Mondi Group

Sharing our

sustainable future 2013

The Mondi Group

Mondi is an international packaging and paper Group, employing 24,400 people in production facilities across 30 countries. In 2013, we had revenues of €6.5 billion and a return on capital employed of 15.3%, with our key operations located in central Europe, Russia, the Americas and South Africa.

Our operations are fully integrated across the packaging and paper value chain – from the management of our own forests and the production of pulp and paper (packaging paper and uncoated fine paper), to the conversion of packaging paper into corrugated packaging, industrial bags, extrusion coatings and release liner. We are also a supplier of innovative consumer packaging solutions, advanced films and hygiene product components.

Mondi has a dual listed company structure, with listings on both the JSE Limited and the London Stock Exchange. Our performance and approach to responsible business practices have been recognised through our inclusion in the FTSE4Good Global, European and UK Index Series (since 2008) and the JSE's Socially Responsible Investment (SRI) Index (since 2007).

OUR 2013
SUITE OF REPORTS

SSF

Sharing our sustainable future

This positioning document, *Sharing our sustainable future*, tells the Mondi story by presenting an insight into our material issues within a global context, and how our operations around the world contribute to our sustainability. It is available as a downloadable pdf at www.mondigroup.com/ssf13.

IR

Integrated report and financial statements 2013

Our Integrated report and financial statements 2013 provide a comprehensive review of our financial performance. Our value-added statement at www.mondigroup.com/sd13/value, describes how we create and distribute value.

SD

Online sustainable development report 2013

This report expands on the information provided in *Sharing our sustainable future* by giving a comprehensive view of our approach to sustainable development and our performance in 2013 with regards to environmental, social and governance issues. This report is prepared in accordance with the Global Reporting Initiative (GRI) G3 guidelines to a B+ level with selected key performance indicators verified by an independent third party assurance provider – ERM Certification and Verification Services (ERM CVS) – and is available online at www.mondigroup.com/sd13.

Contents

P2
OUR APPROACH

P16
OUR ACTIONS

P40
OUR FUTURE

Our approach to sustainability and reporting

Our business

Our purpose is to create solutions that contribute to our customers' success by delivering exceptional value in a sustainable way. Our business model (the Mondi Way) describes how our purpose, strategy and operational framework are linked together, underpinned by our shared culture and values.

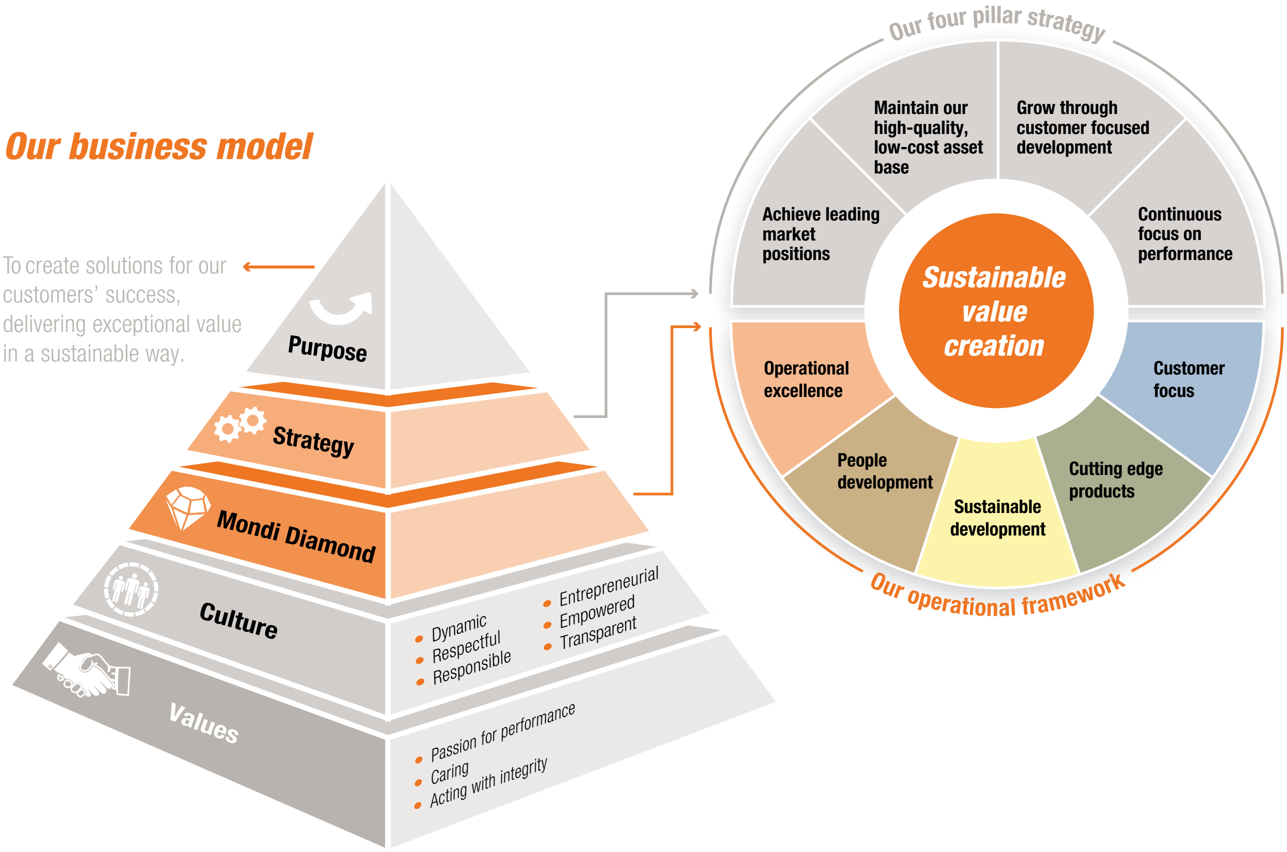
The Mondi Diamond is our operational framework that aligns our efforts and drives our business through operational excellence; people development; sustainable development (including safety); cutting edge products; and customer focus. The associated Mondi Diamond Awards recognise the teams that contribute to achieving our strategic objectives. Our values guide our people to act with integrity and passion for performance, creating a dynamic, entrepreneurial and empowered working environment. By caring about the work they do, about their fellow employees and about our stakeholders, our people create a respectful and responsible business.

IR Information about our business units may be found in our Integrated report and financial statements 2013 on pages 33 to 43

Our product brochure may be found online at
→ www.mondigroup.com/products

Reporting approach

In *Sharing our sustainable future*, we position ourselves relative to global trends that affect the sustainability of our business, and provide examples of how our operations around the world demonstrate our commitments and contribute to a sustainable future for us and our



stakeholders. Key performance data is provided throughout this publication for context only. Our full report may be found online at www.mondigroup.com/sd13, which expands on the information provided in *Sharing our sustainable future* by giving a comprehensive view of our approach to sustainable development and our performance in 2013 with regards to environmental, social and governance issues. Our online sustainable development report is prepared in accordance with the GRI G3 guidelines to a B+ level with selected key performance indicators verified by ERM CVS, an independent third party assurance provider. Other information such as our policies and standards, awards and recognition, our partnerships and the associations we support, report archives, useful links and sustainability contacts may also be found online on the Mondi Group website at www.mondigroup.com/sustainability.

Governance and risk management

IR For the full corporate governance report see our Integrated report and financial statements 2013 on pages 54 to 79

Our Boards and executives provide the leadership necessary to implement principles of good corporate governance across the Group so that all deliberations, decisions and actions of our business are based on integrity, responsibility, accountability, fairness and transparency.

Stakeholder engagement at multiple levels informs our materiality assessment, our strategy and our reporting. See page 8 for more details.

For further information on Board oversight and functioning, Accountability and Guiding sustainability see our online SD report at www.mondigroup.com/sd13/approach

Materiality assessment ensures that the Group acts and reports on issues that reflect its material economic, environmental, social and governance issues or those that would affect our stakeholders, now and in the future.

Management, employees and our business partners are guided by our Code of Business Ethics, which is supported by our Business Integrity Policy. Our Sustainable Development Policy outlines our overall sustainability strategy and is supported by our seven sector policies (www.mondigroup.com/sustainability) on sustainable forestry; environmental performance; climate change; product stewardship; corporate citizenship; global employment; and occupational health and safety.

We comply with the corporate and accounting regulations of South Africa and the United Kingdom, in line with our dual listed company (DLC) structure.

Risks and opportunities

Identifying and managing risks and opportunities is critical to the success of our business. A Group-wide risk management framework ensures the effective governance of material risks. We exercise due diligence prior to the introduction of new operations, practices, processes and products.

Our Sustainable Development Risk and Change Management Standard guides the ways in which sustainable development risks are identified and managed.

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. These include inherent operational risks as well as strategic risks. In addition to the key impacts on our business and our stakeholders, we identify sustainability trends and opportunities and seek to mitigate risks that affect our longer-term prospects and financial performance.

IR See pages 12, 13 and 66 to 68 for a discussion on risk management in our Integrated report and financial statements 2013

Our material issues within a global context

We are operating in a world of constrained resources, facing environmental and social challenges which are global in scale and local in nature. These challenges affect our business, our stakeholders and the communities in which we work, and our response contributes to our future sustainability.

It is important for us and for our stakeholders to identify and understand our material sustainability issues within this global context. We believe that being part of the solution secures the future prospects of our business and our communities. As we explore opportunities for new markets and innovative products, we work together with our stakeholders to address sustainability challenges across the value chain.

QUOTE

We believe that being part of the solution secures the future prospects of our business and our communities.

Environment and natural capital

The Millennium Ecosystem Assessment [1] found that 15 of the 24 ecosystem services evaluated had been degraded over the preceding half century. A rapid and continuing rise in the use of fossil fuel-based energy and an accelerating use of natural resources continue to affect key ecosystem services, threatening supplies of food, fresh water and wood fibre. More frequent and severe weather-related disasters, including drought and famine, are also impacting communities around the world.

[1] http://www.maweb.org

QUOTE

"We are under-using the potential power of nature and the solutions it can provide to global challenges associated with climate change, food security and social and economic development."

The International Union for Conservation of Nature (IUCN)

[2] www.ipcc.ch/publications_and_data/ar4/syr/en/spms1.html

Climate change, water and materials

Climate change represents one of the greatest threats to our environment, society and economy. The Intergovernmental Panel on Climate Change (IPCC) regards global warming as 'unequivocal' [2]. It assesses the observed increases in global average air and ocean temperatures, widespread melting of ice and snow, and rising global average sea levels, all very likely to be caused by the emissions of greenhouse gases (GHG) induced by human activities.

An increasing replacement of the use of fossil fuels with renewable energy sources is key in decreasing GHG emissions. In addition, responsible management of forests and associated ecosystems can contribute to a deeper global understanding of the role of forests in climate protection and maintaining the health of ecosystems.

In addition, one third of the world's population is affected by water scarcity (World Health Organization 2009), and if trends continue, this will increase to nearly half of the total population by 2030 (Organisation for Economic Co-operation and Development 2008). Responsible water management is therefore critical for society.

Materials consumption, especially on an industrial scale, brings additional burden on natural resources, not just through increasing resource depletion but also through waste generation. Products that are designed to be more efficient, last longer and use less material can in part address this. Packaging can be optimised to help products last longer and to deliver more functionality. Recycling can be increasingly integrated into business models. Even waste water can be considered a resource and reused/recycled to decrease the pressure on natural water systems. All of these activities require on-going commitment to research and development.

Given the state of the ecosystems and natural environment, the urgency and serious nature of global challenges such as climate change and the importance of managing water and material consumption, we have identified ***Increasing the eco-efficiency of our products*** and ***Understanding and minimising our contribution to climate change and taking advantage of the potential opportunities presented by forestry in the mitigation of climate change*** as two of our material issues.

Land use, forests and biodiversity

The International Union for Conservation of Nature (IUCN) highlights the importance of what it describes as 'nature-based solutions' and calls for more effective stewardship of natural capital. The IUCN believes that individuals, communities, governments and the private sector are under-using the potential power of nature and the solutions it can provide to global challenges associated with climate change, food security and social and economic development.

Land is being converted to human use all over the planet, mainly for agricultural purposes. This land-use change is one driving force behind the serious reduction in biodiversity and the impacts on water flows.

Loss of forests is a key example of how land-use change can have adverse impacts on our natural and social systems. Forests are an essential component of life, supplying wood, fibre and non-timber forest products as well as providing an extensive range of ecosystem services. They are also vital to watershed protection and soil formation, and play a major role in regulating climate.

Our material issues within a global context continued

As the world's population grows, unless consumption patterns change dramatically, our forests will have to produce more fibre for wood, paper and fuel. Overall wood use may triple in the next three decades. At the same time, increasing competition for land for food, bio-energy crops and livestock is putting our natural forests under increasing pressure. New Generation Plantations, intensively-managed forest plantations that maintain ecosystem integrity and protect and enhance high conservation value areas, can contribute to bridging the gap between demand and supply.[3]

Issues related to the loss of forests and reduction in biodiversity are directly linked. The Economics of Ecosystems and Biodiversity (TEEB)[4] study highlights the growing costs of biodiversity loss and presents a compelling economic case for the conservation of ecosystems and biodiversity.

