



**Mondi Group**  
**Partnering for change**  
Sustainable development  
**2017**

# Delighting our customers with innovative and sustainable packaging and paper solutions.

About Mondi:

**A global packaging and paper Group**

**26,300 employees across 31 countries**

**Key operations located in central Europe, Russia, North America and South Africa**

**Revenues of €7.1 billion and a return on capital employed of 19.7%**

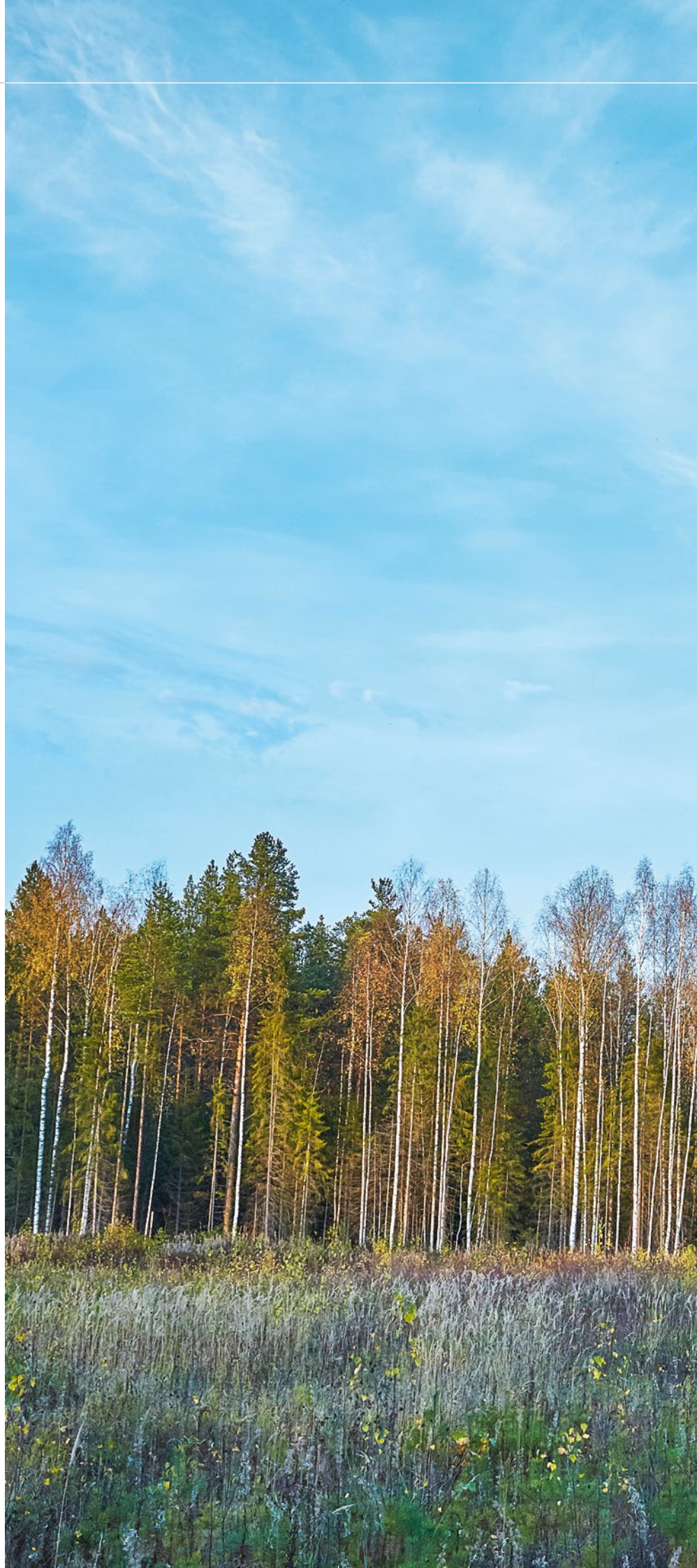
We are fully integrated across the packaging and paper value chain – from managing forests and producing pulp, paper and plastic films, to developing and manufacturing effective and innovative industrial and consumer packaging solutions.

Sustainable development makes good business sense. We continue to look for ways to do more with less, promote the responsible management of ecosystems, develop and inspire our people, and enhance the value that our sustainable product solutions create.

## Front cover

### Nestlé coffee pack

Mondi supplies barrier aluminium-free laminates for ground coffee to Nestlé. The core product is the inner lining for the vacuum pack. It is a transparent laminate of PET that ensures a high barrier against oxygen for improved aroma and freshness protection during the entire shelf life.



# Partnering for change

We launched Growing Responsibly – our global sustainability model and commitments for 2020 and beyond – at the end of 2015. Nearly three years into our journey, we are making good progress while the world around us continues to change at pace.

In responding to global challenges, we will remain focused, agile and always responsive to the views and expectations of our stakeholders. Our partnerships and collaborations remain key.

In this publication, we look at how we're applying Growing Responsibly and working together to deliver meaningful improvements across some of the most complex challenges facing our business and our stakeholders.



For a more detailed account, see our online Sustainable development report 2017 [www.mondigroup.com/sd17](http://www.mondigroup.com/sd17)

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## Our business model

# Creating value the Mondi Way

### The Mondi Way

The Mondi Way is our unique framework for creating sustainable value. Our purpose provides context for our strategy, which we then execute through the Mondi Diamond, our operational framework, in line with our culture and values.



#### Purpose

Our purpose states what we do and why we do it.





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



#### Strategy

Our strategy is our plan of action designed to build on our competitive advantages so that we can achieve our purpose.

**We drive value accretive growth via our four strategic value drivers:**

-  **Drive performance along the value chain**
-  **Invest in assets with cost advantage**
-  **Inspire our people and grow responsibly**
-  **Partner with customers for innovation**



#### Operating framework: The Mondi Diamond

The Mondi Diamond converts strategy into clear objectives that drive performance at an operational level.

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



#### Culture and values

Our culture and values connect, guide and inspire our people.

