Mondi Group

Integrated report and financial statements 2016

Welcome

We are Mondi:
IN TOUCH EVERY DAY

We want to delight you with our innovative and sustainable packaging and paper solutions. With over 100 products customised into more than 100,000 solutions, we offer more than you may expect.

You deserve the best from us, and that influences everything we do: from managing forests and producing pulp, paper and compound plastics, to developing effective and innovative industrial and consumer packaging solutions.

Collaborating with our customers and other strategic partners inspires us to develop quality products that prioritise the responsible use of resources.

Delivering value to our stakeholders is always top of mind. This integrated report provides an overview of how our strategy, governance, people and performance combine to generate this value in a sustainable way.

Front cover: Single-serve cat food pouches are displayed in an eye-catching shelf ready corrugated solution made from one of our high-performance kraftliners.
Customers benefit from our integrated business and the complementary fit of our fibre and consumer packaging expertise, enabling us to offer a wide range of innovative and sustainable packaging solutions to them.

Forward-looking statements

This document includes forward-looking statements. All statements other than statements of historical facts included herein, including, without limitation, those regarding Mondi's financial position, business strategy, market growth and developments, expectations of growth and profitability and plans and objectives of management for future operations, are forward-looking statements. Forward-looking statements are sometimes identified by the use of forward-looking terminology such as 'believe', 'expects', 'may', 'will', 'could', 'should', 'shall', 'risk', 'intends', 'estimates', 'aims', 'plans', 'predicts', 'continues', 'assumes', 'positioned' or 'anticipates' or the negative thereof, other variations thereon or comparable terminology. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Mondi, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements and other statements contained in this document regarding matters that are not historical facts involve predictions and are based on numerous assumptions regarding Mondi's present and future business strategies and the environment in which Mondi will operate in the future. These forward-looking statements speak only as of the date on which they are made.

No assurance can be given that such future results will be achieved; various factors could cause actual future results, performance or events to differ materially from those described in these statements. Such factors include in particular but without any limitation: (1) operating factors, such as continued success of manufacturing activities and the achievement of efficiencies therein, continued success of product development plans and targets, changes in the degree of protection created by Mondi's patents and other intellectual property rights and the availability of capital on acceptable terms; (2) industry conditions, such as strength of product demand, intensity of competition, prevailing and future global market prices for Mondi's products and raw materials and the pricing pressures thereto, financial condition of the customers, suppliers and the competitors of Mondi and potential introduction of competing products and technologies by competitors; and (3) general economic conditions, such as rates of economic growth in Mondi's principal geographical markets or fluctuations of exchange rates and interest rates.

Mondi expressly disclaims a) any warranty or liability as to accuracy or completeness of the information provided herein; and b) any obligation or undertaking to review or confirm analysts' expectations or estimates or to update any forward-looking statements to reflect any change in Mondi's expectations or any events that occur or circumstances that arise after the date of making any forward-looking statements, unless required to do so by applicable law or any regulatory body applicable to Mondi, including the JSE Limited and the LSE.

Contents

For more information
www.mondigroup.com

Scope

Mondi's Integrated report and financial statements 2016 is our primary report to shareholders.

The scope of this report covers the Group's main business and operations, and provides an overview of the performance of the Group for the year ended 31 December 2016.

All significant items are reported on a like-for-like basis.

Our integrated report is prepared in accordance with the requirements of both the Listings Requirements of the JSE Limited and the Disclosure Guidance and Transparency and Listing Rules of the United Kingdom Listing Authority.

We also prepare a detailed Sustainable development report, in accordance with the GRI G4 core requirements and externally assured, which is available at www.mondigroup.com/sd16.

Materiality

Mondi's Integrated report and financial statements 2016 aims to provide a fair, balanced and understandable assessment of our business model, strategy, performance and prospects in relation to material financial, economic, social, environmental and governance issues.

The material focus areas were determined considering the following:

- Specific quantitative and qualitative criteria
- Matters critical in relation to achieving our strategic objectives
- Key risks identified through our risk management process
- Feedback from key stakeholders during the course of the year

Overview

"We have chosen Mondi's design paper PERGRAPHICA® for the Bolshoi programmes because it shares emotions, visualises images and promotes creativity. This is truly the paper for perfectionists!"

Yury Tikhonov
Director, Bolshoi Theatre printing house


PERGRAPHICA
Natural Rough

2016 at a glance

Our integrated packaging and paper Group

Mondi is an integrated packaging and paper Group with a dual listed company structure – primary listing on the JSE Limited and premium listing on the London Stock Exchange.

Where we operate

With operations in Europe, Russia, North America, Middle East & North Africa, Asia, and South Africa; we're more international than you may expect.

Countries
32

Operations
109

26

Capital expenditure
€465m

Four acquisitions completed
€185m

Number of employees
25,400

Our businesses

Packaging Paper 52

Fibre Packaging 58

Consumer Packaging 62

Uncoated Fine Paper 66

South Africa Division 70

Financial highlights 2016

Revenue
€6,662m ↓2%

Return on capital employed
20.3%

Underlying EBITDA
€1,366m ↑3%

Underlying earnings per share
137.8 euro cents ↑3%

Underlying operating profit
€981m ↑3%

Dividend per share
57.0 euro cents ↑10%

→ Strong financial performance

→ Capital projects delivering growth
- Completed major projects contributed around €50m to operating profit
- Over €800m in major expansionary projects approved and in progress

→ Four acquisitions totalling €185m, expanding our packaging interests

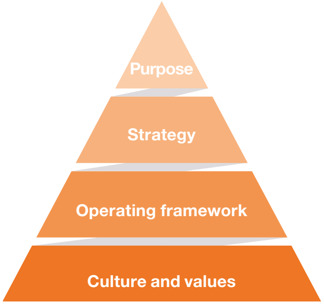
12 217

How we create value

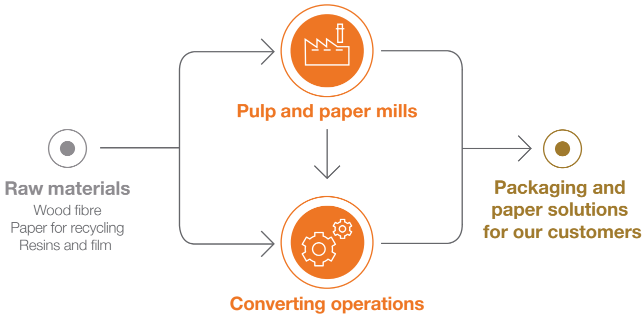
Each part of the Mondi Way plays a key role in creating value by guiding the decisions we make and the way we work. Our integrated value chain helps us to delight our customers with innovative and sustainable packaging and paper solutions. Every day.

24

The Mondi Way



Our value chain



Our strategy

We deliver sustainable value by providing high-quality packaging and paper solutions through:

Driving performance to optimise quality, productivity and efficiency

15

Investing in our high-quality, low-cost assets to keep us competitive

16

Partnering with our customers to develop innovative solutions

18

Growing responsibly and inspiring our people for long-term success

19

Our people

Our people and our culture really matter. We're connected, guided and inspired by our cultural characteristics and values. Zero harm is at the heart of the way we operate, and we are fully committed to ensuring our people return home safely. Every day.

42

Proactive risk management

Our risk and internal control management framework is designed to address all the significant strategic, financial, operational and compliance-related risks that could undermine our ability to achieve our business objectives.

32

FSC® certified forests

100%

Electricity self-sufficiency

98%

Safety: Total recordable case rate

0.66

Our commitment to growing responsibly

While growing responsibly has long been our philosophy, our Growing Responsibly model focuses our efforts on delivering 16 clearly defined commitments to 2020 and beyond, across 10 action areas that span our entire value chain.

40

Best-practice governance

Our Boards strongly support adherence to the highest standards of corporate governance with a focus on transparency, integrity and accountability. Our directors are committed to ensuring that we reflect best practice and dedicate time to reviewing developments, assessing our performance and enhancing our approach.

74

2016 at a glance

Our businesses

Group revenue
€6,662m

Group underlying operating profit[1]


1 Excludes special items of €38 million

Group return on capital employed
20.3%

Group operating profit
€943m

Underlying earnings per share
137.8 euro cents

Basic earnings per share
131.8 euro cents

The Group's externally reportable operating segments reflect the internal reporting structure of the Group, which is based on the underlying nature of the products produced. Due to its unique characteristics in terms of geography, currency and underlying risks, the South Africa Division is managed and reported as a separate geographic segment.

	Packaging Paper	Fibre Packaging
Segment revenue	€2,056m	€1,929m
Segment underlying operating profit	€361m	€123m
Return on capital employed (ROCE)	22.4%	13.5%

Products

Packaging Paper

Our **virgin and recycled containerboard** is used to make corrugated packaging. **Sack kraft paper** is the main component of valve and open mouth industrial bags. Our **speciality kraft paper** is used to make retail shopping bags and attractive food packaging.

52

Fibre Packaging

Our **corrugated packaging** products go well beyond traditional boxes to fully customised solutions. Our **industrial bags** are a sustainable packaging solution, optimised for high-speed filling. **Extrusion coatings** provide high-quality barrier solutions ranging from food packaging to building insulation.

58

Sustainability highlights

Communities	Climate change	Sustainable products	Safety
€2m invested	15% reduction in CO_2e (tonnes per tonne of saleable production against a 2014 baseline)	IceBox launched	14% improvement in TRCR (against a 2015 baseline)

Consumer Packaging

€1,562m

10.5%

Our **consumer goods packaging** products extend shelf life and improve the end-user experience. **Personal care components** form part of diaper and femcare products used around the world every day. Our **release liners** are used for labels, tapes and graphic arts; and our **technical films** provide solutions from high-quality laminating films to surface protection films.

62

Sustainable products
PaperPack
for frozen food launched

Safety
700
people trained in behavioural safety
Gronau (Germany)

Uncoated Fine Paper

€1,246m

36.0%

Our extensive range of **office papers** is designed to achieve optimal print results on laser, inkjet and copy machines. Our high-performance **professional printing papers** are perfect for offset presses, high-speed inkjet presses and the latest digital print technologies.

66

Forestry partnerships
WWF Boreal Forest Platform
launched

Communities
€2m
invested

South Africa Division

€594m

27.8%

We sustainably manage plantation **forests** that provide us with high-quality fibre to produce **pulp**. Our **virgin containerboard** is used to make corrugated packaging, and we offer a range of multifunctional **office paper**.

70

Forestry partnerships
25 year
anniversary of WWF-Mondi Wetlands Programme

Water stewardship
12%
freshwater reduction
(against a 2015 baseline)

Joint chairmen's statement

Creating long-term shareholder value

Over the past year the Mondi Group has continued to build on its track record of delivering value to stakeholders.

We are confident that our Integrated report and financial statements 2016 provides a balanced overview of performance and insight into the Group's approach to strategy, governance and creating value in the short, medium and long term.

David Williams (left)
Fred Phaswana (right)

Strong governance is fundamental to our ongoing success

The boards of Mondi Limited and Mondi plc strongly support adherence to the highest standards of corporate governance with a focus on transparency, integrity and accountability. Our directors are committed to ensuring that we reflect best practice as a board and we dedicate time to reviewing developments, assessing our performance and enhancing our approach.

74 Governance

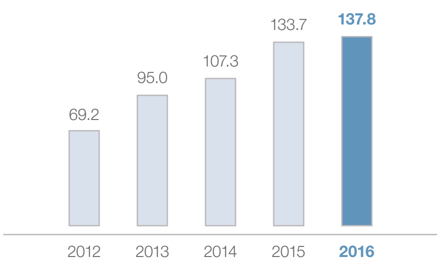
Creating lasting shareholder value is at the heart of Mondi's strategy

The Boards continue to support Mondi's strategy of delivering sustainable value by providing high-quality packaging and paper solutions. The Group's success is closely linked to a highly disciplined and responsible approach to value-enhancing growth, continuous productivity and quality improvement, cost optimisation and customer-led innovation. This enables Mondi to maximise the potential of opportunities and limit the effects of negative impacts.

12 Group strategy review

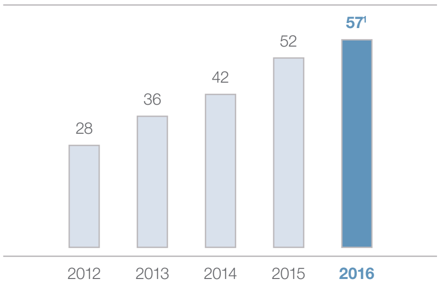
Underlying earnings per share
euro cents

137.8 euro cents



Total dividend per share
euro cents

57 euro cents



1 Based on proposed final dividend of 38.19 euro cents per share

Mondi is a high-quality and well-run business, with proven potential to continue delivering long-term value to shareholders. As directors we focus on ensuring that the guidance we provide prioritises shareholder value, while balancing the needs of all our stakeholders in a responsible way. We do this by managing risks appropriately, making decisions that build on Mondi's inherent strengths and holding management accountable for the successful execution of our strategy.

Mondi delivered excellent results again this year, despite a largely unsupportive pricing environment and limited economic growth. Underlying operating profit of €981 million was up 3% on the prior year, and a ROCE of 20.3% attests to the validity of our strategic decisions.

48 Group financial performance

Mondi's strong financial metrics and share price performance in 2016 resulted in the Group continuing to outperform the peer average.

Given the Group's solid performance in 2016, the boards of Mondi Limited and Mondi plc have recommended a final dividend of 38.19 euro cents per share (2015: 37.62 euro cents per share). Together with the interim dividend of 18.81 euro cents per share, this amounts to a total dividend for the year of 57.0 euro cents per share, an increase of 10% from 2015.

The Group continued to invest in its future, making good progress on major capital projects and completing a number of acquisitions during the year.

Sustainable development is a key component of our long-term profitable growth and the landscape is changing all the time.

Our customers are increasingly relying on us to take responsibility right the way through the supply chain. During the course of the year we implemented our new Growing Responsibly model with 10 action areas, each with specific commitments to 2020 (2030 for climate change) identified and agreed.

Employee and contractor safety is one of these action areas and continues to be an area of unwavering focus across our operations. We are pleased to report that we had no fatalities or life-altering injuries in 2016. However, we were deeply saddened by a fatality in our South African forestry operations in February 2017. Our goal of zero harm is an absolute imperative for the business, and we are fully committed to making it a reality.

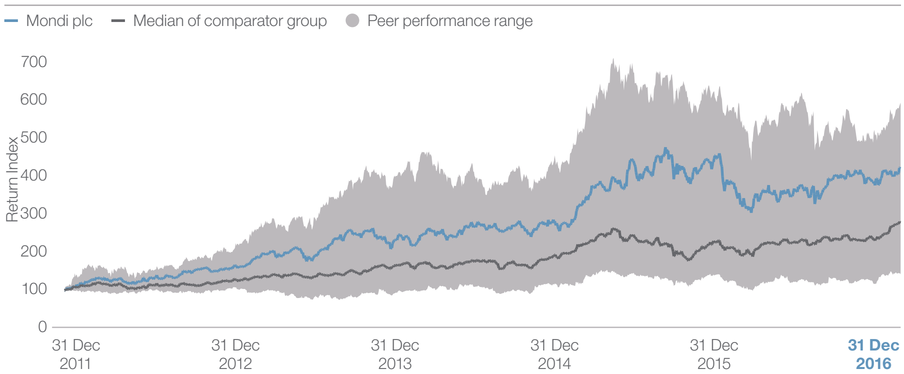
40 Sustainability performance

Prioritising people as the key to Mondi's future

It's the passion and competence of Mondi's people at all levels of the organisation that enables our plans to become reality in a profitable way. We promote a culture that allows our teams to be dynamic, entrepreneurial and empowered. We encourage honesty and transparency so that we can act decisively, knowing we have a true understanding of the issues being dealt with. By being respectful and responsible we build long-term partnerships with all our stakeholders.

Mondi's people are committed to delivering excellence in our operations; building relationships with customers and communities; developing top-quality products; inspiring each other; managing our resources responsibly; and employing highly effective approaches to safety and health.

Five-year total shareholder return (TSR)
(euro returns: indexed to 1 January 2012)



On behalf of the Boards, we extend our sincere thanks to each and every person who has contributed to making 2016 another great year for Mondi.

We have full confidence that in 2017 the Mondi team will continue to focus on value-enhancing growth opportunities, successfully completing capital expenditure projects, fully realising the potential of acquisitions, maintaining tight control of costs, satisfying our customers and embedding our 2020 sustainable development commitments.

Retirement of David Hathorn and appointment of Peter Oswald as Chief executive officer

On 31 January 2017, David Hathorn informed Mondi's Boards of his decision to retire. Peter Oswald will succeed David as Chief executive officer, assuming full responsibility after the Annual General Meetings on 11 May 2017. David and Peter have worked closely together for over 25 years and in order to ensure a smooth transition, following the three month handover, David will continue to support Peter until his retirement in February 2018.

David has made an immense contribution to the growth and development of Mondi. He was instrumental in the Group's international expansion and the development of the high-quality asset base that forms the foundation of the Group today. The Boards are extremely grateful to David for his contribution to the Group over the past 26 years of service and wish him all the best in his retirement.

We are delighted to have someone of Peter's calibre and experience to succeed David. Peter has been with the Group in various roles since joining in 1992, serving as an executive director and Chief executive officer of the Europe & International Division since January 2008. Peter is a proven leader with an intimate knowledge of the business, having been involved in the development of much of what comprises the Group today. We are confident that Peter will offer strong continuity, while bringing his own dynamism to the role.

Fred Phaswana
Joint chairman

David Williams
Joint chairman

Strategic report

The Strategic report was approved by the Boards on 22 February 2017 and is signed on their behalf by:

David Hathorn
Chief executive officer

Andrew King
Chief financial officer

"Mondi's stretchy elastic laminates help to ensure that Pampers diapers fit comfortably and stay fastened no matter how active a child is. We combine soft nonwoven and high-stretch film to meet P&G's requirements."

Jürgen Schneider
Managing Director Personal Care Components, Mondi

Group strategy review

Prioritising value-enhancing growth

Our strong performance in 2016 builds on our track record of continuous improvement in profitability over the last five years. Our consistent and focused strategy, robust business model and firm focus on operational excellence all continued to contribute to our performance.

David Hathorn (left)
Chief executive officer

Andrew King (right)
Chief financial officer

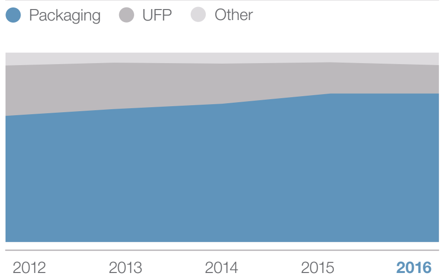
Our strategy

The Group's clear and consistent long-term strategy is to deliver sustainable value by providing high-quality packaging and paper solutions, and we achieve this by focusing on our four strategic value drivers. Mondi's disciplined approach to using this as our strategic roadmap, while retaining flexibility around how we execute it, has positioned us as a leading international packaging and paper group with a strong platform for growth. We continue to grow our business, focusing on markets that offer us inherent advantages and products that are core to our portfolio or bring related development opportunities.

Strategically, we are focused on broadening our reach in the packaging sector, with a bias towards consumer-related packaging where we see greater potential for growth. This will be achieved through value-enhancing capital investments and strategic acquisitions to enhance our product offering, extend our geographic footprint and better serve our customers across our packaging segments.

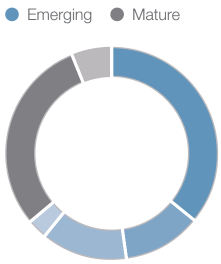
Our Uncoated Fine Paper (UFP) business is highly competitive due to its low cost position and exposure to growing markets in central and eastern Europe and Russia.

Growth in packaging
% of capital employed



Net operating assets by location
%

64% emerging markets



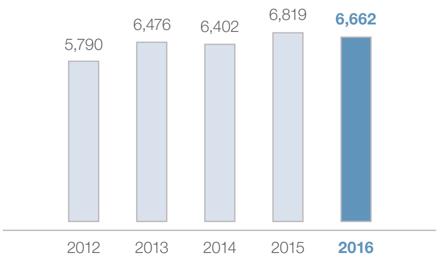
Emerging Europe	36
Russia	12
South Africa	13
Other	3
Western Europe	30
North America	6

Our financial performance in 2016

Group revenue

€ million

€6,662m



Group revenue of €6,662 million was down 2% on 2015. Excluding the impact of currency movements, revenue was in line with the prior year.

It is pleasing to see the good contributions from all our businesses despite pricing headwinds in a number of our key paper grades.

Underlying operating profit was up 3% to €981 million and our return on capital employed (ROCE) was 20.3%.

After taking special items into consideration, operating profit of €943 million was up 5% (2015: €900 million).

We made considerable progress in driving growth through our capital investment programme, delivering incremental operating profit of around €50 million in 2016 from recently completed capital projects, with a further €30 million anticipated in 2017.

We completed four acquisitions totalling €185 million in 2016, enhancing our product offering and geographic reach in our Fibre and Consumer Packaging businesses.

Underlying earnings of 137.8 euro cents per share were up 3% compared to 2015.

Special items are those items of financial performance that we believe should be separately disclosed to assist in the understanding of our underlying financial performance. Special items are considered to be material either in nature or in amount.

Special items amounting to €38 million before tax were recognised for restructuring and closure costs, and related impairments.

After taking the effect of special items into account, basic earnings of 131.8 euro cents per share were up 6% compared to 2015.

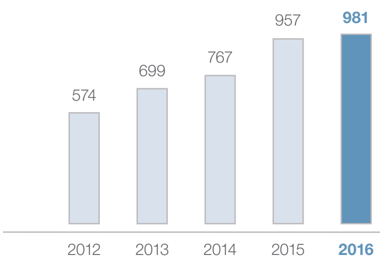
Our cash generation remained strong with cash generated from operations of €1,401 million up 10% on the prior year. Net debt reduced by €115 million to €1,383 million, or 1.0 times underlying EBITDA.

48 Group financial performance

Group underlying operating profit

€ million

€981m ↑3% on 2015



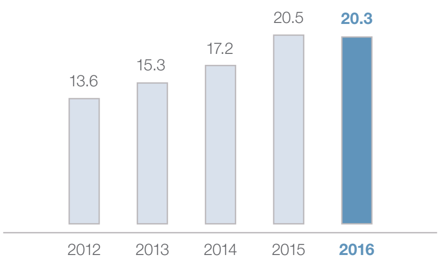
Packaging Paper	361
Fibre Packaging	123
Consumer Packaging	121
Uncoated Fine Paper	264
South Africa Division	147

Excludes corporate costs of €35 million and special items of €38 million

Return on capital employed (ROCE)

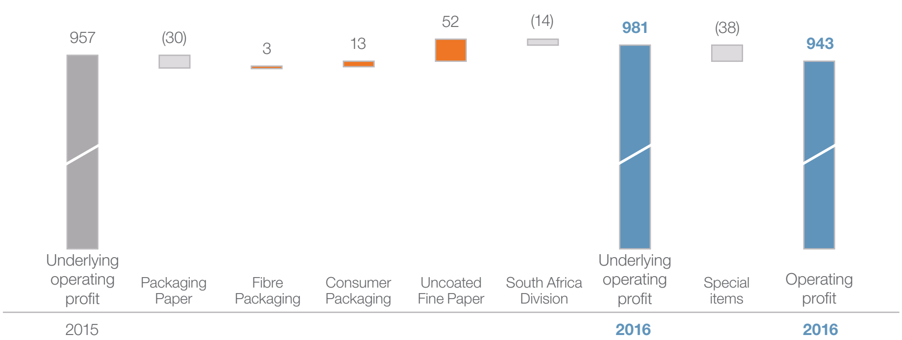
% (12-month rolling)

20.3%



Operating profit development by Business Unit

€ million

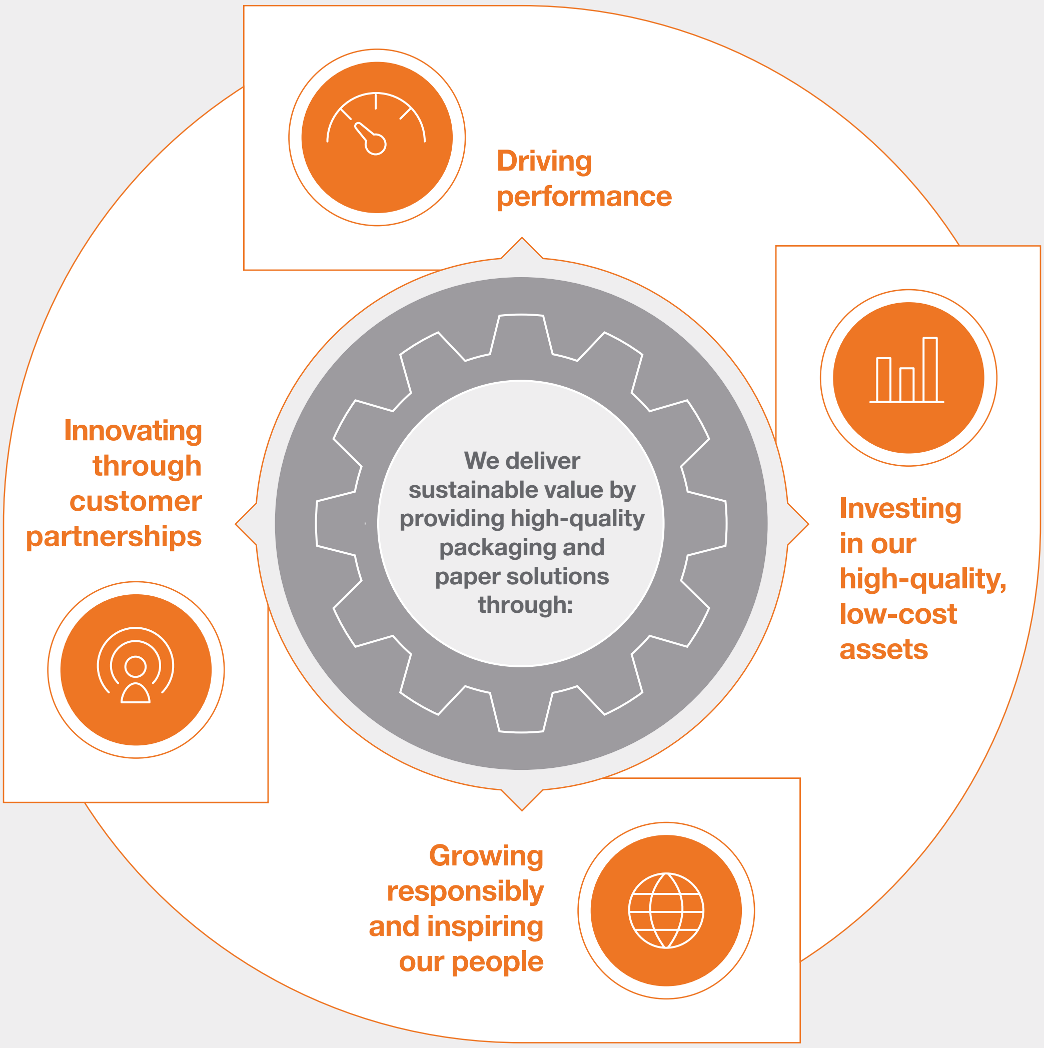


Overview
Strategic report
Governance
Financial statements

Creating sustainable value

Our strategy is to deliver sustainable value by providing high-quality packaging and paper solutions, and we achieve this by focusing on our four strategic value drivers.

This approach enables us to make the most of the competitive advantages we enjoy today, and sets a clear framework for our investment and operational decisions so that we can continue to create value into the future. While all strategic value drivers are relevant to each of our businesses, priority levels may differ across the value chain.



Driving performance to optimise quality, productivity and efficiency

Our passion for performance will always be central to the way we run our business and is demonstrated through a continuous focus on quality, productivity and efficiency.

We have systems and processes in place to benchmark against our best performing operations, share lessons learnt, identify emerging issues, optimise productivity, minimise waste and deliver quality products to our customers on time.

This drive carries over into our approach to project management and the integration of new acquisitions. We aim to learn from each other by being open-minded about the approaches we take and focusing on areas that drive our performance.

We maintain a number of centralised functions where we believe we can benefit from a coordinated approach such as procurement, technical, sustainable development, information technology, treasury and tax.

The Mondi Way: Successfully integrating our acquisitions

Uralplastic (Russia)

We believe it's important to involve employees right from the start whenever we acquire a new business. This helps to ensure a smooth transition with a focus on creating an inspiring working environment and prioritising our customers, while optimising performance and transferring knowledge.

The Mondi Way and our Inspire programme provide the basis for the cultural integration. It's crucial that new employees understand Mondi's strategy and their own business objectives.

Our integration teams are made up of our people, primarily from existing operations in the relevant region together with representatives from centralised functions. This helps new teams to identify with Mondi's culture and provides invaluable cross-business unit interaction. The integration process focuses on sharing best practice, optimising operational excellence, realising synergies, and evaluating further investment opportunities.

We expect our integration teams to respect the Mondi values and to be as transparent and collaborative as possible.

Even though a large number of people are involved in the integration process, everyone is kept informed of progress via a newsletter and encouraged to raise questions via the Q&A boxes on-site or the integration survey.

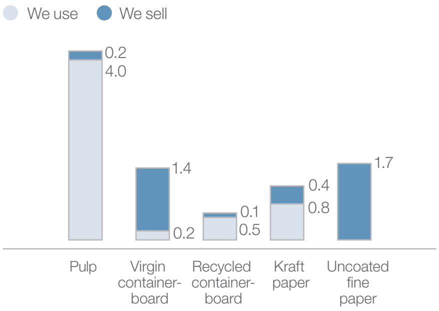
The first wave of the integration process for Mondi Uralplastic was finalised in November 2016. The structured internal integration process lasted around six months, in line with other similar-sized acquisitions. As usual it kicked off with a town hall meeting on 'Day 1' where all employees were welcomed to Mondi by the business unit leaders. During the first few weeks, all of our 14 internal integration teams started to meet with employees, analyse the required actions and determine an action plan. The aim is to find the right balance between focusing on daily business and progressing the integration plan. The process was overseen by the central E&I Post-merger integration (PMI) manager supported by the local PMI manager in Russia. The support from our team in Syktyvkar, and our local knowledge of the Russian market proved invaluable.

Group strategy review

Investing in our high-quality, low-cost assets to keep us competitive

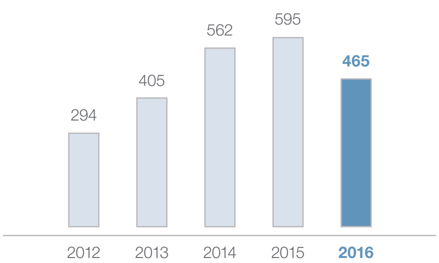
Investing in our high-quality, low-cost assets to maintain and enhance our competitive advantages is of particular importance in our pulp and paper assets where products are generally more commoditised and low-cost production is key. Our focus is on enhancing our cost competitiveness, improving energy efficiency, meeting the needs of our customers and delivering organic growth in our packaging businesses.

Vertical integration
production in million tonnes



Capital expenditure
€ million

€465m



We invest in our existing operations and, where appropriate, in strategic acquisitions to strengthen our cost advantages, generate synergies through integration and enhance our product and service offering and/or geographic reach to better serve our customers.

Our disciplined approach to investigating, approving and executing capital projects is one of our key strengths and plays an important role in successfully delivering the returns we require.

In our paper operations, our backward integration provides us security of supply and reduces our exposure to raw material price volatility.

In recent years, we have invested significantly in the modernisation and growth of our Corrugated Packaging and Consumer Packaging businesses. Looking forward, while still considering capital investment opportunities in these businesses, we are focused on the optimisation of our existing operations and recent investments.

We committed around €770 million to major projects from 2013 to 2016. Projects completed include a recovery boiler at Frantschach (Austria) and Ružomberok (Slovakia); a bark boiler and pulp dryer at Syktyvkar (Russia); steam turbines at Stambolijski (Bulgaria) and Richards Bay (South Africa); a bleached kraft paper machine at Štětí (Czech Republic); a recovery boiler, turbine and biomass boiler at Świecie (Poland); a woodyard upgrade at Richards Bay, and a number of investments to modernise and improve our facilities in our Fibre and Consumer Packaging businesses. Over the last three years, our major capital projects have contributed around €150 million of incremental operating profit, including around €50 million in 2016, and we expect to generate a further €30 million in 2017.

We are in the process of commissioning the second phase of our project at Świecie, which will provide an additional 100,000 tonnes per annum of softwood pulp and 80,000 tonnes per annum of lightweight kraftliner and we have a strong pipeline of large projects over the next few years. The Boards have approved a new 300,000 tonne per annum kraft top white containerboard machine at Ružomberok (€310 million), subject to tax incentives and permitting, and a new woodyard and bleaching line modernisation at Štětí (€41 million). The Boards have also approved the rebuild of the Syktyvkar power plant, including a new bark boiler and turbine (€102 million), and the modernisation of the Syktyvkar waste water treatment plant (€42 million).

In January 2017, the Boards approved the modernisation and expansion of the Štětí mill for a total investment of €470 million, subject to obtaining approval for various tax incentives and necessary permitting. The project consists of the installation of a new recovery boiler, the rebuild of the fibre lines, the debottlenecking of the paper machines and an investment in a new 90,000 tonnes per annum machine glazed speciality kraft paper machine to supply fast growing end-uses in flexible packaging and food service applications. The new recovery boiler and rebuilt fibre lines are expected to start up in late 2018, while the new paper machine is expected to start up in the first half of 2019. Based on the current timetable, capital expenditure on the project is expected to be incurred from 2017 to 2019.

Given the approved project pipeline, our annual capital expenditure is expected to be in the range of €600-650 million in 2017 and €800-850 million in 2018 as expenditure on these large projects accelerates.

We have invested around €1.6 billion in acquisitions since 2012. This includes four strategic acquisitions in 2016 to enhance our cost position, generate synergies through integration and enhance our product offering and geographic reach. We successfully completed two Corrugated Packaging acquisitions, SIMET (Poland) and Lebedyan (Russia). Our Consumer Goods Packaging business acquired Kalenobel (Turkey) and Uralplastic (Russia).

In February 2017 we announced the acquisition of Excelsior Technologies Limited (UK), further supporting the development of our Consumer Goods Packaging business in high-growth product applications.

Major project pipeline delivering strongly

2013
€121m
- €60m recovery boiler Frantschach (Austria)
- €16m bark boiler Syktyvkar (Russia)
- €13m steam turbine and economiser Stambolijski (Bulgaria)
- €32m steam turbine Richards Bay (South Africa)

2014
€228m
- €70m 155 ktpa bleached kraft machine Štětí (Czech Republic)
- €128m recovery boiler Ružomberok (Slovakia)
- €30m 100 ktpa pulp dryer Syktyvkar (Russia)

2015
€296m
- €166m phase I – recovery boiler, turbine and biomass boiler Świecie (Poland)
- €106m Packaging Paper projects
- €24m Fibre Packaging projects

2016
€124m
- €94m phase II – 100 ktpa increased softwood pulp and 80 ktpa lightweight kraftliner Świecie (Poland)
- €30m woodyard upgrade Richards Bay (South Africa)

2017+
€820m
- €310m 300 ktpa kraft top white containerboard machine Ružomberok (Slovakia)
- €510m woodyard and bleaching line modernisation, replacement of recovery boiler, and 90 ktpa machine glazed speciality kraft paper machine Štětí (Czech Republic)

€100m
Incremental operating profit delivered from major projects in 2014-2015

€50m
Incremental operating profit delivered from major projects in 2016

€30m
Incremental operating profit benefit expected in 2017

Strong track record of acquisitions

2012
- Nordenia (Europe & US)
- 2 Duropack plants (Germany & Czech Republic)
- Świecie minorities and energy plant (Poland)

2014
- Kutno plant (Poland)
- Intercell (Serbia)
- Pine Bluff mill (US)
- Bags plants (US)

2015
- Ascania (Germany)
- KSP (South Korea & Thailand)

2016
- SIMET (Poland)
- Kalenobel (Turkey)
- Uralplastic (Russia)
- Lebedyan (Russia)

2017
- Excelsior Technologies (UK)

€1.6 billion
invested in acquisitions since 2012

Packaging Paper · Fibre Packaging · Consumer Packaging

Group strategy review

Partnering with our customers to develop innovative solutions

Working with our customers to create innovative solutions is key to our long-term success. In our upstream packaging and paper operations our focus is on producing lighter weight packaging materials without sacrificing strength, enhancing the printing quality of our products and achieving productivity and efficiency gains. Our downstream converting operations focus on product innovation, meeting evolving customer requirements and generating solutions that help our customers promote the products they produce and deliver on product requirements such as longevity, freshness and convenience.

Our packaging solutions are designed to meet the needs of our customers. Our integrated business model allows us to produce a broad range of solutions and draw on our experience to develop the appropriate products from our fibre and flexible-based packaging operations or a combination thereof.

Through our product development, we are able to carry developments in our upstream paper operations over to our Fibre Packaging products and, together with our Consumer Packaging businesses, are able to offer innovative solutions combining the best features of our paper and flexible packaging solutions.

We believe that the integrated nature of our business, and the complementary fit of our Fibre and Consumer Packaging businesses places us in an ideal position to deliver on our customers' packaging and paper needs, growing our packaging interests.

Our products need to meet increasingly sophisticated and bespoke needs and this is best driven in our businesses by the people closest to our customers. We operate a number of research and development (R&D) centres to improve existing products and processes and to develop new solutions. We have made good progress this year, working on and launching a number of new products, improving our service offering and strengthening strategic partnerships.

In order to continue satisfying our customers' ever increasing quality requirements, we continue to invest in further upgrading our quality processes and improving our quality culture.

Revenue by location of customer
%

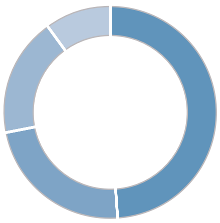
€6,662m

Emerging ● Mature

Emerging Europe	21
Russia	9
South Africa	6
Other	14
Western Europe	39
North America	11

Product mix
% of revenue

72% packaging



Consumer-related packaging	49
Industrial packaging	23
Uncoated fine paper	18
Other	10

We're creators, pioneers and listeners – more innovative than you expect

You deserve the best from us, and that influences everything we do. So we are constantly looking for ways to improve our processes and product offering.

We work with strategic partners, customers, suppliers and research institutes to anticipate new technologies and offer cutting-edge solutions. We focus on developments in products and services, aiming to provide our customers with benefits in terms of total cost of ownership, smart features and environmental benefits. For example, our corrugated packaging and extrusion coatings teams created a combined solution for a German healthcare customer, which can also be used for packaging engine parts. Consumer Goods Packaging has collaborated with Mars on a candy bar wrapper made from waste potato starch, and we're taking a more integrated Mondi approach to discussions with our biggest customers, such as IKEA, to ensure we offer them the full breadth of our product portfolio.

During 2016, we initiated an innovation project. In partnership with an external consultant, over 1,000 of our people were involved in a series of online surveys, in-depth interviews and innovation workshops. We generated a number of ideas across a broad range of topics including the way our businesses connect internally; product performance; service delivery; production processes; and customer engagement. The project compelled us to think more strategically, taking a much broader view on innovation to ensure that ideas are not filtered out too early in the process.

Growing responsibly and inspiring our people for long-term success

Our long-term success is dependent on our ability to integrate sustainability across the Group. This ensures that we can continue to address the risks and opportunities that arise from global environmental and societal trends, retain our competitive edge and generate value for our stakeholders. We believe that being part of the solution to global challenges will secure the long-term success of our business and the wellbeing of our communities and other stakeholders.

We have a strong track record of delivering on our sustainability commitments. At the end of 2015 we completed our previous commitment period and subsequently launched our Growing Responsibly model.

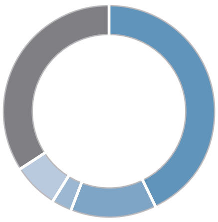
While growing responsibly has long been part of our philosophy, the model provides the business with a formal framework to demonstrate, monitor and improve the way sustainability is embedded in the business. The model includes 16 clearly defined 2020 commitments (climate commitment runs to 2030) across 10 action areas:

- → Employee and contractor safety
- → A skilled and committed workforce
- → Fairness and diversity in the workplace
- → Sustainable fibre
- → Climate change
- → Constrained resources and environmental impacts
- → Biodiversity and ecosystems
- → Supplier conduct and responsible procurement
- → Relationships with communities
- → Solutions that create value for our customers

In 2016, we continued to engage with our businesses and leadership to further strengthen the model and its integration across the business. Our goal is to fine tune and advance the commitment metrics (particularly where no externally established, credible metrics are available) and make sure they are appropriate. With the resultant strong focus on a safe, fair and diverse workforce, working towards a more transparent and responsible supply chain, and continued commitment to minimising our climate footprint, we are able to address risks and opportunities across our business.

Value distribution
%

€2,357m



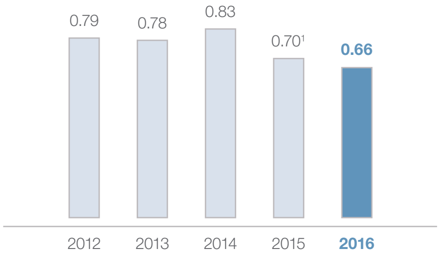
Employees	43
Providers of equity capital	13
Providers of loan capital	3
Direct taxes paid	7
Reinvested in the Group	34

A number of our recent, ongoing and planned capital expenditure projects will help us to meet our new commitments, particularly those relating to green energy and emissions reduction.

Our 10 action areas apply to all our operations and reflect our overall material issues, but certain areas are of particular strategic relevance to specific business units. In our upstream businesses, forestry and ecosystems, sustainable fibre, communities, environmental emissions and climate change are of utmost importance, while our downstream businesses focus on minimising and managing waste, responsible procurement, and product innovation.

Our people are important to us, particularly when it comes to ensuring that everyone returns home safely to their families every day. It is very encouraging that the steps we have taken have resulted in an improved total recordable case rate in 2016. With zero harm as our ultimate safety goal, we've been working hard to eliminate fatal and life-altering injuries. Our focus on the top risks at all operations has allowed us to better anticipate and manage our highest risk activities – which usually occur during annual maintenance shuts and project implementation. These efforts thankfully contributed to us experiencing no fatalities or life-altering injuries during the year. Regrettably, in February 2017 we suffered a fatality in our South African forestry operations following a timber vehicle accident. We extend our deepest condolences to the family. We remain determined to focus on top risks so that fatalities and life-altering injuries are not a part of our future.

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



1 Excluding acquisitions

Addressing our climate impact as we grow responsibly

We believe we have a role to play in the transition to a low-carbon economy.

During our 2004 to 2014 commitment period we reduced our specific carbon emissions by 29%. Building on that success, we have now committed to reducing specific CO_2e emissions from our pulp and paper mills by 15% by 2030, against the 2014 baseline. We will continue to improve energy efficiency, reduce emissions and replace fossil fuels with renewable biomass-based energy where practically and economically possible.

Climate change is one of 10 action areas addressed in our Growing Responsibly model. Clean energy and climate action are also central to the UN Sustainable Development Goals (SDGs), with which our thinking is aligned.

To achieve our climate goals, we make targeted energy-related investments across our pulp and paper mills, mainly through recovery boilers that utilise the biomass residues from our pulp making process. These investments, totalling over €400 million since 2012, have also increased energy self-sufficiency at our pulp and paper mills from 93% in 2012 to 98% in 2016. The latest major investment was made at our Świecie mill (Poland) in 2015, and has reduced carbon emissions and increased energy self-sufficiency. In January 2017, the Boards approved the replacement of the recovery boiler at our Štětí mill (Czech Republic).

Group strategy review

Strategic financial priorities and returns to shareholders

Our free cash flow priorities remain unchanged. We are focused on maintaining investment grade credit metrics, undertaking selective capital investment opportunities, and supporting the ordinary dividend. Any surplus thereafter will be used, as appropriate, to pursue acquisition opportunities or to increase shareholder distributions.

We aim to manage our cost of capital by maintaining an appropriate capital structure with a balance between equity and net debt. The primary sources of our net debt include our €2.5 billion Guaranteed Euro Medium Term Note Programme and our €750 million syndicated revolving credit facility. On 14 April 2016 we issued a 1.5% €500 million Eurobond with an eight-year term under our European Medium Term Note Programme, thereby extending the Group's maturity profile and ensuring ample liquidity.

We believe that a strong and stable financial position, supported by an investment grade credit rating, increases our flexibility and provides opportunities to access capital markets throughout the business cycle, allowing us to take advantage of strategic opportunities when they arise.

We pursue a dividend policy that reflects our strategy of disciplined and value-creating investment and growth, with the aim of offering shareholders long-term dividend growth. We target a dividend cover range of two to three times underlying earnings on average over the cycle, although the payout ratio in each year will vary in accordance with the business cycle.

Payment of dividends is subject to us having sufficient distributable reserves available, and, at present, the Group has a significant level of distributable reserves.

Our Boards have recommended payment of a final dividend of 38.19 euro cents per share, bringing the total dividend for the year to 57.0 euro cents per share, an increase of 10% on 2015.

Strategic risk management

The industries and geographies in which we operate expose us to specific risks, including:

→ Industry productive capacity
→ Product substitution
→ Fluctuations and variability in selling prices or gross margins
→ Country risk

These risks are long term in nature and accepted by the Boards as they are directly related to the Group's strategy and operating footprint. The Boards continue to monitor our exposure to these risks and investment decisions are evaluated against our exposures and the established tolerance levels for any individual strategic risk. Our conservative funding model and low level of financial leverage provide some protection against high levels of operating leverage. Our focus is on continual monitoring of these trends and our management and mitigation activities are aligned with our long-term strategy. Our investments and acquisitions are designed to take advantage of the opportunities arising from our exposure to these risks.

32 Our principal risks

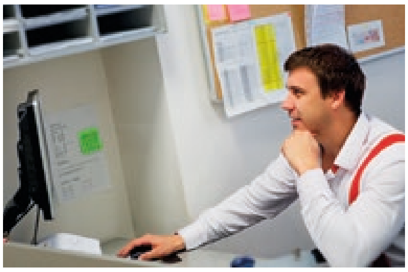
Our people

Our success is driven by our people. The strength and depth of our leadership team and the calibre and commitment of our employees across the Group make it possible to deliver on our strategic priorities.

Our culture and values play a key role in ensuring that our people are inspired, involved and able to contribute in an effective way.

On behalf of the executive committee, we sincerely thank all our people for their contributions which are central to the success we have enjoyed in 2016.

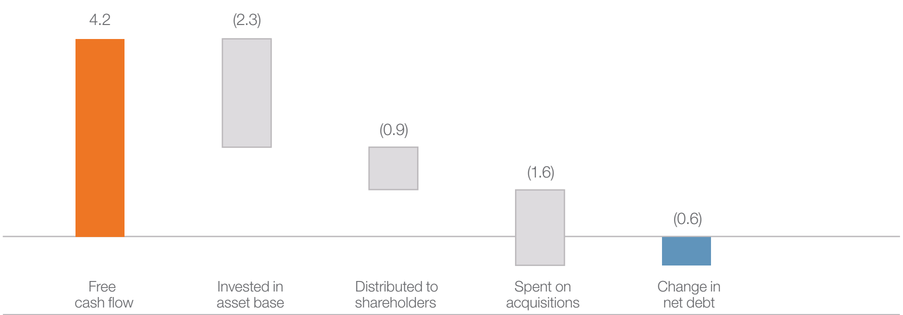
24 Our business model



Employee survey: listening to our people

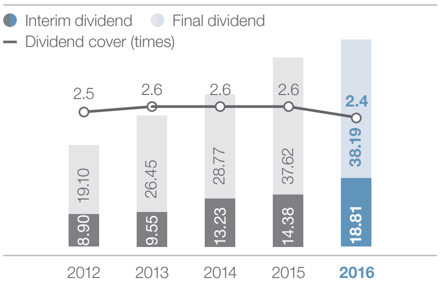
Our regular employee surveys help us to understand the areas in which our people feel we are doing well and where we need to improve. We have seen good progress in all areas since our 2013 survey and, following our 2015 survey, leaders and their teams have focused on analysing the survey feedback, maintaining improvements that have already been made and taking action where needed to strengthen our approach. Recognition, collaboration and communication have been common themes across the Group. Several actions have been implemented with more in progress. This includes initiatives driven centrally as well as extensive locally relevant activities at a plant level. Our leaders understand the importance of creating an environment where our people feel valued, motivated and included. By living our culture and values, we believe people will feel inspired to be the best they can be.

Five-year cumulative cash flow
€ billion



Dividends per share
euro cents

57 euro cents



Near-term outlook

Our outlook for the business is positive. We have implemented or announced price increases in containerboard, sack kraft and uncoated fine paper grades, supported by good demand. We expect some inflationary cost pressures across the Group and a lower forestry fair value gain. Furthermore, we anticipate a more challenging trading environment in certain uncoated fine paper markets following price erosion in Europe over the course of 2016, combined with emerging market currency volatility. However, we expect to continue to benefit from contributions from our recently completed capital projects and acquisitions, together with steady organic growth in our downstream converting businesses.

Our consistent and focused strategy, robust business model and firm focus on operational excellence all continue to contribute to our performance. We remain confident of continuing to deliver industry-leading returns.

Looking ahead

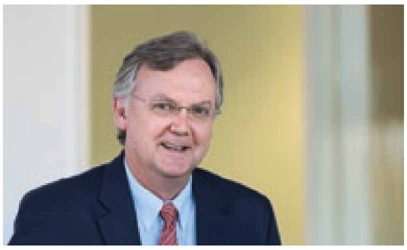
Our priorities for the business in 2017 are to continue to evaluate both product and market opportunities, to make progress on our current capital expenditure projects, fully realise the potential of acquisitions completed over the last two years, maintain tight control of costs and further embed our Growing Responsibly model throughout our operations.

In the longer term we will continue to focus on our strategic priorities outlined above, evaluating opportunities for growth in our packaging businesses and investing in our asset base to maintain our competitiveness.

David Hathorn
Chief executive officer

Andrew King
Chief financial officer

Retirement of David Hathorn



"It has been a great privilege to have worked for the Mondi Group over the past 26 years, being involved in its development from a regional business to a truly international group delivering industry-leading returns. It gives me great confidence in the future success of the business to be able to hand over to Peter, who has been alongside me for much of this journey. I wish Peter and the team all the very best."

David Hathorn
Chief executive officer

Appointment of Peter Oswald

"I am honoured to accept the appointment and look forward to working with the Boards and the rest of our team in continuing the successful development of the business. With our clear and consistent strategic focus, robust business model, world-class assets, rigorous and disciplined approach to capital allocation, and strong financial position, we are well-equipped to serve our growing customer base and deliver ongoing value for the benefit of all stakeholders."

Peter Oswald
Chief executive officer designate

Our key performance indicators

Tracking our progress

We track our long-term performance against strategic, sustainable development, and financial key performance indicators.

These key performance indicators (KPIs) are intended to provide a broad measure of Mondi's performance. We set individual targets for each of our business units in support of these Group KPIs.

52 Business reviews

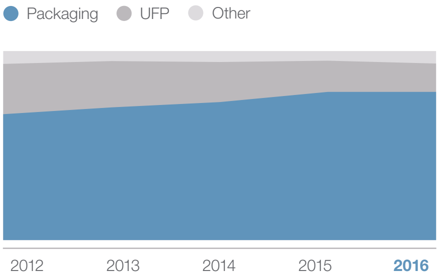
Our remuneration report describes how our executive directors and senior management are remunerated in line with these KPIs. In particular, the executive directors are set specific targets relating to ROCE, underlying EBITDA and safety for purposes of the Bonus Share Plan incentive and on Total Shareholder Return and ROCE for the Long-Term Incentive Plan.

109 Remuneration report

Strategic

12 Group strategy review

Growth in packaging
% of capital employed



Strategically, we are focused on broadening our reach in the packaging sector, with a bias towards consumer-related packaging where we see greater potential for growth.

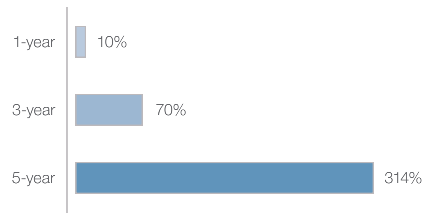
Our strategic value drivers provide a framework for pursuing value-creating growth opportunities.

2016 performance

We invested €465 million in capital expenditure, of which 80% was allocated to packaging.

Our packaging interests represent 79% of the Group's capital employed.

Total shareholder return (TSR)
%



TSR provides a market-related measure of the Group's progress against our objective of delivering long-term value for our shareholders.

TSR measures the total return to Mondi's shareholders, including both share price appreciation and dividends paid.

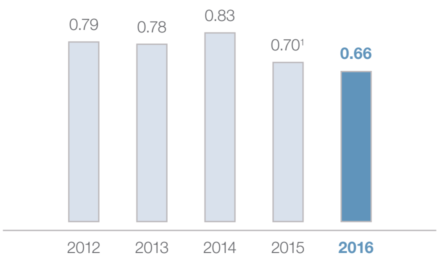
2016 performance

Mondi declared a dividend of 57.0 euro cents per share and realised a one-year TSR of 10%.

Sustainable development

40 Sustainability performance

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

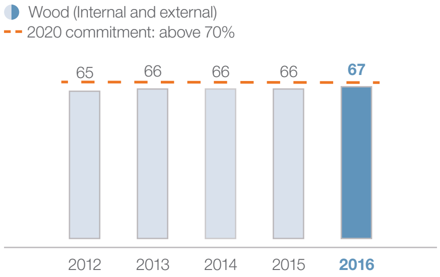


1 Excluding acquisitions

The safety and health of all our employees and contractors is of paramount importance. Our goal is a zero harm workplace.

2016 performance
We continued to experience a steady improvement in our TRCR, and there were no fatalities or life-altering injuries during the year.

Sustainable fibre supply
% FSC or PEFC-certified wood procured

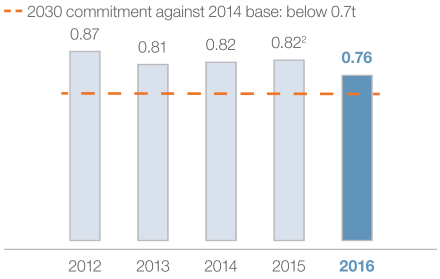


Securing a sustainable source of fibre for our integrated pulp and paper mills is critical to the long-term sustainable success of these operations.

We are committed to maintaining 100% Forest Stewardship Council® (FSC®) certified forests and at least 70% of procured wood from certified sources by 2020 according to FSC or Programme for the Endorsement of Forest Certification (PEFC™) standards.

2016 performance
Our forests have maintained their FSC certification (see note 3 on page 43) and 67% of our wood is from credibly certified sources.

Total specific CO_2e emissions[1]
tonnes per tonne of saleable production



1 From our pulp and paper mills
2 2015 restated to include Pine Bluff mill (US)

We have continually focused on making our business less carbon intensive to address climate impacts.

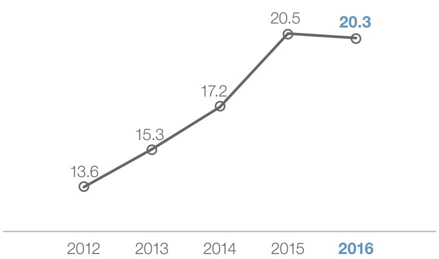
We are committed to a 15% reduction in specific CO_2e emissions by 2030 against our 2014 baseline.

2016 performance
To date, we have achieved a 8.9% reduction in specific CO_2e emissions against our 2014 baseline (excluding Raubling mill from 2014 baseline).

Financial

48 Group financial performance

Return on capital employed (ROCE)
% (12-month rolling)

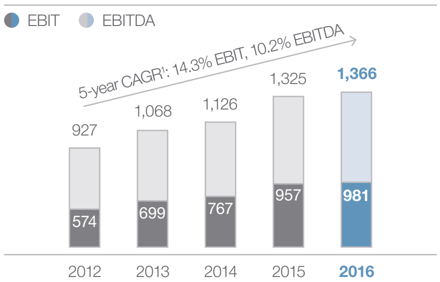


ROCE, defined as underlying EBIT divided by 12-month rolling capital employed, provides a broad overview of the efficient and effective use of capital in our operations.

New investments are required to deliver returns in excess of our hurdle rate of 13% across the business cycle.

2016 performance
ROCE of 20.3% reflects an industry-leading performance.

Underlying EBIT/EBITDA
€ million



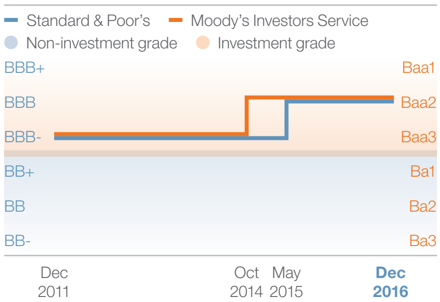
1 Compound annual growth rate

By excluding special items (which impact year-by-year comparability), underlying EBIT provides a measure of the operating performance of the Group and absolute growth in profitability of the operations. We target improving profitability across our business.

EBITDA, underlying EBIT before deducting depreciation and amortisation, provides a measure of the absolute growth in the cash generating ability of the Group and is therefore used for incentive purposes.

2016 performance
3% increase in underlying operating profit and in EBITDA.

Investment grade credit rating



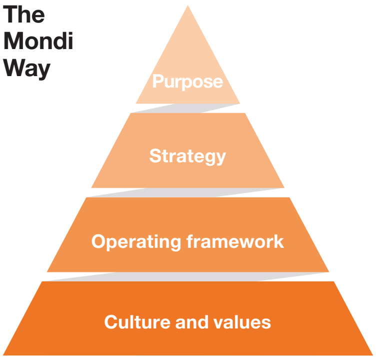
We aim to maintain investment grade credit ratings to ensure we have access to funding for investment opportunities through the business cycle.

2016 performance
Our investment grade credit ratings were reaffirmed during the year. Our credit rating from Standard & Poor's is BBB (stable outlook) and from Moody's Investors Service is Baa2 (stable outlook).

Our business model

Creating value the Mondi Way

The Mondi Way



The Mondi Way provides a framework to explain how our business model creates value. We believe it's the combination of the Mondi Way elements that makes us successful as each part plays a key role in guiding the decisions we make and the way we work.

Purpose

What we do at Mondi and why we do it. Our purpose statement fuels our inspiration and provides the context for our strategy.

We delight you with innovative and sustainable packaging and paper solutions. Every day.

Strategy

Our plan of action designed to deliver sustainable value. It is the roadmap we follow to secure competitive advantage in line with our purpose.

We deliver sustainable value by providing high-quality packaging and paper solutions through:

- → Driving performance
- → Investing in our high-quality, low-cost assets
- → Innovating through customer partnerships
- → Growing responsibly and inspiring our people

Key inputs

- → **High-quality, well-invested, low-cost integrated production base**
- → **Responsible procurement of raw materials and other inputs**
- → **Engagement and collaboration with customers and suppliers**
- → **Diverse and talented people with a broad range of skills and experience**
- → **Strong financial position and cash flow generation**
- → **Constructive relationships with communities, governments, NGOs and other stakeholders**

Our value chain

Our integrated value chain shows how we convert raw materials into innovative and sustainable solutions in line with our strategic priorities.

Raw materials
Wood fibre
Paper for recycling
Resins and film

We sustainably manage forests and purchase wood from responsible sources to produce pulp. Along with paper for recycling, we then turn the pulp into containerboard, kraft paper and uncoated fine paper.

Our competitive advantages

- → **Superior returns on capital employed** thanks to our disciplined approach to, and implementation of investment decisions
- → **Inherent and sustainable cost advantages** because of our high-quality, low-cost production base; footprint in emerging markets; and **focus on driving performance**
- → **Improved security of supply and reduced exposure to price volatility** by being integrated through the value chain

Overview
Strategic report
Governance
Financial statements

Business Unit value chains
52 Packaging Paper
58 Fibre Packaging
62 Consumer Packaging
66 Uncoated Fine Paper
70 South Africa Division

Operating framework

We use the Mondi Diamond to drive day-to-day performance by converting strategy into clear objectives at an operational level. All five areas contribute to our success and our operations decide how to get the balance right in line with their priorities.

The Mondi Diamond:

- Cutting-edge solutions
- Inspired people
- Operational excellence
- Successful customers
- Sustainable development

Culture and values

We are connected, guided and inspired by our culture and values. Our cultural characteristics make Mondi unique and set out the behaviours required of each of us to be successful. Our values are just as important as they describe our shared core beliefs.

- **We are dynamic, entrepreneurial and empowered**
  Value: Passion for performance
- **We are respectful and responsible**
  Value: Caring
- **We encourage honesty and transparency**
  Value: Acting with integrity

The risks we manage

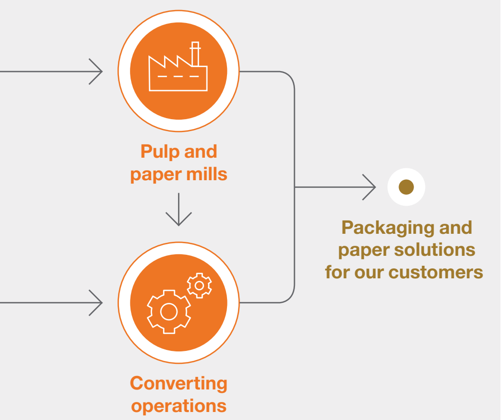
Strategic risks
- Industry productive capacity
- Product substitution
- Variability in selling prices or margins
- Country risk

Financial risks
- Capital structure
- Currency
- Tax

Operational risks
- Cost and availability of raw materials
- Energy security
- Technical integrity of operating assets
- Environmental impact of our operations
- Employee and contractor safety

Compliance risks
- Reputational
- Information technology

32 Our principal risks



Our converting operations require paper and other raw materials such as resins, films and nonwovens (some of which we produce ourselves) to create a wide range of innovative and sustainable packaging solutions and advanced materials that contribute to our customers' success.

Key outputs in 2016

High performing operations
- 20.3% ROCE
- 19 production records on pulp/paper machines

Sustainably managed natural resources
- 67% of wood FSC or PEFC certified
- 100% owned/managed forests FSC certified

Innovative products and solutions
- €19m spent on research & development
- 6 innovation centres

Inspired and skilled people
- 790,000 training hours
- 90% biennial employee survey participation (2015)

Capital appreciation and dividends to shareholders
- 10% increase in dividends
- 314% Total Shareholder Return (5 years)

Support to regional economies and local communities
- €173m direct taxes paid
- €8m community investment

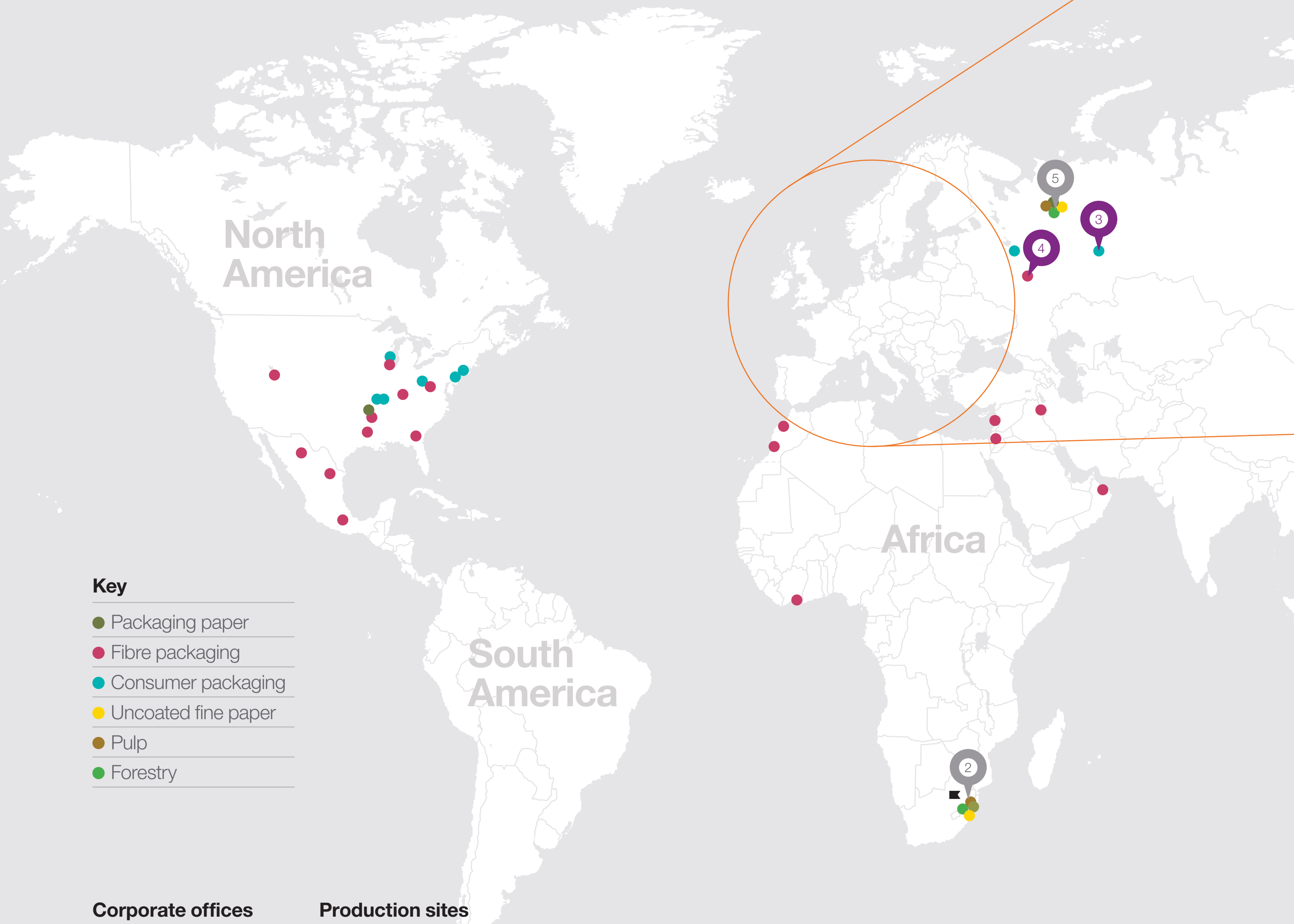
- **Consistently high level of service and innovation** driven by our scale, global reach, diverse product range and strong market positions
- **Integrated approach to sustainable development and risk management**, safeguarding our long-term future
- **Commitment to unlocking the potential of our people** by promoting a safe, inspiring and productive working environment

Where we operate

Our global presence

Mondi has over 100 production sites across more than 30 countries, with key operations located in central Europe, Russia, North America and South Africa.

We're more international than you may expect.



Key

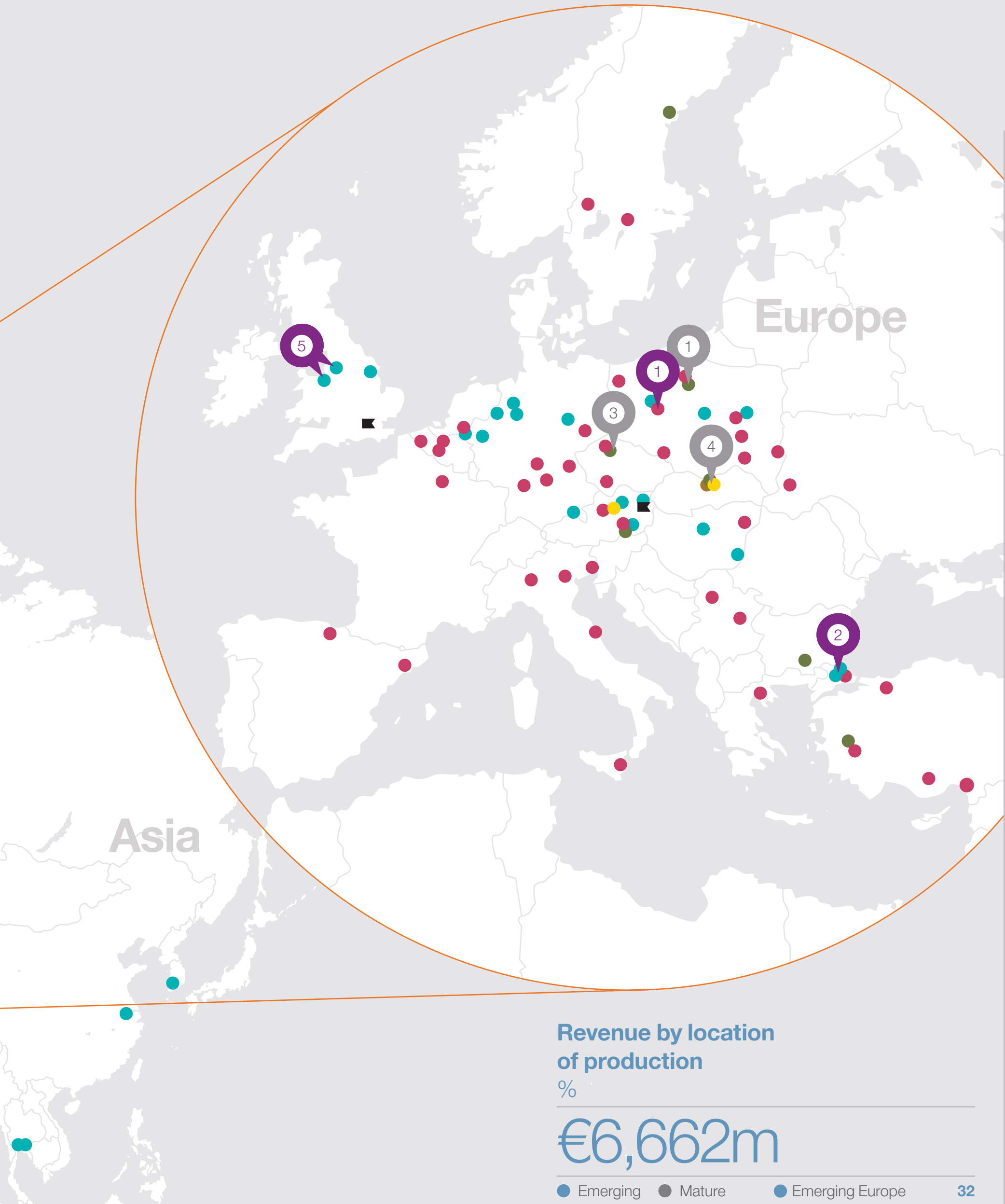
- Packaging paper
- Fibre packaging
- Consumer packaging
- Uncoated fine paper
- Pulp
- Forestry

Corporate offices

- Johannesburg
- London
- Vienna

Production sites

Austria	Packaging paper, Fibre packaging, Consumer packaging, Uncoated fine paper
Belgium	Fibre packaging
Bulgaria	Packaging paper
China	Consumer packaging
Côte d'Ivoire	Fibre packaging
Czech Republic	Packaging paper, Fibre packaging
France	Fibre packaging
Germany	Fibre packaging, Consumer packaging
Greece	Fibre packaging
Hungary	Fibre packaging, Consumer packaging
Iraq	Fibre packaging
Italy	Fibre packaging
Jordan	Fibre packaging
Lebanon	Fibre packaging
Malaysia	Fibre packaging
Mexico	Fibre packaging
Morocco	Fibre packaging
Netherlands	Fibre packaging, Consumer packaging
Oman	Fibre packaging
Poland	Packaging paper, Fibre packaging, Consumer packaging
Russia	Packaging paper, Fibre packaging, Consumer packaging, Uncoated fine paper, Pulp, Forestry
Serbia	Fibre packaging
Slovakia	Packaging paper, Uncoated fine paper, Pulp
South Africa	Packaging paper, Uncoated fine paper, Pulp, Forestry
South Korea	Consumer packaging
Spain	Fibre packaging
Sweden	Packaging paper, Fibre packaging
Thailand	Consumer packaging
Turkey	Packaging paper, Fibre packaging, Consumer packaging
Ukraine	Fibre packaging
UK	Consumer packaging
US	Packaging paper, Fibre packaging, Consumer packaging



Capital investments

16

1. Świecie (Poland)

€260m

Recovery boiler, turbine, biomass boiler, 100 ktpa pulp, 80 ktpa lightweight kraftliner (start-up in Q1 2017)

2. Richards Bay (South Africa)

€30m

Woodyard upgrade (completed)

3. Štětí (Czech Republic)

€470m

Recovery boiler, rebuild of fibre lines, debottlenecking and new 90 ktpa machine glazed speciality kraft paper machine (approved in Q1 2017, subject to incentives and permitting)

4. Ružomberok (Slovakia)

€310m

300 ktpa kraft top white containerboard machine (approved, subject to incentives and permitting)

5. Syktyvkar (Russia)

€144m

Power plant rebuild and waste water treatment plant modernisation (approved)

Acquisitions

16

1. SIMET S.A. (Poland)

€13m

Corrugated Packaging

2. Kalenobel (90%) (Turkey)

€90m

Consumer Goods Packaging

3. Uralplastic (Russia)

€41m

Consumer Goods Packaging

4. Lebedyan (Russia)

€41m

Corrugated Packaging

5. Excelsior Technologies (UK)

€38m

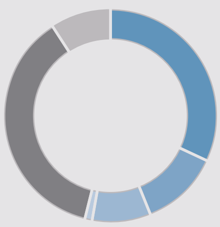
Consumer Goods Packaging (Q1 2017)

Revenue by location of production

%

€6,662m

Emerging Mature



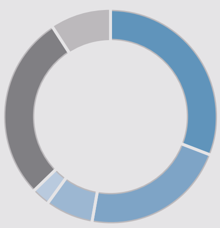
Emerging Europe	32
Russia	12
South Africa	9
Other	1
Western Europe	37
North America	9

Employees per region

%

25,400 employees

Emerging Mature



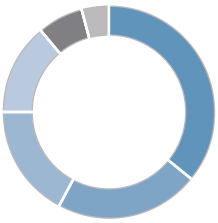
Emerging Europe	31
Russia	22
South Africa	7
Other	3
Western Europe	28
North America	9

Our external context

Global packaging market

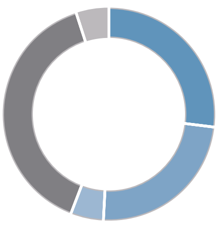
We seek opportunity and manage risk by monitoring and leveraging the trends affecting the global packaging industry. By responding proactively, we can shape our own future.