Despite the efforts of various certification systems to address some of these challenges, the current level of global forest certification remains below 10%[5]. Although this figure is significantly higher in areas where Mondi operates, overall global certification is not growing enough to satisfy increasing demand. This makes it challenging to source an increasing proportion of certified wood. The shortage of certified wood in Europe has been exacerbated by subsidies for biomass for energy generation.

Wood is one of our key raw materials, and we recognise the challenges the industry faces to ensure sustainable and responsible management of forests. We also acknowledge the inextricable link between forests and biodiversity. Within this context, we have identified a further two material issues, namely ***Securing access to sustainable fibre in the short, medium and long term to meet the needs of the business and our customers*** and ***Operating in a world of constrained resources and recognising concerns regarding biodiversity, water and ecosystem services***.

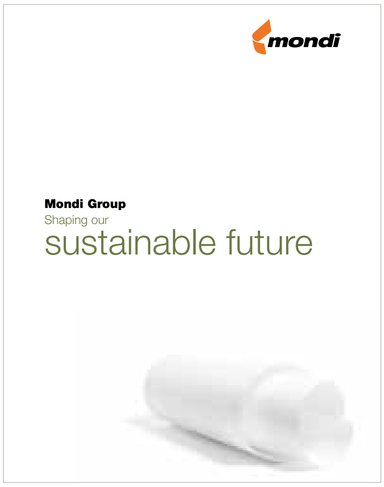
[3] wwf.panda.org/what_we_do/footprint/forestry/sustainablepulppaper/ngp_platform/

[4] www.teebweb.org

[5] UNECE/FAO 2009 – 2010 Forest Products Annual Market Review

Gilboa, South Africa: the Mondi Wetlands Programme is the most successful non-governmental wetland conservation programme in South Africa

FOCUS ON



WBCSD Action2020 [6]

In our 2012 *Shaping our sustainable future* publication, we reported on our sustainability performance within the framework of the World Business Council for Sustainable Development's (WBCSD's) pathway 2020 in support of its Vision 2050. The WBCSD encourages business through its 'Action2020' to move from vision to action by further defining what needs to be done by 2020, in order to ensure the vision of a sustainable world by 2050. It has identified the societal 'must-haves' to be met by 2020 within nine priority areas, including: climate change, ecosystems, water, basics needs and rights, skills and employment, sustainable lifestyles, and 'food, feed, fibre and biofuel'.

We work with the WBCSD's focus area and sector teams and within other global platforms, including the scientific community and NGOs as part of our stakeholder engagement and active dialogue approach.

[6] *www.wbcsd.org/Action2020.aspx*
[7] *Vision 2050: A new agenda for business* WBCSD
[8] *Human Development Report 2013 – The Rise of the South: Human Progress in a Diverse World* UNDP 2013

People, societies and development

The United Nations (UN) estimates that by 2050 the global population would have increased to more than nine billion. With the majority of this growth happening in the developing and emerging world, the global middle class will rapidly expand. The future population is expected to become increasingly urban and diverse. [7]

As populations grow and income levels improve, significant opportunities will exist for business to help improve people's livelihoods and lifestyles in more sustainable ways. Improving access to health and education as well as a more outcome-focused approach to such services are key to improving livelihoods.

The UN's Food and Agriculture Organization's strategic objectives include: helping eliminate hunger, food insecurity and malnutrition; making agriculture, forestry and fisheries more productive and sustainable; reducing rural poverty and increasing the resilience of livelihoods from natural disasters.

Also critical to societies' wellbeing in the future is their economic productivity – the gross output of goods and services per person in the potential workforce, which shows a decline in coming decades largely in maturing economies. It will be increasingly difficult to create growth purely from services and, therefore, it is important to increase productivity within economic areas such as agriculture, forestry and fisheries by educating, attracting and retaining the future workforce in these sectors.

Similarly, the UN Development Programme refers to future 'demographic challenges' in societies. For example, as populations age, the percentage of the working-age population will be reduced, and countries that remain poor will struggle to meet the needs of an ageing population. These challenges can be addressed by reducing unemployment, promoting labour productivity and increasing labour force participation. [8]

All organisations have a responsibility to keep their people safe. In order to achieve this, a safe and healthy working environment must be provided and the right safety culture developed. Leadership and line management must play a vital role in developing and sustaining the necessary safety culture and driving the continuous improvement efforts to achieve sustainable zero harm.

In light of the social context discussed above, and the anticipated trends regarding economic development and populations' demographics, we have identified two of our material issues to be ***Safeguarding the wellbeing of employees and contractors and securing key talent and skills***; and ***Maintaining our licence to trade by making a real and lasting contribution to the communities in which we operate.***

Our stakeholders

It is becoming increasingly clear that no individual sector – whether government, non-governmental organisation (NGO) or business – can make a significant, sustainable difference alone and that we need to work collectively. There is growing recognition that businesses can improve their own competitiveness, growth and profitability while simultaneously creating value for society.

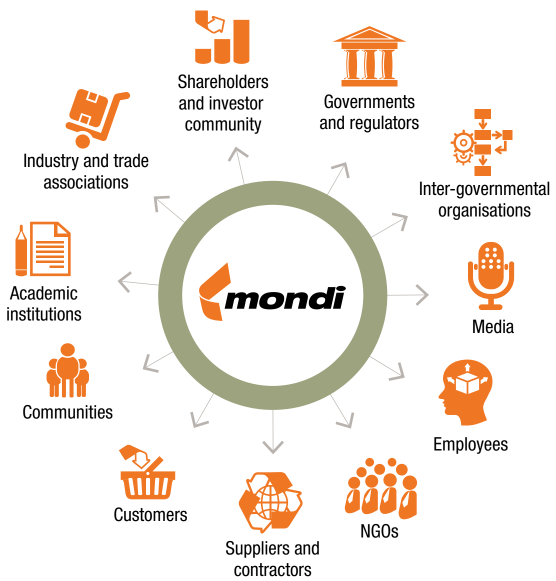
We aim to develop sustainable, scalable solutions that address key challenges and opportunities and create shared value through:
- our products and markets;
- our supply chains;
- social and economic investment; and
- partnerships, memberships, dialogues and stakeholder engagements.

Central to creating shared value is engaging openly and transparently with stakeholders to help identify emerging issues, shape appropriate responses, guide our strategy and provide opportunities to identify mutually-beneficial solutions. We value and encourage the contribution of our stakeholders and their specific skills, expertise and networks which help provide sustainable solutions that have tangible and lasting impacts. For Mondi, our collaborations with NGOs and the scientific community are producing encouraging results. One such example is our involvement in a multi-stakeholder initiative in the Komi Republic of Russia to preserve high conservation intact forests. Another example is how on-going dialogue with our customers about the issues that are important to them has helped in the development of our Green Range products.

See pages 36 to 39 for a discussion on how feedback from our customers drives product innovation

Our multi-stakeholder approach to external engagement includes informal and formal dialogue on a regular basis. Our formal and fully transparent socioeconomic assessment toolbox (SEAT) process and community engagement plans (CEPs) demonstrate the level of our engagement in socially material operations. In addition, FSC™ certification provides a global standard for the monitoring of stakeholder engagement in our forests. Other examples include engagement through membership associations and industry forums and by participating in research projects and surveys.

Our stakeholders



◄ Taking soil samples during the New Generation Plantations (NGP) South Africa Study Tour, May 2013

Memberships, associations and advocacy groups

We actively engage with our stakeholders to explain our position, understand and learn from their input and benefit from their contribution. We do this at global, regional and local levels appropriate to the nature and scale of the issue.

We believe that it is important to support associations, advocacy groups and institutions that bring together and represent stakeholder groups at global, regional or local levels. We recognise that debate, research and external monitoring organisations play an important role in regulating society and industry. Our support of these independent bodies provides us with valuable insight which then informs our strategy, performance and reporting. Further, our participation in forums, and support of and membership in various associations, ensure that we stay in touch with current and anticipated developments.

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

- **The United Nations Global Compact** (UNGC): a strategic policy initiative for businesses committed to 10 principles on human rights, labour, environment and anti-corruption;
- **The World Business Council for Sustainable Development** (WBCSD): a CEO-led global organisation of some 200 international companies dealing with business and sustainable development;
- **The CDP**: an international not-for-profit organisation providing a global system for companies to measure, disclose, manage and share information on carbon, water, forests and supply chain;
- **Global, regional and local NGOs**, including the Worldwide Fund for Nature (WWF), Silver Taiga in Russia, the forest certification schemes, the Global Reporting Initiative (GRI) and the Save Food initiative;
- **WWF International, WWF (Russia) and WWF (South Africa)**: key projects include the global New Generation Plantations project, the WWF Mondi Wetlands Programme in South Africa, and the WWF Intact Forests project in Russia.
- **The HCV Resource Network**: a global network which promotes a practical, consistent approach to HCV methodology;
- **The Forests Dialogue** (TFD): a global multi-stakeholder platform to develop solutions for sustainable forest management and conservation around the world;
- **Business in the Community** (BITC): a UK-based, business-led charity, focused on promoting responsible business practice;
- **Academic institutions**, including, for example, the University of Bodenkultur in Austria and the Stellenbosch and Pretoria Universities in South Africa;
- **National and local governments**, including the Ministry of Natural Resources of the Komi Republic in Russia and the Mpumalanga Provincial Government in South Africa;
- **National industry associations**, including the Confederation of European Paper Industries in Europe, Paper Manufacturers Association of South Africa and Forestry South Africa; and
- **Global sustainability indices**, including FTSE4Good and JSE SRI.

Please see our online SD report at → www.mondigroup.com/sd13/engagement for details of our stakeholder engagement process

Letter from the chairman of the DLC sustainable development committee and the chief executive officer

David Hathorn

Stephen Harris

We live in a world where rapid change is the norm and, while the sustainability landscape continues to evolve, we believe that the material issues we have identified remain valid and will allow us to address both current and emerging issues. However, we will continue to engage with our stakeholders to identify future trends.

It is reassuring that the strategies, systems and processes, and indeed the people we have in Mondi, continue to deliver good sustainability performance. This comment is not solely reliant on our own observation but is evident from the recognition of Mondi's sustainability performance and reporting (see www.mondigroup.com/sd13/awards). Sustainability is integrated into our business decision-making and we use external gap analysis and benchmarking to evaluate our performance compared to our peers and incorporate any findings into our approach.

QUOTE

The strategies, systems and processes, and indeed the people we have in Mondi, continue to deliver good sustainability performance.

In compliance with the South African Companies Act, a social and ethics committee was established in 2012 and it is pleasing to report that, during the past year, the committee's scrutiny of our social and ethics policies, practices and procedures has not identified any areas of major concern for Mondi. That is not to say that there is no room for improvement – there always is, and we continue to address a number of critical issues, as described below and throughout this report.

At the top of our agenda, for us personally and for our sustainable development committee members, is the issue of safety. In particular, the four contractor fatalities that we experienced in the Group during the year are a cause for great concern.

The executive team has placed a lot of focus and continuous effort on driving the establishment of a safe working environment and an appropriate attitude and culture towards safety and health in the day-to-day operations of the Group. There is strong evidence of the many measures that have driven this improved safety awareness and behaviour. Over the past five years, the Group has demonstrated a steady improvement in our total recordable case rate, contributing to our position as a safety leader in our industry. In addition, Group-wide initiatives such as *Making a Difference Day* (MADD) and development of critical task safety training material are indicative of the executive team's commitment to further improving our safety performance.

What has been a bigger challenge for the Group is how to deal with the safety risks associated with activities that are not part of the daily routine work schedule – because such activities are, by necessity, only conducted on an ad hoc or infrequent basis, the risk of fatalities and life-altering injuries is heightened. As a result, Mondi's management has taken Group-wide steps to identify those activities that are considered of highest risk or those being of a low probability, high impact nature, and to take steps to engineer those risks out and/or implement robust controls and procedures to manage the residual risk. This is a key directive for 2014, with the aim of a greatly improved performance in the year ahead.

Over recent years, a large proportion of our capital expenditure has focused on improving energy efficiency, increasing electrical self-sufficiency and reducing our carbon footprint. In 2013, these investments included projects such as a bark boiler at Syktyvkar, Russia, a recovery boiler at Frantschach, Austria, and steam turbines at South Africa's Richards Bay mill and our Stambolijski mill in Bulgaria. There are further investments planned for 2014.

Another area of increased focus in 2013 was the integration and optimisation of our new acquisitions[9]. This was a priority not only in respect of production and marketing, but also in sustainability. We do not see any new sustainability challenges being brought to the fore with the acquisition of these businesses or their integration into the Mondi fold. Instead, the challenge going forward is to ensure that a consistently high standard of planning and reporting exists across all business entities. As a rule, we expect new operations to be fully integrated within two years of the acquisition date, but encourage this to happen sooner where possible.

