



Together, we
make Mondri...
SUSTAINABLE
by DESIGN



Mondi Group
Integrated report and
financial statements 2020

Scope

Mondi's Integrated report and financial statements 2020 is our primary report to shareholders.

The scope of this report covers the Group's main business and operations, and provides an overview of the performance of the Group for the year ended 31 December 2020.

All significant items are reported on a like-for-like basis, unless otherwise stated.

Our Integrated report is prepared in accordance with the requirements of the Disclosure Guidance and Transparency and Listing Rules of the United Kingdom Listing Authority and the Listings Requirements of the JSE Limited. We also prepare a detailed Sustainable Development report, in accordance with the Global Reporting Initiative (GRI) Standards: Core option and the Sustainability Accounting Standards Board (SASB): Sustainability Accounting Standard for the Containers & Packaging Industry, which is externally assured and available to read at www.mondigroup.com/sd20. We have prepared an index mapping our GRI and SASB disclosures which is available at www.mondigroup.com/sd20-report-hub.

Alternative Performance Measures

The Group presents certain measures of financial performance, position or cash flows in this report that are not defined or specified according to International Financial Reporting Standards (IFRS). These measures, referred to as Alternative Performance Measures (APMs), are defined on pages 229-233 and are prepared on a consistent basis for all periods presented.

Non-financial information statement, Section 172 statement and stakeholder engagement

In accordance with sections 414CA and 414CB of the UK Companies Act 2006, each of the required non-financial information disclosures can be found in the Strategic report. A summary table is set out on page 39.

An overview of our engagement with key stakeholders can be found on pages 40 to 43, including our Section 172 statement in compliance with the Companies Act 2006, and on pages 98 to 102.

Materiality

Mondi's Integrated report and financial statements 2020 aims to provide a fair, balanced and understandable assessment of our business model, strategy, performance and prospects in relation to material financial, economic, social, environmental and governance issues.

The material focus areas were determined considering the following:

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

TCFD disclosure

We continue to assess the financial implications of climate-related risks according to the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) recommendations. The Group has included the relevant disclosure throughout this report with a summary of key areas relating to governance, strategy, risk management and metrics and targets on page 59. Further disclosure can be found in our 2020 Sustainable Development report.

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Together we are...

In 2020, 'Together' took on renewed meaning for Mondi. The pandemic has tested us all, but also provided an opportunity for Mondi to show the care, innovation and resilience of our people – and our connections to each other, our customers and our communities.

Mondi is a global leader in packaging and paper, operating across the value chain. Our purpose is to contribute to a better world by making innovative packaging and paper that is sustainable by design. This provides the inspiration to make a difference, even when times are tough. Our 2020 Integrated report reflects our commitment and collaboration, showing how we are #StrongerTogether no matter what comes our way.



Creating this year's report

2020 was a year of pulling together – being creative, agile and empowered to make things happen. By supporting each other and bringing our different strengths and experiences together we know we can continue to be successful. In recognition of this, many of the photographs used in this report have been taken by our colleagues during the year.

The patterns we use reflect the profile and texture of our products, from zig-zags representing our corrugated solutions to fine dots representing our barrier coating technology.



...SUSTAINABLE by DESIGN


Our purpose brings us together in contributing to a better world by making packaging and paper that is sustainable by design.

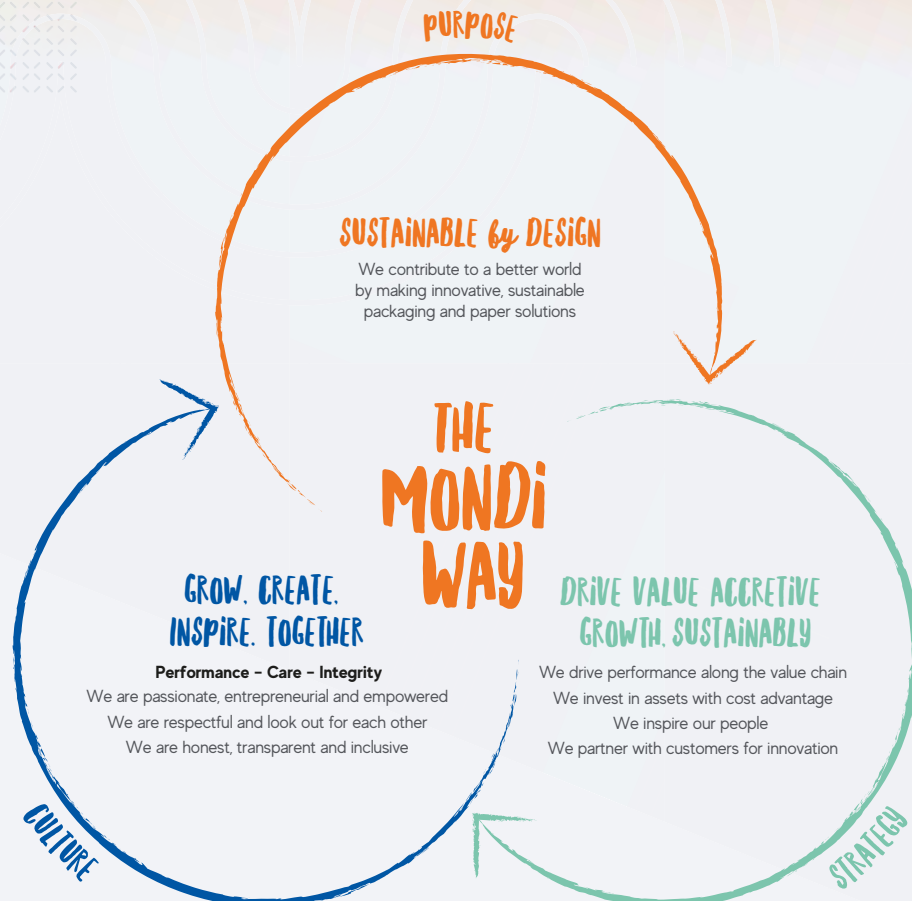
The Mondri Way...

The Mondri Way shows how our shared sense of purpose is intrinsically connected to our strategy and culture, enabling us to create best-in-class products for our customers and shared value for our stakeholders. Our four strategic value drivers set a clear roadmap for the future and, together with our resilient business model and manufacturing excellence, give us distinct competitive advantages. Our culture is centred around empowering people to be passionate and entrepreneurial in a respectful and inclusive way, underpinned by our values of Performance, Care, and Integrity.

 **Strategic framework**
Page 22-23

 **Our business model**
Page 18-21

 **Managing our relationships and resources**
Page 38-65



...drives innovation and collaboration to create sustainable solutions...

Consumers and brands are looking for products that minimise impact on the environment and maximise functionality. Our customer-centric EcoSolutions approach enables us to partner with customers to identify and develop the most sustainable solutions from our uniquely broad range of packaging using paper where possible, plastic when useful. We collaborate along the value chain to eliminate unsustainable packaging, leading the transition to a circular economy.



Our EcoSolutions approach
Page 34



Our Green Range
Page 52



...helping customers to achieve their goals

Mondi is proud to be recognised for our innovation and ability to create forward-thinking solutions for thousands of local and global brands. Our R&D centres and innovation activities span the entire value chain. We also work with external partners to maximise the potential of our products. In the past year we have celebrated a number of innovation awards across our business, including eight wins at the 2021 WorldStar Packaging Awards.¹



Managing our relationships and resources – Customers
Page 51-52

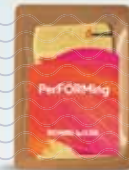
EnvelopeMailer

A 100% renewable, recyclable and highly protective alternative to plastic mailers that use bubble foil protective padding



PerFORMing

Formable paper-based food tray that reduces CO₂ emissions and is recyclable in certain paper streams



Thermoforming

A fully-recyclable mono-material high barrier film which has a significantly lower carbon footprint compared to existing solutions



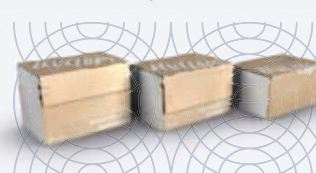
FloralBox

A modular e-commerce solution that optimises packaging and protection requirements for the transportation of plants



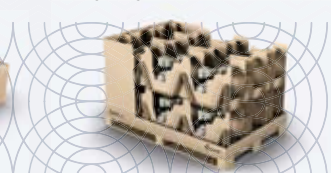
SupremeBox

Size-adjustable e-commerce packaging that provides for more efficient box sizing and fulfilment



BrakeBooster

Packaging for automotive components that optimises filling processes while reducing weight and material use



BrightBox

A 100% recyclable alternative for car headlights that replaces multiple-material packaging with a single corrugated solution



OnePiece

Innovative packaging designed for transport and display that can protect products of irregular shape



¹ Announced December 2020
Two awards won in partnership with a customer

2020 at a glance

A resilient business strongly positioned for growth

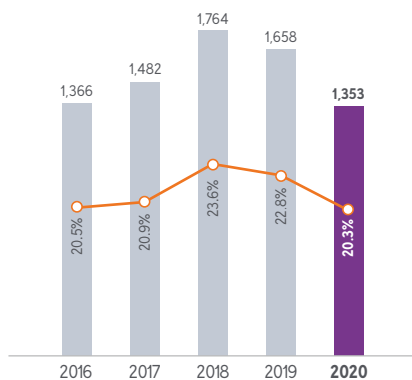
A robust performance with excellent cash generation

Underlying EBITDA (€ million)

€1,353m

↓ **18%** on 2019

— Underlying EBITDA margin



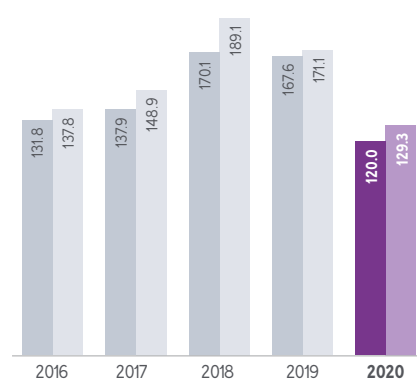
Earnings per share (EPS) (euro cents)

129.3 euro cents

120.0 euro cents

■ Basic underlying EPS

■ Basic EPS

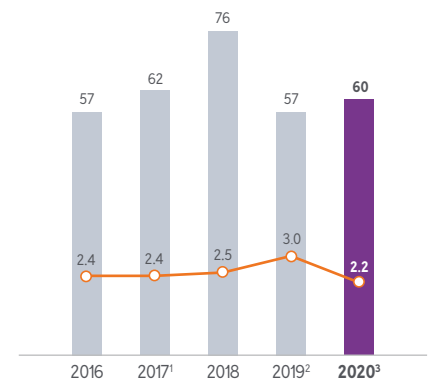


Dividends per share (euro cents)

60.0 euro cents

↑ **5%** on 2019

— Dividend cover (times)



€1,485m

Cash generated from operations

1.3x net debt to underlying EBITDA

Strong balance sheet

Decisive and effective COVID-19 response

Protecting our people during the pandemic by implementing strict safety protocols



Uninterrupted delivery of products for daily essentials (including food and healthcare)

Community support

Extended beyond our existing initiatives, including more than €3 million of financial and in-kind donations

Essential infrastructure services

Continued delivery throughout the pandemic including wastewater treatment and energy provision to the grid



1 In addition to the 2017 ordinary dividend (of 62 euro cents), a special dividend of 100 euro cents was paid in 2018 2 The 2019 dividend per share includes a 29.75 euro cents per share dividend in relation to the 2019 financial year paid as an interim dividend in 2020 3 Based on proposed final dividend of 41.00 euro cents per share

Delivering and building on our sustainability commitments



Tackling climate change

Science-based targets

Made progress on science-based targets covering 95% of our Scope 1 and 2 emissions

24%

reduction in our mills' total specific CO₂e emissions against the 2014 baseline



Keeping our people safe

23%

reduction in total recordable case rate against our 2015 baseline

Taking action for the decade ahead

MAP2030

Our ambitious sustainability commitments for the next 10 years



Sourcing our fibre responsibly

100%

Responsibly sourced fibre (76% certified with the balance controlled wood)

Well positioned for growth

Investing through-the-cycle with capital investment projects delivering growth, enhanced cost competitiveness and sustainability benefits



Innovating for a circular economy
Supporting our customers' environmental goals with packaging that is sustainable by design, adhering to our principle of paper where possible, plastic when useful



Our businesses

Packaging and paper that is sustainable by design

Together we are...
meeting our customers' needs with a broad range of innovative, sustainable solutions

We work with thousands of global and local brands, offering our customers a wide range of solutions using paper where possible, plastic when useful. Our businesses create corrugated packaging, paper and plastic-based flexible packaging, specialised solutions and uncoated fine paper.

Here is a selection of products illustrating the variety of industries we serve:

Consumer and retail

Around 50% of Group revenue

MailerBAG

A patented paper bag for e-commerce shipments that is easy to open and reclose and convenient to return



EcoVantage

A sustainable and effective paper alternative to plastic bags



CoralTray

Corrugated alternative to plastic fruit punnets and plastic film wrapping



Functional Barrier Paper

Recyclable barrier papers for FMCG food applications which can replace simple, low barrier PE films



Building and construction

Around 15% of Group revenue

SPLASHBAG

Designed with an outer paper ply that is water-repellent and formulated to keep high tensile strength in wet environments



Chemicals, industrial, agriculture, other

Around 15% of Group revenue

stac-pac®

Made from corrugated board and supporting wooden frame built for shipping and storage of heavy loads



Pasted open mouth bags

Innovative, high strength paper bags with efficient filling features and superior product protection

Paper for home, office and professional printing

Around 15% of Group revenue

Pergraphica®

Full spectrum premium printing papers for distinguished design work and creative communications



NAUTILUS® ProCycle

A 100% recycled fibre, CO₂ neutral high-white paper for professional applications

Percentages are based on rounded management estimates. The remaining portion of Group revenue is derived from market pulp, wood, newsprint and energy sales.

Business units

Corrugated Packaging

We are a leading containerboard producer with an integrated, well-invested, cost-advantaged asset base. We use our containerboard to make a range of regular and bespoke corrugated solutions designed to keep our customers' products safe, and differentiate their brands in-store and online. Our cost-effective fibre-based solutions are made from a renewable resource, are lightweight and recyclable.

 **Corrugated Packaging**
See page 66

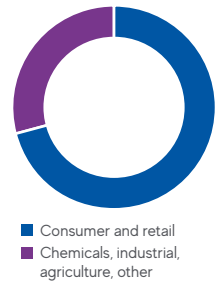
Segment revenue



Underlying EBITDA



Markets served



Leading market positions

#1

virgin containerboard producer in Europe

#1

containerboard producer in emerging Europe

#3

corrugated solutions producer in emerging Europe

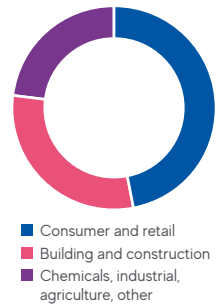
Flexible Packaging

As a global leader, we offer our customers a unique range of sustainable flexible packaging solutions using paper where possible, plastic when useful. Our world-class integrated mills produce kraft paper that we, and our customers, convert into strong yet lightweight paper-based solutions. We also make a variety of flexible plastic-based consumer packaging giving our customers additional functionality when required. Wherever possible, we optimise material usage, prioritise recyclability and use recycled content.

 **Flexible Packaging**
See page 67

€2,667m

€519m



Leading market positions

#1

kraft paper producer globally

#1

paper bag producer in Europe and a global leader

#3

consumer flexible packaging producer in Europe

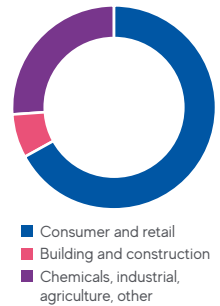
Engineered Materials

We produce a range of specialised solutions leveraging our expertise across the Group, focusing on products that are designed for recycling and use recycled content. Our functional papers and films protect adhesive surfaces or provide barriers against, for example, moisture, oxygen or aroma across a range of applications, including our packaging solutions. Our personal care products include soft nonwoven fabrics, uniquely stretchable elastic films and mechanical fastening components used in everyday life.

 **Engineered Materials**
See page 68

€801m

€80m



Leading market positions

#1

commercial release liner producer in Europe

#2

extrusion coatings producer in Europe

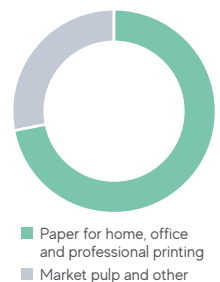
Uncoated Fine Paper

Our vertically integrated, well-invested, cost-advantaged paper mills make a wide range of environmentally sound home, office and professional printing papers, including design and luxury packaging papers, tailored to the latest digital and offset print technologies. We manage forests in Russia and South Africa providing sustainable wood fibre for our operations. Our innovative paper solutions, including a growing amount of recycled fibres, meet our customers' needs in a cost-effective and sustainable way.

 **Uncoated Fine Paper**
See page 69

€1,485m

€266m



Leading market positions

#1

uncoated fine paper supplier in Europe (including Russia)

#1

uncoated fine paper producer in South Africa

8 **Where we operate**
Global leader in packaging and paper

Mondi employs around 26,000 people at 100 production sites across more than 30 countries, with key operations located in Europe, North America and Africa.



Revenue from customers in South America represented 2% in 2020. Production at the Group's Cartagena (Colombia) paper bag plant commenced in 2021.



Delivering innovative packaging and paper solutions to customers around the world.



Our EcoSolutions approach
Page 34

Together we are...
applying digital technologies to accelerate our performance



Digital solutions
Page 29

EMERGING EUROPE

Revenue by location of
Production Customer

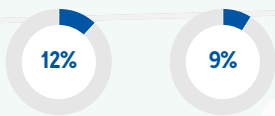


Employees
9,200

Production sites
32

RUSSIA

Revenue by location of
Production Customer



Employees
5,300

Production sites
4

ASIA & AUSTRALIA

Revenue by location of
Production Customer



Employees
700

Production sites
10



Production sites per business unit

Corrugated Packaging	▲ Mill (5)
	● Converting plant (16)
Flexible Packaging	▲ Mill (5)
	● Converting plant (57)
Engineered Materials	● Converting plant (15)
Uncoated Fine Paper	▲ Mill (6)

Group offices

London	■	Czech Republic	●▲▲●●	Malaysia	●	South Korea	●
Vienna	■	Egypt	●	Mexico	●	Spain	●
		Finland	▲	Morocco	●	Sweden	▲●
		France	●	Netherlands	●●	Thailand	●●
		Germany	●●●	Oman	●	Turkey	▲●●
		Hungary	●	Poland	▲●●	Ukraine	●
		Bulgaria	▲	Russia	▲●●▲	USA	●●
		China	●	Serbia	●		
		Colombia	●	Slovakia	▲▲		
		Côte d'Ivoire	●	Lebanon	●		
				South Africa	▲▲		

Production sites

Together we are... delivering solutions for stakeholders and society



Philip Yea
Chair

In this, my first letter to shareholders, I am pleased to be able to report that Mondi has successfully navigated the challenges of 2020, and although the COVID-19 pandemic is far from over, the Group remains well placed both strategically and operationally. Our business model has proven to be resilient, and our values of Performance, Care and Integrity have brought people together with a real sense of purpose. Through my induction I gained an overriding impression that making a positive impact matters to our people, and I am looking forward to playing my part in helping shape the future of Mondi as we and our industry address the changes that are vital for the future of our planet.

Sustainable by Design

Mondi's purpose is to contribute to a better world by making packaging and paper that is sustainable by design. The Mondi Way describes how our strategy and culture are aligned to our purpose enabling our 26,000 colleagues around the world to share a common sense of direction. In times of crisis, a strong culture underpinned by the right values is important because it supports a flexible and collaborative approach.

Delivering on our sustainability agenda is both a strategic and operational imperative, and only with hindsight will we be able to judge whether we have found the right rate and areas of change to address the challenges and opportunities it presents. If we move too slowly, we will not have the required impact, but if we move too quickly or miss opportunities our actions may not prove optimal for the long term.


One of my roles is to ensure that the Board is proactive in dealing with the many judgements required to deliver the most enduring solutions for Mondi, our stakeholders and wider society.

Consumers are increasingly demanding products that are more sustainable, more efficient and create less waste. This includes how products are packaged and delivered. Our customers are looking to us to provide answers, particularly given the advantage we have of being able to offer a wide range of sustainable, fit-for-purpose primary and secondary packaging, using paper where possible and plastic when useful.

As a Board we are proud of our track record on sustainability, achieving almost all of our five-year Growing Responsibly commitments. Building on this, our recently launched Mondi Action Plan 2030 (MAP2030) sets out the actions we need to take over this critical decade to achieve our ambitious sustainability goals. MAP2030 is the result of a robust two-year process including a materiality analysis, extensive stakeholder consultation, and clear guidance from leaders across the business. You will find more detail on MAP2030 and its three key focus areas of circular-driven solutions, created by empowered people, taking action on climate change later in this report.

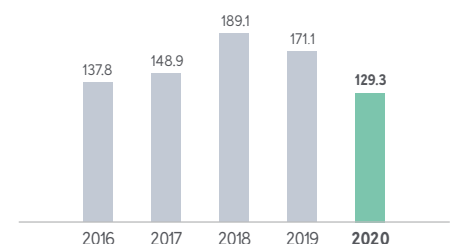
 **MAP2030**
Page 26-27

Safety remains our top priority and is a focus at every Board meeting. We continue to promote a safety culture that brings everyone home safely every day and we are proud to be considered as a safety leader. This year we gave additional consideration to the effect of COVID-19 on the safety and physical and mental health of our people. Our teams across the world put in a tremendous effort to keep each other safe, resulting in an overall improvement in our safety performance. We are however deeply saddened by the two fatalities we experienced during the year. In January, a contractor died during demolition activities at our Syktyvkar mill (Russia) and in June a contractor lost his life at our Richards Bay mill (South Africa) during planned maintenance and cleaning activities. Our thoughts are with their families and colleagues. Robust investigations were carried out to understand the events and identify ways to prevent recurrence. It is vital that we learn from every incident.

 **Managing our relationships and resources – Employees**
Page 46-50

Basic underlying earnings per share (euro cents)

129.3 euro
cents



Our long-term strategic direction

Consistency of strategy can be an advantage, but every Board needs to ensure that a company's strategy is tested regularly against emerging opportunities and threats. Your Board's most recent review of the Group's strategy has given us renewed confidence in Mondi's strategic direction and areas of focus. We have exciting product innovations to support the growth of our customers and the financial resources to deliver a strong capital expenditure programme to support this while assuring the renewal of our key production facilities. More detail on how we are addressing our customers' changing requirements in a sustainable way can be found later in this report.

 **Strategic framework and performance**
Page 22-35

A sustained industry-leading performance

This extraordinary year has tested the resilience of companies around the world. The inherent strength of Mondi's business model, combined with an authentic determination to overcome challenges together, enabled us to deliver robust results in 2020, with underlying EBITDA of €1,353 million, underlying EBITDA margin of 20.3%, and ROCE of 15.2%. This is particularly rewarding given the COVID-19 pandemic challenges and the care we have taken in balancing stakeholder needs.

In April, at the height of the first wave of the COVID-19 pandemic, we took the difficult but prudent decision to withdraw

the previous recommendation to pay the 2019 final dividend, with a commitment to re-evaluate later in the year when the impact of the pandemic became clearer. In August we were pleased to confirm that we would resume dividend payments, demonstrating the confidence in the prospects for the business. We declared a dividend of 29.75 euro cents per share relating to the 2019 financial year, bringing the total dividends paid relating to 2019 to 57.03 euro cents per share. We also declared an interim dividend in respect of 2020 of 19.00 euro cents per share. Given Mondi's strong financial position and confidence in the future, the Board has recommended a final 2020 dividend of 41.00 euro cents per share. Together with the interim dividend, this amounts to a total dividend for the year of 60.00 euro cents per share, an increase of 5% on the 2019 total dividend.

Our Board

My predecessor David Williams retired at the Annual General Meeting in May 2020 after 13 years on the Board. On behalf of the Board and shareholders I would like to thank David for his invaluable guidance and leadership during his time as Chair. Andrew King was appointed as Group CEO in April following Peter Oswald's departure, followed by Mike Powell taking over as Group CFO in November. We will also welcome Svein Richard Brandtzaeg, Sue Clark and Dame Angela Strank as independent non-executive directors in April 2021. In January 2021, we announced that Stephen Harris will retire from the Board at the conclusion of the Annual General Meeting on 6 May.

Stephen has played a key role in his nine years on the Board, initially as a non-executive director and chair of the Sustainable Development Committee and latterly as Senior Independent Director. He leaves with both our thanks and our best wishes for the future.

 **Corporate governance report**
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Recognition for our people

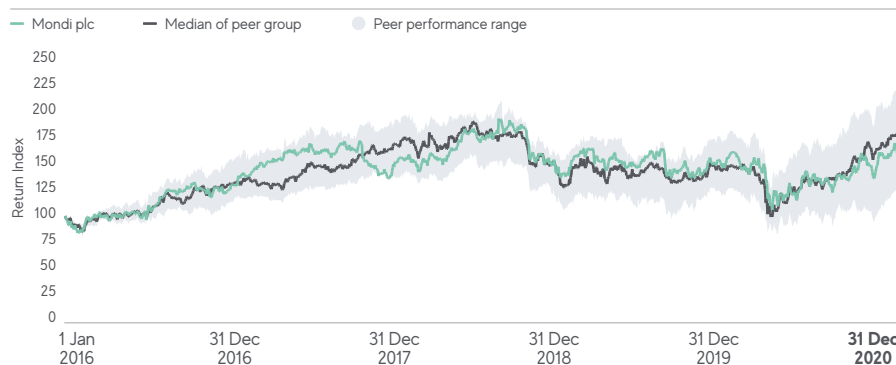
On behalf of Mondi's Board, my thanks go to everyone who has come together to help us navigate this extraordinary year. Although it is my first year with Mondi and I have not been able to meet many people in person, I have still been able to get a sense of the positive spirit and genuine determination to make a difference. I hope Mondi colleagues around the world feel proud to work for a company that has a role to play in solving some of the world's biggest challenges. We also thank our investors, customers, communities, suppliers and other partners for the trust you continue to place in Mondi, and we look forward to what will hopefully be a less turbulent year for us all.

Looking forward

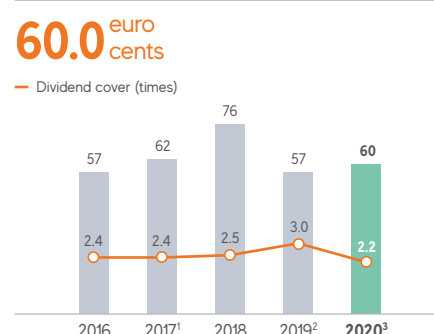
We expect the current uncertainties to be part of life for some time to come. However, with our strong culture, coupled with a strong financial position and resilient business model, the Board remains confident that Mondi will continue to deliver value to stakeholders and take advantage of opportunities that arise. On a more personal note, I look forward to visiting our operations and meeting more people in person as soon as it is safe to do so.

Philip Yea
Chair

Five-year total shareholder return (TSR) of 42% (sterling returns: indexed to 1 January 2016)



Dividend per share (euro cents)



¹ In addition to the 2017 ordinary dividend (of 62 euro cents), a special dividend of 100 euro cents was paid in 2018

² The 2019 dividend per share includes a 29.75 euro cents per share dividend in relation to the 2019 financial year paid as an interim dividend in 2020

³ Based on proposed final dividend of 41.00 euro cents per share



Together, we are... safeguarding our employees

As COVID-19 emerged, Mondi's disciplined safety culture enabled us to quickly adapt our operations and embed necessary social distancing measures. We rapidly secured face masks for colleagues, installed dividers at our plants, established sterilisation stations, introduced protective shift patterns and launched a sustained employee engagement programme.

We also focused on safeguarding the mental health of our people through actions like expanding our free and confidential Employee Assistance Programme and online social activities.

Strategic report

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The Strategic report was approved by the Board on 24 February 2021 and is signed on its behalf by:

Andrew King
Group CEO

Mike Powell
Group CFO



See how we are
supporting our
communities
Page 88-89



See how we are
innovating with
our customers
Page 150-151

Together we are... creating sustainable value for our stakeholders



Andrew King
Group CEO

Andrew King took over as Group CEO of Mondi on 1 April 2020. His 18 years' experience with the Group, 12 years as Group CFO, have ensured effective leadership and insight from the start.

In this Q&A, Andrew explains why his optimism for the business has increased despite the challenging environment.

Q1 2020 was an extraordinary year. What have been the main challenges for you and what have you learned?

The last 12 months has given us all much to think about. The impact of COVID-19 has been unprecedented, but leadership principles remain the same. I took over as CFO in 2008, at the start of the financial crisis. I learned how important it is to be proactive and communicate clearly, so that everyone knows what is expected of them. This holds true today. We were quick to make bold decisions, some easier than others, including prioritising our operations to ensure we could secure supply to our customers, slowing capital investments, delaying the dividend, strengthening liquidity, while always keeping the safety of our people as our top priority.

Relationships play a key role. Being able to trust and rely on one another is crucial in a crisis, as is staying visible as a leader. Ramping up digital communication and being more agile in the way we work has enabled us to maintain momentum, however the benefits of connecting in-person cannot be underestimated, and I look forward to replenishing this relationship capital when circumstances allow.

Another key lesson is the value of empowerment without abdicating responsibility. I'm a firm believer that my colleagues around the world are best qualified to understand the nuances of what is required in their respective areas. To be successful into the future we must continue to provide the support, flexibility and space for colleagues to do what they need to do, including exploring new ideas, even though not everything we try will work.

Q2 What support did Mondi give to customers during the pandemic?

Our focus was on communicating openly to understand customer needs, and taking advantage of our global network to ensure a stable supply despite surges in demand or temporary disruptions in production. In Mexico for example, we supply paper bags for corn flour, which is used to make tortillas – a staple part of the nation's diet. In Turkey, we were able to respond quickly to a customer's requirement for additional cement bags by redirecting volumes from our operations in Poland and Spain. There are many examples of Mondi colleagues' positive action in this report, testament to the benefits of the scale and interconnectedness of our operations, and our culture of decisive action.

Vertical integration gives us control over some of our key resource inputs, and our customers see us as a reliable partner with capacity to continue designing innovative sustainable solutions.

Q3 Mondi has had a consistent strategy for a number of years. Has COVID-19 exposed weaknesses which will need action going forward?

As one of the architects of our strategy, it is personally rewarding to see how well the business continues to fare despite the challenges of a global pandemic. I believe that our consistent approach is central to the resilience of our business model. Many of the trends that we identified pre-crisis have merely accelerated during the year, including increased demand for sustainable packaging and the rise of e-commerce. COVID-19 has also shown just how many of our products are essential in meeting the needs of society, from ensuring we have food on our tables to the personal and home care products we use every day.

We have achieved a lot in the last 12 months. We have continued to run our operations and supply our customers, met almost all of our five-year sustainable development commitments, successfully advanced major capital projects, further developed our portfolio of sustainable products, and maintained strong engagement with our diverse stakeholders.

So in summary, I don't think we need any fundamental shifts in strategy. We are well positioned for future growth and we will maintain our flexibility to remain a strong partner for our customers.

Q4 How did colleagues respond to the challenges of COVID-19?

It has been inspiring to see how our colleagues have come together when it matters most. My sincere thanks go to everyone for going above-and-beyond to care for one another, to deliver for our customers and support our communities. Our packaging and paper solutions have played a key role in keeping people fed and safe during the pandemic, and our sites largely remained open, thanks to a herculean effort by our people. This includes ensuring the correct protective equipment is available at all times, running operations in line with relevant legislation during national lockdowns, embracing new shift patterns and digital ways of working, securing chemicals and other supplies during a global shortage, getting products across borders, and balancing the many professional and personal pressures we all faced.

Our teams also continued to support their local communities, with more than €3 million in financial contributions alongside donations of masks and other medical supplies. We provided community relief such as fresh water and food parcels to vulnerable communities in South Africa, as well as the ongoing delivery of essential services such as energy, heat and wastewater treatment at a number of our operations. At Gronau (Germany) we built two new lines to produce melt blown fabric and surgical facemasks, and our team at Korneuburg (Austria) produced packaging for QIAGEN's SARS-CoV-2 coronavirus test kits.

All this makes me even more determined to see Mondi become the most admired and trusted sustainable packaging and paper business.



Q5 Sustainability is a key topic for stakeholders. What makes Mondi an industry leader in this space?

Sustainability has been important to Mondi for a long time and we are widely recognised as an industry leader. In 2020, we were one of only 10 companies in the world with a 'Triple A' score from CDP for global environmental leadership on climate, forests and water.

I am proud of the meaningful progress we have made over recent years guided by our Growing Responsibly commitments, which ran to the end of 2020 and I invite you to take a look at our relationships and resources section for further details.

In terms of future priorities, I am inspired by the potential of our new Mondi Action Plan (MAP2030) launched at the start of 2021. This is our ambitious new sustainability framework, which defines our commitments and targets for the next decade. Our aim is to be both pragmatic and aspirational by focusing on products, people and climate action to maximise our positive impact. We want to demonstrate how our circular-driven packaging and paper solutions, created by empowered people, taking action on climate, will help us to contribute to a better world.

Q6 How is Mondi positioned for growth in 2021 and beyond?

I am very excited by the growth options we have in the business. Our corrugated and flexible packaging businesses enjoy good structural growth opportunities, supported by increased demand for e-commerce and sustainable packaging. We enjoy a cost-advantaged asset base with around 80% of our capacity in the lowest cost quartiles, and we have an enviable financial position and strong cash generation, which enhance our strategic optionality.

Our current project pipeline, including major projects at our mills in Slovakia, the Czech Republic, Russia and South Africa, as well as investments in expanding our packaging converting capacity will further improve our environmental performance, increase our pulp and paper production and deliver enhanced service and product offerings to our customers. We continue to invest in digital technologies that drive efficiencies, and our cross-functional R&D facilities enable us to innovate across product lines.

We continue to seek selective acquisitions that supplement this organic growth. We are very pleased to have agreed the acquisition of a 90% interest in Olmuksan, a leading Turkish corrugated packaging producer in early January 2021 (subject to certain completion conditions). This expands our geographic coverage and customer offering in a fast growing market.

We are pleased sustainable packaging continues to be a long-term priority for our customers and wider society. As a leading producer of both paper- and flexible plastic-based packaging, we are uniquely positioned to support our customers' environmental goals.

Most importantly, we have a team of passionate people with a shared sense of purpose that gives us our collective strength and advantage as an organisation. It has been great to welcome our new Chair, Philip Yea, and our new CFO, Mike Powell, who very much support the Group's strategic objectives and share my optimism for Mondi's future.

My sincere thanks go to everyone for going above-and-beyond to care for one another, to deliver for our customers and support our communities.



External context

Key themes shaping the future of packaging

Our success is built on our ability to anticipate and respond to the challenges and opportunities we face today and in the future. Partnering with others to find long-term solutions will be key to creating value for our stakeholders.

The COVID-19 pandemic has had a profound impact on markets and people across the world, disrupting the way we live and work. Our packaging markets have remained resilient. When we consider how this pandemic may impact the future of packaging, we believe it has accelerated the key trends we had previously identified shaping the industry.

 **Strategic framework and performance**
Page 22-35

 **Business unit trading review**
Page 66-69

Together we are...

well-positioned to deliver sustainable packaging solutions

Clara Valera
Group Head of Strategy
and Investor Relations



SUSTAINABILITY



The challenges and opportunities we face

- Global social and environmental challenges including food and water insecurity, inequality, social injustices, human rights violations, climate change, biodiversity loss, plastic waste, deforestation, water and air pollution are common concerns for us and our stakeholders, with implications for business and livelihoods
- Consumer awareness around these challenges, and expectations of business to address them continue to rise, requiring businesses to actively contribute to the solutions. Major FMCGs, retailers and packaging players, including Mondi, have committed to ambitious sustainability targets
- Sustainability-related legislation increases at different scale and pace across geographies, creating an increasingly complex operational landscape
- While we continue to face social and environmental challenges, we see an opportunity to lead the way by conducting business responsibly, protecting employment and human rights and delivering more sustainable packaging solutions to our customers and consumers

2020 developments

- Social and environmental challenges continued to be prevalent, and were exacerbated by the COVID-19 pandemic. This further increased the focus on the role of business in supporting their stakeholders, taking responsibility for sustainable business practices and helping to build more resilient societies

How we are responding

- Keeping sustainability at the centre of our strategy to deliver value accretive growth
- Upholding our standards for our social and environmental commitments in the face of the pandemic, with a focus on securing our employees' safety and health while supporting their livelihoods
- Delivered our 2020 Growing Responsibly sustainability commitments and defined our next set of sustainability commitments – Mondi Action Plan 2030 (MAP2030)
- Continuing to work with our customers to help them achieve their sustainability goals, leveraging our unique EcoSolutions approach, using paper where possible, plastic when useful, to help customers replace less sustainable packaging, reduce raw material usage and design packaging that is ready to recycle
- Partnering with stakeholders including organisations such as the World Food Programme, the Danish Institute for Human Rights, the Ellen MacArthur Foundation, CEFLEX, Alliance for Water Stewardship, Cepi's 4evergreen and WWF to shape our approach to sustainability and improve our response to global social and environmental challenges

 **Managing our relationships and resources**
Page 38-65

 **Sustainable Development report**
www.mondigroup.com/sd20

DIGITALISATION AND E-COMMERCE



The challenges and opportunities we face

- Digitalisation continues to shape the world we live in, connecting billions of people every day, with information generated and distributed at unprecedented speed and scale. It also opens up opportunities to change the way we work and make our processes more precise and efficient with automation and data analytics
- Traditional retail channels are disrupted with the continued penetration of online channels. More frequent purchases and faster deliveries add complexity to supply chains requiring higher efficiency and transparency
- Well-informed, time-pressured and price savvy consumers increasingly expect value, convenience and a more branded experience from their online purchases

2020 developments

- E-commerce retail grew strongly in 2020 driven by increased online shopping across a range of products
- Remote working has increased the reliance we place on technology, requiring robust systems and secure networks

How we are responding

- Continuing to serve the growing demand for e-commerce packaging, optimising the materials we use and delivering on service and quality
- Develop new e-commerce solutions, building on our existing wide range of corrugated packaging and paper-based flexible packaging products such as our MailerBAG, a recyclable paper-based solution ideal for lightweight items
- Investing in digital technologies as an accelerator for our strategy, including advanced analytics to improve processes, automation and robotics to foster efficiency and quality, and digital platforms to better connect with our customers and colleagues
- Protecting our systems and enhancing cyber security
- Fostering transparency along the value chain through active engagement with key stakeholders

 **Digital solutions**
Page 29

CUSTOMER BRAND VALUE



The challenges and opportunities we face

- Fierce competition between brands and private label as well as blurring lines between offline and online retail channels make it important for products to stand out on shelves and screens
- Consumers are looking for brands that care for people and the environment. Packaging is a key way for our customers, retailers and brand owners to communicate their values to stakeholders
- Our customers need to keep pace with ever-evolving consumer demands for convenient, fit-for-purpose, functional and authentic packaging

2020 developments

- During this pandemic, consumers have looked to brands and retailers for product protection with packaging playing a crucial role in ensuring products that arrive home are hygienic and safe for use
- Brands that clearly articulate their commitment to sustainability and work to achieve their goals are standing out from the crowd

How we are responding

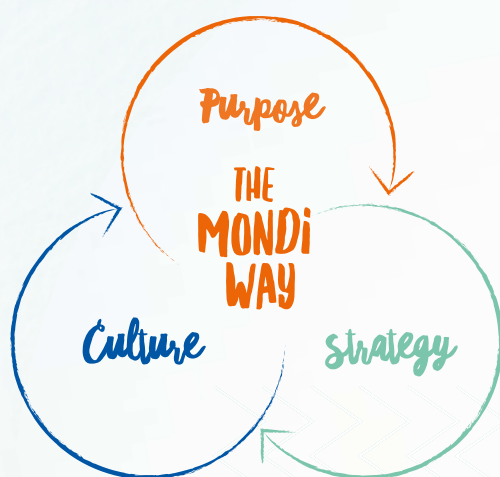
- Creating innovative fit-for-purpose packaging solutions that portray our customers' brand values particularly around sustainability, helping them stand out from the crowd, remain competitive and create a seamless consumer experience across channels
- Leveraging our six R&D centres, unique cross-functional packaging development expertise, and strong customer relationships to be the go-to supplier for sustainable packaging
- Investing in enhancing the capacity and expertise of our packaging businesses to broaden our capabilities and grow with our customers

 **Managing our relationships and resources – Customers**
Page 51-52

 **Our EcoSolutions approach**
Page 34

How we create and protect value

Together we are...
contributing to a better world by making innovative, sustainable packaging and paper solutions




The Mondi Way connects purpose, strategy and culture to our business model

Our purpose is to contribute to a better world by making innovative, sustainable packaging and paper solutions. We do this by delivering performance across our integrated value chain in line with our strategy, ensuring we create value in a sustainable way for all of our key stakeholders. Our four strategic value drivers underpin this strategy and build on the competitive advantages we enjoy today, setting a clear roadmap for investment and operational decisions into the future.

 **Strategic framework and performance**
Page 22-35

Our culture connects, guides and inspires our people to achieve Mondi's purpose. The dedication, commitment and willingness of our employees is essential to delivering on our strategic priorities as we continue to contribute to a better world, together.

 **Sustainable by Design**
Page 2-3

What we rely on

We sustainably manage our natural resources, leverage our relationships and allocate capital responsibly to create value for our stakeholders.

Relationships

The integrated nature of our business means that we rely on strong relationships to drive our business forward for our shared success. Our people make Mondi and together we deliver against our key initiatives and operational deliverables. Our partnerships with our customers and suppliers ensure that we optimise our value chain and deliver solutions to our customers that meet their requirements. We engage with our communities to address challenges and create opportunity; with investors to communicate our performance and refine our strategy; and with partners, industry associations and regulators to shape our context.

Resources

As part of our manufacturing processes, we require raw materials such as wood, paper for recycling, chemicals, polymers and other resources, most notably water and energy. We are committed to ensuring the responsible procurement of these materials and to protect and safeguard the biodiversity and ecosystems in which we source these natural resources.

Financial

We have a disciplined approach to invest in our asset base through-the-cycle. Our strong cash generation and robust financial position provide us with strategic flexibility to pursue value accretive propositions when they arise ensuring we are positioned strongly to drive value for our stakeholders.

 **Managing our relationships and resources**
Page 38-65

 **Financial review**
Page 70-73

What makes us different

We leverage our distinct competitive advantages to drive value and unlock opportunities for our business and our stakeholders.

Unique packaging producer

As a leading producer of both paper and flexible plastic solutions, we are uniquely positioned to meet our customers' demands with our broad range of sustainable packaging

Leading market positions

Our leading market positions provide scale, reliability and the capability to innovate with our customers and service key accounts

Cost-advantaged assets

We have well-located operations with access to competitive fibre and a high-quality, well-invested asset base

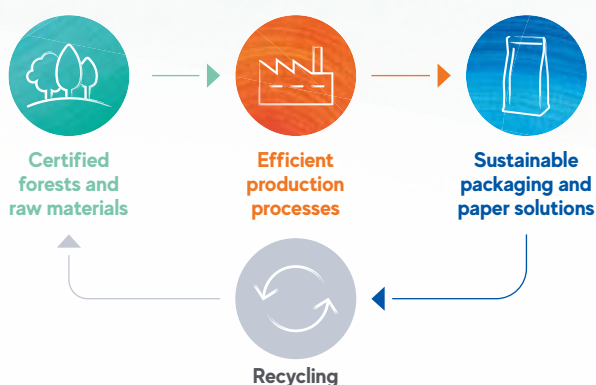
Vertical integration

Our vertically integrated network reduces the Group's exposure to price volatility, providing security of supply and production and logistics optimisation

What we do

We have an integrated business that leverages our distinct competitive advantages, and key relationships and resources.

 **Our integrated value chain**
Page 20-21



Managing our risks

Successfully mitigating the potential impact of risks on our business model and appropriately setting our risk appetite is critical to ensure we continue to generate long-term value for our stakeholders.

 **Principal risks**
Page 74-85

Focus on continuous improvement

We are continuously driving performance along the whole value chain, focusing on excellence and improvement across our processes

Strong financial position

Our disciplined capital allocation and robust financial position provides us with strategic flexibility

Sustainable by Design

We embed sustainability into everything we do, leveraging our sustainability-centred packaging solutions and operating practices, making us an ideal partner and employer of choice

Entrepreneurial culture

Our entrepreneurial culture brings the best out of Mondi's people, driving us to Grow. Create. Inspire. Together.

Examples of the value we create

By combining our integrated value chain, strong relationships and management of resources, and leveraging our competitive advantages, we create value for our stakeholders in line with the Mondi Way.

Employees

23%

reduction in total recordable case rate (since 2015)

In addition to our focus on safety, we invest in the development of our people, supporting a diverse, skilled and committed workforce

Customers

8

WorldStar Packaging Awards (two with a customer)

We partner with our customers to help them meet their sustainability commitments leveraging our unique EcoSolutions approach, offering paper where possible, plastic when useful

Communities

€168 million

direct taxes paid

In addition, the Group has invested €50 million in local community initiatives in the past five years including more than €3 million of direct financial and in-kind donations in response to the COVID-19 pandemic

Suppliers and contractors

2,000

key suppliers

We engage with our suppliers, encouraging supply chain transparency and fair working conditions, and undertake actions to mitigate our risks

Investors

42%

five-year total shareholder return

Supported by a strong balance sheet, we continue to declare dividends in line with our cover policy and have recommended a total dividend for the year of 60.00 euro cents per share

Partners, industry associations and regulators

Numerous

strategic partnerships and initiatives

Our global collaborations ensure we can contribute to finding sustainable solutions for the collective challenges we all face and bring about meaningful change

Our business model

Our integrated value chain

We are integrated across the packaging and paper value chain, leveraging our distinct competitive advantages and key resources and relationships to convert raw materials into innovative and sustainable packaging and paper solutions for our customers.

