



MONDI ŠTĚTÍ

Socio-Economic
Assessment Toolbox (SEAT)
report 2022

This report is also available in Czech

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Mondi Štětí, the largest producer of pulp and paper for packaging on the Czech market, is committed to being a reliable employer, business partner and a responsible producer who cares about great working conditions, the environment and the people living in its surroundings. Mondi strives to be a trusted partner with good relations in the region who supports local communities.

In order to always move forward and improve in each area, a SEAT (Socio-Economic Assessment Toolbox) was carried out at Mondi Štětí from 9 to 13 May 2022. This process is a series of face-to-face, open dialogues with our stakeholders, facilitated by an independent third party. Its aim is to understand the perception and impacts of Mondi Štětí – both within the company and in the region.

The meetings included a total of 130 people and involved conversations with employees, neighbours, representatives of the local communities, municipal and media representatives, customers, contractors and others. A number of positive evaluations emerged from the discussions.

The stakeholders interviewed see Mondi Štětí as a strong and reliable business partner and responsible manufacturer who cares about good working conditions. Mondi Štětí is seen as a modern, supportive and reliable partner to local communities in the region, continually improving environmental protection and minimising potential adverse impact on the environment, praised particularly for its socially responsible activities and proactive approach during the pandemic.

The interviews also reinforced the company's position as a major regional employer with an excellent corporate culture, attitude and opportunities for growth.

The interviews provided the company with a number of suggestions for improvement. The SEAT process identified three overarching issues that are of most concern to all stakeholders: vehicular traffic, odour emissions, and too strict safety requirements.

Most of the critical feedback was directed at excessive road traffic, while at the same time, stakeholders were aware that improvements to the traffic issue in the region are not solely in the hands of Mondi Štětí.

Another topic is the occasional odour from the plant, which is one of the negative impacts of production, nevertheless all stakeholders acknowledged that this has significantly improved compared to the past. Although Mondi's safety approach is strongly appreciated, some requirements were felt to be too stringent. The mill's management has considered all the findings and responded formally with their feedback, including actions for future improvement.



This report is available in English and Czech, and reflects the findings generated from frequently mentioned issues raised by stakeholders during the SEAT discussions, as well as related responses from the mill's management.

Thank you for your interest.



INTRODUCTION

The Socio-Economic Assessment Toolbox (SEAT) is a stakeholder engagement and impact assessment methodology used by Mondi to better understand the relationships with, and impacts on, its stakeholders.

On 9-13 May 2022, Mondi Štětí invited a large cross section of relevant stakeholders to join a series of meetings that provided opportunities for them to speak openly to a panel made up of representatives from Mondi's corporate team, third party facilitators and, in some instances, local management. In total, 130 people including employees, suppliers, representatives of municipalities in and around Štětí, community representatives, customers and fellow citizens attended 21 meetings. In face-to-face, as well as a few online conversations, the participants spoke openly about what Mondi Štětí means to them and how Mondi's performance in the region is perceived; they also shared their views on topics where Mondi could improve.

To ensure full transparency and objectivity, Mondi appointed an independent specialist, ERM, to facilitate all SEAT sessions. An interpreter was also present at all times.

The panel's mandate was to listen and take detailed notes during each session. All individual stakeholder inputs were kept anonymous (unless explicitly requested by the stakeholder group).

Following the conclusion of all sessions, the comments of all participants were evaluated by ERM and ranked according to, for example, the frequency of their mentions or the degree of

impact on each group of participants. This generated the main suggestions and feedback for Mondi Štětí.

This Mondi Štětí SEAT report represents a consolidation of the stakeholder comments and feedback received, together with management's responses to all. The SEAT report is widely distributed to all relevant stakeholders and Mondi employees and provides the basis for continued and positive stakeholder engagement and relations.

More information about the process and all SEAT reports are available on our website at www.mondigroup.com/SEATS

Stakeholder Group	Number of SEAT participants (130 in total)	Participants as representative % of total stakeholder group
Other Mondi entities in the area	3	100 %
Employees	57	6 %
Trade Unions	2	100 %
Contractors (management representatives and employees)	31	9 %
Wood suppliers	2	100 %
Customers (sales area Czech Republic)	2	4 %
Neighbours – representatives of the state administration (Štětí, Liběchov, Roudnice nad Labem)	3	60 %
Local schools	8	88 %
Members of the communities	14	46 %
Neighbours – residents of Štětí (members of committees and active citizens towards the mill)	6	20 %
Local media representatives out of invited	2	66 %

POSITIVE FEEDBACK



The interviews confirmed Mondi Štětí's role as a major regional employer with a strong company culture, approach to workplace safety and career development opportunities. *"Mondi is an above-average company in the region."* Employees value the flexible working hours, shifts, employee events, variety of work opportunities and the ability to use online meetings. The company offers a pleasant working environment.

We also found that, according to the participants, the company is continually improving its environmental responsibility to minimise the impact of its business on the surrounding areas. They also praise Mondi Štětí's transparency with regard to environmental impacts (emissions reporting, accountability for spills into the river, etc.) *"When we have called the Green Line hotline to say that there is odour from the mill, Mondi came and dealt with the situation immediately."*

Participants in the meetings also perceive Mondi Štětí as an important and reliable partner supporting local communities in the region, with whom they can communicate openly. *"We appreciate the individual approach and their willingness to support the social sphere."* *"We perceive Mondi as a reliable and exceptional employer with good salary conditions."*

High praise was given to the socially responsible activities and proactive approach during the pandemic. *"During covid, I became even more aware that Mondi means stability and security to me."* Mondi Štětí also offers a range of activities outside of work for its employees, who appreciate this. *"We meet outside of work. We also spend our free time together, thanks to the activities the company organises for us."*

