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5 August 2013

H.E. Ban Ki-moon
Secretary-General
United Nations
New York, NY 10017
USA

Dear Mr. Secretary-General,

I am pleased to submit to you our fourth Communication on Progress (COP) that describes our company's efforts to implement and monitor progress against the United Nations Global Compact's Ten Principles with respect to human rights, labour, environment and anti-corruption.

We remain committed to ensuring that the Global Compact and its principles are part of the strategy, culture and day-to-day operations of our company and have made a clear statement of this commitment to our stakeholders and the general public.

Sincerely yours,

A handwritten signature in blue ink, appearing to be 'D. Hathorn'.

DAVID HATHORN

GROUP CEO

5 August 2013

Mondi's Communication on Progress (COP) of the UN Global Compact's Ten Principles

Mondi is an international packaging and paper Group, with production operations across 30 countries and over 25,700 employees. In addition, Mondi manages 2.4 million hectares of land. Its key operations and interests are in central Europe, Russia and South Africa.

Mondi operates under a dual listed company (DLC) structure comprising Mondi Limited, a South African incorporated company holding our African assets, and Mondi plc, a UK incorporated company holding our non-African assets. The structure reflects the fact that the majority of Mondi's business is in Europe, while recognising our South African heritage and our ongoing operations in South Africa.

Mondi Limited has a primary listing on the JSE Limited (JSE) and Mondi plc has a premium listing on the London Stock Exchange (LSE) and a secondary listing on the JSE. Together Mondi Limited and Mondi plc are known as the Mondi Group.

Mondi is fully integrated across the packaging and paper process, from the growing of wood and the manufacture of pulp, paper and films to the conversion into corrugated packaging, industrial bags, coatings, consumer packaging and hygiene components. The Mondi Group is principally involved in the manufacturing of packaging paper, converted packaging products and uncoated fine paper. Following the completion of the Nordenia acquisition in 2012, we have reorganised our Europe & International Division into four businesses: Packaging Paper; Fibre Packaging; Consumer Packaging (of which Nordenia is a part); and Uncoated Fine Paper (UFP).

Being a good corporate citizen is fundamental to our aim of being the world's best-performing paper and packaging business. We, at Mondi, are in our business for the long term and we are determined to operate responsibly, thereby underpinning the sustainability of our businesses and local communities.

As a signatory of the United Nations Global Compact (UNGC), Mondi has continued to ensure that its ten principles are embedded in what we do for the environment, the communities in which we work

and society at large, thereby securing continued access to resource materials in a resource-constrained world and maintaining our license to operate within our host communities. We recognise that Mondi has a broader role in society – as a creator of wealth, as a fair and safe employer and as a responsible corporate entity and our sustainability efforts therefore form an integral part of our business activities.

Our sustainable development management system (SDMS) is the mechanism for ensuring strong and effective sustainability governance throughout our operations and implementing our sector sustainability policies. All facilities and activities that we own and operate (including those in which we hold a controlling interest), new developments, mergers, acquisitions and businesses that we plan to invest in, and activities undertaken by contractors on Mondi sites or while under our management, are incorporated into our SDMS and are required to comply with our policies, requirements and practices.

Our Sustainable Development Policy (www.mondigroup.com/policies) outlines our overall strategy and is supported by our sector policies, which identify seven key sustainability aspects:

- sustainable forestry;
- environmental performance;
- climate change;
- product stewardship;
- corporate citizenship;
- global employment; and
- occupational health and safety.

Our sustainable development policies, standards and performance requirements provide an appropriate basis for meeting the requirements of a number of selected external standards and commitments, including, but not limited to, the United Nations Universal Declaration of Human Rights and the United Nations Global Compact. These systems are monitored and reviewed on a regular basis to ensure that they remain current and appropriate to the nature and scale of our operations.

Our '[Integrated report and financial statements 2012](#)' recognise the interdependence between the financial and non-financial performance of the business and that sustainability is an outcome of success in both these areas. This approach allows stakeholders to better assess the progress we are making towards sustaining value over the short, medium and long term, not only as a business, but also as a corporate citizen.

While our integrated report better reflects the holistic performance of our business and the integrated nature of our business strategy, we recognise that we are still at the beginning of the process. We also acknowledge that there are those stakeholders who wish for a more focused and detailed account of our governance, environmental and social strategy, commitments and performance. For this reason, we have published a separate sustainable development review ('Shaping our sustainable future'), attached at the end of this report, supported by a more comprehensive and detailed online report, which can be found at: <http://sd-report.mondigroup.com/2012/>. The online report:

- reflects the integrated nature of our business;
- focuses on those [issues most material](#) to our business;
- provides case studies which illustrate the way in which we work;
- provides data summaries in a format that is accessible and comparable; and
- reports in line with the GRI G3 guidelines to a level B+. Certain key performance indicators and the application level have been externally assured. The report has also been GRI-checked.

A [GRI index](#) provides cross references to the integrated report, this online sustainable development report, the sustainable development review and our website.

The following report provides a summary of Mondi's activities in relation to and progress in implementing the UNGC's Ten Principles. In addition, the self-assessment questionnaire assessing our company's coverage of the GC Advanced Criteria has been completed. Mondi's COP can be found on the Mondi website.

HUMAN RIGHTS

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights ; and

Principle 2: Businesses should make sure they are not complicit in human rights abuses

All operations over which Mondi has control are conducted in an ethical manner that support and protect the rights and interests of all human beings associated with Mondi. We subscribe to the [Universal Declaration on Human Rights and the Voluntary Principles on Security and Human Rights](#), which are embodied in our SDMS to ensure the provision of a fair, safe and healthy workplace for all employees, free from discrimination, harassment or abuse. We report our compliance and commitment relating to human rights, labour, environmental and anti-corruption issues on an annual basis.

Employees' and contractors' working conditions are required to be compliant with national legislation and, where this is deemed to be insufficient, with the relevant International Labour Organisation (ILO) Standards. Systems are in place to ensure that the Articles of the United Nations Universal Declaration of Human Rights are assessed, prioritised and implemented as they apply to Mondi's sphere of influence. This means that no inhumane treatment of employees is accepted, including any form of forced labour, physical punishment or other abuse.

Our labour standards ensure that our remuneration practices are fair and our global employment policy recognises the right of all people to be treated with dignity, and prohibits harassment in the workplace. Appropriate mechanisms, such as grievance procedures, are in place to support this. We prohibit forced, compulsory and underage labour, and any form of discrimination based on race, religion, age, disability or political affiliation, and we do not procure goods or services from suppliers who use child labour. Our [Code of Conduct for Mondi Group suppliers](#) outlines our expectations of suppliers in this regard.

We actively engage with our communities in which we operate, respecting the cultural values and rights of [indigenous people and local communities](#), recognising the sensitivities involved in addressing issues that relate to the cultural heritage of indigenous communities and ensuring that any matters are handled in a spirit of respect, trust and dialogue. This means that no form of coercion is used in violation of the human rights and fundamental freedom of indigenous

peoples and no operation is complicit in the violation of these same rights. We respect and recognise the rights of ownership and possession of indigenous peoples over the lands and territories which they traditionally occupy and use for their subsistence and traditional activities, and where necessary, to the restitution of historical injustices even if these are not of our own making.

A confidential reporting tool, [Speakout](#), is in place to allow employees and external partners to make complaints regarding any perceived infringement of their rights. The service is designed to support Mondi's corporate commitment to ethical, transparent business practice and conduct, as set out in our [Business Integrity Policy](#). Stakeholders may use this service in complete confidentiality to raise any concerns about behaviour or activities that they believe may conflict with our business ethics, such as dishonesty, discrimination or dangerous behaviour contrary to our values. In 2012, there were 65 Speakout messages worldwide compared to 46 in 2011. All cases were thoroughly investigated and reported to the audit committee.

LABOUR

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the rights to collective bargaining

Mondi upholds the basic labour rights enshrined in the Fundamental Rights Conventions of the ILO, ensuring fair employment practices. Our global employment policy commits us to respect the right of all employees and contractors to form and join trade unions of their choice and to bargain collectively, and promotes the relevant structures and relationships where this is both appropriate and local practice.

In those situations in which the right of freedom of association and collective bargaining are restricted under law, we aim to facilitate parallel means of independent and free employee representation. Where applicable, we enter into meaningful and transparent relationships with unions and other employee representative forums. We also ensure that employee representatives are not the subject of discrimination and that representatives have access to their members in the workplace.

