



Mondi Group
Working together
for a sustainable future 2014

We are Mondi: IN TOUCH EVERY DAY



Printed roll-stock for roll-stock laminates,
Mondi's Consumer Packaging business

At Mondi, our products protect and preserve the things that matter.

We offer over 100 packaging and paper products, customised into more than 100,000 different solutions for customers and end consumers – touching the lives of millions of people every day.

And we're determined to deliver the highest quality in everything we do, from managing forests and producing pulp, paper and compound plastics, to developing effective and innovative industrial and consumer packaging solutions. We work closely with our customers and other strategic partners to develop cutting edge solutions; while also prioritising the responsible and sustainable management of our resources.

We are committed to delivering value to our stakeholders. This publication gives an overview of how we create sustainable value and highlights some of our biggest challenges and opportunities.

Front cover, source credit: Samways/Pryke

What's inside

Overview	
Chairman of the SD committee and CEO statement	02
Group head of sustainable development statement	04
Working with our stakeholders	05
About Mondi	06
Our business model	07
Our global context	08
Our response	09
The progress we're making	10

Our sustainable future in action	
Forests	11
Water, biodiversity and ecosystems	14
Certification and responsible purchasing of forest products	16
Cascading use of wood	17
Energy and climate	18
Operational excellence	19
People and culture	20
Safety and health	21
Products	22
Communities	24



Russian forest in Komi
Source: Per Angelstam

This publication
gives an overview of how we
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highlights some of our biggest
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David Williams, Mondi joint chairman, during
a Board visit to Mondi Štětí, Czech Republic

Society is facing unprecedented challenges on a global scale – including accelerated globalisation, climate change and degradation of biodiversity and freshwater ecosystems, and changing demographics – and organisations that use natural resources must consider the broader impacts. At Mondi, we believe it makes good business sense to be part of the solution.

Part of the solution: working together

“ While the general shift towards more sustainable business practices is evident, an organisation’s long-term performance confirms whether or not sustainable development is genuinely at the heart of its business. ”

Stephen Harris, chairman of the DLC sustainable development committee



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“ In this publication we highlight some of the challenges facing our industry, and share insights into some of the solutions we’re working on, together with our stakeholders. ”

David Hathorn, Mondi Group chief executive officer



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A barometer for the health of our organisation

While the general shift towards more sustainable business practices is evident, an organisation’s long-term performance confirms whether or not sustainable development is genuinely at the heart of its business. Increasingly, investors look to this as a barometer of the general health and resilience of an organisation.

Sustainable development is part of how we work every day, and we firmly believe we have a responsibility and role to play in being part of the solution. It makes for a more successful organisation and a more sustainable environment.

Working towards sustainable solutions

We’re proud of our ongoing improvements in our key sustainability performance indicators over the years, with 2014 being no exception. Keeping our people and contractors safe is one of our biggest priorities, and it is very pleasing that the steps we took during the year resulted in an improved safety performance overall and a year free of fatalities. Our investment in energy efficiency and increasing self-sufficiency has enabled us to reduce specific* CO₂e** emissions by around 29% over the last ten years. Our continued commitment to operational excellence has also delivered pleasing results, with improved resource efficiencies ultimately contributing to increasingly sustainable products.

* Calculated per tonne of saleable production

** See page 18 for definition

Collaboration, partnerships and hard work

We place significant value on working together with stakeholders and 2014 has seen some exciting developments in this regard – not least of which has been the signing of our three-year strategic partnership with WWF (see page 5), with a focus on ecosystem, product and manufacturing stewardship. We have also demonstrated our commitment to constructive participation in global, regional and local debate which helps to inform solutions (see page 5).

There are seldom any quick wins in the sustainable development arena, so where do we focus our efforts going forward? We’re committed to working hard at meeting our sustainable development commitments. Through continued investment in our operations and our people, working closely with our customers to develop innovative product solutions, and through our valuable partnerships and stakeholder engagement, we’re confident of being able to contribute to sustainable development solutions.

Mondi's sustainability journey how we do business, every day.

“Our success lies in the fact that sustainable development has never been something that has been driven down from the top as an isolated agenda topic – our people do it because it makes good business sense.”

Neil Burns, Mondi Group head of sustainable development

A sustainable approach is, by definition, one that secures the business for the long term. For me, what's so fascinating about Mondi, is that our people in many cases deliver sustainability without even realising it. For many businesses, the language around sustainability can be difficult and a real advocacy challenge. But at Mondi, it's so embedded in what we do that we don't always articulate it as sustainable development. It's just how we do business.

Embedding sustainability

Mondi people are focused on delivering value and they work on what is important, so it's vital we show what sustainable development really means in the context of their daily lives. Our success lies in the fact that sustainable development has never been something that has been driven down from the top as an isolated agenda topic – our people do it because it makes good business sense. That is why our emphasis is not on aspirational targets and tick-box reporting, but on building realistic, meaningful targets that create value for all parts of our business and our stakeholders.

Our challenge this year has been to build stronger internal relationships as we begin a conversation that will lead to our next set of sustainable development commitments. We've got to talk about sustainability in terms the people in our businesses understand – by focusing on the local solutions they can deliver to help address the big picture challenges we face.

Standing up for change

I'm proud of our reputation and strong relationships with partners such as WWF and the World Business Council for Sustainable Development (WBCSD). It's through partnerships like these that we can share our perspective and experience, contributing to industry and broader solutions. We have a responsibility to use our long-standing, wide-ranging relationships to support positive change. This year, we were able to host a multi-stakeholder meeting to begin discussing changes needed to global certification systems. And, at the WWF New Generation Plantations (NGP) platform annual summit in Cape Town, hearing the passion with which our people shared our work in forests and communities made me feel proud to be part of Mondi.

Looking to the future

The world has changed dramatically over the past decades and we need to understand what is important to our businesses and our stakeholders today. We've made good progress in many areas, but we recognise there is more work to do. We'll increasingly depend on our leaders to articulate and drive our strategy and address our key challenges, and our experts to identify new opportunities to improve our processes. That's why in our partnership with WWF we look to directly involve people from across our businesses to exchange perspectives and experiences – so we can continue to stretch ourselves while being confident we'll deliver what we say we will. Our new commitments will be meaningful, achievable and relevant – and focused on what is important for our business and our stakeholders. This approach has worked so far and we are convinced that it will continue to work in the future.



Neil Burns,
Mondi Group head of sustainable development

Together we're making a lasting difference

Given the scale and nature of the social and environmental challenges facing society, no individual sector can make a significant difference alone. Transparent collaboration is central to our approach – to identify emerging issues, understand local priorities, and seek mutually beneficial solutions.

Collaboration – within and across sectors, globally and locally, and along the supply chain – is a fundamental driver for change. By working with others we can achieve greater innovation, impact, scale and sustainability.