The following is a summary of the main positive findings.¹

Environmental Management	The company has a strong commitment to the environment. All stakeholders acknowledged that the odour from the mill has been reduced compared to the past. They appreciated the transparency of Mondi Štětí regarding environmental impacts (emission reporting, responsibility for spills into the river, etc.).
Communication	Mondi Štětí's approach to communication is appreciated by the community, local authorities, and suppliers.
Community and corporate social initiatives	The interest and support given to local initiatives, both financial and non-financial, is highly appreciated. The company's response to the COVID-19 pandemic is also appreciated (facilities provided for testing outside the company premises, vaccination campaign for staff and the public, distribution of disinfectants).
Employment	Mondi Štětí employees value stability and job security and they consider salaries to be reasonable and on schedule. The opportunity for career development for employees is also valued. According to the participants, communication of strategic decisions is appropriate. Employees value flexible working hours, shifts, employee events, great job opportunities and the ability to use online meetings. The "Future Leaders" programme is seen as a good opportunity for graduates to enter the job market. The company offers a pleasant working environment.
Contractors	"Mondi is a partner". This is how contractors evaluate their cooperation with the company. They praise the transparency, flexibility, and active involvement of Mondi Štětí during contract negotiations. All contractors confirmed regular and timely payments from Mondi Štětí.
Customers	The quality of Mondi products is high, which is confirmed by the company's business partners. They also appreciate the speed of service delivery by the company.
Safety	The safety requirements of Mondi Štětí were well appreciated by employees and contractors alike.

¹ Reporting space dedicated to positive findings compared with challenges identified is not representative of the balance of positive and negative findings, as no management response is required to the positive findings.



CHALLENGES AND RESPONSES

Mondi Štětí's SEAT process for 2022 has identified three overarching issues that are of most concern to all stakeholders: vehicular traffic, odour emissions, and safety requirements. Other topics are categorised by the specific stakeholder groups: employees, contractors and customers.

4 CHALLENGES AND RESPONSES

TRAFFIC AROUND THE MILL

Issues

During the SEAT meetings, it was repeatedly highlighted that traffic is crucial for most of the stakeholder groups. The following three issues were most often cited by participants:

- safety of other vehicles during rush hour (especially at the turn-off from the main road to the Mondi mill)
- traffic jams
- high noise and dust levels

Another issue highlighted is the limited space on Mondi's premises, which stakeholders believe conflicts with the increase in production (specifically the problem of parking, storage and safety).

Feedback

Traffic in the surroundings of the premises and in the town of Štětí is a key focus area for us, which we are continuously addressing and monitoring. In the years 2021-2023, we will invest more than CZK 19 million in projects that will improve the traffic flow and safety near Mondi Štětí and in the town.

At the end of 2021, the lane turning to our premises was established from the direction of arrival from Hoštka (direction from Litoměřice to Štětí). This now allows trucks and cars to turn more smoothly, thus improving their entry and exit to the car park at our premises. This has reduced the risk of congestion at the entrance to our mill and increased traffic safety.

A further improvement has been made to the traffic flow through the entrance gate. These measures are aimed at reducing the burden on and speeding up the passage through the mill entrance gate.

During 2022, we increased the number of parking spaces at our premises and moved car parking from the internal parking lots to the external parking lots. 71 internal parking spaces were moved outside the premises and a further 138 new parking spaces were added. The total capacity of off-site car parking was therefore increased by an additional 209 spaces. At the same time, the number of cars passing through the entrance gate was reduced. The new car park was available before the start of the maintenance shutdown period (October 2022), which is the most demanding time of the year for vehicle movements.

We have also increased the number of truck parking spaces by 20. We will monitor this and make additional adjustments if necessary. In the future, we plan to open a second entrance to the site for freight transport. This will improve access to the site.



19 MILLION CZK
to improve traffic

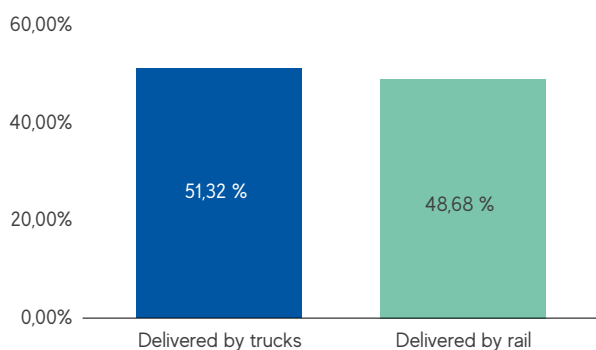


TRAFFIC IN THE REGION

Issues

- Pedestrian safety on the roads, especially in towns and villages (e.g., Liběchov) due to the increased frequency of passing vehicles.
- Damage to the transport infrastructure caused by congestion and not using detour routes due to lack of awareness of road closures in the region.
- Truck drivers who are speeding and/or using Class 3 roads in contravention of regulations to avoid traffic jams and detour routes that would substantially extend delivery times.
- Suggestions to increase the existing rail usage which would reduce pressure on the roads.
- Concerns about further increases in traffic and pressure on road infrastructure in connection with future plans to expand Mondi's operations and the start-up of a sawmill next to Mondi's Štětí operations (LBE WOOD).

Means of wood delivery to Mondi Štětí in 2021



Feedback

Within the framework of our contractual relationships, transport companies commit themselves to Mondi Group standards, in particular the Code of Conduct for suppliers. We continuously appeal to our contractors and stress the importance of road safety and compliance with all laws and road rules. Failure to comply will lead to action being taken by Mondi.

We will open a discussion with our contractors about the importance of monitoring equipment in vehicles to ensure compliance with standards, rules, and individual regulations. In this case, however, the solution and any investments are entirely up to the individual companies.

At the same time, we are in close contact with representatives of local and regional authorities, especially with representatives of the municipalities and towns of Štětí, Liběchov and Roudnice nad Labem. We actively participate in meetings and share our business plans, data, and information in order to support continuous coordination and contribute to addressing the traffic situation in the region. Decisions on traffic solutions and adjustments are in the hands of the relevant state institutions and authorities.

Our goal is to increase our involvement in the search for possible traffic solutions among other representatives of towns in the Ústí nad Labem Region and the authorised officials of the Ústí nad Labem and Central Bohemia Regions.