While collective bargaining practices differ from country to country, they are embedded within the functioning of the Group, and are supported by appropriate policies. Our sustainable development policies, management standards and performance requirements on global employment and corporate citizenship comply with local legislation and ensure that employment practices are fair and that employees are represented appropriately.

At the end of 2012, 994 employees (58% of the workforce) belonged to a recognised union in South Africa. This information is not collated in Europe.

In Europe, we have implemented a dialogue forum where council leaders meet members of Mondi's top management on an annual basis to discuss topics related to collective bargaining and employment practices.

In South Africa, we actively participate in various bargaining councils including the Statutory Council for the Paper Packaging Industries Bargaining Forum and the Bargaining Council of the Wood and Paper Sector, under whose auspices national relations between employers and unions are managed. Three senior Mondi human resource executives are represented on these councils. In 2012, focus was placed on annual wage negotiations and providing staff with dispute resolution training.

Principle 4: Businesses should support the elimination of all forms of forced and compulsory labour

Our global employment policy commits us to [not tolerate any inhumane treatment of people](#) working for us, including any form of forced labour, physical punishment or other abuse. We have also developed a [Code of Conduct for our suppliers](#) that requires their adherence to these principles.

Principle 5: Businesses should support the effective abolition of child labour

Mondi [prohibits the use of child labour](#) in any form. We do not employ anyone below the age of 15 or the local minimum employment or mandatory schooling age, whichever is higher (some operations in certain countries might have a higher minimum age). Workers under the age of 18 are not permitted to perform hazardous work and may be restricted from night work with consideration given to educational needs. Mondi also prohibits the procurement of goods or services from suppliers who use child labour in any manner.

Principle 6: Businesses should support the elimination of discrimination in respect of employment and occupation

Mondi promotes workplace equality and seeks to [eliminate all forms of unfair discrimination](#). Equitable processes for recruitment, promotion and remuneration are in place, which ensure employment and promotion on the basis of job requirements and merit, and which support the establishment of a diverse workforce and ensure that all employees and employment applicants are treated equally irrespective of race, colour, gender, sexual orientation, religion or belief, family circumstances, political opinion, trade union membership, age, nationality or disability.

In South Africa, our industry reflects wide social disparities, particularly a lack of key skills among black South Africans and their economic participation in the country's future. There is a need to redress historical imbalances in the workplace, in the recruitment and development of segments of our workforce, and in the opportunities that have been available to them. Mondi is addressing these imbalances, by tracking and reporting on our [Broad Based Black Economic Empowerment performance](#) and reporting and monitoring detailed Employment Equity progress with the South African Department of Labour. As a signatory to the Forest Sector Transformation Charter, we also accept the need for additional, focused 'interventions' to address imbalances in our sector.

ENVIRONMENT

Principle 7: Businesses should support a precautionary approach to environmental challenges

Mondi actively strives for recognised best environmental performance in our operations. In order to achieve this, we apply a precautionary approach in our decision-making and integrate environmental principles into our business strategy as outlined in [our Environmental Policy](#).

Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility; and

Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies

As a business, we are committed to minimising our impacts on the natural environment, on living and non-living natural systems, including ecosystems, land, air and water. We are determined to be resource-efficient, to conserve our high conservation value (HCV) natural resources, increase our use of raw materials from renewable resources, develop cleaner production methods and play our part in combating climate change by improving energy efficiency and reducing our GHG emissions.

Our operating sites can and do have an impact on our surrounding natural environment and neighbours. We address, review, investigate and monitor the impact of our air emissions, water discharges and waste to remedy and minimise risk.

Our operating sites are required to identify and implement integrated environmental technology, including Best Available Technology (BAT) and cleaner production methods, in order to reduce the consumption of raw materials and emissions with environmental impacts. We adhere to the principles of Cleaner Production, defined by the United Nations Environment Programme as the continuous application of an integrated preventative environmental strategy to processes, products and services, to increase overall efficiency and reduce risks to humans and the environment.

Our biggest community concern and one of our major industry-specific [air emissions](#) is total reduced sulphur (TRS) compounds from our pulp mills. Our work to resolve the issue of malodorous gases includes the incineration of TRS-containing gases in recovery boilers (for example at our Syktyvkar operation), the use of mobile equipment to help detect and diffuse emissions (small leaks) and TRS monitoring stations outside of Mondi's boundaries.

We are a significant [user of water](#) and are committed to managing it wisely and responsibly. We are convinced that water has to be considered in our environmental strategy and we have set concrete actions to reduce our direct water consumption. We take this into account throughout our supply chain. In 2012, Mondi achieved a 2% water input reduction through recycling and closing loops.

Two key indicators of [discharges to water](#) are used, namely chemical oxygen demand (COD) and Adsorbable organic halogens (AOX) and Mondi has plans in place to reduce their overall impact on water bodies. Progress was made in reducing COD emissions by 6% between 2010 and 2012 and AOX emissions have been reduced by 60% since 2005. This was due to elemental chlorine no longer being

used during bleaching. Mondi is investigating ways of further reducing AOX emissions and is planning to change the method/process for generating bleaching agents by 2014. Highlights in recent years in the treatment of waste water have included the full implementation of an anaerobic waste-water treatment plant at Tire in Turkey; and the Syktyvkar operation in Russia being modernised and capacity improved.

Mondi's [process waste](#) is carefully monitored. Our main waste streams are green liquor, boiler ash, lime mud, waste-paper rejects and sludge. We recycle, re-use or use our waste as a secondary fuel for energy generation. Where recycling or reusing is not possible, our treatment options include

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

Between 2010 and 2012 we achieved a reduction of 9% of our total waste to landfill by increasing the recycling and re-use of materials.

Our [energy projects](#) are designed to improve the way in which we generate and consume energy at all our operations. These projects, totalling around €280 million in capital expenditure, are expected to generate significant benefits with returns in excess of 40%, from 2014 onwards.

Mondi's on-site electricity is generated by way of CHP or combined-cycle gas turbine technology, using our power stations to simultaneously generate both electricity and useful heat. This technology results in savings of more than 30% of primary energy compared with conventional electricity generation. Mondi is therefore able to sell its excess green energy and to provide electricity and heat from renewable and carbon-neutral resources for the public grid, and thermal energy for district heating in proximity to our material operations.

Since 2004, we have increased our use of biomass in fuel consumption from 47% to 57% and we intend to increase this percentage by making further use of renewable raw materials such as biomass which is often sent to landfill sites when not used as fuel. The increased use of renewable raw materials has helped us achieve a 16.4% reduction in specific energy consumption and an absolute annual CO₂ reduction of around 1.4 million tonnes CO₂.

As a significant holder and manager of land, particularly in developing countries, and as an operator in an industry that potentially has a high impact on the natural environment, Mondi is highly cognisant of its stewardship role and its responsibility to use its natural forestry resources in a sustainable way. For Mondi, [sustainable forestry](#) means consistently considering the productive capability, biological integrity and community needs of the forests that it owns and manages and from which it sources material.

Our forestry operations are required to demonstrate active stewardship of land, freshwater systems and biodiversity. We recognise our responsibility to conserve our [high conservation value \(HCV\) natural resources](#) and, where possible, to help restore ecosystems that have been damaged

We are committed to maintaining FSC™ certification of all our owned, leased and managed forests in Russia and South Africa; to no wood or fibre based products being procured from controversial sources; and to all mills being certified to Chain-of-Custody (CoC) standards by FSC™, the PEFC™ or a credible alternative. With the exception of our Stambolijski mill in Bulgaria, due for CoC certification in 2013, all of our mills have CoC certificates in place. In 2012, a total of 65% of wood supplied to our processing plants was FSC- or PEFC- certified. Our commitment of 60% was reached in 2010. The uncertified balance met the FSC Controlled Wood Standard or the PEFC Mandatory Guide for the Avoidance of Controversial Timber, that ensure supplies are sourced from legal and non-controversial sources.

To ensure that we remain abreast of international best practices, we promote strong relationships with Government, Non Governmental Organizations (NGOs), local communities and relevant stakeholders at a local, regional and global level, both in partnership and multi-stakeholder forums, and we support transparency and a willingness to engage on sustainability issues. We also promote and support forest research, including natural ecosystem research.