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

### Our key inputs in 2017

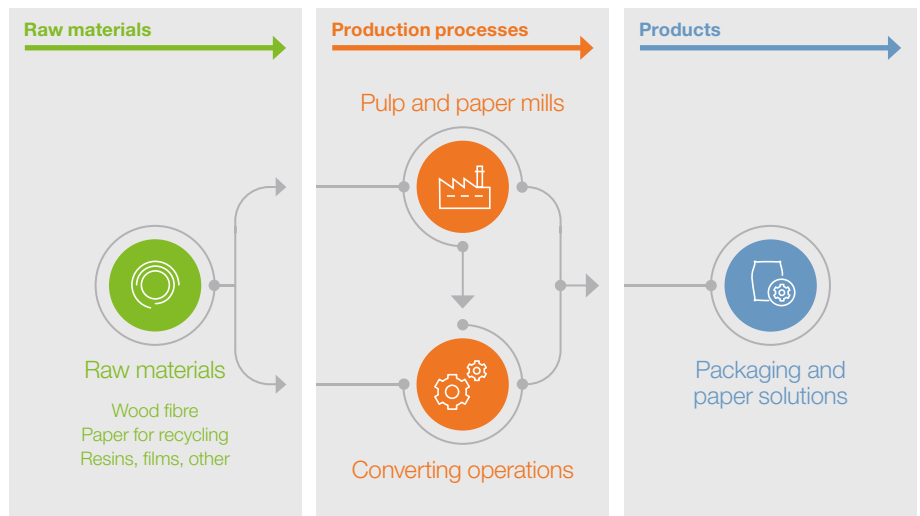
<p>→ <b>High-quality, well-invested, cost advantaged integrated asset base</b></p> <p>90% pulp and paper capacity in two lowest cost quartiles</p> <p>€5.4 billion capital employed</p>	<p>→ <b>Responsible procurement of raw materials and other inputs</b></p> <p>71% wood procured from FSC- or PEFC-certified sources</p> <p>65% mill fuel consumption from biomass-based renewable sources</p>	<p>→ <b>Strong financial position and cash flow generation</b></p> <p>€948 million cash flow generated</p> <p>BBB/Baa1 S&amp;P/Moody's credit rating</p>
<p>→ <b>Engagement and collaboration with customers and suppliers</b></p> <p>9,000+ customers</p> <p>1,500 key suppliers</p>	<p>→ <b>Diverse and talented people with a broad range of skills and experience</b></p> <p>26,300 employees</p> <p>22% women employed across our operations</p>	<p>→ <b>Constructive relationships with communities, governments, NGOs and other stakeholders</b></p> <p>Numerous strategic partnerships, memberships and collaborations</p> <p>Majority of key operations have Community Engagement Plans in place</p>

### Our value chain

Our integrated value chain shows how we convert raw materials into innovative and sustainable packaging and paper solutions. We use the Mondi Way as our framework to create sustainable value.

#### The risks we manage

- Strategic risks
- Financial risks
- Operational risks
- Compliance risks



### Our key outputs in 2017

<p>→ <b>High-performing operations</b></p> <p>19.7% ROCE</p> <p>14 production records on pulp/paper machines</p>	<p>→ <b>Sustainably managed natural resources and outputs</b></p> <p>10.1m GJ energy provided to communities and public grid</p> <p>100% managed forests certified</p>	<p>→ <b>Capital appreciation and dividends to shareholders</b></p> <p>9% increase in ordinary dividend per share</p> <p>203% total shareholder return (5 years)</p>
<p>→ <b>Innovative products and solutions</b></p> <p>€23 million spent on research &amp; development</p> <p>7.9 out of 10 strong customer satisfaction (survey results)</p>	<p>→ <b>Inspired and skilled people</b></p> <p>829,900 training hours</p> <p>9% reduction in total recordable case rate against 2016</p>	<p>→ <b>Support to regional economies and local communities</b></p> <p>€151 million direct taxes paid</p> <p>€9.6 million community investments</p>

## Chairman of the DLC sustainable development committee and Chief Executive Officer's statement

# Collective action for responsible growth

**W**ith sustainable development one of our four strategic value drivers, our Growing Responsibly model is fundamental to Mondi's long-term success. Nearly three years in, and we're making good progress across our 2020 commitments. The model has proven to be a highly effective tool for engaging our businesses as we work to embed sustainability deeper into our global operations.

We're committed to this journey and, while retaining a focus on our long-term strategic business objectives, we constantly adjust our response to the evolving sustainable development landscape. We're convinced that sustainability-related legislation and stakeholder expectations will continue to grow – both in terms of standards and complexity – and we are well placed to respond to these changes. The Task Force on Climate-related Financial Disclosures has published guidelines for more transparent climate-related disclosures by companies. We fully support this move towards more consistent reporting.

Also in the interests of new levels of collaboration and reporting, the UN Sustainable Development Goals (SDGs) enable collective action towards urgent global development priorities. We're determined to contribute to these goals and have, again this year, linked each of our action areas to the relevant SDGs and their respective targets.

### Taking partnership to the next level

What's clear is that we need more than just strong policies in place to ensure that we achieve our sustainability goals, meet the expectations of our stakeholders and manage our risks. We also need to demonstrate clear and consistent delivery, measure impact within our action areas that goes beyond traditional reporting, and deliver meaningful improvements across our entire value chain. While we're focused on ensuring our actions deliver the desired impact within our own business, our collaborative relationships and partnerships are key as we look to scale up our contribution beyond our own boundaries.

This year, we extended the global Mondi-WWF Partnership for another three years, a clear example of our commitment to cross-sector collaboration to find large-scale solutions to global sustainability challenges. Successes that stand out from the first three years of our Partnership include jointly advocating the cascading use of wood principle; expanding our work on wetland conservation to cover water stewardship across whole catchments; launching the Boreal Forest Platform in Russia; and laying the groundwork for setting a science-based carbon emission target for our business.

**“As we further embed sustainability into our global operations and ensure delivery against our long-term strategic business objectives, transparent and collaborative relationships and partnerships remain key – both across our business and beyond.”**

**Peter Oswald**  
Chief Executive Officer



**“We’re encouraged to note the good progress made towards achieving our 2020 commitments, with our Growing Responsibly model continuing to be an effective tool for engaging our businesses and guiding our responsible growth.”**

**Stephen Harris**

Chairman of the DLC sustainable development committee



Now, we’re turning our attention towards a more risk-based approach to the responsible sourcing of fibre in different countries we source from, and looking beyond fibre as we manage our supply chain risks.

**Investing in people**

Ultimately, it is people that determine our success; our employees and contractors, our customers, and suppliers, our partners and communities. We depend on their trust, engagement and action to deliver against our commitments, and investing in their future is important to us.

Having had no fatalities in 2016, we are deeply saddened to report two fatalities and one person reported missing (presumed deceased) in 2017. Unsafe behaviour was a common factor in many of our incidents, showing we have more to do to strengthen our safety culture. We have introduced a 24-hour safety mindset approach, designed to help shape a culture where we act safely in everything we do. It’s underpinned by robust risk assessment processes, training and engagement efforts, and our ongoing focus on the behavioural aspects of safety.

In 2017, we updated our Diversity Policy to reflect our increasing focus on inclusion and equal opportunities for all our employees, taking into account evolving regulatory requirements and stakeholder expectations.

As we work hard to identify and address any potential human rights risks in our supply chain, we’re also working to improve the understanding of these issues within our businesses.

We remain committed to making a positive contribution to local communities – from supporting small and medium forest enterprises to investing in local communities, as well as delivering major capital expenditure projects such as our Štěpí modernisation project in the Czech Republic. We are engaging with our stakeholders and developing methodologies to understand the true impacts of our investments.

**Raising our ambition**

As we look to the future with confidence in our approach, we are exploring our ambitions beyond 2020.

With our ongoing investment in people, inclusion and diversity will become increasingly important, as will our relationships with communities. For a more transparent supply chain, we will continue to identify and address our supply chain risks. We will also develop a more robust approach to auditing and classifying suppliers.

When reflecting on our efforts to reduce our climate footprint back to our first commitment period, we reduced our specific CO<sub>2</sub>e emissions by 27% between 2004 and 2014 across our mills. During our second commitment period, which commenced in 2014, we’ve achieved a further 15% reduction to date. Our decision this year to set a long-term science-based target for production-related greenhouse gas (GHG) emissions demonstrates our commitment to addressing climate change risks. Also in 2017, we increased our mills’ fuel consumption from biomass-based renewable sources to 65%, our highest ratio to date.