We are ready to take part in discussions with representatives of towns and municipalities in our area of influence and to participate in solutions in the form of, for example, monitoring cameras in towns so that any contraventions can be recorded and subsequently addressed. In cooperation with the relevant institutions and authorities, we would like to set up a process for obtaining information on detour routes that would allow us to quickly pass on the information to the carriers. This measure aims to reduce the possibility of drivers using incorrect/inappropriate routes.

In addition to road transport, we already use rail transport. We are considering increasing the capacity of rail transport and consulting the relevant institutions and authorities. We will continue our focused collaboration in search of the best solutions.

4 CHALLENGES AND RESPONSES

ODOUR

Issues

Although the SEAT participants confirm that there has been a significant improvement in this area, it has been stated that the odour problem in Štětí persists. Cases of increased odour during maintenance shutdowns were reported. At the same time, the stakeholders are aware that there is an immediate effort to address any incidents by Mondi Štětí and that there is also a simple and quick way to report odour emissions.

Feedback

We are very happy that the investments are paying off and that our neighbours recognise the improvement in the situation and provide positive feedback.

At present, the main source of odour is the area where waste from wastewater treatment is stored (waste water sludge lagoon). The situation has improved significantly following the implementation of the EcoFlex investment project.

The goal of the EcoFlex project is to prevent the unnecessary storage of biological sludge. Thanks to this project, the wastewater treatment plant stopped regular pumping of biological sludge to this storage area, and starting from 2020, this has a positive effect on the overall odour generation. In the first half of 2022, no more biological sludge was pumped into the storage area. As a result of this investment, sludge from the wastewater treatment plant can also be used as raw material or combusted in the boiler in the long term. Our aim is for the storage area not to be used any more, thus eliminating this source of odour. Prior to the project, the specific amount of waste was 31-38 kilograms per tonne of product. After its completion, it fell to less than half, namely 16 kg.

We apologise for other occasional incidents related to scheduled equipment maintenance or unexpected outages. We continuously and closely monitor air quality and will continue to take appropriate measures to further improve the situation. We greatly appreciate suggestions from fellow citizens to our Green Line 800 172 498, which helps us to monitor our impacts.



SAFETY REQUIREMENTS

Issues

Some safety requirements are considered by SEAT participants to be too stringent. Some participants believe that *"80% of the safety requirements are reasonable, but 20% are excessive."*

Other inputs concerned the increasing pressure on employees due to increased safety requirements, and also increasing production.

Feedback

Our employees and contractors work in a manufacturing environment that is inherently dangerous and can cause personal injury. The safety and health of the people working on the premises is our top priority, and we consistently pay attention to this issue.

We are aware that a large number of rules need constant revision and improvement. That is why one of the four pillars of our workplace safety strategy is "propose better solutions".

Under this program, employees and contractors can identify unnecessary or complex requirements and propose safer and simpler ways of doing the job.

Continuous improvement in this area depends on cooperation and we genuinely welcome new suggestions and monitor their implementation.

EMPLOYEES

SAFETY BONUS

Issues

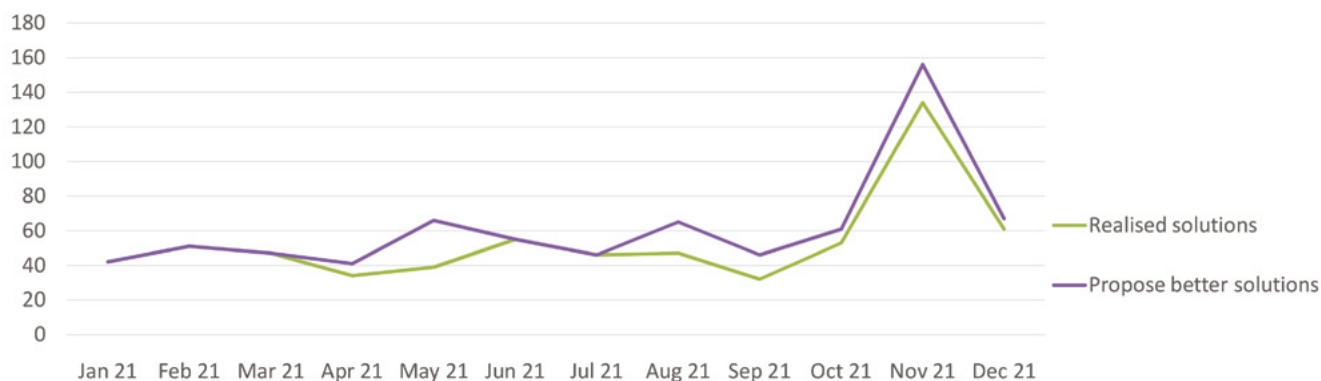
According to some employees, the principle of linking financial bonuses to safety is not motivating, because they risk losing their bonuses due to incidents that are not related to their work area. Some participants voiced sentiments such as: *"We don't want to lose bonuses because of safety incidents that are out of our control or outside of our work area; that approach does not motivate people."*



PROPOSE BETTER SOLUTIONS

If you have a proposal for a better solution, don't keep it to yourself. **Each proposal will be processed and assessed** and you will be informed about the outcome.

Propose better solutions – number of proposed and realised solutions in 2021



Within our four-step safety program, employees and suppliers can propose better safety solutions. From the simple solutions which can be almost immediately implemented (e.g. cleaning) to the systemic ones. Employees and suppliers take this opportunity very often and actively participate in improving the safety area. In 2021, we received 743 proposals and 641 of them were implemented.



Feedback

We are aware of this debate and regularly respond to this topic. The safety and health of people in our mill is affected by many factors. Our culture, i.e., the behaviour of each individual in line with common interests, is of enormous importance. All our employees have a direct and significant impact on the safety of others through their behaviour and compliance with regulations and rules. If safety rewards only applied to "one's own" centre or workplace, we would risk encouraging behaviour where people ignore dangerous situations outside of "their responsibility zone". We also want to avoid a situation where people stop caring about injuries that happened on another shift because they were not at work. In doing so, we would deny the principles of cooperation and mutual consideration that are being promoted and thus we would effectively increase the risk of accidents for everyone.