Engaging with our stakeholders

We are working with customers and suppliers, scientific institutions, NGOs and other stakeholders across a range of projects to ensure an ongoing positive impact.

Our role in local communities

Through collaboration we can help build more stable communities and create shared value. We talk openly and regularly with our communities to understand and respond to their concerns (using formal management tools). In our forest communities, we're also guided by FSC® standards in addressing community needs. Read more about how we create value for communities on page 24.

Delivering value through partnerships

We work closely with global and local NGOs, industry associations and scientific institutions to understand environmental and social challenges and to develop joint solutions. Some examples of how we're working with others:

We're part of multi-stakeholder collaborations that seek more sustainable solutions throughout the wood value chain – from more effective certification systems and protecting forests (page 16) to promoting a smarter use of wood that maximises its value to society (page 17).

We are working with WBCSD to support sustainable business solutions that help address global challenges.

We also work with the confederation of European paper industries (CEPI) in promoting recycling and use of recycled fibre, Forestry South Africa in promoting sustainable forestry practices, and Silver Taiga on identifying and protecting high conservation value areas in the Komi Republic (Russia) (page 12).



Our Mondi-WWF Partnership

In February 2014, we announced a new three-year global partnership with WWF, the world's largest conservation organisation, which builds on the success of our WWF Mondi Wetlands Programme work, our active involvement in WWF New Generation Plantations platform (page 13) and other initiatives.

It's an invaluable opportunity to share knowledge, experience, resources and networks across a broader range of sustainability challenges. Together, we're focusing on three main areas:

Ecosystem Stewardship – protecting high conservation value ecosystems in Russia and increasing the value and resilience of production landscapes in South Africa.

Manufacturing Stewardship – reducing our water and climate footprint and promoting resource efficiency, recycling and the responsible use of forest products.

Product Stewardship – further enhancing the environmental performance of our products.

Our work with WWF is described throughout this publication and in our online Sustainable development report 2014.

See our online Sustainable development report 2014 for more: www.mondigroup.com/sd14

Mondi is an international packaging and paper Group with a dual listed company structure.

With around 25,000 employees and operations across more than 30 countries, our people and our culture really matter.

The way we operate

We're connected, guided and inspired by our culture and values. Our people are dynamic, entrepreneurial and empowered, with a real passion for performance. We show we care by being respectful and responsible, and we act with integrity, encouraging honesty and transparency in all that we do.

Our key figures

25,000+
Employees

100+
Packaging and paper products

30+
Countries

€767 million
Underlying operating profit

Our strategy

We are focused on growing our packaging interests, which currently account for more than 70% of the Group's revenues, both organically and through acquisitions. We continue to develop our presence in emerging markets, particularly in our pulp and paper operations where inherent growth and cost benefits are most apparent. In our Fibre Packaging and Consumer Packaging businesses, we see opportunity to develop by leveraging our competencies in both mature and emerging markets.

Our key value drivers



We focus on developing in markets that offer us growth opportunities



We invest in our exceptional people and our high-quality, low-cost operations



We are passionate about performance, reliability and sustainability



We work with our customers and help them to succeed by finding innovative solutions

The Mondi Way

The Mondi Way demonstrates how our purpose, strategy and operational framework fit together, underpinned by our shared culture and values. This guides the way in which we work, helping our people to understand how we all contribute to sustainable value creation.

See our online Sustainable development report 2014 for more: www.mondigroup.com/sd14

Our business model explains how we use our resources to create value for our customers, investors, employees and other stakeholders.

What we do

Mondi is fully integrated across the packaging and paper value chain – from managing forests and producing pulp, paper and compound plastics, to developing effective and innovative industrial and consumer packaging solutions.

See our online Sustainable development report 2014 for more: www.mondigroup.com/sd14

Inputs:

what we have

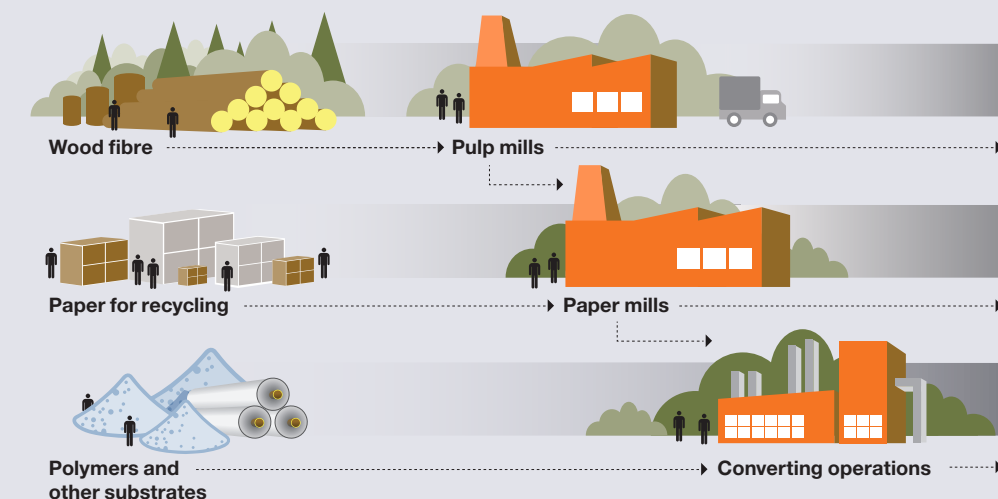


Our key value drivers bring our strategy to life (see page 6)

Activities:

what we do

The value chain for each of our business units can be found in the business reviews in the online Sustainable development report 2014, from page 69. Our Group value chain is summarised here:



We use the Mondi Diamond as our operating framework to drive performance across our business (see the Integrated report and financial statements 2014 page 25)

Outputs:

value we create



We operate in a global context

The world we live in is changing – fast. Accelerating globalisation, climate change, continued biodiversity loss, deforestation and degradation of land and freshwater ecosystems, and other global trends are increasingly affecting livelihoods and the way we do business. We believe being part of the solution will help secure the future prospects of our business and our communities. As we explore opportunities to grow, we work closely with our stakeholders to address global sustainability challenges across the value chain.

Climate change

Despite global efforts, greenhouse gas (GHG) emissions continue to rise. Climate change remains top of the global environmental policy agenda, influencing local and regional regulations and investment decisions. We fully consider climate change in our business decisions and strategies for growth, and we have made public sustainability commitments to reduce our carbon footprint.

Biodiversity and habitat loss

WWF's Living Planet Index highlights the severe degradation of ecosystems over the last decades. Loss of habitat and species can have an adverse impact on the ecosystem services that business and communities rely upon. We have programmes in place to responsibly manage our land and associated freshwater ecosystems. We also procure wood exclusively from responsible sources to reduce our impact on natural habitats and to ensure the wood we secure is from sustainable sources now and in the future.

