://www.greenpeace.org/international/en/news/Blogs/makingwaves/xerox-honesty-is-the-best-policy-when-you-are/blog/39674/> for an example of Mondi's action related to two associate companies.



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Our response to global sustainability issues

Mondi is a member of the World Business Council for Sustainable Development (WBCSD) and a supporter of its *Vision 2050*, a vision that is gaining traction globally and advocates a sustainable future. WBCSD is focusing on identifying a pathway and defining what needs to be done by 2020 to achieve the outcome envisaged by *Vision 2050*. This report reflects some of the progress we have made in pursuit of the pathway.

The WBCSD pathway

WBCSD's Vision 2050: where nine billion people live well and within the limits of the planet

Vision 2050's pathway details critical areas in which vital developments, and an agreed set of 'must haves', need to be in place by 2020. These deal with:

- Addressing the development needs of billions of people, enabling education and economic empowerment, particularly of women, and developing radically more eco-efficient solutions, lifestyles and behaviour
- Incorporating the cost of externalities*, starting with carbon, ecosystem services and water
- Doubling of agricultural output without increasing land or water use
- Halting deforestation and increasing yields from planted forests
- Halving carbon emissions worldwide (based on 2005 levels) by 2050, with greenhouse gas (GHG) emissions peaking around 2020 through a shift to low-carbon energy systems and highly improved demand-side energy efficiency
- Providing universal access to low carbon mobility
- Delivering a four-to-tenfold improvement in the use of resources and materials

* *Externality is the cost or liability that is generated outside of the originating organisation's reporting framework. Externality increases short term profit but it often produces an unforeseen, unintended or unacknowledged negative impact.*

Vision 2050 emphasises the interconnection between issues such as water, food and energy and that these relationships must be considered in an integrated and holistic way, with trade-offs that must be understood and addressed. In keeping with the *Vision 2050* pathway and the 2020 'must haves', Mondi is placing increasing importance on understanding and optimising returns on our natural and social capital.

The *Vision 2050* key questions

The WBCSD provides an outline of how we would like the world to be in 2050. While it is critical for Mondi to have a vision of the future and a plan for how our business contributes to creating this, *Vision 2050* asks three questions of business that need to be answered, in order for us to shape our pathway to achieving it:

- What does a sustainable world look like?
- How can we realise it?
- What are the roles business can play in ensuring more rapid progress toward that world?

It adds that, for business and others, the biggest unanswered questions are:

- How do we get there?
- What form of governance will make the necessary changes happen at the speed and scale required?

In the discussions that follow we try and address these questions in line with *Vision 2050*. These 'must haves' lay the foundation for the path that leads to achieving the WBCSD's *Vision 2050*, and help establish the conditions needed to move onto a sustainable path.



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People and human development

WBCSD's pathway to Vision 2050:

The 2020 'must haves':

- Addressing the development needs of billions of people, enabling education and economic empowerment, particularly of women, and developing radically more eco-efficient solutions, lifestyles and behaviour
- Access to basic services



Mondi's response

We provide a platform for employees, including those who are directly and indirectly employed at our operations, to work productively and develop their skills, education and life perspectives, while they become economically empowered and contribute to the wellbeing of their societies. In turn, our future success, growth, sustainability and development depend on the skills, education, innovation and commitment – developed in diverse, rich, safe and inspiring work environments – of our employees.

We provide direct employment and livelihoods for around 25,700 people across the world, and through our contractors, suppliers and customers affect the wellbeing of an even larger network of society. We recognise that we have a responsibility towards the safety, health and wellbeing of our people as well as the communities where we operate and that we in turn rely on their productive input and socioeconomic prosperity for the success and future of our business.

By their nature, our forestry operations are located in rural areas, and in the vicinity of small towns, where we are a significant employer, with extensive socioeconomic reach. We seek to ensure an enduring net positive impact.

Our approach

We uphold the labour rights set out in the Fundamental Rights Convention of the International Labour Organisation and subscribe to the Universal Declaration of Human Rights and the Voluntary Principles on Security and Human Rights. This is embodied in our Sustainable Development Management System (SDMS) which ensures the provision of a fair, safe and healthy workplace for all employees, free from discrimination, harassment and abuse.

Collective bargaining practices differ from country to country. Our SDMS ensures compliance with local legislation and ensures that employment practices are fair and that employees are represented appropriately.

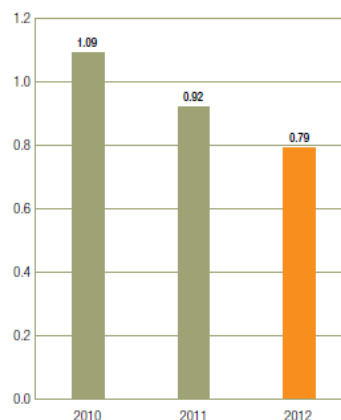
While we believe in developing local talent and local leaders, we also see the value of sharing talent across international boundaries. We invest in the training and development of our employees and contractors, not only so they may undertake their jobs safely and productively, but also so that they may fulfil their potential.

Equal opportunity

In a number of countries in which we operate, the advancement of women within the workplace is embedded within labour legislation. We provide equal opportunities for men and women in the Group. While the nature of our industry and the available skills pool pose inherent challenges in employing women, we develop our female workforce by providing access to bursaries, as well as on-the-job and skills training.

Our global employment policy prohibits harassment of any kind in the workplace. Appropriate mechanisms, such as grievance procedures are in place to support this.

TRCR (per 200,000 hours worked)



Our commitment: We will safeguard the wellbeing of employees and contractors, secure key talent and skills, and develop employees to their full potential

Our commitment	Progress in 2012
Support diversity, and continue to report the diversity of our workforce.	While Mondi does not discriminate in its recruitment and promotion, there are more men (80%) than women (20%) in the Group (2011: men 80%; women 20%). Around 16% of our management are women. In South Africa, previously disadvantaged individuals (PDIs) make up 43% of management.

Our commitment	Progress in 2012
Prevent work-related employee and contractor fatalities.	Regrettably, there were two fatal accidents in 2012.
Prevent work-related life-altering* employee and contractor injury.	We experienced three life-altering injuries in 2012.
Achieve a Total recordable case rate (TRCR) of 0.75 or below by 2015, including employees and contractors, against a 2010 base year. This requires an improvement of 33%.	Our Group TRCR in 2012 was 0.79 per 200,000 hours worked. This is a decrease on the TRCR in 2011, and just below our 2015 target. The TRCR for the South African operations was 0.68 per 200,000 hours worked in 2012, and 0.86 per 200,000 hours worked for E&I. Since 2010, we have achieved a decrease in our TRCR of 28%.
Facilitate access to comprehensive primary health care, including anti-retroviral therapy (ART) for employees and contractors.	A total of 1,198 employees and contractors participated in our wellness programme in 2012 (2011: 66). ART is made available to all employees and contractors, and many community members. 175 employees and contractors received ART through Mondi's four forestry mobile clinics in 2012 (2011: 40). These mobile clinics service rural communities (including our employees and contractors) in our South African forestry operations, and provide access to healthcare to more than 175 people in 2012.
Continue to engage with the UN Global Compact (UNGC) and promote and support the implementation of its 10 principles.	We continued to engage with the UNGC and reported our Communication on Progress (COP) once again in August 2012. We continue to report at an advanced level.
Revise our community complaints system by 2012 and focus on the reduction of odour-related complaints.	Odour-related complaints were reduced by 25% to 13% in 2012.
All mills and forestry operations to have a rolling community engagement plans (CEP), and Russian and South African forestry and mill operations to have a socioeconomic assessment toolbox process (SEAT) process updated on a three-to-five year cycle.	All forestry operations and all socially material mills have CEPs in place and we are working to include all mills in 2013.

* As we progress with monitoring our total recordable injuries, we put greater focus on reducing not only the number of injuries, but also their severity. We are committed to preventing injuries that would change the injured person's life, such as permanent impairments.

Educating and developing our employees

Training and awareness programmes in respect of safety, human rights and other labour-related issues are undertaken on a regular basis at an operational level.

Leadership development programmes play an important role in identifying and developing talent within the Group. Locally designed and implemented operational level leadership development programmes are tailored to meet operational and employee needs. Mondi's approach to talent management is coordinated across the Group.

Our skills development programmes include long-learning initiatives aligned to career path development plans, learnerships in pulp and paper technology; fitting and turning; electrical; millwright; instrumentation; boilermaking; rigging and earthmoving equipment mechanics apprenticeships; and the provision of bursaries and study assistance.

Diversity



Community development

We make every effort to be a reliable and responsible neighbour at all our operations. Our SEAT process is fully transparent, involves a wide range of internal and external stakeholders and is used as a basis for the identification, monitoring and management of each operation's socioeconomic and environmental impacts, and to improve our social performance in response. SEAT reviews monitor our positive and negative impacts on local communities, non-governmental organisations (NGOs) and government and the quality, relevance, scope and effectiveness of our corporate social investments and projects.

Our CEPs provide the basis of our engagement and support of local communities, and reflect the nature of our operations and their impact. CEPs are in place at our socially material mills and forestry operations and assist us in maintaining constructive dialogue, so that communities may raise any concerns which will, in turn, be addressed. Mutually acceptable monitoring mechanisms, developed in collaboration with local communities, monitor the effectiveness of our community engagement. Our aim is to ensure that CEPs deliver a net social and economic advantage as a result of our activities.

CASE STUDIES

SEAT reports 2012

We make every effort to be a reliable and responsible neighbour at all our operations and engage openly with a wide range of internal and external stakeholders through our SEAT process. Read case studies:

[Richards Bay, SEAT 2012](#) and [Syktyvkar Mill, Russia, SEAT 2012](#)



Our performance

Safety

Our employees and contractors work in potentially dangerous environments. We seek to create a culture where responsibility for safety and health is shared. Visible management commitment and learning from experience are critical elements in our progression towards achieving zero harm in the workplace.

A risk-based approach underpins our safety and health programmes. All business units and operations are required to have safety improvement plans in place which are aligned with our systematic and standardised approach to safety management to drive continuous improvement.

CASE STUDY

Russian logging camps

Working in the logging operations in Russia's vast and remote Komi forests is challenging to say the least. Logging operation employees typically live away from home in temporary camps for up to 15 days at a time, often in temperatures as low as minus 40°C. [Read case study ●●●](#)



Health

Our occupational health systems vary between operations and regions, as do the specific local occupational health stressors present. Our approach to occupational health and well-being is holistic, focusing on ill health prevention, promoting the correct use of personal protective equipment and providing treatment.

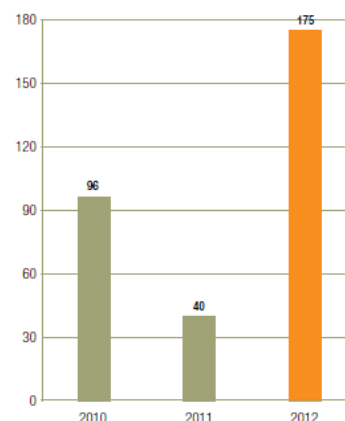
Operations are encouraged to host employee health days, in which various medical practitioners and health care providers participate and provide employees with health care monitoring services such as eye, blood and sugar level tests.

HIV/AIDS in South Africa

HIV/AIDS continues to cause illness and deaths among employees (particularly forestry contractors) and community members in South Africa. Our efforts are aimed at improving employees' understanding of the condition; managing the impact of HIV/AIDS in the workplace; managing HIV-associated illnesses and disabilities; and eradicating discrimination.

We provide treatment to employees and create awareness of the disease to avoid onward infection and to encourage testing and counselling. Free ART, voluntary counselling and testing (VCT) and disease monitoring are available to all affected employees at our mills. In addition, mobile clinics service rural communities and provide access to healthcare in our forestry operations.

Number of people on ART (South Africa)



Corporate social investment

Corporate social investment activities take into consideration and reflect the priorities of local people; the principles of sustainable development; Mondi's interests; and the cost effectiveness of projects. We ensure that we invest in those programmes that are most relevant to the needs of our employees and the communities in which they live and work. During 2012, Mondi contributed €14.3 million towards charitable donations and CSI projects (2011: €17.3 million).

Community development

While we understand that there may be site-specific imperatives, our community investment is focused on the following priorities:

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

Respecting the rights of indigenous people

We respect the rights of indigenous people and play a positive role in preserving these rights, whether they relate to the traditional use of forests, or addressing the legacy of forced removals of indigenous peoples from forest land.

At our Syktyvkar operation in Russia, we have an agreement in place with the indigenous Udorachi people in the Udorsky Region that recognises the Udorachi's rights to traditional use of the forest, which includes hunting, fishing and the collection of berries and traditional medicine plants. The Udorachi are consulted whenever operations are planned.

Food security

Food security remains a critical issue among South African communities and Mondi's contractors, who are mainly women, are particularly affected by this. Not only does the lack of food security have an impact on quality of life and long-term health, but malnourished employees lack the energy required for demanding physical tasks and often experience fatigue and poor concentration, which decreases productivity and increases the risk of injury. This is exacerbated for employees with HIV/AIDS, where nutrition plays an important role in overall wellbeing.

Mondi's Food4Forests programme – first launched in 2008 – ensures that all contractor employees working in South African forestry operations receive and consume a nutritionally-balanced meal during the course of their day's work. In excess of 1.5 million meals were provided by this programme in 2012.



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Forests and associated ecosystems

WBCSD's pathway to Vision 2050

The 2020 'must haves':

- Halting deforestation and increasing yields from planted forest
- Incorporating the cost of externalities, starting with carbon, ecosystem services and water



Facts and trends

The WBCSD Forest Solutions Group, of which we are a member, has indicated the following facts and trends relating to forests in 2012:

WBCSD Forest Solutions Group: Facts & Trends	
Facts	Trends
<ul style="list-style-type: none"> • Forests cover almost one-third of the world's land surface. • About 36% are primary forests, 7% are planted forests and 58% are classified as other naturally generated forests. • Carbon stocks are increasing, yet net forest area continues to decline due to persistent deforestation in the southern hemisphere, primarily in tropical forest areas. • Planted forest areas are growing rapidly, with much of this happening in China. 	<ul style="list-style-type: none"> • High-productivity planted forests provide a large and growing share of the wood required by the forest products industry. • Sustainable forest management and wood procurement certification programmes continue to grow, with about onequarter of industrial roundwood now coming from certified forests. • Planted forests tend to be more productive than natural forests and thus better meet the demand for roundwood; high productivity planted forests supply a growing share of global fibre demand. • In eight out of 10 top producing countries, forest cover tends to be stable.

Source: WBCSD Forest Solutions Group: Facts & Trends: Forests, Forest Products, Carbon and Energy – see www.wbcsd.org

Mondi's response

We rely on healthy, functioning ecosystems for sourcing one of our primary raw materials, wood. In turn, as a custodian of more than two million hectares of land, we have a responsibility towards wider society to preserve and sustainably manage the land we own and lease.

We value our forests and associated ecosystems, and take seriously our role as custodians of these natural resources.

We understand that forests are an essential component of life. In addition to the vast supplies of wood, fibre and non-timber forests products, they provide an extensive range of ecosystem services, far in excess of many other land uses. Forests and associated ecosystem services, such as biological diversity, fibre production, water regulation and the mitigation of climate change are increasingly recognised as integral components of sustainable forest management.

Our commitment: *We recognise concerns regarding forestry and will manage our forests in a responsible manner*

Our commitment	Progress in 2012
Implement Ecosystem management plans (EMPs) at all forestry locations by 2013.	All of our forestry operations will have EMPs in place by 2013.
Report on seedlings planted, our tree improvements, the invasive species' fight back and our work on pest and disease resistance.	In total we planted some 31 million seedlings in 2012. We report on tree improvements, invasive species eradication and pest and disease resistance under Responsible forestry: High conservation value areas
Report on land set aside for conservation purposes.	In 2012, 25% of land managed (owned and leased) was set aside for conservation purposes.
Participate in Worldwide fund for nature's (WWF) NGP project and is committed to the concept.	Mondi has continued to participate in the WWF NGP (New Generation Plantations) project and together with WWF (SA) will host the sub-Saharan Africa NGP meeting in 2013.
Continue to engage with the WBCSD as a platform to address the most contentious global sustainability matters affecting our business.	We support and participate in WBCSD's forestry, ecosystems, water and energy/climate change focus groups/projects.
Continue to work with our stakeholders to identify areas of high conservation value (HCV) in Komi, Russia and South Africa.	523,814 hectares of HCV areas identified to date, 1,554 hectares in South Africa and 522,260 hectares in Komi, Russia.
All mill operations to be certified to ISO 14001 and OHSAS 18001.	14 of our mills (100%) were ISO 14001 and OHSAS 18001 certified in 2012.
All forestry operations to be certified to ISO 14001 during 2013.	We are on track for full certification by 2013.

Our commitment	Progress in 2012
Maintain our Chain-of-Custody (CoC) certifications for our mills and certify Stambolijski, Bulgaria during 2013.	13 of our mills (93%) have certification. We aim to certify Stambolijski to Forest Stewardship Council™ (FSC™) CoC standards during 2013. This will however be dependent on the Bulgarian State Forest making sufficient volume of certified material available.
Maintain our FSC certification of all owned, leased and managed forests.	In 2012 we maintained certification of 100% of our owned, leased and managed forests.
Procure over 60% of wood, virgin fibre and biomass products from credible certified sources. The balance will be sourced with products as defined in the FSC Controlled Wood Standard (FSC-STD-40-005 V.2) or PEFC Mandatory Guide for the Avoidance of Controversial Timber.	65% of our timber was sourced from CoC-certified materials in 2012, an improvement of 8% against 2010.

Our approach

Wood is one of our primary raw materials. Ensuring that we meet the requirements of responsible forestry practices, from the management of our own forests through to the procurement of our wood and fibre through the supply chain, is a fundamental business imperative. The sustainability of our resources will ensure this continued access, and that we are able to continue to meet customer requirements.

Our approach to business is guided by our belief in and commitment to responsible, sustainable forestry. We constantly consider the productive capability, biological integrity and community needs of the forests that we own and manage and from which we source substantial volumes of our fibre, particularly in Russia and South Africa. Our approach includes the responsible sourcing of the raw input materials that we do not produce, so that the origins and legality are traceable, and can be independently verified according to our minimum wood standards.

This provides the certainty that our operations do not cause deforestation and do not involve illegal logging at any stage.

We are aware of the growing recognition of the real value of forests and associated ecosystem services and the increasing global attention on the wider values related to livelihoods, health, wellbeing, water and biodiversity. Our strategy and management practices incorporate these broader shared values.

We minimise the impact of our plantation and forestry activities on the environment by helping to protect vulnerable ecosystems such as indigenous forests, wetlands and grasslands, and we limit the use of our natural resources.

We do not convert natural forests, wetlands or protected areas into plantations and the conversion of grasslands or degraded agricultural lands is subject to an environmental impact assessment and a national multi-stakeholder licence application procedure which ensures adequate protection of water resources and biodiversity, including HCV grasslands. We set aside land under management for conservation purposes.

SD *Responsible forest management has an important role to play in dealing with climate change see [our response to energy and climate change](#)*

Our performance

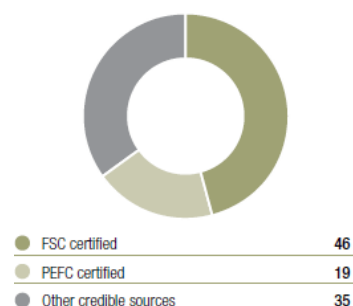
Certification

The adoption of voluntary standards plays an important role in the development of internal skills and resources, monitoring and validation and in our drive towards continuous improvement while third party certification is a critical component of our 'licence', and an ever-increasing requirement within the industry.

100% of our leased, owned and managed forests in Russia and South Africa are FSC certified. Mondi also supports and uses the FSC standard, the PEFC standard or the FSC Controlled Wood Standard for wood and fibre purchased. Where this is not possible, we insist on compliance with our own Procurement of Wood, Virgin Fibre and Biomass Requirement, which stipulates the FSC Controlled Wood standard or the PEFC's Mandatory Guide for the Avoidance of Controversial Timber, and ensures that no wood or fibre originates from illegal or controversial sources and no sourcing leads to deforestation. Both FSC and PEFC are committed to implementing important improvements to their systems that, together with Mondi's practice, will meet the requirements of the Due Diligence System Implementing Act for the EU Timber Regulations which come into effect in March 2013. With the exception of Stambolijski, Bulgaria, all of our mills are certified to internationally credible CoC standards. We still aim to certify Stambolijski to FSC CoC standards during 2013. This will however be dependent on the Bulgarian State Forest making sufficient volume of certified material available.

Our ability to achieve increased certified wood percentages on an ongoing basis depends to a large degree upon the availability of certified products from external suppliers, in particular from small growers. In 2012, 65% of wood supplied to our processing plants was FSC or PEFC certified, an improvement of 8% against 2010. Our potential wood self-sufficiency (wood sourced from our FSC-certified owned or leased forests) is 53.2%.

Certification of wood (%)



CASE STUDY

Active stewardship and Mondi South Africa's ecosystem management plans

Mondi recognises the importance of setting aside areas to conserve functioning ecosystems, biodiversity and endangered species. [Read case study](#) ●●●



Our forestry footprint

We own or lease 305,952 hectares of land in South Africa, of which 202,466 hectares –around 66% – are planted with hardwoods and softwoods. We also lease and manage 2.1 million hectares of boreal forests in Russia. All of our leased, owned and managed land is FSC certified.

We are not involved in illegal logging and strict sourcing requirements are in place. We do not harvest Mixed Tropical Hardwood or species outlined by the Convention on International Trade and Endangered Species and we do not grow or harvest genetically modified trees. Although we fell trees, we are not party to deforestation. For every tree felled in our plantation forests, at least one other is planted to replace it. In our natural forests, felled areas are left to regenerate naturally and poor regeneration is supplemented with plantings.

Annual harvesting from our owned or managed forests in 2012 was 5.1 million m³* (2011: 4.6 million m³). Our annual sustained yield/annual allowable cut is estimated to be around 8.2 million m³. During the year, we planted some 31 million seedlings (2011: 32 million seedlings).

In Russia, the annual allowable cut is determined by the state and forms part of the lease agreement. In South Africa, this is equal to the annual sustained yield. In central Europe our wood is supplied from external sources, mainly sustainably managed state forests.

In 2012, 522,260 hectares (25%) of our Russian landholdings and 76,398 hectares (25%) of our landholdings in South Africa were set aside for conservation.

* Wood volumes are reported in m³ across our reports, with this figure reflecting Solid Cubic Metres.



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Economy

WBCSD's pathway to Vision 2050

The 2020 'must haves':

- Addressing the development needs of billions of people
- Commitment to true value pricing
- Dissemination of technologies
- Halving carbon emissions



Facts and trends

The WBCSD Forest Solutions Group has indicated the following facts and trends relating to forest products in 2012:

WBCSD Forest Solutions Group: Forest products facts and trends	
Facts	Trends
<ul style="list-style-type: none"> • The forest products industry is an economically significant and highly competitive industry globally. • Between 25 and 30% of global wood products and paper manufacturing output is destined for export from the country of origin. • Harvesting of industrial roundwood has been stable despite increasing production of paper, paperboard and wood-based panels, due to the increasing use of recovered fibre. 	<ul style="list-style-type: none"> • Demand for forest biomass is increasing, particularly for energy production; this can present a challenge to conventional forest products manufacturers. • Producers of electricity and other energy products will sometimes be competing for forest biomass normally used for conventional forest products, driven by policies incentivising biomass for energy. If not carefully crafted, such policies can have adverse impacts on forests and ultimately can cause market distortions. • Global production and use of paper for recycling has been increasing dramatically since 1990.

Mondi's response

We add value to the communities in which we operate and society at large by creating wealth, employment and business and we contribute to the socioeconomic health and stability of these communities. In turn, we depend on the wellbeing of the societies in which we operate and the ecosystems on which we rely for our future success and development. We need to focus our future activities on adding value by meeting society's needs by contributing towards the eradication of poverty and achieving food security through job creation, providing innovative and responsible products, and ethical business and social conduct.

We believe that – to be successful – we need to identify and capitalise on emerging opportunities, particularly as consumers demand more environmentally responsible products and the global fight against climate change creates new opportunities.

Our commitment: *We will maintain our licence to trade, and secure our short, medium and long-term access to fibre*

Our commitment	Progress in 2012
Continue to disclose our carbon and forestry footprint performance.	Mondi was included in the Carbon Disclosure Project's (CDP) FTSE 350 Carbon Disclosure Leadership Index in the materials sector for the third consecutive year, as well as CDP's FTSE 350 Carbon Performance Leadership Index for the first time in 2012. Mondi once again reported at an advanced level under the United Nations Global Compact (UNGC). Mondi was also the sector leader in the Forest Footprint Disclosure in 2012.
Promote the Mondi brand by increasing the proportion of fibre-based products which are certified against a credible forestry standard.	65% of our timber-based ¹ products were sourced from Chain-of-Custody (CoC)-certified timber and the rest met the Forest Stewardship Council™ FSC™ Controlled Wood Standard or the PEFC's Mandatory Guide for the Avoidance of Controversial Timber.
Increase the number of products in the Green Range, including non-fibre-based products.	At the end of 2012, the Green Range represented 38% of all products in our portfolio.
All operations that are involved in producing food contact packaging certified to a recognised food hygiene standard.	By the end of 2012, 36 of all our food contact packaging operations (61%) were certified to a recognised food hygiene standard ² . The other operations have implemented a hygiene management system according to Good Manufacturing Practice ³ .
Continue to work with our South African forestry partners to provide support to land reform beneficiaries in an effort to sustain productivity after the land has been transferred.	By the end of 2012, 23% of land claims had been settled. Of the 36,300 hectares transferred to claimant communities, 17,500 hectares were transferred in 2012.

¹ The raw materials used for our fibre-based products consist of wood timber, purchased pulp, paper for recycling and finished paper. Wood timber (in the form of wood chips and wood logs, sourced from our leased forests in Russia and our own plantations in South Africa, or purchased from the market) covers the absolute majority of our fibre needs. Our current Group-level reporting systems allow us to monitor the CoC-certified timber volumes in detail while CoC certification of our other fibre needs – pulp, paper for recycling and finished paper – are currently not available at a Group level. We are working towards improving our reporting systems to cover certification details for all sources of fibre and will publicly report on these in our future reports.

² The food hygiene standards that Mondi's operations are certified against include: ISO 2200, EN 15593, BRC/IoP or AIB.

Our approach

At Mondi, we secure our social licence to trade, from communities and regulators alike, through third party certification. In addition to our financial capital, we recognise the value of our natural capital including ecological infrastructure (ecosystem services) and our social capital. This, coupled with our resource-efficient work ethic, means we approach our long-term growth in a responsible, sustainable way.

Our drive towards providing safe, fulfilling work for all our employees has resulted in modernising our operations. By providing higher-skilled jobs, employees improve their skills and earn increased salaries. Further, modernisation has – and will – result in increased labour productivity, and lower overall operating costs.

Our forestry operations are located in rural communities, where there are limited alternative economic opportunities and the South African forest sector offers significant business opportunities for small and medium enterprises (SMEs) and entrepreneurs. We support enterprise development and new market entrants in establishing viable businesses through our preferential procurement policies.

In Russia, we have agreements in place with local municipalities requiring logging operations to support small businesses and invest in local infrastructure projects, particularly upgrading roads. By supporting small businesses in surrounding communities – specifically the agricultural sector, recreation and tourism – 207 jobs were created. In 2012 we also approved six additional forestry entrepreneurship projects.

Our performance

Securing access to fibre

The total amount of wood procured by Mondi in 2012 was 16.3 million m³ (2011: 16.8 million m³), of which 10.6 million m³ (2011: 10.3 million) or 65% (2011: 61%) was FSC/PEFC certified. We consumed 1.5 million tonnes of paper for recycling (2011: 1.5 million tonnes) and 3.8 million tonnes of pulp (2011: 3.5 million tonnes) during the year.

Value added

Our Integrated report and financial statements 2012 provide a comprehensive review of our operational and financial performance. In addition to the conventional accounting formats of our consolidated statements of comprehensive income and cash flows and the consolidated statement of financial position, our value added statement provides a useful account of our efforts to create and distribute economic value to a broad range of stakeholders, including employees, investors, suppliers and communities, along with local, regional and national governments (through taxation).

Meeting customers' needs

Our in-depth understanding of our customers' markets, products and needs helps us to contribute to their success and helps us to achieve and maintain our competitive advantage by meeting their specific requirements. Increased customer demand for product differentiation and facility location has led us to further evolve our strategy to place greater emphasis on packaging and fast-growing emerging markets. This deliberate transition places us in an ideal position to benefit from new opportunities, ensuring a sustainable business.

The Green Range is Mondi's umbrella brand for packaging and paper solutions that are part of our drive to become more eco-efficient. The products are optimised to save natural resources and reduce waste, and are certified by internationally-recognised bodies for their sustainability. The range promotes environmentally preferred purchasing, supporting our customers and their consumers in their efforts to be more environmentally responsible. While greener products do not necessarily attract higher margins, they influence market share, enabling us to retain existing customers and attract new ones. Developing cost-efficient, high-performance, environmentally sound solutions is a cornerstone of our business strategy.

Modernisation

Mondi has achieved significant milestones in improving working conditions in its forestry operations in Russia and South Africa. The objective over several years has been to develop operational practices that meet international good practice standards and to ensure international competitiveness.

The modernisation and mechanisation programme with its focus on achieving both decent working conditions and competitive operations, will inevitably result in fewer but higher skilled and better paid jobs. To mitigate this impact, as an example in South Africa, Mondi established an enterprise development unit, Mondi Zimele, to support and promote small and medium sized enterprises by making equity, loans and development support available. Since Mondi Zimele's inception in 2006, in excess of 2,700 jobs have been created. In 2012, together with the Development Bank of Southern Africa, €13.2 million has been invested into the project with the goal to create a further 3,500 jobs within three years.

SD Our modernisation initiative is discussed in more detail under [Economic performance: modernisation](#)

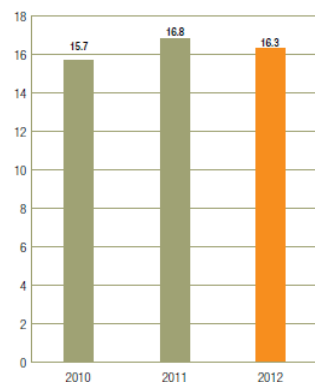
Land claims in South Africa

In reaching settlements in respect of land claims, we seek a long-term sustainable solution that secures a sustainable supply of fibre to our mills. This may include leasebacks or joint ventures, always undertaken in partnership with the new landowners to facilitate land reform rather than merely land restitution.

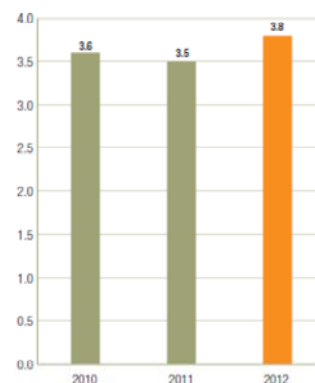
We have developed an innovative model for engaging and settling with land claimant communities in South Africa and are working constructively with government and communities to develop claimant communities into sustainable forestry enterprises.

In 2012, we settled eight more land claims (bringing the total number of settled claims to 19) involving 17,500 hectares of Mondi land under forestry. A total of 36,300 hectares of Mondi's forestry land have been transferred to community beneficiaries.

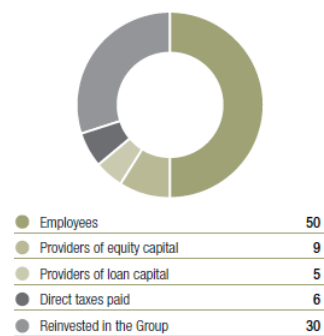
Wood procured (million m³)



Pulp used (million tonnes)



Distribution of value (%)



To date,
has cre



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Energy and climate change

WBCSD's pathway to Vision 2050

The 2020 'must haves':

- Halving carbon emissions worldwide (based on 2005 levels) by 2050, with GHG emissions peaking around 2020 through a shift to lowcarbon energy systems and highly improved demand-side energy efficiency
- Providing universal access to low carbon mobility



Facts and trends

The WBCSD Forest Solutions Group has indicated the following facts and trends relating to carbon and energy in 2012:

WBCSD Forest Solutions Group: Carbon facts and trends	
Facts	Trends
<ul style="list-style-type: none"> • Forests and forest products store carbon; wood is an inherently lowcarbon intensity material. • Forest products also reduce societal emissions of greenhouse gases (GHGs) when they displace more GHGintensive products in commerce. • The benefits of substituting woodbased building materials for alternative materials are especially significant. 	<ul style="list-style-type: none"> • The carbon stocks in global forests are currently increasing by about 1Gt of carbon per year due to reduced rates of deforestation and forest growth and expansion. • The annual net growth in the stocks of carbon in forest products represents a large enough removal of carbon from the atmosphere to offset one-half or more of the emissions from the forest products value chain.
WBCSD Forest Solutions Group: Energy facts and trends	
<ul style="list-style-type: none"> • Energy consumption by the forest products industry represents about 1.5 to 2% of global final energy use. • Approximately one-half of the energy required by the industry is supplied by biomass. • The paper industry is a world leader in using combined heat and power (CHP) and has significantly reduced its energy consumption compared to 1990 levels. • Most of the emissions from the forest products value chain are associated with fossil fuel combustion, purchased electricity and methane attributable to the decomposition of discarded forest products in landfills. 	<ul style="list-style-type: none"> • The sector continues to improve its energy efficiency. • Estimates indicate that current levels of paper recycling are avoiding the release of approximately 300 million tons of CO₂ equivalents in landfill methane per year. • Growth in the pool of carbon in products is adequate to offset one half of the industry's value chain emissions.

Mondi's response

Securing clean, sustainable and competitive energy to run our business processes while decreasing our carbon intensity is both a business imperative and a social and environmental one. This will enable us to become and remain a competitive, responsible and sustainable business whose existence and the value it adds are relevant and essential in a world threatened by climate change.

We recognise the contribution of our energy-intensive business to the GHG emissions causing climate change. We have also considered the consequences of climate change on our business, our business environment and our communities, and the means through which these consequences may be mitigated and the opportunities that low-carbon economy can provide our business. Reducing carbon emissions from fossil fuel energy generation, deforestation and forest degradation is fundamental to international efforts to address climate change.

Our commitment: We will understand and minimise our contribution to climate change and take advantage of the potential opportunities presented by forestry in its mitigation

Our commitment	Progress in 2012
Reduce our CO ₂ e emissions per unit of saleable production from our mills by 15%, by 2014, against a 2004 base year.	We have reduced our CO ₂ e emissions per unit of saleable production by 25% since 2004.
Reduce our carbon-based energy consumption per unit of saleable production from our mills by 15%, by 2014, against a 2004 base year.	We have reduced our carbon-based energy consumption per unit of saleable production by 16% since 2004.
Progress towards becoming a carbon-neutral Group in the longer term, by increasing the proportion of renewable resources for primary energy needs against the 2010 base year.	58% of our fuel consumption at our material operations was derived from biomass in 2012 (2011: 58%).
Progress towards becoming self-sufficient in electrical energy in the longer term.	We achieved 93% self-sufficiency in electricity in 2012.

Our approach

Energy generation and consumption contributes significantly to GHG emissions. Our climate change programme is therefore largely directed at optimising our energy usage and increasing our use of renewable energy.

We are improving our energy efficiency and reducing our CO₂e emissions from the use of fuel by:

- improving the energy efficiency of our production processes;
- further increasing energy generation through CHP technology;
- increasing our use of biomass-based fuels for energy generation; and
- switching to low carbon fuels throughout the process chain.

In 2004 Mondi embarked on a strategy to become self-sufficient in electricity. In 2012, we achieved 93% self-sufficiency across all material operations. Our energy related projects, totalling around €300 million in capital expenditure, are expected to generate benefits with returns well in excess of our targeted return on capital employed from 2014 onwards.

IR Our energy related projects are discussed in more detail in the [chief executive's review](#).

Our performance

Meeting climate change regulation

We have considered the physical and non-physical impacts of climate change on both our business and our markets in relation to both risks and opportunities.

The majority of our European operations fall under the European Union's Emissions Trading Scheme which has published benchmarking targets for period III (2013-2020), significantly limiting the CO₂ allowances of European paper and pulp producers.

Our pulp and paper manufacturing operations in South Africa rely largely on the national energy utility, which, in turn, is dependent on fossil fuels as a source. Planned legislation to achieve a reduction of GHG emissions in South Africa could impose a reduction to 34% below the business-as-usual baseline by 2020 and 42% below the business-as-usual baseline by 2025.

Energy use and carbon footprint

Rising production volumes will continue to increase our absolute energy consumption. In 2012, total energy use was 147.2 million GJ (2011: 146.9 million GJ) by our material operations and 2.6 million GJ (2011: 2.6 million GJ) by our converters. Total electricity requirements for producing pulp and paper amounted to 5.5 million MWh (2011: 5.4 million MWh), with 93% of this electricity generated by our own power plants, using 63.2 million GJ of fossil fuels and 79.8 million GJ of biomass.

In 2012, our direct (scope 1) Group-wide GHG emissions amounted to 4.20 million tonnes CO₂e (2011: 4.27 million tonnes CO₂e) from our material operations and 0.12 million tonnes CO₂e (2011: 0.12 million tonnes CO₂e) from our converters, while our indirect (scope 2) emissions from purchased energy were 1.17 million tonnes CO₂e (2011: 1.00 million tonnes CO₂e) from our material operations and 0.10 million tonnes CO₂e (2011: 0.11 million tonnes CO₂e) from our converters. Our indirect emissions (scope 3) from transporting our products and raw materials, employee commuting, business travel and raw materials are estimated to amount to 2 million tonnes CO₂e (2011: 2 million tonnes CO₂e). Mondi sees an increasing need to account for GHG emissions along our value chains.

Improving energy efficiency

Our energy projects are designed to improve the way we generate and consume energy, to increase profitability and competitiveness by optimising costs and efficiency improvements and to achieve productivity improvements.

Increasing energy generation through CHP technology

One of the ways in which we optimise energy consumption (and reduce CO₂e emissions) is by maximising the use of CHP technology. By providing on-site power generation, waste heat recovery and systems integrations, CHP offers a realistic, near-term solution for exceptional energy efficiency and emission reduction. The use of this technology results in a saving of more than 30% of primary energy compared with conventional electricity generation.

Using biomass-based fuels for energy generation

Energy security is a global concern and the current largely fossil-fuel based energy paradigm is unsustainable. Forest biomass provides a vast source of renewable energy in contrast to increasingly scarce fossil fuels. Around one-tenth of global energy supply is produced by making use of biomass.

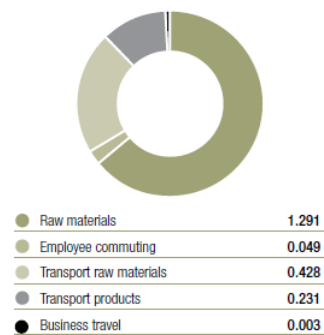
We use biomass energy sources such as black liquor, a solution of residues from the Kraft process, as an alternative to fossil fuels at all of our chemical pulp mills. This has enabled a number of our operations to be completely energy self-sufficient and net green energy providers to local communities and third parties. An added benefit of using biomass, specifically bark and timber, is that this material would have been sent to landfill if not used as fuel.

Carbon sequestration

Carbon sequestration by our sustainably managed plantations partly offsets the carbon emitted through our industrial operations, reducing our overall carbon footprint. As a result, tree sequestration helps us control the carbon performance of our supply chain. We report that only the carbon sequestered by our South African plantations has a 'positive impact' on carbon reduction, while our natural forests in Russia are seen as 'carbon neutral' – having neither a positive nor a negative CO₂ impact. Our boreal forests are managed sustainably and ensure that carbon stocks keep growing or at least remain the same. They safeguard biodiversity and some have been set aside for conservation.

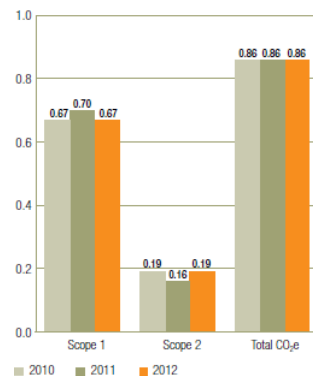
The carbon sequestration of our South African plantations resulted in the avoidance of around 4.1 million CO₂e tonnes in 2012.

Scope 3 emissions (million tonnes)



In 2012
93% se.

Specific CO₂e emissions from our material operations (CO₂e tonnes/tonnes of saleable production)



CASE STUDY

New steam turbine for Richards Bay mill in South Africa

Mondi is in the process of installing a new steam-powered turbine at its Richards Bay mill, which will result in many positive spin-offs for the Group, the country's electrical power supply and the environment. [Read case study](#) ●●●





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Materials

WBCSD's pathway to Vision 2050

The 2020 'must haves':

- Delivering a four-to-tenfold improvement in the use of resources and materials
- Closed loop design
- Landfills phased out



Mondi's response

As a manufacturer of goods, we rely on raw materials such as fibre, polymers, metal, chemicals and water to create our products. In a resource-constrained world, our business prospects and our corporate image as an ethical, responsible and sustainable Group will be jeopardised if we do not consume, convert and dispose of these resources efficiently, innovatively and responsibly throughout the life cycle of our products.

Our aim is to deliver value to our customers by developing solutions for their success through the transformation of responsibly sourced raw materials into innovative packing and paper solutions that meet customer needs in a responsible and sustainable way.

Our approach

We believe that acting in an environmentally responsible way is not only the right thing to do, it also delivers tangible benefits such as protecting the ecosystems upon which our products depend; sustaining our business and our reputation; achieving long-term profits and cost advantages; improving the economies of local communities, thereby ensuring that our business, in turn, prospers; benefiting from new business opportunities; risk prevention; and the traceability of specific products.

Each step in the life cycle of our products has an impact on the environment. We actively manage the environmental, safety and health impacts of our products throughout their life cycle and our approach is based on the Life-Cycle Initiative set out in the United Nations Environmental Programme.

Our commitment: *We will increase the eco-efficiency of our products*

Our commitment	Progress in 2012
Progress towards becoming a zero waste Group by reducing the total waste to landfill by 20% by 2015, against a 2010 base year.	We have reduced our total waste to landfill by 9% since 2010.
Reduce total recordable sulphur (TRS) emissions from our mill operations by 20% in 2015, against a 2010 base year.	We have reduced our TRS emissions from our mill operations by 7% since 2010.
Reduce our effluent load into the environment, either directly or indirectly discharged, by 10% in 2015, against a 2010 base year.	We have achieved a 6% reduction of chemical oxygen demand (COD) since 2010.
Continue to report our consumption of paper for recycling.	We consumed 1.5 million tonnes of paper for recycling (about a third of our pulp consumed).

Our performance

Using our resources wisely

Wood remains an essential raw material for all of our paper-based products. From wood fibre we produce pulp, the basic ingredient of all paper and paper-based packaging. We use the pulp produced 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 paper for recycling. In the mechanical pulping process, the raw cellulose-bearing material is broken down into individual fibres. In chemical pulping, chemicals are used to dissolve the lignin and free the fibres.

Paper for recycling has become an indispensable raw material for our business. In 2012, we used some 1.5 million tonnes of paper for recycling (2011: 1.5 million tonnes) to produce pulp for paper and newsprint – this amounted to about a third of the total amount of pulp used during the year. 65% of our timber-based* products were sourced from Chain-of-Custody (CoC)-certified timber.

* The raw materials used for our fibre-based products consist of wood timber, purchased pulp, paper for recycling and finished paper. Wood timber (in the form of wood chips and wood logs, sourced from our leased forests in Russia and our own plantations in South Africa, or purchased from the market) covers the absolute majority of our fibre needs. Our current Group-level reporting systems allow us to monitor the CoC-certified timber volumes in detail while CoC certification of our other fibre needs – pulp, paper for recycling and finished paper – are currently not available at a Group level. We are working towards improving our reporting systems to cover certification details for all sources of fibre and will publicly report on these in our future reports.

Managing waste and recycling

We carefully monitor all forms of process waste. Our main waste streams are green liquor, boiler ash, lime mud, waste paper rejects and fibre sludge. Instead of disposing most of our waste in landfills, we recycle, re-use or use our waste mainly as a secondary fuel for energy.

Around one third of our pulp comes from paper for recycling. Materials that are too degraded for use in paper or board products are still fit to provide carbon-neutral energy. Corrugated packaging consists on average of around 80% recycled content that is 100% biodegradable and recyclable and provides optimal protection while at the same time minimising waste.

Between 2005 and 2010 we achieved a significant reduction of 36% of our total waste to landfill. A further reduction of 9% compared with 2010 was achieved in 2012. This was achieved by making further use of renewable energy and maximising the use of raw materials such as biomass, which is often sent to landfill sites when not used as fuel. In 2012, our Syktyvkar mill in Russia and our Stamboljiski mill in Bulgaria made increased use of biomass by recycling landfilled bark and reusing it in bark boilers to produce energy.

When recycling and re-use is not possible, our treatment options include:

- treatment for change of physical status and/or chemical composition (such as drying and filtration) or treatment to change hazardous to non-hazardous;
- combustion in incineration facilities (preferably with energy recovery); and
- landfilling.

In 2012, our total waste to landfill amounted to 266,642 tonnes, an 11% reduction on 2011. During 2012, we recorded 1,562 tonnes of hazardous waste to landfill due to permitting delays which necessitated the disposal of green liquor dregs at a hazardous landfill for a period of time, for our Richards Bay operation. Despite this hazardous waste to landfill increase, we have reduced our total waste to landfill by increasing the recycling and re-use of materials during 2012. Mondi remains committed to achieving zero waste to landfill in the future.

COD is the organic load being discharged by the Group in the form of grey or waste water after treatment. The COD reported for the Group was 47,049 tonnes in 2012 (2011: 46,987 tonnes). The Group's volume of COD lies within the Best Available Technique (BAT) range.

In 2012, our TRS emissions were 99 tonnes (2011: 90 tonnes). A total of 169 complaints were received (2011: 209 complaints), 82% relating to odour (2011: 89%).

Responsible and sustainable products

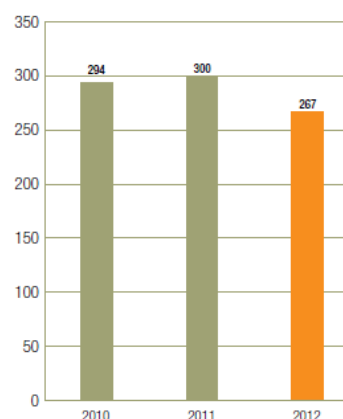
The delivery of environmentally and socially responsible packaging and paper products is an important component of the services we provide to our broad consumer base. An example is OLMO Paper 2.0+, an efficient and peelable process liner product, combining a Mondi paper with a special polymer layer that is tailor-made for the flexible foam industry. This product can also be recycled as part of the Zero Waste Concept at no waste disposal cost to its users. These cost savings and environmental benefits, together with its significantly improved runnability, is why OLMO Paper 2.0+ is presented as an example of how product innovation evolves to meet Mondi's customer needs.

Product carbon footprints

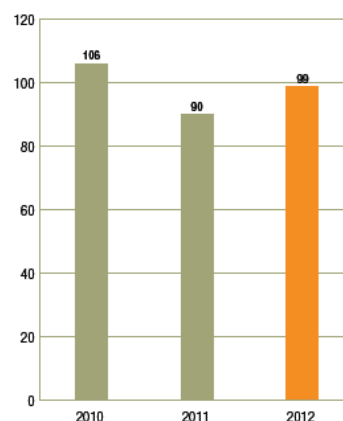
End customers are increasingly interested in carbon neutrality and demand products with a reduced carbon footprint. This has increased market demand for 'green' or carbon-neutral products. We actively engage with suppliers and customers to reduce our carbon footprint across the entire value chain.

We measure and manage our carbon footprint, so that we are able to support our customers by providing carbon footprint information for our products. We have been providing detailed carbon footprint information for all our products since 2010, including a computer-based product carbon footprint calculator, based on the 10 principles of the Confederation of European Paper Industry. This allows us to calculate the total carbon footprint for each product, and enables us to break down carbon data at the various stages of the supply chain and to determine the effect of GHG-reducing activities at every stage.

Total waste to landfill (000 tonnes)



TRS emissions (tonnes)



CASE STUDY

Driving innovation to become 'as green as it gets'

On 24 October 2012, Mondi hosted major players in the paper industry, NGOs, sustainability experts and interested members of the public gathered for a sustainability conference, called the Green Event. [Read case study](#) ● ● ●



For a full list of our products, go to www.mondigroup.com/products.



Richards Bay Mill, South Africa
Water treatment plant

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A global emerging issue – water

WBCSD's pathway to Vision 2050

The 2020 'must haves':

- Incorporating the cost of externalities
- Water efficiency
- Doubling of agricultural output without increasing land or water use



The challenge presented by increased water demand

The Food and Agriculture Organisation (FAO) estimates that only 1% of the earth's water is fresh, yet all life is ultimately dependent on it for survival. Fresh water is a renewable resource, yet the world's supply of clean, fresh water is steadily decreasing. As populations and industry grow, so does the depletion of available freshwater in lakes, rivers, dams and underground supplies.

Global demand for water is rising steadily and may outstrip supply by as much as 40% by 2030. Closing that gap to ensure that demand is met could cost as much as US\$50 billion per year for 20 years. As growing demand for water from industrialisation and population growth is compounded by climate change and the growing uncertainty of supply, the global economy will be reoriented towards businesses that take active stewardship of water resources and build resilience to shortages and floods.

Mondi's response

As a water-intensive business, we endeavour to consume and treat water responsibly and efficiently.

Our usage of and interaction with water is carefully considered in our environmental strategy and we have set concrete actions to reduce our direct water consumption and preserve and restore wetlands in our forests. We take this into account throughout our supply chain.

Our commitment: *We will promote the responsible use of water*

Our commitment	Progress in 2012
We will continue to work with our partners WWF and WESSA to support the Mondi Wetlands Programme (MWP) in South Africa and will involve local communities in educational, restoration and conservation activities where reasonable.	We have reported on the activities carried out by the MWP – see Responsible forestry: Protecting wetlands
We will continue to support Silver Taiga, a Komi regional non-profit foundation, in the development of the multi-stakeholder Model River project in Komi.	
We will carry out a water impact assessment (WIA) of our forestry operations and mills.	All our South African plantations and three out of 14 mills have undergone WIAs.
We will promote conservation, re-use and recycling practices to reduce specific contact water consumption by 10% by 2015, against a 2010 base year.	Our specific contact water has increased slightly from 33.2m ³ per tonne to 33.9m ³ per tonne since 2010, but still shows good progress against 2011 (34.9m ³ per tonne) and we are committed to improving it further.

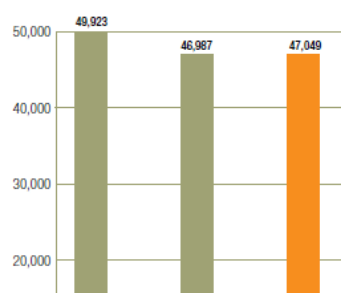
Our performance

Optimising water use

Water is a critical resource for the paper industry and is required during different stages in the production process, from growing wood to processing pulp into the final product, and also for 'non-contact' purposes such as cooling. Most of our water footprint is the 'green' water (the rain water stored in the soil as moisture) consumed during the forestry stage, where water is returned to the water cycle through evapotranspiration – the sum of evaporation (movement of water to the air) and transpiration (movement of water within a plant and subsequent passing of water vapour through leaves). In 2012, our total freshwater input was 307 million m³ (2011: 313 million m³).

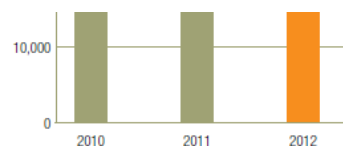
The water discharged after production is thoroughly treated before being released into the natural environment to ensure it is ecologically safe and meets regulatory requirements. In 2012, our operations discharged 328 million m³ (2011: 330 million m³) of water*.

Emissions to water – COD (tonnes)



The recycling of water is important to optimise our resource efficiency. We also use the energy content of warm and hot water to generate energy, which has a significant economic benefit. In 2012, Mondi achieved a 2% water input reduction through recycling and closing loops.

* Included in our water discharges is the waste water taken over from third parties and treated at our waste water treatment plants. This waste water from third parties (about 40 million m³ for 2012) is not reflected in our total water input figure reported.



Our water footprint

We calculated our water footprint at a Group level and at each operation using the Water Footprint Network's Assessment Manual's methodology in 2011. The water footprint of a product is defined as the total amount of fresh water needed to produce it. This methodology takes country-specific annual average freshwater volumes recorded by the FAO into account. The information obtained from the establishment of water footprints will allow us to initiate new projects to reduce water use and tighten our reduction targets.

CASE STUDY

Mondi's internal water impact assessments

Water is one of the most significant emerging global sustainability issues. For Mondi, it is important that we understand the impact we have on local water resources and to what extent our reliance on water makes us vulnerable or at risk. [Read case study](#) ● ● ●



Preserving wetlands

Wetlands play an important role in the management of water flows, including the purification and storage of water. They control erosion and reduce the severity of droughts and floods by regulating stream flow and recharging underground aquifers. Because our commercial activities use significant volumes of water, we rely on healthy wetlands and riparian zones.

Our sponsorship of the MWP and the Mondi Ecological Network Programme (MENP) continues to support sound science and practical solutions for wetland conservation and ecological networks to enhance biodiversity.

In our Russian operations wetlands and riparian areas are protected by compulsory buffer zones of indigenous forest. Mondi has been the catalyst in supporting Silver Taiga in the development of the multi-stakeholder Model River project in Komi. The first stage involving local and foreign specialists was focussed on the dynamics of selected pristine river systems in remote parts of Komi to define realistic benchmarks for assessing rivers in Komi.

Aside from these programmes, we actively engage with and support Non-governmental organisations (NGOs) and academic institutions to improve our understanding of plantation water issues in South Africa. The Water Research Commission, University of KwaZulu-Natal, University of the Free State and the Council for Scientific and Industrial Research have all made an important contribution to this understanding through projects carried out on Mondi land.



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Our response to global sustainability issues

Mondi is a member of the World Business Council for Sustainable Development (WBCSD) and a supporter of its *Vision 2050*, a vision that is gaining traction globally and advocates a sustainable future. WBCSD is focusing on identifying a pathway and defining what needs to be done by 2020 to achieve the outcome envisaged by *Vision 2050*. This report reflects some of the progress we have made in pursuit of the pathway.

The WBCSD pathway

WBCSD's Vision 2050: where nine billion people live well and within the limits of the planet

Vision 2050's pathway details critical areas in which vital developments, and an agreed set of 'must haves', need to be in place by 2020. These deal with:

- Addressing the development needs of billions of people, enabling education and economic empowerment, particularly of women, and developing radically more eco-efficient solutions, lifestyles and behaviour
- Incorporating the cost of externalities*, starting with carbon, ecosystem services and water
- Doubling of agricultural output without increasing land or water use
- Halting deforestation and increasing yields from planted forests
- Halving carbon emissions worldwide (based on 2005 levels) by 2050, with greenhouse gas (GHG) emissions peaking around 2020 through a shift to low-carbon energy systems and highly improved demand-side energy efficiency
- Providing universal access to low carbon mobility
- Delivering a four-to-tenfold improvement in the use of resources and materials

* *Externality is the cost or liability that is generated outside of the originating organisation's reporting framework. Externality increases short term profit but it often produces an unforeseen, unintended or unacknowledged negative impact.*

Vision 2050 emphasises the interconnection between issues such as water, food and energy and that these relationships must be considered in an integrated and holistic way, with trade-offs that must be understood and addressed. In keeping with the *Vision 2050* pathway and the 2020 'must haves', Mondi is placing increasing importance on understanding and optimising returns on our natural and social capital.

The *Vision 2050* key questions

The WBCSD provides an outline of how we would like the world to be in 2050. While it is critical for Mondi to have a vision of the future and a plan for how our business contributes to creating this, *Vision 2050* asks three questions of business that need to be answered, in order for us to shape our pathway to achieving it:

- What does a sustainable world look like?
- How can we realise it?
- What are the roles business can play in ensuring more rapid progress toward that world?

It adds that, for business and others, the biggest unanswered questions are:

- How do we get there?
- What form of governance will make the necessary changes happen at the speed and scale required?

In the discussions that follow we try and address these questions in line with *Vision 2050*. These 'must haves' lay the foundation for the path that leads to achieving the WBCSD's *Vision 2050*, and help establish the conditions needed to move onto a sustainable path.



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People and human development

WBCSD's pathway to Vision 2050:

The 2020 'must haves':

- Addressing the development needs of billions of people, enabling education and economic empowerment, particularly of women, and developing radically more eco-efficient solutions, lifestyles and behaviour
- Access to basic services



Mondi's response

We provide a platform for employees, including those who are directly and indirectly employed at our operations, to work productively and develop their skills, education and life perspectives, while they become economically empowered and contribute to the wellbeing of their societies. In turn, our future success, growth, sustainability and development depend on the skills, education, innovation and commitment – developed in diverse, rich, safe and inspiring work environments – of our employees.

We provide direct employment and livelihoods for around 25,700 people across the world, and through our contractors, suppliers and customers affect the wellbeing of an even larger network of society. We recognise that we have a responsibility towards the safety, health and wellbeing of our people as well as the communities where we operate and that we in turn rely on their productive input and socioeconomic prosperity for the success and future of our business.

By their nature, our forestry operations are located in rural areas, and in the vicinity of small towns, where we are a significant employer, with extensive socioeconomic reach. We seek to ensure an enduring net positive impact.

Our approach

We uphold the labour rights set out in the Fundamental Rights Convention of the International Labour Organisation and subscribe to the Universal Declaration of Human Rights and the Voluntary Principles on Security and Human Rights. This is embodied in our Sustainable Development Management System (SDMS) which ensures the provision of a fair, safe and healthy workplace for all employees, free from discrimination, harassment and abuse.

Collective bargaining practices differ from country to country. Our SDMS ensures compliance with local legislation and ensures that employment practices are fair and that employees are represented appropriately.