[9] Our new acquisitions, in the latter part of 2012, include Nordenia and the Duropack corrugated packaging plants in Germany and the Czech Republic.

Another issue of on-going concern is the monitoring of our supply chain to ensure that all parties endorse and work to the same high standards that Mondi sets for itself. The introduction of EU Timber Regulations has heightened the need for traceable and transparent supply chain management for our wood and fibre based products. There are many challenges, given the extent of our operations and the complexities of our supply chain; our heavy reliance on the supply chain in certain aspects of the business (for example, small growers in Europe and South Africa, and contractors in our forests); and the fact that many of the codes and standards to which we subscribe require a high level of commitment. Nonetheless, we recognise our responsibility in this regard, and continue to participate and uphold the requirements of the UNGC and other relevant associations, institutions and regulatory bodies.

The report that follows has been developed with a focus on those issues that are most material to us as a Group – these may be challenges or opportunities, with both needing to be explored. We are also conscious that we do not work in isolation and that we have an important role to play as both custodian and steward of our natural resources. For this reason, we have sought to share those issues that are significant within a global context. The work we undertake with NGOs such as WWF, and industry bodies such as the WBCSD, is highly relevant. We have sought external assurance on selected key performance indicators reported in our sustainable development report. Further, we have asked UK-based business-led charity, Business in the Community, to consider our report and provide a third party review of the reasonableness of our sustainability approach in addressing our material issues.

This information and assurance statement may be found on our online SD report at → www.mondigroup.com/sd13/assurance

In conclusion, we wish to pay tribute to our colleagues on the Boards, to the executive, to management and our employees. They together are Mondi, who are credited for past performance and who are responsible for its future successes. To them our message is simple: maintain our focus on performance and eliminate fatalities and life-altering injuries. There can be no other way forward.

Stephen Harris
Chairman of the DLC
sustainable development committee

David Hathorn
Chief executive officer

Our 2015 sustainable development commitments

In 2010 we developed a set of commitments to guide our sustainable development efforts over the following five years. These commitments, our progress and how we measure it are set out below.

Material issues	Commitments
Securing access to sustainable fibre in the short, medium and long term to meet the needs of the business and our customers	We will maintain our **FSC™ certification** of all managed forests.
	We will procure over **60% of wood**, virgin fibre and biomass products from credible certified sources.
	We will provide support to **land reform** beneficiaries after the land has been transferred.
	We will maintain our **Chain-of-Custody (CoC) certifications** for our mills.
	We will increase the proportion of **fibre based products** certified against a credible forestry standard.
Maintaining our licence to trade by making a real and lasting contribution to the communities in which we operate	We will continue to **disclose our carbon and forestry** footprint performance.
	We will continue to engage with the **United Nations Global Compact (UNGC)** and promote, support and implement its 10 principles.
	We will continue to engage with the **World Business Council for Sustainable Development (WBCSD)** and address the most contentious global sustainability matters affecting our business.
	All mill operations to be **certified to ISO 14001** and **OHSAS 18000**.
	All converting operations to be **certified to OHSAS 18000**.
	All forestry operations to be **certified to ISO 14001** by 2013.
	We will reduce our **level II environmental incidents** by 50% by 2015 from the 2010 base year and maintain a zero level III environmental incident performance.
	We will revise our **community complaints** system by 2012 and will focus on the reduction of odour-related complaints.
	All operations involved in producing food contact packaging to be certified to a recognised **food hygiene standard**.
	All mills and forestry operations to have a rolling **community engagement plan (CEP)** and Russian and South African forestry and mill operations to have a **SEAT** process updated on a three-to-five year cycle.

Progress	Key performance statistics
In 2013, we maintained 100% FSC™ certification of our managed forests.	**100%** of managed land FSC™-certified
66% of our total procured wood in 2013 was CoC-certified and the balance met the FSC™ Controlled Wood Standard.	**66%** of wood CoC-certified
To date, some 36,000 hectares of Mondi land under forestry have already been transferred to community beneficiaries, bringing the percentage of land transferred to claimant communities to 26% of the total area of 139,000 hectares under claim, and the percentage of settled claims to 23% of the total number of recorded claims.	**23%** land claims in South Africa settled, **26%** of land in South Africa transferred to claimant communities
All our mills have CoC certifications in place.	**100%** of mills CoC-certified
66% of our products based on wood procured directly by our mills, and 81% of our products based on pulp procured externally by our mills, were manufactured from CoC-certified sources.	**66%** of wood-based products and **81%** of external pulp-based products from CoC certified materials
In 2013 we have once again disclosed our carbon and forestry footprint performance in the CDP. While we maintained our score, we were not included in the leadership index this year due to the higher threshold set but aim to improve our performance in 2014.	Continued **disclosure** of performance in CDP
We continue to engage with UNGC and reported our Communication on Progress (CoP) in August 2013. We continue to report at an Advanced Level.	**Advanced Level** reporter at the UNGC
We support WBCSD's Action2020. Mondi's CEO is a core member of the ecosystem FACT.	**Active member** of the WBCSD Forest Solutions Group
All our mills are certified to both ISO 14001 and OSHAS 18000 standards.	**100%** of mills certified to ISO 14001 and OHSAS 18000
66% of operations have achieved certification by the end of 2013.	**66%** of converting operations certified to OHSAS 18000
The South African forest operations are currently in the process of certification and the Russian forest operations are planning certification by June 2014.	**100%** of forest operations will be certified in 2014
We had five level II environmental incidents in 2013, an improvement of 75% against a 2010 base year.	**75%** reduction of level II environmental incidents
In 2013 we have revised our methodology on reporting complaints in order to categorise and report complaints and incidents separately.	**Revised approach** to community complaints implemented
66% of our operations producing food contact packaging were certified to a recognised food hygiene standard.	**66%** certified to food hygiene standards
All mills and forestry operations have a CEP in place. In 2012 we completed SEAT reviews in Richards Bay and Syktyvkar and in 2013 the first SEAT at Stambolijski.	**First SEAT** in Bulgaria, **on-going CEPs** at all socially material mills

Our 2015 sustainable development commitments

continued

Material issues	Commitments
Understanding and minimising our contribution to climate change and taking advantage of the potential opportunities presented by forestry in the mitigation of climate change	By 2014, we will reduce our **CO_2e 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%, against a 2004 base year.
	We will increase the proportion of **renewable resources** for primary energy needs against the 2010 base.
	We will progress towards becoming **self sufficient in electrical energy** in the longer term.
Operating in a world of constrained resources and recognising concerns regarding biodiversity, water and ecosystem services	We will implement **ecosystem management plans (EMPs)** at all our forestry operations by 2013.
	We will report on **seedlings planted**, our tree improvements, the invasive species fight back and our work on pest and disease resistance.
	We will report on **land set aside** for conservation purposes.
	Mondi participates in **WWF New Generation Plantations (NGP) project** and is committed to the concept.
	We will carry out a water impact assessment **(WIA)** of our forestry operations and mills.
	We will continue to support the **Mondi Wetlands Programme (MWP)** in South Africa.
	We will continue to work with our stakeholders to **identify areas of high conservation value (HCV)** in the Komi republic in Russia and in South Africa.
Safeguarding the wellbeing of employees and contractors and securing key talent and skills	**Avoid work-related** employee and contractor **fatalities**.
	Prevent work-related **life-altering** employee and contractor injury.
	We will achieve a **total recordable case rate (TRCR)** of 0.75 or below by 2015, including employees and contractors, against a 2010 base year.
	Mondi will facilitate access to a comprehensive primary health care service, including the provision of **anti-retrovirals (ARTs)** for its employees and contractors.
	We will continue to report the **diversity** of our workforce.
Increasing the eco-efficiency of our products	We will increase the number of products in our **Green Range**, including non-fibre based products.
	We will progress towards being a zero waste company by reducing the **total waste to landfill** by 20% by 2015 against a 2010 base year.
	We will reduce **total reduced sulphur (TRS) emissions** from our mill operations by 20% in 2015, against a 2010 base year.
	We will reduce **specific contact water** consumption by 10% by 2015, against a 2010 base year.
	We will reduce our **effluent load** to the environment by 10% against a 2010 base year.
	We will continue to report our consumption of **recovered fibres**.

Progress	Key performance statistics
We have exceeded our commitment and have achieved a 30% reduction to date.	**30%** reduction of specific CO_2e emissions
We have exceeded our commitment and reduced our specific energy consumption by 20%.	**20%** reduction of specific energy consumption
61% of the total fuel consumption by our pulp and paper mills in 2013 came from renewable energy sources.	**61%** of fuel consumption of mills from renewables
A 90% electrical self-sufficiency was achieved by 2013.	**90%** electrical self-sufficiency
All our forestry operations have EMPs in place.	**100%** of forest operations with EMPs in place
In 2013, we planted 36 million seedlings. 70,784 hectares of land in our South African forests were maintained in terms of alien species.	**36 million** seedlings planted, **70,784 hectares** of land in South Africa alien species-maintained
In 2013, 26% of our managed forestry land was set aside for conservation purposes.	**26%** of managed land set aside for conservation
In 2013, Mondi co-hosted the NGP Africa regional meeting and field visit together with WWF (SA).	**Co-hosted** NGP Africa meeting with WWF
We have completed WIAs at our mills and forestry operations.	**100%** of mills and forestry operations undergone water impact assessments
Mondi remains the principle sponsor of the MWP.	**Continued** support of MWP
To date, we have identified 572,907 hectares of HCV areas, 4,781 hectares in South Africa and 568,126 hectares in Komi, Russia.	**572,907 hectares** of HCV areas identified
There were two incidents resulting in four contractor fatalities in 2013. Decision taken to further increase focus on low-probability, high-impact events.	**Four** fatal injuries
Two life-altering injuries were experienced with two contractors losing fingers.	**Two** life-altering injuries
We achieved a TRCR of 0.78 in 2013. We will review the current 2015 milestone after monitoring the combined performance in 2014, taking into account the new acquisitions.	TRCR of **0.78**
45 employees and 97 contractors in our South African operations are currently on ART.	**45** employees and **97** contractors on ART
20% of our employees and 7% of our senior managers in 2013 were female.	**20%** of employees and **7%** of senior managers female
We will revise our approach in 2014 to reflect our extended product portfolio following our major acquisitions at the end of 2012.	**Revised** approach to Green Range in 2014
A 7% reduction was achieved by the end of 2013. We continue to investigate innovative approaches in order to meet our commitment by 2015.	**7%** reduction of landfilled waste
A 39% reduction was achieved by the end of 2013, mainly by closing loops and introduction and incineration of odour-containing off-gases in our boilers.	**39%** reduction of TRS emissions
We have maintained our specific contact water compared with 2010. Planned investments at our pulp and paper mills will bring further improvements.	**Maintained** specific contact water consumption
A 9% reduction of COD emissions was achieved by the end of 2013. On-going investments will bring further improvements.	**9%** reduction of COD emissions
1.4 million tonnes from recovered fibre in 2013.	**1.4 million** tonnes of recovered fibre

We are affected by global challenges and work to be part of the solutions

OUR ACTIONS

Our forests: operational excellence

In *Our material issues within a global context* we highlighted how economic productivity is a critical factor in ensuring societies' wellbeing in the future and how important it is for business to promote overall productivity and to educate, attract and retain its future workforce.

Over several years, Mondi has focused on developing operational practices that enable us to become globally more competitive within a context of international good practice. In this section, we focus on operational excellence through the modernisation of our forestry operations.

Modernisation: at the forefront of operational excellence

Specific challenges in the forest sector include poorly-developed infrastructure; large geographical areas and distances; declining rural population as young, skilled people move to urban areas; an ageing rural workforce; increasing labour costs; and, in South Africa, high labour turnover and the impact of HIV/AIDS.

Our modernisation strategy is geared to meet these challenges and to ensure decent working conditions so that Mondi is considered an employer of choice. The new systems, equipment and technologies being introduced in our operations bring many positive benefits. 2013 saw the focus shift from harvesting to roads, planning and silviculture.

Modernisation in the South African forests

Harvesting

Mondi's modernisation process, which began in 2008, included a change in forestry management systems and processes, optimisation of the forestry road network, the introduction of mechanised harvesting systems, an upgrade of information technology infrastructure and replacing vehicles with larger, more efficient ones. It also involved the restructuring of contractor businesses, supported by training and business development through Mondi Zimele.

Over 90% of our core harvesting operations have been mechanised. This has resulted in increased harvesting productivity and greatly reduced reliance on manual felling, debarking, cross-cutting and stacking of timber, delivering the many safety and ergonomic advantages associated with the 'no hands on timber' approach.

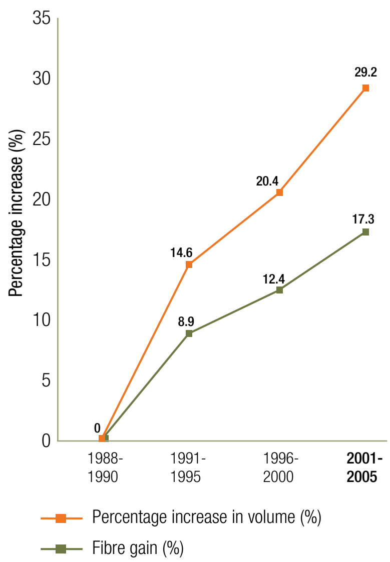
Light detection and ranging technology, generating precise and directly georeferenced spatial information, is currently being introduced and will support the modernisation process by providing more accurate and comprehensive maps and site data.