Certified forests and responsibly sourced raw materials

Our production processes require access to natural resources, most notably forests, water and energy, and raw materials, such as wood, paper for recycling, chemicals and polymers. We source fibre, a key input material for our pulp and paper mills, sustainably from our managed forests and externally.

Efficient production processes and sustainable packaging and paper solutions

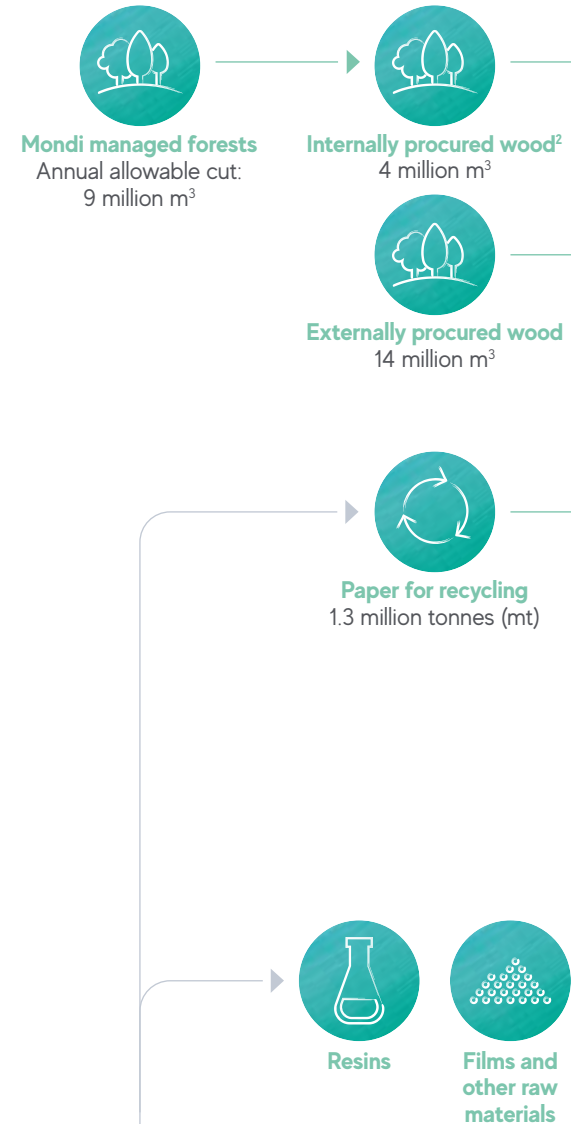
The Group's vertically integrated pulp and paper mills produce pulp, packaging papers and uncoated fine paper. We produce more pulp than is needed which we sell externally. Our broad range of containerboard and kraft paper packaging grades are used by our converting operations, with the remainder sold to other customers.

Our converting operations use packaging paper (sourced internally and externally) and other raw materials to produce corrugated solutions, flexible packaging products (both paper- and plastic-based), and speciality products for a wide range of consumer and industrial end-uses.

Recycling

As a Group, we are committed to supporting the transition to a circular economy. We are leveraging our R&D centres and collaborating with stakeholders to create high-quality, innovative, sustainable packaging and paper solutions that are designed for recycling. We aim to include an increasing proportion of recycled content in our packaging and paper solutions.

Certified forests and responsibly sourced raw materials¹



¹ Based on 2020 statistics

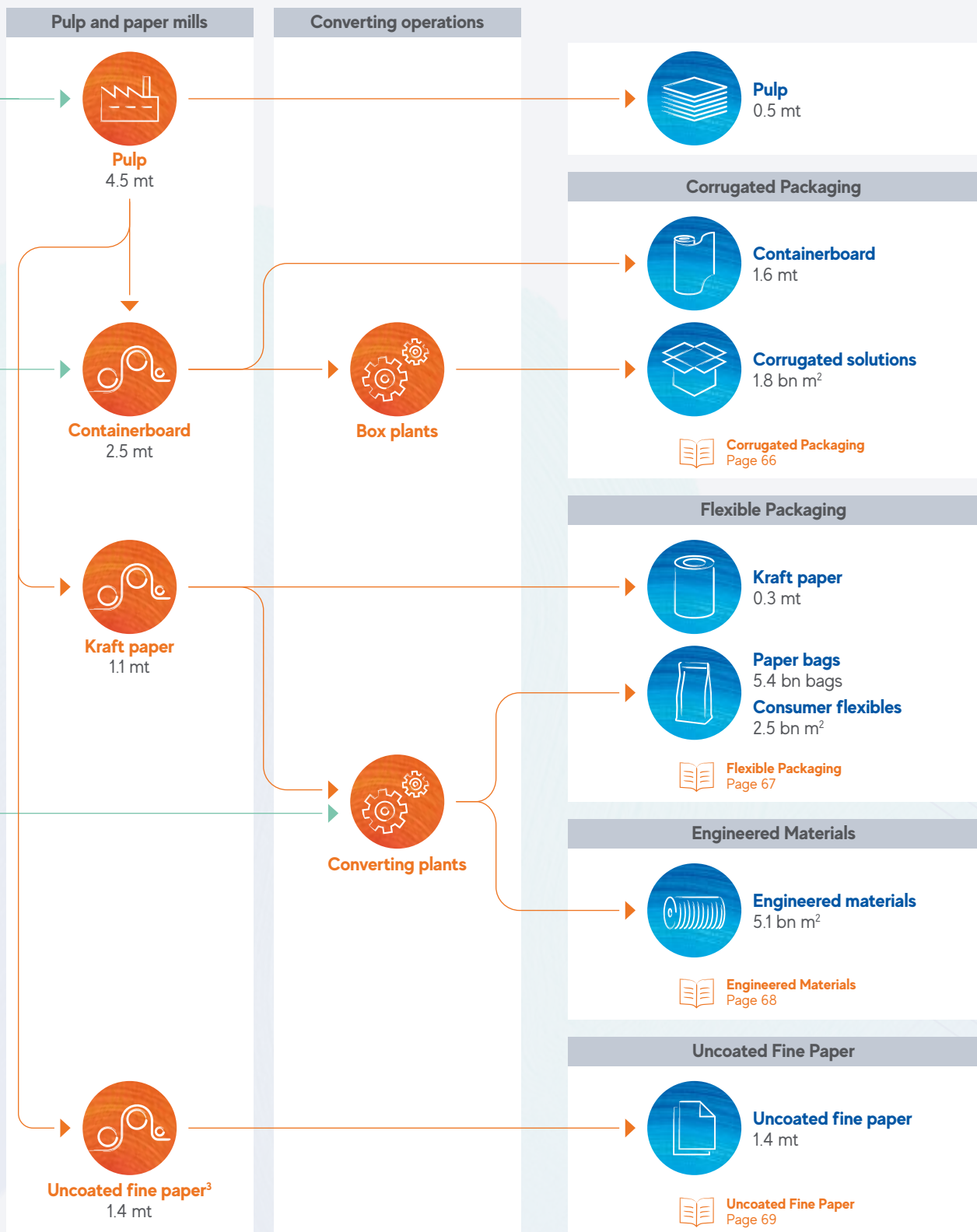
² Due to commercial, logistic and sustainability considerations, the actual wood procured from our managed forests was lower than the annual allowable cut

³ In addition to the 1.4 mt of uncoated fine paper, the Group also produced 0.2 mt of newsprint in 2020

⁴ Pulp and packaging paper net exposure

Efficient production processes¹

Sustainable packaging and paper solutions^{1,4}



Our strategy

Our strategy is to deliver value accretive growth sustainably by focusing on our four strategic value drivers set out in this section. Our framework reflects how sustainability is at the centre of our strategy and drives our decision-making in line with our purpose.

Our strategic approach builds on the competitive advantages we enjoy today, and sets a clear roadmap for our investment and operational decisions so that we can continue creating value in a sustainable way into the future. All strategic value drivers are important, while priority levels differ across the value chain. Digital initiatives play an important role across our four drivers to accelerate our value creation.

Our disciplined strategic approach, while retaining flexibility around how we execute on it, has positioned us as a leading global packaging and paper group with a strong platform for growth. We continue to expand our business, with a focus on assets and markets that offer us inherent advantages, and products that are core to our portfolio or bring related development opportunities.

Our strategy remained consistent and relevant throughout the year as we faced the challenges brought by COVID-19. The pandemic has accelerated the trends that we already witnessed prior to 2020 and which we have positioned the business to address, including sustainability, increasing e-commerce demand, and the decline in uncoated fine paper consumption. We believe that our business model is resilient, our strategy remains relevant, and the Group is well positioned to benefit when the recovery comes.

Our priority is to grow our packaging businesses

Supporting the growth of our packaging businesses is our priority. We are actively working with our customers and other stakeholders to develop innovative and sustainable packaging solutions that are fit-for-purpose using our customer-centric, EcoSolutions approach. To support this ongoing growth, we plan to continue pursuing value-enhancing capital investments and acquisitions that build on our competitive advantages and enable us to better serve our customers. Engineered Materials brings together leading market positions and expertise in coating technologies which provides an opportunity to support our growth in sustainable packaging. Our Uncoated Fine Paper business has clear cost advantages and enjoys strong market positions in the regions where we operate, in particular central and eastern Europe, Russia and South Africa. We will continue to invest to maintain and improve its competitiveness and leverage this asset base to increase our exposure to faster growing packaging products where the opportunity arises.



Delivering value accretive growth sustainably

Sustainability lies at the centre of our purpose, culture and strategy to drive value accretive growth. We believe business has a leading role to play in helping to deliver the UN Sustainable Development Goals (SDGs). Being part of the solution to global sustainability challenges will secure the long-term success of our business and benefit all our stakeholders.

Communicating openly and working together helps us to better understand and address risks and opportunities so that we can continue to generate value for our stakeholders long into the future and tackle the complex global challenges that can't be solved alone.

Our Growing Responsibly model to 2020 was the framework through which we responded to sustainability challenges and opportunities and addressed societal issues over the past five years. It has formed part of our business strategy and has enabled us to clearly demonstrate, monitor, improve and communicate our sustainability performance across the value chain. We have a solid foundation of setting targets and reporting on our performance since 2004.

This year we are launching the Mondi Action Plan 2030 (MAP2030) as our new sustainability framework. It builds on the strong progress we made through our Growing Responsibly model and sets out the actions we need to take over the next decade to achieve our ambitious sustainability goals. MAP2030 is aligned to the UN Sustainable Development Goals and it connects our 26,000 colleagues with a shared sense of purpose to contribute to a better world by making innovative, sustainable packaging and paper solutions. We believe that by focusing our efforts on circular-driven solutions, created by empowered people, taking action on climate, we can have the most impact. Each of these action areas have three high-level commitments, which are underpinned by more detailed targets, with the overall plan grounded on a foundation of responsible business practices spanning business ethics and governance, human rights, communities, procurement and environmental impact. MAP2030 will enable us to monitor, improve and communicate our performance as we progress.

We foster collaborative relationships and partnerships. We believe it is only by working together that we will achieve the impact, innovation and scale necessary to bring about positive change beyond our own boundaries.



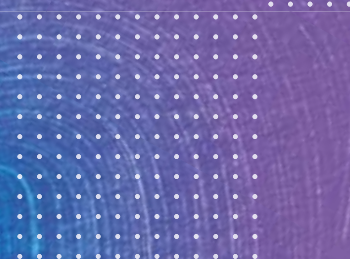
Further information
Page 25-27

Together we are...

delivering value accretive growth with sustainability at the centre of our strategy

Andrew King
Group CEO

Mike Powell
Group CFO



Drive performance along the value chain

Our passion for performance will always be central to the way we run our business – from our focus on commercial excellence and lean processes, to rigorous quality management and operational excellence programmes that enhance productivity and efficiency. Our collaborative approach to benchmarking enables us to learn from our best performing operations and identify emerging issues to ensure performance is optimised throughout the organisation. We have continuous improvement processes and systems in place focused on driving productivity, increasing efficiency, reducing waste and ensuring our processes stay lean. We are focused on finding innovative ways of working including the use of digital technology to further improve our performance, which proved very useful during the height of the pandemic. We plan to leverage the lessons learnt to drive our business forward.

To optimise collaboration and costs, we maintain selected centralised functions, where we believe we can benefit from a coordinated approach, such as procurement, technical, sustainable development, treasury and tax.

We regularly review our portfolio and take decisive actions where appropriate to manage our cost base and ensure we service our customers in the most efficient way.

A key component of our success in driving performance along the value chain is creating an entrepreneurial and dynamic culture across our organisation.

 **Further information**
Page 28-29



Invest in assets with cost advantage

We believe that our portfolio of assets is industry leading. Our capital investments focus on driving organic growth, strengthening our cost competitiveness, enhancing our product offering, quality and service to customers and improving our environmental footprint. Investing in our cost-advantaged asset base to maintain and enhance our competitiveness is of particular importance for our pulp and paper operations where products are generally more standardised and relative cost competitiveness is a key value driver. Our integrated business model, with backward pulp integration and high electricity self-sufficiency, provides us with security of supply, reduced exposure to raw material price volatility and helps us manage sustainability risks and opportunities holistically. Our disciplined approach to investigating, approving and executing capital projects is one of our key strengths and plays an important role in successfully delivering strong returns through-the-cycle.

In addition, and where appropriate, we look to acquire businesses that produce high-quality products with sustainable competitive advantage and the potential to achieve world-class operating standards. This enables us to generate synergies through integration, enhance our product and service offering and/or extend our geographic reach to better serve our customers.

 **Further information**
Page 30-31



Inspire our people

Ensuring the safety and health of our people always comes first. Our employees and contractors work in potentially hazardous environments. We embed clearly defined methodologies, procedures and robust controls to ensure they, and other people who have reason to be on Mondi sites, stay safe. Above all we look to develop a 24-hour safety mindset across the Group.

We engage with our people to nurture their commitment to a business which they feel has purpose, acts responsibly, and offers a range of development opportunities to help them grow. The Mondi Way sets out our culture and values and helps to connect them with our purpose, vision and strategy. Creating an inclusive environment that fosters and respects diversity is vital to our success, and builds competitive advantage in becoming an employer of choice. Enhancing the skills of our employees is a key part of developing an agile and motivated workforce that is capable of delivering our strategy and driving success in a sustainable way. Personal development and training supports employees to be accountable to our standards, principles and policies.

 **Further information**
Page 31-32



Partner with customers for innovation

Working with our customers and other partners in the value chain to create high-quality, innovative and sustainable solutions is key to our long-term success. As a leading producer of paper- and plastic-based packaging, we are uniquely positioned to leverage our relationships, product and technical know-how to offer our customers the most sustainable solutions with the functionality to meet their needs. Our customer-centric approach, EcoSolutions, supports our customers to achieve their sustainability goals following our principle paper where possible, plastic when useful. Backward integration into pulp and paper production provides us security of supply and enables us to carry developments in our upstream paper operations over to our converting plants.

Getting innovation right is critical to meeting increasingly sophisticated and bespoke customer needs. Our R&D centres and innovation activities span the entire value chain. We also cooperate with external partners to maximise the potential of our R&D around designs, technologies, procedures, and markets to deliver products that enable our customers to succeed in reaching their own sustainability goals and minimise the impact on society and the environment.

 **Further information**
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Strategic performance

Robust performance with excellent cash generation

Mondi delivered a robust performance in 2020, with continued strong cash generation, testament to the strength of our business model in the face of significantly lower average selling prices across our key pulp and paper grades, together with the challenges brought by COVID-19.

We finished the year positively, with strong demand in the packaging businesses, supported by the long-term growth drivers of sustainability and e-commerce.

Our financial performance in 2020

Underlying EBITDA of €1,353 million was down 18% on the prior year, a robust performance in a challenging trading environment. Our packaging businesses delivered strongly and we are pleased with their strengthened order books in the second half and recent price increases being implemented in most paper grades.

Group revenue was down 8%, with strong volume growth in Corrugated Packaging and Flexible Packaging, underpinned by our strong customer proposition, being offset by a combination of lower average

selling prices and negative currency effects. Uncoated fine paper volumes were impacted by lower demand for professional and office printing as a result of the widespread lockdown measures. Input costs were on average lower year-on-year and cash fixed costs were marginally up in local currency with inflationary cost pressures largely offset by our strong cost mitigation programmes.

After taking into consideration the impact of depreciation and special items, operating profit of €868 million was down 29% (2019: €1,221 million).

Basic underlying earnings of 129.3 euro cents per share were down 24% compared to 2019. Basic earnings of 120.0 euro cents per share were down 28% compared to 2019.

Our capital investment programme to generate value accretive growth, enhance our cost competitiveness and deliver sustainability benefits is progressing well. In January 2021 we commissioned our investment in Štětí (Czech Republic), dedicated to producing speciality kraft paper for e-commerce and retail shopping bags. We also started up a new 300,000 tonne kraft top white machine at

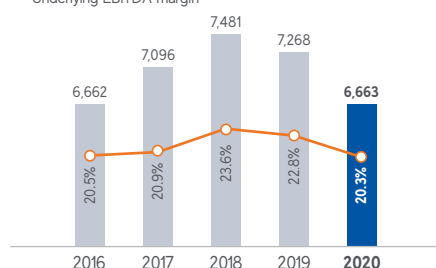
Ružomberok (Slovakia) and we are moving forward with the previously announced major capital investment projects at Syktyvkar (Russia) and Richards Bay (South Africa). Expansionary projects are also underway at a number of our converting packaging operations, enhancing our production capabilities and product offering to further support our customers. We continue to evaluate further opportunities for value accretive growth and remain excited by the possibilities offered by our platform. Our return on capital employed (ROCE) was 15.2%.

The Group remains strongly cash generative with cash generated from operations of €1,485 million (2019: €1,635 million). The impact of lower underlying EBITDA generation was mitigated by strong working capital management giving a net working capital inflow of €125 million. Net debt at 31 December 2020 was down by more than €400 million in the year to €1,791 million (2019: €2,207 million), 1.3 times (2019: 1.3 times) net debt to underlying EBITDA. This is after capital investments of €630 million or around 160% of depreciation, as we pursue our through-the-cycle investment programme to continue delivering value accretive growth.

Group revenue (€ million)

€6,663m

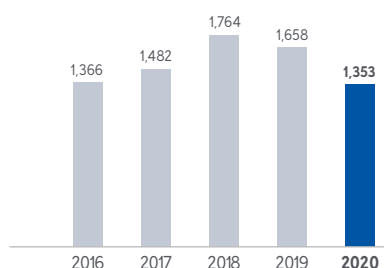
— Underlying EBITDA margin



Group underlying EBITDA (€ million)

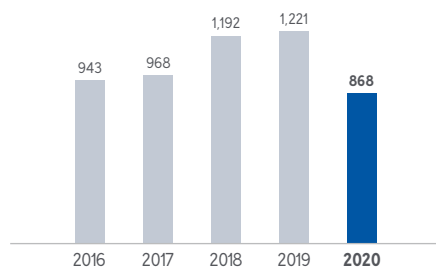
€1,353m

↓18% on 2019

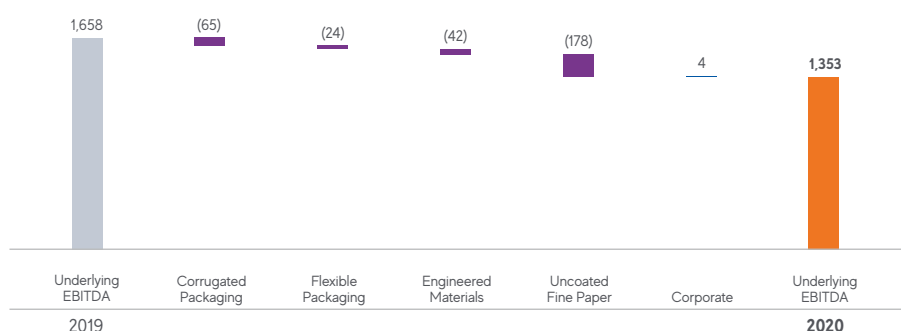


Operating profit (€ million)

€868m



Underlying EBITDA development by business unit (€ million)





Delivering value accretive growth sustainably

Progress in the year and medium-term priorities

Progress in 2020	Medium-term priorities	Related risks and mitigation
<ul style="list-style-type: none"> – Fast and effective response to COVID-19, prioritising the safety and health of our people and increasing our community support, beyond our existing initiatives – Achieved most of our five year commitments as set out in our Growing Responsibly model – Developed our next set of sustainability commitments to 2030 (MAP2030) focusing on circular-driven solutions, created by empowered people, taking action on climate 	<ul style="list-style-type: none"> – Continue to collaborate along the value chain with key stakeholders to further develop our sustainable packaging portfolio – Build on our climate resilience by reducing greenhouse gas emissions in line with our science-based targets – Work on delivering our MAP2030 commitments, by engaging with our people and other stakeholders and developing roadmaps to achieve our targets 	<p>Pandemic risk 1</p> <p>Strategic risk 6</p> <p>Financial risks 7 8 9</p> <p>Operational risks 10 11 12 13 14 15 16</p> <p>Compliance risk 17</p> <p> Principal risks Page 74-85</p>

COVID-19 changed the world in ways we had not expected. Our response ensured sustainability remained at the heart of our strategy to deliver value accretive growth for our stakeholders. We took decisive action in the early stages of the pandemic, moving quickly to safeguard our people and support our communities and partners, notably customers and suppliers.

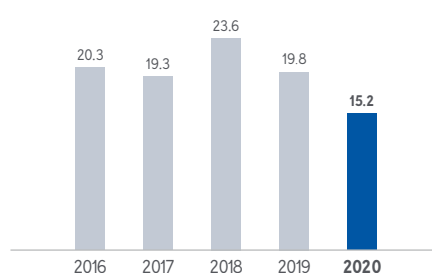
At the same time, we continue to focus on developing our business and we remain well-placed to deliver value accretive growth into the future. Our strong position as a global packaging and paper group provides a solid foundation to grow, with our packaging interests offering exposure to good structural growth opportunities such as e-commerce and sustainable packaging. Over the years we have found value-enhancing growth opportunities through organic capital investment in our packaging businesses. We continue to see further potential across these businesses, both in the upstream pulp and paper assets as well as the downstream converting operations. Acquisition led growth remains important to our strategy and we will evaluate opportunities as they arise. For example, early in 2021, we agreed to buy 90% of Olmuksan, a leading Turkish corrugated packaging player, which provides a great opportunity to strengthen our position in the fast growing local market. Read more later in this section.

2020 marks the final year of our commitments as part of our Growing Responsibly model. When we reflect on how far we have come since its inception in 2016, we are proud to have met most of our targets. The diagram on pages 44-45 provides a high-level overview of our consolidated five-year performance against our commitments. More detailed information on our 2020 achievements per action area and our overall impact is also available in the Managing our relationships and resources section.

Building on this success, we worked together to evaluate our sustainability framework and define a new roadmap: the Mondi Action Plan 2030 (MAP2030). MAP2030 focuses on three key action areas where we aim to make meaningful impact, with nine high level commitments – each underpinned by detailed targets and milestones. The 10 year period gives us the long-term vision we need and aligns our actions to the SDGs timeframe.

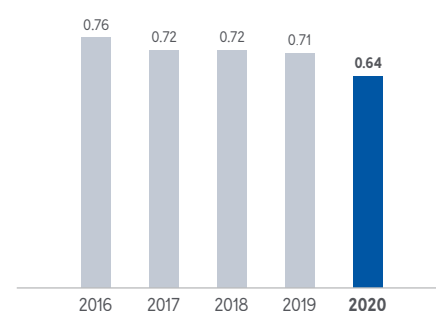
Return on capital employed (ROCE) % (12-month trailing)

15.2%



We are particularly proud to have met our original climate change commitment to 2020 ahead of schedule. We have reduced our total greenhouse gas (GHG) emissions (per tonne of saleable production) to 0.64, a 24% reduction against the 2014 baseline, building on our long-standing focus of becoming less carbon intensive. Our science-based GHG reduction targets were introduced in 2019. Our longstanding efforts to reduce our GHG emissions mean that we have delivered a reduction of 45% since 2004. The contribution of biomass-based renewable energy to the total fuel consumption of our mills has increased from 59% in 2014 to 67% in 2020. A number of major capital investments made us more energy efficient and less reliant on fossil fuels. Since 2015, we have invested around €500 million in energy-related projects.

Total specific CO₂e emissions¹ (tonnes per tonne of saleable production)



¹ From our pulp and paper mills

Strategic performance

Robust performance with excellent cash generation continued



Delivering value accretive growth sustainably continued

We are proud to have been recognised in 2020 by CDP as one of only 10 companies worldwide with a 'Triple A' score on its environmental performance related to climate, forests and water security. In the next decade, we plan to build on our climate resilience, by reducing GHG emissions in line with our science-based targets, maintaining zero deforestation in our wood supply, continuing to source wood sustainably from healthy and resilient forests and safeguarding biodiversity and water resources.

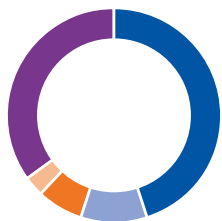
Our science-based GHG reduction targets approved by the Science Based Targets initiative in 2019, cover more than 95% of Mondi's total Scope 1 and 2 emissions, including our energy sales. We have committed to reduce Scope 1 and 2 emissions 34% by 2025, and 72% by 2050 (per tonne of saleable production) against a 2014 baseline. We are now exploring a science-based GHG reduction target for our Scope 3 emissions, which takes into account the GHG emissions in our value chain.

Climate change and the broader sustainability agenda continues to be a focus for our business and is embedded in our strategic priorities to ensure our strategy is resilient to the risks and opportunities presented by climate change so that we can achieve our ambitious targets. We continue to evolve our understanding of the potential impact of climate change on our business, the required mitigation activities as well as potential opportunities by leveraging our industry leading sustainability approach.

Principal risks
Page 74-85

Value distribution¹ (%)

€2,394m



■ Employees	45
■ Providers of equity capital	10
■ Direct taxes paid	7
■ Providers of loan capital	3
■ Reinvested in the Group	35

¹ Value distribution defined as operating profit before taking into account personnel costs and depreciation, amortisation and impairments

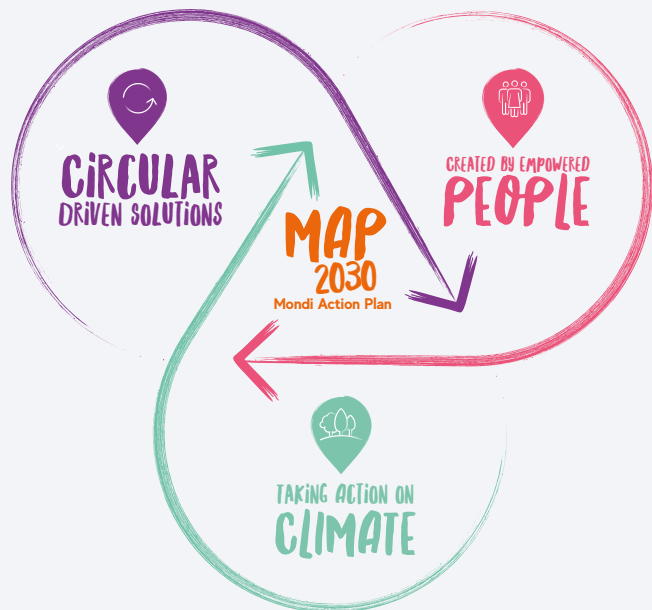
Together we are...

taking action to maximise our positive impact over the next 10 years

The Mondi Action Plan 2030 (MAP2030) sets out the action we need to take over the next decade to achieve our ambitious 2030 sustainability goals. It builds on the success of our Growing Responsibly model and touches every part of our business. Further insight into how we're building on our industry-leading sustainability performance can be found in the 2020 Sustainable Development report.

Growing Responsibly model
Page 44-45

Sustainable Development report
www.mondigroup.com/sd20



Built on Responsible Business Practices

Business Ethics & Governance | Human Rights | Communities | Procurement | Environmental Impact


We are pleased sustainable packaging continues to be a long-term priority for our customers and wider society. As a leading producer of both paper- and flexible plastic-based packaging, we continue to support our customers' environmental goals with packaging that is sustainable by design, adhering to our principle of paper where possible, plastic when useful.

 **Our EcoSolutions approach**
Page 34

The social, economic and environmental health of local communities is important to our long-term success. We continue to support local livelihoods and businesses and aim to build strong proactive and trusting relationships with our communities to identify opportunities and mitigate risks. During the year we escalated our community support programmes, going beyond our existing initiatives to provide targeted COVID-19 related support. We made significant financial and in-kind donations to support the pandemic response and provided food, fresh water and other supplies to people in need in the countries where we operate.

We recognise the importance of working with others across the value chain and engage with suppliers and customers in initiatives such as Cepi's 4evergreen alliance to increase the circularity and sustainability of fibre-based packaging solutions, aiming to achieve a 90% recycling rate by 2030.

 **Managing our relationships and resources**
Page 38-65



CIRCULAR DRIVEN SOLUTIONS...

Innovative packaging and paper solutions that keep materials in circulation and prevent waste

Commitment
Make our packaging and paper solutions reusable, recyclable or compostable


Target
– 100% of our products are reusable, recyclable or compostable by 2025

Commitment
Avoid waste by keeping materials in circulation

Target
– Eliminate waste to landfill from our manufacturing processes

Commitment
Work with others to eliminate unsustainable packaging

Target
– Progress made through our partnerships and stakeholder engagement activities every year



CREATED BY EMPOWERED PEOPLE...

An empowered and inclusive team that contributes to a better world

Commitment
Build skills that support long-term employability

Target
– Enable our employees to participate in upskilling programmes

Commitment
Provide purposeful employment for all of us in a diverse and inclusive workplace

Targets
– Achieve 90% Purpose Satisfaction score in our employee survey
– Achieve 90% Inclusiveness score in our employee survey
– Employ 30% women across Mondi

Commitment
Create an environment that enables a positive work-life experience, valuing our safety, health and mental wellbeing

Targets
– Zero fatalities and life-altering injuries
– 15% reduction of total recordable case rate
– Support our employees in pursuit of a work-life experience that enhances their wellbeing
– Operations to drive awareness of and take measures to improve health and mental wellbeing



TAKING ACTION ON CLIMATE...

Climate resilience through our forests and operations for the future of the planet

Commitment
Reduce our GHG emissions in line with science-based targets

Targets
– Reduce our Scope 1 and 2 GHG emissions by 34% per tonne of saleable production by 2025 and 72% by 2050 from the 2014 base year
– Reduce Scope 2 GHG emissions by 39% per MWh by 2025 and by 86% by 2050 from the 2014 base year
– Set a science-based Scope 3 reduction target by 2025

Commitment
Maintain zero deforestation in our wood supply, sourcing from healthy and resilient forests

Targets
– Maintain 100% FSC certification in our own forest landholdings
– 100% responsibly sourced fibre with 75% FSC- or PEFC-certified fibre procured by 2025 and the remainder meeting the FSC Controlled Wood standard
– Implement leading forestry measures to ensure productive, healthy and resilient forests

Commitment
Safeguard biodiversity and water resources in our operations and beyond

Target
– Conduct water stewardship and biodiversity assessments at our mills and forestry operations by 2025, and implement required actions to address the findings by 2030

Baseline 2020 for all commitments unless otherwise stated


Strategic performance

Robust performance with excellent cash generation continued



Drive performance along the value chain

Progress in the year and medium-term priorities

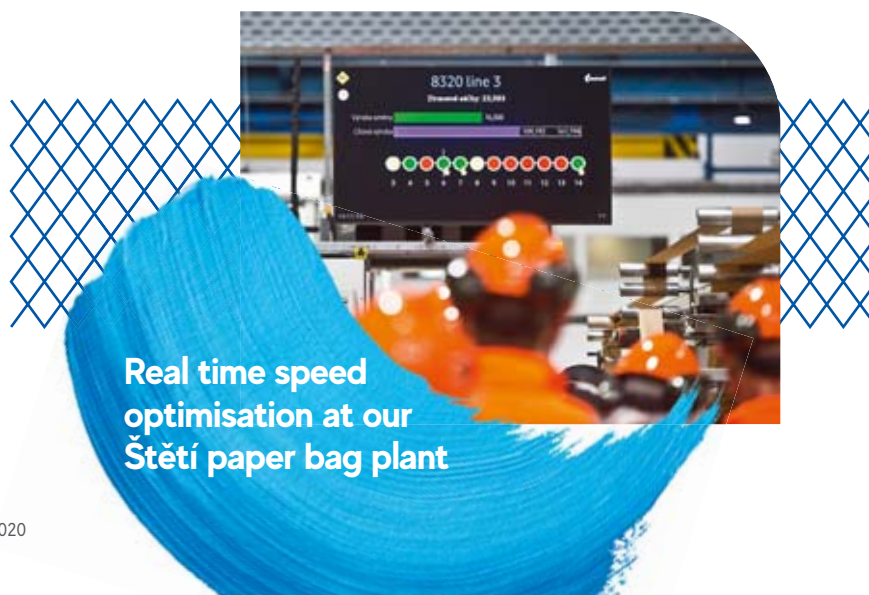
Progress in 2020	Medium-term priorities	Related risks and mitigation
<ul style="list-style-type: none"> – Strong operational performance even during the height of the COVID-19 pandemic lockdowns – Ongoing implementation of continuous improvement initiatives to drive productivity and efficiency gains – Optimisation of our consumer flexibles plant network as we closed two plants in the UK and announced the closure of a plant in South Korea – Restructuring initiatives in Engineered Materials to stabilise performance – Progress on a number of digitalisation initiatives to drive productivity gains 	<ul style="list-style-type: none"> – Continue to evaluate, invest in and roll out focused digital platforms and initiatives across our network to drive productivity and efficiency gains – Relentless attention to continuous improvement initiatives across our business to reduce costs and waste, maintain quality standards and enhance operational performance – Realise benefits from the announced and implemented restructuring initiatives in 2020 	<p>Pandemic risk 1</p> <p>Strategic risks 2 4 6</p> <p>Financial risks 7 8 9</p> <p>Operational risks 10 11 12 16</p> <p>Compliance risk 18</p> <p> Principal risks Page 74–85</p>

The Group delivered a strong operational performance during the year, even during the height of the COVID-19 lockdowns, testament to our employees' dedication, focus and determination. The pandemic required agility from our leaders and workforce. As examples, operations transitioned to different shift patterns and had to adapt to changes in team members and responsibilities as the pandemic impacted workplace attendance. Our procurement team adapted quickly to manage our supply chains and avoid disruptions, with our global network coming together to share learnings and capabilities.

We focused on carrying out continuous improvement initiatives, based on lean principles, to further optimise our production processes, and improve our efficiency and productivity.

We also undertook a number of restructuring initiatives during the year. In our Flexible Packaging business, we closed our two consumer flexibles plants in the UK and announced the planned closure of our consumer flexibles plant in South Korea. We will continue to serve our customers from our other plants around the world. In our Engineered Materials business, we are implementing a range of measures to reduce the cost base and stabilise performance, including the closure of a functional paper and films plant in Pleasant Prairie (Wisconsin, US) and restructuring of our personal care components focused operations in Gronau (Germany).

The Group continues to invest in digital technologies that drive efficiencies. Following the successful pilot in our paper bags business in 2019, we rolled out a speed optimisation programme at other sites during the year and plan to set this up at all our paper bag plants by mid 2022. The programme applies advanced analytics to target certain levels of speed in the production process, thereby driving significant productivity improvements. We have developed a similar successful programme for our corrugated solutions' plants that has driven efficiency gains. In our upstream pulp and paper assets, we are leveraging predictive technologies and soft sensors to improve quality and efficiency and reduce waste. Read more on our digital initiatives on the next page.



Real time speed optimisation at our Štětí paper bag plant

Together we are... accelerating value creation by leveraging digital solutions



By combining technology, data science and the talent of our people, we are continuing to build on Mondi's digital capabilities and accelerating the effectiveness of our strategic value drivers. The Group has identified more than 200 digital initiatives in which we see an opportunity to improve processes, increase our offering and generate value for the business. As a Group, we are focusing on the following areas:

Digital factory

We are focused on using advanced analytics, automation and robotics to drive efficiency, productivity and quality across our operations. This is the area of digital transformation with the most potential impact for Mondi. In our pulp and paper mills, we've installed machine learning models and soft sensors to closely measure a range of parameters across our production processes. This enables continuous prediction, helps to stabilise and enhance performance, improves efficiency, and reduces waste, all while maintaining quality standards. In our converting operations, advanced analytics are used to optimise performance by modelling and predicting product-specific target speeds for our machines and by setting time specifications to reduce machine run-time losses.

Digital commercial

Digital tools can strengthen engagement and connection with our customers and help to enhance our offering. We are continuing to develop the Group's digital customer platform (myMondi) and adapt it to the needs of each business. In 2020, we successfully rolled it out to our Corrugated Packaging customers. The platform allows customers to track orders online, access additional order and product information, file claims and, if applicable, place orders electronically.

Digital supply chain

By incorporating digital solutions, supply chains are expected to function at greater speed with more flexibility, granularity and accuracy. By using advanced forecasting approaches, such as predictive analytics of customer order behaviour and external factors like market trends, digital solutions can drive efficiency improvements across the supply chain. Across our business, several pilot projects are currently in progress to test the benefits of advanced forecasting and identify potential opportunities.

New ways of agile working

Continuing to evolve our processes by transitioning to new technologies is important to drive the business forward, attract and retain talent, and encourage an entrepreneurial spirit among our people. During the year, the increase in virtual engagement and remote working as a result of the COVID-19 pandemic accelerated the use of digital solutions across the Group and helped our people to work and solve challenges remotely. We recognise that traditional in-person collaboration remains important while we continue to investigate and implement digital alternatives that assist our people in delivering on the Group's priorities.

Strategic performance

Robust performance with excellent cash generation continued



Invest in assets with cost advantage

Progress in the year and medium-term priorities

Progress in 2020	Medium-term priorities	Related risks and mitigation
<ul style="list-style-type: none"> – Realised financial and environmental benefits from the ramp-up of recently completed major capital projects – Progressed the machine conversion investment at Štětí, commissioned in early 2021 – Good progress made on the new paper machine investment at Ružomberok during the year, starting up at the end of January 2021 – Continued to invest in our asset base, even with the challenges posed by the pandemic, to drive growth, strengthen cost competitiveness, enhance our offering and improve our environmental footprint 	<ul style="list-style-type: none"> – Successfully ramp-up production of the Štětí machine conversion investment to meet the growing demand for paper-based e-commerce and shopping bag applications – Successfully ramp-up production of the new kraft top white machine at Ružomberok by leveraging our unique paper offering – On time and on budget execution of capital investment programme – Continue to evaluate value enhancing organic and inorganic investment opportunities 	<p>Pandemic risk 1</p> <p>Strategic risks 2 3 4 5 6</p> <p>Financial risks 7 8 9</p> <p>Operational risks 11 12 16</p> <p>Compliance risk 17</p> <p> Principal risks Page 74-85</p>

Our capital investments focus on driving organic growth, strengthening our cost competitiveness, enhancing our product offering, quality and service to customers and improving our environmental footprint. This ongoing investment in our cost-advantaged asset base enables us to continue to capture opportunities in our growing packaging markets, supported by strong structural growth trends, including e-commerce and the trend to transition to more sustainable packaging solutions.

Since 2014, we have successfully commissioned and ramped up a number of projects totalling €1.4 billion across our global network. These projects have generated average returns above 20% and added around 600,000 tonnes per annum of cost-advantaged capacity. They have strengthened our customer offering, improved operational efficiency, reduced costs, improved our environmental footprint and unlocked options for future growth.

During the year, we benefited from the full ramp-up of the Štětí mill modernisation completed in late 2018, the rebuild of the pulp mill at Ružomberok completed in 2019, and other smaller investments in our mills and packaging converting plants. We estimate the underlying EBITDA contribution of these projects in 2020 was around €50 million. We expect to generate a further €50 million incremental contribution from projects in 2021.

Our focused capital expenditure project pipeline secures organic growth in our upstream cost-advantaged asset base:

- The investment in a new 300,000 tonne per annum kraft top white machine at Ružomberok started up at the end of January 2021 and is making good progress ramping up (capital expenditure of €370 million including the pulp mill upgrade commissioned in the second half of 2019). Our customers are excited by this innovative containerboard grade, combining excellent printability, fantastic strength and a high recycled fibre content.
- Early in January 2021, we commissioned the €67 million project to convert a containerboard machine at Štětí to be fully dedicated to the production of speciality kraft paper with a mix of recycled and virgin fibre content for shopping bag applications. This project will further support our retail customers' efforts to replace unnecessary plastic as they transition to more sustainable packaging solutions that contribute to the circular economy. Once ramped up, the project will result in an additional 75,000 tonnes per annum of speciality kraft paper capacity while our containerboard capacity will be reduced by 30,000 tonnes per annum.
- The investment programme at Syktyvkar to debottleneck production and maintain competitiveness, including various enhancements of the mill infrastructure, a new evaporation plant and a pulp dryer upgrade is progressing well.
- The modernisation of our Richards Bay mill, including upgrading the energy and chemical plants to improve reliability, avoid unplanned shutdowns and improve

our environmental performance, is ongoing with a prolonged mill shut planned for later this year as part of the project implementation process.

Our current major upstream projects are expected to increase our saleable pulp and paper production by around 7% when in full operation.

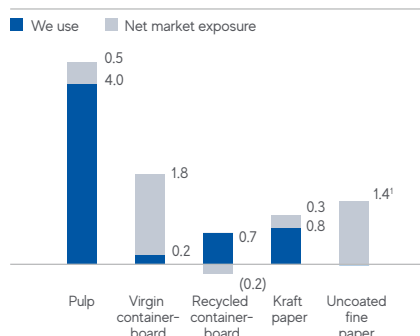
We continue to invest in our downstream converting businesses, including our Corrugated Packaging, Flexible Packaging and Engineered Materials plants to grow with our customers, enhance our product and service offering, improve efficiency and reduce conversion costs. For example, we are upgrading and expanding a key e-commerce plant in Bupak (Czech Republic) and investing in e-commerce paper-based mailerbags production at various sites in Europe. We have started up a new greenfield paper bag plant in Cartagena (Colombia) to serve our customers in the region and we have recently approved plans to expand our North African footprint, with a new paper bag plant in Tangier (Morocco). To meet our customers' demand for sustainable biodegradable wipes, we are investing in a new line at our plant in Ascania (Germany), which is scheduled to start up in the first quarter of 2021.

Given the approved project pipeline, our capital expenditure is expected to be around €600-700 million in 2021 (around 150-175% of depreciation). We continue to evaluate further capital investment projects for growth, leveraging our high-quality, cost-advantaged asset base.



Inspire our people

Vertical integration (production in million tonnes)

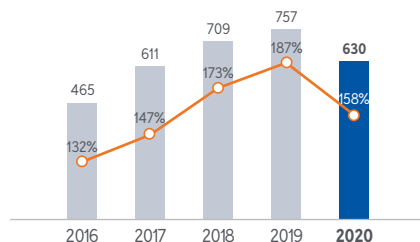


¹ In addition to the 1.4mt of uncoated fine paper, the Group also produced 0.2mt of newsprint in 2020

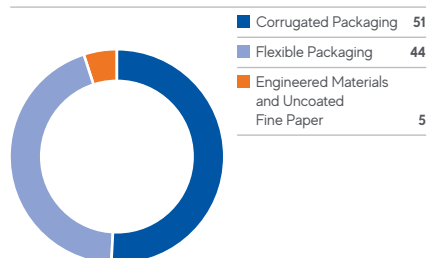
Capital expenditure (€ million)

€630m

— Capex as a percentage of depreciation

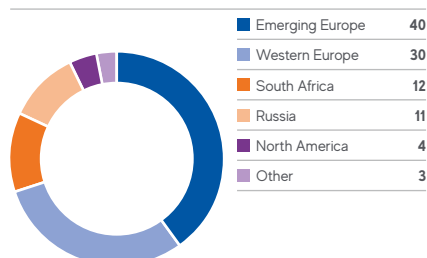


Five-year net investment¹ (%)



¹ Net investment calculated as capex less depreciation and amortisation, plus acquisitions, less disposals

Net operating assets by location (%)



The safety and health of our people remains a key priority. In 2020, in the face of the global pandemic, our employees have gone above and beyond to keep each other safe. We are committed to going beyond industry minimum safety requirements and promote a 24-hour safety mindset to ensure our employees and contractors return home safely, every day. We want to develop and inspire a diverse and inclusive workforce that is ready for change and embraces new ways of working. We aspire to be an employer of choice by engaging and developing our people.

We are extremely grateful to and proud of all our colleagues who kept our businesses running despite the many challenges we faced. It demonstrates the expertise, commitment, flexibility and strong team spirit of our people. During the year, we actively supported the adaptation to new ways of working and balancing the pressures of work and home life. We emphasised the importance of taking care of the emotional wellbeing of our people and talking about mental health through this unsettling time. Our leadership teams increased communication across our operations and we shared personal experiences and stories of success. There were messages of hope, resilience and togetherness – with the slogan #StrongerTogether trending across our internal communication.

Our Employee Assistance Programme (EAP) is a 100% confidential hotline provided by an external company of qualified counsellors and advisers which operates in 14 countries. It is available to Mondi employees and their families free of charge and around the clock, helping to support our people through these challenging times.

