



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

5 August 2012

Mondi is an international paper and packaging group, which as at the end of 2011 consisted of 82 unique operating sites and employed 23,400 people across 28 countries worldwide. In addition, Mondi manages 2.4 million hectares of land. The Group's key operations are located in central Europe, Russia and South Africa.

Mondi operates under a dual listed company (DLC) structure, with primary listings in both Johannesburg and London. The structure reflects the fact that the majority of Mondi's business is in Europe whilst recognising our South African heritage and our significant ongoing operations there. The DLC comprises Mondi Limited, a South African incorporated company holding our African assets, and Mondi plc, a UK incorporated company holding our non-African assets. Together Mondi Limited and Mondi plc are known as the Mondi Group.

Mondi is fully integrated across the paper and packaging process, from the growing of wood and the manufacture of pulp and paper (including recycled paper), to the conversion of packaging papers into corrugated packaging, industrial bags and coatings. Mondi is principally involved in the manufacture of packaging paper, converted packaging products and uncoated fine paper.

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

As a signatory of the United Nations Global Compact (UNGC), Mondi has continued to ensure that its ten principles are embedded in what we do for the environment, the communities in which we work and society at large, thereby securing continued access to materials in a resource-constrained world and maintaining our license to operate within our host communities. We recognise that Mondi has a broader role in society – as a creator of wealth, as a fair and safe employer and as a responsible

corporate entity and our sustainability efforts therefore form an integral part of our business activities.

Accountability for our sustainable development policies, systems, practices, commitments and actions is guided and was monitored in 2011 at three tiers by:

The DLC sustainable development committee, a committee of the Board, that is responsible for ensuring that the Group's sustainable development strategy, policies and commitments are aligned with global best practice. It also oversees performance in respect of safety, health, environment, forestry and community matters across the Group.

The DLC executive committee chaired by our CEO. This committee has the executive responsibility for sustainability performance and ensures that business line management holds primary responsibility and accountability for sustainability performance, supported by the sustainable development function and specialist network groups.

Six global specialist network groups, namely, safety, health and occupational hygiene; environment; energy; black liquor recovery boiler; product stewardship; and fire safety networks. Each comprises specialists from across the Group, who provide valuable expertise and knowledge.

Our Sustainable Development Management System (SDMS) ensures the effective management of all aspects of sustainability governance and the implementation of our sector policies. All facilities and activities that we own and operate (including those in which we hold a controlling interest), new developments, mergers, acquisitions and businesses that we plan to invest in, and activities undertaken by contractors on Mondi sites or while under our management, are incorporated into our SDMS and are required to comply with our policies, requirements and practices. Our Sustainable Development Policy outlines our overall strategy and is supported by our sector policies, which identify seven key sustainability aspects:

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

These may be found at www.mondigroup.com/policies.

In 2011, Mondi published its [first integrated report and financial statements](#). This report recognises the interdependence between the financial and non-financial performance of the business and that, ultimately, our sustainability is an outcome of success in both of these areas. This approach allows stakeholders to better assess the progress we are making towards sustaining value over the short, medium and long term, not only as a business, but also as a corporate citizen.

While our integrated report better reflects the holistic performance of our business, and the integrated nature of our business strategy, we recognise that we are at the beginning of this process. We also acknowledge that there are those stakeholders who wish for a more focused and detailed account of our governance, environmental and social strategy, commitments and performance specifically. For this reason we have again produced this separate sustainable development review, supported by a more comprehensive and detailed online report, which:

- reflects the integrated nature of our business. In particular we have increased the disclosure on our [economic performance](#);
- focuses on those [issues which are most material](#) to the business;
- illustrates the way in which we work through case studies, which are highlighted in this report, and which may be found under [performance against key objectives](#);
- provides [data summaries](#) in a format that is accessible and comparable; and
- reports in line with the GRI G3 guidelines to a level B. Certain key performance indicators (KPIs) and this application level have been externally assured. The report has also been GRI-checked. A [GRI index](#) provides cross references to the integrated report, this online sustainable development report, the sustainable development review and our website.

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

HUMAN RIGHTS

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

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

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

Employees' and contractors' working conditions are required to be compliant with national legislation and, where this is deemed to be insufficient, with the relevant International Labor Organization (ILO) Standards. Systems are in place to ensure that the Articles of the United Nations Universal Declaration of Human Rights are assessed, prioritised and implemented as they apply to Mondri's sphere of influence.

All employees are free to bargain collectively and are allowed to join a trade union of their choice. Our labour standards ensure that our remuneration practices are fair and our sexual harassment policy recognises the right of all people to be treated with dignity, and prohibits sexual harassment in the workplace. Appropriate mechanisms, such as grievance procedures, are in place to support this. We prohibit forced, compulsory and underage labour, and any form of discrimination based on race, religion, age, disability or political affiliation, and we do not procure goods or services from suppliers who use child labour. Our Code of Conduct for Mondri Group suppliers outlines our expectations of suppliers in this regard.

We actively engage with the communities in which we operate, respecting the cultural values and rights of indigenous people and local communities, recognising the sensitivities involved in addressing issues that relate to the cultural heritage of indigenous communities and ensuring that any matters are handled in a spirit of respect, trust and dialogue. This means that no form of coercion is used in violation of the human rights and fundamental freedom of indigenous peoples and no operation is complicit in the violation of these same rights. We respect and recognise the rights of ownership and possession of indigenous peoples over the lands and territories which they traditionally occupy and use for their subsistence and traditional activities, and where necessary, to the restitution of historical injustices even if these are not of our

own making. [A practical example of how we are demonstrating this commitment in South Africa can be found here.](#)

A confidential reporting tool, Speakout, is in place to allow employees and external partners to make complaints regarding any perceived infringement of their rights. The service is designed to support Mondi's corporate commitment to ethical, transparent business practice and conduct, as set out in our [Business Integrity Policy](#). Stakeholders may use this service in complete confidentiality to raise any concerns about behaviour or activities that they believe may conflict with our business ethics, such as dishonesty, discrimination or dangerous behaviour contrary to our values. In 2011, there were 46 Speakout messages worldwide (2010: 47). In one case, Speakout revealed safety reporting irregularities at our Dynäs operation in Sweden in 2011. Performance data has been subsequently corrected. [More information on Speakout can be found here.](#)

LABOUR

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

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

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

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

At the end of 2011, 973 employees (around 50% of the workforce) belonged to a recognised union in South Africa. This information is not collated in Europe. Minimum notice periods in respect of operational changes and rates of pay for men and women are prescribed by legislation, with the exception of South Africa. Any grievances or disciplinary actions are addressed through our disciplinary and grievance systems. In Europe, we have implemented a dialogue forum where council leaders meet members of Mondi's top management on an annual basis to discuss topics related to collective bargaining and employment practices.

In South Africa, we actively participate in various bargaining councils including the Statutory Council for the Paper Packaging Industries Bargaining Forum and the Bargaining Council of the Wood and Paper Sector, under whose auspices national relations between employers and unions are managed. Three senior Mondi human resource executives are represented on these councils.

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

[We prohibit forced, compulsory and underage labour](#), and any form of discrimination based on race, religion, age, disability or political affiliation, and we do not procure goods or services from suppliers who use child labour. Our Code of Conduct for Mondi Group suppliers outlines our expectations of suppliers in this regard.

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

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

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

[Mondi promotes workplace equality](#) and seeks to eliminate all forms of unfair discrimination. Equitable processes for recruitment, promotion and remuneration are in place, which ensure employment and promotion on the basis of job requirements and merit, and which support the establishment of a diverse workforce and ensure that all employees and employment applicants are treated equally irrespective of race, colour, gender, sexual orientation, religion or belief, family circumstances, political opinion, trade union membership, age, nationality or disability. At the end of December 2011, 20% (2010: 21%) of employees were women and 10% (2010: 21%) of our managers* were women.

In South Africa, our industry reflects wide social disparities, particularly a lack of key skills among black South Africans and their economic participation in the country's future. There is a need to redress historical imbalances in the workplace, in the recruitment and development of segments of our workforce, and in the opportunities that have been available to them. Mondi is addressing these imbalances, by tracking and reporting on our Broad Based Black Economic Empowerment performance and reporting and monitoring detailed Employment Equity progress with the South African

Department of Labour. As a signatory to the Forest Sector Transformation Charter, we also accept the need for additional, focused 'interventions' to address imbalances in our sector. In 2011, we were certified as a [Level 4 BBBEE contributor](#) by an independent verification agency. Our relationship with Shanduka Resources, a leading BEE company in South Africa which holds a 42% interest in our integrated South African newsprint business (Mondi Shanduka Newsprint), gives life to our transformation imperatives and equity level.

ENVIRONMENT

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

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

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

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

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

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

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

Our biggest community concern and one of our major industry-specific [air emissions](#) is total reduced sulphur (TRS) compounds from our pulp mills. In 2011, our TRS emissions amounted to 122 tonnes (2010: 134). We have reduced our TRS emissions mainly by collecting sulphur-containing emissions followed by combustion

in incineration facilities, such as recovery boilers. These malodorous gases often give rise to complaints. The number of registered public complaints was 209 in 2011, with 185 of them relating to odour, 14 relating to noise, and 10 relating to 'other' complaints.

We are a [significant user of water](#) and, as such, are committed to managing it wisely and responsibly. We are convinced that water has to be considered in our environmental strategy and we have set concrete actions to reduce our direct water consumption. We take this into account throughout our supply chain. In 2011, Mondi's total water input was 309 million m³ (2010: 310.5 million m³).

Two critical indicators of [discharges to water](#) are used and Mondi has commitments in place to reduce their overall impact on water bodies. These are chemical oxygen demand (COD – the organic load being discharged by the company in the form of grey or waste water after treatment) and adsorbable organic halogens (AOX - adsorbable halogen compounds present in water released from the pulp bleaching process). Good progress was made in 2010 in reducing COD emissions by 34% between 2005 and 2010. In 2011 COD tracked at 47,047 tonnes. In 2010, AOX emissions were reduced from 390 tonnes in 2005 by 63%. This was due to elemental chlorine no longer being used during bleaching. In 2011, the AOX emissions increased due to higher production volumes and an increase in the use of bleaching agents. Mondi is investigating ways of reducing AOX emissions.

Mondi's [operational waste](#) is carefully monitored. Our main waste streams are green liquor, boiler ash, lime mud, waste paper rejects and sludge. Instead of disposing of most of our waste in landfills, we recycle, re-use or use our waste mainly as a secondary fuel for energy generation. In 2010 we achieved a reduction of 36% of our total waste to landfill since 2005 by increasing the recycling and re-use of materials. This has been achieved by making further use of renewable energy and maximising the use of raw materials such as biomass, which is often sent to landfill sites when not used as fuel.

Reducing carbon emissions from generating energy from fossil fuels, deforestation and forest degradation are fundamental to international efforts to [tackle climate change](#). NGPs offer both bio-energy and carbon storage, while helping to conserve natural forests - see [New generation plantations](#).

[Our energy projects](#) are designed to improve the way we generate and consume energy at all our operations. The approved projects, totalling approximately €170 million in capital expenditure, are expected to generate significant benefits with returns in excess of 40%, from 2013 onwards.

100% of Mondi's electricity is generated onsite by way of CHP technology, using our power stations to simultaneously generate both electricity and useful heat. This

technology results in savings of more than 30% of primary energy compared with conventional electricity generation.

Mondi is therefore able to sell its excess green energy and to provide electricity and heat from renewable and carbon-neutral resources for the public grid, and thermal energy for district heating in proximity to our material operations.

Since 2004, we have increased our use of renewable energy from 47% to 57% and we intend to increase this percentage by making further use of renewable raw materials such as biomass which is often sent to landfill sites when not used as fuel. The use of renewable raw materials has helped us achieve a 15.6% reduction in specific energy consumption and an absolute CO₂ reduction of around 1.4 million tonnes CO₂.

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

At the heart of our approach is [stakeholder engagement](#) at a local, regional and global level, in bilateral dialogues, partnerships and multi-stakeholder forums. These then inform our responses and actions.

Our sustainable forestry practices are guided by our Group-level sustainability approach and policies on forests and natural resources, including employing a dedicated manager who engages with key global NGOs, forestry organisations and other sectors. Local foresters, managers, environmental and community engagement personnel work in alignment with Group structures to ensure the effective implementation of our policies and strategies.

To ensure the consistent understanding and application of our vision, the Group has developed and published the Mondi standard for sustainable forestry to which all operations must comply.

Our forestry operations are required to demonstrate active stewardship of land, freshwater systems and biodiversity. We recognise our responsibility to conserve our [high conservation value \(HCV\)](#) natural resources and, where possible, to help restore ecosystems that have been damaged. We are committed to maintaining FSC™ certification of all our owned, leased and managed forests in Russia and South Africa; to no wood being procured from controversial sources; and to all mills being certified to CoC standards from FSC™, PEFC or a credible alternative. In 2011,

a total of 61% of wood supplied to our processing plants was FSC™- or PEFC-certified. Our commitment of 60% was reached in 2010. The uncertified balance met the FSC™ Controlled Wood Standard or the PEFC Mandatory Guide for the avoidance of Controversial Timber, ensuring suppliers sourced from legal and non-controversial sources.

ANTI-CORRUPTION

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

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

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

Mondi Group

Sustainable development review 2011



Report scope and boundary

This sustainable development review and our full online sustainable development report 2011 have been prepared in compliance with the Global Reporting Initiative's (GRI) G3 guidelines to a B+ level.

At Mondi, we aim to create long-term value for our stakeholders by transforming renewable resources into innovative product solutions that meet customer needs in a responsible, cost-effective and sustainable way.

Mondi recognises the need to integrate sound principles governing safety, business conduct, social, environmental and economic activities into business practices and decision-making.

This annual sustainable development review covers the 2011 financial year (1 January 2011 to 31 December 2011) and reviews the activities of those operations over which we have control, joint control or significant influence (Mondi Limited, Mondi plc and their respective subsidiaries). This annual sustainable development review provides a concise overview of our approach, objectives and performance based on the material issues that have been identified. Our comprehensive annual sustainable development report may be found online at www.mondigroup.com/ar11. It should be read in conjunction with our annual integrated report and financial statements 2011 which can be downloaded from our website. Our previous sustainable development review was for the 2010 financial year. Historical and forward-looking data are provided for comparative purposes.

Mpact (formerly Mondi Packaging South Africa) was demerged from the Group with effect from 30 June 2011. Performance data for Mpact in 2011 and 2010 has been excluded from our reporting to ensure that the 2010 baseline is meaningful and comparable with our new commitments. The exception is health and safety data and the ongoing 2004 commitments related to reductions of specific carbon and energy for which we have included the half-year performance of Mpact. Independently managed joint venture company, Aylesford Newsprint Limited, and some of our smaller sales offices and other smaller administrative functions, are also excluded from this report.

The review of our environmental performance covers all material operations and converting operations. See the glossary of terms in our online report for further information on our approach to reporting on our environmental performance.

No material restatements have been made to data in this report and the reported data remains comparable with last year's data. Where the contribution of Mpact has been excluded from our 2011 performance, historic data has been also restated to ensure comparability.

Safety data includes all employees and contractors, with the exception of service suppliers such as catering, office cleaning or telecommunication services and management consultants. All safety incidents are included within the scope of our reporting except those incidents where Mondi has been unable to or inhibited from enforcing its safety standards on contractors. In 2011, two such incidents occurred, including a fatality.

In terms of reporting on wood self-sufficiency, we have reported a slightly different figure in this report compared with our integrated report, as this report covers all the activities of our global production operations in which we hold a minimum 50% shareholding or over which we have operational control, whereas in our integrated report and financial statements, joint ventures are proportionally consolidated.

Certain key performance indicators (KPIs) have been externally assured by ERM CVS, as has our compliance with the requirements of a B+ level of reporting in line with the Global Reporting Initiative (GRI). In addition, ANSI-accredited verification of our scope 1 and 2 carbon emissions (CO₂e) to ISO 14064-1: 2006 has been achieved. See pages 41 and 42. For the full statement see our online report at www.mondigroup.com/sd11/assurance.

Financial information is predominantly reported in euros (€) with the exception of those instances where the information is relevant to South Africa or Russia, where we refer instead to South African rands (ZAR) or Russian roubles (Rub).

Sustainability contacts

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Scan to download the report to your smartphone

Integrated report and
financial statements
2011



Sustainable
development review
2011



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61%
of all wood
supply is
FSC™ or
PEFC-certified;
no wood is
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sources

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OUR PERFORMANCE

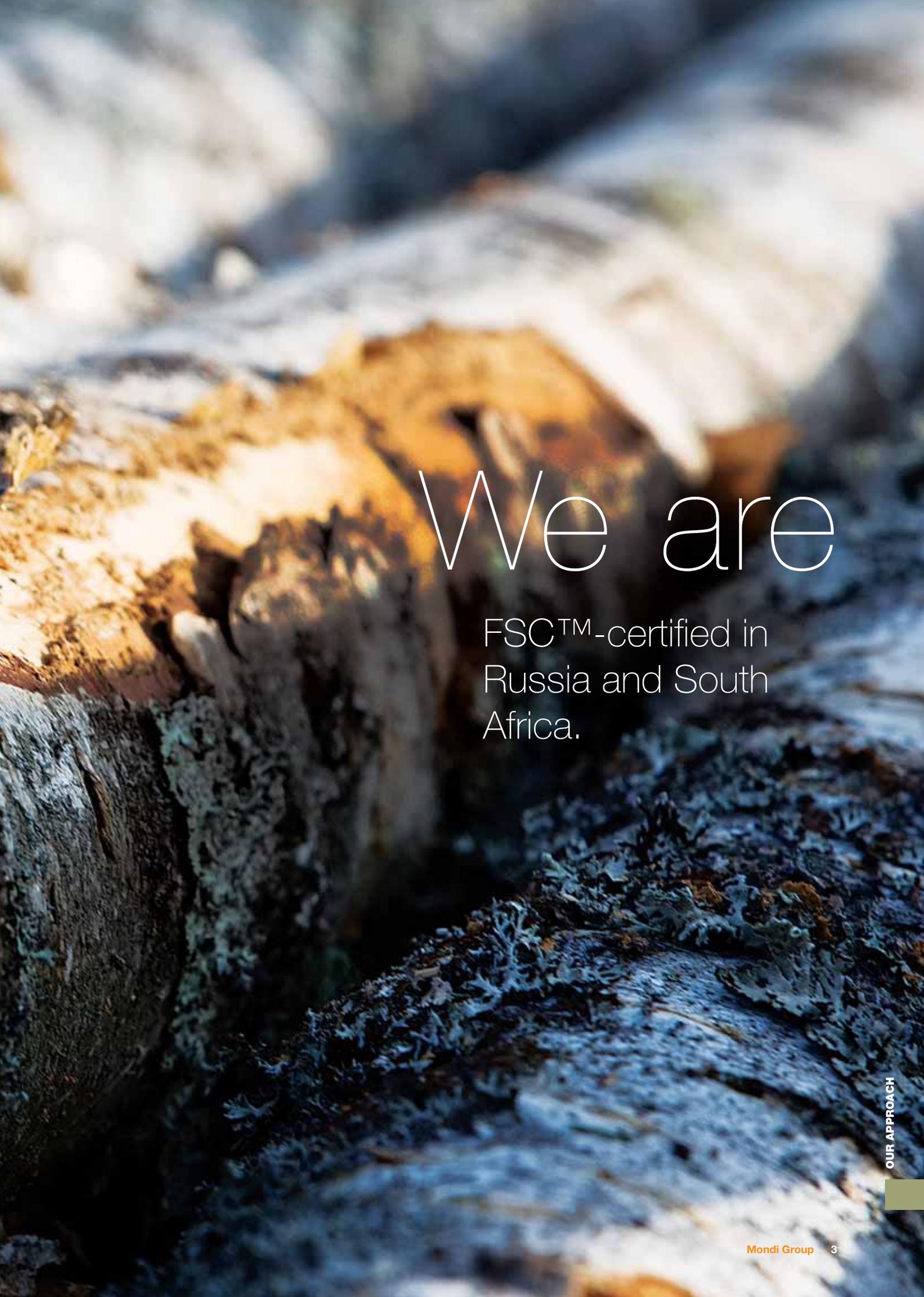
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Sustainable forest, Russia

OUR APPROACH

A close-up, high-angle photograph of a tree trunk. The bark is dark, rough, and textured, with some lighter, fibrous material visible where the bark has been partially removed or cut. The lighting is bright, creating strong highlights and deep shadows that emphasize the natural grain and imperfections of the wood. The background is blurred, focusing attention on the intricate details of the bark's surface.