All of this adds up to greater responsibility, greater transparency and greater collaboration with our stakeholders. Only by working in this way can we realise the true benefits of collective action in ensuring our responsible growth at the same time as maximising our contribution to the UN SDGs and other societal priorities.

Thank you for taking the time to read this publication.

## Growing Responsibly model

# Growing responsibly

**Built on our past achievements and designed for our future success, our Growing Responsibly model is the framework through which we respond to our sustainability challenges and opportunities.**

As one of the Group's strategic value drivers, it shapes our long-term response to sustainability issues and enables us to demonstrate, monitor and improve our sustainability performance in everything we do, across the entire value chain.

Growing Responsibly applies to all our operations Group-wide. It's designed to clearly articulate the business value of our sustainability commitments – to the ecosystems we rely on, to our business and to our stakeholders, including employees and contractors, customers, communities, suppliers and others.

The model covers 10 action areas which reflect those aspects of sustainability that are most relevant for Mondi and for our stakeholders. Within these action areas, we have made 16 public commitments which we aim to achieve by 2020, along with a carbon emissions reduction commitment which runs to 2030.

In addition to driving our response to sustainability issues most relevant to our business, these commitments demonstrate our positive contribution towards achieving the UN SDGs and other global initiatives. We have highlighted the strongest links between our action areas and the SDGs on this page.

Read more about our material issues, risks and opportunities, and our 2020 commitments in our online Sustainable development report 2017.

UN SDGs	<b>Solutions that create value for our customers</b>
	We encourage sustainable, responsibly manufactured products and closer collaboration with our customers and partners.
UN SDGs	<b>Relationships with communities</b>
 	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.
UN SDGs	<b>Supplier conduct and responsible procurement</b>
 	We're taking steps to encourage greater transparency and promote fair working conditions by developing a responsible, inclusive and sustainable supply chain.
UN SDGs	<b>Biodiversity and ecosystems</b>
 	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.
	<b>Constrained resources and environmental impacts</b>
UN SDGs	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.
 	
	



## Our 10 action areas

### Employee and contractor safety

Our goal is zero harm to employees and contractors, and a safe and healthy workplace.

UN SDGs



### A skilled and committed workforce

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.

UN SDGs



### Fairness and diversity in the workplace

The diversity of our workforce is one of our greatest strengths. We promote fair working conditions for a better, more diverse workplace.

UN SDGs



### Sustainable fibre

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.

UN SDGs



### Climate change

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.

UN SDGs



**“Through this model, we’re able to demonstrate, monitor and improve our sustainability performance as well as our contribution towards achieving the UN Sustainable Development Goals.”**

**Stephen Harris**  
Chairman of the DLC sustainable development committee



## Our next step towards zero harm



# The 24-hour safety mindset

Whatever we do, wherever we do it, keeping our employees and contractors safe and healthy comes first. Our ambition is zero harm; we want to ensure people work safely and return home safely, every day.

As our safety culture continues to mature, we're evolving our approach – aiming to develop a safety mindset that is based on being safe not because Mondi requires it, but because it's how we need to live and work, habitually, every day.



**Brian Darlington**, Group Head of Safety and Health, explains the new approach we're calling our '24-hour safety mindset'.

When it comes to our safety performance, we've come a long way over the last 10 years. We're among the safety leaders in our industry and we're proud of that. But despite our efforts, we still experience fatalities, recordable injuries and major close calls among our employees and contractors. What we've come to realise is that, ultimately, if we want to turn our zero harm ambition into a reality, we need to create a safety culture where people act safely in everything they do, all day every day, not because someone tells them to do it, but because they want to stay safe and they want to keep everyone around them safe too.

### Understanding how a safety culture evolves

In mapping our journey, we've drawn on leading models of safety culture that set out the different stages organisations go through as their safety culture matures. Beginning the transformation involves taking people from a dependent state, where we act safely because we are told to do so, to an independent one, where we proactively look after our own safety. From here, our ultimate goal is interdependence, where we look after both our own safety and that of the people around us.

At the same time, it's important to understand that our behaviour can be both conscious and unconscious. Many incidents happen when we are consciously unsafe, meaning we understand the risks but we decide to go ahead and take a shortcut anyway – by not wearing our seat belt for example, or by cleaning a running machine and exposing ourselves to moving and rotating parts. It's often at this point that incidents occur, with consciously unsafe behaviour influenced by the perception that safety is for the benefit of the business, rather than for ourselves and our families. We only become consciously safe when we stop and think about safety and take the safer option as a result.

Beyond that, when we're unconsciously safe, safe behaviour has become a habit; it's a mindset rather than something we actively think about and work on.

Our goal is to achieve an interdependent safety culture where people are unconsciously safe. It's a bold ambition, and it's important to understand that, even if we achieve it, our journey will never be over. Being dependent on people's behaviour, our individual and cultural safety mindset can fluctuate with change; for example, if we introduce a new piece of machinery or restructure

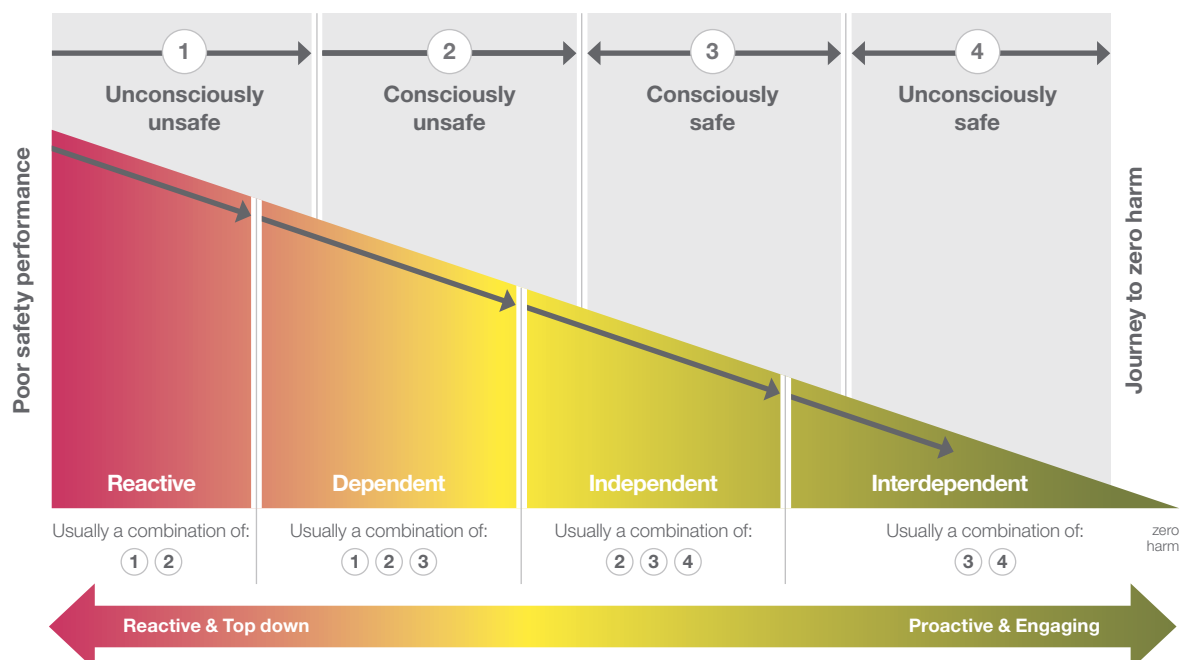
parts of the business with new people coming into the fold. In these situations, we may see individuals or whole parts of the organisation move back to a dependent, consciously safe stage – hopefully, just for a while.