Deforestation

Ongoing deforestation and land conversion continue to cause biodiversity loss and are major contributors to climate change. Forest certification not only addresses deforestation, but also promotes sustainable forest management. Currently however, about 90% of global forests remain uncertified* and unless urgent change is made to improve and simplify certification processes it is unlikely that the situation will improve. We're actively involved in promoting change.

Resource scarcity

Increased material consumption due to changing social trends such as population growth, urbanisation and rising incomes is placing additional pressure on already constrained natural resources. We're responsibly managing the scarce natural resources we rely on, such as fibre, fresh water and fuel, and continue to bring production processes and product solutions that promote resource efficiency.

Increased transparency and public awareness

We operate in an increasingly transparent and connected world. This has an impact on our markets, strategy, communication and stakeholder engagement approach, as well as our reputation. We engage with a wide range of stakeholders and seek to increase transparency by publicly disclosing our sustainability performance on a regular basis.



See our online Sustainable development report 2014 for more: www.mondigroup.com/sd14

Here's how we're responding

Our emphasis on addressing global challenges and their local consequences informs our approach to sustainable development. We've identified six material issues that help us address global challenges while enabling us to become a more sustainable business.

1. Securing access to sustainable fibre

Wood is one of our most important raw materials and sustainable forestry practices are fundamental to our long-term success. We're working for changes to global certification processes which will help increase their global coverage and effectiveness, and we're supporting the WWF New Generation Plantations platform which contributes positively to communities and ecosystems.

2. Maintaining our licence to trade

We depend on strong relationships to continue to succeed as a business, and we see it as our responsibility to make a real and lasting contribution to the communities in which we operate. We're a member of the United Nations Global Compact (UNGC) and we work with the World Business Council for Sustainable Development (WBCSD) among others to strengthen our approach.

3. Understanding and minimising our contribution to climate change

Climate change is one of the most pressing global challenges, and we believe our energy intensive industry has a role to play in reducing its impacts on the climate. We're committed to improving energy efficiency and replacing fossil fuels with renewable energy where we can. We also optimise the role of sustainable forests in mitigating climate change and storing carbon.

4. Recognising concerns regarding biodiversity, forests, water and ecosystem services

Safeguarding the health of freshwater ecosystems, maintaining water security and preserving the biodiversity of natural landscapes are significant global challenges. We're working in partnership to preserve the natural resources we, and the communities where we operate, depend upon every day.

5. Safeguarding the wellbeing of our employees and contractors

We rely on a skilled, diverse and safe workforce for a successful business, and invest in our people's development and training.

Our ultimate safety goal is zero harm. We believe all incidents are preventable and that everyone must learn from them. Overall, our safety performance has improved steadily over the past five years and we're among the leaders in our industry.

6. Increasing the eco-efficiency of our products

We develop products that meet today's sociodemographic and consumption needs, while using less material. We achieve this through innovation and working with our customers and suppliers to reduce the environmental footprint of our production processes. Developing smart packaging and paper products can play a role in addressing global challenges such as climate change and food waste.



See our online Sustainable development report 2014 for more: www.mondigroup.com/sd14

* UNECE/FAO 2009-2010 Forest Products Annual Market Review

The progress we're making

For each of our material issues, we have a dedicated set of commitments and targets that guide whether we're addressing them. We've made good progress against many of our key commitments in 2014. Here are some of our key highlights:

Securing access to sustainable fibre

100%

of owned and leased land FSC®-certified as part of our 2015 commitments to maintain FSC® certification of all owned and leased land

66%

of wood Chain-of-Custody certified as part of our 2015 commitments to procure over 60% of wood, virgin fibre and biomass from credible certified sources, with balance meeting FSC® Controlled Wood Standard

Understanding and minimising our contribution to climate change

29%

reduction of specific* CO₂e** emissions since 2004 exceeding our 2014 commitments of reducing emissions by 15% against 2004

21%

reduction of specific energy since 2004 exceeding our 2014 commitments of reducing consumption by 15% against 2004

59%

of fuel consumed by mills from renewables as part of our 2015 commitments to increase renewable sources for primary energy needs against 2010

Maintaining our licence to trade

Advanced Level

reporter at the UN Global Compact as part of our 2015 commitments to engage with the UNGC and promote its 10 principles

100%

of forestry operations and largest pulp and paper mills have community engagement plans in place as part of our 2015 commitments for all forestry operations and mills to have a rolling CEP

Safeguarding the wellbeing of our employees and contractors

0.83

total recordable case rate as part of our 2015 commitments to achieve a TRCR of 0.75 or lower***

Zero

fatalities in 2014 as part of our 2015 commitments to avoid work-related employee and contractor fatalities

Recognising concerns regarding biodiversity, forests, water and ecosystem services

25%

of owned and leased land set aside for conservation as part of our 2015 commitments to report on land set aside for conservation purposes

Co-hosted

2014 WWF New Generation Plantations platform annual summit as part of our 2015 commitments to participate in the NGP platform and support the concept

Increasing the eco-efficiency of our products

11%

reduction of landfilled waste since 2010 as part of our 2015 commitments to reduce landfilled waste by 20% against 2010

5%

reduction of specific contact water consumption since 2010 as part of our 2015 commitments to reduce consumption by 10% against 2010

What's next? To inform our next set of long-term commitments, we're carrying out a full review of our material issues to ensure they reflect evolving global trends and the risks and opportunities they present for our business. We will finalise our materiality process and the next set of commitments in 2015.

See our online Sustainable development report 2014 for more: www.mondigroup.com/sd14

* per tonne of saleable production
** see page 18 for definition
*** In 2014 we restated our TRCR milestone of 0.75 to 0.89 to reflect the inclusion of our recent acquisitions. We achieved a TRCR of 0.83 for the year, 7% ahead of this milestone. We have set a new milestone of 0.83 for 2015.

Our sustainable future in action

We believe that by playing our part in addressing sustainability challenges today, we are helping to secure the future prospects of our business and our communities. Over the following pages, we discuss how we're working together with others to explore solutions in markets, on landscape level, and across our value chain.



① Sustainable solutions for our forests and their essential services

We look to deliver scalable, practical solutions on the ground – supported by science, shared learning and advocacy – across sectors and society, and in the landscapes and catchments where we operate.

Understanding the challenge

Forests are home to as much as 80% of the world's land-based animal and plant life. They also provide food, shelter, fuel and income for over a billion people whose livelihoods depend on them*. Forests are also critical in mitigating climate change and regulating water cycles. As the global population increases and incomes rise, demand for wood will intensify. Our challenge is to meet increasing demand from sustainable forests.

Protecting some of Europe's last Intact Forest Landscapes

The Komi Republic in north west Russia is home to some of the last remaining intact forest landscapes** (IFLs) in Europe. These IFLs are highly valued for their crucial importance to biodiversity and the social benefits they provide, including food and livelihoods.