Our approach to safety has enabled us to engineer many of the most serious risks out of our operations. We look to develop a 24-hour safety mindset across the Group with initiatives to address people's conscious and unconscious behaviours. We also shifted to monitoring lead indicators as part of our safety programme, which helps our operations to address risks before an incident occurs. However, while being among the safety leaders in our industry, fatalities still happen – and it is with deepest regret that we report two in 2020. In January 2020, a contractor died during demolition activities at our Syktyvkar mill (Russia). In June 2020, a contractor died in an incident during cleaning activities of a power boiler at our Richards Bay mill (South Africa). Thorough investigations are conducted after all incidents and action plans implemented to address root causes and prevent repeat incidents. We thankfully had no life-altering injuries during 2020, but in January 2021, regrettably, a contractor lost a finger during harvesting activities in Finland.

Overall, our Total Recordable Case Rate (TRCR) has decreased over the past five years. In 2020, we had 217 recordable cases (2019: 239 restated for acquisitions), which equates to a TRCR of 0.58 (2019: 0.63 restated for acquisitions) representing a 7% reduction compared to 2019 and a 23% improvement against our 2015 baseline, exceeding our 2020 commitment.

Our Group-wide employee survey, which we conduct every two years, enables us to understand employee views and consider the outcomes in our strategy and decision-making. The most recent survey took place in March 2020 with an 88% overall response rate – a significant achievement considering that we changed to a fully digital format in 2020 and as many locations were dealing with various forms of lockdown.

Strategic performance

Robust performance with excellent cash generation continued



Inspire our people continued

Progress in the year and medium-term priorities

Progress in 2020	Medium-term priorities	Related risks and mitigation
<ul style="list-style-type: none"> – Enhanced employee-support initiatives and programmes as a response to the challenges caused by the pandemic – Improved overall safety performance – Completed a Group-wide employee survey to understand our people’s concerns and areas for further engagement – Continued to develop and enhance our people’s skills through adapting training to online formats – Initiatives to inspire and promote a diverse and inclusive workforce 	<ul style="list-style-type: none"> – Continuous focus on improving our safety performance and embedding a behaviour-based safety mind-set – Focus on talent attraction, retention and diversity and inclusion initiatives – Continue to engage with our employees and implement support mechanisms where required to inspire our people 	<p>Pandemic risk 1</p> <p>Operational risks 14 15 16</p> <p>Compliance risk 17</p> <p> Principal risks Page 74-85</p>

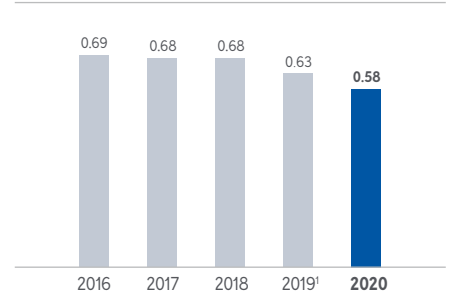
The results showed a significant overall improvement since the previous survey in 2018. We have focused on improving giving feedback and rewarding hard work. One example was our employee recognition scheme, ‘You make Mondi’, which we initially rolled out across our Corrugated Packaging business and in South Africa, and have now successfully expanded it across the Group. We will continue working on these areas to foster a recognition culture.

We believe in lifelong learning which is championed by the Mondi Academy, and focus on creating tailored development plans, supported by coaching and mentoring, to develop our people. Enhancing the skills of our colleagues enables them to realise their potential and help Mondi to succeed. In 2020, the Mondi Academy adjusted most in-person training sessions to online formats, with the exception of local team training that were possible to conduct safely on site. We will resume face-to-face trainings when it becomes safe to do so. We also focus on developing the talented employees that will become the next generation of leaders.

Our Diversity & Inclusion (D&I) taskforce and the D&I Steering Committee, established in 2018, provides high-level leadership and business engagement across the Group. The taskforce has implemented cultural, educational and process-related initiatives to address gaps and improve performance. While our policies and processes support gender equality at Mondi, we acknowledge that we need to go further to ensure that we improve the share of women across our workforce. We have set an ambitious 2030 commitment. Our focus is equally on inclusion and encouraging diversity of all types. Human rights topics have evolved into a material business issue in recent years. We continue to work internally and externally (for example with the Danish Institute for Human Rights) to understand our gaps and develop our approach.

Managing our relationships and resources – Employees
Page 46-50

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



¹ 2019 has been restated to include the Kuopio mill and Egyptian paper bag plants acquisitions completed in 2018



Together we are...
fostering a
recognition culture



Partner with customers for innovation

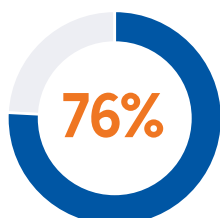
Progress in the year and medium-term priorities

Progress in 2020	Medium-term priorities	Related risks and mitigation
<ul style="list-style-type: none"> Continued supply of essential materials to our customers even during the height of the pandemic Ongoing focus on innovation and product development with our customers, continuing to be externally recognised with our award-winning products Developed a number of sustainable packaging solutions, leveraging our unique platform as a leading paper-and flexible plastic-based producer Continued to develop and roll out myMondi, our digital customer platforms, to our Corrugated Packaging customers 	<ul style="list-style-type: none"> Continue to partner with our customers to develop innovative and sustainable packaging solutions Realise benefits of our digital customer platforms and evaluate further tools if required Complete the Olmuksan acquisition and integrate the business into the Mondi Group 	<p>Pandemic risk 1</p> <p>Strategic risks 3 4 6</p> <p>Operational risk 16</p> <p>Compliance risk 17</p> <p> Principal risks Page 74-85</p>

Our businesses have played an important role in responding to the pandemic. We continued to provide essential materials to our customers, many of whom produce food, personal and home care products needed daily. During the pandemic, being able to provide this security of supply, respond rapidly to significant changes in demand, and where necessary provide financial support, has strengthened relationships with our customers. Many are looking to simplify and shorten their supply chains, engaging with fewer reliable partners like Mondi.

An example of our supply chain and operational resilience are our Corrugated Solutions plants in central Europe. Our e-commerce customers experienced very strong demand during the year, relying on our packaging to ensure their products could reach consumers on time through peak times. Having invested over the years to increase our capacity with fast deliveries and a strong service proposition, our network of plants had the capability to provide flexible, on-time deliveries with high quality service throughout the year which cannot be easily matched.

Recyclable, reusable, compostable products (% of Group revenue)



Over recent years we have increased our focus on innovating with our customers and are pleased with the external recognition we have received for our innovation capabilities. We won a number of awards and are particularly proud of our eight WorldStar Awards – two for our Flexible Packaging team and six for Corrugated Packaging, two of which were in partnership with a corrugated solutions customer.

Innovative, sustainable packaging solutions continue to be demanded by our customers and wider society. Our broad range of paper-based and flexible plastic-packaging makes us uniquely positioned to help forward-thinking brands find the most sustainable solutions, using 'paper where possible, plastic when useful'. During the year we focused our efforts on developing paper-based packaging solutions to replace unnecessary plastic packaging, enabling our customers to achieve their own sustainability targets and reduce their environmental footprint. Paper-based packaging is renewable and easily recyclable which means it is an optimal solution for many of today's applications. When certain functionality barriers are required, plastic-based flexible packaging can deliver many benefits when manufactured, used and disposed of appropriately, from reducing food waste to extending shelf-life and improving resource efficiency (by reducing raw material usage, being lightweight and less transport intensive).

We have also focused on designing fully recyclable consumer plastic-based flexible packaging to improve its circularity and we have looked at ways to increase, where possible, the proportion of recycled plastic content in our solutions. As a Group, we estimate that 76% of our revenue is generated from products that are recyclable, reusable or compostable. This percentage includes mono-material plastics designed for recycling and all products consisting of at least 95% paper and therefore deemed widely recyclable. Additional Mondi products with lower fibre content may also be recyclable in certain systems, but have not been included. Through our initiatives undertaken throughout the Group, we continue to develop innovative solutions as we transition to a low carbon and circular economy.

The market response to our customer-centric approach, EcoSolutions, has been overwhelmingly positive. Our customers are eager to improve the sustainability of their packaging and seek guidance from us on potential trade-offs. Our approach helps our customers to achieve their wider environmental goals, by replacing less sustainable products, reducing raw materials used and designing for recycling.

 **Our EcoSolutions approach**
Page 34

Strategic performance

Robust performance with excellent cash generation continued



Partner with customers for innovation continued

In January 2021, the Group agreed to acquire 90.38% of the outstanding shares in Olmuksan International Paper Ambalaj Sanayi ve Ticaret A.Ş. ("Olmuksan") from International Paper for a total consideration of €66 million, which implies an enterprise value on a 100% basis of €88 million. As a leading and well-established corrugated packaging player in Turkey, Olmuksan's network of five plants provides an exciting opportunity to significantly strengthen our position in the fast-growing Turkish corrugated market and expand our offering to existing and new customers in the region.

The transaction remains subject to competition clearance and other closing conditions and is expected to complete in the first half of 2021.

During the year we spent €23 million on R&D across our businesses to develop innovative products for our customers.

We continue to evolve our customer interaction and partnership using digital solutions. Following the implementation in the Uncoated Fine Paper and Paper Bags businesses, we rolled out myMondi digital customer platforms in the Corrugated Packaging business during the year.

These tools allow for customers to track their orders online, file claims, access additional product and order information and if applicable place orders electronically. We continue to explore digital platforms that further connect us to our customers.

Together we are... creating packaging for the future with our customers



The response by customers to EcoSolutions, our customer-centric approach to develop sustainable packaging following the principle 'paper where possible, plastic when useful', has proven successful in 2020.

Our customers are eager to improve the sustainability performance of their packaging, without having to compromise on performance, functionality or brand appeal. Over the last five years, we have evolved our approach to sustainable products.

Lightweighting, product safety and avoiding food waste are still relevant and we have developed new innovative materials and packaging using recyclable mono-materials, hybrid solutions and renewable fibre-based options to help our customers achieve their goals and meet the rapidly evolving external context.

Key megatrends including sustainability, enhanced brand value and e-commerce remain in place. These have driven customers to become increasingly knowledgeable about their options and they have elevated expectations for packaging.

Our EcoSolutions approach differentiates us in the market. Given our experience and knowledge of the materials and manufacturing processes, we understand that there are many trade-offs to consider – it is about finding the best solution for the customer, their product and the planet – and thinking holistically. We work with our customers to understand their needs and impacts, applying our sustainable products criteria to choose the right packaging, supported by fact-based methodology and technologies.

Our approach combines manufacturing excellence with consumer trends, market insights and science with our leading stakeholder partnerships, to deliver the most sustainable packaging solutions for our customers and the planet.



EcoComp

A fully biodegradable solution for organic waste bags to replace plastic bags



EcoWicketBag

A sustainable paper-based alternative to plastic hygiene product packaging reducing CO₂ footprint



BarrierPack Recyclable

A 100% recyclable mono-material film that replaces non-recyclable multi-layer laminates

Strategic risk management

The industries and geographies in which we operate expose us to specific risks. These include:

- Industry productive capacity
- Product substitution
- Fluctuations and variability in selling prices or gross margins
- Country risk
- Climate change related risk

These risks are long term in nature as they are directly related to the Group's strategy and operating footprint. The Board continues to monitor our exposure to these risks and investment decisions are evaluated against our exposures and the established tolerance levels for any individual strategic risk. Our funding model and level of financial leverage provide some protection against these risks, while we continually monitor key trends impacting our business, taking early and decisive action to mitigate emerging risks where necessary.

 **Principal risks**
Page 74–85

Strategic financial priorities and returns to shareholders

We maintain an appropriate capital structure with a balance between equity and net debt. The primary sources of our debt include our €2.5 billion Guaranteed Euro Medium Term Note Programme and our €750 million Syndicated Revolving Credit Facility. The Group's balance sheet and liquidity position remain robust.

At the end of the year, the Group had a strong liquidity position of around €1.2 billion, comprising €869 million of undrawn committed debt facilities and net cash of €348 million. The weighted average maturity of our committed debt facilities is 5.7 years. Our free cash flow priorities remain unchanged. We are focused on maintaining investment grade credit metrics, undertaking selective organic capital investment opportunities and supporting the ordinary dividend. To the extent we have capacity beyond these requirements, we are able to consider acquisitions and/or additional shareholder distributions. We believe that a strong and stable financial position, supported by an investment grade credit rating, increases our flexibility and provides opportunities to access capital markets throughout the business cycle, allowing us to take advantage of strategic opportunities when they arise.

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

In light of the significant uncertainty posed by the COVID-19 pandemic, the Board took the difficult but prudent decision to withdraw the recommendation to pay the 2019 final dividend, with a commitment to re-evaluate later in the year when the impact of the pandemic became

clearer. In August, having delivered a robust trading performance in the first half of the year and given our resilient business model and strong financial position, the Board was pleased to resume the payment of dividends.

Given our strong financial position and confidence in the future of the business, the Board has recommended a final 2020 dividend of 41.00 euro cents per share. The final dividend, together with the interim dividend, amount to a total dividend for the year of 60.00 euro cents per share, an increase of 5% on the 2019 total dividend.

Near-term outlook

Looking ahead, although the near-term macroeconomic outlook continues to be uncertain, we remain confident in the structural growth drivers in the packaging sectors in which we operate and the strength of our paper position. We are seeing strong order books supporting price increases in most packaging and pulp grades, and are encouraged by the improving uncoated fine paper demand. We are planning longer project-related maintenance shuts and are seeing input cost pressures and currency headwinds, although the benefits from our capital expenditure programme will continue to support our performance.

Underpinned by the Group's integrated cost-advantaged asset base, culture of continuous improvement, portfolio of sustainable packaging solutions and the strategic flexibility offered by our strong cash generation and financial position, the Group remains well-placed to deliver sustainably into the future.

Andrew King
Group CEO

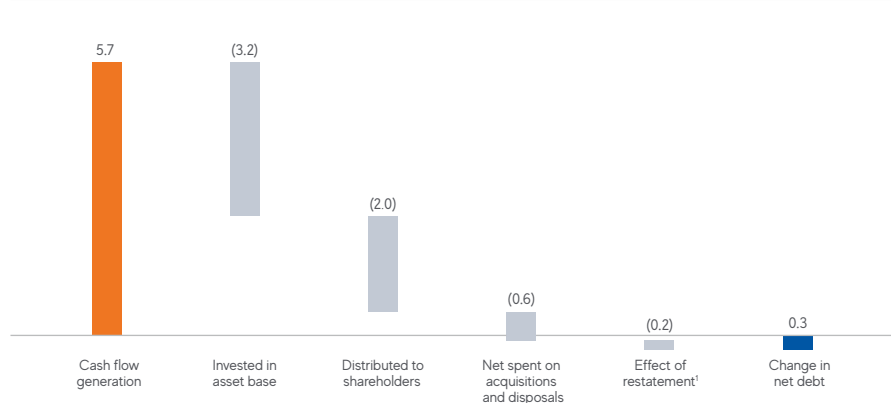
Mike Powell
Group CFO

Dividend per share (euro cents)



- 1 In addition to the 2017 ordinary dividend, a special dividend of 100 euro cents was paid in 2018
- 2 The 2019 final dividend amount comprises an interim dividend paid in 2020 in relation to the 2019 financial year
- 3 Proposed

Five-year cumulative cash flow (€ billion)



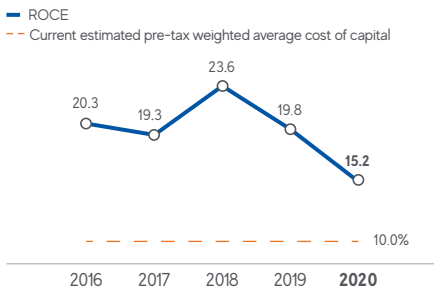
- 1 Net debt prior to 2017 does not include the effect of IFRS 16

Key performance indicators

Tracking our performance

Our Key Performance Indicators (KPIs) provide a broad measure of the Group's performance. We set individual targets for each of our business units in support of these Group KPIs.

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



Why this is a KPI

ROCE provides a measure of the efficient and effective use of capital in our operations.

We compare ROCE to our current estimated Group pre-tax weighted average cost of capital to measure the value we create.

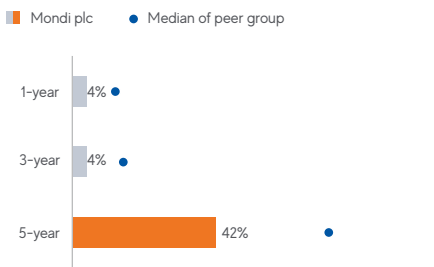
2020 performance

The Group achieved a ROCE of 15.2%.

Link to strategic framework



Total shareholder return (TSR) (%)



Why this is a KPI

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

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

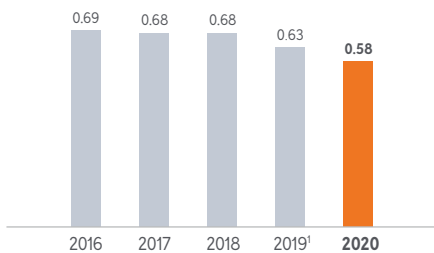
2020 performance

Mondi realised a five-year TSR of 42% and recommended a total dividend of 60.00 euro cents per share for the year, a 5% increase on 2019.

Link to strategic framework



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



¹ 2019 has been restated to include the Kuopio mill and Egyptian paper bag plants acquisitions completed in 2018

Why this is a KPI

The safety and health of all our employees and contractors is of paramount importance. We are embedding a 24-hour safety mindset to help us reach our goal of sending everybody home safely in support of our strategy to grow in a sustainable way.

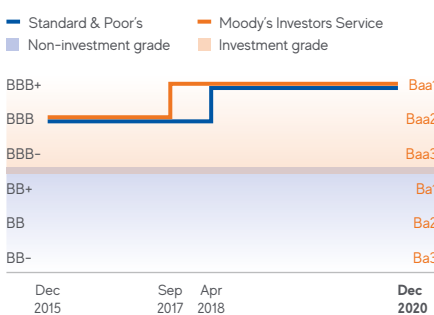
2020 performance

Our TRCR improved 23% against our 2015 baseline (and improved 7% compared to 2019), exceeding our 2020 commitment.

Link to strategic framework



Investment grade credit rating



Why this is a KPI

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

2020 performance

Our investment grade credit ratings were reaffirmed during the year – Standard & Poor's BBB+ (stable outlook) and Moody's Investors Service Baa1 (stable outlook).

Link to strategic framework



Using KPIs to measure the success of our strategy

Our strategy is to deliver value accretive growth, sustainably. This is underpinned by four strategic value drivers which build on the competitive advantages we enjoy today and set a clear roadmap for investment and operational decisions into the future. We use KPIs to provide a measure of Mondi's strategic performance and value creation.

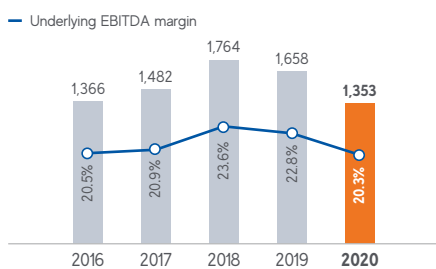
 **Strategic framework and performance**
Page 22-35

Aligning KPIs to remuneration

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

 **Remuneration report**
Page 126-147

Underlying EBITDA (€ million)



Why this is a KPI

Underlying EBITDA provides a measure of the cash generating ability of the Group that is comparable from year to year.

Tracking our cash generation is one of the components we measure when we assess our value creation through-the-cycle.

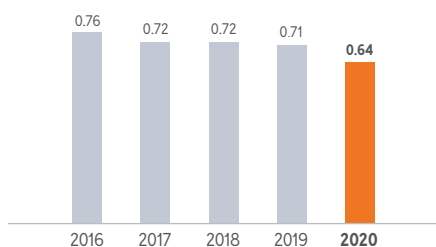
2020 performance

Underlying EBITDA of €1,353 million represents an 18% year-on-year decrease. The Group's underlying EBITDA margin was 20.3%.

Link to strategic framework



Total specific CO₂e emissions¹ (tonnes per tonne of saleable production)



¹ From our pulp and paper mills

Why this is a KPI

We continually focus on making our business less carbon intensive to address climate-related impacts and secure the long-term success of our business.

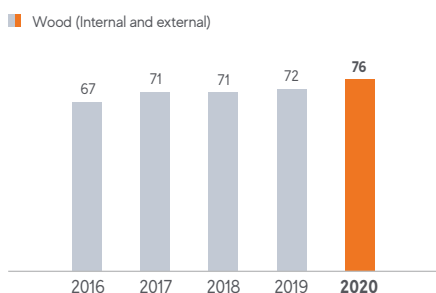
2020 performance

We have reduced our specific CO₂e emissions by 24% against our 2014 baseline and continue to make progress against our science-based greenhouse gas reduction targets. We have committed to reduce our specific emissions by 34% to 2025 and 72% to 2050, against our 2014 baseline.

Link to strategic framework



Sustainable fibre supply (% FSC- or PEFC-certified wood procured)



Why this is a KPI

Securing sustainable fibre for our products is critical for our long-term success. We only source our wood from responsible sources, and are committed to maintaining our 100% FSC-certified forests and procuring at least 70% of our wood from FSC- or PEFC-certified sources by 2020.

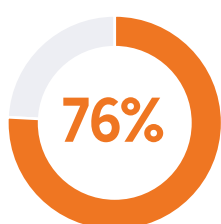
2020 performance

100% of our managed forests remained FSC-certified, and 76% of the wood we procured was FSC- or PEFC-certified (with the remainder meeting minimum controlled wood standards), exceeding our 2020 commitment.

Link to strategic framework



Recyclable, reusable, compostable products (% of Group revenue)



Why this is a KPI

Our customer-centric EcoSolutions approach is driving innovation to deliver more sustainable products that meet our customers' sustainability pledges focusing on circular economy principles.

2020 performance

As a new KPI, we estimate that 76% of our revenue in 2020 was generated from products that were recyclable, reusable or compostable. Please refer to page 33 for the Group's definition of products that meet this criteria.

Link to strategic framework



Our sustainable development approach

Together we are...
**working with stakeholders
 to ensure our shared
 sustainability progress**



Gladys Naylor
 Group Head
 of Sustainable
 Development

Active stakeholder engagement is a key part of the way we manage risks and unlock opportunities, supported by responsible management of our resources and a robust framework of policies, standards and management systems.

Sustainability governance

The Board and committees provide the leadership underpinning good corporate governance across the Group, ensuring all decisions are based on integrity, responsibility, accountability, fairness and transparency.

Policies and standards

We consistently apply our Sustainable Development Governance Policy across the Group, supported by established policies for:

- Safety and Occupational Health
- Labour and Human Rights
- Sustainable Forestry
- Energy and Climate Change
- Environment
- Supply Chain and Responsible Procurement
- Product Stewardship
- Communities

Our policies encompass some of our long-term sustainability commitments and inform targets for each new period. They are published on our website, along with our Group Diversity & Inclusion Policy.

 **Sustainability policies and certificates**
www.mondigroup.com/governance-of-sustainability

Our operating standards define minimum requirements for effective operational management and control across all policy areas. They provide guidance for the implementation of the Sustainable Development Management System at Group, business unit and operational levels.

Our due diligence processes ensure alignment between our practices and policies. These include regular monitoring of our operations' sustainability performance and reporting to the Sustainable Development Committee; external assurance and verification of our external sustainability reporting; internal audits of our operations' adherence to our standards; training and communication on regulatory requirements and material sustainability issues; and externally certified standards at operational and Group level.

We review our operating standards and practice notes to ensure that they remain relevant and up-to-date and seek appropriate expert input to be in line with industry good practice and to assess our operations' readiness to meet such requirements.

Code of business ethics

Mondi's code of business ethics ensures high ethical standards across our organisation. It is based on a system of voluntary codes and comprises the following five principles: legal compliance; honesty and integrity; human rights; stakeholders; and sustainability.

Application of the code is documented in Mondi's policies and procedures – in particular the Business Integrity Policy, outlining Mondi's zero tolerance of bribery and corruption. Our clearly defined process for reporting violations includes notifying the Group CEO, Group CFO and Group Head of Internal Audit in all instances.

Regular training is provided to relevant employees and compliance with the policy is monitored by the Audit Committee.

The directors believe that the Group has robust compliance procedures in place in relation to the code and are not aware of any material non-compliance. We have rigorous internal processes to facilitate the reporting, investigation and resolution of any issues. SpeakOut, our confidential hotline operated by an independent third party, is the primary tool through which employees and other stakeholders can raise concerns. In 2020, we received 125 SpeakOut messages (2019: 162) relating to 74 cases (2019: 104), and two further cases through other channels. These covered a range of topics, including human resources-related concerns, business integrity issues, as well as environmental and safety topics.

Contribution to the UN Sustainable Development Goals (SDGs)

As reflected in Mondi's purpose, we are committed to contributing to a better world. Based on the outcomes of our materiality review, we identified seven UN SDGs (SDG 6, 7, 8, 9, 12, 13 and 15) where we have the greatest potential to make a difference at scale. The main links between the SDGs and our 10 Action Areas of the Growing Responsibly model are highlighted in each detailed Action Area section, from page 46 to 65. Under our new framework MAP2030, we have once again considered and identified priority SDGs for our key focus areas and responsible business practices, based on our ability to drive positive change and the potential negative impact our activities may have. For more information on how we report our performance, please see our SDG Index.

 **Our SDG index**
www.mondigroup.com/sd20-report-hub

Reporting our sustainability performance

This section provides a detailed insight into the evolution of our sustainable development approach and our performance in 2020.

The following four pages, from 40 to 43, summarise our established approach to engaging with key stakeholders and how our directors have fulfilled their duties under Section 172 of the Companies Act 2006 in 2020. The insights and dialogue we cultivate through these engagement activities have continued to define our sustainability focus.

Our Growing Responsibly model (2016-2020)

The Growing Responsibly model (GRM) has been the framework through which we have responded to sustainability challenges and opportunities these past five years. It has enabled us to clearly demonstrate, monitor, improve and communicate our sustainability performance across the value chain.

To measure our progress within the GRM, we defined 10 Action Areas with supporting commitments until 2020 and a carbon emissions commitment that runs to 2050. A consolidated view of our performance against these commitments over the past five years can be found on pages 44 to 45.

This year, we have reorganised our sustainability content in our Integrated report to better reflect the informational needs of our audiences and communicate a more integrated narrative, demonstrating the intrinsic link between sustainability and how it drives our business model. Consequently the Action Areas which follow have been grouped considering their inherent relationship or resource attributes.

 **Growing Responsibly model**
Page 44-45

The Mondi Action Plan 2030

The learnings from our GRM have helped to shape our next set of commitments, the Mondi Action Plan 2030 (MAP2030). This is our new framework to address the challenges and opportunities of a new decade. Further details of the three focus areas and targets underpinning this new framework, along with the robust process undertaken to develop them, can be found on pages 19 to 21 of Mondi's 2020 Sustainable Development report.

 **MAP2030**
Page 26-27

TCFD disclosure

We continue to assess the financial implications of climate-related risks and opportunities on our business and have provided a disclosure table later in this section.

 **Climate change**
Page 58-60

 **Principal risks**
Page 80

External assurance

Our Sustainable Development (SD) report provides a comprehensive view of our approach to sustainable development and our performance in 2020. ERM CVS has provided assurance on selected information and key performance indicators as well as checked that the SD report is in accordance with the Global Reporting Initiative (GRI) Standards: Core option and the Sustainability Accounting Standards Board (SASB): Containers & Packaging Industry Standard, and that information included in our Integrated report is consistent and comparable. We have also prepared an index mapping our GRI and SASB disclosures.

 **Sustainable Development report**
www.mondigroup.com/sd20

 **Our GRI and SASB index**
www.mondigroup.com/sd20-report-hub

Materiality

Our material issues articulate what matters most to our business and our stakeholders. We reviewed and validated these issues through a comprehensive materiality assessment in 2018, followed by an extensive internal engagement process as part of developing our new commitments in 2019. In early 2020 we carried out a comprehensive benchmarking process involving customers, peers and ESG ratings that shaped our MAP2030 framework.

 **Sustainable Development report**
www.mondigroup.com/sd20

Non-financial information statement

In accordance with Sections 414CA and 414CB of the UK Companies Act 2006, the required non-financial information disclosures can be found integrated throughout the Strategic report.

A summary of key areas of disclosure is set out below:

Business model	Page 18-21
Information relating to environmental matters	Page 58-65
Information relating to employees	Page 46-50
Information relating to social matters	Page 54-55
Information relating to respect for human rights	Page 49-53
Information relating to anti-corruption and anti-bribery matters	Page 38
Principal risks	Page 74-85
Non-financial key performance indicators	Page 36-37 and 44-65

External recognition

Our sustainability performance has been disclosed in or received recognition by a number of external corporate ratings and indices, including:

CDP

– Triple A' score for climate change, water security and forests



MSCI

– ESG Rating AAA



ISS ESG

– Prime status in the ISS ESG Corporate Rating



Transition Pathway Initiative

– Management Quality: Level 4* rating, top score out of 18 companies in paper sector
– Carbon Performance: aligned with 'Paris Pledges'

Sustainalytics

– #1 in the Paper and Forestry industry (October 2020)



Euronext Vigeo Indices

– UK 20
– Europe 120



Ecovadis

– Platinum recognition level
– Top 1% of all companies



FTSE/JSE Responsible Investment Index

– Constituent of the FTSE/JSE Responsible Investment Top 30 Index

FTSE4Good

– Member of the FTSE4Good Index Series



Ethibel Sustainability Index (ESI)

– Constituent of the ESI Excellence Europe



Managing our relationships and resources

Engaging with our stakeholders

Engagement and collaboration along the value chain is essential. By partnering with our stakeholders, understanding their challenges and managing risks, we can find solutions for our shared success.

Our employees



Why we engage

Our people make Mondi. By engaging with our employees and creating positive experiences for them, we shape our culture and live our values. We foster open dialogue to provide an opportunity to identify and resolve challenges together, as well as identify and support development initiatives so that our employees are prepared to drive our business forward.

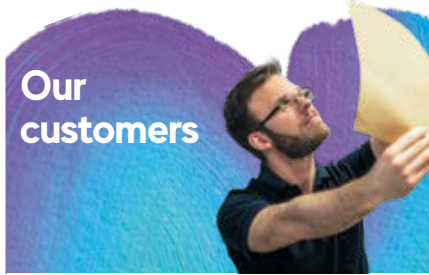
How we engage

- Employee surveys (biennial Group-wide surveys and regular pulse checks)
- Group-wide intranet (planetmondi) and other electronic communication
- Performance and development reviews at regular intervals
- Internal conferences such as the European Communication Forum, Leadership Forums, Virtual Employee Meetings
- Employee training programmes and workshops
- Day-to-day team interaction and recognition schemes like You Make Mondi
- Annual Making a Difference Day (regrettably not possible in 2020 due to COVID-19 restrictions)

Key issues raised and our response

With many of our employees working remotely in 2020, staying connected was a priority. We improved digital infrastructure and updated technology to connect people with their teams. The Employee Assistance Programme (EAP) held webinars to support employees and Mondi's leadership increased communication through virtual meetings. The Mondi Academy International adjusted in-person training sessions to online formats.

Our customers



Why we engage

Evolving consumer preferences and increasing demands on our products require close cooperation with our customers to understand their needs and anticipate market trends. Our engagement helps us to prioritise long-term success for our business and our customers by providing an opportunity to develop innovative sustainable solutions, improve our customer service and enhance product quality.

How we engage

- Key account manager relationships
- Digital customer interfaces
- Collaboration on product innovation
- Customer and industry events and exhibitions (held virtually in 2020)
- Questionnaires
- Regular customer satisfaction surveys
- Ongoing conversations

Key issues raised and our response

We continued to meet customer needs during the pandemic and provided essential products for businesses. This security of supply, leveraging our global network, positions us strongly for the future.

The demand for sustainable solutions continued to be a key focus area for customers as they work towards achieving their sustainability goals. With our customer-centric EcoSolutions approach, broad product range, extensive R&D capabilities and knowledge across the Group, we were able to help customers find optimal solutions for their products.

Our suppliers and contractors



Why we engage

We partner with our suppliers to find sustainable ways of using resources as efficiently as possible. We work together to find solutions to the social and environmental challenges we collectively face across the value chain, encouraging supply chain transparency and promoting fair working conditions. We work closely with our contractors to mitigate risks and improve practices ensuring they follow Mondi policies in areas such as safety, transparency and business ethics.

How we engage

- Strategic supplier partnerships
- Supplier assessments and audits
- Responsible Procurement process
- Discussions on credible certification systems to secure sustainable fibre
- Meetings and workshops to develop common approaches based on shared values
- Appointment of contract managers to facilitate liaison between contractors and the Mondi team
- Safety training for contractors

Key issues raised and our response

Safety remains a key priority as part of our annual mill and project-related shuts where a significant amount of contractors are on site. Our mobile health clinics in South Africa provided health care and support for forestry contractors and their families and in Russia more than 100 forestry contractors attended Mondi sustainability training.

To assist in ensuring responsible sourcing along the value chain, we digitalised our Responsible Procurement process to enable more efficient, transparent and auditable supplier interactions. Questionnaires and responses are now handled and tracked via a digital platform.



Our communities

Why we engage

Our businesses are more likely to succeed when they are part of healthy, prosperous and dynamic communities. Ongoing and transparent dialogue with local communities enables us to collaboratively address challenges, understand and manage risks, generate employment and business opportunities, improve performance and build trust. We invest directly in the communities where we operate, supporting health, education, local enterprise and infrastructure.

How we engage

- Socio-economic Assessment Toolbox (SEAT) process
- Community engagement and investments
- Open days and visits to our sites (due to COVID-19 restrictions, these were not possible during 2020)
- Development initiatives

Key issues raised and our response

As a result of the COVID-19 pandemic, the Group increased its support for our communities by targeting investments towards supporting the local response. The Group provided masks, PPE, medical and surgical raw materials to local municipalities, health facilities and local organisations along with financial and in-kind donations to tackle the pandemic and community relief support. Furthermore, our mills continued to service our communities throughout the year with continued power supply, wastewater treatment and waste disposal services.

 **Communities**
Page 54-55



Our investors

Why we engage

We actively and regularly engage with our investors and analysts to communicate our performance and use the feedback to inform our strategy and decision-making. Our relationship with debt investors and banks as key providers of capital to the Group, together with credit rating agencies, ensures we have access to funding for investment opportunities through the business cycle.

How we engage

- Annual General Meetings (in line with Government guidance, shareholders could not be present at the 2020 AGM requiring alternative engagement in the lead up to the meeting)
- Events including results presentations, trading update calls, site visits and capital markets days
- Roadshows, telephone calls and other meetings
- Integrated and Sustainable Development reports
- Questionnaires and ad-hoc questions and requests
- Independent disclosure platforms for investors such as CDP
- Investor perception studies

Key issues raised and our response

Investors continued to liaise with the Group on topics including our financial performance, market dynamics, governance and remuneration, and sustainability priorities and actions. In 2020, investors heightened their interest in the Group's response to the pandemic together with the usual focus on understanding the Group's strategy and our capital allocation. The Group engaged with investors on these topics throughout the year through various channels in mostly a virtual format.

 **Investors**
Page 56



Our partners, industry associations and regulators

Why we engage

We believe in global partnerships and initiatives where together we can bring about meaningful change. Shared resources and best practice merged together provide an opportunity for multi-stakeholder collaborations to find sustainable solutions along the entire value chain. We engage with national and local governments and regulators to share our intentions, understand their concerns and priorities, and find mutually beneficial solutions.

Among others, we engage with:

- WWF
- Ellen MacArthur Foundation
- The United Nations Global Compact
- World Business Council for Sustainable Development Forest Solutions Group
- Confederation of European Paper Industries
- Circular Economy for Flexible Packaging
- Cepi 4evergreen
- International Union of Forest Research Organizations
- Stellenbosch University
- Danish Institute for Human Rights
- Alliance for Water Stewardship
- United Nations World Food Programme

Key issues raised and our response

Mondi's partnerships aim to collaboratively find solutions to the challenges faced along the value chain and society as a whole, such as climate change and the circular economy, responsible sourcing, water stewardship and biodiversity. The Group continued to engage in these initiatives during the year, helping to drive change and support industry-wide collaborations. While progress was made, these challenges remain long-term in nature and will continue to be tackled through our strong partnerships in the future.

 **Partners, industry associations and regulators**
Page 57

Managing our relationships and resources

How stakeholder considerations shaped decision-making

Pages 40–43 serve as our Section 172 statement and summarise how our directors have fulfilled their duty during 2020, with a focus on demonstrating how an understanding and consideration of stakeholder needs informs the decisions we make across the Group.

Our directors are committed to promoting Mondi's long-term success in a way that has regard to the needs and interests of our stakeholders, while maintaining high standards of fair and ethical conduct.

This commitment is core to the Board's understanding of sustainable value creation and to our culture of integrity, performance and care. In turn, it underpins the way we operate, informs strategic decision-making and strengthens our stakeholder relationships.

Our approach

The Board categorises Mondi's stakeholders into six key groups and reviews these annually. On pages 40 to 41 of this report we set out these groups, how we engage with them, the issues they consider important and the outcome of our engagement. As part of their responsibilities, the directors aim to understand the needs of these stakeholders and the impact of Mondi's actions upon them.

The Board determines that the most efficient and comprehensive way of achieving this is to embed engagement responsibilities across Mondi and to facilitate regular feedback from colleagues who maintain close operational relationships with stakeholders. The Executive Committee and the Sustainable Development Committee are particularly important for reporting these insights to the Board for decision-making. This approach allows directors to ensure that stakeholder needs are considered when making strategic and operational decisions.

In this section, we use two examples of how this framework, together with a consideration of stakeholder interests, influenced the Board's decision-making: the approval of our sustainable development commitments to 2030 and our response to the COVID-19 pandemic in 2020.

Moving forward, the Board will continue to strengthen its key stakeholder relationships by evolving its approach to engagement. This means closely monitoring the flow of stakeholder insights from the business to the Board, while exploring opportunities to conduct further direct engagement activities in the future.

For a more comprehensive review of our stakeholder engagement activities, please see:



Managing our relationships and resources
Page 46–57



Board stakeholder engagement
Page 98–102



Sustainable Development report
www.mondigroup.com/sd20

Together we are...

defining our sustainable development commitments to 2030

Sustainability is integral to our purpose, business model, strategy and customer proposition. In 2020, the Board approved our next set of ambitious sustainability commitments, articulated through our Mondi Action Plan 2030 (MAP2030).



MAP2030
Mondi Action Plan

Together we are...

taking care of each other and engaging with our stakeholders

The COVID-19 pandemic created a uniquely challenging operating environment in which Mondi's strong relationships and open communication channels proved crucial for effective decision-making. The directors' ability to approve and action these decisions was based on the reciprocal communication of information between the Board and key stakeholders, facilitated by the Executive Committee and senior management.



Engagement and stakeholder considerations

Stakeholder engagement was crucial for determining the material issues that MAP2030 is designed to address. In line with the Board's engagement framework, this was mandated by the directors, actioned throughout the organisation and reported back to the Board by the Sustainable Development Committee.

A materiality review began with the process of prioritising issues according to their significance to stakeholders and relevance to Mondi's environmental, social and governance impact. These issues were further consolidated through a number of direct engagement activities, including customer conversations and employee and investor surveys. The subsequent materiality matrix was approved by the Sustainable Development Committee on behalf of the Board.

The sustainable development team conducted a benchmarking and evaluation exercise focused on understanding sustainability trends in more detail, while engaging with leaders across Mondi to develop our sustainability vision in line with insights from the materiality review. A number of workshops and discussions were conducted, including sessions with the Executive Committee, to define our overarching level of ambition, related underlying sustainability targets, and how the commitments would impact our stakeholders. The outcomes of those discussions were reported back to the Board.

Decisions and outcome

This engagement process provided the Board with a clear insight into our most significant stakeholder concerns and their alignment with Mondi's impacts. This was crucial for the directors' understanding of how our sustainability approach can holistically address stakeholders' priorities while guiding the selection of the key action areas the Group should focus on (circular-driven solutions, created by empowered people, taking action on climate). While we aim to address as many issues as possible, it was important to prioritise those areas most critical to our business and our stakeholders.

Based on this information and the directors' understanding of Mondi's operating environment, the Board approved our MAP2030 framework commitments and targets at the end of 2020.

Given the integration of Mondi's sustainability focus and business model, the Board was also able to apply the stakeholder insights from these engagement activities to its near and long-term strategic planning. In particular, this continues to inform the Board's pandemic response, capital allocation decisions and focus on Mondi's EcoSolutions approach.

The directors recognise that the insights and perspectives from stakeholders support the Board in guiding Mondi's actions and further unlocking value for our key stakeholders.

 **MAP2030**
Page 26-27

Engagement and stakeholder considerations

At the start of the pandemic, the Board identified the risks emerging from the spread of COVID-19, including health, operational, strategic and financial. It relied on its established approach of direct and decentralised engagement to ensure timely communication of issues between directors, business leaders and stakeholders.

Reports from the business on safety and health, customer demand, market conditions, operations and supply chain were particularly important to inform the Board's response to the pandemic. We continued engaging with investors in a virtual format. Public statements from investor bodies were also considered, as well as the position of governments and regulators in the countries where we operate.

Engagement with employees was led by the Group CEO and Executive Committee on behalf of the Board. This included conference calls with senior leaders and a virtual, two-way conversation with Mondi's employees through our intranet platform. The directors continue to receive reports from the leadership team across the organisation on a regular basis to steer its ongoing pandemic response.

Decisions and outcome

The Board's understanding of stakeholder views and concerns empowered a number of key decisions during the height of the pandemic, which involved weighing up the impact of those decisions in an environment of significant uncertainty.

Mondi took decisive action in the early stages of the pandemic, moving quickly to safeguard our people, support our communities and partners and protect the profitability, liquidity and cash flow of the business while seeking to ensure we remain well placed to deliver value accretive growth into the future.

The Group implemented protective measures and hygiene protocols, while ensuring we could continue to supply essential products and services to our customers and support our communities. We postponed non-essential capital expenditure and slowed down some of our major capital projects to reduce near-term cash outflows and minimise contractors and other non-operating people on our key sites. Mill maintenance shuts were postponed to the second half of the year.

Given the heightened level of uncertainty at the time, as a precautionary measure to protect the business and ensure it could withstand an extended period of uncertainty, the Board made the difficult but prudent decision to withdraw the proposed 2019 final dividend with a commitment to re-evaluate later in the year when the impact of the pandemic became clearer.

In making these decisions, the Board was required to balance a range of stakeholder perspectives with Mondi's near-term liquidity position and long-term interest.

Recognising the importance of dividends to shareholders, having delivered a robust trading performance in the first half and given the Group's strong business model and financial position, the Board was pleased to revisit the decision in August and resume dividend payments.

For safety and health reasons, we decided to hold our Annual General Meeting (AGM) as a closed event with the minimum quorum present. In response to feedback from investors, the Board intends to make greater use of technology to improve engagement at future AGMs.

Growing Responsibly model (2016 to 2020)





As our Growing Responsibly model (GRM) commitment period came to an end in 2020, we are proud to have met most of our targets and made significant progress against our commitments. We aim to build on these achievements through MAP2030, while continuing to work on the areas that proved challenging over the past five years.

The GRM framework has played an integral role in Mondi's sustainable growth. Its success is evidenced by the Group's multiple external benchmark achievements which can be found on page 39.

Mondi's key relationships and resources

We leverage our crucial stakeholder relationships and sustainably managed resources to create and preserve long-term value across our value chain. Explanation of our 2020 performance against each of the 10 Action Areas of the GRM can be found in sections dedicated to these relationships and resources, as follows:

Relationships	Action Areas	
Employees	 Employee and contractor safety and health	Page 46-47
	 A skilled and committed workforce	Page 48
	 Fairness and diversity in the workplace	Page 49-50
Customers	 Solutions that create value for our customers	Page 51-52
Suppliers and contractors	 Supplier conduct and responsible procurement	Page 53
Communities	 Relationships with communities	Page 54-55
Investors	Relevant to all 10 Action Areas	Page 56
Partners, industry associations and regulators	Relevant to all 10 Action Areas	Page 57

Resources	Action Areas	
Natural resources	 Climate change	Page 58-60
	 Sustainable fibre	Page 61-62
	 Constrained resources and environmental impacts	Page 62-63
	 Biodiversity and ecosystems	Page 64-65

Together we are...
making meaningful progress to build an even more sustainable business



The traffic lights on the following page summarise our consolidated performance against each of our Action Areas over the five years of the GRM.

For insight into how we performed against these Action Areas during 2020 specifically, refer to the pages that follow.