We are

FSC™-certified in
Russia and South
Africa.

Key features 2011

- First integrated report published
- Process to identify material issues has resulted in a different reporting structure
- New **five-year** commitments developed
- Total recordable case rate (TRCR) reduced by **16%**
- Avoided CO₂e emissions of **4.3 million tonnes** in 2011
- Use of renewable energy sources increased to **57%**
- **23,400 employees across the Group**, with additional jobs for an estimated **18,000 contractors**
- Water footprint data reported
- **61%** of wood supply FSC™ or PEFC-certified
- **ISO 14064-1: 2006** certification achieved - relating to carbon emissions reporting

The following key indicators of our performance are aligned with the material issues we identified for the Group in 2010/2011:

Securing access to sustainable fibre

- Consumption of 16.8 million m³ of wood, 1.5 million tonnes of recovered paper, and 3.5 million tonnes of pulp
- 30% of fibre used was from recycled materials
- All owned, leased and managed forests in Russia and South Africa retained FSC™ certification
- Procurement in line with FSC™ Controlled Wood Standard: 100% of all wood procured from credible sources; no wood procured from controversial sources

Maintaining our licence to trade

- Inclusion in Carbon Disclosure Project (CDP) Leadership Index in materials sector for second consecutive year
- Continued and high-level active participation in and support of WBCSD, TFD, FSC™, HCV RN, CEPI and FSA
- Inclusion in FTSE4GOOD and JSE SRI Indices
- Continued support of UN Global Compact – categorised as an advanced level reporter
- Total value added of €1.8 billion
- 100% of managed forests FSC™-certified; 61% of wood and fibre procured FSC™ or PEFC-certified
- 2010 South Africa forestry SEAT analysis complete
- Richards Bay mill SEAT completed
- Further land claims settled
- ISO 14001, ISO 14064-1: 2006 and OSHAS compliance
- €17.3 million spent on CSI projects
- €750,000 spent on technical projects with NGOs
- Total water input of 309 million m³
- Calculation of the water footprint on a Group and operation level based on the water footprint assessment manual published by WFN
- Over 19,500 hectares of wetlands in South Africa assessed with appropriate rehabilitation initiated

Understanding and minimising our contribution to climate change

- Specific scope 1 and 2 carbon emissions from our material operations reduced by 26% since 2004
- Absolute carbon emissions from our material operations reduced by 1.4 million tonnes since 2004
- €170 million approved capital expenditure for energy-related and de-bottlenecking investments
- Total energy usage of 147.6 million GJ for our material operations (150 million GJ including converters)

- Specific energy consumption for our material operations reduced by 15.6% since 2004
- 93% of electricity used produced internally – 57% of total fuel consumption of our material operations was from renewable sources
- 100% of the electricity generated onsite by Mondi's material operations through CHP technology
- 4.3 million CO₂e tonnes avoided as a result of carbon sequestration at our South African plantations, as well as sale of green electricity, heat and fuels; using recovered paper; and substituting natural gas with biogas

Recognising biodiversity concerns

- Mondi owns/leases 307,000 hectares of FSC™-certified land in South Africa, of which 203,000 hectares are plantations
- The Group leases and manages 2.1 million hectares of boreal forests in Russia
- Potential wood self-sufficiency of 47%
- Some 32 million seedlings planted
- 495,000 hectares set aside for conservation in Russia (23.5% of our landholdings) and 77,023 hectares in South Africa (25% of our landholdings)

Safeguarding the wellbeing of employees and contractors and securing key talent and skills

- 23,400 people were employed by Mondi at year end
- Two fatalities at work
- TRCR of 0.92 per 200,000 hours worked
- 20% women in Group; 10% women in top management
- 40 employees on anti-retroviral treatment (ART) in South Africa

Increasing our products' eco-efficiency

- TRS emissions of 122 tonnes
- NOx emissions of 11,507 tonnes
- COD emissions of 47,047 tonnes
- AOX emissions of 160 tonnes
- Total waste to landfill of 300,455 tonnes
- SO₂ emissions of 4,244

Our approach

In 2011, Mondi published its first integrated report and financial statements. This review recognises the interdependence between the financial and non-financial performance of the business and that, ultimately, our sustainability is an outcome of success in both of these areas.

Our aim is to create long-term value for our stakeholders by transforming renewable resources into innovative product solutions that meet customer needs in a responsible, cost-effective and sustainable way. Our products are inherently sustainable, based almost entirely on natural fibres from renewable sources, and are highly recyclable.

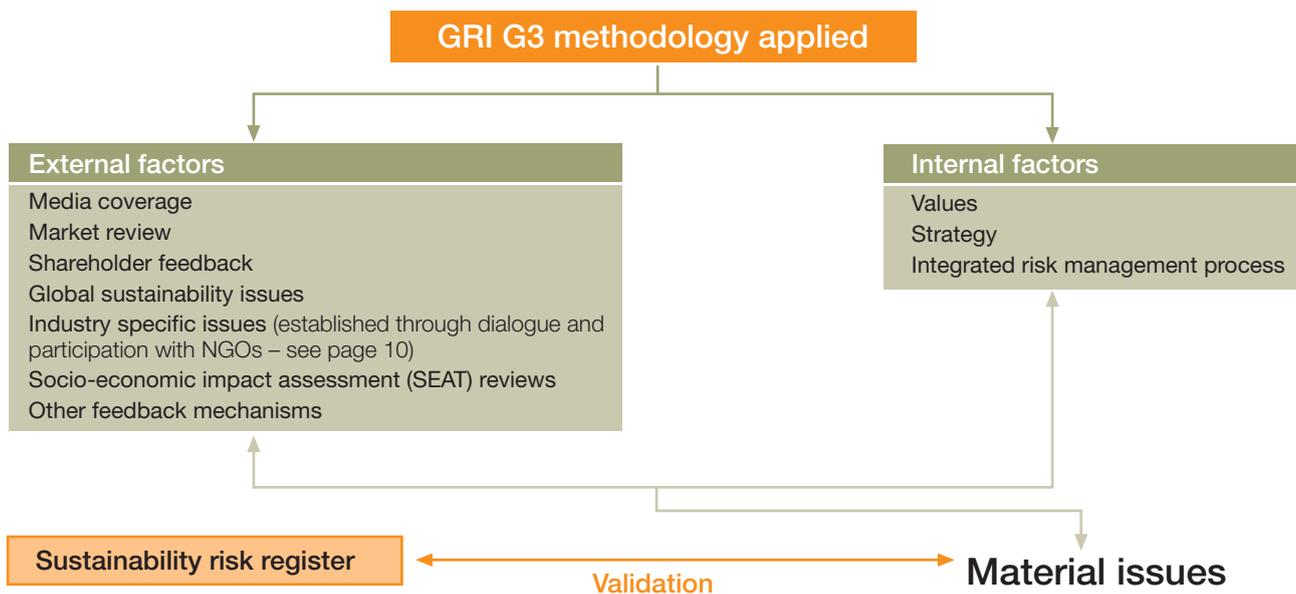
Three principles of reporting have been adopted:

- We recognise that our reporting is of interest to and must take cognisance of a broad range of stakeholders, not just shareholders. We report more on this on page 10.
- We focus on reporting on those issues that are most important to the business, as well as stakeholders. As a Group, we have placed great emphasis on a risk-based approach, including matters relating to the safety and health of our people, the environment and the wellbeing of the communities in which we live and operate. We recognise that our sustainability strategy must also be informed by those issues that are important to our stakeholders. See page 10 for further details.
- We believe that it is important for us and our stakeholders to understand our strategy and performance in context – not only from an industry perspective, but also taking into account the progress made by the business over the past five years. At the end of 2010, we reported on achievements against our five-year commitments. In this review, we report on the commitments we have set for the next five years. See page 12 for more information.

While our integrated report better reflects the holistic performance of our business, and the integrated nature of our business strategy, we recognise that we are at the beginning of this process. We also acknowledge that there are those stakeholders who wish for a more focused and detailed account of our governance, environmental and social strategy, commitments and performance specifically. For this reason we have again produced this separate sustainable development review, supported by a more comprehensive and detailed online report, which:

- reflects the integrated nature of our business. In particular we have increased the disclosure on our economic performance – see www.mondigroup.com/sd11/economic-performance; 
- focuses on those issues which are most material to the business. Further discussion may be found in our online report at www.mondigroup.com/sd11/material-issues; 
- illustrates the way in which we work through case studies, which are highlighted in this review, and which may be found in full in our online report;
- provides data summaries in a format that is accessible and comparable. Performance data may be found at www.mondigroup.com/sd11/data-summaries; 
- reports in line with the GRI G3 guidelines to a level B. Certain key performance indicators (KPIs) and this application level have been externally assured. The review has also been GRI-checked. A GRI index may be found at www.mondigroup.com/sd11/gri-index,  which provides cross references to the integrated report, this sustainable development review, the online sustainable development report and our website.

Process for determining our material issues



Letter from the DLC sustainable development committee chairman and the CEO



Stephen Harris
DLC sustainable development
committee chairman

David Hathorn
CEO

Dear stakeholder

We aim to create and sustain long-term value for our stakeholders by transforming renewable resources into innovative product solutions that meet customer needs in a responsible, cost-effective and sustainable way. To achieve this, we rely on our people, our competitive strengths, our well-developed business systems and our relationships with customers and other stakeholders. We do not want our business to profit at the expense of the environment or society and therefore acting with integrity is one of our key values.

Our 2011 sustainable development review and our online sustainable development report, in conjunction with our integrated report and financial statements, reflect our transition towards a more holistic representation of the company. We have come to focus on those issues that are most material to the business and to our stakeholders, in respect of financial and non-financial performance, and to use these to dictate our future actions.

At the end of 2010, we reached a significant milestone as we reported on achievements against five-year commitments. In 2011, we committed to revised sustainability commitments for the next five years, which are aligned with our identified material issues.

Material sustainability issues

In 2011, Mondi adopted a more formal approach to the identification of material sustainability issues on which it should report, incorporating stakeholder feedback and inputs from multiple sources. The result has been the determination of six material issues for the business:

- securing access to sustainable fibre in the short, medium and long term, to meet the needs of the business and our customers;
- maintaining our licence to trade through Chain-of-Custody certification, responsible business conduct, the adoption of voluntary standards, community development and a regard for ecosystems;
- understanding and minimising our contribution to climate change, and seeking potential opportunities presented by forestry in climate change mitigation;
- recognising concerns regarding biodiversity and ensuring appropriate responses to these;
- safeguarding the wellbeing of employees and contractors and securing key talent and skills; and

- increasing the eco-efficiency of our products with regards to energy and water consumption, water and air emissions, and waste.

Our responses to these issues are detailed in the pages that follow, and in our online sustainable development report.

In addition to these material sustainability issues, the ongoing macroeconomic uncertainty, coupled with the competitive environment in which we operate, do pose inherent risk to the business and we address these risks in detail in the integrated report.

Our commitments going forward

While many of the commitments made by Mondi in 2005 remain critical to the sustainability of our business and will do so at least as far as 2015, other goals have been restated or modified. Others still, following the identification of our material sustainability issues, are altogether new.

Our goals cover all applicable fields, from governance through to society, the environment, forestry, the safety and health of our employees and contractors, and product responsibility.

Our environmental commitments are particularly thorough and state that we will continue to reduce our carbon intensity and emissions, striving to become a carbon-neutral company in the long term. We also commit to further reducing our water consumption through conservation, reuse and recycling practices, and will continue to reduce our disposals to landfill.

With regard to safety and health, we are deeply concerned by the Group's safety performance in 2011, with two people losing their lives while at work in our operations – one in the United States and the other in South Africa. Thorough investigations were undertaken to ascertain the factors contributing to these fatalities, and to ensure suitable management action plans are in place. For existing operations, we are striving for a safety performance that is at or below 0.75 TRCR among employees and contractors by 2015.

Engaging with stakeholders

A fundamental part of our move towards integrated reporting has been a diligent review of who our stakeholders are, what their concerns are, and how we can try and address these in a mutually satisfactory way. We are committed to engaging actively with our stakeholders through multi-stakeholder dialogue at a Group and industry level.

Mondi's strategic direction and objectives

The stability and proven record of Mondi's strategy provides a clear sense of direction for the Group in 2012. Mondi has now been an independently listed company for nearly five years and over this time, we have clearly demonstrated our ability to act decisively and deliver results, even in uncertain conditions. We are certain that our strategic direction is sound and we are confident in our ability to adapt and execute it successfully across the business cycle.

Stephen Harris
DLC sustainable development
committee chairman

David Hathorn
Chief executive officer

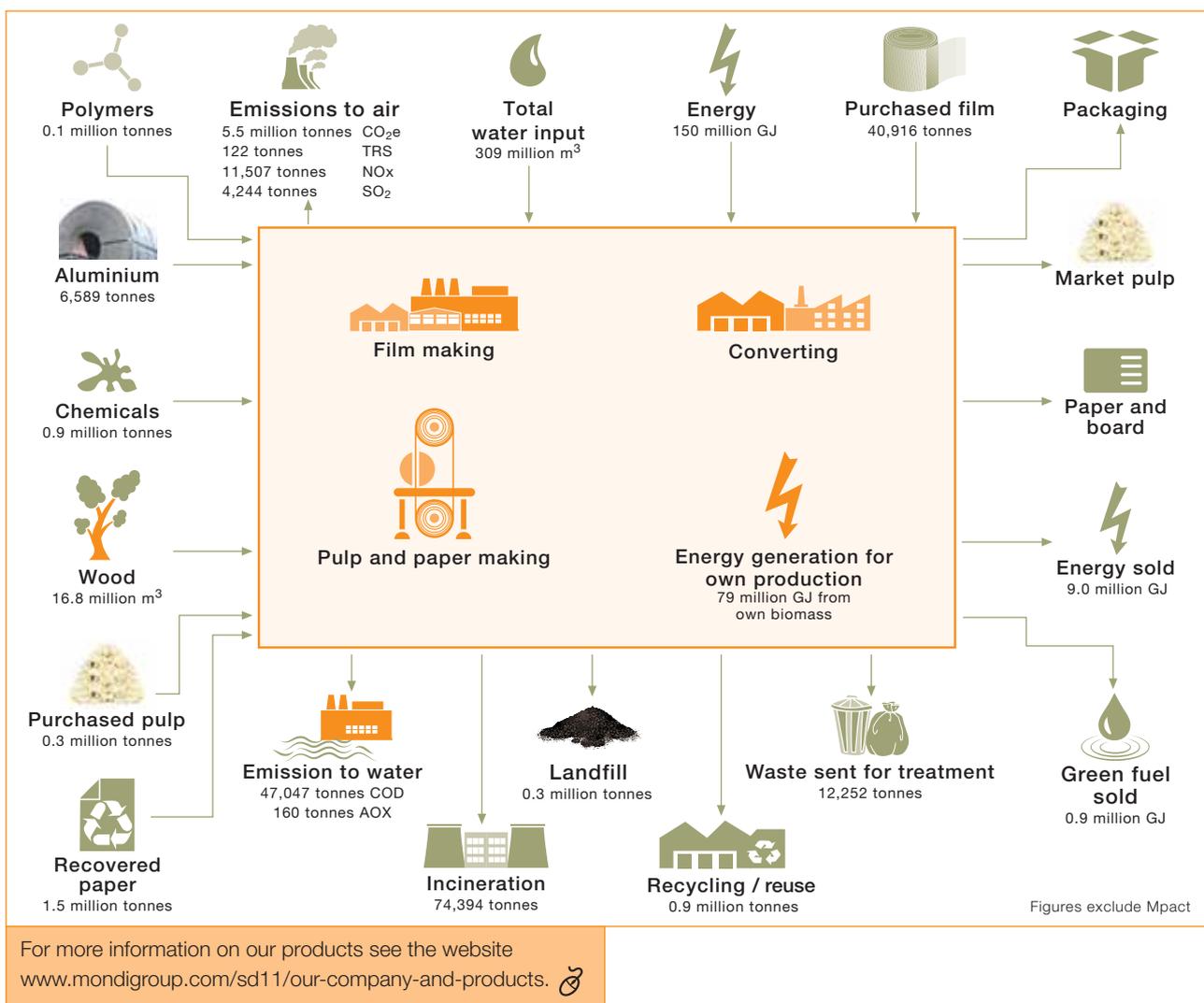
22 February 2012

Our company

With production operations across 28 countries, and key operations in central Europe, Russia and South Africa, we service markets across the globe. Mondi has a dual listed company (DLC) structure, with listings on the Johannesburg and London stock exchanges. Our headquarters are located in Johannesburg, South Africa.

In 2011, we employed around 23,400 people, with additional jobs for an estimated 18,000 contractors.

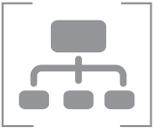
See our integrated report and financial statements 2011 for more information about company structure, financial statements, business strategy and objectives.



Mondi is fully integrated across the paper and packaging process, from the growing of wood and the manufacture of pulp and paper (including recovered paper), to the conversion of packaging papers into corrugated packaging and industrial bags.