Silviculture[10]

Modernisation of silviculture operations has been fast-tracked over the past year. Modernisation efforts include:

- upgrading of nurseries;
- modernisation and refurbishment of fire-fighting operations;
- ergonomic and productivity improvements of all silvicultural operations, including pitting operations; and
- improved planting, watering and fertiliser operations techniques.

Half-rotation wood and fibre gains from cuttings of selected trees planted



[10] Silviculture is the growing and cultivation of trees

QUOTE

"Modernisation efforts have resulted in significant productivity gains, with room for further improvement. This will be achieved by introducing a new wood supply technology solution, 'Wood master', to optimise overall wood supply which in turn delivers important cost savings."

Axel Bender
Forestry Director, Syktyvkar mill

Modernisation in the Russian forests

Modernised harvesting has been fully implemented at our Russian operations in Syktyvkar for a number of years. The modernisation process included replacing largely motor manual logging processes with the more flexible and fully mechanised forwarder, improving living conditions at the logging camps and an upgrade of the road infrastructure to optimise access to the harvesting operations. More recently, as part of the drive to optimise transport operations and reduce transport costs, some 117km of new roads were constructed by contractors in 2012 and 2013.

Another important aspect of the modernisation process was the establishment of silviculture operations. This was part of the effort to ensure re-establishment practices in our forests meet the requirements of the new Russian Forest Code, thus ensuring that future forests are well stocked.

High conservation value intact forests in Komi, Russia

Our forests: a focus on our people

In *Our material issues within a global context* we described the importance of increasing productivity by educating, attracting and retaining the future workforce in our sector and how opportunities exist for business to help improve people's livelihoods and lifestyles in more sustainable ways.

Mondi is able to enrich the economic and social conditions of the communities where we operate by creating employment and improving livelihoods, thereby contributing to the socioeconomic health and stability of these communities. Our forestry operations are located in rural areas in developing economies, where neighbouring communities are typically affected by geographical remoteness, poor infrastructure and depopulation of rural villages. In this section, we focus on some of the ways in which we support our employees and local communities.

Improved health and safety

The introduction of fully mechanised harvesting systems in South Africa and Russia has made a major contribution to improved safety and ergonomic performance due to reduced exposure of the workforce to sharp tools, chainsaws and other traditional manual forestry activities. The total recordable case rate has decreased in our forestry operations by 30% since 2009. The severity of these incidents has also decreased.

In the silviculture operations in South Africa, where the physical force demands on the body are generally lower than in harvesting and there is not the same exposure to dangerous equipment, the focus has been on eliminating prolonged, awkward, stooped postures and reducing force demands on the body.

Promoting professional forestry education in Komi, Russia

The population of Komi has decreased in the last seven years. In Russia, young people are leaving smaller towns in remote areas of Komi for bigger cities with more diverse employment opportunities. Also, modernisation requires more skills and training but has necessitated a reduction in personnel. We collaborate with a number of key educational institutions and NGOs to train specialists in the forestry industry. A good example is our long-standing partnership with the Syktyvkar Forest Institute. Mondi has equipped three laboratories to train students in paper production, and mechanics in forestry and safety training.

Our efforts to promote the forestry industry and broaden the national skill set go deeper. Three years ago we launched the Forest Academy of Komi in partnership with the Komi Government, to promote work in the forest sector, train and retrain personnel, contributing to social stability in the local community. The initiative is strongly supported by academic institutions and NGOs such as Silver Taiga.

Creating value in our forest communities

Community engagement in our forests

In 2013 all our forest operations maintained and updated their annual community engagement plans (CEPs). Socioeconomic assessment toolbox (SEAT) assessments are conducted in our forestry operations to ensure that the focus of our CEPs remain relevant.

For more information on our SEAT and CEP processes, refer to pages 28 to 30 of this report

What Mondi Zimele offers

The mondi Zimele model

Funding
- Equity
- Discounted small business loans
- Asset finance
- Start-up capital

Business development support
- Business plan development
- Management support
- Technical and legal compliance
- Administration and systems
- Industry expertise and skills transfer
- Business performance improvement

Market
- Critical links to key markets to enable small business access

Mondi Zimele

We recognise that there are limited alternative economic opportunities available to people in rural communities in South Africa, who are marginalised by a low level of skills and education, poorly developed infrastructure, unemployment and HIV/AIDS. The commercial forest sector offers significant business opportunities for small and medium-sized enterprises (SMEs) and entrepreneurs.

The word 'Zimele' means 'to be independent' or to 'stand on one's own feet' and reflects Mondi Zimele's overriding ethos of 'Independence through Enterprise'. Mondi Zimele, the small business development division of Mondi South Africa, has three main objectives, to:

- develop sustainable empowerment contractors in Mondi's forestry value chain;
- encourage job creation and local economic development through the support of small businesses in surrounding communities; and
- facilitate the increased availability of sustainable fibre for Mondi mills from private growers with the emphasis on new community forestry businesses.

Mondi Zimele provides funding, business development support and market linkages to future suppliers and businesses within the Mondi forestry value chain and surrounding communities.

Structured processes and tools are used to assist entrepreneurs in identifying key success factors and establishing appropriate controls in their businesses. The focus is on assisting entrepreneurs to use the right business management practices together with clear market strategies to develop their business idea. The involvement of the Mondi Zimele team is from conception, through to feasibility, funding and eventual implementation. Continuity of support leads to a strong sense of commitment and Mondi Zimele typically remains in support of small businesses for up to three years.

Since inception in 2007 Mondi Zimele has extended support to over 80 small businesses with a collective turnover in excess of €50.6 million per annum and an employment footprint of over 4,200 people.

Capacity building in our forest communities

In South Africa, there is a critical need for skilled professionals who can lead organisations towards sustainability in a complex and challenging environment.

The Mondi Wetlands Programme (MWP) has established a professional development programme for students to support the development of young professionals in the field of wetland conservation, with the aim of contributing to the capacity development of individuals within government, the sugar and forestry industries, historically disadvantaged rural communities and tertiary institutions as well as among private wetland practitioners. During 2013, two interns completed their Masters degrees and a third has embarked on PhD research with support from a fellow of the Stockholm Resilience Centre. Two new interns have joined the internship and there is potential for this project to grow further.

Phase II of the catchment research, sponsored by the Water Research Commission, 'Working for Water' and Mondi, concluded at Mondi's Two Streams catchment in 2013. The catchment provided an ideal practical training ground for undergraduate hydrology students at the University of KwaZulu-Natal and over the period, the research has supported three honours degrees, three MSc degrees and four doctorates.

Our forests: ecosystem stewardship

In *Our material issues within a global context* we discussed how land-use change can have adverse impacts on our natural and social systems and how we are not only affected by these changes but can also be a part of the solutions.

Ecosystem degradation and biodiversity loss through deforestation and illegal logging, growing competition for land for food, bio-energy crops and livestock, coupled with increasing rural poverty and a decline in rural populations are just some of the world-wide challenges that affect our industry.

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.

Mondi is helping in several ways to preserve and protect natural capital that provides ecosystem goods and services. In production landscapes, this helps maintain biodiversity. In this section, we focus on how we, through our engagement with key partners, are continuing our work towards improved ecosystem stewardship.

Working in partnership towards ecosystem stewardship

Forest certification

Mondi owns or leases 316,000 hectares of plantation forest in South Africa and leases and manages 2.1 million hectares of boreal forests in Russia. In 2013, we maintained 100% FSC™ certification of all our owned, leased and managed forests in Russia and South Africa.

The identification and protection of key intact forests of north-west Russia

We actively support and participate in a multi-stakeholder process led by the NGO Silver Taiga in Komi (north-west Russia) and WWF (Russia), and involving the Ministry of Natural Resources of the Russian Federation, Greenpeace and the forest communities to identify and protect some of the last remaining HCV intact forests in Europe. The delineation of five intact forests associated with Mondi's operations has been agreed. During 2013, one of these intact forests areas was registered for the establishment of the Koigorodsky National Park.

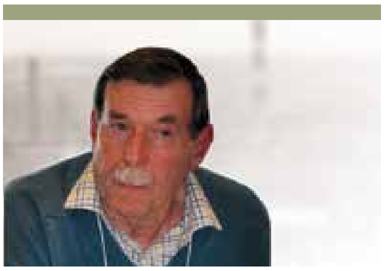
Preservation of conservation areas

As at December 2013, Mondi has set aside 638,810 hectares for conservation in Russia and South Africa (26% of our forestry landholding).

WWF New Generation Plantations (NGP) project

The global NGP project is a collaborative effort between WWF and several companies and governments. Mondi is an active and founding participant in the project, aimed at promoting best practice in the design and management of forest plantations by identifying examples of well-managed and appropriately located plantations that contribute to healthy, diverse and multi-functional forest landscapes and are compatible with biodiversity conservation and human livelihoods.

In 2013, together with WWF (SA), Mondi co-hosted the NGP Africa regional meeting and field visit. Around 40 participants took part to learn how companies and conservationists are working together to develop and promote best practice plantations in production landscapes. A number of Mondi's forests were used to illustrate NGP principles.



QUOTE

"The NGP project provides a creative platform for the further development and promotion of best practice forestry plantations and it clearly has potential for application in other land uses."

Peter Gardiner
Group Natural Resources Manager

Mondi Ecological Network Programme (MENP)

Ecological networks consist of interconnecting corridors with associated patches of natural or restored habitat. We are the main sponsor of the MENP and are working with Professor Michael Samways and his research team from the University of Stellenbosch in South Africa to understand and manage such ecological networks in our forests.

In 2013, a number of research papers focusing on the design and management of ecological networks were published internationally. Mondi is currently working with the MENP, WWF (SA), NGP and others to scale up the implementation of ecological networks in production landscapes.

Says Professor Samways, “Mondi, as a significant land owner, has been dedicated for some years now to ensuring that timber is produced where biodiversity is conserved and ecosystem integrity is maintained. Mondi’s operations in South Africa have been particularly exciting as they have been a world model for sustainability, using both land design and management as the foundation for sustainable approaches for many different crops around the world.”

Freshwater ecosystems and the Mondi Wetlands Programme (MWP)

Our engagement with the Water Research Commission (WRC), University of KwaZulu-Natal, University of the Free State and the Council for Scientific and Industrial Research have all made an important contribution to improve our understanding of plantation water issues through projects carried out on Mondi land. In 2013, the conclusion of Phase II of the WRC’s ‘Working for Water’ backed hydrological research on Mondi’s Two Streams catchment has delivered practical research findings on the impacts of forestry on riparian areas.

Mondi remains the principle sponsor of the MWP. During 2013, the administration and staff of the MWP, as part of wider cooperation with WWF, were successfully transferred from The Wildlife and Environment Society of South Africa (WESSA) to WWF (SA). This new arrangement will facilitate additional funding to increase the influence of the MWP. The MWP and WESSA continue to cooperate on joint projects associated with the MWP.

With the support and expertise of the MWP, 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 continue to work within Mondi and with global initiatives to develop meaningful financial and quantitative systems to value ecosystem services.

Integrated Biodiversity Assessment Tool

In 2013, we adopted the Integrated Biodiversity Assessment Tool for our business, an innovative tool designed to facilitate access to accurate and up-to-date biodiversity information and which will complement our highly developed geographic information systems currently used in our forestry operations.

Control and monitoring of pests, disease and alien invasive species

Mondi manages invasive alien plant species with dedicated conservation teams that have been trained in the identification and removal of invasive alien plant species. Mondi treats over 60% of the conservation landholdings annually, with 70% maintained at a weed-free level.

Mondi is in partnership with the University of Pretoria’s Forestry and Agricultural Biotechnology Institute (FABI), a world-renowned institute established in part to help the development of food and fibre crops. In 2013, FABI responded to the increasing incidence of pests and disease in our plantations with practical measures to manage the Sirex wasp and the Chalcid wasp, two pests of pine and eucalyptus, respectively.

Our manufacturing operations: operational excellence

In *Our material issues within a global context* we referred to the environmental challenges our societies are facing today and how business can play a role in helping to address some of these. Climate change, water and material consumption were discussed as well as the impact that industry has on these issues.

In this section, we explore some of the environmental issues linked to our manufacturing operations and report our performance in respect of energy and climate change, water use and emissions, air emissions and waste. Finally, through examples of how our operations in different countries tackle these issues, we demonstrate how we integrate responsible, sustainable and sound environmental principles through operational excellence.

The European Integrated Pollution Prevention and Control (IPPC) Bureau's [11] summary of some of the main environmental issues linked to the production of pulp and paper is reflected below and our performance in each area is reported accordingly.