Our consolidated five-year performance

1 Employee and contractor safety and health

- Avoid work-related fatalities
- Prevent life-altering injuries
- Reduce TRCR by 5% against 2015 baseline

Employees
Page 46-47

2 A skilled and committed workforce

- Engage with our people to create a better workplace

Employees
Page 48

3 Fairness and diversity in the workplace

- Promote fair working conditions and diversity in the workplace

Employees
Page 49-50

4 Sustainable fibre

- Maintain FSC certification for 100% of our owned and leased forest lands and promote sustainable forest management
- Procure at least 70% of wood from FSC™- or PEFC™-certified sources with the balance meeting FSC's Controlled Wood standard

Natural resources
Page 61-62

5 Climate change (by 2025 and 2050)

Our science-based targets

- Reduce Scope 1 and 2 Greenhouse Gas (GHG) emissions 34% per tonne of saleable production by 2025 and 72% per tonne of saleable production by 2050, from a 2014 baseline
- Reduce Scope 2 GHG emissions 39% per MWh by 2025 and 86% per MWh by 2050, from a 2014 baseline

Natural resources
Page 58-60

6 Constrained resources and environmental impacts (against 2015 baseline)

- Reduce specific contact water consumption by 5%
- Reduce specific waste to landfill by 7.5%
- Reduce specific NOx emissions by 7.5%
- Reduce specific effluent load (COD) by 5%

Natural resources
Page 62-63

7 Biodiversity and ecosystems

- Promote ecosystem stewardship in the landscapes where we operate through continued multi-stakeholder collaboration

Natural resources
Page 64-65

8 Supplier conduct and responsible procurement

- Encourage supply chain transparency and promote fair working conditions together with our key suppliers

Suppliers and contractors
Page 53

9 Relationships with communities

- Enhance social value to our communities through effective stakeholder engagement and meaningful social investments

Communities
Page 54-55

10 Solutions that create value for our customers

- Encourage sustainable, responsibly produced products

Our additional commitment from 2018

- Ensure 100% of plastic packaging is reusable, recyclable, or compostable by 2025

Customers
Page 51-52

- Key**
- Target achieved/on track
 - Target not achieved
 - Achievement behind plan

Employees

Together we are...
creating a safe,
inclusive and inspiring
workplace



© Sophie Dingwall



1 Employee and contractor safety and health



Our commitments to 2020	2020 performance
Avoid work-related fatalities	● Target not achieved
Prevent life-altering injuries	● Target achieved
Reduce TRCR by 5% against 2015	● Target achieved

We believe everyone has the right to a safe and healthy workplace. We are committed to going beyond industry minimum requirements to ensure our employees and contractors return home safely, every day. This means creating an empowering culture and building on the conscious and unconscious behaviours that protect the health and wellbeing of everyone who works with us. Mondi employees have gone above and beyond to maintain high standards of safety and health throughout the year.

Safety performance
We had 217 recordable cases in our operations in 2020; 157 related to employees and 60 to contractors (2019: 239¹; 169 related to employees and 70 to contractors). This equates to a TRCR of 0.58; 0.68 related to employees and 0.43 to contractors (2019: 0.63¹; 0.72 related to employees and 0.48 to contractors) and represents a 23% decrease compared to our 2015 baseline of 0.76. This continuous improvement is attributed to a number of initiatives including the Top Risks approach, training at various levels of the organisation and engagement with contractor companies.

With deepest regret, two fatalities occurred in 2020. In January 2020, a contractor died during demolition activities at our Syktyvkar mill (Russia). In June 2020, a contractor died during planned maintenance and cleaning activities at our Richards Bay mill (South Africa). There were no findings by authorities against Mondi in either case. Independent Group investigations were also carried out into both incidents and findings were shared across Mondi so that we can apply learnings and prevent further incidents.

Two of our main focus areas are moving and rotating machinery and workplace transport. In 2020, we had no fatal or life altering injuries related to these focus areas, although in January 2021 a contractor lost a finger by slipping when disembarking a harvester in Finland.

Embedding a 24-hour safety mindset
We continue to embed our '24-hour safety mindset' approach as something we do for ourselves, for our families, our colleagues and their families. The concept is designed to tap into people's awareness on an emotional, conscious and unconscious level by applying safety to all aspects of our lives – not just to work.

We have launched a new engagement board process to help our leaders to engage with employees and contractors with a focus on three social psychology of risk elements – Workspace, Headspace and Groupspace. Originally developed for safety and health, following positive feedback, the tool has also been applied to other disciplines such as projects, environment and engineering. COVID-19 restrictions resulted in a slower rollout than initially planned and work will continue over the coming year.

¹ 2019 figures have been restated to include the Kuopio mill and Egyptian paper bag plants acquisitions completed in 2018

Developing a risk-based approach

Risk assessment is crucial to identify hazards and put necessary control measures in place. We provide training to ensure employees understand and align with the requirements of our methodologies. Operations are required to consider the top three risk controls – elimination, substitution and engineering – before looking at administrative controls or issuing personal protective equipment. Employees are engaged during the risk assessment process and assessments are revised at predefined frequencies, when changes are implemented or because of an incident.

We maintained our 'Top Risks' approach for the eighth year in a row. Each operation identified their top risks and developed management plans to engineer them out of the business. Where this was not feasible or possible, they introduced robust controls and procedures to reduce the risks. Some actions had to be postponed due to implications related to COVID-19 and will be followed up when possible to do so.

Our 'Nine Safety Rules to Live By' address hazards that pose a risk of high-consequence injury. The Rules are supported by Practice Notes and methodologies to ensure a practical and easy-to-understand approach. In 2020, specific working groups continued to develop or update Practice Notes for high-risk topics, such as responding to pandemics (including COVID-19), the social psychology of risk engagement and communication and preventing noise-induced hearing loss.

Measuring progress – lead, current and lag indicators

Conventional safety performance metrics focus on incidents and total recordable case rate (TRCR), known as 'lag' indicators. We also use 'current' and 'lead' indicators to monitor proactive efforts and improvements aimed at preventing incidents.

Performance against lag, current and lead indicators form part of our senior managers' bonus scheme. Our lead and lag indicators are revised annually, based on performance in the previous year and other trends and concerns.

In 2020, we carried out 96,943 safety audits against a target of 65,095. They included management risk focused audits, first-line manager task audits, SHE professional focus audits and peer observations. More than 98% of resulting actions were completed. In addition to 218,187 hours of general safety training, we conducted 42,207 hours of critical safety training against a target of 24,359 hours.

Supporting health and wellbeing

2020 was a unique year in terms of the challenges people faced as they adapted to new ways of working as a result of the pandemic. We increased our focus on supporting our employees' physical and mental wellbeing and that of their families.

Our occupational health programmes are designed to eliminate risks to health, prevent occupational illnesses and diseases and provide a healthy working environment for people working for Mondi. We develop action plans to manage risks using a hierarchy of controls approach. In 2020, we introduced a home office guide, which covers topics including mental wellbeing and ergonomics.

Our Employee Assistance Programme (EAP) is a 100% confidential hotline provided by an external company of qualified counsellors and advisers, which operates in 14 countries around the clock, 24 hours a day, seven days a week. In 2020, our EAP partners hosted webinars with employees to promote mental and physical health during the pandemic.

What's next?

We plan to be among the best in class for developing tools and initiatives to improve the safety and health performance of our operations. Our MAP2030 targets aim for zero fatalities and life-altering injuries and a 15% reduction in total recordable case rate against a 2020 baseline. These targets will support us to achieve our commitment to create an environment that values safety, health and mental wellbeing.

Together we are... using gamification for safety



Our business segment Corrugated Solutions has introduced a new form of communication about Mondi's Nine Safety Rules to Live By through launching the HEADS UP! game app in July 2020. The game aims to build knowledge and understanding of the nine safety rules through a psychological influencing technique, called priming. Priming involves exposure to something which evokes a conscious and unconscious reaction or response. A repetition of that exposure helps the brain process the situation much faster in similar future occurrences.

HEADS UP! uses this technique to establish memory of safe behaviour at the workplace. Gamers develop this memory by having to continuously repeat a safe behaviour in the game in order to pass each level.

The game is available as a free download from the Apple App Store or Google Play Store. Unique identity codes make it possible for Mondi employees to take part in the internal competitions, which other business units have started to roll out. The global roll out within Mondi will be completed in 2021.

Sabine Nellen
Business Segment SHE Coordinator,
Corrugated Solutions

Employees continued



2

A skilled and committed workforce



Our commitment to 2020

2020 performance

Engage with our people to create a better workplace

● Target achieved

Grow. Create. Inspire. Together. Jointly these form the foundation of our culture. With 26,000 people working in more than 30 countries, we need to inspire a global workforce that's ready for change and embraces new ways of doing things. We aspire to be an employer of choice by engaging and developing all our people.

Our cultural development programme, 'Inspire', is the lens through which we review and develop our HR processes, employee engagement and talent development. Our response to COVID-19, supported by our #StrongerTogether campaign, focused on keeping our people informed, engaged and working effectively while supporting their physical and mental wellbeing.

Engaging our people

Employee engagement is integral to our culture and to creating an inspiring workplace. Our Group-wide employee survey, conducted every two years, enables us to understand employee views and consider them in our strategy and decision-making. The most recent survey took place in March 2020 in a fully digital format for the first time, with an 88% overall response rate. Results showed a significant improvement since the previous survey in 2018, with overall favourable scores up from 75% to 80%. Results improved across all 'Inspire' categories as well as safety, sustainable engagement and retention and the respectful, empowered, transparent and caring categories.

Areas highlighted for improvement include the emotional connection of our employees with the company, and collaboration between teams. For the first time, we included a set of questions to evaluate our approach towards improving diversity and inclusion (D&I). These received a 79% favourable response rate.

We use both formal and informal processes to communicate and engage with employees, together with Performance

and Development Reviews (PDRs). In addition to our global intranet platform, regular local sessions focus on safety, operational objectives and the Mondi Way. There are a number of performance-related pay schemes that reward employees for the pursuit and achievement of business objectives, in which the majority of our employees participate. We also have long service and recognition awards across the organisation.

Transparency, assessment and feedback

Annual and mid-year PDRs enable employees and their managers to reflect on individual performance and set personal development goals. The PDR process covers all office employees and production employees with a leadership role, including team leaders, plant foremen and shift leaders. In 2020, around 8,400 employees were registered for a PDR process in our system (2019: 9,000). We use 360° feedback tools to enable people to understand their behaviours and areas for improvement. We also use external independent assessment to inform employees' development, strengthen our culture and support succession planning.

Training and development

We invest in life-long learning, supported by coaching and mentoring, to enable our people to realise their potential and our business to succeed. We create targeted programmes to help employees acquire and develop skills so that we can meet our strategic targets.

In 2020, the pandemic presented new challenges and much of our training was digital. To support the individual learning journey of each employee, we provide diverse learning opportunities which are continually refined based on business needs, employee feedback, best-practice and new technologies.

In 2020, we devoted 617,470 hours of employee and contractor time to training and development (2019: 801,900 hours). 42% of this training was dedicated to safety and health issues (2019: 47%).

The Mondi Academy

The Mondi Academy is our global learning hub which provides business-related training. It comprises a Group-wide training network including several local academies (currently in Czech Republic, Poland, Russia, Slovakia and South Africa). The Mondi Academy increasingly provides digital learning tools through the Learning Management System and in 2020 we adjusted all in-person Academy training sessions to online formats, with the exception of local team trainings that were possible to conduct safely on site. We will resume face-to-face training when it becomes safe to do so.

New online workshops launched this year include: Digital Training – designed to boost employee skills to conduct and host digital workshops and meetings; Work smarter, not harder – to support employees to work more efficiently on projects and tasks; and DigiLog Working – supporting a new way of working which combines analogue and digital teams and approaches.

The Mondi Academy International, based in Vienna, conducted 136 seminars and programmes in 2020 (2019: 135), with a 53% women participation rate.

A flexible work model for the future

Flexible working isn't just about location – it's also about when we work, and how much we work. It can mean working outside of traditional workdays and hours or working less to help balance family and personal commitments.

We set up a new task force on flexible working to use learnings from 2020 to create a sustainable global framework for flexible working going forward. In the first project phase, the focus was global policy for remote working. Currently, the taskforce is working on country appendices to reflect national jurisdictions related to flexible working.

What's next?

With the launch of our new MAP2030 commitments, we aim to build skills that support long-term employability and more widely enable our employees to participate in upskilling programmes. We will continue to develop our global remote working policy and plan to roll it out across all operations in 2021.



Fairness and diversity in the workplace



Our commitment to 2020

Promote fair working conditions and diversity in the workplace

2020 performance

● Target achieved

We believe in the ingenuity of our people to drive innovation and meet our stakeholders' evolving needs. Increasing diversity and respecting human rights is central to our approach. We're committed to providing a fair and inclusive workplace that secures good working conditions and labour rights.

By acting with integrity, we reduce our risks and those of our customers, improve employee engagement and enhance our reputation. Compliance with the law, respect for human rights beyond compliance, and being a fair employer are foundations of our employment practices.

Respecting human rights

The UN Guiding Principles on Business and Human Rights provide an effective framework to strengthen our monitoring and reporting of potential human rights risks. We have taken initial steps to develop a human rights impact assessment and due diligence process for our own operations, and have embedded labour and human rights criteria in our procurement processes and policies.

The purpose of our management approach is to support our operations in identifying and mitigating potential human rights risks in our operations and supply chain. We have embedded respect for human rights in many of our practices, including: safety and health; fair treatment of employees; respect for the law; engaging and investing in communities; minimising our environmental footprint; producing products to the highest safety, health and hygiene standards; and working with suppliers and contractors to meet high standards of business conduct.

We aim to protect the safety, health and wellbeing of our employees, those working in our supply chain and local communities. As a minimum, we comply with all applicable laws and industry standards on working hours and strive to provide workplace flexibility and promote a healthy work-life balance.

There were no reports of human rights incidents in our operations or supply chain through any of our reporting mechanisms in 2020, and we recognise that we need to continue to improve our reporting and grievance mechanisms to enable them to identify potential incidents in future.

Strengthening human rights due diligence

In 2020, we conducted a human rights gap analysis with the support of the Danish Institute for Human Rights (DIHR). This included interviews with Mondi's relevant functions and business leaders, a desktop review of our systems and practices to understand potential gaps and an assessment of countries where we may face risk due to divergence between international human rights and labour standards, and national law. We will develop internal action plans to address the findings from this assessment.

Diversity and inclusion (D&I)

We work together to create an inclusive environment where differences are valued and embraced. Equal opportunity is a priority and we aim to engage, involve and inspire everyone who is part of Mondi. We have zero tolerance for discrimination and harassment.

Our policy is to treat everyone fairly and with respect. Opportunities for employment, engagement, promotion, training or any other benefit are based on skills and ability. We provide equal opportunities regardless of gender, race, age, sexual orientation or ethnicity.

Increasing the representation of women at all levels is a priority in the traditionally male dominated forest products and packaging industries.

Our D&I Policy, updated in 2020 and available on our website, supports the Hampton-Alexander Review² recommendation that boards and executive committees and their direct reports should be 33% women by 2020. It includes a focus on ethnic and racial diversity across our Board and executive committee members and supports our Labour and Human Rights Policy.

"As a global manufacturer in the packaging and paper industry involved in sourcing, manufacture and recycling, Mondi has the potential to impact human rights across the value chain. Through a gap analysis conducted in 2020, we identified a number of areas on which Mondi should focus its efforts to identify and address its human rights impacts."

Gabrielle Holly
Senior Adviser, Human Rights and Business
Department, Danish Institute for Human Rights

² An independent review body which builds on the work of the Davies Review to increase the number of women on FTSE boards and includes a focus to improve women's representation in senior leadership positions

Managing our relationships and resources

Employees continued

At the end of 2020, 21% of employees were female (2019: 21%). There were two female directors (25%) on the Board and one director of colour. During 2020, we reported to the Hampton–Alexander Review that as at 31 October 2020, we had 37.5% female representation on our Executive Committee and 28% in the direct reports to the Executive Committee, giving a combined total of 29%. As at 31 December 2020, following the appointment of Mike Powell as Group CFO in November, female representation on our Executive Committee had reduced to 33%. However, the percentage of female direct reports to the Executive Committee had increased to 29%, maintaining a combined total of 29%.

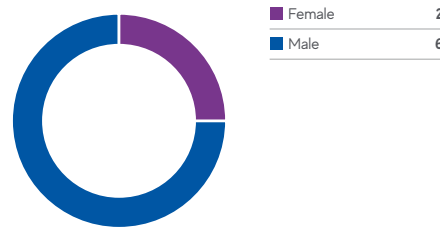
Gender diversity 2020*	Male	%	Female	%
Directors	6	75%	2	25%
Senior managers	154	85%	28	15%
Employees	20,334	79%	5,537	21%

* As at 31 December 2020. Senior managers including subsidiary directors as per the definition set out in Section 414C of the UK Companies Act 2006

At the end of 2020, 64% of Mondi South Africa's management team (seven out of 11 operational committee members) were individuals from previously disadvantaged backgrounds (2019: 64%, seven out of 11).

We consider all applications for employment in a fair and balanced way, based on capabilities, skills and experience. Our Labour and Human Rights Policy commits us to consistent and fair training, career development and promotion, including for people with disabilities. At our Group office in Vienna, we have partnered with myAbility, a social business which brings together companies and people with disabilities to foster a more inclusive workplace. In the event of an employee suffering a life-altering injury at work, we facilitate appropriate medical treatment and ongoing rehabilitation, and support their continued employment by finding alternative equivalent jobs for them.

Diversity of the Board



Embedding diversity

Our cross-functional D&I taskforce aims to shape and embed our approach to D&I across the Group. In 2020, members worked with the business to shape a D&I vision. The new roadmap will support our MAP2030 targets and help strengthen D&I at Mondi. It covers concrete actions on strategic performance and management areas, including our policies and governance; leadership and culture; human resource practices; training; tools, data and reporting; infrastructure; transparency and external engagement.

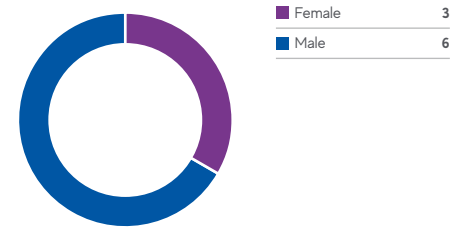
 **Nominations committee**
Page 111-115

Restructuring, divestitures and closures

We carefully review decisions about business restructuring opportunities to ensure the long-term viability and growth of our business. We ensure timely discussion of significant operational changes and engage with impacted employees and their representatives to negotiate and implement the changes.

When employees are affected by organisational change, we follow our policies and local labour rules as a minimum. These cover consultation, notice periods, regular briefings and trade union involvement, where available. If roles are at risk, we support employees with retraining, re-employment and relocation. We also support entrepreneurship and provide severance payments, depending on local regulations.

Diversity of the Executive Committee



In 2020, we ceased operations at our Deeside and Nelson Consumer Flexibles sites in the UK following change in demand for the niche products produced there, resulting in around 200 redundancies. We maintained constructive engagement with employee representatives and the recognised union, Unite, and supported employees throughout the phased closure of the sites. Due to the pandemic, it was not possible to offer the planned on-site, one-on-one support to employees through the Department for Work and Pensions and the Welsh and local governments. Instead, we provided necessary IT infrastructure enabling each employee to receive individual support remotely.

What's next?

As outlined in MAP2030, we aim to provide purposeful employment for all, and a diverse and inclusive workplace. We will work towards a score of 90% for inclusiveness in our employee survey and to employ 30% women across Mondi (2020: 21%). In 2021, we will further develop our human rights due diligence approach and continue to work on understanding and addressing our impacts.

Customers

Together we are...
making innovative,
sustainable packaging
and paper solutions



Solutions that create value for our customers



Our commitments to 2020

Encourage sustainable,
responsibly produced products

2020 performance

● Target achieved

Our additional commitment from 2018

Ensure 100% of plastic packaging is
reusable, recyclable, or compostable
by 2025

● Achievement behind plan

Demand for responsibly produced products has never been higher. Our innovative packaging and paper solutions support our customers to achieve their sustainability goals. Our commitment to using paper where possible and plastic when useful will enable us to lead in the transition to a circular economy.

Packaging and paper that is sustainable by design

Recyclable, renewable and responsibly produced packaging and paper products have a crucial role to play in building a circular economy that is fit for the future. Mondi is uniquely positioned to offer a wide range of innovative paper-based, flexible plastic and hybrid packaging products. Our sustainable solutions offer functionality, maximise recyclability and minimise waste. Through our EcoSolutions approach we partner with customers to help them achieve their own sustainability goals.

Sustainable Products criteria

We have defined six criteria that reflect all stages of the value chain and represent the parameters we consider in relation to our sustainable products. These definitions have been applied by all of our business units to reflect the relevant scope of products and impacts, and will guide our businesses as they innovate to develop more sustainable products and solutions in future.

Assessing the impacts of our products

For many applications, paper packaging can be the best choice. It is part of a circular approach (when sourced from responsibly managed forests) and we expect the recycled content included in our total product portfolio to grow. There are however some applications for which plastic packaging provides essential functionality that is difficult to replicate using an alternative packaging material. This includes barrier properties which help to preserve food and other products by providing a barrier against oxygen, UV light, water vapour, odours or mineral oils.

Our six Sustainable Products criteria:

Responsible sourcing

Products using responsibly sourced raw materials and services from suppliers that meet our social, environmental, legal and ethical criteria

Renewable materials

Products made with renewable material or feedstock

Recycled materials

Products made with recycled content without compromising quality or safety

Resource optimisation

Products designed, engineered and manufactured to best utilise available resources and reduce emissions to air, water or land

Enhanced product performance

Products and solutions (including substitution of materials) with sustainable features to reduce product loss and/or environmental impact in the supply chain

Next life

Products optimised for the most desirable end-of-life scenario to retain value into their next life – such as through reusability and recyclability, or compostability and biodegradability

Customers continued

The manufacturing footprint of our packaging products is only part of their total environmental footprint. We use comparative life cycle and environmental impact approaches to assess the sustainability performance and impact of paper- and plastic-based solutions for each application.

This year we developed a new Product Impact Assessment (PIA) tool which calculates the life cycle impacts of a product. Our tool calculates a product's water and carbon footprint using our own primary data, and enables a comparison of up to three different products.

This tool complements our Product Carbon Footprint (PCF) tool for paper products which is based on the Cepi Framework for Carbon Footprints for paper and board products.³ More than 130 product carbon footprints were calculated in 2020.

To enable customers to compare relevant pulp and paper products across different suppliers, we offer Paper Profiles, a standardised environmental product declaration used by around 18 member companies.

EcoSolutions

As a leader in manufacturing packaging and paper solutions, we are uniquely positioned to offer paper where possible, plastic when useful. We enable our customers to make informed decisions about packaging that is sustainable by design. Our customer-centric EcoSolutions approach ensures packaging is fit-for-purpose and supports our customers' sustainability goals. We apply a holistic view and an understanding of the trade-offs between different material choices and sustainability priorities.

 [Our EcoSolutions approach](#)
Page 34

Green Range

Green Range is Mondi's umbrella trademark for sustainable office and professional printing paper solutions. All our uncoated fine paper mill brands are part of the Green Range. They are produced from FSC- or PEFC-certified wood from sustainably managed forests or 100% recycled paper, or are produced totally chlorine free (TCF).

Developing the circular economy

Paper-based solutions, as a renewable material, are an essential element of the circular economy when sourced responsibly. At the same time, we are keen to help others understand sustainability trade-offs and show how plastic – when used for the right purpose and disposed of properly – can also help meet the need for safe and hygienic sustainable packaging and become part of a circular economy. We are developing innovative, sustainable solutions that are designed for recycling, including mono-material plastics and functional barrier papers.

We believe stakeholders must come together to harmonise solutions to plastic waste across regions and drive innovative, systemic change across the value chain.

Collaborating across the value chain

We aim to support the shift towards circular thinking through collaborative multi-stakeholder initiatives such as the World Business Council for Sustainable Development (WBCSD) Forest Solutions Group and the Ellen MacArthur Foundation's (EMF) New Plastics Economy initiative.⁴

As co-chair of the WBCSD Forest Solutions Group, we supported the development of The Circular Bioeconomy Report,⁵ launched in November 2020. We also contributed to the Forest Sector SDG Implementation Report, published in December 2020,⁶ which provides evidence of Forest Solutions Group members' commitment to implementing the actions in the SDG Roadmap.

We signed up to the EMF Global Commitment in 2018, committing to achieve 100% reusable, recyclable or compostable plastic packaging by 2025.⁷ We are also involved in The HolyGrail 2.0, an initiative announced in September 2020 with AIM, the European Brands Association and 85 other partners, to test pioneering digital watermarking technology for better sorting and recycling of waste at scale.

In 2019, we became a member of the '4evergreen' alliance, launched by Cepi to boost the role of fibre-based packaging in a circular and sustainable economy. The alliance now has over 50 members including brand owners, manufacturers, recyclers and waste separators and aims to increase recycling rates of fibre-based packaging from 84.6% today⁸ to 90% by 2030.

Innovation

Our innovation focus spans the entire value chain – from sourcing and product design to product use and end-of-life. We collaborate with external partners to develop ideas, designs, technologies, procedures, markets and solutions. We are increasing our investment in R&D to drive deeper collaboration throughout the supply chain to move away from non-renewable and non-recyclable plastic. In 2020, we invested €23 million in R&D (€130 million since 2015).

Product safety and quality

Our products and operations must meet all relevant safety, health and hygiene standards and other regulations as a basic requirement to ensure we provide compliant and value-added packaging to our customers. We also maintain relevant and credible certifications at our operations to meet the requirements of different sectors and applications. They include ISO 9001 (quality management), ISO 14001 (environmental management) and food safety.

What's next?

Through our MAP2030 commitment to offer circular-driven solutions, we will build on our EcoSolutions approach to support our customers' sustainability goals and develop roadmaps with our business segments to guide our progress. This will support our targets of 100% of our products being reusable, recyclable or compostable by 2025, and working with others to eliminate unsustainable packaging.

³ <https://www.cepi.org/framework-for-carbon-footprints-for-paper-and-board-products/>

⁴ <https://www.ellenmacarthurfoundation.org/our-work/activities/new-plastics-economy>

⁵ <https://www.wbcd.org/Programs/Circular-Economy/Factor-10/Circular-bioeconomy-the-business-opportunity-contributing-to-a-sustainable-world/Mondi-Mono-Biomaterial-Design-Employing-High-Paper-Recycling-Rates>

⁶ <https://www.wbcd.org/Sector-Projects/Forest-Solutions-Group/Resources/Forest-Sector-SDG-Roadmap-Implementation-Report>

⁷ To date we have achieved 16%. The 2020 Progress Report is available at <https://www.ellenmacarthurfoundation.org/resources/apply/global-commitment-progress-report>

⁸ <https://www.cepi.org/policy-area/sustainability-circularity/>

Suppliers and contractors

Together we are...
creating a global supply chain that's responsible and transparent



8

Supplier conduct and responsible procurement



Our commitment to 2020

Encourage supply chain transparency and promote fair working conditions together with our key suppliers

2020 performance

● Target achieved

We are committed to the highest standards of supply chain transparency. We apply a risk-based approach to take action where it's most needed and create partnerships to achieve impact and scale.

Our global supply chain includes more than 13,000 suppliers⁹ in 67 countries. In 2020, we procured €5.1 billion worth of goods and services from our suppliers (2019: €5.5 billion). Products and services purchased locally¹⁰ represented 58% of our overall spend in 2020 (2019: 55%).

Managing risks and increasing transparency

We share our sustainability values through the Code of Conduct for Suppliers. In 2020, we updated the code to make it easier to understand and comply with. We also updated our General Terms and Conditions, adding a provision to encourage suppliers to use SpeakOut to raise concerns about any potential infringement of EU law and included a stipulation regarding compliance with Mondy's General Supplier Quality Requirements and Code of Conduct for Suppliers.

We follow a practical, risk-based approach when engaging with our key suppliers¹¹ and smaller, regional suppliers. We continue to roll out our Responsible Procurement process to key suppliers in specific categories. We have developed risk rating and risk assessment procedures for our procurement categories based on criteria including the nature of products and location of operations. An initial screening tool is designed to give Mondy an indication of which suppliers are high risk in these areas: labour and human rights; environment and climate change; and water stress. We digitalised the Responsible Procurement assessment in 2020 using our digital e-sourcing platform. This has made our supplier interactions more efficient, transparent and auditable.

Upholding human rights in our supply chain

Human rights risks can arise at any point in the value chain. Understanding and managing our potential human rights impacts enables us to reduce the risks to our business, customers and supply chain. We are strengthening our monitoring and reporting of potential issues in our operations and supply chain, embedding labour and human rights risks into our Responsible Procurement process.

We comply with the UK Modern Slavery Act, which addresses the crimes of holding another person in slavery, servitude, forced or compulsory labour, or trafficking a person. Our latest statement, published in 2020, details progress made in 2019 in identifying and managing potential human rights risks including modern slavery and human trafficking.

What's next?

We will continue to evaluate suppliers using our Responsible Procurement process with a risk-based approach. We plan to continue to improve and expand the scope of our responsible procurement activities, and aim for more efficiency and transparency in our practices.

⁹ Direct suppliers that were active in 2020 with at least one purchase order, grouped into single entities

¹⁰ Local suppliers of products and services are defined as suppliers that are located close to our significant operations (all Mondy production sites such as mills and converting plants) within the same country

¹¹ Key suppliers are high spend suppliers delivering goods and services to multiple Mondy sites, and representing the biggest share of strategic and captive suppliers

Communities

Together we are...
building strong relationships
with communities and
aiming to be a good
neighbour



9

Relationships with communities



Our commitment to 2020

Enhance social value to our communities through effective stakeholder engagement and meaningful social investments

2020 performance

● Target achieved

As a global company employing around 26,000 people, we support local livelihoods and have invested €50 million in local initiatives in the past five years. Many of our operations stepped up to support the local response to the pandemic in 2020.

Our management approach is based on understanding our social, environmental and economic impacts on local communities. We regularly improve our understanding through impact assessments, monitoring and reporting. They include the Socio-economic Assessment Toolbox (SEAT), targeted stakeholder surveys, impact assessments, social and environmental due diligence processes and direct engagement with local stakeholders. This enables us to target our community development programmes, investments and initiatives.

Investing in communities and responding to the pandemic

We use our resources to enhance social value by making meaningful investments in local communities. We have invested €50 million in local community initiatives since 2016, including employee time and gifts in kind. In 2020, we shifted some of our focus towards supporting interventions critical to the COVID-19 pandemic response. We donated thousands of masks, personal protective equipment (PPE), medical and surgical raw materials to local municipalities, health facilities and local organisations. Several of our larger operations provided financial support for clinics, hospitals and governments including one-time investments at our Syktyvkar (Russia), Świecie (Poland) and Ružomberok (Slovakia) operations with a combined

€50 million

invested in local community initiatives since 2016

value of over €3 million. We enhanced health infrastructure and capacity, such as through our mobile clinics in South Africa and the polyclinic at Syktyvkar. Across many communities, we supported public health information campaigns and initiatives to protect health workers and contractors, including with COVID-19 testing. For example, Mondi Štětí (Czech Republic) set up a COVID-19 testing centre in front of the mill during summer, with 16,000 people tested and approximately 80% of these from the community.

Stakeholder consultation using SEAT

We have carried out five SEAT assessments across our operations since 2015. 12 of our 14 mills and forestry operations (86%) have completed a SEAT assessment at least once. In 2020, we completed two SEAT reports with details of the reviews conducted in 2019 for our Dynäs mill (Sweden) and our Świecie mill. We postponed scheduled assessments at our Tire mill (Turkey) and Štětí mill due to the COVID-19 pandemic.

 [View our SEAT reports
www.mondigroup.com/en/sustainability/
sustainability-reports-and-publications](http://www.mondigroup.com/en/sustainability/sustainability-reports-and-publications)

Education

We support educational programmes with a focus on science, technology, engineering and maths (STEM) education. Our mills engage and collaborate with schools and educational institutions to create a healthy flow of future talent. 'Project Regiochem' at our Ružomberok mill promotes science and chemistry education to school pupils aged 13 to 15. Mondi Świecie has been supporting educational institutes with a focus on STEM for many years.

In South Africa, we partner with Ligbron Academy of Technology to address STEM educational gaps in rural communities by providing e-learning facilities in four high schools. In Bulgaria, we support the Electrical Vocational school in Plovdiv, and in 2020 helped with its participation in a national project aimed at creating STEM environments in schools.

Health

Public health provision can be a challenge in some remote communities and improving the health of our workforce and local communities is an important part of our community strategy. We actively promote the health and wellbeing of our people through initiatives¹² including the 'Mondi for Life' project at our Štětí mill, health programmes at our Syktyvkar mill including a medical treatment facility and family care programmes, and our Austria-wide health management programme for employees in collaboration with Fonds Gesundes Österreich (Fund for a Healthy Austria).

We operate nine mobile health clinics in South Africa in partnership with local NGOs and the Department of Health. They provide comprehensive health care for forestry contractor employees and remote communities. Since 2018, five toy libraries attached to mobile clinics have provided early childhood development services. In total, we reached 1,167 children under the age of five in remote areas in 2020.

Infrastructure and community development

Supporting infrastructure and community development improves access to vital services, empowers enterprise, facilitates health and education and supports our business operations. For example, in Russia, we build 130 km and maintain 1,500 km of forest roads annually. Our mills, such as at Syktyvkar and Ružomberok, treat community waste water. Some of our mills also provide electricity generated by the plant to the community. At Stambolijski (Bulgaria), we support the municipality to create and improve recreational areas in the local town. At Świecie, we provide funding for organisations that develop or provide local infrastructure, targeted at the purchase of medical, rehabilitation, sports and educational equipment. In Frantschach (Austria), the mill funds the local fire brigade. We also invest in agri-villages in South Africa. The villages provide permanent residence to more than 2,000 households in sustainable human settlements with secure tenure.

2,000+

households provided with permanent residence in sustainable human settlements with secure tenure

Employment and enterprise support

Our support for local enterprise creates wealth and employment, strengthens the local supply chain and builds more independent, resilient communities. In South Africa, our main channel for supporting enterprise development is Mondi Zimele,¹³ a Mondi-owned subsidiary which aims to accelerate community empowerment in the forestry value chain and support small businesses around Mondi's operations. Mondi Zimele's small-scale timber grower programme has benefited over 3,200 growers and helped generate direct revenues of nearly €7 million to date.

Adding value through taxes

We support global initiatives that promote tax transparency, such as the recent Global Reporting Initiative's (GRI) tax standard. Taxes are important sources of government revenue, and play an essential role in achieving the UN Sustainable Development Goals (SDGs). Reporting on taxes demonstrates our contributions to the economies in which we operate. This year, we have reported on our tax approach and governance in our 2020 Sustainable Development report. Our direct taxes paid in 2020 totalled €168 million.

What's next?

As soon as it is safe to do so, we will resume our scheduled SEAT assessments at our Tire mill (Turkey) and Štětí mill (Czech Republic). We will continue to look for opportunities to support communities where we operate to cope with the ongoing impacts of the pandemic.

In 2020, we supported a wide range of community outcomes including: improving communities' prospects; securing our supply chain; strengthening local relationships; and building trust in Mondi.



¹² These are existing or long-standing initiatives. In those instances where an initiative was launched in 2020, it's mentioned as such

¹³ <http://www.mondizimele.co.za>

Investors

Together we are...
creating long-term
value for investors



Meaningful engagement with investors is crucial to our long-term strategic success. It informs our decision-making, positions us to capitalise on opportunities throughout the investment cycle and drives our continued ability to deliver value accretive growth in a sustainable way.

Maintaining engagement during COVID-19

We continued to engage with our investors throughout 2020, despite the challenges posed by the pandemic. Rather than physical roadshows, in-person meetings and conferences, engagement was held through virtual meetings. We maintained a high level of engagement throughout the year, ensuring continued dialogue between the Group and our investors on key topics such as Mondi's response to the pandemic, the trading environment, our strategy and sustainability.

The AGM is a valuable opportunity for direct engagement between the Board and shareholders, although in 2020, in line with Government guidance, the format of the meeting was such that shareholders could not be present. However, we maintained engagement in the lead up to the meeting, encouraging shareholders to submit their questions in advance.

 **How the Board has engaged with investors**
Page 101-102

Delivering on our dividend policy

In April, at the height of the first wave of the pandemic, the Board took the difficult but prudent decision to withdraw the recommendation to pay the 2019 final dividend, with a commitment to re-evaluate later in the year when the impact of the pandemic became clearer. In August, having delivered a robust trading performance in the first half of the year and given our resilient business model and strong financial position, the Board was pleased to resume the payment of dividends. The Board declared a dividend of 29.75 euro cents per share relating to the 2019 financial year, bringing the total dividends paid relating to 2019 to 57.03 euro cents per share, in addition to a 2020 interim dividend of 19.00 euro cents per share.

Given our strong financial position and confidence in the future of the business, the Board has recommended a final 2020 dividend of 41.00 euro cents per share. The final dividend, together with the interim dividend, amount to a total dividend for the year of 60.00 euro cents per share, an increase of 5% on the 2019 total dividend.

 **Strategic financial priorities and returns to shareholders**
Page 35

60.00 euro cents

total dividend per share for 2020

Maintaining strong relationships with debt investors

We have a strong balance sheet, sector leading investment grade credit ratings, and good relationships with a broad group of banks. In April 2020, we launched a 2.375% €750 million 8-year Eurobond and extended the maturity date for €675 million of the €750 million Syndicated Revolving Credit Facility from July 2021 to July 2022. In September 2020, we redeemed our 3.375% €500 million Eurobond from available cash. The Group has no significant short-term debt maturities and continues to maintain a strong financial position, with net debt to underlying EBITDA of 1.3 times and liquidity of around €1.2 billion.

 **Financial review**
Page 70-73

What's next?

We will continue to engage with our investors either in-person or virtually to communicate the performance of our business and our strategy and to maintain an open dialogue to ensure we continue to drive value accretive growth in a sustainable way.

Partners, industry associations and regulators

Together we are...
developing partnerships
to bring about
meaningful change



Global, cross-sector partnerships are integral to our sustainable development approach. Through these collaborations, we can drive innovation and transformation where it is needed most.

Strategic partnerships

We work with local and global NGOs through strategic, multi-stakeholder collaborations. Our global Mondi-WWF partnership aims to explore, develop and share innovative approaches to tackle deforestation, water scarcity and climate change. In 2020, we developed a Monitoring, Evaluation and Learning (MEL) management tool following an assessment of the results from the six-year WWF-Mondi Water Stewardship Partnership in South Africa. Mondi also became a member of the global Alliance for Water Stewardship (AWS) and developed a Group water impact standard for water stewardship assessments around our operations.

We worked with the Danish Institute for Human Rights (DIHR) to develop our human rights due diligence process.

We are a member of the Ellen MacArthur Foundation's New Plastic Economy and signatory of The Global Commitment to work towards a 100% reusable, recyclable or compostable packaging target by 2025. In 2020 we supported the pioneer project HolyGrail 2.0 to validate digital watermarking technology for sorting waste at scale.

At the start of 2021, we launched a three-year partnership with the United Nations World Food Programme (WFP) to provide packaging expertise that supports global efforts to tackle food waste and end hunger.

Membership of industry associations

We are a member of a number of industry associations, in particular, the Confederation of European Paper Industries (Cepi), which represents the interests of the paper industry. We joined the Cepi alliance, 4evergreen, launched in 2019. It aims to boost the contribution of fibre-based packaging in a circular and sustainable economy.

We are also members of CEFLEX, a collaborative initiative representing the entire value chain of flexible packaging, and we joined CELAB this year, a consortium to promote global recycling in the self-adhesive label industry.

Supporting fit-for-purpose forest certification

We engage with certification schemes at international and national levels to contribute to the continued development of certification that is relevant and effective in different regions. Mondi is an international member of both FSC™ and PEFC™.

Partnerships with academia

We continue our partnerships with the Stellenbosch University, the Institute of Biology at Komi Science Centre and the Graz University of Technology. We also actively engaged with the International Union of Forest Research Organizations (IUFRO) and will launch a three-year Partnership for Climate-fit Forests with IUFRO in 2021.

What's next?

We will continue to invest in partnerships and collaborations to catalyse change and eliminate unsustainable packaging. It's through our work with partners that we can develop, promote and embed best-practice to achieve positive change at scale.

"Partnerships help to catalyse changes not only in Mondi, but also across landscapes and value chains."

Gladys Naylor
Group Head of Sustainable Development



5 Climate change



Our commitments to 2025 and 2050

Reduce Scope 1 and 2 Greenhouse Gas (GHG) emissions 34% per tonne of saleable production by 2025 and 72% per tonne of saleable production by 2050, from a 2014 baseline

Reduce Scope 2 GHG emissions 39% per MWh by 2025 and 86% per MWh by 2050, from a 2014 baseline

2020 performance

● Target on track

● Target on track

We are taking action on climate to protect the future of our planet. For us, that starts with reducing the carbon intensity of our operations. We're transitioning to low carbon energy, improving our energy efficiency and using our leading role in forestry management to help tackle the climate crisis.

Climate change has the potential to affect our business in many ways. We continue to improve our understanding of the risks and opportunities and to improve our disclosure. In 2020, we formalised a cross-functional team, supported by external experts, to re-assess Mondi's climate-related risks and opportunities and will continue to evolve and expand this process in future years.

Understanding what the climate crisis means for our business

We identify and assess climate-related risks using our Group-wide risk management framework. We evaluate and report on our short (up to 3 years), medium (3-7 years) and long term (more than 7 years) climate-related transition and physical risks and opportunities, and their financial implications. 'Transition risks' may occur when moving towards a less polluting, greener economy. Such transitions could mean that some sectors of the economy face big shifts in asset values or higher costs of doing business. Climate change means we may face more frequent or severe weather events like flooding, droughts and storms. These events bring 'physical risks' that impact our society directly and have the potential to affect the economy. We are committed to adhering to internationally accepted recommendations – such as the Financial Stability Board's Task Force on Climate-related Financial Disclosures

(TCFD) – to investigate and report our climate-related risks and opportunities. The TCFD recommends applying widely-used reference scenarios that are publicly available and peer reviewed. We assess the financial implications of climate-related risks according to the TCFD recommendations, considering a 2°C scenario¹⁴ and a business-as-usual scenario.¹⁵

Our climate-related risks and opportunities

We describe our climate-related risks, their potential impact and mitigation activities in more detail on page 80. The Group continues to monitor and implement processes to reduce our exposure to these transition and physical risks while leveraging our existing platform to take advantages of the related opportunities.

Following TCFD guidelines we started to quantify the potential impact of climate-related risks on our business in 2018. We revised our climate-related risks and opportunities in 2020 as described in detail in the 'Climate Change' chapter of our Sustainable Development report. We will continue to develop and improve our understanding of these risks and update our reporting accordingly. See pages 45-52 of our 2020 Sustainable Development report for more details.

¹⁴ The International Energy Agency's 2°C scenario (2DS) is based on limiting global temperature rise to below 2°C above pre-industrial levels under an emissions trajectory that allows CO₂ emissions to be reduced by almost 60% by 2050 compared with 2013. Under this scenario emissions are projected to decline from 2020 and they continue their decline after 2050 to reach carbon neutrality

¹⁵ The Representative Concentration Pathway's 8.5 (RCP8.5) scenario is a business-as-usual scenario, which projects the global mean temperature to rise by 2.6 to 4.8°C and the global mean sea level to rise by 0.45 to 0.82 metres by the late-21st century

Delivering on science-based targets

We support the transition to a low-carbon economy. In 2019, our science-based GHG reduction targets were approved by the Science Based Targets initiative (SBTi). The two targets together cover more than 95% of Mondi's total Scope 1 and 2 emissions.¹⁶

Target 1: Reduce Scope 1 and 2 GHG emissions by 34% per tonne of saleable production by 2025 and by 72% per tonne of saleable production by 2050 from a 2014 base year.

This target covers total Scope 1 and 2 emissions of our pulp and paper mills and aligns with the Pulp and Paper sector reduction pathway under a 2°C scenario within the Sectoral Decarbonisation Approach.

Target 2: Reduce Scope 2 GHG emissions by 39% per MWh by 2025 and by 86% per MWh by 2050 from a 2014 base year.

This covers the Group's total Scope 2 emissions and aligns with a 2°C scenario within the Absolute Contraction Approach.

We are now exploring a science-based GHG reduction target for our Scope 3 emissions, which takes into account the GHG emissions in our value chain with a focus on the areas with the highest contribution such as logistics and raw materials. Mondi has also committed to support the global transition to a low-carbon economy by positively influencing the sector and policy makers through responsible engagement on climate policy.¹⁷























Increasing energy efficiency and reducing emissions

We combine strategic energy-related investments at our pulp and paper mills with good management and best practice sharing. We invest in optimising energy and process efficiencies and replacing fossil fuel-based energy with renewable biomass sources.

We use internal biomass based by-products from the pulp process as well as purchased fossil fuels and external biomass to generate most of our energy and electricity on-site in our energy plants. Energy and related input costs contribute significantly to the variable costs across our pulp and paper mills and converting operations.

Taskforce for Climate-related Financial Disclosures (TCFD)

The following table provides an index of our TCFD disclosures. Further information can be found in our A rated CDP climate change disclosure.