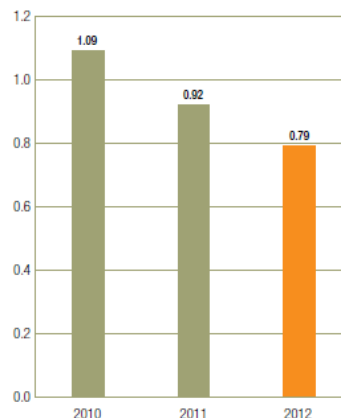
While we believe in developing local talent and local leaders, we also see the value of sharing talent across international boundaries. We invest in the training and development of our employees and contractors, not only so they may undertake their jobs safely and productively, but also so that they may fulfil their potential.

Equal opportunity

In a number of countries in which we operate, the advancement of women within the workplace is embedded within labour legislation. We provide equal opportunities for men and women in the Group. While the nature of our industry and the available skills pool pose inherent challenges in employing women, we develop our female workforce by providing access to bursaries, as well as on-the-job and skills training.

Our global employment policy prohibits harassment of any kind in the workplace. Appropriate mechanisms, such as grievance procedures are in place to support this.

TRCR (per 200,000 hours worked)



Our commitment: We will safeguard the wellbeing of employees and contractors, secure key talent and skills, and develop employees to their full potential

Our commitment	Progress in 2012
Support diversity, and continue to report the diversity of our workforce.	While Mondi does not discriminate in its recruitment and promotion, there are more men (80%) than women (20%) in the Group (2011: men 80%; women 20%). Around 16% of our management are women. In South Africa, previously disadvantaged individuals (PDIs) make up 43% of management.

Our commitment	Progress in 2012
Prevent work-related employee and contractor fatalities.	Regrettably, there were two fatal accidents in 2012.
Prevent work-related life-altering* employee and contractor injury.	We experienced three life-altering injuries in 2012.
Achieve a Total recordable case rate (TRCR) of 0.75 or below by 2015, including employees and contractors, against a 2010 base year. This requires an improvement of 33%.	Our Group TRCR in 2012 was 0.79 per 200,000 hours worked. This is a decrease on the TRCR in 2011, and just below our 2015 target. The TRCR for the South African operations was 0.68 per 200,000 hours worked in 2012, and 0.86 per 200,000 hours worked for E&I. Since 2010, we have achieved a decrease in our TRCR of 28%.
Facilitate access to comprehensive primary health care, including anti-retroviral therapy (ART) for employees and contractors.	A total of 1,198 employees and contractors participated in our wellness programme in 2012 (2011: 66). ART is made available to all employees and contractors, and many community members. 175 employees and contractors received ART through Mondi's four forestry mobile clinics in 2012 (2011: 40). These mobile clinics service rural communities (including our employees and contractors) in our South African forestry operations, and provide access to healthcare to more than 175 people in 2012.
Continue to engage with the UN Global Compact (UNGC) and promote and support the implementation of its 10 principles.	We continued to engage with the UNGC and reported our Communication on Progress (COP) once again in August 2012. We continue to report at an advanced level.
Revise our community complaints system by 2012 and focus on the reduction of odour-related complaints.	Odour-related complaints were reduced by 25% to 13% in 2012.
All mills and forestry operations to have a rolling community engagement plans (CEP), and Russian and South African forestry and mill operations to have a socioeconomic assessment toolbox process (SEAT) process updated on a three-to-five year cycle.	All forestry operations and all socially material mills have CEPs in place and we are working to include all mills in 2013.

* As we progress with monitoring our total recordable injuries, we put greater focus on reducing not only the number of injuries, but also their severity. We are committed to preventing injuries that would change the injured person's life, such as permanent impairments.

Educating and developing our employees

Training and awareness programmes in respect of safety, human rights and other labour-related issues are undertaken on a regular basis at an operational level.

Leadership development programmes play an important role in identifying and developing talent within the Group. Locally designed and implemented operational level leadership development programmes are tailored to meet operational and employee needs. Mondi's approach to talent management is coordinated across the Group.

Our skills development programmes include long-learning initiatives aligned to career path development plans, learnerships in pulp and paper technology; fitting and turning; electrical; millwright; instrumentation; boilermaking; rigging and earthmoving equipment mechanics apprenticeships; and the provision of bursaries and study assistance.

Diversity



Community development

We make every effort to be a reliable and responsible neighbour at all our operations. Our SEAT process is fully transparent, involves a wide range of internal and external stakeholders and is used as a basis for the identification, monitoring and management of each operation's socioeconomic and environmental impacts, and to improve our social performance in response. SEAT reviews monitor our positive and negative impacts on local communities, non-governmental organisations (NGOs) and government and the quality, relevance, scope and effectiveness of our corporate social investments and projects.

Our CEPs provide the basis of our engagement and support of local communities, and reflect the nature of our operations and their impact. CEPs are in place at our socially material mills and forestry operations and assist us in maintaining constructive dialogue, so that communities may raise any concerns which will, in turn, be addressed. Mutually acceptable monitoring mechanisms, developed in collaboration with local communities, monitor the effectiveness of our community engagement. Our aim is to ensure that CEPs deliver a net social and economic advantage as a result of our activities.

CASE STUDIES

SEAT reports 2012

We make every effort to be a reliable and responsible neighbour at all our operations and engage openly with a wide range of internal and external stakeholders through our SEAT process. Read case studies:

[Richards Bay, SEAT 2012](#) and [Syktyvkar Mill, Russia, SEAT 2012](#)



Our performance

Safety

Our employees and contractors work in potentially dangerous environments. We seek to create a culture where responsibility for safety and health is shared. Visible management commitment and learning from experience are critical elements in our progression towards achieving zero harm in the workplace.

A risk-based approach underpins our safety and health programmes. All business units and operations are required to have safety improvement plans in place which are aligned with our systematic and standardised approach to safety management to drive continuous improvement.

CASE STUDY

Russian logging camps

Working in the logging operations in Russia's vast and remote Komi forests is challenging to say the least. Logging operation employees typically live away from home in temporary camps for up to 15 days at a time, often in temperatures as low as minus 40°C. [Read case study ●●●](#)



Health

Our occupational health systems vary between operations and regions, as do the specific local occupational health stressors present. Our approach to occupational health and well-being is holistic, focusing on ill health prevention, promoting the correct use of personal protective equipment and providing treatment.

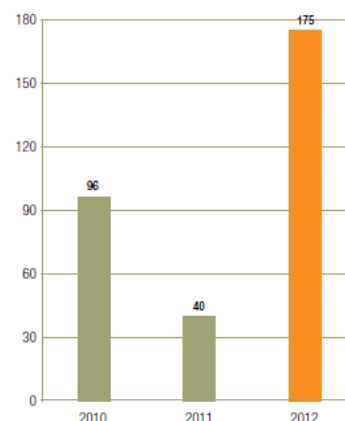
Operations are encouraged to host employee health days, in which various medical practitioners and health care providers participate and provide employees with health care monitoring services such as eye, blood and sugar level tests.

HIV/AIDS in South Africa

HIV/AIDS continues to cause illness and deaths among employees (particularly forestry contractors) and community members in South Africa. Our efforts are aimed at improving employees' understanding of the condition; managing the impact of HIV/AIDS in the workplace; managing HIV-associated illnesses and disabilities; and eradicating discrimination.

We provide treatment to employees and create awareness of the disease to avoid onward infection and to encourage testing and counselling. Free ART, voluntary counselling and testing (VCT) and disease monitoring are available to all affected employees at our mills. In addition, mobile clinics service rural communities and provide access to healthcare in our forestry operations.

Number of people on ART (South Africa)



Corporate social investment

Corporate social investment activities take into consideration and reflect the priorities of local people; the principles of sustainable development; Mondi's interests; and the cost effectiveness of projects. We ensure that we invest in those programmes that are most relevant to the needs of our employees and the communities in which they live and work. During 2012, Mondi contributed €14.3 million towards charitable donations and CSI projects (2011: €17.3 million).

Community development

While we understand that there may be site-specific imperatives, our community investment is focused on the following priorities:

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

Respecting the rights of indigenous people

We respect the rights of indigenous people and play a positive role in preserving these rights, whether they relate to the traditional use of forests, or addressing the legacy of forced removals of indigenous peoples from forest land.

At our Syktyvkar operation in Russia, we have an agreement in place with the indigenous Udorachi people in the Udorsky Region that recognises the Udorachi's rights to traditional use of the forest, which includes hunting, fishing and the collection of berries and traditional medicine plants. The Udorachi are consulted whenever operations are planned.

Food security

Food security remains a critical issue among South African communities and Mondi's contractors, who are mainly women, are particularly affected by this. Not only does the lack of food security have an impact on quality of life and long-term health, but malnourished employees lack the energy required for demanding physical tasks and often experience fatigue and poor concentration, which decreases productivity and increases the risk of injury. This is exacerbated for employees with HIV/AIDS, where nutrition plays an important role in overall wellbeing.

Mondi's Food4Forests programme – first launched in 2008 – ensures that all contractor employees working in South African forestry operations receive and consume a nutritionally-balanced meal during the course of their day's work. In excess of 1.5 million meals were provided by this programme in 2012.



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Economy

WBCSD's pathway to Vision 2050

The 2020 'must haves':

- Addressing the development needs of billions of people
- Commitment to true value pricing
- Dissemination of technologies
- Halving carbon emissions



Facts and trends

The WBCSD Forest Solutions Group has indicated the following facts and trends relating to forest products in 2012:

WBCSD Forest Solutions Group: Forest products facts and trends	
Facts	Trends
<ul style="list-style-type: none"> • The forest products industry is an economically significant and highly competitive industry globally. • Between 25 and 30% of global wood products and paper manufacturing output is destined for export from the country of origin. • Harvesting of industrial roundwood has been stable despite increasing production of paper, paperboard and wood-based panels, due to the increasing use of recovered fibre. 	<ul style="list-style-type: none"> • Demand for forest biomass is increasing, particularly for energy production; this can present a challenge to conventional forest products manufacturers. • Producers of electricity and other energy products will sometimes be competing for forest biomass normally used for conventional forest products, driven by policies incentivising biomass for energy. If not carefully crafted, such policies can have adverse impacts on forests and ultimately can cause market distortions. • Global production and use of paper for recycling has been increasing dramatically since 1990.

Mondi's response

We add value to the communities in which we operate and society at large by creating wealth, employment and business and we contribute to the socioeconomic health and stability of these communities. In turn, we depend on the wellbeing of the societies in which we operate and the ecosystems on which we rely for our future success and development. We need to focus our future activities on adding value by meeting society's needs by contributing towards the eradication of poverty and achieving food security through job creation, providing innovative and responsible products, and ethical business and social conduct.

We believe that – to be successful – we need to identify and capitalise on emerging opportunities, particularly as consumers demand more environmentally responsible products and the global fight against climate change creates new opportunities.

Our commitment: *We will maintain our licence to trade, and secure our short, medium and long-term access to fibre*

Our commitment	Progress in 2012
Continue to disclose our carbon and forestry footprint performance.	Mondi was included in the Carbon Disclosure Project's (CDP) FTSE 350 Carbon Disclosure Leadership Index in the materials sector for the third consecutive year, as well as CDP's FTSE 350 Carbon Performance Leadership Index for the first time in 2012. Mondi once again reported at an advanced level under the United Nations Global Compact (UNGC). Mondi was also the sector leader in the Forest Footprint Disclosure in 2012.
Promote the Mondi brand by increasing the proportion of fibre-based products which are certified against a credible forestry standard.	65% of our timber-based ¹ products were sourced from Chain-of-Custody (CoC)-certified timber and the rest met the Forest Stewardship Council™ FSC™ Controlled Wood Standard or the PEFC's Mandatory Guide for the Avoidance of Controversial Timber.
Increase the number of products in the Green Range, including non-fibre-based products.	At the end of 2012, the Green Range represented 38% of all products in our portfolio.
All operations that are involved in producing food contact packaging certified to a recognised food hygiene standard.	By the end of 2012, 36 of all our food contact packaging operations (61%) were certified to a recognised food hygiene standard ² . The other operations have implemented a hygiene management system according to Good Manufacturing Practice ³ .
Continue to work with our South African forestry partners to provide support to land reform beneficiaries in an effort to sustain productivity after the land has been transferred.	By the end of 2012, 23% of land claims had been settled. Of the 36,300 hectares transferred to claimant communities, 17,500 hectares were transferred in 2012.

¹ The raw materials used for our fibre-based products consist of wood timber, purchased pulp, paper for recycling and finished paper. Wood timber (in the form of wood chips and wood logs, sourced from our leased forests in Russia and our own plantations in South Africa, or purchased from the market) covers the absolute majority of our fibre needs. Our current Group-level reporting systems allow us to monitor the CoC-certified timber volumes in detail while CoC certification of our other fibre needs – pulp, paper for recycling and finished paper – are currently not available at a Group level. We are working towards improving our reporting systems to cover certification details for all sources of fibre and will publicly report on these in our future reports.

² The food hygiene standards that Mondi's operations are certified against include: ISO 2200, EN 15593, BRC/IoP or AIB.

Our approach

At Mondi, we secure our social licence to trade, from communities and regulators alike, through third party certification. In addition to our financial capital, we recognise the value of our natural capital including ecological infrastructure (ecosystem services) and our social capital. This, coupled with our resource-efficient work ethic, means we approach our long-term growth in a responsible, sustainable way.

Our drive towards providing safe, fulfilling work for all our employees has resulted in modernising our operations. By providing higher-skilled jobs, employees improve their skills and earn increased salaries. Further, modernisation has – and will – result in increased labour productivity, and lower overall operating costs.

Our forestry operations are located in rural communities, where there are limited alternative economic opportunities and the South African forest sector offers significant business opportunities for small and medium enterprises (SMEs) and entrepreneurs. We support enterprise development and new market entrants in establishing viable businesses through our preferential procurement policies.

In Russia, we have agreements in place with local municipalities requiring logging operations to support small businesses and invest in local infrastructure projects, particularly upgrading roads. By supporting small businesses in surrounding communities – specifically the agricultural sector, recreation and tourism – 207 jobs were created. In 2012 we also approved six additional forestry entrepreneurship projects.

Our performance

Securing access to fibre

The total amount of wood procured by Mondi in 2012 was 16.3 million m³ (2011: 16.8 million m³), of which 10.6 million m³ (2011: 10.3 million) or 65% (2011: 61%) was FSC/PEFC certified. We consumed 1.5 million tonnes of paper for recycling (2011: 1.5 million tonnes) and 3.8 million tonnes of pulp (2011: 3.5 million tonnes) during the year.

Value added

Our Integrated report and financial statements 2012 provide a comprehensive review of our operational and financial performance. In addition to the conventional accounting formats of our consolidated statements of comprehensive income and cash flows and the consolidated statement of financial position, our value added statement provides a useful account of our efforts to create and distribute economic value to a broad range of stakeholders, including employees, investors, suppliers and communities, along with local, regional and national governments (through taxation).

Meeting customers' needs

Our in-depth understanding of our customers' markets, products and needs helps us to contribute to their success and helps us to achieve and maintain our competitive advantage by meeting their specific requirements. Increased customer demand for product differentiation and facility location has led us to further evolve our strategy to place greater emphasis on packaging and fast-growing emerging markets. This deliberate transition places us in an ideal position to benefit from new opportunities, ensuring a sustainable business.

The Green Range is Mondi's umbrella brand for packaging and paper solutions that are part of our drive to become more eco-efficient. The products are optimised to save natural resources and reduce waste, and are certified by internationally-recognised bodies for their sustainability. The range promotes environmentally preferred purchasing, supporting our customers and their consumers in their efforts to be more environmentally responsible. While greener products do not necessarily attract higher margins, they influence market share, enabling us to retain existing customers and attract new ones. Developing cost-efficient, high-performance, environmentally sound solutions is a cornerstone of our business strategy.

Modernisation

Mondi has achieved significant milestones in improving working conditions in its forestry operations in Russia and South Africa. The objective over several years has been to develop operational practices that meet international good practice standards and to ensure international competitiveness.

The modernisation and mechanisation programme with its focus on achieving both decent working conditions and competitive operations, will inevitably result in fewer but higher skilled and better paid jobs. To mitigate this impact, as an example in South Africa, Mondi established an enterprise development unit, Mondi Zimele, to support and promote small and medium sized enterprises by making equity, loans and development support available. Since Mondi Zimele's inception in 2006, in excess of 2,700 jobs have been created. In 2012, together with the Development Bank of Southern Africa, €13.2 million has been invested into the project with the goal to create a further 3,500 jobs within three years.

SD Our modernisation initiative is discussed in more detail under [Economic performance: modernisation](#)

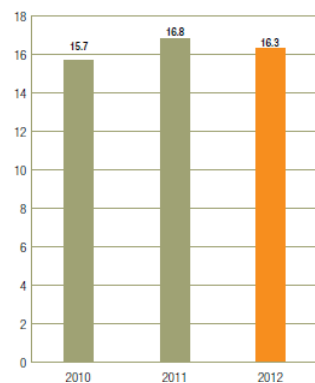
Land claims in South Africa

In reaching settlements in respect of land claims, we seek a long-term sustainable solution that secures a sustainable supply of fibre to our mills. This may include leasebacks or joint ventures, always undertaken in partnership with the new landowners to facilitate land reform rather than merely land restitution.

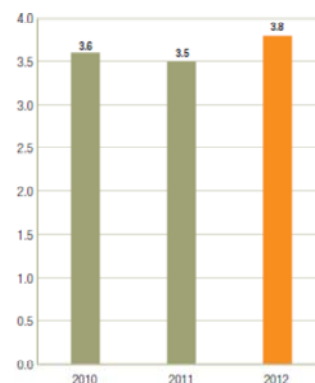
We have developed an innovative model for engaging and settling with land claimant communities in South Africa and are working constructively with government and communities to develop claimant communities into sustainable forestry enterprises.

In 2012, we settled eight more land claims (bringing the total number of settled claims to 19) involving 17,500 hectares of Mondi land under forestry. A total of 36,300 hectares of Mondi's forestry land have been transferred to community beneficiaries.

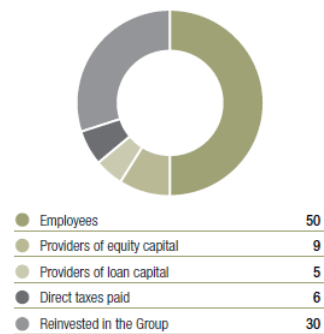
Wood procured (million m³)



Pulp used (million tonnes)



Distribution of value (%)



To date,
has cre



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Materials

WBCSD's pathway to Vision 2050

The 2020 'must haves':

- Delivering a four-to-tenfold improvement in the use of resources and materials
- Closed loop design
- Landfills phased out



Mondi's response

As a manufacturer of goods, we rely on raw materials such as fibre, polymers, metal, chemicals and water to create our products. In a resource-constrained world, our business prospects and our corporate image as an ethical, responsible and sustainable Group will be jeopardised if we do not consume, convert and dispose of these resources efficiently, innovatively and responsibly throughout the life cycle of our products.

Our aim is to deliver value to our customers by developing solutions for their success through the transformation of responsibly sourced raw materials into innovative packing and paper solutions that meet customer needs in a responsible and sustainable way.

Our approach

We believe that acting in an environmentally responsible way is not only the right thing to do, it also delivers tangible benefits such as protecting the ecosystems upon which our products depend; sustaining our business and our reputation; achieving long-term profits and cost advantages; improving the economies of local communities, thereby ensuring that our business, in turn, prospers; benefiting from new business opportunities; risk prevention; and the traceability of specific products.

Each step in the life cycle of our products has an impact on the environment. We actively manage the environmental, safety and health impacts of our products throughout their life cycle and our approach is based on the Life-Cycle Initiative set out in the United Nations Environmental Programme.

Our commitment: *We will increase the eco-efficiency of our products*

Our commitment	Progress in 2012
Progress towards becoming a zero waste Group by reducing the total waste to landfill by 20% by 2015, against a 2010 base year.	We have reduced our total waste to landfill by 9% since 2010.
Reduce total recordable sulphur (TRS) emissions from our mill operations by 20% in 2015, against a 2010 base year.	We have reduced our TRS emissions from our mill operations by 7% since 2010.
Reduce our effluent load into the environment, either directly or indirectly discharged, by 10% in 2015, against a 2010 base year.	We have achieved a 6% reduction of chemical oxygen demand (COD) since 2010.
Continue to report our consumption of paper for recycling.	We consumed 1.5 million tonnes of paper for recycling (about a third of our pulp consumed).

Our performance

Using our resources wisely

Wood remains an essential raw material for all of our paper-based products. From wood fibre we produce pulp, the basic ingredient of all paper and paper-based packaging. We use the pulp produced 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 paper for recycling. In the mechanical pulping process, the raw cellulose-bearing material is broken down into individual fibres. In chemical pulping, chemicals are used to dissolve the lignin and free the fibres.

Paper for recycling has become an indispensable raw material for our business. In 2012, we used some 1.5 million tonnes of paper for recycling (2011: 1.5 million tonnes) to produce pulp for paper and newsprint – this amounted to about a third of the total amount of pulp used during the year. 65% of our timber-based* products were sourced from Chain-of-Custody (CoC)-certified timber.

* The raw materials used for our fibre-based products consist of wood timber, purchased pulp, paper for recycling and finished paper. Wood timber (in the form of wood chips and wood logs, sourced from our leased forests in Russia and our own plantations in South Africa, or purchased from the market) covers the absolute majority of our fibre needs. Our current Group-level reporting systems allow us to monitor the CoC-certified timber volumes in detail while CoC certification of our other fibre needs – pulp, paper for recycling and finished paper – are currently not available at a Group level. We are working towards improving our reporting systems to cover certification details for all sources of fibre and will publicly report on these in our future reports.

Managing waste and recycling

We carefully monitor all forms of process waste. Our main waste streams are green liquor, boiler ash, lime mud, waste paper rejects and fibre sludge. Instead of disposing most of our waste in landfills, we recycle, re-use or use our waste mainly as a secondary fuel for energy.

Around one third of our pulp comes from paper for recycling. Materials that are too degraded for use in paper or board products are still fit to provide carbon-neutral energy. Corrugated packaging consists on average of around 80% recycled content that is 100% biodegradable and recyclable and provides optimal protection while at the same time minimising waste.

Between 2005 and 2010 we achieved a significant reduction of 36% of our total waste to landfill. A further reduction of 9% compared with 2010 was achieved in 2012. This was achieved by making further use of renewable energy and maximising the use of raw materials such as biomass, which is often sent to landfill sites when not used as fuel. In 2012, our Syktyvkar mill in Russia and our Stamboljiski mill in Bulgaria made increased use of biomass by recycling landfilled bark and reusing it in bark boilers to produce energy.

When recycling and re-use is not possible, our treatment options include:

- treatment for change of physical status and/or chemical composition (such as drying and filtration) or treatment to change hazardous to non-hazardous;
- combustion in incineration facilities (preferably with energy recovery); and
- landfilling.

In 2012, our total waste to landfill amounted to 266,642 tonnes, an 11% reduction on 2011. During 2012, we recorded 1,562 tonnes of hazardous waste to landfill due to permitting delays which necessitated the disposal of green liquor dregs at a hazardous landfill for a period of time, for our Richards Bay operation. Despite this hazardous waste to landfill increase, we have reduced our total waste to landfill by increasing the recycling and re-use of materials during 2012. Mondi remains committed to achieving zero waste to landfill in the future.

COD is the organic load being discharged by the Group in the form of grey or waste water after treatment. The COD reported for the Group was 47,049 tonnes in 2012 (2011: 46,987 tonnes). The Group's volume of COD lies within the Best Available Technique (BAT) range.

In 2012, our TRS emissions were 99 tonnes (2011: 90 tonnes). A total of 169 complaints were received (2011: 209 complaints), 82% relating to odour (2011: 89%).

Responsible and sustainable products

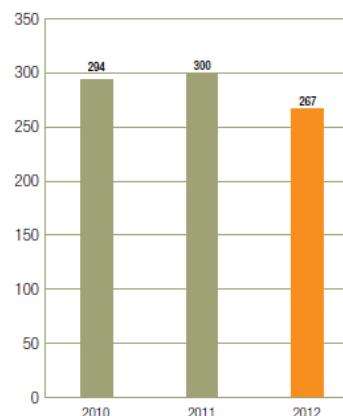
The delivery of environmentally and socially responsible packaging and paper products is an important component of the services we provide to our broad consumer base. An example is OLMO Paper 2.0+, an efficient and peelable process liner product, combining a Mondi paper with a special polymer layer that is tailor-made for the flexible foam industry. This product can also be recycled as part of the Zero Waste Concept at no waste disposal cost to its users. These cost savings and environmental benefits, together with its significantly improved runnability, is why OLMO Paper 2.0+ is presented as an example of how product innovation evolves to meet Mondi's customer needs.

Product carbon footprints

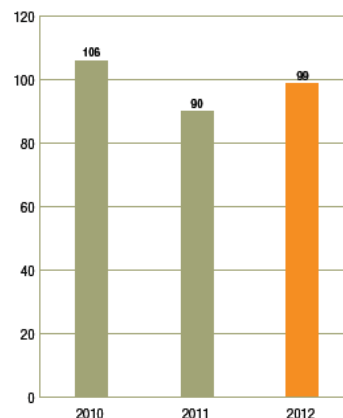
End customers are increasingly interested in carbon neutrality and demand products with a reduced carbon footprint. This has increased market demand for 'green' or carbon-neutral products. We actively engage with suppliers and customers to reduce our carbon footprint across the entire value chain.

We measure and manage our carbon footprint, so that we are able to support our customers by providing carbon footprint information for our products. We have been providing detailed carbon footprint information for all our products since 2010, including a computer-based product carbon footprint calculator, based on the 10 principles of the Confederation of European Paper Industry. This allows us to calculate the total carbon footprint for each product, and enables us to break down carbon data at the various stages of the supply chain and to determine the effect of GHG-reducing activities at every stage.

Total waste to landfill (000 tonnes)



TRS emissions (tonnes)



CASE STUDY

Driving innovation to become 'as green as it gets'

On 24 October 2012, Mondi hosted major players in the paper industry, NGOs, sustainability experts and interested members of the public gathered for a sustainability conference, called the Green Event. [Read case study](#) ● ● ●



For a full list of our products, go to www.mondigroup.com/products.



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A global emerging issue – water

WBCSD's pathway to Vision 2050

The 2020 'must haves':

- Incorporating the cost of externalities
- Water efficiency
- Doubling of agricultural output without increasing land or water use



The challenge presented by increased water demand

The Food and Agriculture Organisation (FAO) estimates that only 1% of the earth's water is fresh, yet all life is ultimately dependent on it for survival. Fresh water is a renewable resource, yet the world's supply of clean, fresh water is steadily decreasing. As populations and industry grow, so does the depletion of available freshwater in lakes, rivers, dams and underground supplies.

Global demand for water is rising steadily and may outstrip supply by as much as 40% by 2030. Closing that gap to ensure that demand is met could cost as much as US\$50 billion per year for 20 years. As growing demand for water from industrialisation and population growth is compounded by climate change and the growing uncertainty of supply, the global economy will be reoriented towards businesses that take active stewardship of water resources and build resilience to shortages and floods.

Mondi's response

As a water-intensive business, we endeavour to consume and treat water responsibly and efficiently.

Our usage of and interaction with water is carefully considered in our environmental strategy and we have set concrete actions to reduce our direct water consumption and preserve and restore wetlands in our forests. We take this into account throughout our supply chain.

Our commitment: *We will promote the responsible use of water*

Our commitment	Progress in 2012
We will continue to work with our partners WWF and WESSA to support the Mondi Wetlands Programme (MWP) in South Africa and will involve local communities in educational, restoration and conservation activities where reasonable.	We have reported on the activities carried out by the MWP – see Responsible forestry: Protecting wetlands
We will continue to support Silver Taiga, a Komi regional non-profit foundation, in the development of the multi-stakeholder Model River project in Komi.	
We will carry out a water impact assessment (WIA) of our forestry operations and mills.	All our South African plantations and three out of 14 mills have undergone WIAs.
We will promote conservation, re-use and recycling practices to reduce specific contact water consumption by 10% by 2015, against a 2010 base year.	Our specific contact water has increased slightly from 33.2m ³ per tonne to 33.9m ³ per tonne since 2010, but still shows good progress against 2011 (34.9m ³ per tonne) and we are committed to improving it further.

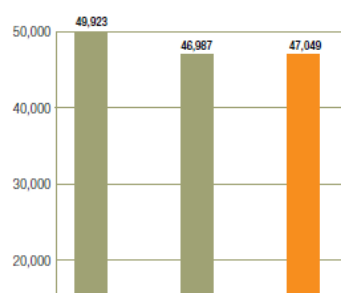
Our performance

Optimising water use

Water is a critical resource for the paper industry and is required during different stages in the production process, from growing wood to processing pulp into the final product, and also for 'non-contact' purposes such as cooling. Most of our water footprint is the 'green' water (the rain water stored in the soil as moisture) consumed during the forestry stage, where water is returned to the water cycle through evapotranspiration – the sum of evaporation (movement of water to the air) and transpiration (movement of water within a plant and subsequent passing of water vapour through leaves). In 2012, our total freshwater input was 307 million m³ (2011: 313 million m³).

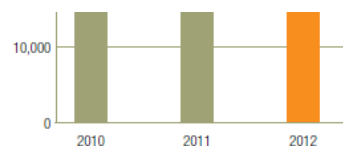
The water discharged after production is thoroughly treated before being released into the natural environment to ensure it is ecologically safe and meets regulatory requirements. In 2012, our operations discharged 328 million m³ (2011: 330 million m³) of water*.

Emissions to water – COD (tonnes)



The recycling of water is important to optimise our resource efficiency. We also use the energy content of warm and hot water to generate energy, which has a significant economic benefit. In 2012, Mondi achieved a 2% water input reduction through recycling and closing loops.

* Included in our water discharges is the waste water taken over from third parties and treated at our waste water treatment plants. This waste water from third parties (about 40 million m³ for 2012) is not reflected in our total water input figure reported.



Our water footprint

We calculated our water footprint at a Group level and at each operation using the Water Footprint Network's Assessment Manual's methodology in 2011. The water footprint of a product is defined as the total amount of fresh water needed to produce it. This methodology takes country-specific annual average freshwater volumes recorded by the FAO into account. The information obtained from the establishment of water footprints will allow us to initiate new projects to reduce water use and tighten our reduction targets.

CASE STUDY

Mondi's internal water impact assessments

Water is one of the most significant emerging global sustainability issues. For Mondi, it is important that we understand the impact we have on local water resources and to what extent our reliance on water makes us vulnerable or at risk. [Read case study](#) ● ● ●



Preserving wetlands

Wetlands play an important role in the management of water flows, including the purification and storage of water. They control erosion and reduce the severity of droughts and floods by regulating stream flow and recharging underground aquifers. Because our commercial activities use significant volumes of water, we rely on healthy wetlands and riparian zones.

Our sponsorship of the MWP and the Mondi Ecological Network Programme (MENP) continues to support sound science and practical solutions for wetland conservation and ecological networks to enhance biodiversity.

In our Russian operations wetlands and riparian areas are protected by compulsory buffer zones of indigenous forest. Mondi has been the catalyst in supporting Silver Taiga in the development of the multi-stakeholder Model River project in Komi. The first stage involving local and foreign specialists was focussed on the dynamics of selected pristine river systems in remote parts of Komi to define realistic benchmarks for assessing rivers in Komi.

Aside from these programmes, we actively engage with and support Non-governmental organisations (NGOs) and academic institutions to improve our understanding of plantation water issues in South Africa. The Water Research Commission, University of KwaZulu-Natal, University of the Free State and the Council for Scientific and Industrial Research have all made an important contribution to this understanding through projects carried out on Mondi land.



Home  Our business, our footprint 

Our business

The Mondi Group is principally involved in the manufacturing of packaging paper, converted packaging products and uncoated fine paper. Revenues reached €5,807 billion in 2012.

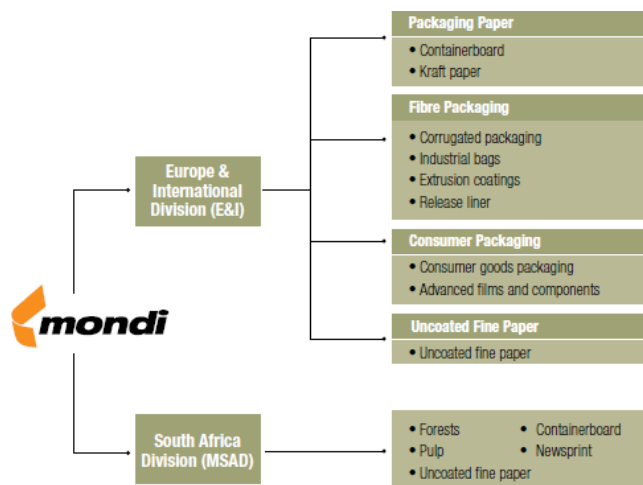
Our headquarters are located in Johannesburg, South Africa, with corporate offices in both the UK and Vienna, Austria. Mondi is a dual listed company (DLC), with Mondi Limited and Mondi plc (together 'the Mondi Group' or 'Mondi') each having separate identities and listings while operating as a single corporate group. Mondi Limited has a primary listing on the JSE Limited (JSE), ticker code: MND, while Mondi plc has a premium listing on the London Stock Exchange and a secondary listing on the JSE under the ticker codes MNDI and MNP respectively. The DLC structure requires compliance with the corporate and accounting regulations of both South Africa and the UK.

Mondi is fully integrated across the packaging and paper process, from the growing of wood and the manufacture of pulp, paper and films to the conversion into corrugated packaging, industrial bags, coatings, consumer packaging and hygiene components.

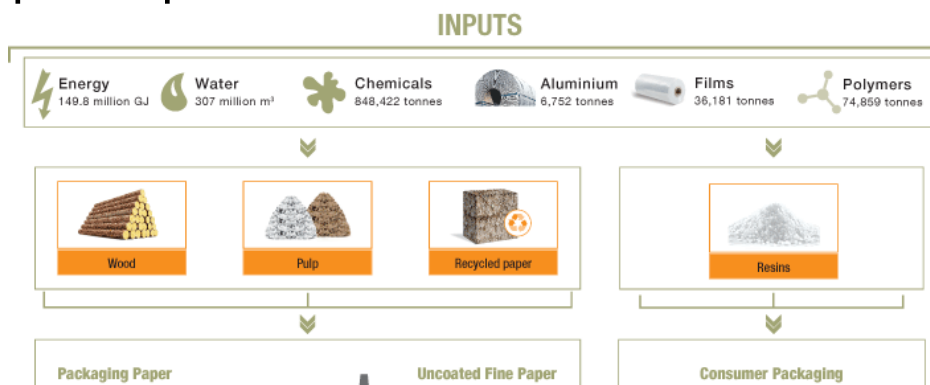
At Mondi, we aim to create long-term value for our stakeholders by transforming raw materials into innovative product solutions that meet customer needs in a responsible, cost-effective and sustainable way. Mondi recognises the need to integrate sound principles governing safety, business conduct, social, environmental and economic activities into business practices and decision-making.

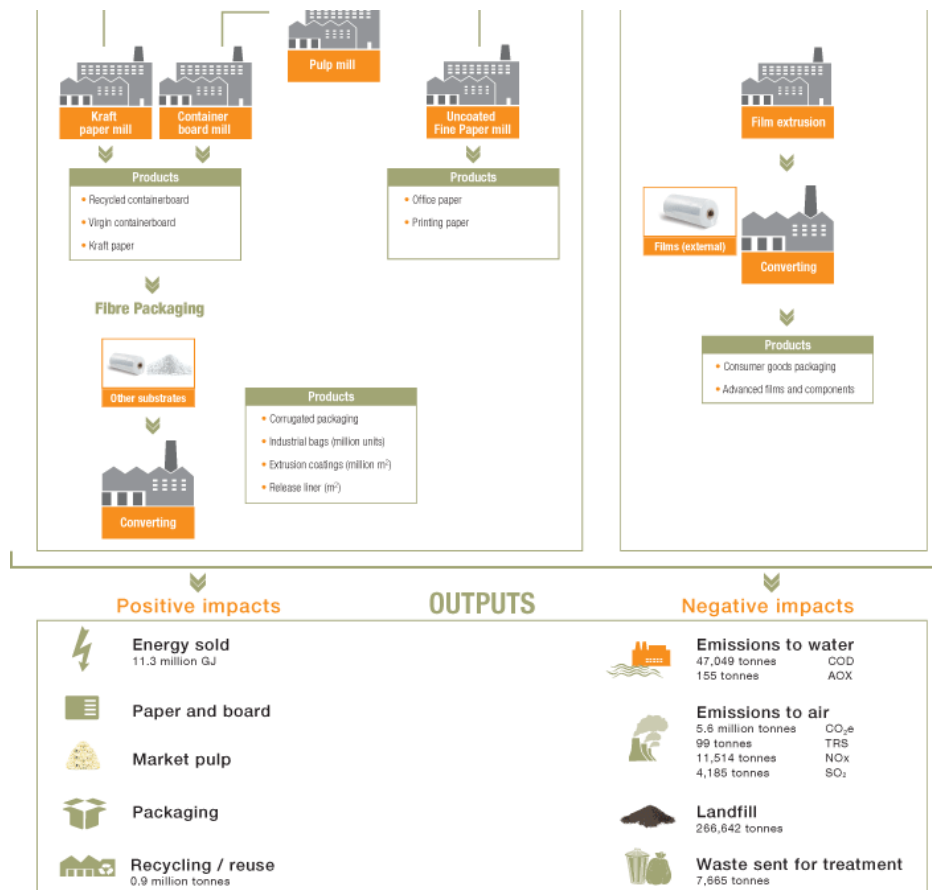
The acquisition of the Nordenia group of companies reflects a significant step in the Group's strategic development in higher growth markets and complements and strengthens the existing consumer packaging business. Mondi operates as two divisions: Europe & International and South Africa. Following the completion of the Nordenia acquisition, we have reorganised our Europe & International Division into four businesses: Packaging Paper; Fibre Packaging; Consumer Packaging; and Uncoated Fine Paper (UFP).

Group structure



Mondi's inputs and outputs



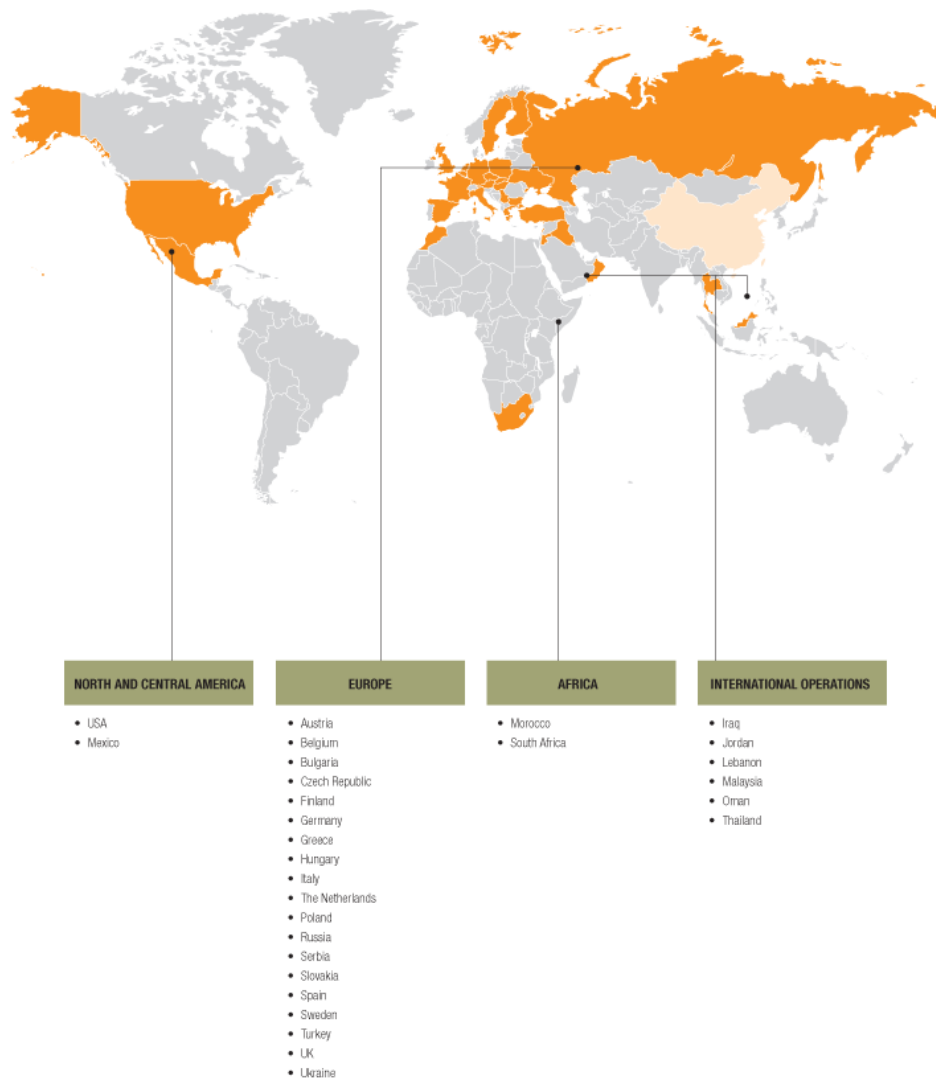




Home  Our business, our footprint 

Our footprint

Mondi Group has 103 operating sites located in 30 countries and on four continents, with service markets around the globe. Some 2.4 million hectares of land is managed by the Group. The key Mondi operations are located in central Europe, Russia and South Africa. As at the end of 2012, the Group employed 25,700 people.



Note: A plant in China is under construction and is expected to commence operations in early 2014.



[Home](#)  [Our business, our footprint](#) 

Our products

Mondi manufactures a full range of packaging and paper products to meet multiple industries' demand. Customer focus, experience and ongoing research deliver proactive, high-quality and cost-competitive solutions to our customers' requirements.

Packaging Paper



Containerboard

Mondi is a major international supplier of virgin and recycled containerboard. We treat resources responsibly by means of clean production methods, optimised material consumption and the use of recycled materials, without compromising quality. The containerboard product range consists of the four segments: Appearance, Kraft, Semi Chem and Recycled, and offer superior appearance, high durability, excellent printability, strength and versatility, high moisture resistance and cost efficiencies. Our ProVantage range includes lightweight recycled containerboard, high-performance semi-chemical flutings and 'Appearance', our white-top kraftliner and brown kraftliner. Our paper grades meet stringent health and safety standards for food packaging and are used in the food, automotive, household and cosmetics and industrial paper and packaging industries.



Kraft paper

Mondi's Advantage range consists of high-quality sack Kraft, speciality Kraft papers and speciality pulps. We combine customer requirements with extensive research and development to produce innovative, tailor-made packaging solutions.

Fibre Packaging



Corrugated packaging

Mondi's comprehensive corrugated packaging portfolio consists of the ECO, EASY and SMART product lines, providing efficient material usage, ease of handling, and intelligent features. In addition to the Forest Stewardship Council™ (FSC™) Recycled and FSC Mix certification of our products, the ECO line is part of our Green Range global brand developed to support our customers in the promotion of environmentally-preferable purchasing. Mondi supplies the automotive, food, household and cosmetics and toiletries and hygiene industries.



Industrial bags

Mondi offers a broad range of industrial bags, optimised for high-speed filling, suitable for food contact, ensuring product security and adapted for easy handling. Extensive and ongoing innovations for example biodegradable bags with certified compostability are developed to meet the stringent requirements of our customers in terms of quality and flexibility. Our products are used in the building and construction, food, animal feed, farming and agriculture, chemical, medical and pharmaceutical and automotive industries.



Extrusion coatings

Mondi produces high-quality, cost-effective and energy-efficient technical solutions for the automotive, building, food, industrial paper and packaging, medical and pharmaceutical industries as well as imaging sectors. Our in-depth knowledge of advanced extrusion coating technology enables the production of a broad range of material combinations, including non-wovens, aluminium, board as well as films and paper with a wide selection of polymers, offering versatile biodegradable and sustainable packaging options for our customers.



Release liner

Mondi is a leading global supplier of silicone-coated and speciality release liners, designed for the pressure-sensitive adhesives industry and with the versatility to meet a range of customer requirements. With our transatlantic printing, coating and slitting operations, we offer high-quality and competitive product and service solutions as well as a reliable supply chain for applications including graphic arts, medical, hygiene, fibre composites, tapes and labels. In 2012, we developed EcoLiner, Mondi's new, more natural release liner for the tape industry, with the paper substrate being produced with no bleaching chemicals and from FSC certified pulp, if required.

Uncoated fine paper



Within the uncoated fine paper sector, Mondi's high-quality papers are used in offices and for professional offset printing, HP Indigo or high-speed inkjet printing presses. Our uncoated fine paper brands are all part of Mondi's Green Range, developed in response to customer demand for environmentally responsible products.

Consumer Packaging



Consumer goods packaging

Our broad consumer packaging product portfolio comprises attractive and convenient solutions for food, pet care, hygiene and toiletries, household and detergents, and other industrial applications. Mondi is a backwards-integrated innovation leader of plastic- and paper-based materials and converted consumer packaging. Products such as retortable stand-up pouches, pre-made plastic and paper-based bags, printed mono films, laminates and high barrier films offer great convenience for the consumers, optimum protection of the goods packed and outstanding designs. Our products also meet stringent health and safety standards for food packaging.



Advanced films and components

Mondi is a specialist developer and producer of films and film-based solutions for a variety of industries, including innovative hygiene product components such as elastic laminates, elastic films and frontal tapes for diapers and siliconised films for femcare packaging, label films, laminating films for flexible packaging applications and surface protection films.

For more details of our product certifications, as well as additional product information please see www.mondigroup.com/products and the [E&I customer brochure](#).



Home  Our business, our footprint 

A letter from the chairman of the DLC sustainable development committee and the chief executive

To our stakeholders

At Mondi, it has always been our view that actions speak louder than words. There has been much public and specialist debate in the past year on corporate reporting and, in particular integrated reporting. The emphasis, in our view, should firstly be on corporate 'doing'.

We do not view sustainable development as a separate part of our business. It is our business. Only by being a fair and caring employer, a reliable and responsible citizen, and an honest and ethical Group, will we be able to run the business well, profitably and for the long term, and ultimately create value for our shareholders. This is at the heart of integrated reporting.

Our licence to trade, and all that this entails, underpins everything we do. It is a vision that is set at the level of the Boards, and the DLC sustainable development committee of the Boards. This is driven by the executive team and is executed as part of our business in every part of the world in which we operate. More than that, securing and maintaining our licence to trade is a key component of the Boards' and management's accountability, and indeed remuneration.

Whilst we recognise that many of our employees and contractors work in potentially dangerous environments, and whilst we are encouraged that the Group's total recordable case rate (TRCR) improved by 14% to 0.79 per 200,000 hours worked in 2012, we will not be satisfied until we have eliminated injuries at work. It is a significant priority to ensure that our workplaces are safe, that standards and safeguards are in place, that our people are trained and our safety rules adhered to.

The loss of lives of two people at work – an employee in Lohja, Finland and a contractor at our bark boiler project in Syktyvkar, Russia – was a severe disappointment and concern to the Group. We extend the condolences of the Boards and management to the families and colleagues of the two men who died.

Working, as we do, in countries around the globe, with different backgrounds, levels of education and societal norms, differing levels of risk tolerance and implementation and application of legislation and regulation, and indeed in an organisation where over 20 languages are spoken on a daily basis, the task that faces us in upholding our vision of zero harm is sometimes challenging. It is a challenge that we will not shy away from as we seek not only economic sustainability for the business, but also the economic, social and environmental sustainability of the communities in which we live and operate.

Our drive towards providing safe and fulfilling work for all our employees has resulted in modernising our Russian and South African operations. In doing so, we are providing higher skilled jobs and employees are given the opportunity to improve their skills and earn increased salaries. In addition, modernisation has and will result in increased labour productivity and lower overall operating costs. Our socioeconomic assessment toolbox (SEAT) process demonstrates the level of our engagement in more sensitive areas. This year we completed SEAT reports at Richards Bay, South Africa and Syktyvkar, Russia.

Mondi's involvement in organisations such as the World Business Council for Sustainable Development, the World Wide Fund for Nature (WWF), the Wildlife and Environmental Society of South Africa (WESSA) and many other non-governmental and community based organisations is further indicative of our efforts. On the ground, this is reflected in Mondi's:

- compliance with all relevant legislation and regulation, and our pursuit of best practice. In 2012, we maintained Forest Stewardship Council™ (FSC™) certification of 100% of our owned, leased and managed forests (see [Responsible forestry](#));
- ability to create and sustain meaningful employment, recognising and welcoming diversity and ingenuity amongst our people, and allowing them to develop to the best of their ability;
- efforts to benchmark our forestry operations which has driven our modernisation programme and all that this entails (see [Economic performance: Modernisation](#)) and [Our people: Occupational safety: Eliminating safety risks through the modernisation of our forestry operations](#));
- vision of zero harm and the way in which we continue to enhance the safety and wellbeing of our employees and contractors at work and in their communities;
- efforts to secure and maintain the integrity of our forests and associated ecosystems, contribute to the preservation of high conservation areas and enhance biodiversity in and around our operations (see [High conservation value areas](#));
- mitigation of any negative impacts of our operations on our environment and our neighbours, and through the unique value of our forests that contribute to a net positive impact on global environmental sustainability. Our significant investment in energy self-sufficiency, largely from biomass, and the carbon sequestration of our forests are important components of this (see [Optimising energy and Energy from biomass](#));
- contribution to the social upliftment and development of people and communities at and around our operations through employment and wealth creation, and infrastructure development (see [Society](#));
- investment in the long-term growth and development of our business through innovation and excellence, resource efficiency and by delivering products that best meet the needs of our customers and society (see [Product responsibility](#)).

It is not the nature of the Group to claim to be a leader in sustainability or to boast about its achievements. Nonetheless, we welcome the external recognition Mondi received for its work.

November 2012 saw Mondi's on-going commitment to sustainability (including its environmental, risk and safety management systems) commended when it was awarded:

- awarded the Pulp and Paper International awards for Environmental Strategy of the Year 2012 (Mondi Group); Managing Risk and Safety 2012 (Mondi SCP in Slovakia); Efficiency Improvements of the Year 2012 (Mondi SCP in Slovakia);
- awarded the WWF Environmental Paper Award for Transparency 2012; and Best Environmental Performance Paper Brands 2012;
- listed in the Carbon Disclosure Project's (CDP's) FTSE350 Carbon Performance Leadership Index for the first time, and in CDP's FTSE350 Carbon Disclosure Leadership Index for the third consecutive year; and
- recognised as a sector leader in the Forest Footprint Disclosure in 2012.

SD For further information about external recognition for Mondi's commitment to sustainability see the [External recognition](#) section on the home page.

Looking ahead, whilst we do not foresee any significant shifts in the sustainability challenges we face, we are certain our strategic direction is clear and remain confident in our ability to adapt and execute it across the business cycle. We expect to continue to honour and achieve the sustainability commitments we have made, and to collaborate and contribute to the sustainability debate at a global level.

Stephen Harris
Chairman of the DLC sustainable development committee

David Hathorn
Chief executive officer

Our 2012 material issues

Long-term planning is an integral part of our business and we aim, through sustainable, responsible business, to help societies address global sustainability issues including climate change, poverty, environmental degradation and food security. Our sustainability is reliant on us understanding our operating environment and managing our business accordingly. This will help us minimise our impact on the interdependent economic, ecological and social systems, and help us identify opportunities our operating environment presents.

Specifically, we are concerned with our sustainability in a challenging macroeconomic environment; in a resource and ecologically constrained environment; and our socioeconomic sustainability in our diverse working and social environments.

For a more detailed discussion on our approach to reporting and our 2012 material issues see [Our approach to reporting](#) and [The way we work](#).



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Our performance against commitments

Our sustainability commitments

Mondi's sustainability commitments have been considered in light of our risk management process, the material issues identified and broad stakeholder engagement. Monitored by the Boards and the dual listed company (DLC) sustainable development committee, the commitments take into account our performance, our capabilities, and the measures that will ensure Mondi's sustainable performance. While some commitments are a continuation of those previously identified, others are revisions of the way we have previously monitored, measured and reported.

Our commitments help establish, direct, monitor and improve our sustainability performance. Specifically, our commitments are intent on:

- Safeguarding the wellbeing of employees and contractors and securing key talent and skills
- Recognising concerns regarding biodiversity and ensuring appropriate responses to these
- Securing access to sustainable fibre in the short, medium and long term to meet the needs of the business and our customers
- Understanding and minimising our contribution to climate change and taking advantage of the potential opportunities presented by forestry in the mitigation of climate change
- Seeking and maintaining our licence to trade
- Resource efficiency
- Increasing the eco-efficiency of our products

Our sustainability in a challenging macroeconomic environment

Our strategic response

- Our strategy supports the profitable development of innovative, sustainable and competitive products that meet customer demands in response to global sustainability issues. Our sound governance and business practices reinforce our responsibility whilst operating in geographically-diversified, low-cost, high-growth markets.

Key performance indicators

- Revenue
- Operating profit
- Margin
- Market positions
- In South Africa, % land claims settled and % land transferred to claimant communities. Also % of land transferred to claimant communities still managed by Mondi.
- Amount of wood/material used
- % paper for recycling

Our commitments are to:

- Continue to disclose our carbon and forestry footprint performance.
- Promote the Mondi brand by increasing the proportion of fibre-based products which are certified against a credible forestry standard.
- Increase the number of products in the Green Range, including non-fibre-based products.
- Certify all operations that are involved in producing food contact packaging to a recognised food hygiene standard.
- Continue to work with our South African forestry partners to provide support to land reform beneficiaries in an effort to sustain productivity after the land has been transferred.

Our sustainability in a resource and ecologically constrained environment

Our strategic response

- Our strategy aims to secure our long-term access to sustainable and credible sources of fibre by managing our natural capital, including our carbon, water and forest footprint.

Key performance indicators

- % COC-certified fibre-based products in portfolio
- ISO14001 certification
- % certification to food hygiene standard where applicable
- Water input/tonne produced
- Energy usage/tonne produced
- CO₂e /tonne produced (Scope 1 and 2)
- Forestry assets (area)
- % of land set aside for conservation
- Reduction on total waste to landfill (%)

Our commitments are to:

- Implement ecosystem management plans at all forestry locations by 2013.
- Report on seedlings planted, our tree improvements, the invasive species fight back and our work on pest and disease resistance.
- Report on land set aside for conservation purposes.
- Continue to participate in the World Wide Fund for Nature's (WWF's) New Generation Plantation project.
- Continue to engage with the World Business Council for Sustainable Development as a platform to address the most contentious global sustainability matters affecting our business.
- Continue to work with our stakeholders to identify areas of high conservation value in Komi/Russia, and in South Africa.
- Certify all mill operations to ISO 14001 and OHSAS 18001.
- Certify all converting operations to OHSAS 18001.
- Certify all forestry operations to ISO 14001 by 2013.
- Maintain our Chain-of-Custody certifications for our mills and certify Stambolijski (Bulgaria) by 2013.
- Reduce our level II environmental incidents by 50% by 2015 from the 2010 base year and maintain a 0 level III environmental incident performance.
- Maintain our Forest Stewardship Council™ (FSC™) certification of all owned, leased and managed forests.
- Procure over 60% of wood, virgin fibre and biomass products from credible certified sources. The balance will be sourced with products as defined in the FSC Controlled Wood Standard (FSC-STD-40-005 V.2) or Programme for the Endorsement of Forest Certification™ Mandatory Guide for the Avoidance of Controversial Timber.
- Reduce by 2014 our CO₂e emissions per unit of saleable production from our mills by 15%, against a 2004 base year.
- Reduce by 2014 our carbon-based energy consumption per unit of saleable production from our mills by 15%, against a 2004 base year.
- Progress towards becoming a carbon-neutral company, in the longer term, by increasing the proportion of renewable resources for primary energy needs against the 2010 base year.
- Progress towards becoming self-sufficient in electrical energy in the longer term.
- Progress towards becoming a zero waste company by reducing the total waste to landfill by 20% by 2015, against a 2010 base year.
- Reduce total reduced sulphur emissions from our mill operations by 20% by 2015, against a 2010 base year.
- Reduce our effluent load into the environment, either directly or indirectly discharged, by 10% in 2015 against a 2010 base year.
- Continue to report our consumption of paper for recycling.
- Continue to work with our partners WWF and the Wildlife and Environment Society of South Africa to support the Mondi Wetlands Programme in South Africa and involve local communities in educational, restoration and conservation activities where reasonable.
- Continue to support Silver Taiga in the development of the multi-stakeholder Model River project in Komi.
- Carry out water impact assessments of our forestry operations and mills.
- Promote conservation, reuse and recycling practices to reduce specific contact water consumption by 10% by 2015, against a 2010 base year.

Our socioeconomic sustainability in our diverse working and social environments

Our strategic response

- Our strategy is to engage with our stakeholders in a mutually beneficial way, thereby ensuring the safety and health of our employees and contractors; attracting, retaining and developing our people; and promoting community inclusiveness and development.

Key performance indicators

- Number of employees/contractors
- TRCR
- Number of people on ART (in SA)
- % women in management
- % PDIs in management (SA only)
- OHSAS 18001 certification

Our commitments are to:

- Prevent work-related employee and contractor fatalities.
- Prevent work-related life-altering employee and contractor injury.
- Achieve a total recordable case rate of 0.75 or below by 2015, including employees and contractors, against a 2010 base year. This requires an improvement of 33%.
- Facilitate access to comprehensive primary health care, including anti-retroviral treatment for employees and contractors.
- Support diversity and continue to report the diversity of our workforce.
- Continue to engage with the United Nations Global Compact and promote and support the implementation of its 10 principles.
- Revise our community complaints system by 2012 and focus on the reduction of odour-related complaints.
- All mills and forestry operations to have a rolling community engagement plan, and Russian and South African forestry and mill operations to conduct a socioeconomic assessment toolbox (SEAT) process updated on a three-to-five year cycle.



Home  Our business, our footprint 

Our business

The Mondi Group is principally involved in the manufacturing of packaging paper, converted packaging products and uncoated fine paper. Revenues reached €5,807 billion in 2012.