Fuel and energy use, carbon emissions and climate change

Given that energy generation significantly contributes to greenhouse gas emissions, our climate change programme is mainly focused on increasing the efficient use of energy and improving our use of renewable energy, as well as moving from carbon intensive fuels to those with lower carbon intensity, such as natural gas. In 2013, total energy use was 144 million GJ (2012: 148 million GJ) by our material operations. Total electricity requirements for producing pulp and paper amounted to 5.3 million MWh (2012: 5.5 million MWh), with 90% of this electricity generated by our own power plants.

Since 2004, we have increased our use of biomass in fuel consumption from 50% to 61%. Our initiatives to raise energy efficiency have helped us achieve a 20% reduction in energy intensity (energy consumption per tonne of saleable production) since 2004. In 2013, our direct (Scope 1) GHG emissions amounted to 3.91 million tonnes CO_2e (2012: 4.26 million tonnes CO_2e) and indirect (Scope 2) emissions from purchased energy were 1.13 million tonnes CO_2e (2012: 1.16 million tonnes CO_2e) from our material operations. Overall we have achieved an absolute CO_2e reduction of 1.3 million tonnes since 2004.

Water use

Water is a critical resource for the pulp and paper industry, required during different stages in the production process, from growing trees to processing pulp into the final product. We are a significant user of water and are committed to managing it wisely and responsibly. In 2013, we maintained our level of contact water consumed per tonne of saleable product compared with 2010. Planned investment at our pulp and paper mills will bring improvement in 2014 and 2015. Total water input stood at 308 million m^3 (2012: 307 million m^3). We have completed water impact assessments (WIAs) at all our pulp and paper mills and forest operations. This increased our understanding of our impact on water sources, as well as potential risks in water availability, allocation and costs.

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 2013, 280 million m^3 (2012: 288 million m^3) of water was discharged by Mondi's operations.

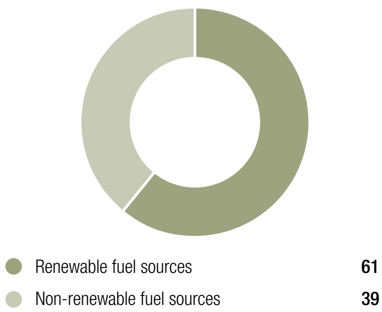
Emissions to water

Two key indicators of discharges to water in the pulp and paper production sector are: chemical oxygen demand (COD), reflecting the organic load being discharged by the

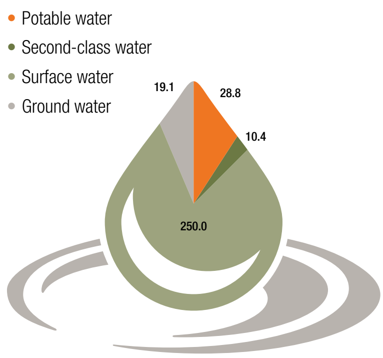
For more detailed information and data please visit our online SD report at www.mondigroup.com/sd13/operationalexcellence

[11] The IPPC Bureau is an expert team organised by the European Union, which produces reference documents on best available techniques (BREFs).

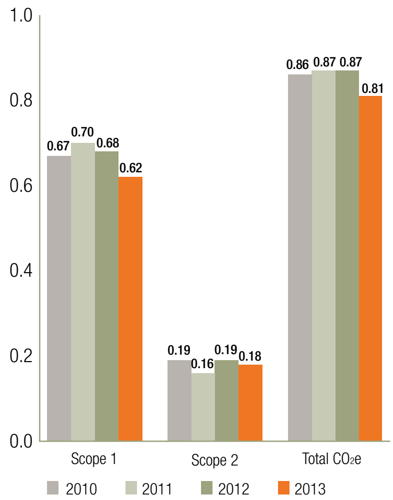
***Renewable and non-renewable fuel consumption sources for material operations 2013** (%)*



***Total water input sources 2013** (million m^3)*

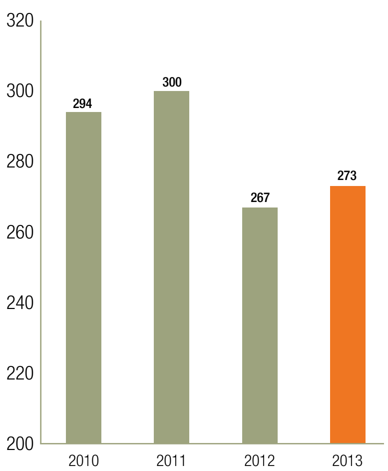


Specific CO_2e emissions from our material operations
(CO_2e tonnes/tonnes of saleable production)



[12] Hydrogen sulphide (H_2S), methyl mercaptan, dimethyl-sulphide and dimethyl-disulphide.

Total waste to landfill *(000 tonnes)*



For details of our performance in respect of waste, go to our online SD report at → www.mondigroup.com/sd13/operationalexcellence

operations in the form of grey or waste water after treatment; and adsorbable organic halogens (AOX), reflecting adsorbable halogen compounds present in water released from the pulp bleaching process.

Progress was made in reducing COD emissions by 9% between 2010 and 2013. In 2013 COD tracked at 45,552 tonnes (2012: 47,049 tonnes). The Group's volume of COD lies within the Best Available Technique (BAT) range.

AOX emissions have been reduced by 61% since 2005. This was due to elemental chlorine no longer being used during bleaching. In 2013, AOX emissions stood at 151 tonnes compared with 155 tonnes in 2012. Mondi continues to investigate ways of further reducing AOX emissions. The Group's volume of AOX also lies within the BAT range.

Emissions to air

One of our focus areas is total reduced sulphur (TRS) compounds [12] from our kraft pulp mills. While the scale of concentrations emitted does not pose a health concern, tracked amounts are enough to create an odour nuisance, giving rise to public complaints. In 2013, 84% of all registered public complaints related to odour.

Mondi is working to resolve the issue of malodorous gases, which includes the incineration of TRS-containing gases in recovery boilers. In addition, the use of mobile equipment helps to detect diffuse emissions (small leaks), as well as TRS monitoring stations outside of Mondi's boundaries. In 2013, our TRS emissions amounted to 65 tonnes (2012: 99 tonnes). The Group's volume of TRS lies within the BAT range.

Solid waste

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 2013 we achieved a reduction of 7% of our total waste to landfill by increasing the recycling and re-use of materials.

In 2013, our total waste to landfill amounted to 272,783 tonnes, an increase of 2% on 2012. During 2013, we delivered 2,107 tonnes of hazardous waste to landfill, mainly clean-up waste from an oil leakage incident at our Richards Bay mill in 2012. Mondi remains committed to further reducing its waste to landfill by reusing and recycling.

Investing in renewable energy at Frantschach and Syktyvkar mills

Pulp production, by its very nature, provides the opportunity to attain energy self-sufficiency. We follow the ecologically-established cascading usage principle whereby we use wood to make paper and then burn residues to create energy. It is part of our strategy to utilise the latest technology to optimise this process.

Our energy-related investments have focused on installing new recovery boilers at Syktyvkar (Russia), Frantschach (Austria), Ružomberok (Slovakia) and Świecie (Poland) so that we harness the green energy created through recovery boilers.

Our manufacturing operations: operational excellence

continued

New energy investment at Frantschach

During 2013, a new recovery boiler was commissioned at Frantschach. As a result, the mill has been able to increase its power-generating capacity by more than 30%, greatly contributing to containing the operational cost structure and profitability of the mill.

The kraft pulp process generates by-products in the form of biofuel which the mill can either use internally in energy generation or sell as green energy. From an environmental impact point of view, there has been a significant reduction in Frantschach mill's carbon footprint, while increasing its energy efficiency. Some 96% of the mill's electrical energy needs are now met with renewable sources.

Frantschach is now in a position to supply an annual 50,000 MWh of 'green' energy to the grid. Gottfried Joham, managing director of Mondi Frantschach elaborates, "We have received very positive feedback from the local government, and the community appreciates that the new boiler now provides up to 30% more heat to the city of Wolfsberg – helping to meet its energy demand."

Commitment to sound environmental principles

"The successful completion of the projects would not have been possible without our close partnership with the Andritz Group," says Gottfried. In addition to Frantschach, Andritz, the international technology company responsible for supplying the plant, equipment and technology for the recovery boiler, has partnered with Mondi on other modernisation projects, including at Syktyvkar and Ružomberok. Speaking of the project, chief executive officer of Andritz, Wolfgang Leitner, commented, "Old recovery boilers are the main sources of air emissions during pulp production in the industry, and Mondi is committed to minimising its emissions through modernisation projects and investments in best available technology. Mondi adheres to sound environmental principles, and is one of the most active companies in Europe in the area of renewable energy investment."

Syktyvkar mill: continuing to deliver benefits

In September 2010, Mondi completed a phased expansion of its Syktyvkar mill. The project included building a new recovery boiler with a daily production of 3,560 tonnes of dry solids to replace the mill's three pre-existing recovery boilers. The recovery boiler now fully meets the mill's electricity needs and electricity and heat surpluses are sold to the electricity grids of the Komi Republic and Ezhva district of Syktyvkar. Total electricity production grew by 12% in 2013 in comparison to 2008, with the volume of electricity delivered to external consumers increasing by almost 20%.

QUOTE

"Mondi adheres to sound environmental principles, and is one of the most active companies in Europe in the area of renewable energy investment."

Wolfgang Leitner
CEO, Andritz

FOCUS ON: WASTE

Green dregs: from waste product to building material

Our Frantschach mill in Austria has reduced its landfilled green liquor sludge by almost 90% in the last three years, mainly by allocating it to cement production in collaboration with a cement producer. This development has been made possible through both companies' commitment to reducing the landfilling of waste through innovative business solutions. Read the details of this story online at www.mondigroup.com/sd13/greendregs.

FOCUS ON: EMISSIONS TO AIR

Odour reduction at Richards Bay mill

At Richards Bay mill, the complaints related to malodorous gases led to the mill identifying odour reduction as one of the main areas requiring attention and began work on the odour reduction project in 2009.

The initial investments tackled the point source emissions by investing in equipment to reduce emissions from the lime kiln, non-condensable gas vents and chip bin and installing mobile TRS monitoring stations to assist in understanding the odour impacts in the ambient surroundings and locate the sources within the mill. The diffuse emissions presented a greater challenge: emitting from dissolving tanks, other open tanks and process equipment, they were more difficult to locate. As a consequence, the later phases of the project involved taking numerous gas samples and measuring the TRS content to locate the diffuse emissions with the highest concentration of TRS and developing mitigation measures for further odour reductions. Since the completion of the third phase of the odour abatement project in 2013, the measured levels of TRS in ambient air surrounding the mill have shown a reduction and complaints related to odour have reduced by more than 50% compared to 2012.

Read more online about Richards Bay's story of tackling malodorous emissions and their commitment to eliminating the nuisance to the community www.mondigroup.com/sd13/odourreduction.

The commissioning of the new recovery boiler has significantly reduced the mill's emissions, especially in terms of sulphur dioxide and dust. The need to dispose of biomass to landfill has been eliminated. Lars Mallasch, Mondi Europe and International Division's head of capital expenditure says: "The performance at Syktyvkar is in line with our expectations. Process improvements constantly decrease the need for consumption of thermal energy – leading to a further reduction in the use of fossil fuels."

Responsible water management at Merebank and Syktyvkar mills

Syktyvkar's STEP and Waste Water Treatment Plant

The STEP investment between 2008 and 2010 resulted in a reduction in water consumption for production and an increase in recycled water usage for energy production. As a consequence, the volume of water intake from the Vychegda River decreased by 16.7 million m^3 or 14.9% in 2013, compared with 2008. In pulp production, the specific fresh water consumption decreased by a significant 32%.

To further meet our group-wide commitment to reducing water consumption and minimising the volume of COD discharged to the aquatic environment, our Syktyvkar mill is upgrading its WWTP. This project, which is due for completion in 2016, will introduce improvements at four different stages of waste water treatment: mechanical treatment; biological treatment; treatment in lagoons; and finally the control of waste water treatment.

Sergey Tsyganov, Syktyvkar mill's environmental manager, explains, "We have worked together with the local authorities for the project's implementation. Mondi Syktyvkar accepts and treats storm and municipal waste waters as well as waste water from other industries in the Syktyvkar area where there are inadequate treatment facilities."

Merebank mill and the use of 95% second-class water

In just over 10 years, second-class [13] water has replaced 95% of the potable water formerly used at our Merebank mill. And, in a further development, the quality of our treated water has reached the high standard necessary for steam generation.

Gladys Naylor, environmental manager, Mondi South Africa Division, says, "Merebank's objective is to continue to reduce the amount of water required to make each tonne of paper, thereby further improving its water use efficiency."

Mondi engaged with Ethekwini Water and Waste in the selection of the service provider, which led to the establishment of the first private water-recycling plant in South Africa, Durban Water Recycling (DWR).

As a means of further reducing our reliance on potable water, Veolia Water Solutions & Technologies was commissioned to install a reverse osmosis (RO) plant at the mill in 2013. This RO plant treats the second-class water to a standard required for the production of steam. The RO water has now substituted potable water fed to Mondi boilers and hence further reduced potable water usage in the mill. The benefits of this venture will continue to deliver positive environmental outcomes.