Achieving and then maintaining a 24-hour safety mindset in a constantly moving environment and, across a global workforce, it is an ongoing process that should never end.

### Where we are on the journey

Over the past five years, we've held open and honest discussions about what safety means for us at Mondi. It's led to a step change in the way we engage with each other and take responsibility for safety. Most recently, we've focused on our top five risks – engineering out the top risks at our operations and applying robust controls where that's not possible. This has helped us reduce the risks, but unsafe behaviour was a common factor in many of our 2017 incidents. Having suffered two fatalities, one person reported missing (presumed deceased), and three life-altering injuries, we know our goal of an interdependent safety culture is some way off.

### Safety mindset



# Our next step towards zero harm

**Growing  
Responsibly**  
action areas:



**Employee  
and contractor  
safety**



**A skilled and  
committed  
workforce**



Read more in our  
online Sustainable  
development  
report 2017  
[www.mondigroup.com/sd17](http://www.mondigroup.com/sd17)





### Communicating our 24-hour safety mindset approach

In 2017, still determined to eliminate all fatalities and life-altering injuries, we introduced the approach of a 24-hour safety mindset. Its aim is to help move all our people on to the independent phase of the journey and then into the interdependent phase.

We designed the approach of a 24-hour safety mindset to appeal to people on an emotional, unconscious level by applying safety to all aspects of our lives, not just at work. We want safety to be seen as something we all do as a daily habit for ourselves, for our families, for our colleagues, and for their families.

Our ultimate aim is that people will see the number one reason for working safely is to return home safely to their loved ones at the end of each day. The approach is based on the premise that there's no difference between being safe at work and being safe at home – the outcome is the same – and that if we develop our habits so that safety becomes an unconscious behaviour, then we'll ensure our own safety and that of those around us as a matter of course.

We launched the 24-hour safety mindset approach in March 2017 with a film spearheaded by our CEO. It was supported by promotional activities across the business, including campaign materials depicting some of our colleagues and their children in various safety scenarios.

### What's next?

We're unfaltering in our drive for zero harm, and we're convinced that behavioural change is key. Our new 24-hour safety mindset approach is the next step of our journey towards an interdependent state of being unconsciously safe. It's a journey that needs everyone's commitment, not least our leaders; they have a vital role to play in providing the leadership, training, tools, machinery and equipment that underpin a safe working environment. This makes it possible for everyone to always choose the safe option.

Thereafter it's up to all of us to work safely and return home safely. Everybody. Every day.

### Peter's message to employees:

**“Safety is my top priority. And your safety is personally very important to me. I want everyone to return home without any injuries every day. So please, take care of your own safety, not for Mondri, but for you and for your family. And please also take care of your colleagues. Wherever you see unsafe behaviour – be it of a peer, a subordinate, a contractor or your manager – please speak to them. This is an essential part of our caring culture, and we owe it to our families.”**

**Peter Oswald**  
Chief Executive Officer

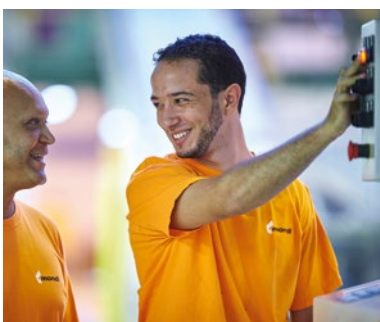


# Creating social and economic value through investments

Our Štětí mill (Czech Republic) has set its sights on an ambitious new vision: to cement its position as Europe's number one kraft paper centre by significantly expanding its production of top quality products, at the lowest costs in the market.

This Štětí investment project is fundamental to realising this ambition: to transform production and significantly improve the environmental performance of the mill – all contributing to becoming a better place to live and work in. By offering significant local employment opportunities, we also hope that it will attract more employees from the region.

Engaging with the Štětí community has been and continues to be key, and we're seeing the benefits through improved local relationships and opportunities.



**“The modernisation project proves Mondi's long-term commitment to growth and sustainable business in the Czech Republic, and will deliver benefits to both the region and the national economy in general.”**

**MP Bohuslav Sobotka**  
Czech Prime Minister, 2014-2017

Located on the banks of the Elbe River, 40 kilometres north of Prague, our Štětí mill is built on a tradition of paper production that goes back 70 years. The mill became part of Mondi in 2000 and our investments have seen annual production increase to more than 500,000 tonnes of high-quality pulp, kraft paper and containerboard.

## **Creating value in the region. Every day.**

The town of Štětí has a population of some 8,000. Our Mondi operation in Štětí, almost as large in size as the town itself, provides employment for around 1,500 people and it is estimated to indirectly provide work for another 5,000 people through its supply chain. This makes Mondi Štětí the largest employer in the Ústí region, and one of the 100 most important companies in the Czech Republic.

For many years, we have aimed to be an ambassador of the local community; a place where people want to work, and where we operate and live together in the community. But our relationships haven't always been without challenge. Odour complaints have been a contentious issue over the years; with Štětí's technology being over 30 years old, it has required major investments to reduce odorous emissions.



**“We are delighted by Mondi Štětí's commitment to being a good corporate citizen. The investments made by the mill and its employees in community projects in the past have contributed significantly to enhancing the quality of life here, and continue to encourage young people to stay in the region.”**

**Tomáš Ryšánek**  
Mayor of Štětí



# 90,000

tonnes per annum increase  
in market pulp production



**“Alongside state-of-the-art technology, which enables improved environmental performance, the investment project will have a positive impact on the region’s economy – offering production stability and potential for further growth, while continuing the near 70-year tradition in paper production.”**

**Roman Senecky**  
Managing director of Mondi Štětí

### A major investment and a technological game changer

So, what is the Štětí modernisation project all about? It includes the rebuild of fibre lines, debottlenecking of the existing packaging paper machines and a new recovery boiler. Together, this will enable the mill to become energy self-sufficient and reduce its reliance on external energy service providers, ultimately reducing energy costs and environmental footprint.

The €335 million investment is great news for the local community because it secures existing jobs and creates new ones. Importantly, the new recovery boiler – expected to start up in late 2018 – will address the topic of odour, with a significant reduction in smell expected when odorous gases are collected more efficiently and combusted in the new boiler.

Key benefits of the project are:

- Lower energy costs and reduced environmental footprint for the mill;
- Increased energy efficiency, higher electricity self-sufficiency and reduced carbon intensity due to the new recovery boiler;
- Debottlenecking of existing packaging paper machines, providing a total saleable paper production increase of 55,000 tonnes per annum; and
- Increased capacity by 90,000 tonnes of market pulp per annum.

### Transforming relationships with the community

We started to involve the local community in the project as early as 2015 when we began scoping the Environmental Impact Assessment. From early 2016, we proactively engaged local government, NGO and community representatives in a nine-month consultation process, during which we went to lengths to explain our proposals, understand concerns and explore solutions. This has resulted in a number of positive outcomes to address stakeholder interests. One example is the extra monitoring of noise we will undertake before, during and after project start up.