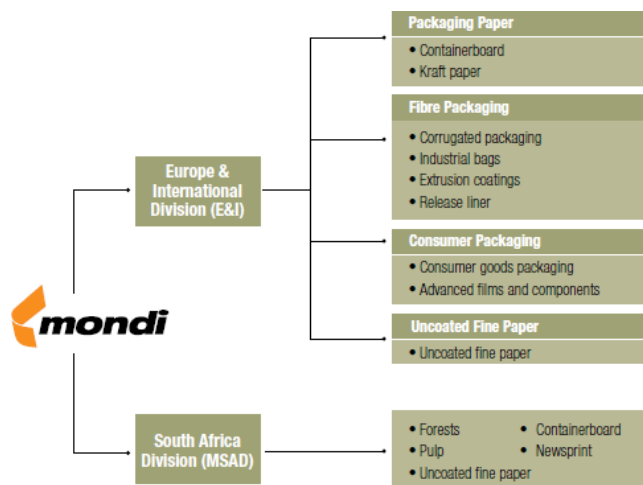
Our headquarters are located in Johannesburg, South Africa, with corporate offices in both the UK and Vienna, Austria. Mondi is a dual listed company (DLC), with Mondi Limited and Mondi plc (together 'the Mondi Group' or 'Mondi') each having separate identities and listings while operating as a single corporate group. Mondi Limited has a primary listing on the JSE Limited (JSE), ticker code: MND, while Mondi plc has a premium listing on the London Stock Exchange and a secondary listing on the JSE under the ticker codes MNDI and MNP respectively. The DLC structure requires compliance with the corporate and accounting regulations of both South Africa and the UK.

Mondi is fully integrated across the packaging and paper process, from the growing of wood and the manufacture of pulp, paper and films to the conversion into corrugated packaging, industrial bags, coatings, consumer packaging and hygiene components.

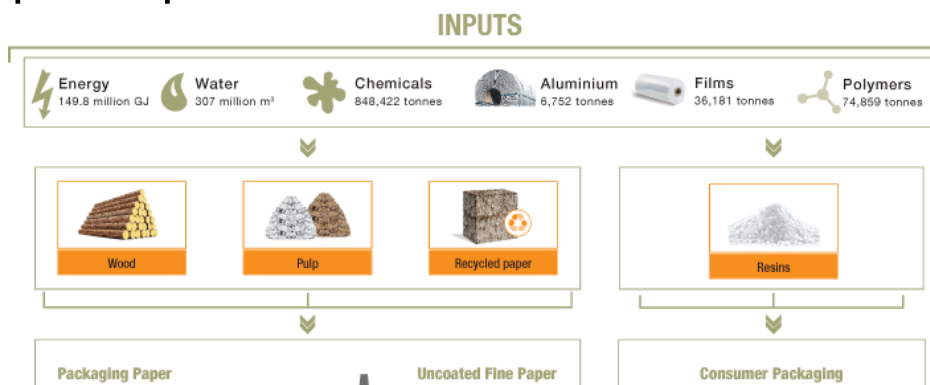
At Mondi, we aim to create long-term value for our stakeholders by transforming raw materials into innovative product solutions that meet customer needs in a responsible, cost-effective and sustainable way. Mondi recognises the need to integrate sound principles governing safety, business conduct, social, environmental and economic activities into business practices and decision-making.

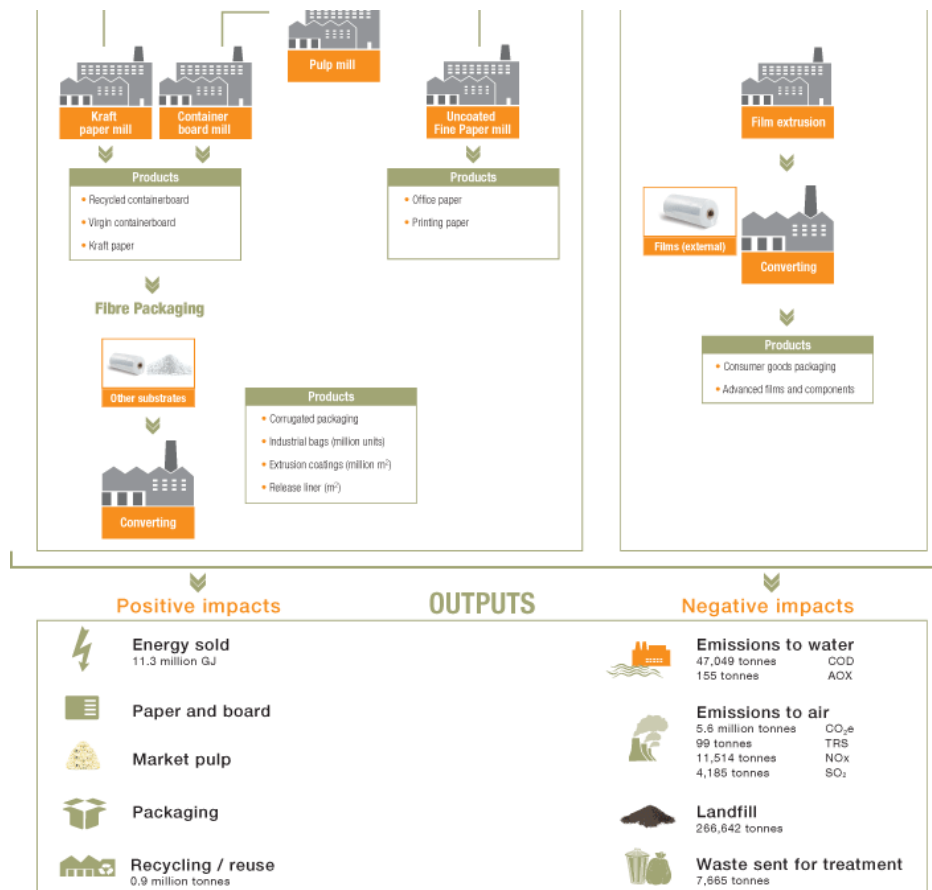
The acquisition of the Nordenia group of companies reflects a significant step in the Group's strategic development in higher growth markets and complements and strengthens the existing consumer packaging business. Mondi operates as two divisions: Europe & International and South Africa. Following the completion of the Nordenia acquisition, we have reorganised our Europe & International Division into four businesses: Packaging Paper; Fibre Packaging; Consumer Packaging; and Uncoated Fine Paper (UFP).

Group structure



Mondi's inputs and outputs







Home  Our business, our footprint 

Our products

Mondi manufactures a full range of packaging and paper products to meet multiple industries' demand. Customer focus, experience and ongoing research deliver proactive, high-quality and cost-competitive solutions to our customers' requirements.

Packaging Paper



Containerboard

Mondi is a major international supplier of virgin and recycled containerboard. We treat resources responsibly by means of clean production methods, optimised material consumption and the use of recycled materials, without compromising quality. The containerboard product range consists of the four segments: Appearance, Kraft, Semi Chem and Recycled, and offer superior appearance, high durability, excellent printability, strength and versatility, high moisture resistance and cost efficiencies. Our ProVantage range includes lightweight recycled containerboard, high-performance semi-chemical flutings and 'Appearance', our white-top kraftliner and brown kraftliner. Our paper grades meet stringent health and safety standards for food packaging and are used in the food, automotive, household and cosmetics and industrial paper and packaging industries.



Kraft paper

Mondi's Advantage range consists of high-quality sack Kraft, speciality Kraft papers and speciality pulps. We combine customer requirements with extensive research and development to produce innovative, tailor-made packaging solutions.

Fibre Packaging



Corrugated packaging

Mondi's comprehensive corrugated packaging portfolio consists of the ECO, EASY and SMART product lines, providing efficient material usage, ease of handling, and intelligent features. In addition to the Forest Stewardship Council™ (FSC™) Recycled and FSC Mix certification of our products, the ECO line is part of our Green Range global brand developed to support our customers in the promotion of environmentally-preferable purchasing. Mondi supplies the automotive, food, household and cosmetics and toiletries and hygiene industries.



Industrial bags

Mondi offers a broad range of industrial bags, optimised for high-speed filling, suitable for food contact, ensuring product security and adapted for easy handling. Extensive and ongoing innovations for example biodegradable bags with certified compostability are developed to meet the stringent requirements of our customers in terms of quality and flexibility. Our products are used in the building and construction, food, animal feed, farming and agriculture, chemical, medical and pharmaceutical and automotive industries.



Extrusion coatings

Mondi produces high-quality, cost-effective and energy-efficient technical solutions for the automotive, building, food, industrial paper and packaging, medical and pharmaceutical industries as well as imaging sectors. Our in-depth knowledge of advanced extrusion coating technology enables the production of a broad range of material combinations, including non-wovens, aluminium, board as well as films and paper with a wide selection of polymers, offering versatile biodegradable and sustainable packaging options for our customers.



Release liner

Mondi is a leading global supplier of silicone-coated and speciality release liners, designed for the pressure-sensitive adhesives industry and with the versatility to meet a range of customer requirements. With our transatlantic printing, coating and slitting operations, we offer high-quality and competitive product and service solutions as well as a reliable supply chain for applications including graphic arts, medical, hygiene, fibre composites, tapes and labels. In 2012, we developed EcoLiner, Mondi's new, more natural release liner for the tape industry, with the paper substrate being produced with no bleaching chemicals and from FSC certified pulp, if required.

Uncoated fine paper



Within the uncoated fine paper sector, Mondi's high-quality papers are used in offices and for professional offset printing, HP Indigo or high-speed inkjet printing presses. Our uncoated fine paper brands are all part of Mondi's Green Range, developed in response to customer demand for environmentally responsible products.

Consumer Packaging



Consumer goods packaging

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Our performance against commitments

Our sustainability commitments

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- Recognising concerns regarding biodiversity and ensuring appropriate responses to these
- Securing access to sustainable fibre in the short, medium and long term to meet the needs of the business and our customers
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Our sustainability in a challenging macroeconomic environment

Our strategic response

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Key performance indicators

- Revenue
- Operating profit
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- In South Africa, % land claims settled and % land transferred to claimant communities. Also % of land transferred to claimant communities still managed by Mondi.
- Amount of wood/material used
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Our sustainability in a resource and ecologically constrained environment

Our strategic response

- Our strategy aims to secure our long-term access to sustainable and credible sources of fibre by managing our natural capital, including our carbon, water and forest footprint.

Key performance indicators

- % COC-certified fibre-based products in portfolio
- ISO14001 certification
- % certification to food hygiene standard where applicable
- Water input/tonne produced
- Energy usage/tonne produced
- CO₂e /tonne produced (Scope 1 and 2)
- Forestry assets (area)
- % of land set aside for conservation
- Reduction on total waste to landfill (%)

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- Continue to participate in the World Wide Fund for Nature's (WWF's) New Generation Plantation project.
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- Continue to work with our stakeholders to identify areas of high conservation value in Komi/Russia, and in South Africa.
- Certify all mill operations to ISO 14001 and OHSAS 18001.
- Certify all converting operations to OHSAS 18001.
- Certify all forestry operations to ISO 14001 by 2013.
- Maintain our Chain-of-Custody certifications for our mills and certify Stambolijski (Bulgaria) by 2013.
- Reduce our level II environmental incidents by 50% by 2015 from the 2010 base year and maintain a 0 level III environmental incident performance.
- Maintain our Forest Stewardship Council™ (FSC™) certification of all owned, leased and managed forests.
- Procure over 60% of wood, virgin fibre and biomass products from credible certified sources. The balance will be sourced with products as defined in the FSC Controlled Wood Standard (FSC-STD-40-005 V.2) or Programme for the Endorsement of Forest Certification™ Mandatory Guide for the Avoidance of Controversial Timber.
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- Progress towards becoming self-sufficient in electrical energy in the longer term.
- Progress towards becoming a zero waste company by reducing the total waste to landfill by 20% by 2015, against a 2010 base year.
- Reduce total reduced sulphur emissions from our mill operations by 20% by 2015, against a 2010 base year.
- Reduce our effluent load into the environment, either directly or indirectly discharged, by 10% in 2015 against a 2010 base year.
- Continue to report our consumption of paper for recycling.
- Continue to work with our partners WWF and the Wildlife and Environment Society of South Africa to support the Mondi Wetlands Programme in South Africa and involve local communities in educational, restoration and conservation activities where reasonable.
- Continue to support Silver Taiga in the development of the multi-stakeholder Model River project in Komi.
- Carry out water impact assessments of our forestry operations and mills.
- Promote conservation, reuse and recycling practices to reduce specific contact water consumption by 10% by 2015, against a 2010 base year.

Our socioeconomic sustainability in our diverse working and social environments

Our strategic response

- Our strategy is to engage with our stakeholders in a mutually beneficial way, thereby ensuring the safety and health of our employees and contractors; attracting, retaining and developing our people; and promoting community inclusiveness and development.

Key performance indicators

- Number of employees/contractors
- TRCR
- Number of people on ART (in SA)
- % women in management
- % PDIs in management (SA only)
- OHSAS 18001 certification

Our commitments are to:

- Prevent work-related employee and contractor fatalities.
- Prevent work-related life-altering employee and contractor injury.
- Achieve a total recordable case rate of 0.75 or below by 2015, including employees and contractors, against a 2010 base year. This requires an improvement of 33%.
- Facilitate access to comprehensive primary health care, including anti-retroviral treatment for employees and contractors.
- Support diversity and continue to report the diversity of our workforce.
- Continue to engage with the United Nations Global Compact and promote and support the implementation of its 10 principles.
- Revise our community complaints system by 2012 and focus on the reduction of odour-related complaints.
- All mills and forestry operations to have a rolling community engagement plan, and Russian and South African forestry and mill operations to conduct a socioeconomic assessment toolbox (SEAT) process updated on a three-to-five year cycle.



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Environmental performance

Key features 2012

- Annual harvesting from owned or managed forests in 2012: 5.1 million m³
- 30.8 million seedlings planted
- 65% of wood supplied to processing plant was Forest Stewardship Council™ (FSC™) or Programme for the Endorsement of Forest Certification™ (PEFC™)-certified
- 522,260 hectares (25%) of Russian landholdings set aside for conservation
- 76,398 hectares (25%) of South African landholdings set aside for conservation
- 93% own electricity produced
- 19% green electricity sold
- 58% fuel consumption from renewable resources
- TRS emissions of 99 tonnes
- NOx emissions of 11,514 tonnes
- COD emissions of 47,049 tonnes
- AOX emissions of 155 tonnes
- Water input of 307 million m³
- 328 million m³ of water discharged

FAST FACTS

1. We do not participate in deforestation or illegal logging.
2. All the wood, fibre and biomass sourced from Mondi-owned or leased areas (in South Africa and Russia) are certified to FSC™ standards.
3. 65% of Mondi's total wood supply is certified to FSC (46%) or PEFC (19%) standards. All of our uncertified wood supplies are obliged to meet the requirements of the FSC Controlled Wood Standard that ensures legal compliance and no deforestation.
4. We own or lease 305,952 hectares of land in South Africa, of which 202,466 hectares – around 66% – are planted with hardwoods and softwoods. We also lease and manage 2.1 million hectares of mainly softwood boreal forests in Russia.
5. We planted some 31 million new trees in 2012.
6. We support the New Generation Plantations (NGPs) concept and participate in the global World Wide Fund for Nature NGP Project.
7. We identify high conservation value areas, protect their values and have set aside 522,260 hectares for conservation in Russia (25% of our landholding) and 76,398 hectares in South Africa (25% of our landholding).
8. The Mondi Wetlands Programme has been recognised as the most successful non-governmental wetland conservation programme in South Africa and a pioneering force for wetland conservation outside reserves in the country. The programme has achieved international recognition for its success in supporting social change that encourages wetland users and owners to manage their wetland resources in a more environmentally relevant manner.
9. We reduced our waste to landfill by 11% in 2012, and are committed to reducing this further in the future.
10. Our climate change programme is directed at increasing the efficient use of energy and intensifying our use of renewable energy. Some 58% of Mondi's fuel consumption for material operations comes from biomass.
11. A number of our operations are completely energy self-sufficient and net green energy providers to local communities and third parties.
12. All of our on-site electricity is generated by way of combined heat and power technology, using our power stations to simultaneously generate both electricity and useful heat. This technology results in savings of more than 30% of primary energy compared with conventional electricity generation.
13. Climate change and forest management are intrinsically linked.
14. Forests serve as 'sinks' (storehouses of CO₂) within the carbon cycle, absorbing and sequestering CO₂ from the atmosphere. Growing forests therefore contribute to reducing the level of CO₂ in the atmosphere. The carbon sequestration of our South African plantations resulted in the avoidance of around 4.1 million CO₂e tonnes in 2012.
15. We are a significant user of water and are committed to its responsible use and management. In 2012, Mondi achieved a 2% water input reduction through recycling and closing loops. Total water input was 307 million m³ (2011: 313 million m³).

Environmental issues are integrated into the Mondi Group and its operational strategies. Operations are required to develop and implement environmental programmes and procedures aligned to Mondi operating standards and performance requirements and Mondi management standards, which in turn are aligned with our environmental strategy. Environmental performance is taken into account when management performance is measured.

Resources, training, education, consultation and auditing functions are provided at a Group level to ensure compliance with environmental legislation and other requirements to which we subscribe.

Environmental management is integral to our operating costs, and environmental expenditure therefore cannot be separated from operational expenditure.

Mondi's approach to risk and environmental management incorporates the tenets of the precautionary principle, which implies our responsibility to protect the natural environment from harm when there is a plausible risk.

Environmental strategy

Our environmental strategy ensures we:

- Meet the requirements of sustainable forestry practices, from the management of our forests to the procurement of our wood and fibre;
- Incorporate environmental considerations into our decision-making, committing us to land and freshwater stewardship and allowing us to make a positive contribution to biodiversity and the maintenance of ecosystem functions;
- Consider the consequences and mitigation of climate change on our business and communities;
- Endeavour to reduce our CO₂ emissions from fossil fuels;
- Manage our water resources in a responsible way; and
- Address any risk or negative impact that may result from emissions, discharges and waste.

Leadership

Accountability for environmental policies, processes and practices is assured at every level of our business through the dual listed company (DLC) sustainable development committee, DLC executive committee and our environmental network.

An environmental network is led by the Group environmental manager and comprises environmental managers from our environmentally material operations (all our pulp and paper mills). The network develops and shares good practice across the Group. Regular meetings are held to report, monitor and assess the environmental performance of operations against Group environmental commitments. Gaps and shortcomings are addressed and future projects are identified. Working groups within the environmental network focus on specific areas of performance such as odour abatement, incident- and complaint-monitoring and reporting systems, zero waste, reduction of fibre loss as well as spills and leaks.

Primary responsibility and accountability for sustainability performance is vested in line management. The Group sustainable development function provides direct support to environmental managers through the environmental network. Training on environmental matters is carried out at both Group and operational levels.



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Responsible forestry

Mondi's position on responsible forestry

- Mondi is not party to deforestation or involved in illegal logging in any of its operations around the world
- Mondi ensures that all wood, fibre and biomass sourced from Mondi owned or leased areas (in South Africa and Russia) are certified to Forest Stewardship Council™ (FSC™) standards
- In sensitive, high risk areas* Mondi sources its wood solely from FSC-certified forests
- Mondi also encourages certification by the Programme for the Endorsement of Forest Certification™ (PEFC™) as a credible alternative in low risk countries
- 65% of Mondi's total wood supply is certified to FSC (46%) or PEFC (19%) standards
- All of our uncertified wood supplies are obliged to meet the requirements of the FSC Controlled Wood Standard that ensures legal compliance and no deforestation

* *High risk areas refers to countries in which there is potential for unacceptable activities, such as illegal logging, violation of traditional and human rights, deforestation and destruction of high conservation value areas with unique biodiversity.*

Wood is Mondi's primary raw material. Ensuring that we meet the requirements of sustainable forestry practices, from the management of our own forests through to the procurement of our wood and fibre through the supply chain, is a fundamental business imperative.

Securing access to sustainable and credible sources of fibre in the short, medium and long term, to meet the needs of our business and our customers, is one of the most significant issues facing the Group. The sustainable development of our resources and assets will ensure this continued access, and our ability to continue to meet customer requirements.

Underlying our overall approach to our business is responsible, sustainable forestry. For Mondi, this means consistently considering the productive capability, biological integrity and community needs of the forests that we own and manage, and from which we source the majority of our fibre needs. It also means the responsible sourcing of the remainder of our raw input materials, and concern for the way in which they are produced and used.

Key to our approach is stakeholder engagement at a local, regional and global level, in bilateral dialogues, partnerships and multi-stakeholder forums. These then inform our responses and actions. See [Stakeholder engagement](#) for further details of associations and advocacy groups supported by Mondi, including Silver Taiga in Russia and the Mondi Wetlands Programme and the Ecological Network Programme of Stellenbosch University in South Africa.

Our sustainable forestry practices are guided by our Group level sustainability approach and policies on forests and natural resources, including employing a dedicated manager who engages with key global non-governmental organisations (NGOs), forestry organisations and other sectors. Local foresters, managers, environmental and community engagement personnel work in conjunction with Group structures to ensure the effective implementation of our policies and strategies. To ensure consistent understanding and application of our vision, the Group has developed and published the *Mondi standard for sustainable forestry* to which all operations must comply.

Mondi standard for sustainable forestry: key elements

The Mondi standard for sustainable forestry includes but is not limited to the following:

- Ensuring appropriate monitoring and assessment of the forest condition, forest production yield, Chain-of-Custody, management activities, and the resulting social and environmental impacts.
- Ensuring that the operation will support the efficient use of forestry resources, their long-term ecological function and integrity, and the social and economic welfare of forest employees and contractors and local communities.
- Ensuring that high conservation value areas are identified and preserved or enhanced, and that biological diversity and its associated values are identified, evaluated and conserved.
- Ensuring that forestry operations in plantations and natural forests are based on sound site-specific principles that optimise sustainable forest productivity.
- Requiring that a forestry management plan appropriate to the scale, intensity and nature of the resources is drafted, implemented, evaluated and updated. Where operations have a significant impact on ecosystems and biodiversity, ensuring that a plan for ecosystems and biodiversity is developed, implemented and reviewed within the management plan.
- Ensuring that operations maintain sustainable forestry certification or have a plan in place to achieve credible sustainable forestry certification.
- Ensuring the transparent and systematic tracking of all virgin wood-based materials so that the origins and legality are traceable and can be independently verified.
- For timber, pulp and biomass procured from third parties, ensuring that suppliers meet the responsible wood requirements, and are encouraged to achieve certification by the FSC™ or the PEFC™ or a credible alternative.

- Adopting the FSC Controlled Wood Standard as the Mondi minimum standard for wood and fibre.

All (100%) of our plantations in South Africa and leased/managed forests in Russia are FSC™-certified. We are committed to maintaining FSC™ certification of all our owned, leased and managed forests in Russia and South Africa; to no wood or fibre based products being procured from controversial sources; and to all mills being certified to Chain-of-Custody (CoC) standards by FSC™, the PEFC™ or a credible alternative.

CoC and forest management certifications are tools used for promoting sustainable wood sourcing. Both FSC™ and PEFC™ are NGOs that promote the responsible management of the world's forests, providing internationally recognised standards, assurance and accreditation. (www.fsc.org and www.pefc.org)

With the exception of Stamboljiski (Bulgaria), all of our mills have CoC certificates in place, ensuring that the wood procured in 2012 was from non-controversial sources. At Stamboljiski, controls were implemented to ensure that wood was procured from non-controversial sources. We aim to certify Stamboljiski to FSC/CoC standards during 2013. This, however, will be dependent on the Bulgarian State Forest making sufficient volume of certified material available.

Our ability to achieve increased certified wood percentages on an ongoing basis depends to a large degree upon the availability of certified products from external suppliers, in particular from small growers.

In 2012, a total of 65% of wood supplied to our processing plants was FSC- or PEFC- certified. Our commitment of 60% was reached in 2010. The uncertified balance was obliged to meet the FSC Controlled Wood Standard or the PEFC Mandatory Guide for the Avoidance of Controversial Timber, that ensure supplies are sourced from legal and non-controversial sources. The 65% CoC-certified wood figure has also been used to demonstrate the percentage of CoC-certified fibre-based products in our portfolio. Assuming that the percentage of certified materials used in production reflects the percentage of products potentially certified to CoC standards, we have reported 65% of our timber-based products* to have been produced from CoC-certified materials. This figure was included among our key performance indicators selected for assurance by ERM CVS in 2012.

* The raw materials used for our fibre-based products consist of wood timber, purchased pulp, paper for recycling and finished paper. Wood timber (in the form of wood chips and wood logs, sourced from our leased forests in Russia and our own plantations in South Africa, or purchased from the market) covers the absolute majority of our fibre needs. Our current Group-level reporting systems allow us to monitor the CoC-certified timber volumes in detail while CoC certification of our other fibre needs – pulp, paper for recycling and finished paper – are currently not available at a Group level. We are working towards improving our reporting systems to cover certification details for all sources of fibre and will publicly report on these in our future reports.

Our potential wood self-sufficiency (wood sourced from our FSC-certified owned or leased forests) is 53.2%. Although Mondi fells trees, we are not party to deforestation. For every tree that is felled in our plantation forests, at least one other is planted. In 2012, some 31 million new trees were planted by the Group (2011: 32 million). 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 and has strict fibre sourcing requirements. We do not use illegal wood, including mixed tropical hardwood species or other Convention of International Trade on Endangered Species species. We use no wood from genetically modified (GM) trees, nor do we grow GM crops.

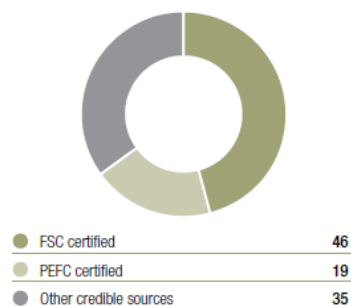
Mondi owns or leases 305,952 hectares of land in South Africa, of which 202,466 hectares – around 66% – are planted with hardwoods and softwoods. We also lease and manage 2.1 million hectares of boreal forests in Russia.

Annual harvesting from our owned or managed forests in 2012 was 5.1 million m³ (2011: 4.6 million m³). Our annual sustained yield/annual allowable cut is estimated to be 8.2 million m³.

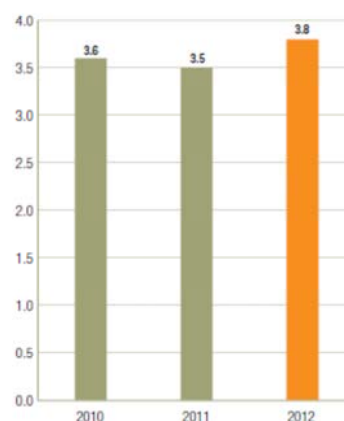
The annual allowable cut in Russia is determined by the state and forms part of the lease agreement. In South Africa, this is equal to the annual sustained yield. In Europe we do not own or lease forests, and wood is supplied from external sources, mainly state forests that are sustainably managed and from private growers.

The total amount of wood procured by Mondi in 2012 was 16.3 million m³, of which 10.6 million m³ (65%) was certified to FSC/PEFC (2011: 16.8 million m³ of which 10.3 million m³ (61%) was certified to FSC/PEFC). In 2012 we consumed 1.5 million tonnes of paper for recycling (2011: 1.5 million tonnes) and 3.8 million tonnes of pulp (2011: 3.5 million tonnes).

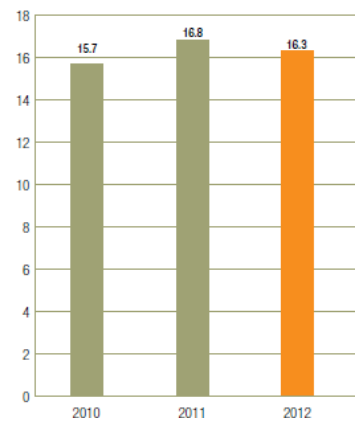
Certification of wood (%)



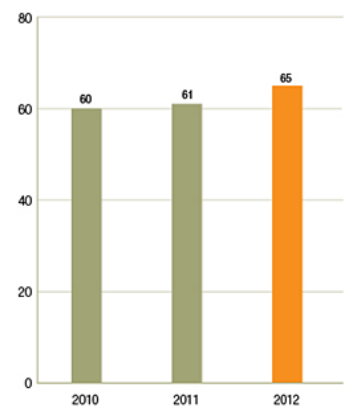
Pulp used (million tonnes)



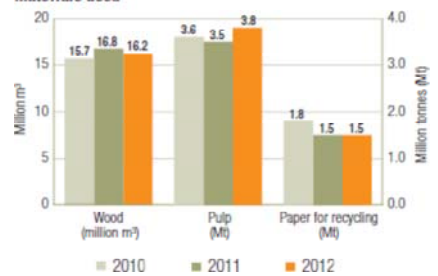
Wood procured (million m³)



Wood procured that is FSC or PEFC certified (%)



Materials used





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Managing plantation forests

Plantation forests comprise even-aged monocultures and are established primarily for wood and fibre production. They are intensively managed and have relatively high growth rates and productivity. Provided rainfall is adequate, they generally tolerate a range of soils and growing conditions, including degraded and agricultural land.

The proportion of plantation forests has significantly increased in the past century as they have assumed greater importance as a source of quality wood and fibre. Research has shown that, if managed responsibly, intensively-managed plantation forests can play a significant role in the provision of ecosystem services and future wood supply.

Forest plantations currently occupy 5% of global forest cover but supply 40% of global commercial wood and fibre requirements. These forests can provide important economic and ecological value and can relieve the threat to natural forests. However, if not managed responsibly, they can incur significant environmental and social costs.

All of our plantation forests are sustainably managed, and have been verified as such through Forest Stewardship Council™ certification. Sustainable plantation forests are those that are managed for sustainable and/or increasing yields, supported by intensive breeding programmes, based on a wide genetic base, carefully situated in the landscape to maintain functioning ecosystems and biodiversity, and offer protection to high conservation value (HCV) areas.

A sustainable plantation forest aims to maintain ecosystem functionality at a landscape level, conserve HCV ecosystems, enhance local welfare and be financially profitable.

Achieving sustainable plantation forests

To achieve this we:

- identify and protect natural high conservation value areas such as wetlands, grasslands and natural forests and, where practical, link these areas as effective ecological networks to enhance their biodiversity value;
- consider the social values of forests and associated ecosystems;
- fully respect the rights of indigenous people and communities;
- engage in stakeholder dialogue; and
- practise resource efficient forestry operations.

Our plantation forests comprise the main commercial temperate and sub-tropical eucalyptus, pine and acacia species and their associated hybrids. None of these are Convention of International Trade on Endangered Species (CITES) species or are classified on the International Union for the Conservation of Nature Red List of Threatened Species as vulnerable, endangered or critically endangered.



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New generation plantations

The new generation plantations (NGP) project is a collaborative effort between the World Wide Fund for Nature (WWF) and several companies and governments, working together to identify and promote practices and policy frameworks that will enable a 'new generation' of more sustainable plantations.

About new generation plantations

New generation plantations are intensively-managed forest plantations that:

- maintain ecosystem integrity;
- protect and enhance high conservation value areas;
- are developed through effective stakeholder participation processes; and
- contribute to economic growth and employment.

For further information see www.newgenerationplantations.com.

Mondi is an active participant in the WWF NGP Project, which aims to promote best practice for the design and management of forest plantations by identifying examples of well-managed and appropriately located plantations which contribute to healthy, diverse and multi-functional forest landscapes and are compatible with biodiversity conservation and human needs.

Phase 1 of the project, published in 2009, highlights a number of good practices, including Mondi's SiyaQhubeka Forests, located in KwaZulu-Natal, South Africa. (www.newgenerationplantations.com/pdf/case6.pdf) Through SiyaQhubeka Forests – a partnership between Mondi and our black economic empowerment partners, government and local communities – we have ensured that some 9,000 hectares of land, including a large plantation area, is incorporated into the iSimangaliso Wetland Park, providing protection for sensitive wetland and other high conservation value (HCV) areas and much-needed space for elephant, rhinoceros, buffalo, cheetah and other game to roam.

The project's phase 2 report was published in 2011 and considers the role plantations can play in water management, the use of biomass for bio-energy, forest carbon and the impact of NGP practices.

Mondi signed up to phase 3 of the NGP project, making a commitment to share its NGP practices and experiences in an African region NGP project, designed to promote and encourage implementation of NGP principles in sub-Saharan Africa. As part of phase 3, Mondi participated in a scoping NGP meeting in Maputo, Mozambique in 2012, which focused on how economically-viable plantations maintain ecosystem integrity, protect HCVs and contribute to poverty alleviation. Mondi shared lessons learned from 40 years of plantation development in South Africa.

The annual global NGP meeting takes place in February 2013 in Beijing and this is followed by an Africa region meeting in May, hosted by Mondi and WWF (SA), when it is hoped to obtain support for NGP principles for forestry and other land-use sectors.

It has been predicted that globally an additional 40 million hectares of plantations will be needed by 2050 to meet demand for wood, fibre and fuel. It is Mondi's view that plantations adhering to NGP principles, which do not convert natural forest, is part of the solution to meeting this demand.



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Managing natural boreal forests

Boreal forests are classified as slow-growth natural forests and are managed on a rotation of approximately 110 years.

Mondi leases and manages 2.1 million hectares of boreal forest in the Komi Republic of Russia. Comprising mainly pine, spruce, birch and aspen and some larch species, elements of these boreal forests represent some of the last remaining intact forests of Europe. The boreal forests serve Russia and the rest of the world both as a source of timber and also as a symbol of biodiversity, and are an important moderator of global climate. Natural boreal forests that are sustainably managed are seen as climate-neutral.

Sustainable forestry in boreal forests means protecting valuable habitats, especially high conservation value (HCV) intact forests, and carrying out forestry operations in a way that mimics the natural forest dynamics that maintain biodiversity. We are guided by the Russian Forestry Code and Forest Stewardship Council™ (FSC™) standards, ensuring the retention of seed trees, promoting the effective re-establishment of boreal forests, and preserving important natural ecosystems such as riparian and wetland systems. In 2012, 522,260 hectares (25%) of our Russian landholdings were set aside for conservation. Mondi is the catalyst and supporter of an initiative co-ordinated by Silver Taiga (www.silvertaiga.ru/en) to develop a practical ecosystem classification system based on Earth Observation (EO) technology for the Komi Republic in Russia. This follows a successful FSC pilot project assessing EO as a tool to manage FSC certification in the boreal forest.

Global issues around boreal forests include illegal logging, the felling of intact pristine forests and other HCV areas, and felling in a way that does not mimic the natural dynamics of the boreal system which is a necessary condition for maintaining biodiversity.

Natural boreal forests can be harvested on a sustainable basis and even enhanced through sound silviculture practices supported by FSC certification. Where we harvest natural boreal forests, we ensure there is no threat to biodiversity at the landscape level for Mondi operations. This is performed by relying on a regional (Komi) multi-stakeholder process to identify and protect large intact forests, FSC certification, the participation of local non-governmental organisations to identify and monitor HCV areas and careful forestry practice.



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High conservation value areas

We recognise our responsibility to conserve our high conservation value (HCV) natural resources and, where possible, to help restore ecosystems that have been damaged by Mondi's activities or other historical activities.

We actively support the preservation of HCV areas in both South Africa and Russia. The identification and protection of HCV areas helps us to manage our impact on biodiversity. We are engaged in partnerships to identify, classify and preserve forest and other ecosystems designated as HCV areas owing to their ecological or social significance. As at December 2012, Mondi has set aside 522,260 hectares for conservation in Russia (25% of our landholding) and 76,398 hectares in South Africa (25% of our landholding).

The classification of HCV forests is highly dependent on the particular sociocultural and ecological context. HCV forests are determined following a broad and inclusive stakeholder consultation process.

Mondi continues to support the HCV Resource Network; a global network which promotes a practical, consistent approach to HCV methodology, outside of the methodology described under forest certification. (www.hcvnetwork.org)

Pleasingly, a number of agricultural communities via global sustainability round tables have adopted the HCV concept. This positive step promotes the use of HCV beyond the forestry sector and therefore has important implications for global conservation, and the development of standard terminology and methodology.

High conservation value areas in Russia

We actively support and participate in a multi-stakeholder process involving the Ministry of Natural Resources of the Russian Federation, World Wide Fund for Nature (WWF) Russia, Greenpeace, Silver Taiga and the forest communities, with the aim of identifying and protecting some of the last remaining HCV intact forests in Europe. Some 4.1m hectares out of 25m hectares surveyed have been identified as potential HCV intact forest. Five of these HCV intact forests are associated with our operations in Komi, in north-west Russia.

As part of the drive to protect these forests, WWF Russia submitted proposals to the Ministry of Natural Resources of the Russian Federation for the registration of these HCV intact forests and its surrounding regions as protected areas. After five years of negotiation, agreement has been reached with the Ministry on the Southern Koiyodorok intact forest, which has been registered as a protected area. The status of three out of the remaining four forests on Mondi land has been agreed upon, with negotiations continuing on the fourth. Full registration as protected areas may take another three years.

Mondi has already given our leased HCV forest areas full protection status and have declared that we will not harvest in those areas – amounting to some 70,000 hectares.

Silver Taiga, in conjunction with Mondi, is also working on an eco-system classification for Komi, Russia, and helping to train Mondi staff in the identification of HCV areas in Russia. This will ensure that HCV areas are conserved. Wetlands and rivers are already protected by Russian law and are regarded as HCV areas, but further examples might include pockets of a rare larch to community areas and hunting grounds.

High conservation value areas in South Africa

Mondi conserves the values of all HCV areas within our landholdings. Where valuable existing remnants of endangered ecosystems, such as mistbelt grasslands, are identified and located on our landholdings, we aim to connect these remnants and/or link them to larger viable areas on or off our properties via ecological networks or biodiversity corridors, to help maintain biodiversity.

Following the identification of HCV areas within its boundaries, Mondi's Gilboa estate in Karkloof, KwaZulu-Natal, was the first forestry property to be proclaimed a private nature reserve in South Africa. Located at the headwaters of three of KwaZulu-Natal's important river systems, the Umvoti, Myamvubu and Mholweni Rivers, it includes functional wetlands which provide significant services such as water purification and flood control. The Gilboa estate also has 283 hectares of 'endangered' Midlands mistbelt grasslands, home to various threatened species. In 2011, Gelykwater (829 hectares), an area rich in mistbelt grassland was our second forestry property to be proclaimed as a private nature reserve. Mondi SiyaQhubeka Forests is a flagship for HCV conservation in our South African operations and the conservation partnership with the iSimangaliso World Heritage Park continues to provide benefits for conservation and our commercial forestry operations.

In 2012, a review of HCV areas was carried out using a conservation tool which applied new data and parameters. Also in 2012, Mondi and WWF-South Africa's Maputaland-Pondoland Programme co-hosted the World Wide Fund for Nature SA's Biodiversity Unit at Mondi's Lake Merthley Estate on a field trip to understand the opportunities and challenges for realising resilient production landscapes in such catchments.



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Forests and biodiversity

Forests are an essential component of life, supplying wood, fibre and non-timber forest products to humanity, and providing an extensive range of ecosystem services.

Forests 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 air and water; are vital to watershed protection and soil formation; and play a major role in regulating climate.

Forest biological diversity refers to all life forms found within forested areas, and their ecological relevance. Forest ecosystems and their biological diversity encompass 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.

The conversion of forests to agricultural land, overgrazing, unmitigated shifting cultivation, unsustainable forest management, the introduction of invasive alien plant and animal species, infrastructure development, mining and oil exploitation, anthropogenic forest fires, pollution and climate change all have negative impacts on forest biological diversity.

We recognise that biodiversity is a significant global concern and that industry, including commercial forestry, can have a negative impact on biodiversity. The main global concerns related to forests and biodiversity are:

- deforestation through illegal logging and the conversion of natural forests to agricultural crops or plantations;
- loss of protected and high conservation value (HCV) areas; and
- loss of species and habitat biodiversity supported by natural forests.

Forest functions and services, such as recreation, health and wellbeing, timber and non-timber resources, biological diversity, the maintenance of ecosystem services and the mitigation of climate change are increasingly recognised as integral components of sustainable forest management. Forests also provide livelihoods for people, and contribute to the economic, social and cultural lives of many indigenous communities.

Our business and ecosystem services are inextricably linked. Our forestry practices have an impact on ecosystems and their regulatory (climate and water regulation, food control, waste disposal) and provisioning services (fresh water, fibre, food). Equally, we and our communities depend on ecosystems.

Ecosystem values

We respect the findings of The Economics of Ecosystems and Biodiversity (TEEB) study, a major international initiative to delineate the global economic benefits of ecosystem services and biodiversity; to highlight the growing costs of biodiversity loss and ecosystem degradation; and to draw together expertise from the fields of science, economics and policy to enable practical actions in the future. TEEB's articulation of a compelling economic case for the conservation of ecosystems and biodiversity is aligned with our thinking. Ecosystem services can be defined as services that are generated by the natural environment, which enhance human wellbeing, and are directly used by people. In 2012, Mondi completed an ecosystem services supply and demand analysis of the Iswepe management unit as part of this evaluation process. As core members of the World Business Council for Sustainable Development (WBCSD) Ecosystems Focus Area, we are piloting aspects of the economics of ecosystems in catchment areas in South Africa. The WBCSD Ecosystem Focus Area team was prominent at the 2012 International Union for Conservation of Nature (IUCN) World Conservation Congress and Mondi, together with other core members, provided support to the WBCSD in promoting business as a solution to maintaining biodiversity.

With the support and expertise of the Mondi Wetlands Programme, we have assessed the quality of services (values) that our key wetlands provide in our South African forestry areas and have drawn up management plans to maintain or improve the services. We will continue to work within Mondi and with global initiatives to develop meaningful financial and quantitative systems to value ecosystem services.

We are actively exploring the potential for formal co-operation with a global non-governmental organisation (NGO) in the areas of land stewardship and eco-system values.

We have carried out a detailed water impact assessment of South African plantations and identified four catchments where the water use of all stakeholders needs to be carefully monitored. Aside from this, the findings confirmed our existing knowledge of the vulnerable catchments and we will continue to monitor these.

Our triple bottom line business approach ensures that we incorporate social and environmental considerations into our decision-making, and commits us to land and freshwater stewardship. We believe that our business practices, our participation in and support for global bodies (including WBCSD, the Forest Stewardship Council™ and The Forest Dialogue), as well as our investment in research and development and indeed conservation, enable the Group to make a positive contribution to maintaining biodiversity in the developed landscapes and natural forests where we operate.

Control of alien invasive species and the use of fire

Alien invasive species potentially pose a serious threat to biodiversity and water resources as woody alien invasive species consume more water than indigenous grassland vegetation, shade out indigenous fauna and flora and, if located in wetland/riparian areas, can have a significant impact on fresh water and wetland systems. Mondi has significantly improved the way in which we manage invasive alien plant species with dedicated conservation teams working on unplanted areas that have been trained in the identification and removal of invasive alien plant species. This work is a significant part of conservation measures to manage and maintain the habitat quality of the various ecosystems. Mondi's Invasive Alien Plant Programme has covered a total of 60,000 hectares of conserved land over the past five years and continues to maintain this land.

Together with clearing of invasive alien plants, burning is the principal tool available to Mondi's plantation forestry management for its unplanted natural areas. The grasslands biome evolved with fire and fire is necessary to maintain the native vegetation.

Fire as a management tool

The use of fire as a management tool:

- controls the encroachment of invasive aliens;
- contributes to fire control by reducing fuel loads;
- maintains or develops grass cover for soil and water conservation;
- creates suitable habitats for animals; and
- increases plant productivity by removing litter and improving grazing value.

Aspects of our management

We do not convert natural forests, riparian areas, wetlands or protected areas into plantations. The conversion of grasslands or degraded agricultural lands is subject to an environmental impact assessment and a national multi-stakeholder licence application procedure in order to ensure adequate protection of water resources and biodiversity, including HCV grasslands. We set aside land under management for conservation purposes – at least 25% of our land in South Africa will not be converted to plantations. In 2012, 76,398 hectares (25% of our landholdings in South Africa) were set aside for conservation.

We have developed ecosystem management plans for all our forestry operations in South Africa. They help us improve the way we identify, protect, preserve, manage, and in some cases, restore functioning ecosystems and biodiversity. [Read case study ●●●](#).

We minimise the impact of our plantation and forestry activities on the environment by identifying and helping to protect important and vulnerable ecosystems such as indigenous forests, HCV wetlands and grasslands. Our long-term aim is to connect these sensitive and valuable conservation areas by way of ecological networks to help preserve their biodiversity.

In South Africa, we have identified and mapped 13 nationally significant vegetation types by using our Environmental Conservation Data Base standard, which simplifies them further into five distinct vegetation categories: natural vegetation, wetlands, traditional weed areas, maintained areas and bare land. A biodiversity score which determines high, medium and low conservation status for each forest estate is based on all of the data sources and the greatest priority is given to HCV status estates.

Mondi identifies the conservation status of any species of special concern (endemic and threatened species) on our landholdings, in an effort to manage the habitats appropriately and thus conserve these species.

Baseline surveys of Mondi land were started in 2008 with a number of objectives: to allow the verification of a particular HCV area; establish floral and faunal species; and reveal the number of species that are threatened (critically endangered, endangered or vulnerable).

A species sightings database allows for the recording of species distribution on Mondi land.

Species records to date (Dec 2012) within Mondi's landholdings (South Africa)

Taxon	No. of species recorded to date on Mondi landholdings	No. of *species of special concern
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* Endemic species (species which only occur in a particular area or region), threatened species as per IUCN Red Data List (vulnerable, endangered and critically endangered species), Red Data Lists published in South Africa and National Environmental Management: Biodiversity Act, 2004 (ACT 10 of 2004): Publication of lists of critically endangered, endangered, vulnerable and protected species. The percentages of species recorded in South Africa on Mondi's landholdings are based on Driver, et al; 2012. National Biodiversity Assessment 2011.

We support and work in close co-operation with NGOs and research bodies to actively manage land, fresh water systems and biodiversity. We have been involved in some of the early, pioneering work on ecosystems, playing a key role in the conservation of wetlands, grasslands and HCV ecosystems. In particular, we participate in the South African Biodiversity Institute's Grassland Programme and the Kwa-Zulu Natal (KZN) Biodiversity Stewardship Programme, and actively encourage other landowners and interested parties to do the same. As a result of these efforts, two of Mondi's areas in South Africa have been registered as private nature reserves and the largest part of the Mondi SiyaQhubeka Forests has been incorporated in the iSimangaliso World Heritage Park.



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Protecting wetlands

Wetlands are the most threatened of all South Africa's ecosystems, with 48% of wetland ecosystem types critically endangered. The main pressures on wetland ecosystems include cultivation, urban development, mining, dam construction and poor grazing management, combined with catchment wide impacts.

Wetlands play a pivotal role in the management of water flows, including the purification and storage of water. They control erosion and reduce the severity of droughts and floods by regulating stream flow and recharging underground aquifers.

Wetlands also play an important role in biodiversity protection, tourism, environmental education, grazing, subsistence agriculture, and are a source of food and plant materials for rural communities. Because our commercial activities use significant volumes of water, we also rely on healthy wetlands and riparian zones.

Supported by the Mondi Wetlands Programme (MWP), we have significantly strengthened our wetland sustainability practices. The MWP has been recognised as the most successful non-governmental wetland conservation programme in South Africa and a pioneering force for wetland conservation outside reserves in the country. The programme has achieved international recognition for its success in supporting social change that encourages wetland users and owners to manage their wetland resources in a more environmentally relevant manner.

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In 2012, the Mondi Wetlands Programme:

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We actively engage with and support non-governmental organisations and academic institutions to improve our understanding of plantation water issues. The Water Research Commission, University of Kwazulu-Natal, University of the Free State and the Council for Scientific and Industrial Research have all made an important contribution to this understanding through projects carried out on Mondi land. Our sponsorship of the MWP and the Mondi Ecological Network Programme continues to support sound science and practical solutions for wetland conservation and ecological networks.



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Voluntary standards and third party certification

The adoption of voluntary standards plays an important role in the development of internal skills and resources, monitoring and validations, and in our drive for continuous improvement.

We have adopted and implemented the ISO 14001 (applicable to mills and forests) and OHSAS 18001 standards (applicable to mills and converting operations). All our mills – 14 out of 14 – are certified to ISO 14001 and OHSAS 18001, while 51 out of 74 (69%) of our converters are certified to OHSAS 18001. ISO 14001 will be implemented in our forests by the end of 2013. By the end of 2012, 36 of all our food contact packaging operations (61%) were certified to a recognised food hygiene standard*. The other operations have implemented a hygiene management system according to Good Manufacturing Practice**.

* The food hygiene standards that Mondi's operations are certified against include: ISO 22000, EN 15593, BRC/IoP or AIB.

** Good Manufacturing Practice is legislated in many countries where our products are made, helping to ensure quality control.

Co-operation with non-governmental organisations, industry bodies and academic institutions has become an important component of our strategy, and this is particularly so in respect of community development. We recognise that through a process of constructive engagement we can draw on the fundamental knowledge, expertise and resources of local bodies and communities and that this will ensure both the cost effectiveness and the success of socioeconomic development programmes.

Third party certification is a critical component of our 'licence', and an ever-increasing requirement within the industry. It is therefore in our own interest to ensure that we support and meet the requirements of recognised sustainable forestry practice, from the management of our own forests, to the procurement of wood and fibre, through the production process within our value chain.

Mondi supports and uses the Forest Stewardship Council™ (FSC™) standard, the Programme for the Endorsement of Forest Certification™ (PEFC™) standard, or the FSC Controlled Wood Standard for wood and fibre purchased. Where this is not possible, Mondi insists on compliance with our own Procurement of Wood, Virgin Fibre and Biomass Requirement, which stipulates the FSC Controlled Wood Standard or the PEFC's Mandatory Guide for the Avoidance of Controversial Timber, and ensures that no wood or fibre originates from illegal or controversial sources. All of our mills, with the exception of Stambolijski, are certified to internationally credible Chain-of-Custody (CoC) standards. We aim to certify Stambolijski to FSC CoC standards during 2013. This will, however, be dependent on the Bulgarian State Forest making sufficient volume of certified material available.

The introduction of the European Union Timber Legislation and the United States Lacey Act has increased the need and value of our certification systems in providing clear evidence of good progress in tracing origin of our raw material.



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Managing plantation forests

Plantation forests comprise even-aged monocultures and are established primarily for wood and fibre production. They are intensively managed and have relatively high growth rates and productivity. Provided rainfall is adequate, they generally tolerate a range of soils and growing conditions, including degraded and agricultural land.

The proportion of plantation forests has significantly increased in the past century as they have assumed greater importance as a source of quality wood and fibre. Research has shown that, if managed responsibly, intensively-managed plantation forests can play a significant role in the provision of ecosystem services and future wood supply.

Forest plantations currently occupy 5% of global forest cover but supply 40% of global commercial wood and fibre requirements. These forests can provide important economic and ecological value and can relieve the threat to natural forests. However, if not managed responsibly, they can incur significant environmental and social costs.

All of our plantation forests are sustainably managed, and have been verified as such through Forest Stewardship Council™ certification. Sustainable plantation forests are those that are managed for sustainable and/or increasing yields, supported by intensive breeding programmes, based on a wide genetic base, carefully situated in the landscape to maintain functioning ecosystems and biodiversity, and offer protection to high conservation value (HCV) areas.

A sustainable plantation forest aims to maintain ecosystem functionality at a landscape level, conserve HCV ecosystems, enhance local welfare and be financially profitable.

Achieving sustainable plantation forests

To achieve this we:

- identify and protect natural high conservation value areas such as wetlands, grasslands and natural forests and, where practical, link these areas as effective ecological networks to enhance their biodiversity value;
- consider the social values of forests and associated ecosystems;
- fully respect the rights of indigenous people and communities;
- engage in stakeholder dialogue; and
- practise resource efficient forestry operations.

Our plantation forests comprise the main commercial temperate and sub-tropical eucalyptus, pine and acacia species and their associated hybrids. None of these are Convention of International Trade on Endangered Species (CITES) species or are classified on the International Union for the Conservation of Nature Red List of Threatened Species as vulnerable, endangered or critically endangered.



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New generation plantations

The new generation plantations (NGP) project is a collaborative effort between the World Wide Fund for Nature (WWF) and several companies and governments, working together to identify and promote practices and policy frameworks that will enable a 'new generation' of more sustainable plantations.

About new generation plantations

New generation plantations are intensively-managed forest plantations that:

- maintain ecosystem integrity;
- protect and enhance high conservation value areas;
- are developed through effective stakeholder participation processes; and
- contribute to economic growth and employment.

For further information see www.newgenerationplantations.com.

Mondi is an active participant in the WWF NGP Project, which aims to promote best practice for the design and management of forest plantations by identifying examples of well-managed and appropriately located plantations which contribute to healthy, diverse and multi-functional forest landscapes and are compatible with biodiversity conservation and human needs.

Phase 1 of the project, published in 2009, highlights a number of good practices, including Mondi's SiyaQhubeka Forests, located in KwaZulu-Natal, South Africa. (www.newgenerationplantations.com/pdf/case6.pdf) Through SiyaQhubeka Forests – a partnership between Mondi and our black economic empowerment partners, government and local communities – we have ensured that some 9,000 hectares of land, including a large plantation area, is incorporated into the iSimangaliso Wetland Park, providing protection for sensitive wetland and other high conservation value (HCV) areas and much-needed space for elephant, rhinoceros, buffalo, cheetah and other game to roam.

The project's phase 2 report was published in 2011 and considers the role plantations can play in water management, the use of biomass for bio-energy, forest carbon and the impact of NGP practices.

Mondi signed up to phase 3 of the NGP project, making a commitment to share its NGP practices and experiences in an African region NGP project, designed to promote and encourage implementation of NGP principles in sub-Saharan Africa. As part of phase 3, Mondi participated in a scoping NGP meeting in Maputo, Mozambique in 2012, which focused on how economically-viable plantations maintain ecosystem integrity, protect HCVs and contribute to poverty alleviation. Mondi shared lessons learned from 40 years of plantation development in South Africa.

The annual global NGP meeting takes place in February 2013 in Beijing and this is followed by an Africa region meeting in May, hosted by Mondi and WWF (SA), when it is hoped to obtain support for NGP principles for forestry and other land-use sectors.

It has been predicted that globally an additional 40 million hectares of plantations will be needed by 2050 to meet demand for wood, fibre and fuel. It is Mondi's view that plantations adhering to NGP principles, which do not convert natural forest, is part of the solution to meeting this demand.



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Managing natural boreal forests

Boreal forests are classified as slow-growth natural forests and are managed on a rotation of approximately 110 years.

Mondi leases and manages 2.1 million hectares of boreal forest in the Komi Republic of Russia. Comprising mainly pine, spruce, birch and aspen and some larch species, elements of these boreal forests represent some of the last remaining intact forests of Europe. The boreal forests serve Russia and the rest of the world both as a source of timber and also as a symbol of biodiversity, and are an important moderator of global climate. Natural boreal forests that are sustainably managed are seen as climate-neutral.

Sustainable forestry in boreal forests means protecting valuable habitats, especially high conservation value (HCV) intact forests, and carrying out forestry operations in a way that mimics the natural forest dynamics that maintain biodiversity. We are guided by the Russian Forestry Code and Forest Stewardship Council™ (FSC™) standards, ensuring the retention of seed trees, promoting the effective re-establishment of boreal forests, and preserving important natural ecosystems such as riparian and wetland systems. In 2012, 522,260 hectares (25%) of our Russian landholdings were set aside for conservation. Mondi is the catalyst and supporter of an initiative co-ordinated by Silver Taiga (www.silvertaiga.ru/en) to develop a practical ecosystem classification system based on Earth Observation (EO) technology for the Komi Republic in Russia. This follows a successful FSC pilot project assessing EO as a tool to manage FSC certification in the boreal forest.

Global issues around boreal forests include illegal logging, the felling of intact pristine forests and other HCV areas, and felling in a way that does not mimic the natural dynamics of the boreal system which is a necessary condition for maintaining biodiversity.

Natural boreal forests can be harvested on a sustainable basis and even enhanced through sound silviculture practices supported by FSC certification. Where we harvest natural boreal forests, we ensure there is no threat to biodiversity at the landscape level for Mondi operations. This is performed by relying on a regional (Komi) multi-stakeholder process to identify and protect large intact forests, FSC certification, the participation of local non-governmental organisations to identify and monitor HCV areas and careful forestry practice.



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High conservation value areas

We recognise our responsibility to conserve our high conservation value (HCV) natural resources and, where possible, to help restore ecosystems that have been damaged by Mondi's activities or other historical activities.

We actively support the preservation of HCV areas in both South Africa and Russia. The identification and protection of HCV areas helps us to manage our impact on biodiversity. We are engaged in partnerships to identify, classify and preserve forest and other ecosystems designated as HCV areas owing to their ecological or social significance. As at December 2012, Mondi has set aside 522,260 hectares for conservation in Russia (25% of our landholding) and 76,398 hectares in South Africa (25% of our landholding).

The classification of HCV forests is highly dependent on the particular sociocultural and ecological context. HCV forests are determined following a broad and inclusive stakeholder consultation process.

Mondi continues to support the HCV Resource Network; a global network which promotes a practical, consistent approach to HCV methodology, outside of the methodology described under forest certification. (www.hcvnetwork.org)

Pleasingly, a number of agricultural communities via global sustainability round tables have adopted the HCV concept. This positive step promotes the use of HCV beyond the forestry sector and therefore has important implications for global conservation, and the development of standard terminology and methodology.

High conservation value areas in Russia

We actively support and participate in a multi-stakeholder process involving the Ministry of Natural Resources of the Russian Federation, World Wide Fund for Nature (WWF) Russia, Greenpeace, Silver Taiga and the forest communities, with the aim of identifying and protecting some of the last remaining HCV intact forests in Europe. Some 4.1m hectares out of 25m hectares surveyed have been identified as potential HCV intact forest. Five of these HCV intact forests are associated with our operations in Komi, in north-west Russia.

As part of the drive to protect these forests, WWF Russia submitted proposals to the Ministry of Natural Resources of the Russian Federation for the registration of these HCV intact forests and its surrounding regions as protected areas. After five years of negotiation, agreement has been reached with the Ministry on the Southern Koiyodorok intact forest, which has been registered as a protected area. The status of three out of the remaining four forests on Mondi land has been agreed upon, with negotiations continuing on the fourth. Full registration as protected areas may take another three years.

Mondi has already given our leased HCV forest areas full protection status and have declared that we will not harvest in those areas – amounting to some 70,000 hectares.