Governance	Describe the board's oversight of climate-related risks and opportunities.	 Page 90-125  Sustainable Development report Page 88-90
	Describe management's role in assessing and managing climate-related risks and opportunities.	 Page 22-35  Sustainable Development report Page 88-90
Strategy	Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	 Page 58-60, 80, 184, 186, 213  Sustainable Development report Page 45-52
	Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	 Page 38-65, 74-85  Sustainable Development report Page 45-52
	Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	 Page 22-35, 74-85  Sustainable Development report Page 45-52
Risk management	Describe the organisation's processes for identifying and assessing climate-related risks.	 Page 58-60, 74-85  Sustainable Development report Page 45-52
	Describe the organisation's processes for managing climate-related risks.	 Page 80  Sustainable Development report Page 45-52
	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	 Page 74-85  Sustainable Development report Page 45-52
Metrics and targets	Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	 Page 44-65, 74-85  Sustainable Development report Page 45-52
	Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	 Page 25, 36-37, 60, 80  Sustainable Development report Page 45-52, 96-100
	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	 Page 22-35, 44-65  Sustainable Development report Page 45-52

¹⁶ The boundary of our targets includes biogenic emissions and removals from bioenergy feedstocks

¹⁷ <https://www.wemeanbusinesscoalition.org/commitment/responsible-engagement-in-climate-policy/>

Natural resources continued

GHG emissions¹⁸ of our pulp and paper mills

	2014 baseline*	2019	2020	% change 2019-2020
Absolute Scope 1 emissions (million tonnes CO ₂ e)	4.3	3.9	3.5	-9.7%
Absolute Scope 2 emissions (million tonnes CO ₂ e)	1.0	0.46	0.43	-6.0%
Specific GHG emissions (tonnes CO ₂ e per tonne of saleable production)**	0.84	0.71	0.64	-9.6%
Specific Scope 1 emissions (tonnes CO ₂ e per tonne of saleable production)	0.69	0.64	0.57	-9.9%
Specific Scope 2 emissions (tonnes CO ₂ e per tonne of saleable production)	0.15	0.07	0.07	-6.2%

* For the calculation of the specific 2014 baseline we excluded divested mills; the absolute 2014 figure includes divested mills

** The specific GHG emission of our mills per tonne of saleable production includes GHG emissions related to manufacturing (0.51 t/t) and to energy sales (0.13 t/t)

 Sustainable Development report – climate change
www.mondigroup.com/sd20

Energy consumption of our pulp and paper mills

	2014 baseline	2019	2020	% change 2019-2020
Energy consumed by pulp and paper core processes in the form of heat and electricity at our operations (billion kWh)	25.2	25.3	26.3	3.8%
Energy purchased by our mills from external sources (billion kWh)	2.1	1.0	1.0	-4.3%
Total electricity requirements for producing pulp and paper (billion kWh)	5.6	5.5	5.8	5.7%
Total heat requirements for producing pulp and paper (billion kWh)	19.6	19.8	20.4	3.2%
Energy sold to the local grids (billion kWh)	3.0	2.3	2.3	0.3%
Total energy sales including green fuel sales (billion kWh)	3.6	2.7	2.8	0.7%
Our mills' electricity self-sufficiency	95%	102%	104%	2%

Energy consumption of Group (including converting plants)

	2019		2020		% share (in 2020)
	Mondi Group	UK operations	Mondi Group	UK operations	
Total energy use (million kWh)	43,290	19.9	43,500	9.0	0.02%
Energy purchased (million kWh)	1,600	8.5	1,542	3.5	0.23%
Scope 1 and Scope 2 emissions (t CO ₂ e)	4,741,575	5,168	4,319,257	2,120	0.05%

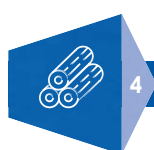
Investments in energy efficiency at our plants and shifting our fuel mix towards renewable biomass offer the most significant potential for reducing our GHG emissions. We identify energy efficiency projects through our internal energy efficiency programme – DIANA. Projects are assessed against the investment required, potential financial, energy and CO₂ savings and their contribution to energy security.

We have invested around €500 million in energy-related projects since 2015. We have also engaged with electricity providers to increase the share of renewable energy in our purchased electricity and reduce our Scope 2 emissions by lowering the CO₂ factor per MWh purchased. In 2020, 5% of our purchased electricity was generated by renewables, while 67% of the energy generated in our energy plants is from renewable sources.

What's next?

As part of our MAP2030 commitment to take action on climate, we are exploring indirect GHG emissions across our value chain to set a science-based Scope 3 GHG emission reduction target.

¹⁸ We report our GHG emissions according to the Greenhouse Gas Protocol, published by the WBCSD and the WRI, and have reported our scope 1 and 2 GHG data in compliance with ISO 14064:1-2006. ERM CVS has provided reasonable (pulp and paper mills) and limited (converting operations) levels of assurance on our scope 1 and 2 GHG data in accordance with ISO 14064



Sustainable fibre



Our commitments to 2020

Maintain FSC certification for 100% of our owned and leased forest lands and promote sustainable forest management

Procure at least 70% of wood from FSC- or PEFC-certified sources with the balance meeting FSC's Controlled Wood standard

2020 performance

● Target achieved

● Target achieved

We are firmly committed to zero deforestation and no illegal logging. Our risk-based approach ensures we source wood and pulp only from responsible sources. We consider social and environmental issues spanning the wood fibre supply chain and aim to lead on sustainable forestry management to help tackle the climate crisis.

We maintained 100% compliance with FSC™, PEFC™ or FSC Controlled Wood (CW) sourcing of all pulp and wood in 2020, ensuring the integrity and traceability of our fibre supply chain.

We are committed to maintaining 100% certification of our forestry operations and we begin the certification process for newly leased areas immediately after acquisition. In 2020, we received approval to lease an additional 229,000 hectares of forestry landholdings in Russia. 38,000 hectares of this land was certified to FSC and PEFC in 2020, another 131,000 hectares will be certified in 2021 and the remainder will be certified in 2022 once forest management plans have been put in place.

100%

of our forests are FSC-certified

Our risk-based approach

Our primary wood sourcing regions are in South Africa, north west Russia and Europe. By sourcing wood fibre in line with our Due Diligence Management System (DDMS), we ensure a deforestation-free supply chain.

We are committed to zero deforestation and no use of illegal or controversial wood fibre sources. We do not use tropical tree species, species listed by the Convention of International Trade on Endangered Species (CITES) or the Red List of International Union for Conservation of Nature (IUCN). We also do not use wood from genetically modified (GM) trees.

In 2020, 76% of our total procured wood was certified to FSC or PEFC (2019: 72%) and 94% of our externally procured pulp was from FSC- or PEFC-certified sources (2019: 99%). In 2016-2020 average certified wood procured was 71% and for pulp it was 94%. In 2020 we saw an unusually high percentage of certified wood procured due to temporarily increased availability in the domestic markets. All our mills are certified to FSC- and/or PEFC Chain-of-Custody standards.

Certification status of our wood fibre

Types of wood fibre	2020 volumes	2020	2019
Wood (roundwood, wood chips)	18.0 million m ³	76% compliant with FSC or PEFC	72% compliant with FSC or PEFC
Own forestry operations		100% certified to FSC and ISO 14001	100% certified to FSC and ISO 14001
Purchased wood		33% FSC 36% PEFC 31% FSC CW	32% FSC 33% PEFC 35% FSC CW
Market pulp	0.2 million tonnes	91% FSC 3% PEFC 6% FSC CW	93% FSC 6% PEFC 1% FSC CW

¹⁹ Transparency International's Corruption Perceptions Index (CPI), World Bank's Worldwide Governance Indicators (WGI), FSC's Centralized National Risk Assessments (CNRAs) and NEPCo's Timber risk assessment methodology

Beyond our direct supply chain, we support multi-stakeholder platforms to address the root causes of deforestation. We also work in partnership with a broad range of stakeholders in high-risk countries to address risks in the wood fibre supply chain and to increase the availability and credibility of certified wood fibre.

Our DDMS focuses on two key areas:

Legal compliance: We classify our wood fibre sourcing countries into three categories of risk – high, medium and low – based on the strength of national governance systems and the prevalence of legal risks within each country.¹⁹ Within each risk category, we have defined the level of assurance or certification of materials that we believe is sufficient to comply with legal requirements for each country.

Sustainability risks: Our DDMS is designed to address risks beyond legality and certification. We go beyond the requirements of current assurance mechanisms by screening additional economic, social and environmental risks. We have been working with WWF to strengthen our DDMS and explored cross-cutting measures for the timely detection of critical environmental and social issues in wood supply chains.

Forest certification is a fundamental building block of our due diligence. We promote credible forest certification that is robust, accessible to different forest users and that applies a risk-based approach to different forest types and supply chain conditions. We actively support the improvement of governance systems and certification standards.

Working together to secure a sustainable wood fibre supply chain

Mondi is a member of the WBCSD Forest Solutions Group (FSG). Just over a year after the launch of the Forest Sector SDG Roadmap²⁰, it published its first Implementation Report²¹ in 2020. We also joined the new Cepi alliance, 4evergreen, launched in 2019. It aims to boost the contribution of fibre-based packaging in a circular and sustainable economy.

Improving resilience of forests to climate change is a challenge that requires wide collaborative efforts extending beyond traditional operational boundaries. We have been working with the International Union of Forest Research Organizations (IUFRO) and others to explore climate change impacts on Europe's forests and wood supply. With support from the International Institute for Applied Systems Analysis (IIASA), we have developed medium- and long-term outlooks for our main wood sourcing countries. This information will be invaluable in shaping our sustainable wood supply strategies and future climate-related risk evaluations.

What's next?

Our MAP2030 commitment is to maintain zero deforestation in our wood fibre supply, sourcing from healthy and resilient forests. We have set targets for 2025 to ensure 100% FSC certification in our managed forests and 100% responsibly sourced fibre with at least 75% FSC- or PEFC-certified, and the remainder being FSC Controlled Wood. We will also continue to develop and implement leading forestry practices in our own landholdings and beyond.

²⁰ <https://www.wbcd.org/Sector-Projects/Forest-Solutions-Group/Forest-Sector-SDG-Roadmap>

²¹ <https://www.wbcd.org/Sector-Projects/Forest-Solutions-Group/Resources/Forest-Sector-SDG-Roadmap-Implementation-Report>



6

Constrained resources and environmental impacts



Our commitments to 2020

2020 performance

Reduce specific contact water consumption by 5% against 2015

● Target not achieved

Reduce specific waste to landfill by 7.5% against 2015

● Target achieved

Reduce specific NOx emissions by 7.5% against 2015

● Target achieved

Reduce specific effluent load (COD) by 5% against 2015

● Target achieved

We are committed to developing circular systems that use less energy, raw materials and water and to eliminate waste. By investing in the latest technologies, we are minimising our impacts on the environment and communities. We believe we will achieve more by working in partnership to drive large-scale change across the value chain.

From product design to responsible sourcing, resource efficiency is central to many of our material issues. It is also fundamental to achieving our sustainability commitments. Our precautionary approach²² ensures we make decisions that minimise or eliminate negative impacts on the environment and comply with all applicable environmental regulations and permits.

Our Sustainable Development Management System (SDMS) guides our operations, mills and converting operations to manage their impacts and improve environmental performance. 100% of our pulp and paper mills and forestry operations (2019: 100%) and 64% of our converting operations (2019: 62%) are certified to the international environmental management system standard, ISO 14001.

Water

Our manufacturing processes require a high volume of good quality water and our pulp and paper mills are mostly located near rivers with sufficient water availability. Water is also required for the growth of forests, the main source for our primary raw material, wood fibre. We have the potential to impact other water users through our water withdrawal and use. Our operations located close to rivers may also be at risk of flooding. We assess water-related risks using the WWF Water Risk Filter and the WBCSD Global Water Tool. For more information on water-related risks, see pages 54–55 of our Sustainable Development report 2020.

We joined the global Alliance for Water Stewardship (AWS)²³ in 2020 and worked with AWS and WWF to develop a Group water stewardship standard that is designed to set out how mills will use operation- and catchment-based context to determine a contextually appropriate level of water stewardship response. This work was guided by the AWS Standard and considers each mill's exposure to water-related risks using WWF's Water Risk Filter. We have completed water stewardship assessments for some of our South African operations and they will be carried out for all mills and forest operations by 2025.

²² Introducing the precautionary approach, Principle 15 of the 1992 Rio Declaration states that 'where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation'

²³ <https://a4ws.org>

Water withdrawal, use and discharges

	2015 baseline	2019	2020	% change 2019–2020	% change 2015–2020	Reason for the change
Total Group water input	309 million m ³	306 million m ³	317 million m ³	+3.6%	+2.8%	Increase due to higher non-contact water use in Frantschach
Water directly used as contact water	210 million m ³	204 million m ³	205 million m ³	+0.6%	-2.2%	Increase mainly due to the startup of the upgraded pulp mill in Ružomberok
Water used indirectly as non-contact water (cooling water)	85 million m ³	99 million m ³	108 million m ³	+8.9%	+26.7%	Increase in cooling water use due to unusually warm summer months in 2020
Water input in water scarce areas*	29 million m ³	27 million m ³	24 million m ³	-10.9%	-16.3%	Improved stability of operations at our Richards Bay mill

* South Africa

Reducing our water use

Our total Group water input was around 317 million m³ in 2020 (2019: 306 million m³), with specific contact water consumption at our mills at 33.1 m³ per tonne of saleable production (2019: 33.0 m³). We missed our ambitious contact water reduction target due to some process disruptions at our Richards Bay mill and the startup of the upgraded pulp mill in Ružomberok. 93% of the water withdrawn from freshwater resources is released back to the environment.

We withdrew 97.9 million m³ in water-scarce and -stressed countries (South Africa, Czech Republic and Poland).²⁴ Our water withdrawal in those regions reduced by 2.9% versus 2019 – the main contributing factor being improved stability of operations at our Richards Bay mill (South Africa).

Effluent and wastewater management

Our commitment is to reduce the specific effluent load (COD) of waste water by 5% by 2020 (against a 2015 baseline). Our investment in the wastewater treatment plants at our mills in Świecie (Poland) and Syktyvkar (Russia) and improved performance at Richards Bay (South Africa) resulted in a significant 24.3% reduction of specific COD in 2020 (36,843 tonnes COD) vs. 2019 (48,549 tonnes COD) and a reduction of 18.4% vs. 2015 at a Group level.

Air emissions²⁵

We carefully manage our emissions and invest in modernising our plants using best available techniques to reduce negative impacts from emissions, including those on quality of life for our local communities. For example, to reduce acidifying pollutants (e.g. SO₂), we have invested in the modernisation of our energy plants. This resulted in an 81.1% reduction of SO₂ emissions in 2020 (1,059 tonnes SO₂) against a 2015 baseline (5,604 tonnes SO₂).

We committed to reduce specific NO_x emissions from our pulp and paper mills by 7.5% by 2020 compared to a 2015 baseline. Our specific NO_x emissions amounted to 1.8 kg per tonne of saleable production (2019: 1.8 kg per tonne), down 13.7% against 2015 levels. We emitted 961 tonnes of fine dust emissions (particulates) (2019: 928 tonnes), a 35.9% decrease since 2015.

Reducing waste

Our goal is zero waste to landfill. Mondi follows a waste hierarchy to avoid waste and recycle and reuse as much as possible. We see landfilling as wasted raw material and we divert unavoidable waste from being landfilled where possible and feasible.

We are constantly looking for ways to avoid, reuse or recycle our remaining waste streams, working with industry partners to investigate opportunities for our waste to be used as secondary raw material in production processes. For example, some of our waste ash (e.g. ash from our bark boilers) is used as a secondary raw material in the production of cement and bricks.

We committed to reduce the specific waste we send to landfill by 7.5% by 2020, against a 2015 baseline. In 2020, we reported a 23.1% decrease vs. the previous year and a 25.4% decrease against the 2015 baseline, thereby exceeding our commitment. The reduction in specific waste to landfill since 2015 was achieved by using waste for other purposes for example re-cultivation of sludge ponds, ash used for brick making and sludge used for energy generation.

23.1% decrease

in waste to landfill in 2020

Managing our impacts

We strive to be a responsible neighbour and to minimise and eliminate the potential negative impacts of our operations on local communities and the environment. We are committed to strong regulatory compliance and ensure our operating sites conform to strict performance parameters. In 2020, Mondi reported 82 non-monetary sanctions for non-compliance with environmental laws and regulations and eight environmental incidents with impacts outside our boundaries, where two had a limited short-term impact on external water bodies. For full details see page 60 of our 2020 Sustainable Development report.

What's next?

As part of our new MAP2030, we will continue to improve the environmental performance of our operations. We have set milestone targets for 2025 to reduce waste to landfill, emissions to air (measured as NO_x) and water use (measured as COD).

²⁴ We define water stress according to the Food and Agriculture Organization (FAO) definition. Between 1000–1700 m³/year per capita indicates 'water stress', 500–1000 m³/year 'chronic water scarcity' and less than 500 m³/year 'absolute water scarcity'

²⁵ Mondi only uses very small amounts of organic solvents, mainly in printing at our converting operations. VOC emissions from our operations are not material and therefore not reported at Group level



Our commitment to 2020

Promote ecosystem stewardship in the landscapes where we operate through continued multi-stakeholder collaboration

2020 performance

● Target achieved

We believe thriving ecosystems are essential to the future of our planet. We protect and enhance biodiversity and natural capital in our forestry landholdings and around our manufacturing sites. Everything in nature is interconnected and we proactively engage and collaborate beyond our operations to enhance ecosystems stewardship at a landscape level.

Our businesses impact and are dependent on biodiversity and healthy, functioning ecosystems. Our most significant biodiversity and ecosystems impacts and dependencies occur upstream, in our forest operational landscapes.

Sustainable working forests

Wood fibre is one of our most important raw materials and we rely on access to sustainable sources. Significant areas of land are required to secure a sustainable wood fibre supply and forestry operations constitute a major part of our management activities. We manage around 2.3 million hectares of natural forestry landholdings in Russia²⁶ and 254,000 hectares of plantation forestry landholdings in South Africa.

We play a lead role in developing robust land management practices to manage and mitigate the impacts of forestry activities and other natural and man-made impacts. Our forestry landholdings management objectives aim to ensure the integrity of natural ecosystems by maintaining and managing ecological networks on a local and landscape scale. Well-designed and managed ecological networks are an essential component of our Sustainable Working Forest model.²⁷

The proportion of land managed for conservation purposes varies across different types of landscapes. 25% of our forestry landholdings in Russia and South Africa are managed for conservation. This exceeds the international Aichi Biodiversity Target of at least 17% of terrestrial ecosystems and inland water ecosystems to be conserved by 2020.

Promoting ecosystems stewardship across landscapes

The long-term productivity and resilience of production landscapes depend on thriving and resilient terrestrial and freshwater ecosystems and the protection of biodiversity and natural capital. We promote freshwater and terrestrial ecosystem stewardship across forestry landholdings, agricultural and other land use types through collaboration with non-governmental organisations, scientific institutions and other land users across the landscapes where we operate. Our long-term partnerships in Russia and South Africa bring land users and other stakeholders together to identify shared challenges and develop meaningful landscape-scale solutions.

²⁶ The total area of forest leases in Russia increased by 229,415 hectares in 2020 compared to 2019, due to additional forest leased areas granted by the State to support Mondi's investment project to modernise and increase the Syktyvkar pulp and paper mill's production capacity

²⁷ www.mondigroup.com/en/sustainability/approach/working-forests

Together we are...
managing the biodiversity impacts of our Syktyvkar mill in Russia

We've been working with the Institute of Biology at Komi Science Centre to assess the long-term impacts of our mill on the biodiversity of the surrounding area. The assessment covered 20 years of results from monitoring coniferous forest stands and field and laboratory studies on the ecological status of terrestrial and freshwater ecosystems. Next, we will identify rare plant, lichen and animal species and habitats in the areas for assessment and monitoring. We'll use the outcomes to zone the area according to the degree of biodiversity and ecosystems changes.

We will also develop a biodiversity database and maps of sensitive habitats and species using Geographic Information Systems. This will enable us to monitor changes in the state of freshwater and terrestrial ecosystems. All of this will be invaluable in shaping our internal guidelines on how to define habitats and implement proactive conservation measures to reduce biodiversity impacts.

Dimitry Ocheretenko
Chief Environmental Manager,
Mondi Syktyvkar



Russia has vast areas of Intact Forest Landscapes (IFLs) that have not been significantly altered by human development. These IFLs play a crucial role in carbon storage and provide a unique opportunity for large-scale conservation. In 2020, in collaboration with WWF Russia and Silver Taiga Foundation we developed and tested a regional methodology to identify and verify rare ecosystems in Komi Republic. We have also published an overview of practical nature conservation approaches in boreal forests – from landscape scale to individual logging sites. These guidelines will help other forest companies in the region to enhance their nature conservation practices.

In South Africa, we work with WWF South Africa to promote best practice in water stewardship with local farmers, including sugarcane, citrus and macadamia growers, as well as with livestock farmers. An example of successful catchment-wide implementation of water stewardship practices is the uMhlathuze Water Stewardship Partnership. This collaboration between business, government and civil society was established with the support of the WWF-Mondi Water Stewardship Partnership to address water security challenges facing the region. The resilient landscape approaches in plantation forestry, developed within our WWF-Mondi cooperation, were highlighted at the Austrian World Summit 2020 as a part of the Climate Action Stories.

25%

of our forestry landholdings are managed for conservation



© Trier Igor

Together we are...
promoting biodiversity and ecosystem resilience across entire landscapes

Managing the impacts of our manufacturing operations

We started to explore the potential biodiversity and ecosystems impacts and dependencies of our pulp and paper mills. We have developed biodiversity status reports for all our pulp and paper mills. These will be used as a basis for developing biodiversity action plans where needed. Creating a detailed baseline inventory of biodiversity and ecosystems in the vicinity of our pulp and paper mills is an important step towards assessing the biodiversity impacts of our operations. Our aim is to have conducted biodiversity and water stewardship assessments of all our mills and forestry operations by 2025, and to implement required actions where necessary.

Exploring the impacts of our products

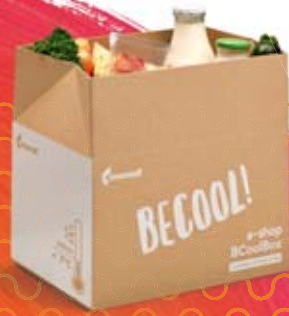
We aim to evaluate and address biodiversity and ecosystems impacts and dependencies along the entire value chain. This includes exploring ways to link material biodiversity impacts to product footprint assessments. We engage and collaborate with others to enable market-driven transformational change and by offering a growing spectrum of innovative, sustainable products. As a member of the WBCSD, we have contributed to a global team of experts working to develop Initial Guidance for Business on setting up the science-based targets for nature.

Developing biodiversity metrics to assess the impacts of products and value chains is a relatively new and complex area of focus. Our fibre-based products are produced using wood fibre sourced from a wide range of geographies and forest types. This makes it difficult to develop a consistent approach to assessing their biodiversity impacts. Our investigation of land use changes in our main wood sourcing areas did not reveal any negative land use changes, such as a change from 'forest' to 'non-forest' or from 'primary forest' to 'managed forest.'

What's next?

We will continue to safeguard biodiversity and water resources within and beyond our operations to promote climate resilience. Through our MAP2030 commitments, we will conduct water stewardship and biodiversity assessments at all our mills and forestry operations by 2025, introducing action plans where necessary.

Corrugated Packaging



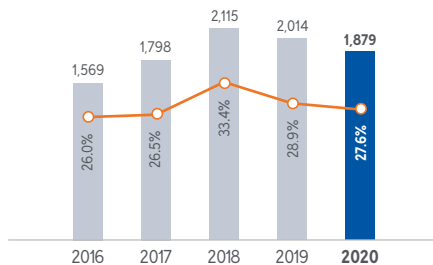
7° celsius

The BCoolBox is a 100% recyclable packaging solution to keep perishable food chilled below 7° celsius for up to 24 hours, without using a cooling truck.

Segment revenue (€ million)

€1,879m

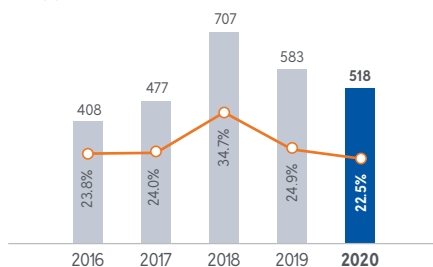
— Underlying EBITDA margin



Underlying EBITDA (€ million)

€518m

— ROCE



Financial performance

€ million	2020	2019	Change %
Segment revenue	1,879	2,014	(7)%
Underlying EBITDA	518	583	(11)%
Underlying EBITDA margin	27.6%	28.9%	
Underlying operating profit	397	459	(14)%
Capital expenditure cash payments	249	257	
Operating segment net assets	2,087	2,166	
ROCE	22.5%	24.9%	

Corrugated Packaging's margins and returns remained strong. Underlying EBITDA of €518 million was down 11% on the prior year. Strong volume growth, lower input costs and shorter planned maintenance shuts were more than offset by lower selling prices. The benefits of an integrated value chain and ongoing continuous improvement initiatives continue to contribute to our strong performance.

Containerboard sales volumes were up on the prior year supported by our broad product portfolio and global distribution network. Demand strengthened throughout the second half in Europe and internationally, with strong import demand from China. Pleasingly, Corrugated Solutions achieved overall volume growth of 7% year-on-year, with a particularly strong second half performance across our markets, benefiting from ongoing investment in the business and testament to our innovative product portfolio and strong customer service offering. We saw significant volume growth in e-commerce and fast moving consumer goods applications throughout the year, while industrial end-uses came under pressure, most notably in the second quarter, with some recovery in the second half.

Selling prices were lower than the prior year. Average benchmark European selling prices for unbleached kraftliner and recycled containerboard were 11% and 13% lower respectively, while semi-chemical fluting and white top kraftliner prices were down 6% to 8%. On the back of strong demand and tight market conditions globally, we implemented price increases during the fourth quarter and early 2021 across our unbleached kraftliner and recycled containerboard grades. We also implemented price increases in semi-chemical fluting and white top kraftliner grades in early 2021.

Input costs were lower year-on-year, with lower wood, paper for recycling, energy and chemical costs. Average benchmark European paper for recycling costs were 14% lower than the prior year. However, prices increased from the low levels seen in the first quarter over the course of the year and into early 2021, and are today significantly higher than the average for 2020. We expect to consume approximately 1.5 million tonnes of paper for recycling in 2021. Cash fixed costs were marginally up in local currency terms with higher personnel costs largely offset by our cost control initiatives.

Planned maintenance shuts were successfully completed during the second half of the year at all Corrugated Packaging mills. In 2021, our Syktyvkar (Russia) and Kuopio (Finland) shuts are planned for the first half of the year while the remaining shuts are largely scheduled for the second half.

In January 2021, the Group agreed to acquire 90.38% of the outstanding shares in Olmuksan International Paper Ambalaj Sanayi ve Ticaret A.Ş. ("Olmuksan") from International Paper for a total consideration of €66 million, which implies an enterprise value on a 100% basis of €88 million. As a leading and well-established corrugated packaging player in Turkey, Olmuksan's network of five plants provides an exciting opportunity to significantly strengthen our position in the fast-growing Turkish corrugated market and expand our offering to existing and new customers in the region. The transaction remains subject to competition clearance and other closing conditions and is expected to complete in the first half of 2021.

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Flexible Packaging



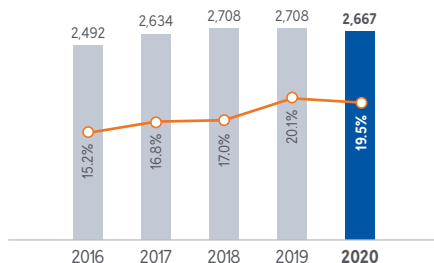
70% less plastic

StripPouch is 100% recyclable, and uses 70% less plastic than rigid plastic alternatives.

Segment revenue (€ million)

€2,667m

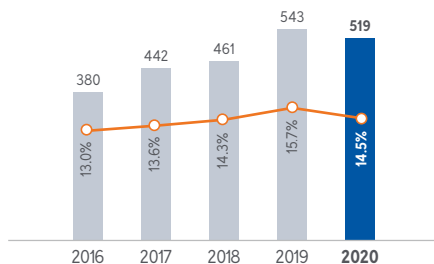
— Underlying EBITDA margin



Underlying EBITDA (€ million)

€519m

— ROCE



Financial performance

€ million	2020	2019	Change %
Segment revenue	2,667	2,708	(2)%
Underlying EBITDA	519	543	(4)%
Underlying EBITDA margin	19.5%	20.1%	
Underlying operating profit	362	389	(7)%
Special items	(8)	(4)	
Capital expenditure cash payments	162	248	
Operating segment net assets	2,475	2,603	
ROCE	14.5%	15.7%	

Flexible Packaging delivered a strong performance with underlying EBITDA of €519 million down 4% on the prior year. Strong volume growth, the benefits of our integrated value chain, lower input costs and cost control initiatives were offset by lower average selling prices.

Kraft paper and paper bag demand remained resilient in Europe and North America during the period, finishing the year strongly across our markets. Overall, we saw good demand in building materials, consumer and agricultural end-uses and weaker demand in industrial applications. Kraft paper sales volumes were up on the prior year with an improved product mix, as we continue to develop our speciality offerings, benefiting from our product development initiatives and the increasing demand from customers for more sustainable packaging. Paper bags sales volumes were up 5% on the prior year, reflecting a strong performance across the business. We continue to support our customers' demands for paper-based packaging alternatives to replace plastics for consumer, e-commerce and other applications with our portfolio of kraft paper and paper bags solutions.

Pricing across the paper value chain was down compared to the prior year, as a result of reductions that took place as we entered 2020 and some price erosion during the year. Price increases are currently being implemented for sack kraft paper grades supported by strong order books.

Consumer flexibles delivered strongly during the year, benefiting from increased demand in fast moving consumer goods applications driven by at home consumption, an improved product mix and pricing discipline. We continued to drive innovation to support our customers' transition to more sustainable packaging, and to partner along the value chain to create products fit for a circular economy, incorporating paper where possible, developing recyclable flexible plastic-based packaging solutions and increasing recycled content in our packaging.

Input costs were down year-on-year, with lower wood, energy, chemicals and plastic resin costs. While cash fixed costs were slightly higher due to increased costs to service our customers' incremental volumes and inflationary effects, this was mitigated by our strong cost control initiatives. We drove ongoing operational excellence initiatives to increase productivity and efficiency and reduce conversion costs. During the year we closed two consumer flexibles plants in the UK and announced the closure of another plant in South Korea.

All planned maintenance shuts at our Flexible Packaging mills were completed in the second half of the year. In 2021, the majority of planned maintenance shuts are scheduled for the second half.

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Business unit trading review

Engineered Materials

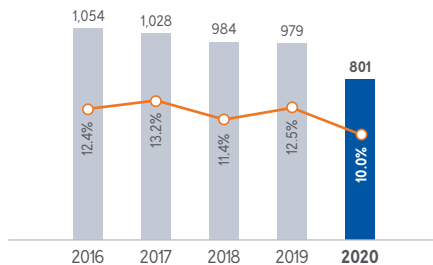
100% biodegradable

We use biodegradable cellulose content in our innovative 3-layer wipes for personal hygiene and cleaning.

Segment revenue (€ million)

€801m

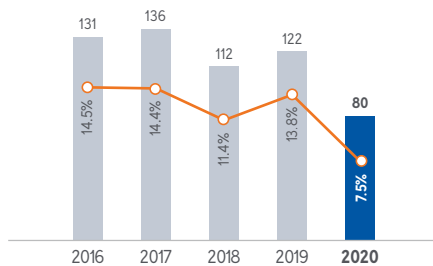
— Underlying EBITDA margin



Underlying EBITDA (€ million)

€80m

— ROCE



Financial performance

€ million	2020	2019	Change %
Segment revenue	801	979	(18)%
Underlying EBITDA	80	122	(34)%
Underlying EBITDA margin	10.0%	12.5%	
Underlying operating profit	44	86	(49)%
Special items	(49)	–	
Capital expenditure cash payments	74	32	
Operating segment net assets	589	612	
ROCE	7.5%	13.8%	

Underlying EBITDA of €80 million was down 34% on the prior year, in which a one-off gain on disposal of a profitable plant in Belgium of €9 million was recognised.

Demand was good in consumer end-uses, in particular food, hygiene and home care applications as lockdown measures drove increased use of cleaning products and at home consumption. Demand in industrial and specialised end-uses was generally weaker, although the release liner business saw an improvement as we progressed through the second half. Volumes in personal care components were lower, as anticipated, driven by a key product maturing and the implementation of technology changes.

Prices were lower on average, reflecting generally lower input costs, mainly resin and speciality kraft paper. Cost control was strong and the business benefited from ongoing cost reduction programmes.

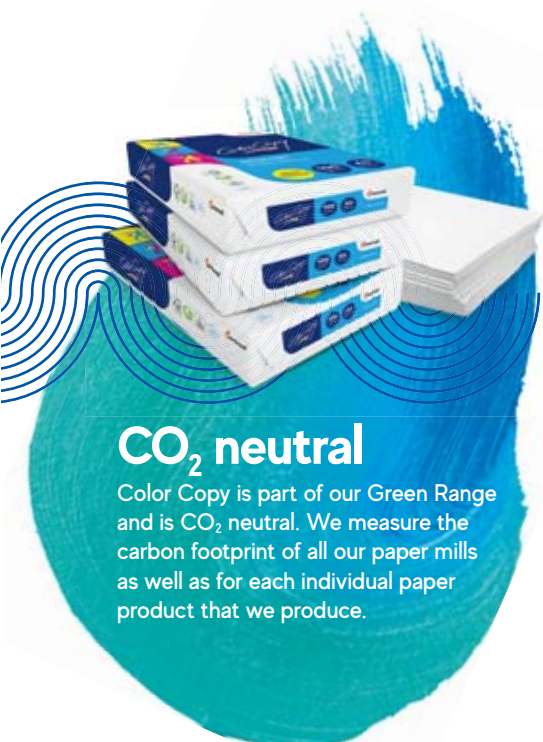
We are investing to support the realignment of this product portfolio. We are also implementing further measures to reduce the cost base and stabilise the business, including the closure of a functional paper and films plant in Pleasant Prairie (Wisconsin, US) and restructuring our personal care components focused operations in Gronau (Germany).

Related special item charges of €49 million (including €27 million of non-cash asset impairment charges) were recorded. In combination, these measures are expected to stabilise performance in 2021 and return the business to growth thereafter.

We are excited by the opportunity to develop innovative sustainable packaging solutions by combining Engineered Materials' coating technologies and know-how with Flexible Packaging's speciality kraft paper portfolio, customer relationships and converting capabilities.

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Uncoated Fine Paper



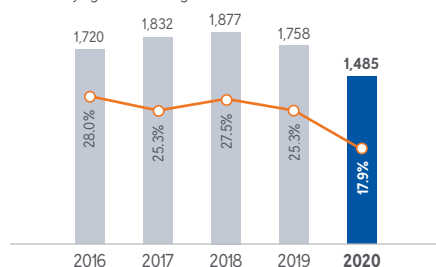
CO₂ neutral

Color Copy is part of our Green Range and is CO₂ neutral. We measure the carbon footprint of all our paper mills as well as for each individual paper product that we produce.

Segment revenue (€ million)

€1,485m

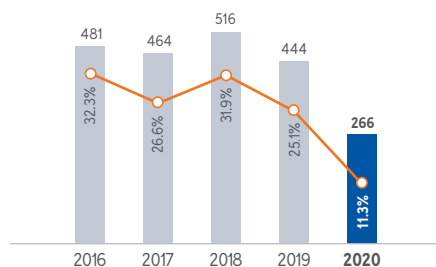
— Underlying EBITDA margin



Underlying EBITDA (€ million)

€266m

— ROCE



Financial performance

€ million	2020	2019	Change %
Segment revenue	1,485	1,758	(16)%
Underlying EBITDA	266	444	(40)%
Underlying EBITDA margin	17.9%	25.3%	
Underlying operating profit	153	324	(53)%
Special items	–	2	
Capital expenditure cash payments	145	220	
Operating segment net assets	1,582	1,758	
ROCE	11.3%	25.1%	

Underlying EBITDA was down 40% to €266 million with lower average selling prices, lower uncoated fine paper volumes and a significantly lower forestry fair value gain more than offsetting lower input costs and the benefit of shorter maintenance shuts.

Uncoated fine paper volumes were lower year-on-year as the effects of the various lockdown measures impacted demand for professional and office printing papers. Order books improved throughout the third quarter and were stable in the fourth quarter, albeit they remained below pre-pandemic levels. We estimate the European market declined by around 15% year-on-year while our sales volumes declined by 8% overall and 2% in Europe. We increased our market share in all the key markets where we operate as our customers valued the stability of a long-term supplier, recognising we remain strategically well positioned in the context of the current market challenges given our broad product diversification, excellent customer service, geographic positioning and cost competitiveness.

Average benchmark European uncoated fine paper selling prices were down 7% on the prior year following price erosion during 2019 which continued into 2020. On the back of recovering demand and increasing costs, we have announced price increases from March 2021 across our key markets. Average benchmark European bleached hardwood pulp prices were down 22% compared with the prior year.

On the back of tight global markets, pulp prices are increasing in the first quarter of 2021. Including the pulp sales in our packaging businesses, the Group's pulp net long position in 2020 was around 450,000 tonnes, expected to reduce to around 350,000 tonnes in 2021 as the new containerboard machine in Ružomberok (Slovakia) ramps up and Richards Bay's (South Africa) production is affected by the prolonged maintenance shut.

Input costs reduced due to lower wood, energy and chemicals costs. Fixed costs were marginally lower, with strong cost control offsetting domestic inflationary cost pressures.

The forestry assets' fair value is dependent on a variety of external factors over which we have limited control, the most significant being the export price of timber, the exchange rate and domestic input costs. Stable export prices and net volume increases during the period resulted in a forestry fair value gain of €27 million, down €44 million year-on-year. Based on current market conditions, we would expect a similar level of forestry fair value gain in 2021.

We completed planned maintenance shuts at all uncoated fine paper mills in the second half of the year. In 2021, our Syktyvkar shut is planned for the first half of the year while most of the remaining shuts are scheduled for the second half.

 **Strategic framework and performance**
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Strong financial position

Together we are...

able to take advantage of opportunities thanks to the strategic flexibility provided by our strong cash flow generation and robust financial position



Mike Powell
Group CFO

Our financial performance

€ million	2020	2019	% change
Group revenue	6,663	7,268	(8)%
Underlying EBITDA	1,353	1,658	(18)%
% margin	20.3%	22.8%	
Depreciation, amortisation and impairments	(428)	(435)	
Underlying operating profit	925	1,223	(24)%
% margin	13.9%	16.8%	
Net loss from equity accounted investees	(3)	–	
Underlying net finance costs	(95)	(104)	
Underlying profit before tax	827	1,119	(26)%
Underlying tax charge	(180)	(257)	
Underlying non-controlling interests	(20)	(33)	
Underlying earnings	627	829	(24)%
Special items (before tax)	(57)	(16)	
Profit for the year attributable to shareholders	582	812	(28)%
Basic earnings per share (euro cents)	120.0	167.6	(28)%
Basic underlying earnings per share (euro cents)	129.3	171.1	(24)%
ROCE (%)	15.2%	19.8%	

Our financial position

€ million	2020	2019
Property, plant and equipment	4,641	4,800
Goodwill	923	948
Working capital	739	952
Other assets	557	620
Other liabilities	(687)	(728)
Net assets excluding net debt	6,173	6,592
Equity	4,002	4,015
Non-controlling interests in equity	380	370
Net debt	1,791	2,207
Capital employed	6,173	6,592

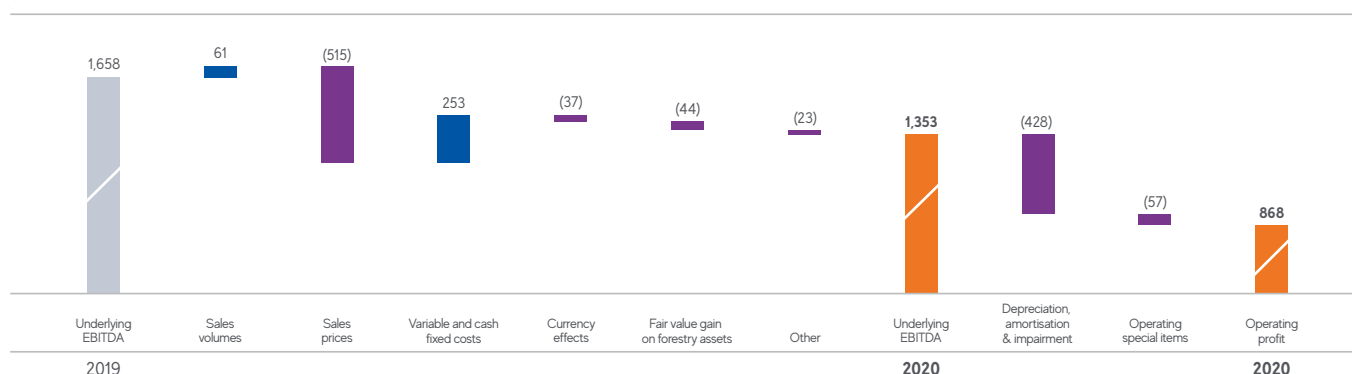
Mondi delivered a robust performance in 2020, with Group revenue of €6,663 million and underlying EBITDA of €1,353 million.

Group revenue was down 8%, with strong volume growth in Corrugated Packaging and Flexible Packaging, underpinned by our strong customer proposition, being offset by a combination of lower average selling prices and negative currency effects. Uncoated fine paper volumes were impacted by lower demand for professional and office printing as a result of the widespread lockdown measures.

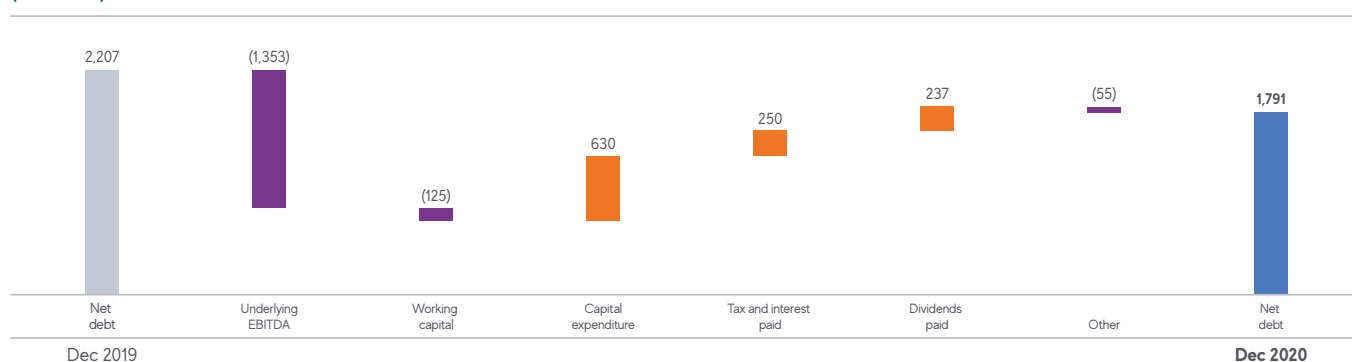
We saw a positive contribution from our previously completed capital investment projects. Input costs were stable in the second half of the year when compared to the first half and generally lower year-on-year, with lower average wood, paper for recycling, chemical, energy and resin costs. We are currently seeing input cost pressures in certain categories, notably paper for recycling, resins, energy and transport.

Cash fixed costs were marginally up in local currency with inflationary cost pressures largely offset by our strong cost mitigation programmes. The forestry fair value gain recognised versus the prior year was €44 million lower.

Underlying EBITDA development (€ million)



Movement in net debt (€ million)



To protect our employees and suppliers and minimise execution risk, we postponed most planned maintenance shuts to the second half of the year. The annual impact of planned maintenance shuts on underlying EBITDA in 2020 was around €100 million (2019: €150 million). Based on prevailing market prices, we estimate that the impact of planned maintenance shuts on underlying EBITDA in 2021 will be around €140 million, of which the first half year effect is estimated at around €45 million (2020: €10 million). This includes an extended project related shut at Richards Bay (South Africa) in the second half as part of the ongoing major modernisation programme at the mill.

Depreciation and amortisation charges were marginally lower during the year as the effects of our capital investment programme were more than offset by currency effects.

Underlying operating profit of €925 million was down 24% on the prior year. After taking into consideration the impact of special items of €57 million, operating profit of €868 million was down 29% (2019: €1,221 million).

The net special item charge before tax of €57 million (2019: €16 million) is mainly due to €30 million of restructuring and closure costs and €26 million of net impairment charges relating to the following by business unit:

Flexible Packaging

- Closure of two consumer flexibles plants in the UK, with an initial charge recognised as a special item in the prior year

Engineered Materials

- Closure of a functional paper and films plant in the US
- Restructuring of a personal care components plant in Germany

The operating special items resulted in a cash outflow of €28 million for the year ended 31 December 2020 (2019: €22 million).

Strong cash flow generation

Cash generated from operations of €1,485 million (2019: €1,635 million), reflects the continued strong cash generating capability of the Group. The impact of lower underlying EBITDA generation was mitigated by a net working capital inflow.

Excellent focus on working capital management and strong trading in the fourth quarter resulted in lower working capital as a percentage of revenue of 11.1% (2019: 13.1%), below our expected range of 12% to 14%. The net cash inflow from movements in working capital during the year was €125 million (2019: €35 million inflow).

Capital expenditure was €630 million (2019: €757 million), or around 160% of depreciation. Tax paid of €168 million (2019: €248 million) was lower than the prior year.

Further outflows from financing activities included the payment of dividends of €237 million (2019: €396 million) and interest of €82 million (2019: €96 million).

Strong financial position continued

Net debt and interest

€ million	2020	2019	% change
Net debt	1,791	2,207	(19)%
Average net debt	2,012	2,243	(10)%
Underlying net finance costs	95	104	(9)%
Effective interest rate	4.5%	4.2%	
Committed facilities	2,772	2,476	
Of which undrawn	869	660	
Net debt to underlying EBITDA (times)	1.3	1.3	

Managing our financial risks

Our capital structure

Capital employed is managed on a basis that enables the Group to continue trading as a going concern, while delivering acceptable returns to shareholders. We maintain an appropriate capital structure, with a balance between equity and net debt, in order to sustain our investment grade credit rating.

Our capital employed is used to fund the growth of the business and to finance our liquidity needs. We have diverse sources of funding with various debt maturities.

Our short-term liquidity needs are met through our €750 million Syndicated Revolving Credit Facility and available cash. We aim to maintain sufficient headroom under this facility for the potential needs of the Group.