Global packaging by product[1]
% total market



Fibre based	36
Rigid plastic	22
Flexible	17
Metal	14
Glass	7
Other	4

Global packaging by region[1]
% total market



Europe	27
North America	24
Middle East and Africa	5
Asia-Pacific	39
Central and South America	5

1 Smithers Pira, The Future of Global Packaging to 2020

The global packaging market provides materials to wrap, store, protect and display a variety of goods. Packaging is expected to deliver more value every day. It needs to capture consumers' attention, be convenient, communicate brand values, protect and preserve the product, be cost efficient and minimise both transport costs and environmental impacts.

Various substrates are used in the production of packaging in order to achieve the optimal results our customers and end consumers are looking for. These include paper and board, plastic film, foil, rigid plastic, glass, metal, wood and textiles – either standalone or in combination, depending on requirements.

Global annual demand for packaging is estimated to be approximately US$839 billion, with Europe and North America accounting for around half of the global market[1].

Our packaging interests are centred around the fibre-based and flexible packaging markets, primarily in Europe, Russia, Middle East and North Africa, North America and South Africa. We are a leading supplier of fibre-based packaging including packaging papers (such as containerboard and kraft paper), converted packaging products (such as corrugated packaging and industrial bags), and speciality products. We are a leading provider of consumer flexible packaging such as pre-made bags and pouches, printed laminates and high-barrier films.

Fibre-based packaging

Mondi is the leading producer of containerboard in emerging Europe, and the second largest producer of virgin containerboard in Europe. European containerboard consumption was estimated at around 34 million tonnes in 2016, up 2.4%[2] on the previous year. We are also a key producer of corrugated packaging in emerging Europe.

We are the largest supplier of kraft paper in Europe and a leading global player. Kraft paper is used in a variety of applications from super-strong cement bags to food packaging applications. Consumption in Europe is estimated at around 4 million tonnes and grew moderately in 2016. We are a global leader in the production of industrial bags, used for packaging cement, building materials, chemical and agricultural products.

2 RISI, European Paper Packaging Forecast, December 2016

Consumer flexible packaging

Consumer flexible packaging is used in the primary packaging of food, as well as for pet food, home care, hygiene and other products, where a combination of plastic films, foils and paper deliver the right packaging solutions to protect and promote products every day. The global consumer flexible packaging market continues to enjoy good growth as a result of positive substitution effects and organic growth. The global consumer flexible packaging market is estimated to be around US$83 billion with Europe and North America representing almost half of the global market[3].

We are a leading European producer of consumer flexible packaging, with a small presence in Russia, North America and Asia.

3 PCI, The European Flexible Packaging market to 2020

Our external context

Key market drivers

Key market drivers

Demand for packaging is closely linked to economic development. Growth in consumer spending and industrial production will continue to drive demand for packaging in the future.

We believe there are distinct factors that will shape the packaging industry and impact demand for our products:

Demographics and economic development

- → Population growth and a rising middle class in emerging markets
- → Ageing population in developed markets
- → Urbanisation and changing lifestyles (women at work, smaller households)

Impacts on the packaging industry

Trends impacting demand for packaging are closely linked to the market drivers described above.

Packaging is continually evolving to address factors such as:

- → More demand for packaged goods in emerging markets as populations grow, incomes rise and retail chains develop
- → Time-constrained consumers seeking fast and often healthier food options
- → Consumers requiring smaller portion sizes and convenience features

How we are responding

We see strong potential for growth in the packaging sectors in which we operate and we are focused on taking advantage of the opportunities associated with these market trends.

40 Sustainability performance

Investments

Our acquisitions and capital investment projects are centred on expanding our product range and geographic reach, reducing our environmental impact, and providing innovative solutions.

Recent projects have delivered significant improvements in energy efficiency and emissions reductions (e.g. new recovery boilers); provided additional capacity to meet market demand (e.g. lightweight containerboard) and increased our design and printing capabilities.

Digitalisation and interconnectedness

- → Reshaping the world we live in
- → Growing online shopping culture
- → Increased complexity of supply chains
- → More legislation driven by stakeholder concerns about responsibility along the value chain

Modern consumers

- → Engaged consumers, empowered by digitalisation, making informed choices
- → Packaging as an ambassador for brand owners who need to interact more with consumers
- → Increased competition and changing distribution channels requiring innovative multifunctional packaging solutions

Focus on sustainability

- → Increased demand for limited resources driving the need to save food, reduce other waste, and use materials more efficiently
- → Heightened awareness of the impacts of climate change, degradation of ecosystems and industrial emissions
- → Environmentally conscious end-consumers

- → Increasing demand for e-commerce solutions
- → Multichannel brand communication impacting the required functionality of packaging
- → Complex and longer supply chains increasing the protection requirements of goods in transit and needing extended product shelf life
- → Increased need for transparency in how we do business and how our products are made (including legal compliance, labelling, sourcing, certification, etc.)

- → Need for packaging to convey brand values and promote premium products
- → Increased requirements for sophisticated printing and haptic properties to enhance consumer experience
- → Changing retail landscape with cost pressures along the value chain necessitating shelf-ready packaging and point-of-sale displays

- → Stakeholders requiring the responsible use of natural and renewable resources, and reduced emissions and waste
- → Desire for light-weighting and right-size packaging to reduce materials used in packaging
- → Benefits of fibre-based packaging that is recyclable, biodegradable and/or made from renewable sources
- → Demand for flexible packaging driven by reduced materials; lower energy for production and transportation; and barriers to prevent food waste and enhance shelf life

Our latest acquisitions support the development of our Consumer Goods Packaging (Uralplastic, Kalenobel and Excelsior Technologies) and Corrugated Packaging (SIMET and Lebedyan) businesses, enhancing our product offering and geographic reach.

Product innovation

Our wide portfolio of products gives us a unique opportunity to offer our customers innovative fibre-based and flexible packaging solutions.

Our packaging solutions include:

- → Reduced portions and convenience (e.g. easy opening, re-closable seals and smart storage)
- → e-Commerce (e.g. re-sealable boxes and tamper proof solutions)
- → Advanced design and printing options to enhance brand appeal and customer experience (e.g. premium shelf-ready packaging, paper-touch solutions and shaped packaging)
- → Multi-barrier solutions to extend shelf life (e.g. sterilisation packaging and high-barrier films)
- → Light-weighting without sacrificing strength properties (e.g. lightweight recycled containerboard, single-ply industrial bags and stand-up pouches)
- → Environmental responsibility (e.g. biodegradable and recyclable packaging)

Our principal risks

Proactive approach to risk management

In combination with the audit committee, the Boards have conducted a robust assessment of the principal risks to which Mondi is exposed and they are satisfied that the Group has effective systems and controls in place to manage its key risks within the risk tolerance levels established.

Our risk and internal control management framework is designed to address all the significant strategic, financial, operational and compliance-related risks that could undermine our ability to achieve our business objectives in the future. The Boards are responsible for the effectiveness of the Group's risk management activities and internal control processes. They have put procedures in place for identifying, evaluating, and managing the significant risks that the Group faces.

The details of the review and the risk framework and processes on which the review is based are set out below. This report only addresses our most significant risks.

Our approach to risk management

The Boards have overall responsibility for setting the Group's strategy and for managing related risks. They determine the Group's risk appetite, using a matrix which takes into consideration both the likelihood and the magnitude of the impact in the event that the risk event occurs, and approve the Group's risk management framework. The Boards have established specific risk tolerance levels for each category of risk.

The audit committee is responsible for reviewing the risk management policy and is required to monitor the effectiveness of the risk management processes and report to the Boards. Each of our significant risks is reviewed in detail by the audit committee through the course of the year: considering the detailed risk description; the controls and mitigating actions in place; and the resultant residual risk exposure.

Our risk management framework

Risk management is by nature a dynamic and ongoing process. Our well-defined approach is flexible to ensure that it remains relevant at all levels of the business, and dynamic to ensure we can be responsive to changing business conditions. This is particularly important given the diversity of the Group's locations, markets and production processes. Our internal control environment is designed to safeguard the assets of the Group and to provide reasonable assurance that the Group's business objectives will be achieved.

The Group's risk rating matrix is based on the residual risk that the Group faces after taking into consideration the internal control environment and other mitigating factors. The risk rating matrix, with detailed descriptions of likelihood and impact criteria, serves as the basis on which each business unit is required to conduct an annual risk review.

In addition, risk management is embedded in all decision-making processes with ongoing review by the Boards and risk assessments forming part of all investment decisions.

In establishing the overall risk management framework:

- → The Boards and their committees have approved the Group's financial, business conduct, operating, and administrative policies – including those relating to delegation of signing authorities and information security. The policies provide a framework for the Group's internal control environment and outline required standards of behaviour. Business units are required to ensure that they adhere to approved Group policies and that they have implemented their own supporting policies.
- → In line with the approved delegation of authorities (such as the approval of major capital investments, acquisitions, and disposals), specific matters are reserved for board or executive committee approval.
- → The audit committee approves the annual internal audit plan and the Boards approve the annual budget and three-year plan.

Our internal control environment

Our internal control environment operates as follows:

Operational management

- The organisational structure is regularly reviewed. Where circumstances dictate, changes to the organisational structure are recommended to the executive committee or Boards to ensure it remains relevant.
- Key policies and procedures covering all main areas of business conduct are approved by the Boards and each business unit is required to adhere to these overall Group policies.
- Management are responsible for continually reviewing their entity's operating and financial performance and for preparing and reviewing monthly management accounts.
- On a bi-annual basis, all financial managers are required to complete an internal control assessment and provide written confirmation of compliance with Group policies and procedures. This formal confirmation highlights any control weaknesses or deficiencies identified.

Management review and assurance

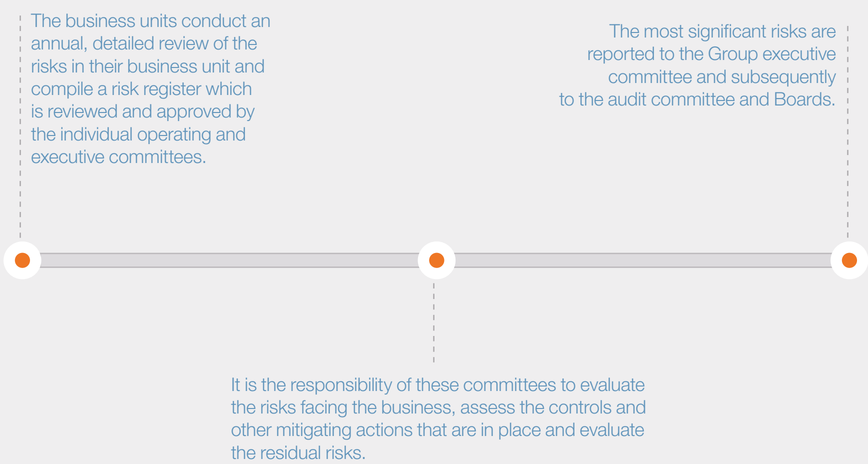
- Management are responsible for continually reviewing the Group's operating and financial performance, including monthly management accounts. The Group's reporting cycle includes the monthly flash and management reports, a quarterly outlook, and the annual budget and three-year plan. Detailed monthly management reports and variance analyses comparing actual and planned results are prepared. These regular reviews assist in the early identification of potential issues and/or emerging risks.
- A number of Group functions have been established to provide oversight, central coordination, and management of certain specialised risk areas. These include: information technology, sustainable development, safety and health, treasury, and tax. Each function has board-approved policies in place against which conduct throughout the Group is assessed.
- Regular reviews of financial and operating performance, progress of significant capital investment projects and plans, and a detailed assessment of current market conditions take place at Group level and, in more depth, at business unit level.

Independent assessment/assurance

- The Group has a centrally coordinated internal audit function, which makes use of local competency, and reports directly to the audit committee.
- Speakout provides a confidential reporting hotline for reporting irregularities. Follow up is coordinated by internal audit and reported on at each audit committee meeting.
- External assurance is provided through external audit which is designed to detect material errors and irregularities.
- The Group is registered with, and subject to regular audits by, a number of standard setting authorities, such as FSC and ISO.
- Mondi is subject to regular review and vetting by external regulatory bodies as well as non-regulatory parties, including annual insurance assessments, sustainable development assurance, and information security penetration testing.

Through this structured approach, the control environment is subject to regular oversight and review to ensure that there are no significant deficiencies, that control weaknesses are identified and addressed, and that new or emerging risks are identified early and regularly monitored.

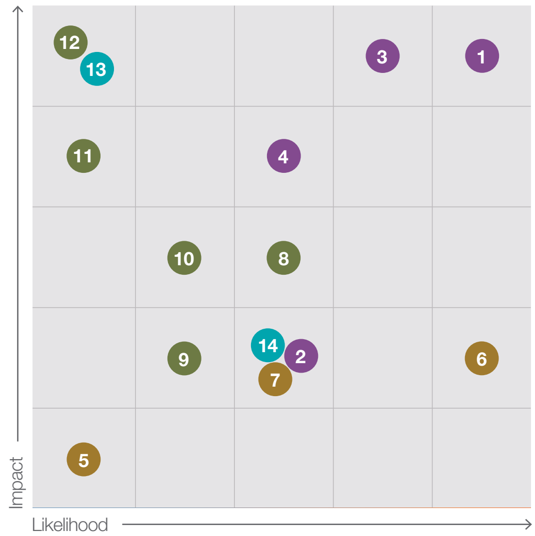
Our risk management process



Our principal risks

Our most significant risks

Over the course of the past year, the audit committee has reviewed each of the principal risks set out below. In evaluating the Group's risk management and internal control processes, the committee has considered both internal and external audit reports and received confirmation from the finance heads of the business units that financial control frameworks have operated satisfactorily.



1. Industry productive capacity
2. Product substitution
3. Fluctuations and variability in selling prices or gross margins
4. Country risk
5. Capital structure
6. Currency risk
7. Tax risk
8. Cost and availability of raw materials
9. Energy security and related input costs
10. Technical integrity of our operating assets
11. Environmental impact of our operations
12. Employee and contractor safety
13. Reputational risk
14. Information technology risk

Strategic risks

Risk tolerance
High

Key person responsible
David Hathorn (Chief executive officer)

The industry and geographic locations in which we operate expose us to specific long-term risks which are accepted by the Boards as a consequence of the Group's chosen strategy and operating footprint.

While there have been no significant changes in our strategic risk exposure during the year, we continue to monitor recent capacity announcements and the developments in the process as the UK seeks to exit the European Union.

The executive committee and Boards monitor our exposure to these risks and evaluate investment decisions against our overall exposures so that our strategic capital investments and acquisitions take advantage of the opportunities arising from our deliberate exposure to such risks.

1 Industry productive capacity

Potential impact

Plant utilisation levels are the main driver of profitability in paper mills. New capacity additions are usually in large increments which, through their impact on the supply/demand balance, influence market prices. Unless market growth exceeds capacity additions, excess capacity may lead to lower selling prices. In our converting operations newer technology may lower operating costs and provide increased product functionality impacting margins.

Monitoring and mitigation activities

We monitor industry developments in terms of changes in capacity and utilisation levels, as well as trends and developments in our own product markets.

Our strategic focus on low-cost production and innovation activities to produce higher value-added products, combined with our focus on growing markets and consistent investment in our operating capacity, ensures that we can remain competitive.

2 Product substitution

Potential impact

Changing global socio-economic and demographic trends and consumption patterns and increased public awareness of sustainability challenges affect the demand for Mondi's products.

Customers' needs and purchasing power are changing in emerging markets. Substitution may be to different products not produced by Mondi or to different solutions meeting the same customer requirement.

Factors that impact the demand for our products include reduced weight of packaging materials, increased use of recycled materials, electronic substitution of paper products, increased demand for high-quality printed material, certified and responsibly produced goods, and specific material qualities.

Monitoring and mitigation activities

Our ability to meet changes in consumer demand depends on our capacity to anticipate change correctly and develop new products on a sustainable, competitive and cost-effective basis.

Opportunities also exist for us to take market share from substitutes produced by our competitors. Our focus is on products enjoying positive substitution dynamics and growing regional markets as we work with our customers to develop new markets and new products.

Our broad range of converting products provides some protection from the effects of substitution between paper and plastic-based packaging products.

3 Fluctuations and variability in selling prices or gross margins

Potential impact

Our selling prices are determined by changes in capacity and demand for our products, which are, in turn, influenced by macroeconomic conditions, consumer spending preferences, and inventory levels maintained by our customers.

Changes in prices differ between products and geographic regions and the timing and magnitude of such changes have varied significantly over time.

Monitoring and mitigation activities

Our strategic focus is on higher growth markets and products where we enjoy a competitive advantage through innovation, proximity or production cost.

We continue to invest in our high-quality, low-cost production assets to ensure we maintain our competitive cost position.

We are committed to meeting service levels and product quality requirements.

Our high levels of vertical integration reduce our exposure to price volatility of our key input costs. Our financial policies and structures take the inherent price volatility of the markets in which we operate into consideration.

4 Country risk

Potential impact

We have production operations across more than 30 countries; some in jurisdictions where the political, economic, and legal systems are less predictable than in countries with more developed institutional structures. Political or economic upheaval, inflation, changes in laws, nationalisation, or expropriation of assets may have a material effect on our operations in those countries.

Despite improvements in certain segments of the global economy, uncertainties remain over slowing growth, political and economic structural weakness in the eurozone's single currency framework, and uncertainty over the outcomes of the UK's decision to exit from the European Union.

Areas of weaker governance also present the challenge of addressing potential human rights issues in our operations and supply chain. The introduction of the UK Modern Slavery Act has further highlighted the need to identify and address potential risks of child labour, forced or bonded labour and human trafficking in our supply chain.

From a human capital perspective, we face different demographic and social conditions in each country which affects the availability of skills and talent for the Group.

Monitoring and mitigation activities

We actively monitor all countries and environments in which we operate. Regular formal and informal interaction with government officials, local communities, and business partners assist us to remain abreast of changes and new developments.

The Boards have approved specific country risk premiums to be added to the required returns on investment projects in those countries where risks are deemed to be higher and new investments are subject to rigorous strategic and commercial evaluation.

Where we have large operations in higher risk locations, we maintain a permanent internal audit presence and operate asset protection units.

We are in the process of reviewing how we assess, monitor, and manage risks in our supply chain, including the use of country-based risk assessment tools and databases.

We actively engage with our employees, communities and other stakeholders for a better understanding of local socio-economic conditions and development needs.

Our geographic diversity and decentralised management structure, utilising local resources in countries in which we operate, reduces our exposure to any specific jurisdiction.

Financial risks

Risk tolerance
Medium to Low

Key person responsible
Andrew King (Chief financial officer)

Our approach to financial risk management is set out in more detail in the Group strategy and financial reviews. We aim to maintain an appropriate capital structure and to conservatively manage our financial risk exposures in compliance with all laws and regulations.

Despite ongoing short-term currency volatility and increased scrutiny of the tax affairs of multinational companies, our overall residual risk exposure remains similar to previous years, reflecting our conservative approach to financial risk management.

5 Capital structure

Potential impact

A strong and stable financial position increases our flexibility and provides us with the ability to take advantage of strategic opportunities as they arise.

Our ability to raise debt and/or equity financing is significantly influenced by general economic conditions, developments in credit markets, equity market volatility, and our credit rating.

Failure to obtain financing at reasonable rates could prevent us from realising our strategy and have a negative impact on our competitive position.

Monitoring and mitigation activities

We operate a central treasury function under a board-approved treasury policy. We provide regular reporting to the Boards on our treasury management policies.

We aim to maintain an investment grade credit rating and we have access to a variety of sources of funding with varying maturities.

We only enter into contracts relating to financial instruments with counterparties that have investment grade credit ratings.

Our principal risks

Financial risks

6 Currency risk

Potential impact

We operate in more than 30 countries and are thus exposed to the effect of changes in foreign currency rates. The impact of currency fluctuations affects us because of mismatches between the currencies in which our operating costs are incurred and those in which revenues are received.

Key operating cost currencies that are not fully offset by local currency denominated revenues include the South African rand, Polish zloty, Swedish krona, and Czech koruna; while the revenues generated in US dollar, Russian rouble and UK pound sterling are greater than operating costs incurred in those currencies.

In addition, appreciation of the euro compared with the currencies of the other key paper producing regions or paper pricing currencies, notably the US dollar, would reduce the competitiveness of the products Mondi produces in Europe compared to imports from such key paper-producing regions which could potentially lead to lower revenues and earnings.

Monitoring and mitigation activities

We fund our entities in their local currencies to minimise translation risk. This exposes us to interest rate risk from these currencies which we aim to manage through interest rate swaps and fixed rate borrowings.

Balance sheet exposure and material forecast future capital expenditure transactions are hedged. We do not permit speculative currency positions.

We do not hedge our exposure to projected future sales or purchases and our businesses respond to currency fluctuations through changes in selling prices or increasing the level of exports where competitiveness improves as currencies weaken.

Our strategic focus on low-cost production assets and operational efficiency provides inherent cost advantages, protecting us from adverse currency fluctuations.

7 Tax risks

Potential impact

We operate in a number of countries, all with different tax systems. We make significant intragroup charges, the basis for which is subject to review during tax audits.

In addition, the international tax environment is becoming more onerous, requiring increasing transparency and reporting and in-depth scrutiny of the tax affairs of multinational companies.

Monitoring and mitigation activities

The Boards have approved the Group's Tax Policy. We aim to manage our affairs conservatively and our operations are structured tax efficiently to take advantage of available incentives and exemptions.

We have dedicated tax resources throughout the Group supported by a centralised Group tax team.

We obtain external advisory opinions for all major tax projects, such as acquisitions and restructuring activities, and make use of external benchmarks where possible.

Arm's length principles are applied in the pricing of all intragroup transactions in accordance with Organisation for Economic Cooperation and Development guidelines.

Operational risks

Risk tolerance
Low

Key persons responsible
Peter Oswald (Chief executive officer: Europe & International Division),
Ron Traill (Chief executive officer: South Africa Division),
John Lindahl (Group technical director)

A low residual risk tolerance is demonstrated through our focus on operational excellence, investment in our people and commitment to the responsible use of resources.

Our investments to improve our energy efficiency, engineer out our most significant risks, improve operating efficiencies, and renew our equipment continue to reduce the likelihood of operational risk events. However, the potential impact of any such event remains unchanged.

8 Cost and availability of raw materials

Potential impact

Access to sustainable sources of raw materials is essential to our operations.

We have access to our own sources of wood in Russia and South Africa and we purchase wood, paper for recycling, pulp, and polymers for film production to meet our needs in the balance of our operations.

Wood prices and availability may be adversely affected by reduced quantities of available wood supply that meet our standards for Chain-of-Custody certified or controlled wood and initiatives to promote the use of wood as a renewable energy source.

Monitoring and mitigation activities

We are committed to acquiring our raw materials from sustainable, responsible sources and avoiding the use of any controversial or illegal supply. We are involved in multi-stakeholder processes to address challenges in meeting the global demand for sustainable, responsible fibre and we encourage legislation supporting the local collection of recycled materials.

The sustainable management of our forestry operations is key in managing our overall environmental impact, helping to protect ecosystems, and developing resilient landscapes. We have built strong forestry management resources in Russia and South Africa to actively monitor and manage our wood resources in those countries.

We have multiple suppliers for each of our operations and our centralised procurement teams work closely with our operations in actively pursuing longer-term agreements with strategic suppliers. We have developed an internal monitoring and risk assessment system to understand and manage the performance of our suppliers and their adherence to our Suppliers' Code of Conduct.

9 Energy security and related input costs

Potential impact

Mondi is a significant consumer of electricity which is generated internally and purchased from external suppliers.

Where we do not generate electricity from biomass and by-products of our production processes, we are dependent on external suppliers for raw materials such as gas, oil and coal.

Increasing energy costs contribute significantly to increasing chemical, fuel, and transportation costs which are often difficult to pass on to customers.

As an energy-intensive business, we face potential physical and regulatory risks related to climate change.

Monitoring and mitigation activities

We monitor our electricity usage, carbon emission levels and use of renewable energy. Most of our larger operations have high levels of electricity self-sufficiency.

We focus on improving the energy efficiency of our operations by investing in improvements to our energy profile and increased electricity self-sufficiency, while reducing ongoing operating costs and carbon emission levels.

Where we generate electricity surplus to our own requirements, we may sell such surplus externally. We also generate revenue from the sale of green energy credits in certain of our operations at prices determined in the open market.

10 Technical integrity of our operating assets

Potential impact

We have five major mills which account for approximately 74% of our total pulp and paper production capacity, and a significant consumer packaging manufacturing facility in Germany.

If operations at any of these key facilities are interrupted for any significant length of time, it could have a material adverse effect on our financial position or performance.

Accidents or incidents such as fires, explosions, or large machinery breakdowns could result in property damage, loss of production, reputational damage, and/or safety incidents.

Monitoring and mitigation activities

Our capital investment programme supports the replacement of older equipment to improve both reliability and integrity, and our proactive repair and maintenance strategy is designed to improve production reliability and minimise breakdown risks.

We conduct detailed risk assessments of our high-priority equipment and have specific processes and procedures in place for the ongoing management and maintenance of such equipment.

We actively monitor all incidents and have a formal process which allows us to share lessons learnt across our operations, identify emerging issues, conduct benchmarking, and evaluate the effectiveness of our risk reduction activities.

11 Environmental impact of our operations

Potential impact

We operate in a high-impact sector and need to manage the associated risks and responsibilities.

Our operations are water, carbon and energy intensive; consume materials such as fibre, polymers, metals and chemicals; and generate emissions to air, water and land. We are the custodian of more than two million hectares of forested land.

We are subject to a wide range of international, national and local environmental laws and regulations, as well as the requirements of our customers and expectations of our broader stakeholders.

Costs of continuing compliance, potential restoration and clean-up activities, and increasing costs from the effects of emissions have an adverse impact on our profitability.

Monitoring and mitigation activities

We ensure that we are complying with all applicable environmental, health and safety requirements where we operate. Our own policies and procedures, at or above local policy requirements, are embedded in all our operations and are supported through the use of externally accredited environmental management systems.

We focus on a clean production philosophy to address the impact from emissions, discharge, and waste. We focus on increasing the energy efficiency of our operations and using biomass-based fuels in order to reduce our use of fossil-based energy sources. We have undertaken detailed compliance assessments regarding Industry Emissions and Energy Efficiency Directives to determine future investment requirements.

We emphasise the responsible management of forests and associated ecosystems and protect high conservation value areas.

12 Employee and contractor safety

Potential impact

We operate large facilities, often in remote locations. Accidents/incidents cause injury to our employees or contractors, property damage, lost production time, and/or harm to our reputation.

Risks include: fatalities, serious injuries, illness, disease, and substance abuse.

Monitoring and mitigation activities

We have a goal of zero harm. We continually monitor incidents and close calls and actively transfer learnings across our operations.

We apply an externally accredited safety management system and conduct regular audits of our operations to ensure our facilities remain fit-for-purpose.

We have implemented a programme to engineer out the most significant risks in our operations supported by robust controls and procedures for operating those assets.

We provide extensive training to ensure that performance standards and practice notes are communicated and understood and our incentives are impacted by the non-achievement of safety milestones.

Our principal risks

Compliance risks

Risk tolerance
Low

Key person responsible
Andrew King (Chief financial officer)

We have a zero tolerance approach to compliance risks. Our strong culture and values, emphasised in every part of our business, with a focus on integrity, honesty, and transparency, underpin our approach.

13 Reputational risk

Potential impact

Non-compliance with the legal and governance requirements and globally established responsible business conduct in any of the jurisdictions in which we operate and within our supply chain could expose us to significant risk if not actively managed.

These requirements include laws relating to the environment, exports, price controls, taxation, human rights, and labour.

Fines imposed by authorities for non-compliance are severe and, in some cases, legislation can result in criminal sanction for entities and individuals found guilty.

Monitoring and mitigation activities

We operate a comprehensive training and compliance programme, supported by self-certification and reporting, with personal sanction for failure to comply with Group policies.

Our legal and governance compliance is supported by a centralised legal compliance team and is subject to regular internal audit review.

We operate a confidential reporting hotline, Speakout, enabling employees, customers, suppliers, managers and other stakeholders to raise concerns about conduct that may be contrary to our values.

We increasingly work with our suppliers to promote responsible business conduct in the value chain.

14 Information technology risk

Potential impact

Many of our operations are dependent on the availability of IT services and an extended interruption of such services may result in plant shutdown and an inability to meet customer requirements.

Cyber crime continues to increase and attempts are increasingly sophisticated, with the consequences of successful attacks including compromised data, financial fraud, and system shutdowns.

Monitoring and mitigation activities

We have a comprehensive IT Security Policy approved by our Boards.

We conduct regular threat assessments and utilise external providers to evaluate and review our security policies and procedures.

Where possible, we have redundancies in place, our system landscape is based on well-proven products, and we have cyber crime insurance.

We operate an extensive training and awareness programme for all our users.

Recovery boiler safety

Keeping our people safe is Mondi's top priority. Technical integrity and process safety are key components of our approach. Our safety journey includes understanding our process risks and ensuring adequate controls to manage them.

Over the past three years we have implemented a process safety management system in our recovery boiler operations to ensure they stay online without incident or product release. We have systematically identified, assessed and mitigated high-hazard areas and developed procedures governing the way residual process risks are managed.

We conduct an annual global recovery boiler leadership meeting, internal technical audits, and numerous targeted workshops to ensure all levels of management understand their role in proactively preventing a process-related event at our operations.

Viability statement

As part of the approval of this integrated report, the Boards have assessed the Group's prospects and viability. The Boards believe that the three years to December 2019 is an appropriate period over which a reasonable expectation of the Group's longer-term viability can be evaluated.

In coming to this view, the Boards have considered the inherent volatility in commodity prices and exchange rates, the time taken for new investments in pulp and paper production capacity to be introduced into the market, typical new product development cycles, and the Group's capital structure. Given the strategic risks described above, the Boards believe that the ability to assess the Group's longer-term viability beyond this period becomes increasingly difficult.

Mondi's geographical spread, product diversity, and large customer base mitigate potential risks of customer or supplier liquidity issues. Ongoing initiatives by management in implementing profit improvement programmes, which include ongoing investment in its operations, plant optimisation, cost-cutting, and restructuring and rationalisation activities, have consolidated the Group's leading positions in its chosen markets.

The Boards have considered the Group's current financial position, strategy and plans for the next three years, marking the end of the Group's formal planning horizon. The Group's budget and plan has been tested for severe, but plausible, downside scenarios. These include lower packaging and uncoated fine paper prices and weaker demand. The potential impact of a weaker US dollar/euro exchange rate and stronger emerging market currencies has also been evaluated. Based on the results of these scenarios, the Boards are satisfied that the Group will be able to respond to such circumstances through various means which may include a reduction of capital expenditure and further rationalisation and/or restructuring, to ensure that the Group can continue to meet its ongoing obligations.

The Group meets its funding requirements from a variety of sources as more fully described in the financial statements. The Boards are satisfied that the Group will have sufficient liquidity to meet its needs over the planning horizon. In the scenarios evaluated, the Group remains within its key financial covenant ratio in terms of which its net debt to trailing 12-month EBITDA ratio must not exceed 3.5 times.

Taking into account the Group's long-term strategy, the principal risks described above, and the results of the downside scenario assessments, the directors have a reasonable expectation that the Group remains viable over the period of the assessment.

Going concern

The directors have reviewed the Group's budget, considered the assumptions contained in the budget, and reviewed the critical risks which may impact the Group's performance in the near term. These include an evaluation of the current macroeconomic environment and reasonably possible changes in the Group's trading performance.

The Group's financial position, cash flows, liquidity position, and borrowing facilities are described in the annual financial statements. At 31 December 2016, Mondi had €812 million of undrawn, committed debt facilities. The Group's debt facilities have maturity dates of between 1 and 9 years, with a weighted average maturity of 3.9 years.

Based on their evaluation, the Boards are satisfied that the Group remains solvent and has adequate liquidity to meet its obligations and continue in operational existence for the foreseeable future.

Accordingly, the Group continues to adopt the going concern basis in preparing the Integrated report and financial statements 2016.

Sustainability performance

Growing responsibly

"It's a time of collaboration, collective action and holistic thinking, with an increased expectation for business to play a more active role. Our approach is well aligned with the current global sustainable development agenda and provides a strong foundation for future sustainable profitable growth."

Stephen Harris
Chairman of the DLC sustainable development committee

Online sustainable development report 2016

Our Growing Responsibly model

10 action areas:

Employee and contractor safety	A skilled and committed workforce	Fairness and diversity in the workplace	Sustainable fibre	Climate change
Our goal is zero harm to employees and contractors, and a safe and healthy workplace. Overall, our safety performance has improved steadily over the past five years and we're among the leaders in our industry[1].	We're developing a culture that aims to inspire, engage and develop all our people to reach their full potential, while ensuring our business can continue to grow and succeed.	The diversity of our workforce is one of our greatest strengths. We promote fair working conditions for a better, more diverse workplace.	We're promoting positive change to support credible certification systems that will meet increasing demand for sustainable fibre. We also manage our own forests sustainably.	We consider climate change in our business decisions through sound investments to improve energy efficiency and responsible procurement of wood and fibre. Our sustainably managed forests also play an important role in storing carbon.

16 commitments[2], by 2020[3]:

→ Avoid work-related employee and contractor fatalities → Prevent life-altering employee and contractor injuries → Reduce TRCR by 5% compared to 2015 baseline, including new acquisitions	→ Engage with our people to create a better workplace	→ Promote fair working conditions in the workplace	→ Maintain 100% FSC certification of our owned and leased forestry operations and promote sustainable forest management → Procure a minimum of 70% of our wood from FSC or PEFC certified sources with the balance meeting our company minimum wood standard that complies with the standard for Controlled Wood (FSC-STD-40-005)	→ Reduce specific CO_2e emissions from our pulp and paper mills by 15% by 2030 against a 2014 baseline

1 Based on total recordable case rate 2 Going forward, we will review and refine our commitment metrics as necessary to ensure they are appropriate and measurable 3 Climate commitment to 2030

The sustainability challenges we face as a business and as a society are ever-changing and increasingly complex. To support our long-term strategy and to deliver on our local priorities, we rely on a robust framework that builds on what we have learned and achieved in the past. It also enables us to address current and future risks and opportunities in a holistic, inclusive way. This will help us to grow responsibly and to create value for our stakeholders, long into the future.

Growing responsibly has long been part of our philosophy and our 'Growing Responsibly' model was implemented during 2016.

The model provides us with a framework to demonstrate, monitor and improve the way sustainability is embedded in everything we do across our businesses and throughout the value chain.

Our previous commitment period (2011-2015) delivered significant achievements throughout the business in reducing our climate impact, emissions and waste; promoting responsible forestry; developing collaborative relationships critical to our future success; and strengthening our culture of safety and goal of zero harm.

Now, building on a strong foundation, we are ready for 2020 and beyond. The model includes 16 clearly defined 2020 commitments across 10 action areas (with the climate commitment running to 2030).

Looking ahead, we will continue to entrench our Growing Responsibly model across our business and work hard towards delivering against our commitments.

We support global initiatives such as the UN Sustainable Development Goals (SDGs) which will drive collective action at a global level until 2030. Our Growing Responsibly action areas and commitments outlined below reflect our aligned thinking with the SDGs.

We have been included in the FTSE4Good Index Series since 2008 and the JSE's Socially Responsible Investment (SRI) Index since 2007.

Constrained resources and environmental impacts	Biodiversity and ecosystems	Supplier conduct and responsible procurement	Relationships with communities	Solutions that create value for our customers
Our focus on operational excellence drives efficiency improvements to ensure responsible use of water, reduction of waste and emissions, the cascading use of wood and development of resource-efficient products.	We promote ecosystem stewardship to sustain services that our businesses and communities rely on through sharing best practices and continued, long-term collaboration with our stakeholders.	We're taking steps to encourage greater transparency and promote fair working conditions by developing a responsible, inclusive and sustainable supply chain.	We aim to enhance our social value to communities through effective stakeholder engagement and meaningful social investments, using global frameworks that enable us to address local priorities.	We encourage sustainable, responsibly manufactured products and closer collaboration with our customers and partners.
→ Reduce specific[4] contact water consumption from our pulp and paper mills by 5% compared to a 2015 baseline → Reduce specific[4] waste to landfill by 7.5% compared to a 2015 baseline → Reduce specific[4] NOx emissions from our pulp and paper mills by 7.5% compared to a 2015 baseline → Reduce specific[4] effluent load to the environment (measure COD) by 5% compared to a 2015 baseline	→ Promote ecosystem stewardship in the landscapes where we operate through continued multi-stakeholder collaboration	→ Encourage supply chain transparency and promote fair working conditions together with our key suppliers	→ Enhance social value to our communities through effective stakeholder engagement and meaningful social investments	→ Encourage sustainable, responsibly produced products

4 Figures reported in specific terms are normalised to saleable production tonnes

Sustainability performance

Global thinking, local action

Our people

We believe our diversity – not uniformity – is key to Mondi's future. By openly engaging with our people, we work hard at ensuring their commitment to a business that acts quickly, empowers them and offers a range of development opportunities.

In 2016, we employed on average around 25,400 people across more than 30 countries. The Fundamental Rights Convention of the International Labour Organization and the United Nations Global Compact (UNGC)[1] guide our approach to employment. Although labour and collective bargaining practices differ from country to country, basic rights and fair employment standards (including fair wages[2]) apply throughout the business, are managed locally, and are guided by Group policies and standards.

Mondi has formal and informal processes to communicate with and engage employees across the Group. In addition to electronic communications and publications, regular local briefing sessions by managers focus on safety, operational objectives and performance, financial performance and the Group's values and culture. We also regularly conduct performance and development reviews at a local level, alongside formal and informal engagement processes. Our Group-wide employee survey is designed to consult employees on specific issues and track our progress. 90% of employees took part in our most recent survey completed in November 2015 (2013: 89%) and, overall, there was a higher level of engagement compared to the previous survey.

We have a zero tolerance policy towards discrimination and provide equal opportunities for all employees irrespective of origin, nationality, disability or gender. In 2016, 22% of employees were female (2015: 22%). Two of our nine board members were women and one of the three South African-based board members came from an historically-disadvantaged community (in January 2017 we appointed Tanya Fratto as an additional board member, so once Anne Quinn steps down after the AGMs, we will continue to have two women on our Boards). 47% of Mondi South Africa Division's management team were previously disadvantaged individuals (2015: 45%).

Gender diversity 2016*	Male	%	Female	%
Directors	7	78	2	22
Senior managers	280	91	27	9
Employees	20,200	78	5,800	22

* As at 31 December 2016

We consider applications for employment in a fair and balanced way, seeking to cater for individual requirements, disabilities and needs. Group policy ensures training, career development and promotion is consistent and fair, including for people with disabilities as far as is possible. In the event of an employee suffering a life-altering or life-threatening injury at work, we facilitate appropriate medical treatment and rehabilitation. Every effort is made to support their continued employment with Mondi.

In 2016, we devoted around 790,000 hours of employee and contractor time to training and development (2015: 827,000 hours), of which around 38% related to safety and health topics. In 2016, The Mondi Academy conducted over 100 seminars and programmes, attended by more than 800 Mondi employees.

The Group has a number of performance-related pay schemes that reward employees for the pursuit and achievement of business objectives, and the majority of our employees participate in these schemes.

1 A UN policy initiative that aligns businesses with 10 universally accepted principles in the areas of human rights, labour, environment and anti-corruption

2 Ensuring that wages paid for a standard working week shall at least meet legal or industry minimum standards and shall always be sufficient to meet the basic needs of our employees and to provide some discretionary income

Safety and health

Our ultimate safety goal is zero harm, with all employees and contractors returning home safely to their families every day. While we're among the leading safety performers in our industry, we remain mindful that our operations involve many high-risk activities. In 2016, we continued to assess our risk management programme, in particular prioritising and addressing the top risks in all our operations.

In 2016, we had 237 recordable cases in our operations. This equates to a TRCR of 0.66, a 13% reduction against our 2015 baseline of 0.76 (including acquisitions). We experienced no fatalities or life-altering injuries during the year. However, in February 2017 a contractor lost his life in our South African forestry operations following a timber vehicle accident. A detailed investigation is underway, and we will continue to focus on the top risks at each site to ensure continuous improvement in our controls and safety programmes. All of our pulp and paper mills – with the exception of Pine Bluff mill (US) – and 79% of our converting operations have international safety management system OHSAS 18001 in place.

Building on the Top 5 Risks approach introduced in 2013 and 2014, we continued to focus on the top risks in all our operations. Safety training initiatives were a key component, particularly targeted at first line supervisors. The second phase of this work is currently underway, identifying and addressing the next set of high-priority risks at each operation.

Several of our operations have on-site health and wellbeing facilities, and we offer wellness programmes at many of our sites and offices. In 2016, 3,273 employees and contractors participated in the HIV/AIDS voluntary programme in our South African operations, with 2,047 opting for testing.

Forests and ecosystems

The global population is growing and demand for forest products increasing. We have a critical responsibility to ensure the forests we own, lease and source wood from are managed in a way that secures their long-term biological integrity, social value and productivity. Our aim is to optimise timber production while maintaining biodiversity and ecosystem services, ultimately contributing to more resilient production landscapes.

We manage around 2 million hectares of natural boreal forest in Russia and around 0.3 million hectares of plantation forests in South Africa, including the identification and protection of high conservation value (HCV) areas. FSC certification is an important part of our management approach, assuring stakeholders that we meet globally accepted standards for sustainable forest management and that HCV areas are identified and protected.

We're not party to any form of deforestation or illegal logging.

In 2016, all of our owned and leased forests in Russia and South Africa maintained their FSC and ISO 14001 certification standards, and our forests in Russia also maintained their PEFC certification[3]. 25% of our owned and leased land is set aside for conservation and we focus on protecting water resources and freshwater ecosystems on and next to our forests and mills.

We continue to support WWF to expand the reach and influence of the 25-year-old WWF-Mondi Wetlands Programme. In Russia, WWF Boreal Forest Platform, launched in 2015, is bringing stakeholders together across the boreal landscape, especially north-west Russia, to develop a shared understanding of responsible forest management.

3 Lease exchange in 2016 in Russia resulted in a new lease of around 39,000 hectares which will be FSC certified during 2017

Communities

To our local communities, we are an industrial neighbour, employer, purchaser, energy generator, land user and manager of local resources. We have a significant positive socio-economic impact, including employment and generation of business, supporting infrastructure development and paying local and regional taxes. We aim to enhance our social value through effective stakeholder engagement and meaningful investments using global frameworks to address local priorities.

As an active member of our communities, we work hard to maintain constructive and open relationships with local stakeholders. Our work is informed by our Socio-Economic Assessment Toolbox (SEAT) process, which helps ensure open and transparent dialogue, and is facilitated by an independent third party. Our operations plan and deliver local engagement through formal Community Engagement Plans.

In the last five years, we've invested around €46 million in community projects that support health, education, infrastructure and enterprise in the communities where we operate. In 2016 we launched two pilot projects in Poland and South Africa that are exploring ways to develop a methodology with indicators to measure social and business value created by our community investments. Ultimately, we want to develop metrics that can be consolidated at Group-level to reflect our total community footprint. We'll then be able to measure our impact more effectively and know that we are making a meaningful difference.

Sustainability performance

Global thinking, local action

Energy and climate change

We believe business has an important role to play in reducing greenhouse gas emissions and tackling climate change. As an energy-intensive business, it's critical we manage our climate footprint by optimising energy and process efficiencies and utilising renewable energy, supported by ongoing investments in low-carbon energy technologies.

Our approach to reducing carbon emissions involves targeted energy-related investments across our pulp and paper mills. Combined with good management and sharing best practice through our specialist network, we aim to improve energy efficiency, reduce emissions and replace fossil fuels with renewable biomass-based energy where practical and economically possible. Sustainably managed forests also play an important role in mitigating climate change. We contribute to this through credibly certifying and responsibly managing our forests and by procuring wood exclusively from certified and controlled sources.

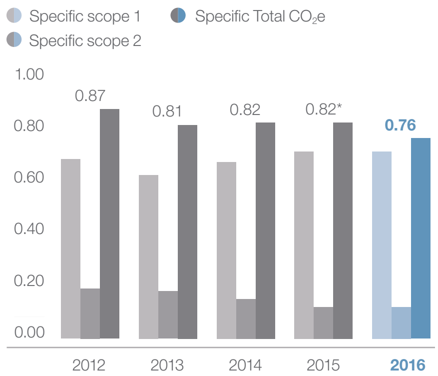
In 2015, we committed to reduce specific[1] CO_2e[2] emissions from our pulp and paper mills by 15% by 2030, against a 2014 baseline. In 2016, our specific CO_2e emissions were 0.76 tonnes per tonne of saleable production, demonstrating a 8.9% reduction against the 2014 base year.[3]

In 2016, our pulp and paper mills' scope 1[4] GHG emissions were 4.1 million tonnes CO_2e (2015: 4.5 million tonnes), while specific scope 1 emissions were 0.65 tonnes per saleable tonne of production (2015: 0.7 tonnes). Additionally, our converting operations' scope 1 emissions were 0.1 million tonnes (2015: 0.1 million tonnes).

Our pulp and paper mills' scope 2[5] emissions amounted to 0.7 million tonnes CO_2e in 2016 (2015: 0.8 million tonnes), while specific scope 2 emissions were 0.11 tonnes per saleable tonne of production (2015: 0.12 tonnes). Additionally, our converting operations' scope 2 emissions were 0.2 million tonnes (2015: 0.2 million tonnes).

We report our GHG emissions according to the Greenhouse Gas Protocol, published by the World Business Council for Sustainable Development (WBCSD) and the World Resources Institute, and have reported our scope 1 and 2 GHG data in compliance with ISO 14064:1-2006. ERM CVS has provided reasonable assurance on our scope 1 and 2 GHG data in accordance with ISO 14064:3-2006. See their full statement at www.mondigroup.com/sdassurance.

Specific CO_2e emissions from our pulp and paper mills
tonnes per tonne of saleable production



* 2015 restated to include Pine Bluff mill (US)

1 Specific: calculated in tonnes of CO_2e per tonne of saleable production

2 GHGs are often compared on the basis of their estimated potential to cause global warming. CH_4 and N_2O emissions are the most relevant for the pulp and paper industry. Every gram of CH_4 is equivalent to 21 grams of CO_2 and each N_2O gram is equivalent to 310 grams of CO_2. Total GHG emissions can be calculated as the sum of several GHGs expressed as the equivalent amount of CO_2, abbreviated as CO_2e

3 Excludes Raubling mill performance from 2014 baseline

4 Scope 1 emissions: Total GHG emissions from sources owned or controlled by Mondi and its subsidiaries. This includes CO_2e from fossil fuels and processes, Group leased/owned vehicles, waste and waste water treatment, from make-up chemicals, and from other GHG gases

5 Scope 2 emissions: Total GHG emissions from sources that are related to generation of purchased energy outside the Group boundaries

Operational excellence

Using natural resources wisely and managing our impacts is vital for securing sustainable growth. We strive for operational excellence, drive efficiency improvements and invest in Best Available Techniques (BAT) and good management practices to ensure responsible use of water, to reduce waste and emissions, and to address our biodiversity impact.

We contribute to the development of policies that can help us and other companies in our sector shift towards a circular economy[6] by promoting greater resource productivity and minimising waste and emissions. This includes our work with the WBCSD, WWF and the Confederation of European Paper Industries (CEPI).

Water is vital to our business. We aim to use it wisely and efficiently, and manage it responsibly at all times. We reduce waste to landfill by avoiding waste where possible and by finding reuse or recycling solutions for our remaining waste streams. We focus on reducing emissions of Total Reduced Sulphur (TRS) compounds from kraft pulp mills, as they can create an odour nuisance and give rise to public complaints.

We made good progress in 2016 in the more efficient use of natural resources and in reducing our emissions and waste. We reduced specific contact water consumption by 1.3% against 2015 in our pulp and paper mills. We reduced our specific waste to landfill by 11% against 2015. TRS emissions were reduced by 27% against 2015. Specific effluent load (COD) was reduced by 5% against 2015.

6 A circular economy, in contrast to a linear economy which follows a model of 'take, make and dispose', is one that is 'restorative and regenerative by design, and which aims to keep products, components and materials at their highest utility and value at all times' (Ellen MacArthur Foundation, 2010)

Supply chain

In an increasingly globalised and connected economy, the business benefits of a transparent supply chain are clear – from reducing risks and realising efficiencies to driving performance and collaboration. We're taking steps to improve supply chain transparency and promote fair working conditions for a responsible, inclusive and sustainable supply chain.

All our businesses are guided by our Group-wide supply chain and procurement policies and standards.

We focus on three main procurement areas: wood and fibre; resins, films and other raw materials; and transport and logistics. Fibre is one of our primary raw materials and we use forest certification as the best assurance that the fibre we source comes from sustainably managed forests. We maintain FSC and ISO14001 certification of all our owned and leased forests.

For all wood that is not from our own forests, we source credibly certified fibre wherever possible and, where it's not possible, we ensure all non-certified wood and fibre products we procure comply with the standard for Controlled Wood (FSC-STD-40-005) as a minimum. In 2016, 67% of our total procured wood was FSC or PEFC certified (2015: 66%).

We will assess the sustainability aspects of our resins, films and other raw materials and services through our central supplier relationship management (SRM) system. SRM will provide a consistent framework across the Group for selecting, monitoring, assessing, managing and developing our supplier base. It is currently being rolled out to all our businesses in a phased approach.

Every company in our supply chain must adhere to our purchasing principles and Code of Conduct for Suppliers, which covers environmental management, safety issues, social metrics and governance.

We support the UK government's introduction of the Modern Slavery Act 2015, and we encourage more transparency in the supply chain to jointly address the risks and opportunities. We updated our sustainability policies in 2016, including our supply chain and responsible sourcing policy and our labour and human rights policy. We have engaged with our businesses and mapped our supply chain to better understand potential areas of human rights and other risks, and will develop measures to address and respond to these appropriately. Our statement on the UK Modern Slavery Act will be published in June 2017.

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Working together

By working together, we believe it is possible to achieve more impact, innovation, sustainability and scale than we can by working alone. This drives us to collaborate with others, building our shared understanding of sustainability issues and developing the best solutions, together.

Customers

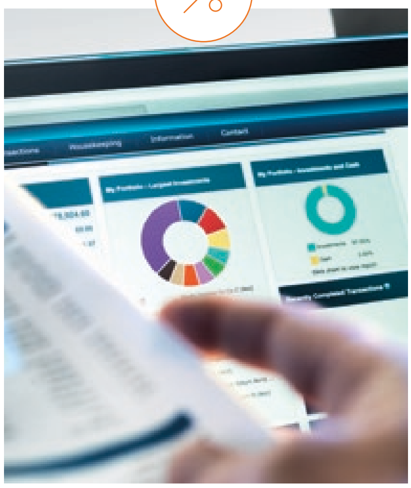
With more and more people wanting to make the right choices, consumer interest in responsible products and services is greater than ever. This is driving demand for increased transparency across the whole value chain as well as opportunities to collaborate with our customers to deliver innovative, sustainable packaging solutions.

- → Regular customer satisfaction surveys
- → Close collaboration with customers on product innovation
- → Participation in a wide range of benchmarking and transparency initiatives
- → Customer events and exhibitions
- → Disclosure of our sustainability performance to our customers via EcoVadis and other platforms

Suppliers

We engage with our suppliers to develop practical, risk-based solutions to the social and environmental challenges we all face in the value chain; to promote fair working conditions; and to deliver innovative, sustainable products and solutions.

- → Regular assessments of key fibre and non-fibre suppliers
- → Engaging with certification systems such as FSC and PEFC to encourage sustainable forestry practices and secure long-term wood fibre supplies
- → Monitoring and managing risks and opportunities in the supply chain through our central SRM system
- → Supplier collaborations and partnerships to develop strategic, long-term relationships and improve performance



Investors

There's wide and growing recognition among the investment community of the links between sustainable operations and long-term financial success. We've seen increasing interest in our sustainability performance by investors and ESG analysts in recent years. We regularly share our sustainability performance and take feedback from investors and analysts to inform our reporting and management practices.

- → Annual reports
- → Questionnaires
- → Ad hoc questions and requests
- → Telephone calls and meetings
- → Roadshows
- → Events including results presentations and capital markets days
- → Membership of the FTSE4Good and JSE SRI indices

Communities

Ongoing, transparent dialogue with our communities helps us to address challenges, understand and manage our risks, generate opportunities and improve our business performance.
To understand where our impacts lie and what our stakeholders expect, we use several different approaches, notably our formal SEAT process. Introduced in 2016, we also carry out impact assessments of our voluntary community investments and programmes to determine the effectiveness, value and success of our interventions.

→ SEAT process

→ Community Engagement Plans (CEPs)

→ Open days and visits to our sites

→ Partnerships with communities and other stakeholders in development initiatives

→ Social impact assessments to measure the value we create on the ground

Employees

Employees are the core of our business, and open and honest dialogue is crucial. Alongside day-to-day management contact, we engage in discussions and feedback about our values and culture – as expressed in the Mondi Way.
Informal channels of communication and formal surveys give our employees a voice to help us understand their concerns and improve our performance, particularly around working conditions.

→ Group-wide employee survey

→ Regular local briefing sessions by managers

→ Electronic communications and publications

→ Divisional and local intranets

→ Local management and performance reviews

→ Internal conferences and leadership forums

Global partnerships and initiatives

We believe in global partnerships that help bring about change, sustainability and scale. We work closely with others to maximise the shared value we create, contributing to multi-stakeholder collaborations that seek sustainable solutions along the entire value chain.

Our collaborations and memberships include, among others:

→ Global partnership with WWF

→ The UNGC

→ WBCSD's forest solutions group

→ The Cambridge Institute for Sustainability Leadership (CISL)

→ CEPI

Group financial performance

Robust financial position

Through our strong profitability, significant cash flow generation and robust financial position, we are well positioned to take advantage of new opportunities.

Our financial performance

€ million	2016	2015	Change %
Group revenue	**6,662**	**6,819**	**(2%)**
Underlying EBITDA	1,366	1,325	3%
% margin	*20.5%*	*19.4%*	
Depreciation and amortisation	(385)	(368)	
Underlying operating profit	**981**	**957**	**3%**
% margin	*14.7%*	*14.0%*	
Net underlying finance costs	(101)	(105)	
Net profit from associates	1	1	
Underlying profit before tax	881	853	3%
Tax before special items	(166)	(161)	
Total non-controlling interests	(48)	(45)	
Underlying earnings	**667**	**647**	**3%**
Special items (after tax and non-controlling interests)	(29)	(47)	
Reported profit after tax and non-controlling interests	**638**	**600**	**6%**
Basic earnings per share (euro cents)	**131.8**	**124.0**	**6%**
Underlying earnings per share (euro cents)	**137.8**	**133.7**	**3%**
ROCE %	**20.3%**	**20.5%**	

Our financial position

€ million	2016	2015
Property, plant and equipment	3,788	3,554
Goodwill	681	590
Working capital	799	794
Other assets	532	422
Other liabilities	(721)	(675)
Net assets excluding net debt	**5,079**	**4,685**
Equity	3,392	2,905
Non-controlling interests in equity	304	282
Net debt	1,383	1,498
Capital employed	**5,079**	**4,685**

Group revenue of €6,662 million was down 2% on the prior year. Excluding the impact of currency movements, revenue was in line with the prior year. Good volume growth in Packaging Paper and Consumer Packaging, and higher domestic selling prices in South Africa and Russia were offset by lower average selling prices in Packaging Paper and Fibre Packaging.

Underlying operating profit of €981 million was up 3% on the prior year. Packaging Paper was negatively impacted by lower selling prices across most key grades and lower green energy prices, partially offset by like-for-like sales volume growth. Fibre Packaging continued its positive development, with volume growth in Corrugated Packaging and a good performance from the core European industrial bags business, partly offset by negative currency translation effects and ongoing challenges in the US industrial bags business. We continue to make good progress in Consumer Packaging with strong volume growth and improving margins. In Uncoated Fine Paper, Russian domestic price increases and a strong focus on productivity and efficiency more than offset negative currency effects from the weaker rouble and flat average European pricing. Our South Africa Division was negatively affected by sharply lower average export pulp selling prices and higher input costs, which were only partially offset by positive currency effects and a higher fair value gain on forestry assets.

Special items are those items of financial performance that we believe should be separately disclosed to improve the understanding of the underlying financial performance achieved by the Group. Such items are material in nature or amount and the quantitative threshold for recognition of special items incurred after 1 January 2016 is €10 million (2015: €5 million).

Subsequent adjustments to items previously reported as special items continue to be reflected as special items in future periods even if they do not exceed the reporting threshold.

In 2016, special items included:

- Restructuring and closure costs of €17 million and related impairments of €15 million for the closure of an Industrial Bags (Fibre Packaging) plant in southern Belgium and restructuring of our US release liner business (Consumer Packaging), including the planned closure of one operation.
- In our South Africa Division, we have made the decision to restart our second uncoated fine paper machine to meet domestic demand for reels and, at the same time, reduce our production of newsprint in response to declining demand. This gave rise to a further impairment of the newsprint assets of €7 million, the reversal of impairment of the uncoated fine paper assets of €2 million, and restructuring costs of €1 million.

After taking the impact of special items of €38 million into consideration, operating profit of €943 million was up 5% (2015: €900 million).

The impact of maintenance shuts on operating profit in 2016 was around €75 million (2015: €90 million), slightly above expectation due to a longer than anticipated shut at our Richards Bay mill (South Africa). Based on prevailing market prices, we estimate that the impact of planned maintenance shuts on operating profit in 2017 will be around €80 million.

Input costs were generally lower across our European businesses. Wood costs were lower than the prior year with a stable supply and demand balance. Average benchmark costs for paper for recycling were up around 11% on 2015 as prices increased in the second half of the year on strong export demand and increased European consumption. Energy costs were lower than the prior year due to lower average crude oil and gas prices. Looking forward, rising commodity input costs are expected to put some upward pressure on energy costs. Following the significant volatility in polyethylene prices in 2015, pricing was more stable during the year, but on average at similar levels to the prior year. In our South Africa Division, inflationary pressures and higher imported costs resulted in an increase in input costs.

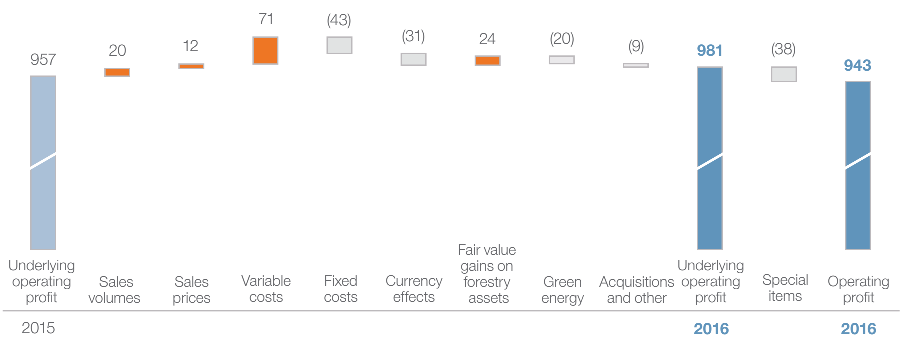
Strong cash flow generation

Our cash generation remained strong. In 2016, the cash generated from our operations was €1,401 million, up 10%. On average over the last five years, our cash generated from operations has increased by 10.5% per year.

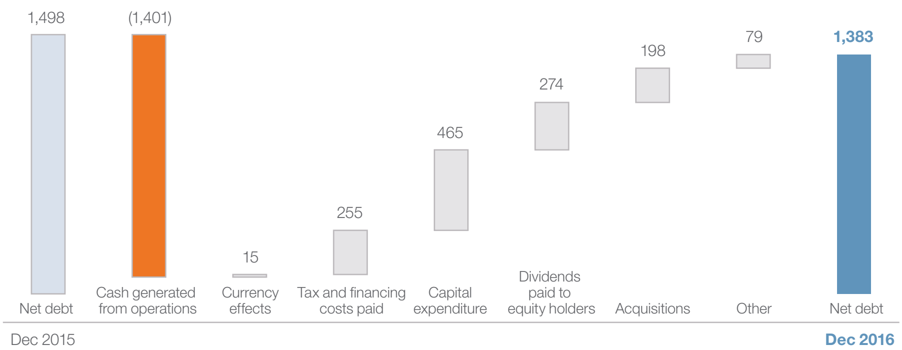
Working capital as a percentage of revenue was 12%, marginally up on the prior year (2015: 11.6%). The net cash inflow from movements in working capital during the year was €68 million (2015: inflow of €9 million).

We paid dividends of €274 million to shareholders (2015: €209 million). Interest paid of €82 million (2015: €93 million) was lower than the prior year, mainly due to the lower average net debt and composition of our borrowings.

Operating profit development
€ million

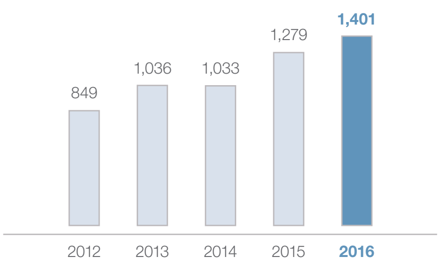


Movement in net debt
€ million



Cash generated from operations
€ million

€1,401m



Group financial performance

Managing our financial risks

Our capital structure

€ million	2016	2015	Change %
Net debt	**1,383**	**1,498**	**8%**
Average net debt	1,476	1,650	11%
Net interest expense (before capitalised interest)	92	103	11%
Effective interest rate	6.2%	6.3%	
Committed facilities	2,497	2,002	
Of which undrawn	812	598	
Net cash position	377	36	
Net debt/12-month trailing EBITDA (times)	1.0	1.1	

In 2016, we invested €465 million (2015: €595 million) in capital expenditure and completed four acquisitions with a total purchase price, on a debt and cash free basis, of €185 million.

Capital employed is managed on a basis that enables the Group to continue trading as a going concern, while delivering acceptable returns to shareholders. We are committed to managing our cost of capital by maintaining an appropriate capital structure, with a balance between equity and net debt.

Our capital employed is used to fund the growth of the business and to finance our liquidity needs. The primary sources of funding set out in the chart below provide us with access to diverse sources of funding with various debt maturities.

Our short-term liquidity needs are met through our €750 million syndicated revolving credit facility and we aim to minimise the amount drawn on this facility.

At the end of the year, €812 million of our €2.5 billion committed debt facilities remained undrawn and we held net cash of €377 million. The weighted average maturity of our Eurobonds and committed debt facilities was 3.9 years at 31 December 2016. Gearing at 31 December 2016 was 27.2% and our net debt to 12-month trailing EBITDA ratio was 1.0 times, well within our key financial covenant requirement of 3.5 times.

Our credit ratings were reaffirmed during the year. Our credit rating from Standard & Poor's is BBB (stable outlook) and from Moody's Investors Service is Baa2 (stable outlook).

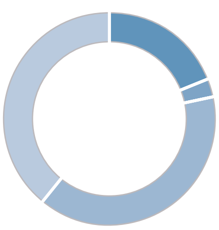
Net debt at 31 December 2016 was down €115 million at €1,383 million (2015: €1,498 million), reflecting our strong cash generating capacity, after taking our ongoing capital expenditure programme and €185 million spent on acquisitions into consideration.

Net finance costs of €101 million were €4 million lower than the previous year and our net interest expense of €92 million was down 11% on the prior year. Average net debt of €1,476 million was 11% lower than the prior year and our effective interest rate was 6.2% (2015: 6.3%).

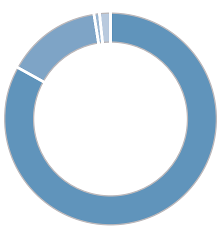
Net finance costs are expected to reduce in 2017 due to the redemption of the April 2017 5.5% €500 million Eurobond from available cash and committed undrawn debt facilities.

Maturity profile of net debt
€ million

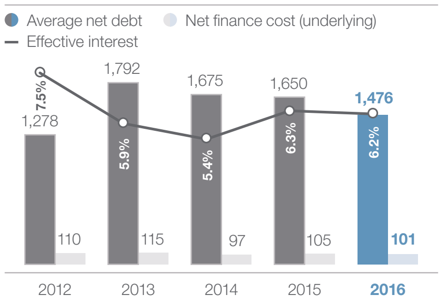
€1,383m



Composition of debt
€ million



Net debt and finance costs
€ million



Currencies

Our multi-national presence results in exposure to foreign exchange risk in the ordinary course of business. Currency exposures arise from commercial transactions denominated in foreign currencies, financial assets and liabilities denominated in foreign currencies and translational exposure on our net investments in foreign operations.

Our policy is to fund subsidiaries in their local functional currency. External funding is obtained in a range of currencies and, where required, translated into the subsidiaries' functional currencies through the swap market.

We hedge material net balance sheet exposures and forecast future capital expenditure. We do not hedge our exposures to projected future sales or purchases. We do not take speculative positions on derivative contracts and only enter into contractual arrangements relating to financial instruments with counterparties that have investment grade credit ratings.

Volatility in foreign exchange rates had a net negative impact on operating profit of €31 million. The weakening of a number of emerging market currencies, particularly the Russian rouble, Turkish lira, Polish zloty and Mexican peso, had a negative impact on translation of the profits of our Fibre Packaging and domestically-focused Russian uncoated fine paper operations, while our South Africa Division benefited from the weakening of the rand due to its significant export position.

Tax

We aim to manage our tax affairs conservatively, consistent with our approach to all aspects of financial risk management. Our objective is to structure our operations tax efficiently, taking advantage of available incentives and exemptions, while complying with all applicable laws and regulations. In accordance with Organisation for Economic Cooperation and Development guidelines, our policy is that all intra-group transactions are conducted on an arm's length basis.

While ultimate responsibility for the tax affairs of the Group rests with the Boards, the executive committee ensures that the tax governance framework is aligned with the principles of financial management applied throughout the Group. We have dedicated internal tax resources throughout the organisation, supported by a centralised Group tax department who take day-to-day responsibility for management of the Group's tax affairs. We maintain a detailed set of operational guidelines aimed at ensuring a sound tax control environment. In addition, we seek regular professional advice to ensure that we remain up to date with changes in tax legislation, disclosure requirements and best practice.

Tax risks are monitored on a continuous basis and are more formally reviewed on a half-yearly basis by the audit committee as part of our half-yearly reporting process. As Mondi operates in a number of countries, each with a different tax system, the Group is regularly subject to routine tax audits and tax authority reviews which may take a considerable period of time to conclude.

Our intention is to maintain a constructive dialogue with tax authorities and to work collaboratively with them to resolve any disputes. Where necessary, provision is made for known issues and the expected outcomes of any negotiations or litigation.

Based on our geographic profit mix and the applicable tax rates, we would expect our tax rate to be around 22%. However, we benefited from tax incentives related to our capital investments in Slovakia, Poland and Russia. In addition, we recognised deferred tax assets related to previously unrecognised tax losses which we now expect to be able to utilise in the coming years. As such, our underlying tax charge for 2016 of €166 million (2015: €161 million) reflects an effective tax rate of 19%, consistent with 2015. Tax relief on special items amounted to €9 million (2015: €10 million).

Tax paid in 2016 of €173 million (2015: €160 million) is higher than the 2016 tax charge as a result of the timing of final tax payments for 2015 and earlier financial years.

Going forward, assuming a similar profit mix, we would anticipate marginal upward pressure on the tax rate over the next three years as it moves towards the expected tax rate of 22%.

Currency split of net debt

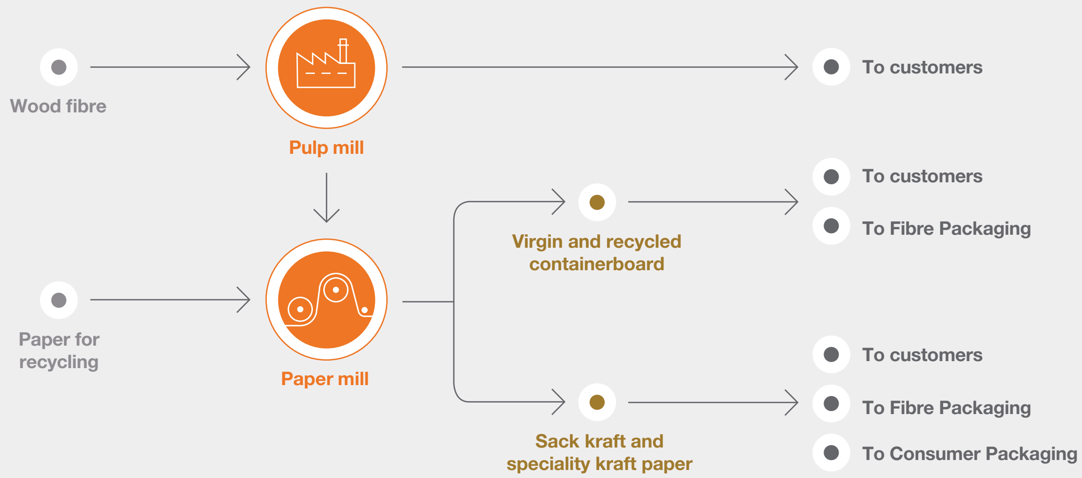
%

Euro	38
Polish zloty	23
Czech koruna	13
US dollar	9
Rand	4
Turkish lira	4
Other	9

Business reviews

Packaging Paper

Our Packaging Paper business manufactures and sells a wide range of virgin and recycled containerboard, and sack and speciality kraft paper. These products are converted by our Fibre and Consumer Packaging businesses, and are also used by external customers.



Operating sites

9 in 9 countries

Employees

5,000

Production capacity

Pulp: 2,435 ktpa[1]

Virgin and recycled containerboard: 2,155 ktpa[1]

Sack and speciality kraft paper: 1,291 ktpa

1 Including Świecie Green II (start up in 2017)

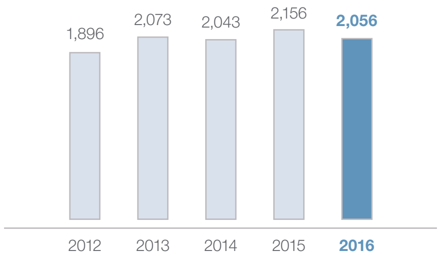
Key industries served

- Automotive
- Building and construction
- Food and beverages
- Paper and packaging converting
- Shipping and transport

Revenue

€ million

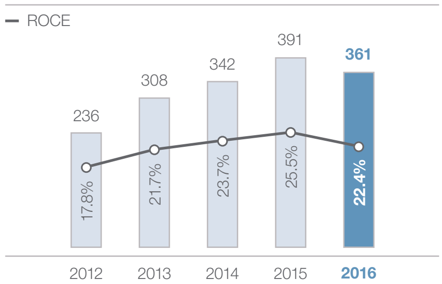
€2,056m



Underlying operating profit

€ million

€361m



We are a leading packaging paper producer in Europe with a well-invested, low-cost asset base.

Our virgin and recycled containerboard is used to make corrugated packaging, primarily designed to protect our customers' products along the value chain and display them in-store.

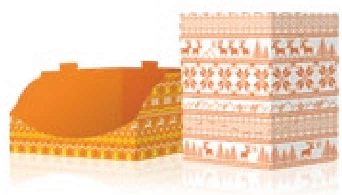
Sack kraft paper, which we offer in brown, white and polyethylene-coated grades, is the main component of valve and open mouth industrial bags. Our speciality kraft paper is used to make everything from industrial packaging, to retail shopping bags, and attractive food packaging for supermarket shelves. It is also used by our Consumer Packaging business for release liner.

Our broad product range is designed to meet specific customer needs including printability, strength and moisture resistance; the use of raw materials from sustainable sources; and products that are biodegradable and contain recycled content.

Delivering on our strategy

Strategic value drivers	2016 highlights	2017 objectives
Driving performance to optimise quality, productivity and efficiency	→ Good progress in optimising recently completed investments	→ Increase productivity and reliability of mills through focus on maintenance and asset management processes
Investing in our high-quality, low-cost assets to keep us competitive	→ Świecie mill (Poland) expansion to provide additional 100,000 tonnes of softwood pulp and 80,000 tonnes of lightweight kraftliner nearing completion (start-up Q1 2017)	→ Ramp-up of new Świecie capacity → Progress major capital investment projects at Štětí (Czech Republic) and Ružomberok (Slovakia) mills
Partnering with our customers to develop innovative solutions	→ High level of flexibility and stable service with Make2Stock approach	→ Focus on enhancing product quality and supply chain improvements to ensure reliable service for our customers
Growing responsibly and inspiring our people for long-term success	→ Successfully completed all shuts with no recordable safety incidents → Positive progress at Świecie mill in waste water treatment and reduction in waste to landfill	→ Continue to focus on eliminating top risks, energy efficiency and waste reduction → Enhance employee relationships through stronger two-way communication and effective leadership

Advantage Kraft White Print
This premium sack kraft paper is produced on our cutting-edge paper machine at Štětí. The unique combination of the outstanding printability and branding potential of calandered machine finished grades along with the strength properties of standard sack kraft paper make it perfect for the outer ply of high-end bags for food, animal feed and chemicals.