Silver Taiga, in conjunction with Mondi, is also working on an eco-system classification for Komi, Russia, and helping to train Mondi staff in the identification of HCV areas in Russia. This will ensure that HCV areas are conserved. Wetlands and rivers are already protected by Russian law and are regarded as HCV areas, but further examples might include pockets of a rare larch to community areas and hunting grounds.

High conservation value areas in South Africa

Mondi conserves the values of all HCV areas within our landholdings. Where valuable existing remnants of endangered ecosystems, such as mistbelt grasslands, are identified and located on our landholdings, we aim to connect these remnants and/or link them to larger viable areas on or off our properties via ecological networks or biodiversity corridors, to help maintain biodiversity.

Following the identification of HCV areas within its boundaries, Mondi's Gilboa estate in Karkloof, KwaZulu-Natal, was the first forestry property to be proclaimed a private nature reserve in South Africa. Located at the headwaters of three of KwaZulu-Natal's important river systems, the Umvoti, Myamvubu and Mholweni Rivers, it includes functional wetlands which provide significant services such as water purification and flood control. The Gilboa estate also has 283 hectares of 'endangered' Midlands mistbelt grasslands, home to various threatened species. In 2011, Gelykwater (829 hectares), an area rich in mistbelt grassland was our second forestry property to be proclaimed as a private nature reserve. Mondi SiyaQhubeka Forests is a flagship for HCV conservation in our South African operations and the conservation partnership with the iSimangaliso World Heritage Park continues to provide benefits for conservation and our commercial forestry operations.

In 2012, a review of HCV areas was carried out using a conservation tool which applied new data and parameters. Also in 2012, Mondi and WWF-South Africa's Maputaland-Pondoland Programme co-hosted the World Wide Fund for Nature SA's Biodiversity Unit at Mondi's Lake Merthley Estate on a field trip to understand the opportunities and challenges for realising resilient production landscapes in such catchments.



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Protecting wetlands

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Forests and biodiversity

Forests are an essential component of life, supplying wood, fibre and non-timber forest products to humanity, and providing an extensive range of ecosystem services.

Forests 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 air and water; are vital to watershed protection and soil formation; and play a major role in regulating climate.

Forest biological diversity refers to all life forms found within forested areas, and their ecological relevance. Forest ecosystems and their biological diversity encompass 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.

The conversion of forests to agricultural land, overgrazing, unmitigated shifting cultivation, unsustainable forest management, the introduction of invasive alien plant and animal species, infrastructure development, mining and oil exploitation, anthropogenic forest fires, pollution and climate change all have negative impacts on forest biological diversity.

We recognise that biodiversity is a significant global concern and that industry, including commercial forestry, can have a negative impact on biodiversity. The main global concerns related to forests and biodiversity are:

- deforestation through illegal logging and the conversion of natural forests to agricultural crops or plantations;
- loss of protected and high conservation value (HCV) areas; and
- loss of species and habitat biodiversity supported by natural forests.

Forest functions and services, such as recreation, health and wellbeing, timber and non-timber resources, biological diversity, the maintenance of ecosystem services and the mitigation of climate change are increasingly recognised as integral components of sustainable forest management. Forests also provide livelihoods for people, and contribute to the economic, social and cultural lives of many indigenous communities.

Our business and ecosystem services are inextricably linked. Our forestry practices have an impact on ecosystems and their regulatory (climate and water regulation, food control, waste disposal) and provisioning services (fresh water, fibre, food). Equally, we and our communities depend on ecosystems.

Ecosystem values

We respect the findings of The Economics of Ecosystems and Biodiversity (TEEB) study, a major international initiative to delineate the global economic benefits of ecosystem services and biodiversity; to highlight the growing costs of biodiversity loss and ecosystem degradation; and to draw together expertise from the fields of science, economics and policy to enable practical actions in the future. TEEB's articulation of a compelling economic case for the conservation of ecosystems and biodiversity is aligned with our thinking. Ecosystem services can be defined as services that are generated by the natural environment, which enhance human wellbeing, and are directly used by people. In 2012, Mondi completed an ecosystem services supply and demand analysis of the Iswepe management unit as part of this evaluation process. As core members of the World Business Council for Sustainable Development (WBCSD) Ecosystems Focus Area, we are piloting aspects of the economics of ecosystems in catchment areas in South Africa. The WBCSD Ecosystem Focus Area team was prominent at the 2012 International Union for Conservation of Nature (IUCN) World Conservation Congress and Mondi, together with other core members, provided support to the WBCSD in promoting business as a solution to maintaining biodiversity.

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Total	2,349	262

* Endemic species (species which only occur in a particular area or region), threatened species as per IUCN Red Data List (vulnerable, endangered and critically endangered species), Red Data Lists published in South Africa and National Environmental Management: Biodiversity Act, 2004 (ACT 10 of 2004): Publication of lists of critically endangered, endangered, vulnerable and protected species. The percentages of species recorded in South Africa on Mondi's landholdings are based on Driver, et al; 2012. National Biodiversity Assessment 2011.

We support and work in close co-operation with NGOs and research bodies to actively manage land, fresh water systems and biodiversity. We have been involved in some of the early, pioneering work on ecosystems, playing a key role in the conservation of wetlands, grasslands and HCV ecosystems. In particular, we participate in the South African Biodiversity Institute's Grassland Programme and the Kwa-Zulu Natal (KZN) Biodiversity Stewardship Programme, and actively encourage other landowners and interested parties to do the same. As a result of these efforts, two of Mondi's areas in South Africa have been registered as private nature reserves and the largest part of the Mondi SiyaQhubeka Forests has been incorporated in the iSimangaliso World Heritage Park.



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Voluntary standards and third party certification

The adoption of voluntary standards plays an important role in the development of internal skills and resources, monitoring and validations, and in our drive for continuous improvement.

We have adopted and implemented the ISO 14001 (applicable to mills and forests) and OHSAS 18001 standards (applicable to mills and converting operations). All our mills – 14 out of 14 – are certified to ISO 14001 and OHSAS 18001, while 51 out of 74 (69%) of our converters are certified to OHSAS 18001. ISO 14001 will be implemented in our forests by the end of 2013. By the end of 2012, 36 of all our food contact packaging operations (61%) were certified to a recognised food hygiene standard*. The other operations have implemented a hygiene management system according to Good Manufacturing Practice**.

* The food hygiene standards that Mondi's operations are certified against include: ISO 22000, EN 15593, BRC/IoP or AIB.

** Good Manufacturing Practice is legislated in many countries where our products are made, helping to ensure quality control.

Co-operation with non-governmental organisations, industry bodies and academic institutions has become an important component of our strategy, and this is particularly so in respect of community development. We recognise that through a process of constructive engagement we can draw on the fundamental knowledge, expertise and resources of local bodies and communities and that this will ensure both the cost effectiveness and the success of socioeconomic development programmes.

Third party certification is a critical component of our 'licence', and an ever-increasing requirement within the industry. It is therefore in our own interest to ensure that we support and meet the requirements of recognised sustainable forestry practice, from the management of our own forests, to the procurement of wood and fibre, through the production process within our value chain.

Mondi supports and uses the Forest Stewardship Council™ (FSC™) standard, the Programme for the Endorsement of Forest Certification™ (PEFC™) standard, or the FSC Controlled Wood Standard for wood and fibre purchased. Where this is not possible, Mondi insists on compliance with our own Procurement of Wood, Virgin Fibre and Biomass Requirement, which stipulates the FSC Controlled Wood Standard or the PEFC's Mandatory Guide for the Avoidance of Controversial Timber, and ensures that no wood or fibre originates from illegal or controversial sources. All of our mills, with the exception of Stambolijski, are certified to internationally credible Chain-of-Custody (CoC) standards. We aim to certify Stambolijski to FSC CoC standards during 2013. This will, however, be dependent on the Bulgarian State Forest making sufficient volume of certified material available.

The introduction of the European Union Timber Legislation and the United States Lacey Act has increased the need and value of our certification systems in providing clear evidence of good progress in tracing origin of our raw material.



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Energy and climate change

Optimising energy usage

Given that energy generation significantly contributes to greenhouse gas emissions, our climate change programme is directed, to a large extent, at increasing the efficient use of energy and intensifying our use of renewable energy – which is significantly less carbon-intensive.

We are improving our energy efficiency and reducing our CO₂ emissions from the use of fossil fuels by:

- improving the energy efficiency of our production processes;
- further increasing energy generation through combined heat and power (CHP) technology;
- increasing our use of biomass-based fuels; and
- switching to low carbon fuels throughout the process chain.

By increasing the use of renewable raw materials from sustainable sources, we continue to increase the ratio of renewable energy use over fossil fuels. At the same time, we are moving from carbon intensive fuels to those with lower carbon intensity, such as natural gas.

Mondi is currently working on the introduction of a Group level Energy Management System according to ISO 50001, with the aim of achieving certification in 2013. The Energy Management System is complementary to and compatible with the Group's sustainable development management system and will support Mondi to use energy more efficiently and continuously improve our energy management. All material operations have introduced the environmental management system according to ISO 14001, which provides a good basis for the implementation of the Energy Management System.

In 2004, Mondi embarked on a strategy to become self-sufficient in electricity. In 2012, we achieved some 93% self-sufficiency across all material operations.

Mondi's on-site electricity is generated by way of CHP or combined-cycle gas turbine technology, using our power stations to simultaneously generate both electricity and useful heat. This technology results in savings of more than 30% of primary energy compared with conventional electricity generation.

Since 2004, we have increased our use of biomass in fuel consumption from 47% to 58% and we intend to increase this percentage further. Our measures in raising energy efficiency at all our operations, as well as the increased use of renewable energy sources, has helped us achieve a 16.4% reduction in energy intensity (energy consumption per tonne of saleable production) and an absolute CO₂ reduction of 1.02 million tonnes.

Our rising production volumes will continue to have an impact on our energy consumption. In 2012, total energy use was 147.2 million GJ (2011: 146.9 million GJ) from our material operations and 2.6 million GJ (2011: 2.6 million GJ) from our converters. Total electricity requirements for producing pulp and paper amounted to 5.5 million MWh (2011: 5.4 million MWh), with 93% of this electricity generated by our own power plants, using 63.2 million GJ of fossil fuels and 79.8 million GJ of biomass.

We use biomass energy sources such as black liquor, a liquid solution of residues from the Kraft process, as an alternative to fossil fuels, at all of our chemical pulp mills. This has enabled a number of our operations to be completely energy self-sufficient and even to be net green energy providers to local communities and third parties. A number of our mills are already net exporters of green electric power generated from biomass and we aim to increase our green electricity sales. Ongoing investments in improved boiler technology, such as at our Frantschach mill, will help us achieve this goal.

An added benefit of using biomass, specifically bark, forest residues and fibrous sludge is that in some instances this material would have been sent to landfill if not used as fuel, to generate electric power or process heat. For example, at our Stambolijski mill in Bulgaria, where we started our new bark boiler in 2010, we are increasing the recycling of biomass previously landfilled, thus contributing to reducing the mill's energy costs and increasing its energy security as well as avoiding methane emissions from the landfilled material. While increasing the profitability of the mill by such initiatives, we are reducing waste, minimising landfill space and lowering the risk of landfill fires by not only using our own bark but also removing landfilled bark for incineration in the bark boiler, at the same time strengthening our community engagement by providing green energy for the community. The investment in a transformer station at the Stambolijski mill, completed in 2012, allows us to feed all green electric power generated from these sources into the public grid. In line with our energy strategy, the decision was taken to invest in improved CHP generation. A new steam turbine will start up in the second half of 2013, boosting exported energy by more than 40% compared to 2012 figures.

The Group has made a similar investment into a bark boiler in its Syktyvkar mill, which started up successfully in December 2012. It will deliver approximately 100 t/h of steam and consequently some 18 MW more of green electricity. The plant will be completed by bark feeding systems that will also allow maximum use of previously landfilled bark.

Following the successful bark drying by waste heat in our Frantschach mill, we seek to boost the combustion capacities of our biomass boilers in all our mills and also to allow them a wider

operating window to handle very wet bark and residues. A bark dryer was approved in Świecie and screening for waste heat is ongoing.

Making use of biogas from anaerobic wastewater treatment plants is now a valuable standard practice in our new treatment plants such as in Tire mill in Turkey. The biogas will be used to generate green electricity for the mill's grid. Similar systems are well established in our mills in Raubling, Germany and in Świecie in Poland.

We are investing in improved heat recovery by upgrade of equipment and improving systems to avoid heat losses by optimising hot water circuits and washing cycles, for example.

Our continued investment in new recovery boilers and turbines (for example at our Frantschach mill in Austria and Ružomberok in Slovakia) helps us achieve greater energy efficiency and electrical self-sufficiency as well as reducing carbon emissions by utilising the heat value of black liquor. The new equipment also enables us to burn total reduced sulphur-containing off-gases and thereby reduce emissions of malodorous gases to the atmosphere.

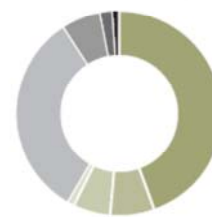
At Świecie mill we are currently looking at similar options and plan to embark on a programme which, in its first phase, will include the installation of a new recovery boiler and turbine by 2014.

At the Richards Bay operation in South Africa, Mondi is currently installing a steam turbine to increase electricity generation capacity at the mill by around 50% to 145MW. This will generate the required electricity for the mill as well as allow for export of approximately 27MW. This turbine will predominantly use steam that is already generated from mostly black liquor and biomass, supplemented by additional steam from an existing coal boiler that was refurbished in 2012.

[Read case study](#) ●●●

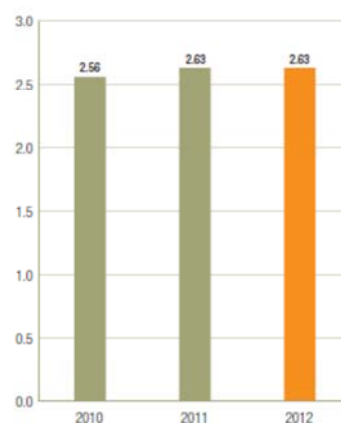
These projects, totalling around €280 million in capital expenditure, are expected to generate significant benefits with returns in excess of 40%, from 2014 onwards.

Fuel sources for our material operations: renewable vs non-renewable (%)



Renewable	
Black liquor	45
Own biomass	7
Biomass purchased	6
Other	1
Non-renewable	
Natural gas	33
Black coal	6
Brown coal	2
Other	1

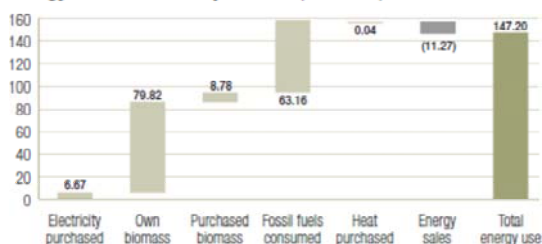
Energy converters (million GJ)



Fuel sources for our material operations: renewable vs non-renewable (%)

	2011	2012
Renewable		
Black liquor	44.3	44.6
Own biomass	7.3	7.2
Biomass purchased	5.1	5.6
Other	0.7	0.8
Non-renewable		
Natural gas	32.9	32.6
Black coal	6.2	6
Brown coal	2.2	2
Other	1	1

Energy use – material operations (million GJ)





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Carbon footprint

Our climate change policy considers the consequences of climate change on our business, our operating environment and our communities, and the means by which these consequences may be mitigated. Reducing carbon emissions from energy generation using fossil fuels, deforestation and forest degradation are fundamental to the international effort to tackle climate change. New generation plantations offer both bio-energy and carbon storage, while helping to conserve natural forests and maintain biodiversity.

SD See [Responsible forestry: New generation plantations](#) for more information.

We have set ourselves the following Group objectives:

- By 2014, we will reduce our CO₂e emissions per unit of saleable production from our mills by 15%, against a 2004 base year.
- By 2014, we will reduce our carbon-based energy consumption per unit of saleable production from our mills by 15%, using 2004 as a base year.
- We will progress towards becoming a carbon-neutral company in the longer term, by increasing the proportion of renewable resources for primary energy needs, using 2010 as a base year.
- We will progress towards becoming self-sufficient in electrical energy in the longer term.

Mondi and carbon neutrality

Mondi made a commitment in 2011 to become a carbon-neutral company in the long term.

The term 'carbon neutrality' implies that the net transfers of carbon to the atmosphere, associated with using biomass or biomass-based products, are zero. Using biomass-derived fuels and materials instead of more fossil fuel-intensive alternatives is one approach to mitigating increases in atmospheric CO₂.

Photosynthesis converts radiant energy from the sun and CO₂ from the air into the chemical energy stored in biomass. Biomass, therefore, can be thought of as stored solar energy. When biomass is burned, decays or is otherwise oxidised, the chemical energy is released and the CO₂ is placed back into the atmosphere, completing a natural carbon cycle. The growth and expansion of forests are removing more carbon from the atmosphere than is being added by combustion and decay of forest biomass; it is accomplishing net removals of carbon dioxide from the atmosphere. Timber from sustainable managed natural forests is generally seen as having no net effect on greenhouse gas (GHG) emissions. Applying the principles of UNFCCC methodology to calculate the impact of Mondi's 305,952 hectares of South African plantations revealed carbon sequestration of 4.1 million tonnes of CO₂e annually.

Avoided emissions also contribute to mitigating GHG emissions. Mondi calculates its avoided emissions by taking base data from internal energy reporting (sold energy and green fuels). Selling green excess energy from renewable resources or carbon-neutral resources as well as green fuels is satisfying energy demand (such as district heating in the vicinity of material plants and for introduction into the public grid) and replacing fossil fuels. Biogas generated in our anaerobic waste water treatment plants is substituting natural gas for energy generation.

We make continuous use of sustainable forest management practices, including afforestation, reforestation and the use of low-carbon footprint forest products. In addition, we support our customers in reducing the carbon footprints of their products by measuring and managing our carbon footprint and providing detailed information according to the Confederation of European Paper Industries 10 Toes Methodology.

SD See the [Economic performance: Product stewardship](#) section for more information.

We report our (GHG) emissions according to the GHG Protocol, published by the World Business Council for Sustainable Development and the World Resources Institute. We have reported our scope 1 and 2 GHG data in compliance with ISO 14064:1-2006. Environmental Resources Management Certification and Verification Services (ERM CVS) has provided a reasonable assurance statement on this data (reasonable assurance signifies a conclusion that the data is free from material misstatement) for material operations along with limited assurance for the converters (see [Assurance](#)). A corporate GHG inventory is the basis for accounting emissions-related risks and opportunities for Mondi. In the past we have focused on GHG reduction from our own operations, but we see the increasing need to also account for GHG emissions along our value chains and product portfolios – the so-called Scope 3 (indirect) emissions. We have reported our Scope 3 emissions since 2009 according to the *GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard*.

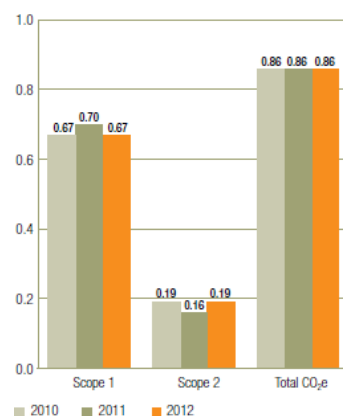
As Mondi is committed to becoming a carbon neutral company in the long term, the knowledge of our Scope 3 emissions is essential for developing effective strategies for managing and reducing GHG emissions resulting from our operations as well as from our value chain activities.

In 2012, our direct (scope 1) Group-wide GHG* emissions amounted to 4.20 million tonnes CO₂e (2011: 4.28 million tonnes CO₂e) from our material operations and 0.12 million tonnes CO₂e (2011: 0.12 million tonnes CO₂e) from our converters, while our direct (scope 2) emissions from purchased energy were 1.17 million tonnes CO₂e (2011: 1.00 million tonnes CO₂e) from our material operations and 0.10 million tonnes (2011: 0.11 million tonnes CO₂e) from our converters. Our indirect emissions (scope 3) from transporting our products and raw materials, employee commuting, business travel and raw materials are estimated to amount to 2 million tonnes CO₂e (2011: 2 million tonnes CO₂e).

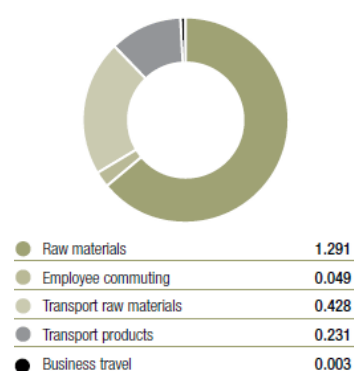
* GHGs are often compared on the basis of their estimated potential to cause global warming. Factors can be used to convert a quantity of non-CO₂ GHG (such as CH₄ or N₂O) into an amount of CO₂ with an equivalent warming potential. Of importance in the pulp and paper industry, CH₄ and N₂O emissions are considered. Every gram of CH₄ is equivalent to 21 grams of CO₂ and each N₂O gram is equivalent to 310 grams of CO₂. Total GHG emissions can be calculated as the sum of several GHGs expressed as the equivalent amount of CO₂, abbreviated as CO₂e.

Note: Reported scope 3 emissions do not cover emissions from product use or from after-life product disposal.

Specific CO₂e emissions from our material operations (CO₂e tonnes/tonnes of saleable production)



Scope 3 emissions (million tonnes)



CO₂e emissions from our material operations by country (tonnes)

Country	Scope 1 2012	Scope 2 2012	Total scope 1 and 2 emissions
Europe & International Divisions			
Austria	188,233	46,552	234,785
Czech Republic	377,620	16,698	394,318
Germany	104,679	2,150	106,829
Poland	363,239	264,034	627,273
Russia	2,112,800	8	2,112,808
Bulgaria	26,363	61,195	87,558
Sweden	18,065	5,612	23,677
Turkey	62,293	23,620	85,913
Finland	58,321	25,753	84,074
Slovakia	152,158	26,462	178,620
Europe Total	3,463,771	472,084	3,935,855
South Africa Division	733,832	693,211	1,427,043
Group Total	4,197,603	1,165,295	5,362,898

Scope 3 emissions (million tonnes CO₂)

	2012
Raw materials	1.291
Employee commuting	0.049
Transportation of raw materials	0.428
Transportation of products	0.231
Business travel	0.003
Total	2.002

Mondi has been an active participant in the Carbon Disclosure Project (CDP) and our 2012 annual response may be found on the project's website (www.cdproject.net). We have been admitted to the CDP's FTSE350 Carbon Disclosure Leadership Index for the third consecutive year. Mondi has also been listed in the CDP's FTSE350 Carbon Performance Leadership Index for the first time; a recognition for good strategy, management and performance.

SD For more information, see [key features of 2012](#) on the home page and [Economic performance: product stewardship](#).

Carbon sequestration

Sustainable forest management has a key role to play in dealing with climate change, as climate change and forest management are intrinsically linked.

Forests and climate change

Forests have four major roles in climate change*. They:

- have the potential to absorb about one-tenth of global carbon emissions into biomass, soils and products and store them. The world's forests and forest soils currently store more than one trillion tonnes of carbon;
- produce wood fuels as a benign alternative to fossil fuels;
- react sensitively to climate change when managed sustainably; and
- contribute to roughly one-sixth of global carbon emissions when cleared, overused or degraded.

* *Food and Agricultural Organisation of the United Nations*

Forests can moderate climate change because of their ability to absorb and store CO₂. Forests therefore serve as 'sinks' (storehouses of CO₂) within the carbon cycle, absorbing and sequestering CO₂ from the atmosphere. Growing forests therefore contribute to reducing the level of CO₂ in the atmosphere.

Carbon sequestration by our sustainably managed plantations partly offsets the carbon emitted through our industrial operations, reducing our carbon footprint. As a result, tree sequestration helps us control the carbon performance of our supply chain. We see our natural forests in Russia as 'carbon neutral' – having neither a positive nor a negative CO₂ impact. Our boreal forests are managed sustainably and ensure that carbon stocks keep growing or at least remain the same. They safeguard biodiversity and some have been set aside for conservation.

SD See [Responsible forestry: Forests and biodiversity](#) for more information.

The carbon sequestration of our South African plantations resulted in the avoidance of around 4.1 million CO₂e tonnes in 2012.

At a Group level, we report that only the carbon sequestered by our South African plantations has a positive impact on carbon reduction.



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Risks and opportunities related to climate change

We have considered the physical and non-physical impacts of climate change on both our business and our markets.

In Europe, most of our operations fall under the European Union's Emissions Trading Scheme which recently published benchmarking targets for period III (2013-2020). The latest benchmark significantly limits the CO₂ allowances of European paper and pulp producers.

In South Africa, the South African National Environmental Management: Air Quality Act came into full effect in April 2010. This has implications for emissions, particularly for the reporting of industrial greenhouse gas (GHG) emissions data and mitigation plans. Furthermore, the South African Government is developing a legislation plan to achieve a reduction of GHG emissions that involves a target of 34% below the business-as-usual baseline by 2020 and 42% below the business-as-usual baseline by 2025. The above legislation will affect our pulp and paper manufacturing operations in South Africa, given that the country's GHGs come mainly from a coal energy base. The introduction of a CO₂ tax is likely.

Although climate change poses risks to our forestry operations and our forest-dependent communities, the majority of our paper, pulp and packaging operations are located in areas where the probability of the physical risks of climate change such as floods, increases in storm and hurricane activity and rising sea level are low, and we have effective systems and controls in place to mitigate these. The most significant impact of climate change on our operations is likely to arise from changes in water availability, particularly the incidence and duration of droughts, which may have an impact on our fibre supply. The protection of our freshwater ecosystems is going to become increasingly important. Water regulations will become more stringent due to climate change related changes in rainfall patterns.

Systems and controls in place to mitigate against climate change

South Africa is a coal based economy and therefore the energy source for the national pulp and paper manufacturing operations is largely dependent on fossil fuels.

Mondi is actively increasing the biomass content for energy generation as well as reducing the specific energy consumption of its products. To a large extent, the Group uses biomass as an alternative to fossil fuels in its mills - making them energy self-sufficient and net energy providers. Mondi avoids CO₂e fossil emissions by consuming energy more efficiently and using lower-carbon fossil fuels as well as biomass.

By realising Mondi's energy improvement programme (DIANA), in most cases the cost effectiveness of our products has been increased. Mondi made a commitment in 2005 to make a 15% reduction in its specific energy consumption by 2014 against a 2004 base year. We have already achieved this, and in 2012, this figure had been reduced by approximately 16.4 % since 2004.

The Group wide energy project aims to improve energy efficiency during production by maximising the use of combined heat and power (CHP) generation and carbon-neutral biomass fuels. Mondi has increased the generation of renewable energy at production sites up to an average of 58 %.

Rising temperatures and climate variability, especially rainfall, are not expected to have a significant impact on our South African forests in the medium term, as our tree breeding programme will produce the plant material able to withstand such change. In the long term, a shift in location of some plantations may be required. In Komi, Russia, climate change is expected to increase yields although difficult, wet, harvesting conditions can be expected in the medium term and, in the long term, a shift of the boreal forest northwards.

Climate variability is likely to lead to an increased incidence of disease and greater potential for fires in South Africa and Russia, which could exacerbate the effects of deforestation. A changed climate opens the way for non-native, harmful species to invade disturbed ecosystems. Changes in the ranges of tree species, forest composition and the size and occurrence of insect populations will also affect the dynamics of forest fires.

Pests and disease in South Africa's plantation forests

The incidence of pests and diseases in South Africa's plantation forests is on the rise and a significant risk to the industry, causing financial losses of some R30 million per year.

Mondi plantations in South Africa are not planted with indigenous trees but consist of exotic tree varieties, which have not had time to become naturally adapted to local environmental conditions. For this reason, Mondi obtains as much genetic diversity as possible from areas where the trees occur naturally. This genetic diversity can then be used to target specific tree qualities and to provide adaptability to changing environmental conditions or resistance to pests and diseases.

A main tree breeding population is maintained not just for product improvement purposes but also for risk purposes. If a disease were to enter an exotic plantation in South Africa and Mondi did not have sufficient genetic diversity to draw on to find natural resistance, the future of that particular commercial species could be threatened and, by extension, sustainable production.

In the event of disease, Mondi would go back to the main populations, find a species or variety with resistance to that particular disease and breed with those resistant trees to secure future production. The tree breeding programme is designed to manage risk on the one hand in terms of genetic diversity and on the other, to help Mondi produce a cost-competitive fibre.

In the fight against pests and diseases Mondi has entered into various partnerships to provide access to wider information and research. These include a partnership with the University of Pretoria and a Mondi Chair in Plant Pathology, currently held by Professor Mike Wingfield, at the Forestry and Agricultural Bio-technology Institute in Pretoria. The Institute conducts research on disease resistance and biological control of tree pests. Mondi also has a partnership with the Forest Molecular Genetic group at the same Institute. Under the leadership of Professor Zander Myburg, this group assists Mondi to understand the genetic make-up of their trees, including how to identify disease resistance.

Although forest fires are mostly caused by humans, their growing frequency may be due to warmer temperatures and shifting winds resulting from climate change. Regional droughts have a clear link to the frequency and intensity of fires.

Mondi sees opportunities in the future in the multiple land use approach and the more diverse use of products.



Richards Bay Mill, South Africa
Water treatment plant

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Water

Water footprint

Water is a critical resource for the paper industry, required during different stages in the production process, from growing wood to processing pulp into the final product.

Most of the water is consumed during the forestry stage, where water is returned to the water cycle through evapotranspiration – the sum of evaporation (movement of water to the air) and transpiration (movement of water within a plant and subsequent passing of water vapour through leaves).

In 2011, we calculated our water footprint at a Group level as well as at each operation using the methodology of the Water Footprint Network's Water Footprint Assessment Manual, which takes into account country-specific annual averages recorded by the Food and Agriculture Organisation. Based on the information gleaned from the establishment of water footprints, Mondi will initiate new projects aimed at reducing water usage and tightening reduction targets.

Water footprints

The water footprint of a product is defined as the total amount of fresh water needed to produce it. An operation's water footprint consists of three components:

Green water: *the consumption of rainwater stored in the soil as moisture.*

The green water footprint is the volume of water evaporated from rain water stored in or on vegetation, or stored in the soil as moisture. The water footprint during the forestry stage contains both a green and blue component. These two components cannot easily be determined separately as trees use rainfall water and tap from groundwater resources simultaneously. Therefore, water consumption during fibre growth in forests is counted and reported as green water.

Blue water: *the consumption of potable, surface and groundwater.*

The industrial stage has only a blue water component. Mondi has divided the blue water footprint of its operations into potable, ground, surface and second-class water as, from a social viewpoint, the consumption of potable and groundwater must be reduced as much as is reasonable, especially when operating in water-scarce areas.

Grey water: *the volume of fresh water required to assimilate the load of pollutants based on existing ambient quality standards.*

According to the Water Footprint Assessment Manual, the grey water footprint of a process is an indicator of the degree of freshwater pollution that can be associated with the process. It is defined as the volume of freshwater required to assimilate the load of pollutants based on existing ambient water quality standards. We use internationally accepted chemical oxygen demand limits for the calculation of our grey water footprint.

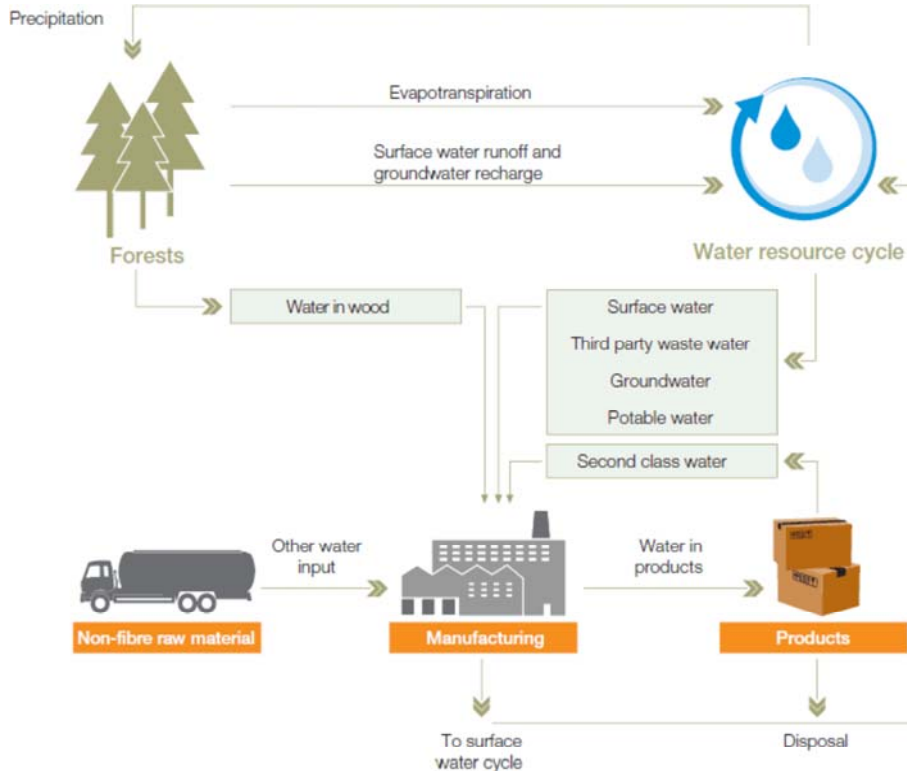
The green and blue water used in the forestry stage is not lost but is returned to the water cycle through evapotranspiration – see the water life-cycle diagram below. While afforestation can affect groundwater availability, forests also store and thus regulate water and advance the purification process.

Blue water is used in the industrial stage for cooling, energy production, production and washing processes, while contaminated water is recycled at waste-water treatment plants. We manage direct impacts on local water resources in relation to local watersheds.

Mondi is working to reduce its blue water usage by carefully examining the production process for any inefficiencies. This includes identifying where any blue water can be recycled: taking water from a production stage and, instead of sending it to the waste-water treatment plant, trying to use it in another stage of production. Mondi also seeks to harness the economic and environmental value of the energy content of warm and hot water.

The grey water footprint is the volume of polluted surface water. Within Mondi, grey water only appears in the waste water discharged from the production process, normally after treatment in waste-water treatment plants.

Water life-cycle



Responsible water use

The Food and Agriculture Organisation estimates that only 1% of the earth's water is fresh, yet all life is ultimately dependent on it for survival. As populations and industry grow, so does the depletion of groundwater supplies, exacerbated by climate change.

Water scarcity is therefore a growing global concern, particularly in water-scarce areas. Not only is it incumbent on Mondi to be environmentally responsible, but it is also necessary for the Group to deal with any risk to operations and communities related to water scarcity.

The Carbon Disclosure Project (CDP) Water Disclosure Global report for 2011 predicted that the world's total demand for water will outstrip supply by 40% by 2030, and that closing that gap could cost as much as \$50 billion per year for 20 years. Population growth and industry consume increasingly more of the world's water, and the situation is compounded by climate change and the growing uncertainty of supply. It is likely that the global economy will be reoriented towards businesses that take active stewardship of water resources and build resilience to shortages and floods.

The nature of our business is water intensive – water is used for fibre production in forests and at our operations. Water, needed for the production of pulp, and eventually paper, is also required for other purposes such as cooling. As a critical component in our product life-cycle, water is present nearly everywhere in our supply chain, from the growing of trees to producing the end product.

We are a significant user of water and, as such, are committed to managing it wisely and responsibly. We are convinced that water has to be considered in our environmental strategy and we have set concrete actions to reduce our direct water consumption. We take this into account throughout our supply chain.

In 2012, Mondi achieved a 2% water input reduction through recycling and closing loops. Total water input stood at 307 million m³ (2011: 313 million m³).

The water we discharge after production is thoroughly treated before being released into the natural environment. This is important, as impurities in water discharges and changes in water temperature can harm the prevailing natural ecosystems. We ensure that the water we release is ecologically safe and meets regulatory requirements.

In 2012, 328 million m³ (2011: 330 million m³) of water was discharged by Mondi's operations.*

* Included in our water discharges is the waste water taken over from third parties and treated at our waste-water treatment plants. The waste water from third parties (about 40 million m³ for 2012) is not reflected in our total water input figure reported above.

The recycling of water is an important concern for us in optimising our resource efficiency. Apart from being a critical resource, we also use the energy content of warm and hot water in generating energy, which has a significant economic impact on our operations.

Using the Global Water Tool, all our mills have assessed their water use relative to local water availability. To better understand our water footprint so that we can manage it more effectively and efficiently, we carried out detailed water impact assessments (WIAs) for our South African

plantations in 2011, using an internal methodology, which takes natural cycles in river flow, changes in lake or aquifer levels and violations of water quality standards into consideration. The conclusions of the WIAs have been discussed with third parties, including the World Wide Fund for Nature, to ensure they are comprehensive and appropriately benchmarked to assess materiality. See more detailed information in the [2011 Sustainable Development report](#).

WIAs at our Hausmening (Austria), Kematen (Austria) and Tire (Turkey) mills were carried out during 2012; no material impacts were identified. WIAs of all material operations will be carried out in 2013. We developed a questionnaire in 2012 which serves as a self-assessment tool for operations and as a first stage in the WIA process. The questionnaire is based on internal reporting requirements and informed by industry literature including the Global Reporting Initiative reporting framework, the GEMI Water Tool by the World Business Council for Sustainable Development and the CDP Water Disclosure framework. Questions were designed to ascertain the type of impact our water consumption has on local water resources and the risks associated with our reliance on water in our business. [Read case study](#)

Preventing pollution

Two key indicators of discharges to water are used and Mondi has plans in place to reduce its overall impact on water bodies. These are:

- Chemical oxygen demand (COD). This reflects the organic load being discharged by the Group in the form of grey or waste water after treatment.
- Adsorbable organic halogens (AOX). This reflects adsorbable halogen compounds present in water released from the pulp bleaching process.

Progress was made in reducing COD emissions by 6% between 2010 and 2012. In 2012 COD tracked at 47,049 tonnes (2011: 46,987 tonnes). The Group's volume of COD lies within the Best Available Technique (BAT) range as defined in the glossary of terms.

AOX emissions have been reduced by 60% since 2005. This was due to elemental chlorine no longer being used during bleaching. In 2012, AOX emissions stood at 155 tonnes compared with 160 in 2011. Mondi is investigating ways of further reducing AOX emissions and is planning to change the method/process for generating bleaching agents by 2014. The Group's volume of AOX lies within the BAT range as defined in the glossary of terms.

Highlights in recent years in the treatment of waste water have included the full implementation of an anaerobic waste-water treatment plant at Tire in Turkey, which produces methane-containing biogas used to generate energy; and the Syktyvkar operation in Russia being modernised and capacity improved.

The indirect water footprint takes pulp, paper for recycling and fibre from third parties into account and data from literature or comparable data from Mondi production is used, if data is not available from suppliers.

In 2012, five losses of primary containment took place in Tire (Turkey), Richards Bay (South Africa), Dynäs (Sweden) and Lohja (Finland). In such cases, Mondi has emergency plans in place, works with local authorities and invests in improvements to avoid reoccurrence of such incidents. (See table below).

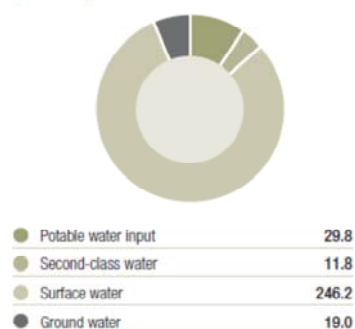
Incidences of loss of primary containment 2012

Operations	Incident type	Remarks
Tire, Turkey	LOPC	Spill of 235 kg of biological sludge from WWTP on unprotected soil caused overflow of waste water
	LOPC	Spill of 200 kg of poly ammonium chloride from the storage tank into an internal waste -water channel
Richards Bay, South Africa	LOPC	Loss of under 3 m³ heavy fuel oil into the sea through WWTP
Dynäs, Sweden	LOPC	Release of 1,300 kg of particles to air due to malfunction of gas cleaner for 30 hours
Lohja, Finland	LOPC	Loss of 50 kg of titanium oxide from a pump pipe into the lake during the changing of the pump hose

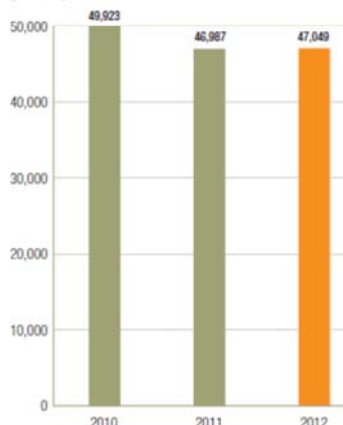
LOPC: loss of primary containment

WWTP: waste-water treatment plant

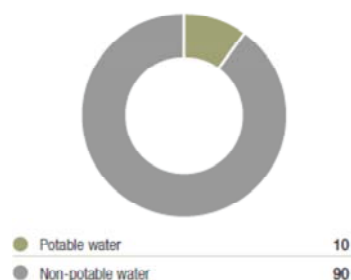
Total water input (potable and non-potable)
(million m³)



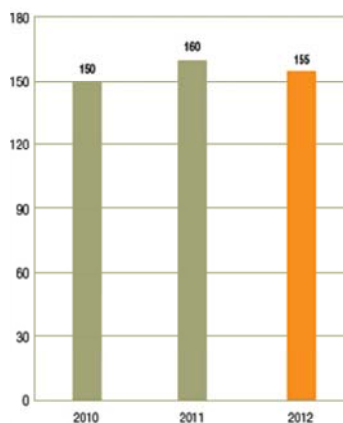
Water discharges: emissions to water COD
(tonnes)



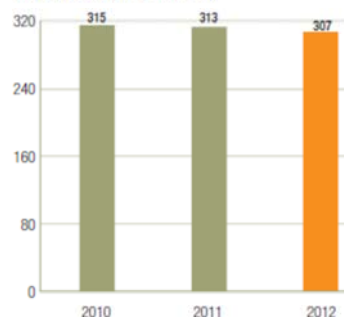
Total water input (%)

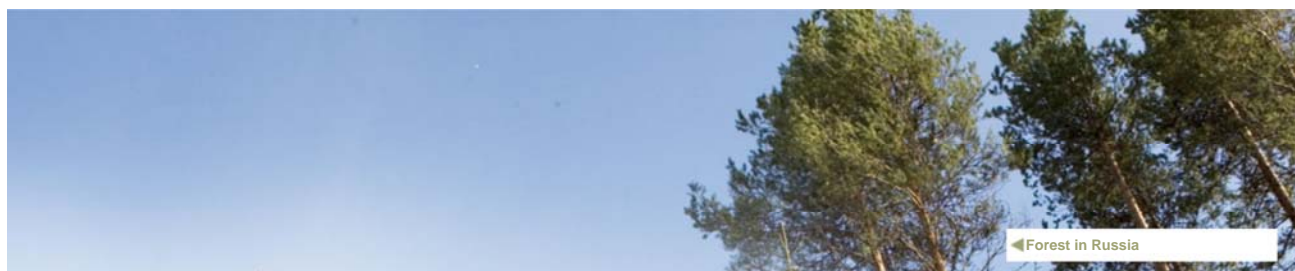


Emissions to water - AOX (tonnes)



Total water input (million m³)





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Air quality

Emissions to air*

Our biggest community concern and one of our major industry-specific emissions is total reduced sulphur (TRS) compounds from our pulp mills. TRS consists of hydrogen sulphur (H₂S), methyl mercaptane, dimethyl-sulphide and dimethyl-disulphide. Concentrated gases are emitted from digesters, evaporation plants and condensate strippers, while diluted gases, in lower concentration, emanate mainly from chip pre-steaming, screening, pulp washing, smelt dissolvers and the ventilation of various tanks containing black liquor.

While the scale of concentrations emitted does not pose a health concern, tracked amounts are enough to create a nuisance. These malodorous gases can give rise to complaints. In 2012, 169 registered public complaints were received, with 138 of them relating to odour (mainly from our Syktyvkar operation in Russia and Richards Bay in South Africa). Of the balance, 16 related to noise and 15 to other complaints.

Mondi is working to resolve the issue of malodorous gases, which includes the incineration of TRS-containing gases in recovery boilers (for example at our Syktyvkar operation). In addition, the use of mobile equipment helps to detect diffuse emissions (small leaks) (for example at Richards Bay, (see case study) and Świecie, as well as TRS monitoring stations outside of Mondi's boundaries (for example at Ružomberok).

* Mondi carefully monitors amounts of air emissions for which the application of a variety of techniques are necessary. The analytical methods used have great sensitivity and reliability and are applicable to the specific organic or inorganic substances (such as SO₂, NO_x, particulates, and TRS compounds). The methods used apply to the study of gases, liquids (mists), and solids (airborne particulates). Mondi uses internationally accepted analytical methods (such as ISO standards and EPA methods) and enforces their application internally. Depending on legal requirements, certain measurements of emitted substances are required to be done continuously.

In 2012, our TRS emissions amounted to 99 tonnes (2011: 90*). The Group's volume of TRS lies within the Best Available Technique range as defined in the glossary of terms.

* Due to refinements in monitoring and reporting methods, TRS emissions have been materially restated back to the 2010 base year.

SO₂ is emitted mainly as a result of the combustion of coal for energy generation. Our SO₂ emissions amounted to 4,185 tonnes for the year (2011: 4,244 tonnes). We continue to move from the use of sulphur-containing coal towards renewable sources for energy generation.

NO_x emissions are related to the combustion of fossil fuels and biomass at our onsite energy generation plants. We have implemented programmes to increase the efficient use of our existing boilers and have introduced de-NO_x systems in the purification of exhaust gases. In 2012, our NO_x emissions amounted to 11,514 tonnes (2011: 11,616 tonnes) while our particulate emissions amounted to 1,614 tonnes in 2012 (2011: 1,536 tonnes). The planned modernisation of some of our boilers will result in measurable reduction in NO_x and SO₂ emissions.

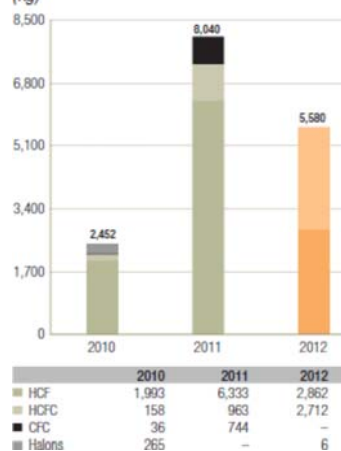
Due to the newly set European Union limits for industrial NO_x emissions, Mondi is preparing to meet legislative requirements by 2016 through planned upgrades.

Ozone-depleting substances (ODS), such as chlorofluorocarbons, hydrochlorofluorocarbons (HCFCs) and halons, can severely harm both humans and the environment. Their production and use is regulated by the Montreal Protocol, which regulates the phase-out of ODS internationally. In 2012, 5,580 kilograms of ODS were emitted (2011: 8,040 kilograms), mainly HCFCs with low ozone-depleting potential.

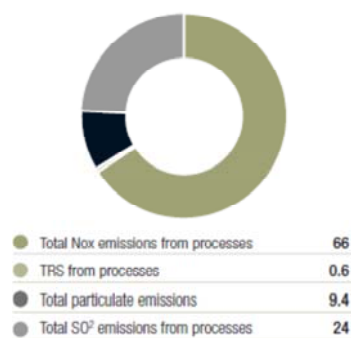
* The loss of ODS is associated with certain amounts of greenhouse gas emissions as well, but the volumes reported for the Group are less than 0.2% of our total CO₂e emissions, and therefore are not material.

Volatile organic compounds, fugitive emissions, persistent organic pollutants and poly-aromatic hydrocarbons are either not relevant to our operations, or else released in minimal and immaterial amounts, and therefore not monitored at a Group level.

Emission of ozone-depleting substances (kg)



Air emissions (%)



Volatile organic compounds (VOCs): Emissions for the pulp and paper industry are released mainly from the storage and handling of wood, and therefore originate from biogenic sources. Storage of woodchips and the production of mechanical pulp are the most notable points of emissions. Paper machines, the production of chemical pulp and effluent treatment are minor emissions sources. VOCs released from pulp and paper mills consist mainly of methanol and terpenes (these substances are usually incinerated during energy generation at our plants and reported via our energy management system). An occasional problem associated with VOCs is odour on a minor scale at a few of our mills, but the amounts are not material and therefore not reported at a Group level.

Fugitive emissions: These are emissions of gases due to leaks and various other unintended or irregular releases of gases. They can contribute to air pollution and climate change. By reporting the losses of ozone-depleting substances, we partly report on these fugitive emissions. The operations also regularly report on any spills and releases and estimate the quantity of emitted substances into air, water and soil. We assess these emissions to be immaterial, but systems are in place to reduce them further by focusing on minimising the loss of primary containment.

Persistent organic pollutants: These are organic compounds that are resistant to environmental degradation through chemical, biological, and photolytic processes. They are not materially broken down over a reasonable period of time. We believe the emissions of these substances to be minimal and immaterial, as Mondi does not use pesticides or polychlorinated biphenyl, the latter of which was widely used in capacitors, transformers, and lubricating oils, and, though it has not been manufactured for several decades, still lingers in the environment.

Poly-aromatic hydrocarbons (PAHs): These are found in petroleum and petroleum derivatives. PAHs are also found in the environment as by-products of coal gasification plants. As there is currently very limited information released about PAH emissions from energy generation out of biomass, coal and oil, these are not currently reported by the Group.



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Waste management

Mondi's process waste is carefully monitored. Our main waste streams are green liquor, boiler ash, lime mud, waste-paper rejects and sludge. We recycle, re-use or use our waste as a secondary fuel for energy generation. Where recycling or reusing is not possible, our treatment options include:

- treatment for change of physical status and/or chemical composition (such as drying and filtration) or for treatment to change hazardous to non-hazardous;
- combustion in incineration facilities (preferably with energy recovery); and
- landfilling.

Between 2010 and 2012 we achieved a reduction of 9% of our total waste to landfill by increasing the recycling and re-use of materials. This was achieved by making further use of renewable energy and maximising the use of raw materials such as biomass, which is often sent to landfill sites when not used as fuel. In 2012, at Stambolijski mill in Bulgaria and at Syktyvkar mill in Russia, we not only burned our own biomass in the bark boiler but also used landfilled bark for incineration, thereby reducing waste, rehabilitating landfill space, and lowering the risk of landfill fires.

SD See the [Energy and climate change](#) section for more information on how we have reduced our specific energy consumption in one way by making use of renewable raw materials.)

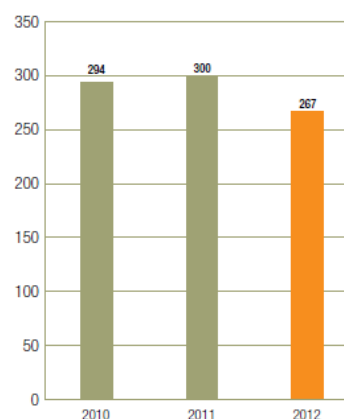
We actively drive the recycling of paper to replace virgin material and to avoid GHG emissions linked to the production of virgin fibre, and prevent landfilling or the incineration of recyclable fibre. In 2012, about a third of pulp used was from paper for recycling (1.5 million tonnes).

In 2012, our total waste to landfill amounted to 266,642 tonnes, more than an 11% reduction on 2011. During 2012, we recorded 1,562 tonnes of hazardous waste to landfill. This increase was due to permitting delays which necessitated the disposal of green liquor dregs at a hazardous landfill for a period of time for our Richards Bay operation. Despite this hazardous waste to landfill increase, we have reduced our total waste to landfill by increasing the recycling and re-use of materials during 2012. Mondi remains committed to achieving zero waste to landfill in the future.

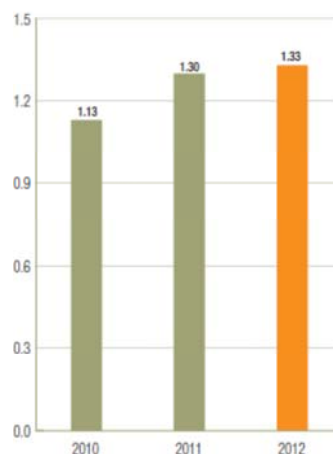
Certain Mondi operations still have some hazardous waste to landfill which is not process-related*.

* Hazardous waste to landfill which is not process-related includes oily waste residues, fluorescent tubes and cleaning of sumps (which may contain oil).

Total waste to landfill (000 tonnes)



Total solid waste (million tonnes)



	2010	2011	2012
Waste to landfill (tonnes)			
Non-hazardous waste to landfill	292,590	299,436	264,938
Hazardous waste	1,108	794	1,704
Total Waste to landfill	293,698	300,230	266,642
Hazardous waste (tonnes)			
Total hazardous waste	19,425	15,109	11,911
Hazardous waste to landfill	1,108	794	1,562
Hazardous waste incinerated	1,210	1,407	1,845
Hazardous waste sent for recycling/re-use	2,431	1,393	1,273

	2010	2011	2012
Hazardous waste for treatment	14,676	11,515	7,089
Non-hazardous waste (tonnes)			
Total non-hazardous waste	1,077,121	1,234,553	1,243,653
Non-hazardous waste for treatment	4,063	812	576
Non-hazardous waste to internal or external incineration	47,283	67,432	66,384
Non-hazardous waste recycled	733,185	866,873	911,755
Non-hazardous waste to landfill	292,590	299,436	264,938
Total debris (tonnes)			
Non-hazardous debris	33,220	54,672	77,070
Hazardous debris	3	10	
Total debris	33,223	54,682	77,070
Total solid waste (tonnes)	1,129,769	1,304,344	1,332,634

Notes:

Re-use and recycling are reported together under 'hazardous waste sent for recycling/re-use' or 'non-hazardous waste sent for recycling/re-use'. Composting amounts have been reported under 'non-hazardous waste sent for recycling/reuse' or have been excluded from the reported waste streams in cases where Mondi has been authorised by the local authorities to re-classify specific compost to a product status.

Usually waste streams with high biomass content are used internally for energy generation. The input of these biomass-containing by-products is reported as fuel in the energy section. The biomass content of our fuel consumption has been broken down into purchased and own biomass.

Deep-well injections are not relevant for our business. Short time on-site storage is relevant only for several operations, but this data is not collected at Group level (only disposal on third party and own landfill sites is reported).

Disposal methods are site-specific and according to local legal requirements and permissions. The responsibility for waste management is delegated to the operational level.



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Case studies



Water impact assessments

It is important that we understand the impact we have on local water resources and to what extent our reliance makes us vulnerable.

[Read case study](#) ●●●



Steam-powered turbine

The new steam-powered turbine at our Richards Bay mill will positively impact the Group, the national electricity supply and the environment.

[Read case study](#) ●●●



Odour elimination

Mondi South Africa has been focused on reducing the emission of odorous compounds from its pulp milling process in Richards Bay since 2009.

[Read case study](#) ●●●



Ecosystem management

Mondi recognises the importance of setting aside areas to conserve functioning ecosystems, biodiversity and endangered species.

[Read case study](#) ●●●



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Case study:

Understanding our impact: Mondi's internal water impact assessments

Water is one of the most significant emerging global sustainability issues. For Mondi, it is important that we understand the impact we have on local water resources and to what extent our reliance on water makes us vulnerable or at risk.

As a water-intensive business, Mondi relies heavily on water throughout its supply chain to grow trees, produce paper and packaging and to cool equipment, before discharging treated water back into the aquatic environment. Since water is central to Mondi's business and, more importantly, because Mondi acts as a custodian of an invaluable and scarce natural resource critical to society, the Group has a business and ethical imperative to consume and treat water responsibly and efficiently. To increase understanding of our impact on water sources, as well as our vulnerability to changes in water availability, allocation and costs, we took a more in-depth approach through internal water impact assessments.

In 2011, Mondi undertook water impact assessments of its South African plantations. In 2012, an operational water impact questionnaire was developed by Mondi which specifically considers the needs and impacts of Mondi's material operations - its pulp and paper mills.

The questionnaire was developed based on internal reporting and performance requirements in relation to water. The water impact assessments conducted at Mondi's South African plantations served as a basis for the questionnaire as well as reference literature including the Global Reporting Initiative reporting framework, the Carbon Disclosure Project Water Disclosure framework and other industry literature.

Says Christian Ramaseder, Group Environmental Manager, "The next step is to undertake national assessments in our countries of operation in order to assess any potential challenges related to water. This will help maintain our continued operation in that particular country and region, not just through securing the availability of water for our business, but also through upholding our position as a responsible, sustainable business making a positive contribution to the communities we operate in. This is really vital information for us and for our stakeholders."

The water impact assessment is divided into two sections: the first section focuses on questions which are operation-specific, and the second section focuses on local and regional conditions and legal requirements.

Operation specific questions focus on the 'business' side of things: water input type and quantities necessary for running the business at that particular plant; what water sources are used (lake, river, sea, wetlands, wells/aquifers or municipality); how the water is treated afterwards; what direct and indirect costs are involved; and how these are projected to change in the future. By contrast, the second section focuses on the 'external' elements in relation to water, such as local and regional conditions and legal requirements; information on rainfall as well as surface and groundwater sources; impact of natural and industry activities on these sources; current and future regulation on water; changes in local demographics; and industrial activities.

The new water impact assessment questionnaire was recently used at Mondi's operations in Hausmening and Kematen in Austria, as well as Tire in Turkey, to assess the challenges being faced by Mondi in sourcing water in these countries. No significant threats or challenges were identified as a result of these assessments, but the recommendations from the impact assessments are being used to formulate an action plan for Mondi in order to further improve local water conditions. In Tire, for example, a new anaerobic waste-water treatment plant was installed towards the end of 2012, resulting not only in the reduction of the organic load of released waste water (chemical oxygen demand) but also in the energetic utilisation of biogas generated in the waste-water treatment plant.

We are committed to continuing our efforts and improving our practices in the responsible and sustainable use of water, in recognition of the invaluable, life-sustaining nature of this resource.



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Case study:

Odour elimination progress at Richards Bay pulp mill

Mondi South Africa has been focused on reducing the emission of odorous compounds from its pulp milling process in Richards Bay since 2009. The typical odour associated with the pulp mill on the country's east coast is generated from reduced sulphur compounds or total reduced sulphur (TRS). TRS emissions from the Richards Bay mill for 2012 were 6,200 kgs, a reduction of 17 per cent compared with 2011.

TRS compounds are emitted by stationary and fugitive sources and can be detected by humans in small quantities and at up to six kilometres from the source itself. The irritating odour impacts on the daily lives of the public and, in particular, the community surrounding the mill.