To date, the consultation and authorisation process has been positive both for Mondi and for the community. The project authorisation was granted without objection and it received a statement of support from the Ministry of Environment.

We're proud of the fact that our relationship with the community is on firm ground, and we're confident this will continue into the future. We plan to host regular visits by community representatives to share project developments and reflect our commitment to complete transparency. We've also signed a Memorandum of Co-operation with the town of Štětí and local NGOs, setting out how we will work together to develop the region in the coming years.

You can read more about the Štětí modernisation project, including updates and press releases at [ecoflex.mondigroup.com](http://ecoflex.mondigroup.com)

### Growing Responsibly action areas:



Climate change



Constrained resources and environmental impacts



Relationships with communities



Read more in our online Sustainable development report 2017  
[www.mondigroup.com/sd17](http://www.mondigroup.com/sd17)

From forest to customer

# Working together for responsible sourcing

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Over the last years, we have made great progress in sourcing credibly certified and sustainable fibre. Our FSC™- and PEFC™-certified<sup>1</sup> wood procured is on track with our 2020 commitment and our externally procured pulp is 93% certified.

But, given the challenges associated with securing sustainable fibre, our work is not over. To meet the long-term needs of our business and the expectations of our customers and other stakeholders, we need to find ways to increase the availability of credibly certified and controlled fibre.







**Securing sustainable fibre**

The last few decades have seen a slowdown in net global deforestation. More forest areas are coming under protection and more countries are actively improving forest management<sup>2</sup>. Despite this, only around 11%<sup>3</sup> of global forests are certified and the shortage of sustainable fibre on the market remains a significant challenge.

To secure long-term access to responsibly sourced fibre, we aim to contribute to the development of policies, certification schemes and governance systems that enable responsible forest trade. This is the only way to be truly sustainable, and it must be achieved through a risk-based approach that is built on trust and open collaboration, practical to apply, easy for our customers to understand, and not a bureaucratic burden for forest owners and the industry.

**Working together to manage risk**

A reality of our operating environment is the constantly changing requirements for risk assessments in some of the countries we source from. For example, the process involved in defining risk and managing due diligence in some central and eastern European countries is a challenge both forestry companies and audit firms are grappling with. As certification bodies work to introduce new national risk assessments, we face ever-increasing administrative procedures in these areas. A practical approach to managing risk is key. Risk assessments can only be done in a fair and pragmatic way when involving both industry experts and NGOs.

**Closing the loop with our paper converting operations**

A robust due diligence management system is the fundamental building block of responsible fibre sourcing. We have a long history of applying strong due diligence to the wood and pulp sourced by our pulp and paper mills. Now, we are extending that due diligence to include all of our paper converting operations. While they source finished paper from the market as opposed to wood and pulp, this move ensures a holistic approach that applies comprehensive due diligence to all the fibre that is used by our businesses.

**Managing a global supply chain**

To give effect to our commitment to responsible sourcing, we need to find practical and cost-effective solutions to increase our share of certified fibre, this in turn gives our customers the assurance they need for their own responsible sourcing commitments.

As a global company with a supplier base spanning many countries, managing our fibre procurement practices in a practical and transparent way is a challenge.

Our global Partnership with WWF has responsible sourcing of fibre at its heart. In the current phase, we're conducting in-depth assessments in some of the countries Mondi sources its wood from. Our aim is to define the specific requirements for responsible sourcing in different locations in our supply chain. Together, we will engage forest stakeholders to find solutions to important issues, especially as these issues develop over time, with evolving implications for forest certification. We are also looking for opportunities to increase the amount of credibly certified fibre we source through working with small-scale land owners.

**Unlocking potential using technology**

As technologies develop, they present new opportunities to address the challenges of sourcing certified fibre. Technology such as open maps could significantly reduce the administrative burden of increasing certification in complex wood supply chains. However, it would be important to avoid unintended consequences such as the risk of further complicating the certification process.

**Looking to the future**

We're convinced that transparent and constructive collaboration between NGOs, communities, industry and certification bodies will continue to yield improvements in global forest management. Ultimately, this will secure the sustainable fibre to meet society's needs while protecting the world's vital ecosystems.

**Growing Responsibly action areas:**



Sustainable fibre



Biodiversity and ecosystems



Supplier conduct and responsible procurement



Read more in our online Sustainable development report 2017 [www.mondigroup.com/sd17](http://www.mondigroup.com/sd17)

1 The Forest Stewardship Council™ (info.fsc.org) and Programme for the Endorsement of Forest Certification

2 <http://www.fao.org/news/story/en/item/1102994/icode/>

3 UNECE/FAO Forest Products Annual Market Review 2016-2017

Supporting the transition to a circular economy

# Driving innovation and sustainability in flexible plastic packaging

**At Mondi, we're supporting the transition to a circular economy which aims to decouple economic growth from consumption of finite resources, by increasing the use of renewable and recyclable resources, and reducing our emissions and waste. Innovation in packaging is central to our approach.**

**While finding solutions to the leakage of plastic waste presents a societal challenge, flexible plastic-based packaging provides compelling benefits in terms of environmental impact. These benefits can be increased still further when implementing the circular economy principles, through increased resource efficiency and the promotion of responsible consumption.**

**We're responding to the demand for flexible, customised packaging solutions that support modern-day lifestyles, and at the same time, proactively developing sustainable packaging solutions. Collaborating within the supply chain is important to us in the development of sustainable and commercially competitive plastic packaging solutions.**

## **What is the circular economy and why is it important?**

Over the past century the global economy has undergone unprecedented growth based on using raw materials to produce goods that are used and then discarded. The consequences range from resource scarcity and pollution to habitat loss and climate change. According to The Ellen MacArthur Foundation, this linear 'take, make, dispose' economic model is reaching its limits. We're no longer living within planetary boundaries and, while steps are being taken to improve resource efficiency, broader systemic change is needed, and fast<sup>1</sup>.

In contrast to the linear model, the circular economy concept decouples value creation for economic and human development from environmental degradation by keeping materials in circulation for as long as possible. This helps to extract maximum value from natural resources and delivers clear economic, environmental and social benefits, while reducing impacts on the environment. For businesses, it's a model that helps to address risks around access to raw materials, environmental impacts and carbon emissions, while bringing opportunities in the form of new products and markets, brand advantage, and readiness to respond to emerging legislation.

## **Why plastic-based packaging should be part of the solution**

Flexible plastic-based packaging is the fastest growing packaging segment in the world, driven by trends towards more diversified packaging solutions and underpinned by demographic change. It combines the best qualities of film, paper and foil – typically in the shape of a bag, pouch, liner or

1 [https://www.ellenmacarthurfoundation.org/assets/downloads/TOE\\_Ellen-MacArthur-Foundation-9-Dec-2015.pdf](https://www.ellenmacarthurfoundation.org/assets/downloads/TOE_Ellen-MacArthur-Foundation-9-Dec-2015.pdf)

2 <https://www.flexpack.org/advantages/>

3 <http://www.fao.org/save-food/resources/keyfindings/en/>

4 [https://ceflex.eu/public\\_downloads/FIACE-Final-report-version-24-4-2017-non-confidential-version-Final.pdf](https://ceflex.eu/public_downloads/FIACE-Final-report-version-24-4-2017-non-confidential-version-Final.pdf)

5 <https://www.flexpack.org/advantages/>

6 [http://www3.weforum.org/docs/WEF\\_The\\_New\\_Plastics\\_Economy.pdf](http://www3.weforum.org/docs/WEF_The_New_Plastics_Economy.pdf)

7 <http://www.environmentalhealthnews.org/ehs/news/dangers-of-plastic>

overwrap – to deliver a broad range of protective properties while using a minimum quantity of material<sup>2</sup>.