ANTI-CORRUPTION

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Mondi is implacably opposed to corruption and illegal practices in all their forms and does not offer, pay or accept bribes or gifts or condone anticompetitive practices in its dealings with governments and in the marketplace. We do not tolerate any such activity by our employees and those with whom we do business. We do not become involved in any improper political activities and we do not make political donations or incur political expenditure. Mondi has adopted a [Business Integrity Policy](#), which applies throughout the Group and sets clear principles for the conduct of the Group's business activities. The Group's approach to corruption is published in corporate brochures, newsletters and on the Group's website. To ensure that our suppliers subscribe and adhere to the way we do business, we have also implemented a Code of Conduct for suppliers.

All Mondi employees, contractors and external parties are encouraged to raise any genuine concern about suspected misconduct or malpractice, including bribery, facilitation payments, extortion and money laundering provisions, ethical misconduct or any perceived infringement of their rights, by way of our confidential complaints system, [Speakout](#). All complaints are impartially and fairly addressed and Mondi provides appropriate arrangements to ensure that no form of retribution, harassment or discrimination takes place as a result of a raised concern.



Mondi Group

Shaping our

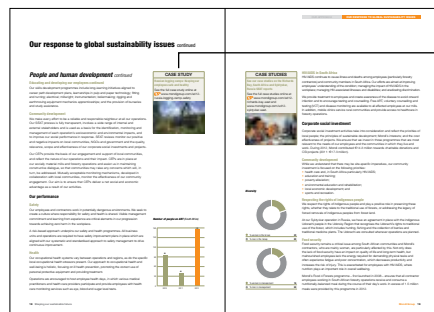
sustainable future



Guide to using Mondi's 2012 reports

This year our suite of reports consists of our Integrated report and financial statements, our printed response to global sustainability issues, *Shaping our sustainable future*, and our Sustainable development report, only available online.

SSF Shaping our sustainable future



Read about Mondi's response to global sustainability issues including people and human development, forests, economy, energy and climate change, and water. This report is available as a downloadable pdf at

www.mondigroup.com/ssf12.

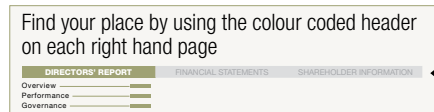


IR Integrated report and financial statements 2012



In this report we review our strategy and performance in 2012. This report is also available online at

www.mondigroup.com/ir12.



SD Sustainable development report 2012



Our Sustainable development report 2012 is published exclusively on our website at www.mondigroup.com/sd12. This report is in line with the reporting guidelines of the Global Reporting Initiative (GRI) to a B+ level.

Report navigation

Use the icons below to find further useful information across our 2012 reports

SSF Shaping our sustainable future

IR Integrated report and financial statements 2012

SD Sustainable development report 2012

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Shaping our sustainable future

At Mondi we recognise that we do not operate in isolation and that we have an impact on our environment as it does on us.

As one of the custodians of a most valuable resource – forests, a user of natural resources – energy, water and wood, and as a significant employer and community member – we have a role to play in shaping a sustainable future for our business and our stakeholders. We can, and do, actively help the societies we are connected with to address global sustainability issues such as climate change, poverty, environmental degradation and food security. We are committed to responding effectively to the challenges and opportunities they present.

In addition to our Sustainable development report 2012 – available online at www.mondigroup.com/sd12 – we have considered the way in which the Group fits within its broader operating environment and sustainability context, and present our response in this publication, *Shaping our sustainable future*. This document provides us with an opportunity to highlight Mondi's sustainable development priorities and how they align with our global operating environment, related sustainability debates and our stakeholders' interests. As a long-standing member and participant of the World Business Council for Sustainable Development (WBCSD), we support WBCSD's *Vision 2050: the new agenda for business* www.wbcsd.org/vision2050.aspx. We have used the WBCSD's 'pathway' leading to *Vision 2050* to reflect on how we are responding to the more immediate sustainable development challenges the world – and our business within it – is facing, and how we aim to remain relevant to society as a business and play our part in helping the world become a better, more sustainable place.

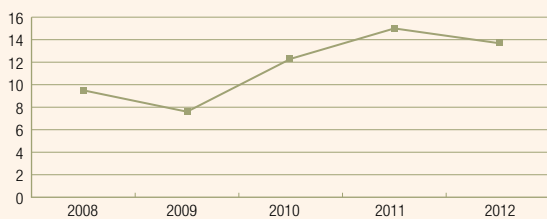
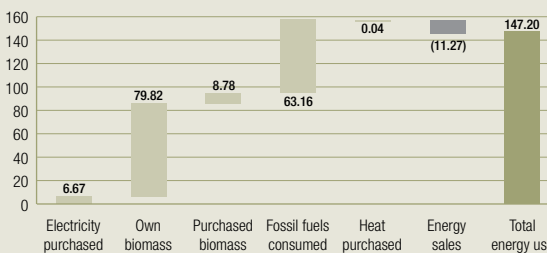
Group performance: addressing our material issues

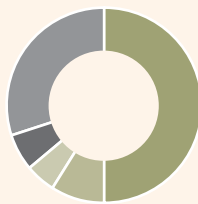
The following key performance indicators (KPIs) have been selected to show Mondi's performance in line with our 2012 material issues. Our performance in 2012 has been consistent and well-directed. Certain parameters have been externally assured by external assessor ERM Certification and Verification Services Ltd (ERM CVS).

SSF A more detailed discussion of our material issues can be found on page 5

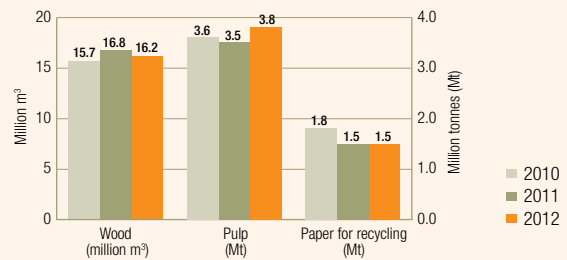
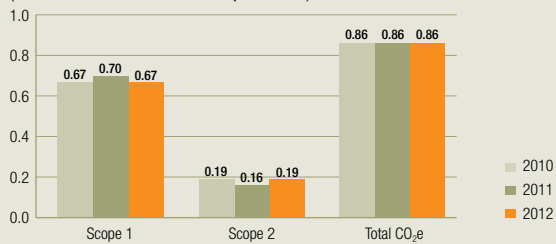
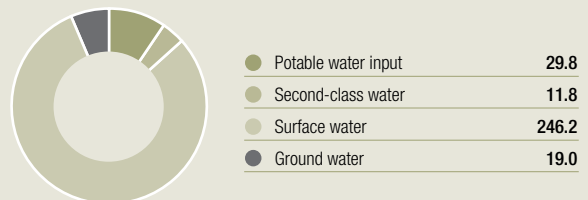
SD A full list of our sustainability commitments and KPIs can be found at

www.mondigroup.com/sd12

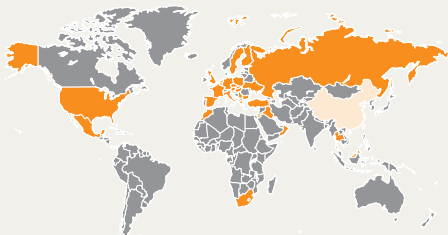
2012 material issues	Key performance indicators																	
<p>Our sustainability in a challenging macroeconomic environment</p> <p>SSF More information can be found in Economy on pages 24 – 27</p>	<p>Return on capital employed (%)</p>  <table><tr><th>Year</th><th>Return on capital employed (%)</th></tr><tr><td>2008</td><td>10</td></tr><tr><td>2009</td><td>8</td></tr><tr><td>2010</td><td>12</td></tr><tr><td>2011</td><td>15</td></tr><tr><td>2012</td><td>14</td></tr></table>	Year	Return on capital employed (%)	2008	10	2009	8	2010	12	2011	15	2012	14					
Year	Return on capital employed (%)																	
2008	10																	
2009	8																	
2010	12																	
2011	15																	
2012	14																	
<p>Our sustainability in a resource and ecologically constrained environment</p> <p>SSF More information can be found in Forests and associated ecosystems on pages 20 – 23, Energy and climate change on pages 28 – 31 and a Global emerging issue – water on pages 35 – 36</p>	<p>Energy use – material operations (million GJ)</p>  <table><tr><th>Category</th><th>Energy use (million GJ)</th></tr><tr><td>Electricity purchased</td><td>6.67</td></tr><tr><td>Own biomass</td><td>79.82</td></tr><tr><td>Purchased biomass</td><td>8.78</td></tr><tr><td>Fossil fuels consumed</td><td>63.16</td></tr><tr><td>Heat purchased</td><td>0.04</td></tr><tr><td>Energy sales</td><td>(11.27)</td></tr><tr><td>Total energy use</td><td>147.20</td></tr></table>	Category	Energy use (million GJ)	Electricity purchased	6.67	Own biomass	79.82	Purchased biomass	8.78	Fossil fuels consumed	63.16	Heat purchased	0.04	Energy sales	(11.27)	Total energy use	147.20	
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Total energy use	147.20																	
<p>Our socioeconomic sustainability in our diverse working and social environments</p> <p>SSF More information can be found in People and human development on pages 16 – 19</p>	<p>Total recordable case rate (TRCR) (per 200,000 hours worked)</p>  <table><tr><th>Year</th><th>Total recordable case rate (TRCR)</th></tr><tr><td>2010</td><td>1.09</td></tr><tr><td>2011</td><td>0.92</td></tr><tr><td>2012</td><td>0.79</td></tr></table>	Year	Total recordable case rate (TRCR)	2010	1.09	2011	0.92	2012	0.79									
Year	Total recordable case rate (TRCR)																	
2010	1.09																	
2011	0.92																	
2012	0.79																	