In April 2020, we successfully issued a 2.375% €750 million 8-year Eurobond and extended the maturity of €675 million of the €750 million Syndicated Revolving Credit Facility by one year to July 2022. In September 2020, we redeemed a €500 million Eurobond on maturity. There are no significant short-term debt maturities.

At 31 December 2020, the Group had a strong liquidity position of around €1.2 billion, comprising €869 million of undrawn committed debt facilities and net cash of €348 million. The weighted average maturity of our committed debt facilities is 5.7 years.

Gearing at the same date was 29% and our net debt to underlying EBITDA ratio was 1.3 times, well within our key financial covenant requirement of 3.5 times.

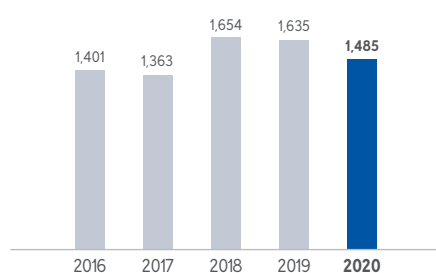
The Group's investment grade credit metrics were reconfirmed during the course of the year, at BBB+ and Baa1 for Standard & Poor's and Moody's Investors Service, respectively.

Net debt at 31 December 2020 was down by more than €400 million in the year to €1,791 million, from €2,207 million at 31 December 2019, reflecting the strong through-the-cycle cash generating capacity of our business.

Underlying net finance costs of €95 million were €9 million lower than the previous year. Average net debt of €2,012 million was lower (2019: €2,243 million) while the effective interest rate was slightly higher at 4.5% (2019: 4.2%), as a result of higher cash balances.

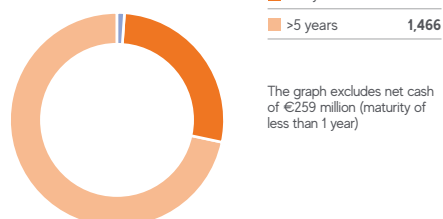
Cash generated from operations (€ million)

€1,485m



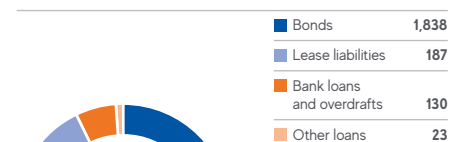
Maturity profile of net debt (€ million)

€1,791m



The graph excludes net cash of €259 million (maturity of less than 1 year)

Composition of debt (€ million)



Currencies

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

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

We hedge material net balance sheet exposures and forecast future capital expenditure. We do not hedge our exposures to projected future sales or purchases. We do not take speculative positions with derivative contracts.

Currency movements had a net negative impact on underlying EBITDA versus the prior year. The benefit of a weaker South African rand to our South African export oriented business was more than offset by translation losses from a weaker Russian rouble and Turkish lira relative to the euro coupled with the negative impact on certain of our export oriented businesses of a weaker US dollar, notably in the second half of the year.

Tax

We aim to manage our tax affairs in accordance with national legislative provisions and within the guidelines set down by the Organisation for Economic Cooperation and Development (OECD). Our objective is to structure our operations tax efficiently and take advantage of available incentives and exemptions provided by governments for eligible capital investments, R&D and similar expenditure. We do not enter into any artificial arrangements.

We respect the right of national governments to set and levy national taxes and, where those taxes impact cross border flows, the guidelines set down by the OECD, and in double taxation treaties. Our tax strategy reflects our approach to tax. The Board reviews and approves our tax strategy each year, and we make our tax statement publicly available on our website.

While ultimate responsibility for the tax affairs of the Group rests with the Board, the Executive Committee ensures that the tax governance framework is aligned with the principles of financial management applied throughout the Group. At both Board and Executive Committee level, the Group CFO is accountable for the conduct of the Group's tax affairs.

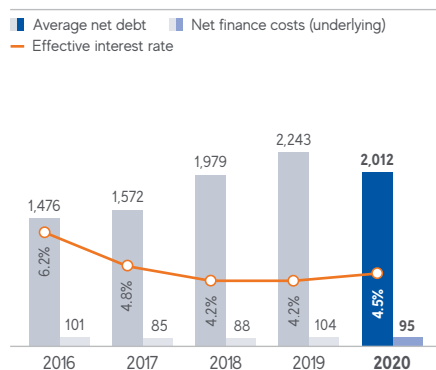
We have dedicated internal tax resources throughout the organisation, supported by a centralised Group tax department who take day-to-day responsibility for management of the Group's tax affairs. We maintain a detailed set of operational guidelines aimed at ensuring a sound tax control environment. In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

Tax risks are monitored on a continuous basis and are more formally reviewed on a half-yearly basis by the Audit Committee as part of our half-yearly reporting process. The Board formally reviews tax management activities on an annual basis. As Mondi operates in a number of countries, each with a different tax system, the Group is regularly subject to routine tax audits and tax authority reviews which may take a considerable period of time to conclude. Our intention is to maintain a constructive dialogue with tax authorities and to work collaboratively with them to resolve any disputes. Where necessary, provision is made for known issues and the expected outcomes of any negotiations or litigation.

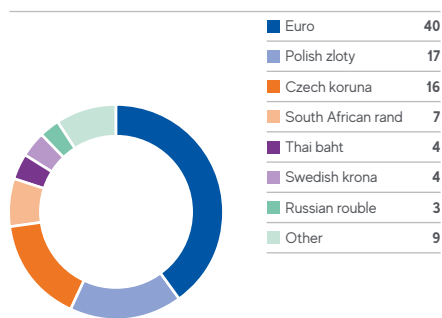
Our underlying tax charge for the year was €180 million (2019: €257 million) giving an effective tax rate of 22% (2019: 23%), broadly in line with our expectations. Tax relief on special items was €12 million (2019: €0 million).

Assuming a similar geographic profit mix and stable statutory tax rates, we expect our effective tax rate in 2021 to remain around the same level.

Net debt and finance costs (€ million)



Currency split of net debt (%)



How we manage risk

Our Group risk management framework and internal control environment is designed to address the risks that could undermine our business model and ability to execute our strategy into the future.

Risk management is by its nature a dynamic and ongoing process. Our well-defined approach is regularly reviewed to ensure that it remains relevant at all levels of the business, and dynamic to ensure we can be responsive to changing business conditions. This is particularly important given the diversity of the Group's locations, markets and production processes.

In combination with the Audit Committee, the Board has conducted a robust assessment of the Group's principal and emerging risks and is satisfied that the Group has effective systems and controls in place to manage these risks within the risk tolerance levels established.

Our risk management framework

The Board has overall responsibility for setting the Group's strategy and is responsible for monitoring and maintaining the effectiveness of the Group's risk management activities and internal control processes. The Board has put in place procedures for identifying, evaluating, and managing the risks faced by the Group.

The Board has determined the Group's risk appetite, using a risk rating matrix which takes into consideration both the likelihood of the risk event occurring and the magnitude of the impact in the event that the risk event occurs. The risk rating matrix is based on the residual risk that the Group faces after taking into consideration the internal control environment and related mitigation. The Board has also established specific tolerance levels for each category of risk, ensuring that our risk exposure remains appropriate at any point in time. The Board considers changes in current principal risks and reviews emerging risks during the year.

The Audit Committee performs an annual review of the risk management policy and plan, including consideration of acceptable risk tolerance levels for the Group. Each of the Group's principal and emerging risks are reviewed in detail by the Audit Committee through the course of the year, considering the detailed risk description, the controls and mitigating actions in place, the level of internal and external assurance obtained, and the resultant residual risk exposure. As in prior years, in 2021 the Audit Committee will continue to focus on the Group's principal risks and the actions taken to mitigate these risks.

Business units are required to conduct an annual, detailed review of their risks and compile a risk register which is reviewed and approved by the business unit operating committees. The risk management process ensures that the various business unit operating committees review the principal and emerging risks in their respective businesses and identify the actions and controls to mitigate these risks. Management assurance is provided on both a formal and informal basis. Risk management is embedded in all decision-making processes and captured in our policies, procedures and delegated authorities, with ongoing review by the Board and risk assessments forming part of all investment decisions.

Our internal control environment

Our internal control environment is designed to safeguard the Group's assets, ensure reliability and integrity of information and ensure compliance with laws and regulations, thereby providing reasonable assurance that the Group manages the risks posed to our business model and our strategy.

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

The Group's internal control systems have been in place for the year under review and up to the date of approval of the Integrated report and financial statements 2020 and are in accordance with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued by the Financial Reporting Council. No significant failings or weaknesses were identified in the internal control systems for the year under review.

The Board and its committees have approved the Group's financial, business conduct, operating, and administrative policies, including those relating to delegation of signing authorities and information security. The policies provide a framework for the Group's internal control environment and outline required standards of behaviour. Business units are required to ensure that they adhere to approved Group policies and that they have implemented their own supporting policies where appropriate. In line with the approved delegation of authorities, specific matters are reserved for Executive Committee or Board approval including the approval of major capital investments, acquisitions, and disposals.

Management is responsible for regularly reviewing the Group's financial performance and it is the responsibility of management at all operational levels to ensure that risks are appropriately managed and a proper internal control environment is in place to anticipate and respond to risks. The Group's financial reporting process includes the monthly flash and management reports, a tri-annual outlook, and the annual budget and three-year plan. Detailed monthly management reports and variance analyses comparing actual with planned results are prepared. In-depth reviews of business units and market developments are performed regularly, and are designed to ensure ongoing monitoring of financial performance and early identification of potential issues and/or emerging risks. In addition, the Board reviews the Integrated report and financial statements to ensure it is fair, balanced and understandable and the Audit Committee reviews and approves the accounting policies for each financial year.

Our risk management framework and internal control environment

External audit

External assurance is provided through external audit which is designed to detect material errors and material irregularities that impact the financial statements

Board

Overall responsibility for the Group's strategy and risk management

Determines risk appetite in line with Group strategy, and approves the Group's risk management framework

Approves the annual budget and three-year plan

Sustainable Development Committee

Monitors and reviews material safety, health, environment and other sustainable development risks

Audit Committee

Reviews and monitors the adequacy and effectiveness of the Group's internal control and risk management processes

Ongoing review of the principal risks through the course of the year

Approves the annual internal audit plan

Executive Committee

Formulates risk management policies in terms of the approved risk management framework to ensure risks are managed within accepted tolerance levels

Assesses and monitors risks on an ongoing basis

Internal audit

The Group has a centrally coordinated internal audit function, which makes use of local competency, and reports directly to the Audit Committee

Business units

Responsible for identification of emerging risks and for implementation of risk management policies and procedures

Group functions

Responsible for providing oversight, and management of certain specialised risk areas that benefit from central coordination (e.g. tax, treasury, information management, sustainable development, safety and health)

Work closely with the business units to manage and monitor these risk areas

The three levels of assurance in our internal control environment

Operational management

Key policies and procedures covering all main areas of business conduct are approved by the Board and each business unit is required to adhere to these overall Group policies.

Management is responsible for regularly reviewing its entity's operating and financial performance and for preparing and reviewing monthly management accounts and business reports including safety, health, environmental and other material sustainability matters.

Twice a year, all financial managers are required to complete an internal control assessment and provide written confirmation of compliance with Group policies and procedures. This formal confirmation highlights any control weaknesses or deficiencies identified.

Management review and assurance

Management is responsible for regularly reviewing the Group's operating and financial performance, including monthly management accounts, the progress of significant capital investment projects and plans, safety, health, environmental and other sustainability matters.

Management at Group level and, in more depth, at business unit level is responsible for a detailed assessment of current market conditions.

The Group functions (information management, Group and business unit controlling, sustainable development, safety and health, treasury and tax) each have board-approved policies in place against which conduct is regularly assessed.

Independent assurance

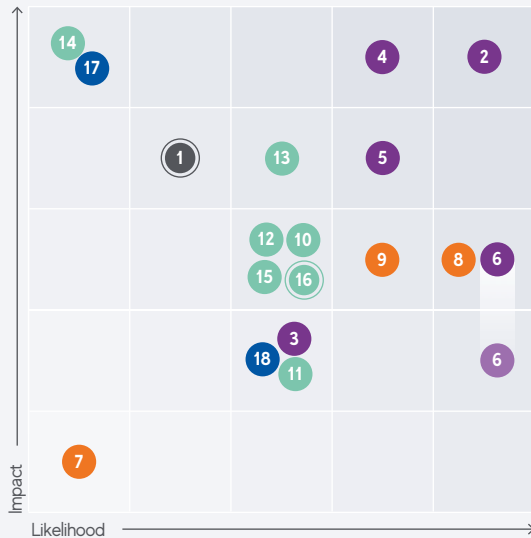
Internal and external audit.

SpeakOut provides a confidential hotline for reporting irregularities. Follow up is coordinated by internal audit and reported to the Board and Audit Committee.

The Group is subject to independent audits against internationally accepted standards such as ISO.

The Group is subject to regular review and vetting by external regulatory bodies as well as non-regulatory parties, including annual insurance assessments, sustainable development report assurance, and information security programmes.

Our principal risks



Risk movement in the year: 6 6

New risks added in 2020: 1 16

Pandemic

1. Pandemic risk

Strategic

2. Industry productive capacity
3. Product substitution
4. Fluctuations and variability in selling prices or gross margins
5. Country risk
6. Climate change related risk

Financial

7. Capital structure
8. Currency risk
9. Tax risk

Operational

10. Cost and availability of raw materials
11. Energy security and related input costs
12. Technical integrity of our operating assets
13. Environmental impact
14. Employee and contractor health and safety
15. Attraction and retention of key skills and talent
16. Cyber security risk
17. Reputational risk
18. Information technology risk

Our principal risks

Over the course of the past year, the Audit Committee has reviewed the principal and emerging risks set out below. In evaluating the Group's risk management and internal control processes, the Audit Committee has considered both internal and external audit reports and received confirmation from the finance directors of the business units that financial control frameworks have operated satisfactorily. The sustainable development risks are considered throughout our business and consolidated into the principal risks where relevant. These risks have been reviewed by the Sustainable Development Committee during the year.

Key changes in the year

The Group's most significant risks are long term in nature and in general do not change materially in the short term. The assessment of the principal risks is updated annually to reflect the developments in our strategic priorities and Board discussions on emerging risks.

As indicated at the time of our Integrated report and financial statements 2019, the Board was closely monitoring the COVID-19 outbreak and its impact on our business, global trade and the macroeconomic outlook. During 2020 the Board identified the implications of a pandemic as a new principal risk.

Based on our increasing reliance on IT systems and the increased prevalence of remote working, the related cyber security risks have been decoupled from our information technology risk and presented on a stand-alone basis.

Our understanding of the risks and implications related to climate change continued to develop throughout the year enhanced by the work performed towards meeting the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), following which the anticipated impact of the climate change related risk has been increased.

We continue to monitor the risks and implications of events related to the UK's exit from the European Union.

Emerging risks

The Board has highlighted the execution of major capital expenditure projects as a notable emerging risk in the current year. This emerging risk is not new to the Group but was elevated in 2020 due to COVID-19. The emerging risk is managed through mitigating activities such that the residual risk exposure is not considered significant.

All capital expenditure projects are planned in detail with contingency plans in place in order to avoid cost overruns, design and building defects and to ensure employee and contractor safety. In addition, COVID-19 impacted our ability to plan and execute some of our major capital expenditure projects in the year as we minimised the number of contractors and other non-operating people on our sites and adapted to local restrictions. We will continue to monitor potential risks relating to executing on major capital expenditure projects in the year ahead including, but not limited to, the effects of COVID-19.

Pandemic risk

Key person responsible:

- Group CEO

The rapid spread of COVID-19 has resulted in unprecedented health, social and economic measures implemented by authorities around the world which have materially impacted the Group's business.

Since the start of the COVID-19 pandemic, the health, safety and welfare of the Group's employees and our communities have remained our top priority.

The Executive Committee and Board continue to monitor our exposure and the impact of COVID-19 on the Group and evaluate actions to mitigate the risk, and where possible, identify opportunities that have arisen. In future, these actions and other monitoring techniques which we have developed, will enable the Group to be dynamic in its reaction to the risk of a pandemic as it develops.

Together we are...
keeping each other safe



1 Pandemic risk

Potential impact

- A pandemic may cause the Group to experience material labour shortages, supply chain or operational interruptions, higher input costs, increased cyber security attacks or changes in demand for its products that, if experienced in the Group's major facilities or on a widespread basis, could have a material adverse effect on the Group's business.
- As evidenced by COVID-19, a pandemic has the potential to impact the technical integrity of our assets as contractors, suppliers and employees' restricted availability on our sites limit maintenance and capital works.
- Increased safety risk to employees and contractors due to changes in shift patterns and less interaction by leaders on the mill or plant floor; general health and mental health risks are heightened by a pandemic.
- The various COVID-19 crisis lockdowns across the world can negatively impact the demand for some of our products, most notably uncoated fine paper, as more people work from home. Lower demand can lead to lower operating rates which can lead to pressure on prices. The impact of lockdown restrictions can also result in opportunities, such as increased demand for packaging for e-commerce.
- New business development initiatives with customers could slow down where personal interaction or technical support at customer premises is required, as many companies have locked their facilities for visitors; internally, continued home-office of our own employees may hinder development of new ideas and team creativity.
- A pandemic can have a severe economic impact which increases the risk of additional taxes being levied on businesses.
- The COVID-19 pandemic has potentially enhanced the Group's reputational risk, as communities have become more vulnerable to loss of livelihoods and more dependent on major local businesses to secure jobs, safeguard employee and community health, help fund and supply local hospitals and clinics, and help local businesses survive.

Mitigation

- A multi-function response team which closely monitors the latest developments, assessing risks, providing guidance, and implementing preventative policies in line with individual government regulations and recommendations in the countries in which we operate.
- A responsible and effective pandemic response, including actions to safeguard employee and community health, secure jobs directly and indirectly, support and fund local clinics and hospitals, produce goods and services necessary in addressing the pandemic.
- Continuous monitoring of the impact on business operations, such as the Group's supply chain, credit risk events and business interruptions and implementing prompt interventions when necessary.
- Manage supply risk by providing 3-months rolling forecasts to key suppliers in order to secure our supply chain.
- Personal protection measures implemented at all of our sites with intensified hygiene and social distancing protocols that meet or exceed local and international guidelines, and, where possible, the option of remote working for employees.
- Employees who work from home have effective digital collaboration tools to enable continued effective communication with their colleagues, customers and suppliers; we raise employee awareness to cyber security risks and implement additional security measures related to remote working, including additional monitoring and testing of our network and all relevant systems on a regular basis.
- Implement cost controls with a slowed down capital expenditure timeline to protect cash flow and secure robust liquidity.
- Maintaining a strong balance sheet, sufficient liquidity, investment grade credit ratings and good relationships with a broad range of banks.
- For any new infectious diseases that are flagged as critical and could likely develop into a pandemic, the Group will employ its own internal monitoring and mitigating activities in line with our safety protocols, government regulations and additional measures developed during the current COVID-19 pandemic.

Link to strategic framework



Strategic risks

Key person responsible:

- Group CEO

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

We continue to monitor recent capacity announcements and demand developments, how consumers are demanding more sustainable packaging, the developments after the UK ended its membership of the European Union, the stability of the Eurozone and the increasing prevalence of trade tariffs and economic sanctions. Furthermore, while we continue to increase our understanding of climate change related risks and the impacts become clearer, we will continue to improve our disclosures and develop our responses.

The Executive Committee and Board monitor our exposure to these risks and evaluate investment decisions against our overall exposures so that our strategic capital allocation takes advantage of the opportunities arising from our deliberate exposure to such risks.

Together we are...
helping to address
climate change



2 Industry productive capacity

Potential impact

- Market supply/demand balance is impacted by large incremental new capacity additions.
- Unless market growth exceeds capacity additions, excess capacity may lead to lower selling prices.
- Plant utilisation levels are the main driver of profitability in paper mills.
- Investments in newer technology may lower operating costs and provide increased product functionality, particularly relevant in the converting businesses, which can increase competition and impact margins.

Mitigation

- Monitoring industry developments in terms of changes in capacity, utilisation levels both short and long term, as well as market trends and trade flows in our own product markets, enabling us to establish target capacity utilisation levels in the short term and to evaluate capital investment projects in the long term.
- Strategic focus on owning cost-advantaged assets, with consistent investment to secure our competitiveness, coupled with increasing our exposure to structurally growing markets.
- Partnering with our customers for innovation, developing sustainable and responsibly produced products.
- Continuous focus on operational performance, quality and service, including developing and applying digital platforms to drive performance in our operations and improve customer reach.
- Maintaining strong relationships with machine suppliers to identify current market developments and technologies, coupled with a routine review our asset portfolio and capacity utilisation levels to identify underperforming assets and take decisive action to drive performance.

Link to strategic framework



3 Product substitution

Potential impact

- Demand for Mondi products is dictated by changes in our customers' needs and attitudes, influenced by increased public awareness of sustainability and increasing consumer purchasing power and consumption patterns driven by global socio-economic and demographic trends.
- Increased penetration of digital channels and new ways of working may impact demand for our products.
- The increased public and stakeholder focus on the impact of plastic-based packaging on marine and terrestrial ecosystems has led to heightened environmental considerations, changes in legislation and a shift in consumer attitudes towards packaging. While this could create opportunities for the Group, there is a risk of some of the Group's products being substituted by different solutions that are not produced by Mondi.
- Factors that may positively or negatively impact the demand for our products include the trend to reduce the weight of packaging materials, electronic substitution, demand for paper-based packaging substitution of plastic packaging, substitution of rigid plastic by flexible packaging, demand for high-quality printed material, certified and responsibly produced goods, and changes in demand for specific material qualities such as recyclable/biodegradable packaging.

Mitigation

- A portfolio of paper-based and flexible plastic-based solutions, provides some protection from the effects of substitution between the substrates.
- Engagement with customers and consumers to help understand and drive a more sustainable approach to their packaging requirements.
- Development of sustainable, competitive and cost-effective products, such as our in-house functional paper specifications with distinctive barrier properties.
- Continuous focus on products enjoying positive substitution dynamics and growing regional markets.
- Regularly monitor trends, new developments and innovations in our product markets; conducting customer surveys to get a better insight into our customers' needs.
- Organisational collaboration to find solutions to our customers' sustainability challenges by leveraging our customer-centric EcoSolutions approach.
- Continued collaboration with stakeholders across the plastic value chain such as the Ellen MacArthur Foundation and CEFLEX.

Link to strategic framework



4 Fluctuations and variability in selling prices or gross margins

Potential impact

- Fluctuations in our key pulp and paper prices can have material profit and cash flow implications.
- Selling prices are determined by changes in capacity and demand for our products, which are, in turn, influenced by macroeconomic conditions, competitive behaviour, consumer spending preferences, and bargaining power and inventory levels maintained by our customers.
- Changes in prices differ between products and geographic regions and the timing and magnitude of such changes have varied significantly over time.
- Gross margins in our converting operations are impacted by fluctuations in key input costs, such as paper packaging, which cannot be passed on to customers in all cases.

Mitigation

- Strategic focus on higher growth markets and products where we enjoy a competitive advantage through innovation, proximity or production cost.
- Continued investment in our high-quality, cost-advantaged asset base ensuring we maintain our competitive cost position, whilst developing businesses in higher growth markets with better long-term fundamentals.
- Exposure to price volatility of key input costs is reduced by our high levels of vertical integration.
- Financial policies and structures take the inherent price volatility of the markets in which we operate into consideration.
- Regular review and monitoring of current market fundamentals, market demand trends and market prices enabling evaluation of price expectations in the short term and increased understanding of long-term trends.
- Continuous monitoring of our order intake to identify changing trends and developments in our own product markets.

Link to strategic framework



5 Country risk

Potential impact

- The Group has operations across more than 30 countries with differing political, economic and legal systems. In some countries, such systems are less predictable than in countries with more developed institutional structures. Political or economic upheaval, inflation, changes in laws, protectionism, nationalisation, or expropriation of assets may have a material effect on our operations in those countries.
- The current macroeconomic environment is impacted by a number of uncertainties, including the effects of increased protectionism, use of trade tariffs, economic sanctions, the stability of the Eurozone, and the uncertainty over the outcome of agreements between the UK and the European Union.
- In South Africa, the Group is subject to land claims and could face adverse land claims rulings; in October 2020 the government published an updated draft of its land expropriation bill ahead of its official introduction to parliament, the bill is set to replace the current Expropriation Act of 1975 and details how and under which circumstances expropriation (with and without compensation) can take place in South Africa.

Mitigation

- Our geographic diversity and decentralised management structure, utilising local resources in countries in which we operate, reduce our exposure to any specific jurisdiction.
- Capital and debt is structured in each country based on assessed risks and exposures in order to mitigate the effect of country specific risks.
- Regular review of our sales strategies to mitigate export risk in countries with less predictable environments and, where possible, obtaining credit insurance.
- Country specific risk premiums are approved by the Board to be added to the required returns on investment projects in those countries where risks are deemed to be higher; new investments are subject to rigorous strategic and commercial evaluation.
- Maintain a permanent internal audit presence and operate asset protection units in large operations in higher risk locations.
- Continued assessment of the impact of the UK's exit from the European Union, assessing the risks, analysing supply chain impacts and developing backup plans to manage any short-term disruptions, including the close monitoring of trade flows between the UK and the European Union. The direct trading exposure of the Group to the UK is limited and we do not expect Brexit to materially impact our ability to continue normal business operations.
- In South Africa we continue to engage with government on land matters and monitor how the expropriation bill will be implemented. The Group has settled a number of land claims structured as sale and leaseback arrangements which provide a framework for settling future land claims.
- Active monitoring in all countries and environments in which we operate, with regular formal and informal interaction with government officials, local communities, and business partners assists us to remain abreast of changes and new developments.

Link to strategic framework



6 Climate change related risk

Potential impact

- Climate change has the potential to affect our business in various ways and while these may not be severe in the short term, we believe climate change related risks are likely to have a medium- and long-term impact on our business.
- Our manufacturing operations are energy-intensive resulting in both Scope 1 and Scope 2 greenhouse gas emissions.
- Fibre is the main raw material for our products and forests are an important carbon store, with sustainably managed forests having the opportunity to support a circular bioeconomy.
- Customers and consumers are increasingly concerned about the consequences of climate change and are looking for solutions produced from renewable materials and reduced carbon footprints.
- Our climate change related risks relate to the following transition and physical risks:

Transition risks:

- Governments and regulators are likely to continue to take action to curb carbon emissions such as the introduction of carbon taxes. All of our European pulp and paper mills fall under the EU Emissions Trading Scheme (EU ETS) and post-2020, could receive lower CO₂ allowances resulting in additional costs at a number of the Group's mills. The European Union recently approved an update to the EU's climate target for 2030, targeting a 60% reduction in emissions by 2030 on route to achieve carbon neutrality by 2050.
- In South Africa, the government has introduced a carbon tax. A carbon tax is also under consideration in Russia.

Physical risks:

- Changes in precipitation patterns and related droughts may result in water shortages in water-scarce countries (such as South Africa) which could result in lost production at our pulp and paper mills if there is insufficient water to service the mill.
- The Group manages forestry land in Russia and South Africa and in addition, purchases timber externally. Increased severity of extreme weather events (such as changing precipitation patterns, windstorms and the emergence of pests and disease) may result in soil erosion and calamity wood leading to wood fibre yield losses resulting in a shortage of wood supply in the long term thereby driving up costs.
- Pulp and paper mills are generally situated in close proximity to rivers or the sea due to the significant amount of water required as part of the production process. Certain mills are at risk of flooding if the region experiences extreme rainfall, rapid snow melting (due to higher than anticipated temperatures), or rising sea levels.
- Rising average temperatures will result in higher water temperatures which will increase the amount of water required by our mills for cooling purposes resulting in additional water consumption fees and potential administrative penalties should water temperatures exceed pre-determined levels.



Managing our relationships and resources
– Climate change
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Sustainable Development report
www.mondigroup.com/sd20

Mitigation

- Through a combination of capital investment and ongoing efficiency programmes we reduce our GHG emissions by improving our energy efficiency, optimising the use of biomass-based fuels in order to reduce our use of fossil-based energy sources, and decreasing carbon-intensive energy sources such as coal.
- Sourcing our wood from diverse regions and forest types mitigates the potential impacts of climate change on our wood supplies, in particular in Europe; in South Africa, we continue to investigate and develop wood species which require less water and are more resistant to pests and disease.
- Our impact on climate change is monitored and measured, reporting on GHG emissions and energy is independently assured, we have science-based targets for our Scope 1 and Scope 2 emissions.
- Through our participation in the WWF Climate Savers programme and the We Mean Business Coalition, which aims to catalyse business action, we support policy ambition to accelerate the transition to a low carbon economy.
- Investigating and reporting on climate-related risks and opportunities in adherence to internationally accepted recommendations, such as those published by the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD).
- We will continue to investigate the financial implication of our short-, mid- and long-term climate-related risks and opportunities using the International Energy Agency's 2°C scenario and a business as usual scenario (RCP8.5). We are exploring a science-based GHG reduction target for our Scope 3 emissions, which takes into account the GHG emissions in our value chain.

Climate change presents the following opportunities for us

The drive to replace plastic packaging with low carbon, renewable fibre-based alternatives is creating significant opportunities for fibre-based packaging producers. Mondi, as a leading packaging paper producer, is strongly positioned to benefit from the increased demand for fibre-based solutions that are by design, renewable and recyclable. The Group is also developing innovative flexible plastic-based packaging solutions, focusing on recyclability and solutions containing an increased amount of recycled content.

Extraction and sale of by-products from the pulping process such as turpentine, tall oil and lignin give rise to additional revenue streams for the Group.

The Group has identified energy efficiency measures that could result in energy cost savings for the Group including the installation of anaerobic wastewater treatment plants in order to generate biogas as a substitute to natural gas thereby reducing overall energy costs.

Link to strategic framework



Financial risks

Key person responsible:

- Group CFO

Our approach to financial risk management is set out in more detail in the Strategic performance and Financial review sections.

We aim to maintain an appropriate capital structure and to manage our financial risk exposures in compliance with all laws and regulations.

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

Together we are...
preserving our
strong and stable
financial position

7 Capital structure

Potential impact

- A strong and stable financial position enables flexibility and provides the ability to take advantage of strategic opportunities as they arise.
- Our ability to raise debt and/or equity financing is significantly influenced by general economic conditions, developments in credit markets, equity market volatility, and our credit rating.
- Failure to obtain financing at reasonable rates could prevent us from realising our strategy and have a negative impact on our competitive position.

Mitigation

- Our central treasury function operates under a board-approved treasury policy, targeting investment grade credit ratings and with access to diverse sources of funding with varying maturities.
- The majority of our external debt is issued centrally.
- Interest rate risk is mitigated by using a blend of floating and fixed rate debt contracts.
- Regular reporting to the Board on our treasury management policies.
- Our central treasury function monitors compliance with treasury policies at operating level and we engage external advisors to review the treasury function at regular intervals.

8 Currency risk

Potential impact

- As a multinational group, operating globally, we are exposed to the effect of changes in foreign currency rates; the impact of currency fluctuations affects us because of mismatches between the currencies in which our operating costs are incurred and those in which revenues are received.
- Key operating cost currencies that are not fully offset by local currency denominated revenues include the South African rand, Polish zloty, Swedish krona and Czech koruna; whilst the fluctuations in the US dollar, Russian rouble and Turkish lira can also have a material impact as our revenues in these currencies are greater than operating costs incurred.
- Appreciation of the euro compared with the currencies of the other key paper-producing regions or paper pricing currencies, notably the US dollar, reduces the competitiveness of Mondi products in Europe compared with imports from such key paper-producing regions which can result in lower revenues and earnings.

Mitigation

- Hedging is utilised for balance sheet exposures and material forecasted capital expenditures upon identification.
- Diversification of the Group's currency exposure creates natural hedges, as such we do not hedge our exposure to projected future sales or operating costs and our businesses respond to adverse currency fluctuations by increasing selling prices or increasing exports where competitiveness improves as operating currencies weaken; entities also borrow in their local currencies to minimise translation risk.
- Continuous monitoring of exchange rate movements and sensitivities, and evaluation of the impact of exchange variances on our results.
- Regular review of our prices and monitoring of import and export trade flows.

9 Tax risk

Potential impact

- We operate in a number of countries – all with different tax systems, and an international tax environment which is becoming more onerous, requiring increasing transparency and reporting and in-depth scrutiny of the tax affairs of multinational companies, such as the Global Reporting Initiative's Tax reporting standard.
- We make significant intragroup charges, the basis for which is subject to review during tax audits.

Mitigation

- A Board approved Group tax strategy is reviewed annually.
- Appropriate and attentive management of our affairs with operations structured tax efficiently to take advantage of available incentives and exemptions.
- Dedicated tax resources throughout the Group supported by a centralised Group tax team.
- Arm's length principles are applied in the pricing of all intragroup transactions in accordance with Organisation for Economic Cooperation and Development guidelines.
- External advisory opinions are obtained where relevant, including for all major projects with potential tax consequences such as acquisitions and restructuring activities, with external benchmarks used where possible.
- Regular engagement with external advisors to stay up-to-date with changes in tax legislation and tax practice.

For all financial risks:

[Link to strategic framework](#)



Operational risks

Key people responsible:

- Group CEO
- Group Technical & Sustainability Director

As a Group we focus on operational excellence and investment in our people and are committed to the responsible use of resources.

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

Together we are...
advancing our
24-hour safety
mindset



10 Cost and availability of raw materials

Potential impact

- The raw materials we use include significant amounts of wood, pulp, paper for recycling, polymers and chemicals, meaning access to sustainable sources of these raw materials is essential to our operations.
- The prices for many of these raw materials generally fluctuate in correlation with global commodity cycles.
- Wood prices and availability may be adversely affected by reduced quantities of available wood supply that meet our standards for credibly certified or controlled wood, increased frequency of severe weather events, changes in rainfall or increased instances of pest and disease outbreaks and increasing use of wood as a biofuel.
- We have access to our own sources of wood in Russia and South Africa and we purchase wood, paper for recycling, pulp, and polymers to meet our needs in the balance of our operations.
- Where raw materials are sourced in areas of weaker governance, we may face potential social and environmental risks, poor safety and labour practices and human rights issues.
- Force majeure events can influence raw material supply and pricing, directly affecting the market production and supply balance.

Mitigation

- We are committed to acquiring our raw materials from sustainable, responsible sources and avoiding the use of any controversial or illegal supply.
- Multi-stakeholder processes address challenges in meeting demand for sustainable fibre; we encourage legislation supporting the local collection of recycled materials.
- Sustainable management of our forestry operations is key in managing our social and environmental impact, helping to protect worker and community rights and develop resilient landscapes and ecosystems.
- Our operations use multiple suppliers and our centralised procurement teams work closely with our operations in actively pursuing longer-term agreements with strategic suppliers; in Europe, we source our wood from diverse regions and forest types to mitigate the potential supply impacts of unforeseen events.
- Strategic partnerships with suppliers of critical raw materials, enable higher volume allocation in times of shortages, and a safety stock programme facilitates exchange of raw materials within our plant network.
- Our responsible procurement process helps us to assess and evaluate the performance of our suppliers and their adherence to our Code of Conduct for Suppliers.
- Wood and pulp suppliers are assessed as part of our Due Diligence Management System which addresses the main legal and sustainability risks.
- Our strong forestry management resources in Russia and South Africa actively monitor and manage our local wood resources; we continue to certify our forests with credible external certifications.
- In South Africa, we have tree improvement programmes in place to produce stronger, more robust hybrids that are better able to resist disturbances such as drought, pests and diseases; fire prevention and firefighting capacity are integrated into a fire management system with local Fire Protection Associations and neighbouring operations.
- Where possible indexation clauses in revenue contracts allow the pass-through of major raw material price movements.

Link to strategic framework



11 Energy security and related input costs

Potential impact

- Electricity is generated internally and purchased from external suppliers to meet the significant demand of our operations.
- Fossil-based energy sources could pose a sustainability and regulatory risk to our energy security as where we do not generate electricity from biomass and by-products of our production processes, we are dependent on external suppliers for raw materials such as gas, oil and coal.
- Higher energy costs contribute significantly to increasing chemical, fuel, and transportation costs which are often difficult to pass on to customers.
- As a business with high energy demand, operating globally and relying on global supply chains, we face potential physical, reputational and regulatory risks.

Mitigation

- Investment in improvements to our energy profile and increased electricity self-sufficiency, including the use of renewable energy sources, strengthens the energy efficiency of our operations while reducing ongoing operating costs and carbon emission levels.
- Where we generate electricity surplus to our own requirements, we may sell such surplus externally; we also generate income from the sale of green energy credits in certain of our operations at prices determined in the open market.
- Our focus on optimising the use of biomass-based fuels enables a reduction in use of fossil-based energy sources, and to decrease carbon-intensive energy sources such as coal.
- Energy costs are closely monitored and benchmarked against external sources and we monitor our electricity usage, carbon emission levels and use of renewable energy; most of our larger operations have high levels of electricity self-sufficiency.
- We actively monitor the renewable energy market fundamentals and changes in legislation and maintain contact with local energy regulators.
- We have undertaken detailed compliance assessments regarding Industry Emissions and Energy Efficiency Directives to determine future investment requirements.

Link to strategic framework



12 Technical integrity of our operating assets

Potential impact

- We have five major mills which account for approximately 75% of our total pulp and paper production capacity, and a significant Engineered Materials manufacturing facility in Germany. If operations at any of these key facilities are interrupted for any significant length of time, it could have a material adverse effect on our financial position or performance.
- Incidents such as fires, explosions, or large machinery breakdowns or the inability of our assets to perform the required function effectively and efficiently whilst protecting people, business, the environment and stakeholders could result in property damage, loss of production, reputational damage, and/or safety and environmental incidents.
- Regular maintenance and approved stay-in-business investments can experience delays in start-ups and ramp-up curves due to reliance on external suppliers and contractors for engineering services and equipment supplies.
- We have established a central digital transformation function to drive operational efficiency through advanced analytics, automation and robotics.

Mitigation

- Our capital investment programme supports the replacement of older equipment to improve both reliability and integrity, and our proactive repair and maintenance strategy is designed to improve production reliability and minimise breakdown risks.
- We conduct detailed risk assessments of our high-priority equipment and have specific processes and procedures in place for the ongoing management and maintenance of such equipment.
- We continue to develop our Asset Management system to ensure best practices for maintenance procedures and we have a maintenance training programme for our employees.
- Benchmarking activities enable us to optimise our production throughout the organisation by learning from our best performing operations and to identify any emerging issues early.
- Digital initiatives utilising advanced analytics, machine sensors and process automation enable improved operational efficiency and asset utilisation.
- We actively monitor all incidents and have a formal process which allows us to share lessons learned across our operations, identify emerging issues, conduct benchmarking, and evaluate the effectiveness of our risk reduction activities.
- We engage external experts to perform technical integrity assessments at our major sites and enhance our engineering and loss prevention competencies and capabilities; where possible we take out project insurance.
- Our Fire Protection programme is supported by external experts and independent loss prevention audits and we take out property insurance cover for key risks.

Link to strategic framework



13 Environmental impact

Potential impact

- We are subject to a wide range of international, national and local environmental laws and regulations, as well as the requirements of our customers and expectations of our broader stakeholders. Costs of continuing compliance, such as Best Available Techniques (BAT), potential restoration and soil and groundwater clean-up activities, and increasing costs from the effects of emissions could have an adverse impact on our profitability.
- We operate in a sector where the environmental impact of our business can be high and we need to manage the associated risks.
- Our operations are water, carbon and energy intensive, consume materials such as fibre, polymers, metals and chemicals; and generate emissions to air, water and land. The water-intensive nature of our mills could pose a risk especially in water scarce and stressed areas.
- The exponential growth of plastic waste in recent years is driving an increased demand for sustainable packaging solutions, and is a driving force behind emerging regulation by governments to tax or ban the use of certain plastics, particularly single-use plastics.
- Recycling infrastructure requires improvement and further collaboration between industry partners is needed. Circular economy principles are driving change, however the regulatory landscape is evolving at varying speeds across the regions we operate in.
- We are the custodian of more than two million hectares of forestry landholdings. A decline in ecosystem functions and loss of biodiversity has the potential to impact on the natural resources that we rely on, including fibre and water.

Mitigation

- We ensure compliance with all applicable environmental requirements where we operate; our own policies and procedures, at or above local policy requirements, are embedded in all our operations and are supported through the use of externally accredited environmental management systems.
- We invest in our energy and manufacturing operations to meet environmental standards.
- Our focus is on a cleaner production philosophy to address the impact from emissions, discharge, and waste; we manage our water resources responsibly to address risks related to water scarcity in some of our operations, and ensure equitable use of water resources among local stakeholders wherever we operate by, for example, conducting water stewardship assessments.
- We emphasise the responsible management of forests and associated ecosystems and protect high conservation value areas, ensuring that we manage our forests responsibly and implement measures to protect biodiversity.
- We collaborate with customers and supply chain stakeholders to better understand the concerns related to the impact of plastics in the environment, and to work together on scalable, meaningful solutions to address this; our product design and innovation efforts focus on reducing the environmental impact of our products throughout their life cycle, by developing solutions to reduce the amount of plastic we use, increase the recyclability of plastic products and find alternative packaging solutions, such as fibre-based, which can still provide sufficient barrier functionality.
- We will continue to monitor regulatory changes and customer demands and the related risks and opportunities for our products. We are developing sustainable packaging solutions by partnering with our customers as we leverage our customer-centric EcoSolutions approach.
- We actively participate in international associations and engage with universities, NGOs and other organisations, such as Cepi, WWF, Alliance for Water Stewardship and WBCSD.
- We organise specialist internal networks sharing best practice and comprehensively report and investigate major environmental incidents to avoid recurrence.
- We monitor our environmental performance indicators and report our progress against our targets, with our GHG emissions independently assured to reasonable assurance level; we monitor regulatory developments to ensure compliance with existing operating permits and perform water impact assessments locally to better understand our local environmental footprint.
- External verification and assurance of our sustainability reporting is obtained, including social, safety, forestry, environmental and product stewardship KPIs.
- We conduct biodiversity assessments at our manufacturing and forestry operations to evaluate our impact on biodiversity and ecosystems, develop action plans to manage any impacts and align our activities with local and regional biodiversity priorities.

Link to strategic framework



14 Employee and contractor health and safety

Potential impact

- Accidents, incidents and exposure to occupational health hazards, such as noise and stress, may cause injury or harm to employees and contractors, property damage, lost production time, and/or harm to our reputation.
- Risks include fatalities, serious injuries, occupational diseases, and substance and drug abuse.
- COVID-19 increases these risks due to changes in shift patterns and less interaction by employees and contractors on the mill or plant floor.
- General health and mental health risks are heightened by the Pandemic.

Mitigation

- Responsible and effective hygiene measures implemented at all operations to reduce the risk of spreading COVID-19.
- Continuous improvement of safety standards through monitoring incidents, major close calls and recordable case rates to transfer learnings across our operations with the goal of sending everybody home safely every day.
- Embedded safety management systems including, among others, risk assessments, safety procedures and controls.
- We have a goal of zero harm and aim to advance our 24-hour safety mindset and develop the desired safety culture as well as focusing on the social psychology of behaviour.
- An employee assistance program is offered across the countries in which the Group operates in order to help employees with general health and mental health concerns.
- Employee wellness initiatives are conducted throughout the Group to enable employees to improve their health and wellbeing.
- We continue to engineer out the most significant risks in our operations supported by robust controls and procedures for operating those assets and conducting related tasks.
- Our Permit to Work methodology across the Group supports us to achieve our safety targets.
- Extensive training to ensure that performance standards and practice notes are communicated and understood and our incentives are impacted by the non-achievement of safety milestones (lag indicators) as well as achievement of lead indicators.
- Our Task Risk Management Methodology provides a practical approach to conducting pre-task risk assessments, and our focus is on better understanding the high risk tasks in our operations.
- We apply externally accredited safety management systems, with continuous benchmarking against global safety standards, and conduct regular audits of our operations to ensure our facilities remain fit-for-purpose.

Link to strategic framework



15 Attraction and retention of key skills and talent

Potential impact

- Our success is driven by our people and our ability to attract, retain, recruit and develop a skilled and committed workforce will be key to our long-term progress.
- Access to the right skills, particularly management and technical skills, is critical to support the performance and growth of our business.
- Operations in remote locations or highly competitive markets make attracting and retaining skilled employees challenging.
- Losing skills or failing to attract new talent to our business has the potential to undermine our ability to drive performance and deliver on our strategic objectives.

Mitigation

- Our culture and values play a key role in empowering and inspiring our people, highlighted by various Inspire programmes and collaboration initiatives throughout our operations.
- We have a zero tolerance policy towards discrimination and we provide equal opportunities for all employees.
- The setting of sustainability commitments to 2030 and achieving most of our 2020 commitments supports our reputation as a Group that places significant importance on sustainability topics which assists in attracting and retaining our people.
- We are investing in employer branding, engaging in fair and transparent recruitment practices and have diversity and inclusion, labour and human rights policies in place.
- Competitive compensation levels through benchmarking and continue to support and invest in Group-wide as well as local training programmes.
- Implemented measures to monitor and manage succession planning, staff turnover, internal placements and training.
- Performed 360° feedback at a management level and regularly conduct performance and development reviews at a local level.
- In addition to a Group-wide employee survey approximately every two years, regular pulse surveys provide focused fast employee engagement and feedback.
- Through a confidential reporting hotline, SpeakOut, employees can raise concerns about conduct that may be contrary to our values.