Phase one of the odour abatement project, undertaken at a cost of €6 million to Mondi, was begun in 2009. This phase first addressed the most concentrated stationary sources of odour by installation of carbon filters to remove the sulphur compounds from gases vented to atmosphere. Mondi also invested in a gas chromatograph which can detect and analyse TRS down to parts per billion. The chromatograph is housed at a local laboratory, which analyses approximately 20 samples a month. Laboratory results have assisted in identifying solutions to emissions, solutions which range from the simple to the more complex and costly.

Phase two of the project began in 2010 and focused on eliminating the chip bin as a source of TRS emissions. This phase was concluded in early 2012 with the commissioning of the reboiler which ensures that emissions from the chip bin do not contain TRS gases, thus avoiding odorous emissions.

Phase three of the project has centred on eliminating odour from the dissolving tanks. The new equipment will be installed during the annual shutdown at the end of 2013. Equipment includes an upgrade of the scrubbers on the dissolving tanks which will allow all odorous gases from these tanks to be routed to the recovery boilers for incineration.

Work is currently under way to determine the scope of phase four, which will involve collection and incineration of high volume, low concentration gases.

An odour reduction task team made up of representatives from the different mill business units was established in 2011. The team meets once a week to track all activities related to odour abatement and to ensure that progress on abatement initiatives is monitored. The team has recently been expanded to include shift employees. The task team is also responsible for ongoing awareness training to ensure a good understanding of odour impacts among operational employees.

Odour complaints are logged with the Richards Bay Clean Air Association (RBCAA), of which Mondi is a founder member. The RBCAA is a non-governmental organisation that monitors air emissions on behalf of the community. Complaints are sent by the RBCAA to industries operating in Richards Bay for investigation and response. There were 96 complaints lodged in 2010 for which Mondi accepted responsibility; 110 in 2011 and 96 in 2012. Mondi investigated all complaints and responded to them within 24 hours of the complaint being logged.

Says Richards Bay mill environmental manager, Candice Webb: "Mondi is committed to addressing the impact of odour on the surrounding community. This will be made possible to a large extent once all phases of the odour abatement project are completed.

"To date, Mondi has committed approximately €10 million to odour abatement projects, including capital already spent and planned investment in 2013, and we consider this to be money very well spent in pursuit of an improved quality of life for all concerned."



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Case study:

New steam turbine for Richards Bay mill

Mondi is in the process of installing a new steam-powered turbine at its Richards Bay mill, which will result in many positive spin-offs for the Group, the country's electrical power supply and the environment.

The new turbine is one of Mondi's approved energy-related investments, which together total approximately €300 million. The project forms part of Mondi's drive to increase self-sufficiency and further improve energy efficiency.

The 47MW turbine, to be built at a cost of some €37.8 million, is expected to be operational by November 2013. The multi-extraction condensing steam turbine will use the additional high-pressure steam provided when running the plant boilers at full load. Further new equipment to be supplied includes a 57MVA, 11kV Electric Machinery (EM) alternator, a complete condensing system, lubrication oil system with piping, turbine control panel, generator protection and control panel.

Other planned improvements in the mill's energy operations include the refurbishment of an existing power boiler and the installation of a cooling tower.

The Richards Bay mill, which produces Baycel, a premier-grade bleached hardwood pulp, made from 100% eucalyptus fibre and Baywhite, a white top Kraft linerboard, currently has two steam turbogenerators – a 38MW extraction back-pressure steam turbine and a 34.3MW extraction condensing steam turbine – and a 27MW gas turbine.

The mill's power self-sufficiency already stands at 86% but the commissioning of the new turbine will increase that to an impressive 135%. This is good news for South Africa, where electricity supply security remains inadequate, as the surplus electricity of between 25 to 30MWs will be available for sale to prospective buyers in the generation constrained South African market, and any excess to the local municipality on a self-dispatch basis (meaning that Mondi has the option to export or not, depending on circumstances).

Says Ron Traill, chief executive officer, Mondi South Africa, "The new steam turbine fits in well with our continuous drive to increase our own energy generation and efficiency."

Mondi's previous investments in energy conservation at the Richards Bay mill have included an extensive heat recovery project which won the 2009 Eskom/Department of Energy Eta Award.

The sustainable nature of the new steam turbine is also good news for the environment. The turbine will be powered partly by renewable energy from a combination of black liquor or lignin, an aqueous solution of residues from the Kraft process, biomass, and coal. (The Kraft process is a process for the conversion of wood into wood pulp, entailing treatment of wood chips with a mixture of sodium hydroxide and sodium sulfide, which breaks the bonds that link lignin to the cellulose). There is potential to collect more biomass from forest residue and move to only renewable sources for the turbine.

An added benefit of using biomass, is the carbon avoidance due to its offset of Eskom power and of coal-powered steam. The new steam-powered turbine will decrease the carbon footprint of Mondi's Richards Bay mill by some 107,000t CO₂ per year, after attributing an appropriate carbon portion to the sold exported electricity.

Mondi is currently exploring other ways to use biomass from forest by-products and wood residues for electricity generation.



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CASE STUDY:

Active stewardship and Mondi South Africa's ecosystem management plans

Mondi recognises that forestry practices have an impact on ecosystems, their regulatory services (climate and water regulation, flood control, waste disposal) and provisioning services (fresh water, fibre, food). Equally, we, and our communities, depend on ecosystems. It is becoming increasingly apparent that setting aside areas to conserve functioning ecosystems, biodiversity and rare or endangered species is vitally important and that these areas, particularly the ecological networks connecting them, must be managed to enhance or maintain their natural functions.

Mondi has developed ecosystem management plans (EMPs) for our forestry operations in South Africa to help us improve the way we identify, protect, preserve, manage and, in some cases, restore functioning ecosystems and biodiversity. They provide guidance to staff while being a framework for ongoing monitoring and consultation, and are the basis for promoting biodiversity interests on all Mondi landholdings. This is particularly important when it is considered that South Africa has been ranked the third most biologically diverse country on earth, and is one of 12 countries which collectively contain more than two-thirds of global biodiversity.

The majority of Mondi South Africa Division landholdings are situated within the Sub-Escarpment Savannah and Indian Ocean Coastal Belt Bioregions along the eastern seaboard of the country. Apart from the extent of these landholdings, many are in ecologically important areas of the Mpumalanga and Kwa-Zulu Natal provinces and their contribution to the conservation of biodiversity are considerable.

Mondi acknowledges that, if not managed correctly, plantation forestry can have serious long-term impacts including loss of biodiversity and an increased risk of invasion by invasive alien plant species.

Determining the conservation status, or 'biodiversity score', for an area is a key aspect of an EMP. This score is defined by assessing several different parameters, including national and provincial conservation planning, vegetation mapping, site-specific data and baseline surveys. This information provides a detailed summary of the biodiversity challenges and opportunities we face and the score is then used to develop management strategies and specific recommendations.

We draw on national conservation data and publicly available data provided by Ezemvelo KZN (EKZN) Wildlife and Mpumalanga Parks, who are responsible for biodiversity in the two provinces where we operate. A biodiversity score determines high, medium and low conservation status for each forest estate and is based on all data sources.

The focus of EMPs

The main focus of EMPs is on conservation areas and on minimising the impact of plantations on ecosystem services. Specifically, our EMPs examine:

- **The health of the land**

The first step in the development of an EMP is to assess the overall health of an area of Mondi land. Using our Environmental Conservation Data Base standard, five distinct vegetation categories have been identified and mapped: natural vegetation, wetlands, traditional weed areas, maintained areas and bare land.

- **Land use**

Land use profoundly influences the productivity and condition of land, as well as biodiversity integrity. Land-cover change, which reflects an underlying change in land use, is therefore an important indicator of the condition of terrestrial ecosystems. Land is identified according to its primary management purpose: conservation; fire protection, aesthetic; maintained area; and utility.

- **Vegetation classification**

Although an area may include patches of different vegetation types, the dominant vegetation type prevails. The following vegetation types can be found: indigenous forest, woodland, wetland and grassland.

- **Species**

The status of any species of special concern on our landholdings is determined and then methods established for their conservation, including appropriate habitat management. Mondi forestry's focus on species of special concern is sub-divided further into:

- Endemic species (species which only occur in a particular area or region)
- Threatened species
 - Vulnerable species
 - Endangered species
 - Critically endangered species

- **Previously protected area initiatives**

Our EMPs also determine whether Mondi has any sites declared under The South African Natural Heritage Programme or the EKZN Wildlife 'Sites of Conservation Significance' programme.

- **Areas of special interest**

Areas of special interest are identified, mapped and management prescriptions compiled in conjunction with the relevant stakeholders to ensure the potential for damage to the site is minimised. At Mondi, typical examples are grave sites, Red Data flora sites and significant waterfalls.

- **Aquatic ecosystems**

To facilitate the management of water resources, the Department of Water Affairs has divided the country into 19 catchment-based water-management areas. Each of the water management areas where there is Mondi land can be further divided into sub-water management areas.

- **High conservation value areas**

Mondi commits to proactively identifying and protecting high conservation value (HCV) areas (natural habitats of outstanding significance) and strives to maintain or enhance the critical environmental and social values of their associated ecosystems. Hence, the greatest priority is given to HCV areas. Mondi has identified potential HCV areas that require proactive protection and enhancement through the Biodiversity Stewardship Programme. The HCV process comprises identifying the potential HCV areas present, how they must be managed and establishing a monitoring regime. See our [Environmental performance: Responsible forestry](#) for more detail on our HCV areas.

Ecosystem management

Key objectives of ecosystem management are to maintain natural resources in a healthy state, free of invasive alien plants by applying responsible management principles and to use natural resources in such a way that the soil will be protected against erosion, future productivity will be maintained and biodiversity conserved. Invasive alien plant species are recognised as one of the leading threats to biodiversity.

- **Hydrological impacts**

Invasive alien plants also have a significant impact on water quantity and quality and are identified as one of the impacts on our significant wetlands. Mondi acknowledges that plantation forestry has an impact on water yield within catchments. Delineation and identification of priority wetlands and subsequent focused management attention can mitigate this impact.

- **Indigenous forests and woodlands**

EMPs take particular cognisance of indigenous forests and woodlands, such as the coastal scarp forest.

- **Non-timber forest products**

EMPs also pay particular attention to the utilisation of non-timber forest products, as harvesting on an unsustainable level can have a detrimental effect on species and ecosystems, reducing populations and services faster than they can regenerate naturally. Among the products that are carefully monitored are sedges, reeds and rushes within wetlands and thatching grass. Restricted activities such as hunting, snaring and poaching are stringently monitored, as is medicinal plant collection.

Monitoring of the EMP

Monitoring of EMPs establishes the extent to which a prescribed objective is achieved over time.

The population levels and diversity of faunal and floral species (including the occurrence of species of concern) and the management of habitats and ecosystems are monitored. An example of this monitoring of species of concern is in Greytown, Kwa-Zulu Natal, where Mondi works closely with the Endangered Wildlife Trust to monitor a wattled crane breeding site.

Terrestrial ecosystem health is monitored, with special attention paid to the species richness in grasslands and the spread of invasive alien plants. Progress in dealing with invasive aliens is monitored on a monthly basis to ensure areas achieve their plans and annual assessments are carried out, with information updated on the Mondi information system.

Aquatic ecosystem health is also monitored, particularly water quality draining from Mondi landholdings and the impact of plantation forestry on groundwater.

Mondi has guidelines and standards in place to assist with the development and implementation of EMPs; topics covered include HCV areas, soil erosion management, burn planning, non-timber forest products management, hunting, livestock management, cultivation and harvesting of crops, plants and plant materials, damage-causing animal management and restricted activities.

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Case study:

Understanding our impact: Mondi's internal water impact assessments

Water is one of the most significant emerging global sustainability issues. For Mondi, it is important that we understand the impact we have on local water resources and to what extent our reliance on water makes us vulnerable or at risk.

As a water-intensive business, Mondi relies heavily on water throughout its supply chain to grow trees, produce paper and packaging and to cool equipment, before discharging treated water back into the aquatic environment. Since water is central to Mondi's business and, more importantly, because Mondi acts as a custodian of an invaluable and scarce natural resource critical to society, the Group has a business and ethical imperative to consume and treat water responsibly and efficiently. To increase understanding of our impact on water sources, as well as our vulnerability to changes in water availability, allocation and costs, we took a more in-depth approach through internal water impact assessments.

In 2011, Mondi undertook water impact assessments of its South African plantations. In 2012, an operational water impact questionnaire was developed by Mondi which specifically considers the needs and impacts of Mondi's material operations - its pulp and paper mills.

The questionnaire was developed based on internal reporting and performance requirements in relation to water. The water impact assessments conducted at Mondi's South African plantations served as a basis for the questionnaire as well as reference literature including the Global Reporting Initiative reporting framework, the Carbon Disclosure Project Water Disclosure framework and other industry literature.

Says Christian Ramaseder, Group Environmental Manager, "The next step is to undertake national assessments in our countries of operation in order to assess any potential challenges related to water. This will help maintain our continued operation in that particular country and region, not just through securing the availability of water for our business, but also through upholding our position as a responsible, sustainable business making a positive contribution to the communities we operate in. This is really vital information for us and for our stakeholders."

The water impact assessment is divided into two sections: the first section focuses on questions which are operation-specific, and the second section focuses on local and regional conditions and legal requirements.

Operation specific questions focus on the 'business' side of things: water input type and quantities necessary for running the business at that particular plant; what water sources are used (lake, river, sea, wetlands, wells/aquifers or municipality); how the water is treated afterwards; what direct and indirect costs are involved; and how these are projected to change in the future. By contrast, the second section focuses on the 'external' elements in relation to water, such as local and regional conditions and legal requirements; information on rainfall as well as surface and groundwater sources; impact of natural and industry activities on these sources; current and future regulation on water; changes in local demographics; and industrial activities.

The new water impact assessment questionnaire was recently used at Mondi's operations in Hausmening and Kematen in Austria, as well as Tire in Turkey, to assess the challenges being faced by Mondi in sourcing water in these countries. No significant threats or challenges were identified as a result of these assessments, but the recommendations from the impact assessments are being used to formulate an action plan for Mondi in order to further improve local water conditions. In Tire, for example, a new anaerobic waste-water treatment plant was installed towards the end of 2012, resulting not only in the reduction of the organic load of released waste water (chemical oxygen demand) but also in the energetic utilisation of biogas generated in the waste-water treatment plant.

We are committed to continuing our efforts and improving our practices in the responsible and sustainable use of water, in recognition of the invaluable, life-sustaining nature of this resource.



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Case study:

Odour elimination progress at Richards Bay pulp mill

Mondi South Africa has been focused on reducing the emission of odorous compounds from its pulp milling process in Richards Bay since 2009. The typical odour associated with the pulp mill on the country's east coast is generated from reduced sulphur compounds or total reduced sulphur (TRS). TRS emissions from the Richards Bay mill for 2012 were 6,200 kgs, a reduction of 17 per cent compared with 2011.

TRS compounds are emitted by stationary and fugitive sources and can be detected by humans in small quantities and at up to six kilometres from the source itself. The irritating odour impacts on the daily lives of the public and, in particular, the community surrounding the mill.

Phase one of the odour abatement project, undertaken at a cost of €6 million to Mondi, was begun in 2009. This phase first addressed the most concentrated stationary sources of odour by installation of carbon filters to remove the sulphur compounds from gases vented to atmosphere. Mondi also invested in a gas chromatograph which can detect and analyse TRS down to parts per billion. The chromatograph is housed at a local laboratory, which analyses approximately 20 samples a month. Laboratory results have assisted in identifying solutions to emissions, solutions which range from the simple to the more complex and costly.

Phase two of the project began in 2010 and focused on eliminating the chip bin as a source of TRS emissions. This phase was concluded in early 2012 with the commissioning of the reboiler which ensures that emissions from the chip bin do not contain TRS gases, thus avoiding odorous emissions.

Phase three of the project has centred on eliminating odour from the dissolving tanks. The new equipment will be installed during the annual shutdown at the end of 2013. Equipment includes an upgrade of the scrubbers on the dissolving tanks which will allow all odorous gases from these tanks to be routed to the recovery boilers for incineration.

Work is currently under way to determine the scope of phase four, which will involve collection and incineration of high volume, low concentration gases.

An odour reduction task team made up of representatives from the different mill business units was established in 2011. The team meets once a week to track all activities related to odour abatement and to ensure that progress on abatement initiatives is monitored. The team has recently been expanded to include shift employees. The task team is also responsible for ongoing awareness training to ensure a good understanding of odour impacts among operational employees.

Odour complaints are logged with the Richards Bay Clean Air Association (RBCAA), of which Mondi is a founder member. The RBCAA is a non-governmental organisation that monitors air emissions on behalf of the community. Complaints are sent by the RBCAA to industries operating in Richards Bay for investigation and response. There were 96 complaints lodged in 2010 for which Mondi accepted responsibility; 110 in 2011 and 96 in 2012. Mondi investigated all complaints and responded to them within 24 hours of the complaint being logged.

Says Richards Bay mill environmental manager, Candice Webb: "Mondi is committed to addressing the impact of odour on the surrounding community. This will be made possible to a large extent once all phases of the odour abatement project are completed.

"To date, Mondi has committed approximately €10 million to odour abatement projects, including capital already spent and planned investment in 2013, and we consider this to be money very well spent in pursuit of an improved quality of life for all concerned."



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Case study:

New steam turbine for Richards Bay mill

Mondi is in the process of installing a new steam-powered turbine at its Richards Bay mill, which will result in many positive spin-offs for the Group, the country's electrical power supply and the environment.

The new turbine is one of Mondi's approved energy-related investments, which together total approximately €300 million. The project forms part of Mondi's drive to increase self-sufficiency and further improve energy efficiency.

The 47MW turbine, to be built at a cost of some €37.8 million, is expected to be operational by November 2013. The multi-extraction condensing steam turbine will use the additional high-pressure steam provided when running the plant boilers at full load. Further new equipment to be supplied includes a 57MVA, 11kV Electric Machinery (EM) alternator, a complete condensing system, lubrication oil system with piping, turbine control panel, generator protection and control panel.

Other planned improvements in the mill's energy operations include the refurbishment of an existing power boiler and the installation of a cooling tower.

The Richards Bay mill, which produces Baycel, a premier-grade bleached hardwood pulp, made from 100% eucalyptus fibre and Baywhite, a white top Kraft linerboard, currently has two steam turbogenerators – a 38MW extraction back-pressure steam turbine and a 34.3MW extraction condensing steam turbine – and a 27MW gas turbine.

The mill's power self-sufficiency already stands at 86% but the commissioning of the new turbine will increase that to an impressive 135%. This is good news for South Africa, where electricity supply security remains inadequate, as the surplus electricity of between 25 to 30MWs will be available for sale to prospective buyers in the generation constrained South African market, and any excess to the local municipality on a self-dispatch basis (meaning that Mondi has the option to export or not, depending on circumstances).

Says Ron Traill, chief executive officer, Mondi South Africa, "The new steam turbine fits in well with our continuous drive to increase our own energy generation and efficiency."

Mondi's previous investments in energy conservation at the Richards Bay mill have included an extensive heat recovery project which won the 2009 Eskom/Department of Energy Eta Award.

The sustainable nature of the new steam turbine is also good news for the environment. The turbine will be powered partly by renewable energy from a combination of black liquor or lignin, an aqueous solution of residues from the Kraft process, biomass, and coal. (The Kraft process is a process for the conversion of wood into wood pulp, entailing treatment of wood chips with a mixture of sodium hydroxide and sodium sulfide, which breaks the bonds that link lignin to the cellulose). There is potential to collect more biomass from forest residue and move to only renewable sources for the turbine.

An added benefit of using biomass, is the carbon avoidance due to its offset of Eskom power and of coal-powered steam. The new steam-powered turbine will decrease the carbon footprint of Mondi's Richards Bay mill by some 107,000t CO₂ per year, after attributing an appropriate carbon portion to the sold exported electricity.

Mondi is currently exploring other ways to use biomass from forest by-products and wood residues for electricity generation.



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CASE STUDY:

Active stewardship and Mondi South Africa's ecosystem management plans

Mondi recognises that forestry practices have an impact on ecosystems, their regulatory services (climate and water regulation, flood control, waste disposal) and provisioning services (fresh water, fibre, food). Equally, we, and our communities, depend on ecosystems. It is becoming increasingly apparent that setting aside areas to conserve functioning ecosystems, biodiversity and rare or endangered species is vitally important and that these areas, particularly the ecological networks connecting them, must be managed to enhance or maintain their natural functions.

Mondi has developed ecosystem management plans (EMPs) for our forestry operations in South Africa to help us improve the way we identify, protect, preserve, manage and, in some cases, restore functioning ecosystems and biodiversity. They provide guidance to staff while being a framework for ongoing monitoring and consultation, and are the basis for promoting biodiversity interests on all Mondi landholdings. This is particularly important when it is considered that South Africa has been ranked the third most biologically diverse country on earth, and is one of 12 countries which collectively contain more than two-thirds of global biodiversity.

The majority of Mondi South Africa Division landholdings are situated within the Sub-Escarpment Savannah and Indian Ocean Coastal Belt Bioregions along the eastern seaboard of the country. Apart from the extent of these landholdings, many are in ecologically important areas of the Mpumalanga and Kwa-Zulu Natal provinces and their contribution to the conservation of biodiversity are considerable.

Mondi acknowledges that, if not managed correctly, plantation forestry can have serious long-term impacts including loss of biodiversity and an increased risk of invasion by invasive alien plant species.

Determining the conservation status, or 'biodiversity score', for an area is a key aspect of an EMP. This score is defined by assessing several different parameters, including national and provincial conservation planning, vegetation mapping, site-specific data and baseline surveys. This information provides a detailed summary of the biodiversity challenges and opportunities we face and the score is then used to develop management strategies and specific recommendations.

We draw on national conservation data and publicly available data provided by Ezemvelo KZN (EKZN) Wildlife and Mpumalanga Parks, who are responsible for biodiversity in the two provinces where we operate. A biodiversity score determines high, medium and low conservation status for each forest estate and is based on all data sources.

The focus of EMPs

The main focus of EMPs is on conservation areas and on minimising the impact of plantations on ecosystem services. Specifically, our EMPs examine:

- **The health of the land**

The first step in the development of an EMP is to assess the overall health of an area of Mondi land. Using our Environmental Conservation Data Base standard, five distinct vegetation categories have been identified and mapped: natural vegetation, wetlands, traditional weed areas, maintained areas and bare land.

- **Land use**

Land use profoundly influences the productivity and condition of land, as well as biodiversity integrity. Land-cover change, which reflects an underlying change in land use, is therefore an important indicator of the condition of terrestrial ecosystems. Land is identified according to its primary management purpose: conservation; fire protection, aesthetic; maintained area; and utility.

- **Vegetation classification**

Although an area may include patches of different vegetation types, the dominant vegetation type prevails. The following vegetation types can be found: indigenous forest, woodland, wetland and grassland.

- **Species**

The status of any species of special concern on our landholdings is determined and then methods established for their conservation, including appropriate habitat management. Mondi forestry's focus on species of special concern is sub-divided further into:

- Endemic species (species which only occur in a particular area or region)
- Threatened species
 - Vulnerable species
 - Endangered species
 - Critically endangered species

- **Previously protected area initiatives**

Our EMPs also determine whether Mondi has any sites declared under The South African Natural Heritage Programme or the EKZN Wildlife 'Sites of Conservation Significance' programme.

- **Areas of special interest**

Areas of special interest are identified, mapped and management prescriptions compiled in conjunction with the relevant stakeholders to ensure the potential for damage to the site is minimised. At Mondi, typical examples are grave sites, Red Data flora sites and significant waterfalls.

- **Aquatic ecosystems**

To facilitate the management of water resources, the Department of Water Affairs has divided the country into 19 catchment-based water-management areas. Each of the water management areas where there is Mondi land can be further divided into sub-water management areas.

- **High conservation value areas**

Mondi commits to proactively identifying and protecting high conservation value (HCV) areas (natural habitats of outstanding significance) and strives to maintain or enhance the critical environmental and social values of their associated ecosystems. Hence, the greatest priority is given to HCV areas. Mondi has identified potential HCV areas that require proactive protection and enhancement through the Biodiversity Stewardship Programme. The HCV process comprises identifying the potential HCV areas present, how they must be managed and establishing a monitoring regime. See our [Environmental performance: Responsible forestry](#) for more detail on our HCV areas.

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Data summary: Environment

Materials used

	2010	2011	2012
Wood (m ³)	15.7	16.8	16.2
Pulp (million t)	3.6	3.5	3.8
Paper for recycling (million t)	1.8	1.5	1.5

Percentage of wood procured that is FSC or PEFC certified

2010	2011	2012
60	61	65

Waste to landfill

Waste to landfill (tonnes)	2010	2011	2012
Non-hazardous waste to landfill	292,590	299,436	264,938
Hazardous waste to landfill	1,108	794	1,704
Total Waste to landfill	293,698	300,230	266,642

Hazardous waste

Total hazardous wastel	19,425	15,109	11,911
Hazardous waste to landfill	1,108	794	1,562
Hazardous waste incinerated	1,210	1,407	1,845
Hazardous waste sent for recycling/re-use	2,431	1,393	1,273
Hazardous waste for treatment	14,676	11,515	7,089

Non-hazardous waste

Total non-hazardous waste	1,077,121	1,234,553	1,243,653
Non-hazardous waste for treatment	4,063	812	576
Non-hazardous waste to internal or external incineration	47,283	67,432	66,384
Non-hazardous waste recycled	733,185	866,873	866,873
Non-hazardous waste to landfill	292,590	299,436	264,938

Total debris

Non-hazardous debris	33,220	54,672	77,070
Hazardous debris	3	10	-
Total debris	33,223	54,682	77,070

Total solid waste

	1,129,769	1,304,344	1,332,634
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Climate change

CO₂e emissions from our material operations by country (tonnes)

Country	Scope 1 2012	Scope 2 2012	Total scope 1 and 2 emissions
Europe & International Divisions			
Austria	188,233	46,552	234,785
Czech Republic	377,620	16,698	394,318
Germany	104,679	2,150	106,829

Country	Scope 1 2012	Scope 2 2012	Total scope 1 and 2 emissions
Poland	363,239	264,034	627,273
Russia	2,112,800	8	2,112,808
Bulgaria	26,363	61,195	87,558
Sweden	18,065	5,612	23,677
Turkey	62,293	23,620	85,913
Finland	58,321	25,753	84,074
Slovakia	152,158	26,462	178,620
Europe Total	3,463,771	472,084	3,935,855
South Africa Division	733,832	693,211	1,427,043
Group total	4,197,603	1,165,295	5,362,898

Scope 3 emissions (tonnes CO₂e) (2012)

Raw materials	1.291
Employee commuting	0.049
Transportation of raw materials	0.428
Transportation of products	0.231
Business travel	0.003
Total	2.002

Air emissions (tonnes)

	2010	2011	2012
Total NOx emissions from process	11,316	11,616	11,514
Total particulate emissions	2,937	1,536	1,614
TRS from processes	106	90	99
Total SO ₂ emissions from processes	3,805	4,244	4,185

Emissions to water (tonnes)

	2010	2011	2012
COD	48,756	46,987	47,049
AOX	143	160	155

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	2010	2011	2012
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Water flow

Emissions to water (tonnes)

Total water input (potable and non-potable)	2010	2011	2012
Total (m3)	315 218 839	313 230 685	306 744 867
Potable water input	31 389 149	31 241 107	29 762 533
Non-potable water	283 829 690	281 989 578	276 982 334
Second-class water	11 158 333	12 271 228	11 757 353
Surface water	252 624 975	248 355 294	246 247 103
Ground water	20 046 382	21 363 056	18 977 878
Waste water from 3rd parties	41 325 349	37 261 038	39 606 995



◀ Dynäs, Sweden

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Glossary of terms and acronyms

ABET	Adult Basic Education and Training
AOX	Adsorbable organic halogen (AOX) compounds is a metric for emissions to water and is measured in tonnes.
ART	Anti-retroviral therapy
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'
B-BBEE	Broad-based black economic empowerment
BfR	German Federal Institute for Risk Assessment
BRC	The British Retail Consortium (BRC) is the lead trade association representing the whole range of retailers.
CCGT	Combined-cycle gas turbine
CDLI	Carbon Disclosure Leadership Index. The Carbon Disclosure Project (see CDP) recognises companies with high-quality disclosure as top scoring companies in the their FTSE350 Carbon Disclosure Leadership Index where scores are calculated according to a standardised methodology which measures whether and how well a company responds to each question.
CDP	The Carbon Disclosure Project (CDP) is an independent not-for-profit organisation working to drive greenhouse gas emissions reduction and sustainable water use by business and cities. It provides a transformative global system for thousands of companies and cities around the world to measure, disclose and share environmental information. It holds the largest collection globally of self-reported climate change data.
CEP	Community engagement plans (CEPs) provide the basis of our engagement and support for local communities.
CEPI	The Confederation of European Paper Industries (CEPI) is a Brussels-based not-for-profit organisation regrouping the European pulp and paper industry, monitoring and analysing activities and initiatives in the areas of industry, environment, energy, forestry, recycling and competitiveness in general, and providing a unique source of information both for and on the industry. It has 19 member countries and represents some 550 pulp, paper and board producing companies across Europe and 1,000 paper mills, together representing 25% of world production.
CFCs	Chlorofluorocarbons
CHP	Combined heat and power (CHP) is the simultaneous production of both useful heat (that can be used in industrial processes or district heating schemes) and electricity in a single process or unit.
CITES	The Convention of International Trade in Endangered Species (CITES) is an international agreement between governments with the aim of ensuring that international trade in specimens of wild animals and plants does not threaten their survival.
CoC	Chain-of-Custody (CoC) is a tracking system that allows manufacturers and traders to demonstrate that timber comes from a forest that is responsibly managed in accordance with credible standards such as FSC Controlled Wood Standard (FSC-STD-40-005 V.2) or PEFC Mandatory Guide for the Avoidance of Controversial Timber.
COD	Chemical oxygen demand (COD) is a measure of the oxygen-consuming capacity of inorganic and organic matter present in the waste water. It is a metric for emissions to water and is measured in tonnes.
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.
Converting operations	Operations for the conversion of original paper into specific paper products for the end user market.
COP	Communication on Progress
CSI	Corporate social investment
DLC	Dual listed company
ECDB	Environmental Conservation Data Base

ECF	Elementary chlorine free
EIA	Environmental impact assessment
EMP	Ecosystem management plan
EPA	Environmental Protection Agency
EO	Earth Observation
EPA	Environmental Protection Agency
ERM	Environmental Resources Management
ERM CVS	Environmental Resources Management Certification and Verification Services
EU ETS	European Union's Emissions Trading Scheme
FABI	Forestry and Agricultural Biotechnology Institute (FABI) aim is to help the development of novel food and fibre crops that will contribute to global economic development and food security.
FACT	Focus Area Action Team
FAO	Food and Agriculture Organisation (FAO) of the United Nations' mandate is to raise levels of nutrition, improve agricultural productivity, better the lives of rural populations and contribute to the growth of the world economy.
FDA	Food and Drug Association
FFS	Form-Fill and Seal
FMG	Forest Molecular Genetic
FPIC	Free prior and informed consent
FSA	Forestry South Africa (FSA) is South Africa's premier and largest forestry organisation representing growers of timber in South Africa. The association has over 90% of all registered timber growers as members (over 2,500 members).
FTSE4GOOD	The FTSE4Good Index Series has been designed to objectively measure the performance of companies that meet globally recognised corporate responsibility standards.
FSC	Forest Stewardship Council™ (FSC™) is an international not for-profit, multi-stakeholder organisation established in 1993 to promote socially and environmentally responsible management of the world's forests by way of standard setting, third party certification and labelling of forest products.
GEMI	Global Environmental Management Initiative (GEMI) is a global leader in developing insights and creating environmental sustainability solutions for business.
GHG	<p>Greenhouse gases (GHGs) are gases listed in the Kyoto Protocol of the UN-FCCC that contribute to the greenhouse effect and are regulated by the Kyoto Protocol. GHGs according to the Kyoto Protocol are: CO₂, CH₄, HFCs, PFCs, N₂O, and SF₆.</p> <p>GHGs are often compared on the basis of their estimated potential to cause global warming. Factors can be used to convert a quantity of non-CO₂ GHG (such as CH₄ or N₂O) into an amount of CO₂ with an equivalent warming potential. Of importance in the pulp and paper industry, CH₄ and N₂O emissions are considered. Every gram of CH₄ is equivalent to 21 grams of CO₂ and each N₂O gram is equivalent to 310 grams of CO₂. Total GHG emissions can be calculated as the sum of several GHGs expressed as the equivalent amount of CO₂, abbreviated as CO₂e.</p>
GM	Genetically modified
GRI	The Global Reporting Initiative (GRI) is a not-for-profit organisation that produces one of the world's most prevalent standards for sustainability reporting.
HCFCs	Hydrochlorofluorocarbons
HCV	High conservation value (HCV) areas are critical areas in a landscape, which need to be appropriately managed in order to maintain or enhance high conservation values.
HCV RN	HCV Resource Network (HCV RN) is a global network which promotes a practical, consistent approach to HCV methodology.
IGO	Inter-governmental organisation
ILO	International Labour Organisation (ILO) is the international organisation responsible for drawing up and overseeing international labour standards.
IOP	Institute of Packaging
ISO 14001	International standard created by the International Standards Organisation (ISO) for formal and certified environmental management systems.
IUCN	International Union for the Conservation of Nature (IUCN) is the world's oldest and largest global environmental organisation. They strive to influence, encourage and assist societies to conserve the integrity and diversity of nature to ensure that use of natural resources is equitable and ecologically sustainable.
JSE	Johannesburg Stock Exchange Limited
JSE SRI	The Johannesburg Stock Exchange Socially Responsible Investment Index (JSE SRI) was launched in response to the debate around sustainability globally and particularly in the South African context.
KPI	Key performance indicator
LOPC	Loss of primary containment
LSE	London Stock Exchange
LTI	Lost-time injuries
Material operations	Mondi's pulp and paper mills
MENP	Mondi Ecological Network Programme
MICE	Major Incident Cause Evaluation

Mondi/Mondi Group	Mondi Limited and Mondi plc together
MSAD	Mondi South Africa Division
MTC	Medical treatment cases
MTH	Mixed tropical hardwood (MTH) refers to a more or less natural mixture of hardwoods from a tropical forest.
MWP	Mondi Wetlands Programme (MWP) is a joint programme between WWF-South Africa, the Wildlife and Environmental Society of South Africa, the Mazda Wildlife Fund and Mondi Ltd. It has been the most successful non-governmental wetland conservation programme in South Africa.
NGO	Non-governmental organisation
NGP	New Generation Plantations (NGP) collects knowledge and good practices in plantation forestry in order to promote better plantation management.
NOx	Nitrogen oxide
ODS	Ozone-depleting substances
OECD	The Organisation for Economic Co-operation and Development (OECD) promotes policies that will improve the economic and social wellbeing of people around the world.
OVC	Orphans and Vulnerable Children
PAH	Poly-aromatic hydrocarbons
PDI	Previously disadvantaged individuals
PDR	Performance Development Review
PEFC	Programme for the Endorsement of Forest Certification™ (PEFC™) is an international not-for-profit nongovernment organisation dedicated to promoting sustainable forest management through independent third party certification.
POPs	Persistent organic pollutants
PPE	Protective personal equipment
PPI	Pulp and Paper International (PPI) is a leading magazine for paper, pulp and paperboard manufacturers.
PRP	Participatory rural appraisals
RCR	Recordable case rate
REAP	Rural Education Access Programme
ROCE	Return on capital employed
SANBI	South African National Biodiversity Institute (SANBI) plays a leading role in South Africa's national commitment to biodiversity management, now and into the future.
SDMS	Sustainable Development Management System (SDMS) is used to govern our approach to sustainability and implement our sector policies
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 business travel; raw materials; transport of products and raw materials; and employee commuting.
SEAT	Socioeconomic assessment toolbox process
SHE	Safety, health and environment
SME	Small and medium sized enterprises
Socially material operations	Those operations with a significant socioeconomic impact on the communities in which they operate.
TCF	Totally chlorine free
TEEB	The Economics of Ecosystems and Biodiversity
TFD	The Forest Dialogue (TFD) is a group of individuals from diverse interests and regions, committed to conservation and sustainable use of forests.
TRC	Total recordable cases
TRCR	Total recordable case rate (TRCR) is calculated as the number of total recordable cases (the sum of fatalities, lost-time injuries, restricted work cases, medical treatment cases and occupational diseases) divided by the number of hours worked per 200,000 man hours.
TRS	Total reduced sulphur (TRS) compounds are the sum of the following reduced malodorous sulphur compounds generated in the pulping process: hydrogen sulphide, methyl mercaptan, dimethylsulphide and dimethyldisulphide expressed as sulphur. It is a metric for emissions to air and is measured in tonnes.
UFP	Uncoated Fine Paper, one of our four business units.
UNEP	United Nations Environmental Programme (UNEP) provides leadership and encourages partnerships in caring for the environment by inspiring, informing and enabling nations and people to improve their quality of life, without compromising future generations.
UNFCCC	United Nations Framework Convention on Climate Change
UNGC	United Nations Global Compact (UNGC) is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labour, environment and anti-corruption.
VCT	Voluntary counselling and testing
VOCs	Volatile organic compounds

WBCSD	World Business Council for Sustainable Development (WBCSD) is a chief executive officer-led, global association of some 200 international companies dealing exclusively with business and sustainable development.
WESSA	Wildlife and Environment Society of South Africa
WHO	World Health Organisation
WIA	Water impact assessments
WRC	Water Research Commission (WRC) supports sustainable development through research funding, knowledge creation and dissemination.
WRI	World Resources Institute (WRI) is a global environment think tank that goes beyond research to put ideas into action with projects working on aspects of global climate change, sustainable markets, ecosystem protection and environmentally responsible governance.
WWF	World Wide Fund for Nature (WWF) is an international non-governmental organisation working on issues regarding the conservation, research and restoration of the environment, formerly named the World Wildlife Fund.
WWTP	Waste-water treatment plant


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Data summary: Social

Social: Safety

Number of work-related fatalities

	2010	2011	2012
Employees	1	1	1
Contractors	1	1	1

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

	2010	2011	2012
	1.09	0.92	0.79

Social: Health

Noise-induced hearing loss (number of new cases)

	2010	2011	2012
	32	16	0

Social: HIV/AIDS

Number of employees on ART (SA only)

	2010	2011	2012
	91	40	175

Number of employees on HIV wellness programme (SA only)

	2010	2011	2012
	157	66	175

Corporate social investment

Breakdown of CSI expenditure (€000)

	2010	2011	2012
Community health and welfare	691	205	219
Education and youth	679	797	835
Environment	29	81	102
Community development	6,427	5,828	4,895
Arts, culture and heritage	146	903	235
Housing	837	333	288
Other	3,802	9,150	7,716
Total	12,611	17,300	14,300



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Case study:

Implementing permanent and sustainable solutions to alleviate poverty – The role of Mondi's Mkhondo Development Project

Mondi's Mkhondo Development Project (MMDP) falls under the Gert Sibande District Municipality. The MMDP is home to 65 rural settlements on Mondi landholdings – 62 in the Mkhondo Municipality in Piet Retief and three in the Msukaligwa Municipality in Ermelo. Approximately 9,590 people have set up their households here. The employment rate is as low as 31% in the area, and most inhabitants are extremely poor, with little or no access to basic services (94% of households do not have electricity and 85% have no access to water on site).

While 90% of these people have no employment relationship, either present or past, with Mondi or its contractors, they have accumulated rights through their length of stay on the land. In 2007 Mondi initiated the Mondi Mkhondo Development Project (MMDP), a public-private partnership between the Mpumalanga Provincial Government, Mkhondo Local Municipality, Gert Sibande District Municipality and Mondi. Community stakeholders are represented in this partnership by local committees elected by the residents involved.

The aim of the project is to improve the socioeconomic conditions of the people living on Mondi owned land within this region and in doing so, implement permanent and sustainable solutions to alleviate poverty.

The project is essentially an integrated settlement development programme, driven by the principle that all people have the right to basic needs and a right to choose where they live. With this in mind, the MMDP model provides people with three choices: continue their pursuit of rural livelihoods in planned and serviced agri-villages; seek urban livelihoods in newly-serviced urban residential developments; or, remain where they are.

Assessments were undertaken to determine the suitability of the 65 settlements on Mondi land for development into agri-villages. Jabulani was identified as appropriate for the pilot agri-village and planning began in 2009. The basic development concept allowed for ownership of residences with adjoining plots for food production. Three basic housing types were offered, and Mondi provided the choice of either a kitchen structure or better finishes to the house. Construction of the first 35 houses began in April 2011 and all have been completed.

During 2012, a further 87 households from five villages on Mondi land opted for settling at Jabulani. The second phase of housing planning and construction will commence during the first quarter of 2013, and Jabulani will be used as a model for a second generation of agri-villages, namely Watersmeet, Riverside and Athalia.

Better access to social services and social developments have been important drivers of the project and we have developed a primary school, an early childhood development centre and a worship site. A multi-purpose community centre has been designed and a grant of €236,874 secured for the construction of the first building. Building will begin in early 2013.

Income generating activities include forestry, livestock, tourism and other small enterprises. Jobs in both construction and small business have already been created as a direct result of the MMDP – a notable success of the project. Cattle owners moving to the agri-village (30 in total), who own 215 cattle between them, have been working together to develop a plan for the sustainable management of their herd and to improve the commercial returns from this asset.

Maurice Makhithini, Head of Land, Mondi South Africa Division, is proud of the MMDP's achievements to date, "The project has attracted considerable attention as a potential model for sustainable rural settlements in the forestry regions of South Africa." As such, a sound partnership and working arrangement has been built with government stakeholders and target communities alike.

However, the project has not been without its challenges, including budget constraints from both Mondi and the Government. Melanie Dass, Corporate Affairs Manager: Forests, Merebank explains, "At times, it proved extremely difficult to work within a low capacity municipality area with a community who have high delivery expectations, but Mondi is committed to this project in the long term." Significant time and resources have been spent on building trust and developing mutually beneficial relationships with neighbouring land owners.

To assist those people who wish to relocate to urban settlements, 35 households from the villages of Neston, Neston DeClerq, Glen Eland and Tweepoort were given building materials to help them set up home in the town of Thokozane. The MMDP team have been working closely with local government to unlock three urban settlement projects – Rustplaas, Maphapheni and Malayini – located where Mondi had previous commitments to provide the land. Progress on these projects has been hampered by the unavailability of basic services (specifically water supply and sewage treatment capacity) to the areas and further resolution is needed in 2013.

A €4.9 million budget has been allocated to the MMDP – split between cash spent and land given for development and during 2012 €189,499 was spent on the project.

Mondi strives to be a socially responsible business that makes a lasting contribution to the communities in which we operate. We acknowledge that community engagement and communication are vital to the success of this initiative.



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Governance

FAST FACTS:

- Joint chairmen lead the Group. The responsibilities between the joint chairmen and the chief executive officer are separate and clearly defined.
- Sustainable development risks are identified and managed in line with our Sustainable Development Risk and Change Management Standard. We update our sustainable development risk register annually.
- Sustainable development is managed through our Sustainable Development Management System, and guided by our Sustainable Development Policy.
- Business ethics and integrity is important to Mondi. Management, employees and our business partners are guided by our Code of Business Ethics, which is supported by our Business Integrity Policy.
- All Mondi employees, contractors and external parties are provided the opportunity to raise any genuine concerns about behaviour or activities that they believe may conflict with our business ethics or values through our confidential reporting system, Speakout, which operates on a 24/7 multilingual basis.

The Boards and executive team ensure that we set the highest standards of corporate governance, based on the principles of transparency, integrity and accountability. They guide and monitor implementation across the Group.

In line with our dual listed company (DLC) structure, the Group complies with the corporate and accounting regulations of South Africa and the UK.

IR See our *Integrated report and financial statements 2012 for the full [corporate governance report](#).*

Board oversight and functioning

While Mondi Limited and Mondi plc are separate corporate entities, they have boards of directors comprising the same individuals. This enables the effective management of the DLC structure as a single unified economic enterprise.

The Boards guide strategy and provide oversight on performance. In 2012, the Group was jointly chaired by Cyril Ramaphosa* and David Williams, with the chief executive officer role held separately by David Hathorn. The division of responsibilities between the joint chairmen and the chief executive officer has been clearly defined and approved by the Boards.

The Boards comprise nine members: the joint chairmen (one of whom is independent), four independent non-executive directors and three executive directors. Its members are diverse in respect of origin, gender, race and education, bringing a wealth of experience and expertise to the Group, and reflecting the nature of its business and domicile. Two of the nine Board members are women and two, of the four South African-based Board members, are from historically-disadvantaged communities.

The DLC committees, to which the Boards delegate specific areas of responsibility, have the authority to make decisions according to their specific terms of reference. The composition of these committees is reviewed at least annually.

* Following his appointment as deputy president of South Africa's ruling party, the African National Congress in December 2012, Cyril reviewed his business commitments and, on 23 January 2013, notified the Boards that he would not stand for re-election at the annual general meetings of Mondi Limited and Mondi plc on 3 May 2013.

Accountability

Accountability for our sustainable development policies, systems, practices, commitments and actions is guided and was monitored in 2012 at three tiers by:

- **The DLC sustainable development committee** – a committee of the Boards that is responsible for ensuring that the Group's sustainable development strategy, policies and commitments are aligned with global best practice. It also oversees performance in respect of safety, health, environment, forestry, product stewardship and community matters across the Group.
- **The DLC executive committee chaired by our chief executive officer** – this committee has the executive responsibility for sustainability performance and ensures that business line management holds primary responsibility and accountability for sustainability performance, supported by the sustainable development function and specialist network groups.
- **Six global specialist network groups** – safety, health and occupational hygiene; environment; energy; black liquor recovery boiler; product stewardship; and fire safety networks. Each comprises specialists from across the Group, who provide valuable expertise and knowledge.

A significant proportion of the remuneration of executive directors and other senior executives is performance-based, with a balance between the achievement of short- and longer-term objectives, which may be both financial and non-financial.

IR See our *Integrated report and financial statements 2012 for the full [remuneration report](#).*

Risk management

We recognise that identifying and managing risk is critical to our success. A Group-wide risk management framework ensures the effective governance of material risks, which are those with the potential to overturn commitments or strategic plans. We exercise due diligence prior to the introduction of new practices, processes and products.

Our **Sustainable Development Risk and Change Management Standard** guides the ways in which sustainable development risks are identified and managed, while our sustainable development risk register is updated annually to ensure mitigation plans are in place for those risks with a high likelihood of occurrence and/or impact potential. Risks include both inherent operational risks as well as strategic risks. In addition to the key impacts of our business, including those on our stakeholders, we also identify sustainability trends and seek to mitigate risks and opportunities that affect our long-term prospects and financial performance.

IR See the [discussion on risk management](#) in our *Integrated report and financial statements 2012*.

Guiding sustainability

We consider the environmental, safety, health, economic and social implications of key decisions we make. Our **Sustainable Development Management System (SDMS)** ensures the effective management of all aspects of sustainability governance and the implementation of our sector policies. All facilities and activities that we own and operate (including those in which we hold a controlling interest), new developments, mergers, acquisitions and businesses that we plan to invest in, and activities undertaken by contractors on Mondi sites or while under our management, are incorporated into our SDMS and are required to comply with our policies, requirements and practices.

Our Sustainable Development Policy outlines our overall strategy and is supported by our sector policies, which identify seven key sustainability aspects:

- sustainable forestry;
- environmental performance;
- climate change;
- product stewardship;
- corporate citizenship;
- global employment; and
- occupational health and safety.

See our website for further details – www.mondigroup.com/policies.

All seven sector policies apply across all of the operations we own and manage. We invest in training, education, consultation, auditing and other resources to ensure that they are widely understood and implemented.

A sustainable development governance standard links our management standards to our corporate governance structure, while nine specific management standards define our governance requirements and provide a basis for the development, enhancement and application of our sustainable development principles. A further 10 operating standards define the minimum requirements for good operational management and control across all of our policy areas and provide guidance regarding the implementation of the SDMS at Group, divisional and operational level.

Our sustainable development reporting and information system, aligned with our sustainable development commitments, captures sustainable development data from our global operations.

Public commitments

Being a good corporate citizen is fundamental to our aim of being the world's best performing paper and packaging business. We are in the business for the long-term and we commit ourselves to being a creator of wealth, a fair and safe employer and a responsible corporate citizen. We are determined to operate responsibly, thereby underpinning the sustainability of our businesses and local communities.

In 2011, we set out to identify those issues most material to the Group, and the [commitments to 2015](#). The base year for our commitments is 2010 against which we measure our performance year-on-year while our target year is set to 2015. The commitments take into account public concerns, significant risks and other legal requirements relating to sustainability issues. Following feedback received from stakeholders, we undertook a rigorous review of our material issues in 2012.

SD See [Our performance against commitments](#) for further details.

Business ethics and conflicts of interest

Comprehensive policies are in place to ensure that conflict of interest is avoided at a board and executive level. Management, employees and partners are guided by our Code of Business Ethics, which is supported by our [Group Business Integrity Policy](#). The Code sets out the five ethical principles that govern the way in which Mondi and its employees will conduct business.

Five ethical principles

Our Code of Business Ethics sets out the five ethical principles that govern the way in which Mondi and its employees will conduct business. Its application ensures that Mondi:

- complies with all applicable laws and regulations;
- observes the highest standards of honesty and integrity;
- respects the Universal Declaration of Human Rights;
- considers the interests of all stakeholders including shareholders, employees, customers, business partners and communities; and
- conducts business in a sustainable way, ensuring safety, health and the protection of the environment.

Mondi encourages all those with whom it does business to observe the same principles. We have implemented a Code of Conduct for suppliers to ensure they subscribe and adhere to the way we do business.

Code of Conduct for suppliers of the Mondi Group

At Mondi, corporate social responsibility and compliance are integral constituents of the corporate and management culture. Therefore, the following requirements will apply to all suppliers of the Mondi Group:

Laws and regulations

The supplier is obliged to comply with the applicable laws and regulations of those countries where they conduct business.

Corruption and bribery

Every form of corruption or bribery is forbidden; this is valid for active as well as passive bribery. No employee may offer, give or receive any gift or payment which is, or may be construed as being, a bribe. Any demand for, or offer of, a bribe must be rejected immediately and reported to management.

Forced labour

Forced labour of any form is forbidden. This includes bonded labour.

Child labour

Child labour of any form is forbidden. Unless local law stipulates a higher age limit, no person younger than the age for completing compulsory education or younger than 15 (except as provided for by ILO convention No. 138) shall be employed. Workers under the age of 18 shall not perform hazardous work and may be restricted from night work with consideration given to educational needs.

Harassment

The personal dignity, privacy and personal rights of every individual have to be respected. Employees shall not be subject to corporal punishment or to physical, sexual, psychological or verbal harassment or abuse.

Compensation

Wages, including overtime and benefits, in the suppliers' companies shall equal or exceed the level required by applicable laws and regulations.

Hours of work

Unless national regulations require less maximum hours of work and except under extraordinary business circumstances, employees of the supplier shall not, on a regularly scheduled basis, be required to work a standard work week of more than 48 hours per week or a total work week of more than 60 hours (including overtime). Employees shall be provided at least one day off in every seven-day period, except in extraordinary business circumstances.

Non-discrimination

All employees of the supplier, regardless of the colour of their skin, race, nationality, social background, possible disability, sexual orientation, political or religious conviction as well as their gender or age, shall be treated strictly according to their abilities and qualifications in any employment decision, including but not limited to hiring, advancement, compensation, benefits, training, layoffs and termination.

Safety and health

The supplier is obliged to provide a safe and healthy working environment to prevent accidents and injury and, when applicable, provide safe and healthy residential facilities, with applicable local law as a minimum.

A job safety management system according to OHSAS 18001 or any equal system has to be implemented.

Freedom of association and collective bargaining

The supplier is obliged to respect the legal right of employees to freedom of association and collective bargaining.

Environment

The supplier will comply with environmental regulations and standards applicable to their operations, and will observe environmentally conscious practices in all locations where they operate. Environmental pollution will be minimised and environmental protection will be improved continuously. An environmental management system according to ISO 14001 or any equal system has to be implemented.

Supply chain

The supplier shall oblige all his sub-suppliers to recognise and respect the requirements of this Code of Conduct.

Internal audit

The Mondi internal audit function is an integral part of Mondi's system of corporate governance. The overall purpose of these audit functions is to evaluate whether the Group's systems of control are effective and adequately mitigate business risks. Ultimately, the assurance provided by the internal audit function serves to assist the Boards in fulfilling their disclosure obligations, under the corporate governance codes of South Africa and the UK, and to report annually to shareholders on the effectiveness of Mondi's systems of control.

Speakout, the Group's third party confidential reporting system, is well established and understood throughout the organisation. This reporting system can be used in cases where an alternative and confidential communication line is required. Speakout is a key tool in detecting and reporting fraud and corrupt practices. To ensure anonymity, an external supplier has been employed to manage the communication system. However, Mondi internal audit manages the Speakout process on a day-to-day basis and the DLC audit committee takes oversight responsibility for ensuring the adequacy of the Group's reporting procedures.

Mondi's internal audit function ensures that management is informed on an appropriate level about reported issues and that risks are adequately managed. Summaries of all reported issues, and the status of all unresolved items, are presented to the Boards and the DLC audit committee.

In 2012, there were 65 Speakout messages worldwide compared to 46 in 2011. This increase of more than 40% can be explained by a relaunch of the Speakout campaign in March 2012, including a new design and adaptations to legal requirements. Messages were received from 10 different countries with the majority originating from Turkey, South Africa and Jordan.

Some 60% of messages were related to human resources issues such as allegations of inappropriate behaviour by management or complaints about dismissals or working conditions; process inefficiencies were the subject of 19% of reported cases, including a complaint about inconsistencies in the ventilation and air conditioning system in one entity; 15% of phone-calls or emails provided information about possible fraud or misconduct such as beneficial relationships between Mondi employees and external suppliers; and 3% of messages referred to safety, health and environment (SHE) topics, including accusations that a work accident was not reported. All cases have been thoroughly investigated and have been reported to the DLC audit committee. Appropriate action has been taken where necessary.

Internal audit continues to increase the role of sustainability performance monitoring and assumes regular evaluation of the adequacy and effectiveness of our systems of internal control across all business sites and all business processes. Internal audit investigates reported potential breaches of human rights, corruption and anti-competitive behaviour. Internal audit visits every Mondi operation at least once every five years, with all major plants audited every year.

Political donations, gifts and bribes

Mondi is opposed to corruption and illegal practices in all forms. The Group does not tolerate the giving and receiving of bribes; nor does it condone anti-competitive practices in its dealings with governments and in the marketplace. Mondi does not permit contributions or donations for political purposes. The Group's approach to corruption is published in corporate brochures, newsletters and on the Group's website. Mondi is satisfied that any lobbying undertaken is in line with the Group's business ethics and internal policies. Our policies with regard to these matters are set out in our [Group Business Integrity Policy](#).

Fines, non-monetary sanctions and significant legal issues

Mondi was not engaged in legal actions for anti-competitive behaviour, anti-trust, or monopoly practices during the year. No fines or non-monetary sanctions for non-compliance with laws and regulations were received during 2012.



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Case study:

Richards Bay, SEAT assessment 2012

Effective communication with all stakeholders – the key to achieving our objectives

At Mondi, we recognise that effective communication with all stakeholders is key to achieving our objectives.

We make every effort to be a reliable and responsible neighbour at all our operations and engage openly with a wide range of internal and external stakeholders through our socioeconomic impact assessment (SEAT) process. The process is used as a basis for the identification, monitoring and management of each operation's socioeconomic and environmental impacts, and to improve our social performance. SEAT reviews monitor our positive and negative impacts on local communities, NGOs and government and the quality, relevance, scope and effectiveness of our corporate social investments and projects.

Taking action

The communities surrounding Richards Bay, on the north east coast of South Africa and where our paper mill is located, are situated in mainly rural areas and are exposed to high levels of poverty. They are in need of education, health and infrastructure development support. Mondi's invaluable role in providing this support was highlighted in the 2012 SEAT report. The assessment aimed to:

- evaluate the status of the resolution of issues identified during the previous SEAT study;
- understand the key changes in Mondi's structure and activities;
- identify the main external factors influencing socioeconomic development in the region;
- identify critical issues within the socioeconomic regime associated with Mondi's activities;
- evaluate the objectivity of critical issues and identify ways to improve this; and
- identify Mondi's strengths for further development.

The SEAT process is a participative one and we talked to a wide range of stakeholders to complete the report. Internal stakeholders at the Richards Bay mill included management, the CSI department, employee union representatives, employees and contractors. External stakeholders included organisations and people from local communities, including local schools and school governing bodies, the uMhlathuze City Municipality, Zululand Chamber of Commerce and Industry, the Clean Air Association, and NGOs.

An obvious, but vital impact we have on the area is employment creation. The Richards Bay mill employs over 700 people directly and around 600 contractors with about 5,200 people dependent on the wages and salaries of these employees.

Outside of the Richards Bay mill, Mondi has sought to tackle issues such as HIV/AIDS in the community, small business development, education and training (with an emphasis on infrastructure and career development). Investment is also made in staff sporting events and recreational activities.

Some of the feedback, both positive and negative, we received from our stakeholders is discussed below.

Communication is key

The success of our corporate social investment (CSI) strategy and related community engagement plans – involving employees and the local community – is evident in positive feedback.

- Local schools appreciated regular visits by the Mondi CSI team and particularly valued paper donations.
- Employees welcomed regular and formal briefings by their chief executive officer and a new performance-appraisal system.
- The Richards Bay Clean Air Association declared Mondi the flagship and benchmark for other industries in communicating environmental issues through a transparent information-sharing approach.
- Contractors were particularly impressed with the high-value tender system as an example of good corporate governance – broad-based black economic empowerment, procurement, financial controls and safety measures were proficient and understood by all.
- CSI beneficiaries felt that there was a genuine desire to be involved in various initiatives, and highlighted the Mondi21 fun run/walk which presents unique fundraising opportunities for a number of organisations.

Challenges expressed, solutions presented

In spite of acknowledging the positive impacts and progress made over several years and since the last SEAT review, stakeholders reported remaining concerns about odours in the Richards Bay area and those emanating from the mill.