Concludes Gladys, "The water recycling project shows that a combination of innovation, sound environmental principles and water treatment technology can deliver significant improvements in water resource management.

The project further demonstrates the success which can be achieved through public private partnerships which harness the strengths of both sectors."

[13] Waste water treated to fulfil the conditions required for use in paper production.

Our manufacturing operations: a focus on our people

The social and economic context of the regions in which we operate has important implications for the sustainability of our business. As outlined in *Our material issues within a global context*, populations' growth and rise on the economic ladder, coupled with other demographic issues, present significant challenges and opportunities for us to help improve people's livelihoods in more sustainable ways.

We provide employment and livelihoods for thousands of people across the world. Through this we create and share value and contribute to the socioeconomic health and stability of our communities. Our community engagement programmes and corporate social investments (CSI) further add value by addressing the most pressing needs of our stakeholders and local communities. Two of our material issues focus on safeguarding the wellbeing of our employees and contractors, and maintaining our licence to trade through making real and lasting contributions to the communities in which we operate.

In this section we report in brief on our performance with regards to our employment and training practices, safety at our manufacturing operations, our community engagement plans and social investments. Finally, through examples of our operations in different countries we demonstrate how we focus on our people and add value to our communities.

Employment

At the end of 2013, Mondi employed 24,400 people (2012: 25,700 employees). We also provided employment for an estimated average of 5,200 contractors at our mills (primarily for construction and maintenance purposes) and 7,800 contractors within our forestry operations.

In 2013, our workforce was made up of 80% men and 20% women (2012: men 80% and women 20%). 7% of our senior managers are women and, in South Africa, previously disadvantaged individuals make up 39% of management (2012: 43%). The Mondi Group has two female directors representing 22% of the Boards.

Our global employment policy prohibits harassment of any kind in the workplace, and appropriate mechanisms, such as grievance procedures are in place to support this. Our goal is to ensure the provision of a fair, safe and healthy workplace for all employees, free from discrimination, harassment and abuse. 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. In 2013, a total of 854,000 hours (2012: 811,000 hours) of employee and contractor time were devoted to training and development.

Community engagement

In 2013 all socially material mills updated their annual community engagement plans (CEPs), and our Stambolijski mill conducted its first SEAT process. Corporate social investment activities consider the priorities of local people; the principles of sustainable development; alignment with business objectives; 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 2013, Mondi contributed €9.9 million towards CSI projects including some charitable donations (2012: €14.3 million).

Safety

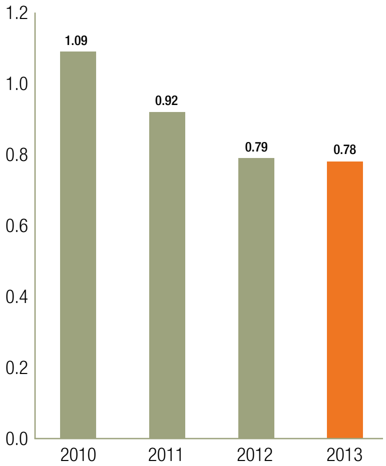
Our ultimate goal is to achieve zero harm in the workplace. We believe that all incidents are preventable and that we must learn from experience. Our total recordable case rate (TRCR) has improved steadily over the past five years. This is a significant achievement but

FOCUS ON: SAFETY

Developing a sustainable safety culture

Several factors are at play when creating a successful safety and health programme. Encouraging employees to take responsibility for their own and their colleagues' safety, safety awareness, skills training and effective communication are all important. But to create a truly sustainable safety culture, we believe strong and active leadership is a basic and very important component. Safety is a consequence of how we lead our people. To make this possible we set up a SHE working group during 2013 to suggest new ways of improving engagement on all SHE-related issues. The outcome of this working group has already been met with success – read more about this story online at www.mondigroup.com/sd13/safety.

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



QUOTE

"We have strengthened our ties with all our key stakeholders as we believe that only transparent and honest communication can help us develop effective and long-term socioeconomic development plans for the business and the community."

Alexander Krickler
Managing Director, Mondi Stambolijski

it is unacceptable that we experienced four contractor fatalities in 2013. These fatal incidents were thoroughly investigated by designated investigation teams consisting of members from the operation, as well as the Group, and the findings shared with all Mondi operations.

As a result of the investigations into these incidents, all our operations have assessed their top five risks. Action plans are being developed with the aim of engineering out the risks, and where it is not possible to do this, implementing robust procedures and controls to reduce residual risks.

Comprehensive integration plans were developed for the new acquisitions in 2013 and support provided from the Group, as well as various established Mondi operations, to ensure understanding and assist with implementation of systems, methodologies and requirements.

Community engagement at Stambolijski and Świecie mills

We use the SEAT process, open and transparent sessions of dialogue with our stakeholders facilitated by an independent third party, to engage with our communities. Dialogue with our stakeholders helps us to address the impacts of our operation on the surrounding communities and stakeholders. Our social investment programmes are aligned with the business objectives while addressing the needs of the communities in which we operate. "SEAT is a unique platform for our stakeholders to voice their concerns, views and expectations," says Alexander Krickler, managing director of Mondi Stambolijski where a SEAT process was completed during the year.

The SEAT process also allows us to update our understanding of the socioeconomic context of the locations where we operate, enhance our channels of communication with all our stakeholders and increase awareness of our mills in the community. This better equips us to mitigate existing and future risks and identity opportunities to add value to our business.

"Initiatives like SEAT can help us to better understand how stakeholders perceive our operation and its positive and negative impacts on the surrounding communities and stakeholders. It supports us in streamlining our risk management system and developing CEPs," explains Alexander. Stambolijski's CEPs will be based on the findings and trends identified during the SEAT process, ensuring that the priorities of the surrounding communities are also addressed.

An employee session at our first SEAT in Stambolijski, Bulgaria

Our manufacturing operations: a focus on our people

continued

Outcomes

Mondi Stambolijski is one of the largest companies in the region, the biggest wood consumer in Bulgaria and an important local employer, currently employing 320 people. Consequently, our impact on the region is significant – including a positive contribution to the economic development of Bulgaria. Our regional footprint also means high stakeholder expectations are placed on the organisation, largely relating to:

- employment;
- environmental performance;
- communication with all relevant stakeholders;
- increasing European Union requirements; and
- future investments, which could increase operational capacity and ensure the sustainable economic growth of the region.

The findings of the SEAT process confirmed that trust, close ties and openness exists between the mill and all its stakeholders. "We have strengthened our ties with all our key stakeholders as we believe that only transparent and honest communication can help us develop effective and long-term socioeconomic development plans for the business and the community," concluded Alexander.

Community engagement plans in Świecie: best practice

Mondi Świecie is another example of how the SEAT process helps shape our CEPs. Mondi's Human Resources Development Manager at Świecie, Joanna Bednarska, explains, "The SEAT process gave us perspective. We identified and addressed key social and economic impacts and focused our engagement programmes on the priorities of the community. It provided the opportunity to assess the effectiveness of existing initiatives and identify where improvements might be made."

While the process was initiated some years ago, Mondi Świecie continues to be actively involved with its stakeholders, including the 1,092 employees, most of whom are from Świecie and surrounding communities. The CEPs are based on thorough analysis of the feedback received from stakeholders. "Mondi Świecie's CEPs are clear, flexible and designed for the long term," says Joanna.

What really sets Świecie's CEPs apart is the adoption of a Let's Decide Together programme, whereby all employees are given the opportunity to participate in community investments. Every employee is able to submit proposals for providing support for a specific project. The main issues of local concern relate to unemployment, poverty, quality of education, crime and the quality of the local medical facilities. As long as the proposed project addresses one of these needs, Mondi considers providing financial support. "For us, the increasing number of employees participating in this process is the best indicator of success," says Joanna.

QUOTE

"Mondi Świecie's community engagement plans are clear, flexible and designed for the long term."

Joanna Bednarska
Human Resources Development Manager, Świecie

Training and development of our people at Syktyvkar mill

Mondi's Syktyvkar Mill is located in the Republic of Komi, north-western Russia. The economy of the republic is dominated by fuel, forestry, logging, wood processing and pulp and paper industries. This is one of the largest mills and one of the largest employers in the region, currently employing 6,024 people and providing work for many contractors. Our social and economic role in the region is significant, and developing and managing our employees is a key priority.

QUOTE

"Our target is not only to fulfil our needs, but to strengthen the overall potential of the forest industry in the region by addressing industry-wide skills shortages."

Olga Fotieva
Human Resources Director, Mondi Group Russia

Olga Fotieva, the human resources (HR) director of Mondi Group Russia, says: "Effective systems, structures and processes are central to this goal – we set common targets, collaborate with each other and take shared responsibility and reward for the end results of HR related projects." Providing support to line management is equally important. "A manager's job is largely a human resources one. It's about involvement, being a role model and leading by example. If our managers understand this, it is much easier to initiate and implement change, manage tensions, engage and motivate people and mitigate certain risks," explains Olga. Within this, leadership development is a top priority, with the aim of developing our managers' academic knowledge as well as equipping them with tools for practical application.

The mill runs its own training centre for its employees. This offers training in 18 production professions and provides permits to use and maintain certain equipment. "We focus on multi-skilling. The majority of our employees have several licences and permits, to allow for a mobile and flexible workforce that can move from one area to another," explains Olga. The training centre has a state licence for its professional training, and the course certificates are recognised across Russia, "Our target is not only to fulfil our needs, but to strengthen the overall potential of the forest industry in the region by addressing industry-wide skills shortages."

Managers and senior staff are given the opportunity to enhance their professional and personal skills. In 2013 the mill established the Mondi Academy Russia, which offers courses in time management, negotiation skills, presentation skills, project management and others. So far the demand has been high.

Świecie, Poland
Working together in a control room

Our supply chain

The need for transparent, sustainable supply chains is growing as more organisations, including many of our customers, are demanding this approach in order to better understand and secure their business and manage reputational risks. The launch of the G4 guidelines by Global Reporting Initiative in 2013 has given further momentum to organisations to develop sustainability management policies that include not just their own operations, but also address impacts throughout the whole supply chain.

Developing a transparent and responsible supply chain

Mondi deals with some 30,000 suppliers from around the world and our procurement teams are organised for the different products we procure, to use economies of scale on a global or regional level as appropriate, but also utilise local knowledge and opportunities where they exist. Mondi is committed to developing and maintaining transparent and sustainable supply chains, not only for wood, but also other key products including chemicals and films.

We recognise that this provides a number of challenges that need to be addressed within a global framework. However, they must also be managed in a multi-national, decentralised way, and in the most appropriate way for each respective product we procure. A responsible and transparent supply chain will become a prerequisite to secure existing and future business.

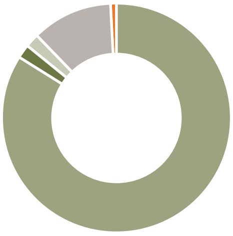
An annual evaluation of key suppliers is conducted in cooperation with local procurement teams. Says Beatrix Praeceptor, Mondi E&I Procurement Director, “The annual evaluation allows us to assess suppliers’ performance with regard to their quality of service and reliability of supply, as well as their environmental and safety practices. Where appropriate, the results are fed back to the business partner and any necessary improvements are jointly identified.”

In 2013, we piloted a revised procedure within our chemicals procurement team inviting strategic suppliers to share their sustainability performance. The objective of this exercise is to develop a deeper understanding of our suppliers’ sustainability performance and to work together to improve transparency and responsible business conduct throughout our supply chain. The areas of our suppliers’ performance that we place emphasis on include management and certification systems; carbon emissions; water discharges; waste to landfill; transport fuel efficiency; employee safety; human rights; child labour; and corruption.

Our sustainability standards are clearly stated in the Group’s Code of Conduct for Suppliers see our online SD report at
➔ *www.mondigroup.com/sd13/supply*

◄ **Kraft paper warehouse at Štěti, Czech Republic**

Scope 3 emissions 2013 *(million tonnes)*



Raw materials	1.923
Employee commuting	0.047
Transport of raw materials	0.424
Transport of products	0.261
Business travel	0.003

QUOTE

"Our goal is to switch as much as possible from road to alternative transport modes where it makes business sense."

Christian Müller
Head of Transportation and Indirect Spend, Mondi E&I

"We intend to widen the scope of this project in 2014 to include other relevant expenditure areas, such as printing, resins, film and transport," says Beatrix.

Reducing Scope 3 carbon emissions through optimised logistics

In order to further reduce our carbon footprint from indirect emissions along our supply chain, we are looking to optimise our logistics, and reduce our Scope 3 emissions from transport, which represents around 30% of the total.

Scope 3 emissions are indirect GHG emissions that occur in the value chain. Our Scope 3 emissions from transporting our products and raw materials, employee commuting, business travel and raw materials are estimated to have amounted to 2.7 million tonnes CO_2e in 2013 (2012: 2.0 million tonnes CO_2e), with the higher emissions in 2013 mainly caused by the increased volumes of procured polymers, as a result of our acquisitions of former Nordenia packaging operations towards the end of 2012.