Environmental NGOs have recognised the need to map and protect north west Russia's IFLs as part of a framework for responsible commercial forest management. We've been the core sponsor of the work led by local environmental NGO, Silver Taiga, in the Komi Republic since 2008 and we're funding similar work led by WWF Russia in the neighbouring Arkhangelsk region.

Ten years of successful engagement in the Komi Republic

Our involvement began in 2004, when we acquired a leasehold for 2.1 million hectares of forest land in the region. Since then, over 21 million hectares of forest has been assessed in the Komi Republic and 4.3 million hectares of pristine forest identified. The Silver Taiga-led multi-stakeholder approach has resulted in five large areas (some two million hectares) being identified for future protection. We directly manage and protect around 76,000 hectares of this land. In the process, we have set aside a total of around 520,000 hectares of HCV areas on our land in Russia.

What's next?

We will continue to support the work of Silver Taiga and WWF Russia until the remaining four of the five proposed IFL areas receive formal recognition and protection. We hope the approach in the Komi Republic will support the development of a practical standard for the protection of Russia's important IFLs.

* Source: www.fao.org

** An intact forest landscape (IFL) is an unbroken expanse of natural ecosystems within the zone of current forest extent, showing little signs of human activity and large enough that all native biodiversity, including viable populations of wide-ranging species, could be maintained. For more information see www.intactforests.org.

Plantations – an important part of future fibre supplies

Forest plantations produce more wood on less land than natural forests – and account for only 7% of forest cover globally but supply around 35% of commercial wood***. WWF estimates that 250 million hectares of new plantations will be required by 2050 to meet society's expected demand for wood and fibre without damaging the world's remaining natural forests.

Developing New Generation Plantations

New Generation Plantations (NGPs)**** are forest plantations that maintain ecosystem integrity, protect high conservation values and are developed through effective stakeholder participation, while contributing to economic growth and employment.

We've always believed in the benefits that well-managed plantations can offer society, and we've worked with WWF and other participants to develop and champion the NGP concept since it was first established in 2007. Between them, NGP participants now manage nearly 12 million hectares of land of which five million hectares are plantations. The last two years have seen close cooperation between Mondi and WWF. We co-hosted two study tours and the NGP platform annual summit in South Africa in 2014 – helping put responsible forestry and resilient landscapes back on the sustainability agenda.

What's next?

If forest plantations are to help meet society's growing demand for wood in a sustainable way, it's vital they are managed responsibly at landscape level. To achieve this, the WWF NGP platform needs to extend its reach and influence. We're working with WWF and others to explore how the NGP concept and principles might be applied to agriculture and other forest types to develop more resilient landscapes.

Mondi forestry, Syktyvkar Russia

In focus:

Applying the science behind ecological networks

Ecological networks are wide strips of unplanted, interconnected land, or corridors, which separate stands of plantation trees. They play an important role in improving ecological connectivity and conserving biodiversity in production landscapes.

Human development, including forestry and agriculture, increasingly dominates the global landscape. Urgent solutions are needed to prevent further loss of biodiversity and ecosystem services. Ecological networks are one such solution and are proving highly effective in production landscapes. We're working with Professor Michael Samways and his team from the Department of Conservation Ecology and Entomology at Stellenbosch University to identify and manage ecological networks in our plantation forests in South Africa. The science is telling us that well managed ecological networks can extend and connect important habitats and high conservation value areas enhancing the conservation of biodiversity across production landscapes.

See our online Sustainable development report 2014 for more: www.mondigroup.com/sd14

*** Food and Agriculture Organization of the United Nations

**** http://www.fao.org/what_we_do/footprint/forestry/sustainablepulpaper/ngp_platform

Discover more online at newgenerationplantations.org

100%

of our owned and leased forests are FSC® certified

25%

of our owned and leased land is set aside for conservation

② Working together to protect water, biodiversity and ecosystems

Water security and health of natural ecosystems are among society's most urgent environmental challenges. We're working with WWF to pioneer new landscape approaches in South Africa by encouraging people to look beyond their own borders and work together to protect wetlands and biodiversity on landscape level.

Pioneering wetlands management in South Africa

South Africa's wetlands are vitally important for wildlife and for local people, but the country's wetland resources are under increasing pressure, with demand for water expected to outstrip supply by 2030*. Since 1991, the WWF Mondi Wetlands Programme has been promoting wetlands conservation in South Africa. It's changed the way government agencies, communities, industry and NGOs work together – elevating the profile of wetlands conservation across industries such as forestry, sugar and dairy farming.

* "Charting our water future" report, 2030 Water Resources Group, 2009

“Mondi has always looked beyond its own boundaries. Our partnership has enabled us to explore large-scale solutions for better wetlands management on the ground, and to increase our influence far beyond what we could have achieved alone.”

David Lindley, WWF-SA

Beyond boundaries

This year, we've broadened the horizons of the WWF Mondi Wetlands Programme to take on a much bigger challenge: bringing stakeholders together to tackle the freshwater challenges facing entire catchments. In November 2014, the WWF New Generation Plantations (NGP) platform Study Tour proved an early success by bringing together 42 participants including farmers, foresters, government and water engineers. Together an understanding of the challenges facing freshwater ecosystems was developed, and potential solutions for all those using these resources in the uMngeni catchment and KwaZulu-Natal province were discussed.

What's next?

To begin this long and complex process, we're focusing on three catchments in South Africa that are important to Mondi, WWF and our partners. We're aiming to bring about large-scale change in the way wetlands are managed by connecting all the stakeholders operating in a particular catchment – from farmers and landowners to retailers and banking partners. The new approach, led by WWF Mondi Wetlands Programme, involves people learning together and listening to different experiences to identify potential long-term solutions for a catchment.

Restoring the Mezen river in north west Russia

Rivers play a vital role in the remote Komi Republic landscape of Russia – providing transport and communication links, supporting fish populations and other wildlife, sustaining local communities, and providing important recreation and tourist benefits.

The Mezen river is one of the biggest in north west Russia, covering a basin of some 78,000 square kilometres. Through its work with local communities, local NGO Silver Taiga noticed that the river's fish population had declined over a period of around 20 years. We supported Silver Taiga to bring people together to understand and tackle the causes of problems facing the river, some of which appeared to relate to forestry. Since 2011, with funding from Mondi, Silver Taiga convened a wide range of stakeholders – from commercial logging operations and authorities, to local communities, students and NGOs – to understand the impacts and provide possible solutions for restoring fish populations and other ecosystem services on the upper part of the river. Satellite images were used to assess the changes in the river channel as a result of logging activities from 1975 to 2014. Next steps will involve an assessment of the impacts of the commercial forestry operations – both on our land and in surrounding areas – and the development of appropriate measures needed to begin to restore the river system.