ProVantage Komiwhite
Thanks to the recent modernisation of our paper machine in Syktyvkar (Russia), this exclusive white-top kraftliner is able to offer unprecedented quality in terms of printability, runnability, and whiteness. It also benefits from the strength of Nordic fibres. Produced from 100% FSC-certified virgin fibre, it is perfect for shelf-ready packaging solutions that seek to catch the eye with a bright appearance and enhanced branding.

Advantage MF SpringPack Plus
This extremely strong, natural brown premium paper is designed for roll-packing and compressing goods. It can withstand the force exerted by 10 to 15 compressed spring mattress units and is recognised as the strongest paper in the world[1]. Advantage MF SpringPack Plus provides an efficient, cost-effective and 100% recyclable packaging solution.

1 Swedish edition of the Guinness World Records Book 2001: 13th edition, page 256

Business reviews

Production information

		2016	2015
Containerboard	'000 tonnes	2,000	2,138
Kraft paper	'000 tonnes	1,204	1,162
Softwood pulp	'000 tonnes	1,870	1,759
Hardwood pulp	'000 tonnes	364	322

Financial performance

€ million	% change	2016	2015
Segment revenue	(5%)	2,056	2,156
Underlying EBITDA	(4%)	483	505
Underlying operating profit	(8%)	361	391
Underlying operating profit margin		17.6%	18.1%
Special items		–	(14)
Capital expenditure		156	259
Net segment assets		1,760	1,753
ROCE		22.4%	25.5%

Sustainable development

		2016	2015
TRCR[1]	per 200,000 hours worked	0.72	0.72
Energy consumption	million GJ	59.26	58.37
Scope 1 and 2 GHG emissions	million tonnes CO_2e	1.25	1.58
FSC or PEFC certified wood	%	53	50
Environmental management certification	% operations certified to ISO 14001 standards	86	86

1 2015 figures now include Pine Bluff (US)

Financial performance

Profitability in Packaging Paper, down 8% on the prior year, was impacted by lower average selling prices across most key grades, lower green energy prices, and the loss of contribution from the Raubling mill (sold during 2015), partially offset by the benefits of completed capital investment projects. However, the business unit delivered a strong ROCE performance of 22.4%.

On a like-for-like basis, excluding the impact of the sale of the Raubling mill, sales volumes were marginally up across all containerboard grades.

As anticipated, we saw some price erosion in the kraftliner grades in the first half of the year.

While demand growth remains solid, the market came under some pressure from increased supply from new capacity in Europe and competition from importers benefiting from weak emerging market currencies. Average European benchmark selling prices for unbleached kraftliner were down 5% on the prior year and white-top kraftliner prices were down around 2%.

Supported by sustained good demand and a strong order position, a price increase of €20 per tonne was implemented for unbleached kraftliner in August across all European markets, excluding southern Europe, partly offsetting the price erosion seen over the course of the first half of the year. In Russia, price increases for white-top kraftliner were implemented at the beginning of 2016 and remained stable throughout the year.

In response to strong demand, price increases of €50 per tonne were recently implemented on all unbleached kraftliner grades in Europe, effective from March 2017. A price increase of €50 per tonne has also been announced for white-top kraftliner to take effect from the beginning of Q2 2017. In Russia, prices for white-top kraftliner were increased from the beginning of 2017.

Average European benchmark selling prices for recycled containerboard were down 3% on the prior year period. Price increases of €40 per tonne were achieved from February 2017, and a further increase of €40 per tonne was announced to take effect from the beginning of Q2 2017.

Sales volumes for sack kraft paper increased compared to the prior year, benefiting from good demand, fewer planned maintenance shuts and productivity improvements. Average selling prices for sack kraft paper produced in Europe declined by 5-6% in the early part of 2016 and remained at those levels through the balance of the year. Given strong demand, selling prices were increased by 3-4% from the beginning of 2017 in all markets.

We saw good demand across our range of speciality kraft papers, although sales volumes of certain grades were impacted by the closure of high cost production capacity in 2015. Selling prices were, on average, marginally lower than in the prior year.

Input costs were at a similar level to the prior year with the business benefiting from cost savings initiatives and generally lower raw material and energy costs which offset higher paper for recycling costs and other inflationary increases. Green energy prices were significantly lower in Poland due to legislative changes, resulting in a €20 million reduction in income from green energy credits compared to the prior year, including the impact of a write-down of €6 million in the carrying value of the inventory of green energy credits held at year end.

Planned maintenance shuts at our Syktyvkar and Świecie mills were completed during the first half of the year, and a further planned maintenance shut at Świecie and the majority of our kraft paper mill shuts were completed in the second half of the year. A similar planned maintenance schedule is anticipated in 2017 although the shuts at our Świecie and Štětí mills will be extended as we progress our major capital investments at those operations.

Driving performance to optimise quality, productivity and efficiency

Packaging Paper operates large and generally integrated production facilities. Our passion for performance drives us to continually improve the yields and efficiencies in our mills.

We have completed a number of investments across our mills in recent years and our focus in 2016 was on fully realising the benefits of these investments.

In our drive to increase the productivity and reliability of our mills we have invested in our asset management and maintenance processes.

We are implementing software to significantly improve our data analytics capabilities and provide standardised data to benchmark performance across all our mills. This has enabled us to improve the consistency of our maintenance activities and encourage a more proactive approach to asset management.

Building on the success of our programme to engineer out our top safety risks at all our operations, we have defined our top five maintenance activities on a mill-by-mill basis and prioritised these in our maintenance programme.

Investing in our high-quality, low-cost assets to keep us competitive

In 2015, we completed the construction of a new recovery boiler at our Świecie mill and converted the existing recovery boiler to a biofuel boiler to replace the coal fired boilers. In addition to the significant environmental benefits and operating efficiencies from this project, the new recovery boiler gave the opportunity to expand production at the mill.

The €94 million second phase will provide an additional 100,000 tonnes per annum of softwood pulp and 80,000 tonnes per annum of lightweight kraftliner. We are well on track to start up this project in the first quarter of 2017.

We also finalised a number of smaller investments at our other mills, focused on improving asset reliability, safety standards, product quality and process stability, and generating opportunities for future growth at some sites.

At our Štětí mill, the ramp-up of our rebuilt paper and inline coating machine has been slower than anticipated. We have allocated additional capital to meet quality requirements that are higher than the original project specifications, and expect to ramp up production over the course of 2017. We continue to improve our quality systems to ensure that we meet our customers' expectations.

Business reviews

Our €310 million project at our Ružomberok mill will be able to produce 300,000 tonnes of kraft top white per annum when completed in 2020. The new paper grade will consist of a white top layer which contains virgin pulp, and a bottom layer containing recycled fibre, thus retaining the functionality and printability of white virgin grades, and maintaining a competitive cost structure. The new kraft top white grade is targeted at the growing white topliner market. We expect growth to continue driven by the trend towards high-quality shelf-ready packaging solutions, and kraft top white allows for enhanced printability and better branding at point-of-sale.

The €470 million modernisation and expansion of our Štětí mill consists of the installation of a new recovery boiler, the rebuild of the fibre lines, the debottlenecking of the paper machines and an investment in a new 90,000 tonnes per annum machine glazed speciality kraft paper machine.

Key benefits of the project are:

- → increased electricity self-sufficiency, lower energy costs and reduced environmental footprint of the mill;
- → increased pulp production of 130,000 tonnes per annum and lower pulp production costs per tonne;
- → debottlenecking of existing packaging paper machines providing total incremental production of 55,000 tonnes per annum;
- → additional capacity to produce 90,000 tonnes per annum of machine glazed speciality kraft paper to supply fast growing end-uses in flexible packaging and food service applications; and
- → avoidance of maintenance capital expenditure over the next five years of around €105 million.

The new recovery boiler and rebuilt fibre lines are expected to start up in late 2018, while the new paper machine is expected to start up in the first half of 2019.

Advantage MF EcoComp: Fuelling the journey from organic waste to biogas

Produced at: Mondi Dynäs (Sweden)

More sustainable than you expect. Every day.
Composting organic kitchen waste is good for the environment, but it can be a messy chore. With Advantage MF EcoComp, Mondi has developed a speciality kraft paper just for this purpose. Because the paper itself is certified as fully biodegradable and compostable, the whole waste bag can be thrown in the composting bin. Two of the many reasons why Svenco, one of Europe's major manufacturers of paper bags, chose to develop a waste paper bag that makes a difference with Mondi.

This waste paper bag, called 'Matavfallspåse', is completely biodegradable, compostable and water-repellent, with the open-mouth ventilation system facilitating the aerobic digestion of food waste while allowing water to evaporate. Benefits include minimised odours, lighter weight for transportation and decreased risk of dry waste freezing in cold temperatures.

The bag's journey is not over once it is filled with organic kitchen waste. Advantage MF EcoComp is still picking up speed when it gets to the recycling plant. The bag (including contents) goes straight to the biogas facility where it is converted into a fuel available at Swedish petrol stations. One full waste bag made from Advantage MF EcoComp can power a car for up to 4 km[1].

1 Biogas Syd 2014

Partnering with our customers to develop innovative solutions

Our ongoing innovation activities are focused on reducing the weight of our paper grades while still retaining the necessary strength and printability requirements. In sack kraft and speciality kraft paper, our product development is centred on meeting customers' needs for runnability and filling speed.

Service delivery is a differentiator for us and we continue to improve our supply chain activities from planning and production to final delivery of our products to customers. Increasing flexibility, combined with stable services for our customers, was the key driver for our Make2Stock initiatives in recent years. For defined specifications of white and brown containerboard grades, we offer our customers in European markets quick call off services (up to 24 hours) providing a high level of delivery capability, ensuring quality customer service at the right time.

In 2017, we will again host the seminar 'From Fibre to Corrugated Board' at our Świecie mill addressing around 300 customers. The seminar is intended to close the gap between paper makers' and corrugated board makers' understanding of the challenges they face and to share knowledge and best practices.

In 2016, we celebrated the milestone of 200,000 tonnes of unbleached long-fibre kraft pulp delivered to Melitta, one of our customers at Frantschach (Austria).

Growing responsibly and inspiring our people for long-term success

The 2015 employee survey showed a clear improvement in sentiment across all our mills. We take this feedback seriously and, while it is pleasing to see our initiatives delivering results, we have identified a number of themes across our mills for further improvement. Our employees want to see stronger two-way communication, effective leadership, and to have an increased sense of pride in working for Mondi.

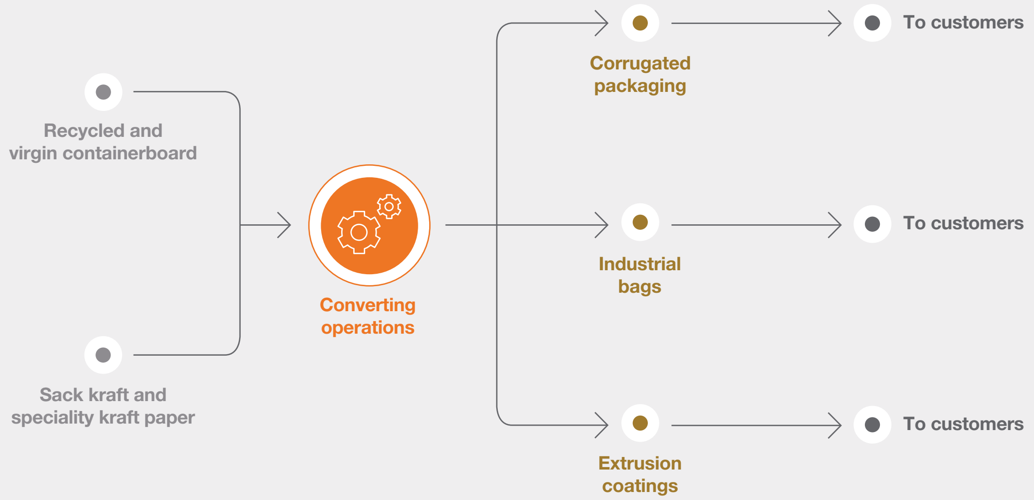
We are delighted to report that we had no fatalities or life-altering injuries in 2016, and completed all our major shuts without any recordable injuries. Our proactive approach – involving our contractors early in the shut planning process, extensive training of all our people, our strong management focus, and our caring culture – has contributed to our safety achievements. The success of our project to engineer out the top risks at all operations has encouraged us to make this an annual initiative.

At our Świecie mill, progress includes the modernisation of the waste water treatment plant. The project was completed in May 2015 and is already delivering a 50% reduction in chemical oxygen demand load compared to 2015. In addition Świecie mill has further reduced its waste to landfill, down by almost 60% compared to 2015 levels.

Our community involvement is localised to each mill and focuses on where we can add value. All our mills are involved in formal and informal initiatives to identify and address community needs and concerns where appropriate. We work together with local authorities in identifying and assisting with specific needs, and work with local schools and universities in supporting education. In 2016, our Štětí mill received the 'Social responsibility for the Ústí region' award for their employee engagement, the Mondi for Life programme and their community support. We conducted one of our social impact assessment pilots at our Świecie mill, in partnership with Business in the Community, a UK-based, business led charity organisation. The pilot study resulted in a better understanding of the local value we have created, and provided us with insight into how we can improve the way we measure our social impact and community value across the Group.

Fibre Packaging

Our Fibre Packaging business manufactures and sells corrugated packaging products, industrial bags and extrusion coatings for a variety of consumer and industrial applications.



Operating sites

64 in 25 countries

16 Corrugated packaging | 43 Industrial bags | 5 Extrusion coatings

Employees

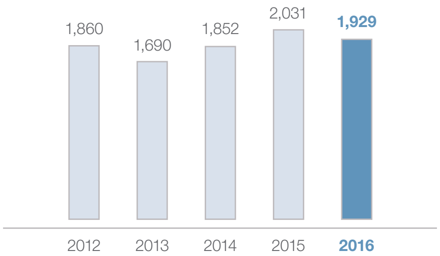
7,700

Key industries served

- Agriculture
- Automotive and other manufacturing
- Building and construction
- Food and beverage
- Retail and e-commerce
- Shipping and transport

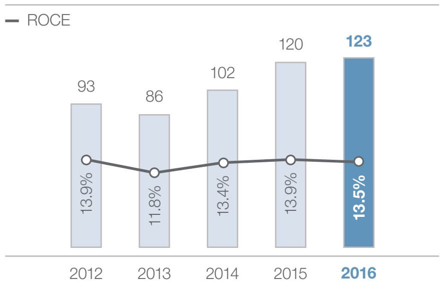
Revenue
€ million

€1,929m



Underlying operating profit
€ million

€123m



Our comprehensive product portfolio, integration into paper and strong innovation capabilities help us meet our customers' needs.

Innovation and design improvements extend the benefits of our corrugated packaging well beyond traditional boxes to fully customised trays and wraps, multi-piece solutions, appealing point-of-sale corrugated solutions and heavy-duty shipping containers.

Industrial bags are a strong, lightweight and sustainable paper-based choice for cement and building materials, agricultural, chemical and food products. We boast the broadest range of industrial bags in the industry, available globally, and optimised for high-speed filling and easy handling, including open-mouth bags, pasted valve bags, water-repellent bags, bags suitable for food contact and heavy duty packaging.

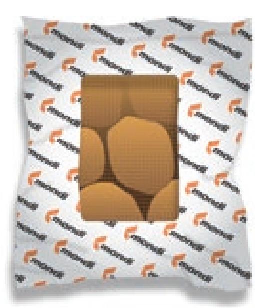
Our extrusion coatings portfolio comprises high-quality barrier solutions used in a wide range of industries for applications such as food packaging, building insulation, foam papers, wrappers, case linings as well as automotive and protective clothing.

Delivering on our strategy

Strategic value drivers	2016 highlights	2017 objectives
Driving performance to optimise quality, productivity and efficiency	→ Further optimised our production network, including the start-up of our new Industrial Bags facility in Côte d'Ivoire → Zero defect project rolled out across our corrugated packaging network	→ Focus on product quality, while reducing waste and optimising production costs
Investing in our high-quality, low-cost assets to keep us competitive	→ Acquisitions of SIMET S.A. (Poland) and Lebedyan (Russia) increase our production network and geographic reach	→ Successfully integrate new acquisitions and fully realise benefits of recent investments in production capacity → Complete conversion of SIMET to high-efficiency, heavy-duty box plant
Partnering with our customers to develop innovative solutions	→ Successfully launched new products and expanded marketing of new products into US markets	→ Enhance service delivery through investment in IT systems and digitalisation of customer interfaces
Growing responsibly and inspiring our people for long-term success	→ Investment in training first-time leaders provides significant productivity, service and safety benefits	→ Emphasise the safety of our people in everything we do → Further train and upskill our people

SplashBag
This innovative rain-resistant bag, developed in cooperation with LafargeHolcim, is made with an outer ply of Mondi Advantage Protect sack kraft paper, has a water-repellent surface and is designed to absorb less moisture than conventional bags, while keeping high tensile strength even in wet or humid conditions. SplashBag is particularly suitable for packaging cement and our customers are launching it all over the world.

Watermelon's Dream
Antalya Tarim, one of our customers in Turkey, was eager to differentiate itself from competitors by finding a way of packaging watermelons as a premium product. Our innovative team developed Watermelon's Dream offering excellent product display and branding opportunities; saving transport costs by allowing 50% more watermelons to be shipped in one truck; and making it convenient for consumers to carry their heavy watermelon home on a hot summer day.



Paper-based food packaging
This brand new, cutting-edge product is the result of working together with Silbo, a customer who shared our vision of developing a packaging solution that combines the advantages of kraft paper and the barrier functions of polymers. Mondi provides the barrier coated paper and our customer converts it into an FSC-certified paper bag with a window so the end-user can see the contents.

Business reviews

Production information

		2016	2015
Corrugated board and boxes	million m²	1,448	1,350
Industrial bags	million units	4,881	4,925
Extrusion coatings	million m²	1,249	1,389

Financial performance

€ million	% change	2016	2015
Segment revenue	(5%)	1,929	2,031
Underlying EBITDA	4%	194	187
Underlying operating profit	3%	123	120
Underlying operating profit margin		6.4%	5.9%
Special items		(13)	(21)
Capital expenditure		107	118
Net segment assets		1,006	935
ROCE		13.5%	13.9%

Sustainable development

		2016	2015
TRCR	per 200,000 hours worked	0.97	1.13
CoC certification	% operations certified to FSC or PEFC CoC standards	72	67

Financial review

In Fibre Packaging our underlying operating profit increased 3% to €123 million and ROCE was 13.5%, with volume growth in Corrugated Packaging, and a good performance from the core European industrial bags business partly offset by negative currency translation effects and ongoing challenges in the US and CIS industrial bags businesses.

Corrugated Packaging achieved good organic volume growth, particularly in the Czech Republic and Germany, supplemented by two acquisitions to expand our corrugated network.

Sales volumes were negatively impacted in Turkey, due to ongoing political turbulence in the region, and Poland, where sales growth was tempered by the Russian embargo preventing the export of fresh fruit and vegetables to that market. Profitability was also negatively affected by the weaker Turkish lira and Polish zloty.

Over the last two years, we have invested significantly in all our corrugated operations, helping us to better serve our customers and meet their more sophisticated product needs. The business benefited from lower paper input costs and productivity gains.

In Industrial Bags, while European markets remained robust, the business was negatively impacted by challenging market conditions in the US and CIS. Overall, sales volumes declined by 1%, with good growth in Europe and the Middle East, offset by declines in the US and CIS. Lower sales volumes were partly compensated by significant cost savings resulting from a strong focus on cost management and the benefits of the restructuring and rationalisation activities. The weaker Mexican peso had a negative impact on the translation of profits from our Mexican operations.

Driving performance to optimise quality, productivity and efficiency

The breadth and geographic reach of our Fibre Packaging operations gives us the unique ability to fully optimise our production network to better serve our customers. In 2016, we closed our facility at Sendenhorst (Germany), while continuing to serve our customers from other sites. We completed the closure of our Kansas City operation (US) and, in December 2016, announced the closure of our facility in southern Belgium. We have also significantly increased the level of exports from our Mexican operations into the US, and started production at our new operation in Côte d'Ivoire.

Quality is a top priority across our businesses. Our zero defect project, which has been implemented across our corrugated operations, has resulted in increased efficiencies and a reduction in overall solid waste, including waste to landfill. In our bags operations in the US, we have made quality the key focus and responsibility of local teams in order to improve performance to a level not previously seen in the industry.

Investing in our high-quality, low-cost assets to keep us competitive

In 2016, we completed two acquisitions to expand our corrugated packaging network. Mondi SIMET S.A. complements our existing geographic footprint, allows for logistics optimisation, and provides increased production capacity in the growing Polish market. We started building work for the conversion of this plant to a high-efficiency, heavy-duty box plant early in 2017. Mondi Lebedyan provides us with excellent opportunities in the local agricultural market and increases our ability to serve our multinational customers. Building on the existing local knowledge and experience, we are sharing resources and best practice from our existing Turkish and Polish operations to ensure that we bring the Mondi Way to our new acquisitions.

Over the last two years, we have invested significantly in our corrugated operations in all regions. These investments have delivered a significant improvement in, for example, our printing capabilities, and helped us to better serve our customers and meet their more sophisticated product needs. We also completed an investment in our US bags operation to modernise production.

Partnering with our customers to develop innovative solutions

We have a strong culture of innovation which is supported by our long-term customer relationships and backward integration into paper production. We continue to promote the benefits of fibre-based solutions and, where appropriate, we have introduced synthetic-based features, such as in our HYBRID^{PRO} and SplashBag, with their strong barrier properties. This year we expanded the marketing of these products, launched in Europe in 2015, to our US customers.

Product quality and service delivery are important to our customers. We have invested in our IT systems to enhance our ability to serve our customers and we will continue to focus on increasing the digitalisation of our customer interfaces and providing automated information flow. We are targeting initiatives to reduce the time between customer order and delivery. We are also involved in a number of projects, together with our customers, to improve their supply chain processes, reduce transportation costs, and deliver savings.

Growing responsibly and inspiring our people for long-term success

Fibre Packaging is Mondi's most labour intensive business and we invest significantly in the training and development of our people. Our investment in the training of first time leaders provides improved productivity, customer service, and safety performance. In our US operations, we have implemented a systematic training initiative to upskill our people with individualised plans per person and on the job training. Our procurement team received due diligence training on the EU Timber Regulations. We also provide training on the optimal use of any new equipment we invest in, and encourage our operators to visit customers' premises to see how our products work in their operations.

Our safety records continue to show improvement through our training initiatives and focus on the top risks. We are particularly pleased with the positive development in our US operations during the year. There are nevertheless always opportunities to improve our safety performance and we continue to emphasise this in everything we do.

Country Burger: Creating a unique fully customisable fast-food packaging solution

Produced at: Mondi Bupak (Czech Republic)

More innovative than you expect. Every day.

Our customer, Country Burger Services s.r.o., set us the challenge of designing a bespoke, functional, safe and 100% recyclable corrugated carry solution for a new fast-food chain called 'Country Burger'.

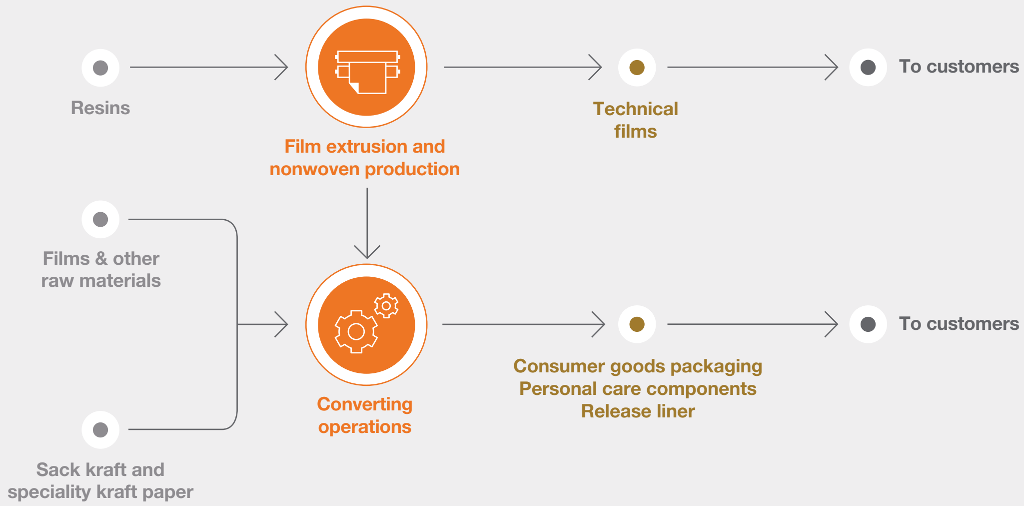
Together we defined what success would look like, which included the solution being highly innovative and eye-catching to set it apart from competitors; multipurpose so that it can be set up differently depending on the order (hamburger, tortilla, chips etc.); easy for the server to construct; user-friendly for the end-user to carry multiple items including liquids; and made from recyclable corrugated board.

A brand new packaging concept was launched in October 2016. Our customer is delighted with the flexibility and branding potential of the 'menu-box' solution which includes a tray, handle, and place to secure a cup and straw. The menu-box can easily be folded into different sections to match the order and the design includes striking original artwork. It is of course also very comfortable to carry and fully recyclable!

Business reviews

Consumer Packaging

Our Consumer Packaging business develops, manufactures and sells innovative consumer goods packaging solutions, technical films, components for personal care products and release liners.



Operating sites

32 in 12 countries

Employees

5,300

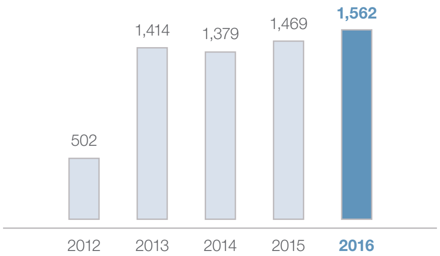
Key industries served

- Agriculture
- Food and beverage
- Home and personal care
- Medical and pharmaceutical
- Pet care

Revenue

€ million

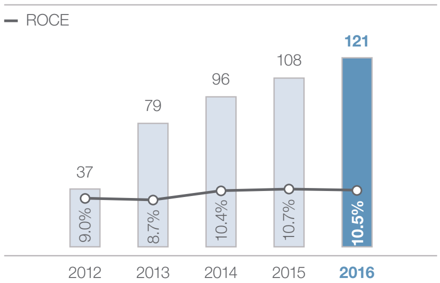
€1,562m



Underlying operating profit

€ million

€121m



We operate a high-quality asset base, using proprietary processing technology with vertical integration along the value chain, producing products for some of the world's biggest brands. Our leading market positions, combined with our product innovation culture provide a strong platform for growth.

Our consumer goods packaging products help brands communicate with customers, extend shelf life and improve end-user convenience. We produce high-quality laminates and barrier materials on reels, capable of handling a variety of printing techniques.

We also offer a wide variety of tailor-made converted flexible packaging solutions such as stand-up pouches, re-closable plastic bags, paper-based bags, and ice cream packaging.

We produce highly developed technical films and film-based solutions for a variety of uses and industries. Products include high-quality label films; laminating and high-barrier films for sophisticated packaging solutions; as well as films for demanding surfaces or technical components in automotive and lightweight design.

Our personal care components include soft nonwovens and technically demanding stretchy elastic films and laminates, mechanical fastening components, and wrapping films developed for diapers, adult incontinence and femcare products.

In addition, consumer packaging also offers a wide range of high-quality paper and film-based release liners and advanced functional coatings for various applications including labels, tapes, graphic arts, medical, fibre composites, bakery and many more.

Delivering on our strategy

Strategic value drivers	2016 highlights	2017 objectives
Driving performance to optimise quality, productivity and efficiency	→ Good progress in optimising operations through debottlenecking and site specialisation	→ Focus on improving machine running time and lowering maintenance costs, using dedicated specialists
Investing in our high-quality, low-cost assets to keep us competitive	→ Acquisitions of Kalenobel (Turkey) and Uralplastic (Russia) in 2016; and Excelsior Technologies (UK) in 2017 enhance our product portfolio and geographic reach	→ Optimise our recent investments and fully integrate our recent acquisitions
Partnering with our customers to develop innovative solutions	→ Chief innovation officer appointed and reorganised R&D → New products launched include roomskin® and Glassliner → Expanded range of spouted pouches	→ Further expand our product range, working with our customers to deliver cost savings, technical improvements and develop new solutions
Growing responsibly and inspiring our people for long-term success	→ New management structure establishes clear lines of authority and positions us for further growth → Safety record continues to improve as we entrench our safety culture	→ Improve and streamline decision-making processes and procedures and enhance internal communication → Strong focus on safety, with particular attention to recent acquisitions

roomskin®
roomskin®, developed in cooperation with Egger headquarters in Austria, is an innovative elastic, high-transparency and extremely robust overlay which can be combined with a wide variety of flooring and decorative elements. As it is free from PVC and plasticiser it offers a more sustainable solution. Its reduced thickness in comparison to standard flooring overlay means less resources and waste. It is also self-healing, providing a unique surface layer that provides high scratch and abrasion resistance, potentially increasing the final product's total lifespan.

SquareBag
We've developed a flexible yet durable box-shaped solution that is light-weight and cost-effective. All six panels are available for graphics making this bag ideal for individual branding. The square design enables the packaging to stand upright at the point-of-sale, ensuring it is even more eye-catching. SquareBags also offer convenient features like reclosable zippers, spouts and handles.

Consumer Barrier Films
Barrier films ensure outstanding aroma protection and longer shelf life. We produce high-barrier films with up to 14 layers, depending on use and specifications. Our thermoforming films fit the shape of the product perfectly, and their gloss and transparency also make the packaging visually appealing. Our films are suitable for pasteurisation, sterilisation and microwave applications.

Business reviews

Production information

		2016	2015
Consumer packaging	million m²	7,156	6,594

Financial performance

€ million	% change	2016	2015
Segment revenue	6%	1,562	1,469
Underlying EBITDA	12%	198	177
Underlying operating profit	12%	121	108
Underlying operating profit margin		7.7%	7.4%
Special items		(19)	(22)
Capital expenditure		91	92
Net segment assets		1,270	1,146
ROCE		10.5%	10.7%

Sustainable development

		2016	2015
TRCR	per 200,000 hours worked	1.19	1.14
Hygiene certification	% food contact operations certified to recognised food hygiene standards	100	100

Financial review

Consumer Packaging made good progress with strong volume growth and improving margins. Underlying operating profit increased 12% to €121 million with a ROCE of 10.5%.

Good progress was made in our ongoing initiatives to improve the product mix. Strong volume growth was achieved in our higher value-added segments of personal care components, consumer laminates, technical films, and release liners. The favourable product mix and focus on value-added segments resulted in an improvement in our gross margin. On a like-for-like basis, excluding the impact of acquisitions and disposals, sales volumes grew around 4%. We remain well positioned for further growth.

The integration of the businesses acquired during 2015 is progressing well and we are realising the synergies from these acquisitions. Two further acquisitions were completed in 2016. A small net charge to underlying operating profit was incurred from these acquisitions in the second half of the year due to the effects of acquisition accounting and transaction costs.

Fixed costs were higher, in line with our increased focus on innovation and customer service, partially offset by one-off gains in the first half of the year.

Driving performance to optimise quality, productivity and efficiency

We are making good progress in our drive to optimise our operations. During 2016, we further debottlenecked some of our plants and reallocated production between our sites to allow for site specialisation, optimised production activities, cost savings, productivity improvements, and reduced waste. We completed the closure of operations in Italy and Spain, announced in 2015, while retaining the ability to continue to serve customers from our sites in central and eastern Europe.

In the US, we announced the restructuring of our release liner operations, including the planned closure of one site.

We employed machine specialists to work across our operations leading to significant improvements in machine running times, while lowering maintenance costs.

Good progress is being made in integrating the businesses acquired during 2015 and realising the synergies from these acquisitions, including savings in the procurement of shared raw materials. As part of the integration, a number of people from our Mondi TSP operation in Thailand attended training at Mondi Gronau, our largest production facility in Germany.

Investing in our high-quality, low-cost assets to keep us competitive

In recent years, we have invested significantly in the modernisation and growth of our Consumer Packaging business. Looking forward, while still considering capital investment opportunities, we are focused on the optimisation of our existing operations and recent investments.

Over time, we aim to increase the level of standardisation and harmonise our portfolio of assets across our production sites in order to realise production and maintenance cost efficiencies and further economies of scale. Our approach is to systematically replace older equipment; bringing in equipment, processes and procedures that result in higher productivity and quality, and offer greater energy efficiency and waste reduction opportunities.

The acquisitions completed in 2016 grow our product offering and geographic reach. Mondi Kalenobel produces flexible consumer packaging for ice cream and other applications, as well as aseptic cartons, and serves both international FMCG companies and regional food and beverage producers. The company exports approximately half of its production – mainly to western Europe, the Middle East, and North Africa. Mondi Uralplastic manufactures a range of consumer flexible packaging products for food, personal care, homecare, and other applications for both local and international customers.

In February 2017, we announced the acquisition of Excelsior Technologies Limited, further supporting the development of consumer packaging in high-growth product applications. Excelsior is a vertically-integrated producer of innovative, flexible packaging solutions, mainly for food applications, with a unique packaging technology for microwave steam cooking, complementing and enhancing our global food packaging offering.

Partnering with our customers to develop innovative solutions

Flexible packaging can provide considerable advantages over rigid packaging alternatives, saving packaging material and reducing their carbon footprint and water usage. Through our customer-focused innovation activities, we aim to develop products that offer the same, or better, properties and features as their rigid packaging alternatives, resulting in savings for our customers and reducing the impact of packaging materials on the environment. We have appointed a chief innovation officer and reorganised our research and development activities to further strengthen our capabilities in this area.

We are pleased to be one of P&G's innovation partners and are working closely with them in a number of areas to deliver cost savings through technical improvements to existing products; as well as developing innovative, sustainable new solutions.

In addition to the development of new products, our innovation activities are also focused on providing incremental improvements to existing products.

In particular, we have focused on improving the convenience of our products through design innovations and enhancements to product look and feel. Recent innovations include an expansion of our spouted pouch range to provide a number of new features such as paper touch, and the development of a flexible, reclosable, box-shaped bag that provides large, attractive, and high-quality printed display surfaces.

Growing responsibly and inspiring our people for long-term success

The outcomes of the latest Group-wide employee survey confirmed the need for improved communication and information sharing. Our employees have asked us to streamline our decision-making processes and procedures, keep them up to date on our business performance and plans, and involve them more in the identification of new opportunities. We recently announced a new management structure with clear lines of authority which, combined with a new chief innovation officer, should facilitate improved communication and position us for further growth.

Our TRCR moved up slightly during 2016 and we are working hard to entrench a strong safety culture with a preventative and proactive mindset through our focus on the top risks, training, and investment. At Gronau, our largest and most complex site, we trained around 700 of our shop-floor team (including shift managers) in behavioural safety to help improve our approach to identifying and eliminating risk and unsafe behaviour. Safety remains a key focus and we continue to put the necessary training and procedures in place to ensure all our new entities meet the Mondi safety standards as quickly as possible.

SpoutedPouch: Expanding our no mess, no hassle solution into Europe

Produced at: Mondi Jackson (US), Mondi KSP (South Korea), and now Mondi Solec (Poland)

More customer-focused than you expect. Every day.

We are determined to help our customers become even more successful. Our SpoutedPouch solution offers all the benefits of stand-up pouches and also provides easy-to-open, easy-to-use and easy-to-reclose spouts. It is most often used for fruit juices, purées and condiments such as mayonnaise.

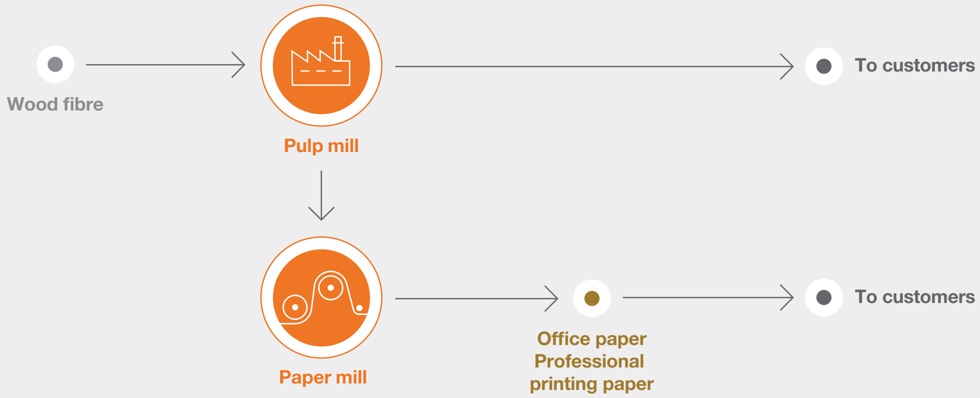
One of the key advantages for our customers and their customers is the significantly extended shelf life and reduced risk of contamination, due to its reclosable nature, and the barrier properties of the films used to produce the pouch. This innovative packaging solution prioritises convenience for the end-user, minimises waste, simplifies portion control, reduces transportation costs, and enhances shelf-appeal.

The global market for stand-up pouches is growing considerably and is set to hit some 38 million units by 2020[1]. We are excited to have recently expanded our spouted flexible pouch operations into Poland, which provides the perfect central location to meet the needs of our customers in Europe.

1 Research by Schönwald Consulting; Report on Retortable Stand-Up Pouches and Stand-Up Pouches with Spouts, 2016

Uncoated Fine Paper

Our Uncoated Fine Paper (UFP) business manufactures and sells an extensive range of quality papers for use in offices and professional printing houses.



Operating sites
4 in 3 countries

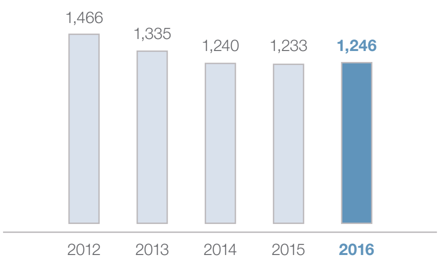
Employees
5,600

Production capacity
Pulp: 1,185 ktpa
Uncoated fine paper: 1,421 ktpa

Key industries served
Graphic and photographic
Office and professional printing

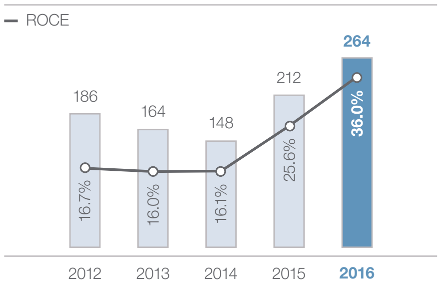
Revenue
€ million

€1,246m



Underlying operating profit
€ million

€264m



We're a European market-leader, with a focus on emerging Europe and Russia. We operate a vertically integrated, high-quality, low-cost asset base, and we are continually looking for ways to improve efficiency and productivity.

We continually strive to transform responsibly sourced raw materials into innovative paper solutions to meet customer needs in a responsible, cost-effective and sustainable way.

Our extensive range of office papers is designed to achieve optimal print results on laser, inkjet and copy machines.

High-performance professional printing papers are dedicated for offset presses, high-speed inkjet presses and the latest digital print technologies. We aim to provide customers a one-stop-shop solution for their needs.

All our uncoated fine papers belong to the Green Range, Mondi's umbrella trademark for sustainable paper and packaging solutions. They are produced from FSC or PEFC-certified wood from sustainably managed forests or 100% recycled paper, or are produced totally chlorine free.

Delivering on our strategy

Strategic value drivers	2016 highlights	2017 objectives
Driving performance to optimise quality, productivity and efficiency	→ Productivity and cost improvements through procurement activities, headcount optimisation and efficiency improvements	→ Optimise product mix in line with customer demand, and focus on energy efficiency, waste reduction and efficient use of raw materials
Investing in our high-quality, low-cost assets to keep us competitive	→ Systematic renewal of transport fleet in Russian forestry operations and investment in infrastructure to optimise costs	→ Execution of power plant modernisation and waste water treatment projects at Syktyvkar (Russia) → Work with Packaging Paper on Ružomberok mill (Slovakia) expansion
Partnering with our customers to develop innovative solutions	→ Further improved quality and delivery performance	→ Mondi4Me initiative to provide customers with a single interface for product information, order processing and query management
Growing responsibly and inspiring our people for long-term success	→ Talent development programme in Russia yielding significant benefits → No recordable safety incidents during our maintenance shuts → SEAT report published for Syktyvkar logging operations	→ Improve communication, providing regular feedback to employees on plans and performance → Continue community investment activities, with a focus on education and local community empowerment

MAESTRO® PRINT
This reliable and flexible uncoated wood-free paper has been specifically designed for offset printing and has excellent surface properties for perfect print runs. Additional benefits include exceptional runnability so that printing machines can operate at full speed and high dimensional stability for sharp, multi-coloured print results. We have chosen to print our integrated report on MAESTRO® PRINT.

Sticky notes
Our coloured papers are used by converters to create specialised products such as release liners, envelopes, labels and stationery including sticky notes. Sticky notes are used in offices and homes across the world to encourage productivity and creativity. Mondi has a long history of innovative product development and can also (co-)develop custom-made products from our assortment of paper grades.

Color Copy
Color Copy has been Europe's leading colour laser paper for over 25 years. It is specifically designed for digital printing to deliver brilliant, true to life colour copies and perfect print results every time. As a fully CO_2 neutral product that is EU Ecolabel and FSC certified, Color Copy offers customers an exceptional environmental advantage.

Business reviews

Production information

		2016	2015
Uncoated fine paper	'000 tonnes	1,408	1,379
Hardwood pulp	'000 tonnes	853	839
Softwood pulp	'000 tonnes	334	349
Newsprint	'000 tonnes	202	197

Financial performance

€ million	% change	2016	2015
Segment revenue	1%	1,246	1,233
Underlying EBITDA	18%	343	291
Underlying operating profit	25%	264	212
Underlying operating profit margin		21.2%	17.2%
Capital expenditure		53	65
Net segment assets		851	821
ROCE		36.0%	25.6%

Sustainable development

		2016	2015
TRCR	per 200,000 hours worked	0.27	0.29
Energy consumption	million GJ	65.19	65.79
Scope 1 and 2 GHG emissions	million tonnes CO_2e	2.13	2.32
Forest certification	% managed land certified to FSC and PEFC standards	100[1]	100
FSC or PEFC certified wood	%	79	79
Environmental management certification	% of pulp and paper mills and forestry operations certified to ISO 14001 standards	100	100

1 Lease exchange in 2016 in Russia resulted in a new lease of around 39,000 hectares which will be FSC certified during 2017

Financial review

Our Uncoated Fine Paper business delivered an exceptional performance, generating underlying operating profit of €264 million, up 25% on the prior year, with a ROCE of 36%. Domestic price increases in the CIS markets and a strong focus on productivity and efficiency more than offset negative currency effects from the weaker rouble and flat European pricing.

Uncoated fine paper sales volumes increased 1% over the prior year, reflecting a strong performance in an overall declining market. European market demand is estimated to have contracted in 2016 by 3-4%, following stable demand in 2015, bringing the average demand contraction over the past two years to 1-2% per year, in line with the longer-term trend. Demand in the CIS remained stable.

Benchmark average selling prices in Europe were similar to the prior year, but 2% down in the second half of the year compared to the first half. Selling price increases were implemented at the beginning of the year but came under pressure early in the second half due to weak European demand and pressure from imports offsetting the benefits of industry capacity rationalisation in the prior year. Demand improved towards the end of the year and a price increase of 5-7% has been announced across all uncoated fine paper grades in Europe from February 2017.

Selling prices were increased in Russia at the beginning of 2016, offsetting the effects of domestic cost inflation. Prices remain stable going into 2017.

The business benefited from generally lower input costs, particularly energy costs. In Russia, wood costs were lower in rouble terms, while in Europe wood costs increased marginally. Our commercial excellence programmes, focused on purchased material, operating efficiencies and productivity improvements, contributed to good cost control, offsetting inflationary cost pressures, most notably in Russia. Hardwood pulp prices were 11% lower in euro terms providing a benefit to our semi-integrated Neusiedler (Austria) operations.

Planned maintenance shuts were completed at Syktyvkar in the first half of the year, at Ružomberok in both the first and second half, and at Neusiedler in the second half of the year. In 2017, our Syktyvkar shut is planned for the first half of the year and our Ružomberok and Neusiedler mill shuts are scheduled for the second half.

Driving performance to optimise quality, productivity and efficiency

We have a strong culture of driving optimisation and efficiency at all our sites. This includes improving productivity, improving the use of raw materials, increasing energy efficiency, and reducing waste. In 2016 we made good progress through our procurement activities; meeting productivity targets; and focus on optimising efficiency, leading to a reduction in the consumption of process materials.

Our incremental improvements enabled us to increase total production by around 30,000 tonnes during the year, enabled by production records at two of our pulp mills and four of our paper machines. We continue to refine our product mix in line with customer demand and have increased our capacity for reels and folio products, while reducing our cut-size production.

Investing in our high-quality, low-cost assets to keep us competitive

The Boards have approved the rebuild of the power plant at Syktyvkar. The existing plant is more than 50 years old and we will replace three bark boilers and four turbines with a single new bark boiler and turbine. This will provide significant process simplification, improved reliability, reduced maintenance costs, and a reduction in maintenance and operating personnel. We will also realise the benefits of a reduction in natural gas consumption and an increase in the use of biomass for energy.

In 2016, as part of the latest phase of our ongoing investment into our waste water treatment plant at Syktyvkar, we installed new buffer tanks and mixing chambers to allow for the improved mixing of municipal and industrial waste water. This has improved operating efficiency. The Boards have also approved the next phase of investment, which will significantly improve waste water quality, reducing chemical oxygen demand and total suspended solids.

Our forests in Russia are critical to our success. We continue to invest in sustainably managed forestry operations and improved transportation safety and efficiency. We have systematically renewed our harvesting and transport fleet over the last few years and continue to invest in the modernisation of our forestry assets and infrastructure.

Partnering with our customers to develop innovative solutions

We continue to deliver excellent customer service, and have commenced our Mondi4Me initiative – a web-based solution designed to provide our customers with improved service and a single interface where they can obtain detailed product information, place orders, log queries, and manage and track their orders and queries online. In addition to information about the sustainability of our fibre sources, our customers require extensive information on social sustainability, human rights in our supply chain, and environmental performance. This 24/7 service is essential to enhancing the experience of our customers. The first phase will be launched in the second quarter of 2017 and further functionality will be added over time.

In delivering service excellence, we have targeted improvements in quality and delivery performance, and we have reworked our complaint management process. We have negotiated customer specific service level agreements with a number of our key customers, including joint target setting and forecasting and a focus on collaborative value creation projects.

At our Neusiedler mill we are focused on improving our paper quality and have also installed new equipment to meet the increasing demand for folio products and reels.

The uncoated fine paper market is in structural decline, with a downgrade in quality for everyday printing use but increasing demand for high-quality printing papers for use in the latest printing technologies – digital and high-speed inkjet printing.

Our hybrid printing papers provide flexibility in the printing technology used – from offset printing and pre-printed forms to laser printing.

NEUJET® is our high speed inkjet paper, designed to close the gap to offset coated printing technology, for use in medium to heavy-colour direct mail applications, graphic arts, and book printing. PERGRAPHICA® is our design paper range for sophisticated and elegant printed documents, targeting the creative industry.

Growing responsibly and inspiring our people for long-term success

We take the outcomes of our Group-wide employee surveys very seriously and were extremely pleased with the significant improvement in our latest survey results following the actions implemented after the 2013 survey. Our employees want us to continue to improve our levels of communication and provide regular feedback on our performance and plans.

The training, development, and retention of our people is critical to our long-term success. Our talent development programme in Russia is yielding significant benefits. In 2016, we had 50 internal promotions, 12 new appointments, and provided more than 230,000 hours of training. We have expanded this programme to our Ružomberok mill as we gear up for the Packaging Paper kraft top white investment and make provision for a number of employees approaching retirement age.

We are very pleased with our safety record, with no fatalities or life-altering injuries during the year and our maintenance shuts carried out without a recordable incident. We have continued with our focus on the top fatal risks, with a special focus on nip points and working at heights. In response to previous incidents at Syktyvkar, we have tightened our controls on the type of scaffolding used and implemented internal training that includes the supervision of work, allocation of responsibilities, and requirements in scaffold design.

We work closely with the local authorities and communities in the areas where we operate. We seek to identify and, where appropriate, assist with their local needs. In Russia we are actively managing around 90 community and development projects in our forestry operations. Our focus includes: the development of small businesses to empower the local community; providing support for independence and livelihoods; and strengthening our wood supply chain.

In 2016 we published the report on our standard, third party facilitated, socio-economic assessment process of stakeholder dialogue (SEAT) for the Syktyvkar logging operations. We provide support for local infrastructure improvements and continue to offer the services of our Syktyvkar medical centre. In Austria we are working with Volkshilfe, a charitable organisation that supports social institutions and projects in Austria and internationally, hosting refugees from Afghanistan and providing them with financial support.

We are committed to making a real and lasting contribution to the communities in which we operate, with education being a key focus. At all our operations we support local educational institutions from kindergartens through to universities by providing donations of paper and financial support. At university level, we sponsor bursaries, research activities and postgraduate theses, and provide summer work opportunities.

PERGRAPHICA®: Partnering with the Bolshoi Theatre in the pursuit of perfection

Produced at: Mondi Neusiedler (Austria)

More performance-driven than you expect. Every day.

Our first collection of design papers combines unique printing properties and brilliant colour reproduction. This EU Ecolabel and FSC-certified paper was created specifically for the exacting needs of the creative and commercial print industries. The name, derived from Latin, means the most exquisite and it is Mondi's 'Paper for Perfectionists'.

It therefore just felt right when the Bolshoi Theatre of Russia chose PERGRAPHICA® design paper for all its printing needs. Yury Tikhonov, Director of the Bolshoi Theatre printing house explained that the paper reflects the way they interact with the audience, "PERGRAPHICA® shares emotions, visualises images and promotes creativity and inspiration."

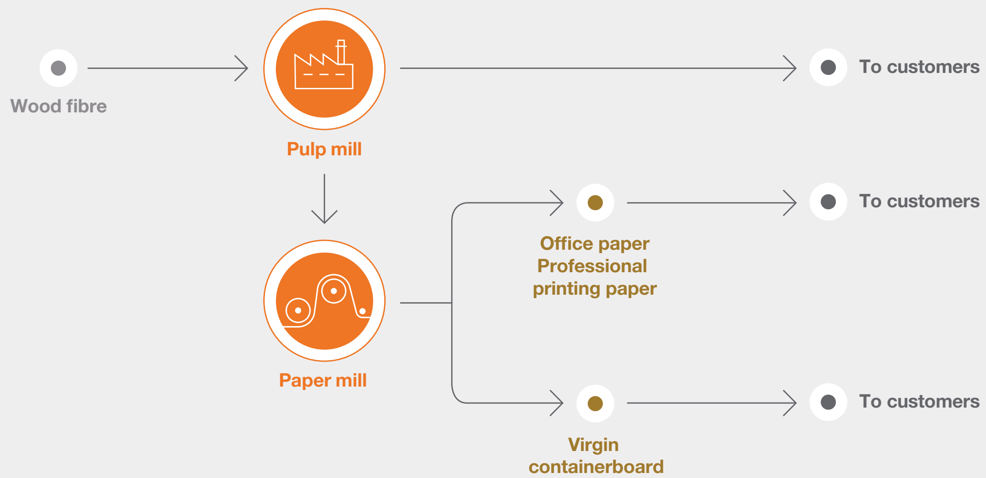
For Mondi it is a great honour to cooperate with the Bolshoi Theatre. We are proud that PERGRAPHICA® incorporates professionalism and sophistication. It is optimised for hybrid printing that combines offset and digital dry toner printing. Its distinctive shades and surfaces add to its unique appeal.

Overview
Strategic report
Governance
Financial statements

Business reviews

South Africa Division

Our South Africa Division sustainably manages plantation forests and manufactures and sells pulp, virgin containerboard and uncoated fine paper.



Operating sites

2 in South Africa

Production capacity

Pulp: 900 ktpa
Uncoated fine paper: 270 ktpa
Containerboard: 270 ktpa

Employees

1,700

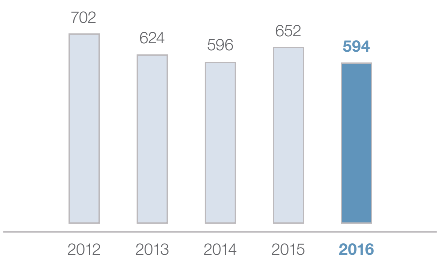
Key industries served

Office and professional printing
Shipping and transport
Packaging and paper converting

Revenue

€ million

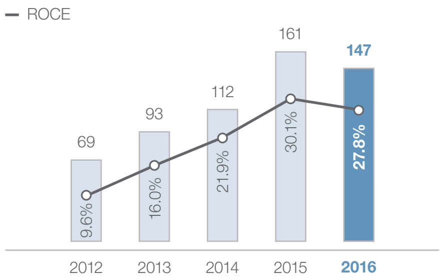
€594m



Underlying operating profit

€ million

€147m



We are focused on leveraging our strong domestic market position and the global competitiveness of our Richards Bay mill. With a history spanning 50 years, we understand the value of being efficient, cost-competitive and customer-focused.

We manage about 250,000 hectares of plantation forests in South Africa and maintain 100% FSC certification of our forests – including the identification and protection of high conservation value areas.

In addition to certification and sustainable procurement practices, we focus on the proactive and responsible stewardship of forests and freshwater ecosystems, and the maintenance of biodiversity and important habitats.

Delivering on our strategy

Strategic value drivers	2016 highlights	2017 objectives
Driving performance to optimise quality, productivity and efficiency	→ Forestry modernisation programme improves all aspects of our forestry operations	→ Continue to improve stability and reliability of Richards Bay mill through equipment replacement, process optimisation and use of experts
Investing in our high-quality, low-cost assets to keep us competitive	→ Upgraded our woodyard at Richards Bay providing a significant improvement in overall efficiency → Completed project to produce unbleached kraftliner, expanding our product range	→ Optimise recently completed capital investments
Partnering with our customers to develop innovative solutions	→ Customer survey shows that we remain supplier of choice, with long-term relationships and high-quality products	→ Progress plans for restarting second uncoated fine paper machine and reducing newsprint production in line with customer demand
Growing responsibly and inspiring our people for long-term success	→ Improved safety record, with no recordable cases during our annual maintenance shut or fire season in our forests → WWF-Mondi Wetlands programme (WWF-MWP) celebrates 25 years	→ Implement plans to further reduce water consumption in response to drought → Provide ongoing support to local communities through education and assisting with sustainable infrastructure

Rotatrim
This multifunctional office paper is South Africa's iconic office paper brand. It is made from elemental chlorine free pulp and runs smoothly through photocopiers, laser and inkjet printers. Over the past 30-plus years, Rotatrim has achieved a number of milestones including ISO accreditation in environment, quality and safety; and FSC Chain-Of-Custody certification.

ProVantage Baywhite
Our premium quality uncoated white top kraftliner is produced from 100% virgin kraft fibre, ensuring excellent strength and high-quality printing. ProVantage Baywhite offers customers a wide range of solutions for packaging fruit, beverages and luxury goods. Further applications are point-of-sale displays, promotional corrugated, and shelf-ready packaging.

Baycel
This 100% elemental chlorine free bleached Eucalyptus pulp, made from FSC-certified wood, is used in the production of coated and uncoated fine paper grades, tissue, kraftliner and speciality papers. Our innovative clonal propagation technology enhances the desirable properties of this premium quality pulp.

Business reviews

Production information

		2016	2015
Containerboard	'000 tonnes	253	247
Uncoated fine paper	'000 tonnes	258	240
Hardwood pulp			
Internal consumption	'000 tonnes	322	305
Market pulp	'000 tonnes	280	314
Newsprint	'000 tonnes	111	113
Softwood pulp – internal consumption	'000 tonnes	148	138

Financial performance

€ million	% change	2016	2015
Segment revenue	(9%)	594	652
Underlying EBITDA	(9%)	182	199
Underlying operating profit	(9%)	147	161
Underlying operating profit margin		24.7%	24.7%
Special items		(6)	–
Capital expenditure		58	61
Net segment assets		731	563
ROCE		27.8%	30.1%

Sustainable development

		2016	2015
TRCR	per 200,000 hours worked	0.39	0.49
Energy consumption	million GJ	28.66	28.53
Scope 1 and 2 GHG emissions	million tonnes CO_2e	1.36	1.35
Forest certification	% managed land certified to FSC standards	100	100
FSC certified wood	%	79	77
Environmental management certification	% of pulp and paper mills and forestry operations certified to ISO 14001 standards	100	100

Financial review

Our South Africa Division was negatively affected by sharply lower average pulp export selling prices and higher input costs, which were only partially offset by positive currency effects, a higher fair value gain on forestry assets, and domestic price increases. Underlying operating profit of €147 million was down 9% on a very strong performance in the prior year, and ROCE was 27.8%.

Strong domestic demand for uncoated fine paper and white-top kraftliner was met by reducing exports of these products and increasing the amount of pulp converted to these paper grades. Domestic demand for pulp decreased, compensated by a higher level of exports. Overall, sales volumes were marginally lower than in the prior year.

Domestic selling prices were higher across all our grades. Export prices for white-top kraftliner were broadly in line with the prior year and average benchmark US dollar pulp prices were around 11% lower than the previous year. Lower export prices were partially compensated by the weaker rand.

Forestry gains are dependent on a variety of factors over which we have limited control. In 2016, selling prices of timber increased significantly and a fair value gain of €64 million (2015: €40 million) was recognised, of which €48 million was recognised in the first half of the year. The increase in the fair value gain was offset by the consequent impact of higher felling costs.

Inflationary price increases in labour and electricity, higher wood costs mainly due to the forestry revaluation, and the impact of the weaker South African rand on imported materials put pressure on input costs. These impacts were partially mitigated by our focus on cost optimisation, driving efficiencies and reducing waste.

An extended planned maintenance shut at Richards Bay, which included the tie-in of our recent capital investments, took place during the second half of 2016 and a much shorter shut is planned for the second half of 2017.

Driving performance to optimise quality, productivity and efficiency

We benefit from low-cost timber from our sustainably managed forestry plantations. Our forestry modernisation programme has been completed, and we have improved all aspects of our forestry operations from our nurseries to our harvesting activities. We have significantly improved our timber yield and delivered sustainable cost improvements. Increased utilisation of residual raw materials from our forests for use in our biomass boiler has increased energy self-sufficiency and reduced our reliance on fossil fuels.

In our efforts to improve the stability and reliability of our Richards Bay mill, we have continued with a programme of replacing old equipment, reorganised our maintenance activities, increased our engineering complement, and redesigned our process control parameters. The work we have done towards optimising fibre recovery on our paper machines has led to a significant reduction in odour complaints resulting from sulphur-based emissions from our pulp operations, although this remains a key area of focus.

Investing in our high-quality, low-cost assets to keep us competitive

Towards the end of 2016 we completed the investment project to upgrade our woodyard at our Richards Bay mill, allowing for improved efficiencies in wood handling processes in our forests and providing higher-quality fibre. Additional benefits include reduced maintenance costs, improved reliability, and some energy savings.

Our investment to expand our product range by producing unbleached kraftliner in addition to white-top kraftliner at our Richards Bay mill gives us the opportunity to supply our customers with this specialised product.

Partnering with our customers to develop innovative solutions

At our Merebank operation, we have made the decision to restart our second uncoated fine paper machine to meet domestic demand for reels and, at the same time, reduce our production of newsprint in response to declining demand.

We conducted a customer survey during the year, and we remain the supplier of choice to our domestic customers who appreciate our reliable products, long-term relationships, and the value we add to their businesses. We have worked closely with our newsprint customers to enhance the quality of our product.

Growing responsibly and inspiring our people for long-term success

The extended drought in South Africa remains a significant challenge, with the primary supply dam for our Richards Bay mill at only 18% of capacity at the end of the year, compared to 33% at the same time in the previous year. We are working with government and other industries in the region to find potential solutions to this challenge. Plans include reducing total water consumption, the municipality increasing the volume of water piped from the Tugela River to the supply dam, and investigating further recycling of water.

We continue to focus on the efficient use of water at all our operations, and have reduced freshwater consumption by 12% compared to 2015. In our forests, as a result of the drought, we have reduced our replanting activities, the growth of our trees has been affected, and their resistance to disease and insects has declined.

Our latest Group-wide employee survey results show good all round improvement but our employees still want us to further improve our communication and recognition. We have extended our 360° management reviews to foreman level and introduced a development course for our first line supervisors.

We initiated a revised training programme for first line managers' safety and health training, which will continue in 2017. We are pleased that we experienced no serious safety incidents during our planned maintenance shuts or during the fire season in our forests in 2016. However, it is with heartfelt sadness that we report the fatality of one of our contractors in February 2017, following a timber vehicle accident in our forestry operations. We will intensify our focus on top risks and continue to identify appropriate actions to engineer out these risks. We focus the majority of our community involvement around our forestry operations due to the scale and nature of these operations.

In 2016, we added a sixth mobile clinic and, through Mondi Zimele, we have funded over 100 small businesses which to date have provided employment to more than 2,800 people. We have also sponsored the construction of two science laboratories at local schools. We continue to support educational programmes such as bursaries; provide HIV-AIDS counselling and treatment for employees and contractors; contribute to sustainable infrastructure such as agri-villages; and empower local enterprises to support local livelihoods. A pilot social impact assessment of our Isibindi project, which targets support for orphans and vulnerable children on and around our forestry land, reflected significant development value from our initiatives as perceived by local partners and stakeholders. The lessons from this assessment will enable us to further improve our community investments throughout the Group.

In 2016, we celebrated 25 years of the WWF-MWP, with Mondi as the primary funder of this programme since 2001. We are extremely proud of this collaboration which has brought the important role that wetlands play to the forefront of conservation efforts, and driven change in the way that wetlands are identified, delineated, restored and protected across sectors in South Africa and beyond.

WWF-Mondi Wetlands Programme: Celebrating 25 years and a global conservation partnership

In cooperation with: WWF International

More international than you expect. Every day.

The 25 year history of the WWF-MWP embodies the qualities that make a partnership successful. It is about people believing in the value of the work being done – backed up by insightful leadership, enduring relationships, strong technical input and consistent corporate funding to develop and maintain a core team of experts.

The WWF-MWP work done in South Africa built trust between Mondi and WWF and led to discussions about how to develop a wider partnership. There was already a good working relationship in Russia, with a focus on identifying and protecting the remaining large, intact boreal forests.

In 2014 the WWF-Mondi Global Partnership was launched and WWF-MWP is now part of a global conservation partnership working in South Africa, Europe and Russia to make an impact at a greater scale. It has also stretched its focus beyond wetlands and is, through an integrated cross-sectoral approach, piloting new and exciting water stewardship approaches in some of South Africa's key catchments.

Governance

"Thanks to its water-repellent qualities, Mondi's fully biodegradable and compostable speciality kraft paper Advantage MF EcoComp is the perfect material for our organic waste bag."

Christer Hansson
Managing Director, Svenco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Introduction from joint chairmen

Dear fellow shareholder

You would have seen our introduction to the Integrated report and read the Strategic report on pages 10 to 73. Here we wish to provide some further detail on how the Boards have operated during the year and the key areas of focus for us.

Strategy

Our strategy continues to support the delivery of industry-leading returns. Following our annual detailed review of strategy, we see no reason to make material adjustments at this time. We continue to focus on delivering sustainable value by optimising quality, productivity and efficiency; investing in our high-quality, low-cost assets; developing innovative solutions and growing responsibly. We benefit from an emerging market asset base, particularly in our upstream pulp and paper operations, which deliver both cost competitiveness and access to higher growth markets. We have sought to leverage our cost leadership position by ensuring that we invest throughout the cycle while proactively restructuring non-core and underperforming assets.

During the year we have considered a number of potential acquisitions and capital expenditure projects. In particular, we approved the acquisition of Uralplastic (Russia) and Kalenobel (Turkey), both contributing to the continued growth of our Consumer Packaging business, and in our Fibre Packaging business SIMET S.A. (Poland) and Lebedyan (Russia) were acquired. In February 2017, we acquired Excelsior Technologies Limited (UK), supporting the development of our Consumer Goods Packaging business in high-growth product applications. In addition, we continue to pursue strategic capital expenditure opportunities and have agreed, subject to tax incentives and permitting, a new 300,000 tonne per annum kraft top white machine at Ružomberok (Slovakia) and a new woodyard and bleaching line modernisation at Štětí (Czech Republic), among others. Towards the end of the year we approved significant capital investment in the power plant and waste water treatment plant at Syktyvkar (Russia) and in January 2017 the Boards approved an investment of €470 million to modernise and expand the Štětí mill, subject to tax incentives and permitting.

With customer quality requirements continuing to increase, the Boards were keen to ensure the Group's quality culture was reviewed and improved. We received detailed presentations on the new structure and procedures being introduced in the Group's quality and innovation teams designed to improve the focus on customer needs.

Board composition

During the year we have continued to consider any potential skills gaps on the Boards that will need to be addressed in order for us to continue to deliver on our stated strategic aims. In December we announced the appointment, with effect from 1 January 2017, of Tanya Fratto, a US national. She brings wide experience in product innovation, sales and marketing and engineering in a range of sectors.

It is with some sadness that, after 10 years on the Boards, Anne Quinn will be retiring at the conclusion of the AGMs in May 2017. She leaves with our thanks and best wishes for the future. Anne's departure will result in some further changes, with John Nicholas taking on the role of senior independent director; Tanya taking over as chair of the remuneration committee and as a member of the audit committee; and Dominique Reiniche joining the sustainable development committee. These changes will be effective after Anne steps down in May 2017.

In February 2017 we announced that David Hathorn will be retiring as Group Chief executive officer and will stand down as Chief executive officer and as an executive director at the conclusion of the AGMs in May 2017. David joined the Group in 1991

"Our strategy continues to support the delivery of industry-leading returns."

Fred Phaswana
David Williams
Joint chairmen

and has served as Chief executive officer since 2000. During that time, David has led Mondi through major change, most notably during the demerger from Anglo American in 2007 and the establishment of Mondi as an independently listed Group. We would like to thank David for his significant contribution and service to Mondi and offer him our best wishes for the future.

We are delighted that Peter Oswald, currently Chief executive officer of Mondi's Europe & International Division, will succeed David. Peter brings significant experience to the role and has worked alongside David throughout much of the Group's development, ensuring strong continuity. We look forward to working with Peter as he takes up his new role.

Governance

The governance environment continues to evolve and we endeavour to ensure that our governance framework, described in more detail in this report, keeps pace with that change. While it is easy to treat governance as a tick box exercise, this is not the case at Mondi. We agree that many of the requirements make good business sense and have embedded them into our organisation so that they form part of the way we work every day. New challenges lie ahead with the recently published South African King IV Code, while in the UK the government is reviewing a number of areas including ethnic diversity and remuneration practices. Your Boards are reviewing the new proposals and, where we are not already meeting the requirements, will consider adjusting our practices as appropriate.

Each of our committees has had much to occupy them this year: the audit committee has reviewed and agreed new procedures and practices in response to new regulation regarding external auditors and the committee's own responsibilities; the remuneration committee has reviewed and updated the remuneration policy (see pages 111 to 117 for more information); the nominations committee has considered the succession plans and recruited a new non-executive director; and the sustainable development committee has been embedding the new 2020 commitments and policies. The Boards also spent time understanding the new EU Market Abuse Regulation and approving the implementation of new procedures and practices.

Risk management

Our approach to risk management is explained in more detail on pages 32 to 38. We recognise that there are risks with every aspect of business and we take a measured approach when considering all matters. In addition to the annual review of the top Group risks, taking particular account of the assessment of those risks, we undertake in-depth reviews of each of those individual risks throughout the year.

Safety remains a key priority for us. We have continued to monitor the work being undertaken to identify and engineer out the top risks in each of our operations, continuing the elimination of fatal and life-altering injuries and strengthening our safety culture. We are pleased that in 2016, we did not experience any fatalities or life altering injuries. However, we were deeply saddened by a fatality in our South African forestry operations in February 2017. The Boards continue to receive regular reports on progress with the investments being made, training initiatives and changes to working practices, and we will ensure that the safety of all Mondi's people is at the top of our agenda.

Culture and values

Mondi operates in more than 30 countries and is culturally diverse. We aim to empower our employees with a set of common values, cultural characteristics and goals which help define Mondi's success, while still valuing local customs and input. The Mondi Way provides a framework to explain what we need to focus on to create value, with our culture and values as the foundation. We have a relatively flat management structure that means communication flows are straightforward, our Chief executive officer maintains regular contact with the top 200 leaders around the Group, starting with their attendance at our leadership forums and following through with regular newsletter style communications on all key matters affecting the Group.

We recognise that culture is not something we should look at in isolation. It is embedded in all our discussions and is an inherent part of everything we do. We have a strong governance framework supported by Group policies that set the tone and drive the behaviours and ethical standards throughout all our operations. There have been a number of businesses joining the Group this year and a material part of the integration of these businesses involves instilling the Mondi culture.

As a board we reviewed the results of the employee survey undertaken at the end of 2015. While one can be sceptical of the results of such surveys, the fact that there had been a 90% response rate gave the Boards confidence that the results we were reviewing were truly representative of the views of our employees across all the businesses. The management actions taken and positive improvements achieved since the last survey in 2013 have sent clear messages to all our employees how seriously their views are taken. There are always areas in which to improve and management shared their plans with us.

It is important that we remain conscious of our responsibility to create an environment where our employees feel valued, motivated and included and return home safely every day.

Ensuring there is open and honest debate engendered through mutual trust and respect, not only between the executives and non-executives but also among the non-executives is important to us. Through good communication and interaction with the executive team we are able to understand what is going on in the business and this aids the debate and challenge of the appropriate future strategic direction. Constructive challenge is seen as positive, it is necessary to 'kick the tyres' and test the logic behind every proposal. That way we hope to continue to achieve the outstanding results we have seen in recent years.

It is not just an internal focus, we also satisfy ourselves that the Group's values are reflected in our relationships with external stakeholders, in particular with our shareholders.

Conclusion

The following report provides more detail on how our governance framework is working in practice. We hope that, together with the Strategic report and Financial statements, this will provide you with an overview of how we are managing the Group and looking after the interests of you, our shareholders.

Fred Phaswana
Joint chairman

David Williams
Joint chairman

Board of directors

Fred Phaswana
72
Joint chairman

Appointed
June 2013
Independent
Yes (on appointment)
Committee memberships
Nominations, social and ethics
Qualifications
MA (Unisa),
BCom (Hons) (RAU),
BA (Philosophy, Politics and Economics) (Unisa)

Experience
Fred has a wealth of experience in African and global businesses with well developed strategic and commercial skills having previously been regional president of BP Africa, a non-executive director of Anglo American plc and chairman of Anglo American South Africa, Anglo Platinum, Transnet, Ethos Private Equity, the South African Energy Association and the Advisory Board of the Cape Town Graduate School of Business. Fred was chairman of Standard Bank group and The Standard Bank of South Africa between 2010 and 2015. He was also the former vice chairman of WWF South Africa and Business Leadership of South Africa and was the honorary president of the Cape Town Press Club.

External appointments
Chairman of the South African Institute of International Affairs and non-executive director of Naspers Limited.

David Williams
71
Joint chairman

Appointed
May 2007 and as joint chairman in August 2009
Independent
Yes (on appointment)
Committee memberships
Nominations (chairman), remuneration
Qualifications
Graduated in economics from Manchester University, chartered accountant (UK)

Experience
David has significant experience in senior financial roles held across a range of multinational companies, with board experience as both an executive and non-executive director. He retired as finance director of Bunzl plc in January 2006, having served on the board for 14 years. He was previously a member of the Tootal management board and finance director of Tootal plc. David has also held senior independent director and committee chair roles at a number of companies. Formerly a non-executive director of the Peninsular & Oriental Steam Navigation Company, Dewhirst Group plc, Medeva plc, George Wimpey plc, Taylor Wimpey plc, Tullow Oil plc, Meggitt plc and Dubai-based DP World Limited.

External appointments
None.

David Hathorn
54
Chief executive officer

Appointed
May 2007
Independent
No
Committee memberships
Executive (chairman), sustainable development, social and ethics
Qualifications
Graduated in commerce from the University of Natal, chartered accountant (South Africa)

Experience
David has more than 25 years' experience in the packaging and paper industry with strong financial and commercial experience of the sector. He completed articles with Deloitte & Touche in Johannesburg in 1987. He joined Anglo American plc in 1989 as a divisional finance manager, moving to Mondi in 1991 and going on to serve as finance director and then general manager of Mondi Europe until 2000, when he was appointed Chief executive officer of the Mondi Group. He has led Mondi through major change, especially the demerger from Anglo in 2007, and has evolved Mondi's strategic direction, growing it into a packaging focused business.

At Anglo American plc, David was a member of the executive committee from 2003 and an executive director from 2005 and served on the boards of a number of group companies.

External appointments
Chairman of Kore Potash Limited.