Link to strategic framework



16 Cyber security risk

Potential impact

- Cybercrime continues to increase and attempts are increasingly sophisticated, the Group could experience targeted and untargeted cyber-attacks.
- The consequences of successful attacks include compromised data, financial fraud, and system shutdowns.

Mitigation

- We have a comprehensive IT Security Policy approved by the Board.
- Extensive training and awareness programmes are provided for all our users.
- Our IT infrastructure is regularly tested and our systems are based on well-proven products.
- We conduct regular threat assessments and utilise external providers.
- The Group's core IT services are ISO 27001 certified.
- Established incident response and business contingency plans are in place.

Link to strategic framework



Compliance risks

Key person responsible:

- Group CFO

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

Together we are...
following strong policies, standards and systems across our value chain

17 Reputational risk

Potential impact

- Non-compliance with the legal and governance requirements and globally established responsible business conduct in any of the jurisdictions in which we operate and within our supply chain could expose us to significant risk if not actively managed.
- Failure to successfully manage relationships with our stakeholders could disrupt our operations and adversely impact the Group's reputation.
- Applicable laws include those relating to the environment, exports, price controls, taxation, competition compliance, data protection, human rights, and labour.
- Fines imposed by authorities for non-compliance are severe and, in some cases, legislation can result in criminal sanction for entities and individuals found guilty.
- Areas of weaker governance present the challenge of addressing potential human rights issues in our operations and supply chain; human rights legislation, such as the UK Modern Slavery Act 2015, continues to highlight the need to identify and address potential risks of child labour, forced or bonded labour, modern slavery, human trafficking and other human rights risks in our supply chain.

Mitigation

- We operate a comprehensive training and compliance programme, supported by self-certification and reporting, with personal sanction for failure to comply with Group policies.
- We engage with our local stakeholders through formal and informal processes such as our Socio-Economic Assessment Toolbox (SEAT), community engagement and social investments.
- We perform screening of our suppliers for sustainability risk in accordance with our Code of Conduct for Suppliers to better align with our risk criteria and to enable us to more effectively enforce the Code.
- We have collaborated with the Danish Institute for Human Rights to assess our governance of human rights issues and any potential risks in our operations and supply chain, assisted by the development of a human rights due diligence mechanism for our operations.
- Our legal and governance compliance is supported by a centralised legal compliance team and is subject to regular internal audit review.
- We have a confidential reporting hotline, enabling employees, managers, customers, suppliers, communities and other stakeholders to raise concerns about misconduct and irregularities.

Link to strategic framework



18 Information technology risk

Potential impact

- Many of our operations are dependent on the availability of IT services and an extended interruption of such services may result in a plant shutdown and an inability to meet customer requirements.
- New IT systems may be implemented or existing IT systems are required to be updated from time to time which can increase the risk of system interruption or failure if system migration is not successful.
- More employees work remotely, placing pressure on IT system capacities and tools.

Mitigation

- The IT infrastructure is regularly tested and verified and where possible, we have redundancies in place, such as regular backups and testing of disaster-recovery procedures.
- Our system landscape is based on well-proven products.
- New IT system implementations and existing IT system updates or migrations are well planned with contingency plans in place for unexpected failures.
- Secure remote access and regular monitoring of IT system capacities and tools.

Link to strategic framework



As part of the approval of this Integrated report, the Board has assessed the Group's prospects and viability.

Factors in assessing long-term prospects

The Group's business model and strategic framework are described in detail on pages 18-23. Our strategy is to deliver value accretive growth sustainably by focusing on our four strategic value drivers. Our industry-leading asset portfolio and our focus on performance and sustainability is supported by our strong capital expenditure project pipeline and where relevant by acquisitions to build on our competitive advantages and to better serve our customers. Digital initiatives play an important role across our four drivers to accelerate our value creation. Our current and future prospects are discussed in more detail in our strategy on pages 22-35.

Mondi's geographical spread with 100 production sites across more than 30 countries, product diversity, large customer base and a supplier base with 2,000 key suppliers mitigate potential risks of customer or supplier liquidity issues. Ongoing initiatives by management in implementing profit improvement programmes, which include ongoing investment in operations, plant optimisation, cost-cutting, and rationalisation activities, have consolidated the Group's leading positions in its chosen markets.

The Group's financial position, cash flows, liquidity position and borrowing facilities are described in the financial statements. At 31 December 2020, Mondi had €869 million (2019: €660 million) of undrawn, committed debt facilities. The Group's debt facilities have maturity dates of between less than 1 and 8 years, with a weighted average maturity of 5.7 years. The principal loan arrangements are disclosed in note 19 of the financial statements. In addition, the Group has €348 million of cash and cash equivalents available to fund its short-term needs.

Assessment of viability

The Board believes that the three-years to December 2023 is an appropriate period over which a reasonable expectation of the Group's longer-term viability can be evaluated. In coming to this view, the Board has considered the inherent volatility in commodity prices and exchange rates, the time taken for new investments in pulp and paper production capacity to be introduced into the market, typical new product development cycles, and the Group's capital structure. Given the strategic risks described in the principal risk section, the Board believes that the ability to assess the Group's longer-term viability beyond this period becomes increasingly reduced.

The Board has considered the Group's current financial position, strategy and plans for the next three years, marking the period of the Group's formal planning horizon. The Group's principal risks identified on pages 74-85, including our new principal risk of the implications of a pandemic and our increased understanding of the climate change risk, have been assessed for potential impact as part of the risk assessment.

The Group's 2021 budget and three-year plan has been tested for severe but plausible downside scenarios. These scenarios were also carefully reassessed in light of the impact of COVID-19. Mondi delivered a robust performance in 2020, testament to the resilience of our business model to the challenges brought by COVID-19. The expected further effects of the pandemic have been considered in the Group's budget and three-year plan. The purpose of the scenarios is to test the impact of events that have the ability to threaten the viability of the Group, but are hypothetical in the sense that multiple control measures and mitigation actions are in place to mitigate the impacts of such events. In an event that a scenario partly or fully takes place, the Group has various options available to maintain liquidity and continue operations.

The risks associated with industry productive capacity and fluctuations and variability in selling prices and gross margins were tested with scenarios of lower packaging paper and uncoated fine paper prices and weaker demand for products in both upstream and downstream operations, as further described in the paragraph below. These are the most likely risks to occur and have the most significant impact. Testing was performed for individual scenarios and in combination for a duration of three years. Selling price sensitivities were calculated with assumed reductions of between 3%-10% depending on the relevant product compared with the assumptions in the budget and three-year plan for every year of the period assessed. Sales volume sensitivities were calculated with assumed reductions of between 5%-12% depending on the relevant product compared with the assumptions in the budget and three-year plan for every year of the period assessed. Both price and volume sensitivities have been modelled considering current and potential future market developments. Furthermore, the currency risk was tested as the wide geographic spread exposes the Group



to the potential impact of exchange rate fluctuations. We have evaluated the impact of a weaker US dollar, Russian rouble and Turkish lira exchange rates, and stronger other emerging market currencies including the South African rand, relative to the euro. These currencies were chosen as the Group has a significant exposure in them. A 10% weakening and a 10% strengthening of the respective currencies against the euro was applied, based on historical exchange rate developments.

While the assumptions we have applied in these scenarios are possible, they do not represent our view of the likely outcome.

We have assessed the impact of these assumptions on the Group's key financial metrics over the assessment period, including profitability, net debt and net debt to underlying EBITDA.

Based on the results of these scenarios, the Board is satisfied that the Group would be able to respond to such circumstances through various means which could include a reduction and deferral of capital expenditure and further rationalisation and/or restructuring, to ensure that the Group continues to meet its ongoing obligations. In 2020 a number of these mitigating actions like the reduction and deferral of capital expenditure were implemented in response to the COVID-19 pandemic.

The Group meets its funding requirements from a variety of sources as more fully described in the financial statements in note 19. The Board is satisfied that the Group will have sufficient liquidity to meet its needs over the planning horizon.

The scenario testing is carried out against Mondi's current committed debt facilities. In April 2020 the Group issued a €750 million Eurobond maturing in 2028 at a coupon rate of 2.375% per annum. The Eurobond has been issued under the Group's Guaranteed Euro Medium Term Note Programme. In addition, the Group extended the maturity of €675 million of the €750 million Syndicated Revolving Credit Facility by one year to July 2022. The Board believes that the strong and stable financial position of the Group, supported by a continued strong investment grade credit rating from both Moody's Investors Service (Baa1, outlook stable) and Standard & Poor's (BBB+, outlook stable), ensures the Group has access to funding throughout the business cycle and this is expected to remain the case when the Syndicated Revolving Credit Facility is due for renewal.

In the scenarios evaluated, the Group remains within its key financial covenant in terms of which its net debt to underlying EBITDA ratio must not exceed 3.5 times. The net debt to underlying EBITDA ratio at the end of 2020 was 1.3 times, which remains substantially below the maximum covenant level of 3.5 times, providing significant headroom. The break-even calculation showed that underlying EBITDA would need to fall 48% compared with the budget and three-year plan before triggering the covenant.

Taking into account the Group's strategy, principal risks and the results of the downside scenario assessments, the directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of the assessment.

Going concern

The directors have reviewed the Group's budget, considered the assumptions contained in the budget, including consideration of the plausible future impact of the COVID-19 pandemic and the other principal risks which may impact the Group's performance in the near term. The Group's financial position, cash flows, liquidity position and borrowing facilities are described in the financial statements. At 31 December 2020, Mondi had €869 million (2019: €660 million) of undrawn, committed debt facilities. The Group's debt facilities have maturity dates of between less than 1 and 8 years, with a weighted average maturity of 5.7 years. The principal loan arrangements are disclosed in note 19 of the financial statements. In addition, the Group has €348 million of cash and cash equivalents available to fund its short-term needs. The Group's sole bank debt covenant requires that its net debt to underlying EBITDA ratio must not exceed 3.5 times. The ratio at 31 December 2020 was substantially below the maximum covenant level at 1.3 times.

The current and plausible future impact of COVID-19 and related macroeconomic environment on the Group's activities and performance has been considered by the Board in preparing its going concern assessment. The base case forecasts were sensitised to reflect a severe but plausible downside scenario including possible impacts of the COVID-19 pandemic on Group performance. In the severe but plausible downside scenario, the Group remains within its sole bank debt covenant and has sufficient liquidity headroom.

In addition to its modelled downside going concern scenario, the Board has reverse stress tested the model to determine the extent of downturn which would result in a breach of its sole bank debt covenant. A decline of 48% to the budgeted 2021 underlying EBITDA, which is well in excess of that contemplated in the plausible downside scenario would need to persist throughout the period to 30 June 2022 for a covenant breach to occur, which is considered very unlikely. This stress test also does not incorporate mitigating actions like reductions and deferrals of capital and operational expenditure or cash preservation responses, which the Group would implement in the event of a severe and extended revenue decline.

Following its assessment, the directors have formed a judgement, at the time of approving the consolidated financial statements, that there are no material uncertainties that cast doubt on the Group's going concern status and that it is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Group continues to adopt the going concern basis in preparing the Integrated report and financial statements 2020.



“We work hard to support local livelihoods and businesses while building strong, proactive and transparent partnerships with our communities.”

Vivien McMenamin
CEO, South Africa



Mondi South Africa
Community Social Investments to **contain** COVID19

1,500 (families to date)
Mondi Masidle (let's eat) feeds
Poor & vulnerable families + 5 people for a full month

14 Mobile Clinics
distributed medical masks, gloves, sanitisers & digital thermometers
Visiting 303 sites

SMME **Zimele**



Together we are... supporting our communities

We help our local partners to achieve their development goals, from employment and enterprise support to health, education and investment in infrastructure.

In 2020, we responded to the pandemic by increasing our support for communities around the globe. In particular, we focused on making donations directly targeted at the healthcare and financial impacts of the crisis, providing community relief to areas in need, and continuing to support local businesses and infrastructure.

Taking just one aspect of Mondli's efforts as an example, we leveraged our international supply chain to source and donate 100,000 medical grade respiratory masks to healthcare workers in South Africa when personal protective equipment was in shortage.

Governance

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See how we are
safeguarding
our employees

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See how we are
innovating with
our customers

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Together we are... fostering our strong governance culture



Philip Yea
Chair

Dear fellow shareholder

This report provides you with a more detailed look at our approach to governance, how it facilitates the achievement of our purpose and strategy and the Board's key focus areas during the year.

2020 was an unusual year for the Group given the challenges posed by COVID-19. It also saw a number of Board changes, both executive and non-executive, including my own appointment as Chair. It is clear that having a sound governance framework is particularly important in times of uncertainty and is key to allowing the Board and management to ensure the safety and health of our employees, understand and respond to the increasing expectations of our stakeholders around sustainability and drive forward our strategy.

Whereas the Board was unable to meet in the conventional way for much of 2020, we were able to continue having constructive discussions, to challenge management, and where necessary to enjoy robust debate despite meeting virtually. Underpinning this were our governance processes and the well-established culture of openness, transparency and respect among the Board members and between the directors and senior management. These were critical to ensuring that we could take the actions necessary to protect the safety of our employees and contractors, to support our local communities and to work effectively with our customers and suppliers during this difficult period, while at the same time continuing to focus on the achievement of our strategy and the key capital allocation decisions required. More information regarding our response to COVID-19 can be found on pages 14-15.

Board composition

At the Annual General Meeting in May, we said goodbye to David Williams who retired after 13 years on the Board. On behalf of shareholders, I would like to thank David for his wise leadership during his time as Chair and for developing an effective and positive boardroom culture that provides the foundation for our future growth. In January 2021, we also announced that Stephen Harris will retire from the Board at the conclusion of the Annual General Meeting on 6 May. Stephen has played a key role in his nine years on the Board, initially as a non-executive director and Chair of the Sustainable Development Committee and latterly as Senior Independent Director. He leaves with our best wishes for the future.

Peter Oswald stepped down as Group CEO and as a director in March 2020 and Andrew King became Group CEO on 1 April. In November, we welcomed Mike Powell to the Board following his appointment as Group CFO in succession to Andrew.

In parallel, supported by the Nominations Committee, we spent time reviewing the future composition of the Board. Anticipating the forthcoming retirement of Stephen Harris and addressing the findings of the 2019 Board evaluation, which recommended increasing the number of non-executive directors, we have announced the decisions to appoint Svein Richard Brandtzaeg, Sue Clark and Dame Angela Strank as independent non-executive directors. They will join us in April 2021 and we are confident that they will be valuable additions to the Board. Their biographies and information regarding their appointments can be found on pages 113-114.

While we feel the Board already has a broad range of backgrounds, experience and perspectives, its diversity of experience and thinking will undoubtedly be further enhanced by these new appointments. There is scope to further improve diversity across the Group. You can find details of the work we are undertaking specifically with respect to gender diversity on pages 114-115. We took a significant step forwards this year by setting a Group-wide diversity target as part of our new 2030 sustainability commitments – by 2030, we want 30% of our employees to be women. More information can be found on page 50.

Safety

Safety remained a key focus for the Board during the year. Actions to reinforce Mondi's safety culture and to maintain a safe working environment for our workforce continued, particularly during the maintenance shuts that took place during the year.

Despite this, we were deeply saddened by the two fatalities we experienced during the year. In January, a contractor died as a result of an incident during demolition activities at our Syktyvkar mill (Russia) and in June a contractor lost his life at our Richards Bay mill (South Africa) during planned maintenance and cleaning activities. Our safety culture is fundamental to the way we do business and we fully acknowledge the significant impact these incidents have on the families and everyone involved. We strive to learn what we can from every incident so that we can put in place the measures required to prevent similar incidents in the future and we will continue to do everything we can to protect our employees and contractors. More information regarding the actions we are taking to improve safety can be found on pages 46-47.

Engagement and sustainability

Engagement with our key stakeholders has never been more crucial. The existing mechanisms for feedback to the Board concerning engagement both within the Group and between the Group and its stakeholders have proved effective, ensuring the continuous flow of information between the Board, senior management and the wider workforce throughout the pandemic, despite much of this taking place virtually. Details of the engagement undertaken during the year and the impact it has on the Board's decision-making can be found on pages 98-102 and in our Section 172 statement on pages 40-43.

Understanding the views of our stakeholders is fundamental to our discussions as a Board and every decision we take, and over the coming years, engagement will become more critical as the focus on sustainability increases and we seek to achieve our commitments in this regard. During the year, following extensive engagement at all levels of the organisation, we agreed our sustainability commitments for 2030, articulated through the Mondi Action Plan 2030 (MAP2030). Achieving them, and delivering our strategy, will depend on our ability to engage and work effectively with key stakeholders and to further embed a culture of sustainability within our business practices. More information regarding MAP2030 can be found on pages 26-27 and in our Section 172 statement on pages 40-43.

The Board's annual strategy review in 2020 gave particular focus to the key sustainability trends that will influence our business in the coming years, with investors, customers and local communities ever more attentive to how we approach and manage the risks and opportunities these trends present. The delegation framework put in place by the Board ensures that sustainability matters, including those relating to climate change, are given the consideration they require, particularly through the Board's Sustainable Development Committee, and that they are properly embedded in the Board's decision-making processes. More information on the Board's strategy review can be found on page 106 and the work of the Sustainable Development Committee on pages 123-125.

Looking forward

During 2021 the Board will continue to focus on evolving our approach to sustainability in a way that supports Mondi's long-term growth and meets the growing expectations of our key stakeholders. I am confident that we have the right governance framework in place to help us do this and the knowledge, experience and skills across our workforce to achieve our commitments and our strategy.

I would like to thank all those working for Mondi for their hard work and dedication during what was a challenging year for everyone.

Philip Yea
Chair

How we comply with the UK Corporate Governance Code

Mondi aims to comply with the principles and provisions of the July 2018 edition of the UK Corporate Governance Code issued by the Financial Reporting Council (available at www.frc.org.uk).

It is the view of the Board that Mondi has applied the principles, and complied with the provisions, of the UK Corporate Governance Code throughout the year, with the following exceptions:

- Provision 19 – at the start of 2020, David Williams remained in office as Chair, despite having exceeded a nine-year term. However, David stepped down from the Board in May 2020 and was succeeded by Philip Yea. We have since maintained compliance with this provision.

- Provisions 36 and 38 – at the start of 2020, Mondi did not have a formal policy for post-employment shareholding requirements and pension contribution rates for executive directors were not aligned with those of the wider workforce. During 2020, a post-employment shareholding policy was introduced and pension contribution rates for executive directors were aligned with those applicable to the majority of the UK workforce. More information can be found in the remuneration report on pages 126-147.

This year we have structured the Governance report by the sections of the UK Corporate Governance Code 2018 which demonstrates how we have applied the principles.

Philip Yea

Chair



Appointed to the Board
April 2020 and as Chair
in May 2020

Independent
Yes (on appointment)

Committee memberships
Nominations (Chair),
Remuneration

Qualifications
Graduated with an MA
in Modern Languages
from Oxford University,
Fellow of the Chartered
Institute of Management
Accountants

Skills and experience

Philip has extensive listed company experience, both as an executive and non-executive director, across a range of sectors. His broad industry background and knowledge of operating within large, international corporates, as well as his significant leadership experience, bring invaluable insight to the Board and are key to the future growth and development of Mondi.

Philip started his career as a graduate trainee at Perkins Engines before holding a range of finance roles at companies including Mars Ltd and Guinness plc, becoming Group Finance Director of Diageo plc on its creation in 1997. He was a managing director at Investcorp from 1999 to 2004, leaving to become CEO of 3i Group plc, a role he held until 2009.

He has held a number of non-executive roles, including Senior Independent Director at Vodafone Group plc and Computacenter plc, Chair at Greene King plc and bwin.party digital entertainment plc and non-executive director at Rocket Internet SE. Philip was also a non-executive director of Aberdeen Standard Asia Focus plc until he stepped down in December 2020.

Current external appointments

Chair of Equiniti Group plc and a non-executive director of Marshall of Cambridge (Holdings) Ltd.

Andrew King

Group CEO



Appointed to the Board
October 2008 and as
Group CEO in April 2020

Independent
No

Committee memberships
Executive (Chair),
Sustainable Development

Qualifications
Graduated in Commerce
from the University of
Cape Town, Chartered
Accountant (South
Africa)

Skills and experience

Andrew has more than 18 years' experience with Mondi in various strategy, business development and finance leadership roles, giving him a detailed understanding of Mondi's strategy, capital allocation priorities, financial structure and the environment in which the Group operates. He has played a key role in defining the Group's strategic direction and re-shaping the capital structure since listing.

Andrew completed articles with Deloitte & Touche in Johannesburg in 1994. In 1995 he joined Minorco, part of Anglo American, as a financial analyst, before assuming responsibility for the group's investment management activities, and transferring to their corporate finance department in 1998. He worked on a number of group M&A activities before being appointed a vice president of Anglo American Corporate Finance in 1999.

He was appointed Mondi's Vice President of Business Development in 2002 and Corporate Development Director in 2004. He served as CFO of Mondi from June 2005 to May 2006. He was then appointed as Group Strategy and Business Development Director before becoming the CFO of the Mondi Group in 2008.

Andrew was appointed CEO of the Mondi Group on 1 April 2020.

Current external appointments

None.

Mike Powell

Group CFO



Appointed to the Board
November 2020

Independent
No

Committee membership
Executive

Qualifications
Graduated in Computer
Science & Accounting
from the University of
Manchester, member
of the Chartered
Institute of Management
Accountants

Skills and experience

Mike has significant financial and strategic experience and extensive experience leading finance teams, having been chief financial officer and an executive director of a number of large international listed companies. He brings a clear operational focus, strong leadership experience and knowledge of operating in large industrial groups across a variety of geographies.

Mike started his career at Pilkington plc, spending 15 years in a variety of finance and operational roles. He went on to become Chief Financial Officer at Nippon Sheet Glass and then AZ Electronic Materials plc.

He was subsequently appointed Group Finance Director at BBA Aviation plc before being appointed Group Chief Financial Officer at Ferguson plc, a multinational distributor of plumbing and heating products. Mike also served as a non-executive director of Low & Bonar from December 2016 to May 2020.

Mike joined Mondi as Group CFO in November 2020.

Current external appointments

None.

Stephen Harris

Senior Independent Director



Appointed to the Board
March 2011

Independent
Yes

Committee memberships
Audit, Nominations,
Remuneration,
Sustainable Development

Qualifications
Chartered engineer,
graduated in Engineering
from Cambridge
University, MBA from the
University of Chicago,
Booth School of Business

Skills and experience

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

In 2009 Stephen was appointed as CEO of Bodycote plc, a global provider of thermal processing services. His CEO background provides a unique insight to the Board and his leadership experience is vital to his role as Mondi's Senior Independent Director.

Stephen will retire from the Board of Mondi plc at the conclusion of the Annual General Meeting on 6 May 2021.

Current external appointments

CEO of Bodycote plc.

Tanya Fratto

Non-Executive Director

**Appointed to the Board**

January 2017

Independent

Yes

Committee memberships

Audit, Nominations, Remuneration (Chair)

Qualifications

BSc in Electrical Engineering

Skills and experience

Tanya has wide experience in product innovation, profit and loss, sales and marketing and engineering in a range of sectors. This experience, together with Tanya's extensive knowledge of operating in the US, brings a vital perspective to the Board. She was CEO of Diamond Innovations, Inc., a world-leading manufacturer of super-abrasive products, until 2010.

Before that she enjoyed a successful 20-year career with General Electric where she ran a number of businesses and built an experience base in product management, operations, Six Sigma and supply chain management. Prior to starting her career with General Electric, she worked at International Paper Company.

Current external appointments

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

Enoch Godongwana

Non-Executive Director

**Appointed to the Board**

September 2019

Independent

Yes

Committee memberships

Nominations, Sustainable Development

Qualifications

MSc in Financial Economics from the University of London

Skills and experience

Enoch brings to the Board significant leadership experience and invaluable knowledge of the South African business environment.

Enoch spent the early part of his career working for the National Union of Metal Workers of South Africa, holding a number of key roles until becoming General Secretary.

He went on to hold a number of South African governmental roles, including Deputy Minister of Public Enterprises from 2009 to 2010 and Deputy Minister of Economic Development from 2010 to 2012, before being appointed head of the African National Congress's economic transformation committee.

Current external appointments

Non-executive director and Chair of the Development Bank of South Africa and a non-executive director of New Development Bank.

Dominique Reiniche

Non-Executive Director

**Appointed to the Board**

October 2015

Independent

Yes

Committee memberships

Nominations, Remuneration, Sustainable Development (Chair)

Qualifications

MBA from ESSEC Business School in Paris

Skills and experience

Dominique has extensive understanding of operating in senior business leadership positions in Europe as well as international strategic, consumer marketing and innovation experience, allowing her to provide valuable insight to the Board.

She started her career with Procter & Gamble before moving to Kraft Jacobs Suchard as Director of Marketing and Strategy where she was also a member of their executive committee. After helping Jacobs Suchard through its acquisition by Kraft-Mondelez, Dominique joined The Coca-Cola System in 1992, starting as Marketing and Sales Director and then holding various roles of increasing responsibility up to General Manager France.

From 2002 to early 2005 she was CEO Europe for Coca-Cola Enterprises and from 2005 she was CEO Europe for the Coca-Cola Company and then Chair from 2013 until stepping down in 2014.

Dominique was a non-executive director of Peugeot-Citroen SA between 2012 and 2015 and of AXA SA between 2005 and 2017.

Current external appointments

Non-executive director and Chair of Chr. Hansen Holding A/S and Eurostar International Limited and a non-executive director of Paypal (Europe) and Severn Trent Plc.

Stephen Young

Non-Executive Director

**Appointed to the Board**

May 2018

Independent

Yes

Committee memberships

Audit (Chair), Nominations, Sustainable Development

Qualifications

Graduated in Mathematics from Southampton University, member of the Chartered Institute of Management Accountants (UK)

Skills and experience

Stephen brings a strong financial and general management background to the Board with experience gained internationally across a variety of sectors, including industrial and engineering. He spent his early career in commercial accounting and finance roles at companies including Ford Motor Company, Mars, Inc and Grand Metropolitan plc (now Diageo plc). He was Group Finance Director of the Automobile Association until its acquisition by Centrica in 2000 before becoming Group Finance Director at Thistle Hotels plc.

In 2004 Stephen was appointed Group Finance Director at Meggitt plc, an international engineering business specialising in aerospace equipment. He held this role for nine years before being appointed CEO in 2013. Stephen stepped down from the board of Meggitt plc on 31 December 2017. He was also a non-executive director of Derwent London plc from 2010 until May 2019.

Stephen will be appointed as Senior Independent Director of Mondi plc with effect from the conclusion of the Annual General Meeting on 6 May 2021.


Current external appointments

Non-executive director and Audit Committee Chair at Weir Group plc.

Non-executive directors joining the Board on 22 April 2021

Svein Richard Brandtzaeg, Sue Clark and Dame Angela Strank have been appointed as independent non-executive directors and will join the Board on 22 April 2021.

Please visit the Nominations Committee report for information about their experience and appointment process.

 **Board appointments**
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 **Svein Richard, Sue and Dame Angela's biographies**
Page 114

Andrew King

Group CEO

[See full biography](#)
Page 92**Mike Powell**

Group CFO

[See full biography](#)
Page 92**Markus Gärtner**

CEO, Corrugated Packaging

Appointed to the Executive Committee
October 2018**Qualifications**
Doctorate of Technical Sciences from ETH Zürich and a Master of Science in Electrical Engineering from Stanford University**Skills and experience**

Markus has significant industrial and international business experience. He started his career at McKinsey & Company, working on numerous operational and strategic projects across a variety of industries.

Markus went on to join Novelis AG, a leading producer of rolled aluminium products, where he held various roles in strategy and sales with growing responsibility until he eventually became the head of one of Novelis' three businesses as Vice President & General Manager Specialities.

In this capacity, he was responsible for a diverse range of applications, including consumer packaging solutions and industrial products.

Markus joined Mondi in September 2018 as CEO, Fibre Packaging/Paper and was appointed to the Executive Committee in October that year. He subsequently became CEO, Corrugated Packaging in October 2019.

Current external appointments

None.

Michael Hakes

Group HR Director

Appointed to the Executive Committee
April 2018**Qualifications**
Human Resources Management Degree from Chamber of Commerce and Industry of the Lower Rhine Region, member of the Advanced HR Executive Programme at the University of Michigan and the Global Leadership Programme at INSEAD**Skills and experience**

Michael has more than 30 years of international HR experience gained across the automotive, manufacturing and industrial services sectors.

Michael began his career in various HR roles at companies across Europe including the Mitsubishi Electric Group, Johnson Controls and Faurecia. In 2007 he was appointed Group Chief HR Officer at LM Wind Power, a Danish-based supplier of rotor blades to the wind industry.

Michael went on to become Group Senior Vice President Human Resources at Germanischer Lloyd until its merger with Det Norske Veritas in 2013. Following the merger, he was appointed Executive Vice President HR of the maritime division of the newly-formed organisation DNV GL, an international ship and offshore classification society.

Michael joined Mondi in April 2018 as Group HR Director.

Current external appointments

None.

Lars Mallasch

Group Technical & Sustainability Director

Appointed to the Executive Committee
September 2020**Qualifications**
Graduated in Paper Technology from the University of Applied Science in Munich**Skills and experience**

Lars has extensive experience in the pulp and paper industry, having worked in the industry for 25 years.

Lars began his career with a paper making apprenticeship and then studied Paper Technology in Munich. He joined Voith, the global technology company, in 1997 as Commissioning Engineer for Capital Projects. Lars subsequently held a variety of management roles in Voith Paper's board and packaging division, gaining a wide range of experience and working internationally in a number of different countries.

After 14 years with Voith, Lars joined Mondi in 2011 as Group Head of Capital Expenditure, a role he held for six years.

Alongside this, he held the role of Technical Director Containerboard between 2012 and 2014 and Technical Director Packaging Paper from 2014 until 2018. He also held the role of Operations Director at Mondi's Stěti mill between 2017 and 2019.

In 2019, Lars was appointed as Mondi's Corrugated Packaging Technology and Capex Director and alongside this, was appointed as Director of Containerboard Operations at Mondi's Syktyvkar and Richards Bay mills in February 2020.

Lars was appointed to his current role, and as a member of the Executive Committee, in September 2020.

Current external appointments

None.

Vivien McMenamin

CEO, South Africa

Appointed to the Executive Committee
October 2017**Qualifications**
MSc in Economics from the University of London and Advanced High Performance Leadership Certificate from IMD Switzerland**Skills and experience**

Viv has nearly 20 years' experience in the pulp and paper industry having held executive responsibility in Mondi South Africa for marketing and sales, human resources, corporate affairs and transformation. Viv's roles have included Mondi Group Head of Sustainable Development and Director Land and Forestry, giving her significant sustainability experience and insight. In October 2017, she was appointed CEO of Mondi South Africa.

Viv was instrumental in the establishment of Mondi Zimele, Mondi's small business development organisation and crafting Mondi's innovative approach to land reform.

Prior to Mondi, Viv worked in government and the anti-apartheid movement in South Africa, serving Nelson Mandela as a member of the President's Task Force on Local Economic Development and as a member of President Thabo Mbeki's Economic Advisory Panel.

Viv previously served on the boards of SiyaQhubeka Forests, South African Association for Marine Biological Research (SAAMBR) and Durban Girls College.

Current external appointments

Non-executive director of KAP Industrial Holdings Limited.

Peter Orisich

CEO, Flexible Packaging and Engineered Materials

**Appointed to the Executive Committee**
May 2017

Qualifications
Graduated in Business Administration from the WU-Vienna Business School

Skills and experience

Peter has extensive experience in the industrial and consumer packaging industry, having started his career at Unilever where he spent 14 years. He held management roles in a number of divisions across central and eastern Europe.

In 1998 he joined Lafarge Permooser as CFO, later going on to become CEO and leading the Austrian and Slovenian cement subsidiaries of Lafarge, a global manufacturer of building materials.

After 10 years at Lafarge Permooser, Peter joined Mondi as CEO of Mondi Industrial Bags, taking responsibility for the strategy and operations of Mondi's industrial bags business. He went on to be appointed as CEO of Mondi's Uncoated Fine Paper business in 2012. In February 2020, he was appointed CEO of Mondi's Flexible Packaging and Engineered Materials businesses.

Peter is also responsible for overseeing Mondi's Group procurement function.

Current external appointments

None.

Gunilla Saltin

CEO, Uncoated Fine Paper

**Appointed to the Executive Committee**
December 2019

Qualifications
MSc in Chemical Engineering from the Royal Institute of Technology in Stockholm, a PhD in Chemical Engineering from the University of Idaho in the US and an Executive MBA in General Management from the Stockholm School of Economics

Skills and experience

Gunilla has more than 20 years' experience in the pulp industry, having worked for Södra Cell, one of the largest pulp producers, from 2000 until joining Mondi in August 2019.

Gunilla started her career in R&D engineering, holding a number of roles in this field before joining Södra Cell as a process development manager. She went on to manage Södra's kraft paper mill in Värö in Sweden for three years before being appointed Södra Cell's Executive Vice President in 2008, with responsibility for production, sales and marketing and leading the business through several investments including a significant mill extension project.

During this period Gunilla was also Acting CEO of Södra Skogsägarna Ekonomisk Förening, a forestry cooperative with 52,000 forest owners.

Gunilla was appointed Group Technical & Sustainability Director on 1 December 2019, a role she held until August 2020, and CEO, Uncoated Fine Paper in February 2020.

Current external appointments

Member of the Board of Luossavaara-Kiirunavaara Aktiebolag (LKAB).

Sara Sizer

Group Communication & Marketing Director

**Appointed to the Executive Committee**
September 2017

Qualifications
Degree in Business Administration from Loughborough University

Skills and experience

Sara has more than 30 years' experience in communication and marketing, having held senior positions at a number of large international industrial companies.

In 1997, she joined Rolls-Royce plc as Head of Communication before being appointed as Head of Group Communications at Shell International. Sara went on to become Group Head of Marketing at BG Group.

In 2010, Sara joined Mondelēz International (formerly Kraft Foods Inc), the multinational food and beverage company, where she held the role of Director Corporate & Government Affairs Europe and then Vice President Global Communication.

Sara joined Mondi in September 2017 as Group Communication & Marketing Director. She also chairs Mondi's Diversity & Inclusion steering committee.

Current external appointments

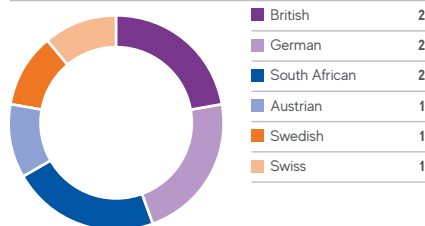
None.

Jenny Hampshire

Company Secretary

**Skills and experience**

Jenny Hampshire, a fellow of the Chartered Governance Institute, joined Mondi in May 2007 and has held various roles in the company secretariat, including five years as Assistant Company Secretary. She was appointed Company Secretary of Mondi plc in December 2016. Prior to joining Mondi Jenny worked for The BOC Group plc in its company secretariat.

Diversity of the Executive Committee**Nationalities represented on the Executive Committee**

Board leadership and company purpose

Promoting long-term sustainable success

One of the primary roles of the Board is to provide leadership to the Group, setting and driving forward the strategy in line with Mondi's purpose and culture and with the aim of achieving long-term sustainable success for the Group, its shareholders and its stakeholders.

Mondi has a clear purpose and culture that are defined in The Mondi Way. The business model, set out on pages 18-21 defines how we achieve our purpose and deliver value for stakeholders. Achieving our purpose and creating value in a sustainable manner requires integrity and ethical leadership, supported by a robust governance framework. The Board is responsible for ensuring all decisions are taken with the interests of our stakeholders in mind, with an understanding of the risks and opportunities facing the business and in line with our culture.

The Board has responsibility for setting and overseeing the implementation of the Group's strategy, ensuring the implementation of an appropriate risk management framework and overseeing financial performance. Key to the successful operation of the Board and achievement of these objectives is a strong governance framework and a culture of respect that facilitates transparency, debate and challenge. Mondi's governance framework ensures that the Board has the information it needs to assess the risks and opportunities facing the Group and the sustainability of the business model. The Audit Committee monitors each of our principal risks throughout the year, reporting its views to the Board. Our principal risks are set out on pages 74-85. Separately, the Sustainable Development Committee focuses specifically on the sustainability risks and opportunities to the Group which are growing in importance both to Mondi and to its stakeholders and that have significant influence on our business model and ability to achieve our strategy. Climate change risks and opportunities have been a particular focus of this committee during the year.

The work of the committees feeds into the Board's consideration of Mondi's strategy, allowing the Board to assess whether the strategy remains appropriate, whether it promotes value in a sustainable manner and whether it is ultimately the right approach to achieving our purpose. More information on the Board's review of the strategy during the year can be found on page 106.

How the Board monitors culture

Mondi's culture is critical to achieving long-term sustainable success. It is defined by a number of key values that are set out in The Mondi Way. These values are fundamental to the way we do business and guide the way in which every part of the business operates, including the Board. They are reinforced by our Code of Business Ethics which sets out the principles governing the way we behave and conduct business – legal compliance, honesty and integrity, human rights, consideration of stakeholders and sustainability. The Board has responsibility for assessing and monitoring the culture of the Group and ensuring that the Group's policies and practices are aligned with this. This responsibility is embedded in the Matters Reserved for the Board.

There are a number of ways in which the Board monitors and assesses culture, including:

Site visits

The directors are encouraged wherever possible to visit Mondi's key assets and operations so that they can get a more in-depth understanding of the business. Such visits offer directors the opportunity to see for themselves how our safety and sustainability culture is working in practice, to talk to local management and employees and to see how Mondi's values are communicated at a local level. While it was not possible to arrange site visits during most of 2020 due to COVID-19, the Board was able to visit Mondi's Merebank mill (South Africa) in January 2020 (see page 99 for more information). Enoch Godongwana also undertook a visit to our Richards Bay mill (South Africa) as part of his ongoing induction. Board site visits will resume as soon as it is safe to do so.

Board presentations

The Board has in place a rolling programme of presentations from members of the Executive Committee and other senior management. These presentations give the directors direct exposure to members of senior management beyond the executive directors, allowing them the opportunity to ask questions and hear their views and opinions. The directors also gain valuable insight for the purposes of succession planning. More information can be found on page 107. Presenters are additionally invited to attend board dinners, offering a more informal setting for discussion.

Employee survey results

The Board receives regular reports from the Group HR Director on the results of our biennial employee survey, the issues raised and the follow up actions being taken, giving the Board an insight into how employees feel about the culture of the Group and particular areas that may need addressing. Results are classified into categories including acting with integrity, caring, empowered and transparent, allowing comparison of the results in each category against previous surveys. The most recent survey, which took place in March 2020 with an 88% overall response rate, showed a significant overall improvement since the previous survey in 2018. More information about the way in which the views of employees are gathered and assessed can be found on pages 99-100. The 2020 survey was used to determine our first inclusiveness score. The score was based on the responses to four questions about whether employees feel treated fairly and with respect and whether they feel it is safe to speak up. The inclusiveness score, which was 79% in 2020, gives us a way of directly measuring and monitoring culture over time and specific targets have been set as part of our MAP2030 commitments.

 **Strategic performance - Inspire our people**
Page 31-32

Safety reports and statistics

The Board reviews safety statistics and key safety focus areas at every meeting. Caring for our employees is fundamental to Mondi's culture and this includes ensuring safe behaviour. Reviewing the safety reports highlights to the Board any concerns around the approach to safety.

Review of key policies

The Board undertakes an annual review of Mondi's key policies. This gives the Board the opportunity to assess whether policies remain suitable for Mondi, reflect the appropriate values and approach to the way the business is run and support its long-term sustainable success. During 2020, a more detailed review of the Business Integrity Policy was undertaken with the support of external advisers to ensure it remained sufficiently robust, with only minor amendments made as a result. The Diversity & Inclusion Policy was also strengthened (see pages 114–115 for more information).

Together we are... supporting employee wellbeing

The Group has a confidential reporting hotline called 'SpeakOut' operated by an independent third party. SpeakOut, monitored by the Board and Audit Committee, is a simple, accessible and confidential channel through which our employees, customers, suppliers, and other stakeholders can raise concerns about unethical practices and conduct contrary to Mondi's values. The service is fundamental to ensuring the confidence of our employees and other stakeholders in our culture and values.

Any type of concern can be raised via SpeakOut. The Board and Audit Committee receive regular reports of SpeakOut messages received and ensure that appropriate investigation into each message has been undertaken and responses given, with actions taken where any allegation proves to have some foundation. The reports allow the Board to identify any particular trends and common issues, with messages classified into categories including HR-related concerns, business integrity issues as well as environmental and safety topics, and to consider whether any changes are required to Mondi's risk management processes as a result. The effectiveness of the SpeakOut facility is kept under regular review. In 2020, the Board took the decision to engage a new external provider with the aim of providing our employees and stakeholders with a more effective service. More information about SpeakOut and Mondi's approach to anti-bribery and corruption in particular can be found on page 38.



Corporate governance report

Board leadership and company purpose continued

Stakeholder engagement

One of the Board's primary duties is to understand the views of our key stakeholders and the issues that are of most relevance to them. The views of our stakeholders inform all Board discussions and decision-making and having regard to their interests is one of the key principles of our Code of Business Ethics. We can only achieve sustainable value for our shareholders by understanding the long-term impact of our decisions and considering the wider implications of the actions we take. These decisions may not always be in the interests of all our stakeholders – judgements often have to be made and there may be trade-offs between one group of stakeholders and another – but it is critical that the Board is aware of all the facts when making such judgements. Understanding stakeholder views also allows us to assess whether we have the right strategy in place to achieve our purpose.

While the Board undertakes a certain level of direct engagement, there is also a significant amount of indirect engagement that takes place across the Group. Through our delegation framework, the output from this engagement is fed up to the Board, through the Executive and other committees of the Board, members of senior management and those closest to the stakeholders in question. Details of our key stakeholders, engagement activities undertaken during the year and the outcome of these activities can be found in our Managing relationships and resources section on pages 38–65. The information provided over the next few pages and our Section 172 statement on pages 40–43 aim to explain how the feedback from this engagement influences the Board's decision-making.

The Board receives information from a variety of sources to understand the views of our key stakeholders, providing context for all Board decisions. During 2020 these included:

- Presentations from the CEO of each business unit, highlighting those stakeholder issues that are of specific relevance to their businesses. During 2020, these presentations focused on the developing requirements of our customers (see page 107 for more information), providing context for the Board's strategy review and allowing the Board to identify the key areas to focus on during the review (see page 106 for more information).
- Updates on the impact of COVID-19 on our employees, customers and suppliers, driving the Board's response to the pandemic (see pages 14–15 for more information).
- Updates on the global initiatives Mondi participates in, primarily related to sustainability matters, and collaboration with external bodies. During 2020, this focused specifically on the partnerships that Mondi needs to maintain and develop in support of our new sustainability commitments, articulated through the Mondi Action Plan 2030 (MAP2030).
- Detailed overviews of the education, health, employment and community initiatives in place at each of our key sites, which in 2020 focused particularly on the response to COVID-19.
- Regular environmental performance reviews, including metrics on our greenhouse gas emissions, given at meetings of the Sustainable Development Committee, which all board members attend.
- Presentations from external advisers and other bodies in relation to matters impacting the environment in which we operate, including regulatory changes, market developments and issues directly impacting our stakeholders.

On the following pages we focus more specifically on how we have engaged with employees and investors.

How does the Board consider our stakeholders when taking decisions?

The views and issues raised by our stakeholders through the engagement methods referred to opposite and on pages 40–41 form a key part of the Board's decision-making process. The regular flow of information up to the Board provides context and ensures that the directors are regularly made aware of the concerns of our stakeholders and the key matters affecting them when considering the Group's strategy and taking decisions.

To assist the Board, all papers requiring material decisions include clear explanation as to the expected impact on those stakeholders relevant to the decision, whether positive or negative. For capital expenditure decisions in particular, a more comprehensive review of the impact on our stakeholders is part of the established process we have for developing the necessary business case.

Examples of the ways in which stakeholder interests and views have influenced the Board's decision-making during the year can be found on pages 42–43.

How the Board has engaged with employees

The effect our decisions have on our employees is one of the Board's primary considerations when determining our future strategy, reviewing transaction and capital expenditure proposals and considering our approach to safety and sustainability. Rather than use only one method to establish the views of our employees, we use a combination of different methods. Mondi employs around 26,000 people across more than 30 countries. Some of our people are office-based but many work in our plants and forests. There is therefore no one method that is suitable for all employees. By using a range of methods, we aim to reach as many people as we can, engaging with them in the manner most suitable for them.

Ongoing methods of engagement

One of the most significant forms of engagement is Mondi's European Communication Forum, a formally constituted body designed to facilitate communication between Mondi and its employees. At least once a year, employee representatives from plants across Europe attend the Forum, at which a number of presentations are given by senior management, including in relation to operational and financial performance, HR activities and safety and health. The meetings also allow for open discussion and questions and are usually attended by the Group CEO, the Group CFO and the Group HR Director, together with other Executive Committee members as appropriate. While the Forum is currently European focused, we intend to invite participants from outside of Europe, including South Africa, in future years.

To further strengthen our engagement mechanisms, in line with the UK Corporate Governance Code, it was agreed in 2020 that Stephen Harris, Mondi's Senior Independent Director, would be responsible for understanding and feeding back to the Board the views and concerns of our employees. A key element of this was his attendance at the 2020 European Communication Forum meeting.

In addition, the Group HR Director holds a number of meetings every year with employees at a range of levels across plants worldwide to obtain their views and feedback and to understand their concerns. Feedback from these meetings provides an insight for the Board into the issues of most concern to employees, highlighting that they are most interested in local issues directly affecting their day-to-day working lives.