Many stakeholders raised concerns about the regional economy and its growth prospects. Residents and businesses are particularly concerned about the attractiveness of Mozambique as an alternative investment location with lower costs and fewer barriers to entry compared to Richards Bay. Mondi has also been asked to present opportunities for local youth in the form of training and formal employment.

Mondi is a member of the Zululand Chamber of Commerce and Industry and it has an established relationship with the Port of Richards Bay as an exporter of pulp and wood chips which generates foreign revenue.

Certain stakeholders would like Mondi to extend its reach in the greater Richards Bay area through representation in a wider range of forums, including the municipal integrated development plan, which is important in mapping future growth and development. Mondi is committed to engaging with its stakeholders and continues to review its participation in relevant forums where it can add value.

A theme common to all employee interviews was some lingering uncertainty related to earlier organisational restructuring and a perception of unresolved historical grievances. Furthermore, it was felt the shortage of critical skills, experienced by many companies, is compounded by the rate of staff turnover at the mill.

Mondi has developed a response to the issues raised and to further improve communication with the relevant stakeholders about any issues that arise.

To read the full SEAT report, including our response to issues raised, go to www.mondigroup.com.



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Case study:

Syktyvkar Mill, Russia, SEAT assessment 2012

Treading a fine line – responsible practice and proactive engagement in Russia

State forest enterprises have been of wide social importance in Russian society for decades, 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. As a result of recent state reforms in rural areas, there are fewer opportunities for small business development and reduced financial support from the state. At the same time, expectations on Mondi's social and environmental performance are constantly growing. This makes Mondi's role in forestry enterprises in Russia a potentially complex one, ensuring the viability of the business on the one hand, and preserving and furthering the interests of small, local communities on the other.

The Republic of Komi is situated in the north-eastern part of Russia, on the banks of the Severnaya Dvina watershed. The economy of the republic is based on the production of raw material and industry is dominated by fuel, forestry, logging, wood processing and pulp and paper industries. Mondi Syktyvkar, situated in the Republic of Komi, is one of the largest mills in Russia, accounting for 12% of pulp production, 15.1% of paper and 8.4% of board. Mondi is one of the largest employers in the region, employing approximately 7300 direct employees and numerous contractors. This highlights our important social and economic role in the region, a role that Mondi does not take lightly.

In 2012, we completed our socioeconomic assessment toolbox (SEAT) assessment at Syktyvkar mill. The SEAT process is structured and participative, providing our operations with the means to assess their positive and negative impacts on local communities. It involves four key elements: a detailed profile of our operations and the local community; engagement with local interest groups to assess positive and negative impacts; the development of a management plan designed to maximise potential benefits and minimise negative impacts; and joint publication with local stakeholders of a SEAT report, which provides a benchmark for conduct in the future.

Taking a STEP towards a safer and environmentally friendly mill



This year's SEAT assessment highlighted the significance of the STEP project (STEP simply means a 'step' in the right direction). A total of €545 million was invested in the project and Syktyvkar mill is now the most modern in Russia. "This investment is a notable industry achievement and a firm base for our sustainable and competitive development in Russia," says Klaus Peller, Managing Director of Mondi Syktyvkar. "STEP has modernised and increased production in nearly all areas of the production chain."

Significant findings of the 2012 SEAT report included:

- **Training and development in the area is important.** Running a modernised mill requires highly skilled personnel. Our educational project, The Forest Academy of Komi, offers professional forestry education. The academy provides courses for our mill employees, including forest machine operators, mechanics and site masters, as well as external parties such as local entrepreneurs, students and teachers and school forestry groups.
- **Effective communication is essential.** Direct communication with the Russian government and local municipalities is increasingly important and it is no longer possible for Mondi to rely on public meetings as a platform for engagement. In 2012, we actively supported the Komi Forest Dialogue as a way to maintain effective communication and to further develop constructive relations with the government and authorities at a municipal, regional and federal level.
- **Social issues need to be handled proactively, and with care.** In Russia, Mondi is faced with social issues such as deteriorating infrastructure, outdated information and a lack of tools. In addition, the demands on Mondi are growing in terms of social and environmental delivery. We recognise that our operations have an impact on local roads and endeavour to repair existing roads and reduce the load placed on the roads by investigating rail and water transport options. We also pay special attention to developing partnerships with wide range of stakeholders to focus on creating new enterprises and improving infrastructure. It is also important to us that information about these initiatives is transparent and published in a variety of mass-media to increase awareness.
- **Continuous environmental improvements are of the highest importance.** The issues of odorous gases and water discharges are areas of concern for people living around the mill. As a result of modernisation, there has been a significant reduction in the total amount of harmful atmospheric emissions. In order to reinforce the control process over the atmospheric emissions in 2012, we installed a new control post – in addition to the existing monitoring stations of the Komi Meteorology Centre. In 2013 we look forward to investing in the modernisation of our water treatment facilities, which provide services to the surrounding municipalities.

The SEAT process has yet again proved an invaluable tool for Mondi as it helps us accurately identify, and rectify, employee and community concerns. Without thorough examination of our socioeconomic impacts, achieving sustainable business practices would not be possible.



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Case study:

Russian logging camps: keeping our employees safe and healthy

Working in the logging operations in Russia's vast and remote Komi forests is challenging to say the least. Logging operation employees typically live away from home in temporary camps for up to 15 days at a time, often in temperatures as low as minus 40°C. Employees travel between camp, work and home on difficult roads, made more hazardous by harsh winter weather conditions.

In December 2009, a Mondi employee lost his life when his accommodation unit, in one of these temporary camps, caught fire while he was asleep. The damp conditions affected electrical installations and the tragic incident highlighted the vital importance of improving overall conditions in the logging camps.

Subsequent to the 2009 fatality, an assessment of the logging camps was carried out. The main issues of concern identified were substandard electrical reticulation; lack of drying facilities, which necessitated wet clothes being hung on heaters in living areas; accommodation units in disrepair with poor heating systems; insufficient sanitation facilities; poor camp layout; poor fire safety; unsatisfactory employee wellbeing; unsafe transportation; no offices provided for foremen, obliging them to use accommodation units as site offices; and makeshift workshops.

These findings were of great concern to management who made a commitment to provide better conditions for the Komi forest employees, in line with the Group's philosophy of being a responsible employer.

It was clear that Mondi needed to take immediate and radical steps to establish a set of minimum standards for the establishment and running of accommodation camps. Safe and comfortable living and working conditions, including new accommodation units which met appropriate standards, were required to ensure safety and no repeat of the fire of 2009. Improved living conditions, in turn, would ensure good rest when off shift, and well-rested employees would result in safer work practices and a reduction in incidents and injuries. The Group was also intent on achieving zero fatal injuries from road accidents involving passenger-carrying vehicles.

Steps taken to address issues of concern included:

- A benchmarking exercise with a Canadian forestry company
- Specifications developed and suppliers identified for the units, offices, drying rooms and hygiene facilities
- The development of a camp safety, health and environment (SHE) file to establish standards for camp set up and use; and the training of managers and supervisors in the implementation of these standards to ensure continued provision of safe and healthy living conditions
- Regular site visits conducted by management and SHE professionals to motivate site managers, supervisors and employees to continuously improve standards and to take care of their safety as well as the safety of others.
- A schedule developed for the fitting of seat belts in all vehicles
- The development of a safety culture among employees

Some 26 accommodation units, nine shower facilities and saunas, five drying rooms, eight supervisor site offices, 11 dining areas, 22 roadside controller offices, nine mechanics offices and nine workshops were constructed in the new camps between 2011 and 2012. Among some of the new units' most notable features are electrical heaters which are safer and can maintain constant temperatures and separate drying facilities which ensure damp clothing is kept out of living areas. The drying units represent a best in class practice, with employees having individual lockers supplied by warm air. Some €1.9 million was spent on the logging camps upgrade.

Manager, Alexander Melehin says, "The improved accommodation units, sauna areas, shower facilities and eating rooms have raised the motivation of employees and we have found that there are better relationships among employees.

"A safety culture is developing. People make a conscious effort not to throw things on the ground and the outgoing shift cleans up and leaves the camp in a clean and healthy condition for the next shift. My employees now look forward to returning to the camps and work areas after their off periods."

The camp SHE standards file has resulted in the following:

- Clear definition of roles and responsibilities of managers and supervisors
- Documenting of handover safety procedures between shifts
- Safe camp layout, with covered generators and flammable stores located away from accommodation areas
- Recording in registers and regular checking of equipment

Supervisor, Vladimir Panyukov, comments: "The SHE standards file has made life easier for me as a supervisor. Clear standards are given and all my documents and inspections are now in one place. In the past, the camps were dirty, broken and in an unsafe condition. We are now experiencing another way of life."

Employee feedback suggests that loggers see Mondi as a preferred employer, which can result in reduced staff turnover and the risks associated with inexperienced staff. Good rest and sleep improves productivity and reduces the risks associated with tired employees operating equipment.

Logging managers and supervisors have already noted improved efficiencies and production rates. As a direct result of employees being well rested, logging operations completed 2012 with zero lost time injuries (LTIs) and have worked a total of 24 LTI-free months and six million LTI-free hours. Notably, a bus incident occurred at the beginning of 2012 but no injuries were sustained due to all passengers wearing seatbelts.



Perhaps the final word is best left to Valery Mozhegov, log delivery vehicle driver: "We are now living in the new fully-equipped units. The conditions in the new camps are comfortable and warm in all weather conditions. The canteen is located close where it is possible to have a meal similar to that which we have at home.

"... the camps are well lit, sanitary conditions are available, drinking water is delivered ... the area is cleaned continuously, the snow is removed regularly, sand and gravel is placed on walkways to prevent slipping.

"We can now get a good rest after the shift which ensures that we can work safely and productively during the following shift."



◀ Kwa-Zulu Natal, South Africa
Play at the Sibindi shelter

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Case studies



Russian logging camps

Improving camp living conditions in the vast and remote Komi forests to keep our employees safe and healthy.

[Read case study ●●●](#)



Richards Bay SEAT 2012

Effective communication with all stakeholders is the key to achieving our objectives.

[Read case study ●●●](#)



Syktvykar Mill SEAT 2012

Treading a fine line – responsible practice and proactive engagement in Russia.

[Read case study ●●●](#)





Poverty alleviation

The role of Mondi's Mkhondo Development Project in implementing permanent and sustainable solutions to alleviate poverty.

[Read case study ●●●](#)



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Case study:

Russian logging camps: keeping our employees safe and healthy

Working in the logging operations in Russia's vast and remote Komi forests is challenging to say the least. Logging operation employees typically live away from home in temporary camps for up to 15 days at a time, often in temperatures as low as minus 40°C. Employees travel between camp, work and home on difficult roads, made more hazardous by harsh winter weather conditions.

In December 2009, a Mondi employee lost his life when his accommodation unit, in one of these temporary camps, caught fire while he was asleep. The damp conditions affected electrical installations and the tragic incident highlighted the vital importance of improving overall conditions in the logging camps.

Subsequent to the 2009 fatality, an assessment of the logging camps was carried out. The main issues of concern identified were substandard electrical reticulation; lack of drying facilities, which necessitated wet clothes being hung on heaters in living areas; accommodation units in disrepair with poor heating systems; insufficient sanitation facilities; poor camp layout; poor fire safety; unsatisfactory employee wellbeing; unsafe transportation; no offices provided for foremen, obliging them to use accommodation units as site offices; and makeshift workshops.

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Case study:

Implementing permanent and sustainable solutions to alleviate poverty – The role of Mondi's Mkhondo Development Project

Mondi's Mkhondo Development Project (MMDP) falls under the Gert Sibande District Municipality. The MMDP is home to 65 rural settlements on Mondi landholdings – 62 in the Mkhondo Municipality in Piet Retief and three in the Msukaligwa Municipality in Ermelo. Approximately 9,590 people have set up their households here. The employment rate is as low as 31% in the area, and most inhabitants are extremely poor, with little or no access to basic services (94% of households do not have electricity and 85% have no access to water on site).

While 90% of these people have no employment relationship, either present or past, with Mondi or its contractors, they have accumulated rights through their length of stay on the land. In 2007 Mondi initiated the Mondi Mkhondo Development Project (MMDP), a public-private partnership between the Mpumalanga Provincial Government, Mkhondo Local Municipality, Gert Sibande District Municipality and Mondi. Community stakeholders are represented in this partnership by local committees elected by the residents involved.

The aim of the project is to improve the socioeconomic conditions of the people living on Mondi owned land within this region and in doing so, implement permanent and sustainable solutions to alleviate poverty.

The project is essentially an integrated settlement development programme, driven by the principle that all people have the right to basic needs and a right to choose where they live. With this in mind, the MMDP model provides people with three choices: continue their pursuit of rural livelihoods in planned and serviced agri-villages; seek urban livelihoods in newly-serviced urban residential developments; or, remain where they are.

Assessments were undertaken to determine the suitability of the 65 settlements on Mondi land for development into agri-villages. Jabulani was identified as appropriate for the pilot agri-village and planning began in 2009. The basic development concept allowed for ownership of residences with adjoining plots for food production. Three basic housing types were offered, and Mondi provided the choice of either a kitchen structure or better finishes to the house. Construction of the first 35 houses began in April 2011 and all have been completed.

During 2012, a further 87 households from five villages on Mondi land opted for settling at Jabulani. The second phase of housing planning and construction will commence during the first quarter of 2013, and Jabulani will be used as a model for a second generation of agri-villages, namely Watersmeet, Riverside and Athalia.

Better access to social services and social developments have been important drivers of the project and we have developed a primary school, an early childhood development centre and a worship site. A multi-purpose community centre has been designed and a grant of €236,874 secured for the construction of the first building. Building will begin in early 2013.

Income generating activities include forestry, livestock, tourism and other small enterprises. Jobs in both construction and small business have already been created as a direct result of the MMDP – a notable success of the project. Cattle owners moving to the agri-village (30 in total), who own 215 cattle between them, have been working together to develop a plan for the sustainable management of their herd and to improve the commercial returns from this asset.

Maurice Makhithini, Head of Land, Mondi South Africa Division, is proud of the MMDP's achievements to date, "The project has attracted considerable attention as a potential model for sustainable rural settlements in the forestry regions of South Africa." As such, a sound partnership and working arrangement has been built with government stakeholders and target communities alike.

However, the project has not been without its challenges, including budget constraints from both Mondi and the Government. Melanie Dass, Corporate Affairs Manager: Forests, Merebank explains, "At times, it proved extremely difficult to work within a low capacity municipality area with a community who have high delivery expectations, but Mondi is committed to this project in the long term." Significant time and resources have been spent on building trust and developing mutually beneficial relationships with neighbouring land owners.

To assist those people who wish to relocate to urban settlements, 35 households from the villages of Neston, Neston DeClerq, Glen Eland and Tweepoort were given building materials to help them set up home in the town of Thokozane. The MMDP team have been working closely with local government to unlock three urban settlement projects – Rustplaas, Maphapheni and Malayini – located where Mondi had previous commitments to provide the land. Progress on these projects has been hampered by the unavailability of basic services (specifically water supply and sewage treatment capacity) to the areas and further resolution is needed in 2013.

A €4.9 million budget has been allocated to the MMDP – split between cash spent and land given for development and during 2012 €189,499 was spent on the project.

Mondi strives to be a socially responsible business that makes a lasting contribution to the communities in which we operate. We acknowledge that community engagement and communication are vital to the success of this initiative.



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Case study:

Richards Bay, SEAT assessment 2012

Effective communication with all stakeholders – the key to achieving our objectives

At Mondi, we recognise that effective communication with all stakeholders is key to achieving our objectives.

We make every effort to be a reliable and responsible neighbour at all our operations and engage openly with a wide range of internal and external stakeholders through our socioeconomic impact assessment (SEAT) process. The process is used as a basis for the identification, monitoring and management of each operation's socioeconomic and environmental impacts, and to improve our social performance. SEAT reviews monitor our positive and negative impacts on local communities, NGOs and government and the quality, relevance, scope and effectiveness of our corporate social investments and projects.

Taking action

The communities surrounding Richards Bay, on the north east coast of South Africa and where our paper mill is located, are situated in mainly rural areas and are exposed to high levels of poverty. They are in need of education, health and infrastructure development support. Mondi's invaluable role in providing this support was highlighted in the 2012 SEAT report. The assessment aimed to:

- evaluate the status of the resolution of issues identified during the previous SEAT study;
- understand the key changes in Mondi's structure and activities;
- identify the main external factors influencing socioeconomic development in the region;
- identify critical issues within the socioeconomic regime associated with Mondi's activities;
- evaluate the objectivity of critical issues and identify ways to improve this; and
- identify Mondi's strengths for further development.

The SEAT process is a participative one and we talked to a wide range of stakeholders to complete the report. Internal stakeholders at the Richards Bay mill included management, the CSI department, employee union representatives, employees and contractors. External stakeholders included organisations and people from local communities, including local schools and school governing bodies, the uMhlathuze City Municipality, Zululand Chamber of Commerce and Industry, the Clean Air Association, and NGOs.

An obvious, but vital impact we have on the area is employment creation. The Richards Bay mill employs over 700 people directly and around 600 contractors with about 5,200 people dependent on the wages and salaries of these employees.

Outside of the Richards Bay mill, Mondi has sought to tackle issues such as HIV/AIDS in the community, small business development, education and training (with an emphasis on infrastructure and career development). Investment is also made in staff sporting events and recreational activities.

Some of the feedback, both positive and negative, we received from our stakeholders is discussed below.

Communication is key

The success of our corporate social investment (CSI) strategy and related community engagement plans – involving employees and the local community – is evident in positive feedback.

- Local schools appreciated regular visits by the Mondi CSI team and particularly valued paper donations.
- Employees welcomed regular and formal briefings by their chief executive officer and a new performance-appraisal system.
- The Richards Bay Clean Air Association declared Mondi the flagship and benchmark for other industries in communicating environmental issues through a transparent information-sharing approach.
- Contractors were particularly impressed with the high-value tender system as an example of good corporate governance – broad-based black economic empowerment, procurement, financial controls and safety measures were proficient and understood by all.
- CSI beneficiaries felt that there was a genuine desire to be involved in various initiatives, and highlighted the Mondi21 fun run/walk which presents unique fundraising opportunities for a number of organisations.

Challenges expressed, solutions presented

In spite of acknowledging the positive impacts and progress made over several years and since the last SEAT review, stakeholders reported remaining concerns about odours in the Richards Bay area and those emanating from the mill.

Many stakeholders raised concerns about the regional economy and its growth prospects. Residents and businesses are particularly concerned about the attractiveness of Mozambique as an alternative investment location with lower costs and fewer barriers to entry compared to Richards Bay. Mondi has also been asked to present opportunities for local youth in the form of training and formal employment.

Mondi is a member of the Zululand Chamber of Commerce and Industry and it has an established relationship with the Port of Richards Bay as an exporter of pulp and wood chips which generates foreign revenue.

Certain stakeholders would like Mondi to extend its reach in the greater Richards Bay area through representation in a wider range of forums, including the municipal integrated development plan, which is important in mapping future growth and development. Mondi is committed to engaging with its stakeholders and continues to review its participation in relevant forums where it can add value.

A theme common to all employee interviews was some lingering uncertainty related to earlier organisational restructuring and a perception of unresolved historical grievances. Furthermore, it was felt the shortage of critical skills, experienced by many companies, is compounded by the rate of staff turnover at the mill.

Mondi has developed a response to the issues raised and to further improve communication with the relevant stakeholders about any issues that arise.

To read the full SEAT report, including our response to issues raised, go to www.mondigroup.com.



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Case study:

Syktyvkar Mill, Russia, SEAT assessment 2012

Treading a fine line – responsible practice and proactive engagement in Russia

State forest enterprises have been of wide social importance in Russian society for decades, 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. As a result of recent state reforms in rural areas, there are fewer opportunities for small business development and reduced financial support from the state. At the same time, expectations on Mondi's social and environmental performance are constantly growing. This makes Mondi's role in forestry enterprises in Russia a potentially complex one, ensuring the viability of the business on the one hand, and preserving and furthering the interests of small, local communities on the other.

The Republic of Komi is situated in the north-eastern part of Russia, on the banks of the Severnaya Dvina watershed. The economy of the republic is based on the production of raw material and industry is dominated by fuel, forestry, logging, wood processing and pulp and paper industries. Mondi Syktyvkar, situated in the Republic of Komi, is one of the largest mills in Russia, accounting for 12% of pulp production, 15.1% of paper and 8.4% of board. Mondi is one of the largest employers in the region, employing approximately 7300 direct employees and numerous contractors. This highlights our important social and economic role in the region, a role that Mondi does not take lightly.

In 2012, we completed our socioeconomic assessment toolbox (SEAT) assessment at Syktyvkar mill. The SEAT process is structured and participative, providing our operations with the means to assess their positive and negative impacts on local communities. It involves four key elements: a detailed profile of our operations and the local community; engagement with local interest groups to assess positive and negative impacts; the development of a management plan designed to maximise potential benefits and minimise negative impacts; and joint publication with local stakeholders of a SEAT report, which provides a benchmark for conduct in the future.

Taking a STEP towards a safer and environmentally friendly mill

This year's SEAT assessment highlighted the significance of the STEP project (STEP simply means a 'step' in the right direction). A total of €545 million was invested in the project and Syktyvkar mill is now the most modern in Russia. "This investment is a notable industry achievement and a firm base for our sustainable and competitive development in Russia," says Klaus Peller, Managing Director of Mondi Syktyvkar. "STEP has modernised and increased production in nearly all areas of the production chain."

Significant findings of the 2012 SEAT report included:

- **Training and development in the area is important.** Running a modernised mill requires highly skilled personnel. Our educational project, The Forest Academy of Komi, offers professional forestry education. The academy provides courses for our mill employees, including forest machine operators, mechanics and site masters, as well as external parties such as local entrepreneurs, students and teachers and school forestry groups.
- **Effective communication is essential.** Direct communication with the Russian government and local municipalities is increasingly important and it is no longer possible for Mondi to rely on public meetings as a platform for engagement. In 2012, we actively supported the Komi Forest Dialogue as a way to maintain effective communication and to further develop constructive relations with the government and authorities at a municipal, regional and federal level.
- **Social issues need to be handled proactively, and with care.** In Russia, Mondi is faced with social issues such as deteriorating infrastructure, outdated information and a lack of tools. In addition, the demands on Mondi are growing in terms of social and environmental delivery. We recognise that our operations have an impact on local roads and endeavour to repair existing roads and reduce the load placed on the roads by investigating rail and water transport options. We also pay special attention to developing partnerships with wide range of stakeholders to focus on creating new enterprises and improving infrastructure. It is also important to us that information about these initiatives is transparent and published in a variety of mass-media to increase awareness.
- **Continuous environmental improvements are of the highest importance.** The issues of odorous gases and water discharges are areas of concern for people living around the mill. As a result of modernisation, there has been a significant reduction in the total amount of harmful atmospheric emissions. In order to reinforce the control process over the atmospheric emissions in 2012, we installed a new control post – in addition to the existing monitoring stations of the Komi Meteorology Centre. In 2013 we look forward to investing in the modernisation of our water treatment facilities, which provide services to the surrounding municipalities.

The SEAT process has yet again proved an invaluable tool for Mondi as it helps us accurately identify, and rectify, employee and community concerns. Without thorough examination of our socioeconomic impacts, achieving sustainable business practices would not be possible.



◀ Kwambonambi, South Africa
Worker at our nursery near Richards Bay

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Respect for communities and indigenous people

We address issues related to the cultural heritage of indigenous communities affected by our operations, particularly those living close to our forests, in a sensitive manner and we endeavour to resolve these issues in a spirit of respect, trust and dialogue.

We uphold the rights of indigenous people and, where necessary, rectify historical injustices even if these are not of our own making.

Our community engagement plans (CEPs) form the basis for constructive dialogue with neighbouring communities and ensure that their voices are heard. Our CEPs are based on the findings of comprehensive SEAT (socioeconomic assessment toolbox) process reports which ensure that our corporate social investment programmes meet the most pressing needs of local people. This year we finalised SEAT reports at Syktyvkar, Russia and Richards Bay, South Africa. No incidents of violations of the rights of indigenous people were reported or alleged during the year under review.

Land claims in South Africa

In South Africa today, some 107,000 hectares or 47% of our total owned land holdings are subject to 63 unresolved land claims (of a total of 82 land claims, with 19 already resolved). These land claims stem from a complex legacy of state-led forestation and forced removals of indigenous peoples, first initiated in 1913. The 1994 Restitution of Land Act aims to redress the deprivation of many indigenous South Africans of their rightful heritage. Restitution can take one of three forms including restoration of land, payment of compensation, or a combination of the two.

The issue is clearly a significant one for Mondi and we are committed to restoring land to community ownership in South Africa. We have a highly successful and innovative model for engaging and settling with land claimant communities, and assist them to develop long-term sustainable solutions and forestry enterprises rather than merely land restitution. In this way communities derive an income from their land, and Mondi retains a reliable source of wood supply.

In 2012, we settled eight more land claims (bringing the total number of settled claims to 19 or 23% of all land claims) involving 17,500 hectares of Mondi land under forestry. Some 36,300 hectares of Mondi land under forestry have been transferred to community beneficiaries, bringing the percentage of land transferred to claimant communities to 25% of the total area under claim.

Following a successful land claim process, communities gain ownership of the land and derive a sustainable income from it, while at the same time progressively developing their own businesses to operate within the forestry value chain. Critical to Mondi's approach is to ensure that land claim beneficiaries receive meaningful and sustainable benefits, and that sources of fibre are both assured and sustainably managed into the future and retain their Forest Stewardship Council™ certification.

During the year no incidents of violations involving rights of indigenous people were reported.

Food4Forests

Mondi's settlement model encourages land claimants to directly participate in forestry businesses and value chain programmes. A business created by land claimants is participating in Mondi's Food4Forests programme, which provides meals to 8,500 forestry contractors every day.

In February 2011, two trusts from settled land claims formed the Iphini catering company, which acquired a 25% profit-sharing stake in the catering contractor Compass's deal with Mondi to deliver meals for the Food4Forests programme. The Iphini directors are being mentored to gradually take over the Food4Forests programme. Four claimant beneficiaries are undergoing training in catering services.

Another one of Food4Forests successes this year has been the performance of Bela D Caterers, a black, women-owned business which delivers 1,200 meals a day in the Kwa-Zulu Natal area, and won the 'Kitchen of the Year' award.

Providing hot and nutritious meals to 8,500 people a day in remote areas is a huge task with many logistical challenges. But the benefits of the programme, both for the wellbeing of employees and contractors and the productivity and safety of Mondi's forestry operations, are being felt. The health care service providers, who do the annual medical check-ups of field staff, have reported that their overall health has improved. There is also a reduction of safety incidents and absenteeism as a result of the programme.



◀ Merebank, South Africa
Young learner at a neighbouring school.

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Corporate social investment

Corporate social investment (CSI) is defined as contributions (either monetary, employee time and resources, or gifts in kind) which bring benefits over and above those directly associated with our core business activities. CSI is undertaken in line with operation-specific CSI strategies developed during the CEP preparation process, and through consultation with local communities. CSI strategies are reviewed annually and are approved either by the operation's manager or a dedicated CSI manager, who is also responsible for the application of a process to review and vet community requests.

Corporate social investment criteria

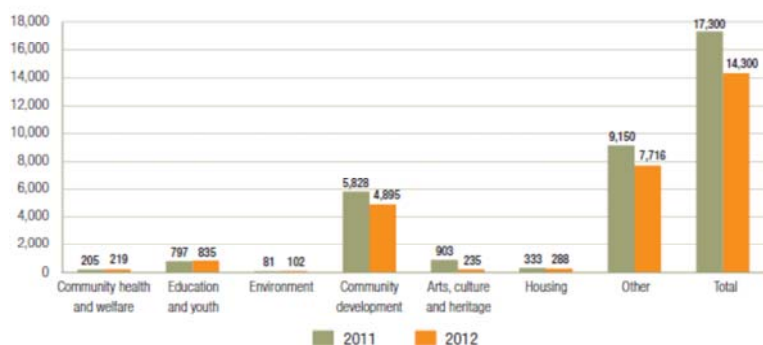
The following criteria are used to select corporate social investment strategies:

- the priorities of local people;
- the principles of sustainable development;
- Mondi's interests; and
- the cost effectiveness of the projects.

Group-level guidance is provided in respect of investment, be it discretionary volunteering or financial support (through donations and sponsorships). Ownership of the strategy and its implementation rests at an operational level. Operations are required to review their strategies annually.

During 2012, Mondi contributed some €14.3 million towards charitable donations and CSI projects (2011: €17.3 million).

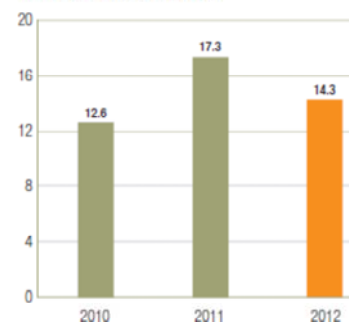
Breakdown of CSI expenditure (€000)



In 2012, greater focus was placed on ensuring that our CSI strategies are relevant to the ongoing needs of our employees and the communities in which they live and work. At our Świecie operations a programme, *Let's decide together*, was introduced to stimulate dialogue between stakeholders and increase employees' contribution to decisions related to CSI projects. While we are mindful that there may be site-specific imperatives, our community investment is focused on the following priorities:

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

CSI expenditure (€ million)



Some of the areas in which we are engaged and the causes we support are discussed below.

Health care projects

Russia

A number of social and recreational initiatives related to Syktyvkar were realised in 2012, including improvements to the Health Centre that provides primary health care and ambulatory services to direct employees, subsidiary employees, children in the community and former employees of the mill. We also funded new computer technology for the Ezhva city hospital.

Poland

We provided financial support to a psychological and counselling centre in Świecie. The Psychological-Pedagogical Service Centre is the only specialised education institution in Świecie that provides support to children. Donations to a nursery school for disabled children for purchasing therapy equipment, a primary school for disabled children and various other charities were made during 2012.

South Africa

We support a number of HIV/AIDS programmes, and sponsor a trauma centre in Merebank and four mobile clinics in our forestry operations. We support child-headed households by providing shelter and basic care through the Isibindi Programme and other Orphans and Vulnerable Children programmes. We also make regular donations to NGOs working in our mill communities.

Poverty alleviation and local economic development

Our operations take action to combat the economic and social consequences of unemployment by procuring goods and services through local suppliers, and supporting educational initiatives that give local business people vital skills.

Russia

We have agreements in place with local municipalities requiring logging operations to invest €917,413 a year to support small businesses and local infrastructure projects, particularly upgrading roads. By supporting small businesses in surrounding communities – specifically in the agricultural sector, in the traditional use of natural resources, and in recreation and tourism – 207 jobs were created. In 2012 we also approved six additional forestry entrepreneurship projects which resulted in almost 200 additional jobs.

We also provide each employee with a meal subsidy of €1 at our Syktyvkar operations.

South Africa

Many people in South Africa depend on forests for their livelihoods and creating and supporting sustainable livelihoods for these communities is important. One such initiative is the livestock programme, with steady progress made in training cattle owners to develop enterprises during the year.

A good example of local economic development and job creation in South Africa is Mondi Zimele. Mondi Zimele was established to support and promote small and medium sized enterprises and has created in excess of 2,700 jobs since its inception in 2006.

Education and youth

We support a wide range of educational and research-based projects. A few of these projects and their locations include:

Russia

Launched in 2012, in partnership with the Komi Republic Ministry of Industry and Energy, the Mondi Forest Academy offers relevant skills training in management, harvesting, transport and forestry to participants. Not only does this provide participants with the relevant forestry skills, but it also creates a better equipped workforce for Mondi and other logging and paper companies who also participate in the venture. Training has also included forest road construction and commercial training is being scheduled for 2013. In 2012 a total of €291,600 was invested in the Academy (2011: €280,180).

Poland

Mondi Świecie supports numerous local educational centres in the area, including high schools, universities and local social assistance centres.

South Africa

We believe that education is the key to development in South Africa and this belief drives our choice of corporate social investment projects in South Africa. In 2012, we focused on improving the mathematics and science skills in schools in the Merebank and Richards Bay areas close to our mills, by sponsoring Saturday mathematics, science and accounting classes for 424 grade 10 to 12 learners. Mondi also donated paper throughout the year and installed new equipment.

Improving the literacy and English language skills of our employees is of critical importance and to this end we run various programmes including Adult Basic Education and Training at our operations.

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We also provided bursaries to 66 students from rural communities as a result of a partnership between Mondi and the Rural Education Access Programme (REAP). Our partnership with REAP enables us to support a greater number of students who have historically been marginalised.

Environmental projects

We support a number of environmental projects; many of these involve working with non-governmental organisations, governments and other interest groups. The Mondi Wetlands Programme in South Africa and the identification of high conservation value forests in Russia are two examples of such projects.

Community development

Community development in South Africa and Russia makes up a large part of our corporate social investment expenditure. In Russia we purchased new mobile houses for our logging camps which have significantly improved the safety and living conditions of our employees.

[Read case study ●●●](#)

Arts, culture and heritage

We contribute to arts, culture and heritage in various ways, including sponsorship of cultural events and festivals, bands, community halls, veteran and youth associations, sporting events and summer camps for the children of employees at our Syktyvkar, Świecie and Stambolijski mills*.

Russia

In Syktyvkar we sponsor the town's cultural centre, where cultural events and festivals are held. Syktyvkar and Ružomberok host and sponsor summer camps for the children of employees as well as recreational and holiday facilities for the use of employees and their families.

Poland

Mondi Świecie made a donation to the local male choir, Cecylia. With the donation the choir purchased professional acoustic equipment and costumes.

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Sports and recreation

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To encourage employees to have active and healthy lifestyles, Mondi Świecie sponsored several sports events including a long-distance marathon and a triathlon. The annual Paper Makers Day offers employees and their families an opportunity to enjoy a number of recreational activities.

South Africa

In Richards Bay we sponsored the 'Mondi 21' event, a 21-kilometre fun-run and walk, to promote a healthy lifestyle. The event also created a unique opportunity to support local NGOs and provide them with a platform to raise funds and engage with the community.



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Our society

Key features 2012

- Corporate social investment expenditure of €14.3 million
- 36,300 hectares of Mondi forestry land transferred to community beneficiaries
- Socioeconomic assessment toolbox (SEAT) reports completed in Russia and South Africa

FAST FACTS

- Socioeconomic and environmental conditions form an important backdrop to Mondi's contribution to the sustainable development of a region, and we conduct a formal and fully transparent assessment of the impact our industrial activities have on the socioeconomic climate of host communities and regions every three to five years. This process is known as the SEAT (socioeconomic assessment toolbox) process. In 2012, two SEAT assessments were finalised – one at Richards Bay, South Africa and one at Syktyvkar, Russia where the activities of the respective pulp and paper mills were assessed.
- During 2012, Mondi contributed some €14.3 million towards charitable donations and corporate social investment projects (2011: €17.3 million).

Mondi is in a position to be able to enrich the economic and social conditions of the communities where we operate by creating wealth, employment and business, and contributing to the socioeconomic health and stability of these communities. This is further supported by our corporate social investment (CSI) and our community engagement plans (CEPs). We engage with local communities, our employees and contractors, on an ongoing basis with the aim of building sustainable, mutually beneficial relationships.

Forestry impacts

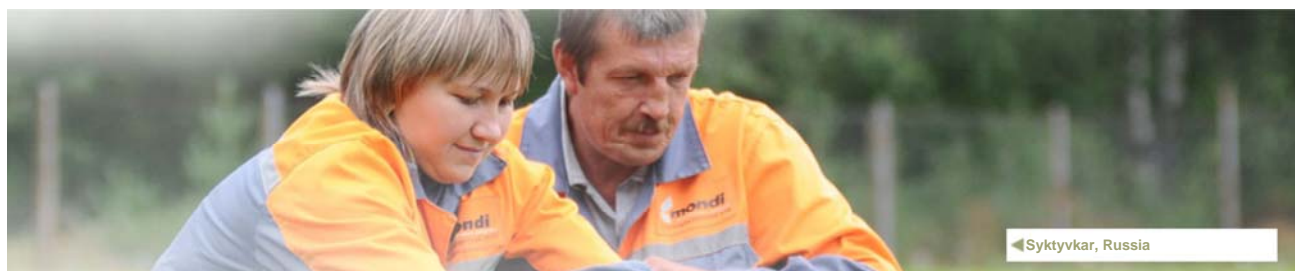
Our forestry operations have the most significant community impacts, and we strive to be a reliable and responsible neighbour at all our operations. Our socially material operations include the South African forestry operations, Richards Bay and Merebank mills; Russian forests; the Syktyvkar mill in Russia; Stambolijski mill in Bulgaria; Ružomberok in Slovakia; Świecie in Poland and Štětí in the Czech Republic. Our socially material operations are mostly located in rural areas in developing economies, meaning these communities are potentially affected by poverty, unemployment, illiteracy, environmental degradation and, in South Africa, HIV/AIDS.

Leadership

Responsibility for the Group's role in and engagement with society rests at a country and operational level in our Europe & International division and at a divisional level (in South Africa).

Formal processes

Our formal and fully transparent SEAT (socioeconomic assessment toolbox) process and CEPs demonstrate the level of our engagement in socially material operations, and using the Forest Stewardship Council™ provides a global standard for monitoring stakeholder engagement in our forests. Co-operation with non-governmental organisations, industry bodies and academic institutions is vital to our strategy, particularly in respect of community development. Through a process of constructive engagement we can draw on the fundamental knowledge, expertise and resources of local bodies or communities to ensure the cost effectiveness and the success of socioeconomic development programmes.



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Community engagement

We believe we cannot operate effectively without partnering with our neighbouring communities. In South Africa, the country's history of conflict and labour unrest means that community engagement needs to be addressed in a sensitive and proactive way. Building mutual trust with our communities is a process that takes time and requires constructive dialogue.

In our forestry operations, community engagement facilitators are directly responsible for community engagement. Community engagement plans (CEPs) are in place at all our material operations and assist us in maintaining dialogue, so that communities may raise concerns they need to be addressed. The effectiveness of our CEPs is monitored to ensure that they deliver real and lasting social and economic benefits to our communities.

We engage with key local stakeholders from municipalities in the communities where we operate to discuss environmental, social and economic issues. These discussions impact our CEPs.

SEATs in Russia and South Africa

Social and economic conditions form an important backdrop to Mondi's contribution to the sustainable development of a region and we conduct an assessment of the impact our industrial activities have on the socioeconomic climate of host communities and regions every three to five years. This assessment is known as SEAT (socioeconomic assessment toolbox). In 2012, two SEAT reports were finalised – one at Richards Bay, South Africa, and one at Syktyvkar, Russia, where the activities of their pulp and paper mills were assessed. SEAT reviews monitor our positive and negative impacts on local communities, NGOs and government as well as the quality, relevance, scope and effectiveness of our corporate social investment programmes and projects.

SEAT process

The socioeconomic assessment toolbox or SEAT process is undertaken by:

- profiling our operations and their communities within a particular area;
- engaging in dialogue with the full range of interest groups in the area to identify the perceived positive and negative impacts of our operations;
- producing a management plan designed to meet the community's development needs and to reduce the negative impact of our activities;
- compiling and publishing a local report that provides the basis for the ongoing relationship between the community and Mondi; and
- providing transparent accountability of the commitments made.

Some of the salient outcomes of these SEAT assessments can be found in the accompanying case studies:

Richards Bay, SEAT assessment 2012

The communities surrounding Richards Bay are situated in mainly rural areas and are exposed to high levels of poverty and in need of education, health and infrastructure development support.

[Read case study](#) ●●●



Syktyvkar Mill, Russia, SEAT 2012




As a result of recent state reforms in rural areas, there are fewer opportunities for small business development and reduced financial support from the state. [Read case study](#) ●●●



In the first half of 2013, SEAT assessments will be conducted at our Merebank mill in South Africa and at our Stambolijski mill in Bulgaria. The next SEAT assessment in Russia is planned to take place in 2015, focusing on our forestry activities.



◀ Merebank, South Africa
Young learner at a neighbouring school.

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Corporate social investment

Corporate social investment (CSI) is defined as contributions (either monetary, employee time and resources, or gifts in kind) which bring benefits over and above those directly associated with our core business activities. CSI is undertaken in line with operation-specific CSI strategies developed during the CEP preparation process, and through consultation with local communities. CSI strategies are reviewed annually and are approved either by the operation's manager or a dedicated CSI manager, who is also responsible for the application of a process to review and vet community requests.

Corporate social investment criteria

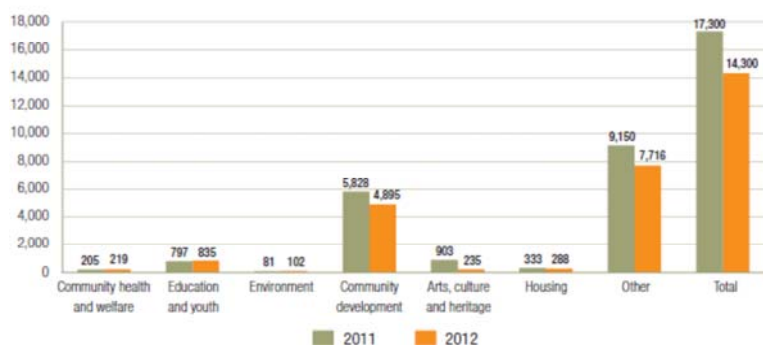
The following criteria are used to select corporate social investment strategies:

- the priorities of local people;
- the principles of sustainable development;
- Mondi's interests; and
- the cost effectiveness of the projects.

Group-level guidance is provided in respect of investment, be it discretionary volunteering or financial support (through donations and sponsorships). Ownership of the strategy and its implementation rests at an operational level. Operations are required to review their strategies annually.

During 2012, Mondi contributed some €14.3 million towards charitable donations and CSI projects (2011: €17.3 million).

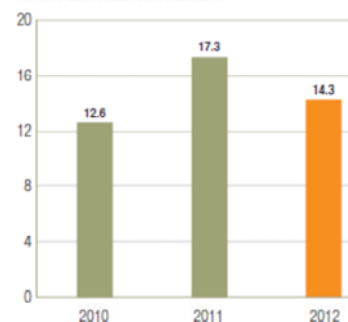
Breakdown of CSI expenditure (€000)



In 2012, greater focus was placed on ensuring that our CSI strategies are relevant to the ongoing needs of our employees and the communities in which they live and work. At our Świecie operations a programme, *Let's decide together*, was introduced to stimulate dialogue between stakeholders and increase employees' contribution to decisions related to CSI projects. While we are mindful that there may be site-specific imperatives, our community investment is focused on the following priorities:

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

CSI expenditure (€ million)



Some of the areas in which we are engaged and the causes we support are discussed below.

Health care projects

Russia

A number of social and recreational initiatives related to Syktyvkar were realised in 2012, including improvements to the Health Centre that provides primary health care and ambulatory services to direct employees, subsidiary employees, children in the community and former employees of the mill. We also funded new computer technology for the Ezhva city hospital.

Poland

We provided financial support to a psychological and counselling centre in Świecie. The Psychological-Pedagogical Service Centre is the only specialised education institution in Świecie that provides support to children. Donations to a nursery school for disabled children for purchasing therapy equipment, a primary school for disabled children and various other charities were made during 2012.

South Africa

We support a number of HIV/AIDS programmes, and sponsor a trauma centre in Merebank and four mobile clinics in our forestry operations. We support child-headed households by providing shelter and basic care through the Isibindi Programme and other Orphans and Vulnerable Children programmes. We also make regular donations to NGOs working in our mill communities.

Poverty alleviation and local economic development

Our operations take action to combat the economic and social consequences of unemployment by procuring goods and services through local suppliers, and supporting educational initiatives that give local business people vital skills.

Russia

We have agreements in place with local municipalities requiring logging operations to invest €917,413 a year to support small businesses and local infrastructure projects, particularly upgrading roads. By supporting small businesses in surrounding communities – specifically in the agricultural sector, in the traditional use of natural resources, and in recreation and tourism – 207 jobs were created. In 2012 we also approved six additional forestry entrepreneurship projects which resulted in almost 200 additional jobs.

We also provide each employee with a meal subsidy of €1 at our Syktyvkar operations.

South Africa

Many people in South Africa depend on forests for their livelihoods and creating and supporting sustainable livelihoods for these communities is important. One such initiative is the livestock programme, with steady progress made in training cattle owners to develop enterprises during the year.

A good example of local economic development and job creation in South Africa is Mondi Zimele. Mondi Zimele was established to support and promote small and medium sized enterprises and has created in excess of 2,700 jobs since its inception in 2006.

Education and youth

We support a wide range of educational and research-based projects. A few of these projects and their locations include:

Russia

Launched in 2012, in partnership with the Komi Republic Ministry of Industry and Energy, the Mondi Forest Academy offers relevant skills training in management, harvesting, transport and forestry to participants. Not only does this provide participants with the relevant forestry skills, but it also creates a better equipped workforce for Mondi and other logging and paper companies who also participate in the venture. Training has also included forest road construction and commercial training is being scheduled for 2013. In 2012 a total of €291,600 was invested in the Academy (2011: €280,180).

Poland

Mondi Świecie supports numerous local educational centres in the area, including high schools, universities and local social assistance centres.

South Africa

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[Read case study](#) ●●●

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Addressing HIV/AIDS in our forest communities

In South Africa, the impact of deaths as a result of HIV/AIDS has become significant in recent years and many households turn to forest resources for subsistence and as a means to generate income. We pay special attention to needs arising as a result of HIV/AIDS, especially to the increasing number of children in rural areas being placed at risk. In accordance with the South African Forestry Sector Transformation Charter, we collaborate with industry-specific initiatives that improve the living conditions and livelihood opportunities for the rural poor, including forest sector workers and their families in forestry areas.

In 2005, a survey carried out in the Mkhondo area highlighted the large number of orphans and vulnerable children (OVC) living on Mondi land, many of them affected by the social impacts of HIV/AIDS. The Mkhondo Isibindi Project was launched to provide support for these children. It is based on the Isibindi model through which community members complete a two-year accredited course to become child and youth care workers. Each care worker then uses his or her skills to support a cluster of identified families and offer services aimed at strengthening the capacity and resilience of those infected and affected by HIV/AIDS.

The project also promotes access to social and economic support and includes education, healthcare, food (or nutritional assistance) and guidance, protection from abuse, trauma counselling and skills training. Subsequently, the Isibindi model has been implemented in two other locations: Tygerskloof and Kwambonambi. In 2012, these three Isibindi Projects, together with other Mondi-supported OVC programmes in Kwa-Zulu Natal, made a positive difference to almost 2,000 children.

In 2008, Mondi set up a mobile clinic in the KwaZulu-Natal Midlands in partnership with an NGO called TLC and the provincial government. The purpose of the project is to take HIV/AIDS programmes and primary health care to contractors and communities living in close proximity to our forestry operations. Following the success of this pilot project, the model was extended to the remote rural area of Mkhondo, Mpumalanga, where Mondi contributed to the deployment of three additional mobile clinics, with plans for a fifth mobile clinic to be introduced in 2013. In 2012, one of these mobile clinics began to dispense HIV anti-retroviral treatment and approximately 175 people are being treated.



◀ Kwambonambi, South Africa
Worker at our nursery near Richards Bay

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Respect for communities and indigenous people

We address issues related to the cultural heritage of indigenous communities affected by our operations, particularly those living close to our forests, in a sensitive manner and we endeavour to resolve these issues in a spirit of respect, trust and dialogue.

We uphold the rights of indigenous people and, where necessary, rectify historical injustices even if these are not of our own making.

Our community engagement plans (CEPs) form the basis for constructive dialogue with neighbouring communities and ensure that their voices are heard. Our CEPs are based on the findings of comprehensive SEAT (socioeconomic assessment toolbox) process reports which ensure that our corporate social investment programmes meet the most pressing needs of local people. This year we finalised SEAT reports at Syktyvkar, Russia and Richards Bay, South Africa. No incidents of violations of the rights of indigenous people were reported or alleged during the year under review.

Land claims in South Africa

In South Africa today, some 107,000 hectares or 47% of our total owned land holdings are subject to 63 unresolved land claims (of a total of 82 land claims, with 19 already resolved). These land claims stem from a complex legacy of state-led forestation and forced removals of indigenous peoples, first initiated in 1913. The 1994 Restitution of Land Act aims to redress the deprivation of many indigenous South Africans of their rightful heritage. Restitution can take one of three forms including restoration of land, payment of compensation, or a combination of the two.

The issue is clearly a significant one for Mondi and we are committed to restoring land to community ownership in South Africa. We have a highly successful and innovative model for engaging and settling with land claimant communities, and assist them to develop long-term sustainable solutions and forestry enterprises rather than merely land restitution. In this way communities derive an income from their land, and Mondi retains a reliable source of wood supply.

In 2012, we settled eight more land claims (bringing the total number of settled claims to 19 or 23% of all land claims) involving 17,500 hectares of Mondi land under forestry. Some 36,300 hectares of Mondi land under forestry have been transferred to community beneficiaries, bringing the percentage of land transferred to claimant communities to 25% of the total area under claim.

Following a successful land claim process, communities gain ownership of the land and derive a sustainable income from it, while at the same time progressively developing their own businesses to operate within the forestry value chain. Critical to Mondi's approach is to ensure that land claim beneficiaries receive meaningful and sustainable benefits, and that sources of fibre are both assured and sustainably managed into the future and retain their Forest Stewardship Council™ certification.

During the year no incidents of violations involving rights of indigenous people were reported.

Food4Forests

Mondi's settlement model encourages land claimants to directly participate in forestry businesses and value chain programmes. A business created by land claimants is participating in Mondi's Food4Forests programme, which provides meals to 8,500 forestry contractors every day.

In February 2011, two trusts from settled land claims formed the Iphini catering company, which acquired a 25% profit-sharing stake in the catering contractor Compass's deal with Mondi to deliver meals for the Food4Forests programme. The Iphini directors are being mentored to gradually take over the Food4Forests programme. Four claimant beneficiaries are undergoing training in catering services.

Another one of Food4Forests successes this year has been the performance of Bela D Caterers, a black, women-owned business which delivers 1,200 meals a day in the Kwa-Zulu Natal area, and won the 'Kitchen of the Year' award.

Providing hot and nutritious meals to 8,500 people a day in remote areas is a huge task with many logistical challenges. But the benefits of the programme, both for the wellbeing of employees and contractors and the productivity and safety of Mondi's forestry operations, are being felt. The health care service providers, who do the annual medical check-ups of field staff, have reported that their overall health has improved. There is also a reduction of safety incidents and absenteeism as a result of the programme.



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SEATs in Russia and South Africa

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[Read case study](#) ●●●



Syktyvkar Mill, Russia, SEAT 2012

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Human rights

Mondi's Code of Business Conduct is based on a number of voluntary codes. While not legally binding, these codes of conduct, principles, and guidelines are raising public expectations about socially responsible business. In particular, the Group subscribes to the Universal Declaration on Human Rights.

Human rights commitments

Mondi subscribes to the Universal Declaration on Human Rights and is committed to the:

- United Nations (UN) Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights;
- UN Global Compact;
- Fundamental Rights Conventions of the International Labour Organisation;
- Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises; and
- Voluntary Principles of Security and Human Rights.

These principles are embodied in our policies, systems and practices, and ensure the provision of a fair, safe and healthy workplace for our employees and contractors, free from discrimination, harassment and abuse. We encourage our suppliers, customers and business partners to work in accordance with these principles.

We report our compliance and commitment relating to human rights, labour, environmental and anti-corruption issues on an annual basis. Our annual report to the United Nations Global Compact and our Communication on Progress is available on our website – www.mondigroup.com/sustainability.

We prohibit forced, compulsory and underage labour, and any form of discrimination based on race, religion, age, disability or political affiliation, and we do not procure goods or services from suppliers who use child labour. Our Code of Conduct for Mondi Group suppliers outlines our expectations of suppliers in this regard.

SD See Mondi's [Code of Conduct](#) in the governance section.

Addressing human rights issues is the responsibility of line management with the ultimate responsibility for compliance resting with the Group chief executive officer.

All employees are free to bargain collectively and are allowed to join a trade union of their choice. Our labour standards ensure that our remuneration practices are fair and our global employment policy recognises the right of all people to be treated with dignity, and prohibits harassment in the workplace. Appropriate mechanisms, such as grievance procedures, are in place to support this. No incidents of discrimination were reported during the year under review.

SD See the [Employment](#) section for more information.



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Employment

As at the end of 2012, the Mondi Group employed approximately 25,700 people (2011: 23,400 employees). We also provided employment for an estimated average of 2,220 contractors at our mills (primarily for construction and maintenance purposes) and 8,200 contractors within the forestry division in South Africa.

The management of people is a key line function for which the chief executive officer is ultimately responsible. Operations are supported at a divisional level.

Employment of forestry contractors

We engage contractors in our South African plantations and our own employees at our Russian logging operations. We have introduced an approach to develop long-term relationships with contractor companies, with the objective of creating stable and safe employment for our forestry workers. We conduct annual pay slip audits to ensure compliance with the country's minimum wages and ongoing checks are done as part of Mondi's audit requirements.

Contractor work is often short-term and related to the completion of tasks or projects, the season and other job opportunities – and is not specifically the employment of a fixed number of people.

Turnover

Turnover levels are not monitored centrally, but are assessed at a local level and, where necessary, plans are put in place to address areas of concern.

Our Group-wide attendance rate (calculated as 'actual' working days, and as a percentage of total 'theoretical' working days, which include all absenteeism related to sickness, incidents and occupational diseases) has remained stable over the last years, with the 2012 rate at 98% (2011: 98.5%).

Employment practices and collective bargaining

We uphold the basic labour rights enshrined in the Fundamental Rights Convention of the International Labour Organisation and ensure that fair employment practices are implemented at all our operations. Our remuneration practices are competitive and do not discriminate on the grounds of age, race or gender. All employees have the right to freedom of association and 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 sustainable development policies, management standards and performance requirements on global employment and corporate citizenship comply with local legislation and ensure that employment practices are fair and that employees are represented appropriately.

At the end of 2012, 994 employees (58% of the workforce) belonged to a recognised union in South Africa. This information is not collated in Europe.

In Europe, we have implemented a dialogue forum where council leaders meet members of Mondi's top management on an annual basis to discuss topics related to collective bargaining and employment practices.

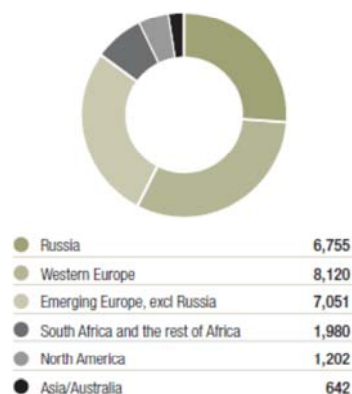
In South Africa, we actively participate in various bargaining councils including the Statutory Council for the Paper Packaging Industries Bargaining Forum and the Bargaining Council of the Wood and Paper Sector, under whose auspices national relations between employers and unions are managed. Three senior Mondi human resource executives are represented on these councils. In 2012, focus was placed on annual wage negotiations and providing staff with dispute resolution training.

Minimum notice periods in respect of operational changes and rates of pay for men and women are prescribed by legislation, with the exception of South Africa. Any grievances or disciplinary actions are addressed through our disciplinary and grievance systems.

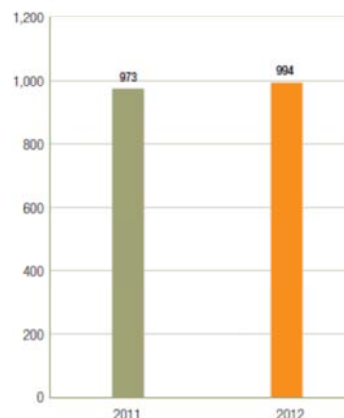
Treating our employees with dignity

We recognise the right of all people to be treated with dignity, and the inhumane treatment of employees, including any form of forced labour, degrading treatment, physical punishment, harassment in the workplace, or other abuse is not tolerated. Appropriate mechanisms, such as grievance procedures, are in place to support this.

Employees per region



Number of employees belonging to a recognised union in South Africa



Benefits

Benefits provided to full-time employees include membership of pension and provident funds, access to medical care/schemes, study assistance, maternity and paternity leave, annual bonuses, overtime pay and profit bonuses.

Embracing diversity

We employ, empower and develop people with the potential required to expand their careers and to become valuable participants in sustaining our competitive business advantage. Our primary objectives of achieving world-class standards in cost, quality, productivity and customer service are inherently supported by our plans, aimed at implementing diversity management and affirmative action initiatives.

We encourage and embrace diversity and treat all our employees fairly and equitably, irrespective of origin, gender, race, colour, sexual orientation, religion or belief, family circumstances, political opinion, trade union membership, age, nationality or disability. The management of people is a function of line management, as is the creation of a culture that embraces diversity to ensure that our policies and practices support this.

We recognise that in South Africa, where employment equity is entrenched within legislation, there are historical imbalances that need to be redressed in the workplace. We have divisional and central transformation committees in place to monitor progress and assist Mondi in adhering to the spirit and letter of the law. In 2012, our transformation committees reviewed Mondi's employment policies from an employment equity perspective. These reviews were an important way of ensuring that employees' feedback, with respect to equal opportunities, was incorporated into our policies.

Equity towards and the advancement of women within the workplace is embedded within the South African constitution, and required by South African labour legislation. While the nature of our industry and available skills pool pose inherent challenges in securing female employees, we develop our female workforce by providing access to bursaries, learnerships and apprenticeships to previously disadvantaged individuals (PDIs), including women.

At the end of December 2012, 20% (2011: 20%) of employees were women and 16% (2011: 10%) of our managers were women.

The Mondi Group has two female directors representing 22% of the Boards.

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. In 2012, Mondi E&I employed a total of 60 expatriates. As far as this is possible, the Group is intent on the employment of locals in all areas of its operations, including at management level, and on minimising the employment of expatriates in long term roles.

While legal limitations exist on the employment of foreigners in almost all jurisdictions, with the exception of employment within the European Union, (largely through the application for and granting of residence and work permits) this has not had a significant effect on the Group. See [Training and development](#).

Employment equity in South Africa

To support the process of transformation towards a fully democratic and non-discriminatory society and economy in South Africa, we have established Transformation Committees at our South African operations. The Transformation Committee works towards furthering employment equity and enabling our employees to understand training-related issues and ideas.