We understand these feelings when an injury in which the worker was not directly involved is included in the statistics. Situations like this should lead us to reflect and take steps to work together to create an environment where safe behaviour is the standard and no violations are tolerated.

WORKING HOURS

Issues

Some employees expressed concern that longer working hours and overtime for existing employees are required due to the increase in production. Any additional leave of absence increases the pressure on other employees to perform additional work duties.

Feedback

We greatly appreciate the extraordinary efforts of our staff who have helped us overcome the high employee absences due to the COVID-19 pandemic over the past two years. We have also created new "trainee" positions in recent years, training more staff than we actually need to better respond to outages. We rewarded the employees most affected with extra overtime pay, and we intend to do the same in the future. There is also a fifth shift that is ready to cover the operation in case of an emergency and staff shortage. These are the so-called "relievers" who will cover the shortfall in capacity if necessary. We will analyse excessive overtime and explore the possibilities of any further improvements in this area, also in the context of the planned increase in production.



At the same time, we will introduce new technological solutions (robotisation and automation plan) that will help us to ensure that some production steps and activities can be carried out by machines, to enable higher production that does not result in higher workload for the staff. We genuinely welcome suggestions and possible solutions directly from the mill operations and help to increase awareness of what we are doing in this area and the new procedures that we are setting up.

CAREER DEVELOPMENT

Issues

The Future Leaders programme could be improved with regard to defining clear and transparent opportunities for career development as well as engaging people in the programme from the outset.

Feedback

The first year of the Future Leaders programme (FLs) runs from 2021 to 2022. It is a new corporate development programme for university graduates aiming to prepare the participants for their future roles as leaders and experts at Mondi Štětí. The programme is based on a rotation through different departments over a 12-month period.

During the Future Leaders programme, we received useful feedback which we have already incorporated into the programme. We will continue to improve the programme based on this feedback. One of the first improvements that we have planned is to communicate future job openings with a specific offer to participants not only verbally, but also immediately in writing. We are grateful for the great suggestion.

Since the start of the program in September 2020, 10 Future Leaders have joined, three of which have left the program. Two are now continuing the program, and 5 of them have entered the final position. We have incorporated the suggestions and adjusted the length of stay in individual sections based on the candidate's profile and career goals. For example, we put people who are working on paper machines for a shorter period of time on the bleached pulp line and energy department.

The programme was adapted to consider candidates' aspirations and potential positions within the operation, including amending offers.

DIVERSITY/GENDER

Issues

Some of the comments were directed at production areas that, according to employee feedback, were not originally equipped for female employees (e.g., size of work clothes, location of separate toilets and changing rooms).

Feedback

In 2021, we opened the topic of team diversity and the positive impact of diversity on performance through workshops. During discussions, we also focused on breaking down potential stereotypes and prejudices.

CAREER
development

4 CHALLENGES AND RESPONSES

We have introduced recruitment meetings to get to know candidates better and measure their skills and potential more accurately. This helps us to make decisions on the most appropriate candidates for a role, regardless of gender. We understand the benefits of having a more diverse and inclusive profile of people across our business. Starting with a few practical steps to support hiring more women in the production roles:

- We are continuously renovating the facilities (changing rooms and toilets) to ensure a quality working environment for all employees and expanding the capacity of the women's facilities. In 2022, this included facilities for the operation of paper machines 3, 5, 6 and 7. Other departments will follow.
- In collaboration with HR and the purchasing department, we also focused on workwear to ensure that we had the necessary sizes and appropriate clothing for women. These will be delivered in January 2023.

We have a challenging task ahead of us to change established stereotypes. We want to create an environment in which people like to work. Creating a diverse and inclusive culture is central to our MAP2030 journey across the Group and we feel passionate about this in Mondi Štětí too. That is why in our recruitment campaigns in 2022 and beyond, we will focus on the inclusive aspect of the language and visuals, while promoting the stories of our female colleagues who work in the mill. In doing so, we want to inspire more women to embark on a successful career journey with Mondi.

INFORMATION SHARING

Issues

Some participants voiced concerns that there are barriers to information sharing between departments. This can have a negative impact on work performance. A quote from a SEAT participant is: "The purchasing and maintenance departments sometimes do not share information."

Feedback

Following the results of the 2020 Employee Survey, we have established three working groups to address improvements in the areas of Enthusiasm, Collaboration and Communication. As their names suggest, the goal of these groups included promoting cross-departmental collaboration. The work of the Cooperation and Communication groups resulted in several activities to support employees. For example, the Ten Rules for Effective Collaboration were developed.



This includes, among other things, tips and advice for ensuring good communication.

In mid-2022, we launched a simple feedback app to improve and support cross-departmental collaboration. In discussion with Heads of Departments, we will consider piloting a virtual cross-departmental meeting where each department shares its news.

We will ask managers to create more interaction between departments in their day-to-day operations. We will further strengthen the involvement of department managers and employees in the preparation and sharing of news through internal communication channels, such as the employee magazine *Sito*. Direct discussion with managers and colleagues is highly encouraged. We would also appreciate further suggestions for improvement in this area. We recognise that quality communication and information sharing are important parts of the job.

CONTRACTORS

Issues

The findings from the conversations with contractors can be summarised into the following issues:

- **Shutdowns:** Some employees and contractors cited safety, overtime and a lack of skilled workers as frequent problems in connection with the annual maintenance shutdown.
- **Safety requirements:** Some contractors highlighted that it is difficult to find qualified staff who are able/willing to comply with the strict safety requirements, as demanded by Mondi. In addition, they believe that Mondi's pressure on prices and deadlines is at odds with its quality and safety requirements.
- **Deadlines:** Some participants felt that there is a long time between the request for a tender for the provision of services/materials and its approval. In some cases, work is carried out before the purchase order is officially approved.



4 CHALLENGES AND RESPONSES

- **Qualified employees:** Participants voiced concerns that finding qualified employees in the labour market is difficult. One of the challenges Mondi's contractors face is providing employment offers which are able to compete with Mondi's employee benefits.
- **Information:** Challenges related to communication within their companies emerged from the suggestions of some of our contractors' representatives. In some cases, information does not reach all employees of our contractors. There have been cases where missing information (e.g. future project plans or planning for additional people on site) has affected the contractors' work and its delivery at the appropriate standard.