Andrew King
47
Chief financial officer

Appointed
October 2008
Independent
No
Committee membership
Executive
Qualifications
Graduated in commerce from the University of Cape Town, chartered accountant (South Africa)

Experience
Andrew has more than 14 years' experience with Mondi in various strategy, business development and finance roles. He has played a key role in defining the Group's strategic direction and re-shaping the capital structure since listing.

Andrew completed articles with Deloitte & Touche in Johannesburg in 1994. In 1995 he joined Minorco, part of Anglo American, as a financial analyst, before assuming responsibility for the group's investment management activities, and transferring to their corporate finance department in 1998. He worked on a number of group M&A activities before being appointed a vice president of Anglo American Corporate Finance in 1999. He was appointed Mondi's vice president of business development in 2002 and corporate development director in 2004. He served as chief financial officer of Mondi from June 2005 to May 2006. He was then appointed as Group strategy and business development director before becoming the Chief financial officer of the Mondi Group in 2008.

External appointments
None.

Peter Oswald
54
Chief executive officer: Europe & International Division

Appointed
January 2008
Independent
No
Committee membership
Executive
Qualifications
Graduated in law from the University of Vienna and in business administration from WU-Vienna Business School

Experience
Peter has over 25 years' experience of the sector with detailed knowledge of operations and extensive experience of the acquisition, disposal, restructuring, turnaround and organic growth of businesses. He began his career with Deutsche Bank and automotive company KTM. He joined the Frantschach Group in 1992 as the head of internal audit, later becoming corporate controller.

After serving as chief executive of the bag and flexibles business from 1995 to 2001, he was appointed chief executive of Mondi Packaging Europe in 2002, leading its subsequent integration with Frantschach into the new Mondi packaging division. Having held a number of senior executive roles within Mondi, Peter was appointed Chief executive officer of the Europe & International Division in January 2008. He was a non-executive director of Telekom Austria AG between 2008 and 2014 and of MIBA AG between 2014 and 2015 and chairman of the supervisory board of OMV AG between 2015 and 2016.

On 1 February 2017, it was announced that Peter will be appointed as Chief executive officer of the Mondi Group with effect from the conclusion of the AGMs on 11 May 2017. At the same time, Peter will be appointed as a member of the sustainable development committee and the social and ethics committee.

External appointments
None.

Anne Quinn CBE
65
Senior independent director

Appointed
May 2007 and as senior independent director in August 2009

Independent
Yes

Committee memberships
Audit, nominations, remuneration (chairman), sustainable development

Qualifications
BCom from Auckland University and MSc in management science from the Massachusetts Institute of Technology. Awarded a CBE for services to the natural gas industry

Experience
Anne has extensive experience in the natural resources sector and of capital intensive manufacturing companies. She spent her early career with NZ Forest Products Limited and the US management consulting company Resource Planning Associates. She has wide-ranging oil and gas global experience having joined Standard Oil of Ohio, which was subsequently acquired by BP plc, following which she went on to work for BP in the US, Belgium, Colombia and the UK and held a number of executive positions, including group vice president. Previously a managing director of Riverstone Holdings (Europe), a private equity investment firm specialising in the renewable and conventional energy and power industries and a former non-executive director of The BOC Group plc from 2004 to 2006.

External appointments
Non-executive director of Smiths Group plc.

John Nicholas
60
Non-executive director

Appointed
October 2009

Independent
Yes

Committee memberships
Audit (chairman), nominations

Qualifications
Master's degree in business administration from Kingston University, chartered accountant (UK)

Experience
John has business and commercial experience, in particular experience of capital intensive manufacturing companies. John spent his early career in technology-focused international manufacturing and service companies involved in analytical instruments, fire protection and food processing. He became group finance director of Kidde plc on its demerger from Williams Holdings and was group finance director at Tate & Lyle plc from 2006 to 2008. He was a non-executive director of Ceres Power Holdings plc until December 2012, chairing the audit committee.

John served six years until April 2015 as a member of the UK Financial Reporting Review Panel, which seeks to ensure that the provision of financial information by public and large private companies complies with relevant reporting requirements.

External appointments
Non-executive director of Hunting PLC where he chairs the audit committee and of Rotork p.l.c. where he is the senior independent director and chairman of Diploma PLC where he was previously the senior independent director and chair of the remuneration committee.

Dominique Reiniche
61
Non-executive director

Appointed
October 2015

Independent
Yes

Committee memberships
Nominations, remuneration

Qualifications
MBA from ESSEC Business School in Paris

Experience
Dominique has extensive business understanding of operating in Europe and has international consumer marketing and innovation experience. She started her career with Procter & Gamble before moving to Kraft Jacobs Suchard as director of marketing and strategy where she was also a member of their executive committee. After helping Jacobs Suchard through its acquisition by Kraft, Dominique joined The Coca-Cola System in 1992, starting in sales and marketing and then holding various roles of increasing responsibility up to general manager France. From 2002 to early 2005 she was president Europe for Coca-Cola Enterprises and from 2005 on she was president Europe for the Coca-Cola Company and then chairman from 2013 until stepping down in 2014.

Dominique was a non-executive director of Peugeot-Citroen SA between 2012 and 2015.

External appointments
Non-executive director of AXA SA, Chr. Hansen Holding A/S, Paypal (Europe) and Severn Trent Plc.

Stephen Harris
58
Non-executive director

Appointed
March 2011

Independent
Yes

Committee memberships
Audit, nominations, remuneration, sustainable development (chairman), social and ethics (chairman)

Qualifications
Chartered engineer, graduated in engineering from Cambridge University, master's degree in business administration from the University of Chicago, Booth School of Business

Experience
Stephen has extensive experience in engineering and manufacturing having spent his early career with Courtaulds plc and then moved to the USA to join APV Inc from 1984 until 1995, where he held several senior management positions. He was appointed to the board of Powell Duffryn plc as an executive director in 1995 and then went on to join Spectris plc as an executive director from 2003 until 2008. He was also a non-executive director of Brixton plc from 2006 to 2009.

External appointments
Chief executive officer of Bodycote plc.

Tanya Fratto
56
Non-executive director

Appointed
January 2017

Independent
Yes

Committee memberships
Nominations, remuneration

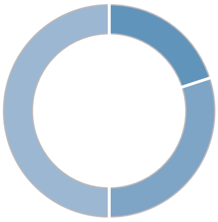
Qualifications
BSc in electrical engineering

Experience
Tanya has wide experience in product innovation, profit and loss, sales and marketing and engineering in a range of sectors. Tanya also has extensive knowledge of operating in the US. She was CEO of Diamond Innovations, Inc., a world-leading manufacturer of super-abrasive products, until 2010. Before that she enjoyed a successful 20-year career with General Electric where she ran a number of businesses and built an experience base in product management, operations, Six Sigma and supply chain management.

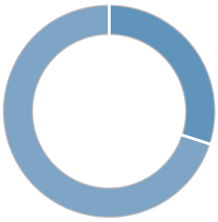
External appointments
Non-executive director of Advanced Drainage Systems, Inc., Smiths Group plc and Ashtead Group plc.

Corporate governance report

Composition of the Boards



Diversity of the Boards
%



Compliance statement

Mondi's dual listed company structure requires us to comply with the principles contained in the South African King III Code of Corporate Governance Principles (available at www.iodsa.co.za) and the September 2014 edition of the UK Corporate Governance Code issued by the Financial Reporting Council (available at www.frc.org.uk). It is the view of the Boards that, except as referred to below, Mondi has complied throughout the year with all the provisions of these codes.

The Boards determined that the DLC sustainable development committee provided the appropriate oversight for the sustainability reporting in the Integrated report and financial statements 2016 rather than the DLC audit committee, as recommended under King III. Due to the nature of Mondi's business the DLC sustainable development committee regularly reviews all key sustainability issues for the Group, meeting six times a year and reporting directly to the Boards. Therefore, it is considered to be better placed to review the integrity of the sustainability reporting. The DLC sustainable development committee has therefore provided the assurance on sustainability issues in the Integrated report and financial statements 2016.

A more detailed analysis of Mondi's compliance with King III is available on the Mondi Group website at www.mondigroup.com.

The Boards note that the King IV Report on Corporate Governance for South Africa 2016 was published on 1 November 2016. The King IV Code replaces King III and disclosure of the application of the new code provisions is effective for financial years starting on or after 1 April 2017. We are in the process of undertaking a review of the new principles and recommended practices.

Also, in April 2016, a revised UK Corporate Governance Code was published, applying to accounting periods beginning on or after 17 June 2016. The new and revised provisions, that related to the responsibilities of the audit committee, were reviewed, our procedures updated and are reported on later in this governance report ahead of the required implementation.

Composition of the Boards

The directors holding office during the year ended 31 December 2016 are listed opposite, together with their attendance at board meetings. As at 31 December 2016 there were nine directors: the joint chairmen, four non-executive directors, each considered by the Boards to be independent, and three executive directors. On 1 January 2017 Tanya Fratto was appointed to the Boards as an independent non-executive director (see page 76 for details of resultant changes).

The size and composition of the Boards and its committees are kept under review by the nominations committee. Recent changes to the Boards have added additional knowledge and expertise in consumer-oriented businesses, supporting development of our more consumer exposed packaging businesses and in innovation and sales and marketing. We are of the view that collectively there is an appropriate balance of capabilities, business experience, independence and diversity on the Boards to meet the Group's current business needs. The directors have experience gained from a range of international organisations.

Those in office as at the date of this report, together with their biographical details, can be found on pages 78 and 79.

Non-executive director tenure

0–3 years	2
3–6 years	1
6–9 years	1
9+ years	1

Nationalities represented on the Boards

South African	3
British	3
Austrian	1
French	1
New Zealander	1
American	1

Directors[1]	Mondi Limited board (one meeting)	Mondi plc board (one meeting)	DLC board (six meetings)
Fred Phaswana	1	1	6
David Williams	1	1	6
Stephen Harris	1	1	6
David Hathorn	1	1	6
Andrew King	1	1	6
John Nicholas	1	1	6
Peter Oswald	1	1	6
Anne Quinn	1	1	6
Dominique Reiniche	1	1	6

1 Tanya Fratto was appointed on 1 January 2017 and therefore did not attend any meetings during 2016

Professional advice

A policy is in place pursuant to which each director may obtain independent professional advice at Mondi's expense in the furtherance of their duties as a director of either Mondi Limited or Mondi plc. No requests were received during the year.

In addition, each of the committees are empowered, through their terms of reference, to seek independent professional advice at Mondi's expense in the furtherance of their duties.

D&O insurance

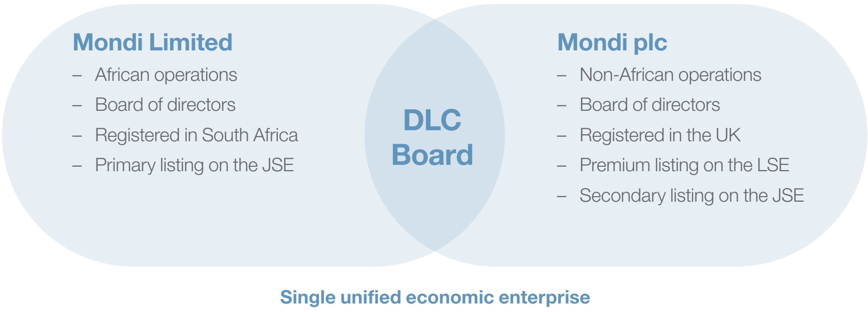
Throughout the year to 31 December 2016, in line with market practice, Mondi maintained directors' and officers' liability insurance.

Procedure for conflicts of interest

Company law, the memorandum of incorporation of Mondi Limited and the articles of association of Mondi plc allow directors to manage potential conflicts. A formal procedure is in place for the reporting and review of any potential conflicts of interest involving the Boards with support from the company secretaries, with authorisations reviewed on an annual basis.

Corporate governance report

Board structure



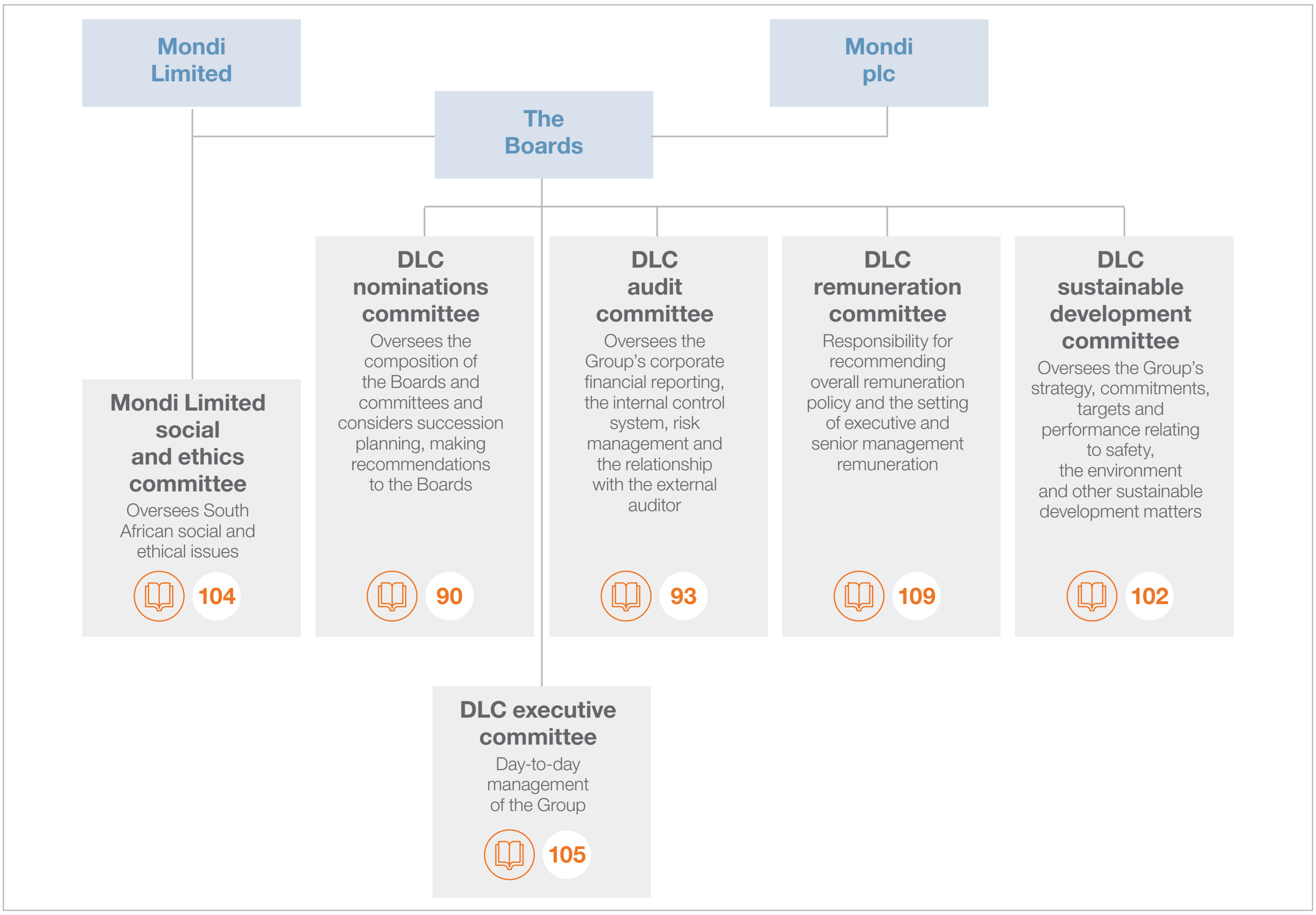
Mondi comprises Mondi Limited, registered and listed in South Africa, and Mondi plc, registered and listed in the UK. Each entity has its own board of directors comprising the same individuals. This enables the effective management of the DLC structure as a single unified economic enterprise with due consideration being given to the interests of the ordinary shareholders of both Mondi Limited and Mondi plc.

Leadership of the Boards comes from the joint chairmen. Having joint chairmen brings to the Boards a diversity of knowledge and experience and shared values. They have agreed a rolling agenda to ensure that all key matters reserved for the consideration of the Boards are covered in the annual cycle of meetings. Agendas for each meeting are agreed with the chairmen to ensure that, in addition to regular items, consideration is being given to matters that may impact the Group's operations from the wider economic or business environment. Examples of additional agenda items during 2016 were the views of an economist on the macroeconomic environment in Europe, considering the feedback from the employee survey, a presentation on managing technical integrity and reviewing the implementation of the new EU Market Abuse Regulation.

Responding appropriately to the changing environment in which the Group operates is vital for the long-term success of Mondi.

The Boards meet six times a year as a DLC board plus at least once each year as separate legal entity boards. Each board programme is held over two days enabling the directors to spend more time together and form a greater understanding of each other's characters which in turn aids discussion and challenge in the board room and creates a positive dynamic.

Fred Phaswana chairs those meetings held in South Africa and David Williams those held in Europe. Together they oversee the distribution of appropriate, accurate and well-presented materials, with meeting packs being circulated electronically a week before each meeting. They also ensure there is sufficient debate and consultation with management and advisers as well as between the directors themselves during meetings in order that effective decisions are reached. As appropriate, other senior executives below board level and advisers are invited to attend and present at meetings, providing the non-executive directors with a broader perspective on matters under consideration.



The Boards are supported by the committees that have been established in line with governance practice and to which the Boards have delegated specific areas of responsibility. The role of each committee is described in more detail later in this report. Each committee has the authority to make decisions according to its terms of reference. Work programmes are agreed by each committee that are designed around the annual business calendar and their respective terms of reference. The matters reserved for the Boards together with the terms of reference of each of the committees are reviewed on an annual basis and also when there have been changes in circumstances, governance or regulation. These are available on the Mondi Group website. During 2016 certain of the committee terms of reference were updated, in particular those of the audit committee in response to changes in regulation.

The committees meet prior to meetings of the Boards to enable the committee chairs to report to the Boards. This facilitates the communication between directors and ensures that all aspects of the Boards' mandate have been addressed and enables any necessary recommendations or advice relevant for deliberations to be provided.

Only committee members are entitled to attend committee meetings, although the chairmen of each committee can invite, as they consider appropriate, management and advisers to meetings to provide information and insights, answer questions and generally to assist the committees in carrying out their duties.

Corporate governance report

How the Boards spent their time

The chairmen agree an annual work programme for the Boards that ensures all matters reserved for review by the Boards are covered. Additional matters are added to each meeting agenda as the need arises throughout the year, usually in connection with strategic opportunities that have presented themselves or where operational performance discussions trigger a request for a more in-depth review, for example the review of managing technical integrity.

Each meeting includes a report from the Chief executive officer providing an operational update; a report from the Chief financial officer on the Group's financial performance; an update on safety performance and any serious incidents and close calls; country assessments for key geographic locations where the Group operates; and a report from the company secretaries on recent governance and regulatory matters.

Other matters addressed by the Boards included:

Financial performance

- → Reviewed and approved the full and half-yearly results and associated announcements and the trading updates and considered the feedback from investors and analysts following the results roadshows.
- → Reviewed and approved the Mondi Group Integrated report and financial statements, ensuring they are fair, balanced and understandable (see page 98 for more information).
- → Dividend recommendations and declarations were considered in light of the Group's stated dividend policy, financial performance and strong cash generation.
- → Reviewed and approved the Group business plan for 2017 to 2019 and the budget for 2017, considering assumptions made and the reasonableness of the plan and focusing on the operational overviews, cash flow management and capital allocation.
- → Reviewed and approved material corporate transactions and commitments, including the launch of a new €500 million eight-year Eurobond and the renewal of the EMTN programme.
- → Annual reviews of the Group treasury position and Group tax strategy.

Strategy formulation and monitoring

- → Held a strategy review session and considered where Mondi is today, its strategic focus, options for future growth and detailed business by business strategic initiatives, resulting in continued support for Mondi's strategic direction (see page 12 for more information).
- → Considered a number of large capital projects, particularly in Ružomberok, Štětí and Syktyvkar.
- → Considered a number of investment and acquisition proposals, including SIMET, Uralplastic, Kalenobel and Lebedyan.
- → Received a presentation from an external party on the broader economic environment.
- → Regularly reviewed potential growth opportunities identified by management.
- → Regularly reviewed competitor analyses.
- → Regularly reviewed shareholder analysis reports.

Operational performance

- → Received regular reports on trends in the Europe & International Division and South Africa Division, providing more detailed insights into each business unit, in particular the markets, pricing and performance.
- → Received regular reports on each material capital investment project, enabling oversight of the robustness of the project planning and budgeting.
- → Considered the potential implications of the drought situation in South Africa on our operations in Richards Bay.
- → Received a presentation on how technical integrity is managed.
- → Received presentations on quality systems and innovation and the new management structure within these teams.
- → Reviewed the sustainability framework in the context of the Group's Growing Responsibly model and 2020 commitments.

Governance and risk management

- → Received regular reports from the chairmen of each committee.
- → Reviewed the Group's corporate governance framework.
- → Reviewed and approved the renewal of Anne Quinn's term of office (see page 86 for more information).
- → Considered and approved the appointment of Tanya Fratto (see page 91 for more information).
- → Reviewed the output from the external board evaluation process and agreed an action plan (see page 89 for more information).
- → Undertook a review of the Group's risk management processes, plan and risk tolerance levels and internal controls, with consideration of risk monitoring and mitigation activities.
- → Received bi-annual presentations on IT risks and cyber security (see page 95 for more information).
- → Reviewed the Group insurances, ensuring an appropriate balance of risk between the Group and our insurers.
- → Reviewed and approved directors' declarations related to potential conflicts of interest.
- → Considered governance and regulatory developments, in particular the implementation of the EU Market Abuse Regulation.
- → Reviewed principal Group policies and, in particular, agreed changes to the share dealing code and also the non-audit services policy.
- → Reviewed arrangements for the Annual General Meetings, in particular feedback received from shareholders and voting indications.

Other

- → Discussed the feedback from the employee survey and managements' response.
- → Considered succession and talent management plans.
- → Considered a number of regular matters that are reserved for the Boards (see schedule on the Mondi Group website).

Board responsibilities

Mondi has joint chairmen, Fred Phaswana and David Williams, with the chief executive officer role held separately by David Hathorn. The division of responsibilities between the joint chairmen and the Chief executive officer has been clearly defined and approved by the Boards. They do however work closely on matters such as the relationships with major shareholders and other external parties. The joint chairmen provide support and advice while respecting the executive responsibility of the Chief executive officer. They maintain an effective relationship and have regular interaction through meetings and telephone calls outside the formal board meeting cycle. This provides opportunities for regular updates on business objectives and priorities.

Having joint chairmen ensures the Group and its stakeholders benefit from an extensive knowledge and experience of the jurisdictions relating specifically to its dual listed company structure. The joint chairmen maintain a regular dialogue with each other and manage the Boards through mutual agreement.

The main positions held by each of the joint chairmen outside the Mondi Group are detailed in their biographies set out on page 78. There have been no changes to the commitments of either chairman during the year. Both chairmen were independent upon appointment.

With the joint chairmen having minimal commitments external to Mondi, the Boards continue to consider that they each devote sufficient time to their duties to Mondi, with both having attended all meetings and made themselves available to management and other directors when required.

Role	Principal responsibilities
Joint chairmen Fred Phaswana David Williams 78 See biographies	→ lead and manage the Boards, setting the agenda, providing direction and focus, ensuring effectiveness and open and transparent debate → ensure there is a constructive relationship between the executive directors and non-executive directors → ensure high standards of corporate governance and ethical behaviour and oversee the culture of the Group → oversee the induction, training and development of directors and the consideration of succession → ensure effective communication with shareholders and other stakeholders → ensure the Boards receive accurate, timely and clear information to support discussion and decision making
Chief executive officer David Hathorn 78 See biographies	→ leads and manages the business with day-to-day responsibility for running the operations and, in particular, the execution of strategy within the delegated authority from the Boards and communicating Mondi's common values and goals throughout the organisation → chairs the DLC executive committee and leads and motivates the management team → ensures the Group has effective processes, controls and risk management systems → develops and implements Group policies, including with regard to safety and sustainability → together with the Chief financial officer, leads the relationship with institutional shareholders
Executive directors Andrew King Peter Oswald 78 See biographies	→ manage the operations of the Group within their respective areas of management responsibility in accordance with the authority delegated by the Boards

Corporate governance report

Non-executive directors

The non-executive directors provide a valuable level of independent oversight of the Group's activities and constructive challenge of management. Their varied business backgrounds enable them to apply diverse knowledge and experience to issues raised with the Boards, particularly when considering strategic growth opportunities. They each actively participate in the decision making, discussing and tackling issues with a frankness and openness of mind, and dedicate sufficient time to effectively discharge their duties to Mondi.

Non-executive director meetings

Non-executive director meetings are held twice a year. These meetings focus particularly on the performance of the executives although the agendas are driven by the non-executive directors themselves and cover a variety of topics. One of these meetings is attended by the Chief executive officer in order to provide input to the discussions on executive performance and succession.

Company secretaries

The company secretary of Mondi Limited and of Mondi plc work together on the co-ordination of Mondi's DLC structure. They are appointed and removed by the Boards and are accountable to the Boards as a whole.

Pursuant to the Listings Requirements of the JSE, the Boards confirm that they have reviewed and are satisfied that each of the company secretaries is competent and has the relevant qualifications and experience. Their biographies are on page 105.

In assessing their competence the Boards have considered the expected role and duties pursuant to the requirements of both the South African and UK Companies' Acts, governance codes and continuing obligations of the stock exchanges on which Mondi is listed, and considered their respective compliance with each of these. The Boards have reviewed their performance not only during the last year but since joining Mondi.

The Boards concluded that the company secretaries have each complied with all the requirements of the Companies Acts, governance codes and continuing obligations of the relevant stock exchanges.

While all directors have access to the advice and services of the company secretaries, the company secretaries maintain an arm's length relationship with the Boards. They do not take part in board deliberations and only advise on matters of governance, form or procedure. Throughout the year they have not only ensured compliance with board procedures, but have provided independent advice to the Boards, in particular the chairmen and non-executive directors, on a range of governance and compliance matters and best practice.

Role	Principal responsibilities
Senior independent director (SID) Anne Quinn 79 See biographies	→ provides support to, and acts as a sounding board for, the joint chairmen and other non-executive directors → available as a point of contact for shareholders → available as a trusted intermediary for the other directors, as necessary → chairs a meeting of the non-executive directors at which the performance of the joint chairmen is considered
Independent non-executive directors Tanya Fratto Stephen Harris John Nicholas Dominique Reiniche 79 See biographies	→ provide independent oversight of the Group's activities → offer an external perspective to, and constructively challenge, management → monitor management performance and the development of the organisational culture → review and agree strategic priorities and monitor the delivery of the Group's strategy → ensure the integrity of financial reporting and the effectiveness of internal controls and risk management → determine executive director remuneration
Company secretaries Philip Laubscher Jenny Hampshire 105 See biographies	→ support the joint chairmen in the delivery of accurate and timely information ahead of each meeting → ensure compliance with board and committee procedures → key point of contact for joint chairmen and non-executive directors → provide support to the Boards and committees, and advise on governance, statutory and regulatory requirements, including presenting a report at each board meeting highlighting any areas of development or change → provide advice on legal, governance and listing requirements in both South Africa and the UK, in particular relating to continuing obligations and directors' duties

Anne Quinn – review of term of office

During 2016 Anne Quinn completed her nine-year term in office. Since her appointment to the Boards in 2007 Anne has chaired the remuneration committee and been a member of both the audit and nominations committees. Since August 2009 Anne has been the senior independent director. A more detailed review of her performance, including consideration of the governance codes' requirements, evaluation feedback and shareholder opinion, was considered against the time she devotes to her duties at Mondi and her other business commitments.

Feedback from her fellow directors and her contribution to the board debate was also taken into account. Since her appointment Anne has attended all meetings. Positive feedback has been received on her performance both as a director and as chair of the remuneration committee. She continues to take an active interest in Mondi and demonstrate a willingness to challenge management when required. Following this review the nominations committee concluded that Anne remained independent and able to contribute effectively to Mondi in the best interests of shareholders. The committee made a recommendation to the Boards that Anne remain in office for a further period. The Boards, being satisfied that Anne remained independent, accepted the recommendation to extend her appointment for a further year. In January 2017 it was announced that she will step down from the Boards at the conclusion of the Annual General Meetings in May 2017.

Having concluded our search for a new non-executive director, Tanya Fratto was appointed on 1 January 2017. She will replace Anne as chair of the remuneration committee after the conclusion of the Annual General Meetings. John Nicholas will take over as senior independent director.

Training and development

When new directors join the Boards they undertake an induction. While there is an outline induction programme in place, this is discussed with each new director and is tailored to meet any specific requirements, in particular any committee responsibilities. The programme generally includes meetings with each member of the executive committee and key advisers in addition to site visits. The aim is to provide a new director with sufficient background and information about the Group and its performance and to highlight any specific areas of risk or concern. The induction programme for Tanya Fratto is ongoing.

Each director can discuss any development needs with one of the joint chairmen at any time but more formally during the annual review process when discussions regarding individual performance are held. In addition, all directors are encouraged to strengthen and refresh their knowledge by attending workshops, seminars and courses relevant to their respective roles, and details of the availability of these are provided regularly. During the year directors have attended programmes providing updates on governance developments and the duties of directors. Also, presentations and reports are provided regularly to the Boards that give information on the broader context of the Group's activities and position in the market. Regular feedback is provided through the sharing of analyst and broker reports and briefings.

Tanya Fratto – Induction programme

When new directors join the Boards they undertake an induction that is managed over the first few months after appointment. The primary purpose is to familiarise a new director with the nature of the Group's business and operations, highlighting the key challenges and opportunities as well as the regulatory environment within which Mondi must operate.

While there is an outline induction programme in place, this is discussed with each new director and is tailored to meet any specific requirements they may have. In particular, the programme will take account of any committee responsibilities that they will be taking on. With the appointment of Tanya Fratto on 1 January 2017 we have initiated her induction programme with particular focus on the remuneration committee responsibilities as she will be taking over the chair of the committee from Anne Quinn after the Annual General Meetings in May 2017.

Company secretaries

Her induction started with a briefing from one of the company secretaries to explain the DLC structure and its implications for the operation of the Boards. The governance framework within which we operate was discussed and access provided to an online director handbook, containing all key documents of reference for directors including guidance on the duties and obligations for listed company directors.

Joint chairmen and non-executive directors

Meetings with her board colleagues were arranged. As far as was possible these meetings were held around the time of her first board programme but will continue over the coming weeks.

Executive committee members and senior management

Meetings with each member of the executive committee have been held in order to provide an understanding of the Group's business, markets, operations and material projects as well as risk areas. In addition, meetings with the Group heads of tax, treasury, health and safety and sustainability are being arranged, providing the opportunity to engage with senior management on a one-on-one basis.

Advisers

A meeting has been held with the UK audit engagement partner and other sessions, particularly with the remuneration committee consultants, are being arranged in order to provide an independent view of key areas of focus for the Group.

Site visits

Arrangements are being made for visits to key operational sites, primarily our forestry operations in South Africa and our Świecie mill (Poland) following the major capital investment at this site.

Corporate governance report

Site visits

Świecie (Poland)

Although the whole board have not had the opportunity to undertake a site visit this year, individual directors have made visits to some of our key assets and operations, providing them with the opportunity for more in-depth reviews and discussions with local management and staff.

In particular, Dominique Reiniche, as part of her induction programme, visited our mill in Świecie (Poland) in April and was able to see first-hand the €166 million capital investment project to install a new recovery boiler and replace the coal-fired boilers with a biofuel boiler. The final phase of the project, to provide an additional 100,000 tonnes per annum of softwood pulp and 80,000 tonnes per annum of lightweight kraftliner, remains on track to start up in early 2017. In addition to reviewing the site operations Dominique received presentations from the management teams of our local containerboard, industrial bags and corrugated packaging businesses.

Part of the Boards' annual rolling agenda is focused on updating skills and knowledge. Periodically Mondi's South African and UK advisers facilitate sessions on the duties and responsibilities of directors and on corporate governance developments. Management also provide updates on issues affecting the packaging and paper industry as a whole. Examples during 2016 were the provision of training on the EU Market Abuse Regulation and presentations on managing technical integrity and on the impacts of the drought in areas of South Africa where Mondi operates.

To ensure the directors are aware of developing trends and future changes in governance and regulation and the likely impact on the Group, the company secretaries report to the Boards at each meeting. They also brief the directors on government and regulatory consultations for information and to assist the directors with context for their decision-making during board and committee deliberations. Other corporate function specialists, for example from Group tax and Group treasury, report to the Boards to enable the directors to gain a greater insight into the way Mondi is managed and controlled. This provides opportunities to question processes, resources and key risks as well as providing context on the wider economic environment.

Although it is recognised that valuable experience can be gained from executive directors accepting appointments as non-executive directors on other boards, it is important to ensure the appropriateness and number of such commitments. There is a policy in place setting out the parameters regarding such appointments. A director will retain any fee paid to them in respect of directorships external to Mondi. One executive director holds a directorship external to Mondi, something the Boards consider provides broader business experience and skills that benefits them as individuals and also the Group.

David Hathorn was appointed chairman of Kore Potash Limited (formerly Elemental Minerals Limited) in December 2015, an advanced stage mineral exploration and development company listed on the Australian stock exchange with a primary asset in the Republic of Congo and with its head office in Johannesburg.

The Boards were mindful that David is chairman but were satisfied that the nature of the business, its location and the time commitment expected, would not interfere with David's role and commitments at Mondi. The Boards keep this under review but to date have concluded that the commitment required at this stage in the company's development would be no greater than that of a regular non-executive role. During 2016 no fees were paid to David.

After a year in office Peter Oswald resigned his chairmanship of the supervisory board of OMV AG in May 2016. The Boards of Mondi had given Peter permission to take on the role on the basis that the workload was reasonable and would not compromise his responsibilities to Mondi. The Boards kept the time commitment under review and, as the months went on, it became clear that the responsibilities at OMV were more time consuming than had been anticipated. It was ultimately agreed that Peter would step down from OMV in order to focus on his work at Mondi. During 2016 Peter received fees totalling €50,269 representing fees owed from this prior appointment.

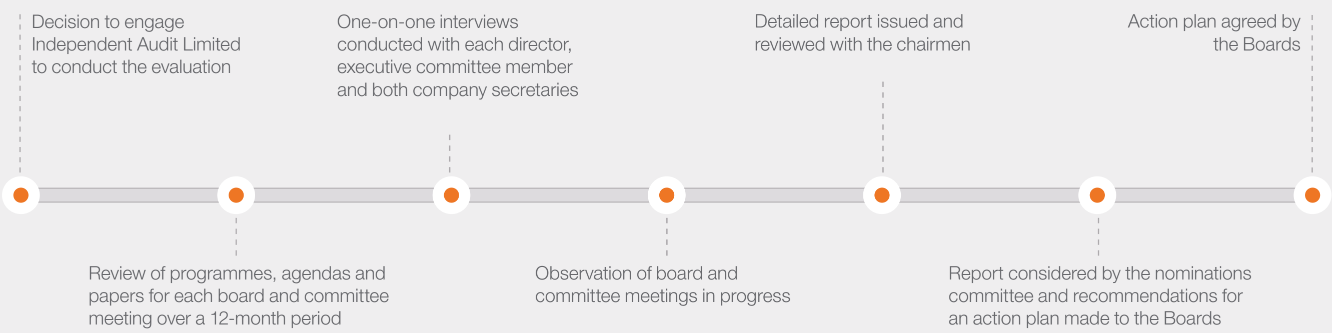
Performance evaluation

Below are the key actions reported last year and details of the progress we have made against those actions:

Action agreed from 2015 evaluation	Progress achieved
To continue to focus on succession planning, in particular to consider the need for directors with relevant skills and experience to provide support for the Group's future strategic growth.	The nominations committee has had this on its agenda throughout the year, regularly reviewing the composition of the Boards and the availability of additional skills and experience that would complement the current composition. This culminated in the appointment of Tanya Fratto as an independent non-executive director (see page 91 for more information).
To oversee, through the audit committee, the transition to the Group's new external auditor.	The audit committee have, throughout the year, monitored the transition plans and progress against the plan (see page 99 for more information).
To continue to evaluate growth opportunities in line with the agreed strategy.	The Boards have reviewed and considered a number of acquisition proposals presented by management resulting in several growth opportunities being agreed including the acquisitions of SIMET S.A., Uralplastic, Kalenobel and Lebedyan.
To receive a bi-annual presentation on the Group's cyber security measures.	Bi-annual cyber security presentations were made to the Boards (see page 95 for more information).
To monitor changes in governance and regulation anticipated to be effective in 2016 (e.g. the EU Market Abuse Regulation) and ensure appropriate implementation and changes to procedures and policies.	Several material pieces of new regulation and governance changes became effective during the year. As appropriate, either the Boards or a committee reviewed the new requirements and agreed implementation throughout the Group through changes to policies and procedures. Where changes have been required the Boards have ensured that appropriate training has been provided.

2016 external board evaluation process

In line with best practice, we have conducted external evaluations at least once every three years. With the last external review having been in 2013, in 2016 the Boards again conducted an external review. The review was undertaken by Independent Audit Limited, which has no other connection with Mondi. The process followed is illustrated below:



The 2016 evaluation report confirmed that the Boards continue to operate well and to a high standard, demonstrating a culture of transparency and accountability. The report highlighted in particular the level of support and trust between the non-executive and executive directors and the time given during and alongside formal meetings to full and open discussion. The strong strategic focus of the Boards and openness to change was of particular note.

The review of the performance of the joint chairmen, led by Anne Quinn as the senior independent director, incorporated feedback from the external evaluation, the non-executive and executive directors.

Consideration was given to the effective leadership of the Boards, how they worked together, their time commitment and the management of the meetings. The positive working relationship between the joint chairmen and the way in which they effectively manage their joint role was noted.

The key actions agreed by the Boards following the 2016 evaluation are:

- To consider the need for further site visits by the Boards in light of recent developments in the business and its strategic direction and changes to the composition of the Boards
- To review and refine the format of the safety reports presented to the Boards
- To continue to focus on innovation and quality, ensuring that the Boards receive relevant updates and presentations in this regard
- To include in acquisition proposals presented to the Boards sufficient insight into the due diligence undertaken in relation to the management and culture of the business to be acquired

The Boards consider that they continue to benefit from the annual review process, the results from which help guide the future focus of meeting agendas and behaviours.

Corporate governance report

DLC nominations committee

"The composition of the Boards and the skill set required in order to deliver Mondi's stated strategy remained a key focus for the committee's discussions throughout the year. We have also noted the increasing focus of stakeholders on diversity in all its forms and will be reviewing Mondi's policies and practices in this regard during the next year."

David Williams
Chairman of the DLC nominations committee

Composition

Members throughout the year[1]	Committee member since	Meeting attendance (six meetings in the year)
Stephen Harris	March 2011	6
John Nicholas	October 2009	6
Fred Phaswana	June 2013	6
Anne Quinn	May 2007	6
Dominique Reiniche	October 2015	6
David Williams, chairman	May 2007	6

1 Tanya Fratto was appointed a member of the committee on 1 January 2017 and therefore did not attend any meetings during 2016

Other regular attendees

→ Chief executive officer

How the committee spent its time

With one non-executive director having reached their nine-year term this provided a potential opportunity to bring onto the Boards additional experience in the key areas identified in line with the Group's strategy. A number of discussions were held and consideration given to the availability of appropriate talent. This culminated in the appointment of Tanya Fratto on 1 January 2017 who will replace Anne Quinn as chair of the remuneration committee when she steps down from the Boards at the conclusion of the Annual General Meetings.

In January 2017, David Hathorn notified the committee and the Boards of his intention to retire as Chief executive officer, also at the conclusion of the Annual General Meetings. The committee, following consideration of the skills and experience required to fulfil the role of chief executive officer, and on the basis of previous succession planning, which forms a regular part of the committee's discussions, was confident that Peter Oswald is well placed to succeed David and will provide strong continuity to the Group. The committee also recommended to the Boards, and the Boards agreed, that Peter will replace David as a member of the sustainable development committee and the Mondi Limited social and ethics committee.

Diversity, in all its forms, remains top of many stakeholder agendas and is regularly reviewed by the committee in the context of not only the board composition but that of the executive and senior management.

Other matters addressed by the committee included:

Board and committee composition

- → Reviewed the composition of the Boards and made recommendations regarding the skills and experience that would both maintain an appropriate balance of skills and experience and support the future growth strategy.
- → Conducted a review as Anne Quinn had reached her nine-year term in office (see page 86 for more information).
- → Oversaw the recruitment process for a new non-executive director (see page 91 for more information).
- → Reviewed and confirmed the composition of each of the committees and committee chairs, recommending changes to the Boards.
- → Reviewed the continued independence of each non-executive director, including consideration of their term in office and any potential conflicts of interest.
- → Reviewed the time commitment required of each non-executive director, concluding that all non-executive directors continued to devote appropriate time to address their duties to Mondi.

Succession planning

- → Received a report and presentation on talent management practices within the Group.
- → Received a report and presentation on diversity within the Group and reviewed measures being taken to improve this.
- → Reviewed the succession plans for the executive committee members and senior management within the Group, discussing any potential gaps and actions to address them.

Board evaluation

- → Monitored progress against the agreed action plan from the prior year's evaluation process (see page 89 for more information).
- → Considered and agreed the process for the 2016 external evaluation of the Boards, committees and individual directors (see page 89 for more information).
- → Reviewed the output from the 2016 evaluation process and recommended an action plan to the Boards (see page 89 for more information).

Corporate governance and other matters

- → Considered the time commitment that was required from each of the executive directors holding external appointments.
- → Considered a request from a non-executive director to take on the directorship of another company, confirming that the time commitment would not interfere with their duties to Mondi.
- → Reviewed and recommended to the Boards the re-election of all directors at the Annual General Meetings.
- → Reviewed the committee's terms of reference, performance and work programme.
- → Considered and agreed the committee's report for inclusion in the Group's Integrated report and financial statements.

Mondi has many challenges in this area below board level, in part due to the nature of the business and geographies in which we operate. This does not however constrain our discussions or how the Group is looking to tackle this issue. Our HR function has implemented a number of initiatives from recruitment and development to the approach to talent management. Mondi is very much on a journey with diversity and as a committee we monitor what is being done and what progress is being made (see page 92 for more information).

Terms of appointment

On appointment each non-executive director receives letters of appointment setting out, among other things, their term of appointment, the expected time commitment for their duties to Mondi and details of any committees of which they will be a member. Non-executive directors are initially appointed for a three-year term, after which a review is undertaken to consider renewal of the term for a further three years. However, Mondi follows governance best practice with all directors standing for re-election by shareholders at each Annual General Meeting.

Process

Agreed key business experience and skills required and drew up a candidate specification

Engaged external independent search agent, The Zygos Partnership, to assist with the selection process

Agent conducted a market search and provided a long list of potential candidates for consideration

Short list chosen from long list for interview by one of the joint chairmen and SID

Reduced the short list to three candidates for interview by other executive and non-executive directors

Nominations committee considered the preferred candidates and made a recommendation to the Boards

Boards considered the recommendation and proceeded with the appointment

Appointment process

Although there were no changes to the Boards during the year, an appointment was made on 1 January 2017 in order to prepare for the departure of Anne Quinn following over nine years of service on the Boards. Anne is stepping down at the conclusion of the Annual General Meetings in May 2017. There is an agreed appointment process that we followed. This process is outlined below.

The process for the recruitment was led by David Williams, joint chairman, and Anne Quinn, senior independent director, on behalf of the nominations committee. The Zygos Partnership (Zygos)[1], an external search agency, was engaged to assist with the selection process. Zygos helped produce a detailed candidate specification based on the criteria provided by the committee. They conducted a market search and benchmarked candidates for the role before providing detailed profiles for a longlist of candidates.

The candidates were from a variety of backgrounds, with a mix of executives and portfolio non-executives, all having business backgrounds with a particular focus on remuneration committee experience and were from a number of different nationalities.

Having reviewed all the profiles, initial interviews were undertaken with a number of the candidates before drawing up a shortlist of three candidates who were then interviewed by other Mondi executives and non-executives. Detailed references were also taken before the shortlisted candidates were considered at a full meeting of the nominations committee.

Conclusion

Following a rigorous selection process, the committee, having considered the relative merits and fit of each candidate, made a recommendation to the Boards, which was accepted, to appoint Tanya Fratto as an independent non-executive director with effect from 1 January 2017.

Tanya Fratto was the preferred candidate as she has recent and relevant experience of remuneration issues, having served on the remuneration committees of other FTSE100 companies, and understands the US business environment which is relevant for Mondi having in recent times acquired new business operations in America (see page 79 for her full biography). Her background is also in innovation, sales and marketing and engineering across a variety of sectors.

1 The Zygos Partnership does not provide any other services to the Mondi Group. The Zygos Partnership is a signatory to the Voluntary Code of Conduct for Executive Search Firms

Corporate governance report

Diversity

In line with our philosophy of encouraging diversity and excluding discrimination, we provide equal opportunities within the Group. The Group's gender diversity statistics can be found in the Strategic report on page 42. At the end of 2016 we had two female directors representing 22% of the composition of the Boards. Subsequently we have appointed Tanya Fratto such that we currently have 30% female representation on the Boards. After the Annual General Meetings in May 2017 this will change to 25% when David Hathorn and Anne Quinn step down from the Boards. While we are committed to always considering gender diversity when making appointments, it remains important to ensure diversity is seen in a broader context and that we have the right mix of backgrounds, skills, knowledge and experience on our Boards to meet our business needs and future strategy. At present the diversity on the Boards is appropriate for our current and anticipated future requirements and we constantly review the skills required to meet our strategic objectives.

As a global organisation operating in over 30 countries, diversity forms an integral part of the way we do business and is encouraged. We are committed to creating a culture that embraces diversity and provides a working environment that is flexible and non-discriminatory from recruitment and people development to reward and our talent management approach. We strive for an inclusive environment where differences are respected and valued. We employ, empower and develop competent people with the necessary potential required to meet our business needs and maintain a competitive business advantage.

In South Africa we are committed to making a positive contribution to the process of transformation. We have taken active steps to meet the requirements of broad-based black economic empowerment (BBBEE), including establishing transformation forums in our South African operations to allow our employees to discuss equity and training-related issues and ideas.

The Boards have adopted a formal diversity policy for the Group which sets out guidelines for such matters as recruitment, the use of search firms, succession and annual reviews. A number of initiatives continue to be moved forward including a diversity focused external direct search policy.

Diversity is also an essential part of Mondi's leadership development programme with the inclusion of a number of talent management and development initiatives through the Mondi Academy, including the implementation of training modules such as 'Intercultural Diversity & International Business Competence' to enhance the understanding and appreciation of the benefits of diversity within the business. Employee exchanges where individuals spend time working in different business units and locations around the Group enables them to gain experience of different working practices and skills as well as having exposure to different cultures.

The Mondi cultural characteristics incorporate our aim to hire and work effectively with people who differ in race, gender, culture, age or background. We measure our progress through the use of tools such as our global employee surveys and 360° feedback.

In 2016, Mondi joined an LGBT+ network and consultancy in order to support diversity and employee integration for these colleagues across the business world.

While it is recognised that there are many challenges and there is more work to do, Mondi believes that continually sharing best practice, networking and sharing experiences both internally and externally helps us to make good progress. More details can be found on page 42.

DLC audit committee

"During the year the committee has worked closely with both Deloitte and PricewaterhouseCoopers (PwC) to facilitate an orderly and efficient transition of the external audit.

In addition, we have undertaken detailed reviews of the Group's principal risks including an in depth review of cyber security arrangements which have been enhanced during the year."

John Nicholas
Chairman of the audit committee

Composition

Members throughout the year	Committee member since	Meeting attendance (four meetings in the year)
Stephen Harris[1]	March 2011	3
John Nicholas, chairman	October 2009	4
Anne Quinn	May 2007	4

1 Stephen Harris was unable to attend one meeting due to illness

Other regular attendees

- → Chief executive officer
- → Chief financial officer
- → Group financial controller
- → Heads of internal audit
- → South African and UK representatives from Deloitte

The committee is constituted as a statutory committee in respect of the duties set out in the South African Companies Act 2008 and a DLC committee of the Boards in respect of other duties assigned to it by the Boards.

Composition

The membership of the committee during the year was unchanged. John Nicholas remained chair of the committee and, being an accountant and having, until recently, been a member of the UK Financial Reporting Review Panel, he is considered to have specific recent and relevant financial experience. All committee members have been on the Boards for between five and nine years and have gained a familiarity and understanding of the sector in which Mondi operates. In addition, they all have appropriate knowledge and understanding of financial matters and have commercial expertise gained from industries with similar capital intensive manufacturing, engineering, natural resources and technology-focused international operations. The full biographies detailing the experience of each member of the committee can be found on page 79. Tanya Fratto, who was appointed to the Boards on 1 January 2017, will join the committee in place of Anne Quinn who will step down at the conclusion of the Annual General Meetings in May 2017. Tanya's engineering background and experience in product innovation and sales and marketing, having held positions in product management, operations, Six Sigma and supply chain management, mean that she is well placed to understand the sector in which Mondi operates.

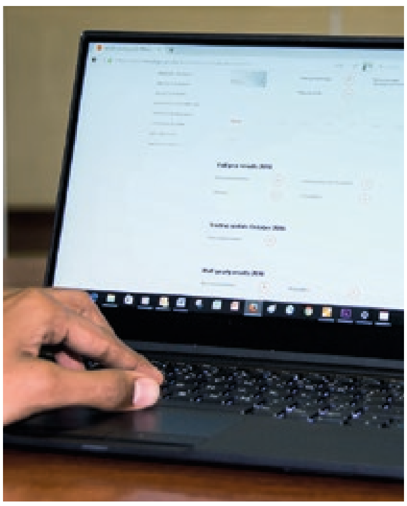
In accordance with the Listings Requirements of the JSE, the committee has considered and satisfied itself that Andrew King, Mondi's Chief financial officer, has appropriate expertise and experience. Andrew is a chartered accountant and throughout his career has held various finance and business development roles. The committee has also considered and satisfied itself of the appropriateness of the expertise and adequacy of resources of the finance function and expertise of the senior management responsible for the finance function.

Role of the committee

The committee operates under formal terms of reference. The committee agenda included the regular matters reserved for its review during the annual financial reporting cycle and ensured it has appropriately discharged its responsibilities during the year, having operated in compliance with relevant legal, regulatory and other responsibilities.

The committee chairman regularly reports to the Boards on the work and output from meetings and provides any necessary recommendations or advice on matters of direct relevance to the deliberations of the Boards.

The evaluation of the committee was carried out as part of the 2016 external evaluation (see page 89 for more information).



Approach to regular financial reporting

The committee continually reviews its approach to financial reporting, being aware of the need for transparency and maintaining a focus on long-term value creation. This has included, in particular, consideration of the continued practice of publishing a quarterly update on trading conditions. Having considered the cyclical nature of our business, our competitor reporting cycles and our desire to keep the market informed, we are of the view that we should continue with this practice.

We also took into account feedback received from some of the Group's largest shareholders who have indicated their support of this approach as they find that it bridges the gap between the full reporting periods and provides an update on important market dynamics that affect the sector in which Mondi operates.

Corporate governance report

How the committee spent its time

While the work programme largely covered the regular cycle of financial and risk related matters, a material focus for the committee during the year was monitoring progress with the audit transition from Deloitte to PwC. The committee has received regular reports both directly from the PwC audit partners and from the chairman of the committee who has been monitoring the arrangements (see page 99 for further information).

The other material area of review and consideration for the committee was the implementation of new regulation and governance relating to audit rotation and tendering, the rules on audit committees and the provision of non-audit services. The committee's terms of reference together with Mondi's policies and procedures in these areas have all been updated in line with the new regulation and the spirit of revised governance principles.

With four business combinations (SIMET, Uralplastic, Kalenobel and Lebedyan) during the year the committee has also focused on the accounting treatment of these acquisitions (see note 23 to the Financial statements for more information).

Other matters addressed by the committee included:

Financial reporting

- Reviewed integrity of all financial announcements with input provided by the Group financial controller and Deloitte.
- Reviewed the Mondi Group Integrated report and financial statements for tone and consistency and considered whether the report as a whole was fair, balanced and understandable (see page 98 for more information).
- Reviewed and discussed the audit management letter.
- Reviewed accounting policies to be applied for the year ending 31 December 2016.
- Reviewed new accounting pronouncements and any potential impact for the Group's financial reporting.
- Reviewed the going concern basis of accounting and the longer-term viability statement (see page 39 for more information).

External audit matters

- Monitored the implementation of the transition from Deloitte to PwC (see page 99 for more information).
- Reviewed the independence, objectivity and effectiveness of Deloitte (see page 100 for more information).
- Reviewed and approved the external audit plan, taking account of the scope, materiality and audit risks and considered and agreed the audit fees.
- Recommended to the Boards the appointment of PwC for the 2017 audit to be put to shareholders at the Annual General Meetings.
- Undertook a thorough review of the Group's policy and procedures for the provision of non-audit services and implemented changes in response to new regulation.
- Received a report at each meeting of any non-audit services covering both Deloitte and PwC in order to monitor auditor independence.
- Reviewed and agreed the engagement letters and representation letters.
- Held a meeting with Deloitte without management present, the committee chair also engaged regularly with the audit partners.

Risk management and internal controls

- Undertook a detailed review of the Group's risk management policy, plan and tolerance levels and of the process to assess the risks (see page 32 to 38 for more information).
- Reviewed the effectiveness of the risk and internal control management systems (see page 32 to 38 for more information).
- At each committee meeting undertook a more in-depth review of three or four of the most significant Group risks.
- Biannual presentations received on IT risk management and cyber security (see page 95 for more information).

Internal audit matters

- Reviewed and agreed the internal audit plan, confirming the focus on key risk areas and adequate cover of all material operations.
- Received reports from the head of internal audit at each meeting (see page 101 for more information).
- Reviewed the effectiveness of the internal audit team and the implementation of recommendations from the 2015 Ernst & Young LLP report on the function.
- Held a meeting with the heads of internal audit without management present.

Governance and other

- For JSE purposes, reviewed the appropriateness and expertise of the Chief financial officer and the effectiveness of the finance function (see page 93 for more information).
- Monitored and reviewed the continued implementation of those elements of the Group's Code of Business Ethics reserved for review by the committee, as well as the supporting framework of the Business Integrity Policy.
- Reviewed and responded to the South African Independent Regulatory Board for Auditors (IRBA) proposals for mandatory audit firm rotation and the potential implications for the Group if introduced.
- Reviewed the Group's competition compliance programme and work of the divisional compliance committees.
- Reviewed the committee's terms of reference, performance and work programme.

Interaction with regulators

UK Financial Reporting Council (FRC) Audit Quality Review

The FRC's Audit Quality Review team selected to review the audit of the 2015 Mondi plc financial statements as part of their 2015 annual inspection of audit firms. The focus of the review and their reporting is on identifying areas where improvements are required rather than highlighting areas performed to or above the expected level. The chairman of the audit committee received a full copy of the findings of the Audit Quality Review team and has discussed these with Deloitte. The audit committee confirms that there were no significant areas for improvement identified within the report. The audit committee is also satisfied that there is nothing within the report which might have a bearing on the audit appointment.

UK FRC Thematic Review of Tax Disclosures

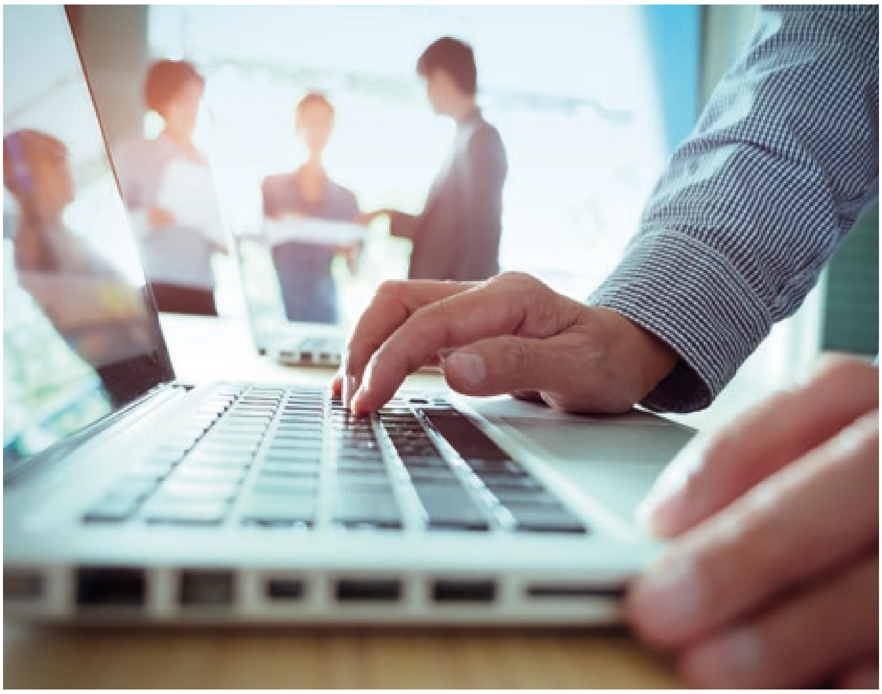
During the year the FRC conducted a thematic review of companies' tax reporting. Mondi was advised that the tax disclosures in its December 2015 accounts would be included in the sample. Subsequently the FRC advised Mondi that, having completed their review, they had no substantive issues to raise with us.

UK FRC Corporate Reporting Review

The last review by the FRC Corporate Reporting Review team of the Mondi Group Integrated report and financial statements was for the year ended 31 December 2013. Following their review and Mondi's responses the FRC advised in January 2015 that they had closed their enquiries.

JSE Limited

Periodically the JSE undertakes reviews of company reports in a similar manner to that of the FRC. The last review undertaken was of Mondi's 2013 report. During 2016 the committee reviewed a communication from the JSE outlining its proactive monitoring process.



Information technology risk

The committee now undertakes, on a biannual basis, a detailed review of the information technology risk and mitigation actions. The Group's IT risk management framework has been explained with comfort obtained that it is holistic and robust, having been audited by independent third parties. The committee reviewed the IT risk register confirming that all aspects had been covered (security, compliance and availability) and noting that the top five risks were all in the area of cyber security. It was further noted that cyber security was driving the main mitigation activities, particularly in the areas of network design and security architecture.

The committee was encouraged by the level of focus being given to cyber security within the organisation, especially with the increase being seen in fraud attempts. The emphasis being placed on employee awareness, education and testing was welcomed by the committee. Overall the committee concluded that the Group's IT risk management was effective and that management ensured that it was subject to continuous monitoring and improvement (see page 38 for more information).

Corporate governance report

Internal control

The Group's risk and internal control management framework, embedded in all key operations, is designed to address all the significant strategic, financial, operational and compliance-related risks that could undermine our ability to achieve our business objectives in the future and is managed within risk tolerance levels defined by the Boards. Full details of Mondi's risk and internal control management framework can be found in the Strategic report on pages 32 to 38.

The committee has reviewed the risk management process and the Group's system of internal controls. The committee considers that the system of internal controls operated effectively throughout the financial year and up to the date on which the financial statements were signed.

Significant issues related to the financial statements

The committee has considered each of the following items based on discussions with, and submissions by, management and satisfied itself as to the accounting treatment and presentation thereof. The most significant items were discussed with the external auditors during the planning stage and on completion of the audit. These issues are broadly similar to those addressed by the committee during 2015.

The key considerations in relation to the 2016 financial statements were:

Matter considered	Action
Special items are those financial items which the Group believes should be separately disclosed on the face of the income statement to assist in the understanding of the underlying financial performance achieved by the Group. The classification of an item as special is based on judgement and generally must exceed €10 million and/or be material in the context of the current year's financial performance. Subsequent adjustments to items previously reported as special items continue to be reflected as special items in future periods even if they do not exceed the reporting threshold. The net special item charge of €38 million before tax included restructuring and closure costs and related impairments for the closure of an industrial bags plant in southern Belgium; the restructuring of the release liner operations in the US, including the planned closure of one plant; and the impairment of newsprint assets, partial reversal of the impairment of the uncoated fine paper machine and related restructuring charges in South Africa. Details of the special items are included in the Strategic report on page 49 and in note 3 of the Financial statements.	The committee has critically reviewed each item presented by management as being special to ensure that the items are in line with the Group's accounting policy. The committee considered both the quantification and presentation of special items. The committee has reviewed the adequacy of the descriptions of the special items in the Financial statements and the Strategic report. The committee has also considered whether any significant transactions that were not classified as special were appropriately classified in the Financial statements and appropriately described in the Strategic report.
The Group's operations are capital-intensive and, in 2016, the Group incurred €465 million in capital expenditure. Significant progress was made on a number of the Group's major capital projects, including the completion of two projects in South Africa to upgrade the woodyard and enable the production of unbleached kraftliner. These projects are more fully described in the Strategic report on pages 16 and 17 and details of the Group's tangible fixed assets are provided in note 10 of the financial statements.	At the time of approval of significant capital projects, the Boards approve the underlying assumptions including the estimated useful lives of these investments. The committee has interrogated management and satisfied itself of the appropriateness of the assumptions made, the consistency of those assumptions compared to the initial approval and the basis on which any changes were made. The committee has also considered the internal audit reports completed in respect of the Group's procurement and capital expenditure processes, in which there were no significant weaknesses identified.

Matter considered	Action
In addition to property, plant and equipment of €3,788 million, goodwill of €681 million is included as an asset in the statement of financial position. As set out in the accounting policies, the Group performs an impairment review at least annually and whenever there is any indication that certain of its assets may be impaired. See notes 10 and 11 of the Financial statements.	The committee considered a report from management describing potential impairment indicators of tangible and intangible assets and the outcomes of related impairment tests. The committee also considered a report from management on the outcomes of the annual goodwill impairment test. The critical underlying assumptions applied were reviewed by the committee and compared to the Group's budget and the current macroeconomic environment. The committee considered the sensitivities underlying the primary assumptions to determine the consequences that reasonably possible changes in such assumptions may have on the recognised value of the underlying assets. The committee has satisfied itself that, except for the impairments related to closures and restructuring of operations, there was no impairment of property, plant and equipment, goodwill or other intangible assets.
The Group has operations in a number of countries each with a different tax system. The Group is regularly subject to routine tax audits and provisions are made based on the tax laws in the relevant country and the expected outcomes of any negotiations or settlements. The Group's recognition of deferred tax assets, relating to future utilisation of accumulated tax losses, is dependent on the future profitability and performance of the underlying businesses. See note 7 of the Financial statements.	The committee receives regular reports from management about new legislative developments that may impact the Group's tax positions. The committee has considered reports from management outlining the Group's most significant tax exposures, including ongoing tax audits and litigation, and has reviewed the related tax provisions recognised by management, satisfying itself that these are appropriate and the risk of new unexpected exposures arising is low. The committee has considered a report from management outlining the key judgements relating to the recognition of deferred tax assets and satisfied itself that the assumptions made are reasonable and consistent from year to year.
Significant judgement is required in determining the assumptions to be applied for the valuation of the Group's forestry assets and retirement benefit obligations. Such assumptions are based, as far as possible, on observable market data and, in the case of the retirement benefit obligations, the input and advice of actuaries. The most significant assumptions and sensitivities are disclosed in note 13 for forestry assets and 22 for retirement benefits in the Financial statements.	The assumptions applied in the valuation of the forestry assets and retirement benefits were reviewed by the committee. The committee considered the basis on which these assumptions were determined, and evaluated the assumptions by comparing them to prior years and considering market developments during 2016. The committee satisfied itself that the assumptions, and the changes to those assumptions when compared to the year ended 31 December 2015, were appropriate.
During 2016, the Group concluded a number of business combinations, as described in the Strategic report and note 23 of the Financial statements. On acquisition, the Group determined the fair value of assets acquired and liabilities assumed, based on its own experience in the industry and the input of experts.	The committee considered a report from management describing the process taken in conducting the identification and valuation of assets acquired and liabilities assumed in business combinations. The committee satisfied itself that the fair values were appropriate and that the resulting goodwill recognised in these transactions was appropriate and did not include any unrecorded assets or liabilities. The committee also considered a report on changes to the initial fair values recognised on acquisitions completed during 2015 and satisfied itself as to the appropriateness of the adjustments made.

Corporate governance report

Fair, balanced and understandable

A key role of the committee is to ensure that the interests of shareholders are protected, in particular that there is robust financial reporting with good internal controls in place and appropriate accounting practices and policies combined with sound judgement.

Although oversight and review of material financial reporting matters are considered throughout the year, at the request of the Boards, the committee assessed the integrity of the Group's Integrated report and financial statements 2016 and the clarity, completeness and consistency of disclosures.

Process

Oversight through the year
- → Review of applicable accounting policies and pronouncements and their application
- → Review of regular financial results and announcements
- → Reports from Group financial controller and Deloitte
- → Reports from internal audit

Review included
- → Provision of an outline plan including content and structure, design concepts and timetable
- → Consideration of regulatory and governance requirements for reporting
- → Review of detailed reports from the Group financial controller and Deloitte providing the opportunity for debate and challenge
- → Summaries of areas where management judgements had been made
- → Consideration of going concern and longer-term viability
- → Separate meeting with Deloitte without management present
- → Sufficient opportunity to review drafts

Review confirmed
- → Well documented planning and procedures for the preparation of the report
- → Collaborative approach between all parties required to contribute to the report
- → Basis of preparation consistent with financial reporting throughout the year
- → All significant issues had been considered
- → Messaging was consistent particularly the narrative reflecting the financials

Conclusion
- → After completion of the detailed review the committee was satisfied that, taken as a whole, the Group's Integrated report and financial statements 2016 were fair, balanced and understandable
- → That the report accurately reflected the information shareholders would require in order to assess the Group's performance, business model and strategy
- → That the use of any alternative performance measures contained in our report assist in presenting a fair review of the Group's business

Recommendation
- → The committee reported its findings and conclusion to the Boards

External audit

Audit firm: Deloitte & Touche in South Africa and Deloitte LLP in the UK (together 'Deloitte')

Tenure: 9½ years, appointed in July 2007, although Deloitte audited Mondi prior to this when Mondi was part of the Anglo American Group

UK audit partner and term: Nicola Mitchell, the 2016 audit is her fifth

South African audit partner and term: Shelly Nelson, the 2016 audit is her second

Audit tender: as reported in 2015, a full tender process was undertaken culminating in the decision to recommend the appointment of PwC as auditors after the conclusion of the 2016 audit, with Andy Kemp to be appointed as the UK audit partner and Michal Kotzé as the South African audit partner.

The committee confirms its compliance for the financial year ending 31 December 2016 with the provisions of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

The committee also confirmed that Deloitte & Touche is included in the JSE list of accredited auditors.

External audit transition

Background

The audit tender process undertaken by the committee was explained in detail in our 2015 report. A key priority for the committee during 2016 has been monitoring progress with the transition plan in the lead up to the legal appointment of PwC as the Group's auditor.

As a committee we have appreciated the considerable time and effort that both the management teams and PwC have put in to the transition process together with the support provided by the Deloitte team. We believe that to date the transition has been thorough and effective.

Planning

A detailed transition plan was put in place highlighting key milestones for the process. A material part of the planning has been building up a knowledge and understanding of Mondi. This is being achieved in a number of ways but primarily includes meetings with key personnel at a Group and divisional level. PwC are also creating 'The PwC Academy for Mondi' which is a platform for PwC to share key information about the Group across the global PwC team in the year of appointment. The committee is monitoring progress against the plan.

Workshop

In September 2016 a two-day workshop was attended by 40 people from both the Mondi and PwC teams and representing six key Mondi operating locations in addition to divisional and functional personnel. The workshop was a critical step in developing relationships across the teams and focused on the transition activities and key actions.

Shadowing

PwC shadowed Deloitte during both the half-yearly review and year-end audit. They have also attended some audit committee meetings as observers.

Communication

Effective communication is key to a smooth transition and a major part of the planning has involved regular engagement between the PwC teams and key Mondi personnel across the Group. PwC has also implemented their own internal information sharing via a monthly newsletter. It is also planned that, before their appointment, PwC will meet individually with each of the non-executive directors in order to understand their perspectives on the Group and their expectations of the external audit.

Independence

PwC confirmed that they had taken appropriate actions to meet all external independence requirements by 30 June 2016. A small number of allowable services continued after June but were completed prior to the year end to enable these to transition to new providers. A clear procedure has been agreed regarding the review of any proposed non-audit services going forward.

Corporate governance report

External audit independence, objectivity and effectiveness

A formal framework for the assessment of the effectiveness of the external audit process and quality of the audit has been adopted by the committee, covering all aspects of the audit service provided by Deloitte. While part of the assessment is managed annually, it is treated as an ongoing review throughout the cycle.

Evaluation focus

→ Robustness of audit process
→ Audit quality, including quality controls
→ Audit partners and team, including skills, character and knowledge
→ Independence and objectivity
→ Formal reporting

Inputs

Audit committee

→ Continual monitoring of audit performance throughout the year
→ Reviewed and agreed the audit plan
→ Reviewed the quality of reporting to the committee, the level of challenge and professional scepticism and the understanding demonstrated by Deloitte of the business of the Group
→ Reviewed the coordination between the South African and UK audit partners, the quality of the audit team, technical skills and experience and the allocation of resources during the audit
→ Considered the interaction with management and the level of challenge
→ Regular meetings held between the chairman of the committee and the audit engagement partners
→ Reviewed feedback from committee members including views on how Deloitte has supported the work of the committee and their communication with the committee
→ Considered the effectiveness of Mondi's policies and procedures for maintaining auditor independence

Management

→ Feedback from engagement with the Chief financial officer, Group financial controller and heads of internal audit
→ Feedback from questionnaires issued at corporate, divisional and business unit level to those personnel involved with the audit

Deloitte

→ Provided the committee with confirmation that they operate in accordance with the ethical standards required of audit firms
→ Confirmed the policies and procedures they have in place to maintain their independence

Regulators

→ The UK Financial Reporting Council's (FRC) 2015/16 report on Audit Quality Inspections included a review of audits carried out by Deloitte. A specific review of Deloitte's audit of the Mondi Group was undertaken by the FRC (see page 95 for more information)

Key outputs

→ The quality of the audit partners and team were confirmed with no material issues raised in the feedback received
→ The audit had been well planned and delivered with work completed on schedule and management comfortable that any key findings had been raised sufficiently early in the process, active engagement on misstatements and appropriate judgements on materiality
→ Deloitte continued to demonstrate a strong understanding of the Group and had identified and focused on the areas of greatest risk
→ Deloitte's reporting to the committee was clear, open and thorough, including explanations of the rationale for particular conclusions as appropriate
→ It was confirmed that there had been an appropriate level of challenge
→ Matters identified for improvement in the prior year had been addressed

Conclusion

The committee, having considered all relevant matters, has concluded that it is satisfied that auditor independence, objectivity and effectiveness have been maintained.

Non-audit services

One of the key pieces of work undertaken by the committee during the year was a detailed review of the policy and procedures relating to the provision of non-audit services by the external auditor. The committee considered not only the new audit framework regulations from the EU but also governance requirements and guidance issued by the UK regulator. This resulted in a new, more restrictive, non-audit services policy being adopted, revised approval processes for any non-audit services being put in place, requiring all such requests to be approved by the chairman of the committee, and the updating of the committee's terms of reference. In order to limit the non-audit services provided by the external auditor, the policy restricts those services by type and monetary limit.

Where pre-approval is required the business must submit a formal request setting out the objectives, scope of work, likely fee level and the rationale for requiring the work to be carried out by the Group's external auditor rather than another service provider. Each request is reviewed, and where appropriate challenged, before being passed for pre-approval.

The committee monitors compliance with the policy, receiving reports at each meeting detailing all approved non-audit services. This enables regular consideration and oversight of a key threat to auditor independence and objectivity. During 2016 the committee not only monitored any non-audit services provided by Deloitte but also those services provided by PwC. Where those services would be categorised as non-audit services at the time of PwC's appointment as auditors, the committee has been closely monitoring the transition and ensuring that any outstanding service would be completed by the end of the year.

The majority of non-audit services are audit-related assurance and tax compliance services. During 2016 examples were the provision of an audit comfort letter for the EMTN programme, certification requirement of electricity usage for the Bulgarian government (local requirement that this be carried out by the statutory auditor), advice in connection with applications for government grants in South Africa relating to capital expenditure and assistance with tax submissions for expatriate employees.

The breakdown of the fees paid to Deloitte, including the split between audit and non-audit fees, is included in note 4 to the financial statements on page 156. The non-audit fees for 2016 represent 14% of the audit fee paid.

Internal audit

The audit committee has primary responsibility for monitoring and reviewing the scope and effectiveness of the Group's internal audit function and appoints and discharges the heads of internal audit (the equivalent of the chief audit executive as envisaged by the King Code). The heads of internal audit have direct access to, and responsibility to, the committee and work closely with the committee in liaison with Deloitte.

Each year the committee considers and approves the internal audit plan which is designed to focus on the Group's key risks to ensure that they are managed effectively within the context of our business objectives and that appropriate internal controls are in place. The committee ensures that all material operations are covered and that there is an appropriate degree of financial and geographical coverage. Every Mondi operation is visited at least once every five years with all major plants audited annually. Reports are given at each committee meeting providing an update on activities, progress against plan, results from audits carried out and management's response to address any areas highlighted for improvement. The committee will consider deviations from plan as the need arises during the year, usually in response to a material acquisition or change in the Group's risk profile highlighted through audit reports and through matters raised via the confidential reporting hotline, Speakout. The committee regularly challenges the nature and speed of management's response to issues raised in audits and to Speakout messages in order to be satisfied that this has been appropriate to the circumstances. Maintaining sound oversight and control of activities through the use of internal audit reviews is considered by the committee to be a key element of its work.