Awards and recognition

- Mondi is rated at the advanced level by the UN Global Compact Benchmark
- Mondi maintains membership in the FTSE4Good Index
- Mondi is listed in the CDP FTSE 350 Carbon Disclosure Leadership Index, ranking second in the materials sector
- Mondi participates in the Annual Forest Footprint Disclosure
- Mondi ranks second in the WWF's Environmental Paper Company Index in the packaging category
- Mondi ranks as one of the best performers in the JSE Socially Responsible Investment Index



Governance of sustainability

Mondi is committed to ethical behaviour and professionalism in all of our activities, and at all levels of our business.

The Boards and executive team ensure that we set the highest standards of corporate governance, based on the principles of transparency, integrity and accountability, and monitor implementation across the Group. In line with our DLC structure, the Group complies with the corporate and accounting regulations of South Africa and the UK. See our 2011 integrated report and financial statements for the full corporate governance statement – www.mondigroup.com/ar11/corporate-governance. 

Board oversight and functioning

While Mondi Limited and Mondi plc are separate corporate entities, they have boards of directors comprising the same individuals. This enables the effective management of the dual-listed structure as a single unified economic enterprise.

The Boards guide strategy and provide oversight of performance. The Group is jointly chaired by Cyril Ramaphosa 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.

The Boards comprise nine members: the two joint chairmen, four independent non-executive directors and three executive directors. Its members are diverse in respect of origin, gender, race and education, bringing a wealth of experience and expertise to the Group, and reflecting the nature of its business and domicile. Two of the nine Board members are women and two of the four South African-based Board members are from historically disadvantaged communities.

The DLC committees, to which the Boards delegate specific areas of responsibility, have the authority to make decisions according to their specific terms of reference. The composition of these Boards and committees is reviewed at least annually.

Accountability for sustainability

Accountability for our sustainable development policies, systems, practices, commitments and actions is guided and was monitored in 2011 at three tiers by:

- **The DLC sustainable development committee**, a committee of the Board, that is responsible for ensuring that the Group's sustainable development strategy, policies and commitments are aligned with global best practice. It also oversees performance in respect of safety, health, environment, forestry and community matters across the Group.
- **The DLC executive committee chaired by our CEO.** This committee has the executive responsibility for sustainability performance and ensures that business line management holds primary responsibility and accountability for sustainability performance, supported by the sustainable development function and specialist network groups.

- **Six global specialist network groups**, namely, safety, health and occupational hygiene; environment; energy; black liquor recovery boiler; product stewardship; and fire safety networks. Each comprises specialists from across the Group, who provide valuable expertise and knowledge.

A significant proportion of executive directors' and other senior executives' remuneration is performance-based, and with a balance between the achievement of short- and longer-term objectives, which may be both financial and non-financial.

Risk management and identification of material issues

Risk is inherent to any business. We recognise that identifying and managing risk is critical to our success. A Group-wide risk management framework ensures the effective governance of material risks, which are those with the potential to have an impact on the achievement of commitments or strategic plans. We exercise due diligence prior to the introduction of new practices, processes and products.

Our Sustainable Development Risk and Change

Management Standard guides the ways in which sustainable development risks are identified and managed, while our sustainable development risk register is updated annually to ensure mitigation plans are in place for those risks with a high likelihood of occurrence and/or impact potential. Risks include both inherent operational risks as well as strategic risks. In addition to the key impacts that we have on sustainability and on our stakeholders, we also identify sustainability trends and seek to mitigate risks and opportunities that affect our long-term prospects and financial performance. See the discussion on risk management in our 2011 integrated report and financial statements (www.mondigroup.com/ar11/risk-management). 

Guiding sustainability

We consider the environmental, safety, health, economic and social implications of key decisions we make.

Our Sustainable Development Management System

(SDMS) ensures the effective management of all aspects of sustainability governance and the implementation of our sector policies. All facilities and activities that we own and operate (including those in which we hold a controlling interest), new developments, mergers, acquisitions and businesses that we plan to invest in, and activities undertaken by contractors on Mondi sites or while under our management, are incorporated into our SDMS and are required to comply with our policies, requirements and practices.

Our Sustainable Development Policy outlines our overall strategy and is supported by our sector policies, which identify seven key sustainability aspects:

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

These may be found at www.mondigroup.com/policies. 

All seven sector policies apply across all of the operations we own and manage. We invest in training, education, consultation, auditing and other resources to ensure that they are widely understood and implemented.

A sustainable development governance standard links our management standards to our corporate governance structure, while nine specific management standards define our governance requirements and provide a basis for the development, enhancement and application of our sustainable development principles. A further 10 operating standards define the minimum requirements for good operational management and control across all of our policy areas and provide guidance regarding the implementation of the SDMS at Group, divisional and operational level.

Our **sustainable development reporting and information system**, is aligned with our sustainable development commitments, and captures sustainable development data from our global operations.

Public commitments

At the end of 2010, we concluded our first five-year commitment period and took stock of what we had achieved during this time. Our performance was also externally assured by external assessor, ERM (www.mondigroup.com/sd_assurance_report). 

In 2011, we set out to identify those issues most material to the Group, and the commitments for the next five-year period. The commitments take into account public concerns, significant risks and other legal requirements relating to sustainability issues. These are discussed on page 12.

Assurance

ERM CVS has provided assurance on certain KPIs reported and on our compliance with GRI. See the full assurance statement at www.mondigroup.com/sd11/assurance. 

Internal audit continues to increase the role of sustainability performance monitoring and assumes regular evaluation of the adequacy and effectiveness of our systems of internal control, across all business sites and all business processes. Internal audit deals with all potential breaches of human rights, corruption, anti-competitive behaviour and labour issues. We offer dispute mechanisms for organised labour and employees, and internal audit is directly responsible for the Speakout programme. Internal audit's scope of work is also directly linked to our employment/labour performance indicators, and work has begun to extend this scope to cover our other sustainable development indicators across the Group. Internal audit visits every Mondi operation at least once every five years, with all major plants audited every year.

Business ethics and conflicts of interest

Comprehensive policies are in place to ensure that conflict of interest is avoided at a Board and executive level.

Management, employees and partners are guided by our Code of Business Ethics, which is supported by our Business Integrity Policy – see www.mondigroup.com/PortalData/1/Resources/sustainability/documents/Mondi_Business_Integrated-Policy.pdf.  The Code sets out the five fundamental ethical principles that govern the way in which Mondi and its employees will conduct business. Its application ensures that Mondi:

- complies with all applicable laws and regulations;
- observes the highest standards of honesty and integrity;
- respects the Universal Declaration of Human Rights;
- considers the interests of all our stakeholders including shareholders, employees, customers, business partners and communities; and
- conducts business in a sustainable way, ensuring safety, health and the protection of the environment.

Mondi encourages all those with whom it does business to observe the same principles and a code of conduct for suppliers has been implemented.

Through our confidential reporting tool, Speakout, internal and external stakeholders may confidentially raise any concerns about behaviour or activities that they believe may conflict with our business ethics or values. Speakout operates 24-hours-a-day, seven-days-a-week, on a multilingual basis. Mondi management does not have oversight of this line and its functions; the third-party administrators advise Mondi of any issues, which we then investigate and respond to within 14 days. Mondi's internal audit function ensures that an appropriate level of management is informed about reported issues and that reported risks are adequately managed. Summary information on all reported issues and the status on all open items are provided to the Mondi Boards and the DLC audit committee. In 2011, there were 46 Speakout messages worldwide (2010: 47). In one case, Speakout revealed safety reporting irregularities at our Dynäs operation in Sweden in 2011. Performance data has been subsequently corrected.

Political donations, gifts and bribes

Mondi does not permit contributions or donations for political purposes. Corrupt practices, including bribery and facilitation payments, are also strictly prohibited. We issue detailed guidelines to help employees understand and follow the rules governing gifts, bribes and conflicts of interest. Mondi is satisfied that any lobbying undertaken is in line with the Group's business ethics and internal policies. Our policies with regard to these matters are set out in our Business Integrity Policy.

Fines, non-monetary sanctions and significant legal issues

Mondi was not engaged in legal actions for anti-competitive behaviour, anti-trust, or monopoly practices during the year. Mondi did not receive any significant fines or non-monetary sanctions for non-compliance with laws and regulations.



Engaging with our stakeholders

We recognise that there is a broad range of stakeholders who have an interest in our company and its activities, and on whom our operations and products have an impact. There are also those stakeholders whose activities have an impact on our operations and interests, and other stakeholders where co-operation leads to mutual benefit. The FSC™ certification and our socio-economic assessment toolbox (SEAT) processes provide a good base for stakeholder mapping and our wide engagement at global and local level enables the timely identification of emerging stakeholders.

We engage actively with our stakeholders – shareholders, customers, employees and suppliers, as well as governments, non-governmental organisations (NGOs), academic institutions, local communities, certification bodies and regulators, and the media – in order to understand and respond to their concerns and benefit from their contribution. We do this at a global, national, Group and operation, mill or business unit level. Our approach is one of both informal and formal multi-stakeholder dialogue, and we seek to engage regularly and transparently. Our formal and fully transparent SEAT process and community engagement plan (CEP) demonstrate the level of our engagement in more

sensitive areas and FSC™ provides a global standard for the monitoring of stakeholder engagement.

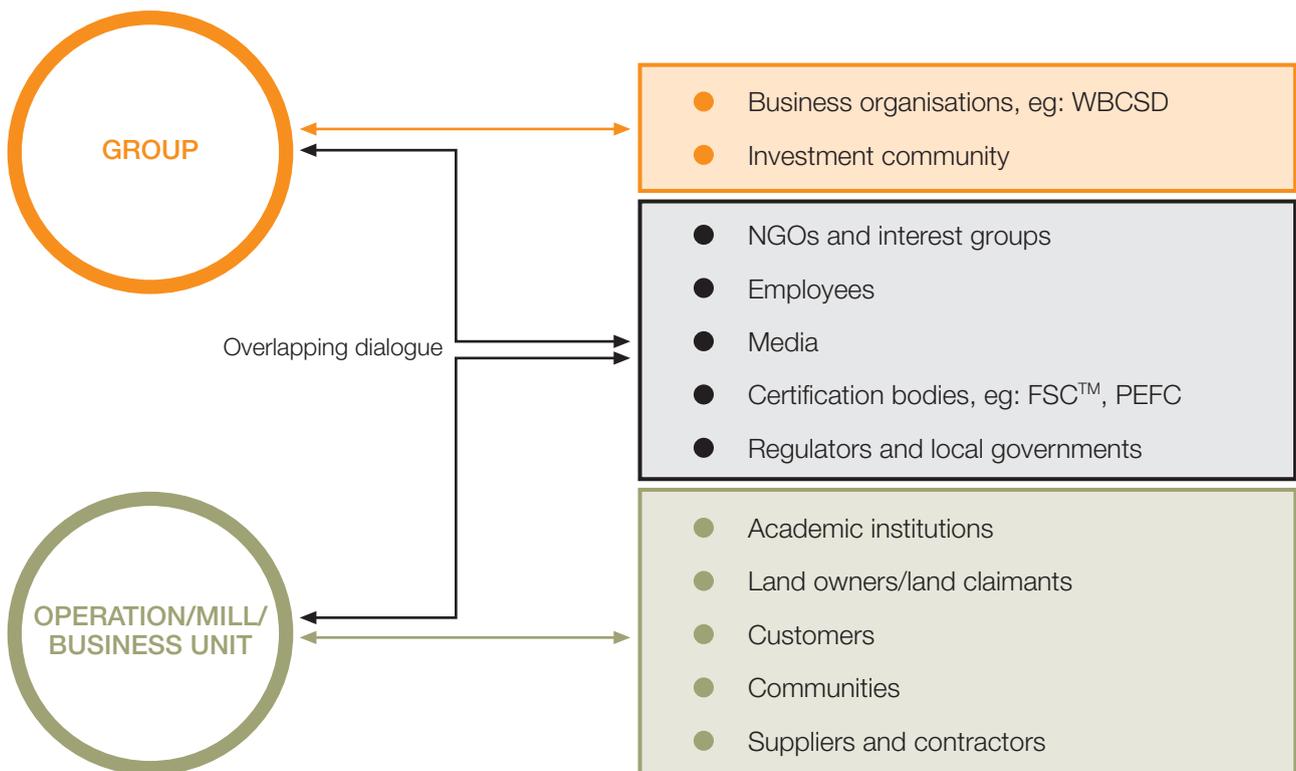
Stakeholders are typically grouped by interest and it is our practice to engage with all stakeholders interested and affected by our operations and products.

We encourage the contributions made by NGOs in identifying matters of concern, and also their engagement with environmental and social projects involving businesses, government agencies, and research and community groups. In many cases, our collaboration with NGOs and the scientific community is producing encouraging results. One example is our involvement in a multi-stakeholder initiative in Russia to preserve areas of virgin forest with high conservation, environmental and social values.

We appreciate and benefit from this dialogue and endeavour to maintain open and productive relationships.

See our website for more details on stakeholder engagement – www.mondigroup.com/sd11/our-approach-to-reporting/engaging-with-our-stakeholders. 

Multi-stakeholder dialogue



Our material issues

Mondi identifies and addresses its sustainable development risks through a regular and integrated risk management process. An extensive discussion on risk management may be found in the integrated report – www.mondigroup.com/ar11/risk-management – with a table of significant risks and mitigating measures. These risks consider both internal operating risks and impacts, as well as external trends and incidents.

In 2011, Mondi adopted a more formal approach to the identification of material sustainability issues on which it should report, and incorporated inputs from various sources including shareholder feedback and meetings, media requests and coverage, peer report reviews, issues raised by NGOs at an international and local level, as well as community concerns. The requirements of GRI were also considered. The SEAT processes were particularly valuable.

The result has been the determination of six material issues for the business, and this review is structured accordingly.

In addition to these, and the ongoing macroeconomic uncertainty, coupled with the competitive environment in which we operate, do pose inherent risks to the business, we address these risks in detail in the integrated report.



Securing access to sustainable fibre in the short, medium and long term to meet the needs of the business and our customers. Forest certification and the support of processes leading to sustainable forests and certification of small growers, supporting new landowners (of land that has been and is subject to land claims) in South Africa, new generation plantations (NGPs) in South Africa and the protection of high conservation value areas (HCV) in Russia, are just some of the measures we take to sustain this access and are therefore important aspects of our business. See page 16.



Maintaining our licence to trade through Chain-of-Custody (CoC) certification, responsible business conduct, the adoption of voluntary standards and community development and a regard for ecosystem services. See page 18.



Understanding and minimising our contribution to climate change and taking advantage of the potential opportunities presented by forestry in the mitigation of climate change. Key focus areas include energy optimisation programmes, increasing the ratio of renewable energy sources to fossil fuels and our efforts towards energy self-sufficiency. Also important is the role our forests play in carbon sequestration, as well as deepening our understanding of the potential risks posed by climate change, including the rising risk of fire as well as potential water shortages. See page 23.



Recognising concerns regarding biodiversity and ensuring appropriate responses to these. Critical areas we address include tree breeding, mono-cultures, the identification and protection of wetlands, riparian and HCV areas and supporting research and development of ecological networks. See page 26.



Safeguarding the wellbeing of employees and contractors and securing key talent and skills. Aspects considered here include safety and health initiatives – especially working towards zero harm – HIV and AIDS programmes and education, the provision of decent work, addressing the threat of fire and food security recruiting, retaining and managing talent. See page 31.



Increasing our products' eco-efficiency. In addition to energy and water consumption, and particularly their footprints, we also consider emissions to water and air, as well as waste. See page 36.

Our sustainability commitments – to 2015

Mondi's sustainability commitments are the product of our revised material issues and extensive stakeholder engagement. Monitored by the Boards and the DLC sustainable development committee, the commitments take into account our performance, our capabilities, and the measures that will ensure Mondi's sustainable performance. While some commitments are a continuation of those previously identified, others are revisions on the way we have previously monitored, measured and reported. Still others are entirely new and reflect the extent to which Mondi keeps itself abreast of industry-specific and global issues.