Freshwater ecosystem stewardship part of Mondi's forestry plantation management, South Africa

In focus: Restoring a World Heritage wetland landscape in South Africa

Situated within South Africa's last remaining coastal wilderness, the Lake St. Lucia estuary in the iSimangaliso Wetland Park is rich in wildlife and a popular World Heritage Site tourist destination. In 2001, we acquired the commercial plantations on the banks of Lake St. Lucia. SiyaQhubeka Forests was established as a partnership between Mondi, economic empowerment partners, government and local communities. At the time, the plantations were reducing freshwater flows to the lake system, which was having a negative impact on the lake and its wildlife – especially during the dry season – as well as causing concerns for local stakeholders.

We worked with the iSimangaliso Park and NGOs, local people and authorities to map out a 120 kilometre 'eco-boundary' which now divides dry plantation soils from sensitive wetland areas. Some 9,000 hectares of plantations were given over to the park. Plantation trees were removed, and the land restored to wetland and savannah. Rhino, buffalo and elephant now roam alongside the commercial plantations and the trust of the local community is growing.

Discover more online at www.panda.org

Co-hosted

2014 WWF NGP platform annual summit and two study tours in South Africa

Support

Ongoing support for multi-stakeholder projects led by Silver Taiga in Russia

3 Certification and responsible purchasing of forest products

Wood is one of our most important raw materials and ensuring forests are managed sustainably is fundamental to our long-term success. We're part of multi-stakeholder collaborations that are calling for sustainable solutions along the entire wood value chain – from certification systems that protect more forests to wise use of wood that maximises its value for society.

Unlocking the potential of certification

Ongoing deforestation and land conversion continue to cause biodiversity loss on a global scale and are major contributors to climate change. Certification currently provides the best proof of responsible forestry practices and gives credible evidence of EUTR due diligence* processes. But demand for certified wood already outstrips supply, and only about 10% of global forests are certified**.

The story so far

While forest certification has succeeded in promoting sustainable forest management, most of the world's forests remain uncertified. We believe current certification systems need to be made more relevant and practical to meet varying scales of operation, as well as to address the diverse needs of today's stakeholders and the different types of forests they manage.

In 2014, we maintained FSC® certification of all our 2.4 million hectares of forest. 66% of the wood we procured was from FSC® or PEFC™ certified sources, with the balance meeting the FSC® Controlled Wood Standard. But we'd like more of our products to be made from certified fibre. The challenge is that around 90% of the world's forests are currently not certified and there isn't enough certified wood to meet the growing demand.

One size doesn't fit all

We support the FSC® approach of setting global standards for environmentally appropriate, socially beneficial and economically prosperous forest management. But we don't believe that one size fits all. Specific types of forests and different communities have very diverse needs. For example, tropical forests contain vastly more endangered species and communities than boreal forests, and a small forest owner has far fewer resources

than a Group like Mondi. Without practical change, the risk is that many tropical forests, communities and small forest owners will be excluded by the complexity and resource demands of certification, leaving forests that critically need protection unprotected.

Working together to find a solution

We're working for global certification processes to be simplified and to embrace earth observation (EO) and mapping technologies. By providing more efficient, cost-effective and risk-based certification that reflects local needs, different forest types and scale of operation, more forests will be protected and more people will benefit from the opportunities provided by certification.

*The EU Timber Regulation (EUTR) came into force in March 2013, making it illegal to place illegally harvested timber and timber products on the EU market

**UNECE/FAO 2009-2010 Forest Products Annual Market Review

“ Certification is a powerful tool for responsible forest management. The past 20 years has succeeded in promoting sustainable forest management, but the systems have become overly complex and unnecessarily bureaucratic. Things must now change. If they don't, certification systems risk frustrating the very industry they are designed to influence, and excluding the communities and forests that need them the most. ”

Peter Gardiner, Mondi Group natural resources manager

Woodyard, Mondi Štětí, Czech Republic

4 Calling for the cascading use of wood

The guiding principle behind the cascading use of wood is that wood should first be used to make products like furniture, packaging and fine papers before it is reused, recycled and finally burnt for heat and energy. As it is important with any scarce resource, it makes sense that we maximise the value society gains from forests.

1.5 million

tonnes of paper for recycling (recovered paper) used in our pulp mills

66%

of wood we purchased in 2014 came from Chain-of-Custody certified sources

59%

of fuel consumed by mills came from biomass-based renewable sources

The increasing importance of biomass

In the past, electricity from burning wood was generated on a small-scale, and often as part of a waste recycling operation. The introduction of the EU Energy Directive in 2012 set targets for member states to obtain 20% of their energy from renewable sources by 2020. This year, a new EU target of 27% has been set for 2030.

We recognise biomass as a renewable source of energy. There are however subsidies available for renewable energy producers in many European countries which are encouraging the inefficient use of wood and distorting markets.

With major power stations being converted to burn wood and new biomass plants being built, biomass is expected to provide 57% of renewable energy consumption by 2020. Two-thirds of this will be based on solid biomass direct from the forest.*

The biomass industry in central Europe is already pushing up demand for wood and increasing prices, putting pressure on forests and eroding the potential wealth and adversely impacting livelihoods associated with the use of forest products. In effect, society is moving away from the sustainable principles of the cascading use of wood.

What needs to change?

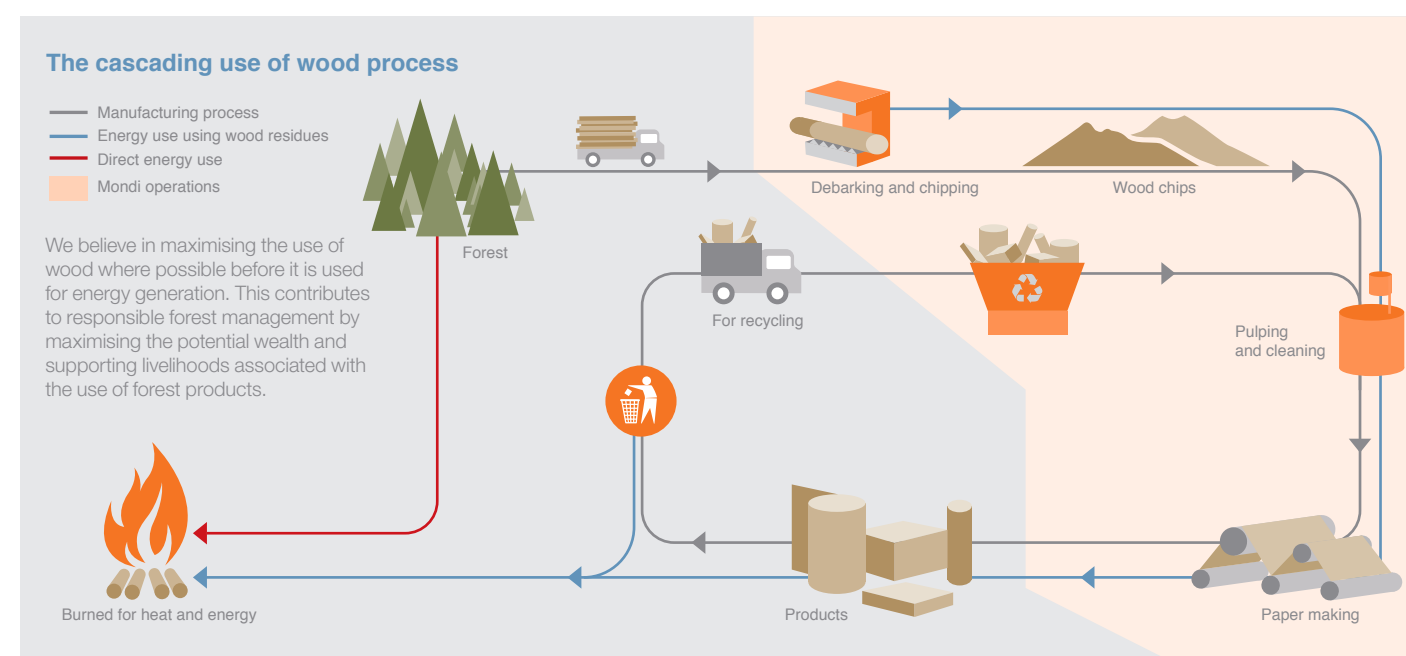
Woody biomass is an efficient fuel if it can be locally sourced from sustainably managed forests and efficiently converted into energy.