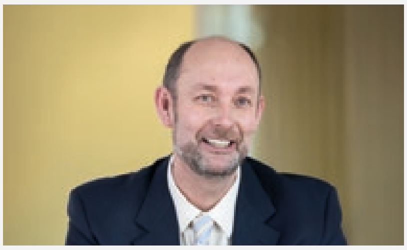
The committee also monitors the staffing and resources available to the internal audit function and the quality of those resources. In 2015 an external review of the internal audit function was undertaken by Ernst & Young LLP with a full report presented to the committee. The review concluded that the internal audit function is fit for purpose and meeting its mandate to provide assurance primarily in the financial and operational areas. Of particular note was the clear affirmation that the function is independent and objective. Some recommendations were put forward mainly in the areas of knowledge sharing and the greater use of technology by the team. The way in which the team have been addressing the recommendations in the report has been monitored and reviewed by the committee. The committee has concluded that the heads of internal audit provide appropriate leadership of the internal audit function which remains effective in carrying out its remit.

Speakout

The Group has a confidential reporting hotline called 'Speakout' operated by an independent third party. Speakout, monitored by the audit committee, is a simple, accessible and confidential channel through which our employees, customers, suppliers, managers or other stakeholders can raise concerns about conduct that seems contrary to Mondi's values. It makes communication channels available to any person in the world who has information about unethical practices in the Group's operations. During 2016, we received 335 Speakout messages (2015: 133) relating to 76 cases (2015: 88) These covered a number of topics; in particular the reporting of HR-related concerns, potential business irregularities and perceived fraudulent activities. Although the number of messages increased significantly, this was due to multiple messages for some cases with total cases down compared to the previous year. The committee receives a report at each meeting of Speakout messages received in the period since the prior meeting and ensures that appropriate investigation into each message has been undertaken and responses given with actions taken where any allegation proves to have some foundation.

Corporate governance report

DLC sustainable development committee



"It's a time of collaboration, collective action and holistic thinking, with an increased expectation for business to play a more active role. Our approach is well aligned with the current global sustainable development agenda and provides a strong foundation for future sustainable profitable growth."

Stephen Harris
Chairman of the DLC sustainable development committee

Composition

Members throughout the year	Committee member since	Meeting attendance (six meetings in the year)
Stephen Harris chairman[1]	March 2011	5
David Hathorn	May 2007	6
Anne Quinn	August 2009	6

1 Stephen Harris was unable to attend one meeting due to illness. In his absence the meeting was chaired by Anne Quinn

Other regular attendees

→ Group technical director

→ Group head of sustainable development

→ Group head of safety and health

How the committee spent its time

The committee oversees and monitors the progress of our sustainable development (SD) approach, commitments, targets and performance within a global context. The committee provides guidance in relation to sustainability matters generally, reviewing and updating the Group's framework of sustainability policies and strategies, ensuring they are aligned with global best practice.

A key focus for the committee during the early part of the year was finalising the Group's Growing Responsibly model and 2020 commitments. A more streamlined and focused approach has been taken with 16 commitments across 10 action areas. The committee also spent time reviewing the revised SD policies and their alignment with the new SD framework. More detail on the commitments and policies and a full review of Mondi's sustainability activities and progress can be found on the Mondi Group website.

The safety and health of our employees and contractors remains high on our agenda and the safety performance is reviewed at each meeting. The detail provided helps us to identify and address any developing trends. The committee has monitored the continuing efforts on safety culture within the Group and has been encouraged by the results of the continued focus on the top fatal risks in our operations. During the year all the major maintenance shuts were completed without serious incident. The focus on the top fatal risks, revision of the risk assessment methodology and engagement of our employees and contractors has helped us to deliver industry leading results.

The committee works together with the Mondi Limited social and ethics committee in addressing social and ethical values. The Group heads of sustainable development and safety and health attend all meetings of the committee and provide the link between the committee, management and the operations.

A summary report from the directors on the Group's sustainability practices is set out on pages 40 to 47.

Other matters addressed by the committee included:

Safety performance and serious incidents

- Received detailed reports of selected incidents, for example those having a high risk potential or major close calls and reviewed management's response.
- Received regular reports on safety performance by Group, division and business unit, including individual mill performance, classification of incidents and peer comparisons.
- Considered the safety milestones and leading and lagging indicators for the next reporting period.

SD governance and risks

- Reviewed those elements of the Group's Code of Business Ethics reserved for review by the committee.
- Reviewed the material SD risks and opportunities.
- Reviewed and approved the annual SD reporting.
- Reviewed and approved the annual report on payments to governments by companies in the extractive and logging industries.
- Reviewed the committee's terms of reference and performance.
- Considered and agreed the committee's annual work programme.

Environmental performance

- Received regular reviews on performance against each of the environmental key performance indicators and commitments, noting the improvements achieved resulting from major capital investment projects.
- Received information on any relevant environmental incidents and considered management's response.

Policies and commitments

- Reviewed the achievements against the 2015 commitments.
- Considered and agreed the approach for the 2020 commitments and the implementation of the Growing Responsibly model.
- Reviewed and approved updated SD policies that underpin our approach to managing sustainable development across our operations.
- Received an update on and monitored progress with the implementation of the SD policies and commitments.

Forestry

- Received and reviewed an update on the forestry operations in Russia.
- Received and reviewed an update on the forestry operations in South Africa.

Community and other relationships

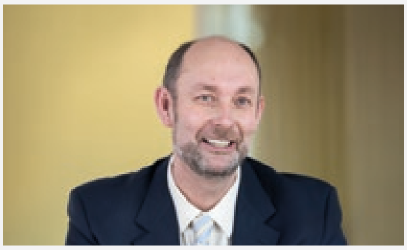
- Reviewed the Group's relationships with governments, NGOs and other stakeholders.
- Reviewed the on-going WWF global partnership and initiatives.
- Reviewed our social and community engagement, including Community Engagement Programmes, outcomes from our SEAT's (Socio-economic assessment toolbox) and impact effectiveness of investments and initiatives.

Product stewardship

- Received a review on the Group's product stewardship practices.
- Considered the increased focus on supply chain management, including the Group's proposed implementation of the requirements of the UK Modern Slavery Act.
- Reviewed the updated Green Range that includes seven criteria important to consider when delivering resource-efficient, sustainable packaging and paper products that meet high environmental and social standards.

Corporate governance report

Mondi Limited social and ethics committee



"It is pleasing to report a high level of compliance with statutory requirements and good progress on the many community-focused initiatives undertaken during the period under review."

Stephen Harris
Chairman of the Mondi Limited social and ethics committee

Composition

Members throughout the year	Committee member since	Meeting attendance (two meetings in the year)
Stephen Harris chairman	February 2012, chairman since October 2015	2
David Hathorn	February 2012	2
Fred Phaswana	October 2015	2

The composition of the committee is in accordance with the requirements of section 72(8) of the South African Companies Act 2008 and its associated regulations.

Other regular attendees

- Non-executive directors (who are not members of the committee)
- Executive management who present on relevant topics

How the committee spent its time

The committee focused on the functions set out in Regulation 43(5) made under the South African Companies Act 2008, monitoring compliance by Mondi Limited with the activities listed therein, having regard to relevant legislation, other legal requirements or prevailing codes of best practice as it relates to its operations in South Africa.

The committee is very conscious of possible overlap between its remit and that of the DLC audit committee and the DLC sustainable development committee. The committee therefore considers reports from these two committees as they relate to the environment, labour, human rights, product responsibility, risk management, whistle blowing, fraud and business integrity and monitors compliance by Mondi Limited on those matters as they pertain to the responsibility of the committee.

Other matters addressed by the committee included:

Corporate citizenship

- Considered community development and corporate social investment initiatives.

Approximately 2,800 jobs have been created through Mondi Zimele to date.

Employment Equity and Broad Based Black Economic Empowerment (BBBEE)

- Reviewed progress made against the employment equity targets set for the period 2013 to 2017.
- Monitored the BBBEE status. The Forestry Sector Code, which Mondi Limited would be measured against, had not yet been finalised with the result that Mondi Limited was, during the review period, measured against the previous Generic Codes. In October 2016 Mondi Limited had an independent assessment performed which confirmed its status as a level 3 contributor. This status will apply for a period of 12 months.

Labour and employment matters

- Reviewed compliance by Mondi Limited with South African labour legislation which incorporates the decent work requirements prescribed by the International Labour Organization (ILO). The committee noted specifically the various areas of employer/employee interface and the progress made in addressing focus areas arising from the last employee survey.
- Considered training and development. The committee noted the approximately 1,600 training initiatives embarked on during 2016, 87.1% of employees received training during the year under consideration.
- Considered various initiatives and procedures in place to achieve Mondi Limited's transformation and diversity management objectives.

Consumer relations

- Reviewed Mondi Limited's customer relations initiatives as well as the levels of certification of its products used for food packaging.
- Reviewed Mondi Limited's advertising policy aimed at ensuring compliance with the Code of Advertising Standards enforced by the Advertising Standards Authority of South Africa.

Environment, health and public safety

- Reviewed Mondi Limited's environmental performance, including Effluent Load COD, Malodorous Gas TRS, Specific Contact Water and Waste to Landfill.
- Reviewed Mondi Limited's performance relating to CO_2e emissions, carbon-based energy consumption, use of renewable resources for primary energy and electrical self-sufficiency.

Anti-corruption

- Reviewed the requirements of the King III Code of Good Practice with regard to the principles relating to ethical leadership, and Mondi Limited's activities relating to the eradication of corruption with specific reference to the UN Global Compact and the OECD Recommendations.

DLC executive committee and company secretaries

David Hathorn
54
Chief executive officer

78 See full biography

Andrew King
47
Chief financial officer

78 See full biography

Peter Oswald
54
Chief executive officer: Europe & International Division

78 See full biography

Ron Traill
62
Chief executive officer: South Africa Division

Appointed
January 2008

Committee membership
Executive

Qualifications
Graduated in mechanical engineering and management from Dundee Colleges in Scotland in 1980

Experience
Ron has over 36 years' experience in the paper industry. He began his career as an industrial engineer with DRG Packaging Group, working in its Scottish paper mill. He went on to hold a succession of posts within the company, leading ultimately to his appointment as general manager. Following DRG's acquisition by Sappi in 1990, he worked for 10 years in a number of general management roles.

He has also held senior operational positions with Fletcher Challenge and with Tullis Russell.

Ron joined Mondi in 2003 as managing director of the Štětí pulp and paper mill in the Czech Republic, also assuming responsibility for the Mondi packaging paper business in Ružomberok, Slovakia. He then relocated to South Africa, being appointed Chief executive officer of the South Africa Division in January 2008.

External appointments
None.

John Lindahl
57
Group technical director

Appointed
August 2011

Committee membership
Executive

Qualifications
Graduated in pulp and paper engineering from the Technical University of Helsinki in 1985 and an MBA from Jyvaskyla University in 1996

Experience
Between 1985 and 2000 John had an extensive career in the forest industry, working in different operational managerial positions in Finland, the US and France in companies including M-real, Myllykoski and UPM. At UPM he then moved on to roles within corporate technology and investment coordination.

From the industry he moved on to consulting and engineering company Pöyry, where he held a number of executive positions in the forest industry business group, being involved in advisory services, pre-engineering studies and major implementation projects for the global Pulp and Paper Industry until 2011 when he joined Mondi.

External appointments
None.

Philip Laubscher
61
Company secretary Mondi Limited

Experience
Philip Laubscher, who holds BProc and LLB degrees and is an attorney of the High Court of South Africa, was in-house counsel with national power utility Eskom for 15 years before joining Mondi in 1999 as head of legal services. He was appointed company secretary of Mondi Limited in January 2001.

Jenny Hampshire
33
Company secretary Mondi plc

Experience
Jenny Hampshire, a fellow of the Institute of Chartered Secretaries & Administrators, joined Mondi in May 2007 and has held various roles in the company secretariat, the last four years as assistant company secretary. She was formally appointed company secretary of Mondi plc in December 2016. Prior to joining Mondi Jenny worked for The BOC Group plc in its company secretariat.

Philip and Jenny work together on the coordination of Mondi's DLC structure.

Corporate governance report

DLC executive committee

"With continued macroeconomic and geopolitical uncertainties, 2016 has been another challenging year for us. We have maintained our disciplined approach to allocating resources and have considered a variety of potential acquisitions and capital projects, investing wisely and monitoring our implementation to ensure that we continue to deliver strong growth in line with our stated strategic objectives."

David Hathorn
Chairman of the DLC executive committee

Composition

Members throughout the year	Committee member since	Meeting attendance (nine meetings in the year)
David Hathorn, chairman	May 2007	9
Andrew King	May 2007	9
John Lindahl	August 2011	9
Peter Oswald[1]	May 2007	8
Ron Traill	June 2008	9

1 When the date for one meeting was changed Peter Oswald was unable to attend due to a prior business commitment with a major customer

Other regular attendees

- Business unit managers
- Representatives from corporate functions, each of whom present on relevant topics

Key responsibilities

- Day-to-day management of the Group within the limits set by the Boards, including implementation of operational decisions
- Strategy implementation, including annual strategy session with the heads of each business unit
- Risk identification and the management of mitigation of those risks
- Monitoring financial, operational and safety performance, in particular monitoring the achievement of budgets, forecasts and targets
- Policy implementation

Shareholder engagement

While the joint chairmen maintain responsibility for ensuring there is effective communication with shareholders, it is the Chief executive officer and Chief financial officer who undertake an active investor programme, engaging mainly with Mondi's largest shareholders, analysts and fund managers. The senior independent director is always available to meet with shareholders as required should any issues not be capable of resolution through the more regular channels.

We work hard to establish and maintain an open and constructive dialogue with our shareholders and prospective investors. It is important to us that our strategic priorities are understood and we share regular updates on the Group's financial performance and business imperatives.

Investor events

Month	Event
February	→ Preliminary results announcement → Investor roadshow in Europe (Edinburgh)
March	→ Investor roadshow in Europe (London) → Investor roadshows in South Africa (Johannesburg, Pretoria and Cape Town) → Sun City Merrill Lynch conference
April	→ Bond roadshow – London, Munich, Frankfurt, Amsterdam and Paris → Investor roadshow in Frankfurt → Discussions with investors and advisory bodies prior to Annual General Meetings
May	→ Trading update → Annual General Meetings
August	→ Half-yearly results → Investor roadshows in South Africa (Johannesburg, Pretoria and Cape Town)
September	→ Investor roadshows in Europe (London and Edinburgh) → New York Credit Suisse conference
October	→ Trading update → Avior investor lunch (South Africa)
November	→ London UBS conference → Consultation with major shareholders and advisory bodies regarding proposed changes to remuneration policy
December	→ Vienna HSBC Conference

We accept that not all our shareholders will always be completely aligned with our plans for the future of the business but through being transparent we hope to reach a mutual understanding and welcome all feedback. On page 106 are details of the key investor events that have taken place during 2016, including meetings, investor roadshows and participation in investor conferences. In addition, the executive management make themselves available to investors in order to maintain an open dialogue, resulting in a number of meetings and calls taking place throughout the year. As Mondi continues to grow, our investor programme has adapted and we have extended the geographical reach in order to target new investors.

In addition, we don't overlook our debt providers and the Chief financial officer and Group treasurer have held regular meetings with the credit rating agencies, relationship banks and debt investors.

The remuneration committee chair undertook a consultation with major shareholders on proposed changes to the Group's remuneration policy, communicating with holders representing approximately 60% of the Group's total voting rights.

The company secretary's office is the focus for private shareholder communications, responding to individual shareholder correspondence, and co-ordinating our engagement on corporate governance matters.

As we move forward with our Growing Responsibly agenda, our Group head of sustainable development continues to maintain a dialogue on socially responsible investment through focused briefings with interested investors and stakeholders.

All directors are kept informed of shareholder views and feedback, particularly from the full and half year investor roadshows, which are presented and discussed at board meetings. Analyst reports are shared regularly with the board and consideration given to any views both positive and negative regarding the Group's performance, future direction and the perceptions of the management team.

The Mondi Group website – www.mondigroup.com – contains a wealth of information including the latest news from around the Group, announcements, share price, general shareholder information as well as more in-depth reports regarding our sustainability commitments and progress. In December 2016 we re-launched our website with improved digital design and functionality and improved navigability.

No requests for access to records under the South African Promotion of Access to Information Act 2000 were received during 2016.

Annual General Meetings

At the 2016 Annual General Meetings all resolutions were passed. Overall in excess of 76% of the total Group shares were voted. The directors did however note that the votes against five of the resolutions were higher than for other resolutions. These resolutions all related to the authority to be given to directors to allot and issue shares of Mondi Limited and of Mondi plc. The voting was in line with the pattern Mondi has seen at previous Annual General Meetings. Having engaged with shareholders in this regard over recent years the directors are aware that South African shareholders in particular have concerns about these types of resolution. We understand from our engagement with shareholders that this is not specific to Mondi and they routinely vote against such resolutions as a matter of policy.

The Annual General Meetings of Mondi Limited and Mondi plc are scheduled to be held on 11 May 2017 in Johannesburg and London respectively, presenting an opportunity for shareholders to question the directors about our activities and prospects. Directors are available to meet informally with shareholders immediately before and after the meetings. It is expected that all directors and, in particular, the chairmen of the committees will be present.

Separate resolutions will be proposed for each item of business to be considered at the meetings, with the voting conducted by polls. It is confirmed that each director will be standing for re-election by shareholders at the meetings. While all resolutions to be presented to shareholders represent regular business, following the external audit tender process and our decision to change auditors, Deloitte will not be seeking re-election and we will be proposing the appointment of PwC (see page 99 for more information). The voting results will be announced on the JSE and LSE and made available on the Mondi Group website as soon as practicable following the close of both meetings.

The notices, which include explanations of each resolution, are contained in separate circulars which will be sent to all shareholders in advance of the meetings, in accordance with the corporate governance codes of South Africa and the UK.

Corporate governance report

Dealing in securities

During the year the EU Market Abuse Regulation came into force. The Boards undertook a detailed review of all current policies and procedures relating to dealing in the securities of Mondi Limited and Mondi plc. Pursuant to the DLC structure, it was also necessary to consider the governance and regulatory requirements in South Africa. This review culminated in a new share dealing code and procedures being adopted and guidelines issued. The Boards received training on the new requirements from the Group's legal advisers and have ensured that a programme of training for all key personnel has been carried out. The code sets out the restrictions placed on directors, senior management and other key employees with regard to their share dealing to ensure that they do not abuse their access to information about the Group pending its public release and availability to shareholders and other interested parties.

All dealings by directors and persons discharging managerial responsibilities and their closely associated persons are announced to the JSE and the LSE when they occur. Details of the directors' interests in the shares of both Mondi Limited and Mondi plc can be found on page 123.

Business ethics

Mondi continues to have a stated policy of zero tolerance of bribery and corruption. The Boards have adopted a Code of Business Ethics that governs our corporate conduct and which applies throughout the Group. The code sets out five fundamental principles that govern the way in which Mondi and its employees conduct business. Three of the principles are monitored and reviewed by the DLC sustainable development committee (human rights, stakeholders and sustainability) and two by the DLC audit committee (legal compliance and honesty and integrity).

The code incorporates the requirement for the Group to comply with all applicable laws and regulations. Our legal and governance compliance is managed at business unit level, supported by a central team of relevant professionals who have oversight of compliance, including consideration of the application of non-binding rules, codes and standards. Regular reports are presented to the Boards, or relevant committees, on compliance matters.

The detailed application of the principles of the code is documented in Mondi's policies and procedures, in particular the Business Integrity Policy and the Sustainable Development Policy. These policies have been rolled out across the Group and regular training is provided to all relevant employees. Our internal audit team tests the implementation of these policies and reports to the audit committee on their findings. The directors believe that the Group has robust compliance systems and procedures in place in relation to the code. The directors are not aware of any material non-compliance with the code. The code is available on the Mondi Group website.

Mondi has not been the subject of any legal actions against it for anti-competitive behaviour, anti-trust or monopoly practices during the year. Mondi has not received any material fines or non-monetary sanctions for non-compliance with laws and regulations.

Remuneration report

Introduction from the DLC remuneration committee chairman

Anne C Quinn
Chairman of the DLC remuneration committee

I am pleased to present the committee's report on directors' remuneration.

Due to Mondi's DLC structure we are required to comply with both UK and South African regulations. Under UK rules, the Directors' Remuneration Policy (DRP) must be put to a binding shareholder resolution every three years. As Mondi's DRP was last put to a shareholder vote in 2014, shareholders are being asked to support Mondi's DRP at the 2017 AGMs. In preparation for this vote the committee has thoroughly reviewed the remuneration structures in place for the executive directors. With the Group's strong growth over a number of years, it is now significantly larger and is positioned close to the median market capitalisation of the FTSE100. It has expanded its operations and made a number of strategic acquisitions, increasing the scale, complexity and profitability of the business and delivering one of the highest levels of Return on Capital in its sector.

Amendments to the DRP

- → The maximum variable pay levels in the policy of 150% of base salary (bonus) and 200% of base salary (LTIP) have not changed since listing some 10 years ago, when Mondi was very much smaller. They are substantially below the market median for a group of Mondi's size and scope. The committee considered whether these should be brought up to the market competitive levels of 200% of base salary (bonus) and 250% of base salary (LTIP). However, after consultation with major shareholders, and conscious of the need for restraint in executive pay, the committee has decided to propose more modest changes, to bring the policy maximums to 175% of base salary (bonus) and 225% of base salary (LTIP), which are both below market median for a group of Mondi's size and international complexity.
- → Moreover, the committee has decided that changes to the actual levels awarded should be brought in gradually, and that awards in 2017 should be set below the new policy maximums. This approach is consistent with the committee's conservative and prudent approach to setting variable pay levels. The proposed maximum bonuses for 2017 are 165% of base salary for the Group Chief executive officer role and 135% of base salary for other executive directors. The LTIP awards will be accompanied by a more stretching financial performance target (see below).
- → It is also proposed that the maximum company pension contribution for executive directors should be reduced to 25% of salary from the previous 30%. The exception to this is David Hathorn whose 30% contribution will subsist for as long as he remains an employee.

The committee is proposing three other important changes to accompany the increase in variable pay maximums. These changes increase alignment with shareholders' interests and help to drive performance.

- → First, for LTIP awards made in 2017 and subsequently, a two-year post-vesting holding period will apply to the shares awarded to executive directors.
- → Second, the executive directors' normal shareholding requirement will also increase to 200% of base salary, from the current levels of 150% (Chief executive officer) and 100% (other directors) of base salary.
- → Third, for the 2017 LTIP awards, the committee proposes to increase the return on capital employed (ROCE) performance required for vesting of 100% of this portion of the award from the current 16% to a new level of 18%.
- → The committee's approach, for both annual bonus and LTIP, will be to set target ranges that are: aligned to Mondi's strategy; suitably stretching; and disclosed in the remuneration report.

Performance and remuneration for 2016

As described in the Strategic report, Mondi's performance in the year under review was strong. ROCE performance was 20.3% and EBITDA[1] was €1,366 million. Bonus performance outcomes against the targets that were set are outlined in the annual report on remuneration. As was done in last year's report we have, with due regard to commercial sensitivity, disclosed EBITDA and ROCE requirements on a prior year retrospective basis. Disclosure of the safety and personal objectives elements are for the year under review in accordance with the standard that was set last year.

1 EBITDA as used in the remuneration report refers to underlying EBITDA as defined in the glossary to the Integrated report and financial statements 2016

Remuneration report
Introduction from the DLC remuneration committee chairman

Performance outcomes are reflected in the remuneration received by directors:

- Annual bonuses of approximately 69% to 70% of the maximum have been awarded in respect of performance in 2016. This recognises the Group's financial performance and excellent safety performance, as well as performance against personal, operational and strategic objectives that were set at the start of the year.
- The performance period for the 2014 LTIP ended on 31 December 2016. Half of the award was based on ROCE performance and the other half on relative total shareholder return (TSR) performance. ROCE for the three-year performance period was 19.5%, above the applicable performance range of 10% to 16%. The Group's TSR over the period was 77.5% for Mondi plc and 78.6% for Mondi Limited, which placed it just below the top 25% of the comparator group. As a result of this performance 100% of the ROCE element, and 85% of the TSR element, and therefore 92.5% of the overall LTIP award, vested.

Changes to the executive team

As we announced on 1 February 2017, our existing Group Chief executive officer, David Hathorn, is retiring from the Boards at the AGMs after some 17 years as Group Chief executive. He will, on conclusion of the AGMs on 11 May 2017, be succeeded as Group Chief executive officer by Peter Oswald, our long-standing and highly successful Chief executive officer of Mondi's Europe & International Division. David will continue to serve Mondi in an executive capacity during his contractual notice period to February 2018 to ensure a smooth transition. While David continues to work in an executive capacity, he will receive salary and benefits, and be eligible for a 2017 annual bonus subject to the normal performance conditions. His LTIP awards will be pro-rated down for time served in accordance with shareholder guidelines, at the date he retires, and remain subject to the normal performance conditions and vesting dates. The committee has also decided that any performance-based bonus awarded for 2017 performance, and any LTIP award that is made in 2017, should be subject to the limits that applied to him in 2016 and not the new opportunities proposed for the Chief executive officer role that are referred to in the policy proposals above.

Peter Oswald's base salary as Group Chief executive officer will be set at €1,050,000, which is a 9.8% increase for the promotion to this role, and the salary is less than that of his predecessor David Hathorn (at an exchange rate of £1 = €1.16). Peter's company pension contribution percentage will not increase on promotion to Group Chief executive officer and will be below the level that applied to David Hathorn as Group Chief executive officer.

The proposed remuneration policy will continue to motivate our senior team to achieve the Group's objectives and deliver sustained returns for our shareholders. We also believe that the remuneration of executives during 2016 reflects our successes to date in the delivery of our strategy.

I trust that you will feel able to support the remuneration resolutions at this year's Annual General Meetings.

Anne C Quinn
Chairman of the DLC
remuneration committee

Directors' remuneration policy

The report

The report has been prepared by the DLC remuneration committee and approved by the boards of Mondi Limited and Mondi plc (together 'the Boards'). Deloitte & Touche and Deloitte LLP have independently audited the items stipulated in the regulations:

- executive directors' and non-executive directors' remuneration and associated footnotes on page 118;
- the table of share awards granted to executive directors and associated footnotes on pages 125 and 126; and
- the statement of directors' shareholdings and share interests on page 123.

Directors' remuneration policy

This part of the directors' remuneration report sets out the remuneration policy for the Group and has been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The policy has been developed taking into account the principles of the governance codes in South Africa and the UK and the views of our major shareholders. The policy was last put to a binding shareholder vote at the 2014 Annual General Meetings. The policy, with proposed areas of change identified below, is therefore being put to a binding shareholder vote at the 2017 Annual General Meetings in accordance with the requirements of the UK Enterprise and Regulatory Reform Act 2013.

The Group's remuneration policy has been set with the objective of attracting, motivating and retaining high-calibre directors, in a manner that promotes the long-term success of the Group, is consistent with best practice and aligned with the interests of the Group's shareholders.

Remuneration policy for executive directors is framed around the following key principles:

- remuneration packages should be set at levels that are competitive in the relevant market;
- the structure of remuneration packages and, in particular, the design of performance-based remuneration schemes, should be aligned with shareholders' interests and should support the achievement of the Group's business strategy and the management of risk;
- a significant proportion of the remuneration of executive directors should be performance-based;
- the performance-based element of remuneration should be appropriately balanced between the achievement of short-term objectives and longer-term objectives; and
- the remuneration of executive directors should be set taking appropriate account of remuneration and employment conditions elsewhere in the Group.

Key changes to the policy

The maximum variable pay levels of 150% of base salary (bonus) and 200% of base salary (LTIP) in the DRP have not changed since listing in 2007, and are relatively low for a group of Mondi's size. The committee proposes to increase the bonus maximum level to 175% and the LTIP maximum level to 225% of base salary to bring them to a more competitive level. However, as in the past, the committee will use the bonus and LTIP capacity prudently: for 2017, the maximum annual bonus and LTIP grant levels will be set below the proposed new maximums. The maximum bonus for the Chief executive officer will be 165% of base salary, and the maximum LTIP award will be 210% of base salary in 2017. For other executive directors, the maximum bonus will be 135% of base salary, and the maximum LTIP award will be 175% of base salary in 2017.

The committee is proposing other important changes to accompany the increase in variable pay maximums. For LTIP awards made in 2017 and subsequently, a two-year post-vesting holding period will apply to the shares awarded to executive directors.

The committee will continue to set a minimum shareholding requirement for executive directors. Details of this are provided in the annual report on remuneration. From 2017, the normal shareholding requirement will increase to 200% of base salary, from the current level of 150% (Chief executive officer) and 100% (other directors) of base salary. LTIP shares that have vested and that are in the two-year post-vesting holding period will count towards the shareholding requirement. The committee will retain discretion within the policy to set or vary the holding requirements.

The committee will set appropriate performance metrics and targets for variable pay awards. For LTIP awards in 2017, the committee proposes to increase the ROCE performance required for 100% vesting of this portion of the award from the current 16% to a new level of 18%. The committee's continuing approach will be to set target ranges that are aligned to Mondi's strategy and are suitably stretching, and will retain discretion to determine those metrics and targets.

The maximum company pension contribution for executive directors is reducing to 25% of base salary from the current 30% level. David Hathorn's contribution level of 30% will continue until he leaves service in 2018.

Directors' remuneration policy

Executive directors' remuneration policy table

The following table summarises key elements of the remuneration of executive directors in accordance with reporting regulations:

	Base salary	Benefits	Pension	Bonus Share Plan (BSP)
Purpose and link to strategy	To recruit and reward executives of a suitable calibre for the role and duties required.	To provide market competitive benefits.	To provide market competitive pension contributions.	To provide incentive and reward for annual performance achievements. To also provide sustained alignment with shareholders through a deferred component.
Operation	Reviewed annually by the committee, taking account of Group performance, individual performance, changes in responsibility and levels of increase for the broader employee population. Reference is also made to market median levels in companies of similar size and complexity. The committee considers the impact of any base salary increase on the total remuneration package. Salaries (and other elements of the remuneration package) may be paid in different currencies as appropriate to reflect their geographic location.	The Group typically provides: → car allowance or company car; → medical insurance; → death and disability insurance; → limited personal taxation and financial advice; and → other ancillary benefits, including relocation and assistance with expatriate expenses (as required). The policy authorises the committee to make minor changes to benefits provision from time to time, including if appropriate implementing all-employee share plans up to the limits approved by tax authorities.	Defined contribution to pension, or cash allowance of equivalent value. Only base salary is pensionable.	Awards are based on annual performance against a balanced scorecard of metrics as determined by the committee from time to time such as EBITDA and percentage ROCE and safety. These have the highest weighting (currently 70% of the total). Individual performance is also assessed against suitable objectives, and currently has a 30% weighting. The policy gives the committee the authority to select suitable performance metrics, aligned to Mondi's strategy and shareholders' interests, and to assess the performance outcome. Half of the award is delivered in cash and half in deferred shares which normally vest after three years (subject to service conditions), and with no matching element. On vesting of deferred shares, participants receive a bonus of equivalent value to the dividends that would have been payable on those shares between the date when the awards were granted and when they vest. Malus and clawback provisions apply to awards made since January 2011.
Maximum opportunity	There is no prescribed maximum salary or annual increase. However, increases will normally be no more than the general level of increase in the UK market or the market against which the executive's salary is determined. On occasions a larger increase may be needed to recognise, for example, development in role or change in responsibility. Details of the outcome of the most recent review are provided in the annual report on remuneration.	Maximum values are determined by reference to market practice, avoiding paying more than is necessary.	The maximum company pension contribution for executive directors is 25% of salary, with the exception of David Hathorn whose contribution will remain 30% of salary.	The maximum annual bonus is 175% of salary. The committee will apply a limit of 165% for the Chief executive officer and 135% for other executive directors for the 2017 performance year (i.e. below the policy maximum).

	Long-Term Incentive Plan (LTIP)	Share ownership policy
Purpose and link to strategy	To provide incentive and reward for the delivery of the Group's strategic objectives, and provide further alignment with shareholders through the use of shares.	To align the interests of executive directors with those of shareholders.
Operation	Individuals are considered each year for an award of shares that normally vest after three years to the extent that performance conditions are met and in accordance with the terms of the plan approved by shareholders. Under the plan rules, the committee has the ability to cash-settle awards, if necessary, in exceptional circumstances. There is no current intention for awards to the executive directors to be delivered in this way. Awards are granted subject to continued employment and satisfaction of challenging performance conditions measured over three years, which are set by the committee before each grant. For awards to be granted in 2017, metrics comprise TSR against a suitable peer group, and percentage ROCE, each with a 50% weighting. The vesting outcome can also be reduced, if necessary, to reflect the underlying or general performance of the Group. Performance is measured over three calendar years, starting with the year of grant. For awards granted from 2013 onwards, an amount equivalent to dividends that would have been payable on the unvested share awards are rolled up and paid out (in cash and/or additional shares) at the end of the vesting period based on the proportion of the award that actually vests. Malus and clawback provisions apply to awards made since January 2011. A post-vesting holding period will apply to executive directors for awards made from 2017 onwards. Executive directors are required to retain the LTIP shares that vest (net of tax) for a period of two years. The two-year holding requirement will continue if they leave employment during the holding period. The shares held will count towards the executive director's normal holding requirement.	Executive directors are required to acquire and maintain shareholdings in Mondi Limited or Mondi plc to a minimum of 200% of base salary. The requirement is to be met within no more than five years from the date of appointment. While the executive director is building to the required shareholding level, deferred bonus awards under the BSP, net of the expected tax liability that will apply on vesting, will count towards the requirement. Once the required shareholding has been met, such shares will not count unless the committee at its sole discretion determines that a number of deferred shares may count towards the entitlement of a director. Unvested LTIP awards (i.e. those awards where performance targets and/or a service requirement must still be met for awards to vest) will not count towards the entitlement. LTIP shares that have vested and on which tax has been paid and that are within the two-year post-vesting holding period will count towards the entitlement. Previously compliant directors who do not meet the minimum requirements on annual assessment are to achieve compliance by 31 December of the same year. In order to allow the committee to deal with unexpected circumstances, the committee retains discretion on how to operate the Policy and may make exceptions and allowances if it sees fit.
Maximum opportunity	The maximum grant limit is 225% of base salary (face value of shares at grant), to any individual in a single year. For the awards to be made in 2017, the committee intends to make awards below the policy maximum, of 210% to the Chief executive officer and 175% to other executive directors. 25% of the grant is available for threshold performance, rising on a straight-line scale to 100% of the grant for performance at the 'stretch' level. Individual awards, up to the policy limit, are determined each year by the committee. The Committee's practice has historically been to make grants below the policy maximum as detailed in the annual report on remuneration.	Not applicable.

Directors' remuneration policy

Choice of performance measures and approach to target setting

Bonus Share Plan (BSP)

The table below shows the metrics for 2017, why they were chosen and how targets are set.

Metric	Why chosen?	How targets are set
EBITDA	A key indicator of the underlying profit performance of the Group, reflecting both revenues and costs.	Targets and ranges are set each year by the committee taking account of required progress towards strategic goals, and the prevailing market conditions.
ROCE (%)	A key indicator of the effective use of capital.	Targets and ranges are set each year by the committee taking account of the required progress towards strategic goals, and the prevailing market conditions.
Safety	One of the key indicators of whether the business is meeting its sustainability goal of zero harm.	The committee considers input from the DLC sustainable development committee, and sets appropriate standards and goals.
Personal performance	An indicator of the contribution each executive director is making to the overall success of the management team.	Targets are set each year by the committee, based on the specific priorities, and areas of responsibility of the role.

The policy gives the committee the authority to select suitable performance metrics, aligned to Mondi's strategy and shareholders' interests.

Long-Term Incentive Plan (LTIP)

The table below shows the metrics for 2017 grants, why they were chosen and how targets are set.

Metric	Why chosen?	How targets are set
TSR, relative to a peer group of competitors	TSR measures the total returns to Mondi's shareholders, so provides close alignment with shareholder interests.	The committee sets the performance requirements for each grant. A peer group of packaging and paper sector companies is used. Nothing vests below median. 25% vests for median performance; 100% vests for upper quartile performance, with a straight-line scale between these two points.
ROCE (%)	A key indicator of the effective use of capital.	The committee sets threshold and stretch levels, aligned to the Group's strategic targets for ROCE. Nothing vests below threshold. 25% vests for threshold performance; 100% vests for stretch performance, with a straight-line scale between these two points.

The policy gives the committee the authority to select suitable performance metrics, aligned to Mondi's strategy and shareholders' interests.

Differences in remuneration policy for executive directors compared to other employees

There are differences in the structure of the remuneration policy for the executive directors and employees, which are necessary to reflect the different levels of responsibility and market practices. The key difference is the increased emphasis on performance-related pay in senior roles. Lower maximum incentive pay opportunities apply below executive level, driven by market benchmarks and the relative impact of the role. Only the most senior executives in the Group participate in the LTIP and the BSP as these plans are targeted on those individuals who have the greatest responsibility for Group performance.

Executive directors' existing service contracts, and policy on loss of office

The service contracts for David Hathorn and Andrew King provide for one year's notice by either party. They include pay in lieu of notice provisions which may be invoked at the discretion of the Group. The payment in lieu of notice would comprise base salary, benefits and pension contributions for the notice period and an amount in compensation for annual bonus only for that part of the financial year the individual has worked.

Peter Oswald was recruited, and is based, in Austria. His service contract is required under Austrian law to be for a fixed period, which renewable fixed period expires on 30 April 2019. However, the contract has also been structured as far as possible to conform to the accepted practice for directors in the UK, and can be terminated on one year's notice by either party. Prior to 2008, he did not have a notice period, and was entitled to receive compensation on termination equivalent to remuneration for the unexpired term of the five-year fixed term contract. The committee re-negotiated this contract in 2008 to substantially reduce the Group's potential liabilities, and introduced a standard 12-month notice period, together with an accompanying lump sum payment on termination, which was necessary to facilitate the transition from the previous contract. In the event of termination by Mondi, other than for 'cause', the current contract provides for payment of base salary, benefits and pension contribution in respect of the 12-month notice period and eligibility for annual bonus in respect of the period he has worked. He would also be eligible for a lump sum amount calculated as €908,800 plus interest on this amount accrued at the Euribor interest rate for the period since 1 January 2008.

Any share-based entitlements granted to an executive director under the Group's share plans will be determined based on the relevant plan rules. The default treatment is that any outstanding awards lapse on cessation of employment. However, in certain prescribed circumstances, such as death, disability, retirement or other circumstances at the discretion of the committee (taking into account the individual's performance and the reasons for their departure) 'good leaver' status can be applied. For good leavers, vesting of BSP awards that are not subject to performance conditions is accelerated to as soon as practical after employment termination. LTIP awards remain subject to performance conditions (measured over the original time period) and are reduced pro-rata to reflect the proportion of the performance period actually served. The committee has the discretion to disapply the application of performance conditions and/or time pro-rating if it considers it appropriate to do so. However, it is envisaged that this would only be applied in exceptional circumstances. In determining whether an executive should be treated as a good leaver or not, the committee will take into account the performance of the individual and the reasons for their departure.

Details of the service contracts of the executive directors who served during the period under review are as follows. These contracts were all signed prior to 27 June 2012.

Executive director	Effective date of contract	Unexpired term/notice period
David Hathorn	3 July 2007	Terminable on 12 months' notice
Andrew King	23 October 2008	Terminable on 12 months' notice
Peter Oswald	1 January 2008	A fixed term expiring on 30 April 2019 but terminable at any time on 12 months' notice

A director's service contract may be terminated without notice and without any further payment or compensation, except for sums accrued up to the date of termination, on the occurrence of certain events such as gross misconduct.

Service contracts for new appointments

Normally, for any new executive director appointments, the Group's policy is that the service contracts should provide for one year's notice by either party. The contract would provide that, in the event of termination by the company, other than for 'cause', the executive would be eligible for:

→ payment of the base salary, pension contribution and benefits in respect of the unexpired portion of the 12-month notice period;

→ annual bonus only in respect of the period they have served, payable following the relevant performance year-end and subject to the normal performance conditions for annual bonus; and

→ share-based awards they hold, subject to the plan rules, which include arrangements for pro-ration of LTIP awards and continued application of performance conditions.

The Group would seek to apply the principle of mitigation to the termination payment by, for example, making payments in instalments that can be reduced or ended if the former executive wishes to commence alternative employment during the payment period.

In exceptional circumstances, such as to secure for the Group the appointment of a highly talented and experienced executive in a market such as Germany or Austria where it is common for the most senior executives to have three-year or five-year fixed term contracts, the committee may need to offer a longer initial notice period that reduces progressively to one year over a set time period. In such exceptional circumstances, the committee would seek to ensure that any special contract provisions are not more generous than is absolutely necessary to secure the appointment of such a highly talented individual. The committee would also take account of the remuneration and contract features that the executive may be foregoing or relinquishing in order to join Mondi, in comparison with the overall remuneration package that Mondi is able to offer.

Directors' remuneration policy

Approach to remuneration for new executive director appointments

The remuneration package for a newly appointed executive director would be set in accordance with the terms of the Group's approved remuneration policy in force at the time of appointment. The variable remuneration for a new executive director would be determined in the same way as for existing executive directors, and would be subject to the maximum limits on variable pay referred to in the policy table on pages 112 and 113.

For an internal appointment, any legacy pay elements awarded in respect of the prior role would be allowed to pay out according to their terms.

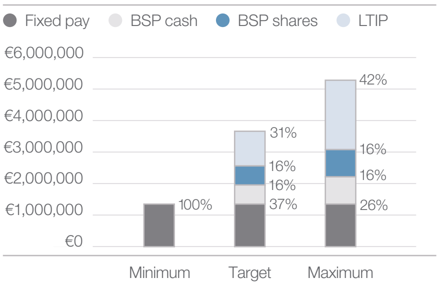
For internal and external appointments, the Group may meet certain relocation expenses, as appropriate.

For external appointments, the committee may also offer additional cash and/or share-based elements when it considers these to be in the best interests of Mondi and shareholders, to replace variable remuneration awards or arrangements that an individual has foregone in order to join the Group. This includes the use of awards made under section 9.4.2 of the UK Listing Rules. Any such payments would take account of the details of the remuneration foregone including the nature, vesting dates and any performance requirements attached to that remuneration.

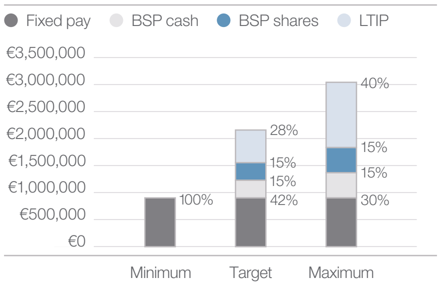
Remuneration scenarios at different performance levels[1]

The charts below illustrate the total potential remuneration for each executive director at three performance levels.

CEO



CFO



1 Assumptions:
Minimum = fixed pay only (salary + benefits + pension)
On-target = 70% vesting of the annual bonus and 50% for LTIP awards
Maximum = 100% vesting of the annual bonus and LTIP awards
Salary levels on which the elements of the package are calculated on are, for the Chief financial officer, based on the 1 January 2017 salary and for the Chief executive officer the salary on appointment after the AGMs in 2017

Remuneration policy for non-executive directors

Element	Purpose and link to strategy	Operation	Maximum opportunity
Non-executive chairmen fees	To attract and retain high-calibre chairmen, with the necessary experience and skills. To provide fees which take account of the time commitment and responsibilities of the role.	The joint chairmen each receive an all-inclusive fee.	The joint chairmen's fees are reviewed periodically by the committee. While there is not a maximum fee level, fees are set by reference to market median data for companies of similar size and complexity to Mondi.
Other non-executive fees	To attract and retain high-calibre non-executives, with the necessary experience and skills. To provide fees which take account of the time commitment and responsibilities of the role.	The non-executives are paid a basic fee. Attendance fees are also paid to reflect the requirement for non-executive directors to attend meetings in various international locations. The chairmen of the main board committees and the senior independent director are paid additional fees to reflect their extra responsibilities.	Non-executive directors' fees are reviewed periodically by the joint chairmen and executive directors. While there is not a maximum fee level, fees are set by reference to market median data for companies of similar size and complexity to Mondi.

The Group may reimburse the reasonable expenses of board directors that relate to their duties on behalf of Mondi (including tax thereon if applicable). The Group may also provide advice and assistance with board directors' tax returns where these are impacted by the duties they undertake on behalf of Mondi.

All non-executive directors have letters of appointment with Mondi Limited and Mondi plc for an initial period of three years. In accordance with best practice, non-executive directors are subject to annual re-election at the Annual General Meetings. Appointments may be terminated by Mondi with six months' notice. No compensation is payable on termination, other than accrued fees and expenses.

Statement of consideration of employment conditions elsewhere in the Group

The Group's remuneration policy for the remuneration of executive directors and other senior executives is set taking appropriate account of remuneration and employment conditions of other colleagues in the Group.

The committee annually receives a report from management on pay practices across the Group, including salary levels and trends, collective bargaining outcomes and bonus participation. At the time that salary increases are considered the Committee additionally receives a report on the approach management proposes to adopt for general staff increases. Both these reports are taken into account in the committee's decisions about the remuneration of executive directors and other senior executives.

The Group does not engage in formal consultation with employees on directors' remuneration policy. However, employees of the Group are encouraged to provide feedback on the Group's general employment policies. In some countries where the Group operates, more formal consultation arrangements with employee representatives are in place relating to employment terms and conditions, in accordance with local custom and practice. The Group also conducts periodic employee engagement surveys which gauge employees' satisfaction with their working conditions. The Mondi Boards are given feedback on these survey results.

Shareholder context

The committee considers the views of shareholders in its deliberations about the remuneration of executive directors and other senior executives, and consults directly with major shareholders when any material changes to policy are being considered.

Legacy arrangements

For the avoidance of doubt, in approving this policy report, authority is given to the Group to honour any commitments entered into with current or former directors that have been disclosed to shareholders in previous remuneration reports. Details of any payments to former directors will be set out in the annual report on remuneration as they arise.

Annual report on remuneration

2016 remuneration of directors

This table reports executive and non-executive directors' remuneration in accordance with UK reporting regulations applicable to financial reporting periods ending on or after 1 October 2013.

		Base salary/ NED fees[1]	Benefits	Pension contribution	Annual bonus including grant value of BSP award	Value of LTIP vesting in the performance year[2]	Value of LTIP vesting at date of grant[3]	Share price gain on vesting LTIP award between grant and vest dates[4]	Other[5]	Total
David	2016	€1,114,401	€48,959	€332,187	€1,146,190	€2,531,643	€1,948,184	€583,459	€253,196	€5,426,576
Hathorn	2015	€1,234,121	€54,323	€368,889	€1,652,794	€3,624,552	€1,808,590	€1,815,962	€82,106	€7,016,785
Andrew	2016	€660,567	€39,787	€165,142	€551,440	€1,051,423	€809,105	€242,318	€106,965	€2,575,324
King	2015	€729,693	€43,192	€182,423	€790,518	€1,505,317	€751,127	€754,190	€37,895	€3,289,038
Peter	2016	€939,000	€40,634	€234,750	€785,380	€1,508,243	€1,163,507	€344,736	€174,288	€3,682,295
Oswald	2015	€921,000	€39,557	€230,250	€990,260	€2,004,818	€1,133,609	€871,209	€53,226	€4,239,111
Fred	2016	€339,689								€339,689
Phaswana	2015	€378,995								€378,995
David	2016	€339,689								€339,689
Williams	2015	€378,995								€378,995
Stephen	2016	€107,973								€107,973
Harris	2015	€119,712								€119,712
John	2016	€104,528								€104,528
Nicholas	2015	€119,710								€119,710
Anne	2016	€111,352								€111,352
Quinn	2015	€127,312								€127,312
Dominique	2016	€102,058								€102,058
Reiniche[6]	2015	€30,578								€30,578

1 David Hathorn's and Andrew King's salaries are denominated in pounds sterling and their 2016 salaries were £911,000 and £540,000 respectively.

The non-executive directors' fees are also denominated in pounds sterling. Euro amounts are reported based on exchange rates on the dates actual payments were made. Non-executive director fees were increased by circa 2% with effect from 12 May 2016 following the passing of a resolution at the Annual General Meetings of Mondi Limited and Mondi plc. See the table on page 122 for current fee levels

2 For 2016, the three-year performance cycle of the 2014 LTIP award ended on 31 December 2016. The award value shown has been based on the average share price over the last three months of the performance cycle. For 2015, the three-year performance cycle of the 2013 LTIP award ended on 31 December 2015. The award value shown in the 2015 remuneration report was an estimate based on the average share price over the last three months of the performance cycle which was £14.43 for Mondi plc LTIP awards and ZAR310.44 for Mondi Limited LTIP awards. The actual award price on vesting was £13.41 for Mondi plc LTIP awards and ZAR292.76 for Mondi Limited LTIP awards. The award values for 2015 have been restated on this basis

3 For 2016, the value is shown of the 2014 LTIP award made at the start of the three-year performance cycle, and for 2015, the value of the 2013 LTIP award made at the start of the three-year performance cycle

4 For 2016, the enhanced value is shown of the 2014 LTIP based on the share price gain between grant and the average share price over the last three months of the performance cycle. The value of Mondi plc's shares increased from £10.88 to £16.06, and the value of Mondi Limited shares from ZAR194.35 to ZAR276.73 during this time. For 2015, the enhanced value is shown of the 2013 LTIP that vested based on share price appreciation during the holding period. The value of Mondi plc's shares increased from £8.51 to £13.41, and the value of Mondi Limited shares from ZAR114.64 to ZAR292.76

5 Includes cash amounts of equivalent value to dividends on vested BSP and LTIP shares during the year. See table of share awards granted to executive directors on pages 125 and 126

6 Dominique Reiniche's fee covers the period from her appointment on 1 October 2015

Annual bonus

Approach to disclosure of bonus targets

Since its 2012 report, Mondi has disclosed the performance measures used for the annual bonus as well as outcomes against these measures.

In the 2015 report we went substantially further in providing details of the performance against safety objectives that were set for the year under review. In the case of executives' personal objectives we described the achievements of our executives against key 2015 focus areas, together with the ratings awarded to each executive.

In the case of financial performance, we provided retrospective disclosure of the financial bonus ranges and outcomes for the year prior to the year under review. We additionally provided outline disclosure of financial bonus outcomes for the year under review. The retrospective approach was adopted for reasons of commercial sensitivity. Few of Mondi's competitors are subject to the same disclosure obligations as Mondi and disclosure of the detailed financial bonus ranges for the year under review would place Mondi at a competitive disadvantage.

For its 2016 report Mondi has therefore again adopted this approach to bonus disclosure.

2016 bonus outcomes

For the annual bonus in respect of 2016 performance, the performance measures and achievement levels were:

	BSP performance measures				
	EBITDA	ROCE	Safety	Personal	Total
Weight	30	30	10	30	100
Outcomes:					
David Hathorn	18.1	16.6	10	24	68.7
Andrew King	18.1	16.6	10	25	69.7
Peter Oswald	18.1	16.6	10	25	69.7

Retrospective disclosure of 2015 financial bonus ranges

Financial performance was assessed against the EBITDA and ROCE ranges that were set for 2015. The 2015 ranges and outcomes were:

	EBITDA (€m)	Bonus outcome (points)	ROCE (%)	Bonus outcome (points)
Entry level	985	7.5	13.9%	7.5
Target	1,159	18.75	16.4%	18.75
Ceiling	1,332	30.00	18.8%	30.00
Outcome	1,325	29.60	20.5%	30.00

Full disclosure of the 2016 bonus ranges and outcomes will be included in the 2017 report.

Safety element of 2016 bonus

Five points of the 10-point safety element was payable on the achievement of total recordable case rate (TRCR) targets. If the achieved TRCR rate was 0.75 or better, then the entire 5 points would be earned. One point would be earned for a TRCR of 0.83, with straight-line interpolation for TRCR performance between 0.75 and 0.83. The other 5 points were payable if there were no fatalities within the Mondi Group. If there is one fatality then these 5 points are forfeited. If there are two fatalities during the year then the entire 10 points attributable to safety are forfeited.

Mondi continued to achieve an industry-leading TRCR performance. The TRCR that was achieved for 2016 was 0.66 and there were no fatalities of employees or contractors. 10 points attributable to this element were therefore earned.

Overview
Strategic report
Governance
Financial statements

Annual report on remuneration

Personal objectives of executives for 2016 bonus

Key objectives and achievements

The executive directors share many key objectives and also have individual objectives that are specific to their roles. Key objectives, and achievements against these objectives during 2016, included:

Strategy development and execution	→ All committed major projects on track and on budget with the exception of the rebuilt paper and inline coating machine at our Štětí mill where progress has been slower than anticipated. → A large number of potential acquisitions considered. → Four acquisitions completed, two in Corrugated Packaging (SIMET (Poland) and Lebedyan (Russia)) and two in Consumer Goods Packaging (Kalenobel (Turkey) and Uralplastic (Russia)). → Growth pipeline assured with over €800 million in major projects approved.
Organisational performance	→ Rationalisations continued: Industrial Bags plant in southern Belgium and Release Liner plant in the US. → Successful commissioning of major expansionary projects including at Świecie (Poland) and Richards Bay (South Africa). → Substantial cost reductions as part of our ongoing "Profit Improvement Initiative". → Quality initiative launched to improve margins.
Financial efficiency and financing	→ Successful launch of €500 million Eurobond, ensuring strong liquidity position. → Self-financing of major capital projects and acquisitions due to strong cash generation. → Significant work on tax optimisation, risk mitigation and external reporting.
Organisational structure and resourcing	→ Succession plans for key roles.
Organisational culture	→ Safety focus on major risks continued. TRCR improved 5.7% on prior year. → Comprehensive actions taken based on employee survey at the end of 2015. → Management style and leadership assessed via 360 degree surveys.
Stakeholder relationships	→ Extensive roadshows, individual meetings and phone calls with existing and potential shareholders. → Government and NGO engagement on a wide variety of issues e.g. forestry, employees, communities, industry groups. → Implemented Growing Responsibly model, defining our sustainability commitments to 2020.
The ratings of the three executive directors were:	David Hathorn 24/30 Andrew King 25/30 Peter Oswald 25/30

Detail of annual bonus awarded in the year

Name	Awarded in cash	Awarded in shares	Total
David Hathorn	€573,095	€573,095	€1,146,190
Andrew King	€275,720	€275,720	€551,440
Peter Oswald	€392,690	€392,690	€785,380

Malus and clawback

The committee considered whether there were any circumstances in the year that would have required clawback and agreed that such circumstances did not exist. Under Mondi's LTIP and BSP rules malus and clawback can be applied to awards made on or after 1 January 2011 if there has been a misstatement of financial results, or performance conditions that are relevant to the Plans, that had the effect that awards were larger than they would have been had such errors not been made. Malus and clawback may at the committee's discretion take the form of a demand for the participant to repay amounts to Mondi, a reduction of future bonus payments to the participant, and a reduction in the number of conditional share awards held by a participant. Malus and clawback apply to misstatement of results or miscalculation of relevant performance conditions. In the case of employment termination Mondi is able to cancel subsisting but unvested share awards, withhold payments that would otherwise be due to the participant, and where appropriate initiate legal proceedings to recover funds to which the Group is legally entitled.

Overview
Strategic report
Governance
Financial statements

Long-Term Incentive Plan (LTIP)

Vesting of the 2014 awards

The LTIP awards that were made in 2014, with a three-year performance period that ended on 31 December 2016, were reviewed by the committee in February 2017 against the (equally weighted) relative TSR and ROCE performance conditions. Maximum performance was achieved against the ROCE target and 85% against the TSR target.

92.5% of the shares under award therefore vested in March 2017.

Awards granted in 2016

The maximum award that can be made to any LTIP participant in any year under the existing policy is equal to two times salary. For 2016, the award made to David Hathorn was 185% of salary and the awards made to Andrew King and Peter Oswald were 150% of salary.

For the LTIP awards made in 2016, the performance conditions are based on two performance measures of equal weight – relative TSR and ROCE – measured over a three-year performance period ending on 31 December 2018. The committee believes that this combination of metrics provides an appropriate means of aligning the operation of the LTIP with shareholders' interests and the Group's business strategy.

The TSR performance condition is based on the Group's TSR relative to a group of competitor companies. For the 2013, 2014, 2015 and 2016 LTIP awards, the following companies were selected:

Amcor (2013)[1]	DSSmith	MeadWestvaco[2]	Stora Enso
Bemis (2013)[1]	Holmen	Metsä Board	The Navigator Company[3]
Billerud	International Paper	Sappi	UPM
Domtar	Mayr-Melnhof	Smurfit Kappa	West Rock[4]

1 As previously reported, Amcor and Bemis were added to the peer group for 2013 and subsequent awards

2 MeadWestvaco was included in LTIP awards until its merger with Rock Tenn in 2015 when it was, in accordance with committee practice, removed from the peer group for all subsisting awards

3 Portucel Soporcel Group rebranded in February 2016 as The Navigator Company

4 WestRock, the company that was formed by the merger of MeadWestvaco and Rock Tenn, has been included in the peer group for 2016 and subsequent awards

For the 50% of awards attributable to TSR: If the Group's TSR is below the median when ranked against the comparator group, this part of the award will lapse in full. For TSR at the median, 25% of this part of the award (i.e. 12.5% of the total award) will vest, with a straight-line progression to the upper quartile, at which point 100% of this part of the award (i.e. 50% of the total award) will vest.

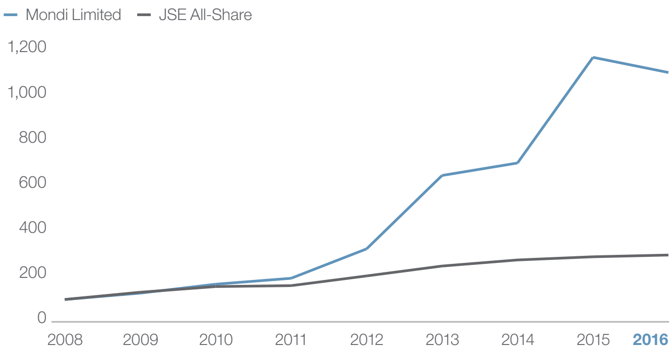
For the 50% of awards attributable to ROCE: This part will lapse in full if ROCE is below 10%. 25% of this part of the award (i.e. 12.5% of the total award) will vest for achievement of ROCE of 10%, with a straight-line progression to full vesting of this part of the award for achievement of ROCE of 16% (i.e. 50% of the total award).

For the 2017 and subsequent LTIP awards, the committee intends to expand the peer group to include Huhtamaki and RPC.

Mondi's TSR performance over the last eight years

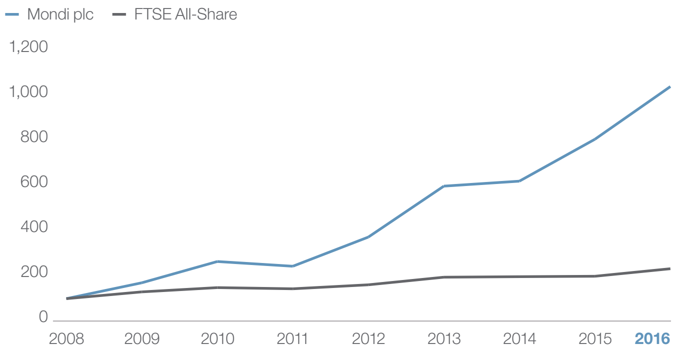
The following graphs set out the comparative TSR of Mondi Limited relative to the JSE All-Share Index, and Mondi plc relative to the FTSE All-Share Index, for the period between 31 December 2008 and 31 December 2016. Those indices were chosen because they are broad equity market indices of which Mondi Limited and Mondi plc, respectively, are members.

JSE All-Share Index
Total shareholder return
Source: Thomson Reuters (Datastream)



This graph shows the value, by 31 December 2016 of R100 invested in Mondi Limited on 31 December 2009 compared with the value of R100 invested in the JSE All-Share Index. The other points plotted are the values at intervening financial year ends.

FTSE All-Share Index
Total shareholder return
Source: Thomson Reuters (Datastream)



This graph shows the value, by 31 December 2016 of £100 invested in Mondi plc on 31 December 2009 compared with the value of £100 invested in the FTSE All-Share Index. The other points plotted are the values at intervening financial year ends.

Annual report on remuneration

CEO remuneration from 2009

Year	Total remuneration	% of maximum bonus earned	% of LTI vested
2016	€5,426,576	68.7	92.5
2015	€7,013,835[1]	89.6	100
2014	€7,763,908	91.6	100
2013	€5,900,140	73	100
2012	€6,305,794	80	100
2011	€12,824,112[2]	78	92
2010	€3,160,318	89	33
2009	€2,627,196	83	12

1 In 2015, the three-year performance cycle of the 2013 LTIP award ended on 31 December 2015. The award value shown in the 2015 Remuneration report was an estimate based on the average share price over the last three months of the performance cycle which was £14.43 for Mondi plc LTIP awards and ZAR310.44 for Mondi Limited LTIP awards. The actual share price on vesting was £13.41 for Mondi plc LTIP awards and ZAR292.76 for Mondi Limited LTIP awards. The total remuneration for 2015 has been restated on this basis

2 David Hathorn's remuneration in 2011 included €3.9 million from the proceeds of a one-off, shareholder approved, share award under a Co-Investment Plan he participated in at the time of the Group's demerger from Anglo American plc in 2007. Under this plan, he invested £1 million from his own funds in Mondi plc shares in August 2007. He was eligible to receive a match of up to 250% of the number of investment shares based on a relative TSR performance measure over a four-year period. As the TSR achieved by Mondi plc was better than the upper quintile – Mondi was the top-performing company in the comparator group – the committee approved the maximum vesting in accordance with the Plan rules

Comparison of 2016 and 2015 remuneration of CEO versus other employees

	Percentage change in remuneration elements from 2015 to 2016		
	Salary	Benefits	Bonus
CEO[1]	2.0%	1.8%	-21.8%
Mondi Group[2]	2.9%	N/A[3]	-2%[4]

1 CEO remuneration is reported in euros, but denominated in pounds sterling. See the table on page 118. Change percentages shown are for pounds sterling values

2 Includes salaries and bonuses (where applicable) for all employees of Mondi Group excluding the CEO with year-on-year movements reported in per capita terms

3 In most of the Group the majority of benefits are provided through social security. Additional benefits represent less than 5% of the salary bill

4 Aggregate bonuses paid during 2016 are compared with those paid in 2015. This includes annual bonuses that are paid in arrears and periodic bonuses that are paid more frequently. Each year's numbers therefore include some payments attributable to that year and some that reflect performance in the previous year. Bonuses are often based on specific objectives that are set at the level of local operations that do not necessarily correlate with Group-wide metrics that underpin the CEO's bonus

Relative importance of spend on pay

€ million	2016	2015	% change
Dividends	274	209	31.6%
Overall remuneration expenditure[1]	996	1003	-0.7%

1 Remuneration expenditure for all Mondi Group employees

Non-executive directors' remuneration

Current fee levels are as follows:

Role	Annual fee[2]
Joint chairman fee[1]	£283,600
Non-executive base fee	£45,300
Additional fees:	
Senior independent director and DLC remuneration committee chairman fee	£17,020
DLC audit committee chairman fee	£11,320
DLC sustainable development committee chairman fee	£9,050
Mondi Limited social and ethics committee chairman fee	£9,050
Attendance fee per meeting (outside country of residence)	£5,675
Attendance fee per day (inside country of residence)	£1,695

1 No supplement is payable for additional commitments in relation to this role

2 Fees are determined in pounds sterling. In the remuneration table on page 118, euro amounts are reported based on exchange rates on the dates actual payments were made

The joint chairmen and the other non-executive directors are appointed by Mondi Limited and Mondi plc. The terms of their appointment provide for the appointment to be terminable on six months' notice.

Statement of directors' shareholdings and share interests

Under the current requirements the Chief executive officer is required to build a shareholding equivalent to 150% of base salary, and other executive directors a shareholding equivalent to at least 100% of base salary. As at 31 December 2016, all executive directors had met the shareholding requirements. From 2017, the requirement will be for all executive directors to build a holding of 200% of base salary, normally over a period of not less than five years from joining the Boards.

The beneficial and non-beneficial share interests of the directors and their connected persons as at 1 January 2016 or, if later, on appointment, and as at 31 December 2016, or as at their date of resignation if earlier, were as follows:

Executive directors

	Shareholding at 1 Jan 2016	Shareholding at 31 Dec 2016	Total shareholding as multiple of salary (%)	Deferred BSP shares outstanding at 31 Dec 2016[1]	Deferred BSP shares as multiple of salary (%)	Deferred LTIP shares outstanding at 31 Dec 2016[2]	Deferred LTIP shares as multiple of salary (%)
David Hathorn							
Mondi plc	193,969	128,969		93,760		281,861	
Mondi Limited	–	–		40,525		121,837	
Total	193,969	128,969	218%	134,285	226%	403,698	682%
Andrew King							
Mondi plc	78,330	78,330		44,834		128,615	
Mondi Limited	208	208		19,378		55,591	
Total	78,538	78,538	224%	64,212	183%	184,206	525%
Peter Oswald							
Mondi plc	100,000	100,000	201%	86,580	174%	250,130	502%

1 BSP shares subject to service condition

2 LTIP shares subject to service and performance conditions

Non-executive directors	Shareholding at 1 Jan 2016	Shareholding at 31 Dec 2016
Mondi plc		
Fred Phaswana	5,230	5,366
David Williams	5,000	5,000
Stephen Harris	1,000	1,000
John Nicholas	6,000	6,000
Anne Quinn	11,882	11,882
Dominique Reiniche	–	1,000

There has been no change in the interests of the directors and their connected persons between 31 December 2016 and the date of this report.

Annual report on remuneration

Remuneration committee governance

The DLC remuneration committee

The DLC remuneration committee is a formal committee of the Boards. Its remit is set out in terms of reference adopted by the Boards. A copy of the terms of reference is available on the Group's website at www.mondigroup.com. The primary purposes of the committee, as set out in its terms of reference, are:

→ to make recommendations to the Boards on the Group's framework of executive remuneration;

→ to determine individual remuneration packages within that framework for the executive directors and certain senior executives;

→ to determine the remuneration of the joint chairmen; and

→ to oversee the operation of the Group's share schemes.

Composition

Members throughout the year:[1]	Committee member since:	Meeting attendance (five meetings in the year):
Stephen Harris	March 2011	5
Anne Quinn, chairman	May 2007	5
Dominique Reiniche	October 2015	5
David Williams	May 2007	5

1 Tanya Fratto was appointed a member of the committee on 1 January 2017 and therefore did not attend any meetings during 2016

Other regular attendees

→ Chief executive officer

→ Joint chairman who is not a member of the committee (Fred Phaswana)

→ Group head of reward

→ External remuneration consultant

The committee is authorised to seek information from any director and employee of the Group and to obtain external advice. The committee is solely responsible for the appointment of external remuneration advisers and for the approval of their fees and other terms. No director or other attendee takes part in any discussion regarding his or her personal remuneration.

In the year to 31 December 2016, New Bridge Street (NBS) provided remuneration advice and benchmarking data to the committee. NBS do not undertake any other work for the Group. Total fees paid to NBS in respect of the year under review were £58,810.

Sums paid to third parties in respect of a director's services

No consideration was paid or became receivable by third parties for making available the services of any person as a director of Mondi Limited or Mondi plc ('the Companies'), or while a director of the Companies, as a director of any of the Companies' subsidiary undertakings, or as a director of any other undertaking of which he/she was (while a director of the Companies) a director by virtue of the Companies' nomination, or otherwise in connection with the management of the Companies or any undertaking during the year to 31 December 2016.

Share awards granted to executive directors

The following tables set out the share awards granted to the executive directors.

Mondi Limited

	Type of award[1]	Awards held at beginning of year or on appointment to the Boards	Awards granted during year	Shares lapsed	Awards exercised during year	Award price basis (ZAc)	Date of award	Awards held as at 31 December 2016	Release date
David Hathorn	BSP	17,506			17,506	11464	Mar 13		Mar 16
	BSP	12,883				19435	Mar 14	12,883	Mar 17
	BSP	13,542				23444	Mar 15	13,542	Mar 18
	BSP		14,100			28200	Mar 16	14,100	Mar 19
	LTIP	55,233			55,233	11464	Mar 13		Mar 16
	LTIP	44,723				19435	Mar 14	44,723	Mar 17
	LTIP	37,516				23444	Mar 15	37,516	Mar 18
	LTIP		39,598			28200	Mar 16	39,598	Mar 19
Andrew King	BSP	7,790			7,790	11464	Mar 13		Mar 16
	BSP	6,091				19435	Mar 14	6,091	Mar 17
	BSP	6,543				23444	Mar 15	6,543	Mar 18
	BSP		6,744			28200	Mar 16	6,744	Mar 19
	LTIP	22,939			22,939	11464	Mar 13		Mar 16
	LTIP	18,574				19435	Mar 14	18,574	Mar 17
	LTIP	17,985				23444	Mar 15	17,985	Mar 18
	LTIP		19,032			28200	Mar 16	19,032	Mar 19

1 For note 1 please refer to the table on page 126

Annual report on remuneration

Mondi plc

	Type of award[1]	Awards held at beginning of year or on appointment to the Boards	Awards granted during year	Shares lapsed	Awards exercised during year	Award price basis (GBp)	Date of award	Awards held as at 31 December 2016	Release date
David Hathorn	BSP	40,803			40,803	851	Mar 13		Mar 16
	BSP	29,760				1088	Mar 14	29,760	Mar 17
	BSP	31,386				1330	Mar 15	31,386	Mar 18
	BSP		32,614			1288	Mar 16	32,614	Mar 19
	LTIP	128,740			128,740	851	Mar 13		Mar 16
	LTIP	103,315				1088	Mar 14	103,315	Mar 17
	LTIP	86,950				1330	Mar 15	86,950	Mar 18
	LTIP		91,596			1288	Mar 16	91,596	Mar 19
Andrew King	BSP	18,158			18,158	851	Mar 13		Mar 16
	BSP	14,071				1088	Mar 14	14,071	Mar 17
	BSP	15,164				1330	Mar 15	15,164	Mar 18
	BSP		15,599			1288	Mar 16	15,599	Mar 19
	LTIP	53,467			53,467	851	Mar 13		Mar 16
	LTIP	42,908				1088	Mar 14	42,908	Mar 17
	LTIP	41,685				1330	Mar 15	41,685	Mar 18
	LTIP		44,022			1288	Mar 16	44,022	Mar 19
Peter Oswald	BSP	41,064			41,064	851	Mar 13		Mar 16
	BSP	29,293				1088	Mar 14	29,293	Mar 17
	BSP	27,029				1330	Mar 15	27,029	Mar 18
	BSP		30,258			1288	Mar 16	30,258	Mar 19
	LTIP	115,276			115,276	851	Mar 13		Mar 16
	LTIP	88,147				1088	Mar 14	88,147	Mar 17
	LTIP	75,910				1330	Mar 15	75,910	Mar 18
	LTIP		86,073			1288	Mar 16	86,073	Mar 19

1 The value on award of the BSP awards set out in this table is included in the table of executive directors' remuneration on page 118

2 In addition to the number of shares that vested as shown in the table above in respect of the BSP and in respect of the LTIP awards that vested in 2016, the executive directors also received the following cash amounts of equivalent value to dividends on vested shares over the vesting period, in accordance with the plan rules:

Name	Amount
David Hathorn	€253,196 (£199,711)
Andrew King	€106,965 (£84,369)
Peter Oswald	€174,288

All-employee share plans

The Group currently operates one HM Revenue & Customs approved all-employee share plan in the UK:

Share Incentive Plan (SIP)

Employees resident in the UK are eligible to participate in the SIP. Contributions of up to £150 are taken from participants' gross salary and used to purchase ordinary shares in Mondi plc each month. Participants receive one matching Mondi plc ordinary share free of charge for each share purchased. The shares are placed in trust and the matching shares are forfeited if participants resign from the Group's employment within three years. If the shares are left in trust for at least five years, they can be removed free of UK income tax and National Insurance contributions.

SIP

Details of shares purchased and awarded to executive directors in accordance with the terms of the SIP:

	Shares held at beginning of year or on appointment to the Boards	Partnership shares acquired during the year	Matching shares awarded during the year	Shares released during year	Total shares held as at 31 December 2016
David Hathorn	4,686	128	128	–	4,942
Andrew King	5,130	128	128	–	5,386

Since 1 January 2016 up to the date of this report, David Hathorn has acquired 18 partnership shares and was awarded 18 matching shares. Andrew King acquired 17 partnership shares and was awarded 17 matching shares.

Mondi Limited and Mondi plc share prices

The closing price of a Mondi Limited ordinary share on the JSE Limited on 31 December 2016 was ZAR279.99 and the range during the period between 1 January 2016 and 31 December 2016 was ZAR260.00 (low) and ZAR311.53 (high).

The closing price of a Mondi plc ordinary share on the London Stock Exchange on 31 December 2016 was £16.66 and the range during the period between 1 January 2016 and 31 December 2016 was £11.24 (low) to £16.92 (high).