Commitment	KPI
Securing access to sustainable fibre in the short, medium and long term to meet the needs of the business and our customers	
We will maintain our FSC™ certification of all owned, leased and managed forests	% certification of owned, leased and managed forests
We will procure over 60% of wood, virgin fibre and biomass products from credible certified sources. The balance will be sourced with products as defined in the FSC™ Controlled Wood Standard (FSC™-STD-40-005 V.2) or PEFC Mandatory Guide for the Avoidance of Controversial Timber	% wood, virgin fibre and biomass procured from credible sources
We will continue to work with our South African forestry partners to provide support to land reform beneficiaries in an effort to sustain productivity after the land has been transferred	% land claims settled % land transferred to claimant communities
Maintaining our licence to trade	
We will continue to disclose our carbon and forestry footprint performance	Annual response to carbon and forestry footprint disclosure projects (CDP and FFD)
We will promote the Mondi brand by increasing the proportion of fibre-based products which is certified against a credible forestry standard	% certified products in portfolio
We will increase the number of products in the Green Range, including non-fibre-based products	% Green Range products in portfolio
We will maintain our Chain-of-Custody certifications for our mills and certify Stambolijski (Bulgaria) by 2013	Number of mills with CoC certification
We will continue to engage with the United Nations Global Compact and promote and support the implementation of its ten principles	Annual reporting on Communication on Progress (COP)
We will continue to engage with the WBCSD as a platform to address the most contentious global sustainability matters affecting our business	Support of the forestry, ecosystems and energy/climate change focus groups
All mill operations to be certified to ISO 14001 and OHSAS 18000	Number of mills with certification
All converting operations to be certified to OHSAS 18000	Number of converting operations with certification
All forestry operations to be certified to ISO 14001 by 2013	Number of forestry operations with certification, and monitoring progress towards commitments
We will reduce our level II environmental incidents by 50% by 2015 from the 2010 base year and maintain a 0 level III environmental incident performance	Number of level III incidents Number of level II incidents and % decrease in level II incidents since 2010
We will revise our community complaints system by 2012 and will focus on the reduction of odour-related complaints	New community complaints system in place by 2012 Number of odour-related complaints
All operations that are involved in producing food contact packaging to be certified to a recognised food hygiene standard	Number of food contact packaging operations certified to a recognised food hygiene standard
All mills and forestry operations to have a rolling community engagement plan (CEP) and Russian and South African forestry and mill operations to have a SEAT process updated on a three-to-five year cycle	Number of mills and forestry operations with CEPs in place Russian and South African forestry and mill operations with SEAT process updated on a three-to-five year cycle
We will carry out a water impact assessment (WIA) of our forestry operations and mills.	Number of WIAs undertaken
We will continue to work with our partners WWF and WESSA to support the Mondi Wetlands Programme (MWP) in South Africa and will involve local communities in educational, restoration and conservation activities where reasonable	Report annually on activities carried out by the MWP
We will continue to work with our stakeholders to identify areas of high conservation value in Komi/Russia, and in South Africa	Hectares of HCV areas identified

Commitments	KPI
Understanding and minimising our contribution to climate change and taking advantage of the potential opportunities presented by forestry in the mitigation of climate change	
By 2014, we will reduce our CO ₂ e emissions per unit of saleable production from our mills by 15%, against a 2004 base year	% reduction of CO ₂ e emissions per unit of saleable production
By 2014, we will reduce our carbon-based energy consumption per unit of saleable production from our mills by 15%, against a 2004 base year	% reduction of carbon-based energy consumption per unit of saleable production
We will progress towards becoming a carbon-neutral company in the longer term, by increasing the proportion of renewable resources for primary energy needs against the 2010 base year	% renewable resources used for energy consumption
We will progress towards becoming self-sufficient in electrical energy in the longer term	% electrical energy self-sufficiency
Recognising concerns regarding biodiversity and ensuring appropriate responses to these	
We will implement Ecosystem Management Plans (EMPs) at all forestry locations by 2013	Number of forestry operations with/without EMPs
We will report on seedlings planted, our tree improvements, the invasive species fight back and our work on pest and disease resistance	Number of seedlings planted Progress made in tree improvement programme Progress on invasive species eradication
We will report on land set aside for conservation purposes	% of land set aside for conservation purposes
Mondi participates in WWF's NGP project and is committed to the concept	We will work towards concise NGP practice
Safeguarding the wellbeing of employees and contractors and securing key talent and skills	
Avoid work-related employee and contractor fatalities	Number of work-related employee and contractor fatalities
Prevent work-related life-altering employee and contractor injury	Number of work-related life-altering employee and contractor injuries
We will achieve a TRCR of 0.75 or below by 2015, including employees and contractors, against a 2010 base year	TRCR
Through a partnership approach with government and NGOs, Mondi will facilitate access to a comprehensive primary health care service, including the provision of ARTs, for its employees and contractors	Number of employees and contractors on ART
We will continue to report the diversity of our workforce	Number of men/women in the Group Number of men/women in management Country of origin of management In South Africa, previously disadvantaged individuals (PDIs) in management
Increasing the eco-efficiency of our products	
We will progress towards becoming a zero waste company by reducing the total waste to landfill by 20% by 2015, against a 2010 base year	% reduction in total waste to landfill
We will reduce TRS emissions from our mill operations by 20% in 2015, against a 2010 base year	% reduction in TRS emissions from our mill operations by 20%
We will promote conservation, reuse and recycling practices to reduce specific contact water consumption by 10% by 2015, against a 2010 base year	% reduction in specific contact water
We will reduce our effluent load into the environment, either directly or indirectly discharged, by 10% in 2015 against a 2010 base year	% reduction of COD
We will continue to report our consumption of recovered fibre	% recovered fibre of pulp consumed

OUR PERFORMANCE





We are

reducing our footprint
and increasing the
eco-efficiency of
our products.



Securing access to sustainable fibre

Securing access to sustainable fibre in the short, medium and long term to meet the needs of our business and our customers, is the most significant issue facing the Group. The sustainable management of our resources and assets will ensure this continued access, and that we are able to meet customer requirements.

In line with the definition adopted by the WBCSD, of which Mondi is a member, we define sustainable development as “forms of progress that meet the needs of the present without compromising the ability of future generations to meet their needs”. Not only does Mondi firmly believe that operating the business in a sustainable, responsible way is the right thing to do, we firmly believe that there is a fundamental business case for sustainable development.

Mondi’s business model is based on the premise that a sustainable business, founded on a renewable, non-depletable resource will:

- identify and capitalise on emerging business opportunities as consumers demand more environmentally responsible options;
- secure our social licence to trade (from communities and regulators alike) through third party certification – see page 18;
- be more efficient in the use of resources, thereby improving our cost and risk profiles, as well as the eco-efficiency of our products;
- attract and retain the most talented individuals to lead and operate our business; and
- attract superior investors and partners in the market.

Seeking certification

Wood is Mondi’s primary raw material. Ensuring that we meet the requirements of sustainable forestry practices, from the management of our own forests through to the procurement of our wood and fibre through the supply chain, is a fundamental business imperative.

CoC and forest management certifications are tools used for promoting sustainable wood sourcing. Mondi endorses the FSC™ and the PEFC. Both FSC™ and PEFC are NGOs that promote the responsible management of the world’s forests,

providing internationally recognised standards, assurance and accreditation. See www.fsc.org and www.pefc.org.

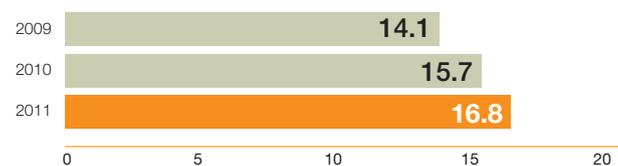
Mondi is committed to FSC™ certification of all our owned, leased and managed forests in Russia and South Africa; to no wood being procured from illegal or controversial sources; and to all mills being certified to CoC standards from FSC™, PEFC or an alternative.

Certification provides our customers, consumers and stakeholders with assurance regarding the wood and fibre we manage and procure – that they have been legitimately sourced from sustainable forests, and that traceability systems are regularly inspected, audited and certified.

In 2011, Mondi consumed 16.8 million m³ of wood, 1.5 million tonnes of recovered paper, and 3.5 million tonnes of pulp (2010: 15.7 million m³ wood, 1.8 million tonnes recovered paper and 3.6 million tonnes of pulp).

In 2011, a total of 61% of wood supplied to our processing plants was FSC™ or PEFC-certified. Our commitment of 60% was reached in 2010. The uncertified balance met the FSC™ Controlled Wood Standard or the PEFC Mandatory Guide for the Avoidance of Controversial Timber, ensuring suppliers sourced from legal and non-controversial sources.

Wood used
(million m³)



Pulp used
(million t)

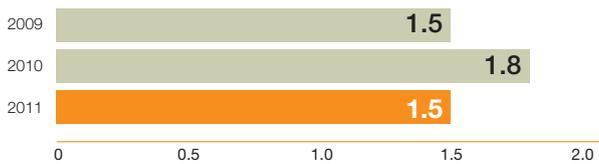


Mondi land claims and business development

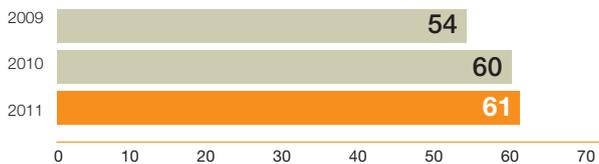
Read more about our land claimant empowerment initiatives online at www.mondigroup.com/sd11/land-claims-business-development. 



Recovered paper used (million t) (%)



Percentage of virgin fibre that is FSC™ or PEFC-certified (%)



With the exception of Stambolijski (Bulgaria), all of our mills have CoC certificates in place, ensuring that the wood procured in 2011 was from non-controversial sources. At Stambolijski (which was reopened in mid-2010 and then closed again in mid-2011) controls were implemented to ensure that wood was procured from non-controversial sources.

Mondi's ability to achieve increased certified wood percentages on an ongoing basis depends to a large degree upon the availability of certified products from external suppliers, in particular from small growers.

Retaining land access in South Africa

In South Africa today, some 125,061 hectares or 49% of our total land holdings are subject to 82 land claims. These land claims stem from a complex legacy of state-led forestation

and forced state removals of indigenous peoples, first initiated in 1913. The 1994 Restitution of Land Act aims to redress deprivation of many indigenous South Africans of their rightful heritage. Restitution can take one of three forms: restoration of land, payment of compensation, or a combination of the two.

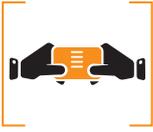
We are committed to playing a positive role in meeting the land reform targets that have been set out for the country and the forestry industry, while at the same time minimising land transfer to alternative uses to around 15%.

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

To achieve this, Mondi has developed an innovative model for engaging with and settling land claimant communities in South Africa, and is working constructively with government and communities to develop claimant communities into sustainable forestry enterprises.

To date, 11 Mondi land claims have been settled. Agreement was reached in 2011 for the settlement of a further 32 claims in KwaZulu-Natal. A total of 39 land claims remain in Mpumalanga. Some 19,200 hectares of Mondi land under forestry have been transferred to community beneficiaries.

Following a successful land claim process, communities gain ownership of the land and derive a sustainable income from it, while at the same time progressively developing their own businesses to operate along the forestry value chain. Critical to Mondi's approach is to ensure that land claim beneficiaries receive meaningful and sustainable benefits, and that sources of fibre are both assured and sustainably managed into the future and retain their FSC™ certification.



Maintaining our licence to trade

Mondi recognises that regulatory compliance alone does not bestow on us a universal 'licence' to trade. Rather, we understand that our 'socio-environmental licence to trade' requires an acceptance – and indeed the co-operation – of a broad range of stakeholders. This 'licence' needs to be earned through constructive multi-stakeholder engagement, consistent delivery on our commitments and a net positive benefit by the company in society. Such a 'licence' must be credible, legitimate and current, and we understand that it is more easily lost than won.

Net positive benefit

Value added statement (€ million)		
	2011	2010*
Turnover	5,739	5,610
Purchased materials and services	(3,969)	(3,933)
Value added	1,770	1,677
Distributed to:		
Employees	824	861
Providers of equity capital	169	72
Providers of loan capital	99	97
Direct taxes paid	85	44
Reinvested in the Group	593	603
Total	1,770	1,677

* Restated to exclude Mpac

Distribution of value (%)



Underpinning and fundamental to our licence to trade is the constructive and programmatic engagement with stakeholders at a global, national and local level. Our approach is one of multi-stakeholder dialogue, where we can contribute as a catalyst for innovative thinking and positive development. It includes an active involvement with industry bodies, NGOs, scientific institutes, government and others in understanding the global, national and local socio-economic and environmental imperatives, and our ability to leverage our role in these forums. Our association with the WWF, the

HCV Resource Network, The Forest Dialogue, FSC™ and WBCSD are some of the examples at a global level, while our relationships with Silver Taiga in Russia and the Wildlife and Environment Society of South Africa (WESSA) are important national associations. Our collaborative support for the MWP (see page 39) and our support of academic institutions, including the Mondi Ecological Network Programme (MENP), play a similar role. See our online report at www.mondigroup.com/sd11/our-approach-to-reporting/engaging-with-our-stakeholders for more information on the associations we support.

Voluntary standards and third party certification

The adoption of voluntary standards plays an important role in the development of internal skills and resources, monitoring and validation, and in our drive for continuous improvement. Examples here include the adoption and implementation of ISO 14001, ISO 14064-1: 2006, OHSAS 18000 and FSC™, as well as our support for the UNGC. Our SDMS has been developed in line with the AA1000 APS standard, thus ensuring that materiality, stakeholder inclusiveness and responsiveness are built into our management systems. External certification and assurance, complimented by rigorous internal assurance, support this process.

Co-operation with NGOs, industry bodies and academic institutions has become an important component of our strategy, and this is particularly so in respect of community development. We recognise that through a process of constructive engagement we can draw on the fundamental knowledge, expertise and resources of local bodies or communities and that this will ensure both the cost effectiveness and the success of socio-economic development programmes.

Third party certification is a critical component of our 'licence'. It is therefore in our own interest to ensure that we support and meet the requirements of recognised sustainable forestry practice, from the management of our own forests, to the procurement of wood and fibre, through the production process within our value chain.

Mondi supports and uses the FSC™ standard, the PEFC standard, or the FSC™ Controlled Wood Standard for wood and fibre purchased. Where this is not possible, Mondi insists on compliance with our own Procurement of Wood, Virgin Fibre and Biomass Requirement, which stipulates the FSC™ Controlled Wood Standard or the PEFC's Standard Guidance for the Avoidance of Controversial Sources, and ensures that no wood or fibre originates from illegal or controversial sources. All of our virgin fibre mills, with the exception of Stambolijski, are certified to internationally credible CoC standards. See page 16 for further information.

Mondi and the SEAT process

See more information on these SEATS online at www.mondigroup.com/sd11/seat-process. 



Securing our social licence

We seek to earn and maintain our social licence to trade by making a real and lasting contribution to the communities in which we operate, both through direct and indirect economic contributions and through CEPs. Importantly, we engage on a sustainable basis with local communities in close proximity to our operations and those directly affected by our operations to build mutually beneficial relationships that enhance the capacity of these communities and improve the quality of life within them. Our employees and contractors form part of these local communities, and are therefore critical stakeholders.

By their very nature, extent and geography, our forestry operations have the most significant community impacts, although we aim to be a reliable and responsible neighbour at all operations.

Our community investment is focused on the following priorities, although we are mindful that there may be site-specific imperatives. In South Africa and Russia in particular, our community development initiatives focus on education and training; local economic development; poverty alleviation; health care, environmental education and rehabilitation; and sports and recreation. In South Africa, special attention is paid to needs arising as a result of HIV/AIDS, specifically the plight of child-headed households. Also in South Africa, we collaborate with industry-specific initiatives that improve the living conditions and livelihood opportunities of the rural poor, including forest sector workers and their families in forestry areas (in accordance with the South African Forestry Sector Transformation Charter, of which we are a signatory). See www.mondigroup.com/Documents/Forestry/BBBEECharterJun07.pdf.  Local communities benefit from some of our technical projects with NGOs and scientific institutions. These projects are already benefiting forests and other ecosystems that communities depend on, especially wetlands, grasslands and riparian habitats, beyond our borders in Komi and South Africa.

Effective community engagement through SEAT process

Our aim is to develop mutually beneficial relationships with local communities that are meaningful and sustainable.

Mondi's most socially material operations are in Russia and South Africa (see definition in glossary) and, given

their location in developing economies, the lives of their communities are affected by poverty, unemployment, illiteracy, environmental degradation and, in South Africa, HIV/AIDS. Our forestry operations in particular are frequently located in rural areas or close to small towns, where we are a significant local employer.

All our socially material operations must undertake a SEAT process every three to five years. Smaller operations undertake simpler reviews of socio-economic impacts, opportunities and risks using the principles outlined in SEAT.

SEAT processes are used as a basis for the identification, monitoring and management of each operation's social and economic impacts, and to improve our social performance in response. The transparent and publicly reported SEAT process involves a wide range of internal and external stakeholders. Centralised and sometimes external SEAT process support teams facilitate the transparent process and their review. SEAT reviews monitor our impacts (positive and negative) on local communities, NGOs, government and the quality, relevance, scope and effectiveness of our corporate social investment programmes and projects.

SEAT reviews were undertaken at the Russian forestry operations in 2009, at the South African forestry operations in 2010 and at the Richards Bay mill in 2011. These reports are available at www.mondigroup.com/desktopdefault.aspx/tabid-1524.  The SEAT process is currently under review to ensure that it remains relevant to Mondi operations and assists in the development of sustainable community projects. The next SEAT process will be held at the Mondi Syktyvkar mill in Russia in early 2012, when the 2006 SEAT will be reviewed.

Community engagement programmes

Dedicated, local community engagement staff are directly responsible for community engagement. CEPs are in place at all our material operations and assist us in maintaining constructive dialogue, so that communities may raise any concerns which can, in turn, be addressed. Mutually acceptable monitoring mechanisms, developed in collaboration with local communities, monitor the effectiveness of our community engagement. Ultimately, our aim is to ensure that CEPs deliver a net social and economic advantage as a result of our activities.

Maintaining our licence to trade

continued

Case Study

Food contact compliance

Read more about our food contact compliance programme online at www.mondigroup.com/sd11/food-contacts. 



CEPs provide for our engagement with local communities through:

- regular engagement forums;
- liaison with governments and local authorities;
- involvement with NGOs, local industry and resident associations, local businesses and action groups; and
- corporate social investment.

Corporate social investment

Corporate social investment (CSI) is undertaken in line with operation-specific CSI strategies developed during the CEP planning process, through consultation with local communities. CSI activities must take into consideration and reflect:

- the priorities of local people;
- the principles of sustainable development;
- Mondi's priorities; and
- the cost effectiveness of the projects.

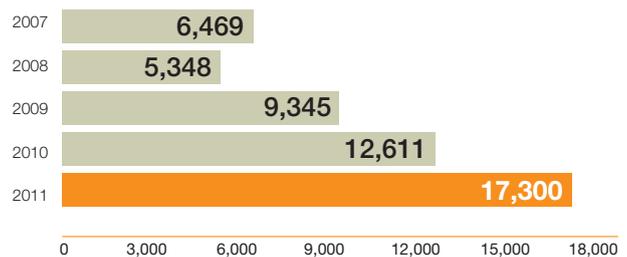
In this way we ensure that we invest in those programmes that are most relevant to the needs of our employees and the communities in which they live and work.

Group-level guidance is provided in respect of expenditure whether it be for discretionary volunteering or financial support (through donations and sponsorships). Ownership of the strategy and its implementation rests at an operational level. Operations are required to review their strategies annually.

The CSI strategy is reviewed annually and is approved by the operation's manager, who is also responsible for the application of a process to review and vet community requests against the aforementioned criteria.

During 2011, Mondi contributed some €17.3 million towards charitable donations and CSI projects (2010: €12.6 million). CSI is narrowly defined as those contributions (either monetary, employee time and resources, or gifts in kind) which bring benefits over and above those directly associated with our core business activities. For further detail on our community initiatives in Russia go to www.mondigroup.com/sd11/csi-2011. 

CSI expenditure (€000)



Addressing human rights

We recognise that issues related to the cultural heritage of indigenous communities affected by our operations, particularly those living in or close to forests, need to be addressed in a sensitive manner. We aim to resolve these issues in a spirit of respect, trust and dialogue. We subscribe to the Universal Declaration on Human Rights and the Voluntary Principles on Security and Human Rights. This is embodied in our SDMS which ensures the provision of a fair, safe and healthy workplace for all employees, free from discrimination, harassment or abuse. No incidents of discrimination were reported during the year under review.

We are a signatory to the UNGC and ensure alignment of our policies and practices with the UNGC principles. We furthermore encourage our suppliers, customers and business partners to work in accordance with these principles. Our annual report to the UNGC, reflecting our compliance and commitment, as well as our Communication on Progress (COP), is available on our website at www.mondigroup.com/PortalData/1/Resources/sustainability/reports/Mondi_COP_2011.pdf.  We have been recognised by the UNGC as an advanced level reporter. Our SDMS is a mechanism for ensuring strong governance throughout our operations and implementing our policies, standards and requirements. We report our compliance and commitment relating to human rights, labour, environmental and anti-corruption issues on an annual basis.

Responsible products: Mondi's Green Range and other initiatives

Read more about our Green Range online at www.mondigroup.com/sd11/green-range. 