We support CEPI's view which calls for the EU to place the 'cascading use' principle at the core of its climate and energy policy. We also support CEPI's call for the identification and possible removal of subsidies that encourage inefficient use of biomass and distort fair competition.

“ The cascading use of wood is the smart way to use a natural resource – putting it to good use before it is reused, recycled and finally burnt for energy. Taking wood straight from the forest and burning it just doesn't make sense. We want to see renewable energy targets and subsidies take into account current realities of the biomass industry. ”

Peter Oswald, Chief executive officer, Mondi Europe & International Division

*CEPI, 2012



5 Climate change: ten years of committed carbon action

Climate change is one of the most pressing global challenges, and we believe our energy intensive industry has a role to play in reducing its impact on the climate. We're committed to improving energy efficiency and replacing fossil fuels with more renewable energy where we can. We also utilise the role of sustainable forests in mitigating climate change and storing carbon.

Ten years of carbon commitments

In 2004, we committed to reduce our specific* CO₂e** emissions by 15% over 10 years. During this time we've focused on reducing the energy and carbon intensity of our operations by increasing biomass-based renewable energy use in our mills, and investing in more energy-efficient production processes. As a result, we've reduced our specific CO₂e emissions by around 29%.

One major focus has been investment in new boilers that convert biomass residues, such as bark and black liquor from the pulp process, into renewable energy – greatly reducing our carbon emissions and energy costs. Our onsite biomass-based energy production has increased, resulting in 59% of the fuel consumed by our mills coming mainly from biomass-based renewable sources, a 10% increase since 2004.

59%

Renewable fuel consumption of pulp and paper mills increased from 49% in 2004 to 59% in 2014

97%

Electricity self-sufficiency 97% in 2014

Looking to the future

Our long-term aim is to continue to improve our energy efficiency, further reduce carbon intensity and to move more towards renewables. Working with WWF, we're now planning our next phase of climate commitments up to 2020.

* Per tonne of saleable production.

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

21%

21% reduction of specific energy consumption over ten years

29%

29% reduction of specific CO₂e emissions over ten years

Reels of uncoated fine paper, Mondi Ružomberok, Slovakia

6 Driving operational excellence

We rely on increasingly scarce natural resources that create value for our stakeholders. Operational excellence helps us to use these resources responsibly and minimise our environmental impact across our business – from resource efficiency in our production processes to the way we manage waste and emissions to air and water.

Responsible water use

We use about 300 million m³ of water a year – most of it in our pulp and paper mills – so managing our water use is essential. Most of this water is returned to the environment, after thorough treatment. Over the past three years, we've conducted water impact assessments of all our pulp and paper mills and forestry operations to better understand our water impacts and promote responsible use of water on a local and regional level.

Investing in wastewater treatment

Between 2013 and 2015, at our Syktyvkar operation in Russia, we're investing in improving the wastewater treatment plant, which deals with wastewater from our mill and the local community. At our Świecie mill in Poland, we've invested in upgrading the local wastewater treatment plant.

100%

Water impact assessments completed for 100% of mills and forestry operations

11%

11% reduction of landfilled waste since 2010

37%

37% reduction of total reduced sulphur emissions since 2010

Improving waste management

Our zero waste concept is guided by the conviction that all waste is a potential raw material. We generated around 1.1 million tonnes of waste in 2014*, and we've cut the waste we send to landfill by 39% since 2005.

Reducing our emissions to air

Odour, caused by total reduced sulphur (TRS)** emissions from our kraft pulp mills, is a nuisance for communities surrounding our operations. In 2014, we reduced our TRS emissions by 37% compared to 2010, mainly by collecting and incinerating sulphur-containing off-gases in our boilers. This is a step in the right direction, but even trace amounts of these emissions can cause an unpleasant odour. We're working to further reduce TRS emissions from chemical processes and continue to eliminate diffuse emissions.

See our online Sustainable development report 2014 for more: www.mondigroup.com/sd14

External recognition

Included in the CDP FTSE 350 Climate Disclosure Leadership Index for the fourth time since 2010



Foil waste, Mondi Świecie, Poland

In focus:

Cutting waste to landfill

In 2015, our Świecie mill in Poland will begin sending up to 50,000 tonnes of foil waste to be used for power at a nearby cement kiln. This foil waste previously made up around 20% of the Group's total waste to landfill. We've worked closely with Lafarge in Poland, to overcome technical challenges and our next task is to further improve the process so all Świecie's foil waste can be used in this way.

See our online Sustainable development report 2014 for more: www.mondigroup.com/sd14

* Includes waste which is incinerated, sent to landfill, recycled/reused, or treated.

** Total amount of malodorous gases (reduced sulphur compounds) such as H₂S, methyl mercaptane, dimethyl-sulphide and dimethyl-disulphide.

7 Developing our people and culture

Our diversity is one of our greatest strengths, and our decentralised approach allows people to respond quickly to local needs. This makes for a fast-paced, exciting work environment and provides opportunities for personal growth. It also means we need to develop an inspiring and caring culture where everyone can thrive.

‘Inspire’ – The Mondi Way

We’ve always been confident in our ability to move fast and perform well but, in 2010, our senior leaders recognised we needed to develop a common purpose and a caring culture that would support and inspire everyone to grow. As a result, we identified three core values – passion for performance, acting with integrity and caring – and six cultural characteristics – dynamic, respectful, responsible, entrepreneurial, empowered and transparent, which have become the foundations of The Mondi Way (see our Integrated report and financial statements 2014 for more).

Listening to our people

Because employee engagement is central to our caring culture, we use regular Group-wide employee surveys to gather people’s views on how our culture is developing.