Our employment equity policy safeguards the career development of non-designated persons, and ensures that all employees continue to be recognised for their competencies, based on considerations that include statute and merit.

While we ensure that promotion and advancement is based on merit, without tokenism or paternalism, we make every effort to:

- equalise opportunities for PDIs;
- 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.

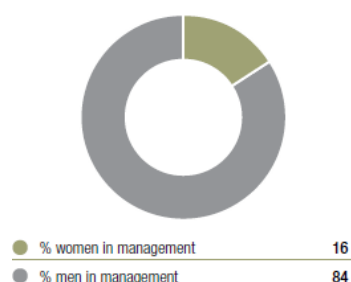
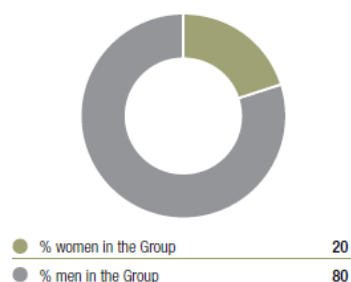
At the end of 2012, the representation of PDIs in management in South African operations was 42.5%. Women made up 16% of the South African workforce.

Decent work

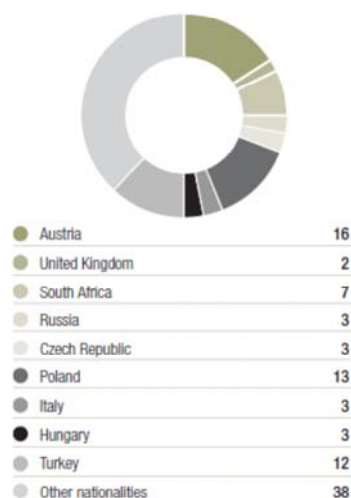
We aim to reduce the extent to which employees are exposed to high-risk and heavy manual tasks and to eliminate harmful ergonomic practices, particularly through the modernisation of our forestry operations.

SD See [Our people: Occupational health](#) and [Economic performance: Modernisation](#) for further information.

Diversity



Origin of management (%)





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Occupational health

As specific local occupational health stressors vary between operation and regions, so do our occupational health systems. Our holistic approach to occupational health addresses the various aspects of health and wellbeing, but we continue to focus on prevention and the correct use of personal protective equipment (PPE).

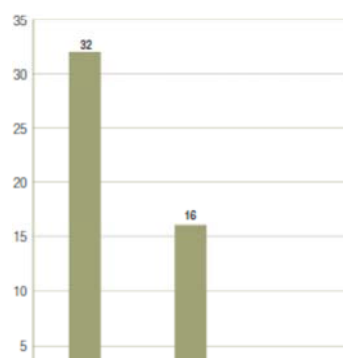
Ergonomic risk

In forestry, the ergonomic risk by job description is high and, at some of our operations, more than double the risk prescribed by international standards. For example, stooping is standard practice in South Africa, but banned in other parts of the world. This exposes our employees to high levels of occupational health and safety risks. In order to reduce these risks, we have been programmatically modernising our operations and working conditions since 2006. The modernisation programme focuses on acquiring the correct machinery, providing new PPE to our employees and modern equipment for picking operations to eliminate stooping. An overview of our approach to modernisation can be found in our [Economic performance](#) section.

Noise management

Most operations have recognisable noise levels and frequent noise monitoring surveys are conducted to measure actual noise levels. Programmes are in place to reduce exposure to excessive noise and all employees, contractors and visitors exposed to high levels of noise are expected to make use of hearing protection devices. Employees required to work in 'noisy zones' undergo regular medical examinations to monitor their hearing and identify the early signs of noise-induced hearing loss (NIHL). In 2012, no new cases of NIHL were identified (2011: 16).

NIHL (no. of new cases identified)



Other occupational health issues

In 2012 there were no new cases of occupational asthma, musculoskeletal disorder, and hand-arm vibration.

Health days

Operations are encouraged to host health days for employees, in which various medical practitioners and health care providers participate. Employees are encouraged to participate in health care monitoring services such as eye, blood and sugar level tests. Other occupational health initiatives are encouraged.

Occupational health initiatives

Other key initiatives during the year included:

- Making a Difference Day: this year the campaign, named MADD365, focused on the concept of making zero harm possible every day, for everyone, everywhere. Operations focused on selected Group safety, health and environment (SHE) topics, including preventing leaks and spills and re-enforcing our Nine Safety Rules to Live By, as well as other SHE topics relevant to the specific sites. All employees were invited to attend the communication sessions on the day. The campaign has proved to be successful and there has been increased involvement and enthusiasm at most operations.
- Lung function tests were conducted at certain operations during medical assessments and gas monitoring detectors have been installed at strategic locations to detect leaks.
- The *Ripple Effect* is a quarterly newspaper focusing on wellness issues, including HIV/AIDS, and is distributed to all employees and contractors at the Richards Bay mill in South Africa.

Dealing with HIV/AIDS in South Africa

The HIV/AIDS pandemic continues to cause illness and deaths amongst employees (particularly forestry contractors) and community members alike. Mondi creates awareness of the disease to avoid onward infection and to encourage testing, counselling and treatment, which it provides to employees. Voluntary testing is also offered to our contractors throughout the year. Monthly promotions are conducted by our mobile clinics and two formal campaigns are held on an annual basis. Our annual wellness day is another example of how we focus on improving employees' understanding of their condition thereby managing the impact of HIV/AIDS in the workplace.

Management system and policy

Our HIV/AIDS management system is based on World Health Organization guidelines and is aligned to the International Labour Organisation Code of Practice on HIV/AIDS, the World of Work and achieved SANS 16001 accreditation in 2009.

Our policy 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, anti-retroviral treatment (ART) and disease monitoring. To prevent discrimination of those

employees with HIV/AIDS, strict confidentiality is maintained by all the clinics at our mills and forest operations. We have made extensive use of industrial theatre in an attempt to remove the stigma attached to HIV/AIDS by delivering informative messages about the disease.

Collaborative approach

Each of our South African mills have an HIV committee in place comprising management, unions and employees. Our management system ensures the proper placement of employees who need to be accommodated as a result of disease or injury. Employees deemed physically and psychologically unfit for work are eligible for boarding, as facilitated by Mondi's occupational health staff in South Africa.

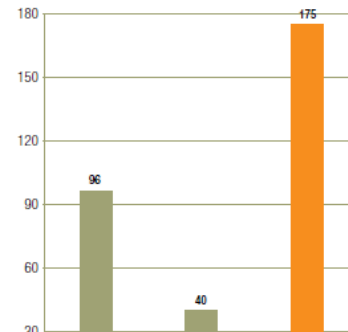
Health care access

To ensure that employees, contractors and their families have access to medical care, we have facilitated four mobile clinics to provide HIV/AIDS voluntary counselling and testing (VCT), as well as primary health care to community members in our remote forestry areas. The services provided by these mobile clinics also include testing and treatment for medical conditions such as diabetes, high blood pressure and tuberculosis. Critical vaccinations to children from the surrounding communities are also provided. There are plans for a fifth mobile clinic to be launched in 2012.

Voluntary counselling and testing

VCT is freely available to all employees, and 1,198 employees made use of it in 2012. ART is also available to all employees and 175 people are currently receiving this treatment from the mobile clinics in our forests. In 2012, 175 employees participated in the Mondi HIV wellness programme (2011: 66). ART begins when an employee's CD4 count reaches 350 (a more sensitive measure than the Department of Health's level of 250).

Number of people on ART (South Africa)



Using industrial theatre to educate our employees

Industrial theatre is becoming an increasingly popular medium to raise awareness and introduce change in the workplace. Industrial theatre engages people; is a flexible and responsive medium, adaptable to the moment and according to the needs of the chosen audience.

Our industrial theatre programme consists of customised shows to examine topical issues in new ways. We have covered a wide range of topics including working with hazardous machines and materials, workplace safety and health policies and reducing incidents in the workplace.

Industrial theatre has been particularly effective in creating awareness about HIV/AIDS, educating our employees and contractors about how to live with the disease and encouraging them to view HIV/AIDS as a chronic disease that can be managed through a healthy lifestyle and correct use of medication.



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Occupational safety

We recognise that many of our employees and contractors work in potentially dangerous environments where hazards are ever-present and must be managed. Our ultimate goal is to achieve zero harm in the workplace. We believe that all incidents are preventable and that we must learn from experience.

Two fatal accidents in 2012

It is with great regret that we report two fatalities at our operations during the year. The first involved an employee at our Lohja operation in southern Finland. The incident took place on 30 October 2012, and investigations into the incident have been conducted. The second fatality took place on 30 November 2012 when a contract employee fell from a height while working on the bark boiler project in Syktyvkar. A full investigation has also been conducted into this incident. These investigations will ascertain the contributing factors to the fatalities and we will ensure suitable management action plans are implemented to avoid further fatal incidents. We are also reviewing our approach to high risk, low probability incidents in order to achieve a fatality-free working environment.

Creating a culture of safety and health

Our approach to safety and health management is underpinned by our desire to create a culture where responsibility for health and safety is shared. Visible management commitment is a critical element in our progression towards zero harm.

We ensure that all Mondi employees and contractors have the necessary safety awareness and skills training to recognise and avoid risk and at-risk behaviour. Training, auditing and the immediate correction of deficiencies are intrinsic to our safety culture.

Contractor management

We make extensive use of contractors to carry out specialist and seasonal tasks. A significant focus area is the effective safety management of contractors by providing the necessary tools for operations to manage contractors, and involving them in our overall safety programmes. Contractor safety management includes a six-step process covering the appointment of contractors: contract appraisal and contractor selection, safety plans and documentation, contractor orientation and induction, contractor supervision and performance review and preferred status assignment. In South Africa, our peer educators play an important role in educating contractors with regard to HIV/AIDs. This year, 56 new peer educators were trained.

Leadership and risk management

While ultimate responsibility for safety and health lies in the hands of line management, all employees and contractors are required to carry out tasks safely and with care for themselves and that of their fellow employees. Given its significance for the Group, safety is overseen at Group level.

A risk-based approach underpins our safety and health programmes. All business units and operations are required to have safety improvement plans, aligned with the Group's systematic and standardised approach to safety management, to drive continuous improvement in place.

The Major Incident Cause Evaluation

During the past three years we have developed the Major Incident Cause Evaluation (MICE) practice to standardise the methods we use to investigate and report the findings and action plans developed during the investigation process. MICE comprises standardised templates for reporting purposes to ensure that every aspect, cause and contribution that led to the specific incident is covered and that appropriate recommendations, to prevent repeat incidents, are implemented. MICE practice addresses incident-related injuries, environmental incidents, the occurrence of damage to property and the causes of fires and explosions.

In 2012, we implemented the necessary training for MICE and our operations are now following its methodology. Although additional training is currently being conducted to enhance understanding of MICE and improve incident investigations and reports, there has already been an improvement in the quality of reports received from the operations, specifically with regard to identifying the underlying contributing factors to safety incidents.

Operations are required to apply the full MICE practice to all major incidents. Incidents, involving people or the environment, are classified according to three consequence severity categories:

Serious incidents include:

- injuries with reversible disability or impairment and/or injuries leading to hospitalisation for more than 24 hours;
- acute illness requiring medical treatment, or loss of consciousness arising from absorption of any substance by inhalation, ingestion or through the skin;
- over seven days incapacitation either being absent or unable to conduct normal duties;
- exposure to any substance which has harmful human effects; and
- moderate off-site environmental effects on biological or physical environment but not affecting ecosystem function.

These result in moderate short-term, widespread off-site impacts.

Significant incidents include:

- injuries resulting in life-changing irreversible disability or impairment;
- exposure resulting in irreversible, sensitising human effects; and
- off-site effects on biological or physical environment with impairment of ecosystem function.

These result in relatively widespread medium-term off-site impacts.

Critical incidents include:

- a fatality or multiple fatalities;
- exposure resulting in irreversible life threatening human effects; and
- significant off-site environmental effects on the biological or physical environment with impairment of ecosystem function.

These result in long-term widespread off-site effects on significant environments.

We are currently in the process of revising the MICE reporting templates to ensure they can be completed more easily through the use of drop down tables. In addition, new communication templates have been developed which will enable operations to share relevant information with each other to prevent recurrences.

Safety and health networking

A safety and health network, led by the Group Head of Safety and Health and comprising senior safety and health professionals across the Group, agree on how to guide operations in applying consistent and sustainable risk-control measures. Quarterly network meetings are hosted by different operations, and include a site visit followed by a management feedback session. This ensures that the host operation benefits from the visit and ensures that safe practice is shared. Sites are selected if they are following good safety practice and the safety, health and environment (SHE) professionals can learn from the site-specific initiatives, standards and culture, or if the site needs additional assistance due to poor performance. This year the network meetings were held at Tire Kutsan in Turkey; Nyiregyhaza Bags site in Hungary; Casablanca Bags site in Morocco; and Świecie mill in Poland.

Safety communication

Safety communications sessions are conducted at all operations and employees and contractors are encouraged to raise their safety and health concerns. Operations also conduct statutory safety committee meetings at which management and employees are represented.

Other topics discussed during 2012 included (by operation):

- In Świecie, employees expressed concern about slow reaction times to safety incidents, which resulted in new communication material being developed and additional behavioural safety training conducted.
- Working at heights and in confined spaces, fire fighting and first aid readiness were issues at our Kraft paper mills, with training subsequently conducted to improve competencies in these areas.
- In South Africa, we focused on manual handling of heavy equipment, basic tips for safe tool use, embarking and disembarking from vehicles and slip, trip and fall protocols.
- We also focused on addressing language and literacy challenges within the South African forests. We use trained facilitators, capable of communicating through verbal and visual means, with an appropriate level of language and cultural understanding. In 2012 we made further progress in overcoming these barriers by using industrial theatre to communicate key safety messages in local languages. All toolbox talks and the Phepha safety induction video were translated into isiZulu.

Standards and requirements

Our standards and requirements on safety and occupational health practices, performance and reporting are reviewed annually to take into account learning from past incidents, both internally and externally, and from other sources such as codes of practice and other recognised safe practice developments. A revision of some of our health and safety performance requirements was undertaken in 2012.

Nine Safety Rules to Live By

Our Nine Safety Rules to Live By, applied across the Group, are integral to our safety strategy and are supported by a set of nine common learning modules, comprising mandatory employee and contractor training.

- Rule 1: Work with a valid permit when required.
- Rule 2: Respect speed limits, keep to your travel paths, wear seatbelts and use a phone with hands-free equipment while driving.
- Rule 3: Obtain authorisation before entering a confined space.
- Rule 4: Protect yourself against a fall when working at heights.
- Rule 5: Test isolation before work begins and use the specified life-protecting equipment.
- Rule 6: Keep hands away from moving or rotating equipment and obtain authorisation before overriding or disabling safety protective equipment.
- Rule 7: Do not walk through or stand under a suspended load.
- Rule 8: Conduct hazardous chemical task assessment when required.
- Rule 9: Keep a safe distance at all times during logging operations.

Safety training

Our safety training for managers, safety skills training for supervisors, and employee/contractor learning modules encourage the safe practices necessary to achieve our goal of zero harm in the workplace. They also ensure that both employees and contractors have the same level of safety understanding and awareness, and understand that they are expected to apply these consistently across the Group. Commonly, safety learning modules address competency issues that have been raised, learning from other industry standards, and recognising incidents where competency, or the lack thereof, is often a contributing factor.

Major safety risks

The operation of black liquor recovery boilers and the possibility of fires and explosions remain our top safety risks, and are well controlled to minimise the probability of incidents. The black liquor recovery boiler working group meets annually to discuss relevant issues and ensures that external inspections are conducted. The group, comprising recovery boiler managers and engineers and safety professionals, has developed a manual for the safe operation of recovery boilers. The manual provides guidance to assist operations in conducting self-assessments, as well as second party audits, in line with Mondi requirements, techniques and practices to help minimise the probability of incidents. We monitor compliance with the processes and procedures outlined in this manual by conducting audits of each of the sites operating recovery boilers every three years.

A Fire Protection Code has been developed and distributed to our operations, which details the precautions that are required to control fire hazards. It describes those asset protection requirements that either eliminate the identified fire hazard or ensure that the risk is reduced to an acceptable level.

We also consider mobile plant equipment, moving and rotating equipment and falling from heights as major safety risks, which have a potential for fatality. These issues were main focus topics during 2012 with the result that we have reduced the number of recordable cases in these areas during the reporting period.

Eliminating safety risks through the modernisation of our forestry operations

Mondi has achieved significant milestones in improving working conditions in its forestry operations in Russia and South Africa. (See [Russian logging camps case study](#) and [Russian SEAT case study](#)) The objectives over several years have been to develop operational practices that meet international best practice standards and to ensure international competitiveness.

For example, in 2006, in our South African operations, we began mechanisation of our harvesting programme to eliminate the safety risks inherent in manual operations, especially the use of chain saws. Following a formal ergonomic assessment of all our forestry tasks, the programme was extended to include both the mechanisation of certain tasks in silviculture as well as changes in working practices and tools.

We have made great progress in eliminating the most arduous forestry work, including repetitive and strenuous tasks which could cause undue physical stress on the body, by adopting international ergonomic and forestry standards. In addition to this, we launched an industry-wide focus on skills development and the up-skilling of forestry workers so that we introduce more skilled and higher earning positions into our contractor operations.

This forms part of our drive towards operational and safety best practice and high performance.

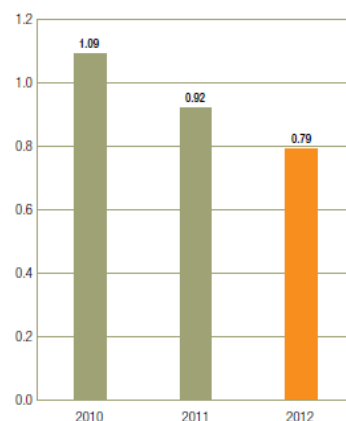
Safety performance

In 2012, our total recordable case rate (TRCR) (per 200,000 hours worked) was 0.79 (2011: 0.92).

Total recordable cases comprise work-related fatalities, lost-time injuries, restricted work cases, medical treatment cases, and compensated occupational illnesses.

Operation managers, contractor managers and safety professionals conduct thorough investigations of each and every safety incident. Once investigations have been completed, we share our findings and action plans across the Group by issuing actions, safety alerts and incident notices.

TRCR (per 200,000 hours worked)





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Our people

Key features 2012

- 25,700 people employed by the Mondi Group as at 31 December 2012
- Two fatalities at work
- Women made up 16% of management level employees; and 20% of all employees
- 994 employees (around 58% of the workforce) belonged to a recognised union in South Africa. (This information is not collated in Europe)
- Total recordable case rate: 0.79 per 200,000 hours worked (2011: 0.92)
- 175 employees provided with anti-retroviral treatment from our mobile clinics (in South Africa)
- Food 4 Forests delivered 1,515,674 nutritional meals to around 8,500 people
- 42.5% of employees in South Africa in management were previously disadvantaged individuals
- 525,000 hours of employee and contractor time were devoted to training and development

FAST FACTS

- At the end of 2012, Mondi employed 25,700 people (2011: 23,400 employees). We also provided employment for an estimated average of 2,220 contractors at our mills (primarily for construction and maintenance purposes) and 8,200 contractors within the forestry division in South Africa.
- Around 994 employees (58% of the workforce) belonged to a recognised union in South Africa. This information is not collated in Europe.
- 20% of our employees and 16% of our managers are women.
- The operation of black liquor recovery boilers and the possibility of fires and explosions remain our top safety risks.
- In 2012, a total of 893,116 hours of employee and contractor time were devoted to training and development.
- Voluntary counselling and testing for HIV/AIDS is freely available to all employees, and 1,198 employees made use of it in 2012. Anti-retroviral therapy is also available to all employees and 175 people are currently receiving this treatment from our South African forestry mobile clinics. In 2012, 70 employees participated in the Mondi HIV wellness programme (2011: 66).
- In 2012, we settled eight more land claims (bringing the total number of settled claims to 19) involving 17,500 hectares of Mondi land under forestry. Some 36,300 hectares of Mondi land under forestry has been transferred to community beneficiaries.

For us to succeed as a globally competitive organisation, we need a skilled, trained and committed workforce, able to undertake jobs safely and productively and fulfil their potential. Our aim is to develop and empower our people to perform at their best and to grow in a dynamic culture.

We believe in zero harm in the workplace. Our approach is based on a visible management commitment that starts with senior leaders and extends through all levels of the organisation. Through a proactive approach we seek to build trust and lasting relationships among employees, contractors, customers, shareholders and communities.

Mondi has formal and informal processes to communicate with and engage employees across the Group. In addition to electronic communications and publications, regular local briefing sessions by managers focus on safety, operational objectives and performance, achievements and the Group's values and culture. In 2011, a Group-wide employee survey was completed followed by feedback and consultation sessions in early 2012, resulting in initiatives which strengthen employee engagement and communication.

As Mondi operates in 30 countries, we embrace diversity. We treat all our employees fairly, irrespective of origin, gender, race, colour, sexual orientation, religion or belief, family circumstances, political opinion, trade union membership, age, nationality or disability. We comply with the employment equity requirements of the countries in which we operate.

Mondi upholds the labour rights set out in the Fundamental Rights Convention of the International Labour Organisation, ensuring fair employment practices at all our operations.



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Occupational safety

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Standards and requirements

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- Rule 6: Keep hands away from moving or rotating equipment and obtain authorisation before overriding or disabling safety protective equipment.
- Rule 7: Do not walk through or stand under a suspended load.
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- Rule 9: Keep a safe distance at all times during logging operations.

Safety training

Our safety training for managers, safety skills training for supervisors, and employee/contractor learning modules encourage the safe practices necessary to achieve our goal of zero harm in the workplace. They also ensure that both employees and contractors have the same level of safety understanding and awareness, and understand that they are expected to apply these consistently across the Group. Commonly, safety learning modules address competency issues that have been raised, learning from other industry standards, and recognising incidents where competency, or the lack thereof, is often a contributing factor.

Major safety risks

The operation of black liquor recovery boilers and the possibility of fires and explosions remain our top safety risks, and are well controlled to minimise the probability of incidents. The black liquor recovery boiler working group meets annually to discuss relevant issues and ensures that external inspections are conducted. The group, comprising recovery boiler managers and engineers and safety professionals, has developed a manual for the safe operation of recovery boilers. The manual provides guidance to assist operations in conducting self-assessments, as well as second party audits, in line with Mondi requirements, techniques and practices to help minimise the probability of incidents. We monitor compliance with the processes and procedures outlined in this manual by conducting audits of each of the sites operating recovery boilers every three years.

A Fire Protection Code has been developed and distributed to our operations, which details the precautions that are required to control fire hazards. It describes those asset protection requirements that either eliminate the identified fire hazard or ensure that the risk is reduced to an acceptable level.

We also consider mobile plant equipment, moving and rotating equipment and falling from heights as major safety risks, which have a potential for fatality. These issues were main focus topics during 2012 with the result that we have reduced the number of recordable cases in these areas during the reporting period.

Eliminating safety risks through the modernisation of our forestry operations

Mondi has achieved significant milestones in improving working conditions in its forestry operations in Russia and South Africa. (See [Russian logging camps case study](#) and [Russian SEAT case study](#)) The objectives over several years have been to develop operational practices that meet international best practice standards and to ensure international competitiveness.

For example, in 2006, in our South African operations, we began mechanisation of our harvesting programme to eliminate the safety risks inherent in manual operations, especially the use of chain saws. Following a formal ergonomic assessment of all our forestry tasks, the programme was extended to include both the mechanisation of certain tasks in silviculture as well as changes in working practices and tools.

We have made great progress in eliminating the most arduous forestry work, including repetitive and strenuous tasks which could cause undue physical stress on the body, by adopting international ergonomic and forestry standards. In addition to this, we launched an industry-wide focus on skills development and the up-skilling of forestry workers so that we introduce more skilled and higher earning positions into our contractor operations.

This forms part of our drive towards operational and safety best practice and high performance.

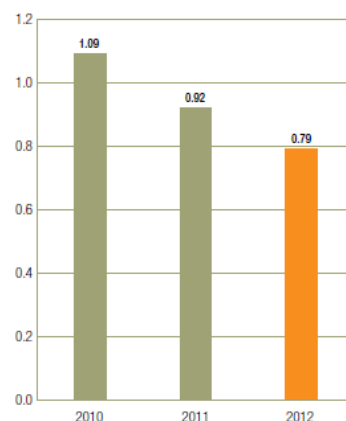
Safety performance

In 2012, our total recordable case rate (TRCR) (per 200,000 hours worked) was 0.79 (2011: 0.92).

Total recordable cases comprise work-related fatalities, lost-time injuries, restricted work cases, medical treatment cases, and compensated occupational illnesses.

Operation managers, contractor managers and safety professionals conduct thorough investigations of each and every safety incident. Once investigations have been completed, we share our findings and action plans across the Group by issuing actions, safety alerts and incident notices.

TRCR (per 200,000 hours worked)





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Occupational health

As specific local occupational health stressors vary between operation and regions, so do our occupational health systems. Our holistic approach to occupational health addresses the various aspects of health and wellbeing, but we continue to focus on prevention and the correct use of personal protective equipment (PPE).

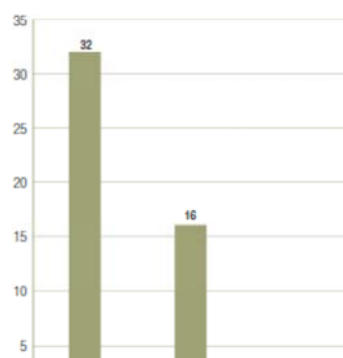
Ergonomic risk

In forestry, the ergonomic risk by job description is high and, at some of our operations, more than double the risk prescribed by international standards. For example, stooping is standard practice in South Africa, but banned in other parts of the world. This exposes our employees to high levels of occupational health and safety risks. In order to reduce these risks, we have been programmatically modernising our operations and working conditions since 2006. The modernisation programme focuses on acquiring the correct machinery, providing new PPE to our employees and modern equipment for picking operations to eliminate stooping. An overview of our approach to modernisation can be found in our [Economic performance](#) section.

Noise management

Most operations have recognisable noise levels and frequent noise monitoring surveys are conducted to measure actual noise levels. Programmes are in place to reduce exposure to excessive noise and all employees, contractors and visitors exposed to high levels of noise are expected to make use of hearing protection devices. Employees required to work in 'noisy zones' undergo regular medical examinations to monitor their hearing and identify the early signs of noise-induced hearing loss (NIHL). In 2012, no new cases of NIHL were identified (2011: 16).

NIHL (no. of new cases identified)



Other occupational health issues

In 2012 there were no new cases of occupational asthma, musculoskeletal disorder, and hand-arm vibration.

Health days

Operations are encouraged to host health days for employees, in which various medical practitioners and health care providers participate. Employees are encouraged to participate in health care monitoring services such as eye, blood and sugar level tests. Other occupational health initiatives are encouraged.

Occupational health initiatives

Other key initiatives during the year included:

- Making a Difference Day: this year the campaign, named MADD365, focused on the concept of making zero harm possible every day, for everyone, everywhere. Operations focused on selected Group safety, health and environment (SHE) topics, including preventing leaks and spills and re-enforcing our Nine Safety Rules to Live By, as well as other SHE topics relevant to the specific sites. All employees were invited to attend the communication sessions on the day. The campaign has proved to be successful and there has been increased involvement and enthusiasm at most operations.
- Lung function tests were conducted at certain operations during medical assessments and gas monitoring detectors have been installed at strategic locations to detect leaks.
- The *Ripple Effect* is a quarterly newspaper focusing on wellness issues, including HIV/AIDS, and is distributed to all employees and contractors at the Richards Bay mill in South Africa.

Dealing with HIV/AIDS in South Africa

The HIV/AIDS pandemic continues to cause illness and deaths amongst employees (particularly forestry contractors) and community members alike. Mondi creates awareness of the disease to avoid onward infection and to encourage testing, counselling and treatment, which it provides to employees. Voluntary testing is also offered to our contractors throughout the year. Monthly promotions are conducted by our mobile clinics and two formal campaigns are held on an annual basis. Our annual wellness day is another example of how we focus on improving employees' understanding of their condition thereby managing the impact of HIV/AIDS in the workplace.

Management system and policy

Our HIV/AIDS management system is based on World Health Organization guidelines and is aligned to the International Labour Organisation Code of Practice on HIV/AIDS, the World of Work and achieved SANS 16001 accreditation in 2009.

Our policy 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, anti-retroviral treatment (ART) and disease monitoring. To prevent discrimination of those

employees with HIV/AIDS, strict confidentiality is maintained by all the clinics at our mills and forest operations. We have made extensive use of industrial theatre in an attempt to remove the stigma attached to HIV/AIDS by delivering informative messages about the disease.

Collaborative approach

Each of our South African mills have an HIV committee in place comprising management, unions and employees. Our management system ensures the proper placement of employees who need to be accommodated as a result of disease or injury. Employees deemed physically and psychologically unfit for work are eligible for boarding, as facilitated by Mondi's occupational health staff in South Africa.

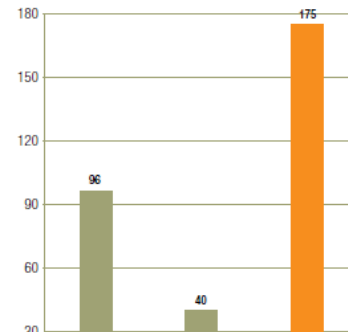
Health care access

To ensure that employees, contractors and their families have access to medical care, we have facilitated four mobile clinics to provide HIV/AIDS voluntary counselling and testing (VCT), as well as primary health care to community members in our remote forestry areas. The services provided by these mobile clinics also include testing and treatment for medical conditions such as diabetes, high blood pressure and tuberculosis. Critical vaccinations to children from the surrounding communities are also provided. There are plans for a fifth mobile clinic to be launched in 2012.

Voluntary counselling and testing

VCT is freely available to all employees, and 1,198 employees made use of it in 2012. ART is also available to all employees and 175 people are currently receiving this treatment from the mobile clinics in our forests. In 2012, 175 employees participated in the Mondi HIV wellness programme (2011: 66). ART begins when an employee's CD4 count reaches 350 (a more sensitive measure than the Department of Health's level of 250).

Number of people on ART (South Africa)



Using industrial theatre to educate our employees

Industrial theatre is becoming an increasingly popular medium to raise awareness and introduce change in the workplace. Industrial theatre engages people; is a flexible and responsive medium, adaptable to the moment and according to the needs of the chosen audience.

Our industrial theatre programme consists of customised shows to examine topical issues in new ways. We have covered a wide range of topics including working with hazardous machines and materials, workplace safety and health policies and reducing incidents in the workplace.

Industrial theatre has been particularly effective in creating awareness about HIV/AIDS, educating our employees and contractors about how to live with the disease and encouraging them to view HIV/AIDS as a chronic disease that can be managed through a healthy lifestyle and correct use of medication.



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Employment

As at the end of 2012, the Mondi Group employed approximately 25,700 people (2011: 23,400 employees). We also provided employment for an estimated average of 2,220 contractors at our mills (primarily for construction and maintenance purposes) and 8,200 contractors within the forestry division in South Africa.

The management of people is a key line function for which the chief executive officer is ultimately responsible. Operations are supported at a divisional level.

Employment of forestry contractors

We engage contractors in our South African plantations and our own employees at our Russian logging operations. We have introduced an approach to develop long-term relationships with contractor companies, with the objective of creating stable and safe employment for our forestry workers. We conduct annual pay slip audits to ensure compliance with the country's minimum wages and ongoing checks are done as part of Mondi's audit requirements.

Contractor work is often short-term and related to the completion of tasks or projects, the season and other job opportunities – and is not specifically the employment of a fixed number of people.

Turnover

Turnover levels are not monitored centrally, but are assessed at a local level and, where necessary, plans are put in place to address areas of concern.

Our Group-wide attendance rate (calculated as 'actual' working days, and as a percentage of total 'theoretical' working days, which include all absenteeism related to sickness, incidents and occupational diseases) has remained stable over the last years, with the 2012 rate at 98% (2011: 98.5%).

Employment practices and collective bargaining

We uphold the basic labour rights enshrined in the Fundamental Rights Convention of the International Labour Organisation and ensure that fair employment practices are implemented at all our operations. Our remuneration practices are competitive and do not discriminate on the grounds of age, race or gender. All employees have the right to freedom of association and 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 sustainable development policies, management standards and performance requirements on global employment and corporate citizenship comply with local legislation and ensure that employment practices are fair and that employees are represented appropriately.

At the end of 2012, 994 employees (58% of the workforce) belonged to a recognised union in South Africa. This information is not collated in Europe.

In Europe, we have implemented a dialogue forum where council leaders meet members of Mondi's top management on an annual basis to discuss topics related to collective bargaining and employment practices.

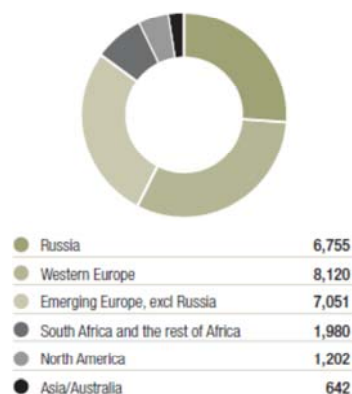
In South Africa, we actively participate in various bargaining councils including the Statutory Council for the Paper Packaging Industries Bargaining Forum and the Bargaining Council of the Wood and Paper Sector, under whose auspices national relations between employers and unions are managed. Three senior Mondi human resource executives are represented on these councils. In 2012, focus was placed on annual wage negotiations and providing staff with dispute resolution training.

Minimum notice periods in respect of operational changes and rates of pay for men and women are prescribed by legislation, with the exception of South Africa. Any grievances or disciplinary actions are addressed through our disciplinary and grievance systems.

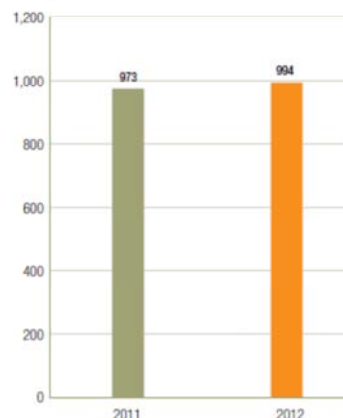
Treating our employees with dignity

We recognise the right of all people to be treated with dignity, and the inhumane treatment of employees, including any form of forced labour, degrading treatment, physical punishment, harassment in the workplace, or other abuse is not tolerated. Appropriate mechanisms, such as grievance procedures, are in place to support this.

Employees per region



Number of employees belonging to a recognised union in South Africa



Benefits

Benefits provided to full-time employees include membership of pension and provident funds, access to medical care/schemes, study assistance, maternity and paternity leave, annual bonuses, overtime pay and profit bonuses.

Embracing diversity

We employ, empower and develop people with the potential required to expand their careers and to become valuable participants in sustaining our competitive business advantage. Our primary objectives of achieving world-class standards in cost, quality, productivity and customer service are inherently supported by our plans, aimed at implementing diversity management and affirmative action initiatives.

We encourage and embrace diversity and treat all our employees fairly and equitably, irrespective of origin, gender, race, colour, sexual orientation, religion or belief, family circumstances, political opinion, trade union membership, age, nationality or disability. The management of people is a function of line management, as is the creation of a culture that embraces diversity to ensure that our policies and practices support this.

We recognise that in South Africa, where employment equity is entrenched within legislation, there are historical imbalances that need to be redressed in the workplace. We have divisional and central transformation committees in place to monitor progress and assist Mondi in adhering to the spirit and letter of the law. In 2012, our transformation committees reviewed Mondi's employment policies from an employment equity perspective. These reviews were an important way of ensuring that employees' feedback, with respect to equal opportunities, was incorporated into our policies.

Equity towards and the advancement of women within the workplace is embedded within the South African constitution, and required by South African labour legislation. While the nature of our industry and available skills pool pose inherent challenges in securing female employees, we develop our female workforce by providing access to bursaries, learnerships and apprenticeships to previously disadvantaged individuals (PDIs), including women.

At the end of December 2012, 20% (2011: 20%) of employees were women and 16% (2011: 10%) of our managers were women.

The Mondi Group has two female directors representing 22% of the Boards.

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. In 2012, Mondi E&I employed a total of 60 expatriates. As far as this is possible, the Group is intent on the employment of locals in all areas of its operations, including at management level, and on minimising the employment of expatriates in long term roles.

While legal limitations exist on the employment of foreigners in almost all jurisdictions, with the exception of employment within the European Union, (largely through the application for and granting of residence and work permits) this has not had a significant effect on the Group. See [Training and development](#).

Employment equity in South Africa

To support the process of transformation towards a fully democratic and non-discriminatory society and economy in South Africa, we have established Transformation Committees at our South African operations. The Transformation Committee works towards furthering employment equity and enabling our employees to understand training-related issues and ideas.

Our employment equity policy safeguards the career development of non-designated persons, and ensures that all employees continue to be recognised for their competencies, based on considerations that include statute and merit.

While we ensure that promotion and advancement is based on merit, without tokenism or paternalism, we make every effort to:

- equalise opportunities for PDIs;
- 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.

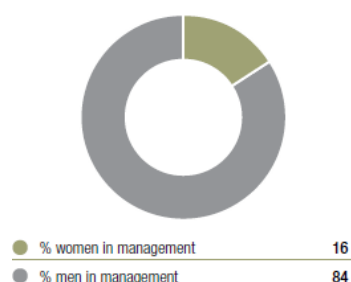
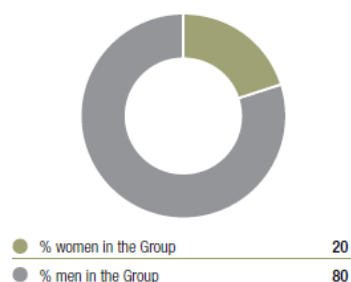
At the end of 2012, the representation of PDIs in management in South African operations was 42.5%. Women made up 16% of the South African workforce.

Decent work

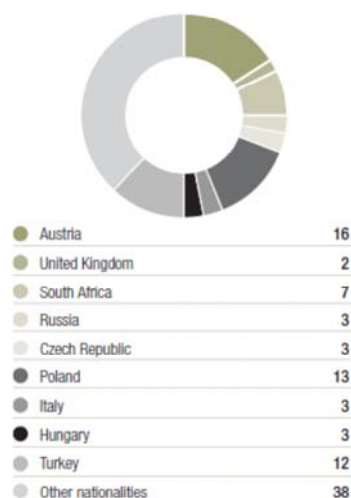
We aim to reduce the extent to which employees are exposed to high-risk and heavy manual tasks and to eliminate harmful ergonomic practices, particularly through the modernisation of our forestry operations.

SD See [Our people: Occupational health](#) and [Economic performance: Modernisation](#) for further information.

Diversity



Origin of management (%)





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Training and development

We invest in the training and development of our employees and contractors, not only so they may undertake their jobs safely and productively, but also so that they may fulfil their potential. Training and awareness programmes in respect of safety, human rights and other labour-related issues are undertaken on a regular basis at an operational level.

In 2012, a total of 893,116 hours of employee and contractor time were devoted to training and development.

* *The total number of recorded hours of employee and contractor training divided by the total number of employees and contractors, results in an average of 40 hours of training per year. This figure is likely to be under-reported, and does not imply that this is the actual average across the Group.*

Leadership development programmes, at Group and operational level, play an important role in the identification and development of talent within the Group. In 2012, a total of 118 participants took part in various leadership training and development programmes, including the Leadership Development Programme (for international experienced employees) and the Enhanced Leadership Programme (for senior international employees).

The Mondi Academy

The Mondi Academy offers training in leadership, personal, business and technical excellence. At the Mondi Academy, technical training is run by internal Mondi experts, while seminars relating to other areas are facilitated by external, professional training institutes with a global network of affiliates. The Mondi Academy focuses on:

Technical excellence: Seminars provide Mondi employees with an overview of the production process (from raw materials to final product or application), the market, our competitors and innovations.

Business excellence: Training offers employees with comprehensive skills and tools to improve their functional expertise.

Personal excellence: Employees are offered a wide-range of seminars to leverage their personal and professional skills, including negotiation, presentation and conflict management.

Leadership excellence: These seminars are built upon Mondi's Values and Cultural Characteristics. They aim to develop and leverage our managers' leadership skills by providing easy-to-use tools and techniques, and offer deep insight into leadership styles, with strong focus on feedback loops.

In addition, The Mondi Academy runs training programmes which are customised to target specific groups.

Employee development in South Africa

In South Africa, we continue to expand the skills base of our employees 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 Group through the Mondi Academy, and externally by approved training institutions.

Skills development programmes

Our skills development programmes vary according to operations and annual training needs assessments are conducted in conjunction with a workplace skills plan that outlines training and skills development targets. Our skills development programmes include:

- long learning initiatives aligned to career path development plans;
- learnerships in pulp and paper technology;
- fitting and turning, electrical, millwright, instrumentations, boilermaking, rigging and earthmoving equipment mechanics apprenticeships; and
- the provision of bursaries and study assistance.

In South Africa, during 2012, employee skills and knowledge upliftment were offered to employees in the fields of legal compliance; safety, health and environment training; pulp and paper technology; operational skills programmes; leadership development; and computer training.

Recognising the contribution made by our employees

As a part of the continuous process to enhance quality, efficiency and effectiveness, Mondi ensures that the contribution made by all employees is valued and recognised. Performance Development Reviews (PDRs) provide us with an opportunity to demonstrate the contribution that our employees make and to discuss how to further develop that contribution.

The PDR-process supports Mondi's performance culture. In short, during PDR meetings, we review current performance, draw some conclusions (what can be done better and therefore be changed) and then set appropriate new targets.

The process has a long history within Mondi and has proven itself to be stable and sustainable.

Managing talent

Mondi leadership development programmes play an important role in the identification and development of talent within the Group. Locally designed and implemented operational level leadership development programmes are specifically tailored to meet operational and employee needs. A Group-level leadership development programme has been centrally designed and managed to ensure consistent application across the Group, and the development of the Group's resources as a whole.

Centrally-driven leadership development activities consist of assessment modules; training modules like the Mondi Enhanced Leadership Programme for highly-experienced managers with further potential; the Mondi Leadership Development Programme for experienced 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.



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Human rights

Mondi's Code of Business Conduct is based on a number of voluntary codes. While not legally binding, these codes of conduct, principles, and guidelines are raising public expectations about socially responsible business. In particular, the Group subscribes to the Universal Declaration on Human Rights.

Human rights commitments

Mondi subscribes to the Universal Declaration on Human Rights and is committed to the:

- United Nations (UN) Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights;
- UN Global Compact;
- Fundamental Rights Conventions of the International Labour Organisation;
- Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises; and
- Voluntary Principles of Security and Human Rights.

These principles are embodied in our policies, systems and practices, and ensure the provision of a fair, safe and healthy workplace for our employees and contractors, free from discrimination, harassment and abuse. We encourage our suppliers, customers and business partners to work in accordance with these principles.

We report our compliance and commitment relating to human rights, labour, environmental and anti-corruption issues on an annual basis. Our annual report to the United Nations Global Compact and our Communication on Progress is available on our website – www.mondigroup.com/sustainability.

We prohibit forced, compulsory and underage labour, and any form of discrimination based on race, religion, age, disability or political affiliation, and we do not procure goods or services from suppliers who use child labour. Our Code of Conduct for Mondi Group suppliers outlines our expectations of suppliers in this regard.

SD See Mondi's [Code of Conduct](#) in the governance section.

Addressing human rights issues is the responsibility of line management with the ultimate responsibility for compliance resting with the Group chief executive officer.

All employees are free to bargain collectively and are allowed to join a trade union of their choice. Our labour standards ensure that our remuneration practices are fair and our global employment policy recognises the right of all people to be treated with dignity, and prohibits harassment in the workplace. Appropriate mechanisms, such as grievance procedures, are in place to support this. No incidents of discrimination were reported during the year under review.

SD See the [Employment](#) section for more information.



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Our society

Key features 2012

- Corporate social investment expenditure of €14.3 million
- 36,300 hectares of Mondi forestry land transferred to community beneficiaries
- Socioeconomic assessment toolbox (SEAT) reports completed in Russia and South Africa

FAST FACTS

- Socioeconomic and environmental conditions form an important backdrop to Mondi's contribution to the sustainable development of a region, and we conduct a formal and fully transparent assessment of the impact our industrial activities have on the socioeconomic climate of host communities and regions every three to five years. This process is known as the SEAT (socioeconomic assessment toolbox) process. In 2012, two SEAT assessments were finalised – one at Richards Bay, South Africa and one at Syktyvkar, Russia where the activities of the respective pulp and paper mills were assessed.
- During 2012, Mondi contributed some €14.3 million towards charitable donations and corporate social investment projects (2011: €17.3 million).

Mondi is in a position to be able to enrich the economic and social conditions of the communities where we operate by creating wealth, employment and business, and contributing to the socioeconomic health and stability of these communities. This is further supported by our corporate social investment (CSI) and our community engagement plans (CEPs). We engage with local communities, our employees and contractors, on an ongoing basis with the aim of building sustainable, mutually beneficial relationships.

Forestry impacts

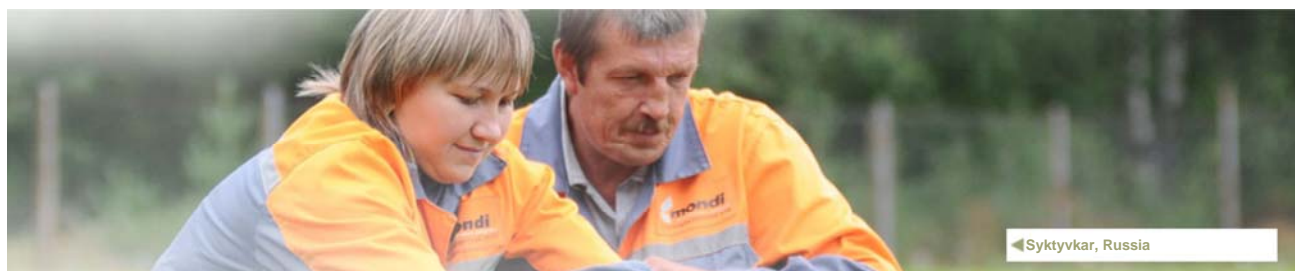
Our forestry operations have the most significant community impacts, and we strive to be a reliable and responsible neighbour at all our operations. Our socially material operations include the South African forestry operations, Richards Bay and Merebank mills; Russian forests; the Syktyvkar mill in Russia; Stambolijski mill in Bulgaria; Ružomberok in Slovakia; Świecie in Poland and Štětí in the Czech Republic. Our socially material operations are mostly located in rural areas in developing economies, meaning these communities are potentially affected by poverty, unemployment, illiteracy, environmental degradation and, in South Africa, HIV/AIDS.

Leadership

Responsibility for the Group's role in and engagement with society rests at a country and operational level in our Europe & International division and at a divisional level (in South Africa).

Formal processes

Our formal and fully transparent SEAT (socioeconomic assessment toolbox) process and CEPs demonstrate the level of our engagement in socially material operations, and using the Forest Stewardship Council™ provides a global standard for monitoring stakeholder engagement in our forests. Co-operation with non-governmental organisations, industry bodies and academic institutions is vital to our strategy, particularly in respect of community development. Through a process of constructive engagement we can draw on the fundamental knowledge, expertise and resources of local bodies or communities to ensure the cost effectiveness and the success of socioeconomic development programmes.



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Community engagement

We believe we cannot operate effectively without partnering with our neighbouring communities. In South Africa, the country's history of conflict and labour unrest means that community engagement needs to be addressed in a sensitive and proactive way. Building mutual trust with our communities is a process that takes time and requires constructive dialogue.

In our forestry operations, community engagement facilitators are directly responsible for community engagement. Community engagement plans (CEPs) are in place at all our material operations and assist us in maintaining dialogue, so that communities may raise concerns they need to be addressed. The effectiveness of our CEPs is monitored to ensure that they deliver real and lasting social and economic benefits to our communities.

We engage with key local stakeholders from municipalities in the communities where we operate to discuss environmental, social and economic issues. These discussions impact our CEPs.

SEATs in Russia and South Africa

Social and economic conditions form an important backdrop to Mondi's contribution to the sustainable development of a region and we conduct an assessment of the impact our industrial activities have on the socioeconomic climate of host communities and regions every three to five years. This assessment is known as SEAT (socioeconomic assessment toolbox). In 2012, two SEAT reports were finalised – one at Richards Bay, South Africa, and one at Syktyvkar, Russia, where the activities of their pulp and paper mills were assessed. SEAT reviews monitor our positive and negative impacts on local communities, NGOs and government as well as the quality, relevance, scope and effectiveness of our corporate social investment programmes and projects.

SEAT process

The socioeconomic assessment toolbox or SEAT process is undertaken by:

- profiling our operations and their communities within a particular area;
- engaging in dialogue with the full range of interest groups in the area to identify the perceived positive and negative impacts of our operations;
- producing a management plan designed to meet the community's development needs and to reduce the negative impact of our activities;
- compiling and publishing a local report that provides the basis for the ongoing relationship between the community and Mondi; and
- providing transparent accountability of the commitments made.

Some of the salient outcomes of these SEAT assessments can be found in the accompanying case studies:

Richards Bay, SEAT assessment 2012

The communities surrounding Richards Bay are situated in mainly rural areas and are exposed to high levels of poverty and in need of education, health and infrastructure development support.

[Read case study](#) ●●●



Syktyvkar Mill, Russia, SEAT 2012

As a result of recent state reforms in rural areas, there are fewer opportunities for small business development and reduced financial support from the state. [Read case study](#) ●●●



In the first half of 2013, SEAT assessments will be conducted at our Merebank mill in South Africa and at our Stambolijski mill in Bulgaria. The next SEAT assessment in Russia is planned to take place in 2015, focusing on our forestry activities.



◀ Merebank, South Africa
Young learner at a neighbouring school.

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Corporate social investment

Corporate social investment (CSI) is defined as contributions (either monetary, employee time and resources, or gifts in kind) which bring benefits over and above those directly associated with our core business activities. CSI is undertaken in line with operation-specific CSI strategies developed during the CEP preparation process, and through consultation with local communities. CSI strategies are reviewed annually and are approved either by the operation's manager or a dedicated CSI manager, who is also responsible for the application of a process to review and vet community requests.

Corporate social investment criteria

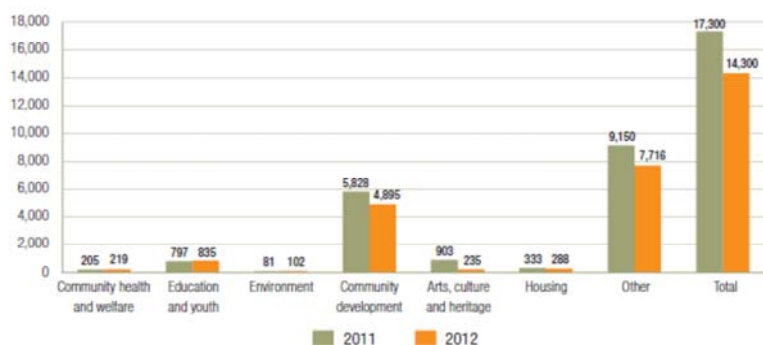
The following criteria are used to select corporate social investment strategies:

- the priorities of local people;
- the principles of sustainable development;
- Mondi's interests; and
- the cost effectiveness of the projects.

Group-level guidance is provided in respect of investment, be it discretionary volunteering or financial support (through donations and sponsorships). Ownership of the strategy and its implementation rests at an operational level. Operations are required to review their strategies annually.

During 2012, Mondi contributed some €14.3 million towards charitable donations and CSI projects (2011: €17.3 million).

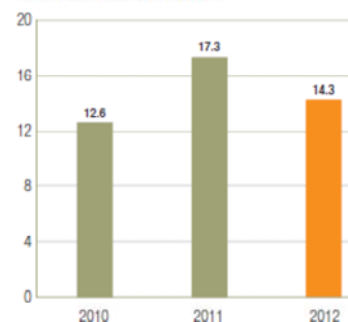
Breakdown of CSI expenditure (€000)



In 2012, greater focus was placed on ensuring that our CSI strategies are relevant to the ongoing needs of our employees and the communities in which they live and work. At our Świecie operations a programme, *Let's decide together*, was introduced to stimulate dialogue between stakeholders and increase employees' contribution to decisions related to CSI projects. While we are mindful that there may be site-specific imperatives, our community investment is focused on the following priorities:

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

CSI expenditure (€ million)



Some of the areas in which we are engaged and the causes we support are discussed below.

Health care projects

Russia

A number of social and recreational initiatives related to Syktyvkar were realised in 2012, including improvements to the Health Centre that provides primary health care and ambulatory services to direct employees, subsidiary employees, children in the community and former employees of the mill. We also funded new computer technology for the Ezhva city hospital.

Poland

We provided financial support to a psychological and counselling centre in Świecie. The Psychological-Pedagogical Service Centre is the only specialised education institution in Świecie that provides support to children. Donations to a nursery school for disabled children for purchasing therapy equipment, a primary school for disabled children and various other charities were made during 2012.

South Africa

We support a number of HIV/AIDS programmes, and sponsor a trauma centre in Merebank and four mobile clinics in our forestry operations. We support child-headed households by providing shelter and basic care through the Isibindi Programme and other Orphans and Vulnerable Children programmes. We also make regular donations to NGOs working in our mill communities.

Poverty alleviation and local economic development

Our operations take action to combat the economic and social consequences of unemployment by procuring goods and services through local suppliers, and supporting educational initiatives that give local business people vital skills.

Russia

We have agreements in place with local municipalities requiring logging operations to invest €917,413 a year to support small businesses and local infrastructure projects, particularly upgrading roads. By supporting small businesses in surrounding communities – specifically in the agricultural sector, in the traditional use of natural resources, and in recreation and tourism – 207 jobs were created. In 2012 we also approved six additional forestry entrepreneurship projects which resulted in almost 200 additional jobs.

We also provide each employee with a meal subsidy of €1 at our Syktyvkar operations.

South Africa

Many people in South Africa depend on forests for their livelihoods and creating and supporting sustainable livelihoods for these communities is important. One such initiative is the livestock programme, with steady progress made in training cattle owners to develop enterprises during the year.

A good example of local economic development and job creation in South Africa is Mondi Zimele. Mondi Zimele was established to support and promote small and medium sized enterprises and has created in excess of 2,700 jobs since its inception in 2006.

Education and youth

We support a wide range of educational and research-based projects. A few of these projects and their locations include:

Russia

Launched in 2012, in partnership with the Komi Republic Ministry of Industry and Energy, the Mondi Forest Academy offers relevant skills training in management, harvesting, transport and forestry to participants. Not only does this provide participants with the relevant forestry skills, but it also creates a better equipped workforce for Mondi and other logging and paper companies who also participate in the venture. Training has also included forest road construction and commercial training is being scheduled for 2013. In 2012 a total of €291,600 was invested in the Academy (2011: €280,180).

Poland

Mondi Świecie supports numerous local educational centres in the area, including high schools, universities and local social assistance centres.

South Africa

We believe that education is the key to development in South Africa and this belief drives our choice of corporate social investment projects in South Africa. In 2012, we focused on improving the mathematics and science skills in schools in the Merebank and Richards Bay areas close to our mills, by sponsoring Saturday mathematics, science and accounting classes for 424 grade 10 to 12 learners. Mondi also donated paper throughout the year and installed new equipment.

Improving the literacy and English language skills of our employees is of critical importance and to this end we run various programmes including Adult Basic Education and Training at our operations.

The Mondi Mkhondo Education Centre provides career guidance, education and training to local people. The centre welcomes some 17,000 learners, educators and other visitors per year.

We also provided bursaries to 66 students from rural communities as a result of a partnership between Mondi and the Rural Education Access Programme (REAP). Our partnership with REAP enables us to support a greater number of students who have historically been marginalised.

Environmental projects

We support a number of environmental projects; many of these involve working with non-governmental organisations, governments and other interest groups. The Mondi Wetlands Programme in South Africa and the identification of high conservation value forests in Russia are two examples of such projects.

Community development

Community development in South Africa and Russia makes up a large part of our corporate social investment expenditure. In Russia we purchased new mobile houses for our logging camps which have significantly improved the safety and living conditions of our employees.

[Read case study ●●●](#)

Arts, culture and heritage

We contribute to arts, culture and heritage in various ways, including sponsorship of cultural events and festivals, bands, community halls, veteran and youth associations, sporting events and summer camps for the children of employees at our Syktyvkar, Świecie and Stambolijski mills*.

Russia

In Syktyvkar we sponsor the town's cultural centre, where cultural events and festivals are held. Syktyvkar and Ružomberok host and sponsor summer camps for the children of employees as well as recreational and holiday facilities for the use of employees and their families.

Poland

Mondi Świecie made a donation to the local male choir, Cecylia. With the donation the choir purchased professional acoustic equipment and costumes.

* *At our Richards Bay mill in South Africa, we focus our corporate social investment projects on issues like community development, education, healthcare and poverty alleviation. These social needs are of greater importance to the community than arts, culture and heritage.*

Sports and recreation

Poland

To encourage employees to have active and healthy lifestyles, Mondi Świecie sponsored several sports events including a long-distance marathon and a triathlon. The annual Paper Makers Day offers employees and their families an opportunity to enjoy a number of recreational activities.

South Africa

In Richards Bay we sponsored the 'Mondi 21' event, a 21-kilometre fun-run and walk, to promote a healthy lifestyle. The event also created a unique opportunity to support local NGOs and provide them with a platform to raise funds and engage with the community.



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Addressing HIV/AIDS in our forest communities

In South Africa, the impact of deaths as a result of HIV/AIDS has become significant in recent years and many households turn to forest resources for subsistence and as a means to generate income. We pay special attention to needs arising as a result of HIV/AIDS, especially to the increasing number of children in rural areas being placed at risk. In accordance with the South African Forestry Sector Transformation Charter, we collaborate with industry-specific initiatives that improve the living conditions and livelihood opportunities for the rural poor, including forest sector workers and their families in forestry areas.

In 2005, a survey carried out in the Mkhondo area highlighted the large number of orphans and vulnerable children (OVC) living on Mondi land, many of them affected by the social impacts of HIV/AIDS. The Mkhondo Isibindi Project was launched to provide support for these children. It is based on the Isibindi model through which community members complete a two-year accredited course to become child and youth care workers. Each care worker then uses his or her skills to support a cluster of identified families and offer services aimed at strengthening the capacity and resilience of those infected and affected by HIV/AIDS.