In line with the Fundamental Rights Conventions of the International Labour Organization (ILO), to which we subscribe, all employees are free to bargain collectively and can join a trade union of their choice. Our labour standards ensure that our remuneration systems are fair. We prohibit the employment of underage labour and we do not procure goods or services from suppliers who use child labour. We do not engage in forced or compulsory labour and none of our operations are deemed to be at risk in this regard. We have developed a Code of Conduct for Mondi Group suppliers that requires their adherence to these principles.

We recognise the rights of indigenous people and are committed to their fair treatment and, where necessary, to the restitution of historical injustices even if these are not of our own making. No incidents of violations of the rights of indigenous people were reported or alleged during the year.

Developing smarter, more responsible products

Responsibility for individual products and customer relationships is highly decentralised across the Group to ensure that the needs of our various markets are identified and met. A specialist Group-level team, the product stewardship network, guides our product responsibility practices. Generic issues addressed by this team in 2011 include: product certification; the greening of products; hygiene management; and benchmarking the environmental footprint of our products.

Responsible and effective product stewardship involves actively managing the environmental, and safety and health impacts of all our products throughout their life cycles, from our forests to the end product. Our stewardship approach is based on the integrated approach advocated by the Life-cycle Initiative as set out in the United Nations Environmental Programme (UNEP). See www.unep.org. 

This approach led to the development of the Green Range product family. The Green Range was first launched in response to a growing need for environmentally-friendly

office and printing paper and later was extended to include packaging products.

Flagship products from the range include Sustainex® biodegradable packaging, a range of sustainable plastics, including extruded film and coated materials based on biodegradable polymers made from renewable materials. Other examples of packaging solutions with reduced environmental impacts include sack kraft paper Advantage One (which enables the production of the ONE bag, a single ply sack with raw material reduction up to 20%); Terra Bag®, the world's first biodegradable industrial bag consisting of a paper bag (one or more plies) with a biodegradable film for better humidity protection; ECO7's lightweight recycled containerboard, for the making of ecological and economical corrugated boxes; and the ECO corrugated packaging line, with optimised material consumption leading to tangible reduction in weight and waste.

Read more about the Green Range online at www.mondigroup.com/gogreen. 

Our products are subject to various voluntary and compulsory standard-testing procedures to ensure that a high level of health and safety standards is maintained. All operations that supply paper or packaging to the medical and pharmaceutical industry comply with quality and hygiene standards including ISO 9001 (quality), ISO 22000 (hygiene), ISO 11607 (sterilisation), DIN 15593, HACCP, British Retail Consortium (BRC), Institute of Packaging (IOP), the German Federal Institute for Risk Assessment (BfR), and American Food and Drug Association (FDA) standards.

Reducing the environmental footprint of our products

Our approach to responsible citizenship underpins Mondi's business activities and products, including the Green Range.

Significant work has been undertaken to address the environmental impacts of our products. In particular, to improve energy and water efficiency at our pulp and paper plants, and to accelerate our reductions in CO₂e emissions. See page 23.

Maintaining our licence to trade

continued

Well-known Green Range papers, the CO₂ neutral Color Copy and NAUTILUS® SuperWhite, reflect our focus on the responsible management and use of natural resources.

Like every other industrial process, the production of Color Copy and NAUTILUS® SuperWhite emits CO₂. However, these emissions are neutralised through verified emission reduction programmes in which Mondi invests.

An important component of the Group's marketing strategy is responsible paper procurement advocacy. South Africa's leading office paper, Mondi Rotatrim, has been rebranded under the Green Range banner and customers are encouraged to consider environmental performance as part of their buying solution.

See www.rotatrim.co.za/paper_procure.html.  Mondi promotes access to the WWF's guide to buying paper – see www.panda.org/paper/toolbox. 

Recycling

No product is more widely recycled than paper. Based on natural fibres using renewable resources, all of Mondi's paper-based products can consequently be recycled.

About one third of our fibre-based products are made from recycled fibre. Materials that are too degraded for use in paper or board products are still fit to provide carbon-neutral energy.

In 2011, we consumed 1.5 million tonnes of recovered fibre (30% of our total pulp consumed).



Recycled containerboard, Świecie



Understanding and minimising our contribution to climate change

Climate change is arguably one of the most significant global environmental challenges of the last century, with potential ramifications that extend well into the social, economic and political fabric of society. Its impact encompasses all nations and demographics.

Sustainable forest management has a key role to play in dealing with climate change, as climate change and forest management are intrinsically linked. According to the Food and Agricultural Organisation (FAO) of the United Nations, forests have four major roles in climate change:

- they contribute to roughly one-sixth of global carbon emissions when cleared, overused or degraded. FAO estimates that the destruction of forests adds almost six billion tonnes of carbon dioxide (CO₂) into the atmosphere each year, and preventing this stored carbon from escaping is important for the carbon balance and vital in conserving the environment.
- they react sensitively to a changing climate.
- when managed sustainably, they produce wood fuels as a benign alternative to fossil fuels.
- they have the potential to absorb about one-tenth of global carbon emissions projected for the first half of this century into their biomass, soils and products and store them – in principle in perpetuity. Forests store enormous amounts of carbon: in total, the world's forests and forest soils currently store more than one trillion tonnes of carbon – twice the amount found free in the atmosphere – according to FAO studies.

Carbon sequestration by sustainably managed forests reduces our CO₂ emissions caused by our paper and pulp production.

Our potential wood self-sufficiency (wood sourced from our FSC™-certified owned or leased forests) is 47%. Although Mondi fells trees, we are not party to deforestation. For every tree that is felled in our plantation forests, at least one other is planted. In 2011, some 32 million new trees were planted by the Group. In our natural forests, felled areas are left to regenerate naturally and poor regeneration is supplemented with plantings. Mondi is not involved in illegal logging and has strict fibre sourcing requirements – see page 26.

Mondi is cognisant of the risk of climate change to its forestry operations, and to its forest-dependent communities. Rising temperature and climate variability, especially rainfall, is not expected to have a significant impact on Mondi's South African forests in the medium term as our tree breeding programme will produce the plant material required to withstand such change. See page 26. In the long term, a shift in location of some plantations may be required.

In Komi, in Russia, climate change is expected to increase yields, although difficult, wet harvesting conditions can be expected in the medium term and, in the long term, a shift of the boreal forest northwards could occur.

The majority of our paper, pulp and packaging operations are located in areas where the probability of the physical risks of climate change such as floods, increases in storm and hurricane activity and a rising sea level are low, and we have effective systems and controls in place to mitigate these. The most significant impact of climate change on our operations is likely to arise from changes in water availability, particularly the incidence and duration of droughts, which may have an impact on our fibre supply.

Climate variability is likely to lead to increased incidence of disease and greater potential for fires in South Africa and Russia, which could exacerbate the effects of deforestation.

A changed climate also opens the way for non-native, harmful species to invade disturbed ecosystems.

Changes in the ranges of tree species, in forest composition, and in the size and occurrence of insect populations, will also affect the dynamics of forest fires. Although forest fires are mostly caused by humans, their growing frequency may be due to warmer temperatures and shifting winds resulting from climate change. Regional droughts have a clear link with the frequency and intensity of fires.

Mondi is working towards increasing its ratio of renewable energy use over fossil fuels by increasing the use of renewable raw materials such as carbon-neutral biomass from sustainable sources. The proportion of our renewable energy to overall fuel consumption increased from 47% in 2004 to 57% in 2011. In 2011, we saved CO₂e emissions of around 249,000 tonnes by the sale of green electricity, heat and fuels; use of recovered fibre; and substituting natural gas with biogas.

Forests can counteract or moderate climate change because of their ability to absorb and store CO₂. Trees absorb CO₂ from the atmosphere, converting this into biomass and releasing oxygen at the same time. Forests thus serve as 'sinks' (storehouses of CO₂) within the carbon cycle. The faster the tree grows, the more carbon it absorbs. This means that growing forests contribute to reducing the level of CO₂ in the atmosphere. Sustainably managed forests maintain a high level of tree growth and optimum levels of CO₂ uptake.

In 2011, the Group sustainably managed around 2.4 million hectares of forests. Natural boreal forests that are sustainably managed are seen as climate neutral, so only our plantations in South Africa are taken into account for the calculation of avoided emissions. By applying the principles of the United Nations Framework Convention on Climate Change (UNFCCC) methodology, AR-AM 0008, the carbon sequestration of our plantations in South Africa in 2011 resulted in avoidance of about 4.1 million tonnes of CO₂e (2010: 4.1 million tonnes of CO₂e).

Understanding and minimising our contribution to climate change

continued

Case Study

Carbon sequestration: Mondi's plantations and carbon footprint reduction

See more on carbon sequestration at www.mondigroup.com/sd11/carbon-sequestration. 



Compliance

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

South Africa's coal-based economy means that our pulp and paper manufacturing operations are largely dependent on fossil fuels for energy. The South African National Environmental Management: Air Quality Act came into full effect in April 2010 and has ramifications for emissions, particularly for the reporting of industrial GHG emissions data and mitigation plans. The South African government is developing a legislation plan to achieve a reduction of GHG emissions that involves a reduction to 34% below the business as usual baseline by 2020 and 42% below the business as usual baseline by 2025.

Mondi has been an active participant in the Carbon Disclosure Project, and our 2011 response may be found at www.cdproject.net.  For the second consecutive year Mondi has been admitted to the FTSE350 Carbon Disclosure Leadership Index (CDLI).

Policy and commitments

Mondi is committed to promoting sustainable forest management and the use of forest products with low carbon footprints. As part of its commitment, we have set ourselves Group objectives – see page 12.

Our climate change policy considers both the consequences and mitigation of climate change, not only in regard to our business and our business environment, but also in respect of our communities. As a mitigating measure, we:

- responsibly measure and manage our carbon footprint, so that we are able to support our customers by providing detailed carbon footprint information by product; and
- conduct sustainable forest management practices, including afforestation, reforestation and the use of low-carbon footprint forest products.

We have considered the physical and non-physical impacts on our business and our markets and aim to support our customers in reducing the carbon footprints of their products.

Generating energy contributes significantly to GHG emissions, emphasising the need to find low-carbon energy alternatives. We are also improving our energy efficiency and reducing our CO₂ emissions from the use of fossil fuels by:

- improving the energy efficiency of our production processes;
- further increasing energy generation through combined heat and power (CHP) technology;
- increasing our use of biomass-based fuels for energy generation;
- increasing the availability of sustainably produced fibre in support of international carbon trading; and
- implementing projects that will deliver carbon credits under internationally accepted flexible mechanisms, providing green energy to customers.

Mondi actively drives the recycling of paper to replace virgin material, and to avoid GHG emissions linked to the production of virgin fibre and prevent landfilling or incineration of recyclable fibre.

Further reducing our carbon footprint and partially offsetting the negative impact of carbon emitted through our industrial operations, the carbon sequestration capacity of our South African plantations has resulted in the avoidance of around 4.1 million of CO₂e tonnes per year.

Carbon reporting

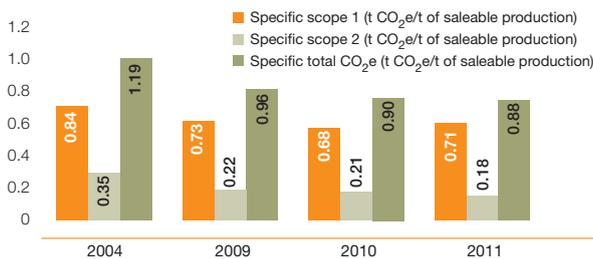
We report on our GHG emissions in accordance with the WRI/WBCSD GHG Protocol. In 2011, our direct (scope 1) Group-wide GHG emissions amounted to 4.45 million tonnes CO₂e (2010: 4.48 million tonnes CO₂e) from our material operations and 0.079 million tonnes from our converters, while our indirect (scope 2) emissions from purchased energy were 1.11 million tonnes CO₂e (2010: 1.41 million tonnes CO₂e) from our material operations, and 0.12 million tonnes from our converters. Our indirect emissions (scope 3) from transporting our products and raw materials, employee commuting, business travel and raw materials (reported for the first time) amounted to 2 million tonnes (2010: 0.34 million tonnes).*

* In 2010, emissions from raw materials and their transport were not calculated. For more information about the scope and boundary of our carbon footprint and the breakdown of our scope 1, 2 and 3 emissions, see the online report at www.mondigroup.com/sd11/climate-change.  We have reported our scope 1 and 2 GHG data in compliance with ISO 14064:1-2006.

End customers are increasingly interested in carbon neutrality and demand climate-friendly products with a reduced carbon footprint, as well as reliable information on the CO₂-related contributions to the specific carbon footprint by transportation, combustion of fossil fuels and usage of purchased electricity. This has significantly increased market demand for 'green' or carbon-neutral products – see page 21.

Since 2010, we have provided detailed product carbon footprints including a computer-based product carbon footprint calculator, based on the 10 principles of the Confederation of European Paper Industry (CEPI), for all our products. Using this methodology we can not only calculate the total carbon footprint of each product, but also calculate a breakdown of carbon data at the various stages of the supply chain to determine the effect of our GHG-reducing activities at every stage. We actively engage with suppliers and customers to reduce our carbon footprint across the entire value chain.

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



Pursuing energy self-sufficiency

Energy security is a global concern and the current largely fossil-fuel based energy paradigm is unsustainable.

Forest biomass provides a potentially vast source of renewable energy with lower GHG emissions than increasingly scarce fossil fuels. Around one-tenth of global energy supply is produced by making use of biomass.

We are actively increasing the biomass content for energy generation. We make extensive use of biomass (for example black liquor, an aqueous solution of residues from the kraft process used to produce pulp) as an alternative to fossil fuels at our mills. This has enabled a number of our operations to be completely energy self-sufficient and net green energy providers.

The Group has approved certain energy-related investments across a number of its operations, including a bark boiler in Syktyvkar; a steam turbine and recovery boiler economiser in Stambolijski; a steam turbine in Richards Bay; and a new recovery boiler in Frantschach. The focus of these and other projects still under consideration is to improve energy efficiency and self-sufficiency whilst providing opportunities to capture additional benefits in the form of electricity sales.

In addition, a de-bottlenecking project has been approved to invest in a 100,000 tonne per annum pulp dryer in Syktyvkar to further exploit the benefits of the recently completed mill modernisation programme. The approved projects, totalling approximately €170 million in capital expenditure, are expected to generate significant benefits with returns in excess of 40%, from 2013 onwards.

100% of Mondi's electricity is generated onsite by way of CHP technology, using our power stations to simultaneously generate both electricity and useful heat. This technology results in savings of more than 30% of primary energy compared with conventional electricity generation.

Mondi is therefore able to sell its excess green energy and to provide electricity and heat from renewable and carbon-neutral resources for the public grid, and thermal energy for district heating in proximity to our material operations.

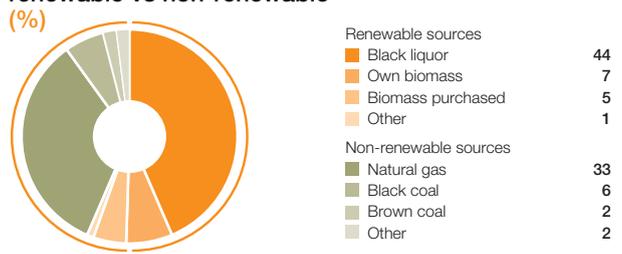
Our Frantschach operation in Austria and our Richards Bay operation in South Africa are almost completely self-sufficient in electricity.

Since 2004, we have increased our use of renewable energy from 47% to 57% and we intend to increase this percentage by making further use of renewable raw materials such as biomass which is often sent to landfill sites when not used as fuel. The use of renewable raw materials has helped us achieve a 15.6% reduction in specific energy consumption and an absolute CO₂ reduction of around 1.4 million tonnes CO₂.

Our rising production volumes will continue to have an impact on our energy consumption. In 2011, total energy use was 147.6 million GJ (2010: 142.1 million GJ) from our material operations and 2.6 million GJ from our converters. Total electricity requirements for producing pulp and paper amounted to 5.4 million MWh (2010: 5.4 million), with 93.5% of this electricity generated by our own power plants, using 64.4 million GJ of fossil fuels and 86.9 million GJ biomass.

Reducing carbon emissions from generating energy from fossil fuels, deforestation and forest degradation are fundamental to international efforts to tackle climate change. NGPs offer both bio-energy and carbon storage, while helping to conserve natural forests – see page 29.

Fuel sources for our material operations: renewable vs non-renewable





Recognising biodiversity concerns

Mondi recognises that biodiversity is a significant concern and that industry, including forestry, can have a negative impact on biodiversity. The main concerns related to forests are:

- deforestation through illegal logging and the conversion of natural forests to agricultural crops or plantations;
- loss of protected and HCV areas; and
- loss of species and habitat biodiversity related to natural forests.

Mondi is not involved in any of these activities. Where Mondi harvests natural boreal forests in Komi, Russia, we ensure there is no threat to biodiversity at the landscape level from Mondi operations. This is performed by relying on a national (Komi) multi-stakeholder process to identify and protect large intact forests, FSC™ certification, the participation of local NGOs to identify and monitor HCV areas and careful forestry practice.

Our business approach ensures that we incorporate social and environmental considerations into our decision-making and commits us to land and freshwater stewardship. We believe that our business practices, and our participation in and support for global bodies (WBCSD, FSC™, TFD), as well as our investment in research and development (MENP at the University of Stellenbosch) and, indeed, conservation, enable the Group to make a positive contribution to maintaining biodiversity in developed landscapes and natural forests where we operate.

No life without forests

Forests are an essential component of life. In addition to the vast supplies of wood, fibre and non-timber forest products, they provide an extensive range of ecosystem services, far in excess of many other land uses. Forests serve as habitats for two-thirds of terrestrial animal and plant species; prevent soil erosion and water run-off; maintain the chemical balance of soil, air and water; recycle nutrients; break down pollutants; clean the air and water; are vital to watershed protection and soil formation; and play a major role in regulating climate.

The primary contributing factors to their degradation are conversion to agriculture, illegal logging and forest clearing related to population growth, poverty and urbanisation.

The perceived lack of economic value of forests in many societies is of concern. Mondi respects the findings of The Economics of Ecosystems and Biodiversity (TEEB) study, a major international initiative to delineate the global economic benefits of ecosystem services and biodiversity; to highlight the growing costs of biodiversity loss and ecosystem degradation; and to draw together expertise from the fields of science, economics and policy to enable practical actions moving forward. TEEB's articulation of a compelling economic

case for the conservation of ecosystems and biodiversity is aligned with Mondi's thinking. As core members of the WBCSD Ecosystems Focus Area, we are piloting aspects of the economics of ecosystems in catchment areas in South Africa. With the support and expertise of the MWP we have assessed the quality of services (values) that our key wetlands provide in our South African forestry areas and have drawn up management plans to maintain or improve the services. We will continue to work within Mondi and with global initiatives to develop meaningful financial and quantitative systems to value ecosystem services. Mondi has also carried out a detailed water impact assessment of South African plantations and identified four catchments where the water use of all stakeholders needs to be carefully monitored.