Distribution of value (%)

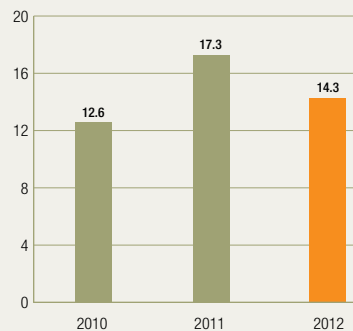
Employees	50
Providers of equity capital	9
Providers of loan capital	5
Direct taxes paid	6
Reinvested in the Group	30

Materials used**Specific CO₂e emissions from our material operations**
(CO₂e tonnes/tonnes of saleable production)**Total water input (potable and non-potable) (million m³)**

25,700 employees in 30 countries



A total of 2,700 jobs created through Mondi Zimele in South Africa

CSI expenditure (€ million)



◀ Ružomberok, Slovakia

*Wood logs arriving by rail to
the wood yard at our mill*

Our approach to reporting

Our sustainable development reporting journey

2009

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

2010

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

2011

GRI-aligned report – Application level B+
Certain KPIs and GRI compliance externally assured
GRI check
Comprehensive online report, with a summary printed review
The Group also produced its first integrated report

2012

GRI-aligned report – Application level B+
Certain KPIs externally assured and GRI compliance externally assured
GRI check
Comprehensive HTML online report
Printed report in response to global sustainability concerns

2015

Fully integrated GRI-aligned report

Our integrated reporting journey has continued this year, as the interdependence between the financial and non-financial performance of the business and understanding and appreciation of the value of our natural and social capital becomes increasingly important to our strategy. Our Integrated report and financial statements 2012 – www.mondigroup.com/ir12 – reflects this progress and we anticipate that in time we will produce a single integrated report.

We publish our Sustainable development report exclusively in an online format at www.mondigroup.com/sd12 and in line with the reporting guidelines of the GRI. The report provides a detailed account of the governance of sustainability within the business, and our targets, strategy and performance in respect of environmental, social and economic aspects. Certain key performance indicators (KPIs) have been externally assured, as well as our compliance with a GRI-aligned B+ application level. Sections of the report or the entire report may be downloaded on demand.

We have undertaken a review of our risks as identified through our risk management system, against the interests and concerns of our primary stakeholders. We recognise stakeholders as any individual, or group, who/which has an interest in the Group, or is affected by the Group, or has an effect on the Group. We have resolved to improve the focus of our reporting and have chosen to prioritise the issues and concerns that relate to our most important stakeholders, namely:

- Shareholders
- Employees
- Customers
- Communities
- Governments
- Non-governmental organisations (NGOs)

Material issues

We have considered the issues that we regard as material to our business:

- **Our sustainable development in a challenging macroeconomic environment:**
Our strategy supports the profitable development of innovative, sustainable and competitive products that meet customer demands and society's needs in response to global sustainability issues. Our sound governance and business practices reinforce our responsibility while operating in geographically-diverse, low-cost, high-growth markets.
- **Our sustainable development in a resource and ecologically constrained environment:**
Our strategy aims to secure our long-term access to sustainable and credible sources of fibre by managing our natural capital, including our carbon, water and forest footprints.
- **Our sustainable socioeconomic development in our diverse working and social environments:**
Our strategy is to enhance our social footprint by engaging with our stakeholders in a mutually beneficial way, thereby ensuring the safety and health of our employees and contractors; attracting, retaining and developing our people; and promoting participation and development.

Our business

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

Packaging and paper products are used all over the world every day. These products need to be versatile to respond to changing societal needs, including customer demand for environmentally preferable purchasing. Packaging and paper products are thus constantly evolving, as is production technology, to meet the changing needs of society.

According to the Food and Agricultural Organization (FAO) of the United Nations, one third of global food production is lost or wasted annually. With reductions in food waste identified in several countries as a critical issue, contributing to climate change and food security, developing appropriate packaging presents a partial solution to the challenges of food security, offering protection of food from damage during transportation, preservation of freshness, prolonged shelf life, added convenience and reduced content waste.

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

Our headquarters are located in Johannesburg, South Africa, with corporate offices in both the UK and Vienna, Austria. Mondi Group has a dual listed company (DLC) structure, with a primary listing on the JSE Limited for Mondi Limited and a premium listing on the London Stock Exchange for Mondi plc.

We have 102 operations located in 30 countries on four continents, and service markets across the globe. Mondi operates as two divisions: Europe & International (E&I) and South Africa Division (MSAD). Following the completion of the Nordenia acquisition, we have reorganised our Europe & International Division into four businesses: Packaging Paper; Fibre Packaging; Consumer Packaging; and Uncoated Fine Paper (UFP). Nordenia forms part of the Consumer Packaging business.

IR *The Nordenia acquisition and reorganisation of our business is discussed in more detail in the chief executive's review on page 16 and in note 29 of the annual financial statements*

Our strategic framework

To achieve our objectives, we pursue a four pillar strategy of:

- achieving leading market positions in our core packaging and uncoated fine paper markets, particularly in higher growth emerging markets;
- maintaining a high-quality, low-cost asset base, selectively investing in production capacity enjoying sustainable cost advantages;
- growing through customer focused development by developing products that fulfil our customers requirements and following them into high growth emerging consumer markets; and
- focus on performance through a long-standing focus on operational performance targeting continuous productivity improvement, efficiency and reliability of operations, rigorous asset management and the development of our people and our business in a sustainable manner.

The way we work

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

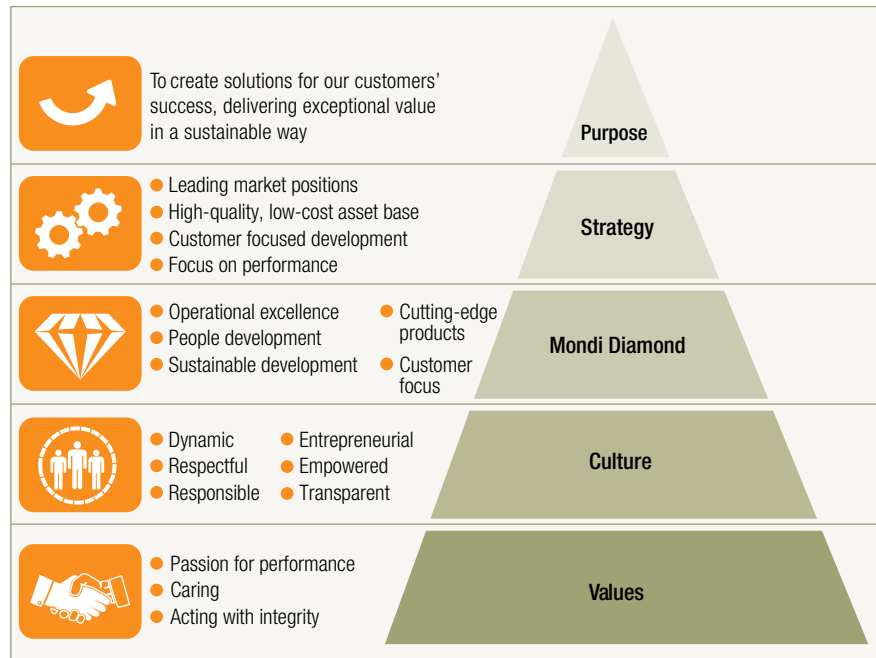
Sustainability: an integral part of our strategy