Statement of voting at Annual General Meetings

The Annual General Meetings of Mondi Limited and Mondi plc were both held on 12 May 2016. As required by the dual listed company structure, all resolutions were treated as joint electorate actions and were decided on a poll. All resolutions at both meetings were passed. The voting results of the joint electorate actions are identical and are given below. Overall in excess of 76% of the total Group shares were voted.

Resolution	Votes for	%	Votes against	%	Votes total	Votes withheld
Mondi Limited business						
14. To endorse the remuneration policy	343,062,824	94.32	20,649,980	5.68	363,712,804	9,920,130
15. To authorise a maximum increase of 2.1% in non-executive director fees[1]	371,478,693	99.82	657,438	0.18	372,136,131	1,496,804
24. To approve the Mondi Limited 2016 Long-Term Incentive Plan	345,063,631	93.97	22,157,516	6.03	367,221,147	6,411,787
25. To approve the Mondi Limited 2016 Bonus Share Plan	361,732,417	98.36	6,027,771	1.64	367,760,188	5,872,746
Mondi plc business						
27. To approve the remuneration report (other than the policy)	339,522,104	94.03	21,554,976	5.97	361,077,080	12,555,854
34. To approve the Mondi plc 2016 Long-Term Incentive Plan	344,308,490	92.87	26,437,451	7.13	370,745,941	2,886,993
35. To approve the Mondi plc 2016 Bonus Share Plan	361,852,111	98.13	6,901,566	1.87	368,753,677	4,879,256

1 Special resolution

Statement of implementation of directors' remuneration policy in 2017

Current salary levels, and increases awarded in January 2017, are as follows:

Name	Base salary effective 1 Jan 2017	Previous base salary	% change
David Hathorn	£928,000	£911,000	1.9
Andrew King	£565,000	£540,000	4.6
Peter Oswald	€956,000	€939,000	1.8

The executive directors' base salaries were reviewed at the normal 1 January 2017 review date. Base salaries for David Hathorn (Group Chief executive officer) and Peter Oswald (Chief executive officer Europe & International) were increased by 1.9% and 1.8% respectively, which is less than the average percentage increase for Mondi's wider workforce. The remuneration committee awarded an increase of 4.6% to Andrew King, which is within the range of increases for the wider Mondi workforce. This increase recognises his continued development in the role, and is also in the context of his outstanding sustained performance.

Annual report on remuneration

Changes to the executive team

David Hathorn's retirement

We announced on 1 February 2017 that our existing Group Chief executive officer, David Hathorn, is retiring from the Boards at the AGMs on 11 May after some 17 years as Group Chief executive officer. He will be succeeded as Group Chief executive officer by Peter Oswald, who has been with Mondi since 1992 and successfully led Mondi's Europe & International Division since 2008. David will continue to serve Mondi in an executive capacity during his contractual notice period to February 2018 to ensure a smooth transition. While David continues to work in an executive capacity he will receive his existing salary and benefits, be eligible for a 2017 annual bonus subject to the normal performance conditions, and will receive a 2017 LTIP grant. His LTIP awards will be pro-rated down for time served in accordance with shareholder guidelines, at the date he retires, and remain subject to the normal performance conditions and vesting dates. The committee has also decided that any bonus awarded for 2017 performance, and the LTIP granted in 2017, should be subject to the limits that applied to David in 2016 and not the new higher opportunity for the Chief executive officer role referred to in the policy proposals. David will not be eligible for an annual bonus in respect of the small portion of 2018 that he works, and will not be eligible for a 2018 LTIP grant. If approved by shareholders as part of the new Directors' Remuneration Policy (DRP), the two-year post-vesting holding period on the LTIP for awards from 2017 onwards will continue to apply to David's 2017 LTIP award after he has retired. David will continue to receive a company pension contribution of 30% of salary for as long as he remains employed.

Peter Oswald's appointment as Group Chief executive officer

Peter Oswald's base salary as Group Chief executive officer will be set at €1,050,000, which, for promotion to this top leadership role, is a 9.8% increase from his current salary of €956,000. The new salary is less than that of his predecessor David Hathorn (at an exchange rate of £1 = €1.16). Peter's pension allowance will remain at the percentage that applies in his current role of 25% of base salary, rather than increasing to the 30% level that applies to David Hathorn.

Peter's maximum annual bonus for 2017 will be apportioned pro-rata to the period he was Chief executive officer Europe & International, and the period he is Group Chief executive officer. For the period 1 January 2017 to 11 May 2017, as Chief executive officer Europe & International, his maximum annual bonus is 135% of salary and will be determined with reference to his base salary in that role. For the period from 12 May 2017 to 31 December 2017, if the new DRP is approved by shareholders his maximum annual bonus will be 165% of base salary, which is the level the remuneration committee has already proposed to shareholders for the Chief executive officer role for 2017. Peter's 2017 LTIP award, to be made after the 2017 AGMs, will be 210% of base salary if the new DRP is approved by shareholders; this is the level already proposed to shareholders for the Chief executive officer role for 2017.

Relocation of Andrew King (Group Chief financial officer) to the UK

Mondi has asked Andrew King to relocate to the UK from South Africa, to be based closer to the Group's principal centre of operations in Europe. In accordance with the DRP, Andrew will be eligible for assistance with relocation expenses. These will be reported in the Directors' Remuneration Report for 2017.

Andrew's maximum annual bonus for 2017 will be 135% of base salary, and his 2017 LTIP award size will be 175% of base salary, subject to approval of the new DRP by shareholders. Andrew's pension contribution will remain 25% of base salary in accordance with the approved policy.

Bonus and LTIP structure for 2017

Half of any bonus earned in respect of 2017 performance will be paid out in cash and the other half will be deferred for three years in conditional Mondi shares. The bonus structure for 2017 will remain as it was for 2016, i.e. a maximum of 60 points on financial objectives (30 on EBITDA and 30 on ROCE), 10 points on safety and 30 points on personal objectives.

LTIP awards that are made in 2017 will continue to have two performance conditions of equal weight – TSR and ROCE, measured over a three-year performance period commencing on 1 January 2017.

For the 50% of the awards attributable to TSR: If the Group's TSR is below the median when ranked against the comparator group on page 121, this part of the award will lapse in full. For TSR at the median, 25% of this part of the award (i.e. 12.5% of the total award) will vest, with a straight-line progression to the upper quartile, at which point 100% of this part of the award (i.e. 50% of the total award) will vest.

For the 50% of the awards attributable to ROCE: This part will lapse in full if ROCE is below 10%. 25% of this part of the award (i.e. 12.5% of the total award) will vest for achievement of ROCE of 10%, with a straight-line progression to full vesting of this part of the award for achievement of ROCE of 18% (i.e. 50% of the total award).

Current non-executive directors' fees, and increases proposed for implementation with effect from the date of the Annual General Meetings of Mondi Limited and Mondi plc to be held on 11 May 2017, are:

Role	Annual fee	Proposed with effect from 11 May 2017	Percentage increase proposed
Joint chairman fee[1]	£283,600	£289,300	2.0
Non-executive base fee	£45,300	£46,200	2.0
Additional fees:			
Senior independent director and DLC remuneration committee chairman fee	£17,020	£17,360	2.0
Supplement for DLC remuneration committee chair	N/A	£11,000	N/A
Supplement for senior independent director role if held by a non-executive who already chairs a committee	N/A	£6,000	N/A
DLC audit committee chairman fee	£11,320	£11,550	2.0
DLC sustainable development committee chairman fee	£9,050	£9,230	2.0
Mondi Limited social and ethics committee chairman fee	£9,050	£9,230	2.0
Attendance fee per meeting (outside country of residence)	£5,675	£5,780	1.9
Attendance fee per day (inside country of residence)	£1,695	£1,730	2.1

1 No supplement is payable for additional commitments in relation to this role

This report was approved by the Boards on 22 February 2017 and is signed on their behalf.

Anne C Quinn
Senior independent director and chairman of the DLC remuneration committee

Other statutory information

For the purposes of the UK Companies Act, the disclosures below, including those incorporated by reference, together with the Corporate governance report set out on pages 74 to 108, form the Directors' report.

In addition, disclosures relating to the following items, which also form part of the Directors' report, have been included in the Strategic report which can be found on pages 10 to 73:

→ Dividends
→ Financial risk management objectives and policies
→ Principal risks
→ Likely future developments in the business
→ Research and development activities
→ Greenhouse gas (GHG) emissions
→ Employees

Information required to be disclosed under UK Listing Rule 9.8.4 R

The UK Listing Authority listing rules require the disclosure of certain specified information in the annual financial report of Mondi plc.

The information required under rule 9.8.4 (1) in relation to interest capitalised and related tax relief can be found on page 161. The information required under rules 9.8.4 (12) and (13) in relation to dividend waivers can be found on page 170. This information is incorporated by reference into this Directors' report.

Besides the above, the information required to be disclosed under rule 9.8.4 R is not applicable to Mondi plc and therefore no disclosures have been made in this regard.

Share capital

Full details of the Group's share capital can be found in note 20 to the financial statements.

Substantial interests

Mondi Limited

Based on the Mondi Limited share register as at 31 December 2016, the directors are aware of the following shareholders holding directly 5% or more of the issued share capital of Mondi Limited:

Shareholder	Shares	%
Government Employees Pension Fund (Public Investment Corporation Limited)	14,328,616	12.11
Citiclient Nominees No 8 HK GW	6,748,827	5.70

Save as indicated above, the directors have not been advised of and have no certainty whether any of the shareholders could be beneficially interested in 5% or more of the issued share capital of Mondi Limited.

Mondi plc

As at 31 December 2016, the Group had received notifications from the following parties in the voting rights of Mondi plc. The number of voting rights and percentage interests shown are as disclosed at the date on which the holding was notified.

Shareholder	Number of voting rights	%
Coronation Asset Management Proprietary Limited	25,333,651	6.90
Public Investment Corporation Limited	21,970,591	5.98
BlackRock, Inc	21,530,677	5.86
Investec Asset Management Limited	18,352,708	4.99
AXA S.A.	17,210,471	4.69
Standard Life Investments Limited	16,476,021	4.49
Norges Bank	14,698,943	4.00
Old Mutual Plc	11,978,984	3.26
Sanlam Investment Management Proprietary Limited	10,936,128	3.00

The following changes in interests have been notified between 1 January 2017 and the date of this report:

Date	Shareholder	Number of voting rights	%
2 January 2017	Norges Bank	14,698,943	4.00
6 January 2017	Norges Bank	14,424,171	3.93
30 January 2017	Coronation Asset Management Proprietary Limited	21,340,428	5.81
10 February 2017	Coronation Asset Management Proprietary Limited	18,368,889	5.00
13 February 2017	Coronation Asset Management Proprietary Limited	17,924,690	4.88

Additional information for Mondi plc shareholders

The information for Mondi plc shareholders required pursuant to the UK Companies Act can be found on pages 209 to 211 of this report.

Political donations

No political donations were made during 2016 and it is Mondi's policy not to make such donations.

Auditors

Each of the directors of Mondi Limited and Mondi plc at the date when this report was approved confirms that:

→ so far as each of the directors is aware, there is no relevant audit information of which the Group's auditors are unaware; and

→ each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

The Boards have decided that resolutions to appoint PricewaterhouseCoopers Inc and PricewaterhouseCoopers LLP (together 'PwC') as auditors of Mondi Limited and Mondi plc respectively will be proposed at the Annual General Meetings of Mondi Limited and Mondi plc scheduled to be held on 11 May 2017. This follows the conclusion of a formal audit tender process in October 2015.

The appointment of PwC has the support of the DLC audit committee, which will be responsible for determining their audit fee on behalf of the directors (see page 99 for more information).

Note 4 to the financial statements sets out the auditors' fees both for audit and non-audit work.

Events occurring after 31 December 2016

With the exception of the proposed final dividend for 2016, included in note 9 to the financial statements, and the acquisition of Excelsior Technologies Limited, included in note 33 to the financial statements, there have been no material reportable events since 31 December 2016.

Annual General Meetings

The Annual General Meeting of Mondi Limited will be held at 11:30 (SA time) on Thursday 11 May 2017 at the Hyatt Regency, 191 Oxford Road, Rosebank, Johannesburg 2132, Republic of South Africa and the Annual General Meeting of Mondi plc will be held at 10:30 (UK time) on Thursday 11 May 2017 at Haberdashers' Hall, 18 West Smithfield, London EC1A 9HQ, UK. The notices convening each meeting, which are sent separately to shareholders, detail the business to be considered and include explanatory notes for each resolution. The notices are available on the Mondi Group website at: www.mondigroup.com.

This Directors' report was approved by the Boards on 22 February 2017 and is signed on their behalf.

Philip Laubscher
Company secretary

Mondi Limited
4th Floor, No. 3 Melrose Boulevard
Melrose Arch 2196
PostNet Suite #444
Private Bag X1
Melrose Arch 2076
Gauteng
Republic of South Africa

Registration No. 1967/013038/06

22 February 2017

Jenny Hampshire
Company secretary

Mondi plc
Building 1, 1st Floor
Aviator Park
Station Road
Addlestone
Surrey
KT15 2PG
UK

Registered No. 6209386

22 February 2017

Financial statements

"Mondi's HYBRID^{PRO} bags offer our customers the advantages of a plastic bag, while still being fillable on our conventional systems. This gives us a real advantage over our competitors, and has enabled us to double our product guarantee period."

Fabien Rencurosi
Plant Manager, Knauf Belgium


mondi
HYBRID PRO
COMBINING THE BEST
OF BOTH WORLDS.
made of
PaPEr
EXTENDED
SHELF LIFE
HYBRID PRO

Financial statements

Directors' responsibility statement

The directors are responsible for preparing the Integrated report, Remuneration report and Financial statements in accordance with applicable laws and regulations.

South African and UK company law require the directors to prepare financial statements for each financial year.

→ Under the Companies Act of South Africa 2008, the directors are required to prepare financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Act for each financial year, giving a true and fair view of the Mondi Limited parent company's and the Group's state of affairs at the end of the year and profit or loss for the year.

→ Under the UK Companies Act 2006, the directors are required to prepare the Group financial statements in accordance with IFRS as adopted by the European Union (EU) and Article 4 of the IAS Regulation, and have elected to prepare the Mondi plc parent company financial statements in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). Furthermore, under UK company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing the Group's financial statements and the Mondi Limited parent company financial statements, International Accounting Standard 1, 'Presentation of Financial Statements', requires that the directors:

→ properly select and apply accounting policies;

→ present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

→ provide additional disclosure when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and

→ make an assessment of the Group's and company's ability to continue as a going concern.

In preparing the Mondi plc parent company financial statements, the directors are required to:

→ select suitable accounting policies and then apply them consistently;

→ make judgements and accounting estimates that are reasonable and prudent;

→ state whether FRS 101 has been followed, subject to any material departures disclosed and explained in the financial statements; and

→ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and parent companies' transactions; disclose with reasonable accuracy, at any time, the financial position of the Group and parent companies; and enable them to ensure that the financial statements comply with the requirements of the Companies Act of South Africa 2008 and the UK Companies Act 2006. They are also responsible for safeguarding the assets of the Group and parent companies and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Report on the financial statements

These financial statements have been prepared under the supervision of the Chief financial officer, Andrew King CA (SA), and have been audited in compliance with the applicable requirements of the Companies Act of South Africa 2008 and the UK Companies Act 2006.

The Boards confirm that to the best of their knowledge:

→ the financial statements of the Group and Mondi Limited, prepared in accordance with IFRS as adopted by the EU, and Mondi plc, prepared in accordance with FRS 101, give a true and fair view of the assets, liabilities, financial position and profit or loss of Mondi Limited, Mondi plc and the undertakings included in the consolidation taken as a whole;

→ the Strategic report includes a fair review of the development and performance of the business and the position of Mondi Limited, Mondi plc and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and

→ the Integrated report and financial statements 2016, taken as a whole, are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

The Group's combined and consolidated financial statements, and related notes 1 to 34, were approved by the Boards and authorised for issue on 22 February 2017, and were signed on their behalf by:

David Hathorn
Director

Andrew King
Director

Independent auditor's report to the shareholders of Mondi Limited

Report on the audit of the financial statements

Opinion

We have audited the combined and consolidated financial statements of Mondi Limited and its subsidiaries (Group) set out on pages 146 to 194, which comprise the combined and consolidated statement of financial position as at 31 December 2016, and the combined and consolidated income statement, the combined and consolidated statement of comprehensive income, the combined and consolidated statement of changes in equity and the combined and consolidated statement of cash flows for the year then ended, and the notes to the combined and consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the combined and consolidated financial statements present fairly, in all material respects, the combined and consolidated financial position of the Group as at 31 December 2016, and its combined and consolidated financial performance and its combined and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act of South Africa 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the combined and consolidated financial statements section of our report. We are independent of the Group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the combined and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the combined and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill and property, plant and equipment	
As disclosed in note 11, goodwill of €681 million (2015: €590 million) is assessed annually for impairment using a value-in-use basis, while property, plant and equipment of €3,788 million (2015: €3,554 million), as disclosed in note 10, are assessed for impairment where possible impairment indicators are identified. The Group's assessment of the carrying value of goodwill and property, plant and equipment requires significant judgement, as described in note 1 to the Group financial statements, in particular forecast future cash flows, future growth rates, the discount rates applied and the determination of the level at which impairments should be assessed. As such this has been noted as a key audit matter.	Our audit work included evaluating key controls around the impairment review process, and challenging the director's key assumptions used in the cash flow forecasts included within the impairment models for goodwill and property, plant and equipment with reference to historical trading performance, market expectations and our understanding of the future utilisation of assets by the Group. Particular focus was given to the incorporation of country risk within the Group's forecasts. In performing our audit procedures, we used internal valuation specialists to assess the discount rates applied by benchmarking against independent data. Key assumptions challenged include those related to the level at which impairment is assessed, being for property, plant and equipment the lowest level at which largely independent cash inflows can be identified and for goodwill the businesses that are expected to benefit from the acquisition, forecast future cash flows, future growth rates and the discount rates applied. We also evaluated the directors' assessment of the sensitivity of the Group's impairment models to reasonably possible changes in the key assumptions and considered the disclosures provided by the Group in relation to its impairment reviews. We concluded that the levels at which impairments were assessed were appropriate and that the directors have an appropriate process for determining the assumptions used in the respective models. In the context of the inherent uncertainties disclosed, the calculated recoverable values of the respective assets (or group of assets), determined with reference to the forecast future cash flows, future growth rates and discount rates applied, are considered collectively to be within a reasonable range of the possible outcomes. The disclosure in relation to the impairment reviews and the assumptions applied is considered comprehensive.

Key audit matter	How our audit addressed the key audit matter
Capitalisation of property, plant and equipment	
The Group continues to invest in significant capital projects with capital expenditure of €446 million during the year ended 31 December 2016, as detailed in note 10, of which €99 million related to the Group's major capital projects, including those in Świecie (Poland) and South Africa. The significant level of capital expenditure requires consideration of the nature of costs incurred to ensure that capitalisation of property, plant and equipment meets the specific recognition criteria in IAS 16, 'Property, Plant and Equipment' (IAS 16), specifically in relation to assets constructed by the Group, and the application of the directors' judgement in assigning appropriate useful economic lives. As a result, this was noted as a key audit matter, with the risk focused on certain key projects, where the risk of material misstatement was deemed higher as a result of the complexity of the specific project.	Our audit work included assessing the nature of property, plant and equipment capitalised by the Group to test the validity of amounts capitalised and evaluating whether assets capitalised meet the recognition criteria set out in IAS 16. Our audit work considered whether capitalisation of assets ceased when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by the Group and that a consistent approach was applied by the Group across all significant operations. Furthermore, we challenged the useful economic lives assigned with reference to the Group's historical experience, our understanding of the future utilisation of assets by the Group and by reference to the depreciation policies applied by third parties operating similar assets. The capitalisation of assets in the year, and the useful economic lives assigned, were assessed to be appropriate based on the evidence obtained. We did not identify any assets capitalised in prior years where we considered the useful economic lives originally assigned needed revision in the year.
Taxation	
The Group has operations in a number of geographical locations and as such is subject to multiple tax jurisdictions, giving rise to complexity in accounting for the Group's taxation. In particular, as detailed in note 7, the existence of tax incentives available to the Group and historical tax losses give rise to judgement in determining the appropriate tax charge for the Group and the recognition of deferred tax assets. There are also cross-border transactions which give rise to transfer pricing related risks. Due to the level of complexity in assessing the relevant tax incentives available to the Group and the level of directors' judgement required to determine the appropriate Group tax charge, this has been identified as a key audit matter.	Our audit work, which involved taxation audit specialists within specific locations where local tax knowledge was required, included the assessment of taxation assets and liabilities, with particular consideration and challenge given to the judgements taken in relation to accounting for tax incentives, corporate tax provisions and the recognition of deferred tax assets and liabilities. In addition, we involved transfer pricing specialists to assess the appropriateness of the Group's assessment of their exposure to transfer pricing related risks. Our assessment included the review of applicable third-party evidence and correspondence with tax authorities. In relation to deferred tax assets, we challenged the appropriateness of the directors' judgements of the availability of future appropriate taxable profits in assessing whether to recognise deferred tax assets. Based on the procedures performed, the tax balances recorded have been calculated on an appropriate basis, with an adequate allowance being made for uncertainty in the recovery of deferred tax assets and transfer pricing risks.

Other information

The directors are responsible for the other information. The other information comprises the Directors' report included in the Governance section of the Integrated report, the DLC audit committee's report and the Integrated report, which we obtained prior to the date of this auditor's report. The other information does not include the combined and consolidated financial statements and our auditor's report thereon.

Our opinion on the combined and consolidated financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the combined and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent auditor's report to the shareholders of Mondi Limited

Responsibilities of the directors for the combined and consolidated financial statements

The directors are responsible for the preparation and fair presentation of the combined and consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa 2008, and for such internal control as the directors determine is necessary to enable the preparation of combined and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined and consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the combined and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the combined and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these combined and consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

→ Identify and assess the risks of material misstatement of the combined and consolidated financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

→ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

→ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

→ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the combined and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

→ Evaluate the overall presentation, structure and content of the combined and consolidated financial statements, including the disclosures, and whether the combined and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

→ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the combined and consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the DLC audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the DLC audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the DLC audit committee, we determine those matters that were of most significance in the audit of the combined and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the Independent Regulatory Board for Auditors (IRBA) Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Mondi Limited for 49 years.

Deloitte & Touche
Registered Auditors
Per Shelly Nelson
Partner

22 February 2017

Building 1 and 2, Deloitte Place, The Woodlands
Woodlands Drive, Woodmead, Sandton,
Republic of South Africa

Riverwalk Office Park, Block B
41 Matroosberg Road, Ashlea Gardens X6, Pretoria,
Republic of South Africa

Independent auditor's report to the members of Mondi plc

Opinion on financial statements of Mondi plc

In our opinion:

- → the financial statements give a true and fair view of the state of the Group's and of the Mondi plc parent company's affairs as at 31 December 2016 and of the Group's profit for the year then ended;
- → the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- → the Mondi plc parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101, 'Reduced Disclosure Framework'; and
- → the financial statements have been prepared in accordance with the requirements of the UK Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the combined and consolidated income statement, the combined and consolidated statement of comprehensive income, the combined and consolidated and Mondi plc parent company statements of financial position, the combined and consolidated statement of cash flows, the combined and consolidated and Mondi plc parent company statements of changes in equity and the related notes 1 to 34 of the combined and consolidated financial statements and notes 1 to 9 of the Mondi plc parent company financial statements. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Mondi plc parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101, 'Reduced Disclosure Framework'.

Summary of our audit approach

Key risks	The key risks that we identified in the current year were: → impairment of goodwill and property, plant and equipment; → capitalisation of property, plant and equipment; and → taxation. The risks identified have remained consistent with our prior year audit report.
Materiality	The materiality that we used in the current year was €44 million which was determined on the basis of 5% of profit before tax and special items.
Scoping	17 locations were subject to full scope audit, and a further 29 were subject to specified audit procedures. In aggregate the locations subject to audit procedures represents 85% of the Group's revenue.
Significant changes in our approach	Based on our risk assessment procedures and consideration of the composition of the Group and its underlying operations, there were no significant changes to our audit approach, basis for materiality or scope.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 1 to the Group financial statements, in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, the Group has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the Group financial statements comply with IFRSs as issued by the IASB.

Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and we confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards.

We confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

Going concern and the directors' assessment of the principal risks that would threaten the solvency or liquidity of the Group

As required by the Listing Rules we have reviewed the directors' statement regarding the appropriateness of the going concern basis of accounting contained within note 1 to the financial statements and the directors' statement on the longer-term viability of the Group, both contained within the Strategic report on page 39.

We are required to state whether we have anything material to add or draw attention to in relation to:

- the directors' confirmation on page 32 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on pages 32 to 38 that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in note 1 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements; and
- the director's explanation on page 39 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We confirm that we have nothing material to add or draw attention to in respect of these matters.

We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These risks are unchanged from the prior year.

Impairment of goodwill and property, plant and equipment	
Risk description	Goodwill of €681 million (2015: €590 million) is assessed annually for impairment using a value-in-use basis, whilst specifically identified property, plant and equipment of €3,788 million (2015: €3,554 million) are assessed for impairment where possible impairment indicators are identified. The Group's assessment of the carrying value of goodwill and property, plant and equipment requires significant management judgement, as described in note 1 to the Group financial statements, in particular in relation to the forecast future cash flows, including appropriate reflection of country specific risk, future growth rates and the discount rates applied and the determination of the level at which impairments should be assessed. Refer to notes 10 and 11 for the disclosures in respect of property, plant and equipment and goodwill respectively, and note 34 for the Group accounting policy.
How the scope of our audit responded to the risk	Our audit procedures included evaluating the design and implementation of key controls around the impairment review processes, and challenging management's key assumptions used in the cash flow forecasts included within the impairment models for goodwill and property, plant and equipment with reference to historical trading performance, market expectations and our understanding of the future utilisation of assets by the Group. Particular focus was given to the incorporation of country risk within the Group's forecasts. In performing our audit procedures, we used internal valuation specialists to assess the discount rates applied by benchmarking against independent data. Key assumptions challenged include those related to the level at which impairment is assessed, being for property, plant and equipment the lowest level at which largely independent cash inflows can be identified and for goodwill the businesses that are expected to benefit from the acquisitions, forecast future cash flows, future growth rates and the discount rates applied. We also evaluated management's assessment of the sensitivity of the Group's impairment models to reasonably possible changes and considered the disclosures provided by the Group in relation to its impairment reviews.
Key observations	We concluded that the level at which impairment was assessed was appropriate and that management has an appropriate process for determining the assumptions used in the respective models. In the context of the inherent uncertainties disclosed, the calculated recoverable values of the respective assets (or group of assets), determined with reference to the future forecast cash flows, future growth rates and discount rates applied, are considered collectively to be within a reasonable range of the possible outcomes.

Independent auditor's report to the members of Mondi plc

Impairment of goodwill and property, plant and equipment continued	
Key observations continued	We are satisfied that the disclosures made in relation to impairment tests are compliant with relevant accounting standards.
Capitalisation of property, plant and equipment	
Risk description	The Group continues to invest in significant capital projects with capital expenditure of €446 million (2015: €593 million) during the year ended 31 December 2016, of which €99 million related to the Group's major capital projects, including those in Świecie (Poland) and South Africa. The significant level of capital expenditure requires consideration of the nature of costs incurred to ensure that capitalisation of property, plant and equipment meets the specific recognition criteria in IAS 16, 'Property, Plant and Equipment' (IAS 16), specifically in relation to assets constructed by the Group, and the application of management judgement in assigning appropriate useful economic lives. The risk was focused on certain key projects, where the risk of material misstatement was deemed higher as a result of the complexity of the specific project. Refer to note 10 for the disclosure of property, plant and equipment and note 34 for the Group accounting policy.
How the scope of our audit responded to the risk	Our audit work included evaluating the design and implementation of key controls around the capitalisation process, assessing the nature of property, plant and equipment capitalised by the Group to test the validity of amounts capitalised and evaluating whether assets capitalised meet the recognition criteria set out in IAS 16. Our work considered whether capitalisation of assets ceased when the asset was in the location and condition necessary for it to be capable of operating in the manner intended by the Group and that a consistent approach was applied by the Group across all significant operations. Furthermore, we challenged the useful economic lives assigned with reference to the Group's historical experience, our understanding of the future utilisation of assets by the Group and the depreciation policies applied by third parties operating similar assets.
Key observations	The capitalisation of assets in the year, and the useful economic lives assigned, were assessed to be appropriate. We did not identify any assets capitalised in prior years where we considered the useful economic lives originally assigned needed revision in the year.
Taxation	
Risk description	The Group has operations in a number of geographical locations and as such is subject to multiple tax jurisdictions, giving rise to complexity in accounting for the Group's taxation. In particular, as detailed in note 7, the existence of tax incentives available to the Group and historical tax losses give rise to judgement in determining the appropriate tax charge for the Group and recognition of deferred tax assets. There are also cross border transactions which give rise to transfer pricing-related risks. Refer to note 7 for the disclosure and note 34 for the Group accounting policy.
How the scope of our audit responded to the risk	Our audit work, which involved taxation audit specialists within specific locations where local tax knowledge was required, included evaluating the design and implementation of controls in respect of taxation, the assessment of taxation assets and liabilities, with particular consideration and challenge given to the judgements taken in relation to accounting for tax incentives, corporate tax provisions and the recognition of deferred tax assets and liabilities. In addition, we involved transfer pricing specialists to assess the appropriateness of the Group's assessment of their exposure to transfer pricing-related risks. Our assessment included the review of applicable third-party evidence and correspondence with tax authorities. In relation to deferred tax assets, we challenged the appropriateness of management's judgements of the availability of future appropriate taxable profits in assessing whether to recognise deferred tax assets.
Key observations	We determined that the tax balances recorded have been calculated on an appropriate basis, with an adequate allowance being made for uncertainty in the recovery of deferred tax assets and transfer pricing risks.

The description of risks above should be read in conjunction with the significant issues considered by the DLC audit committee as discussed on pages 96 and 97.

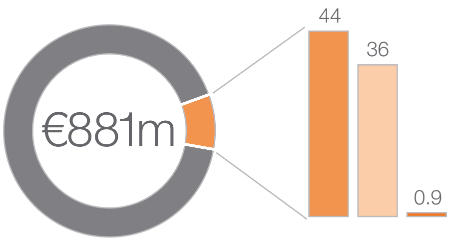
These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Group materiality	We determined materiality for the Group to be €44 million (2015: €36 million).
Basis for determining materiality	The chosen benchmark was 5% (2015: 5%) of profit before tax and special items. Special items are defined by the Group as those items of financial performance that the Group believes should be separately disclosed to assist in the understanding of the underlying financial performance by the Group.
Rationale for the benchmark applied	Since special items are individually significant in nature, and we consider profit before tax and special items to be a key driver of the business and a focus for shareholders, we have concluded that it is appropriate to exclude these items in determining materiality. The materiality chosen equates to below 2% (2015: 2%) of equity.

Group materiality



Profit before tax	€881 million
Group materiality	€44 million
Component materiality range	€4 million to €36 million
Audit committee reporting threshold	€0.9 million

We agreed with the DLC audit committee that we would report to the committee all audit differences identified in excess of €900,000 (2015: €720,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also reported to the DLC audit committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Mondi Group has two separate legal parent entities, Mondi plc and Mondi Limited, which operate under a DLC structure. The substance of the DLC structure is such that Mondi plc and its subsidiaries, and Mondi Limited and its subsidiaries, operate together as a single economic entity through a sharing agreement, with neither parent entity assuming a dominant role. Accordingly, the financial statements of Mondi Group are prepared and reported on a combined and consolidated basis as a single reporting entity.

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused primarily on the audit work at 17 locations (2015: 16 locations) from across Mondi Group, which were subject to a full audit completed using materiality which was set at a level lower than Group materiality. The materiality applied to the audit of these components ranged from €4 million to €36 million (2015: €3 million to €28 million).

These 17 locations (2015: 16 locations) represent the principal business units and account for 65% (2015: 64%) of the Group's revenue. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above.

A further 29 locations (2015: 27 locations) were subject to an audit of specified account balances where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations at those locations. These 29 locations (2015: 27 locations) represent a further 20% (2015: 19%) of the Group's revenue.

From the above audit scope, in aggregate the locations subject to audit procedures represents 85% (2015: 83%) of the Group's revenue.

The changes in the scoping above are due to new acquisitions in the year.

The Group audit team continued to follow a programme of planned visits that has been designed so that a senior member of the Group audit team visits the 10 operating locations (2015: 10 operating locations) that have been assessed as the most financially significant to the Group at least once every three years, or more frequently where other indicators are identified. In the current year, a senior member of the Group audit team therefore visited certain of the Group's operations in Austria, Czech Republic, Germany, South Africa and the United States.

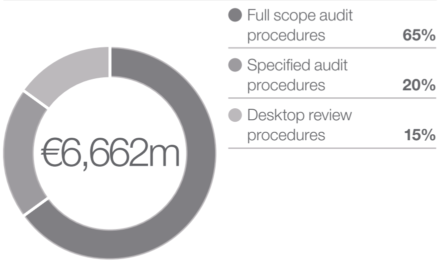
Independent auditor's report to the members of Mondi plc

For all full scope locations, we discussed risk assessment and audit planning with the component team before the commencement of our work. Furthermore, for each of the businesses included within the programme of planned visits, the Group audit team also discussed audit findings with the relevant component audit team throughout the audit engagement and reviewed relevant audit working papers.

For the remaining seven locations (2015: six locations) where full audits were completed, we discussed audit findings with the relevant component audit team, reviewed audit working papers in relation to key issues and discussed key matters with divisional management where considered necessary in forming our Group audit opinion.

In relation to the 29 locations (2015: 27 locations) which were subject to an audit of specified account balances, we discussed the results of these businesses and accounting matters arising through our involvement in divisional meetings with management.

Revenue coverage



At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

Opinion on other matters prescribed by the UK Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

→ the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the UK Companies Act 2006;

→ the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

→ the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic report and the Directors' report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the UK Companies Act 2006 we are required to report to you if, in our opinion:

→ we have not received all the information and explanations we require for our audit; or

→ adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

→ the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the UK Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report arising from these matters.

Corporate governance statement

Under the Listing Rules we are also required to review the part of the Corporate governance statement relating to the company's compliance with certain provisions of the UK Corporate Governance Code.

We have nothing to report arising from our review.

Our duty to read other information in the Integrated report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Integrated report is:

- → materially inconsistent with the information in the audited financial statements; or
- → apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- → otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the Integrated report is fair, balanced and understandable and whether the Integrated report appropriately discloses those matters that we communicated to the DLC audit committee which we consider should have been disclosed.

We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibility statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the UK Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Integrated report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Nicola Mitchell FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

22 February 2017

Combined and consolidated income statement
for the year ended 31 December 2016

		2016			2015		
€ million	**Notes**	**Underlying**	**Special items (note 3)**	**Total**	**Underlying**	**Special items (note 3)**	**Total**
Group revenue	2	**6,662**	**—**	**6,662**	**6,819**	**—**	**6,819**
Materials, energy and consumables used		(3,249)	—	(3,249)	(3,413)	—	(3,413)
Variable selling expenses		(499)	—	(499)	(512)	—	(512)
Gross margin		2,914	—	2,914	2,894	—	2,894
Maintenance and other indirect expenses		(301)	—	(301)	(308)	—	(308)
Personnel costs	5	(996)	(13)	(1,009)	(1,003)	(28)	(1,031)
Other net operating expenses		(251)	(5)	(256)	(258)	(25)	(283)
Depreciation, amortisation and impairments		(385)	(20)	(405)	(368)	(4)	(372)
Operating profit	2	**981**	**(38)**	**943**	**957**	**(57)**	**900**
Net profit from equity accounted investees		1	—	1	1	—	1
Profit before net finance costs		982	(38)	944	958	(57)	901
Net finance costs	6	(101)	—	(101)	(105)	—	(105)
Profit before tax		881	(38)	843	853	(57)	796
Tax charge	7a	(166)	9	(157)	(161)	10	(151)
Profit for the year		**715**	**(29)**	**686**	**692**	**(47)**	**645**
Attributable to:							
Non-controlling interests	32	**48**		**48**	**45**		**45**
Shareholders		**667**		**638**	**647**		**600**
Earnings per share (EPS) attributable to shareholders							
(euro cents)							
Basic EPS	8			**131.8**			**124.0**
Diluted EPS	8			**131.7**			**123.7**
Basic underlying EPS	8			**137.8**			**133.7**
Diluted underlying EPS	8			**137.7**			**133.4**
Basic headline EPS	8			**135.9**			**123.4**
Diluted headline EPS	8			**135.8**			**123.1**

Combined and consolidated statement of comprehensive income
for the year ended 31 December 2016

€ million	2016 Before tax amount	2016 Tax benefit	2016 Net of tax amount	2015 Before tax amount	2015 Tax expense	2015 Net of tax amount
Profit for the year			**686**			**645**
Items that may subsequently be reclassified to the combined and consolidated income statement						
Cash flow hedges	—	—	—	(1)	—	(1)
Fair value gains/(losses) arising during the year	1			(3)		
Less: Adjustments for amounts transferred to hedged items	(1)			2		
Gains on available-for-sale investments	1	—	1	—	—	—
Exchange differences on translation of foreign operations	150	—	150	(122)	—	(122)
Items that will not subsequently be reclassified to the combined and consolidated income statement						
Remeasurements of retirement benefits plans:	(19)	4	(15)	27	(3)	24
Return on plan assets	15			(1)		
Actuarial losses arising from changes in demographic assumptions	(1)			—		
Actuarial (losses)/gains arising from changes in financial assumptions	(37)			27		
Actuarial gains arising from experience adjustments	4			1		
Other comprehensive income/(expense) for the year	**132**	**4**	**136**	**(96)**	**(3)**	**(99)**
Other comprehensive income/(expense) attributable to:						
Non-controlling interests	(4)	—	**(4)**	(4)	—	**(4)**
Shareholders	136	4	**140**	(92)	(3)	**(95)**
Total comprehensive income attributable to:						
Non-controlling interests			**44**			**41**
Shareholders			**778**			**505**
Total comprehensive income for the year			**822**			**546**

Combined and consolidated statement of financial position
as at 31 December 2016

€ million	Notes	2016	2015
Property, plant and equipment	10	3,788	3,554
Goodwill	11	681	590
Intangible assets	12	120	105
Forestry assets	13	316	219
Investment in equity accounted investees		9	9
Financial instruments		25	23
Deferred tax assets	7b	26	23
Net retirement benefits asset	22	1	3
Total non-current assets		**4,966**	**4,526**
Inventories	14	850	838
Trade and other receivables	15	1,049	994
Current tax assets		32	29
Financial instruments		8	15
Cash and cash equivalents	26b	404	64
Assets held for sale	25	1	3
Total current assets		**2,344**	**1,943**
Total assets		**7,310**	**6,469**
Short-term borrowings	19	(651)	(250)
Trade and other payables	16	(1,100)	(1,038)
Current tax liabilities		(95)	(102)
Provisions	17	(49)	(56)
Financial instruments		(23)	(7)
Total current liabilities		**(1,918)**	**(1,453)**
Medium and long-term borrowings	19	(1,119)	(1,319)
Net retirement benefits liability	22	(240)	(212)
Deferred tax liabilities	7b	(267)	(241)
Provisions	17	(44)	(40)
Other non-current liabilities		(26)	(17)
Total non-current liabilities		**(1,696)**	**(1,829)**
Total liabilities		**(3,614)**	**(3,282)**
Net assets		**3,696**	**3,187**
Equity			
Share capital and stated capital	20	542	542
Retained earnings and other reserves		2,850	2,363
Total attributable to shareholders		**3,392**	**2,905**
Non-controlling interests in equity		304	282
Total equity		**3,696**	**3,187**

The Group's combined and consolidated financial statements, and related notes 1 to 34, were approved by the Boards and authorised for issue on 22 February 2017 and were signed on their behalf by:

David Hathorn
Director

Andrew King
Director

Mondi Limited company registration number: 1967/013038/06
Mondi plc company registered number: 6209386

Combined and consolidated statement of changes in equity
for the year ended 31 December 2016

€ million	Combined share capital and stated capital	Treasury shares	Retained earnings	Other reserves	Equity attributable to shareholders	Non-controlling interests	Total equity
At 1 January 2015	542	(24)	2,497	(387)	**2,628**	266	**2,894**
Total comprehensive income/(expense) for the year	—	—	600	(95)	**505**	41	**546**
Dividends paid	—	—	(209)	—	**(209)**	(25)	**(234)**
Purchases of treasury shares	—	(31)	—	—	**(31)**	—	**(31)**
Distribution of treasury shares	—	26	(26)	—	**—**	—	**—**
Non-controlling interests bought out	—	—	(1)	—	**(1)**	(1)	**(2)**
Mondi share schemes' charge	—	—	—	11	**11**	—	**11**
Issue of shares under employee share schemes	—	—	10	(10)	**—**	—	**—**
Acquisition of business	—	—	—	—	**—**	1	**1**
Disposal of business	—	—	—	2	**2**	—	**2**
Retirement benefit plans curtailment transferred to retained earnings	—	—	(3)	3	**—**	—	**—**
At 31 December 2015	**542**	**(29)**	**2,868**	**(476)**	**2,905**	**282**	**3,187**
Total comprehensive income for the year	—	—	638	140	**778**	44	**822**
Dividends paid	—	—	(274)	—	**(274)**	(32)	**(306)**
Purchases of treasury shares	—	(20)	—	—	**(20)**	—	**(20)**
Distribution of treasury shares	—	25	(25)	—	**—**	—	**—**
Mondi share schemes' charge	—	—	—	13	**13**	—	**13**
Issue of shares under employee share schemes	—	—	10	(11)	**(1)**	—	**(1)**
Acquisition of business	—	—	—	—	**—**	3	**3**
Put option held by non-controlling interests	—	—	—	(9)	**(9)**	—	**(9)**
Other movements in non-controlling interests	—	—	—	—	**—**	7	**7**
At 31 December 2016	**542**	**(24)**	**3,217**	**(343)**	**3,392**	**304**	**3,696**

Other reserves

€ million	2016	2015
Cumulative translation adjustment reserve	(536)	(685)
Post-retirement benefits reserve	(75)	(65)
Share-based payment reserve	22	20
Cash flow hedge reserve	(2)	(2)
Merger reserve	259	259
Put option liability reserve	(9)	—
Other sundry reserves	(2)	(3)
Total other reserves	**(343)**	**(476)**

Combined and consolidated statement of cash flows
for the year ended 31 December 2016

€ million	Notes	2016	2015
Cash flows from operating activities			
Cash generated from operations	26a	1,401	1,279
Dividends received from equity accounted investees		1	—
Income tax paid		(173)	(160)
Net cash generated from operating activities		**1,229**	**1,119**
Cash flows from investing activities			
Investment in property, plant and equipment		(465)	(595)
Investment in intangible assets	12	(13)	(9)
Investment in forestry assets		(45)	(41)
Proceeds from the disposal of property, plant and equipment and forestry assets		14	41
Proceeds from the disposal of financial asset investments		1	—
Acquisition of subsidiaries, net of cash and cash equivalents	23	(162)	(72)
Proceeds from the disposal of businesses, net of cash and cash equivalents	24	—	38
Loan repayments from external parties		—	1
Interest received		5	4
Net cash used in investing activities		**(665)**	**(633)**
Cash flows from financing activities			
Proceeds from medium and long-term borrowings		501	2
Repayment of medium and long-term borrowings		(166)	(221)
(Repayment of)/proceeds from short-term borrowings	26c	(152)	52
Interest paid		(82)	(93)
Dividends paid to shareholders	9	(274)	(209)
Dividends paid to non-controlling interests		(33)	(26)
Purchases of treasury shares		(20)	(31)
Net realised gain on held-for-trading derivatives		4	74
Other financing activities		3	(2)
Net cash used in financing activities		**(219)**	**(454)**
Net increase in cash and cash equivalents		**345**	**32**
Cash and cash equivalents at beginning of year		36	9
Cash movement in the year	26c	345	32
Effects of changes in foreign exchange rates	26c	(4)	(5)
Cash and cash equivalents at end of year	26b	**377**	**36**

Notes to the combined and consolidated financial statements
for the year ended 31 December 2016

1 Basis of preparation

Dual listed structure

The Group has two separate legal parent entities, Mondi Limited and Mondi plc, which operate under a dual listed company (DLC) structure. The substance of the DLC structure is such that Mondi Limited and its subsidiaries, and Mondi plc and its subsidiaries, operate together as a single economic entity through a sharing agreement, with neither parent entity assuming a dominant role. Accordingly, Mondi Limited and Mondi plc are reported on a combined and consolidated basis as a single reporting entity.

The Group's combined and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB); the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee; Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa 2008. The principal accounting policies adopted are set out in note 34.

There are no differences for the Group in applying IFRS as issued by the IASB and IFRS as adopted by the European Union (EU) and therefore the Group also complies with Article 4 of the EU IAS Regulation.

The combined and consolidated financial statements have been prepared on a going concern basis as discussed in the Strategic report under Our principal risks under the heading 'Going concern' on page 39.

Critical accounting judgements and key estimates

The preparation of the Group's combined and consolidated financial statements includes the use of estimates and assumptions. Although the estimates used are based on management's best information about current circumstances and future events and actions, actual results may differ from those estimates.

The most significant estimates and judgements are:

Key estimates
- Estimated impairment of goodwill – refer to note 11
- Fair value of forestry assets – refer to note 13
- Actuarial valuations of retirement benefit obligations – refer to note 22

Critical accounting judgements
- Impairment of property, plant and equipment, and intangible assets – refer to notes 10 and 12
- Residual values and useful economic lives of property, plant and equipment – refer to notes 10 and 34
- Recognition of deferred tax assets arising from accumulated tax losses and expected future utilisation of such losses – refer to note 7
- Fair value of assets acquired and liabilities assumed in business combinations – refer to note 23

Special items (note 3)

Special items are those items of financial performance that the Group believes should be separately disclosed to improve the understanding of the underlying financial performance achieved by the Group. Such items are material in nature and the quantitative threshold for recognition of special items incurred after 1 January 2016 has been increased to €10 million (2015: €5 million).

Subsequent adjustments to items previously recognised as special items continue to be reflected as special items in future periods even if they do not exceed the reporting threshold.

Notes to the combined and consolidated financial statements for the year ended 31 December 2016

2 Operating segments

The material product types from which the Group's externally reportable segments derive both their internal and external revenues are as follows:

Operating segments	Product types
Packaging Paper	Packaging paper
	Pulp
Fibre Packaging	Industrial bags
	Corrugated packaging
	Extrusion coatings
Consumer Packaging	Personal care components
	Technical films
	Consumer goods packaging
	Release liners
Uncoated Fine Paper	Uncoated fine paper
	Pulp
	Newsprint
South Africa Division	Packaging paper
	Uncoated fine paper
	Pulp
	Newsprint

Year ended 31 December 2016

€ million, unless otherwise stated	Packaging Paper	Fibre Packaging	Consumer Packaging	Uncoated Fine Paper	South Africa Division	Corporate	Intersegment elimination	Segments total
Segment revenue	2,056	1,929	1,562	1,246	594	—	(725)	**6,662**
Internal revenue	(585)	(32)	(4)	(4)	(100)	—	725	**—**
External revenue	1,471	1,897	1,558	1,242	494	—	—	**6,662**
Underlying EBITDA	483	194	198	343	182	(34)	—	**1,366**
Depreciation and impairments	(118)	(66)	(59)	(77)	(35)	(1)	—	**(356)**
Amortisation	(4)	(5)	(18)	(2)	—	—	—	**(29)**
Underlying operating profit	361	123	121	264	147	(35)	—	**981**
Special items	—	(13)	(19)	—	(6)	—	—	**(38)**
Operating segment assets	2,092	1,315	1,502	1,064	857	4	(178)	**6,656**
Operating net segment assets	1,760	1,006	1,270	851	731	—	—	**5,618**
Additions to non-current non-financial assets	149	161	217	50	103	—	—	**680**
Capital expenditure cash payments	156	107	91	53	58	—	—	**465**
Operating margin (%)	*17.6*	*6.4*	*7.7*	*21.2*	*24.7*	—	—	***14.7***
Return on capital employed (%)	*22.4*	*13.5*	*10.5*	*36.0*	*27.8*	—	—	***20.3***
Average number of employees (thousands)	5.0	7.7	5.3	5.6	1.7	0.1	—	**25.4**

Year ended 31 December 2015

€ million, unless otherwise stated	Packaging Paper	Fibre Packaging	Consumer Packaging	Uncoated Fine Paper	South Africa Division	Corporate	Intersegment elimination	Segments total
Segment revenue	2,156	2,031	1,469	1,233	652	—	(722)	**6,819**
Internal revenue	(574)	(37)	(4)	(6)	(101)	—	722	**—**
External revenue	1,582	1,994	1,465	1,227	551	—	—	**6,819**
Underlying EBITDA	505	187	177	291	199	(34)	—	**1,325**
Depreciation and impairments	(111)	(63)	(54)	(77)	(38)	(1)	—	**(344)**
Amortisation	(3)	(4)	(15)	(2)	—	—	—	**(24)**
Underlying operating profit	391	120	108	212	161	(35)	—	**957**
Special items	(14)	(21)	(22)	—	—	—	—	**(57)**
Operating segment assets	2,094	1,224	1,333	1,001	669	6	(168)	**6,159**
Operating net segment assets	1,753	935	1,146	821	563	1	—	**5,219**
Additions to non-current non-financial assets	281	118	173	56	104	1	—	**733**
Capital expenditure cash payments	259	118	92	65	61	—	—	**595**
Operating margin (%)	*18.1*	*5.9*	*7.4*	*17.2*	*24.7*	—	—	***14.0***
Return on capital employed (%)	*25.5*	*13.9*	*10.7*	*25.6*	*30.1*	—	—	***20.5***
Average number of employees (thousands)	5.3	7.7	4.6	6.0	1.6	0.1	—	**25.3**

Reconciliation of underlying EBITDA and underlying operating profit to profit before tax

€ million	2016	2015
Underlying EBITDA	**1,366**	**1,325**
Depreciation and impairments	(356)	(344)
Amortisation	(29)	(24)
Underlying operating profit	**981**	**957**
Special items (see note 3)	(38)	(57)
Net profit from equity accounted investees	1	1
Net finance costs	(101)	(105)
Profit before tax	**843**	**796**

Reconciliation of operating segment assets

	2016		2015	
€ million	Segment assets	Net segment assets	Segment assets	Net segment assets
Segments total	**6,656**	**5,618**	**6,159**	**5,219**
Unallocated				
Investment in equity accounted investees	9	9	9	9
Deferred tax assets/(liabilities)	26	(241)	23	(218)
Other non-operating assets/(liabilities)	209	(307)	201	(325)
Group capital employed	**6,900**	**5,079**	**6,392**	**4,685**
Financial instruments/(net debt)	410	(1,383)	77	(1,498)
Total assets/equity	**7,310**	**3,696**	**6,469**	**3,187**

Notes to the combined and consolidated financial statements for the year ended 31 December 2016

2 Operating segments

€ million	External revenue by location of production 2016	External revenue by location of production 2015	External revenue by location of customer 2016	External revenue by location of customer 2015
Revenue				
Africa				
South Africa	594	652	407	465
Rest of Africa	13	13	200	205
Africa total	607	665	607	670
Western Europe				
Austria	1,018	981	143	144
Germany	897	964	929	960
United Kingdom	33	39	224	252
Rest of western Europe	529	607	1,278	1,360
Western Europe total	2,477	2,591	2,574	2,716
Emerging Europe				
Poland	900	909	546	515
Rest of emerging Europe	1,246	1,225	883	877
Emerging Europe total	2,146	2,134	1,429	1,392
Russia	760	674	602	535
North America	588	664	729	771
South America	—	—	70	72
Asia and Australia	84	91	651	663
Group total	**6,662**	**6,819**	**6,662**	**6,819**

There were no external customers which account for more than 10% of the Group's total external revenue.

€ million	2016 Non-current non-financial assets	2016 Segment assets	2016 Net segment assets	2015 Non-current non-financial assets	2015 Segment assets	2015 Net segment assets
Africa						
South Africa	705	841	717	537	646	541
Rest of Africa	18	36	34	7	22	21
Africa total	723	877	751	544	668	562
Western Europe						
Austria	456	791	554	462	798	572
United Kingdom	38	52	41	38	55	50
Rest of western Europe	911	1,285	1,093	911	1,307	1,134
Western Europe total	1,405	2,128	1,688	1,411	2,160	1,756
Emerging Europe						
Poland	803	979	881	765	954	857
Slovakia	417	460	394	447	492	424
Rest of emerging Europe	668	916	753	605	828	681
Emerging Europe total	1,888	2,355	2,028	1,817	2,274	1,962
Russia	599	756	679	431	541	492
North America	198	383	327	182	372	314
Asia and Australia	92	157	145	83	144	133
Segments total	**4,905**	**6,656**	**5,618**	**4,468**	**6,159**	**5,219**

Average number of employees

thousands	2016	2015
By principal locations of employment		
Africa	1.9	1.8
Western Europe	7.2	7.4
Eastern Europe	7.9	7.3
Russia	5.6	5.7
North America	2.2	2.5
Asia and Australia	0.6	0.6
Group total	**25.4**	**25.3**

3 Special items

€ million	2016	2015
Operating special items		
Impairment of assets	(22)	(4)
Reversal of impairment of assets	2	—
Restructuring and closure costs:		
Personnel costs	(13)	(28)
Other restructuring and closure costs	(5)	(17)
Adjustments relating to 2012 Nordenia acquisition	—	(8)
Total special items before tax and non-controlling interests	**(38)**	**(57)**
Tax credit (see note 7)	9	10
Total special items attributable to shareholders	**(29)**	**(47)**

Operating special items

Restructuring and closure costs and related impairments during the year comprise:

→ Fibre Packaging
- Closure of an industrial bags plant in southern Belgium. Restructuring costs of €10 million and impairment of assets of €3 million were recognised.

→ Consumer Packaging
- Restructuring of release liner operations in USA, including closure of one site. Restructuring costs of €7 million and impairment of assets of €12 million were recognised.

→ South Africa Division
- Further impairment of newsprint assets of €7 million.
- Partial reversal of impairment of uncoated fine paper machine previously impaired of €2 million.
- Restructuring costs of €1 million.

Notes to the combined and consolidated financial statements for the year ended 31 December 2016

4 Auditors' remuneration

€ million	2016	2015
Fees payable to the auditors for the audit of Mondi Limited's and Mondi plc's annual financial statements	0.5	0.5
United Kingdom	0.4	0.4
South Africa	0.1	0.1
Fees payable to the auditors and their associates for the audit of Mondi Limited's and Mondi plc's subsidiaries	3.1	3.3
Total audit fees	**3.6**	**3.8**
Audit-related assurance services	0.2	0.3
Tax compliance services	0.1	0.1
Other services	0.2	0.1
Total non-audit fees	**0.5**	**0.5**
Total fees	**4.1**	**4.3**

5 Personnel costs

€ million, unless otherwise stated	2016	2015
Within operating costs		
Wages and salaries	802	808
Social security costs	162	168
Defined contribution retirement plan contributions (see note 22)	14	12
Defined benefit retirement benefit service costs (see note 22)	5	4
Share-based payments (see note 21)	13	11
Total within operating costs	**996**	**1,003**
Within special items		
Personnel costs relating to restructuring (see note 3)	**13**	**28**
Within net finance costs		
Retirement benefit medical plan net interest costs	5	5
Retirement benefit pension plan net interest costs	5	4
Total within net finance costs (see note 6)	**10**	**9**
Group total	**1,019**	**1,040**
Average number of employees (thousands)	**25.4**	**25.3**

6 Net finance costs

Net finance costs are presented below:

€ million	2016	2015
Investment income		
Investment income	**5**	**4**
Foreign currency losses		
Foreign currency losses	**(4)**	**—**
Finance costs		
Interest expense		
Interest on bank overdrafts and loans	(97)	(107)
Net interest expense on net retirement benefits liability (see note 22)	(10)	(9)
Total interest expense	**(107)**	**(116)**
Less: Interest capitalised (see note 10)	5	7
Total finance costs	**(102)**	**(109)**
Net finance costs	**(101)**	**(105)**

The weighted average interest rate applicable to capitalised interest on general borrowings for the year ended 31 December 2016 was 7.15% (2015: 7.08%) and was related to investments in Poland, Russia, the Czech Republic and South Africa.

7 Taxation

(a) Analysis of tax charge for the year

The Group's effective rate of tax before special items for the year ended 31 December 2016, calculated on profit before tax before special items and including net profit from equity accounted investees, was 19% (2015: 19%).

€ million	2016	2015
UK corporation tax at 20% (2015: 20.25%)	1	1
SA corporation tax at 28% (2015: 28%)	22	35
Overseas tax	134	136
Current tax in respect of prior years	5	1
Current tax	**162**	**173**
Deferred tax in respect of the current year	28	24
Deferred tax in respect of prior years	(22)	(36)
Deferred tax attributable to a change in the rate of domestic income tax	(2)	—
Total tax charge before special items	**166**	**161**
Current tax on special items	(1)	(2)
Deferred tax on special items	(8)	(8)
Total tax credit on special items (see note 3)	**(9)**	**(10)**
Total tax charge	**157**	**151**

Notes to the combined and consolidated financial statements for the year ended 31 December 2016

7 Taxation

Factors affecting tax charge for the year

The Group's total tax charge for the year can be reconciled to the tax on the Group's profit before tax at the weighted average UK and SA corporation tax rate of 21.2%[1] (2015: 21.7%), as follows:

€ million	2016	2015
Profit before tax	**843**	**796**
Tax on profit before tax calculated at the weighted average UK and SA corporation tax rate of 21.2% (2015: 21.7%)	**179**	**173**
Tax effects of:		
Expenses not deductible for tax purposes	**8**	**7**
Special items not tax deductible	—	1
Other non-deductible expenses	8	6
Non-taxable income	**—**	**(1)**
Temporary difference adjustments	**(12)**	**(17)**
Current year tax losses and other temporary differences not recognised	9	14
Prior year tax losses and other temporary differences not previously recognised	(19)	(31)
Attributable to a change in the rate of domestic income tax	(2)	—
Other adjustments	**(18)**	**(11)**
Current tax prior year adjustments	5	1
Tax incentives	(37)	(15)
Effect of differences between local rates and UK and SA rates	2	(4)
Other adjustments	12	7
Tax charge for the year	**157**	**151**

Note:

1 The weighted average tax rate has been determined by weighting the profit before tax after special items of Mondi Limited and its subsidiaries and Mondi plc and its subsidiaries

(b) Deferred tax

	Deferred tax assets		Deferred tax liabilities	
€ million	2016	2015	2016	2015
At 1 January	23	10	(241)	(259)
(Charged)/credited to combined and consolidated income statement	(4)	14	8	6
Credited/(charged) to combined and consolidated statement of comprehensive income	2	—	2	(3)
Acquired through business combinations (see note 23)	—	—	(7)	(9)
Disposal of businesses (see note 24)	—	—	—	2
Reclassification	4	(1)	(4)	1
Currency movements	1	—	(25)	21
At 31 December	**26**	**23**	**(267)**	**(241)**

The amount of deferred tax credited/(charged) to the combined and consolidated income statement comprises:

€ million	2016	2015
Capital allowances in excess of depreciation	4	2
Fair value adjustments	(14)	(6)
Tax losses	3	7
Other temporary differences	11	17
Total credit	**4**	**20**

Deferred tax comprises:

€ million	Deferred tax assets 2016	Deferred tax assets 2015	Deferred tax liabilities 2016	Deferred tax liabilities 2015
Capital allowances in excess of depreciation	(29)	(33)	(242)	(217)
Fair value adjustments	1	—	(91)	(59)
Tax losses[1]	16	20	17	8
Other temporary differences[1]	38	36	49	27
Total	**26**	**23**	**(267)**	**(241)**

Note:

1 Based on forecast data, the Group considers it is probable that there will be sufficient future taxable profits available in the relevant jurisdictions to utilise these tax losses and other temporary differences. There are currently no individually significant unrecognised deferred tax assets where there is such degree of uncertainty that it could result in a material adjustment in future periods

The current expectation regarding the maturity of deferred tax balances is:

€ million	Deferred tax assets 2016	Deferred tax assets 2015	Deferred tax liabilities 2016	Deferred tax liabilities 2015
Recoverable/(payable) within 12 months	13	13	(3)	2
Recoverable/(payable) after 12 months	13	10	(264)	(243)
Total	**26**	**23**	**(267)**	**(241)**

The Group has the following amounts in respect of which no deferred tax asset has been recognised due to the unpredictability of future profit streams or gains against which these could be utilised:

€ million	2016	2015
Tax losses – revenue	1,478	1,560
Tax losses – capital	16	19
Other temporary differences	62	60
Total	**1,556**	**1,639**

There were no significant changes in the expected future profit streams or gains.

Included in unrecognised tax losses are losses that will expire as follows:

€ million	2016	2015
Expiry date		
Within one year	9	34
One to five years	78	121
After five years	123	104
No expiry date	1,284	1,320
Total	**1,494**	**1,579**

No deferred tax liability is recognised on gross temporary differences of €715 million (2015: €577 million) relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future. UK tax legislation largely exempts, from UK tax, overseas dividends received on or after 1 July 2009. As a result, the gross temporary differences at 31 December 2016 represent only the unremitted earnings of those overseas subsidiaries where remittance to the UK of those earnings would still result in a tax liability, principally as a result of dividend withholding taxes levied by the overseas tax jurisdictions in which these subsidiaries operate.

Notes to the combined and consolidated financial statements for the year ended 31 December 2016

8 Earnings per share (EPS)

The calculation of basic and diluted EPS, basic and diluted underlying EPS and basic and diluted headline EPS is based on the following data:

	Earnings	
€ million	2016	2015
Profit for the year attributable to shareholders	**638**	**600**
Special items (see note 3)	38	57
Related tax (see note 3)	(9)	(10)
Underlying earnings for the year	**667**	**647**
Special items not excluded from headline earnings	(18)	(53)
Profit on disposal of property, plant and equipment	—	(13)
Impairments not included in special items (see note 10)	5	3
Related tax	4	13
Headline earnings for the year	**658**	**597**

	Weighted average number of shares	
million	2016	2015
Basic number of ordinary shares outstanding	**484.2**	**483.9**
Effect of dilutive potential ordinary shares	0.3	1.1
Diluted number of ordinary shares outstanding	**484.5**	**485.0**

9 Dividends

Dividends paid to the shareholders of Mondi Limited and Mondi plc are presented on a combined basis.

euro cents per share	2016	2015
Final dividend paid (in respect of prior year)	37.62	28.77
Interim dividend paid	18.81	14.38
Final dividend proposed for the year ended 31 December	**38.19**	**37.62**

€ million	2016	2015
Final dividend paid (in respect of prior year)	183	140
Interim dividend paid	91	69
Total dividends paid	**274**	**209**
Final dividend proposed for the year ended 31 December	**185**	**182**
Declared by Group companies to non-controlling interests	32	25

The final dividend proposed is subject to approval by shareholders at the Annual General Meetings of Mondi Limited and Mondi plc scheduled for 11 May 2017.

10 Property, plant and equipment

€ million	Land and buildings[1]	Plant and equipment	Assets under construction	Other	Total
Net carrying value					
At 1 January 2015	921	2,185	262	64	**3,432**
Acquired through business combinations	21	19	—	—	**40**
Additions	69	267	236	21	**593**
Disposal of assets	(9)	(10)	—	(2)	**(21)**
Disposal of businesses (see note 24)	(17)	(25)	(1)	(2)	**(45)**
Depreciation charge for the year	(46)	(271)	—	(24)	**(341)**
Impairment losses recognised[2]	(4)	(3)	—	—	**(7)**
Transfer from assets under construction	58	225	(304)	17	**(4)**
Reclassification	4	(2)	—	(1)	**1**
Currency movements	(16)	(69)	(7)	(2)	**(94)**
At 31 December 2015	**981**	**2,316**	**186**	**71**	**3,554**
Cost	1,626	6,050	192	288	**8,156**
Accumulated depreciation and impairments	(645)	(3,734)	(6)	(217)	**(4,602)**
Acquired through business combinations (see note 23)	23	30	—	2	**55**
Additions	24	96	306	20	**446**
Disposal of assets	(4)	(6)	(1)	(1)	**(12)**
Depreciation charge for the year	(48)	(278)	—	(25)	**(351)**
Impairment losses recognised[2]	(6)	(19)	(1)	(1)	**(27)**
Impairment losses reversed[3]	—	2	—	—	**2**
Transfer from assets under construction	42	197	(256)	16	**(1)**
Reclassification	(1)	(2)	1	(1)	**(3)**
Currency movements	21	91	10	3	**125**
At 31 December 2016	**1,032**	**2,427**	**245**	**84**	**3,788**
Cost	1,745	6,520	252	316	**8,833**
Accumulated depreciation and impairments	(713)	(4,093)	(7)	(232)	**(5,045)**

Notes:

1 The land value included in 'Land and buildings' is €156 million (2015: €143 million)

2 Impairment losses include €22 million (2015: €4 million) classified as operating special items and €5 million (2015: €3 million) of other impairments

3 Impairment losses reversed classified as operating special items

Included in the cost above is €5 million (2015: €7 million) of interest incurred on qualifying assets which has been capitalised during the year. These amounts are deductible for tax purposes either when incurred or included in the amount permitted to be deducted for capital expenditure, depending on the jurisdiction in which they are capitalised.

The recoverable amount of property, plant and equipment is determined based on the use of the asset within the current business plans. Any change in future intentions could result in an impairment of varying magnitude, depending on the assets affected.

Notes to the combined and consolidated financial statements for the year ended 31 December 2016

11 Goodwill

(a) Reconciliation

€ million	2016	2015
Net carrying value		
At 1 January	590	545
Acquired through business combinations (see note 23)	81	44
Arising from purchase price adjustment (see note 23)	13	—
Currency movements	(3)	1
At 31 December	**681**	**590**

(b) Assumptions

€ million, unless otherwise stated	Weighted average pre tax discount rate	Growth rate	Carrying value 2016	Carrying value 2015
Consumer Packaging	9.4%	2%	412	337
Kraft Paper	9.8%	0%	83	83
Containerboard	10.9%	0%	59	60
Industrial Bags	10.6%	0%	49	50
Corrugated Packaging	10.3%	0%	39	21
Uncoated Fine Paper	11.4%	0%	32	31
Extrusion Coatings	9.4%	0%	7	8
Total goodwill			**681**	**590**

Key assumptions

The recoverable amounts of the Group's cash-generating units are determined from value-in-use calculations. The key assumptions in the value-in-use calculations are:

→ cash flow forecasts which are derived from the budgets most recently approved by the Boards covering the three-year period to 31 December 2019;

→ sales volumes, sales prices and variable input cost assumptions in the budget period are derived from a combination of economic forecasts for the regions in which the Group operates, industry forecasts for individual product lines, internal management projections, historical performance, and announced industry capacity changes;

→ cash flow projections beyond three years are based on internal management projections taking into consideration industry forecasts and growth rates in the regions in which the Group operates. In general, such growth rates are assumed to be zero, but for Consumer Packaging, a growth rate of 2% is applied for each of the following seven years beyond the budget period and zero thereafter into perpetuity; and

→ capital expenditure forecasts are based on historical experience and include expenditure necessary to maintain the projected cash flows from operations at current operating levels.

The pre tax discount rate is derived from the Group's weighted average cost of capital. In determining the discount rate applicable to each cash-generating unit, adjustments are made to reflect the impacts of country risk and tax.

Sensitivity analyses

Expected future cash flows are inherently uncertain and could change materially over time. They are affected by a number of factors, including market and production estimates, together with economic factors such as prices, discount rates, currency exchange rates, estimates of production costs, and future capital expenditure.

Sensitivity analyses of reasonably possible changes in the underlying assumptions on each cash-generating unit included:

→ 1% increase in discount rate;

→ 0% growth rate assumed in Consumer Packaging;

→ 5% decrease in sales prices in Packaging Paper (Containerboard and Kraft Paper cash-generating units) and Uncoated Fine Paper; and

→ 3% decrease in gross margin in Consumer Packaging and Fibre Packaging (Corrugated Packaging, Industrial Bags and Extrusion Coatings cash-generating units).

None of these downside sensitivity analyses indicated the need for an impairment.

12 Intangible assets

€ million	2016	2015
Net carrying value		
At 1 January	105	113
Acquired through business combinations (see note 23)	27	6
Disposal of businesses (see note 24)	—	(3)
Additions	13	9
Amortisation charge for the year	(29)	(24)
Reclassification	3	3
Currency movements	1	1
At 31 December	**120**	**105**
Cost	294	263
Accumulated amortisation and impairments	(174)	(158)

The carrying value of intangible assets comprises:

€ million	2016	2015
Internally generated		
Software development costs	38	30
Acquired through business combinations		
Customer relationships	52	35
Patents and trademarks	25	31
Other	5	9
Total intangible assets	**120**	**105**

Research and development expenditure incurred by the Group and charged to the combined and consolidated income statement during the year amounted to €19 million (2015: €18 million).

13 Forestry assets

€ million	2016	2015
At 1 January	219	235
Capitalised expenditure	39	38
Acquisition of assets	6	3
Fair value gains	64	40
Disposal of assets	(1)	(1)
Felling costs	(57)	(51)
Currency movements	46	(45)
At 31 December	**316**	**219**
Comprising		
Mature	193	139
Immature	123	80
Total forestry assets	**316**	**219**

In total, the Group has 251,435 hectares (2015: 257,717 hectares) of owned and leased land available for forestry activities, all of which is in South Africa. 81,017 hectares (2015: 84,517 hectares) are set aside for conservation activities and infrastructure needs. 14,881 hectares (2015: 19,200 hectares) are managed but not controlled by the Group. The balance of 155,537 hectares (2015: 154,000 hectares) are under afforestation which forms the basis of the valuation set out above.

Mature forestry assets are those plantations that are harvestable, while immature forestry assets have not yet reached that stage of growth. Timber is harvested according to a rotation plan, once trees reach maturity. This period ranges from 6.5 to 14.5 years for both years presented, depending on species, climate and location.

Notes to the combined and consolidated financial statements for the year ended 31 December 2016

13 Forestry assets

The fair value of forestry assets is a level 3 measure in terms of the fair value measurement hierarchy, consistent with prior years. The fair value of forestry assets is calculated on the basis of future expected net cash flows arising on the Group's owned forestry assets, discounted based on a pre tax yield on long-term bonds.

The following assumptions have a significant impact on the valuation of the Group's forestry assets:

→ The net selling price, which is defined as the selling price less the costs of transport, harvesting, extraction and loading. The net selling price is based on third-party transactions and is influenced by the species, maturity profile and location of timber. In 2016, the net selling price used ranged from the South African rand equivalent of €10 per tonne to €53 per tonne (2015: €9 per tonne to €33 per tonne) with a weighted average of €28 per tonne (2015: €20 per tonne).

→ The conversion factor used to convert hectares of land under afforestation to tonnes of standing timber, which is dependent on the species, the maturity profile of the timber, the geographic location, climate and a variety of other environmental factors. In 2016, the conversion factors ranged from 8.6 to 25.0 (2015: 8.9 to 25.2).

→ The discount rate of 14.0% (2015: 15.2%) based on a pre tax yield from long-term South African government bonds matching the average age of the timber and adjusted for the risks associated with forestry assets.

The valuation of the Group's forestry assets is determined in rand and converted to euro at the closing exchange rate on 31 December of each year.

The reported value of owned forestry assets would change as follows should there be a change in these underlying assumptions on the basis that all other factors remain unchanged:

€ million	2016
Effect of €1/tonne increase in net selling price	11
Effect of 1% increase in conversion factor (hectares to tonnes)	3
Effect of 1% increase in discount rate	(3)
Effect of 1% increase in EUR/ZAR exchange rate	(3)

14 Inventories

€ million	2016	2015
Valued using the first-in-first-out cost formula		
Raw materials and consumables	28	22
Work in progress	15	9
Finished products	22	22
Total valued using the first-in-first-out cost formula	**65**	**53**
Valued using the weighted average cost formula		
Raw materials and consumables	334	321
Work in progress	104	102
Finished products	347	362
Total valued using the weighted average cost formula	**785**	**785**
Total inventories	**850**	**838**
Of which, held at net realisable value	137	138
Combined and consolidated income statement		
Cost of inventories recognised as expense	(2,866)	(2,912)
Write-down of inventories to net realisable value	(29)	(24)
Aggregate reversal of previous write-down of inventories	18	19
Green energy sales and disposal of emissions credits	48	68

15 Trade and other receivables

€ million	2016	2015
Trade receivables	909	864
Allowance for doubtful debts	(32)	(35)
Net trade receivables	**877**	**829**
Other receivables	58	59
Tax and social security	93	86
Prepayments and accrued income	21	20
Total trade and other receivables	**1,049**	**994**

The fair values of trade and other receivables approximate their carrying values presented.

Trade receivables: credit risk

The Group has a large number of unrelated customers and does not have any significant credit risk exposure to any particular customer. The Group believes that there is no significant geographical or customer concentration of credit risk.

Each business segment manages its own exposure to credit risk according to the economic circumstances and characteristics of the relevant markets that they serve. The Group believes that management of credit risk on a decentralised basis enables it to assess and manage credit risk more effectively. However, broad principles of credit risk management are observed across all business segments, such as the use of credit rating agencies, credit guarantee insurance, where appropriate, and the maintenance of a credit control function.