Responsible forestry

Underlying our overall approach to our business is responsible, sustainable forestry. For Mondi, this means consistently considering the productive capability, biological integrity and community needs of the forests that we own and manage, and from which we source the majority of our fibre needs. It also means the responsible sourcing of the remainder of our raw input materials and care for the way in which they are produced and used.

A sustainable plantation forest aims to maintain ecosystem functionality at a landscape level, conserve HCV ecosystems, enhance local welfare and be financially profitable. To achieve this, we:

- identify and protect natural HCV areas such as wetlands, grasslands and natural forests, and, where practical, link these areas with effective ecological networks that enhance their biodiversity value;
- consider the social values of forests and associated ecosystems;
- fully respect the rights of indigenous people and local communities;
- engage in stakeholder dialogue; and
- practise resource efficient forestry operations.

At the heart of our approach is stakeholder engagement at a local, regional and global level, in bilateral dialogues, partnerships and multi-stakeholder forums. These then inform our responses and actions. See the section on stakeholder engagement on page 10.

Our sustainable forestry practices are guided by our Group-level sustainability approach and policies on forests and natural resources, and which include a dedicated manager who engages with key global NGOs, forestry organisations and other sectors. Local foresters, managers, environmental and community engagement personnel work in alignment with Group structures to ensure the effective implementation of our policies and strategies.

Tree improvement programme – guarding Mondi's genetic material

See the case study online at www.mondigroup.com/sd11/tree-improvement. 



To ensure the consistent understanding and application of our vision, the Group has developed and published the Mondi standard for sustainable forestry to which all operations must comply – see our website at www.mondigroup.com/desktopdefault.aspx/tabid-1402  for further information on this standard.

Mondi owns or leases 307,000 hectares of land in South Africa, of which 203,000 hectares – around 66% – are planted with hardwoods and softwoods. We also lease and manage 2.1 million hectares of mainly softwood boreal forests in Russia.

Annual harvesting from Mondi's owned or managed forests in 2011 was 4.6 million m³ (2010: 5.4 million m³). Our annual sustained yield/annual allowable cut is estimated to be about 9 million m³. The group planted some 32 million seedlings in 2011 (2010: 33 million).

The total amount of wood used by Mondi in 2011 was 16.8 million m³, of which 10.3 million m³ (61%) was certified to FSC™/PEFC (2010: 15.7 million m³ of which 9.5 million m³ (60%) was certified to FSC™/PEFC).

The annual allowable cut in Russia is determined by the state and forms part of the lease agreement. In South Africa this is equal to the annual sustained yield. In Europe we do not own or lease forests, and wood is supplied from external sources, mainly state forests that are sustainably managed, and private growers. Based on our annual allowable cut, we are potentially 47% self-sufficient.

Addressing the challenges

Forest plantations currently occupy 5% of global forest cover but supply 40% of global commercial wood and fibre requirements. These forests can provide important economic and ecological value and can relieve the threat to natural forests. If poorly managed, they can incur significant environmental and social costs.

Plantation forests

All of our plantation forests are managed sustainably, and have been verified as such through FSC™ certification. Sustainable plantation forests are those that are managed for sustainable and/or increasing yields, supported by intensive breeding programmes, based on a wide genetic base, carefully situated in the landscape to maintain functioning ecosystems and biodiversity, and offering protection to HCV areas.

Mondi's plantation forests comprise the main commercial temperate and sub-tropical eucalyptus, pine and acacia species and their associated hybrids. None of these species are classified on the International Union for the Conservation of Nature (IUCN) Red List of Threatened Species as vulnerable, endangered or critically endangered.

Intensively-managed plantation forests established primarily for wood and fibre production have relatively high growth rates and productivity and, provided rainfall is adequate, they generally tolerate a range of soils and growing conditions, including degraded agricultural land. Research has shown that, if managed responsibly, intensively-managed forests can play a significant role in the provision of ecosystem services and future wood supply.

The northern boreal forests of the Komi Republic of Russia comprise mainly pine, spruce, birch and aspen and some larch species. They are slow-growth, natural forests, and are managed on a rotation of approximately 110 years. Some of these forests represent the last remaining intact forests of Europe and have been set aside for conservation through a Komi multi-stakeholder process.

Global issues around boreal forests include illegal logging, felling of intact pristine forests and other HCV areas and felling in a way that does not mimic the natural dynamics of the boreal system that is a necessary condition for maintaining biodiversity. Natural boreal forests can be harvested on a sustainable basis, and even enhanced through sound silviculture practices supported by FSC™ certification.

Ecosystems, biodiversity and forestry

Our business and ecosystem services are inextricably linked. Our forestry practices have an impact on ecosystems and their regulatory (climate and water regulation, flood control, waste disposal) and provisioning services (fresh water, fibre, food). Equally, we, and our communities, depend on ecosystems.

Forest biological diversity refers to all life forms, and their ecological relevance, found within forested areas. Forest ecosystems and their biological diversity encompass not just trees and landscapes but the multitude of plant and animal populations and micro-organisms that inhabit forest areas and their associated genetic diversity.

Recognising biodiversity concerns

continued

The conversion of forests to agricultural land, overgrazing, unmitigated shifting cultivation, unsustainable forest management, the introduction of invasive alien plant and animal species, infrastructure development, mining and oil operations, anthropogenic forest fires, pollution and climate change, all have negative impacts on forest biological diversity.

Forest functions and services, such as recreation, health and wellbeing, timber and non-timber forest resources, biological diversity, maintenance of ecosystem services and the mitigation of climate change are increasingly recognised as integral components of sustainable forest management. Forests also provide livelihoods for people, contributing to the economic, social, and cultural lives of many indigenous communities.

Our approach to managing ecosystems and biodiversity in our forests

Mondi minimises the impact of our plantations and forestry activities on the environment. We help protect vulnerable ecosystems such as indigenous forests, wetlands and grasslands, and we limit our use of natural resources. Mondi works in close co-operation with and in support of NGOs and research bodies to manage land, fresh water systems and biodiversity actively. We have been involved in some of the early, pioneering work on ecosystems, playing a key role in the conservation of wetlands, grasslands and HCV ecosystems. In particular, we participate in the South African government's 20-year Grassland Programme and the Ezemvelo KZN Wildlife Biodiversity Stewardship Programme and actively encourage other landowners and interested parties to do the same. As a result of these efforts, two of Mondi's areas in South Africa have been registered as private nature reserves and the largest part of Mondi SiyaQhubeka is incorporated in the iSimangaliso World Heritage Park.

We do not convert natural forests, wetlands or protected areas into plantations, and the conversion of grasslands or degraded agricultural land is subject to an environmental impact assessment (EIA) and a national multi-stakeholder licence application procedure. This ensures the adequate protection of water resources and biodiversity, including HCV grasslands. We set aside land under management for conservation purposes – at least 25% of our land in South Africa will not be converted to plantations. In 2011, 77,023 hectares (25%) of our South African landholdings were set aside for conservation.

Sustainable forestry in boreal forests means protecting valuable habitats, especially HCV intact forests, and carrying out forestry operations in a way that mimics the natural forest dynamics that maintain biodiversity. We are guided by the Russian Forestry Code and FSC™ standards,

ensuring the retention of seed trees, promoting the effective re-establishment of boreal forests and preserving important natural ecosystems such as riparian and wetland systems. In 2011, 495,000 hectares (23.5%) of our Russian landholdings were set aside for conservation. Mondi is the catalyst and supporter of an initiative co-ordinated by Silver Taiga to develop a practical ecosystem classification system based on Earth Observation (EO) technology for the Komi Republic in Russia. This follows a successful FSC™ pilot project assessing EO as a tool to manage FSC™ certification in the boreal forest.

We identify and protect ecologically important areas under our management and, in particular, HCV wetlands, grasslands and natural forests. Our aim is to connect these sensitive and valuable conservation areas by way of ecological networks to help preserve their biodiversity.

Our ecosystem management plans – developed for all our forestry operations in South Africa and Russia – help us improve the way we identify, protect, preserve, manage and, in some cases, restore, functioning ecosystems and biodiversity.

In South Africa, 13 nationally significant vegetation types have been identified and mapped using our Environmental Conservation Data Base (ECDB) standard, which simplifies them further into five distinct vegetation categories: natural vegetation, wetlands, traditional weed areas, maintained areas and bare land. A biodiversity score which determines high, medium and low conservation status for each forest estate is based on all of the data sources and the greatest priority is given to high conservation status estates.

Responsibly-managed plantations play a significant role in providing and maintaining ecosystem integrity and HCV areas, and can contribute to economic growth and employment.

An intensive management programme has significantly improved the way we control alien species. Alien invasive species potentially pose a serious threat to biodiversity and water resources as woody alien invasive species consume more water than indigenous grassland vegetation, shade out indigenous fauna and flora and, if located in wetland/riparian areas, can have a significant impact on freshwater and wetland systems. Mondi has significantly improved the way in which we manage invasive alien species and dedicated conservation teams work on unplanted areas and are trained in the identification and removal of alien invasive species. This work is a significant part of conservation measures to manage and maintain the habitat quality of the various ecosystems. Mondi's Invasive Alien Plant Programme has covered a total of 60,000 hectares of conservation areas over the past three years and continues to maintain these areas.

Preserving Russia's high conservation value areas

See the case study at www.mondigroup.com/sd11/russia-HCV-areas. 



Preserving high conservation value areas

We recognise our responsibility to conserve our HCV natural resources and, where possible, to help restore ecosystems that have been damaged by our activities or other, historical activities. We actively support the preservation of HCV areas in both South Africa and Russia. The identification and protection of HCV areas helps us to manage our impacts on biodiversity. We are engaged in partnerships to identify, classify and preserve forest and other ecosystems designated as HCV areas owing to their ecological or social significance.

The classification of HCV forests is highly dependent on the particular socio-cultural and ecological context. HCV forests are determined following a broad and inclusive stakeholder consultation process.

Mondi supports the HCV Resource Network (HCV RN), a global network which promotes a practical, consistent approach to HCV methodology. Pleasingly, a number of agricultural bodies have adopted the HCV concept. This positive step promotes the use of HCV beyond the forestry sector and therefore has important implications for global conservation and the development of a standard terminology and methodology.

Mondi protects all HCV areas within our landholdings. Where existing remnants of critically endangered ecosystems such as mistbelt grasslands are identified and located on our landholdings, we aim to connect these remnants and/or link them to larger viable areas on or off our properties via ecological networks or biodiversity corridors, to help maintain biodiversity.

Following the identification of HCV areas within its boundaries, Mondi Shanduka Newsprint's Gilboa estate in Karkloof, KwaZulu-Natal, was the first forestry property to be proclaimed a private nature reserve in South Africa in 2010. Located at the headwaters of three of KZN's important river systems, namely the Umvoti, Myamvubu and Mholweni Rivers, it includes functional wetlands which provide significant services such as water purification and flood control, and has 283 hectares of 'critically endangered' Midlands mistbelt grasslands, home to various threatened species. In 2011, Gelykwater (829 hectares) an area rich in mistbelt grassland was our second forestry property to be proclaimed as a private nature reserve.

Mondi SiyaQhubeka Forests is a flagship for HCV conservation in our South African operations and the conservation partnership with the iSimangaliso World Heritage Park continues to provide benefits for conservation and our commercial forestry operations.

Russia

We actively support and participate in a multi-stakeholder process involving the Ministry of Natural Resources of the Russian Federation, WWF Russia, Greenpeace, Silver Taiga and communities, with the aim of identifying and protecting some of the last remaining HCV-intact forests in Europe. Five of these HCV-intact forests are associated with our operations in Komi. Mondi, with the support of Silver Taiga, continues to identify HCV areas within our lease holding and this process is now carefully monitored within FSC™ certification.

WWF Russia has submitted proposals to the Ministry of Natural Resources of the Russian Federation for the protection of these HCV intact forests in Komi and surrounding regions. The project has also presented proposals for the protection of these forests to representatives of the Komi Forestry Committee (including members from business), the Ministry of Industry and the Ministry of Natural Resources in Komi. After five years of negotiation, agreement has been reached with the Komi Ministry of Nature Resources on the protected area of the Southern Koiyodorok intact forest. Mondi will continue supporting WWF Russia, Silver Taiga and the multi-stakeholder process in Komi with the task of protecting these last remaining intact forests in Europe.

New generation plantations

The NGPs Project is a collaboration between the WWF and several companies and governments, working together to develop sustainable forestry solutions for forestry plantations, and to promote management frameworks that create good environmental, social and economic results. See www.newgenerationplantations.com. 

NGPs are intensively managed forest plantations that:

- maintain ecosystem integrity;
- protect HCV areas;
- are developed through effective stakeholder participation processes; and
- contribute to economic growth and employment.

Recognising biodiversity concerns

continued

Mondi is a participating partner in the NGP Project, which promotes best practice for the design and management of forest plantations by collecting examples of well-managed and appropriately located plantations as key features of healthy, diverse and multi-functional forest landscapes, compatible with biodiversity conservation and human needs. Phase 1 of the project, published in 2009, contains a number of good practices. The Phase 2 report was published in 2011 and considers the role plantations can play in water management, the use of biomass for bio-energy, forest carbon and the impact of new generation practices.

Mondi has signed up to Phase 3 of the WWF New Generations Project where Mondi will share its NGP practices and experiences in an African region NGP project, designed to promote and encourage implementation of NGP principles.

Mondi's SiyaQhubeka Forests, located in KwaZulu-Natal, South Africa, is one of a number of global best practice case studies – see <http://www.newgenerationplantations.com/pdf/case6.pdf>. Through SiyaQhubeka Forests – a partnership between Mondi and our BEE partners, government and local communities – we have ensured that some 9,000 hectares of land, including a large plantation area, is incorporated into the iSimangaliso Wetland Park, providing protection for sensitive wetland and other HCV areas and much-needed space for elephant, rhino, buffalo, cheetah and other game to roam freely.

NGPs, especially on degraded agricultural lands, offer both bio-energy and carbon storage, while helping to conserve natural forests. They therefore represent an opportunity in international efforts to tackle climate change.



Ecological network, South Africa



Safeguarding the wellbeing of employees and contractors and securing key talent and skills

For Mondi to succeed as a thriving international organisation, we need a skilled, trained and committed workforce, the members of which are able to undertake jobs safely and productively, and fulfil their potential.

Safeguarding the wellbeing of employees and contractors

We recognise that our employees work in potentially dangerous environments where hazards are ever-present and must be managed. Our ultimate goal is to achieve zero harm in the workplace. We believe that all incidents are preventable and that we must learn from experience.

We ensure that all Mondi employees and contractors have the necessary safety awareness and skills training to recognise and avoid risk and at-risk behaviour. Training, auditing and the immediate correction of deficiencies are intrinsic to our safety culture.

While ultimate responsibility for safety and health lies in the hands of line management, all employees and contractors are required to carry out tasks safely and with care for fellow employees. Given its significance for the Group, safety is overseen at a Group level.

Our approach to safety and health management is underpinned by our desire to create a culture where responsibility for safety and health is a shared one. Visible management commitment is a critical element in our progression towards zero harm.

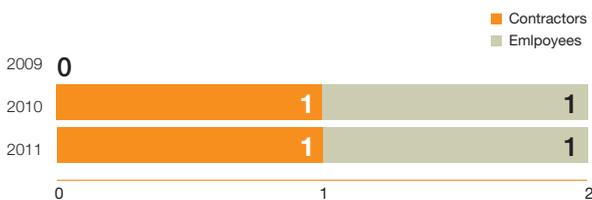
It is with great regret that we report two fatalities at our operations during the year – one in the US involving an employee conducting maintenance work to equipment and one involving a contractor at our forestry division in South Africa.

The fatality in the US occurred in Romeoville on 8 October, 2011. A maintenance assistant died as a result of head injuries incurred by falling from a height.

The fatality in South Africa occurred in Iswepe on 10 November, 2011. A chainsaw operator was clear-felling eucalyptus trees. The operator felled a tree that came to rest against another tree. The hang-up dislodged and fell onto the operator, resulting in instant death.

Thorough investigations were undertaken following both incidents to ascertain the causes and factors contributing to their occurrence, and to ensure that suitable management action plans were in place to prevent their recurrence.

Number of work-related fatalities



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



Swiecie, Poland

Safeguarding the wellbeing of employees and contractors and securing key talent and skills continued

Case Study

Harvesting mechanisation in Mondi forests

See the full case study in our online report at www.mondigroup.com/sd11/harvesting-mechanisation. 



Employment equity in South Africa

We support the process of transformation towards a fully democratic and non-discriminatory society and economy in South Africa. We have established transformation committees at our South African operations to allow our employees to further employment equity and training-related issues and ideas.

Our employment equity policy ensures that the career development of non-designated persons is a focus and that all employees continue to be recognised for their competencies, based on considerations that include statute and merit.

While we ensure that promotion and advancement is based on merit, without tokenism or paternalism,

we make every effort to:

- equalise opportunities for previously disadvantaged persons;
- create and maintain an environment that is free from unfair discrimination;
- develop an organisational culture that respects diversity; and
- implement diversity management and affirmative action initiatives in a manner that is sensitive, reasonable, justifiable and fair.

At the end of 2011, the representation of previously disadvantaged individuals (PDIs) in management in South African operations was 57%. Women made up 18% of the South African workforce.

Our total recordable case rate (per 200,000 hours worked) was 0.92 (2010: 1.09).*

Operations managers, contractor managers and safety professionals conduct thorough investigations of each and every safety incident. Once investigations have been completed, we share our findings and action plans across the Group by issuing actions, safety alerts and incident notices.

Safety communication sessions, involving employees and contractors, are conducted at all operations. During these sessions employees and contractors are encouraged to raise their safety and health concerns. Operations also conduct statutory safety committee meetings at which management and employees are represented. Ever-present challenges within the South African forests are language and literacy barriers. This has largely been overcome by using trained facilitators capable of communicating through verbal and visual means with an appropriate level of language and cultural understanding.

An integral part of our systematic approach to safety is the Nine Safety Rules to Live By which are applied across the Group. These are supported by a set of nine common learning modules, comprising mandatory employee and contractor training.

We make significant use of contractors to carry out specialist and seasonal tasks. A significant focus area is effective safety management of contractors by providing the necessary tools for operations to manage contractors, and involving them in our overall safety programmes. Contractor safety management includes a six-step process covering contract manager appointment: contract appraisal and contractor selection, safety plans and documentation, contractor orientation and induction, contractor supervision and monitoring, performance review and preferred status assignment.