Innovation in flexible plastic-based packaging offers many opportunities to promote the circular economy, but broad and systemic change is urgently needed to address the challenges related to its recovery, reuse and recycling.

# 1.3 billion

**tonnes of food lost or wasted globally per annum**

Roughly one third of the food produced in the world for human consumption every year – approximately 1.3 billion tonnes – gets lost or wasted<sup>3</sup>. In Europe, food waste occurs mainly at the household level. Although the largest potential to decrease food waste is to change consumers' behaviour and to raise their awareness about food waste and the impact of it, effective and appropriate packaging can be part of the solution<sup>4</sup>.

While we're convinced of the value of plastic-based packaging to society, it must be balanced by a clear understanding of the adverse impacts and responsible practices across the value chain.

#### The advantages

Flexible packaging offers many advantages for consumers – from enhanced convenience and superior barrier properties for greater shelf life, to visual appeal and opportunities for personalisation.

It also offers many sustainability benefits when compared to non-flexible plastic packaging solutions. It allows for reduced overall packaging volume and requires less energy and water to manufacture. Technical features such as recloseability can support sustainable consumer behaviour<sup>5</sup>.

**Globally, only 14% of plastic packaging is collected for recycling. 95% of its material value, or \$80-120 million annually, is lost to the economy after a short first use<sup>6</sup>. This presents a significant opportunity for improvement, and it's a challenge that we are determined to rise to – in contributing to the war against food waste and the role that sustainable plastic packaging can play.**

#### The disadvantages

Plastics, and specifically flexible plastic-based packaging, have undeniable negative environmental impacts when leaked into the environment. This is primarily due to the slow decomposition rate of plastics, with some able to exist for centuries before being degraded. While some plastics degrade into basic ingredients, others will, at best, break up into very small pieces. If not recycled or disposed of responsibly, waste plastic can contaminate waterways, oceans and other natural habitats and harm animals that mistake plastic for food. The manufacturing and recycling of plastic can also, depending on the type, produce toxic materials. If released into the environment, these can have environmental and human health impacts<sup>7</sup>.

#### Addressing the challenges

At Mondi, we aim to achieve the highest environmental standards in our manufacturing operations. Combined with our strong relationships with waste partners, this enables us to ensure that the waste plastic from our manufacturing sites is recycled or disposed of responsibly. The challenge comes later down the value chain when our packaging is used and disposed of in an unsustainable way. We're investing significant resources in identifying, understanding and reducing the contribution of our products to plastics in the environment by working with partners that span the entire value chain.

We're a participant of The New Plastics Economy Initiative which brings together 40 leading businesses and experts to rethink and redesign the future of plastics, starting with packaging. Mondi is also a founding member of CEFLEX, a Europe-wide consortium which aims to enhance the performance of flexible packaging in the circular economy through collaboration across the entire value chain – from packaging design to waste sorting and reprocessing infrastructure.

# Supporting the transition to a circular economy

## Driving innovation and collaboration

Our 30 consumer packaging plants collectively produce more than 297,000 tonnes of plastic for flexible packaging and films every year. We are focused on innovating sustainable, plastic-based packaging solutions that underpin the circular economy, both through design and through increased recyclability and reusability. This includes our careful management of plastic waste during manufacturing, to ensure responsible disposal.

Our approach is characterised by collaboration with customers and other strategic partners who share our commitment to the circular economy. Ultimately, this enables us to develop innovations that can be scaled up across different markets and applications to maximise our positive impact.

Our flexible packaging business actively pursues four innovation priorities to support the transition towards a circular economy:

1. The development and commercialisation of solutions made from renewable materials
2. Improving resource efficiency to reduce energy consumption and waste per unit output

3. Designing for recycling – keeping components and materials contributing to the economy, and investing in technologies that allow the specific polymers used in packaging materials to be traced, enabling their recycling and reuse
4. Innovation moonshots: collaborating with customers and partners to create breakthrough innovations in sustainable plastic-based packaging solutions

### Growing Responsibly action areas:



Constrained resources and environmental impacts



Solutions that create value for our customers



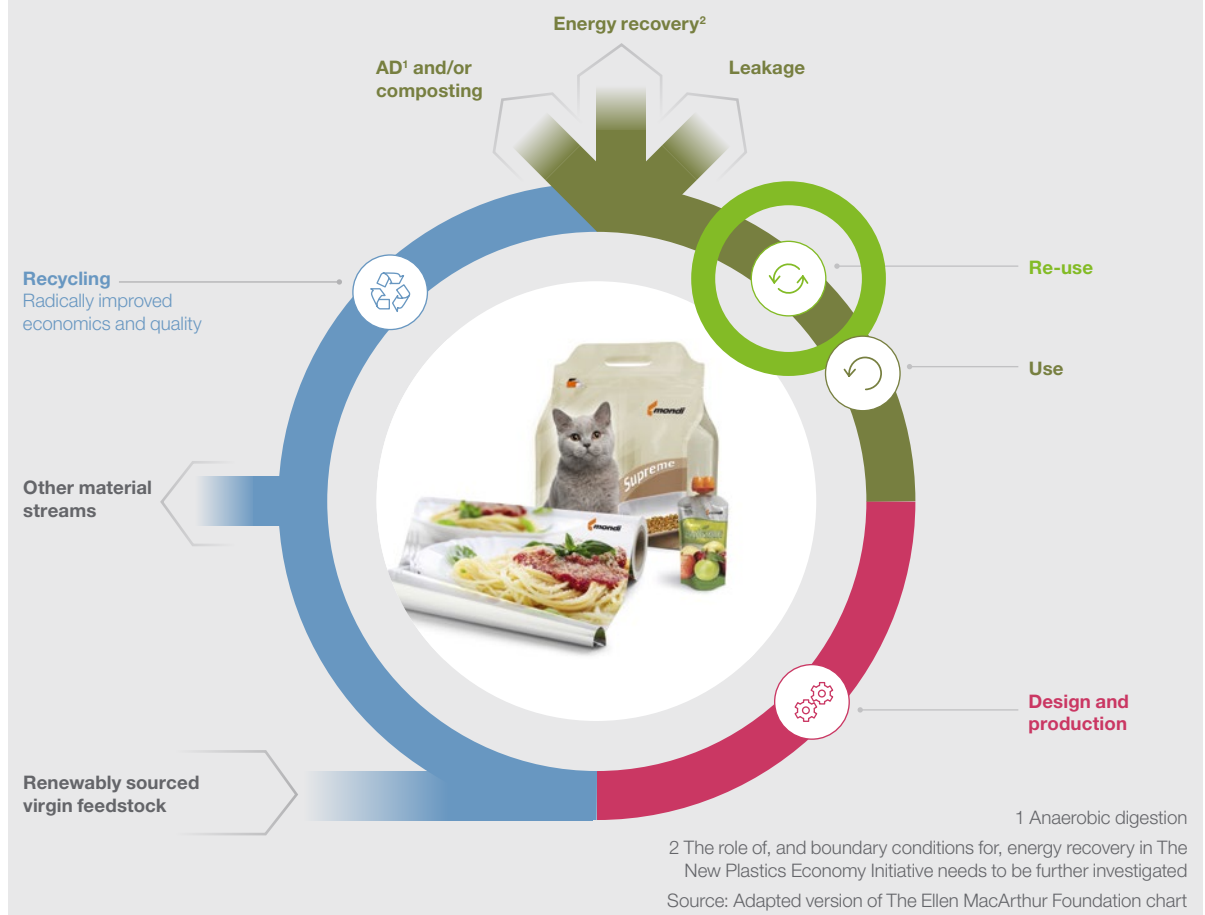
Read more in our online Sustainable development report 2017 [www.mondigroup.com/sd17](http://www.mondigroup.com/sd17)