Currently, Mondi transports some 60% of its outbound products by road and the remaining 40% by rail or ship. Shipping is used for short distances within Europe as well as for long-distance transportation.

Despite increased traffic on the road, it is still the most effective transport mode from a cost and flexibility perspective. Marco Polo, an EU initiative promoting a switch to greener transport modes for European freight traffic, aims to decrease the gap between road and rail options. This €450 million funding programme of the European Commission encourages companies to shift freight transport from the road to sea, rail and inland waterways. In support of this initiative and in order to benefit from this opportunity in decreasing our carbon footprint, we have shifted some 80,000 tonnes from road to rail through this programme.

Despite the economic challenges, Mondi is optimising logistics in a number of ways:

- the use of combined transport where it makes business sense, such as trailers being transported on railcars for a long-haul route; or containers being taken by rail from the mill to the port for shipping. Some 50% of our volume out of Austria to the Benelux countries is delivered using combined transport;
- the use of short-haul sea shipping;
- using rail transport where possible. Mondi delivers some 70% of volume to Switzerland by rail and also uses rail transport to Turkey and Greece. We also participate in dedicated company train concepts for major flows to our mills in Austria, Poland and Sweden;
- shifting from road to rail where feasible through supporting programmes such as Marco Polo; and
- using existing road transport in the most efficient way by using the full load capacity wherever possible to reduce the total number of journeys required.

Says Christian Müller, Head of Transportation and Indirect Spend, Mondi E&I: "There are challenges associated with optimising our logistics, mostly related to cost. Rail and combined transport are more expensive than truck deliveries and combined transport isn't available to all destinations. These options only make economic sense on long-distance routes.

"Despite these challenges," Christian says, "our goal is to switch as much as possible from road to alternative transport modes where it makes business sense. This will not only help us avoid traffic jams, lack of drivers and driving restrictions, but also ensure a reduced carbon footprint across our transport chain."

Our supply chain continued

Collaboration with partner companies that share our sustainability goals is key to success. LKW Walter, a leading European company that offers environmentally friendly transport solutions, comments on its collaboration with Mondi: "We are pleased to report annual carbon emissions reductions of over 155,000 tonnes. We have had much success through cooperation with companies that are committed to working along their value chains to decrease their transport related carbon emissions where possible. Mondi is a great example of this collaboration, and together we have worked on optimised transport solutions that are both economically sensible and environmentally responsible," says Johann Anderl, CEO of LKW Walter.

"We are encouraged by the fact that we have already reduced CO_2 emissions by increasing our load to transport ratio and the move from truck to train," concludes Christian.

QUOTE

"We have worked (with Mondi) on optimised transport solutions that are both economically sensible and environmentally responsible."

Johann Anderl
CEO of LKW Walter

Securing a sustainable wood supply

Securing access to sustainable and credible sources of fibre, to meet the needs of our business in the short, medium and long term, is one of the most significant issues facing our business. Ensuring that our forestry practices are sustainable, from the management of our own forests through to the procurement of our wood and fibre throughout the supply chain, is a fundamental business imperative.

Sustainable forestry

Mondi owns or leases 2.4 million hectares of land in South Africa and Russia, all of which is FSC™ certified. In western and central 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 with a long tradition of responsible forestry. Of the total amount of wood procured in 2013, 66% was certified to FSC™ or PEFC™ (2012: 65%).

We are not party to deforestation or illegal logging. For every tree that is felled in our plantation forests, at least one other is planted. Mondi has strict fibre sourcing requirements that ensure we do not use illegal wood, including mixed tropical hardwood species or other species listed under the Convention of International Trade on Endangered Species. We use no wood from genetically modified trees, nor do we grow genetically modified crops.

Certification of wood 2013 *(%)*

FSC™ certified	47
PEFC™ certified	19
FSC™ Controlled Wood Standard	34

Challenges of sustainable fibre supply

Despite the efforts of various certification systems, the current level of global forest certification remains below 10% [5]. Although this percentage is significantly higher in areas where we operate, it is not increasing at the necessary rate to satisfy increasing demand, making it challenging to source an increasing proportion of certified wood. The shortage of certified wood in Europe has been exacerbated by subsidies for biomass for energy generation.

Certification

Both the FSC™ and PEFC™ were required to adjust their systems to ensure compliance with the EU Timber Regulations (EUTRs) and have been strengthened as a result. Even for certified forests, the EUTRs require that forest owners (operators) apply appropriate due diligence in their processes.

[5] UNECE/FAO 2009 – 2010 Forest Products Annual Market Review

QUOTE

"The world is becoming more transparent. Mondi is recognised as a transparent company and in terms of origin, species and all socio-environmental aspects, our sourcing of wood, fibre and biomass from our own and external suppliers must also be transparent and robust."

Manfred Schachenmann
Head of Wood Supply, Operations: Mondi E&I

See Creating value in our forest communities for further details on pages 20 to 21

- All wood, fibre and biomass sourced from our owned, leased and managed areas are FSC™ certified.
- In sensitive, high risk areas Mondi sources its wood from FSC™-certified forests.
- Mondi also encourages certification by PEFC™ as a credible alternative in low-risk countries.
- 66% of Mondi's total wood supply is certified to FSC™ (47%) or PEFC™ (19%) standards.
- All our mills have Chain-of-Custody certifications, with latest, Stambolijski in Bulgaria, receiving certification in July 2013.
- All of our uncertified wood supplies must meet the requirements of the FSC™ Controlled Wood Standard that ensures due diligence in meeting legal compliance and no deforestation.
- We will have implemented ISO 14001 in all our owned and managed forests by June 2014.

Uncertified wood and fibre requirements

For the balance of uncertified wood fibre (34%) we make sure that the fibre meets our policy for Procurement of Wood, Virgin Fibre, Biomass and Finished Product Requirement, which stipulates the FSC™ Controlled Wood standard as a minimum and meets the EU Timber Regulations and the US Lacey Act. This ensures that no wood or fibre originates from illegal or controversial sources and no sourcing leads to deforestation.

Availability of certified wood and small growers

In order to secure the availability of certified products from small growers in South Africa, Mondi supports small forestry business development.

Says Viv McMenamin, Director of Land and Forests: Mondi South Africa Division, "In 2013, Mondi procured timber from more than 3,000 emerging small woodlot growers in KwaZulu-Natal in South Africa, collectively known as Khulanathi, meaning 'Grow with us' in isiZulu. Valued at over €3.9 million, this is an important revenue stream for the rural communities surrounding the Richards Bay mill, making a significant contribution to local social upliftment."

Key to the success of Khulanathi is Mondi Zimele, the enterprise development agency established to support contractors, create jobs, develop suppliers and ensure a secure fibre supply for the Mondi mills (see page 21).

Engagement and dialogue

In order to achieve a sustainable certified supply of wood, we continue to engage with the certification systems, NGOs, WBCSD, other industry and relevant organisations and our suppliers to secure an increasing supply of certified fibre input.

Our products

As outlined in *Our material issues within a global context*, we consider increasing the eco-efficiency of our products to be one of our material issues. Increasing material consumption and waste by societies and industry places strains on the world's natural capital, and we believe much of this challenge can be addressed by designing innovative and responsible products.

We aim to develop products that meet today's socio-demographic and consumption needs and use less material, extend the shelf life of products and are adapted to improving recycling infrastructure.

We believe that developing smart packaging and paper products can help address global challenges such as climate change and food waste, among others.

In practice, this is achieved through new product innovations as well as by reviewing and, where necessary, redesigning our products, so that we reduce our material consumption and, ultimately, our environmental footprint. This is made possible through collaboration and co-innovation between us, our customers and our suppliers, as the manufacturing footprint of our packaging products can only represents a small fraction of their total environmental footprint. We use a life-cycle approach in our efforts to reduce this footprint.

The Green Range

The Green Range was developed by our Uncoated Fine Paper (UFP) business in 2006, and was extended to include smart and eco-efficient packaging solutions. Mondi has developed appropriate criteria for both the packaging and paper-based businesses.

All Mondi UFP-branded papers meet the Green Range criteria meaning that they are certified either by the FSC™ or the PEFC™ or that they are 100% recycled or entirely chlorine free.

◀ **We believe that developing smart packaging and paper products can help address global challenges**

For more information on product stewardship see our online report at www.mondigroup.com/sd13/products

QUOTE

"We welcome feedback and involve our customers in new product development as much as possible."

Christina Fadler
Mondi E&I Marketing Communications Manager for Industrial Bags

▲ Terra Bag

▲ ProVantage Baywhite

Our approach to product stewardship involves:

- product certification and hygiene management;
- a life-cycle approach;
- integrating recycling into our business model;
- product innovation; and
- the Green Range concept for environmentally responsible products.

The following examples highlight how we develop innovative products, in collaboration with our customers and other partners in our supply chain.

Growth through customer-focused development

Terra Bag – Bag to Nature

Terra Bag is a biodegradable industrial bag with humidity protection that can be equipped with an Easy Seal valve – the first of its kind to be developed. It is certified according to EN 13432, a European standard for the composting and biodegradation of packaging.

"Innovation in the Mondi E&I Industrial Bags business is driven both externally and internally," explains Christina Fadler, its Marketing Communications Manager. "Externally by specific customer requests and internally by our engineers, researchers and product specialists who all come up with ideas on how to improve a bag."

There are specific mechanisms in place for customers to provide their feedback. A customer satisfaction survey is carried out every two years and any feedback is communicated back to the customer.

Consumer market trends clearly show the increasing importance of product sustainability and the growing emphasis on brand awareness, and we work together with our internal and external stakeholders to achieve this.

ProVantage Baywhite

ProVantage Baywhite is a premium-quality uncoated white top kraftliner produced at Mondi Richards Bay, South Africa. It is made of 100% virgin kraft fibre, which guarantees a superior appearance for high-quality printing. This high quality is at the heart of how Mondi markets the product. "It has a bright surface and good printability for high quality printing on container packaging products. It's known as a decorative paper, meaning its print qualities are superior for customers who need to advertise their products on the outside of the container," says Nick Cook, head of sales, marketing and logistics at the Richards Bay mill.

Customers provide feedback to Mondi through a number of channels: sales representatives; technical service visits; customer visits to the mill; and through the customer survey. In terms of proactive product development, a good level of understanding and communication between the sales and marketing specialists and the sustainability/environmental professionals is critical.

The sustainability of ProVantage Baywhite specifically, is a major selling point. It is part of Mondi's Green Range, FSC™ Chain-of-Custody certified and is fully recyclable and biodegradable.

Our products continued

FIBROMER®

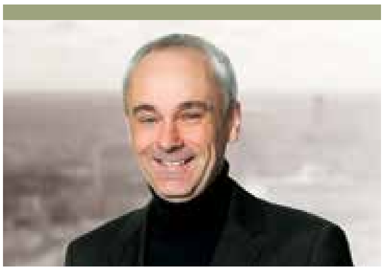
The requirements of composite materials are changing. Our primary customers, such as converters and manufacturers, demand polymers that are not only strong and stable but that can also be customised and preferably obtained from a sustainable source. "It was in response to this changing environment that Mondi launched FIBROMER® at the beginning of 2013," says Daniel Schwarzbach, head of R&D for kraft paper at Mondi E&I.

FIBROMER® is a polymer reinforced with cellulose fibre. The polymer is made up of kraft pulp (a renewable resource) and a polymer granule. This means that pulp fibres, traditionally used for making paper, are mixed into the plastic, making FIBROMER® more sustainable, stronger, thicker, less flexible and lighter. These advantages also make it possible to customise FIBROMER® to the needs of our customers, depending on the application for which it is needed.

Whilst launched in 2013, Mondi first started researching and developing FIBROMER® more than 10 years ago. Partnerships with the scientific community were particularly important during this process. "Mondi's kraft paper business unit lacked sufficient in-depth knowledge of plastic injection moulding, so a specialist plastics company came up with a customised solution. Mondi now owns this technology," explains Daniel. Partnerships with our primary customers – especially in the automotive industry – were also invaluable.

"FIBROMER® is a green alternative to existing solutions. It involves a larger proportion of renewable materials, and offers extended end-of-life options. FIBROMER® is also suitable for energy generation through incineration as it is fully combustible – a very important feature in the automotive industry, one of our most important markets."

▲ FIBROMER® parts are used in the automotive industry.



QUOTE

"FIBROMER® is a green alternative to existing solutions. It involves a larger proportion of renewable materials, and offers extended end-of-life options."

Daniel Schwarzbach
Head of R&D for kraft paper, Mondi E&I

◀ Frantschach, Austria
Research and development laboratory

▲ ProVantage Kraftliner Aqua

ProVantage Kraftliner Aqua

ProVantage Kraftliner Aqua was first launched in the market in 2007. After careful monitoring of its end-use applications and incorporating feedback from our customers, we re-launched the product in 2013 with improved functionality, sustainability and quality. ProVantage Kraftliner Aqua is water resistant for at least three days (currently the only available grade in Europe to meet this requirement), a feature important for our customers who use the product primarily for packaging food. There has been a strong increase in the demand for sustainable packaging for fruit, vegetable and other food and ProVantage Kraftliner Aqua can meet that demand.