Our occupational health systems vary between operations and regions, as do the specific local occupational health stressors present. Preventing noise-induced hearing loss by reducing exposure to excessive noise and the correct use of personal protective equipment remain key focus areas. In line with the Group's holistic approach to employee wellbeing, operations are encouraged to host health days for employees, in which various medical practitioners as well as health care providers participate. Employees are encouraged to participate in health care monitoring services such as eye, blood and sugar level tests.

* Safety data includes all employees and contractors, with the exception of service suppliers such as catering, office cleaning or telecom work and management consultants. All safety incidents are included within the scope of our reporting except those incidents where Mondi has been unable to or inhibited from enforcing its safety standards on contractors. In 2011, two such incidents occurred, including a fatality.

Two major process safety risks for Mondi's manufacturing operations are the operation of black liquor recovery boilers and the possibility of fires and explosions as well as risk of fire in general. The black liquor recovery boiler working group, comprising recovery boiler managers and engineers and safety professionals, developed a manual for the safe operation of recovery boilers. We continue to monitor compliance with the processes and procedures outlined in this manual by conducting annual audits. During the year, audits were conducted in Świecie (Poland) and Syktyvkar (Russia). In 2011, we started to develop a fire specific manual to address these issues. As is the case with the recovery boiler manual, this manual will be used as a guide and to assist operations in conducting self-assessments and reaching compliance in line with Mondi requirements, techniques and practices.

Other key initiatives during the year included:

- Making a Difference Day, dedicated to safety, health, environment and community engagement, was held across the Group in 2011, after a successful launch in 2010.
- Relaunching the Phepha (meaning 'be safe' in Zulu) safety programme in our South African forest operations to promote safety and health amongst contractors.
- Conducting assessments of non-routine tasks in preparation for the annual shut downs, allowing the various teams to consider the risks and to develop action plans to address these.

Dealing with HIV/AIDS in South Africa

The HIV/AIDS pandemic continues to cause illness and deaths amongst employees (particularly forestry contractors) and community members alike. Mondi creates awareness of the disease to avoid onward infection and to encourage counselling, testing and treatment, and provides treatment to employees. We provide extensive support to affected communities – see our online report for further information: www.mondigroup.com/sd11/hiv-aids. 

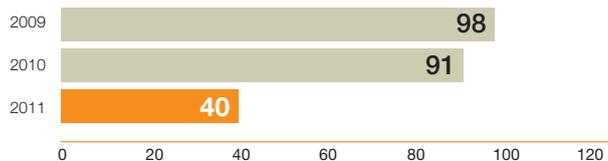
Our HIV/AIDS management system is based on World Health Organization (WHO) guidelines and is aligned to the ILO Code of Practice on HIV/AIDS and the World of Work.

Our policy deals with the prevention of discrimination, the management of HIV-associated illnesses and disabilities, the treatment of HIV infection, measures to reduce the impact of HIV, antiretroviral treatment (ART) and disease monitoring. Our efforts focus on improving employees' understanding of their condition, managing the impact of HIV/AIDS in the workplace and offering treatment to those who are HIV-positive.

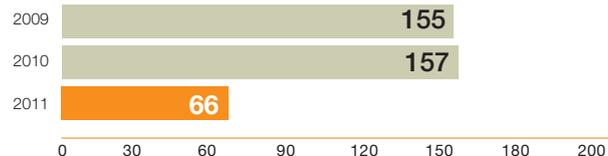
To ensure that employees, contractors and their families have access to medical care, we have made three mobile clinics available to provide HIV/AIDS voluntary counselling and testing (VCT) as well as primary health care to community members in our remote forestry areas. The services provided by our mobile clinics also include testing and treatment for medical conditions such as diabetes and blood pressure and other illnesses such as tuberculosis. We also provide critical vaccinations to children from the surrounding communities.

VCT is freely available to all employees, and 1,100 employees made use of it in 2011. ART is also available to all employees. In 2011, 40 employees participated in this programme (2010: 91). ART begins when an employee's CD4 count reaches 350 (higher than the Department of Health's level of 250).

Number of employees on ART (SA only)



Number of employees on HIV wellness programme



Securing talent and skills

Mondi seeks to develop and empower our people to perform at their best and to grow in a dynamic culture. While the management of people is a line function, specialist human resources personnel at a Group, division and operational level provide knowledge, guidance and support to line management as required.

During November 2011, we conducted an employee survey to determine how Mondi is perceived among its employees and to identify the areas where Mondi could possibly improve the company's working environment and culture. 81% of employees participated in the survey and their feedback will enable management to develop actions at a local level.

As at the end of 2011, the Mondi group provided employment for approximately 23,400 people (2010: 29,000 employees).

Safeguarding the wellbeing of employees and contractors and securing key talent and skills continued

Mondi also provides employment for an average of 18,000 contractors, both at its mills (primarily for construction and maintenance purposes) and through the employment of contractors within the forestry division in South Africa. Contractor work is often short-term and related to the completion of tasks or projects, and not specifically the employment of a fixed number of people. In South African forests, contractor numbers are highly variable depending on season, workflow, and other job opportunities.

Turnover levels are not monitored centrally, but are assessed at a local level and – where necessary – plans are put in place to address areas of concern.

Embracing diversity

As a global organisation operating in 28 countries, we embrace diversity. We treat all our employees fairly, irrespective of origin, race or gender and comply with the employment equity requirements of the countries in which we operate.

We recognise that in South Africa, where employment equity is entrenched within legislation, there are historical imbalances that need to be redressed in the workplace. For this purpose, we have specific policies, strategies and structures, such as divisional and central transformation committees, in place to monitor progress and assist the company in adhering to the spirit and letter of the law. We provide equal opportunities to men and women and ensure that our policies and practices support this.

At the end of December 2011, 20% (2010: 21%) of employees were women and 10% (2010: 21%) of our managers* were women.

Employment practices and collective bargaining

We uphold the labour rights set out in the Fundamental Conventions of the ILO, ensuring fair employment practices at our operations. Our remuneration practices are competitive and do not discriminate on the grounds of age, race or gender. All employees have the right to freedom of association

and collective bargaining. In South Africa and in many European countries, collective bargaining is enshrined within legislation. Minimum notice periods in respect of operational changes and rates of pay for men and women are prescribed by legislation, with the exception of South Africa. At the end of 2011, around 973 employees (around 50% of the workforce) belonged to a recognised union in South Africa. This information is not collated in Europe.

Decent work

We aim to reduce the extent to which employees are exposed to high-risk and heavy manual tasks and to eliminate harmful ergonomic practices, particularly through the mechanisation of our forestry operations.

Food security

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

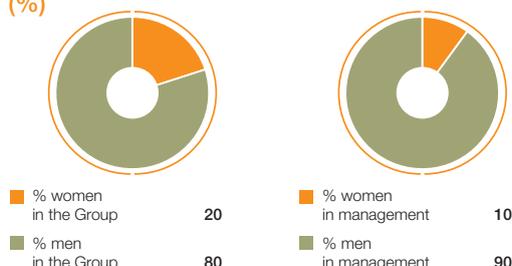
Mondi's Food 4 Forests programme – first launched in 2008 – ensures that employees and contractors working in forestry operations receive and consume a nutritionally balanced meal during the course of their day's work. In 2011, the programme delivered 1.8 million meals to around 8,000 people, provided by three local catering companies.

Training and development

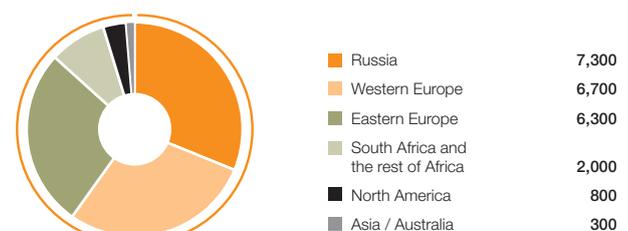
In South Africa, we continue to expand the skills base of our employees through a three-tiered approach comprising:

- bursaries and other forms of financial assistance towards higher education for employees, their children and the general public;

Diversity (%)



Employees per region



* In 2011, the definition was applied more strictly across all operations.

Mondi makes a difference

Read more about this in our online report at www.mondigroup.com/sd11/mondi-makes-a-difference. 



- recognised training and development courses on a part-time study basis through approved tertiary institutions; and
- selected training courses, seminars and programmes for knowledge upliftment, offered both internally by the company through the Mondi Academy, and externally by approved training institutions.

Leadership development programmes, at Group and operational level, play an important role in the identification and development of talent within the Group.

The Mondi Academy offers training in leadership, personal, business and technical excellence.

In 2011, 572 employees from our E&I Division participated in training hosted in Austria.

The Mondi Academy in South Africa was officially launched in February 2011 and 541 employees received training.

Managing talent

Attracting, managing and retaining talent is a challenge for the Group. Mondi leadership development programmes play an important role in the identification and development of talent within the Group. Locally designed and implemented operational level leadership development programmes are specifically tailored to meet operational and employee needs. A Group level leadership development programme has also been centrally designed and managed to ensure consistent application across the Group, and the development of the Group's resources as a whole.

Centrally-driven leadership development activities consist of assessment modules: training modules like the Mondi Enhanced Leadership Programme for highly-experienced managers with further potential, the Mondi Leadership Development Programme for experienced managers with high leadership potential, the Mondi Senior Sales Development Programme for senior sales managers, and other supporting tools like the Mondi Mentoring Programme and the 360 Degree Feedback for Executives Programme.



Mondi leadership conference



Increasing our products' eco-efficiency

To avoid any major impact from our operations on our surrounding natural environments we have implemented strategies to minimise and remedy the extent of this impact. We have commitments in place to:

- reduce our consumption of resources, including minimising our use of energy, materials, water and land and enhancing the recyclability and durability of our products;
- reduce the impact of our activities on nature by minimising our air emissions, water discharges, waste disposal and increasing our share of renewable energy sources; and
- increase our product service value by providing additional benefits while at the same time providing customers with the products and services they need and using fewer materials and less resources to do so.

In particular, we have undertaken extensive investment to minimise the environmental impacts of our pulp and paper plants by improving energy and water efficiency, reducing our water and carbon footprint and by reducing emissions to air and water.

All our mill operations, apart from Stambolijski (Bulgaria) and Tire (Turkey), have environmental management systems certified to ISO 14001 in place while all our mills, with the exception of Stambolijski, have CoC certificates in place to ensure that the wood we use in our products is sourced from non-controversial sources.

As a minimum standard, we ensure that all our operations comply with the environmental laws and regulations of the countries in which we operate. No significant fines (defined as fines higher than €10,000 in line with our definition of level II incidents) or non-monetary sanctions were imposed on Mondi as a result of non-compliance with environmental laws or regulations.

Wise use of resources

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

Recovered paper has become an indispensable raw material for our business and, in 2011, we used approximately 1.5 million tonnes of recovered paper (2010: 1.8 million tonnes) to produce pulp for paper and newsprint – this amounts to 30% of the total amount of pulp used (2010: 33%).

Besides fibres and chemicals, the pulp and paper manufacturing process requires a substantial amount of process water and energy (in the form of steam and electrical power), which makes the paper-making process an energy- and natural resource-intensive one. Depending on the type of paper produced, fillers, coatings and other substances are also used.

Reducing our emissions

Our environmental strategy is aimed at increasing the overall efficiency of our production processes to achieve our goal of cleaner production and is focused on three critical areas:

- emissions to air,
- emissions to water; and
- disposal of waste.

Emissions to air

Anthropogenic GHG emissions and in particular CO₂ emissions from fossil fuel combustion, are widely accepted to be the most significant drivers of climate change. We have identified the risks and opportunities presented by climate change on page 23.

Our biggest community concern and one of our major industry-specific emissions is total reduced sulphur (TRS) compounds from our pulp mills. While the scale of the concentrations emitted does not pose a health threat, trace amounts are enough to create an irritating odour.

In 2011, our TRS emissions amounted to 122 tonnes (2010: 134) with 209 complaints reported, mainly relating to odour. We have reduced our TRS emissions mainly by collecting sulphur-containing emissions followed by combustion in incineration facilities, such as recovery boilers.

SO₂ is emitted mainly as a result of the combustion of coal for energy generation. Our SO₂ emissions amounted to 4,244 tonnes for the year. While our SO₂ emissions have increased slightly in 2011, mostly due to the increase in energy generated onsite, we have continued to move from sulphur-containing coal towards renewable sources for energy generation.

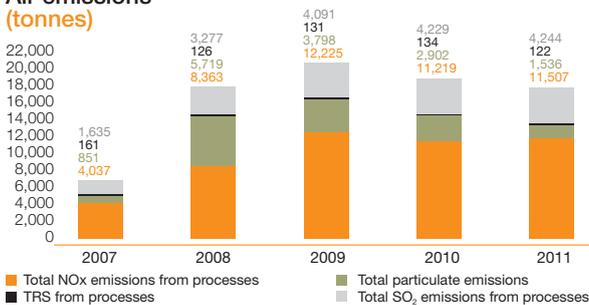
NOx emissions are related to the combustion of fossil fuels and biomass in our onsite energy generation plants. We have implemented programmes to increase the efficient use of our existing boilers and have introduced de-NOx systems in the purification of exhaust gases. In 2011, our NOx emissions amounted to 11,507 tonnes (2010: 11,219 tonnes) while our particulate emissions amounted to 1,536 tonnes in 2011 (2010: 2,902 tonnes). The planned modernisation of some of our boilers will result in measurable reduction in NOx and SO₂ emissions.

Odour abatement progress at Mondi Richards Bay

Read more about this project online at www.mondigroup.com/sd11/mondi-makes-a-difference.



Air emissions (tonnes)



Water

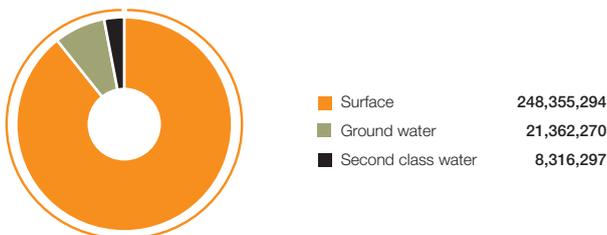
Water is a growing global constraint particularly in water-scarce areas. Water is a critical component in our product life-cycle and is present nearly everywhere in our supply chain, from the growing of trees to producing the end product. We have therefore implemented strategies and processes to manage it wisely and responsibly. See page 39.

Recycling of water is an important concern for us in optimising our resource efficiency. Apart from being a critical resource, we also use the energy content of warm and hot water in generating energy which has a significant economic impact on our operations.

The water we discharge after production is treated and then released back into the natural environment. Treating water is important, as impurities in water discharges as well as changes in water temperature can harm ecosystems linked with natural water bodies. Our water systems ensure that the water we release is treated, ecologically safe and meets regulatory requirements.

In 2011, 330 million m³ of water was discharged* by Mondi's operations. Total water input amounted to 309 million m³.

Non-potable water input (m³)



* Included in our water discharges is the waste water taken over from third parties and treated at our waste water treatment plants. The waste water from third parties (about 37 million m³ for 2011) is not reflected in our total water input figure reported above.

Water discharges

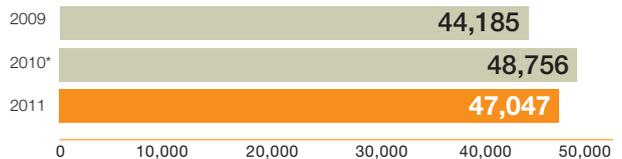
Two critical indicators of discharges to water are used and Mondi has commitments in place to reduce their overall impact on water bodies. These are:

- Chemical oxygen demand (COD). This reflects the organic load being discharged by the company in the form of grey or waste water after treatment.
- Adsorbable organic halogens (AOX). This reflects adsorbable halogen compounds present in water released from the pulp bleaching process.

Good progress was made in reducing COD emissions by 34% between 2005 and 2010.* In 2011 COD tracked at 47,047 tonnes (this figure excludes M pact). The improvement of waste water treatment in Świecie and Syktyvkar resulted in a reduction of COD emissions by 5,000 tonnes in 2011.

The Group's volume of COD lies within the Best Available Technique (BAT) range as defined in the glossary of terms.

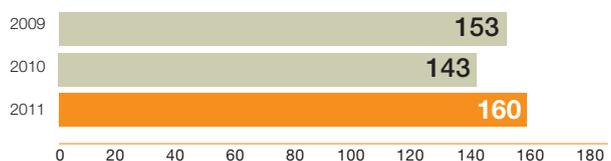
Emissions to water – COD (tonnes)



* The 2010 figure includes M pact with 91,000 tonnes. This figure was restated to 48,756 tonnes to provide a comparative basis going forward.

In 2010, AOX emissions were reduced from 390 tonnes in 2005 by 63%. This was due to elemental chlorine no longer being used during bleaching. In 2011 the AOX emissions increased due to higher production volumes and increase in use of bleaching agents. Mondi is investigating ways of further reducing AOX emissions and will report on this in 2012.

Emissions to water – AOX (tonnes)



Increasing our products' eco-efficiency

continued

The company's volume of AOX lies within the BAT range as defined in the glossary of terms.

Highlights in the treatment of waste water include the full implementation of the new anaerobic waste water treatment plant at Świecie in Poland, producing methane-containing biogas used to generate energy; and the Syktyvkar operation in Russia being modernised and capacity improved as a consequence of Syktyvkar's energy generation and production improvement project, STEP.

The indirect water footprint takes into account pulp, recovered paper and fibre from third parties and is calculated using original data from our suppliers, data from literature or comparable data from Mondi production, if data is not available from suppliers.

There were no significant incidents related to water in 2011.

Waste

We carefully monitor all our operational waste according to their types and routes and categorise them according to hazardous and non-hazardous waste.

Our main waste streams are green liquor, boiler ash, lime mud, waste paper rejects and sludge. We recycle, re-use or use a waste as a secondary fuel for energy generation instead of disposing of waste in landfills. Our treatment options include:

- treatment for change of physical status and/or chemical composition (such as drying and filtration) or for treatment to change hazardous to non-hazardous;
- combustion in incineration facilities (with or without energy recovery); and
- landfilling, where recycling or reusing is not possible.

In 2010 we achieved a reduction of 36% of our total waste to landfill since 2005 by increasing the recycling and re-use of materials. This has been achieved by making further use of renewable energy and maximising the use of raw materials such as biomass, which is often sent to landfill sites when not used as fuel. See page 23 of the climate change section for more information on how we have reduced our specific energy consumption by making use of renewable raw materials.

In 2011, our total waste to landfill amounted to 300,455 tonnes (794 tonnes of non-process related hazardous waste and 299,661 tonnes non-hazardous, with no process related hazardous waste being landfilled). Our non-process hazardous waste mainly came from South Africa where re-use and recycling options are still limited. The increase in our total waste to landfill, mainly attributed to our Russian operation, is a result of an increase in waste sent to landfill during the spring floods instead of being used for land reclamation.