Our most recent survey, at the end of 2013, had an excellent participation rate of 89%. Results also showed that we’ve made good progress across all six cultural characteristics throughout the business. Safety and integrity are stand-out successes, and our employees are generally more effective and engaged than they were two years ago. Two areas we need to improve are communication between our leaders, managers and their teams, and recognition of people’s individual contributions. We’re now working to address these challenges through a combination of Group-wide and locally-led action, focused on feedback, recognition and appreciation.

89%

Latest employee survey completed by 89% of employees

Investing in our people

People development is central to the ‘Mondi Diamond’ as we focus on inspiring and developing our people, promoting excellence in leadership and strengthening our diverse culture.

Founded in 1998, the Mondi Academy has delivered quality training to over 5,000 employees. We’re constantly expanding our offer to reflect the latest market trends and to provide the best professional know-how for our people – including state-of-the-art training in leadership skills, business intelligence and product insights. We also aim to share our knowledge with customers and partners by providing external access to our technical seminars and functional experts.

Making a Difference Day

Every year, all our businesses bring their people together on a single day to focus on safety and health, environmental and community issues. Individual businesses add to central themes, and local operations are encouraged to address issues important to them. In 2014, Making a Difference Day took place on 12 June and focused on making our goal of zero harm a reality, particularly when working at heights, using mobile plant and equipment, and during transportation. Water efficiency was our main environmental focus, due to the growing challenge of water security and the significance of water usage at our operations.

5,000+

employees trained through the Mondi Academy since 1998

Employees at Mondi’s Świecie operation, Poland

8 Our safety goal: zero harm

Our ultimate goal is zero harm. We believe all incidents are preventable and that, if they do happen, we must all learn from them. Overall, our safety performance has improved steadily over the past five years and we’re among the leaders in our industry*. However, it’s unacceptable that we experienced four life-altering** lost time injuries in 2014. All efforts will be made to prevent them being repeated in 2015.

“The safety and health of our employees and contractors will always be central to our success. We will continue to strive for zero harm through the ongoing development of safer work practices and working environments.”

Brian Darlington, Mondi Group head of safety and health

Creating rules to live by

We expect all employees and contractors to follow our Nine Safety Rules To Live By (see page 52 of the online Sustainable development report 2014). Designed to eliminate serious, life-altering and fatal incidents and injuries from our business, the rules have evolved through past investigations into incidents. They’re now part of the critical controls that cover the way we do business. Incident investigation teams consider non-compliance to these rules and actions taken to address the issues identified.

Tackling our high-risk activities

At the end of 2013, our executive committee asked all our operations to identify their Top 5 Fatal Risks and implement suitable action plans to engineer them out of the business. Where this isn’t possible, robust procedures and controls are being introduced to manage residual risk. We’ve committed €17 million to engineer the Top 5 Fatal Risks out of our mills and forestry operations, and the target is to implement the agreed actions by the end of 2015.

At the end of 2014, we introduced a new risk management methodology. All operations are required to implement the methodology and train their employees in 2015, and review all their risk assessments by the end of 2018. The new methodology will strengthen our risk management approach and help to identify our low probability, high severity risk activities.

Every life matters: applying our standards to our contractors

At Mondi, contractors are an important part of our workforce and we include them in all safety and health initiatives and performance figures. We have a six-step process in place to manage contractor safety – starting from the tendering phase right through to the post-contract review.

A healthy workforce is a safe workforce

A healthy workforce works more safely and performs better, so we run a wide range of health-related programmes – from general medical checks, health clinics and our HIV/AIDS programme in South Africa to activities that reduce noise risks, prevent chemical exposure and back injuries.

In focus: Safe annual shutdowns

Every year, we plan improvement and maintenance shut downs in our mills. This is a high-risk period, with at times thousands of additional contractors working together on site. As contractors do not always meet our high standards of safety and health, we ensure our safety experts and managers are deeply involved in conversations during the planning phase about how they will manage their risks. Where necessary, this has resulted in us changing contractors just weeks before the start of a project because we weren’t convinced they had the capability to comply with our required safety and health standards.

See our online Sustainable development report 2014 for more: www.mondigroup.com/sd14

* Based on total recordable case rate
** Injuries that would change the injured person’s life, such as permanent impairments.



In focus: Investing in education development in Russia

We aim to help tackle local skills shortages to secure talent for our business. Since 2010, Mondi Syktyvkar has worked closely with the Komi Government to establish the Komi Forest Academy. The Academy provides training on topics relating to forestry modernisation for local colleges and universities, as well as for our own employees.

In focus: Developing our sales force

The Mondi Sales Excellence Academy was designed to strengthen the skills and competitive position of our sales force. In 2013 and 2014, a total of 411 people received training across 14 countries in nine languages.

See our online Sustainable development report 2014 for more: www.mondigroup.com/sd14

Zero

employee or contractor fatalities occurred in 2014

26%

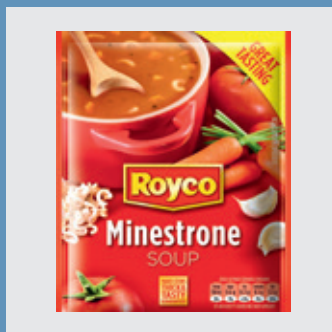
Total recordable case rate in our manufacturing operations reduced by 26% since 2010

39%

Total recordable case rate in our forestry operations reduced by 39% since 2010

9 Developing sustainable solutions with our customers

We offer more than 100 packaging and paper products, customised into more than 100,000 different solutions – touching the lives of millions of people every day.



Award-winning BarrierFilm

In partnership with Afripack Consumer Flexibles and Mars Africa, we've developed an innovative new material for food packaging called BarrierFilm. Launched in 2014, it has enabled Mars to reduce the carbon footprint of its instant and packed soup range by 25% through using a special barrier to replace Aluminium. The material was awarded the Pulp and Paper International's (PPI) 'Innovation in Sustainable Packaging' award in 2014, along with the World Star Award for Packaging and the DuPont Silver Award for Packaging Innovation.

Tackling food waste through smarter packaging

Roughly one-third of global food produced for human consumption gets wasted each year. Effective packaging is essential for keeping food safe from the field to the market, and for keeping it fresh for longer. Mondi is involved in developing a wide range of innovative solutions to address food packaging challenges – such as reclosable bags and single-serve pouches, extrusion-coated barrier material, and water-resistant containerboard. Since 2013, we have been a member of the SAVE FOOD initiative, a campaign that aims to address the problem of global food waste.



PerfoamPack: eliminating the trade-off between thickness and performance

With many packaging products, reduced thickness and weight can reduce packaging performance. Not so with PerfoamPack. It's a physically micro-foamed film, co-extruded with smooth outer layers and expanded foamed middle layer. The foaming of the middle layer can be adjusted to reach the desirable thickness without using additional material – so the final product weight is reduced without lowering rigidity and packaging performance. PerfoamPack is suitable for direct food contact and provides good insulation – making it a good solution for food packaging and reducing food waste. Life cycle analysis of PerfoamPack shows savings of up to 30% in water and energy use compared with existing solutions.