SD Our sustainable development governance systems, processes, policies, standards and performance are discussed in further detail at www.mondigroup.com/sd12

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

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

The Mondi Way



Syktvykar, Russia ►
Our seedling nursery

Our sustainable path: a letter from the chairman of the DLC sustainable development committee and the chief executive



Stephen Harris

David Hathorn

To our stakeholders

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

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

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

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

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

*Sustainable
development
is our
business*

Our 2012 material issues

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

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

SSF A more detailed discussion on our approach to reporting and our 2012 material issues can be found on page 5

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

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

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

- compliance with all relevant legislation and regulation, and our pursuit of best practice. In 2012, we maintained Forest Stewardship Council™ (FSC™) certification of 100% of our owned, leased and managed forests – see page 22;
- ability to create and sustain meaningful employment, recognising and welcoming diversity and ingenuity amongst our people, and allowing them to develop to the best of their ability.
- efforts to benchmark our forestry operations which has driven our modernisation programme and all that this entails – see page 27;
- vision of zero harm and the way in which we continue to enhance the safety and wellbeing of our employees and contractors at work and in their communities;
- efforts to secure and maintain the integrity of our forests and associated ecosystems, contribute to the preservation of high conservation areas and enhance biodiversity in and around our operations – see page 23;
- mitigation of any negative impacts of our operations on our environment and our neighbours. Our significant investment in energy self-sufficiency, largely from biomass, and the carbon sequestration of our forests are important components of this – see page 28;
- contribution to the social upliftment and development of people and communities at and around our operations through employment and wealth creation, and infrastructure development – see page 16; and
- investment in the long-term growth and development of our business through innovation and excellence, resource efficiency and by delivering products that best meet the needs of our customers and society – see page 32.

Our sustainable path: a letter from the chairman of the DLC sustainable development committee and the chief executive continued

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

SSF For further information about external recognition for Mondi's commitment to sustainability see page 25

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

- The Pulp and Paper International awards for Environmental Strategy of the Year 2012 (Mondi Group); Managing Risk and Safety 2012 (Mondi SCP in Slovakia); Efficiency Improvements of the Year 2012 (Mondi SCP in Slovakia); and
- The WWF Environmental Paper Award for Transparency 2012; and Best Environmental Performance Paper Brands 2012.

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

Stephen Harris

Chairman of the DLC sustainable development committee

David Hathorn

Chief executive officer



◀ Štětí, Czech Republic

Around one third of our pulp comes from paper for recycling

Reporting accurately and transparently: commentary from Business in the Community

**BUSINESS
IN THE
COMMUNITY**

SD BITC's full statement and Mondi's response can be found at

 www.mondigroup.com/sd12

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

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

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

Strategy and business

The report gives a comprehensive summary and overview of Mondi's business structure and strategy. It outlines Mondi's definition of stakeholders and who are the most important to the business according to this definition. Although not much information of the type or level of engagement with each stakeholder group is included in the document.

Mondi identified three areas of concern resulting from the review of business risks and opportunities and stakeholders' interests and expectations. BITC recognises the process described in the report as good practice in materiality analysis. Mondi's operating framework on page 7 makes the case to stakeholders that sustainability is not a separate part of the business but that it is, indeed, the way Mondi does business.

Mondi's ambitions

Embracing the WBCSD's *Vision 2050*: a new agenda for business, is a step in the right direction, and Mondi has already started rethinking its business model to be able to respond to global mega trends. BITC is looking forward to seeing what Mondi's new long-term commitments will be and how these will shape its unique contribution to achieving *Vision 2050*.

Mondi's response to global sustainability issues

Mondi has built a strong business case for each global sustainability issue, accurately articulating the commercial importance of taking action as well as demonstrating social benefits.

Overall report quality and format

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

The report offers links to the other two reports and for each section there is a link to the *Vision 2050* which explains the connection between the information reported and Mondi's long-term commitments.

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



◀ Kwambonambi, South Africa
Workers at our nursery near Richards Bay

Our response to global sustainability issues

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

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

Vision 2050 can be found at
www.wbcsd.org/vision2050.aspx

Our operating context and commitments

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

The WBCSD pathway

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

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

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

The Vision 2050 key questions

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

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

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

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

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

Our response to global sustainability issues continued

Our sustainability commitments

Our sustainability commitments help organise, direct, monitor and improve our efforts, and are discussed in greater detail in the sections that follow, along with the KPIs through which we measure our performance, against our material issues:

Our strategic response	Our commitments
<p>Our sustainability in a challenging macroeconomic environment</p> <p>Our strategy supports the profitable development of innovative, sustainable and competitive products that meet customer demands in response to global sustainability issues. Our sound governance and business practices reinforce our responsibility whilst operating in geographically-diversified, low-cost, high-growth markets.</p>	<ul style="list-style-type: none"> • Continue to disclose our carbon and forestry footprint performance • Promote the Mondi brand by increasing the proportion of fibre-based products which is certified against a credible forestry standard • Increase the number of products in the Green Range, including non-fibre-based products • All operations that are involved in producing food contact packaging to be certified to a recognised food hygiene standard • Continue to work with our South African forestry partners to provide support to land reform beneficiaries in an effort to sustain productivity after the land has been transferred
<p>Our sustainability in a resource and ecologically constrained environment</p> <p>Our strategy aims to secure our long-term access to sustainable and credible sources of fibre by managing our natural capital, including our carbon, water and forest footprints.</p>	<ul style="list-style-type: none"> • Implement ecosystem management plans (EMPs) at all forestry locations by 2013 • Report on seedlings planted, our tree improvements, the invasive species' fight back and our work on pest and disease resistance • Report on land set aside for conservation purposes • Mondi participates in WWF's New Generation Plantations (NGP) project and is committed to the concept • Continue to engage with the WBCSD as a platform to address the most contentious global sustainability matters affecting our business • Continue to work with our stakeholders to identify areas of high conservation value (HCV) in Komi, Russia, and in South Africa • All mill operations to be certified to ISO 14001 and OHSAS 18001 • All converting operations to be certified to OHSAS 18001 • All forestry operations to be certified to ISO 14001 by 2013 • Maintain our Chain-of-Custody (CoC) certifications for our mills and certify Stambolijski, Bulgaria during 2013 • Reduce our level II environmental incidents by 50% by 2015 from the 2010 base year and maintain a zero level III environmental incident performance • Maintain our FSC certification of all owned, leased and managed forests • Procure over 60% of wood, virgin fibre and biomass products from credible certified sources. The balance will be sourced with products as defined in the FSC Controlled Wood Standard (FSC-STD-40-005 V.2) or PEFC Mandatory Guide for the Avoidance of Controversial Timber • Reduce CO₂e emissions per unit of saleable production from our mills by 15% by 2014, against a 2004 base year

Our strategic response	Our commitments
Our sustainability in a resource and ecologically constrained environment (continued)	
	<ul style="list-style-type: none"> • Progress towards becoming a carbon-neutral Group in the longer term, by increasing the proportion of renewable resources for primary energy needs against the 2010 base year • Progress towards becoming self-sufficient in electrical energy in the longer term • Progress towards reducing the total waste to landfill by 20% by 2015, against a 2010 base year • Reduce TRS emissions from our mill operations by 20% in 2015, against a 2010 base year • Reduce our effluent load into the environment, either directly or indirectly discharged, by 10% in 2015 against a 2010 base year • Continue to report our consumption of paper for recycling • Continue to work with our partners WWF and WESSA to support the Mondi Wetlands Programme in South Africa and involve local communities in educational, restoration and conservation activities where reasonable • Continue to support Silver Taiga in the development of the multi-stakeholder Model River project in Komi, Russia • Carry out a water impact assessment of our forestry operations and mills • Promote conservation, reuse and recycling practices to reduce specific contact water consumption by 10% by 2015, against a 2010 base year
Our socioeconomic sustainability in our diverse working and social environments	
<p>Our strategy is to engage with our stakeholders in a mutually beneficial way, thereby ensuring the safety and health of our employees and contractors; attracting, retaining and developing our people; and promoting community inclusiveness and development.</p>	<ul style="list-style-type: none"> • Prevent work-related employee and contractor fatalities • Prevent work-related life-altering employee and contractor injury • Achieve a TRCR of 0.75 or below by 2015, including employees and contractors, against a 2010 base year. This requires an improvement of 33% • Facilitate access to comprehensive primary health care, including anti-retroviral therapy for employees and contractors • Support diversity, and continue to report the diversity of our workforce • Continue to engage with the UN Global Compact and promote and support the implementation of its 10 principles • Revise our community complaints system and focus on the reduction of odour-related complaints • Rolling community engagement plans at all mills and forestry operations, and Russian and South African forestry and mill operations to have a SEAT process updated on a three-to-five year cycle