Waste to landfill (000 tonnes)



Eco-efficient products

Developing cost-efficient, high-performance, environmentally responsible solutions is a cornerstone of our business strategy. Our goal is to contribute to our customers' success and help them maintain their competitive advantage by meeting their specific needs and requirements. In collaboration with our customers, we develop tailor-made solutions for world-class performance.

Increasingly, consumers now prefer brands that are environmentally and socially responsible.

Our products are made from wood sourced from sustainably managed forests with FSC™ or PEFC certification. This assures our customers that the wood and fibre we manage and procure have been sourced from sustainably managed forests that do not pose social and environmental risks.

Our NAUTILUS® SuperWhite carbon-neutral office paper range, made from 100% recyclable fibre at an ISO 14001-certified mill, provides customers with the option to reduce their impact on climate change by reducing their carbon footprint during the product life cycle.

Our pioneering Sustainex® biodegradable packaging is a range of sustainable plastics, including extruded film and coated materials based on biodegradable polymers made from renewable materials.

Other examples of packaging solutions with reduced environmental impacts include Sackpaper Advantage One Lightweight (which saves wood and increases the strength of our bleached one-ply sacks), Provantage Fluting Frost (used in recycled fibre-based cooling boxes) and the Easy Seal Bag Closure Valve.

In addition, Terra Bag® is the world's first biodegradable industrial bag. It consists of a paper bag (one or more plies) with an optional biodegradable film for better humidity protection and can be equipped with an Easy Seal valve. The entire bag is biodegradable and is optimised for industrial composting. Terra Bag® is certified according to EN 13432, a European standard that defines the requirements for packaging recoverable through composting and biodegradation.



Conserving water

Case Study

Calculating Mondi's water footprint

Read more online at www.mondigroup.com/sd11/water-footprint. 



Water is a critical resource for both Mondi forestry operations and mills and we see this as a significant emerging issue that touches all other aspects of our business. To highlight its importance, we dedicate this section of the report to our performance with regards to water.

Water is a vital component of sustaining life and is essential for business. The FAO estimates that only 1% of water on earth is available as fresh water. As populations and industry grow, so does the depletion of groundwater supplies, exacerbated by climate change. Water is also a scarce resource on a global scale and Mondi, as a significant user of water throughout the life cycle of the company's product, is committed to its responsible use. Not only is it incumbent on the company to be environmentally responsible, but it is also a necessity for Mondi to deal with any risk to operations and communities related to water scarcity.

The nature of our business is water intensive – water is used for fibre production in forests and for various industrial operations in our plants. Water is needed in the process of producing pulp and eventually paper, and also for 'non-contact' purposes such as cooling.

Water discharges from our mills entering into the aquatic environment have the potential to impact natural water systems.

According to the CDP Water Disclosure Global Report of 2011, it has been predicted that the world's total demand for water will outstrip supply by 40% by 2030. As growing demand for water from industrialisation and population growth is compounded by climate change and the growing uncertainty of supply, the global economy will be reoriented towards businesses that take active stewardship of water resources and build resilience to shortages and floods. Mondi is convinced that water has to be considered in its environmental strategy and sets concrete actions to reduce its direct water consumption as well as taking this into account throughout the company's supply chain.

Mondi carried out detailed water impact assessments (WIAs) in 2011 for our forestry operations to assess any medium- or long-term threats to the business. Mondi's South African plantations were of greatest concern with regard to water availability. South Africa is a water stressed country and the impact of climate change could exacerbate the water shortage in the country and increase the water supply risk

to the business. However, the WIAs established that there is no significant threat due mainly to the plantations' location on the wetter, eastern side of the country. The conclusions of the WIAs have been discussed with third parties, including the WWF, to ensure they are comprehensive and appropriately benchmarked to assess materiality.

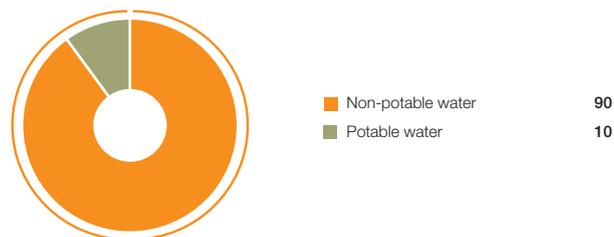
Water footprint

Mondi wanted to better understand its water footprint in order to manage it more effectively and efficiently. The company therefore calculated its water footprint, as a Group and at each operation, using the methodology described in the Water Footprint Assessment Manual published by the Water Footprint Network – see below. The water footprint of a product is defined as the total amount of freshwater needed to produce it. An operation's water footprint consists of three components: green water, which is consumption of rainwater stored in the soil as moisture; blue water, which is consumption of potable, surface and ground water; and grey water, which is the volume of fresh water required to assimilate the load of pollutants based on existing ambient water quality standards.

With the information gleaned from the establishment of water footprints, Mondi will be initiating projects in 2012 aimed at reducing water usage and tightening reduction targets.

In 2011, Mondi's total water input was 309 million m³ (2010: 311 million m³). The green and blue water used in the forestry stage is not lost but is returned to the water cycle through evapotranspiration. While afforestation can affect groundwater availability, forests have a positive effect on water availability by storing and thus regulating water and advancing the purification process.

Total water input m³ (%)



State of the wetlands report

Read more in our online report at www.mondigroup.com/sd11/wetlands-report. 



Blue water is used in the industrial stage for cooling, energy production, production and washing processes, while contact water is recycled at waste water treatment plants.

However, it is important that Mondi manages direct impacts on local water resources in relation to local watersheds. Using the Global Water Tool, all Mondi mills have assessed their water use relative to local water availability. A detailed water footprint has been conducted at South African operations, taking into consideration natural cycles in river flow, changes in lake or aquifer levels and violations of water quality standards. Further WIAs will be undertaken for operations in water-stressed countries in 2012. Mondi is working to reduce its blue water usage by carefully examining the production process for any inefficiencies. This includes identifying where any blue water can be recycled: taking water from a production stage and, instead of sending it to the waste water treatment plant, trying to use it in another stage. Mondi also seeks to harness the economic and environmental value of the energy content of warm and hot water.

The grey water footprint is the volume of polluted surface water. Within Mondi, grey water only appears in the waste water discharged from the production process, normally after treatment in waste water treatment plants.

For information relating to grey water, please see the section on eco-efficiency on page 36.

Preserving wetlands

One of the areas in which the company can have the greatest impact is in the stewardship of wetlands. Around 55% of South Africa's wetlands have been significantly damaged due to poorly managed agriculture, commercial forestry, mining, urban development, pollution, dam building, erosion and fire. Wetlands play a vital role in biodiversity protection, tourism, environmental education, grazing, subsistence agriculture, and are a source of food and plant materials for rural communities. Because Mondi's commercial activities use significant volumes of water, we also rely on healthy wetlands and riparian zones.

Wetlands play a pivotal role in the management of water flows, including the purification and storage of water. They control erosion, reduce the severity of droughts and floods by regulating stream flow and recharging underground aquifers.

In Komi, Russia, the compulsory delineation of wetlands and buffer zones has resulted in the protection of approximately

354,000 hectares of natural forest, comprising 16.8% of the leased area.

Our sponsorship of the Mondi Wetlands Programme (MWP) and the Mondi Ecological Network Programme (MENP) continues to support sound science and practical solutions for wetland conservation and ecological networks to enhance biodiversity.

The Mondi Wetlands Programme (MWP) has been working tirelessly for over 20 years to protect one of South Africa's most endangered ecosystems, and has succeeded in:

- initiating the rehabilitation of degraded wetlands in South Africa, investing many millions of rands in the process;
- assessing the condition of over 19,500 hectares of wetlands and initiating rehabilitation in many of these;
- starting wetland conservation activities in 21 core areas around South Africa outside declared reserves;
- training over 1,050 people from 60 organisations in wetland assessment and functioning; and
- sparking interest and enthusiasm in wetland preservation throughout the country.

In 2008, Mondi renewed its five-year sponsorship agreement to support the MWP.

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

While we have reported on water usage and efficiency of usage in this selection, we recognise that water cannot be considered in isolation.

Water is closely linked to land use, biodiversity and stakeholder engagement. Deterioration of local water resources and changes in water cycles have an impact on food security, biodiversity and ecological functioning (such as carbon sequestration and climate regulation). Water sources themselves can be affected by land use. We consider these links in our resource management practices and are aware of the importance of these issues when aiming for more responsible practices in water use. Water is a consistent theme throughout this review.

Our brief

ERM Certification and Verification Services Ltd (ERM CVS) was appointed by Mondi Limited and Mondi plc ('Mondi') to provide independent assurance on selected sustainable development (SD) information presented in its sustainable development review 2011 and the full online sustainable development report (together, 'the SD report').

Our engagement objectives were to provide assurance on:

- The status of compliance of the Mondi SD report with the GRI G3 Guidelines Level B requirements;
- The status of compliance of Mondi's reporting of its Scope 1 and Scope 2 GHG data with the requirements of ISO 14064-1:2006; and
- The following 2011 SD Key Performance Indicators (KPIs):
 - Safety*
 - Total recordable case rate (number/ 200,000 hrs)
 - Environment*
 - Total CO₂e emissions from fossil fuel combustion, processes, mobile transportation, waste and wastewater treatment (Scope 1) (tonnes)
 - Total CO₂e emissions from electricity purchased (Scope 2) (tonnes)
 - Total energy used (GJ)
 - Level II environmental incidents reported (number)
 - Total waste sent to landfill (tonnes)
 - Total Reduced Sulphides (TRS) emissions (tonnes)
 - Total water input (cubic metres)
 - Total water discharged (cubic metres)
 - Product*
 - Virgin fibre procured from FSC™ or PEFC certified sources (%)
 - Saleable production tonnage (tonnes)

Assurance approach and limitations

We performed our work in accordance with ERM CVS' assurance methodology, which is based on the following international assurance and audit standards: ISAE 3000 and ISO 19011. In relation to our assurance work on the Scope 1 and 2 GHG data, our work was undertaken in conformance with ISO 14064-3:2006. As an ANSI accredited verifier – (Accreditation Number 0801) - ERM CVS is accredited for ANSI Sector Groups 01 General, 02 Manufacturing and 03 Power Generation at the organizational level.

We planned and performed our work to obtain all the information and explanations that we believe were necessary to provide a basis for our assurance conclusions as to whether the reported information and data set out in 'Our Brief' was appropriately reported, i.e. that nothing has come to our attention through the course of our work that the data are materially mis-reported (limited assurance).

When undertaking our assurance work, we used the following assessment criteria:

- The ISO14064-1:2006 and the WBCSD WRI GHG Corporate Accounting and Reporting standard (2004) for the Scope 1 and 2 GHG data;
- Mondi's own definitions for the other SD KPIs. These are presented in more detail in the SD report; and
- The GRI B level requirements.

If we had been asked to conclude on whether the reported assurance topics were robust (reasonable assurance), we would have needed to conduct more work.

The reliability of the reported information and data is subject to inherent uncertainties, given the available methods for determining, calculating or estimating the underlying information. It is important to understand our assurance conclusions in this context.

A multi-disciplinary team of sustainability and assurance specialists performed work at group level and in selected Mondi operating locations.

Our assurance activities included:

- Face-to-face interviews to understand the processes in place for reporting the selected SD data and the production of the SD report, and the underlying data management systems;
- Site visits to seven Mondi operations, which involved testing on a sample basis the measurement, collection, aggregation and reporting processes in place;
- Evaluation of GHG data and reporting processes to establish conformance of Mondi's Scope 1 and Scope 2 GHG data, and associated systems and controls, against ISO14064-1:2006; and
- Reviewing the presentation of information relevant to the scope of our work in the SD report to ensure consistency with our findings.

Respective responsibilities and ERM CVS' independence

Mondi is responsible for preparing the SD report and for the collection and presentation of information within it. ERM CVS' responsibility is to express our assurance conclusions on the agreed brief.

ERM CVS is a member of the ERM Group. The work that ERM CVS conducts for clients is solely related to independent assurance activities and training programmes related to auditing techniques and approaches. Our processes are designed to ensure that the work we undertake with clients is free from bias and conflict of interest. ERM CVS and the staff that have undertaken work on this assurance exercise provide no consultancy related services to Mondi in any respect.

Assurance report

continued

Assurance conclusions

Based on the approach and limitations described above, we conclude that, in all material respects, the following topics are appropriately reported in the SD report:

- The status of compliance of Mondi's SD Report with the GRI G3 Guidelines Level B requirements;
- The status of compliance of Mondi's reporting of its Scope 1 and Scope 2 GHG data with the requirements of ISO 14064-1:2006; and
- The selected SD KPIs as presented above.

In relation to our assurance work on ISO14064-1:2006, our verification statement can be found on Mondi's website at www.mondigroup.com/sdassurance.

Key observations and recommendations

Based on our work set out above, and without affecting our conclusions, our key observations and recommendations for improvement are:

Observations:

- We note that Mondi has increased the reporting scope of its environmental performance in 2011 to include information for all directly controlled manufacturing sites thus producing a more complete representation of its performance.

Recommendations for improvement:

- Mondi should include more information within the SD report related to stakeholders' perspectives on its SD practices and performance.
- Mondi should review the definitions and reporting guidance for both occupational health & safety data related to contractors and water use, to ensure they reflect best practice.
- Mondi should undertake more frequent detailed reviews of data reported by individual businesses in order to identify and resolve issues as they occur.



Leigh Lloyd
Managing Director

7 March 2012

ERM Certification and Verification Services, London
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Abridged glossary of terms and acronyms

AOX	Adsorbable organic halogen compounds (AOX) is a metric for emissions to water and is measured in tonnes.
BAT	Best Available Technique. Technically and economically feasible environmental technology that is efficient and advanced, generally to reduce emissions and the impact on the environment as a whole. The BAT comparisons in the environment section are calculated based on the BAT values as defined by IPPC (The European Integrated Pollution Prevention and Control Bureau) in the 'Reference Document on Best Available Technique for the Pulp and Paper Industry'.
CDLI	Carbon Disclosure Leadership Index. Carbon Disclosure Project (see CDP) recognises companies with high-quality disclosure as top scoring companies in the Carbon Disclosure Leadership Index (CDLI) where scores are calculated according to a standardised methodology which measures whether and how well a company responds to each question.
CDP	Carbon Disclosure Project (CDP) is an independent not-for-profit organisation working to drive greenhouse gas emissions reduction and sustainable water use by business and cities. It provides a transformative global system for thousands of companies and cities around the world to measure, disclose, manage and share environmental information. It holds the largest collection globally of self-reported climate change data.
CEPI	The Confederation of European Paper Industries (CEPI) is a Brussels-based not-for-profit organisation regrouping the European pulp and paper industry, monitoring and analysing activities and initiatives in the areas of industry, environment, energy, forestry, recycling and competitiveness in general, and providing a unique source of information both for and on the industry. It has 19 member countries and represents some 550 pulp, paper and board producing companies across Europe and 1000 paper mills, together representing 25% of world production.
CHP	Combined heat and power (CHP) is the simultaneous production of both useful heat (that can be used in industrial processes or district heating schemes) and electricity in a single process or unit.
CoC	Chain-of-Custody (CoC) is a tracking system that allows manufacturers and traders to demonstrate that timber comes from a forest that is responsibly managed in accordance with credible standards such as FSC™ Controlled Wood Standard (FSC™-STD-40-005 V.2) or PEFC Mandatory Guide for the Avoidance of Controversial Timber.
COD	Chemical oxygen demand (COD) is a measure of the oxygen-consuming capacity of inorganic and organic matter present in the wastewater. It is a metric for emissions to water and is measured in tonnes.
Controversial sources	A term commonly used in the public domain in our industry. Mondi defines controversial sources as wood that is illegally harvested, in violation of traditional and civil rights, harvested in forest management units in which high conservation values are threatened by management activities, harvested in areas in which forests are being converted to plantations or non-forest use or harvested from forests in which genetically modified trees are planted.
DLC	Dual listed company
FSA	Forestry South Africa (FSA) is South Africa's premier and largest forestry organisation representing growers of timber in South Africa. The association has over 90% of all registered timber growers as members (over 2,500 members).
FSC™	The 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 (GHGs) are gases listed in the Kyoto Protocol of the UN-FCCC that contribute to the greenhouse effect and are regulated by the Kyoto Protocol. GHGs according to the Kyoto Protocol are: CO ₂ , CH ₄ , HFCs, PFCs, N ₂ O, and SF ₆ .

Abridged glossary of terms and acronyms

continued

GRI	The Global Reporting Initiative (GRI) is a not-for-profit organisation that produces one of the world's most prevalent standards for sustainability reporting.
HCV	High conservation value (HCV) areas are critical areas in a landscape, which need to be appropriately managed in order to maintain or enhance high conservation values.
HCV RN	HCV Resource Network (HCV RN) is a global network which promotes a practical, consistent approach to HCV methodology.
ISO 14001	International standard created by the International Standards Organization (ISO) for formal and certified environmental management systems
Level II and Level III Incidents	Environmental incidents and complaints classified as either: Level II: moderate impact, medium-term effect or Level III: significant impact, extensive or long-term effect
Material operations	Mondi's pulp and paper mills
PEFC	Programme for the Endorsement of Forest Certification (PEFC) is an international not-for-profit, non-governmental organisation dedicated to promoting sustainable forest management through independent third party certification.
Scope 1 emissions	Total GHG emissions from sources owned or controlled by Mondi and its subsidiaries of the Group boundaries. This includes CO ₂ e from fossil fuels and processes, company leased/owned vehicle, waste and waste water treatment, from make-up chemicals, and from other GHG gases.
Scope 2 emissions	Total GHG emissions from sources that are related to generation of purchased energy outside the company boundaries (no other GHG considered but CO ₂).
Scope 3 emissions	Total GHG emissions from business travel; raw materials; transport of products and raw materials; and employee commuting.
Socially material operations	Those operations with a significant socio-economic impact on the communities in which they operate.
Specific (specific consumption and emissions)	Calculated per saleable production (the absolute amount divided by the saleable production volumes).
TFD	The Forest Dialogue (TFD) is a group of individuals from diverse interests and regions, committed to conservation and sustainable use of forests.
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 occupational diseases) divided by the number of hours worked per 200,000 man hours.
TRS	Total reduced sulphur compounds (TRS) is the sum of the following reduced malodorous sulphur compounds generated in the pulping process: hydrogen sulphide, methyl mercaptan, dimethylsulphide and dimethyldisulphide expressed as sulphur. It is a metric for emissions to air and is measured in tonnes.
UNGC	United Nations Global Compact (UNGC) is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption.
WBCSD	World Business Council for Sustainable Development (WBCSD) is a CEO-led, global association of some 200 international companies dealing exclusively with business and sustainable development.

For further information, please see:



Mondi Group
Integrated report and financial statements 2011

www.mondigroup.com
www.mondigroup.com/sustainability



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