## Ambitions of The New Plastics Economy Initiative

**1** Create an effective after-use plastics economy

**2** Drastically reduce the leakage of plastics

**3** Decouple plastics from fossil feedstocks



## Solutions that contribute to a circular economy



Our **BarrierFilm**, our innovative material for food packaging, removes the need for aluminium, reducing its carbon footprint

Our **PET films** are made from up to 30% post-consumer waste recycled resin



Our **Sustainex<sup>®</sup>** extrusion-coated paper is based on our biodegradable (EN 13432) and compostable biopolymer and is certified for food contact packaging



Our **stand-up pouches** for pet food replace metal cans, reducing packaging weight and CO<sub>2</sub> emissions, food contamination and spoilage



Our **bio-based PE film** is produced from up to 96% renewable content based on sugarcane molasses (a by-product mainly used for animal food)



The power of partnership

# Combining ambitious goals and practical solutions

In 2014, Mondi and WWF launched a global, strategic Partnership to promote a more responsible forestry, packaging and paper industry. In 2017, we extended our Partnership for another three years.

Here, Gladys Naylor, Group Head of Sustainable Development at Mondi, and Alistair Monument, WWF's Forest Practice Leader, discuss the successes and challenges of the Partnership and why they're proud of its achievements.



**Gladys Naylor**  
Group Head  
of Sustainable  
Development



**Alistair Monument**  
WWF's Forest  
Practice Leader

**Q Mondi and WWF have worked successfully together for over two decades. How and why did the relationship evolve into the global Partnership we see today?**

**Gladys:** You're absolutely right – our work together goes back a long way, and the current Partnership is an evolution of that work. One of the biggest and most important subjects we've worked on together, and for the longest period of time, is wetland conservation in South Africa through the (then) WWF-Mondi Wetlands Programme. It's been a pioneering initiative that evolved over the years to where we are today by recognising the need to take a wider view of water stewardship beyond just our own operations and covering whole catchments. As our perspective widened, so did the opportunities we saw to expand our working relationship and tackle some of the broader issues facing our global business.

**Alistair:** I agree with Gladys. We celebrated 25 years of the WWF-Mondi Wetlands Programme in 2016 and it's been quite a journey. The Partnership is a true example of what NGOs and business can achieve when they work together over a long period of time. While our journey together started in South Africa, geographically this is a long way from where Mondi now does the majority of its business, which is in Europe. When something works well in one location, you begin to see the opportunities elsewhere. We could both see the opportunity to expand our collaboration, and it was a shared ambition and commitment that provided a firm foundation for our global Partnership.

**Q Why do you think the relationship between the two organisations has been so powerful?**

**Alistair:** I think it comes down to the time and dedication put in by both parties. Mondi has done a lot of good work within its own boundaries, but it's in looking beyond these boundaries that the biggest impacts are being realised. It's fairly straightforward for a company to control what's within its own boundaries, but it's a lot more difficult to do things outside. That's where WWF and Mondi have worked so well together, by bringing stakeholders together on a broad scale to work on shared challenges. I think it's fairly unusual for a partnership like this to go that far and it shows the scale of the need. Neither Mondi nor WWF could have done this on their own.

**Gladys:** For us it's been hugely valuable to gain a critical friend in WWF. Whatever it is we're working on, our relationship is such that we can rely on our counterparts to recognise when progress has been made, and to flag where we could be doing more. I respect the integrity that WWF brings to the work we do together.

**Alistair:** On the flipside of that, there can be a tendency for NGOs to operate in an ivory tower. We're idealistic – and that's an important role we play – but it's been extremely valuable to understand the practical realities facing a business like Mondi and how our ideals and suggestions can be adjusted; what's possible, what isn't and what's a satisfactory mid-way. It's strengthened our understanding of corporate operating environments and, by bouncing ideas off of each other, we've been able to achieve win-win results that are robust, practical and valuable.

**Q What about the challenges? There must have been some difficulties along the way between two such different and sizeable organisations?**

**Gladys:** Sure, there have been challenges, but I think a lot of it is about developing mutual understanding and a shared ambition. For example, product stewardship is one of the areas we've struggled with at times. In the first phase of our Partnership we were hoping to develop criteria for responsible products to be applied across our entire business. This turned out to be much more challenging than we anticipated – our businesses and customers have very different needs when it comes to responsible product offerings. It brought frustrations for both Mondi and WWF, but we worked together to come up with a good, flexible compromise that we're happy with rather than forcing a 'one size fits all' solution on our businesses.

**Alistair:** Another thing we discovered is the importance of understanding each other's culture. Mondi is a very rigorous organisation – in a good way – and it's also very lean. When wanting to move something forward, we need to get the buy-in of a number of Mondi functions across the business or it's not going to happen. It adds an element of complexity we found frustrating at first, but we've come to recognise the value of this rigour and we've adapted to work within Mondi's processes. Similarly, WWF is a complicated, science-based organisation with its own stringent internal communication requirements that Mondi has had to accommodate. So, it's been a two-way cultural learning process and it's really shown the importance of good communication to improve our shared processes.

# The power of partnership

**Growing Responsibly**  
action areas:



**Sustainable fibre**



**Climate change**



**Constrained resources and environmental impacts**



**Biodiversity and ecosystems**



**Solutions that create value for our customers**



Read more in our online Sustainable development report 2017  
[www.mondigroup.com/sd17](http://www.mondigroup.com/sd17)

**Q What are your personal highlights from the first three years of the Partnership?**

**Gladys:** One of the highlights for me is the clarity we've brought to the cascading use of wood concept; getting the most value from trees by not burning them straight away for energy. It's a big issue throughout the world and it's been great to play a part in communicating Mondi and WWF's common understanding on the most efficient use of wood in a way everyone can understand – both within our industry and beyond.

**Alistair:** Another highlight is the work we've done to identify Mondi's science-based carbon emission target as part of our Climate Savers programme. Over the last ten years, Mondi has impressively proven how to reduce GHG emissions by modernising its plants and investing in energy efficiency, while being financially successful. This year, Mondi joined 15 other companies in the current Climate Savers programme, which is a fantastic outcome. It really cements their position in developing the low carbon economy and I think we'll be seeing a lot more to come in this area of our Partnership.

**Gladys:** We've also cooperated on developing WWF's Water Risk Filter by sharing our experience of carrying out water impact assessments, and by testing the WWF Water Risk Filter tool on our operations. It's been helpful to both Mondi and WWF; we've been able to identify areas which require additional focus and WWF has expanded its tool to make it more useful to others in the pulp and paper sector.