Feedback

Shutdown:

The company-wide shutdown is the largest project in Mondi Štětí every year. During the shutdown 2,000 additional people are on site each day. We therefore carry out activities according to a detailed project plan, where the shutdown process in all areas is described in detail and subsequently managed. The shutdown is also preceded by intensive communication with employees, contractors and the public. At the same time, we coordinate the shutdown dates with other large companies in the region, as the contractors are largely the same.

A detailed evaluation of each shutdown project is carried out at the end of the shutdown. Last year's evaluation identified 88 points for improvement, 10 of which were safety-related. We are pleased that, thanks to careful preparation and monitoring of safety rules and procedures, we have not had any accidents during shutdowns in recent years.

We are now planning to introduce time slots for contractors to pass on information during shutdowns so that we can plan even better and have enough time to pass on all the information and details, including any safety notices.

We addressed the shortage of qualified staff with contractors, we appeal for compliance with high standards and requirements of staff already during the selection process and we check their experience, skills and knowledge. We require staff to have all necessary certifications.

During the 2022 shutdown, we will continue to motivate contractors to behave safely through various incentives.



Safety requirements:

We understand that it is very difficult to balance the need for sufficient workforce skill, ability and willingness to work safely, and Mondi's high demands on quality, deadlines and prices. We ourselves are facing labour shortages in the labour market.

While a reduction in safety requirements could lead to easier selection of workers, it would result in a deterioration in quality, deadlines and certainly more accidents.

We are ready to discuss and find common solutions to ensure a successful business together in a safe environment for all workers.

Deadlines:

At Mondi Štětí, we have processes and procedures in this area based on the need to ensure the transparent award of contracts and a healthy competitive environment. We are aware that there are cases of delays. We carry out more than 250 projects each year. According to our records, this does not happen with regular contractors that we have already that are registered in our systems. The challenge for us is working with new contractors. We have already introduced the use of framework contracts for small-scale contracts. We are planning a further review of procedures to prevent similar situations and we will take further action after detailed identification.

In the coming period, the relevant procurement department will focus on awareness raising within our company and amongst managers in procurement roles to ensure compliance with the procedures.

Qualified employees:

We are aware of the difficult situation in the labour market. The question of qualified employees is also a key issue for us – not only for our company, but also for our contractors. Part of the positive factor when recruiting for contractors could be the fact that they work for a reputable international company with high standards and stability.

Information sharing: In Mondi Štětí, we have set up communication with the management of the contracted companies, who further communicate the information to their employees as needed. This is solely at their discretion and competence.

Closer contact with the management of contracted companies should improve the situation. We want to open a discussion with them on this topic and offer to share our knowledge in communication so that we can help them improve communication in their companies. We will appeal to our contractors to share timely and sufficient information to all their employees.

CUSTOMERS**PRICES****Issue**

Some of the customer representatives provided feedback on the challenges they face when working with Mondi, including:

- frequent price increases as a key issue
- lengthy process of internal synchronisation within the Mondi Group, for example in terms of notifying about price increases and obtaining information to explain the situation
- delays in paper deliveries due to a shortage of truck drivers

Feedback

Our long-term goal is to offer our customers the best quality, service, on-time delivery and competitive prices. However, we are also affected by the current situation when it comes to the significant spike in the price of raw materials. We discuss and consider each price adjustment in detail and then communicate and explain it to our customers as best we can.

Paper is a sustainable and renewable material that is preferred as a packaging material by more and more industries and companies. The strong demand for paper is also influenced by the geopolitical situation and disruption of supplies from some countries. This can impact the availability of paper which can have significant implications on demand and production costs.



BEST QUALITY
and prices

4 CHALLENGES AND RESPONSES

The Mondi Group always announces price increases for the entire market without regional differences. Along with this information, all dealers receive an accompanying letter which they send out and use when dealing with customers. In the future, Mondi will focus on defining and precisely timing each step. Special attention is being paid to the development of internal tools that allow for targeted communication with customers.


Since the outbreak of the COVID-19 pandemic, we have faced major challenges in ensuring complete and timely transport, e.g. lack of drivers. This includes raw materials, supplies and finished products.

Mondi Štětí reserves transport capacities in advance according to planned production volumes, orders and customer needs. Any changes or disruptions usually result in a chain of delays. We engage with our customers about the scheduling of deliveries and any potential deviations.

At the same time, Mondi is working on defining an incentive programme for shippers to ensure on-time delivery of goods to the customer in times of high demand and/or insufficient driver/vehicle capacity on the market. The topic of payment terms for shippers will be included in the consideration of other possible incentives or competitive advantages.



LEGENDARY PAPERMAKER

in  of Bohemia



Mondi is a global leader in packaging and paper, contributing to a better world by making innovative solutions that are sustainable by design. Our business is integrated across the value chain – from managing forests and producing pulp, paper and films, to developing and manufacturing sustainable consumer and industrial packaging solutions, using paper where possible, plastic when useful. Sustainability is at the centre of our strategy, with our ambitious commitments to 2030 focused on circular driven solutions, created by empowered people, taking action on climate.

Mondi Štětí became part of Mondi Group in 2000. There are a total of 4 Mondi Group production plants in the Czech Republic. There are three in Štětí, the largest of which is Mondi Štětí a.s. The extensive premises in Štětí are shared with Mondi Bags Štětí and Mondi Coating Štětí. In the south of the Czech Republic, in České Budějovice, there is another plant, Mondi Bupak.

Mondi Štětí is the largest producer of paper packaging and pulp on the Czech market. The paper mill ensures the entire paper production process from the receipt of wood to the distribution of paper. In addition to the five paper machines and other production facilities, Mondi Štětí operates a power plant that supplies heat to the town of Štětí, a wastewater treatment plant where municipal wastewater is also treated, and operates its own landfill.