The ONE Bag: saving resources

In contrast to the two-ply industry standard, the ONE Bag is a one-ply industrial bag which offers reduced weight, a reduced packaging volume of up to 25% and a CO₂ reduction of some 20%. ONE has enabled our customers to reduce their packaging material by up to 20%.

We share a common commitment with our customers to develop environmentally and socially responsible products and cutting-edge solutions that address the challenges facing society – such as food waste, scarce resources and climate change. This means working with others to innovate new solutions that help maximise value along the entire value chain.



Communicating sustainability performance with customers

Our customers increasingly seek packaging solutions that reflect their commitments to sustainability. Value-adding logos are an effective way of communicating and underlining the quality and sustainability of products. In our Corrugated Box business, we have introduced 'aqua protec', a new trademark for branding boxes which indicates that they are made from either ProVantage Kraftliner Aqua or ProVantage Fluting Aqua.

These Mondi paper grades have a number of advantages compared with their alternatives: they are strong and water-resistant for up to three days and ProVantage Kraftliner Aqua has a reduced weight compared with regular kraftliner, saving valuable natural resources such as energy, water and materials. They are also recyclable and made from 100% FSC® or PEFC™ certified fibre.

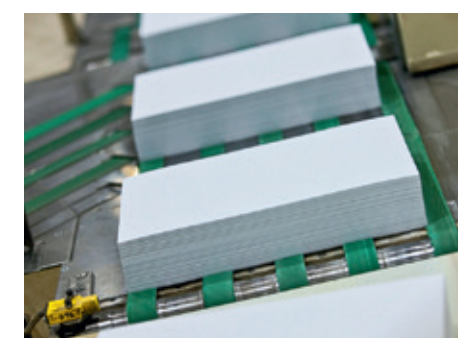


Ecolaboration™ with Nespresso

Through its Ecolaboration™ programme, coffee company Nespresso has collected and recycled used aluminium coffee capsules from its customers in Austria since 2009. In 2014 Nespresso also launched its programme to recycle used aluminium capsules in South Africa.

To offer the utmost convenience, Nespresso Austria asked Mondi to develop a customised, sustainable collection bag. Our designers innovated a paper-based bag made of FSC® certified paper with a Sustainex® coating, Mondi's biodegradable, compostable and recyclable biopolymer. This bag is made of renewable resources and is compostable according to DIN EN 13432. It also provides excellent sealability and a barrier to grease and moisture.

See our online Sustainable development report 2014 for more: www.mondigroup.com/sd14



Closing the loop with the Dutch Government

The Dutch Government has an ambitious target – to use 70% recycled paper in its offices by 2017. In 2014, we entered into a partnership to supply high-grade, responsibly produced office paper to our customer, Papyrus, for the Dutch Government. The used paper is collected by De Graaf Groep, a Dutch waste collector, to be processed by Mondi back into high-grade recycled paper and re-supplied back to the Dutch Government – a true example of closed-loop recycling.

“Papyrus Groep Nederland has introduced the PaperforPaper concept to offer the Dutch office market a new solution for a more sustainable way to use and reuse office papers, and to reduce the consumption of natural resources like fibre, water and energy. In Mondi, Papyrus has found a recognised leader in sustainable paper production.”

Dick Kuiperij, Sales Manager Office at Papyrus Groep Nederland bv

10 Creating value with our communities

We aim to make a real and lasting contribution to the communities in which we operate – by creating employment, and supporting livelihoods, community development and local enterprise. Since 2010, we've contributed about €61 million to initiatives mainly focused on health, education and enterprise development.

Being a good neighbour

Because we work in close proximity to urban and rural communities, it's vital we understand and address their concerns where we can. Our approach to maintaining open and transparent dialogue with our stakeholders helps us engage effectively with them. At our forestry operations and our largest pulp and paper mills, we update community engagement plans annually, in partnership with local stakeholders to ensure they remain relevant and current.

Investing in communities

Our social investments – from direct investment in community infrastructure to support for local enterprise – are guided by the development needs of local people, principles of sustainable development and our own business objectives in the countries where we operate.

€61 million

About €61 million in social investments since 2010 (2014: €7 million)

Community engagement

Community engagement plans updated annually at all our forestry operations and largest pulp and paper mills

Supporting health and wellbeing in local communities

We invest in the health and wellbeing of local communities, especially those in remote locations which face the most challenges. In South Africa, we've launched the fifth mobile health clinic in partnership with local NGOs and government to provide HIV/AIDS testing and counselling, along with treatment for medical conditions and childhood vaccination programmes. Around 50,000 people made use of these clinics in 2014, including about 7,800 contractors and 42,000 people living on and neighbouring Mondi land.

Supporting enterprise development in Russia

We support local enterprise to protect livelihoods and enhance social infrastructure in our host communities. Mondi Syktyvkar invests in enterprise development and small businesses in agriculture, recreation, tourism and the civil services. We also support small forest businesses that have limited access to forest resources. They can use forest stands within our leased forest areas and we guarantee to purchase all pulpwood volumes from them, allowing them to reserve the saw logs for the running of their sawmills. Eight forest entrepreneurs were being supported by Mondi Syktyvkar by the end of 2014.



Small business offering gardening services to Mondi operation, Mondi Zimele

In focus: Promoting independence through enterprise in South Africa

Launched in 2007, Mondi Zimele – our small-business development initiative in South Africa – has been recognised as an effective vehicle for job creation in South Africa. Through Zimele, we provide small-business loans, start-up capital and business development expertise. In 2012, we established the Mondi Zimele Jobs Fund with the Development Bank of South Africa (DBSA) to support local job creation. The programme has supported 101 community Small and Medium Enterprises (SMEs), with a collective average annual turnover of around €30 million and with an employment footprint of more than 2,600 people.

See our online Sustainable development report 2014 for more: www.mondigroup.com/sd14



Mondi SCP employees being briefed ahead of volunteering day, Ružomberok, Slovakia

In focus: Responding to local needs

Our Ružomberok mill in Slovakia employs 1,150 local people and its supply chain provides an income to some 5,000 more. We take a proactive approach to community engagement. Local people help us to monitor our impacts and over the last four years (2011–2014) we have invested €3.3 million in local educational programmes, health care and sporting facilities, and environmental schemes.

Neil Burns

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Selected key performance indicators in our online Sustainable development report 2014 and its compliance with GRI G3 requirements to level B+ have been verified by ERM CVS and their assurance statement is available on www.mondigroup.com/sdassurance



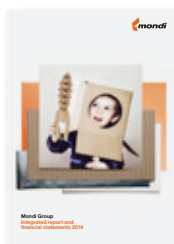
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