Our response to global sustainability issues continued

People and human development

Mondi's response

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

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

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

Our approach

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

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

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

Equal opportunity

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

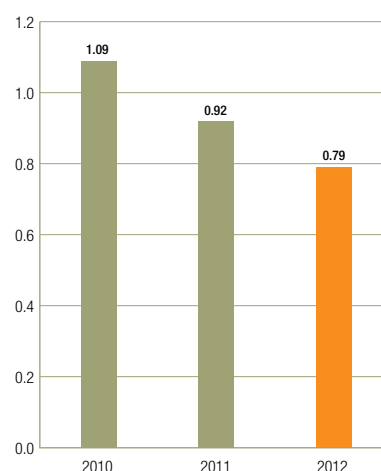
Our global employment policy prohibits harassment of any kind in the workplace. Appropriate mechanisms, such as grievance procedures are in place to support this.



**WBCSD's pathway to Vision 2050:
The 2020 'must haves'**

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

TRCR (per 200,000 hours worked)



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

Our commitment	Progress in 2012
Support diversity, and continue to report the diversity of our workforce.	While Mondi does not discriminate in its recruitment and promotion, there are more men (80%) than women (20%) in the Group (2011: men 80%; women 20%). Around 16% of our management are women. In South Africa, previously disadvantaged individuals (PDIs) make up 43% of management.
Prevent work-related employee and contractor fatalities.	Regrettably, there were two fatal accidents in 2012.
Prevent work-related life-altering* employee and contractor injury.	We experienced three life-altering injuries in 2012.
Achieve a TRCR of 0.75 or below by 2015, including employees and contractors, against a 2010 base year. This requires an improvement of 33%.	Our Group TRCR in 2012 was 0.79 per 200,000 hours worked. This is a decrease on the TRCR in 2011, and just below our 2015 target. The TRCR for the South African operations was 0.68 per 200,000 hours worked in 2012, and 0.86 per 200,000 hours worked for E&I. Since 2010, we have achieved a decrease in our TRCR of 28%.
Facilitate access to comprehensive primary health care, including anti-retroviral therapy (ART) for employees and contractors.	A total of 1,198 employees and contractors participated in our wellness programme in 2012 (2011: 66). ART is made available to all employees and contractors, and many community members. 175 employees and contractors received ART through Mondi's four forestry mobile clinics in 2012 (2011: 40). These mobile clinics service rural communities (including our employees and contractors) in our South African forestry operations, and provide access to healthcare to more than 175 people in 2012.
Continue to engage with the UN Global Compact (UNGC) and promote and support the implementation of its 10 principles.	We continued to engage with the UNGC and reported our Communication on Progress (COP) once again in August 2012. We continue to report at an advanced level.
Revise our community complaints system by 2012 and focus on the reduction of odour-related complaints.	Odour-related complaints were reduced by 25% to 13% in 2012.
All mills and forestry operations to have a rolling CEP, and Russian and South African forestry and mill operations to have a SEAT process updated on a three-to-five year cycle.	All forestry operations and all socially material mills have community engagement plans (CEPs) in place and we are working to include all mills in 2013.

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

Educating and developing our employees

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

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

Our response to global sustainability issues continued

People and human development continued

Educating and developing our employees continued

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

Community development

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

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

Our performance

Safety

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

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

Health

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

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

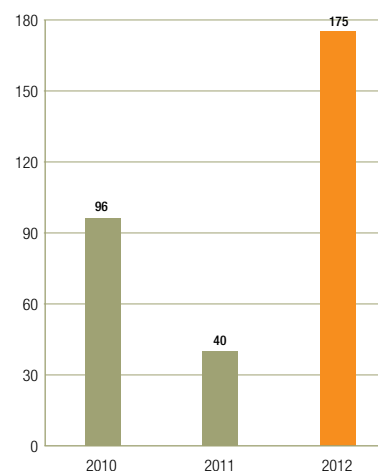
CASE STUDY

Russian logging camps: Keeping our employees safe and healthy

See the full case study online at www.mondigroup.com/sd12-russia-logging-camp-safety



Number of people on ART (South Africa)



CASE STUDIES

See our case studies on the Richards Bay, South Africa and Syktyvkar, Russia SEAT reports

See the full case studies online at www.mondigroup.com/sd12-richards-bay-seat and www.mondigroup.com/sd12-syktyvkar-seat.



HIV/AIDS in South Africa

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

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

Corporate social investment

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

Community development

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

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

Respecting the rights of indigenous people

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

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

Food security

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

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

Diversity



● % women in the Group	20
● % men in the Group	80



● % women in management	16
● % men in management	84

Our response to global sustainability issues continued

Forests and associated ecosystems

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



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

WBCSD's pathway to Vision 2050: The 2020 'must haves'

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

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

Mondi's response

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

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

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

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

Our commitment	Progress in 2012
Implement EMPs at all forestry locations by 2013.	All of our forestry operations will have EMPs in place by 2013.
Report on seedlings planted, our tree improvements, the invasive species' fight back and our work on pest and disease resistance.	In total we planted some 31 million seedlings in 2012. We report on tree improvements, invasive species eradication and pest and disease resistance in our Sustainable development report 2012 at www.mondigroup.com/sd12
Report on land set aside for conservation purposes.	In 2012, 25% of land managed (owned and leased) was set aside for conservation purposes.
Participate in WWF's NGP project and is committed to the concept.	Mondi has continued to participate in the WWF NGP project and together with WWF (SA) will host the sub-Saharan Africa NGP meeting in 2013.
Continue to engage with the WBCSD as a platform to address the most contentious global sustainability matters affecting our business.	We support and participate in WBCSD's forestry, ecosystems, water and energy/climate change focus groups/projects.
Continue to work with our stakeholders to identify areas of HCV in Komi, Russia and South Africa.	523,814 hectares of HCV areas identified to date, 1,554 hectares in South Africa and 522,260 hectares in Komi, Russia.
All mill operations to be certified to ISO 14001 and OHSAS 18001.	14 of our mills (100%) were ISO 14001 and OHSAS 18001 certified in 2012.
All forestry operations to be certified to ISO 14001 during 2013.	We are on track for full certification by 2013.
Maintain our CoC certifications for our mills and certify Stambolijski, Bulgaria during 2013.	13 of our mills (93%) have certification. We aim to certify Stambolijski to FSC CoC standards during 2013. This will however be dependent on the Bulgarian State Forest making sufficient volume of certified material available.
Maintain our FSC certification of all owned, leased and managed forests.	In 2012 we maintained certification of 100% of our owned, leased and managed forests.
Procure over 60% of wood, virgin fibre and biomass products from credible certified sources. The balance will be sourced with products as defined in the FSC Controlled Wood Standard (FSC-STD-40-005 V.2) or PEFC Mandatory Guide for the Avoidance of Controversial Timber.	65% of our timber was sourced from CoC-certified materials in 2012, an improvement of 8% against 2010.

Our response to global sustainability issues continued

Forests and associated ecosystems continued

Our approach

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

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

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

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

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

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

SSF *Responsible forest management has an important role to play in dealing with climate change see page 28*

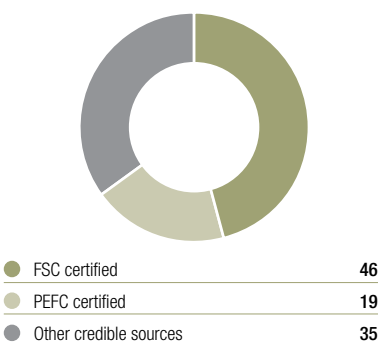
Our performance

Certification

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

100% of our leased, owned and managed forests in Russia and South Africa are FSC certified. Mondi also supports and uses the FSC standard, the PEFC standard or

Certification of wood (%)



CASE STUDY

Active stewardship and MSAD's ecosystem management plans.