ProVantage Kraftliner Aqua replaces wax-coated paper, which has advantageous, sustainability implications. "We minimise the use of resources as no paraffin is needed for the wax coating – this reduces the environmental footprint of the product. The paper is 100% biodegradable, recyclable and sourced from a renewable resource," says Waltraud Seiner, marketing manager for containerboard at Mondi E&I.

Biodegradable paper-based packaging can also support the growing need of fruit and vegetable farmers to deliver organic products through environmentally responsible solutions.

▲ PerFoamPack

PerFoamPack

Mondi's Consumer Goods Packaging business places a strong focus on product development and innovation. "As an innovation leader, we aim to challenge the markets with new technologies and concepts," explains Silke Salbert, Consumer Goods Packaging communication and business intelligence manager for Mondi E&I. The way we approach innovation goes hand-in-hand with development partnerships with our customers. Innovation can be a complex process and we involve various stakeholders. "You have to have a strong innovation culture and commitment from management to bring projects to life," Silke adds.

In today's environment, one of the key drivers of fast-moving consumer goods companies is the need to develop more sustainable packaging solutions. PerfoamPack is a new packaging solution that offers a reduction in used materials and enhanced functionality. It is a co-extruded polyolefinic film with a micro-cellular expanded middle layer, which lowers weight without reducing thickness and compromising performance. It offers the conventional mechanical properties required to protect the packaged product, like a regular packaging film, but significantly reduces the use of raw materials (by up to 30%) which translates into a lighter film with a direct cost reduction and a significantly improved carbon footprint.

We will develop new commitments that are practical and measurable, and will share these with all our people and key stakeholders

OUR FUTURE

The road ahead

We are committed to on-going active engagement with all our stakeholders about our material issues and the future trends that impact on our business, as these provide important input for the development of our future sustainable development strategy.

We will do this through active dialogue and stakeholder engagement, to explain our approach and understand alternative perspectives. Relevant Mondi team members will be directly involved in discussions with our stakeholders, including NGOs. We plan to implement practical, measurable solutions that make both good business and sustainability sense.

We are improving communication with our employees to increase their understanding of the future sustainability challenges within our business.

We have already made good progress working with our people on safety issues and we plan to apply the lessons we have learnt to the benefit of environmental and social improvements we want to make. During our *Making a Difference Day* we will give a greater profile to environmental and social issues. We have established a converters' environmental network group to work closer with our converting operations. We are also developing our social sustainability network group to help share best practices to develop a global framework and address local priorities. Our global procurement and sustainable development teams are working together to develop more sustainable supply chains.

The challenges and opportunities we face include:

Safety
We must ensure that Mondi is a safe place to work for our employees and contractors. In order to address low-probability, high-impact events, all sites have reassessed their top five risks and developed action plans to engineer out these risks, and where not possible, implement robust procedures. Through strong and focused leadership, we will continue to manage the effectiveness of these plans and address our procedures and controls. We are also reviewing our contractor safety management, particularly at our material operations.

Availability of and access to certified fibre
The lack of available certified fibre will continue to be a challenge for our business, especially given the commitment of some of our larger customers to increase their demand when supply is already limited. We will continue to engage in active dialogue directly with the certification bodies (FSC™ and PEFC™) and, together with WBCSD Forest Solutions Group, industry associations and NGOs. It is important that everyone understands the challenge and works together on practical solutions.

Energy
Energy is an important sustainability issue within our industry and we have made a number of significant investments in recent years to improve our performance. In addition to those already in production, the Ružomberok recovery boiler will be commissioned in the second half of 2014 and the Świecie recovery boiler, turbine and biomass boiler in the second half of 2015. These investments will further improve our mills' energy efficiency and self-sufficiency.

Water
We will continue to focus on responsibly managing our water usage and will use the information gained from our water impact assessments to develop action plans. We believe these actions, in addition to our investments in the Syktyvkar waste water treatment plant and upcoming investments in Świecie during 2014, will allow us to further reduce our water footprint.

Waste
We will continue to focus on reducing the waste we produce, and specifically on achieving our commitment to reduce waste to landfill. We have reduced this by 7%

QUOTE

"In 2011, we implemented our five year sustainability commitments. These commitments have helped organise, direct, monitor and improve our sustainable development efforts during the past three years. We are now developing new commitments for the 2016 to 2020 period."

Neil Burns
Group Head of Sustainable Development

Mondi and WWF to sustain ecosystems through responsible business practices

Mondi and WWF International have decided to work together in a three-year strategic partnership that focuses on increasing environmental stewardship in the packaging and paper sectors. The partnership agreement links Mondi with one of the world's largest conservation organisations, sending a strong signal that addressing environmental sustainability makes good business sense. The partnership will focus on minimising the impacts of Mondi's operations on forests, climate and water, and encouraging sustainable practices in the industry.

since 2010. We are now focusing on new and innovative solutions to achieve further reductions.

Communities

We will continue to engage with the communities in which we operate, using our existing SEAT framework and CEPs. This provides a global framework to manage local priorities, identify and manage expectations and explain our approach.

Ensuring the integrity and sustainability of our supply chain

By working together with our suppliers and customers to better understand the challenges and opportunities, we can improve the overall effectiveness of our entire supply chain. The new GRI G4 guidelines encourage businesses to place more emphasis on reporting their impact along the entire supply chain. We will focus on improving our understanding of our footprint beyond our borders to find manageable, practical solutions.

New generation plantations

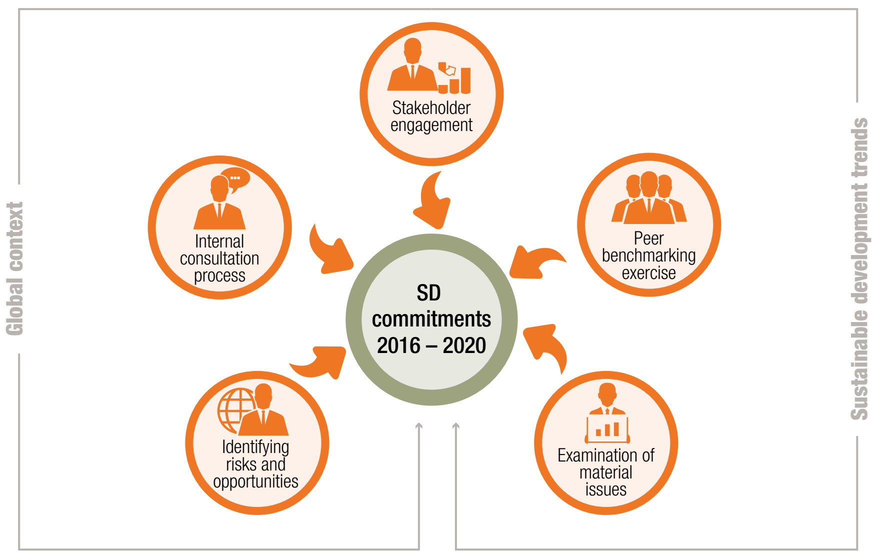
We will continue to be actively involved in the development of the WWF New Generation Plantations Platform as we believe this provides a great example of how such an approach could be applied beyond forestry on a landscape level.

Our new five-year sustainable development commitments

Our sustainability commitments are driven from our risk management process, our material issues, business opportunities and broad stakeholder engagement. In 2011, we implemented our five year sustainability commitments. These commitments have helped organise, direct, monitor and improve our sustainable development efforts during the past three years. We are now developing new commitments for the 2016 to 2020 period. We will actively engage in a comprehensive consultation process within and beyond the organisation to develop these commitments.

We will develop new commitments that are practical, measurable, appropriate and meaningful for our business, our stakeholders and the communities in which we operate.

Establishing our sustainable development commitments



Business in the Community: external comment

Business in the Community provided feedback on this report, *Sharing our sustainable future*.

This year Mondi has made significant changes to its report. It is encouraging to see some of our recommendations being implemented, and we are looking forward to the opportunity to help shape Mondi's reporting practices further.

BUSINESS IN THE COMMUNITY

Overall report and quality format

In 2013, Mondi restructured the report in order to make it easier for the stakeholders interested in specific operations to understand the scope of respective activities.

The report provides a comprehensive overview of The Mondi Way and how its operational framework supports the business in achieving its objectives 'in a sustainable way'. In addition, Mondi outlined its risk and opportunity management process and described how sustainability is integrated into strategic decision making.

Mondi's vision and strategic approach

Mondi works with the World Business Council for Sustainable Development's focus areas and sector teams around the Action2020 initiative. It is a positive step and we look forward to seeing how their commitments will be developed for the 2016 to 2020 period. All of this demonstrates that sustainability is not a separate part of the business but that it is indeed integrated into the way Mondi does business.

Mondi identified the most material sustainability challenges the company and its stakeholders are facing and provides many examples of how it addresses these challenges at the local level.

In the 2013 report, Mondi outlined its approach to developing a transparent and responsible supply chain which includes gaining a better understanding of the impact across the whole supply chain and working together with key suppliers and customers around its sustainability challenges. We recognise that adopting a collaborative approach is best practice in responsible supply chain management and look forward to seeing the progress in the coming years.

A detailed overview of Mondi's stakeholders included in the report this year showcases the importance the company places on stakeholder engagement and reflects the global context within which they operate.

Key recommendations

- There is a clear link between the Group's 2015 sustainable development commitments and its material issues, as shown on page 12. There is an opportunity for Mondi to go one step further, by giving more information on how the Group sees the new 2016 -2020 commitments contribute to each of the four pillars of its business strategy.
- Health and safety is probably the most crucial aspect for Mondi when it comes to its workforce, and BITC commends the Group's efforts and transparency in reporting on this issue. Building on this effort, BITC recommends to include information on other indicators around wellbeing and diversity.
- Mondi has made great efforts in the management of its environmental impacts beyond legislative requirements. To take the Group's vision a step further, BITC would like to see how the Group plans to innovate in this area to create close loop systems in its operations.
- The new structure of the report might benefit from better alignment between the 'sustainable value creation' models, as outlined on page 2, and material issues classification. We suggest they use this new alignment to present targets and actions to make the report more consistent.

Abridged glossary of terms

This report contains a number of terms which are explained below. For a detailed glossary of sustainability terms refer to our Sustainable development report 2013 at → www.mondigroup.com/sd13.

BAT	Best Available Technique. Technically and economically feasible environmental technology that is efficient and advanced, generally to reduce emissions and environmental impact.
CDP	CDP is an international not-for-profit organisation providing a global system for companies to measure, disclose, manage and share information on carbon, water, forests and supply chain.
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.
Controversial sources	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.
EUTRs	EU Timber Regulations. In October 2010, the European Union adopted the EU Timber Regulations to prevent sales of illegal timber and timber products on the EU internal market. From March 2013, any operator who places timber or timber products on the EU market for the first time must ensure that they have been legally produced.
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.
GHG	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: CO_2, CH_4, HFCs, PFCs, N_2O, and SF_6. CH_4 and N_2O emissions are considered to be the most important for the pulp and paper industry.
Material operations	Mondi's pulp and paper mills.
MWP	Mondi Wetlands Programme (MWP) is a joint programme between WWF (SA), the Wildlife and Environmental Society of South Africa, the Mazda Wildlife Fund and Mondi Limited. It is the most successful non-governmental wetland conservation programme in South Africa.
PEFC™	Programme for the Endorsement of Forest Certification™ (PEFC™) is an international not-for-profit non-governmental organisation dedicated to promoting sustainable forest management through independent third party certification.
Socially material operations	Those operations with a significant socioeconomic impact on their communities. For Mondi, these are our pulp and paper mills and forestry operations.
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 reduced malodorous sulphur compounds generated in the pulping process. It is a metric for emissions to air and is measured in tonnes.
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.
US Lacey Act	The US Lacey Act bans trafficking in illegal wildlife. The Act includes plants and plant products and is the world's first ban on trade in illegally sourced wood products.

For further information, please see:

Sustainable development report 2013
Published exclusively on our website at *www.mondigroup.com/sd13*

Integrated report and financial statements 2013
A review of our strategy and performance *www.mondigroup.com/ir13*

www.mondigroup.com

Neil Burns
Group Head of Sustainable Development
Building 1
1st floor
Aviator Park
Station Road
Addlestone
Surrey KT15 2PG
UK
neil.burns@mondigroup.com

Printed on FSC™-certified
Mondi 250gsm BIO TOP 3®
and 120gsm BIO TOP 3®

BIO TOP 3® is a totally chlorine free paper produced without any optical brightening agents. With a natural feel, off-white shade and high environmental profile, BIO TOP 3® is a versatile paper for corporate communication or professional printing applications.

BIO TOP 3®

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC™ C005108

Printed by gugler* print
+43 2752 500 50-217
www.gugler.at

Produced by Russell and Associates
www.rair.co.za