€ million	2016	2015
Credit risk exposure		
Gross trade receivables	909	864
Credit insurance	(707)	(708)
Total exposure to credit risk	**202**	**156**

The insured cover is presented gross of contractually agreed excess amounts. In addition, the Group is in possession of bank guarantees and letters of credit securing trade and other receivables to the value of €13 million (2015: €16 million).

Credit periods offered to customers vary according to the credit risk profiles of, and invoicing conventions established by, participants operating in the various markets in which the Group operates. Interest is charged at appropriate market rates on balances which are considered overdue in the relevant market.

To the extent that recoverable amounts are estimated to be less than their associated carrying values, impairment charges have been recorded in the combined and consolidated income statement and the carrying values have been written down to their recoverable amounts. The total gross carrying value of trade receivables that were subject to impairment during the year is €102 million (2015: €108 million).

Included within the Group's aggregate trade receivables balance are specific debtor balances with customers totalling €20 million (2015: €32 million) which are past due but not impaired at the reporting date. The Group has assessed these balances for recoverability and believes that their credit quality remains intact.

An ageing analysis of net trade receivables is provided as follows:

€ million	2016	2015
Trade receivables within terms	857	797
Past due by less than one month	16	24
Past due by one to two months	1	4
Past due by two to three months	1	1
Past due by more than three months	2	3
At 31 December	**877**	**829**

Notes to the combined and consolidated financial statements for the year ended 31 December 2016

15 Trade and other receivables

Movement in the allowance account for bad and doubtful debts

€ million	2016	2015
At 1 January	35	36
Increase in allowance recognised in combined and consolidated income statement	8	8
Amounts written off or recovered	(11)	(8)
Currency movements	—	(1)
At 31 December	**32**	**35**

16 Trade and other payables

€ million	2016	2015
Trade payables	567	508
Capital expenditure payables	54	70
Tax and social security	62	61
Other payables	73	71
Accruals and deferred income	344	328
Total trade and other payables	**1,100**	**1,038**

The fair values of trade and other payables approximate their carrying values presented.

17 Provisions

€ million	Restructuring costs	Employee related provisions	Environmental restoration	Other	Total
At 1 January 2015	28	32	6	28	**94**
Charged to combined and consolidated income statement	33	11	—	13	**57**
Disposal of business (see note 24)	—	(1)	(2)	—	**(3)**
Released to combined and consolidated income statement	(3)	—	(1)	(4)	**(8)**
Amounts applied	(29)	(10)	—	(5)	**(44)**
Reclassification	1	—	—	(1)	**—**
Currency movements	1	—	—	(1)	**—**
At 31 December 2015	**31**	**32**	**3**	**30**	**96**
Charged to combined and consolidated income statement	17	10	1	1	**29**
Acquisition of business (see note 23)	—	—	—	1	**1**
Unwinding of discount	—	1	—	—	**1**
Released to combined and consolidated income statement	(1)	—	—	(2)	**(3)**
Amounts applied	(18)	(9)	—	(4)	**(31)**
At 31 December 2016	**29**	**34**	**4**	**26**	**93**

Maturity analysis of total provisions on a discounted basis:

€ million	Restructuring costs	Employee related provisions	Environmental restoration	Other	2016	2015
Current	29	8	—	12	49	56
Non-current	—	26	4	14	44	40
Total provisions	**29**	**34**	**4**	**26**	**93**	**96**

Other provisions are mainly attributable to potential claims against the Group and onerous contracts, none of which are individually significant. All non-current provisions are discounted using a discount rate relevant in the local countries, based on a pre tax yield on long-term bonds.

18 Capital management

The Group defines its capital employed as equity, as presented in the combined and consolidated statement of financial position, plus net debt.

€ million	2016	2015
Equity attributable to shareholders	3,392	2,905
Equity attributable to non-controlling interests	304	282
Equity	**3,696**	**3,187**
Net debt (see note 26c)	**1,383**	**1,498**
Capital employed	**5,079**	**4,685**

Capital employed is managed on a basis that enables the Group to continue trading as a going concern, while delivering acceptable returns to shareholders. The Group is committed to managing its cost of capital by maintaining an appropriate capital structure, with a balance between equity and net debt.

The Group utilises its capital employed to fund the growth of the business and to finance its liquidity needs.

The primary sources of the Group's net debt include its €2.5 billion Guaranteed Euro Medium Term Note Programme, its €750 million Syndicated Revolving Credit Facility and financing from various banks and other credit agencies, thus providing the Group with access to diverse sources of debt financing.

The principal loan arrangements in place include the following:

€ million	Maturity	Interest rate %	2016	2015
Financing facilities				
Syndicated Revolving Credit Facility	July 2021	EURIBOR/LIBOR + margin	750	750
€500 million Eurobond	April 2017	5.75%	500	500
€500 million Eurobond	September 2020	3.375%	500	500
€500 million Eurobond	April 2024	1.50%	500	—
European Investment Bank Facility	June 2025	EURIBOR + margin	81	90
Export Credit Agency Facility	June 2020	EURIBOR + margin	53	72
Other	Various	Various	113	90
Total committed facilities			**2,497**	**2,002**
Drawn			(1,685)	(1,404)
Total committed facilities available			**812**	**598**

On 14 April 2016 Mondi issued a 1.5% €500 million Eurobond with an eight-year term under its Euro Medium Term Note Programme.

The €500 million Eurobonds maturing in 2017 and 2020 contain a coupon step-up clause whereby the coupon will be increased by 1.25% per annum if Mondi fails to maintain at least one investment grade credit rating from either Moody's Investors Service or Standard & Poor's. Mondi currently has investment grade credit ratings from both Moody's Investors Service (Baa2, stable outlook) and Standard & Poor's (BBB, stable outlook).

Short-term liquidity needs are met through the revolving credit facility.

The Group reviews its capital employed on a regular basis and makes use of several indicative ratios which are appropriate to the nature of its operations and consistent with conventional industry measures. The principal ratios used include:

- → weighted average cost of capital;
- → gearing, defined as net debt divided by capital employed;
- → net debt/12-month trailing EBITDA; and
- → return on capital employed, defined as trailing 12-month underlying operating profit, plus share of associates' net profit/(loss), divided by trailing 12-month average capital employed. Capital employed is adjusted for impairments in the year and spend on those strategic projects which are not yet in production.

	2016	2015
Weighted average cost of capital (%)	7.2	7.8
Gearing (%)	27.2	32.0
Net debt/12-month trailing EBITDA (times)	1.0	1.1
Return on capital employed (%)	20.3	20.5

Notes to the combined and consolidated financial statements for the year ended 31 December 2016

18 Capital management

In order to manage its cost of capital, maintain an appropriate capital structure and meet its ongoing cash flow needs, the Group may issue new debt instruments; adjust the level of dividends paid to shareholders; issue new shares to, or repurchase shares from, investors; or dispose of assets to reduce its net debt exposure.

The Group operates a DLC structure, the terms of which require that the capital supplied by, or made available to, the shareholders of Mondi Limited and Mondi plc be constrained by the equality of treatment mechanism. This serves to maintain and protect the economic interests of both sets of shareholders.

The Group is subject to certain exchange control conditions as agreed with the South African Ministry of Finance. These conditions do not infringe upon the Group's ability to manage optimally its capital structure. The Group has continually met the exchange control provisions in the past and management is committed to ensuring that the Group continues to meet these provisions in the future.

19 Borrowings

	2016			2015		
€ million	**Current**	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Secured	1	2	**3**	3	3	**6**
Unsecured						
Bonds	500	995	1,495	—	996	996
Bank loans and overdrafts	150	110	260	247	306	553
Other loans	—	12	12	—	14	14
Total unsecured	650	1,117	**1,767**	247	1,316	**1,563**
Total borrowings	**651**	**1,119**	**1,770**	**250**	**1,319**	**1,569**

The Group's borrowings as at 31 December are analysed by nature and underlying currency as follows:

2016/€ million	Floating rate borrowings	Fixed rate borrowings	Non-interest bearing borrowings	Total carrying value	Fair value
Euro	129	1,498	—	1,627	1,701
South African rand	60	—	—	60	60
Turkish lira	47	—	—	47	47
US dollar	6	9	—	15	15
Russian rouble	9	—	—	9	9
Other currencies	10	2	—	12	12
Carrying value	**261**	**1,509**	**—**	**1,770**	
Fair value	**261**	**1,583**	**—**		**1,844**

2015/€ million	Floating rate borrowings	Fixed rate borrowings	Non-interest bearing borrowings	Total carrying value	Fair value
Euro	278	1,002	—	1,280	1,363
Pounds sterling	159	—	—	159	159
South African rand	36	—	6	42	42
Polish zloty	32	2	—	34	34
Turkish lira	33	—	—	33	33
Other currencies	11	10	—	21	22
Carrying value	**549**	**1,014**	**6**	**1,569**	
Fair value	**549**	**1,098**	**6**		**1,653**

The fair values of the €500 million Eurobonds are estimated with reference to the last price quoted in the secondary market. All other financial liabilities are estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The maturity analysis of the Group's borrowings, presented on an undiscounted future cash flow basis, is as follows:

2016/€ million	< 1 year	1–2 years	2–5 years	> 5 years	Total[1]
Bonds	500	—	499	496	1,495
Bank loans and overdrafts	150	35	42	33	260
Other loans	1	4	1	9	15
Total borrowings	**651**	**39**	**542**	**538**	**1,770**
Interest on borrowings net of amortised costs and discounts	62	26	62	27	177
Total undiscounted cash flows	**713**	**65**	**604**	**565**	**1,947**

2015/€ million	< 1 year	1–2 years	2–5 years	> 5 years	Total[1]
Bonds	—	498	498	—	996
Bank loans and overdrafts	249	43	221	43	556
Other loans	1	1	1	14	17
Total borrowings	**250**	**542**	**720**	**57**	**1,569**
Interest on borrowings net of amortised costs and discounts	54	56	58	1	169
Total undiscounted cash flows	**304**	**598**	**778**	**58**	**1,738**

Note:
1 It has been assumed that, where applicable, interest and foreign exchange rates prevailing at the reporting date will not vary over the time periods remaining for future cash outflows

In addition to the above, the Group swaps euro and sterling debt into other currencies through the foreign exchange market as disclosed in note 30.

The Group does not have any material finance lease arrangements.

The Group has pledged specific property, plant and equipment as collateral against certain borrowings. The carrying values of these property, plant and equipment amount to €6 million (2015: €9 million). The Group is entitled to receive all cash flows from these pledged assets. Further, there is no obligation to remit these cash flows to another entity.

20 Share capital and stated capital

Number of shares	Authorised
Mondi Limited ordinary shares with no par value	250,000,000
Mondi Limited special converting shares with no par value	650,000,000

Mondi plc is not restricted in the number of shares that can be issued. Any issue of shares is subject to shareholder approval.

		Called up, allotted and fully paid/€ million		
2016 & 2015	Number of shares	Share capital	Stated capital	Total
Mondi Limited ordinary shares with no par value issued on the JSE	118,312,975	—	431	431
Mondi plc €0.20 ordinary shares issued on the LSE	367,240,805	74	—	74
Total ordinary shares in issue	**485,553,780**	**74**	**431**	**505**
Mondi Limited special converting shares with no par value	367,240,805	—	8	8
Mondi plc €0.20 special converting shares	118,312,975	24	—	24
Total special converting shares	**485,553,780**	**24**	**8**	**32**
Mondi plc €0.04 deferred shares	146,896,322	5	—	5
Total shares		**103**	**439**	**542**

The special converting shares are held in trust and do not carry dividend rights. These shares provide a mechanism for equality of treatment on termination of the DLC agreement for both Mondi Limited and Mondi plc ordinary shareholders. The deferred shares are held in trust and do not carry any dividend or voting rights.

Notes to the combined and consolidated financial statements for the year ended 31 December 2016

20 Share capital and stated capital

Treasury shares represent the cost of shares in Mondi Limited (held by the Mondi Incentive Schemes Trust) and Mondi plc (held by the Mondi Employee Share Trust) purchased in the market to satisfy share awards under the Group's employee share schemes (see note 21). These costs are reflected in the combined and consolidated statement of changes in equity.

	Treasury shares held			
	2016		2015	
at 31 December	Number of shares held	Average price per share	Number of shares held	Average price per share
Mondi Incentive Schemes Trust				
Mondi Limited ordinary shares with no par value	676,222	ZAR228.88	677,234	ZAR203.90
Mondi Employee Share Trust				
Mondi plc €0.20 ordinary shares	660,483	GBP13.36	931,265	GBP13.32

A dividend waiver is in place in respect of shares held by the Mondi Employee Share Trust.

21 Share-based payments

Mondi share awards

The Group has established its own share-based payment arrangements to incentivise employees. Full details of the Group's share schemes are set out in the Remuneration report.

All of these schemes are settled by the award of ordinary shares in either Mondi Limited or Mondi plc. The Group has no obligation to settle the awards made under these schemes in cash. An amount equal to the dividends that would have been paid on Bonus Share Plan (BSP) and Long-Term Incentive Plan (LTIP) share awards during the holding period are paid to participants upon vesting.

The fair values of the share awards granted under the Mondi schemes are calculated with reference to the facts and assumptions presented below:

Mondi Limited (ZAR) & Mondi plc (GBP)	BSP 2016	BSP 2015	BSP 2014
Date of grant	22 March 2016	1 April 2015	31 March 2014
Vesting period (years)	3	3	3
Expected leavers per annum (%)	5	5	5
Grant date fair value per instrument (GBP)	13.35	12.99	10.49
Grant date fair value per instrument (ZAR)	291.30	230.00	184.91
Number of shares conditionally awarded	499,943	440,848	448,670

Mondi Limited (ZAR) & Mondi plc (GBP)	LTIP 2016	LTIP 2015	LTIP 2014
Date of grant	22 March 2016	1 April 2015	31 March 2014
Vesting period (years)	3	3	3
Expected leavers per annum (%)	5	5	5
Expected outcome of meeting performance criteria (%)			
ROCE component	100	100	100
TSR component	25	25	25
Grant date fair value per instrument (GBP) – Mondi plc			
ROCE component	13.35	12.99	10.49
TSR component[1]	3.34	3.25	2.62
Grant date fair value per instrument (ZAR) – Mondi Limited			
ROCE component	291.30	230.00	184.91
TSR component[1]	72.83	57.50	46.23
Number of shares conditionally awarded	690,140	647,849	715,524

Note:
1 The base fair value has been adjusted for contractually-determined market-based performance conditions

The total fair value charge in respect of all the Mondi share awards for the year ended 31 December is made up as follows:

€ million	2016	2015
Bonus Share Plan	7	6
Long-Term Incentive Plan	6	5
Total share-based payment expense	**13**	**11**

The weighted average share price of share awards that vested during the period:

	2016	2015
Mondi Limited	ZAR286.31	ZAR236.82
Mondi plc	GBP13.21	GBP13.20

A reconciliation of share award movements for the Mondi share schemes is shown below:

	BSP			LTIP		
number of shares	Mondi Ltd	Mondi plc	Total	Mondi Ltd	Mondi plc	Total
At 1 January 2015	308,679	1,405,345	**1,714,024**	392,524	2,396,230	**2,788,754**
Shares conditionally awarded	75,438	365,410	**440,848**	82,830	565,019	**647,849**
Shares vested	(140,595)	(614,886)	**(755,481)**	(175,445)	(997,517)	**(1,172,962)**
Shares lapsed	—	(47,508)	**(47,508)**	—	(70,535)	**(70,535)**
At 31 December 2015	**243,522**	**1,108,361**	**1,351,883**	**299,909**	**1,893,197**	**2,193,106**
Shares conditionally awarded	72,868	427,075	**499,943**	82,832	607,308	**690,140**
Shares vested	(98,161)	(429,355)	**(527,516)**	(124,162)	(773,493)	**(897,655)**
Shares lapsed	(14,561)	(11,060)	**(25,621)**	—	(5,407)	**(5,407)**
At 31 December 2016	**203,668**	**1,095,021**	**1,298,689**	**258,579**	**1,721,605**	**1,980,184**

22 Retirement benefits

The Group operates post-retirement defined contribution and defined benefit pension plans for many of its employees. It also operates two post-retirement medical plans.

Defined contribution plans

The assets of the defined contribution plans are held separately in independently administered funds. The charge in respect of these plans of €14 million (2015: €12 million) is calculated on the basis of the contribution payable by the Group in the financial year. There were no material outstanding or prepaid contributions recognised in relation to these plans as at the reporting dates presented. The expected contributions to be paid to defined contribution plans during 2017 are €16 million.

Defined benefit pension plans and post-retirement medical plans

The Group operates in excess of 100 retirement plans across its global operations. A large proportion of the Group's defined benefit plans are closed to new members.

The majority of these plans are unfunded and provide pensions and severance benefits to members of those plans.

The most significant unfunded defined benefit plans are operated in Austria, Germany and Russia and funded plans are operated primarily in the UK. These plans are established in accordance with applicable local labour legislation and/or collective agreements with participating employees.

The benefits are based on a variety of factors, the most significant of which are a combination of pensionable service and final salary. A number of these plans also provide additional benefits in the event of death in service, disability or ill-health retirement which are derived from the final salary benefit formula.

The assets of the funded plans are held separately in independently administered funds, in accordance with statutory requirements or local practice where those funds are operated. The boards of trustees of these plans are required to act in the best interest of the plans and all relevant stakeholders of the plans (active employees, inactive employees, retirees and employers), and are responsible for the investment policy with regard to the assets of the plans.

Notes to the combined and consolidated financial statements for the year ended 31 December 2016

22 Retirement benefits

The post-retirement medical plans provide health benefits to retired employees and certain of their dependants. Eligibility for cover is dependent upon certain criteria. The South African plan is unfunded while the Austrian plan is funded. The South African plan has been closed to new participants since 1 January 1999.

Except for the actuarial risks set out below, the Group has not identified any additional specific risks in respect of these plans.

Defined benefit plans typically expose the Group to the following actuarial risks:

Investment risk (Asset volatility)	The present value of the net retirement benefit liability/asset is calculated using a discount rate determined by reference to high-quality bond yields. If the return on plan assets is below this rate, it will create a plan deficit that needs to be funded/guaranteed by the employer. Currently the plan assets have a relatively balanced investment in equity and bonds. Due to the long-term nature of the plan liabilities, the boards of trustees consider it appropriate that a reasonable portion of the plan assets should be invested in equities.
Interest risk	A decrease in the bond interest rate will increase plan liabilities, however this will be partially offset by an increase in the return on the plan's debt instruments.
Longevity risk	The present value of the net retirement benefit liability/asset is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan liabilities.
Salary risk	The present value of the net retirement benefit liability/asset is calculated by reference to the expected future salaries of plan participants. An increase in the salary of the plan participants will increase the plan liabilities.
Medical cost inflation risk	The present value of the post-retirement medical plans is calculated by reference to expected future medical costs. An increase in medical cost inflation will increase the plan liabilities.

Independent qualified actuaries carry out full valuations every year using the projected unit credit method.

Actuarial assumptions

The weighted average principal assumptions used in the actuarial valuations are detailed below:

	2016			2015		
%	South Africa	Europe	Other regions	South Africa	Europe	Other regions
Discount rate	9.5	1.9	8.2	10.2	2.7	9.4
Rate of inflation	7.2	2.3	5.1	8.2	2.3	5.8
Rate of increase in salaries	8.2	2.0	6.0	9.2	2.0	6.1
Rate of increase of pensions in payment	—	2.8	3.5	—	2.6	3.6
Expected average increase of medical costs	8.7	3.9	—	9.7	4.0	—

The assumption for the discount rate for plan liabilities is based on AA corporate bonds, which are of a suitable duration and currency. In South Africa, the discount rate assumption has been based on the zero coupon government bond yield curve.

Mortality assumptions

The assumed life expectancies on retirement at age 65 are:

	2016			2015		
years	South Africa	Europe	Other regions	South Africa	Europe	Other regions
Retiring today						
Males	16.09	14.05-22.70	15.07-21.30	16.04	14.16-22.80	14.29
Females	20.15	17.53-27.14	18.60-25.30	19.97	17.63-27.02	17.91
Retiring in 20 years						
Males	21.44	14.00-24.90	15.07-22.90	20.54	13.51-25.00	14.29
Females	25.63	14.00-27.50	18.60-25.30	24.79	13.51-26.51	17.91

The mortality assumptions have been based on published mortality tables in the relevant jurisdictions.

The amounts recognised in the combined and consolidated statement of financial position are determined as follows:

€ million	2016 South Africa	2016 Europe	2016 Other regions	2016 Total	2015 South Africa	2015 Europe	2015 Other regions	2015 Total
Present value of unfunded liabilities	(56)	(128)	(19)	(203)	(48)	(121)	(12)	(181)
Present value of funded liabilities	—	(174)	—	(174)	—	(165)	—	(165)
Present value of plan liabilities	**(56)**	**(302)**	**(19)**	**(377)**	**(48)**	**(286)**	**(12)**	**(346)**
Fair value of plan assets	—	138	—	138	—	137	—	137
Net retirement benefits liability	**(56)**	**(164)**	**(19)**	**(239)**	**(48)**	**(149)**	**(12)**	**(209)**
Amounts reported in combined and consolidated statement of financial position								
Post-retirement medical plans	—	—	—	—	—	1	—	1
Defined benefit pension plans	—	1	—	1	—	2	—	2
Net retirement benefits asset	**—**	**1**	**—**	**1**	**—**	**3**	**—**	**3**
Defined benefit pension plans	—	(161)	(19)	(180)	—	(152)	(12)	(164)
Post-retirement medical plans	(56)	(4)	—	(60)	(48)	—	—	(48)
Net retirement benefits liability	**(56)**	**(165)**	**(19)**	**(240)**	**(48)**	**(152)**	**(12)**	**(212)**

The changes in the present value of defined benefit liabilities and fair value of plan assets are as follows:

€ million	Defined benefit liabilities 2016	Defined benefit liabilities 2015	Fair value of plan assets 2016	Fair value of plan assets 2015	Net liability 2016	Net liability 2015
At 1 January	(346)	(390)	137	141	(209)	(249)
Included in combined and consolidated income statement						
Current service cost	(5)	(5)	—	—	(5)	(5)
Past service cost	—	1	—	—	—	1
Gains from settlements	—	9	—	(9)	—	—
Interest	(14)	(13)	4	4	(10)	(9)
Included in combined and consolidated statement of comprehensive income						
Remeasurement (losses)/gains	(34)	28	—	—	(34)	28
Return on plan assets	—	—	15	(1)	15	(1)
Acquired through business combinations (see note 23)	(2)	(2)	—	—	(2)	(2)
Disposal of businesses (see note 24)	—	2	—	—	—	2
Contributions paid by other members	(3)	(3)	3	3	—	—
Contributions paid by employer	—	—	3	3	3	3
Benefits paid	21	22	(9)	(10)	12	12
Currency movements	6	5	(15)	6	(9)	11
At 31 December	**(377)**	**(346)**	**138**	**137**	**(239)**	**(209)**

Notes to the combined and consolidated financial statements for the year ended 31 December 2016

22 Retirement benefits

The expected maturity analysis of undiscounted retirement benefits is as follows:

€ million	2016 Defined benefit pension plans	2016 Post-retirement medical plans	2016 Total	2015 Defined benefit pension plans	2015 Post-retirement medical plans	2015 Total
Less than a year	11	7	**18**	11	7	**18**
Between one and two years	10	11	**21**	12	10	**22**
Between two to five years	32	21	**53**	34	21	**55**
After five years	250	242	**492**	264	305[1]	**569[1]**

Note:

1 Restated to be calculated on a basis consistent with a revised current year calculation

The weighted average duration of the defined retirement benefits liability for South Africa is 10 years (2015: 11 years), Europe 15 years (2015: 14 years) and other regions 12 years (2015: 12 years).

It is expected that the Group's share of contributions will increase as the schemes' members age. The expected contributions to be paid to defined benefit pension plans and post-retirement medical plans during 2017 are €17 million.

The market values of the plan assets in these plans are detailed below:

€ million	2016 Quoted	2016 Unquoted	2016 Total	2015 Quoted	2015 Unquoted	2015 Total
External equity	37	—	**37**	41	—	**41**
Property	—	—	**—**	1	—	**1**
Bonds	84	—	**84**	79	—	**79**
Insurance contracts	—	16	**16**	—	15	**15**
Cash	1	—	**1**	1	—	**1**
Fair value of plan assets	**122**	**16**	**138**	**122**	**15**	**137**

The majority of the Group's plan assets are located in Austria and the UK and the following asset-liability matching/investing strategies are applied:

Austria	The investment strategy is based on Austrian Social Security Law which stipulates that investments can only be made in high-quality euro bonds or deposits in euro in highly rated financial institutions. No investments in equity or equity funds are allowed. Due to legal and market restrictions asset-liability matching is not possible.
UK	The trustees invest in diverse portfolios of pooled funds. The long-term objective is to ensure that each plan can continue to meet the benefit payments without exposing either the plan or the company to an undue level of risk. The mix of investments in each plan is determined taking into account the maturity, currency and nature of the expected benefit payments required.

There are no financial instruments or property owned by the Group included in the fair value of plan assets.

The fair values of equity, property, bonds and cash are determined based on quoted prices in active markets. The fair value of insurance contracts is determined in accordance with IAS 19.

The actual return on plan assets in respect of defined benefit plans was a gain of €19 million (2015: gain of €3 million).

The market value of assets is used to determine the funding level of the plans and is sufficient to cover 79% (2015: 83%) of the benefits which have accrued to members, after allowing for expected increases in future earnings and pensions. Companies within the Group are paying contributions at rates agreed with the plans' trustees and in accordance with local independent actuarial advice and statutory provisions.

In certain jurisdictions, Group plans are subject to minimum funding requirements. At 31 December 2016, these minimum funding requirements did not give rise to the recognition of any additional liabilities.

Sensitivity analyses

The sensitivity analyses below have been determined based on reasonably possible changes to the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

The sensitivity analyses may not be representative of the actual changes in the net retirement benefits asset/(liability) as it is unlikely that the changes in assumptions would occur in isolation of one another and some of the assumptions may be inter-related. The projected unit credit method was used to calculate the sensitivity analyses below.

A 1% change in the assumptions would have the following effects on the net retirement benefits plans:

€ million	1% increase	1% decrease
Discount rate		
Increase in current service cost	—	3
(Decrease)/increase in net retirement benefit liability	(58)	78
Rate of inflation		
Increase in current service cost	2	—
Increase/(decrease) in net retirement benefit liability	37	(31)
Rate of increase in salaries		
Increase in current service cost	2	—
Increase/(decrease) in net retirement benefit liability	16	(12)
Rate of increase of pensions in payment		
Decrease in current service cost	—	—
Increase/(decrease) in net retirement benefit liability	14	(11)
Medical cost trend rate		
Increase/(decrease) in aggregate of the current service cost and interest cost	1	(1)
Increase/(decrease) in net retirement benefit liability	26	(21)
Mortality rates	**1 year increase**	
Increase in current service cost	1	
Increase in net retirement benefit asset/liability	16	

23 Business combinations

To 31 December 2016

Acquisition of SIMET S.A. (Poland)

Mondi acquired 100% of the outstanding share capital of SIMET S.A. (SIMET) on 27 April 2016 for a consideration of €13 million on a debt and cash-free basis. SIMET is a corrugated plant that produces a wide range of flexo printed packaging. Mondi intends to expand and upgrade this operation to a high-efficiency, heavy-duty box plant, including the addition of a corrugator line for on-site board production. The acquisition strengthens Mondi's Corrugated Packaging market position in central and emerging Europe.

SIMET's revenue for the year ended 31 December 2016 was €17 million with a profit after tax of €nil. SIMET's revenue of €11 million and profit after tax of €nil since the date of acquisition have been included in the combined and consolidated income statement.

Acquisition of Kale Nobel Ambalaj Sanayi ve Ticaret Anonim Sirketi (Turkey)

On 12 July, Mondi acquired a 90% interest in Kale Nobel Ambalaj Sanayi ve Ticaret Anonim Sirketi (Kalenobel) for a consideration of €90 million on a debt and cash-free basis. Kalenobel is a consumer packaging company focused on the manufacture of flexible consumer packaging for ice cream and other applications as well as aseptic cartons. The acquisition supports Mondi's growing Consumer Packaging business. The non-controlling interest holder has an option to put its shares to Mondi until June 2021, but not before March 2018, at a price determined based on future earnings, but capped at TRY100 million (€27 million).

Kalenobel's revenue for the year ended 31 December 2016 was €72 million with a profit after tax of €5 million. Kalenobel's revenue of €27 million and loss after tax of €2 million since the date of acquisition have been included in the combined and consolidated income statement.

Acquisition of ZAO Uralplastic-N (Russia)

On 15 July, Mondi acquired a 100% interest in ZAO Uralplastic-N (Uralplastic) for a consideration of RUB2,949 million (€41 million) on a debt and cash-free basis. Uralplastic manufactures a range of consumer flexible packaging products for food, hygiene, homecare and other applications and the acquisition supports Mondi's growing Consumer Packaging business.

Uralplastic's revenue for the year ended 31 December 2016 was €34 million with a loss after tax of €2 million. Uralplastic's revenue of €19 million and loss after tax of €2 million since the date of acquisition have been included in the combined and consolidated income statement.

Notes to the combined and consolidated financial statements for the year ended 31 December 2016

23 Business combinations

Acquisition of LLC Beepack (renamed LLC Mondi Lebedyan) (Russia)

On 20 October, Mondi acquired 100% of the outstanding share capital of LLC Beepack (Lebedyan) for a consideration of RUB2,825 million (€41 million) on a debt and cash-free basis.

Lebedyan produces a range of corrugated packaging trays and boxes for food and agricultural products including beverages, fruit and vegetables, poultry and dairy. Customers include local Russian and international producers. The acquisition of Lebedyan supports the ongoing development of Mondi's Corrugated Packaging business in central and eastern Europe.

Lebedyan's revenue for the year ended 31 December 2016 was €38 million with a profit after tax of €3 million. Lebedyan's revenue of €8 million and profit after tax of €1 million since the date of acquisition have been included in the combined and consolidated income statement.

Details of the net assets acquired, as adjusted from book to fair value, are as follows:

€ million	Book value	Revaluation	Fair value
Net assets acquired			
Property, plant and equipment	39	16	55
Intangible assets	5	22	27
Inventories	16	1	17
Trade and other receivables	44	(3)	41
Cash and cash equivalents	2	—	2
Total assets	**106**	**36**	**142**
Trade and other payables	(23)	(2)	(25)
Provisions	—	(1)	(1)
Net retirement benefits liability	—	(2)	(2)
Deferred tax liabilities	—	(7)	(7)
Total liabilities (excluding debt)	**(23)**	**(12)**	**(35)**
Short-term borrowings	(17)	—	(17)
Medium and long-term borrowings	(19)	—	(19)
Debt assumed	**(36)**	**—**	**(36)**
Net assets acquired	**47**	**24**	**71**
Goodwill arising on acquisitions			81
Goodwill arising from purchase price adjustment (KSP)			13
Deferred acquisition consideration (Ascania)			2
Non-controlling interests in equity			(3)
Cash acquired net of overdrafts			(2)
Net cash paid per combined and consolidated statement of cash flows			**162**

€ million	Goodwill	Net assets	Net cash paid
SIMET	4	6	10
Kalenobel	42	31	68
Uralplastic	22	6	28
Lebedyan	13	28	41
Acquisitions total	**81**	**71**	**147**
Purchase price adjustment (KSP)	13	—	13
Deferred acquisition consideration (Ascania)			2
Acquisitions total including adjustments	**94**	**71**	**162**

Transaction costs of €5 million were charged to the combined and consolidated income statement.

The fair value accounting of these acquisitions is provisional in nature. The nature of these businesses is such that further adjustments to the carrying values of acquired assets and/or liabilities, and adjustments to the purchase price, are possible as the detail of the acquired businesses is evaluated post acquisition. If necessary, any adjustments to the fair values recognised will be made within 12 months of the acquisition dates.

In respect of trade and other receivables, the gross contractual amounts receivable less the best estimates at the acquisition dates of the contractual cash flows not expected to be collected approximate the book values and the revaluation amounts respectively as presented.

Purchase price adjustment of KSP

In accordance with the KSP purchase agreement, a payment of €13 million has been recognised in the current year, and reflected as an adjustment to Goodwill recognised.

To 31 December 2015

Mondi acquired 100% of the outstanding share capital of Ascania nonwoven Germany GmbH (Ascania) (Germany) on 2 November 2015 for a consideration of €53 million on a debt and cash-free basis. Ascania is a producer of nonwoven fabrics and nonwoven composites primarily used for personal care, hygiene and medical products as well as household applications.

On 14 December 2015, Mondi acquired a 95% interest in KSP, Co. (KSP) (South Korea and Thailand), for a consideration of €54 million on a debt and cash-free basis. The preliminary purchase price of €41 million reported in 2015 was based on provisional results. On finalisation of the 2015 financial results the purchase price was confirmed at €54 million. KSP is a flexible packaging company specialising in the production of high-quality spouted and retort stand-up pouches for the food, pet food and beverage industries.

The provisional fair values at acquisition of KSP have been adjusted. Property, plant and equipment reduced by €1 million, trade and other receivables by €2 million. Trade and other payables increased by €1 million and borrowings reduced by €4 million. The net effect of the adjustments is €nil and has been recorded during the year ended 31 December 2016.

Details of the net assets acquired are as follows:

€ million	Book value	Revaluation (restated)	Fair value (restated)
Net assets acquired			
Property, plant and equipment	14	25	39
Intangible assets	—	6	6
Share of joint venture	1	3	4
Inventories	4	—	4
Trade and other receivables	17	(2)	15
Cash and cash equivalents	12	—	12
Total assets	**48**	**32**	**80**
Trade and other payables	(8)	(1)	(9)
Income tax liabilities	(2)	—	(2)
Net retirement benefits liability	(2)	—	(2)
Deferred tax liabilities	—	(9)	(9)
Total liabilities (excluding debt)	**(12)**	**(10)**	**(22)**
Short-term borrowings	(13)	2	(11)
Medium and long-term borrowings	(8)	2	(6)
Debt assumed	**(21)**	**4**	**(17)**
Net assets acquired	**15**	**26**	**41**
Goodwill arising on acquisitions			57
Non-controlling interests in equity			(1)
Cash acquired net of overdrafts			(12)
Net cash paid per combined and consolidated statement of cash flows			**85**
Paid in 2015			72
Paid in 2016			13
			85

Overview
Strategic report
Governance
Financial statements

Notes to the combined and consolidated financial statements for the year ended 31 December 2016

23 Business combinations

€ million	Goodwill	Net assets	Net cash paid
Ascania	25	26	47
KSP	32	15	38
Acquisitions total	**57**	**41**	**85**

No adjustments were made to the fair values of other prior year acquisitions.

24 Disposal of businesses

To 31 December 2016

There were no significant disposals during the year ended 31 December 2016.

To 31 December 2015

Disposal of Mondi Ipoh Sdn Bhd

On 11 August 2015, Mondi sold 100% of the shares in Mondi Ipoh Sdn Bhd (Ipoh) to Scientex Packaging Film Sdn Bhd. The sale enables Mondi's Consumer Packaging business to refine its product portfolio in line with its business strategy. The profit on disposal of the business of €3 million was recognised in the combined and consolidated income statement.

Disposal of Mondi Osterburken GmbH

Mondi sold 100% of the shares in Mondi Osterburken GmbH (Osterburken) on 24 August 2015 to POLIFILM Extrusion GmbH. The sale will enable Mondi to refine its product portfolio and move away from supplying films to competitors of its Consumer Packaging business unit. The profit on disposal of the business of €1 million was recognised in the combined and consolidated income statement.

Disposal of Mondi Raubling Group

On 22 December 2015, Mondi disposed of 100% of the shares in the Mondi Raubling Group (Raubling), which comprise Mondi Raubling GmbH, HBB Heizkraftwerk Bauernfeind Betreibergesellschaft m.b.H and Chiemgau Recycling GmbH to the Heinzel Group. The sale enables Mondi to focus on the development of its core containerboard operations. The profit on disposal of the business of €2 million was recognised in the combined and consolidated income statement.

Details of the net assets disposed are as follows:

€ million	2015
Property, plant and equipment	45
Intangible assets	3
Inventories	16
Trade and other receivables	21
Cash and cash equivalents	12
Total assets	**97**
Trade and other payables	(30)
Net retirement benefits liability	(2)
Deferred tax liabilities	(2)
Provisions	(3)
Total liabilities (excluding debt)	**(37)**
Short-term borrowings	**(18)**
Net assets disposed	**42**
Cumulative translation adjustment reserve realised	2
Loss on disposal	6
Disposal proceeds	**50**
Cash disposed net of overdrafts	(12)
Net cash received per combined and consolidated statement of cash flows	**38**

€ million	Net cash inflow 2015
Ipoh	13
Osterburken	7
Raubling	18
Disposals total	**38**

25 Assets held for sale

€ million	2016	2015
Property, plant and equipment	1	3

26 Consolidated cash flow analysis

(a) Reconciliation of profit before tax to cash generated from operations

€ million	2016	2015
Profit before tax	**843**	**796**
Depreciation and amortisation	380	365
Impairment of property, plant and equipment and intangible assets (not included in special items)	5	3
Share-based payments	13	11
Net cash flow effect of current and prior year special items	17	15
Net finance costs	101	105
Net profit from equity accounted investees	(1)	(1)
Decrease in provisions and net retirement benefits	(14)	(15)
(Decrease)/increase in inventories	24	(11)
Increase in operating receivables	(1)	(51)
Increase in operating payables	45	71
Fair value gains on forestry assets	(64)	(40)
Felling costs	57	51
Profit on disposal of property, plant and equipment	—	(13)
Profit from disposal of businesses	—	(6)
Other adjustments	(4)	(1)
Cash generated from operations	**1,401**	**1,279**

(b) Cash and cash equivalents

€ million	2016	2015
Cash and cash equivalents per combined and consolidated statement of financial position	404	64
Bank overdrafts included in short-term borrowings	(27)	(28)
Cash and cash equivalents per combined and consolidated statement of cash flows	**377**	**36**

The fair value of cash and cash equivalents approximate their carrying values presented.

The Group operates in certain countries (principally South Africa) where the existence of exchange controls may restrict the use of certain cash balances. These restrictions are not expected to have any material effect on the Group's ability to meet its ongoing obligations.

Notes to the combined and consolidated financial statements for the year ended 31 December 2016

26 Consolidated cash flow analysis

(c) Movement in net debt

The Group's net debt position is as follows:

€ million	Cash and cash equivalents	Debt due within one year	Debt due after one year	Current financial asset investments	Debt-related derivative financial instruments	Total net debt
At 1 January 2015	9	(129)	(1,565)	—	72	**(1,613)**
Cash flow	32	(52)	219	—	—	**199**
Business combinations	—	5	(8)	—	—	**(3)**
Movement in unamortised loan costs	—	—	(3)	—	—	**(3)**
Net movement in derivative financial instruments	—	—	—	—	(73)	**(73)**
Reclassification	—	(54)	54	2	—	**2**
Currency movements	(5)	8	(16)	—	6	**(7)**
At 31 December 2015	**36**	**(222)**	**(1,319)**	**2**	**5**	**(1,498)**
Cash flow	345	152	(335)	—	—	**162**
Business combinations (see note 23)	—	(17)	(19)	—	—	**(36)**
Movement in unamortised loan costs	—	—	(2)	—	—	**(2)**
Net movement in derivative financial instruments	—	—	—	—	(23)	**(23)**
Reclassification[1]	—	(541)	547	—	—	**6**
Currency movements	(4)	4	9	—	(1)	**8**
At 31 December 2016	**377**	**(624)**	**(1,119)**	**2**	**(19)**	**(1,383)**

Note:

1 Following the acquisition of the outstanding non-controlling interest in a subsidiary, the shareholder loan provided by the holder of the non-controlling interest was reclassified as an intercompany loan and has been eliminated on consolidation

27 Capital commitments

€ million	2016	2015
Contracted for but not provided	222	213
Approved, not yet contracted for	1,516	817
Total capital commitments	**1,738**	**1,030**

These capital commitments relate to the following categories of non-current non-financial assets:

€ million	2016	2015
Intangible assets	35	22
Property, plant and equipment	1,703	1,008
Total capital commitments	**1,738**	**1,030**

The expected maturity of these capital commitments is:

€ million	2016	2015
Within one year	538	418
One to two years	593	334
Two to five years	607	278
Total capital commitments	**1,738**	**1,030**

Capital commitments are based on capital projects approved by the end of the financial year and the budget approved by the Boards. Major capital projects still require further approval before they commence. The Group's capital commitments are expected to be financed from existing cash resources and borrowing facilities.

In January 2017, the Boards approved a further €470 million capital spend at Štětí (Czech Republic). Capital expenditure is expected to be incurred in the three years from 2017 to 2019 and is not included in the capital commitments detailed above.

28 Contingent liabilities

Contingent liabilities comprise aggregate amounts as at 31 December 2016 of €11 million (2015: €9 million) in respect of loans and guarantees given to banks and other third parties. No acquired contingent liabilities have been recorded in the Group's combined and consolidated statement of financial position for either year presented.

29 Operating leases

Lease agreements

The principal operating lease agreements in place include the following:

South African land lease

The Group entered into a land lease agreement on 1 January 2001 for a total term of 70 years. The operating lease commitment and annual escalation rate is renegotiated every five years. The lease does not contain any clauses with regard to contingent rent or an option to purchase the land at the end of the lease term, and does not impose any significant restrictions on the lessee. There are 54 years remaining on the lease.

Russian forestry leases

The forestry lease agreements were entered into by the Group on 1 November 2007 for a total term of 47 years and on 30 June 2008 for a total term of 49 years. The leases are not renewable. Rental escalates on an annual basis by the consumer price inflation of the local jurisdiction. The leases do not contain any clauses with regard to contingent rent or options to purchase the forestry assets at the end of the lease term, and do not impose any significant restrictions on the lessee.

Office building

The Group entered into an office building lease agreement for a total term of 20 years from October 2013. The lease may be terminated upon six months' notice to September 2023 and again to September 2028. Rent escalates on an annual basis by the consumer price index of the local jurisdiction. The lease does not contain any option to purchase the building at the end of the lease term and does not impose any significant restrictions on the lessee. Contingent rent is included in the lease charge and calculated at the consumer price index.

Other

The Group has also entered into approximately 1,120 (2015: 880) lease agreements, none of which are individually significant.

The operating lease expense that has been recorded in the Group's combined and consolidated income statement is €38 million (2015: €39 million).

As at 31 December, the Group had the following outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2016		2015	
€ million	**Forestry assets**	**Land, buildings and other assets**	**Forestry assets**	**Land, buildings and other assets**
Within one year	5	26	3	22
One to two years	5	19	3	18
Two to five years	14	37	9	30
After five years	134	23	77	24
Total operating leases	**158**	**105**	**92**	**94**

30 Financial instruments

The Group's trading and financing activities expose it to various financial risks that, if left unmanaged, could adversely impact current or future earnings. Although not necessarily mutually exclusive, these financial risks are categorised separately according to their different generic risk characteristics and include market risk (foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group is actively engaged in the management of all of these financial risks in order to minimise their potential adverse impact on the Group's financial performance.

Notes to the combined and consolidated financial statements for the year ended 31 December 2016

30 Financial instruments

The principles, practices and procedures governing the Group-wide financial risk management process have been approved by the Boards and are overseen by the DLC executive committee. In turn, the DLC executive committee delegates authority to a central treasury function (Group treasury) for the practical implementation of the financial risk management process across the Group and for ensuring that the Group's entities adhere to specified financial risk management policies. Group treasury continually reassesses and reports on the financial risk environment; identifying, evaluating and hedging financial risks by entering into derivative contracts with counterparties where appropriate. The Group does not take speculative positions on derivative contracts and only enters into contractual arrangements with counterparties that have investment grade credit ratings.

(a) Financial instruments by category

2016/€ million	Fair value hierarchy	Loans and receivables	At fair value through profit or loss	Available-for-sale investments	Total
Financial assets					
Trade and other receivables		935	—	—	935
Financial asset investments	Level 2	7	—	20	27
Derivative financial instruments	Level 2	—	6	—	6
Cash and cash equivalents		404	—	—	404
Total		**1,346**	**6**	**20**	**1,372**

2015/€ million	Fair value hierarchy	Loans and receivables	At fair value through profit or loss	Available-for-sale investments	Total
Financial assets					
Trade and other receivables		888	—	—	888
Financial asset investments	Level 2	7	—	18	25
Derivative financial instruments	Level 2	—	13	—	13
Cash and cash equivalents		64	—	—	64
Total		**959**	**13**	**18**	**990**

2016/€ million	Fair value hierarchy	At fair value through profit or loss	At fair value through OCI	At amortised cost	Total
Financial liabilities					
Borrowings – bonds	Level 1	—	—	(1,495)	(1,495)
Borrowings – loans and overdrafts	Level 2	—	—	(275)	(275)
Trade and other payables		—	—	(694)	(694)
Derivative financial instruments	Level 2	(5)	(18)	—	(23)
Other non-current liabilities	Level 2/3	(9)	—	(17)	(26)
Total		**(14)**	**(18)**	**(2,481)**	**(2,513)**

2015/€ million	Fair value hierarchy	At fair value through profit or loss	At fair value through OCI	At amortised cost	Total
Financial liabilities					
Borrowings – bonds	Level 1	—	—	(996)	(996)
Borrowings – loans and overdrafts	Level 2	—	—	(573)	(573)
Trade and other payables		—	—	(649)	(649)
Derivative financial instruments	Level 2	(7)	—	—	(7)
Other non-current liabilities	Level 2	—	—	(17)	(17)
Total		**(7)**	**—**	**(2,235)**	**(2,242)**

The fair values of available-for-sale investments represent the published prices of the securities concerned. Loans and receivables are held at amortised cost. The fair value of loans and receivables approximate the carrying values presented.

(b) Fair value measurement

There have been no transfers of assets or liabilities between levels of the fair value hierarchy during the year.

Except as detailed below, the directors consider that the carrying values of financial assets and financial liabilities recorded at amortised cost in the combined and consolidated financial statements are approximately equal to their fair values.

	Carrying amount		Fair value	
€ million	2016	2015	2016	2015
Financial liabilities				
Borrowings	1,770	1,569	1,844	1,653

The non-controlling interest holder in Kalenobel holds an option to put its shares to Mondi until June 2021, but not before March 2018, at a price determined based on future earnings. The present value of the option is €9 million based on the current expected business plan, and is capped at TRY100 million (€27 million). Further analysis is not provided as the option is not considered material.

(c) Financial risk management

Market risk

The Group's activities expose it primarily to foreign exchange and interest rate risk. Both risks are actively monitored on a regular basis and managed through the use of foreign exchange contracts and interest rate swaps as appropriate. Although the Group's cash flows are exposed to movements in key input and output prices, such movements represent commercial rather than financial risk inherent to the Group.

Foreign exchange risk

The Group operates globally and is exposed to foreign exchange risk in the normal course of its business. Multiple currency exposures arise from commercial transactions denominated in foreign currencies, recognised financial assets and liabilities (monetary items) denominated in foreign currencies and translational exposure on net investments in foreign operations.

Foreign exchange contracts

The Group's treasury policy requires subsidiaries to actively manage foreign currency transactional exposures against their functional currencies by entering into foreign exchange contracts. For segmental reporting purposes, each subsidiary enters into, and accounts for, foreign exchange contracts with Group treasury or with counterparties that are external to the Group, whichever is more commercially appropriate.

Only material balance sheet exposures and highly probable forecast capital expenditure transactions are hedged.

Foreign currency sensitivity analysis

Foreign exchange risk sensitivity analysis has been performed on the foreign currency exposures inherent in the Group's financial assets and financial liabilities at the reporting dates presented, net of related foreign exchange contracts. The sensitivity analysis provides an indication of the impact on the Group's reported earnings of reasonably possible changes in the currency exposures embedded within the functional currency environments that the Group operates in. In addition, an indication is provided of how reasonably possible changes in foreign exchange rates might impact on the Group's equity, as a result of fair value adjustments to foreign exchange contracts designated as cash flow hedges. Reasonably possible changes are based on an analysis of historical currency volatility, together with any relevant assumptions regarding near-term future volatility.

Net monetary foreign currency exposures by functional currency zone

	Net monetary foreign currency exposures – assets/(liabilities)[1]			
	2016		2015	
€ million	EUR	Other	EUR	Other
Functional currency zones[2]				
Euro	—	7	—	(1)
South African rand	(2)	(1)	(3)	(1)
Czech koruna	5	—	(13)	—
Polish zloty	(16)	2	(1)	—
Russian rouble	(16)	(1)	21	—
Swedish krona	(17)	—	(12)	(1)
Turkish lira	(5)	—	4	(3)
Other	(24)	15	(35)	6

Notes:

1 Presented in euro, the presentation currency of the Group

2 Net monetary exposures represent financial assets less financial liabilities denominated in currencies other than the applicable functional currency, adjusted for the effects of foreign exchange risk hedging, excluding cash flow hedging of non-monetary assets and liabilities

Notes to the combined and consolidated financial statements for the year ended 31 December 2016

30 Financial instruments

Resultant impacts of reasonably possible changes to foreign exchange rates

The Group believes that for each functional to foreign currency net monetary exposure it is reasonable to assume a 5% appreciation/depreciation of the functional currency. If all other variables are held constant, the table below presents the impacts on the Group's combined and consolidated income statement if these currency movements had occurred.

	Income/(expense)			
	2016		2015	
€ million	+5%	-5%	+5%	-5%
Functional currency zones				
Polish zloty	1	(1)	—	—
Russian rouble	1	(1)	(1)	1
Other	1	(1)	3	(3)

The corresponding fair value impact on the Group's equity, resulting from the application of these reasonably possible changes to the valuation of the Group's foreign exchange contracts designated as cash flow hedges, would have been €3 million (2015: €1 million). It has been assumed that changes in the fair value of foreign exchange contracts designated as cash flow hedges of non-monetary assets and liabilities are fully recorded in equity and that all other variables are held constant.

Interest rate risk

The Group holds cash and cash equivalents, which earn interest at a variable rate and has variable and fixed rate debt in issue. Consequently, the Group is exposed to interest rate risk. Although the Group has fixed rate debt in issue, the Group's accounting policy stipulates that all borrowings be held at amortised cost. As a result, the carrying value of fixed rate debt is not sensitive to changes in credit conditions in the relevant debt markets and there is therefore no exposure to fair value interest rate risk.

Management of cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with short-term highly liquid investments which have a maturity of three months or less from the date of acquisition. Centralised cash pooling arrangements are in place, which ensure that cash is utilised most efficiently for the ongoing working capital needs of the Group's operating units and, in addition, to ensure that the Group earns the most advantageous rates of interest available.

Management of variable rate debt

The Group has multiple variable rate debt facilities, of which the most significant is the syndicated facility (RCF) (see note 18). When deemed necessary, Group treasury uses interest rate swaps to hedge certain exposures to movements in the relevant interbank lending rates, primarily the London Interbank Offered Rate (LIBOR) and the Johannesburg Interbank Agreed Rate (JIBAR).

The Group's cash and cash equivalents act as a natural hedge to movements in the relevant interbank lending rates on its variable rate debt, subject to any interest rate differentials that exist between the Group's corporate saving and lending rates.

Net variable rate debt sensitivity analysis

The net variable rate exposure represents variable rate debt less the future cash outflows swapped from variable-to-fixed via interest rate swap instruments and cash and cash equivalents. Reasonably possible changes in interest rates have been applied to net variable rate exposure, denominated by currency, in order to provide an indication of the possible impact on the Group's combined and consolidated income statement.

Interest rate risk sensitivities on variable rate debt

	Interest rate risk exposures					
	2016			2015		
€ million	EUR	Other	Total	EUR	Other	Total
Total debt	1,627	143	1,770	1,280	289	1,569
Less:						
Fixed rate debt	(1,498)	(11)	(1,509)	(1,002)	(12)	(1,014)
Cash and cash equivalents	(340)	(64)	(404)	(6)	(58)	(64)
Net variable rate debt and exposure	**(211)**	**68**	**(143)**	**272**	**219**	**491**

Included in other is net variable exposure to various currencies, the most significant of which are ZAR and TRY (2015: GBP, ZAR and TRY).

The Group did not have any outstanding interest rate swaps at 31 December 2016.

The potential impact on the Group's combined and consolidated equity resulting from the application of +50 basis points to the variable interest rate exposure would be a gain of €1 million (2015: loss of €2 million) and vice versa.

In addition to the above, the Group swaps euro and sterling debt into other currencies through the foreign exchange market using foreign exchange contracts which has the effect of exposing the Group to interest rates of these currencies. The currencies swapped into/(out of) and the amounts as at 31 December were as follows:

€ million	2016	2015
Short-dated contracts with tenures of less than 12 months		
Pounds sterling	12	(148)
Czech koruna	188	200
Polish zloty	317	250
Russian rouble	27	86
Swedish krona	39	42
US dollar	119	104
Other	96	57
Total swapped	**798**	**591**

Credit risk

The Group's credit risk is mainly confined to the risk of customers defaulting on sales invoices raised. The Group's exposure to the credit risk inherent in its trade receivables and the associated risk management techniques that the Group deploys in order to mitigate this risk are discussed in note 15.

Several Group entities have also issued certain financial guarantees to external counterparties in order to achieve competitive funding rates for specific debt agreements entered into by other Group entities. None of these financial guarantees contractually obligates the Group to pay more than the recognised financial liabilities in the entities concerned. As a result, these financial guarantee contracts have no bearing on the credit risk profile of the Group as a whole.

Liquidity risk

Liquidity risk is the risk that the Group could experience difficulties in meeting its commitments to creditors as financial liabilities fall due for payment. The Group manages its liquidity risk by using reasonable and retrospectively assessed assumptions to forecast the future cash-generative capabilities and working capital requirements of the businesses it operates and by maintaining sufficient reserves, committed borrowing facilities and other credit lines as appropriate.

The following table shows the amounts available to draw down on the Group's committed loan facilities:

€ million	2016	2015
Expiry date		
Within one year	62	5
Two to five years	750	593
Total credit available	**812**	**598**

Forecast liquidity represents the Group's expected cash inflows, principally generated from sales made to customers, less the Group's expected cash outflows, principally related to the payment of employees, supplier payments and the repayment of borrowings plus the payment of any interest accruing thereon. The matching of these cash inflows and outflows rests on the expected ageing profiles of the underlying assets and liabilities.

Short-term financial assets and financial liabilities are primarily represented by the Group's trade receivables and trade payables. The matching of the cash flows that result from trade receivables and trade payables typically takes place over a period of three to four months from recognition in the combined and consolidated statement of financial position and is managed to ensure the ongoing operating liquidity of the Group.

Financing cash outflows may be longer-term in nature. The Group does not hold long-term financial assets to match against these commitments, but is significantly invested in long-term non-financial assets which generate the sustainable future cash inflows, net of future capital expenditure requirements, needed to service and repay the Group's borrowings.

Notes to the combined and consolidated financial statements for the year ended 31 December 2016

30 Financial instruments

(d) Derivative financial instruments

Derivative financial instruments are carried at fair value. At 31 December 2016, the Group recognised total derivative assets of €6 million (2015: €13 million) and derivative liabilities of €23 million (2015: €7 million). The full net liability of €17 million (2015: net asset of €6 million) will mature within one year.

The notional amount of €1,149 million (2015: €1,259 million) is the aggregate face value of all derivatives outstanding at the reporting date. They do not indicate the contractual future cash flows of the derivative instruments held or their current fair value and therefore do not indicate the Group's exposure to credit or market risks. Of the €1,149 million (2015: €1,259 million) aggregate notional amount, €970 million (2015: €842 million) relates to the economic hedging of foreign exchange exposures on short-term inter-company funding balances, which are fully eliminated on consolidation.

Hedging

Cash flow hedges

The Group designates certain derivative financial instruments as cash flow hedges. The fair value gains/(losses) are reclassified from the cash flow hedge reserve to profit and loss in the period when the hedged transaction affects profit and loss. For non-current non-financial assets, these gains/(losses) are included in the carrying value of the asset and depreciated over the same useful life as the cost of the asset.

Fair value gains of €1 million (2015: losses of €2 million) were reclassified from the cash flow hedge reserve to property, plant and equipment during the current year. There was no ineffectiveness recognised in profit or loss arising on cash flow hedges for both years presented.

31 Related party transactions

The Group and its subsidiaries, in the ordinary course of business, enter into various sale, purchase and service transactions with equity accounted investees and others in which the Group has a material interest. These transactions are under terms that are no less favourable than those arranged with third parties. These transactions, in total, are not considered to be significant.

Transactions between Mondi Limited, Mondi plc and their respective subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

	Associates	
€ million	**2016**	**2015**
Sales to related parties	16	10
Purchases from related parties	186	190
Receivables due from related parties	2	1
Payables due to related parties	32	34

Compensation for the Boards and key management

In accordance with IAS 24, 'Related Party Disclosures', key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, and includes directors (both executive and non-executive) of Mondi Limited and Mondi plc. The Boards and those members of the DLC executive committee who are not directors comprise the key management personnel of the Group. The remuneration of the directors is disclosed in the Remuneration report.

€ million	**2016**	**2015**
Salaries and short-term employee benefits	7.3	6.5
Non-executive directors	1.1	1.2
Defined contribution plan payments	0.9	1.0
Social security costs	1.2	1.5
Share-based payments	5.1	4.6
Total	**15.6**	**14.8**

The information presented in the table above, in conjunction with the audited information included in the Remuneration report, satisfies the disclosure requirements of the Companies Act of South Africa 2008 Section 30(4) to (6) with regard to the remuneration of prescribed officers of the Group.

Details of the transactions between the Group and its pension and post-retirement medical plans are disclosed in note 22.

32 Group companies

Composition of the Group

The subsidiaries of the Group as at 31 December 2016 are set out in note 6 of the Mondi Limited parent company financial statements and note 9 of the Mondi plc parent company financial statements. All of these interests are combined and consolidated within the Group's financial statements.

There are no material joint ventures or associates in the Group.

Refer to Mondi's global footprint on pages 26 and 27 for more information on the places of operation.

Details of non-wholly-owned subsidiaries

	Proportion of ownership interests and voting rights held by non-controlling interests		Profit attributable to non-controlling interests		Equity attributable to non-controlling interests	
€ million	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Mondi SCP a.s.	49	49	42	36	251	239
Individually immaterial subsidiaries with non-controlling interests			6	9	53	43
Total			**48**	**45**	**304**	**282**

Summarised financial information of the Group's material non-controlling interest is as follows:

Mondi SCP a.s.

€ million	2016	2015
Statement of financial position		
Non-current assets	418	448
Current assets	232	185
Current liabilities	(85)	(90)
Non-current liabilities	(43)	(46)
Net assets	**522**	**497**
Equity attributable to owners of the company	271	258
Equity attributable to non-controlling interests	251	239
Income statement and statement of comprehensive income		
Revenue	489	489
Operating costs (including taxation)	(404)	(416)
Profit for the year	**85**	**73**
Attributable to owners of the company	43	37
Attributable to non-controlling interests	42	36
Profit and total comprehensive income for the year	**85**	**73**
Dividends paid to non-controlling interests	**29**	**20**
Statement of cash flows		
Net cash inflow from operating activities	129	145
Net cash outflow from investing activities	(16)	(34)
Net cash outflow from financing activities	(60)	(40)
Net cash inflow	**53**	**71**

The summarised financial information represents amounts before intra-group eliminations.

Notes to the combined and consolidated financial statements for the year ended 31 December 2016

33 Events occurring after 31 December 2016

With the exception of the events listed below there have been no material reportable events since 31 December 2016:

→ Final dividend proposed for 2016 (see note 9); and

→ Acquisition of 100% of the outstanding share capital of Excelsior Technologies Limited (Excelsior) in February 2017, for a total consideration of £33 million (€38 million), on a debt and cash-free basis.

34 Accounting policies

Basis of consolidation

The combined and consolidated financial statements incorporate the revenues, expenses, assets, liabilities, equity and cash flows of Mondi Limited and Mondi plc, and of their respective subsidiaries drawn up to 31 December each year. All intra-group balances, transactions, income and expenses are eliminated. A subsidiary is an entity over which the Group has control. Control is evident where the Group is exposed to, or has rights to, variable returns from its involvement with that entity and has the ability to affect those returns through its power over that entity.

The results of subsidiaries acquired or disposed of during the years presented are included in the combined and consolidated income statement from the effective date of acquiring control or up to the effective date of disposal.

Non-controlling interests are measured, at initial recognition, as the non-controlling proportion of the fair values of the assets and liabilities recognised at acquisition.

After initial recognition, non-controlling interests are measured as the aggregate of the value at initial recognition and their subsequent proportionate share of profits and losses less any distributions made. Changes in the Group's interests in subsidiaries that do not result in a change in control are accounted for as equity transactions. Any resulting difference between the amount by which the non-controlling interests is adjusted for and the fair value of the consideration paid or received is recognised directly in equity and attributed to the shareholders.

Foreign currency transactions and translation

Foreign currency transactions

Foreign currency transactions are recorded in their functional currencies at the exchange rates ruling on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the reporting date. Gains and losses arising on translation are included in the combined and consolidated income statement and are classified as either operating or financing consistent with the nature of the monetary item giving rise to them.

Translation of overseas operations

The Group's results are presented in euro, the currency in which most of its business is conducted. On consolidation, the assets and liabilities of the Group's overseas operations are translated into the presentation currency of the Group at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the year where these approximate the rates on the dates of the underlying transactions. Exchange differences arising, if any, are recognised directly in other comprehensive income, and accumulated in equity. Such translation differences are reclassified to profit and loss only on disposal or partial disposal of the overseas operation.

Fair value measurement

Assets and liabilities that are measured at fair value, or where the fair value of financial instruments has been disclosed in notes to the combined and consolidated financial statements, are based on the following fair value measurement hierarchy:

→ level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

→ level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and

→ level 3 – inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The assets measured at fair value on level 3 of the fair value measurement hierarchy are the Group's forestry assets as set out in note 13, certain assets acquired or liabilities assumed in business combinations, and put options held by non-controlling interests.

The fair values of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) are determined using generally accepted valuation techniques. These valuation techniques maximise the use of observable market data and rely as little as possible on Group specific estimates.

Specific valuation methodologies used to value financial instruments include:

→ the fair values of interest rate swaps and foreign exchange contracts are calculated as the present value of expected future cash flows based on observable yield curves and exchange rates;

→ the Group's commodity price derivatives are valued by independent third parties, who in turn calculate the fair values as the present value of expected future cash flows based on observable market data; and

→ other techniques, including discounted cash flow analysis, are used to determine the fair values of other financial instruments.

Segmental reporting (note 2)

The Group's operating segments are reported in a manner consistent with the internal reporting provided to the DLC executive committee, the chief operating decision-making body. Due to its unique characteristics in terms of geography, currency and underlying risks, the South Africa Division is managed and reported as a separate geographic segment. The remaining operating segments are managed based on the nature of the underlying products produced by those businesses and comprise four distinct segments.

Measurement of operating segment revenues, profit and loss, assets and non-current non-financial assets

Each of the reportable segments derives its income from the sale of manufactured products.

The operating segment measures adhere to the recognition and measurement criteria presented in the Group's accounting policies. The Group has presented certain non-IFRS measures by segment to supplement the user's understanding. All intra-group transactions are conducted on an arm's length basis.

The Group's measure of net segment assets includes the allocation of net retirement benefits assets and liabilities. The measure of segment results exclude, however, the financing effects of the Group's defined benefit retirement plans. In addition, the Group's measure of net segment assets does not include an allocation for derivative assets and liabilities, non-operating receivables and payables and assets held for sale and associated liabilities. The measure of segment results includes the effects of certain movements in these unallocated balances.

There has been no change in the basis of measurement of segment profit and loss in the financial year.

Revenue recognition

Sale of goods (note 2)

Revenue is derived principally from the sale of goods and is measured at the fair value of the consideration received or receivable, after deducting discounts, volume rebates, value added tax and other sales taxes. A sale is recognised when the significant risks and rewards of ownership have been transferred to the customer. This is when title and insurance risk have passed to the customer, and the goods have been delivered to a contractually agreed location.

Sale of green energy and CO_2e credits (note 14)

Revenues generated from the sale of green energy and CO_2e credits issued under international trading schemes are recorded as income within other net operating expenses in the combined and consolidated income statement when ownership rights pass to the buyer. Any unsold green energy credits are recorded in inventory.

Investment income (note 6)

Interest income, which is derived from cash and cash equivalents and other interest-bearing financial assets, is accrued on a time proportion basis, by reference to the principal outstanding and at the applicable effective interest rate.

Tax (note 7)

The tax expense represents the sum of the current tax charge and the movement in deferred tax.

Current tax

The current tax charge is based on taxable profit for the year. The Group's asset/liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the Group's combined and consolidated financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill or from the initial recognition, other than in a business combination, of other assets and liabilities in a transaction that affects neither the tax profit nor accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date. The carrying amount is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered within a reasonable period of time. Similarly, it is increased to the extent that it is probable that sufficient taxable profit will be available in the future for all or part of the deferred tax asset to be recovered within a reasonable period of time.

Notes to the combined and consolidated financial statements for the year ended 31 December 2016

34 Accounting policies

Deferred tax is calculated at the tax rates that have been enacted or substantively enacted and are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited to the combined and consolidated income statement, except when it relates to items charged or credited directly to other comprehensive income and accumulated in equity, in which case the deferred tax is also taken directly to other comprehensive income and accumulated in equity.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited to the combined and consolidated income statement, except when it relates to items charged or credited directly to other comprehensive income and accumulated in equity, in which case the deferred tax is also taken directly to other comprehensive income and accumulated in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same tax authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Earnings per share (EPS) (note 8)

Basic EPS

Basic EPS is calculated by dividing net profit attributable to ordinary shareholders by the weighted average number of the sum of ordinary Mondi Limited and Mondi plc shares in issue during the year, net of treasury shares.

Diluted EPS

For diluted EPS, the weighted average number of the sum of Mondi Limited and Mondi plc ordinary shares in issue, net of treasury shares, is adjusted to assume conversion of all dilutive potential ordinary shares. At present these only include share awards granted to employees. Potential or contingent share issues are treated as dilutive when their conversion to shares would decrease EPS.

Underlying and headline EPS

Underlying EPS excludes the impact of special items and is a non-IFRS measure. It is included to provide an additional basis on which to measure the Group's earnings performance. The presentation of headline EPS is mandated under the Listings Requirements of the JSE Limited and is calculated in accordance with Circular 2/2015, 'Headline Earnings', as issued by the South African Institute of Chartered Accountants.

Non-current non-financial assets excluding goodwill, deferred tax and net retirement benefits asset

Property, plant and equipment (note 10)

Property, plant and equipment comprise land and buildings, plant and equipment and assets in the course of construction.

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Assets in the course of construction are carried at cost less any impairment. Cost includes site preparation, the purchase price of the equipment and directly attributable labour and installation costs. Borrowing costs are capitalised on qualifying assets. The capitalisation of costs ceases when the asset is in the location and condition necessary for it to be capable of commercial operation. Start-up and ongoing maintenance costs are not capitalised.

Depreciation is charged to the combined and consolidated income statement so as to write off the cost of assets, other than land and assets in the course of construction, over their estimated useful lives on a straight-line basis to their estimated residual values. Residual values and useful lives are reviewed at least annually. Depreciation commences when the assets are ready for their intended use. Estimated useful lives range from three years to 20 years for items of plant and equipment and other categories and to a maximum of 50 years for buildings.

Intangible assets and research and development expenditure (note 12)

Intangible assets are measured initially at purchase consideration and are amortised on a straight-line basis over their estimated useful lives. Estimated useful lives vary between three years and 10 years and are reviewed at least annually.

Research expenditure is written off in the year in which it is incurred. Development costs are capitalised when the completion of the asset is both commercially and technically feasible and are amortised on a systematic basis over the economic life of the related development. Development costs are recognised as an expense if they do not qualify for capitalisation.

Impairment of property, plant and equipment and intangible assets

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount of the asset, or cash-generating unit, is the higher of its fair value less costs of disposal and its value-in-use. In assessing value-in-use, the estimated future cash flows generated by the asset are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted. If the recoverable amount of an asset, or cash-generating unit, is estimated to be less than its carrying amount, the carrying amount of the asset, or cash-generating unit, is reduced to its recoverable amount and an impairment recognised as an expense. Where the underlying circumstances change such that a previously recognised impairment subsequently reverses, the carrying amount of the asset, or cash-generating unit, is increased to the revised estimate of its recoverable amount. Such a reversal is limited to the carrying amount that would have been determined had no impairment been recognised for the asset, or cash-generating unit, in prior years. A reversal of an impairment is recognised in the combined and consolidated income statement.

Agriculture – owned forestry assets (note 13)

Owned forestry assets are measured at fair value, calculated by applying the expected selling price, less costs to harvest and deliver, to the estimated volume of timber on hand at each reporting date. The estimated volume of timber on hand is determined based on the maturity profile of the area under afforestation, the species, the geographic location and other environmental considerations and excludes future growth. The product of these is then adjusted to present value by applying a market-related pre tax discount rate.

Changes in fair value are recognised in the combined and consolidated income statement within other net operating expenses. At point of felling, the carrying value of forestry assets is transferred to inventory.

Directly attributable costs incurred during the year of biological growth and investments in standing timber are capitalised and presented within cash flows from investing activities.

Business combinations (note 23)

Identifiable net assets

At the date of acquisition the identifiable assets, liabilities and contingent liabilities of a subsidiary, associate or a joint venture are recorded at their fair values on acquisition date. Assets and liabilities which cannot be measured reliably are recorded at provisional fair values, which are finalised within 12 months of the acquisition date.

Cost of a business combination

The cost of a business combination includes the fair value of assets provided, liabilities incurred or assumed, and any equity instruments issued by a Group entity, in exchange for control of an acquiree. The directly attributable costs associated with a business combination are expensed as incurred.

Goodwill (note 11)

Any excess of the cost of the acquisition over the fair values of the identifiable net assets acquired is attributed to goodwill. Goodwill is subsequently measured at cost less any accumulated impairment losses.

Impairment of goodwill

Goodwill arising on business combinations is allocated to the group of cash-generating units (CGU) that are expected to benefit from the synergies of the combination and represents the lowest level at which goodwill is monitored for internal management purposes. The recoverable amount of the CGU to which goodwill has been allocated is tested for impairment annually on a consistent date during each financial year and when events or changes in circumstances indicate that it may be impaired.

The recoverable amount of a CGU is determined based on value-in-use calculations. Value-in-use calculations use cash flow projections based on financial budgets covering a three-year period that are based on the latest forecasts for revenue and costs as approved by the Boards. Projected revenues and costs are determined taking into consideration relevant industry forecasts for individual product lines, management's projections, historical performance and announced industry capacity changes.

Cash flow projections beyond three years are based on internal management forecasts. Growth rates in the countries in which the Group operates are determined with reference to published gross domestic product information.

The discount rate is determined as the Group's weighted average cost of capital using published market data and published borrowing rates and adjusted for country risk and tax.

Any impairment is recognised in the combined and consolidated income statement. Impairments of goodwill are not subsequently reversed.

Current non-financial assets

Inventory (note 14)

Inventory is valued at the lower of cost and net realisable value. Cost is determined on the first-in-first-out (FIFO) or weighted average cost basis, as appropriate. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value is defined as the selling price less any estimated costs of disposal.

Notes to the combined and consolidated financial statements for the year ended 31 December 2016

34 Accounting policies

Assets held for sale (note 25)

Assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. Assets classified as held for sale are measured at the lower of carrying amount and fair value less costs of disposal from the date on which these conditions are met.

Any resulting impairment is reported in the combined and consolidated income statement. On classification as held for sale, the assets are no longer depreciated or amortised. Comparative amounts are not adjusted.

Provisions (note 17)

Provisions are recognised when the Group has a present obligation as a result of a past event, which it will be required to settle. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect of discounting is material.

Equity instruments

Treasury shares (note 20)

The purchase by any Group entity of either Mondi Limited's or Mondi plc's equity instruments results in the recognition of treasury shares. The consideration paid is deducted from equity. Where treasury shares are subsequently sold, reissued or otherwise disposed of, any consideration received is included in equity attributable to the shareholders of either Mondi Limited or Mondi plc, net of any directly attributable incremental transaction costs and the related tax effects.

Dividend payments (note 9)

Dividend distributions to Mondi Limited's and Mondi plc's ordinary shareholders are recognised as a liability in the period in which the dividends are declared and approved. Final dividends are accrued when approved by both Mondi Limited's and Mondi plc's ordinary shareholders at their respective Annual General Meetings and interim dividends are recognised when approved by the Boards.

Share-based payments (note 21)

The Group operates a number of equity-settled, share-based compensation schemes. The fair value of the employee services received in exchange for the grant of share awards is recognised concurrently as an expense and an adjustment to equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the share awards granted, as adjusted for market performance conditions and non-vesting conditions where applicable. Vesting conditions are included in assumptions about the number of awards that are expected to vest. At each reporting date, the Group revises its estimates of the number of share awards that are expected to vest as a result of changes in non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the combined and consolidated income statement, with a corresponding adjustment to equity.

Financial instruments (note 30)

Financial assets and financial liabilities are recognised in the Group's combined and consolidated statement of financial position when the Group becomes party to the contractual provisions of the instrument.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Cash and cash equivalents (note 26b)

Cash and cash equivalents comprise cash on hand and demand deposits, together with short-term, highly liquid investments of a maturity of three months or less from the date of acquisition that are readily convertible to a known amount of cash and that are subject to an insignificant risk of changes in value. Bank overdrafts are shown within short-term borrowings in current liabilities in the combined and consolidated statement of financial position. Cash and cash equivalents in the combined and consolidated statement of cash flows and in the presentation of net debt are reflected net of overdrafts.