See the full case study online at
www.mondigroup.com/sd12-sa-ecosystem-management-plans



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

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

Our forestry footprint

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

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

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

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

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

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

Our response to global sustainability issues continued

Economy

Facts and trends

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

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



WBCSD's pathway to Vision 2050: The 2020 'must haves'

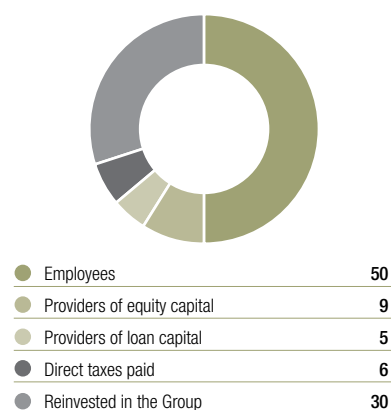
- Addressing the development needs of billions of people
- Commitment to true value pricing
- Dissemination of technologies
- Halving carbon emissions

Mondi's response

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

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

Distribution of value (%)



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

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

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

² The food hygiene standards that Mondi's operations are certified against include: ISO 22000, EN 15593, BRC/IoP or AIB.

³ Good Manufacturing Practice is legislated in many countries where our products are made, helping to ensure quality control.



Štětí, Czech Republic ►
Wood chips being off loaded at the
wood yard at our mill

Our response to global sustainability issues continued

Economy continued

Our approach

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

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

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

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

Our performance

Securing access to fibre

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

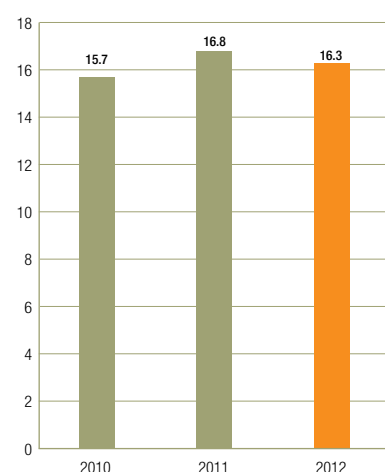
Value added

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

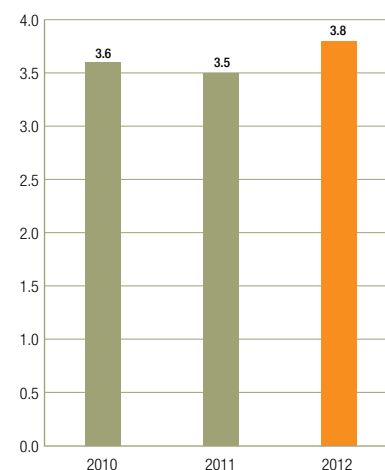
Meeting customers' needs

Our in-depth understanding of our customers' markets, products and needs helps us to contribute to their success and helps us to achieve and maintain our competitive advantage by meeting their specific requirements. Increased customer demand for product differentiation and facility location has led us to further evolve our strategy

Wood procured (million m³)



Pulp used (million tonnes)



to place greater emphasis on packaging and fast-growing emerging markets. This deliberate transition places us in an ideal position to benefit from new opportunities, ensuring a sustainable business.

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

SD Our modernisation initiative is discussed in more detail at

 www.mondigroup.com/sd12

Modernisation

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

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

Land claims in South Africa

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

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

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

*To date,
Mondi Zimele
has created
in excess of
2,700 jobs*

Our response to global sustainability issues continued

Energy and climate change

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

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



WBCSD's pathway to Vision 2050: The 2020 'must haves'

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

Mondi's response

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

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

In 2012, we achieved 93% self-sufficiency in electricity

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

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

Our approach

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

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

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

IR Our energy related projects are discussed in more detail in the chief executive's review on page 17

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

Our performance

Meeting climate change regulation

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

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

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

Our response to global sustainability issues continued

Energy and climate change *continued*

Energy use and carbon footprint

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

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

Improving energy efficiency

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

Increasing energy generation through CHP technology

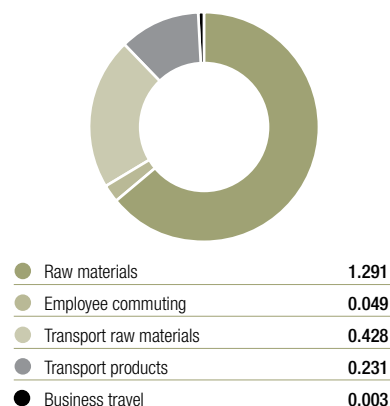
One of the ways in which we optimise energy consumption (and reduce CO₂ emissions) is by maximising the use of CHP technology. By providing on-site power generation, waste heat recovery and systems integrations, CHP offers a realistic, near-term solution for exceptional energy efficiency and emission reduction. The use of this technology results in a saving of more than 30% of primary energy compared with conventional electricity generation.

Using biomass-based fuels for energy generation

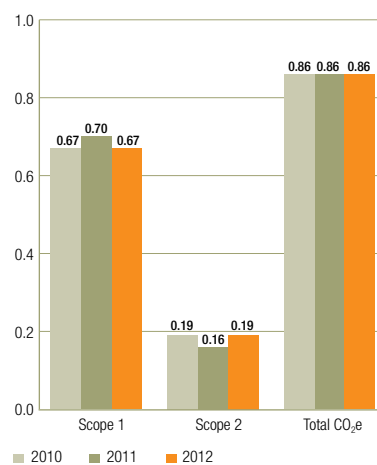
Energy security is a global concern and the current largely fossil-fuel based energy paradigm is unsustainable. Forest biomass provides a vast source of renewable energy in contrast to increasingly scarce fossil fuels. Around one-tenth of global energy supply is produced by making use of biomass.

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

Scope 3 emissions (million tonnes)



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



CASE STUDY

New steam turbine for Richards Bay mill in South Africa.

See the full case study online at
www.mondigroup.com/sd12-richards-bay-steam-turbine



Carbon sequestration

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

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



KwaZulu-Natal, South Africa ►
Monitoring tree growth at our forestry operation in northern KwaZulu-Natal

Our response to global sustainability issues continued

Materials

Mondi's response

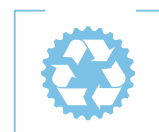
As a manufacturer of goods, we rely on raw materials such as fibre, polymers, metal, chemicals and water to create our products. In a resource-constrained world, our business prospects and our corporate image as an ethical, responsible and sustainable Group will be jeopardised if we do not consume, convert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

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

Our approach

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

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



WBCSD's pathway to Vision 2050: The 2020 'must haves'

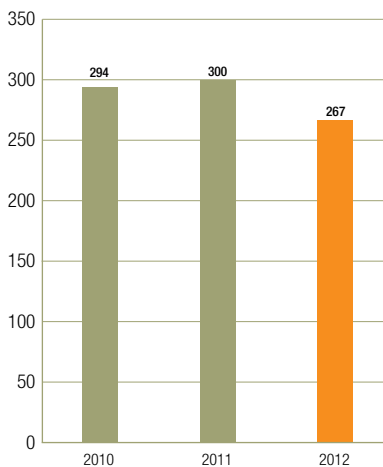
- *Delivering a four-to-tenfold improvement in the use of resources and materials*
- *Closed loop design*
- *Landfills phased out*

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

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

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

Total waste to landfill (000 tonnes)



Our performance

Using our resources wisely

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

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

Managing waste and recycling

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

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

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

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

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

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

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

Our response to global sustainability issues continued

Materials continued

Managing waste and recycling continued

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

Responsible and sustainable products

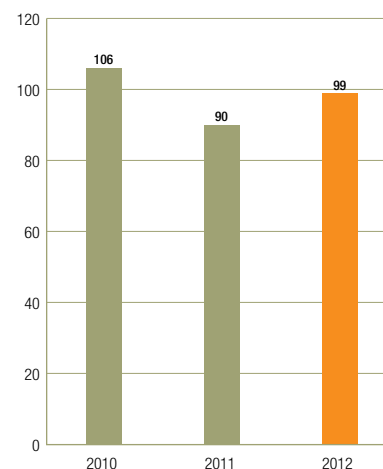
The delivery of environmentally and socially responsible packaging and paper products is an important component of the services we provide to our broad consumer base. An example is OLMO Paper 2.0+, an efficient and peelable process liner product, combining a Mondi paper with a special polymer layer that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