The project also promotes access to social and economic support and includes education, healthcare, food (or nutritional assistance) and guidance, protection from abuse, trauma counselling and skills training. Subsequently, the Isibindi model has been implemented in two other locations: Tygerskloof and Kwambonambi. In 2012, these three Isibindi Projects, together with other Mondi-supported OVC programmes in Kwa-Zulu Natal, made a positive difference to almost 2,000 children.

In 2008, Mondi set up a mobile clinic in the KwaZulu-Natal Midlands in partnership with an NGO called TLC and the provincial government. The purpose of the project is to take HIV/AIDS programmes and primary health care to contractors and communities living in close proximity to our forestry operations. Following the success of this pilot project, the model was extended to the remote rural area of Mkhondo, Mpumalanga, where Mondi contributed to the deployment of three additional mobile clinics, with plans for a fifth mobile clinic to be introduced in 2013. In 2012, one of these mobile clinics began to dispense HIV anti-retroviral treatment and approximately 175 people are being treated.



◀ Kwambonambi, South Africa
Worker at our nursery near Richards Bay

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Respect for communities and indigenous people

We address issues related to the cultural heritage of indigenous communities affected by our operations, particularly those living close to our forests, in a sensitive manner and we endeavour to resolve these issues in a spirit of respect, trust and dialogue.

We uphold the rights of indigenous people and, where necessary, rectify historical injustices even if these are not of our own making.

Our community engagement plans (CEPs) form the basis for constructive dialogue with neighbouring communities and ensure that their voices are heard. Our CEPs are based on the findings of comprehensive SEAT (socioeconomic assessment toolbox) process reports which ensure that our corporate social investment programmes meet the most pressing needs of local people. This year we finalised SEAT reports at Syktyvkar, Russia and Richards Bay, South Africa. No incidents of violations of the rights of indigenous people were reported or alleged during the year under review.

Land claims in South Africa

In South Africa today, some 107,000 hectares or 47% of our total owned land holdings are subject to 63 unresolved land claims (of a total of 82 land claims, with 19 already resolved). These land claims stem from a complex legacy of state-led forestation and forced removals of indigenous peoples, first initiated in 1913. The 1994 Restitution of Land Act aims to redress the deprivation of many indigenous South Africans of their rightful heritage. Restitution can take one of three forms including restoration of land, payment of compensation, or a combination of the two.

The issue is clearly a significant one for Mondi and we are committed to restoring land to community ownership in South Africa. We have a highly successful and innovative model for engaging and settling with land claimant communities, and assist them to develop long-term sustainable solutions and forestry enterprises rather than merely land restitution. In this way communities derive an income from their land, and Mondi retains a reliable source of wood supply.

In 2012, we settled eight more land claims (bringing the total number of settled claims to 19 or 23% of all land claims) involving 17,500 hectares of Mondi land under forestry. Some 36,300 hectares of Mondi land under forestry have been transferred to community beneficiaries, bringing the percentage of land transferred to claimant communities to 25% of the total area under claim.

Following a successful land claim process, communities gain ownership of the land and derive a sustainable income from it, while at the same time progressively developing their own businesses to operate within the forestry value chain. Critical to Mondi's approach is to ensure that land claim beneficiaries receive meaningful and sustainable benefits, and that sources of fibre are both assured and sustainably managed into the future and retain their Forest Stewardship Council™ certification.

During the year no incidents of violations involving rights of indigenous people were reported.

Food4Forests

Mondi's settlement model encourages land claimants to directly participate in forestry businesses and value chain programmes. A business created by land claimants is participating in Mondi's Food4Forests programme, which provides meals to 8,500 forestry contractors every day.

In February 2011, two trusts from settled land claims formed the Iphini catering company, which acquired a 25% profit-sharing stake in the catering contractor Compass's deal with Mondi to deliver meals for the Food4Forests programme. The Iphini directors are being mentored to gradually take over the Food4Forests programme. Four claimant beneficiaries are undergoing training in catering services.

Another one of Food4Forests successes this year has been the performance of Bela D Caterers, a black, women-owned business which delivers 1,200 meals a day in the Kwa-Zulu Natal area, and won the 'Kitchen of the Year' award.

Providing hot and nutritious meals to 8,500 people a day in remote areas is a huge task with many logistical challenges. But the benefits of the programme, both for the wellbeing of employees and contractors and the productivity and safety of Mondi's forestry operations, are being felt. The health care service providers, who do the annual medical check-ups of field staff, have reported that their overall health has improved. There is also a reduction of safety incidents and absenteeism as a result of the programme.



◀ Kwa-Zulu Natal, South Africa
Play at the Sibindi shelter

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Case studies



Russian logging camps

Improving camp living conditions in the vast and remote Komi forests to keep our employees safe and healthy.

[Read case study ●●●](#)



Richards Bay SEAT 2012

Effective communication with all stakeholders is the key to achieving our objectives.

[Read case study ●●●](#)



Syktvykar Mill SEAT 2012

Treading a fine line – responsible practice and proactive engagement in Russia.

[Read case study ●●●](#)





Poverty alleviation

The role of Mondi's Mkhondo Development Project in implementing permanent and sustainable solutions to alleviate poverty.

[Read case study ●●●](#)



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Case study:

Russian logging camps: keeping our employees safe and healthy

Working in the logging operations in Russia's vast and remote Komi forests is challenging to say the least. Logging operation employees typically live away from home in temporary camps for up to 15 days at a time, often in temperatures as low as minus 40°C. Employees travel between camp, work and home on difficult roads, made more hazardous by harsh winter weather conditions.

In December 2009, a Mondi employee lost his life when his accommodation unit, in one of these temporary camps, caught fire while he was asleep. The damp conditions affected electrical installations and the tragic incident highlighted the vital importance of improving overall conditions in the logging camps.

Subsequent to the 2009 fatality, an assessment of the logging camps was carried out. The main issues of concern identified were substandard electrical reticulation; lack of drying facilities, which necessitated wet clothes being hung on heaters in living areas; accommodation units in disrepair with poor heating systems; insufficient sanitation facilities; poor camp layout; poor fire safety; unsatisfactory employee wellbeing; unsafe transportation; no offices provided for foremen, obliging them to use accommodation units as site offices; and makeshift workshops.

These findings were of great concern to management who made a commitment to provide better conditions for the Komi forest employees, in line with the Group's philosophy of being a responsible employer.

It was clear that Mondi needed to take immediate and radical steps to establish a set of minimum standards for the establishment and running of accommodation camps. Safe and comfortable living and working conditions, including new accommodation units which met appropriate standards, were required to ensure safety and no repeat of the fire of 2009. Improved living conditions, in turn, would ensure good rest when off shift, and well-rested employees would result in safer work practices and a reduction in incidents and injuries. The Group was also intent on achieving zero fatal injuries from road accidents involving passenger-carrying vehicles.

Steps taken to address issues of concern included:

- A benchmarking exercise with a Canadian forestry company
- Specifications developed and suppliers identified for the units, offices, drying rooms and hygiene facilities
- The development of a camp safety, health and environment (SHE) file to establish standards for camp set up and use; and the training of managers and supervisors in the implementation of these standards to ensure continued provision of safe and healthy living conditions
- Regular site visits conducted by management and SHE professionals to motivate site managers, supervisors and employees to continuously improve standards and to take care of their safety as well as the safety of others.
- A schedule developed for the fitting of seat belts in all vehicles
- The development of a safety culture among employees

Some 26 accommodation units, nine shower facilities and saunas, five drying rooms, eight supervisor site offices, 11 dining areas, 22 roadside controller offices, nine mechanics offices and nine workshops were constructed in the new camps between 2011 and 2012. Among some of the new units' most notable features are electrical heaters which are safer and can maintain constant temperatures and separate drying facilities which ensure damp clothing is kept out of living areas. The drying units represent a best in class practice, with employees having individual lockers supplied by warm air. Some €1.9 million was spent on the logging camps upgrade.

Manager, Alexander Melehin says, "The improved accommodation units, sauna areas, shower facilities and eating rooms have raised the motivation of employees and we have found that there are better relationships among employees.

"A safety culture is developing. People make a conscious effort not to throw things on the ground and the outgoing shift cleans up and leaves the camp in a clean and healthy condition for the next shift. My employees now look forward to returning to the camps and work areas after their off periods."

The camp SHE standards file has resulted in the following:

- Clear definition of roles and responsibilities of managers and supervisors
- Documenting of handover safety procedures between shifts
- Safe camp layout, with covered generators and flammable stores located away from accommodation areas
- Recording in registers and regular checking of equipment

Supervisor, Vladimir Panyukov, comments: "The SHE standards file has made life easier for me as a supervisor. Clear standards are given and all my documents and inspections are now in one place. In the past, the camps were dirty, broken and in an unsafe condition. We are now experiencing another way of life."

Employee feedback suggests that loggers see Mondi as a preferred employer, which can result in reduced staff turnover and the risks associated with inexperienced staff. Good rest and sleep improves productivity and reduces the risks associated with tired employees operating equipment.

Logging managers and supervisors have already noted improved efficiencies and production rates. As a direct result of employees being well rested, logging operations completed 2012 with zero lost time injuries (LTIs) and have worked a total of 24 LTI-free months and six million LTI-free hours. Notably, a bus incident occurred at the beginning of 2012 but no injuries were sustained due to all passengers wearing seatbelts.

Perhaps the final word is best left to Valery Mozhegov, log delivery vehicle driver: "We are now living in the new fully-equipped units. The conditions in the new camps are comfortable and warm in all weather conditions. The canteen is located close where it is possible to have a meal similar to that which we have at home.

"... the camps are well lit, sanitary conditions are available, drinking water is delivered ... the area is cleaned continuously, the snow is removed regularly, sand and gravel is placed on walkways to prevent slipping.

"We can now get a good rest after the shift which ensures that we can work safely and productively during the following shift."



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Case study:

Implementing permanent and sustainable solutions to alleviate poverty – The role of Mondi's Mkhondo Development Project

Mondi's Mkhondo Development Project (MMDP) falls under the Gert Sibande District Municipality. The MMDP is home to 65 rural settlements on Mondi landholdings – 62 in the Mkhondo Municipality in Piet Retief and three in the Msukaligwa Municipality in Ermelo. Approximately 9,590 people have set up their households here. The employment rate is as low as 31% in the area, and most inhabitants are extremely poor, with little or no access to basic services (94% of households do not have electricity and 85% have no access to water on site).

While 90% of these people have no employment relationship, either present or past, with Mondi or its contractors, they have accumulated rights through their length of stay on the land. In 2007 Mondi initiated the Mondi Mkhondo Development Project (MMDP), a public-private partnership between the Mpumalanga Provincial Government, Mkhondo Local Municipality, Gert Sibande District Municipality and Mondi. Community stakeholders are represented in this partnership by local committees elected by the residents involved.

The aim of the project is to improve the socioeconomic conditions of the people living on Mondi owned land within this region and in doing so, implement permanent and sustainable solutions to alleviate poverty.

The project is essentially an integrated settlement development programme, driven by the principle that all people have the right to basic needs and a right to choose where they live. With this in mind, the MMDP model provides people with three choices: continue their pursuit of rural livelihoods in planned and serviced agri-villages; seek urban livelihoods in newly-serviced urban residential developments; or, remain where they are.

Assessments were undertaken to determine the suitability of the 65 settlements on Mondi land for development into agri-villages. Jabulani was identified as appropriate for the pilot agri-village and planning began in 2009. The basic development concept allowed for ownership of residences with adjoining plots for food production. Three basic housing types were offered, and Mondi provided the choice of either a kitchen structure or better finishes to the house. Construction of the first 35 houses began in April 2011 and all have been completed.

During 2012, a further 87 households from five villages on Mondi land opted for settling at Jabulani. The second phase of housing planning and construction will commence during the first quarter of 2013, and Jabulani will be used as a model for a second generation of agri-villages, namely Watersmeet, Riverside and Athalia.

Better access to social services and social developments have been important drivers of the project and we have developed a primary school, an early childhood development centre and a worship site. A multi-purpose community centre has been designed and a grant of €236,874 secured for the construction of the first building. Building will begin in early 2013.

Income generating activities include forestry, livestock, tourism and other small enterprises. Jobs in both construction and small business have already been created as a direct result of the MMDP – a notable success of the project. Cattle owners moving to the agri-village (30 in total), who own 215 cattle between them, have been working together to develop a plan for the sustainable management of their herd and to improve the commercial returns from this asset.

Maurice Makhithini, Head of Land, Mondi South Africa Division, is proud of the MMDP's achievements to date, "The project has attracted considerable attention as a potential model for sustainable rural settlements in the forestry regions of South Africa." As such, a sound partnership and working arrangement has been built with government stakeholders and target communities alike.

However, the project has not been without its challenges, including budget constraints from both Mondi and the Government. Melanie Dass, Corporate Affairs Manager: Forests, Merebank explains, "At times, it proved extremely difficult to work within a low capacity municipality area with a community who have high delivery expectations, but Mondi is committed to this project in the long term." Significant time and resources have been spent on building trust and developing mutually beneficial relationships with neighbouring land owners.

To assist those people who wish to relocate to urban settlements, 35 households from the villages of Neston, Neston DeClerq, Glen Eland and Tweepoort were given building materials to help them set up home in the town of Thokozane. The MMDP team have been working closely with local government to unlock three urban settlement projects – Rustplaas, Maphapheni and Malayini – located where Mondi had previous commitments to provide the land. Progress on these projects has been hampered by the unavailability of basic services (specifically water supply and sewage treatment capacity) to the areas and further resolution is needed in 2013.

A €4.9 million budget has been allocated to the MMDP – split between cash spent and land given for development and during 2012 €189,499 was spent on the project.

Mondi strives to be a socially responsible business that makes a lasting contribution to the communities in which we operate. We acknowledge that community engagement and communication are vital to the success of this initiative.



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Case study:

Richards Bay, SEAT assessment 2012

Effective communication with all stakeholders – the key to achieving our objectives

At Mondi, we recognise that effective communication with all stakeholders is key to achieving our objectives.

We make every effort to be a reliable and responsible neighbour at all our operations and engage openly with a wide range of internal and external stakeholders through our socioeconomic impact assessment (SEAT) process. The process is used as a basis for the identification, monitoring and management of each operation's socioeconomic and environmental impacts, and to improve our social performance. SEAT reviews monitor our positive and negative impacts on local communities, NGOs and government and the quality, relevance, scope and effectiveness of our corporate social investments and projects.

Taking action

The communities surrounding Richards Bay, on the north east coast of South Africa and where our paper mill is located, are situated in mainly rural areas and are exposed to high levels of poverty. They are in need of education, health and infrastructure development support. Mondi's invaluable role in providing this support was highlighted in the 2012 SEAT report. The assessment aimed to:

- evaluate the status of the resolution of issues identified during the previous SEAT study;
- understand the key changes in Mondi's structure and activities;
- identify the main external factors influencing socioeconomic development in the region;
- identify critical issues within the socioeconomic regime associated with Mondi's activities;
- evaluate the objectivity of critical issues and identify ways to improve this; and
- identify Mondi's strengths for further development.

The SEAT process is a participative one and we talked to a wide range of stakeholders to complete the report. Internal stakeholders at the Richards Bay mill included management, the CSI department, employee union representatives, employees and contractors. External stakeholders included organisations and people from local communities, including local schools and school governing bodies, the uMhlathuze City Municipality, Zululand Chamber of Commerce and Industry, the Clean Air Association, and NGOs.

An obvious, but vital impact we have on the area is employment creation. The Richards Bay mill employs over 700 people directly and around 600 contractors with about 5,200 people dependent on the wages and salaries of these employees.

Outside of the Richards Bay mill, Mondi has sought to tackle issues such as HIV/AIDS in the community, small business development, education and training (with an emphasis on infrastructure and career development). Investment is also made in staff sporting events and recreational activities.

Some of the feedback, both positive and negative, we received from our stakeholders is discussed below.

Communication is key

The success of our corporate social investment (CSI) strategy and related community engagement plans – involving employees and the local community – is evident in positive feedback.

- Local schools appreciated regular visits by the Mondi CSI team and particularly valued paper donations.
- Employees welcomed regular and formal briefings by their chief executive officer and a new performance-appraisal system.
- The Richards Bay Clean Air Association declared Mondi the flagship and benchmark for other industries in communicating environmental issues through a transparent information-sharing approach.
- Contractors were particularly impressed with the high-value tender system as an example of good corporate governance – broad-based black economic empowerment, procurement, financial controls and safety measures were proficient and understood by all.
- CSI beneficiaries felt that there was a genuine desire to be involved in various initiatives, and highlighted the Mondi21 fun run/walk which presents unique fundraising opportunities for a number of organisations.

Challenges expressed, solutions presented

In spite of acknowledging the positive impacts and progress made over several years and since the last SEAT review, stakeholders reported remaining concerns about odours in the Richards Bay area and those emanating from the mill.

Many stakeholders raised concerns about the regional economy and its growth prospects. Residents and businesses are particularly concerned about the attractiveness of Mozambique as an alternative investment location with lower costs and fewer barriers to entry compared to Richards Bay. Mondi has also been asked to present opportunities for local youth in the form of training and formal employment.

Mondi is a member of the Zululand Chamber of Commerce and Industry and it has an established relationship with the Port of Richards Bay as an exporter of pulp and wood chips which generates foreign revenue.

Certain stakeholders would like Mondi to extend its reach in the greater Richards Bay area through representation in a wider range of forums, including the municipal integrated development plan, which is important in mapping future growth and development. Mondi is committed to engaging with its stakeholders and continues to review its participation in relevant forums where it can add value.

A theme common to all employee interviews was some lingering uncertainty related to earlier organisational restructuring and a perception of unresolved historical grievances. Furthermore, it was felt the shortage of critical skills, experienced by many companies, is compounded by the rate of staff turnover at the mill.

Mondi has developed a response to the issues raised and to further improve communication with the relevant stakeholders about any issues that arise.

To read the full SEAT report, including our response to issues raised, go to www.mondigroup.com.



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Case study:

Syktyvkar Mill, Russia, SEAT assessment 2012

Treading a fine line – responsible practice and proactive engagement in Russia

State forest enterprises have been of wide social importance in Russian society for decades, 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. As a result of recent state reforms in rural areas, there are fewer opportunities for small business development and reduced financial support from the state. At the same time, expectations on Mondi's social and environmental performance are constantly growing. This makes Mondi's role in forestry enterprises in Russia a potentially complex one, ensuring the viability of the business on the one hand, and preserving and furthering the interests of small, local communities on the other.

The Republic of Komi is situated in the north-eastern part of Russia, on the banks of the Severnaya Dvina watershed. The economy of the republic is based on the production of raw material and industry is dominated by fuel, forestry, logging, wood processing and pulp and paper industries. Mondi Syktyvkar, situated in the Republic of Komi, is one of the largest mills in Russia, accounting for 12% of pulp production, 15.1% of paper and 8.4% of board. Mondi is one of the largest employers in the region, employing approximately 7300 direct employees and numerous contractors. This highlights our important social and economic role in the region, a role that Mondi does not take lightly.

In 2012, we completed our socioeconomic assessment toolbox (SEAT) assessment at Syktyvkar mill. The SEAT process is structured and participative, providing our operations with the means to assess their positive and negative impacts on local communities. It involves four key elements: a detailed profile of our operations and the local community; engagement with local interest groups to assess positive and negative impacts; the development of a management plan designed to maximise potential benefits and minimise negative impacts; and joint publication with local stakeholders of a SEAT report, which provides a benchmark for conduct in the future.

Taking a STEP towards a safer and environmentally friendly mill

This year's SEAT assessment highlighted the significance of the STEP project (STEP simply means a 'step' in the right direction). A total of €545 million was invested in the project and Syktyvkar mill is now the most modern in Russia. "This investment is a notable industry achievement and a firm base for our sustainable and competitive development in Russia," says Klaus Peller, Managing Director of Mondi Syktyvkar. "STEP has modernised and increased production in nearly all areas of the production chain."

Significant findings of the 2012 SEAT report included:

- **Training and development in the area is important.** Running a modernised mill requires highly skilled personnel. Our educational project, The Forest Academy of Komi, offers professional forestry education. The academy provides courses for our mill employees, including forest machine operators, mechanics and site masters, as well as external parties such as local entrepreneurs, students and teachers and school forestry groups.
- **Effective communication is essential.** Direct communication with the Russian government and local municipalities is increasingly important and it is no longer possible for Mondi to rely on public meetings as a platform for engagement. In 2012, we actively supported the Komi Forest Dialogue as a way to maintain effective communication and to further develop constructive relations with the government and authorities at a municipal, regional and federal level.
- **Social issues need to be handled proactively, and with care.** In Russia, Mondi is faced with social issues such as deteriorating infrastructure, outdated information and a lack of tools. In addition, the demands on Mondi are growing in terms of social and environmental delivery. We recognise that our operations have an impact on local roads and endeavour to repair existing roads and reduce the load placed on the roads by investigating rail and water transport options. We also pay special attention to developing partnerships with wide range of stakeholders to focus on creating new enterprises and improving infrastructure. It is also important to us that information about these initiatives is transparent and published in a variety of mass-media to increase awareness.
- **Continuous environmental improvements are of the highest importance.** The issues of odorous gases and water discharges are areas of concern for people living around the mill. As a result of modernisation, there has been a significant reduction in the total amount of harmful atmospheric emissions. In order to reinforce the control process over the atmospheric emissions in 2012, we installed a new control post – in addition to the existing monitoring stations of the Komi Meteorology Centre. In 2013 we look forward to investing in the modernisation of our water treatment facilities, which provide services to the surrounding municipalities.

The SEAT process has yet again proved an invaluable tool for Mondi as it helps us accurately identify, and rectify, employee and community concerns. Without thorough examination of our socioeconomic impacts, achieving sustainable business practices would not be possible.


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Data summary: Social

Social: Safety

Number of work-related fatalities

	2010	2011	2012
Employees	1	1	1
Contractors	1	1	1

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

	2010	2011	2012
	1.09	0.92	0.79

Social: Health

Noise-induced hearing loss (number of new cases)

	2010	2011	2012
	32	16	0

Social: HIV/AIDS

Number of employees on ART (SA only)

	2010	2011	2012
	91	40	175

Number of employees on HIV wellness programme (SA only)

	2010	2011	2012
	157	66	175

Corporate social investment

Breakdown of CSI expenditure (€000)

	2010	2011	2012
Community health and welfare	691	205	219
Education and youth	679	797	835
Environment	29	81	102
Community development	6,427	5,828	4,895
Arts, culture and heritage	146	903	235
Housing	837	333	288
Other	3,802	9,150	7,716
Total	12,611	17,300	14,300



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Training and development

We invest in the training and development of our employees and contractors, not only so they may undertake their jobs safely and productively, but also so that they may fulfil their potential. Training and awareness programmes in respect of safety, human rights and other labour-related issues are undertaken on a regular basis at an operational level.

In 2012, a total of 893,116 hours of employee and contractor time were devoted to training and development.

* *The total number of recorded hours of employee and contractor training divided by the total number of employees and contractors, results in an average of 40 hours of training per year. This figure is likely to be under-reported, and does not imply that this is the actual average across the Group.*

Leadership development programmes, at Group and operational level, play an important role in the identification and development of talent within the Group. In 2012, a total of 118 participants took part in various leadership training and development programmes, including the Leadership Development Programme (for international experienced employees) and the Enhanced Leadership Programme (for senior international employees).

The Mondi Academy

The Mondi Academy offers training in leadership, personal, business and technical excellence. At the Mondi Academy, technical training is run by internal Mondi experts, while seminars relating to other areas are facilitated by external, professional training institutes with a global network of affiliates. The Mondi Academy focuses on:

Technical excellence: Seminars provide Mondi employees with an overview of the production process (from raw materials to final product or application), the market, our competitors and innovations.

Business excellence: Training offers employees with comprehensive skills and tools to improve their functional expertise.

Personal excellence: Employees are offered a wide-range of seminars to leverage their personal and professional skills, including negotiation, presentation and conflict management.

Leadership excellence: These seminars are built upon Mondi's Values and Cultural Characteristics. They aim to develop and leverage our managers' leadership skills by providing easy-to-use tools and techniques, and offer deep insight into leadership styles, with strong focus on feedback loops.

In addition, The Mondi Academy runs training programmes which are customised to target specific groups.

Employee development in South Africa

In South Africa, we continue to expand the skills base of our employees 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 Group through the Mondi Academy, and externally by approved training institutions.

Skills development programmes

Our skills development programmes vary according to operations and annual training needs assessments are conducted in conjunction with a workplace skills plan that outlines training and skills development targets. Our skills development programmes include:

- long learning initiatives aligned to career path development plans;
- learnerships in pulp and paper technology;
- fitting and turning, electrical, millwright, instrumentations, boilermaking, rigging and earthmoving equipment mechanics apprenticeships; and
- the provision of bursaries and study assistance.

In South Africa, during 2012, employee skills and knowledge upliftment were offered to employees in the fields of legal compliance; safety, health and environment training; pulp and paper technology; operational skills programmes; leadership development; and computer training.

Recognising the contribution made by our employees

As a part of the continuous process to enhance quality, efficiency and effectiveness, Mondi ensures that the contribution made by all employees is valued and recognised. Performance Development Reviews (PDRs) provide us with an opportunity to demonstrate the contribution that our employees make and to discuss how to further develop that contribution.

The PDR-process supports Mondi's performance culture. In short, during PDR meetings, we review current performance, draw some conclusions (what can be done better and therefore be changed) and then set appropriate new targets.

The process has a long history within Mondi and has proven itself to be stable and sustainable.

Managing talent

Mondi leadership development programmes play an important role in the identification and development of talent within the Group. Locally designed and implemented operational level leadership development programmes are specifically tailored to meet operational and employee needs. A Group-level leadership development programme has been centrally designed and managed to ensure consistent application across the Group, and the development of the Group's resources as a whole.

Centrally-driven leadership development activities consist of assessment modules; training modules like the Mondi Enhanced Leadership Programme for highly-experienced managers with further potential; the Mondi Leadership Development Programme for experienced 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.



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Our people

Key features 2012

- 25,700 people employed by the Mondi Group as at 31 December 2012
- Two fatalities at work
- Women made up 16% of management level employees; and 20% of all employees
- 994 employees (around 58% of the workforce) belonged to a recognised union in South Africa. (This information is not collated in Europe)
- Total recordable case rate: 0.79 per 200,000 hours worked (2011: 0.92)
- 175 employees provided with anti-retroviral treatment from our mobile clinics (in South Africa)
- Food 4 Forests delivered 1,515,674 nutritional meals to around 8,500 people
- 42.5% of employees in South Africa in management were previously disadvantaged individuals
- 525,000 hours of employee and contractor time were devoted to training and development

FAST FACTS

- At the end of 2012, Mondi employed 25,700 people (2011: 23,400 employees). We also provided employment for an estimated average of 2,220 contractors at our mills (primarily for construction and maintenance purposes) and 8,200 contractors within the forestry division in South Africa.
- Around 994 employees (58% of the workforce) belonged to a recognised union in South Africa. This information is not collated in Europe.
- 20% of our employees and 16% of our managers are women.
- The operation of black liquor recovery boilers and the possibility of fires and explosions remain our top safety risks.
- In 2012, a total of 893,116 hours of employee and contractor time were devoted to training and development.
- Voluntary counselling and testing for HIV/AIDS is freely available to all employees, and 1,198 employees made use of it in 2012. Anti-retroviral therapy is also available to all employees and 175 people are currently receiving this treatment from our South African forestry mobile clinics. In 2012, 70 employees participated in the Mondi HIV wellness programme (2011: 66).
- In 2012, we settled eight more land claims (bringing the total number of settled claims to 19) involving 17,500 hectares of Mondi land under forestry. Some 36,300 hectares of Mondi land under forestry has been transferred to community beneficiaries.

For us to succeed as a globally competitive organisation, we need a skilled, trained and committed workforce, able to undertake jobs safely and productively and fulfil their potential. Our aim is to develop and empower our people to perform at their best and to grow in a dynamic culture.

We believe in zero harm in the workplace. Our approach is based on a visible management commitment that starts with senior leaders and extends through all levels of the organisation. Through a proactive approach we seek to build trust and lasting relationships among employees, contractors, customers, shareholders and communities.

Mondi has formal and informal processes to communicate with and engage employees across the Group. In addition to electronic communications and publications, regular local briefing sessions by managers focus on safety, operational objectives and performance, achievements and the Group's values and culture. In 2011, a Group-wide employee survey was completed followed by feedback and consultation sessions in early 2012, resulting in initiatives which strengthen employee engagement and communication.

As Mondi operates in 30 countries, we embrace diversity. We treat all our employees fairly, irrespective of origin, gender, race, colour, sexual orientation, religion or belief, family circumstances, political opinion, trade union membership, age, nationality or disability. We comply with the employment equity requirements of the countries in which we operate.

Mondi upholds the labour rights set out in the Fundamental Rights Convention of the International Labour Organisation, ensuring fair employment practices at all our operations.



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Occupational safety

We recognise that many of our employees and contractors work in potentially dangerous environments where hazards are ever-present and must be managed. Our ultimate goal is to achieve zero harm in the workplace. We believe that all incidents are preventable and that we must learn from experience.

Two fatal accidents in 2012

It is with great regret that we report two fatalities at our operations during the year. The first involved an employee at our Lohja operation in southern Finland. The incident took place on 30 October 2012, and investigations into the incident have been conducted. The second fatality took place on 30 November 2012 when a contract employee fell from a height while working on the bark boiler project in Syktyvkar. A full investigation has also been conducted into this incident. These investigations will ascertain the contributing factors to the fatalities and we will ensure suitable management action plans are implemented to avoid further fatal incidents. We are also reviewing our approach to high risk, low probability incidents in order to achieve a fatality-free working environment.

Creating a culture of safety and health

Our approach to safety and health management is underpinned by our desire to create a culture where responsibility for health and safety is shared. Visible management commitment is a critical element in our progression towards zero harm.

We ensure that all Mondi employees and contractors have the necessary safety awareness and skills training to recognise and avoid risk and at-risk behaviour. Training, auditing and the immediate correction of deficiencies are intrinsic to our safety culture.

Contractor management

We make extensive use of contractors to carry out specialist and seasonal tasks. A significant focus area is the effective safety management of contractors by providing the necessary tools for operations to manage contractors, and involving them in our overall safety programmes. Contractor safety management includes a six-step process covering the appointment of contractors: contract appraisal and contractor selection, safety plans and documentation, contractor orientation and induction, contractor supervision and performance review and preferred status assignment. In South Africa, our peer educators play an important role in educating contractors with regard to HIV/AIDs. This year, 56 new peer educators were trained.

Leadership and risk management

While ultimate responsibility for safety and health lies in the hands of line management, all employees and contractors are required to carry out tasks safely and with care for themselves and that of their fellow employees. Given its significance for the Group, safety is overseen at Group level.

A risk-based approach underpins our safety and health programmes. All business units and operations are required to have safety improvement plans, aligned with the Group's systematic and standardised approach to safety management, to drive continuous improvement in place.

The Major Incident Cause Evaluation

During the past three years we have developed the Major Incident Cause Evaluation (MICE) practice to standardise the methods we use to investigate and report the findings and action plans developed during the investigation process. MICE comprises standardised templates for reporting purposes to ensure that every aspect, cause and contribution that led to the specific incident is covered and that appropriate recommendations, to prevent repeat incidents, are implemented. MICE practice addresses incident-related injuries, environmental incidents, the occurrence of damage to property and the causes of fires and explosions.

In 2012, we implemented the necessary training for MICE and our operations are now following its methodology. Although additional training is currently being conducted to enhance understanding of MICE and improve incident investigations and reports, there has already been an improvement in the quality of reports received from the operations, specifically with regard to identifying the underlying contributing factors to safety incidents.

Operations are required to apply the full MICE practice to all major incidents. Incidents, involving people or the environment, are classified according to three consequence severity categories:

Serious incidents include:

- injuries with reversible disability or impairment and/or injuries leading to hospitalisation for more than 24 hours;
- acute illness requiring medical treatment, or loss of consciousness arising from absorption of any substance by inhalation, ingestion or through the skin;
- over seven days incapacitation either being absent or unable to conduct normal duties;
- exposure to any substance which has harmful human effects; and
- moderate off-site environmental effects on biological or physical environment but not affecting ecosystem function.

These result in moderate short-term, widespread off-site impacts.

Significant incidents include:

- injuries resulting in life-changing irreversible disability or impairment;
- exposure resulting in irreversible, sensitising human effects; and
- off-site effects on biological or physical environment with impairment of ecosystem function.

These result in relatively widespread medium-term off-site impacts.

Critical incidents include:

- a fatality or multiple fatalities;
- exposure resulting in irreversible life threatening human effects; and
- significant off-site environmental effects on the biological or physical environment with impairment of ecosystem function.

These result in long-term widespread off-site effects on significant environments.

We are currently in the process of revising the MICE reporting templates to ensure they can be completed more easily through the use of drop down tables. In addition, new communication templates have been developed which will enable operations to share relevant information with each other to prevent recurrences.

Safety and health networking

A safety and health network, led by the Group Head of Safety and Health and comprising senior safety and health professionals across the Group, agree on how to guide operations in applying consistent and sustainable risk-control measures. Quarterly network meetings are hosted by different operations, and include a site visit followed by a management feedback session. This ensures that the host operation benefits from the visit and ensures that safe practice is shared. Sites are selected if they are following good safety practice and the safety, health and environment (SHE) professionals can learn from the site-specific initiatives, standards and culture, or if the site needs additional assistance due to poor performance. This year the network meetings were held at Tire Kutsan in Turkey; Nyiregyhaza Bags site in Hungary; Casablanca Bags site in Morocco; and Świecie mill in Poland.

Safety communication

Safety communications sessions are conducted at all operations and employees and contractors are encouraged to raise their safety and health concerns. Operations also conduct statutory safety committee meetings at which management and employees are represented.

Other topics discussed during 2012 included (by operation):

- In Świecie, employees expressed concern about slow reaction times to safety incidents, which resulted in new communication material being developed and additional behavioural safety training conducted.
- Working at heights and in confined spaces, fire fighting and first aid readiness were issues at our Kraft paper mills, with training subsequently conducted to improve competencies in these areas.
- In South Africa, we focused on manual handling of heavy equipment, basic tips for safe tool use, embarking and disembarking from vehicles and slip, trip and fall protocols.
- We also focused on addressing language and literacy challenges within the South African forests. We use trained facilitators, capable of communicating through verbal and visual means, with an appropriate level of language and cultural understanding. In 2012 we made further progress in overcoming these barriers by using industrial theatre to communicate key safety messages in local languages. All toolbox talks and the Phepha safety induction video were translated into isiZulu.

Standards and requirements

Our standards and requirements on safety and occupational health practices, performance and reporting are reviewed annually to take into account learning from past incidents, both internally and externally, and from other sources such as codes of practice and other recognised safe practice developments. A revision of some of our health and safety performance requirements was undertaken in 2012.

Nine Safety Rules to Live By

Our Nine Safety Rules to Live By, applied across the Group, are integral to our safety strategy and are supported by a set of nine common learning modules, comprising mandatory employee and contractor training.

- Rule 1: Work with a valid permit when required.
- Rule 2: Respect speed limits, keep to your travel paths, wear seatbelts and use a phone with hands-free equipment while driving.
- Rule 3: Obtain authorisation before entering a confined space.
- Rule 4: Protect yourself against a fall when working at heights.
- Rule 5: Test isolation before work begins and use the specified life-protecting equipment.
- Rule 6: Keep hands away from moving or rotating equipment and obtain authorisation before overriding or disabling safety protective equipment.
- Rule 7: Do not walk through or stand under a suspended load.
- Rule 8: Conduct hazardous chemical task assessment when required.
- Rule 9: Keep a safe distance at all times during logging operations.

Safety training

Our safety training for managers, safety skills training for supervisors, and employee/contractor learning modules encourage the safe practices necessary to achieve our goal of zero harm in the workplace. They also ensure that both employees and contractors have the same level of safety understanding and awareness, and understand that they are expected to apply these consistently across the Group. Commonly, safety learning modules address competency issues that have been raised, learning from other industry standards, and recognising incidents where competency, or the lack thereof, is often a contributing factor.

Major safety risks

The operation of black liquor recovery boilers and the possibility of fires and explosions remain our top safety risks, and are well controlled to minimise the probability of incidents. The black liquor recovery boiler working group meets annually to discuss relevant issues and ensures that external inspections are conducted. The group, comprising recovery boiler managers and engineers and safety professionals, has developed a manual for the safe operation of recovery boilers. The manual provides guidance to assist operations in conducting self-assessments, as well as second party audits, in line with Mondi requirements, techniques and practices to help minimise the probability of incidents. We monitor compliance with the processes and procedures outlined in this manual by conducting audits of each of the sites operating recovery boilers every three years.

A Fire Protection Code has been developed and distributed to our operations, which details the precautions that are required to control fire hazards. It describes those asset protection requirements that either eliminate the identified fire hazard or ensure that the risk is reduced to an acceptable level.

We also consider mobile plant equipment, moving and rotating equipment and falling from heights as major safety risks, which have a potential for fatality. These issues were main focus topics during 2012 with the result that we have reduced the number of recordable cases in these areas during the reporting period.

Eliminating safety risks through the modernisation of our forestry operations

Mondi has achieved significant milestones in improving working conditions in its forestry operations in Russia and South Africa. (See [Russian logging camps case study](#) and [Russian SEAT case study](#)) The objectives over several years have been to develop operational practices that meet international best practice standards and to ensure international competitiveness.

For example, in 2006, in our South African operations, we began mechanisation of our harvesting programme to eliminate the safety risks inherent in manual operations, especially the use of chain saws. Following a formal ergonomic assessment of all our forestry tasks, the programme was extended to include both the mechanisation of certain tasks in silviculture as well as changes in working practices and tools.

We have made great progress in eliminating the most arduous forestry work, including repetitive and strenuous tasks which could cause undue physical stress on the body, by adopting international ergonomic and forestry standards. In addition to this, we launched an industry-wide focus on skills development and the up-skilling of forestry workers so that we introduce more skilled and higher earning positions into our contractor operations.

This forms part of our drive towards operational and safety best practice and high performance.

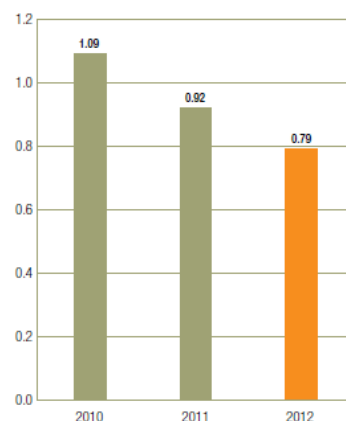
Safety performance

In 2012, our total recordable case rate (TRCR) (per 200,000 hours worked) was 0.79 (2011: 0.92).

Total recordable cases comprise work-related fatalities, lost-time injuries, restricted work cases, medical treatment cases, and compensated occupational illnesses.

Operation managers, contractor managers and safety professionals conduct thorough investigations of each and every safety incident. Once investigations have been completed, we share our findings and action plans across the Group by issuing actions, safety alerts and incident notices.

TRCR (per 200,000 hours worked)





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Occupational health

As specific local occupational health stressors vary between operation and regions, so do our occupational health systems. Our holistic approach to occupational health addresses the various aspects of health and wellbeing, but we continue to focus on prevention and the correct use of personal protective equipment (PPE).

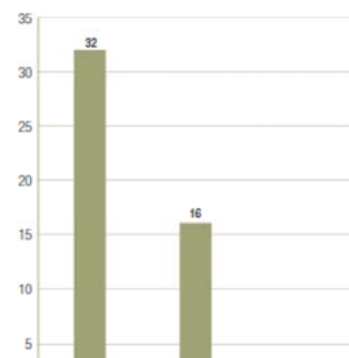
Ergonomic risk

In forestry, the ergonomic risk by job description is high and, at some of our operations, more than double the risk prescribed by international standards. For example, stooping is standard practice in South Africa, but banned in other parts of the world. This exposes our employees to high levels of occupational health and safety risks. In order to reduce these risks, we have been programmatically modernising our operations and working conditions since 2006. The modernisation programme focuses on acquiring the correct machinery, providing new PPE to our employees and modern equipment for picking operations to eliminate stooping. An overview of our approach to modernisation can be found in our [Economic performance](#) section.

Noise management

Most operations have recognisable noise levels and frequent noise monitoring surveys are conducted to measure actual noise levels. Programmes are in place to reduce exposure to excessive noise and all employees, contractors and visitors exposed to high levels of noise are expected to make use of hearing protection devices. Employees required to work in 'noisy zones' undergo regular medical examinations to monitor their hearing and identify the early signs of noise-induced hearing loss (NIHL). In 2012, no new cases of NIHL were identified (2011: 16).

NIHL (no. of new cases identified)



Other occupational health issues

In 2012 there were no new cases of occupational asthma, musculoskeletal disorder, and hand-arm vibration.

Health days

Operations are encouraged to host health days for employees, in which various medical practitioners and health care providers participate. Employees are encouraged to participate in health care monitoring services such as eye, blood and sugar level tests. Other occupational health initiatives are encouraged.

Occupational health initiatives

Other key initiatives during the year included:

- Making a Difference Day: this year the campaign, named MADD365, focused on the concept of making zero harm possible every day, for everyone, everywhere. Operations focused on selected Group safety, health and environment (SHE) topics, including preventing leaks and spills and re-enforcing our Nine Safety Rules to Live By, as well as other SHE topics relevant to the specific sites. All employees were invited to attend the communication sessions on the day. The campaign has proved to be successful and there has been increased involvement and enthusiasm at most operations.
- Lung function tests were conducted at certain operations during medical assessments and gas monitoring detectors have been installed at strategic locations to detect leaks.
- The *Ripple Effect* is a quarterly newspaper focusing on wellness issues, including HIV/AIDS, and is distributed to all employees and contractors at the Richards Bay mill in South Africa.

Dealing with HIV/AIDS in South Africa

The HIV/AIDS pandemic continues to cause illness and deaths amongst employees (particularly forestry contractors) and community members alike. Mondi creates awareness of the disease to avoid onward infection and to encourage testing, counselling and treatment, which it provides to employees. Voluntary testing is also offered to our contractors throughout the year. Monthly promotions are conducted by our mobile clinics and two formal campaigns are held on an annual basis. Our annual wellness day is another example of how we focus on improving employees' understanding of their condition thereby managing the impact of HIV/AIDS in the workplace.

Management system and policy

Our HIV/AIDS management system is based on World Health Organization guidelines and is aligned to the International Labour Organisation Code of Practice on HIV/AIDS, the World of Work and achieved SANS 16001 accreditation in 2009.

Our policy 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, anti-retroviral treatment (ART) and disease monitoring. To prevent discrimination of those

employees with HIV/AIDS, strict confidentiality is maintained by all the clinics at our mills and forest operations. We have made extensive use of industrial theatre in an attempt to remove the stigma attached to HIV/AIDS by delivering informative messages about the disease.

Collaborative approach

Each of our South African mills have an HIV committee in place comprising management, unions and employees. Our management system ensures the proper placement of employees who need to be accommodated as a result of disease or injury. Employees deemed physically and psychologically unfit for work are eligible for boarding, as facilitated by Mondi's occupational health staff in South Africa.

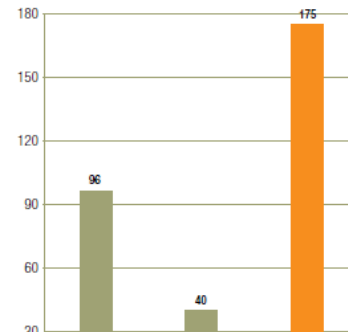
Health care access

To ensure that employees, contractors and their families have access to medical care, we have facilitated four mobile clinics to provide HIV/AIDS voluntary counselling and testing (VCT), as well as primary health care to community members in our remote forestry areas. The services provided by these mobile clinics also include testing and treatment for medical conditions such as diabetes, high blood pressure and tuberculosis. Critical vaccinations to children from the surrounding communities are also provided. There are plans for a fifth mobile clinic to be launched in 2012.

Voluntary counselling and testing

VCT is freely available to all employees, and 1,198 employees made use of it in 2012. ART is also available to all employees and 175 people are currently receiving this treatment from the mobile clinics in our forests. In 2012, 175 employees participated in the Mondi HIV wellness programme (2011: 66). ART begins when an employee's CD4 count reaches 350 (a more sensitive measure than the Department of Health's level of 250).

Number of people on ART (South Africa)



Using industrial theatre to educate our employees

Industrial theatre is becoming an increasingly popular medium to raise awareness and introduce change in the workplace. Industrial theatre engages people; is a flexible and responsive medium, adaptable to the moment and according to the needs of the chosen audience.

Our industrial theatre programme consists of customised shows to examine topical issues in new ways. We have covered a wide range of topics including working with hazardous machines and materials, workplace safety and health policies and reducing incidents in the workplace.

Industrial theatre has been particularly effective in creating awareness about HIV/AIDS, educating our employees and contractors about how to live with the disease and encouraging them to view HIV/AIDS as a chronic disease that can be managed through a healthy lifestyle and correct use of medication.



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Employment

As at the end of 2012, the Mondi Group employed approximately 25,700 people (2011: 23,400 employees). We also provided employment for an estimated average of 2,220 contractors at our mills (primarily for construction and maintenance purposes) and 8,200 contractors within the forestry division in South Africa.

The management of people is a key line function for which the chief executive officer is ultimately responsible. Operations are supported at a divisional level.

Employment of forestry contractors

We engage contractors in our South African plantations and our own employees at our Russian logging operations. We have introduced an approach to develop long-term relationships with contractor companies, with the objective of creating stable and safe employment for our forestry workers. We conduct annual pay slip audits to ensure compliance with the country's minimum wages and ongoing checks are done as part of Mondi's audit requirements.

Contractor work is often short-term and related to the completion of tasks or projects, the season and other job opportunities – and is not specifically the employment of a fixed number of people.

Turnover

Turnover levels are not monitored centrally, but are assessed at a local level and, where necessary, plans are put in place to address areas of concern.

Our Group-wide attendance rate (calculated as 'actual' working days, and as a percentage of total 'theoretical' working days, which include all absenteeism related to sickness, incidents and occupational diseases) has remained stable over the last years, with the 2012 rate at 98% (2011: 98.5%).

Employment practices and collective bargaining

We uphold the basic labour rights enshrined in the Fundamental Rights Convention of the International Labour Organisation and ensure that fair employment practices are implemented at all our operations. Our remuneration practices are competitive and do not discriminate on the grounds of age, race or gender. All employees have the right to freedom of association and 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 sustainable development policies, management standards and performance requirements on global employment and corporate citizenship comply with local legislation and ensure that employment practices are fair and that employees are represented appropriately.

At the end of 2012, 994 employees (58% of the workforce) belonged to a recognised union in South Africa. This information is not collated in Europe.

In Europe, we have implemented a dialogue forum where council leaders meet members of Mondi's top management on an annual basis to discuss topics related to collective bargaining and employment practices.

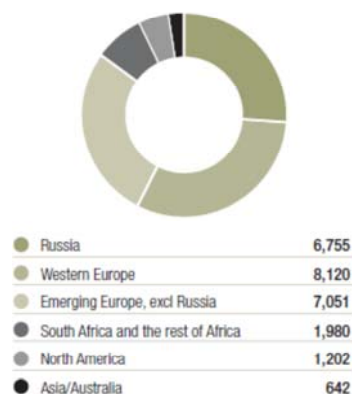
In South Africa, we actively participate in various bargaining councils including the Statutory Council for the Paper Packaging Industries Bargaining Forum and the Bargaining Council of the Wood and Paper Sector, under whose auspices national relations between employers and unions are managed. Three senior Mondi human resource executives are represented on these councils. In 2012, focus was placed on annual wage negotiations and providing staff with dispute resolution training.

Minimum notice periods in respect of operational changes and rates of pay for men and women are prescribed by legislation, with the exception of South Africa. Any grievances or disciplinary actions are addressed through our disciplinary and grievance systems.

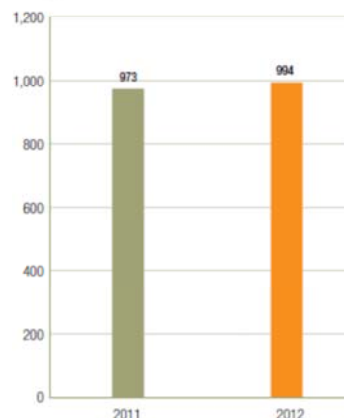
Treating our employees with dignity

We recognise the right of all people to be treated with dignity, and the inhumane treatment of employees, including any form of forced labour, degrading treatment, physical punishment, harassment in the workplace, or other abuse is not tolerated. Appropriate mechanisms, such as grievance procedures, are in place to support this.

Employees per region



Number of employees belonging to a recognised union in South Africa



Benefits

Benefits provided to full-time employees include membership of pension and provident funds, access to medical care/schemes, study assistance, maternity and paternity leave, annual bonuses, overtime pay and profit bonuses.

Embracing diversity

We employ, empower and develop people with the potential required to expand their careers and to become valuable participants in sustaining our competitive business advantage. Our primary objectives of achieving world-class standards in cost, quality, productivity and customer service are inherently supported by our plans, aimed at implementing diversity management and affirmative action initiatives.

We encourage and embrace diversity and treat all our employees fairly and equitably, irrespective of origin, gender, race, colour, sexual orientation, religion or belief, family circumstances, political opinion, trade union membership, age, nationality or disability. The management of people is a function of line management, as is the creation of a culture that embraces diversity to ensure that our policies and practices support this.

We recognise that in South Africa, where employment equity is entrenched within legislation, there are historical imbalances that need to be redressed in the workplace. We have divisional and central transformation committees in place to monitor progress and assist Mondi in adhering to the spirit and letter of the law. In 2012, our transformation committees reviewed Mondi's employment policies from an employment equity perspective. These reviews were an important way of ensuring that employees' feedback, with respect to equal opportunities, was incorporated into our policies.

Equity towards and the advancement of women within the workplace is embedded within the South African constitution, and required by South African labour legislation. While the nature of our industry and available skills pool pose inherent challenges in securing female employees, we develop our female workforce by providing access to bursaries, learnerships and apprenticeships to previously disadvantaged individuals (PDIs), including women.

At the end of December 2012, 20% (2011: 20%) of employees were women and 16% (2011: 10%) of our managers were women.

The Mondi Group has two female directors representing 22% of the Boards.

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. In 2012, Mondi E&I employed a total of 60 expatriates. As far as this is possible, the Group is intent on the employment of locals in all areas of its operations, including at management level, and on minimising the employment of expatriates in long term roles.

While legal limitations exist on the employment of foreigners in almost all jurisdictions, with the exception of employment within the European Union, (largely through the application for and granting of residence and work permits) this has not had a significant effect on the Group. See [Training and development](#).

Employment equity in South Africa

To support the process of transformation towards a fully democratic and non-discriminatory society and economy in South Africa, we have established Transformation Committees at our South African operations. The Transformation Committee works towards furthering employment equity and enabling our employees to understand training-related issues and ideas.

Our employment equity policy safeguards the career development of non-designated persons, and ensures that all employees continue to be recognised for their competencies, based on considerations that include statute and merit.

While we ensure that promotion and advancement is based on merit, without tokenism or paternalism, we make every effort to:

- equalise opportunities for PDIs;
- 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.

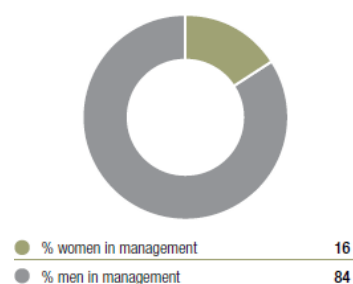
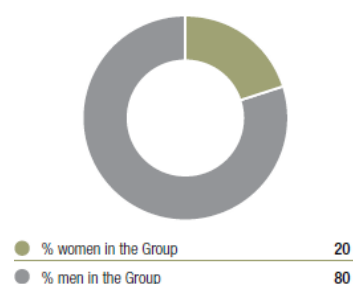
At the end of 2012, the representation of PDIs in management in South African operations was 42.5%. Women made up 16% of the South African workforce.

Decent work

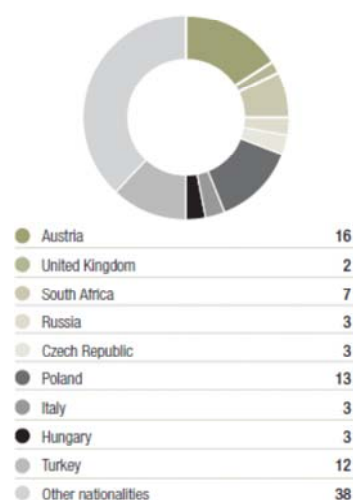
We aim to reduce the extent to which employees are exposed to high-risk and heavy manual tasks and to eliminate harmful ergonomic practices, particularly through the modernisation of our forestry operations.

SD See [Our people: Occupational health](#) and [Economic performance: Modernisation](#) for further information.

Diversity



Origin of management (%)





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Training and development

We invest in the training and development of our employees and contractors, not only so they may undertake their jobs safely and productively, but also so that they may fulfil their potential. Training and awareness programmes in respect of safety, human rights and other labour-related issues are undertaken on a regular basis at an operational level.

In 2012, a total of 893,116 hours of employee and contractor time were devoted to training and development.

* *The total number of recorded hours of employee and contractor training divided by the total number of employees and contractors, results in an average of 40 hours of training per year. This figure is likely to be under-reported, and does not imply that this is the actual average across the Group.*

Leadership development programmes, at Group and operational level, play an important role in the identification and development of talent within the Group. In 2012, a total of 118 participants took part in various leadership training and development programmes, including the Leadership Development Programme (for international experienced employees) and the Enhanced Leadership Programme (for senior international employees).

The Mondi Academy

The Mondi Academy offers training in leadership, personal, business and technical excellence. At the Mondi Academy, technical training is run by internal Mondi experts, while seminars relating to other areas are facilitated by external, professional training institutes with a global network of affiliates. The Mondi Academy focuses on:

Technical excellence: Seminars provide Mondi employees with an overview of the production process (from raw materials to final product or application), the market, our competitors and innovations.

Business excellence: Training offers employees with comprehensive skills and tools to improve their functional expertise.

Personal excellence: Employees are offered a wide-range of seminars to leverage their personal and professional skills, including negotiation, presentation and conflict management.

Leadership excellence: These seminars are built upon Mondi's Values and Cultural Characteristics. They aim to develop and leverage our managers' leadership skills by providing easy-to-use tools and techniques, and offer deep insight into leadership styles, with strong focus on feedback loops.

In addition, The Mondi Academy runs training programmes which are customised to target specific groups.

Employee development in South Africa

In South Africa, we continue to expand the skills base of our employees 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 Group through the Mondi Academy, and externally by approved training institutions.

Skills development programmes

Our skills development programmes vary according to operations and annual training needs assessments are conducted in conjunction with a workplace skills plan that outlines training and skills development targets. Our skills development programmes include:

- long learning initiatives aligned to career path development plans;
- learnerships in pulp and paper technology;
- fitting and turning, electrical, millwright, instrumentations, boilermaking, rigging and earthmoving equipment mechanics apprenticeships; and
- the provision of bursaries and study assistance.

In South Africa, during 2012, employee skills and knowledge upliftment were offered to employees in the fields of legal compliance; safety, health and environment training; pulp and paper technology; operational skills programmes; leadership development; and computer training.

Recognising the contribution made by our employees

As a part of the continuous process to enhance quality, efficiency and effectiveness, Mondi ensures that the contribution made by all employees is valued and recognised. Performance Development Reviews (PDRs) provide us with an opportunity to demonstrate the contribution that our employees make and to discuss how to further develop that contribution.

The PDR-process supports Mondi's performance culture. In short, during PDR meetings, we review current performance, draw some conclusions (what can be done better and therefore be changed) and then set appropriate new targets.

The process has a long history within Mondi and has proven itself to be stable and sustainable.

Managing talent

Mondi leadership development programmes play an important role in the identification and development of talent within the Group. Locally designed and implemented operational level leadership development programmes are specifically tailored to meet operational and employee needs. A Group-level leadership development programme has been centrally designed and managed to ensure consistent application across the Group, and the development of the Group's resources as a whole.

Centrally-driven leadership development activities consist of assessment modules; training modules like the Mondi Enhanced Leadership Programme for highly-experienced managers with further potential; the Mondi Leadership Development Programme for experienced 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.



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Human rights

Mondi's Code of Business Conduct is based on a number of voluntary codes. While not legally binding, these codes of conduct, principles, and guidelines are raising public expectations about socially responsible business. In particular, the Group subscribes to the Universal Declaration on Human Rights.

Human rights commitments

Mondi subscribes to the Universal Declaration on Human Rights and is committed to the:

- United Nations (UN) Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights;
- UN Global Compact;
- Fundamental Rights Conventions of the International Labour Organisation;
- Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises; and
- Voluntary Principles of Security and Human Rights.

These principles are embodied in our policies, systems and practices, and ensure the provision of a fair, safe and healthy workplace for our employees and contractors, free from discrimination, harassment and abuse. We encourage our suppliers, customers and business partners to work in accordance with these principles.

We report our compliance and commitment relating to human rights, labour, environmental and anti-corruption issues on an annual basis. Our annual report to the United Nations Global Compact and our Communication on Progress is available on our website – www.mondigroup.com/sustainability.

We prohibit forced, compulsory and underage labour, and any form of discrimination based on race, religion, age, disability or political affiliation, and we do not procure goods or services from suppliers who use child labour. Our Code of Conduct for Mondi Group suppliers outlines our expectations of suppliers in this regard.

SD See Mondi's [Code of Conduct](#) in the governance section.

Addressing human rights issues is the responsibility of line management with the ultimate responsibility for compliance resting with the Group chief executive officer.

All employees are free to bargain collectively and are allowed to join a trade union of their choice. Our labour standards ensure that our remuneration practices are fair and our global employment policy recognises the right of all people to be treated with dignity, and prohibits harassment in the workplace. Appropriate mechanisms, such as grievance procedures, are in place to support this. No incidents of discrimination were reported during the year under review.

SD See the [Employment](#) section for more information.