Mondi Štětí paper mill is a modern and automated industrial enterprise. In recent years, Mondi has invested over 11 billion CZK into the Štětí plant. Thanks to its investment projects, Mondi Štětí is a strong competitive company that meets the demand for paper materials and pulp among customers all over the world.

Mondi Štětí employs 915 people, while Mondi Bags and Mondi



Coating, based on the same premises, employ another 300 people. Mondi is thus the largest employer in Štětí and one of the most important employers in the Ústí nad Labem Region. More than 50% of the employees live in the vicinity of the paper mill (within 10 km). Twice in a row, the company has won the renowned Best Employer of the Region award in the Sodexo Employer of the Year competition (in 2021 and 2022), and in 2022, it also won this award nationally for a company with under 5,000 employees.

TOTAL HEADCOUNT

915

(and additional 300 employees of Mondi Bags, Mondi Coating)

STAFF TURNOVER

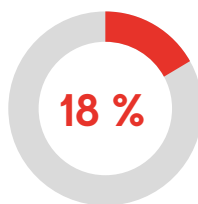
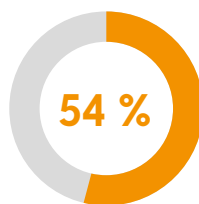
9 %

HEADCOUNT BY GENDER

776_{men} 139_{women}

AVERAGE AGE

43y



54 % employees have 5+ years of experience

18 % women (10 % in blue collar functions)

In 2021, the company achieved sales of CZK 14 billion, which represents a year-on-year increase of 10%. In the past period, it paid advance tax payments (including deferred tax liability) of CZK 387 million.

The total profit after tax amounted to CZK 3 billion. In addition, as a responsible patriot of the region, it has allocated CZK 8,269,239 to charitable projects and support for local communities.

SOCIAL MANAGEMENT SYSTEMS

People development

A third of the employees have been working at the mill for over ten years and in many families, the connection with the mill spans several generations.

The company offers job opportunities for high school and university students, facilitates student jobs and internships, organises educational tours to the plant, and organises a summer camp for young children, as well as a Young Paper Makers' Day, where children learn about paper production in a playful way.

Mondi supports learning and skills development through training as well as through the multi-function and rotation programmes introduced over the last three years. The Future Leaders programme for promising university graduates was launched in 2020. Successful college graduates can learn about the company's operations and key manufacturing sites.

Diversity

Mondi fully recognises the benefit of diversity and plurality of views and perspectives to the workplace atmosphere and the associated positive impact on overall performance. Emphasis is placed on a healthy distribution of age diversity so that

newcomers can learn from experienced employees. National diversity has increased by 1.3% since 2019 and the proportion of employees from other countries is now 4.1% in total. This is supported by international rotations and the growth of employees to senior positions in Mondi's global structure. In terms of gender diversity, women work in 18% of the positions at Mondi Štětí. Although men are predominant on the production lines (90%), the goal is to have conditions and facilities that allow for greater inclusion of women in production.

Employee survey

The Mondi Group employee survey provides feedback on how employees perceive the company and also offers insights on where they think the work environment and/or culture could be improved. In 2020, a total of 89% of employees from Mondi Štětí participated in the survey (7% more than in 2018). Employees rated most areas more positively than in the previous survey. The highest rated areas were safety, following the rules and accountability. Satisfaction with remuneration, communication and delegation of authority also increased. 68% of respondents answered positively when asked if action had been taken to address the issues identified in the last survey.





Communication practices

Mondi Štětí advocates open and transparent internal and external communication. For this reason, it has set up a range of communication tools, the use of which depends on the topic and the target group concerned.

Regular meetings with representatives of the town of Štětí take place at least twice a year. Both parties inform each other about their planned activities and possibilities for joint projects. Information about Mondi for the public is available in several places, such as the Štětí Town Newsletter, a section on the website www.mestosteti.cz, Green Line number and emission values on the city's website, Mondi TV located in the town library, Facebook profile of Mondi Czech Republic and the regional media networks Litoměřice daily and Litoměřicko24. The company uses a wide range of communication tools with varying frequency in its internal communication: from departmental meetings to e-mails, Mondi TV, intranet, online discussions with management and the printed magazine SítO.



Safety at work

The safety of people working for Mondi is an integral part of every workday. Many of the measures have been proven to work over the years. They include in particular the "Nine Safety Rules to Live By" (hereafter referred to as "Safety Rules"), risk assessments and safe operating procedures (SOPs).

Management believes that safety can be achieved through continuous education and a focus on day-to-day activities. That is why a four-step safety program was introduced in 2016, consisting of: 1. Follow the standards – know the rules and follow the correct standards and procedures; 2. Stop unsafe activity

WE ADVOCATE OPEN
AND TRANSPARENT
COMMUNICATION

- become a Patriot and record the prevention of the unsafe situation; 3. Propose a better solution - look for and write down solutions to improve safety; 4. Thanks for stopping me - let's strengthen the company culture together.

Social activities for employees

Mondi Štětí makes regular financial contributions to several local clubs and associations. It supports projects that help the region and its people. Employees work as volunteers in the company's Non-Profit Days and many of them are actively involved in community work in their free time. Equally interesting is the company's participation in sporting competitions such as running, football or dragon boat racing. The Mondi for Life programme offers a plethora of activities, such as tours, fishing, tennis, hiking or boating. Twice a year, an Eco Day is organised where employees and their families take part in activities to improve the environment. Another one of our annual events is the Change Day, where inspirational suggestions are presented

on what the company can improve in the areas of safety, sustainability, diversity and health.

Community engagement

Every year, Mondi Štětí supports dozens of local organisations' projects. One of the company's subsidy programmes is the Patriot programme, which offers financial support for projects of non-profit organisations, towns and municipalities in the region. Total support amounted to over CZK 8,200,000 in 2021. One of the benefits is that projects applying for support are proposed by our employees.

Every year, an Environmental Challenge is launched, which finances, for example, tree planting. Environmental education in kindergartens and primary schools in the region is also supported. Outside the region, an extraordinary donation of CZK 1,500,000 was made in 2021 to help families affected by the tornado in Moravia.