**Alistair:** There's also the engagement to improve forest management – developing the Boreal Forest Platform (BFP) in Russia and defining Intact Forest Landscapes. Another highlight is the work we're doing to improve forest certification in South Africa so that it works for both large and small scale forest owners and communities. Our work has promoted a much-needed risk-based approach to certification.

**Q What can we look forward to over the next three-year phase of the Partnership?**

**Gladys:** In one sense, it's more of the same. We're going to continue to work on water stewardship and reducing emissions, and I'm hoping we'll take our work to the next level and look at solving challenges facing companies in our sector. Things like strengthening credible certification systems to meet future demand for sustainable wood and fibre. We will be working in central Europe to assist in defining responsible sourcing by focusing on the areas where we source our fibre.

**Alistair:** I agree that responsible sourcing will continue to be a big topic moving forward. We launched the first phase of the Partnership on an ambitiously broad range of topics and this time we'll be looking to focus down on a smaller number of projects where we can have a bigger impact. I'm also expecting exciting developments with regards to fresh water – including engaging with the Alliance for Water Stewardship – as well as the work around the science-based carbon emission target.

**Gladys:** I can't wait to see what the future holds. Individually, both WWF and Mondi continue to do work that we're proud of, but it's the prospect of achieving more together that makes the next three years of our Partnership so exciting.

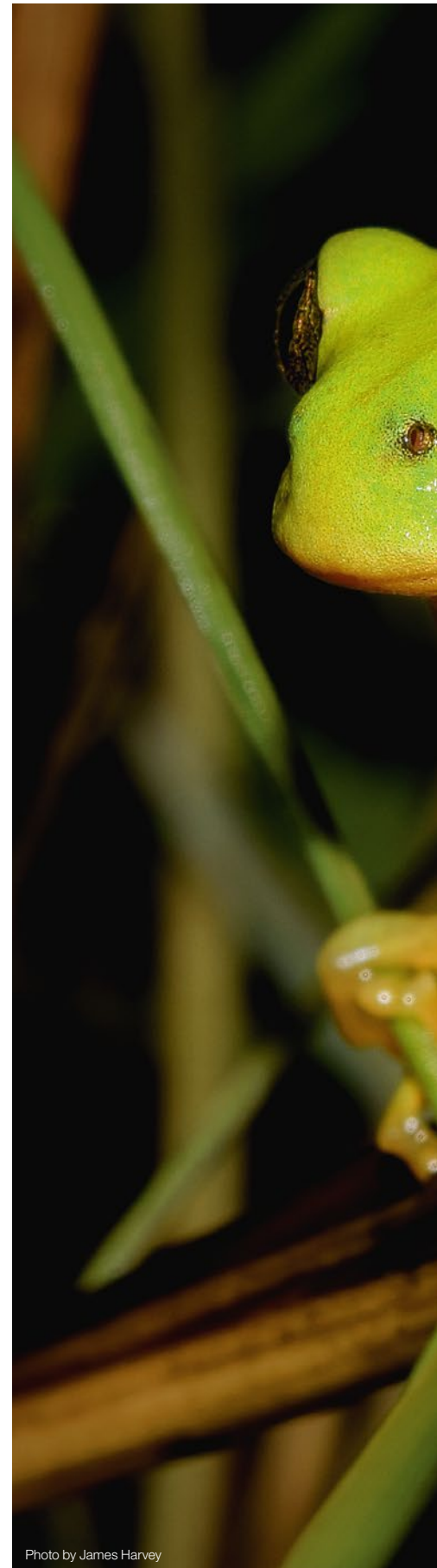


Photo by James Harvey





SUSTAINING  
ECOSYSTEMS  
THROUGH  
RESPONSIBLE  
BUSINESS PRACTICES



## Mondi-WWF Global Partnership: what we've achieved so far

By working together, we aim to develop innovative approaches that help to address three of the biggest challenges facing humanity: deforestation, water scarcity and climate change.



**You can read more about the outcomes we're achieving in our online Sustainable development report 2017:**

Calling for the cascading use of wood



Water stewardship on a landscape level in South Africa



Improved score in WWF's Environmental Paper Company Index



Signed agreement on Russia's Intact Forest Landscapes



BFP extended learnings from boreal forest management in Finland and Canada



Promoting responsible products



## Sustainable development highlights 2017

We hope you have enjoyed this brief look into how we're using our Growing Responsibly model to communicate our position on key sustainability issues and share inspiring examples from across our business.

For a comprehensive view of our approach to sustainable development and our performance in 2017, please see our interactive online Sustainable development report 2017 at [www.mondigroup.com/sd17](http://www.mondigroup.com/sd17)

Among the details you will read about, here are some of the highlights that we're proud of:



### Excellent progress against our commitments<sup>1</sup>:

<sup>1</sup> All commitments run to 2020, except our carbon emission commitment which runs to 2030

**15%**  
reduction in specific CO<sub>2</sub>e against 2014

**18%**  
reduction in specific waste to landfill against 2015

**71%**  
of wood FSC- or PEFC-certified

**9%**  
reduction in specific effluent load (COD) against 2015

Extended WWF global Partnership for further three years



Joined WWF Climate Savers and introduced science-based target to 2050 for production-related CO<sub>2</sub>

**24-hour**  
safety mindset approach introduced

Work safe.  
Home safe.  
Everybody, every day.



**829,900**  
training hours for employees and contractors

**247,965**  
hours of general safety training

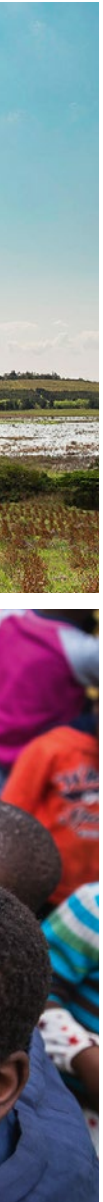
**58,594**  
hours of critical safety training for employees

**€9.6m**  
in community investments



65%

of mill fuel consumption from  
renewable biomass-based sources



**Mondi sustainability team**

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**Our 2017 suite of reports**

Please visit our Group website where copies of our reports can be downloaded:

[www.mondigroup.com/investors/reports17](http://www.mondigroup.com/investors/reports17)



**Integrated report and financial statements 2017**

A balanced overview of Mondi's performance in 2017 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/ir17](http://www.mondigroup.com/ir17)



**Partnering for change: Sustainable development 2017**

A printed publication looking at how we're using our Growing Responsibly model to deliver meaningful improvements across some of the aspects of sustainability that are more relevant for our business and our stakeholders. Also available online at [www.mondigroup.com/sdpublication17](http://www.mondigroup.com/sdpublication17)



**Online Sustainable development report 2017**

A comprehensive view of our approach to sustainable development and our performance in 2017, prepared in accordance with the GRI G4 Core guidelines. Available online as an interactive pdf at [www.mondigroup.com/sd17](http://www.mondigroup.com/sd17)



Selected key performance indicators in our online Sustainable development report 2017, as well as accordance of the report with the criteria for a Core GRI G4 report, have been assured by ERM CVS. Their assurance statement is available at [www.mondigroup.com/sdassurance17](http://www.mondigroup.com/sdassurance17)