Product carbon footprints

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

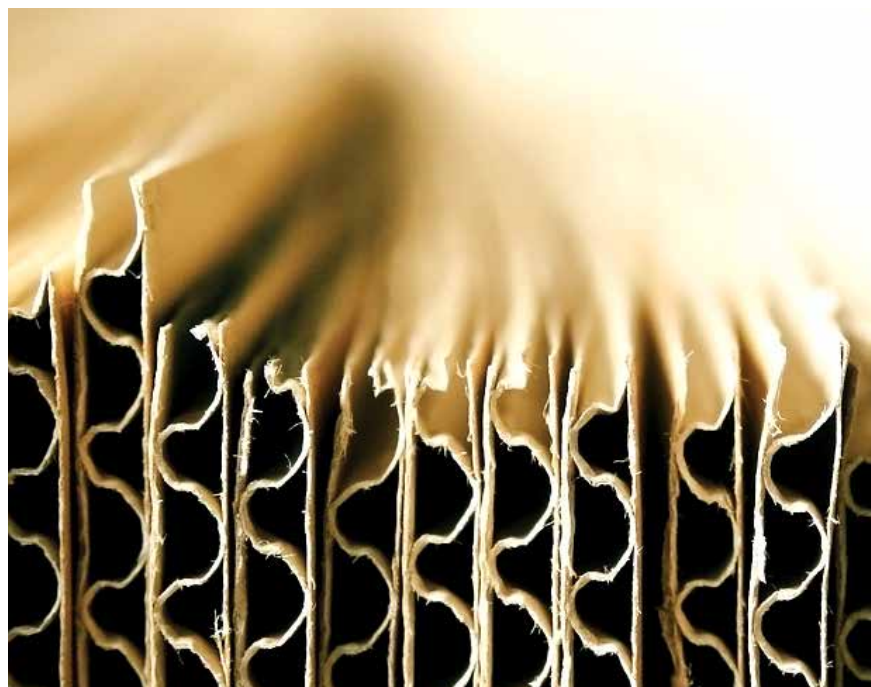
We measure and manage our carbon footprint, so that we are able to support our customers by providing carbon footprint information for our products. We have been providing detailed carbon footprint information for all our products since 2010, including a computer-based product carbon footprint calculator,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

TRS emissions (tonnes)




SD For a full list of our products, go to

 www.mondigroup.com/products



CASE STUDY

Driving innovation to become
'as green as it gets'

See the full case study online at
 www.mondigroup.com/sd12-green-innovation



◀ Świecie, Poland

Corrugated board produced at our mill



**WBCSD's pathway to Vision 2050:
The 2020 'must haves'**

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

A global emerging issue – water

The challenge presented by increased water demand

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


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

Mondi's response

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

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

Our commitment: We will promote the responsible use of water

Our commitment	Progress in 2012
We will continue to work with our partners WWF and WESSA to support the MWP in South Africa and will involve local communities in educational, restoration and conservation activities where reasonable.	We have reported on the activities carried out by the MWP – see  www.mondigroup.com/sd12
We will continue to support Silver Taiga, a Komi regional non-profit foundation, in the development of the multi-stakeholder Model River project in Komi.	
We will carry out a WIA of our forestry operations and mills.	All our South African plantations and three out of 14 mills have undergone WIAs.
We will promote conservation, re-use and recycling practices to reduce specific contact water consumption by 10% by 2015, against a 2010 base year.	Our specific contact water has increased slightly from 33.2m ³ per tonne to 33.9m ³ per tonne since 2010, but still shows good progress against 2011 (34.9m ³ per tonne) and we are committed to improving it further.

Our response to global sustainability issues continued

A global emerging issue – water continued

Our performance

Optimising water use

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

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

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

Our water footprint

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

Preserving wetlands

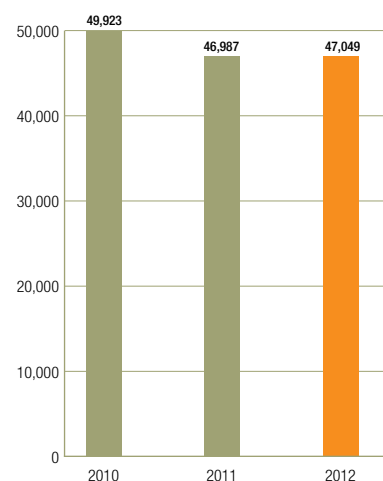
Wetlands play an important role in the management of water flows, including the purification and storage of water. They control erosion and reduce the severity of droughts and floods by regulating stream flow and recharging underground aquifers. Because our commercial activities use significant volumes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

Our sponsorship of the MWP and the MENP continues to support sound science and practical solutions for wetland conservation and ecological networks to enhance biodiversity.

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

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

Emissions to water – COD (tonnes)



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

CASE STUDY

Mondi's internal water impact assessments

See the full case study online at www.mondigroup.com/sd12-internal-water-impact-assessments



Abridged glossary of key terms and acronyms

SD A full glossary of terms and acronyms can be found at www.mondigroup.com/sd12

BAT	Best Available Technique. Technically and economically feasible environmental technology that is efficient and advanced, generally to reduce emissions and the impact on the environment as a whole. The BAT comparisons in the environment section are calculated based on the BAT values as defined by IPPC (The European Integrated Pollution Prevention and Control Bureau) in the 'Reference Document on Best Available Technique for the Pulp and Paper Industry'.
CDP	The Carbon Disclosure Project (CDP) is an independent not-for-profit organisation working to drive greenhouse gas emissions reduction and sustainable water use by business and cities. It provides a transformative global system for thousands of companies and cities around the world to measure, disclose and share environmental information. It holds the largest collection globally of self-reported climate change data.
CoC	Chain-of-Custody (CoC) is a tracking system that allows manufacturers and traders to demonstrate that timber comes from a forest that is responsibly managed in accordance with credible standards such as FSC Controlled Wood Standard (FSC-STD-40-005 V.2) or PEFC Mandatory Guide for the Avoidance of Controversial Timber.
Controversial sources	A term commonly used in the public domain in our industry. Mondi defines controversial sources as wood that is illegally harvested, in violation of traditional and civil rights, harvested in forest management units in which high conservation values are threatened by management activities, harvested in areas in which forests are being converted to plantations or non-forest use or harvested from forests in which genetically modified trees are planted.
FSC	Forest Stewardship Council™ (FSC™) is an international not-for-profit, multi-stakeholder organisation established in 1993 to promote socially and environmentally responsible management of the world's forests by way of standard setting, third party certification and labelling of forest products.
GHG	Greenhouse gases (GHG) are gases listed in the Kyoto Protocol of the UN-FCCC that contribute to the greenhouse effect and are regulated by the Kyoto Protocol. GHGs according to the Kyoto Protocol are reported as CO ₂ , CH ₄ , HFCs, PFCs, N ₂ O, and SF ₆ .
GRI	The Global Reporting Initiative (GRI) is a not-for-profit organisation that produces one of the world's most prevalent standards for sustainability reporting.
Level II & III incidents	Environmental incidents and complaints classified as either: Level II: moderate impact, medium-term effect or Level III: significant impact, extensive or long-term effect.
Material operations	Mondi's pulp and paper mills.
Paper for recycling	Paper for recycling was referred to as recovered paper in previous reports.
PEFC	Programme for the Endorsement of Forest certification (PEFC) is an international not-for-profit non-government organisation dedicated to promoting sustainable forest management through independent third party certification.
Scope 1 emissions	Total GHG emissions from sources owned or controlled by Mondi and its subsidiaries of the Group boundaries. This includes CO ₂ e from fossil fuels and processes, company leased/owned vehicle, waste and waste-water treatment, from make-up chemicals, and from other GHG gases.
Scope 2 emissions	Total GHG emissions from sources that are related to generation of purchased energy outside the company boundaries (no other GHG considered but CO ₂).
Scope 3 emissions	Total GHG emissions from business travel; raw materials; transport of products and raw materials; and employee commuting.
Socially material operations	Those operations with a significant socioeconomic impact on the communities in which they operate.
TRCR	Total recordable case rate (TRCR) is calculated as the number of total recordable cases (the sum of fatalities, lost-time injuries, restricted work cases, medical treatment cases and compensated occupational illnesses) divided by the number of hours worked per 200,000 man hours.



For further information, please see:

SD *Sustainable development report 2012*

Published exclusively on our website at  www.mondigroup.com/sd12

IR *Integrated report and financial statements 2012*

A review of our strategy and performance  www.mondigroup.com/ir12

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