Involvement in professional organisations and committees

Mondi Štětí is a member of the board of directors of Wood for Life and the Association of the Czech Paper Industry, where we actively contribute to the development of the industry. We are a member of the Healthy Town of Štětí committee and the Environmental Commission in the town of Štětí, where we are responsibly involved in ensuring and improving the lives of the inhabitants of Štětí and the surrounding area.

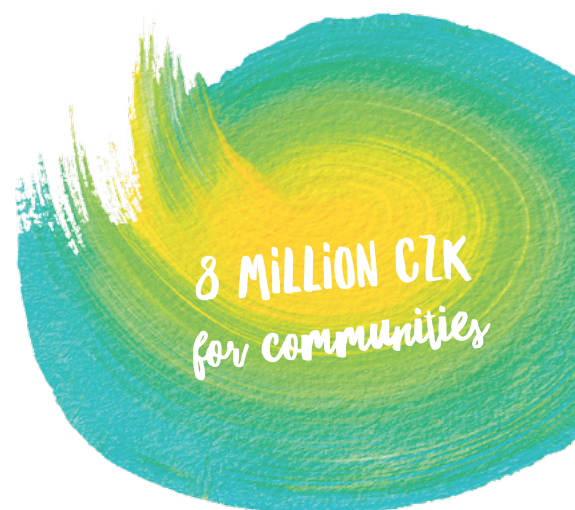
Government and business relations

Mondi Štětí strives to be a collaborative and reliable partner in the community. Therefore, the company's management is in close contact with representatives of local and regional authorities. Regular communication focuses on possible cooperation and support for the region in the form of investment, cultural and sports activities. The company addresses recruitment and employment or issues of common interest such as transport and its solutions, infrastructure or the environment.

An example of this cooperation is the memorandum on long-term cooperation with the town of Štětí. In 2021, Mondi supported town development projects, cultural and sporting events with CZK 4.2 million. A similarly successful cooperation between Mondi Štětí and the City of Roudnice nad Labem is the project for the construction of a new sports hall called Mondi Arena, which will serve the Roudnice Basketball Academy and the general public. Mondi will contribute CZK 6 million to its construction. It is planned to open by the end of 2024.

ENVIRONMENTAL FOOTPRINT

Mondi Štětí is gradually increasing its capacities, modernising its facilities and, at the same time, reducing its environmental impact. Since 2000, an ISO14001 management system has been in place, which meets the requirements of the Integrated Pollution Prevention and Control Programme (IPPC) and the BAT (Best Available Technique) reference document. The emphasis includes a decrease in the volume and pollution of wastewater, and air emissions



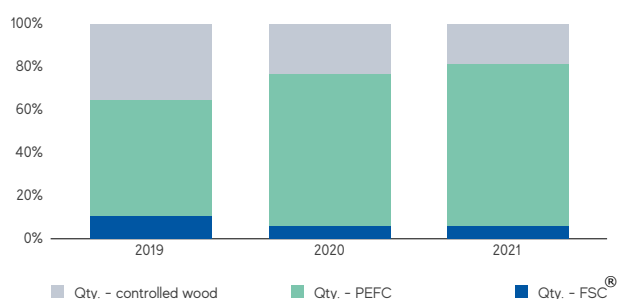


Wood supply

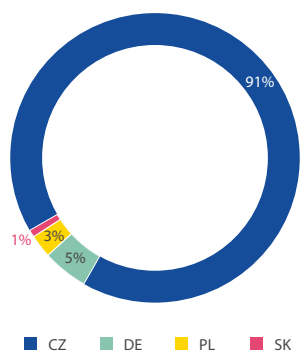
Mondi Štětí's purchase of wood is provided by the subsidiary Wood & Paper a.s., which is not only able to ensure the appropriate volume and quality of wood for Štětí paper mill's own production, but above all, it is able to optimise supplies from various sources of wood in the Central European region and thus positively influence transport flows and the associated load on the infrastructure.

An integral part of responsible sourcing is participation in the downstream chain of forest management certification. In the Czech Republic, the majority of forests are certified according to the PEFC standard, with a smaller share in the FSC® standard. Both certifications are widely recognised as confirmation of responsible forest management. Mondi Štětí is among the best in the industry in this parameter, as almost 80% of material it processes is certified by PEFC or FSC® with the remainder being controlled wood.

Wood certification Mondi Štětí



Share of wood delivery to Mondi Štětí by country of origin in 2021



Energy and carbon footprint

Mondi Štětí has a certified energy management system in place according to ISO 50001. 77% of the heat comes from renewable sources. Fossil fuels account for 23%, mainly lignite and natural gas. Mondi produces all the heat needed for its own processes, for supplying other companies on the premises and for heating the town of Štětí. Electricity is generated on site and only 6 % of the electricity is taken from the external grid.

Greenhouse gas (GHG) emissions are monitored under the established GHG ETS and the results are verified annually by an accredited company. Over the past five years, fossil GHG emissions have dropped by 19%, mainly due to an increase in the proportion of biomass used, increased self-sufficiency in electricity generation and the implementation of a number of projects to reduce energy intensity. A shift away from coal and a further increase in the use of renewable energy sources are planned for the next period.

Waste Management

Significant progress has been achieved in waste prevention and recovery demonstrated by a 65% reduction in the amount of waste going to landfill. The company has found uses for inorganic residues in agriculture and forestry. A project for a baler for the rejects from recovered paper was implemented, which reduced the water content of this material and enabled an external company to use it as an energy source. Investments were made to increase the dewatering capacity of the sludge and to incinerate this sludge in the company's own K11 boiler.

Ways are currently being sought to reduce the landfilling of other wastes. Hazardous waste (e.g. containing oil from equipment maintenance or residual chemicals) is disposed of by specialised companies that have the appropriate permits for this activity.