Trade receivables and payables (notes 15 and 16)

Trade receivables and payables are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest rate method. Trade receivables are reduced by an allowance for impairment.

Put options held by non-controlling interests (note 30)

Written put options on the shares of a subsidiary held by non-controlling interests give rise to a financial liability for the present value of the expected redemption amount. The liability that may become payable under the arrangement is initially recognised at fair value with a corresponding entry directly in equity. Subsequent changes to the fair value of the liability are recognised in the combined and consolidated income statement.

Borrowings (note 19)

Interest bearing loans and overdrafts are initially recognised at fair value, net of direct transaction costs. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the combined and consolidated income statement over the term of the borrowings using the effective interest rate method.

Borrowing costs (note 6)

Interest on borrowings directly relating to the acquisition, construction or production of qualifying assets is capitalised until such time as the assets are substantially ready for their intended use or sale. Where funds have been borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the construction period.

All other borrowing costs are recognised in the combined and consolidated income statement in the period in which they are incurred.

Derivative financial instruments and hedge accounting (note 30d)

The Group enters into forward, option and swap contracts in order to hedge its exposure to foreign exchange, interest rate and commodity price risks.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and subsequently measured at fair value in the combined and consolidated statement of financial position within derivative financial instruments.

Changes in the fair value of derivative instruments that are not formally designated in hedge relationships are recognised immediately in the combined and consolidated income statement and are classified within operating profit or net finance costs, depending on the type of risk to which the derivative relates.

Cash flow hedges

The effective portion of changes in the fair value of derivative financial instruments that are designated as hedges of future cash flows are recognised directly in other comprehensive income and accumulated in equity. The gain or loss relating to the ineffective portion is recognised immediately in the combined and consolidated income statement. If the cash flow hedge of a forecast transaction results in the recognition of a non-financial asset or a non-financial liability then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in the Group's cash flow hedge reserve in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of a non-financial asset or a non-financial liability, amounts deferred in the Group's cash flow hedge reserve in equity are recognised in the combined and consolidated income statement in the same period in which the hedged item affects profit and loss on a proportionate basis.

Hedge accounting is discontinued when the hedge relationship is revoked or the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss deferred in equity remains in equity and is recognised in the combined and consolidated income statement when the forecast transaction is ultimately recognised. If a hedge transaction is no longer expected to occur, the net cumulative gain or loss deferred in equity is included immediately in the combined and consolidated income statement.

Retirement benefits (note 22)

The Group operates defined benefit pension plans and defined contribution pension plans for the majority of its employees as well as post-retirement medical plans.

Defined contribution plans

For defined contribution plans, the amount charged to the combined and consolidated income statement is the contributions paid or payable during the reporting period.

Defined benefit pension plans and post-retirement medical plans

For defined benefit pension and post-retirement medical plans, actuarial valuations are performed at each financial year end using the projected unit credit method. The average discount rate for the plans' liabilities is based on AA rated corporate bonds or similar government bonds of a suitable duration and currency. Plans' assets are measured using market values at the end of the reporting period.

The net retirement benefits liability recognised in the combined and consolidated statement of financial position represents the present value of the defined benefit liability as reduced by the fair value of any plan assets.

Any increase in the present value of plan liabilities expected to arise from employee service during the year is charged to operating profit as service costs. Past service costs resulting from plan amendments or curtailments and gains or losses on settlements are charged to operating profit. A net interest expense or net interest income is calculated by applying the discount rate, on a per plan basis, to the net defined benefit liability or asset and recognised in the combined and consolidated income statement within net finance costs.

Notes to the combined and consolidated financial statements for the year ended 31 December 2016

34 Accounting policies

Remeasurements comprising actuarial gains and losses and the return on plan assets (after recognising the net finance charge) are recognised in the combined and consolidated statement of financial position with a charge or credit to other comprehensive income, net of deferred tax, in the reporting period in which they occur. Remeasurements recorded in other comprehensive income are not recycled to profit and loss, but those amounts recognised in other comprehensive income may be transferred within equity.

Leases (note 29)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The Group has no material finance lease arrangements.

Rental costs under operating leases are charged to the combined and consolidated income statement in equal annual amounts over the lease term unless another systematic basis is more representative of the pattern of use.

New accounting policies, early adoption and future requirements

Amendments to published Standards effective during 2016

The following amendments to published Standards have been adopted by the Group and did not have a significant impact on the Group's results:

→ IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations
→ IFRS 7 – Financial Instruments: Disclosures
→ IAS 16 – Property, Plant and Equipment
→ IAS 19 – Employee Benefits
→ IAS 34 – Interim Financial Reporting
→ IAS 38 – Intangible Assets

Standards and amendments to published Standards that are not yet effective

The following Standards are effective for the financial year beginning on 1 January 2017, and will have no significant impact on the Group's results:

→ IAS 7 – Statements of Cash Flows, disclosure initiative
→ IAS 12 – Income Taxes

The following Standards will become effective for the financial year beginning on 1 January 2018:

→ IFRS 9 – Financial Instruments
A preliminary assessment has been completed and, given the nature of the Group's business, no impact is expected in respect of the measurement of financial instruments. The revised financial instrument categories will result in some changes in classification and additional disclosures will be required.

→ IFRS 15 – Revenue from Contracts with Customers
A preliminary assessment has been completed and the Group does not expect any significant changes to the timing and recognition of revenue. Additional disclosures will be required.

IFRS 16 – Leases, will become effective for the financial year beginning on 1 January 2019. The Group is party to more than 1,000 leases. The most significant lease agreements have been assessed and are expected to result in an increase in assets and liabilities as these leases are capitalised as well as an increase in EBITDA offset by an increase in depreciation and an increase in finance charges. A large proportion of the Group's lease agreements are short-term in nature and not individually material in value. Early adoption from the year beginning 1 January 2018 is under consideration.

Independent auditor's report on the summary financial statements to the shareholders of Mondi Limited

Opinion

The accompanying summary financial statements of Mondi Limited, which comprise the statement of financial position as at 31 December 2016 and selected notes, are derived from the audited financial statements of Mondi Limited for the year ended 31 December 2016. We expressed an unmodified audit opinion on those financial statements in our report dated 22 February 2017.

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements of Mondi Limited in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa 2008 as applicable to summary financial statements.

Summary financial statements

The summary financial statements do not contain all the disclosures required by IFRS and the requirements of the Companies Act of South Africa 2008 as applicable to financial statements. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon.

The audited financial statements and our report thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 22 February 2017. That report also includes:

- the communication of key audit matters as reported in the auditor's report of the audited financial statements; and
- a 'Report on other legal and regulatory requirements' paragraph: audit tenure.

Directors' responsibility for the summary financial statements

The directors are responsible for the preparation of the summary financial statements in accordance with framework concepts and the measurement and recognition requirements of IFRS and the requirements of the Companies Act of South Africa 2008 and for such internal control as the directors determine is necessary to enable the preparation of the summary financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing 810 (Revised), 'Engagements to Report on Summary Financial Statements'.

Deloitte & Touche
Registered Auditors
Per Shelly Nelson
Partner

22 February 2017

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The Woodlands
Woodlands Drive, Woodmead, Sandton,
Republic of South Africa

Riverwalk Office Park, Block B
41 Matroosberg Road,
Ashlea Gardens X6, Pretoria,
Republic of South Africa

Mondi Limited parent company statement of financial position
as at 31 December 2016

ZAR million	Notes	2016	2015
Property, plant and equipment		5,619	5,300
Forestry assets		3,724	2,908
Investment in and loans to subsidiaries	2	52	99
Investment in associate		—	24
Financial asset investments		23	—
Total non-current assets		**9,418**	**8,331**
Inventories		768	637
Trade and other receivables		1,477	1,763
Investment in and loans to subsidiaries	2	172	114
Current tax asset		32	27
Financial asset investments		188	207
Financial instruments		5	16
Cash and cash equivalents		1	11
Assets held for sale		—	7
Total current assets		**2,643**	**2,782**
Total assets		**12,061**	**11,113**
Short-term borrowings		(1,218)	(841)
Trade and other payables		(1,111)	(1,122)
Provisions		(59)	(83)
Total current liabilities		**(2,388)**	**(2,046)**
Net retirement benefits liability		(797)	(794)
Deferred tax liabilities		(1,773)	(1,474)
Provisions		(28)	(28)
Total non-current liabilities		**(2,598)**	**(2,296)**
Total liabilities		**(4,986)**	**(4,342)**
Net assets		**7,075**	**6,771**
Equity			
Stated capital	3	4,188	4,188
Retained earnings and other reserves		2,887	2,583
Total equity		**7,075**	**6,771**

The statement of financial position and statement of changes in equity of Mondi Limited and related notes were approved by the board and authorised for issue on 22 February 2017 and were signed on its behalf by:

David Hathorn
Director

Andrew King
Director

Mondi Limited company registration number: 1967/013038/06

Mondi Limited parent company statement of changes in equity
for the year ended 31 December 2016

ZAR million	Stated capital	Retained earnings	Other reserves	Total equity
At 1 January 2015	4,188	1,890	9	**6,087**
Total comprehensive income for the year	—	1,318	67	**1,385**
Dividends paid	—	(686)	—	**(686)**
Shares vested from Mondi Incentive Schemes Trust	—	(42)	—	**(42)**
Mondi share schemes' charge	—	—	24	**24**
Issue of shares under employee share schemes	—	20	(17)	**3**
At 31 December 2015	**4,188**	**2,500**	**83**	**6,771**
Total comprehensive income/(expense) for the year	—	1,458	(25)	**1,433**
Dividends paid	—	(1,111)	—	**(1,111)**
Shares vested from Mondi Incentive Schemes Trust	—	(41)	—	**(41)**
Mondi share schemes' charge	—	—	26	**26**
Issue of shares under employee share schemes	—	19	(22)	**(3)**
At 31 December 2016	**4,188**	**2,825**	**62**	**7,075**

Notes to the Mondi Limited parent company summary financial statements
for the year ended 31 December 2016

1 Accounting policies

Basis of preparation

The statement of financial position and selected notes of Mondi Limited have been prepared in accordance with applicable International Financial Reporting Standards (IFRS) under the historical cost convention.

Principal accounting policies

The principal accounting policies applied by Mondi Limited are the same as those presented in notes 1 and 34 to the combined and consolidated Group financial statements, to the extent that the Group's transactions and balances are applicable to the company financial statements. Principally, the accounting policies which are not directly relevant to Mondi Limited parent company financial statements are those relating to consolidation accounting and the recognition and subsequent measurement of goodwill.

The accounting policy which is additional to those applied by the Group, is stated as follows:

Investments

Investments in subsidiaries and associates are reflected at cost less amounts written off and provisions for any impairments. Any potential impairment is determined on a basis consistent with the accounting policy on the impairment of goodwill.

Accounting estimates and critical judgements

The accounting estimates and critical judgements applied by the key management of Mondi Limited are discussed in the Group's combined and consolidated financial statements (see note 1). In addition, the carrying value of investments is considered a critical judgement.

2 Investment in and loans to subsidiaries

ZAR million	2016	2015
Unlisted		
Shares at cost	62	3
Loans advanced	418	310
Impairment	(256)	(100)
Total investments in subsidiaries	**224**	**213**
Repayable within one year classified as a current asset	(172)	(114)
Total long-term investments in subsidiaries	**52**	**99**

3 Stated capital

Full disclosure of the stated capital of Mondi Limited is set out in note 20 of the Group's combined and consolidated financial statements.

4 Contingent liabilities

Contingent liabilities for Mondi Limited comprise aggregate amounts at 31 December 2016 of ZAR76 million (2015: ZAR76 million), in respect of loans and guarantees given to banks and other third parties.

5 Events occurring after 31 December 2016

With the exception of the proposed final dividend for 2016, included in note 9 of the Group's combined and consolidated financial statements, there have been no material reportable events since 31 December 2016.

6 List of subsidiary and associated undertakings and other significant holdings as at 31 December 2016

All shares are held directly except where noted. Except where stated, the shares held are ordinary shares.

Company	Registered office	% of shares held by Group
Côte d'Ivoire		
La Sacherie Moderne SA[1]	Angle de l'Avenue A16, Abidjan-Platea, Immeuble Amiral, 01 B.P 5676	50.0
South Africa		
Arctic Sun Trading 17 Proprietary Limited[1]	Unit 4, 57 St. Andrews Drive, Durban North, 4051	50.0
Bongani Development CC	4th Floor, No 3 Melrose Boulevard, Melrose Arch, 2196	100.0
Copasize Proprietary Limited[1]	111 9th Road, Hydepark, Sandton, 2196	34.0
Golden Pond Trading 250 Proprietary Limited[1]	3 Joyner Road, Prospecton, 4110	49.0
Khulanathi Forestry Proprietary Limited[1]	Lakeside Terrace, 3rd Floor, ABSA Building, Richards Bay, 3900	30.0
Mbulwa Estate Proprietary Limited[1]	4th Floor, No 3 Melrose Boulevard, Melrose Arch, 2196	50.0
Mondi Africa Holdings Proprietary Limited	4th Floor, No 3 Melrose Boulevard, Melrose Arch, 2196	100.0
Mondi Forestry Partners Programme Proprietary Limited[1]	380 Old Howick Road, Mondi House, Hilton, 3245	100.0
Mondi Sacherie Moderne Holdings Proprietary Limited	4th Floor, No 3 Melrose Boulevard, Melrose Arch, 2196	100.0
Mondi Shanduka Newsprint Proprietary Limited	4th Floor, No 3 Melrose Boulevard, Melrose Arch, 2196	100.0
Mondi Timber (Wood Products) Proprietary Limited	4th Floor, No 3 Melrose Boulevard, Melrose Arch, 2196	100.0
Mondi Timber Limited[2]	4th Floor, No 3 Melrose Boulevard, Melrose Arch, 2196	100.0
Mondi Zimele Job Funds Proprietary Limited[1]	380 Old Howick Road, Mondi House, Hilton, 3245	100.0
Mondi Zimele Proprietary Limited	380 Old Howick Road, Mondi House, Hilton, 3245	100.0
MZ Business Services Proprietary Limited[1]	380 Old Howick Road, Mondi House, Hilton, 3245	100.0
MZ Technical Services Proprietary Limited[1]	380 Old Howick Road, Mondi House, Hilton, 3245	56.0
Professional Starch Proprietary Limited[1]	380 Old Howick Road, Mondi House, Hilton, 3245	100.0
Siyaqhubeka Forests Proprietary Limited[1]	4th Floor, No 3 Melrose Boulevard, Melrose Arch, 2196	51.0
Zimshelf Eight Investment Holdings Proprietary Limited	4th Floor, No 3 Melrose Boulevard, Melrose Arch, 2196	100.0

Notes:

1 These companies are held indirectly

2 The company has ordinary and cumulative preference shares

Mondi plc parent company balance sheet
as at 31 December 2016

€ million	Notes	2016	2015
Fixed asset investments	5	2,938	2,938
Debtors: due within one year		3	4
Cash and cash equivalents		310	107
Total assets		**3,251**	**3,049**
Total creditors: due within one year		(13)	(13)
Total provisions: due after more than one year		(1)	(1)
Total liabilities		**(14)**	**(14)**
Net assets		**3,237**	**3,035**
Capital and reserves			
Share capital	6	103	103
Profit or loss account		3,116	2,916
Share-based payments reserve		18	16
Total shareholders' funds		**3,237**	**3,035**

Mondi plc reported a profit of €407 million (2015: loss of €11 million) for the year ended 31 December 2016. The balance sheet and statement of changes in equity of Mondi plc and related notes were approved by the board and authorised for issue on 22 February 2017 and were signed on its behalf by:

David Hathorn
Director

Andrew King
Director

Mondi plc company registered number: 6209386

Mondi plc parent company statement of changes in equity
for the year ended 31 December 2016

€ million	Share capital	Profit or loss account	Share-based payments reserve	Total equity
At 1 January 2015	103	3,097	14	**3,214**
Total comprehensive expense for the year	—	(5)	—	**(5)**
Dividends paid	—	(159)	—	**(159)**
Issue of shares under employee share schemes	—	8	(8)	**—**
Purchases of treasury shares	—	(25)	—	**(25)**
Mondi share schemes' charge	—	—	10	**10**
At 31 December 2015	**103**	**2,916**	**16**	**3,035**
Total comprehensive income for the year	—	414	—	**414**
Dividends paid	—	(207)	—	**(207)**
Issue of shares under employee share schemes	—	9	(9)	**—**
Purchases of treasury shares	—	(16)	—	**(16)**
Mondi share schemes' charge	—	—	11	**11**
At 31 December 2016	**103**	**3,116**	**18**	**3,237**

Notes to the Mondi plc parent company financial statements
for the year ended 31 December 2016

1 Accounting policies

Basis of accounting

Mondi plc meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council. Accordingly, the financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) as issued by the Financial Reporting Council.

As permitted by FRS 101, Mondi plc has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions.

Where required, equivalent disclosures are given in the Group accounts of Mondi plc, which are publicly available. The results, assets and liabilities of Mondi plc are included in the publicly available combined and consolidated Group financial statements.

Mondi plc has made use of the exemption from presenting a profit and loss account, in accordance with Section 408 of the UK Companies Act 2006.

The financial statements have been prepared on the going concern basis. This is discussed in the Strategic report under Principal risks under the heading 'Going concern'.

The financial statements are prepared on the historical cost basis, except for the revaluation of certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies adopted are described below. They have all been applied consistently throughout the year and the preceding year.

Principal accounting policies

The principal accounting policies applied by Mondi plc are the same as those presented in notes 1 and 34 to the combined and consolidated Group financial statements, to the extent that the Group's transactions and balances are applicable to the company financial statements. Principally, the accounting policies which are not directly relevant to Mondi plc parent company financial statements are those relating to consolidation accounting and the recognition and subsequent measurement of goodwill.

The accounting policy additional to those applied by the Group is stated as follows:

Investments

Fixed asset investments are stated at cost, less, where appropriate, provisions for impairment. Any potential impairment is determined on a basis consistent with the accounting policy on the impairment of goodwill.

Accounting estimates and critical judgements

The accounting estimates and critical judgements applied by the key management of Mondi plc are discussed in the Group's combined and consolidated financial statements (see note 1). In addition, the carrying value of investments is considered a critical judgement.

2 Auditor's remuneration

Disclosure of the audit fees payable to the auditor for the audit of Mondi plc's financial statements is set out in note 4 of the Group's combined and consolidated financial statements.

3 Share-based payments

The share schemes and the underlying assumptions used to estimate the associated fair value charge are set out in note 21 of the Group's combined and consolidated financial statements.

4 Deferred tax

A deferred tax asset of €4 million (2015: €5 million) has not been recognised in relation to temporary differences regarding the share-based payment arrangements. A deferred tax asset has not been recognised in relation to tax losses brought forward of €25 million (2015: €25 million). The deferred tax assets have not been recognised due to the unpredictability of future income against which they could be utilised.

Notes to the Mondi plc parent company financial statements for the year ended 31 December 2016

5 Fixed asset investments

€ million	2016	2015
Unlisted		
Shares at cost	2,938	2,938

The investment is in Mondi Investments Limited (incorporated in the UK), a wholly-owned subsidiary which acts as an investment holding company.

6 Share capital

Full disclosure of the share capital of Mondi plc is set out in note 20 of the Group's combined and consolidated financial statements.

7 Contingent liabilities

Mondi plc has issued financial guarantees in respect of the UK pension schemes of its subsidiaries, obligations incurred in the ordinary course of business and the borrowings of other Group undertakings. The likelihood of these financial guarantees being called is considered to be remote and therefore the estimated financial effect of issuance is €nil (2015: €nil). The fair value of these issued financial guarantees is deemed to be immaterial.

€ million	2016	2015
Pension scheme guarantees	82	95
Guarantees of obligations of subsidiaries of Mondi plc		
– Incurred in the ordinary course of business	32	37
– In favour of banks and bondholders	2,665	2,139
At 31 December	**2,779**	**2,271**

8 Events occurring after 31 December 2016

With the exception of the proposed final dividend for 2016, included in note 9 of the Group's combined and consolidated financial statements, there have been no material reportable events since 31 December 2016.

9 List of subsidiary and associated undertakings and other significant holdings as at 31 December 2016

All shares are held indirectly through a subsidiary or associated undertaking except where noted. Except where stated, the shares held are ordinary shares.

Company	Registered office	% of shares held by Group
Austria		
Future Lignin & Pulp Processing Research Projekt GmbH	Murmühlweg 2, 8112 Gratwein	25.00
Mondi AG	Marxergasse 4A, 1030 Vienna	100.00
Mondi Bags Austria GmbH	Bahnhofstrasse 3, 8740 Zeltweg	100.00
Mondi Coatings GmbH	Marxergasse 4A, 1030 Vienna	100.00
Mondi Coating Zeltweg GmbH	Bahnhofstrasse 3, 8740 Zeltweg	100.00
Mondi Consumer Packaging GmbH	Marxergasse 4A, 1030 Vienna	100.00
Mondi Corrugated Holding Österreich GmbH	Marxergasse 4A, 1030 Vienna	100.00
Mondi Corrugated Services GmbH	Marxergasse 4A, 1030 Vienna	100.00
Mondi Frantschach GmbH	Frantschach 5, 9413 St. Gertraud	100.00
Mondi Grünburg GmbH	Steyrtalstrasse 5, 4594 Obergrünburg	100.00
Mondi Holdings Austria GmbH	Marxergasse 4A, 1030 Vienna	100.00
Mondi Industrial Bags GmbH	Marxergasse 4A, 1030 Vienna	100.00
Mondi Korneuburg GmbH	Stockerauer Strasse 110, 2100 Korneuburg	100.00
Mondi Neusiedler GmbH	Theresienthalstrasse 50, 3363 Ulmerfeld-Hausmening	51.00
Mondi Oman Holding GmbH	Marxergasse 4A, 1030 Vienna	70.00
Mondi Paper Sales GmbH	Marxergasse 4A, 1030 Vienna	100.00
Mondi Release Liner Austria GmbH	Waidhofnerstrasse 11, 3331 Hilm	100.00
Mondi Services AG	Marxergasse 4A, 1030 Vienna	100.00
Mondi Styria GmbH	Bahnhofstrasse 3, 8740 Zeltweg	100.00
Mondi Uncoated Fine & Kraft Paper GmbH	Marxergasse 4A, 1030 Vienna	100.00
Papierholz Austria GmbH	Frantschach 5, 9413 St. Gertraud	25.00
SAREC Papiersackrecycling Organisation GmbH	Marxergasse 4A, 1030 Vienna	100.00
Sulbit Handels GmbH	Marxergasse 4A, 1030 Vienna	100.00
Ybbstaler Zellstoff GmbH	Theresienthalstrasse 50, 3363 Ulmerfeld-Hausmening	51.00

Company	Registered office	% of shares held by Group
Belgium		
Mondi Belcoat N.V.	Adolf Stocletlaan 11, 2570 Duffel	100.00
Mondi Poperinge N.V.	Nijverheidslaan 11, 8970 Poperinge	100.00
Bulgaria		
Mondi Stambolijski E.A.D	1 Zavodska Street, Stambolijski 4210, Plovdiv Region	100.00
China		
Mondi (China) Film Technology Co. Ltd.	No 29 Xinggang Road, Taicang Port Development Zone	100.00
Mondi Trading (Beijing) Co. Ltd.	0912, Air China Plaza, Building 1, No.36 Xiaoyun Road, Chaoyang, Beijing	100.00
Croatia		
Mondi Valpovo d.o.o.	Oreškovićeva 6c, 10010 Zagreb (Grad Zagreb)	100.00
Czech Republic		
EURO WASTE, a.s.	Litoměřická 272, 41108 Štětí	33.33
Labe Wood s.r.o.	Litoměřická 272, 41108 Štětí	25.00
Lignocel s.r.o (in liquidation)	Poupětova 3, 17000 Prague 7	20.00
Mondi Bags Štětí a.s.	Litoměřická 272, 41108 Štětí	100.00
Mondi Bupak s.r.o.	Papírenská 41, 37052 České Budějovice	100.00
Mondi Coating Štětí a.s.	Litoměřická 272, 41108 Štětí	100.00
Mondi Štětí a.s.	Litoměřická 272, 41108 Štětí	100.00
Mondi Štětí White Paper s.r.o	Litoměřická 272, 41108 Štětí	100.00
Mondi Uncoated Fine Paper Czech Republic s.r.o.	Prosecka 851/64, 19000 Prague 9	99.99
Roto a.s.	Litoměřická 272, 41108 Štětí	100.00
Wood & Paper a.s.	Hlina 57/18, 66491 Brno	46.50
Egypt		
Suez Bags Company SAE	35, Ramses Street, P.O. Box 1002 Maandi, Cairo	29.89
Finland		
Mondi Lohja Oy	Kotkantie 5, 08100 Lohja	100.00
France		
Mondi Gournay Sarl	ZI avenue de l'Europe, 76220 Gournay-en-Bray	100.00
Mondi Lembacel SAS	11 Rue de Reims, 51490 Bétheniville	100.00
Mondi Paper Sales France Sarl	3 Rue de Turbigo, 75001 Paris	100.00
Germany		
Mondi Ascania GmbH	Daimlerstrasse 8, 06449 Aschersleben	100.00
Mondi Bad Rappenau GmbH	Wilhelm-Hauff-Strasse 41, 74906 Bad Rappenau	100.00
Mondi Consumer Packaging International GmbH	Jöbkesweg 11, 48599 Gronau	100.00
Mondi Consumer Packaging Technologies GmbH	Jöbkesweg 11, 48599 Gronau	100.00
Mondi Eschenbach GmbH	Am Stadtwald 14, 92676 Eschenbach	100.00
Mondi Gronau GmbH	Jöbkesweg 11, 48599 Gronau	100.00
Mondi Halle GmbH	Wielandstrasse 2, 33790 Halle	100.00
Mondi Hammelburg GmbH	Thüringenstrasse 1-3, 97762 Hammelburg	100.00
Mondi Holding Deutschland GmbH	Hüttruper Heide 88, 48268 Greven	100.00

Company	Registered office	% of shares held by Group
Mondi Inncoat GmbH	Angererstrasse 25, 83064 Raubling	100.00
Mondi Jülich GmbH	Rathausstrasse 29, 52428 Jülich	100.00
Mondi Lindlar GmbH	Wielandstrasse 2, 33790 Halle	100.00
Mondi Paper Sales Deutschland GmbH	Oberbaumbrücke 1, 20457 Hamburg	100.00
Mondi Sendenhorst GmbH	Herkulesweg 1, 48324 Sendenhorst	100.00
Mondi Trebsen GmbH	Erich-Hausmann-Strasse 1, 04687 Trebsen	100.00
Mondi Wellpappe Ansbach GmbH	Robert-Bosch-Strasse 3, 91522 Ansbach	100.00
wood2M GmbH	Hauptstrasse 66, 07366 Blankenstein	50.00
Greece		
Mondi Thessaloniki A.E.	Sindos Industrial Zone – Block 18, 57022 Thessaloniki	100.00
Hungary		
Mondi Bags Hungária Kft.	Tünde u. 2, 4400 Nyíregyháza	100.00
Mondi Békéscsaba Kft.	Tevan Andor u. 2, 5600 Békéscsaba	100.00
Mondi Szada Kft.	Vasút u. 13, 2111 Szada	100.00
Iraq		
Mondi Kaso Iraq Industrial Bag Ltd.	Takya, Bazian, Sulaimaniyah	34.55
Italy		
Mondi Gradisac Srl.	Via dell´Industria 11, 34072 Gradisca d´Isonzo, Gorizia	100.00
Mondi IPI Srl.	Via Zanchetta 27, 35010 San Pietro in Gu, Padua	100.00
Mondi Italia Srl.	Vial Balilla 32, 24058 Romano di Lombardia, Bergamo	100.00
Mondi Paper Sales Italia Srl.	Via Fara Gustavo 35, 20124 Milano	100.00
Mondi San Pietro in Gu Srl.	Via Mazzini 21, 35010 San Pietro in Gu, Padua	100.00
Mondi Silicart Srl.	Viale Marconi 10, 40011 Anzola dell'Emilia Bologna	100.00
Mondi Srl. (in liquidation)	Via Zanchetta 27, 35010 San Pietro in Gu, Padua	100.00
Mondi Tolentino Srl.	Via Giovanni Falcone 1, 62029 Tolentino Macerata	100.00
NATRO-TECH Srl.	Via Balilla 32, 24058 Romano di Lombardia, Bergamo	100.00
Japan		
Mondi Tokyo KK	7th floor 14-5, Akasaka 2-chrome, Minato-ku, Tokyo	100.00
Jordan		
Jordan Paper Sacks Company Limited	Al Salt, Industrial Area, P.O. Box 119, 19374, Balqa	67.74
Republic of Korea		
Krauzen Co., Ltd.	1420, Keumkang-Penterium IT tower, 282 Hakeui-ro, Dongang-gu, Anyang-si, Gyunggi-do	100.00
Mondi KSP Co., Ltd.	48-29, 439 Hongandaero, Dongang-gu, Anyang-si, Gyunggi-do	95.00
Lebanon		
Mondi Lebanon SAL	7th Floor, Bloc C, Kassis Building, Antelias Highway, Antelias	66.00

Notes to the Mondi plc parent company financial statements for the year ended 31 December 2016

9 List of subsidiary and associated undertakings and other significant holdings as at 31 December 2016

Company	Registered office	% of shares held by Group
Luxembourg		
Mondi German Investments S.A.	1, rue Hildegard von Bingen, 1282	100.00
Mondi Packaging S.à r.l.	1, rue Hildegard von Bingen, 1282	100.00
Mondi S.à r.l.	1, rue Hildegard von Bingen, 1282	100.00
Mondi Services S.à r.l.	1, rue Hildegard von Bingen, 1282	100.00
Malaysia		
Mondi Kuala Lumpur Sdn. Bhd.	Lot Nos.PT 5034 & 5036, Jalan Teluk Datuk 28/40, 40000 Shah Alam, Selangor	62.00
Mexico		
Caja de Ahorro de Personal de Mondi Mexico Servicios A.C.	Av. San Nicolás No. 249, Colonia Cuauhtémoc, San Nicolás de los Garza, Nuevo Léon, 66450	100.00
Mondi Mexico Holding, S. de R.L. de C.V.	Av. San Nicolás No. 249, Colonia Cuauhtémoc, San Nicolás de los Garza, Nuevo Léon, 66450	100.00
Mondi Mexico S. de R.L. de C.V.	Av. San Nicolás No. 249, Colonia Cuauhtémoc, San Nicolás de los Garza, Nuevo Léon, 66450	100.00
Mondi Mexico Servicios S. de R.L. de C.V.	Av. San Nicolás No. 249, Colonia Cuauhtémoc, San Nicolás de los Garza, Nuevo Léon, 66450	100.00
Morocco		
Embal Sac Sarl	Rue de l´Ocean Quartier Industriel, Anza – Agadir, 6042	80.64
L'Ensachage Moderne Sarl	Rue Boukraa N1, Quartier Industriel Dokkarat, Fès	80.64
Pap-Sac Maghreb SA	Km 16, Route d´El Jadida, Casablanca	80.64
Netherlands		
Mondi Coating B.V.	Fort Willemweg 1, 6219 PA Maastricht	100.00
Mondi Consumer Bags & Films Benelux B.V.	Fort Willemweg 1, 6219 PA Maastricht	100.00
Mondi Consumer Bags & Films B.V.	Fort Willemweg 1, 6219 PA Maastricht	100.00
Mondi Corrugated B.V.	Fort Willemweg 1, 6219 PA Maastricht	100.00
Mondi Corrugated Poland B.V.	Fort Willemweg 1, 6219 PA Maastricht	100.00
Mondi Heerlen B.V.	Imstenraderweg 15, 6422 PM Heerlen	100.00
Mondi Industrial Bags B.V.	Fort Willemweg 1, 6219 PA Maastricht	100.00
Mondi International Holdings B.V.	Fort Willemweg 1, 6219 PA Maastricht	100.00
Mondi Maastricht N.V.	Fort Willemweg 1, 6219 PA Maastricht	100.00
Mondi MENA B.V.	Fort Willemweg 1, 6219 PA Maastricht	70.00
Mondi Packaging Paper B.V.	Fort Willemweg 1, 6219 PA Maastricht	100.00
Mondi Paper Sales Netherlands B.V.	Bruynvisweg 14, 1531 AZ Wormer	100.00
Mondi SCP Holdings B.V.	Fort Willemweg 1, 6219 PA Maastricht	100.00
Neusiedler Holdings B.V.	Fort Willemweg 1, 6219 PA Maastricht	100.00
Rusalka Holding B.V.	Fort Willemweg 1, 6219 PA Maastricht	100.00
Norway		
Mondi Moss AS	Rådmann Sirasvei 11712, Grålum	100.00
Oman		
Mondi Oman LLC	P.O. Box 20, 124, Muscat Governorate, As Seeb, Al Rusayl, Oman	49.00

Company	Registered office	% of shares held by Group
Poland		
Agromasa Sp. z o.o.	ul. Bukowa 21, 87-148 Łysomice	100.00
Freedonia Investments Sp. z o.o.	ul. Bukowa 21, 87-148 Łysomice	100.00
Mondi Bags Mielec Sp. z o.o.	ul. Wojska Polskiego 12, 39-300 Mielec	100.00
Mondi Bags Świecie Sp. z o.o.	ul. Bydgoska 12, 86-100 Świecie	100.00
Mondi BZWP Sp. z o.o.	ul. Zamenhofa 36, 57-500 Bystrzyca Kłodzka	100.00
Mondi Corrugated Świecie Sp. z o.o.	ul. Bydgoska 1, 86-100 Świecie	100.00
Mondi Dorohusk Sp. z o.o.	Brzezno 1, 22-174 Brzezno	100.00
Mondi Kutno Sp. z o.o.	ul. Żołnierska 1, 99-300 Kutno	100.00
Mondi Poznań Sp. z o.o.	ul. Wyzwolenia 34/36, 62-070 Dopiewo	100.00
Mondi Simet S.A.	Grabonóg 77, 63-820 Piaski	100.00
Mondi Solec Sp. z o.o.	Solec, 05-532 Baniocha	100.00
Mondi Świecie S.A.	ul. Bydgoska 1, 86-100 Świecie	100.00
Mondi Szczecin Sp. z o.o.	ul. Sloneczna 20, 72-123 Kliniska Wielkie	100.00
Mondi Warszawa Sp. z o.o.	ul. Tarczyńska 98, 96-320 Mszczonów	100.00
Mondi Wierzbica Sp. z o.o.	Kolonia Rzecków 76, 26-680 Wierzbica	100.00
Świecie Rail Sp. z o.o.	Kujawsko Pomorskie Voievodeship, Świecie	100.00
Świecie Recykling Sp. z o.o.	ul. Bydgoska 1/417, 86-100 Świecie	100.00
Romania		
Mondi Bucharest S.R.L.	Tudor Vladimirescu Street 1A, Ilfov, 75100 Otopeni	100.00
Russia		
LLC Mondi Lebedyan	Sverdlova 67, 399610 Lebedyan, Lipetsk Region	100.00
LLC Mondi Pereslavl	Mendeleeva sq. 2, Building 55, 152025 Pereslavl-Zalesski	100.00
OJSC Mondi Syktyvkar[1]	pr. Bumazhnikov 2, 167026 Syktyvkar, Republic of Komi	100.00
OJSC Uralplastic	25 Klubnaya Street, Aramil, Sverdlovskii Region	100.00
OOO Mondi Sales CIS	1st Tverskaya-Yamskaya 21, 125047 Moscow	100.00
OOO Nordenia Samara	Tschapaewskaja 189, Office 14-22, 443010 Samara	100.00
OOO PozhGazServis[1]	Ukhtinskoe Road 48/4, 167026 Syktyvkar, Republic of Komi	100.00
OOO RMZ[1]	pr. Bumazhnikov 2, 167026 Syktyvkar, Republic of Komi	100.00
Serbia		
Mondi Šabac d.o.o. Šabac	Nova 9, 15000 Šabac	100.00
Mondi Paracin d.o.o. Paracin	Cika Tasina 27, 35250 Paracin	100.00
Singapore		
Mondi Packaging Paper Sales Asia Pte. Limited	3 Anson Road 27-01, Springleaf Tower, 079909	100.00

Company	Registered office	% of shares held by Group
Slovakia		
Mondi SCP a.s.	Tatranská cesta 3, 03417 Ružomberok	51.00
Obaly Solo s.r.o	Tatranská cesta 3, 03417 Ružomberok	51.00
SLOVWOOD Ružomberok a.s.	Tatranská cesta 3, 03417 Ružomberok	33.66
Strážna Služba vla-sta s.r.o	Tatranská cesta 3, 03417 Ružomberok	51.00
Spain		
Mondi Bags Ibérica S.L.	Autovía A-2, Km 582, 08630 Abrera	100.00
Mondi Ibersac S.L.	Calle La Perenal 4, 48840 Güeñes, Bizcaia	100.00
Mondi Paper Sales Ibérica S.L.	Calle Joaquin Costa 36 2a 28002, Madrid	100.00
Sweden		
Mondi Dynäs AB	87381 Väja	100.00
Mondi Örebro AB	Papersbruksallen 3A, Box 926, 70130 Örebro	100.00
Mondi Sunne AB	Svarvarevägen 3, Box 56, 68622 Sunne	100.00
Switzerland		
Dipeco AG	Bruehlstrasse 5, 4800 Zofingen	100.00
Thailand		
Mondi Coating (Thailand) Co. Ltd.	Nr 888/100-101 Soi Yingcharoen Moo 19, Bangplee-Tamru Road, Bangpleeyai, Bangplee, Samutprakam 10540	100.00
Mondi TSP Company Limited	110, Moo 3, Nong Chumponnua Sub-District, Khao Yoi District, Petchaburi Province	47.55
Trinidad and Tobago		
TCL Packaging Limited	Southern Main Road, Claxton Bay	20.00
Turkey		
Mondi Istanbul Ambalaj Ltd. Şti.	No. 12A Türkgücü OSB Mah. Yilmaz Alpaslan Caddesi Corlu, Tekirdag 59870	100.00
Mondi Kale Nobel Ambalaj Sanayi ve Ticaret A.Ş.	Sevketiye Cobancesme Kavsagi, Dünya Ticaret Merkezi, A2 Blok, No. 228/230 Yeşilköy, Bakirköy/Istanbul	90.00
Mondi Mersin Ambalaj Ltd. Şti.	No. 12A Türkgücü OSB Mah. Yilmaz Alpaslan Caddesi Corlu, Tekirdag 59870	100.00
Mondi Tire Kutsan Kağit Ve Ambalaj Sanayi A.Ş.	Toki Mahallesi, Hasan Tahsin Caddesi, No. 28, Tire, Izmir 35900	77.30
Tasfiye Halinde Serveran Hurda Kağit Kutu Ambalaj Sanayi ve Ticaret A.Ş. (in liquidation)	Büyükdere Caddesi Bengün Han No, 107 Kat, 1 Gayrettepe Şişli, Istanbul	77.30
Ukraine		
Mondi Packaging Bags Ukraine LLC	Fabrychna Street 20, Zhydachiv, Lviv Region, 81700	100.00
UK		
Frantschach Holdings UK Limited	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	100.00
Hypac Limited	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	100.00
Medway Packaging Pension Trustee Limited	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	100.00
Mondi Aberdeen Limited	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	100.00
Mondi Finance plc	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	100.00
Mondi German Investments Limited	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	100.00
Mondi Glossop Ltd	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	100.00
Mondi Holcombe Limited	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	100.00
Mondi Investments Limited[2]	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	100.00
Mondi Packaging (Delta) Limited	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	100.00
Mondi Packaging Limited	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	100.00
Mondi Packaging UK Holdings Limited	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	100.00
Mondi Pension Trustee Limited[2]	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	100.00
Mondi Rochester Limited (in liquidation)	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	100.00
Mondi Scunthorpe Limited[1]	Roxburgh House, Clayfield Road, Foxhills Industrial Estate, Scunthorpe, North Lincolnshire, DN15 8QJ	100.00
Mondi Services (UK) Limited	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	100.00
Rochette Packaging Limited	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	100.00
USA		
Mondi Akrosil, LLC	2711 Centreville Road, Suite 400, Wilmington DE 19801	100.00
Mondi Bags USA, LLC	Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801	100.00
Mondi Jackson, LLC	2711 Centerville Road, Suite 400, Wilmington DE 19808	100.00
Mondi Minneapolis, Inc.	220 South Sixth Street, Suite 2200, Minneapolis 55402	100.00
Mondi Pine Bluff, LLC	2711 Centerville Road, Suite 400, Wilmington DE 19808	100.00
Mondi Romeoville, Inc.	2711 Centerville Road, Suite 400, Wilmington DE 19808	100.00
Tekkote Corporation	Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801	100.00

Notes:
1 These companies have ordinary and preference shares
2 These companies are held directly

Group financial record

Financial performance 2007–2016

Combined and consolidated income statement

€ million	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Group revenue	**6,662**	**6,819**	**6,402**	**6,476**	**5,790**	**5,739**	**5,610**	**5,257**	**6,345**	**6,269**
Underlying EBITDA	1,366	1,325	1,126	1,068	927	964	798	645	814	870
Underlying operating profit	**981**	**957**	**767**	**699**	**574**	**622**	**458**	**294**	**441**	**502**
Packaging Paper	361	391	342	308	236	300	181	25	139	189
Fibre Packaging	123	120	102	86	93	74	36	63	57	83
Consumer Packaging	121	108	96	79	23	32	36	17	12	15
Uncoated Fine Paper	264	212	148	164	186	205	178	146	126	99
South Africa Division	147	161	112	93	69	63	71	38	118	90
Corporate	(35)	(35)	(33)	(31)	(33)	(33)	(33)	(37)	(39)	(37)
Discontinued and disposed operations	—	—	—	—	—	(19)	(11)	42	28	63
Special items	(38)	(57)	(52)	(87)	(91)	(55)	(21)	(125)	(385)	6
Net finance costs (excluding financing special item)	(101)	(105)	(97)	(115)	(110)	(111)	(106)	(114)	(159)	(99)
Underlying earnings	**667**	**647**	**519**	**460**	**334**	**340**	**206**	**95**	**172**	**241**
Basic earnings	638	600	471	386	242	330	224	(33)	(211)	233
Basic underlying EPS (euro cents)	**137.8**	**133.7**	**107.3**	**95.0**	**69.2**	**68.1**	**40.6**	**18.7**	**33.9**	**46.9**
Basic EPS (euro cents)	131.8	124.0	97.4	79.8	50.1	57.5	37.8	(6.5)	(41.6)	45.4
Total dividend per share paid and proposed (euro cents)	**57.0**	**52.0**	**42.0**	**36.0**	**28.0**	**26.0**	**20.0**	**9.5**	**12.7**	**23.0**

Significant ratios

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
EBITDA growth (%)	3.1	17.7	5.4	15.2	(3.8)	20.8	23.7	(20.8)	(6.4)	19.8
EBITDA margin (%)	20.5	19.4	17.6	16.5	16.0	16.8	14.2	12.3	12.8	13.9
Operating margin (%)	14.7	14.0	12.0	10.8	9.9	10.8	8.2	5.6	7.0	8.0
ROCE (%)	**20.3**	**20.5**	**17.2**	**15.3**	**13.6**	**15.0**	**12.3**	**7.6**	**9.5**	**10.6**
Net debt/EBITDA (times)	1.0	1.1	1.4	1.5	2.0	0.9	1.7	2.4	2.1	1.7
Dividend cover (times)	2.4	2.6	2.6	2.6	2.5	2.6	2.0	2.0	2.7	2.0
PE Ratio	14.2	13.5	12.6	13.2	11.9	8.0	14.8	20.2	6.3	12.3
Mondi plc – Share price at end of year (GBP cents per share)	1,666	1,334	1,050	1,046	670	455	514	335	204	425
Mondi Limited – Share price at end of year (ZAR per share)	279.99	307.27	188.74	179.70	92.16	57.30	51.42	40.14	32.31	61.65
Market capitalisation (€ million)	9,457	8,803	6,563	6,081	4,001	2,655	3,097	1,969	1,160	3,075

Significant cash flows

€ million	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Cash generated from operations	**1,401**	**1,279**	**1,033**	**1,036**	**849**	**917**	**778**	**867**	**795**	**957**
Working capital cash flows	68	9	(87)	(27)	(83)	(68)	(121)	248	27	97
Tax paid	(173)	(160)	(106)	(126)	(109)	(85)	(47)	(32)	(71)	(93)
Capital expenditure cash outflows	**(465)**	**(595)**	**(562)**	**(405)**	**(294)**	**(263)**	**(394)**	**(517)**	**(693)**	**(406)**
Interest paid	(82)	(93)	(125)	(124)	(92)	(106)	(117)	(163)	(169)	(139)
Dividends paid to shareholders	**(274)**	**(209)**	**(193)**	**(138)**	**(128)**	**(126)**	**(54)**	**(39)**	**(118)**	**(38)**

Combined and consolidated statement of financial position

€ million	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Property, plant and equipment	3,788	3,554	3,432	3,428	3,709	3,377	3,976	3,847	3,611	3,731
Goodwill	681	590	545	550	561	202	274	269	283	482
Working capital	799	794	811	711	764	575	660	527	753	914
Other assets	532	422	434	429	503	408	466	419	424	405
Other liabilities	(721)	(675)	(715)	(653)	(789)	(696)	(788)	(721)	(685)	(689)
Net assets excluding net debt	**5,079**	**4,685**	**4,507**	**4,465**	**4,748**	**3,866**	**4,588**	**4,341**	**4,386**	**4,843**
Equity	3,392	2,905	2,628	2,591	2,572	2,586	2,763	2,399	2,323	2,963
Non-controlling interests in equity	304	282	266	255	301	449	461	425	373	373
Net debt[1]	1,383	1,498	1,613	1,619	1,875	831	1,364	1,517	1,690	1,507
Capital employed	**5,079**	**4,685**	**4,507**	**4,465**	**4,748**	**3,866**	**4,588**	**4,341**	**4,386**	**4,843**

Note:
1 Net debt prior to 2012 does not include the effect of net debt-related derivatives

Overview
Strategic report
Governance
Financial statements

Production statistics

		2016	2015
Packaging Paper			
Containerboard	'000 tonnes	2,000	2,138
Kraft paper	'000 tonnes	1,204	1,162
Softwood pulp	'000 tonnes	1,870	1,759
Internal consumption	'000 tonnes	1,698	1,609
Market pulp	'000 tonnes	172	150
Hardwood pulp – internal consumption	'000 tonnes	364	322
Fibre Packaging			
Corrugated board and boxes	million m^2	1,448	1,350
Industrial bags	million units	4,881	4,925
Extrusion coatings	million m^2	1,249	1,389
Consumer Packaging			
Consumer packaging	million m^2	7,156	6,594
Uncoated Fine Paper			
Uncoated fine paper	'000 tonnes	1,408	1,379
Softwood pulp	'000 tonnes	334	349
Internal consumption	'000 tonnes	315	333
Market pulp	'000 tonnes	19	16
Hardwood pulp	'000 tonnes	853	839
Internal consumption	'000 tonnes	777	741
Market pulp	'000 tonnes	76	98
Newsprint	'000 tonnes	202	197
South Africa Division			
Containerboard	'000 tonnes	253	247
Uncoated fine paper	'000 tonnes	258	240
Hardwood pulp	'000 tonnes	602	619
Internal consumption	'000 tonnes	322	305
Market pulp	'000 tonnes	280	314
Newsprint	'000 tonnes	111	113
Softwood pulp – internal consumption	'000 tonnes	148	138

Exchange rates

	Average		Closing	
versus euro	**2016**	**2015**	**2016**	**2015**
South African rand	16.27	14.17	14.46	16.95
Czech koruna	27.03	27.28	27.02	27.02
Mexican peso	20.66	17.61	21.77	18.91
Polish zloty	4.36	4.18	4.41	4.26
Pounds sterling	0.82	0.73	0.86	0.73
Russian rouble	74.16	68.04	64.30	80.67
Turkish lira	3.34	3.02	3.71	3.18
US dollar	1.11	1.11	1.05	1.09

Additional information for Mondi plc shareholders

The disclosures below form part of the Directors' report on pages 130 and 131 of this report.

Introduction

Set out below is a summary of certain provisions of Mondi plc's articles of association (Articles) and applicable English law concerning companies (the Companies Act). This is a summary only and the relevant provisions of the Articles or the Companies Act should be consulted if further information is required.

Share capital

Mondi plc's issued share capital as at 31 December 2016 comprised 367,240,805 ordinary shares of 20 euro cents each (the Ordinary Shares) representing 71.4% of the total share capital, 118,312,975 PLC Special Converting Shares of 20 euro cents each representing 23.0% of the total share capital, 146,896,322 deferred shares of 4 euro cents each (the Deferred Shares) representing 5.5% of the total share capital, the PLC Special Rights Share of €1, the PLC Special Voting Share of €1, the UK DAN Share of €1 and the UK DAS Share of €1. Each of the PLC Special Rights Share, PLC Special Voting Share, UK DAN Share and UK DAS Share represent only a nominal percentage of the total share capital.

The shares are in registered form.

Purchase of own shares

Subject to the provisions of the Articles and the Companies Act, Mondi plc may purchase, or may enter into a contract under which it will or may purchase, any of its own shares of any class, including any redeemable shares.

Ordinary Shares

Dividends and distributions

Subject to the provisions of the Companies Act, Mondi plc may by ordinary resolution from time to time declare dividends not exceeding the amount recommended by the board. The board may pay interim dividends whenever the financial position of Mondi plc, in the opinion of the board, justifies such payment.

The board may withhold payment of all or any part of any dividends or other monies payable in respect of Mondi plc's shares from a person with a 0.25% or more interest in nominal value of the issued shares, if such a person has been served with a notice after failure to provide Mondi plc with information concerning interest in those shares required to be provided under the Companies Act.

Voting rights

Subject to any special rights or restrictions attaching to any class of shares, at a general meeting, every member present in person has, upon a show of hands, one vote. Every duly appointed proxy has, upon a show of hands, one vote unless the proxy is appointed by more than one member, in which case the proxy has one vote for and one vote against if (i) the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution or (ii) the proxy has been instructed by one or more members to vote either for or against the resolution and by one or more members to use his discretion as to how to vote. On a poll every member who is present in person or by proxy has one vote for every fully paid share of which he is the holder. In the case of joint holders of a share, the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the shares. Under the Companies Act, members are entitled to appoint a proxy, who need not be a member of Mondi plc, to exercise all or any of their rights to attend and to speak and vote on their behalf at a general meeting or class meeting. A member may appoint more than one proxy in relation to a general meeting or class meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy is not entitled to delegate the proxy's authority to act on behalf of a member to another person. A member that is a corporation may appoint one or more individuals to act on its behalf at a general meeting or class meeting as a corporate representative.

Restrictions on voting

No member shall be entitled to vote either in person or by proxy at any general meeting or class meeting in respect of any shares held by him if any call or other sum then payable by him in respect of that share remains unpaid. In addition no member shall be entitled to vote if he has been served with a notice after failure to provide Mondi plc with information concerning interests in those shares required to be provided under the Companies Act.

Deadlines for exercising voting rights

Votes are exercisable at a general meeting of Mondi plc in respect of which the business being voted upon is being heard. Votes may be exercised in person, by proxy, or in relation to corporate members, by corporate representatives. The Articles provide a deadline for submission of proxy forms of not less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting.

Additional information for Mondi plc shareholders

Variation of rights

Subject to the Companies Act, the Articles specify that rights attached to any class of shares may be varied with the written consent of the holders of not less than three-quarters in nominal value of the issued shares of that class, or with the sanction of a special resolution passed at a separate general meeting of the holders of those shares. At every such separate general meeting the quorum shall be two persons holding or representing by proxy at least one-third in nominal value of the issued shares of the class (calculated excluding any shares held as treasury shares). The rights conferred upon the holders of any shares shall not, unless otherwise expressly provided in the rights attaching to those shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* with them.

Where, under an employee share plan operated by Mondi plc, participants are the beneficial owners of the shares but not the registered owner, the voting rights are normally exercised by the registered owner at the direction of the participant.

Transfer of shares

All transfers of shares which are in certificated form may be effected by transfer in writing in any usual or common form or in any other form acceptable to the directors. The instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully-paid shares) by or on behalf of the transferee and shall specify the name of the transferor, the name of the transferee and the number of shares being transferred. Transfers of shares which are in uncertificated form are effected by means of the CREST system.

The directors may also refuse to register an allotment or transfer of shares (whether fully paid or not) in favour of more than four persons jointly. If the directors refuse to register an allotment or transfer they shall, within 30 days after the date on which the letter of allotment or transfer was lodged with Mondi plc, send to the allottee or transferee a notice of the refusal.

The directors may decline to register any instrument of transfer unless: (i) the instrument of transfer is in respect of only one class of share, (ii) when submitted for registration is accompanied by the relevant share certificates and such other evidence as the directors may reasonably require and (iii) it is fully paid.

Subject to the Companies Act and regulations and applicable CREST rules, the directors may determine that any class of shares may be held in uncertificated form and that title to such shares may be transferred by means of the CREST system or that shares of any class should cease to be so held and transferred.

A shareholder does not need to obtain the approval of Mondi plc, or of other shareholders of shares in Mondi plc, for a transfer of shares to take place.

Some of the Mondi plc employee share plans include restrictions on transfer of shares while the shares are subject to such plan.

Deferred Shares

The rights and privileges attached to the Deferred Shares are as follows: no entitlement to receive any dividend or distribution declared, made or paid or any return of capital (save as described below) and does not entitle the holder to any further or other right of participation in the assets of Mondi plc.

On a return of capital on winding up, but not on a return of capital on any other class of shares of Mondi plc, otherwise than on a winding up of Mondi plc, the holders of the Deferred Shares shall be entitled to participate but such entitlement is limited to the repayment of the amount paid up or credited as paid up on such share and shall be paid only after the holders of any and all Ordinary Shares then in issue shall have received (i) payment in respect of such amount as is paid up or credited as paid up on those Ordinary Shares held by them at that time plus (ii) the payment in cash or *in specie* of £10,000,000 on each such Ordinary Share.

The holders of the Deferred Shares are not entitled to receive notice of, nor attend, speak or vote at, any general meeting of Mondi plc.

Shares required for the DLC structure

Mondi SCS (UK) Limited, a UK trust company, specially formed for the purpose of the DLC structure, holds the PLC Special Voting Share, the PLC Special Converting Shares, the PLC Special Rights Share, the UK DAN Share and the UK DAS Share. These shares can only be transferred to another UK trust company, in limited circumstances.

The PLC Special Voting Share is a specially created share so that shareholders of both Mondi plc and Mondi Limited effectively vote together as a single decision-making body on matters affecting shareholders of both companies in similar ways, as set out in the Articles.

Prior to a change of control, approval of termination of the sharing agreement (which regulates the DLC), liquidation or insolvency of Mondi plc, the PLC Special Converting Shares have no voting rights except in relation to a resolution proposing the (i) variation of the rights attaching to the shares or (ii) winding up, and they have no rights to dividends. The PLC Special Converting Shares are held on trust for the Mondi Limited ordinary shareholders.

The PLC Special Rights Share does not have any rights to vote or any right to receive any dividend or other distribution by Mondi plc, save in respect to capitalisation of reserves.

Mondi plc and Mondi Limited have established dividend access trust arrangements as part of the DLC. Mondi plc has issued two dividend access shares, the UK DAS Share and UK DAN Share, which enable Mondi plc to pay dividends to the shareholders of Mondi Limited. This facility may be used by the board to address imbalances in the distributable reserves of Mondi plc and Mondi Limited and/or to address the effects of South African exchange controls and/or if they otherwise consider it necessary or desirable.

Directors

Appointment and replacement of directors

Directors shall be no less than four and no more than 20 in number. A director is not required to hold any shares of Mondi plc by way of qualification. Mondi plc may by special resolution increase or reduce the maximum or minimum number of directors.

At each Annual General Meeting held in each year at least one-third of the directors, including at least one-third of non-executive directors, or if their number is not a multiple of three then the number nearest to, but not less than, one-third, shall retire from office. Any further directors to retire shall be those of the other directors subject to retirement by rotation who have been longest in office since their last election or re-election or, if later, deemed election or re-election and so that as between persons who became or were last re-elected directors on the same day, those to retire shall, unless they otherwise agree among themselves, be determined by lot. In casting the lot, the provision that a director must also be a director of Mondi Limited and the corresponding provision of the Mondi Limited memorandum of incorporation shall be observed. A retiring director shall be eligible for re-election.

The board may appoint any person to be a director (so long as the total number of directors does not exceed the limit prescribed in the Articles). Any such director shall hold office only until the next Annual General Meeting and shall then be eligible for re-election, but shall not be taken into account in determining the number of directors who are to retire by rotation at such meeting.

Powers of the directors

Subject to the Articles, the Companies Act and any directions given by special resolution, the business of Mondi plc will be managed by the board who may exercise all the powers of Mondi plc.

The board may exercise all the powers of Mondi plc to borrow money and to mortgage or charge any of its undertaking, property and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of Mondi plc or of any third party.

Significant agreements: change of control

The Articles of Mondi plc and the memorandum of incorporation of Mondi Limited ensure that a person cannot make an offer for one company without having made an equivalent offer to the shareholders of both companies on equivalent terms.

Pursuant to the terms of the agreements establishing the DLC structure, if either Mondi plc or Mondi Limited serves written notice on the other at any time after either party becomes a subsidiary of the other party or after both Mondi plc and Mondi Limited become subsidiaries of a third party, the agreements establishing the DLC structure will terminate.

All of Mondi plc's share plans contain provisions relating to a change of control. Outstanding awards and options would normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions at that time.

Amendment of the Articles

Any amendments to the Articles of Mondi plc may be made in accordance with the provisions of the Companies Act by way of special resolution.

Shareholder information

Mondi has a dual listed company (DLC) structure comprising Mondi Limited, a company registered in South Africa and Mondi plc, a company registered in the UK. Mondi Limited has a primary listing on the JSE Limited while Mondi plc has a premium listing on the London Stock Exchange and a secondary listing on the JSE Limited.

Under the DLC structure any ordinary share held in either Mondi Limited or Mondi plc gives the holder an effective economic interest in the whole Mondi Group. The relationship between Mondi Limited and Mondi plc is underpinned by the DLC structure principles, which provide that:

→ Mondi Limited and Mondi plc and their subsidiaries must operate as if they are a single corporate group; and

→ the directors of Mondi Limited and Mondi plc will, in addition to their duties to the company concerned, have regard to the interests of the Mondi Limited shareholders and the Mondi plc shareholders as if the two companies were a single unified economic enterprise and for that purpose the directors of each company will take into account, in the exercise of their powers, the interests of the shareholders of the other.

Financial calendar

11 May 2017	2017 Annual General Meetings
11 May 2017	Trading update
18 May 2017	Payment date for 2016 final dividend (see below)
3 August 2017	2017 half-yearly results announcement
September 2017	2017 interim dividend payment
11 October 2017	Trading update

Analysis of shareholders

As at 31 December 2016 Mondi Limited had 118,312,975 ordinary shares in issue and Mondi plc had 367,240,805 ordinary shares in issue, of which 104,130,391 were held on the South African branch register.

By size of holding

Mondi Limited

Number of shareholders	% of shareholders	Size of shareholding	Number of shares	% of shares
6,366	70.91	1 – 500	1,025,068	0.87
846	9.42	501 – 1,000	627,574	0.53
874	9.73	1,001 – 5,000	1,945,444	1.64
622	6.93	5,001 – 50,000	10,830,420	9.15
246	2.74	50,001 – 1,000,000	45,762,572	38.68
24	0.27	1,000,001 – highest	58,121,897	49.13
8,978	100.00		118,312,975	100.00

Mondi plc

Number of shareholders	% of shareholders	Size of shareholding	Number of shares	% of shares
2,147	55.45	1 – 500	448,130	0.12
475	12.27	501 – 1,000	346,930	0.10
506	13.07	1,001 – 5,000	1,115,109	0.30
418	10.79	5,001 – 50,000	7,605,633	2.07
279	7.21	50,001 – 1,000,000	69,682,123	18.98
47	1.21	1,000,001 – highest	288,042,880	78.43
3,872	100.00		367,240,805	100.00

By type of holding

Mondi Limited

	Number of holders	Number of shares	% of shares
Public[1]	8,976	117,636,545	99.43
Non-public	2	676,430	0.57
Directors of Mondi Limited/Mondi plc	1	208	0.00
Mondi staff share schemes[2]	1	676,222	0.57
Total	8,978	118,312,975	100.00

Mondi plc

	Number of holders	Number of shares	% of shares
Public[1]	3,861	366,135,801	99.70
Non-public	11	1,105,004	0.30
Directors of Mondi Limited/Mondi plc	9	337,547	0.09
Mondi staff share schemes[2]	2	767,457	0.21
Total	3,872	367,240,805	100.00

1 As per the Listings Requirements of the JSE Limited

2 Shares held for the purposes of Mondi staff share schemes are held in trust

Managing your shares

Registrars

To manage your shares or if you have any queries, please contact the relevant Registrar:

	Mondi Limited shares and Mondi plc shares on the South African branch register	Mondi plc shares on the UK register
Registrar	Link Market Services South Africa Proprietary Limited (Link Market Services)	Capita Asset Services
Postal address	PO Box 4844 Johannesburg, 2000 South Africa	The Registry 34 Beckenham Road Beckenham Kent BR3 4TU UK
Helpline number	011 713 0800 (if calling from South Africa) +27 11 713 0800 (if calling from outside South Africa)	0871 664 0300 (if calling from the UK; calls cost 12p per minute plus your phone company's access charge; lines are open Monday to Friday between 9:00am to 5:30pm excluding public holidays in England and Wales) +44 208 639 3399 (if calling from outside the UK; calls will be charged at the applicable international rate)
Email	info@linkmarketservices.co.za	ssd@capitaregistrars.com
Online	Not available	www.capitashareportal.com

Sign up to email communications

Many of our shareholders choose to receive shareholder information electronically rather than by post. Benefits include faster notification of shareholder information, reduced costs and being more environmentally friendly.

Mondi plc shareholders on the UK register can sign up to email communications via the Capita Share Portal or by contacting Capita Asset Services.

Shareholder information

Mondi Limited shareholders and Mondi plc shareholders on the South African branch register holding their shares in certificated form can sign up to email communications by contacting Link Market Services or by emailing corpactfax@linkmarketservices.co.za. Mondi Limited shareholders and Mondi plc shareholders on the South African branch register with dematerialised shares should contact their Central Securities Depository Participant (CSDP) or broker.

You will be notified by email each time new financial reports, notices of shareholder meetings and other shareholder communications are published on our website at: www.mondigroup.com.

Manage your shares online

Mondi plc shareholders on the UK register can sign up to the Capita Share Portal, a free secure online site provided by Capita Asset Services, where you can manage your shareholding quickly and easily. You can:

- → View your holding and get an indicative valuation
- → Change your address
- → Arrange to have dividends paid into your bank account
- → Request to receive shareholder communications by email rather than post
- → View your dividend payment history
- → Make dividend payment choices
- → Buy and sell shares and access stock market news and information
- → Register your proxy voting instruction
- → Download a Stock Transfer form

To register for the Capita Share Portal just visit www.capitashareportal.com. All you need is your investor code which can be found on your share certificate, dividend confirmation or proxy form.

Dividends

A proposed final dividend for the year ended 31 December 2016 of 38.19 euro cents per ordinary share and an equivalent South African rand final dividend of 522.70920 rand cents per ordinary share will be paid to Mondi plc and Mondi Limited shareholders respectively in accordance with the below timetable. Payment is subject to the approval of the shareholders of Mondi plc and Mondi Limited at the respective Annual General Meetings scheduled for 11 May 2017.

	Mondi Limited	Mondi plc
Last date to trade shares cum-dividend		
JSE Limited	18 April 2017	18 April 2017
London Stock Exchange	Not applicable	19 April 2017
Shares commence trading ex-dividend		
JSE Limited	19 April 2017	19 April 2017
London Stock Exchange	Not applicable	20 April 2017
Record date		
JSE Limited	21 April 2017	21 April 2017
London Stock Exchange	Not applicable	21 April 2017
Last date for receipt of Dividend Reinvestment Plan (DRIP) elections by Central Securities Depository Participants	26 April 2017	26 April 2017
Last date for DRIP elections to UK Registrar and South African Transfer Secretaries by shareholders of Mondi Limited and Mondi plc	28 April 2017	23 April 2017[1]
Payment date		
South African Register	18 May 2017	18 May 2017
UK Register	Not applicable	18 May 2017
DRIP purchase settlement dates (subject to the purchase of shares in the open market)	24 May 2017	22 May 2017[2]
Currency conversion dates		
ZAR/euro	23 February 2017	23 February 2017
Euro/sterling	Not applicable	2 May 2017

1 28 April 2017 for Mondi plc South African branch register shareholders

2 24 May 2017 for Mondi plc South African branch register shareholders

Share certificates on the South African registers of Mondi Limited and Mondi plc may not be dematerialised or rematerialised between 19 April 2017 and 23 April 2017, both dates inclusive, nor may transfers between the UK and South African registers of Mondi plc take place between 12 April 2017 and 23 April 2017, both dates inclusive.

Dividend tax will be withheld from the amount of the gross final dividend paid to Mondi Limited shareholders and Mondi plc shareholders on the South African branch register at the rate of 20%, unless a shareholder qualifies for an exemption.

Your dividend currency

All dividends are declared in euro but are paid in the following currencies:

Mondi Limited	South African rand
Mondi plc	euro
Mondi plc (UK residents)	pounds sterling
Mondi plc (South African residents)	South African rand

→ Mondi plc shareholders on the UK register resident in the UK may elect to receive their dividends in euro

→ Mondi plc shareholders on the UK register resident outside the UK may elect to receive their dividends in pounds sterling

Mondi plc shareholders on the UK register wishing to elect to receive their dividends in an alternative currency should contact Capita Asset Services using the details provided.

Payment of your dividends

Mondi encourages shareholders to have their dividends paid directly into their bank accounts. This means that the dividend will reach your bank account more securely and on the payment date without the inconvenience of depositing a cheque.

Mondi Limited shareholders and Mondi plc shareholders on the South African branch register

→ Shareholders with a South African bank account can elect to receive dividends directly into their bank account by contacting Link Market Services.

→ Shareholders without a South African bank account are encouraged to dematerialise their shares with a CSDP in South Africa as a CSDP is often able to pay dividends into foreign bank accounts. Find out more by contacting Link Market Services or any CSDP.

Mondi plc shareholders on the UK register

→ Shareholders with a UK bank account can elect to receive dividends directly into their bank account via the Capita Share Portal or by contacting Capita Asset Services.

→ Shareholders without a UK bank account may be able to take advantage of the International Payment Service offered by Capita Asset Services. Find out more via the Capita Share Portal or by contacting Capita Asset Services.

Reinvest your dividends

The dividend reinvestment plans (DRIPs) provide an opportunity for shareholders to have their Mondi Limited and Mondi plc cash dividends reinvested in Mondi Limited and Mondi plc ordinary shares respectively.

The plans are available to all Mondi Limited and Mondi plc ordinary shareholders (excluding those in certain restricted jurisdictions). Fees may apply.

If you wish to participate in the DRIPs you can sign up via the Capita Share Portal or by contacting either Link Market Services or Capita Asset Services as appropriate.

South African dematerialisation

Mondi encourages Mondi Limited shareholders and Mondi plc shareholders on the South African branch register to consider dematerialising their shares. By surrendering your share certificate, you will hold your shares electronically with a CSDP in South Africa.

Holding shares electronically can help to prevent share fraud, theft and loss of share certificates. Once dematerialised, your dividends can be paid directly into a bank account and your shares will be easier to sell.

Find out more by contacting Link Market Services or any CSDP.

Taxation

Mondi is unable to advise shareholders on taxation. Your tax obligations will vary depending on your jurisdiction and financial circumstances. With regard to your Mondi shareholding, we recommend all shareholders maintain records of dividend payments, share purchases and sales. A dividend confirmation will be sent with all dividend payments. For further assistance, please speak to an independent professional tax or financial adviser.

Shareholder information

Donating shares to charity

If you have a small number of shares which would cost you more to sell than they are worth, there is the option to donate these unwanted shares to charity free of charge. These shares are then aggregated, sold and the proceeds distributed to various charities. Donate your shares or find out more using the relevant contact details below:

	Mondi Limited shares or Mondi plc shares on the South African branch register	Mondi plc shares on the UK register
	Strate Charity Shares	ShareGift
Postal address	PO Box 78608 Sandton, 2146 South Africa	PO Box 72253 London SW1P 9LQ UK
Helpline number	0800 202 363 (if calling from South Africa) +27 11 870 8207 (if calling from outside South Africa)	+44 (0)20 7930 3737
Email	charityshares@computershare.co.za	help@sharegift.org
Online	www.strate.co.za/ people-culture-community/strate-charity-shares	www.sharegift.org

Fraud

Shareholders should be aware that they may be targeted by certain organisations offering unsolicited investment advice or the opportunity to buy or sell worthless or non-existent shares. Should you receive any unsolicited calls or documents to this effect, you are advised not to give out any personal details or to hand over any money without ensuring that the organisation is authorised by the UK Financial Conduct Authority (FCA) and doing further research.

If you are unsure or think you may have been targeted you should report the organisation to the FCA. For further information, please visit the FCA's website at www.fca.org.uk, email consumer.queries@fca.org.uk or call the FCA consumer helpline on 0800 111 6768 if calling from the UK or +44 20 7066 1000 if calling from outside the UK.

Shareholders can also contact Capita Asset Services, Link Market Services or Mondi's company secretarial department on +44 (0)1932 826300.

Account amalgamations

If you receive more than one copy of any documents sent out by Mondi or for any other reason you believe you may have more than one Mondi Limited or Mondi plc account, please contact the relevant Registrar who will be able to confirm and, if necessary, arrange for the accounts to be amalgamated into one.

Alternative formats

If you would like to receive this report in an alternative format, such as in large print, Braille or in audio format, please contact Mondi's company secretarial department on +44 (0)1932 826300.

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Fax. +44 (0)1932 826350

Registered in England and Wales
Registered No. 6209386

Website: www.mondigroup.com

Glossary of terms

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 United Nations Framework Convention on Climate Change (UN-FCCC) that contribute to the greenhouse effect and are regulated by the Kyoto Protocol.

GRI
The Global Reporting Initiative (GRI) is a not-for-profit organisation that produces one of the world's most prevalent frameworks for sustainability reporting.

Net debt
A measure comprising short, medium, and long-term interest-bearing borrowings and the fair value of debt-related derivatives less cash and cash equivalents and current financial asset investments.

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.

Return on capital employed (ROCE)
Trailing 12-month underlying operating profit, including share of associates' net profit, divided by trailing 12-month average capital employed and for segments has been extracted from management reports. Capital employed is adjusted for impairments in the year and spend on those strategic projects which are not yet in production.

Special items
Those financial items which the Group believes should be separately disclosed on the face of the combined and consolidated income statement to assist in understanding the underlying financial performance achieved by the Group. Special items affect year-on-year comparability and Mondi therefore excludes these items when reporting underlying earnings and related measures in order to provide a measure of the underlying performance of the Group on a basis that is comparable from year to year.

Sustainable Development Goals (SDGs)
The UN Sustainable Development Goals were launched in 2015, involving a comprehensive, far-reaching and people-centred set of 17 universal and transformative goals and 169 targets. They are integrated and indivisible, and will stimulate action over the next 15 years in areas of critical importance for humanity and the planet: people, planet, prosperity, peace and partnerships.

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.

TRS
Total reduced sulphur compounds, generated in the pulping process, and a source of emissions to air measured in tonnes.

Underlying EBITDA
Operating profit before special items, depreciation and amortisation.

Underlying operating profit
Operating profit before special items.

Underlying profit before tax
Reported profit before tax and special items.

Underlying earnings
Net profit after tax before special items attributable to shareholders.

United Nations Global Compact (UNGC)
UNGC is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labour, environment and anti-corruption.

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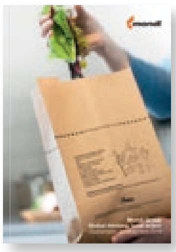
+44 1932 826 300
www.mondigroup.com

Our 2016 suite of reports

Please visit our online reporting hub where copies of our reports can be downloaded:
www.mondigroup.com/reports16

Integrated report and financial statements 2016

A balanced overview of Mondi's performance in 2016 and insight into how our approach to strategy, governance, people and performance combine to generate value in a sustainable way. Also available online at www.mondigroup.com/ir16



Global thinking, local action: Sustainable development 2016

A printed publication looking at how we're using our Growing Responsibility model to address some of our greatest challenges and enabling our businesses to deliver. Also available online at www.mondigroup.com/sdpublication16

Online Sustainable development report 2016

A comprehensive view of our approach to sustainable development and our performance in 2016, prepared in accordance with the GRI G4 core guidelines. Available online as an interactive pdf at www.mondigroup.com/sd16

Printed on FSC® certified
Mondi MAESTRO® PRINT
in 250gsm, 120gsm and 80gsm

Printing: CPI Colour | www.cpicolour.co.uk
Design and production: Radley Yeldar | www.ry.com