Air and water emissions

The key indicators of air emissions are measured mainly for dust, sulphur dioxide, nitrogen oxides and emissions of reduced sulphur compounds (odorous gases). In 2018, the construction of a new recovery boiler was completed as part of the EcoFlex project, which reduced dust emissions by up to 55%. The odorous gas collection and combustion system was substantially expanded and upgraded, ensuring greater operational efficiency of these facilities. As a result, the odour load in the vicinity of the mill was significantly reduced. The emission quality measurements are available to the public on the Štětí website. Strict emission limits according to BAT (best available techniques) for large combustion plants were implemented. Sulphur dioxide emissions have been reduced by up to two thirds compared to the original values. The company operates its own biological wastewater treatment plant with a capacity of 650,000 equivalent inhabitants, which is a sufficient capacity to provide this service for the Štětí town as well as for the short-term production development plan.

The quality of the wastewater is monitored by the company's laboratory, which is certified in the ASLAB system. The treatment plant is operated with high pollutant removal efficiency. For example, organic pollution, expressed as chemical oxygen demand (COD), has been reduced by 19% over the last five years. The EcoFlex project has upgraded the production of bleached pulp, which has led to a reduction in bleaching chemicals and a 54% reduction in chlorinated adsorbable organic halogen (AOX). Going forward, the company will focus on substantially reducing water consumption and recycling water where possible.





ŠTĚTÍ AND ITS SURROUNDINGS

TOWN OF ŠTĚTÍ

Mondi Štětí is located in the town of Štětí in the south-eastern part of the Ústí nad Labem region, in the Litoměřice district. The town lies on the right bank of the Elbe River, with an area of 54 km² and a population exceeding 8,500. It is the third largest town in the district. Štětí has a large catchment area covering nine villages such as Stračí, Radouň, Hněvice and others. This micro-region is referred to as Štětsko. Štětí is about 50 kilometres from the capital city of Prague.

Štětí falls within the Podřipsko landscape area. This area is situated in the lowland below the historically and culturally significant Říp Mountain, with the town of Roudnice nad Labem acting as its natural centre.

The most important enterprise in Štětí is the Mondi Štětí paper mill, which is also the largest paper mill in the Czech Republic. In close proximity is the sawmill LBE WOOD a.s., which focuses on processing logs for construction purposes and supplies the neighbouring Mondi Štětí mill with byproducts and wood chips. Another important enterprise in Štětí is the laundry Chřištof s.r.o., which provides laundry of bedding and other equipment, especially for hospitals and accommodation facilities.

DISTRICT LITOMĚŘICE

Litoměřice is also located in the south-eastern part of the Ústí nad Labem Region. It is the third most populous district in the region and its territory includes the largest number of municipalities in the whole region. Almost 120,000 people live in its territory. The largest town in the district is Litoměřice with almost 25,000 inhabitants, followed by Roudnice nad Labem with more than 13,000 inhabitants, and Štětí.

Although it is an industrial area, the region is a traditional tourist destination due to its landscape and cultural wealth. An important element is the protected landscape area of the Bohemian Central Highlands with its vast forests. Compared to the northern part of the Ústí nad Labem Region, the natural environment here has not been affected by mineral extraction,

especially lignite mining. The fertile southern part of the district with good soil features the Polabí region, where agricultural production is most developed.

The average age of the county's 100,000 population is 42.5 years, with the economically active population comprising 63.2% of the population. Recent years have seen an ageing trend, with 20.5% of the local population falling into the 65+ category. The youngest generation, 0-14 years old, makes up 16.3% of the population.

The number of deaths exceeds the number of births, specifically 1,626 deaths for every 1,167 births in 2020. The number of persons moving out and moving in is balanced, with 1,612 persons moving into the county in 2020 and 1,644 moving out. Overall, the population is declining year-on-year, but only in the order of one part per mille.

In the Litoměřice District, unemployment at the end of 2021 was 3.5%, while the Ústí nad Labem Region as a whole, together with the Moravian-Silesian Region, recorded the highest unemployment rate nationwide, i.e. 5.1%. The unemployment rate in the Czech Republic increased during the year and equalled that of the Litoměřice district, i.e. 3.5%.

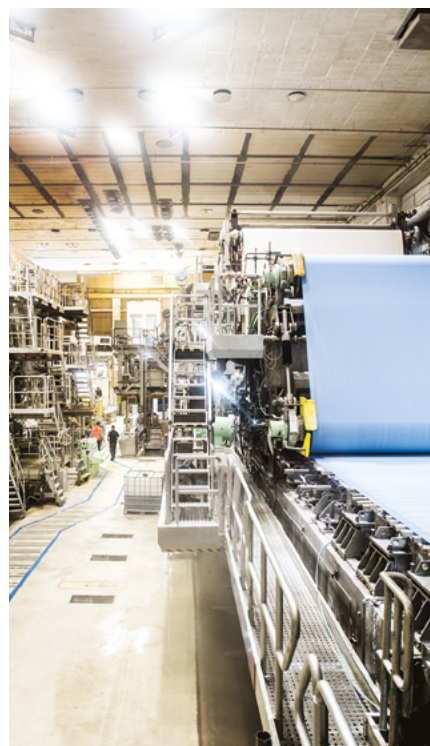


8,500 PEOPLE
live in the town of Štětí

PROJECT TEAM

The following team was responsible for preparing and setting up the SEAT process. It included representatives from the Mondi mill in Štětí, Mondi Group Sustainable Development and third-party facilitator ERM Ltd. The third-party involvement brings neutrality, expertise, transparency and credibility to the process.

- Alessia Gagliardo (Senior Social Specialist ERM Italy Spa) and Elena Amirkhanova (Partner ERM Ltd, Remote Support)
- Gladys Naylor (Mondi Group Head of Sustainable Development)
- Marita Schmid (Mondi Group Social Sustainability Manager)
- Milena Hucanová (Mondi Štětí; Communications Manager)
- Jakub Kopřiva (Interpreter)
- Jana Bartáková (NativePR; report provider)



ACKNOWLEDGEMENTS

The Mondi Group would like to thank everyone involved in preparing and setting up the SEAT process and this report. First and foremost, we thank the participants of the meetings, and we extend our gratitude to SEAT team members and the company's employees, led by CEO Roman Senecky. Together, all contributed to the journey of making Mondi Štětí even stronger and better as a company.

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