Together we are...
**exchanging knowledge
 and gaining insights**



The January 2020 Board meeting was held at our uncoated fine paper mill in Merebank (South Africa). The two-day visit incorporated the scheduled Board and committee meetings but also provided the opportunity for the Board to listen to presentations from the local management team and to tour the mill. Presentations were given by employees from a number of different areas, including in relation to safety, HR, forestry and the key opportunities and challenges facing the South African business and local communities.

These visits are an important aspect of employee engagement. They allow the Board to hear first-hand from employees in the business, the people on the ground, and to assess the culture and how well it is embedded in the operations. Such visits provide an opportunity for two-way engagement, with time set aside for informal discussion between the Board and local management, including over dinner.

In February 2020, Enoch Godongwana undertook a separate visit to our Richards Bay mill (South Africa) as part of his ongoing induction process. The visit included tours of the mill and the forests and the opportunity to see the results of the ongoing investment into the South African business. The visit took place over two days, allowing him time to meet with employees and to get a deeper understanding of the business.

Corporate governance report

Board leadership and company purpose continued

How the Board has engaged with employees continued

The Board also uses the following mechanisms to ensure it has a broad view of the issues affecting our employees and their views on key matters:

- Twice yearly presentations from the Group HR Director, providing detailed updates on engagement activities undertaken, the views expressed by employees, their key concerns and issues and the actions being taken to address them.
- Results of global and more local employee surveys. These provide insight into the issues that matter most to our employees and how they feel about working for Mondi, guiding decisions that might impact employees and allowing the Board to identify areas for future focus. A number of the questions are also designed to test the culture in the organisation and to allow the Board to judge how well the desired culture is embedded. More information on the latest global survey can be found on pages 31-32.
- Site visits when possible, giving the Board the opportunity to engage with local employees, as well as dinners involving members of local management, allowing for informal discussion (see page 99 for more information).
- Senior leadership forums, usually attended by several members of the Board and held every three years, providing the opportunity for the Board to engage with a wider range of employees from across all areas of the business.
- SpeakOut reports, which are presented to the Audit Committee and Board at meetings throughout the year. The reports provide details of the messages received via our confidential reporting hotline, SpeakOut, giving the Board insight into specific issues affecting our employees and allowing the Board to identify any trends. Further details on SpeakOut can be found on page 97.
- Review of usage rates for Mondi's Employee Assistance Programme which offers an anonymous counselling service for employees.

How COVID-19 has changed how we engage

Engagement with employees was even more critical during 2020 given the impact of COVID-19 on our workforce, from a business and personal perspective. At the same time, it created significant challenges, requiring us to find new ways to engage.

Engagement with employees throughout the pandemic was led by the Group CEO and Executive Committee on behalf of the Board. This included conference calls with senior leaders and a virtual, two-way conversation with all of Mondi's employees through our intranet platform. The use of technology was crucial to ensuring continued engagement, allowing management to keep employees up to date with developments and actions being taken by the Board and management in response to COVID-19. It was important to the Board that employees felt supported through what was a challenging period for everyone.

Key events in 2020

The annual meeting of the European Communication Forum was held virtually in November 2020. Presentations on financial performance, HR initiatives and safety and health were given, providing attendees with a wide range of information on the operation of the business. Attendees had the usual opportunity to ask questions and to engage with the Group CEO and Group HR Director. For the first time, Stephen Harris also attended the meeting to represent the Board, providing feedback to the Board at its meeting in December. While no significant issues were raised by attendees, Stephen's attendance provided a valuable opportunity for direct engagement with an independent member of the Board and we will continue with this practice.

The latest global employee survey was also undertaken in March 2020. Despite the onset of COVID-19, engagement levels were high with an overall response rate of 88%. The results were presented to the Board, allowing discussion around the views of employees and the key areas requiring improvement. The results showed a significant overall improvement since the previous survey in 2018. More information on the outcomes of the survey can be found on pages 31-32. The Board will receive regular updates on the actions agreed and progress against these actions, allowing the Board to monitor developments and to focus in on those areas requiring most attention.

The global survey is supported by shorter, more focused pulse surveys throughout the year. During 2020, the focus was on the response to the pandemic. In particular, short surveys were issued to the Group office employees, many of whom have been working remotely since March, to assess how they were coping, whether the level of engagement and communication was appropriate and whether there was anything further Mondi could do to support them. The surveys were undertaken in May and November. The results were positive, with the majority of employees happy with the level of support from Mondi. It is clear however that there is a growing demand for more flexible working options once the pandemic is over and so a key focus is to develop remote and flexible working guidance, both for Group office and operational employees.

How the Board has engaged with investors

Understanding the views of our investors is fundamental to the way we run the business, the development of our strategy and shaping our priorities. The engagement we have with investors, both directly and indirectly, allows the Board to determine which issues are of most importance to them and to assess what long-term value means from their perspective.

The interests of our investors are taken into account in every decision the Board takes, from capital allocation decisions to our approach to sustainability. However, trade-offs are sometimes necessary, as was the case when the Board took the difficult but prudent decision to withdraw the proposed 2019 final dividend (see page 56 for more information around the decision-making in this regard). Ongoing engagement allows the Board to take fully informed decisions, with an understanding of how different groups of investors may be impacted.

Ongoing methods of engagement

While the Chair is responsible for ensuring effective communication with shareholders, day-to-day management of this engagement is delegated to the Group CEO and Group CFO. They undertake active engagement with investors on a regular basis, meeting with Mondi's largest shareholders, analysts and other fund managers. Meetings with the Chair are offered on a regular basis and the Senior Independent Director is available to meet with shareholders as required should any issues arise that are not resolved through the more regular channels. The committee chairs are also available for engagement with investors and other stakeholders where appropriate.

In addition, the executive management and the Group Head of Strategy & Investor Relations make themselves available to investors on an ongoing basis in order to maintain an open dialogue, resulting in a number of ad hoc meetings and calls taking place throughout the year.

The Company Secretary's office is the focus for private shareholder communications, responding to individual shareholder correspondence, and coordinating our engagement on corporate governance matters.

We also maintain ongoing contact with our debt providers and the Group CFO and Group Treasurer hold regular meetings with the credit rating agencies, relationship banks and debt investors.

All directors are kept informed of the views raised and feedback from investors, particularly from the full and half-year investor roadshows, which are presented and discussed at board meetings. Analyst reports are shared regularly with the Board and consideration given to any views both positive and negative regarding the Group's performance, future direction and the perceptions of the management team. These views provide context for, and feed into, the Board's discussions around strategy, capital allocation and succession planning.

Mondi's Annual General Meeting (AGM) normally presents an opportunity for shareholders to question the directors about our activities and prospects, although in 2020, in line with Government guidance, the format of the meeting was such that shareholders could not be present.

How COVID-19 has changed how we engage

Engagement with investors continued during the year, allowing two-way discussion around Mondi's response to the pandemic as well as ongoing matters including strategy, current trading and sustainability. However, rather than physical roadshows and conferences, engagement was undertaken virtually, avoiding any disruption to the regular schedule of meetings. Analyst presentations following results announcements were also held virtually.

While the AGM is usually a valuable opportunity for direct engagement between the Board and shareholders, with the directors available to meet informally with shareholders immediately before and after the meeting, due to COVID-19 restrictions and to protect the safety of our shareholders and employees, the 2020 AGM was held as a closed meeting. Shareholders were encouraged however to submit their questions in advance of the meeting for written answers.

All resolutions at the 2020 AGM were passed, with approximately 76% of the total Group shares voted, indicating high levels of engagement. However, COVID-19 has encouraged us to think about how we can make greater use of technology to improve engagement at the AGM. At the 2021 AGM, scheduled to be held on 6 May 2021, we will be proposing amendments to our articles of association to permit hybrid meetings. This is in direct response to investor feedback.

Although we will be required to continue having physical meetings, and we believe it is important that our shareholders can attend the AGM and other general meetings in person at a physical location, the changes will allow us to offer in addition electronic means of participation. The notice, which includes explanations of each resolution to be proposed at the 2021 AGM, is contained in a separate circular which will be made available to all shareholders in advance of the meeting.

Corporate governance report

Board leadership and company purpose continued

How the Board has engaged with investors continued

Key events in 2020

Details of the key investor events that have taken place during 2020, including meetings, investor roadshows and participation in investor conferences, can be found below. Most of these events were held virtually. Feedback from these investor events, particularly the roadshow meetings, was provided to the Board, with the feedback covering investor views on Mondi's strategy, market developments and the growing importance of sustainability.

The response to management changes during 2020 was also generally positive.

In addition, Philip Yea held calls with a number of our largest investors following his appointment as Chair. These calls gave investors the opportunity to understand Philip's views, priorities and intended approach as Chair while at the same time providing Philip with useful context for his new role.

In June 2020, the Board also received a presentation from one of Mondi's brokers, providing an update on the economy, capital markets, share price performance and the focus areas for investors, in relation to Mondi specifically and more broadly. This provided a useful outside view on the reaction to and impact of COVID-19 and insight into how the pandemic has influenced the focus of investors.

2020 investor events

Most of these events were held virtually.



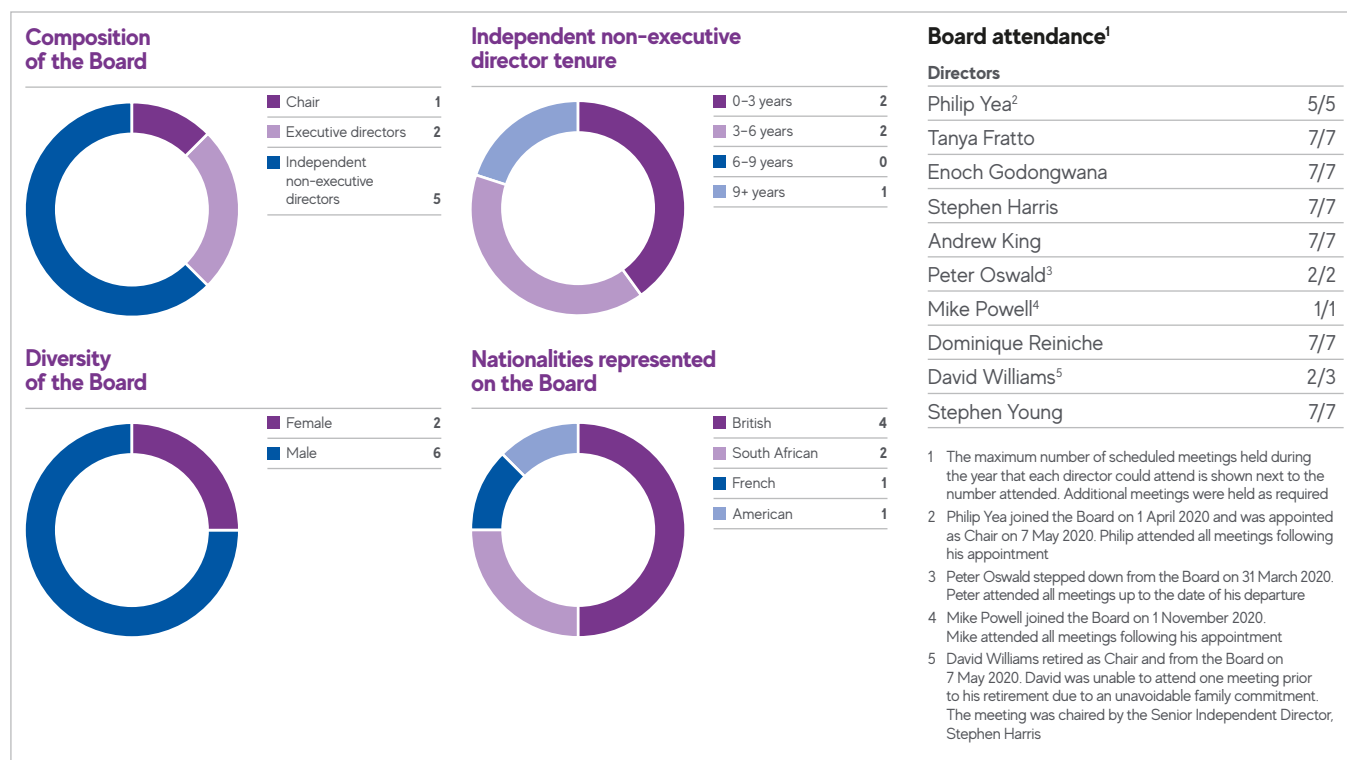
Composition and independence of the Board

The directors holding office during the year ended 31 December 2020 are listed below, together with their attendance at board meetings. Biographical details for those in office at the date of this report can be found on pages 92–93. In addition, Svein Richard Brandtzaeg, Sue Clark and Dame Angela Strank will join the Board as independent non-executive directors on 22 April 2021. Details of their appointments can be found on page 113.

The size and composition of the Board and its committees are kept under review by the Nominations Committee. We are of the view that collectively there is an appropriate balance of capabilities, business experience, independence and skills diversity on the Board to meet the Group's current business needs, enhanced by the appointments of Svein Richard, Sue and Angela.

Non-executive director meetings

The Chair and the non-executive directors met in February 2020 to consider, among other things, executive team succession and director tenure and succession requirements. Stephen Harris also led the review of the Chair's performance in his role as Senior Independent Director. Following the appointment of Philip Yea as Chair in May 2020, meetings between the Chair and non-executive directors without management present have been introduced to every board programme. These meetings are held prior to each board meeting to allow discussion of matters relevant to the agenda, although the content of each meeting is driven by the non-executive directors themselves and covers a variety of topics.



Board policies and procedures

There are a number of policies in place designed to ensure that the Board can function effectively. These include:

Professional advice

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

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

Directors' & Officers' liability insurance

Throughout the year to 31 December 2020, in line with market practice, Mondi maintained directors' and officers' liability insurance.

Procedure for conflicts of interest

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

External directorships policy

To ensure that our directors are able to dedicate sufficient time to Mondi, Mondi has a policy setting out the parameters regarding external appointments. Executive directors must notify and obtain agreement from the Nominations Committee before accepting external positions. They are permitted to retain any fee paid to them in respect of directorships external to Mondi. Neither of Mondi's executive directors currently holds a directorship external to Mondi. The policy also covers non-executive directors who are required to notify the Chair of any proposed appointments, including the time commitment and any potential conflicts of interest, so that the Nominations Committee can consider and, if appropriate, agree to the appointment.

Corporate governance report

Division of responsibilities continued

Division of responsibilities

The division of responsibilities between the Chair and the Group CEO has been clearly defined and approved by the Board. The functions and duties of the Senior Independent Director are also set out in a separate statement.

Chair



Philip Yea

 **Biography**
Page 92

- leads and manages the Board, setting the agenda, providing direction and focus, ensuring effectiveness and open and transparent debate
- undertakes regular engagement with the Group CEO in between meetings
- ensures there is a constructive relationship between the executive and non-executive directors
- ensures high standards of corporate governance and ethical behaviour and oversees the culture of the Group
- oversees the induction, training and development of directors and the consideration of succession
- ensures effective communication with shareholders and other stakeholders
- ensures the Board receives accurate, timely and clear information to support discussion and decision-making

Group CFO



Mike Powell

 **Biography**
Page 92

- manages the day-to-day operations of the Group, in this case within his remit as Group CFO, in accordance with authority delegated by the Board
- together with the Group CEO, leads the relationship with institutional shareholders

Senior Independent Director (SID)



Stephen Harris

 **Biography**
Page 92

- provides support to, and acts as a sounding board for, the Chair and the non-executive directors
- acts as a point of contact for shareholders
- available as a trusted intermediary for other directors, as necessary
- manages chair succession

Group CEO



Andrew King

 **Biography**
Page 92

- leads and manages the business with day-to-day responsibility for running the operations and, in particular, the execution of strategy within the delegated authority from the Board
- ensures the communication of Mondi's values and goals throughout the organisation, leading by example
- chairs the Executive Committee and leads and motivates the management team
- ensures the Group has effective processes, controls and risk management systems
- develops and implements Group policies, including with regard to safety and sustainability
- together with the Group CFO, leads the relationship with institutional shareholders

Independent Non-Executive Directors



Tanya Fratto

Dominique Reiniche



Enoch Godongwana

Stephen Young

 **Biographies**
Page 93

- provide independent oversight of the Group's activities
- offer an external perspective to, and constructively challenge, management
- provide to the Board a diversity of knowledge and experience
- monitor management performance and the development of the organisational culture
- review and agree strategic priorities and monitor the delivery of the Group's strategy
- ensure the integrity of financial reporting and the effectiveness of internal controls and risk management
- determine executive director remuneration

Company Secretary

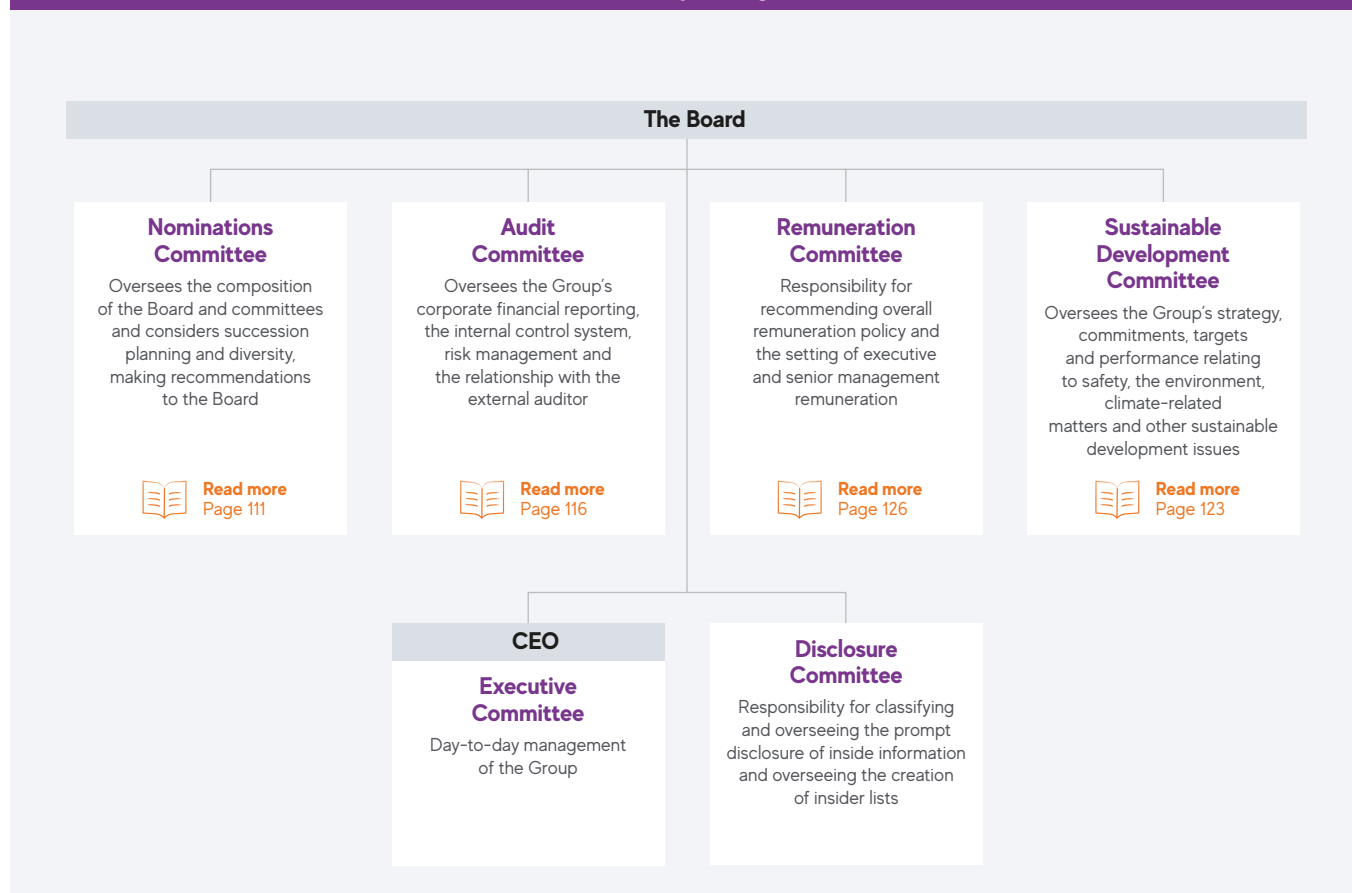


Jenny Hampshire

 **Biography**
Page 95

- supports the Chair in the delivery of accurate and timely information ahead of each meeting
- ensures compliance with Board and committee procedures
- acts as a key point of contact for Chair and non-executive directors
- provides support to the Board and committees, and advises on governance, statutory and regulatory requirements
- provides advice on legal, governance and listing requirements, in particular relating to continuing obligations and directors' duties

Board leadership and governance



The primary role of the Board, led by the Chair, is to ensure the long-term sustainable success of the Group, taking into consideration the views and interests of our key stakeholders. Our governance processes and procedures provide a framework to support the Board in the fulfilment of this role.

There is a clearly defined Schedule of Matters Reserved for the Board, setting out those key matters that require Board approval. The Board meets at least seven times a year and an annual rolling agenda is agreed with the Board to ensure that all key matters reserved for its consideration are covered in the annual cycle of meetings. In relation to other matters, the Board is supported by a number of committees, each of which has its own Terms of Reference and annual work programme. The Matters Reserved for the Board and the Terms of Reference are reviewed at least annually and are available on the Group's website. The committees meet prior to meetings of the Board to enable the committee chairs to report to the Board and to enable any necessary recommendations or advice relevant for deliberations to be provided.

The Chair, with support from the Company Secretary, ensures the distribution of appropriate, accurate and well-presented materials, with meeting packs being circulated electronically a week before each meeting. Each board programme is usually held over two days enabling the directors to spend more time together and form a greater understanding of each other, developing a culture of trust and openness in the boardroom. During 2020, despite the majority of Board meetings being held virtually due to COVID-19, Board and committee meetings continued to be held across two days allowing the time for additional discussion, rest breaks and the same level of debate as in physical meetings. Ensuring there is sufficient debate and consultation with management and advisers as well as between the directors themselves during meetings is key to allowing them to reach considered and effective decisions. The well-established culture of respect and trust between Board members ensured this continued to be the same, despite being in different locations.

As appropriate, other senior executives and advisers are invited to attend and present at meetings, providing the non-executive directors with a broader perspective on matters under consideration and assisting the Board with monitoring performance and achieving its objectives.

The agenda for each meeting is agreed with the Chair to ensure that, in addition to regular items, consideration is being given to matters that may impact the Group's operations from the wider economic or business environment. Responding appropriately to the changing environment in which the Group operates is vital for Mondi's long-term success.

Corporate governance report

Division of responsibilities continued

Board activity

The key matters considered by the Board during the year are set out below. While this is not an exhaustive list, it provides insight into the discussions of the Board and how it aims to promote the long-term success of the company and achieve its key objectives. In addition to the matters set out, each meeting includes a report from the Group CEO providing an operational update; a report from the Group CFO on the Group's financial performance; an update on safety performance; and a report from the Company Secretary on recent governance and regulatory matters.

Financial performance, funding and capital

- Reviewed and approved the full and half-year results and trading updates.
- Reviewed and approved the Mondi Group Integrated report and financial statements, ensuring they are fair, balanced and understandable (see page 120 for more information).
- Considered dividend recommendations and declarations in light of the Group's stated dividend policy. This resulted in the difficult but prudent decision to withdraw the proposed 2019 final dividend and postpone any decision around dividend payments until the outlook was clearer. Subsequently, dividend payments were resumed (see page 56 for more information).
- Reviewed and approved the Group business plan for 2021–2023 and the budget for 2021, considering assumptions made and the reasonableness of the plan and focusing on the operational overviews, cash flow management and capital allocation.
- Considered and approved the renewal of the Euro Medium Term Note Programme, the launch of a €750 million 8-year Eurobond and the extension of the maturity date of the €750 million Syndicated Revolving Credit Facility by a year.
- Annual reviews of the Group treasury and Group tax functions and performance, including approval of the Group's tax strategy statement for publication on the Group's website.

Strategy formulation and monitoring

- Concluded a strategy review session resulting in continued support for Mondi's strategic direction and confidence that Mondi's strategy is sustainable in the long-term (see below for more information).
- Approved the 2030 sustainability commitments (MAP2030) following consideration of the output from stakeholder engagement and the outcome of the discussions of the Sustainable Development Committee. More information can be found on pages 26–27.
- Considered and approved the acquisition of Olmuksan, a leading Turkish corrugated packaging producer.
- Regularly reviewed competitor and market analyses and shareholder analysis reports and feedback.

Strategy review

The Board's annual in-depth review of Mondi's strategy considered where Mondi is today, its strategic focus, options for future growth and detailed business unit strategic initiatives.

In addition, a number of key areas of strategic focus were reviewed in more detail. The selected areas were driven by current market trends, the changing requirements of our customers and the key focus areas for our investors. These included environmental regulation and ESG trends and e-commerce trends and opportunities. The Board considered the growing importance of these trends to Mondi's business model, the potential impact on strategy and the risks and opportunities posed.

These deep dives provided context for the Board's deliberations, allowing the directors to assess whether the strategy remained appropriate and sustainable and how implementation and monitoring of the strategy might need to be adjusted.

The Board ultimately confirmed its continued support for Mondi's strategic direction.

More information on Mondi's strategy and business model can be found on pages 18 to 35.

Operational performance

- Reviewed detailed reports in relation to safety and oversight of management's response to fatalities.
- Received detailed reports from the CEOs of the business units (see opposite for more information).
- Monitored the implementation of a number of large capital projects, including projects at Ružomberok (Slovakia), Štětí (Czech Republic) and Richards Bay (South Africa) (see page 30 for more information).

Governance and stakeholders

- Received regular reports from the chair of each committee.
- Reviewed the Group's corporate governance framework in light of governance and regulatory developments.
- Reviewed investor feedback (see pages 101-102 for more information).
- Reviewed employee engagement matters, including the results of the employee survey (see pages 99-100 for more information).
- Reviewed the interests of key stakeholders, agreeing that the current stakeholder groups remain appropriate (see pages 40-41 for more information).
- Reviewed reports received via Mondi's confidential reporting hotline, SpeakOut, and agreed to change the provider of SpeakOut (see page 97 for more information).
- Reviewed and approved the Group's human trafficking and modern slavery statement.
- Reviewed the output from the board evaluation process and agreed an action plan (see pages 109-110 for more information).
- Reviewed principal Group policies and agreed amendments where appropriate, including to the Diversity & Inclusion Policy (see pages 114-115 for more information).
- Reviewed arrangements for the Annual General Meeting (AGM), particularly in light of COVID-19, resulting in changes to our approach to the meeting. As a result of investor feedback, the Board intends to make greater use of technology in future AGMs in order to facilitate increased engagement.

Risk management

- Reviewed the Group's risk management processes, plan and risk tolerance levels and internal controls, with consideration of risk monitoring, mitigation activities and independent assurance processes. This resulted in the addition of pandemic risk as a new principal risk, the decoupling of cyber security risks from IT risks, and a change to the impact rating of climate-related risk. Emerging risks were also considered (see page 76 for more information).
- Received half-yearly presentations on IT risks and cyber security (see page 120 for more information).
- Reviewed the Group insurances, ensuring an appropriate balance of risk between the Group and our insurers.

Presentations from the business unit CEOs

During the year, each of the business unit CEOs presented to the Board, providing updates on their businesses. The presentations included safety performance, market position and dynamics, financial performance and the impact of COVID-19.

One of the agreed actions from the 2019 Board evaluation was for the Board to have greater insight into the requirements and perspectives of our customers. In response to this, the presentations had a particular focus on customers and the business unit CEOs were accompanied for the presentations by members of senior management in customer-facing roles, including the sales directors and chief operating officers of each of the segments.

This allowed the Board to speak directly to those who are closest to our customers and have the greatest understanding of their developing requirements. The demand for sustainable solutions was a particular focus, with the Board given an in-depth overview of Mondi's EcoSolutions approach.

Leadership

- Considered and approved the appointments of Philip Yea as Chair and Svein Richard Brandtzaeg, Sue Clark and Dame Angela Strank as independent non-executive directors (see page 113-114 for more information).
- Agreed that Peter Oswald would step down as Group CEO and considered and agreed that Andrew King be appointed as Group CEO and Mike Powell as Group CFO.
- Agreed the retirement of Stephen Harris at the 2021 AGM and the appointment of Stephen Young as Senior Independent Director with effect from the conclusion of the 2021 AGM.
- Considered and approved recommended changes to the membership of the Executive Committee.
- Considered succession and talent management plans, including initiatives to improve diversity levels across the Group.

Corporate governance report

Composition, succession and evaluation

Induction, training and development

Training and development is key to ensuring the ongoing effectiveness of the Board and that we have the right combination of skills and knowledge. This begins with an induction for all new directors. While there is an outline induction programme in place, this is discussed with each new director and is tailored to meet any specific requirements. The aim is to familiarise a new director with the nature of the Group's business and operations, highlighting the key challenges and opportunities as well as the regulatory environment in which the Group operates, the key duties of the director, including in relation to Section 172 and stakeholder interests, and the culture and values of the Group. All directors are given access to an online director handbook containing documents including key policies and the terms of reference for each committee.

Philip Yea and Mike Powell both undertook inductions following their appointments in 2020. Further details can be found opposite and below. Given the international locations of Mondi's sites, site visits, which would normally form a key part of the induction process, were not possible due to the travel restrictions in place during 2020. Such visits will be arranged for Philip, Mike and the new non-executive directors joining the Board in 2021 once restrictions ease.

We also aim to ensure that existing directors receive ongoing training and development opportunities. We offer the directors the opportunity to keep up to date with regulatory, governance and economic changes as well as developments in the markets and environments in which we operate. We do this through Board presentations, both from internal and external presenters, site visits, updates aimed at providing wider context to the Group's activities and position in the market and regular reports from the Company Secretary highlighting developing trends and future changes in governance and regulation.

Each director can discuss any development needs with the Chair at any time, but the opportunity arises more formally during the annual review process when discussions regarding individual performance are held. In addition, all directors are encouraged to strengthen and refresh their knowledge by attending workshops, seminars and courses relevant to their respective roles, and details of the availability of these are provided regularly.



Philip Yea's induction

Following Philip's appointment to the Board on 1 April 2020 and in the lead up to his appointment as Chair on 7 May 2020, a number of virtual meetings and briefings were organised in order to provide Philip with a detailed overview of the Group and to give him the insight and knowledge required to take over as Chair as effectively as possible.

Initial meetings were held with Andrew King as Group CEO and David Williams as the outgoing Chair, covering matters including strategy, the current market situation and the response to COVID-19. The meetings with David in particular provided the opportunity to gain an understanding of the dynamics and culture of the Board. Meetings were also held with the other non-executive directors. Stephen Harris, in his role as Senior Independent Director, was able to provide insight into the findings of the 2019 external Board evaluation and the key actions agreed.

Philip went on to hold meetings with each of the Executive Committee members, giving him a detailed understanding of the Group's business, culture, risk areas and priorities and the context necessary for matters discussed at Board and committee meetings. Meetings were also held with key members of senior management, including the Company Secretary, the Group Heads of Tax, Treasury, Sustainable Development, Safety & Health, Strategy & Investor Relations and Internal Audit.

Philip also met with Mondi's brokers, external auditor and financial advisers prior to his appointment.

Mike Powell's induction

In the lead up to Mike's appointment to the Board on 1 November 2020, he was able to join a number of meetings that were key to the development of his knowledge and understanding of Mondi, its businesses and its culture.

While many were virtual, such meetings provided the opportunity to meet and have discussions with fellow Board and Executive Committee members. These meetings included the annual Executive Committee and Board strategy reviews which provided Mike with detailed insight into the Group's strategy and the rationale behind it, to hear the debate and to understand the challenges and priorities. He also attended detailed budget review meetings with members of senior management and key personnel from the businesses.

Alongside this, a number of meetings were held with Andrew King to discuss the handover of Andrew's CFO

responsibilities, ensuring a smooth transition. He also met with Mondi's brokers, financial advisers and external auditor in the lead up to and during the first few days of his appointment.

Mike went on to hold virtual meetings with key members of senior management, including his direct reports, primarily Group function heads, and the CFOs of the business units, providing an opportunity to hear first-hand about the dynamics of the Group and to understand the key areas of focus in each area of responsibility.

2019 Board evaluation process

In line with best practice, in 2019 we conducted an external Board evaluation. Below are the key actions reported last year following the external evaluation, which was undertaken by Lintstock, and details of the progress we have made against those actions:

Action agreed from 2019 evaluation	Progress achieved
To increase the focus at Board level on customer requirements and perspectives	During the year, the business unit presentations to the Board included a greater focus on customer requirements, with the business unit CEOs accompanied by a number of senior managers in customer-facing roles. More details can be found on page 107.
Following the appointment of a new chair, to give renewed consideration to the composition of the Board and whether the balance of skills is appropriate	The Board's composition was a key focus for the Nominations Committee during the year. This renewed consideration resulted in the decisions to appoint Svein Richard Brandtzaeg, Sue Clark and Dame Angela Strank to the Board. More details can be found on pages 113-114.
To expand the provision of information to the Audit Committee and Board around emerging risks, increasing the level of discussion in this regard	The annual review of Mondi's Group risk map and risk assessment process included specific review of emerging risks, with the execution of major capital expenditure projects identified as a notable emerging risk. More details can be found on page 76.
To consider the introduction of further deep dives into specific elements of the Group's strategy	During the Board's annual strategy review, a number of key areas of current strategic focus were selected for more detailed consideration, the two primary areas being environmental regulation and ESG trends and e-commerce. More details can be found on page 106.

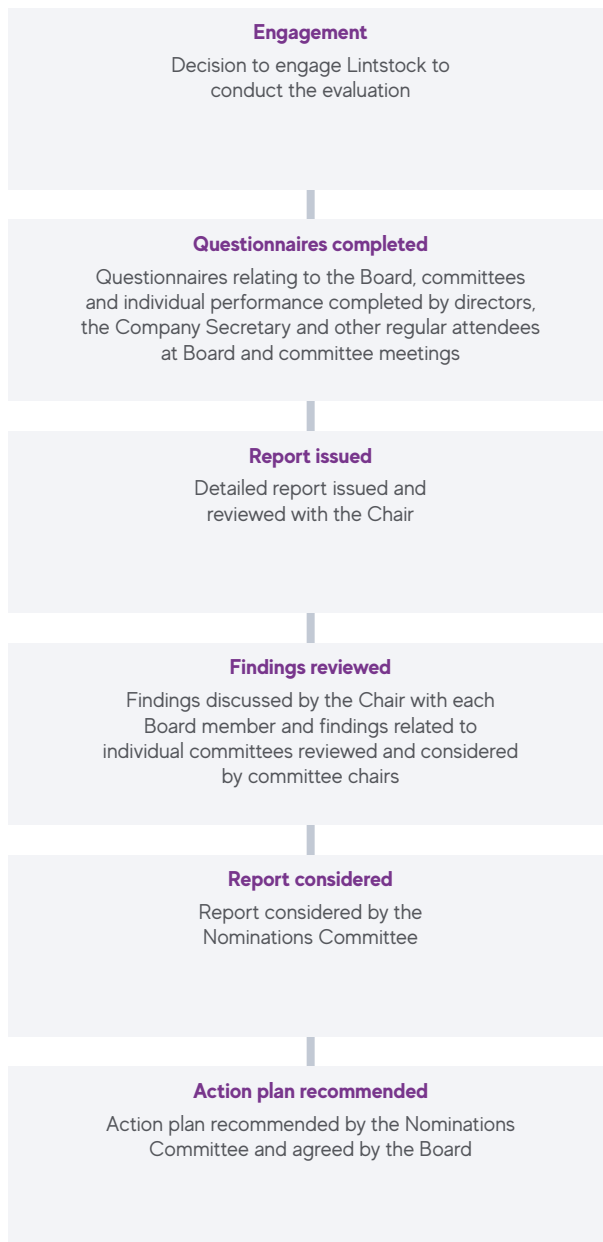
Corporate governance report

Composition, succession and evaluation continued

2020 Board evaluation process

In 2020, the Board took the decision to undertake a questionnaire-based evaluation facilitated by Lintstock. Given Lintstock carried out Mondi's external Board evaluation in 2019, it was agreed that the follow-up support and insight Lintstock could offer in 2020 would be valuable. Lintstock has no other connection to Mondi. Anonymity was ensured throughout the process to allow for the provision of candid and open feedback by participants. The evaluation process was led by Philip Yea in conjunction with the Nominations Committee.

The process is illustrated below:



As a result of the process, the Board concluded that it continues to operate in an effective manner, benefiting from positive dynamics, strong engagement and relationships with senior management and a boardroom culture that allows for open and constructive challenge. Each director continues to contribute effectively to the Board.

There was consensus around the priorities for the forthcoming year and the key actions agreed by the Board as a result of the evaluation include:

- to continue to develop Mondi's strategy in light of developing sustainability and other key industry trends
- to reinstate site visits by the Board as soon as safe and practicable
- to introduce annual reviews on technology and related developments in Mondi's core manufacturing processes
- to further develop the Board's insight into our key stakeholder groups by introducing annual reviews of developments in Mondi's supplier base and continuing the regular business unit presentations with a particular focus on customers and products
- to develop succession planning at senior management level, taking opportunities for the non-executive directors to engage with members of the Executive Committee and senior management wherever possible
- to successfully integrate Svein Richard Brandtzaeg, Sue Clark and Dame Angela Strank following their appointments to the Board

The Board considers that it continues to benefit from the annual review process, the results from which help guide the future focus of meeting agendas and behaviours.

Together we are...

leveraging diverse skillsets for our strategic success

The focus has been on reviewing the composition of the wider Board, considering the skills and experience we will require to drive forward our strategy and to support and respond to the increasing focus on sustainability by our key stakeholders.

Philip Yea
Chair of the Nominations Committee



Composition and attendance¹

Members throughout the year	Committee member since	Meeting attendance
Philip Yea, Chair ²	April 2020	5/5
Tanya Fratto	January 2017	7/7
Enoch Godongwana	September 2019	7/7
Stephen Harris	March 2011	7/7
Dominique Reiniche	October 2015	7/7
David Williams ³	May 2007	2/3
Stephen Young	May 2018	7/7

- The maximum number of scheduled meetings held during the year that each director could attend is shown next to the number attended. Additional meetings were held as required
- Philip Yea joined the committee on 1 April 2020 and was appointed as Chair on 7 May 2020. Philip attended all meetings following his appointment
- David Williams retired as Chair and from the committee on 7 May 2020. David was unable to attend one meeting prior to his retirement due to an unavoidable family commitment. The meeting was chaired by the Senior Independent Director, Stephen Harris

Other regular attendees

– Group CEO

Dear Shareholder

This report provides an overview of the committee's key activities and focus areas during the year and the framework within which it operates.

Composition

Besides the retirement of David Williams and my appointment to the committee in April 2020, membership of the committee remained unchanged during the year. Each non-executive director is a member of the committee, ensuring that it has access to as wide a range of knowledge and experience as possible. In line with this practice, Svein Richard Brandtzaeg, Sue Clark and Dame Angela Strank will join the committee upon their appointments to the Board in April 2021.

Areas of focus

The key focus of the committee is to ensure that the composition of the Board is appropriate and relevant to the Group and that the Board is in the best position to drive the agreed strategy. This includes consideration of diversity and succession matters.

My appointment as Chair, a process led by Stephen Harris in his role as Senior Independent Director, was a key focus for the committee at the beginning of 2020. Further information on the appointment process can be found on page 113. Alongside this, following the announcement that Peter Oswald would step down as Group CEO and as a director of Mondi plc on 31 March 2020, the search for a new CEO was initiated. Following a formal review process assessing both internal and external candidates, the committee recommended to the Board the appointment of Andrew King as Peter's successor. The Board accepted the committee's recommendation and Andrew was appointed with effect from 1 April 2020. This was followed by the decision to appoint Mike Powell as Group CFO with effect from 1 November 2020.

Corporate governance report

Nominations Committee continued

We also announced in January 2021 that Stephen Harris will retire at the conclusion of the Annual General Meeting in May 2021 after more than nine years on the Board.

In light of these changes, the focus has been on reviewing the composition of the wider Board, considering the skills and experience required to drive forward our strategy and to support and respond to the increasing focus on sustainability by our key stakeholders. It was also important to ensure that we continue to have the knowledge and insight that Stephen has brought to the Board. This led to the decisions to appoint Svein Richard Brandtzaeg, Sue Clark and Dame Angela Strank as independent non-executive directors with effect from 22 April 2021. Further details can be found on pages 113-114.

We also believe that our ability to achieve these objectives will be strengthened by improving the level of diversity on our Board, on our Executive Committee and across our workforce. During the year, the committee received a detailed presentation from the Group HR Director providing an update on progress towards improving diversity across the Group at all levels. The committee also discussed and agreed changes to the Group's Diversity & Inclusion Policy, changes primarily driven by best practice, the developing expectations of our employees, investors and wider stakeholders and our desire to strengthen our approach. This is supported by the development of a diversity target as part of the Mondi Action Plan 2030 (MAP2030) and the actions taken by the Diversity & Inclusion taskforce during the year. More information regarding our approach to diversity can be found on pages 49-50 and 114-115.

A more detailed overview of the key matters considered by the committee during the year can be found below.

Committee effectiveness

The committee's performance and effectiveness were reviewed as part of the board evaluation undertaken during the year, more details of which can be found on page 110. I am pleased to confirm that the committee is seen to be operating effectively and fulfilling the duties delegated to it by the Board.

Philip Yea
Chair, Nominations Committee

Nominations Committee activity

Set out below are some of the key matters addressed by this committee.

Board and committee composition

- Completed the chair recruitment process, resulting in the appointment of Philip Yea (see page 113).
- Discussed and agreed the recruitment process for the CEO role, including the key attributes required, resulting in the decision to recommend to the Board the appointment of Andrew King.
- Discussed and agreed the recruitment process for the CFO role, including the key attributes required, resulting in the decision to recommend to the Board the appointment of Mike Powell.
- Discussed Stephen Harris's independence, agreeing that he continues to take an active interest in Mondi and demonstrates willingness to challenge management, remaining independent despite nine years on the Board. The committee subsequently discussed and agreed Stephen's retirement at the 2021 Annual General Meeting (AGM) and the appointment of Stephen Young as Senior Independent Director with effect from the conclusion of the 2021 AGM.
- Considered the composition of the Executive Committee, including the skills, experience and qualifications required, diversity and succession planning, and proposals from management and recommended new appointments to the Board for approval.
- Reviewed the continued independence of each non-executive director, including consideration of their term in office and any potential conflicts of interest, concluding that each non-executive director remained independent. Particular focus was given to Stephen Young who reaches his three-year term on the Board in May 2021.
- Reviewed the time commitment required of each non-executive director, concluding that all non-executive directors continued to devote appropriate time to address their duties to Mondi.

Succession planning

- Considered the Board's succession plans, in relation to existing directors, the requirements of the Board and committees in the longer term and the skills and experience required to support the Group's future growth strategy. This resulted in the decisions to recommend to the Board the appointments of Svein Richard Brandtzaeg, Sue Clark and Dame Angela Strank (see page 113 for more information).
- Received a report and presentation on talent management practices within the Group.
- Received a presentation on diversity within the Group and a review of measures being taken to improve this and approved changes to the Diversity & Inclusion Policy (see pages 114-115 for more information on our approach to diversity).

Board evaluation

- Monitored progress against the agreed action plan from the prior year's evaluation process (see page 109 for more information).
- Considered and agreed the process for the 2020 evaluation of the Board, committees and individual directors (see page 110 for more information).

Corporate governance and other matters

- Considered, and recommended to the Board, the re-election of all directors at the AGM, with the exception of Stephen Harris who will retire.
- Reviewed the committee's terms of reference, performance and work programme.
- Considered, and agreed to, the committee's report for inclusion in the Group's Integrated report and financial statements.

Board appointments

Mondi has an agreed process in place for the recruitment and appointment of new directors to the Board. This process was followed in relation to each of the new appointments during 2020 and is set out below.

Agreement of key business experience and skills required

taking into account succession and diversity requirements, and candidate specification drawn up

External independent search agent engaged

to assist with the selection process

Search conducted and long list of potential candidates provided for consideration

the long list to include male and female candidates from a variety of backgrounds

Short list chosen from long list

for interview by the Chair and at least one other appropriate director

Short list reduced to an agreed number of candidates

for interview by other executive and non-executive directors

Nominations Committee considers the preferred candidates

including ability to commit time to the role and any potential conflicts of interest, and makes a recommendation to the Board

Board considers the recommendation

and whether to proceed with the appointment

Russell Reynolds Associates, an external search agency, was engaged to assist with the selection processes leading to the appointments of Philip Yea as Chair, Andrew King as Group CEO and Svein Richard Brandtzaeg, Sue Clark and Dame Angela Strank as independent non-executive directors. Russell Reynolds is a signatory to the Voluntary Code of Conduct for Executive Search Firms and does not provide any services to the Mondi Group other than Board-level recruitment. Egon Zehnder was engaged to assist with the selection process leading to the appointment of Mike Powell as Group CFO. Egon Zehnder is also a signatory to the Voluntary Code of Conduct for Executive Search Firms. Egon Zehnder occasionally assists Mondi with recruitment below Board level.

Biographies for Philip, Andrew and Mike, who are directors at the date of this report, can be found on page 92. Biographies for Svein Richard, Sue and Angela can be found on page 114.

On appointment each non-executive director receives a letter of appointment setting out, among other things, their term of appointment, the expected time commitment for their duties to Mondi and details of any committees of which they will be a member. Non-executive directors are initially appointed for a three-year term, after which a review is undertaken to consider renewal of the term for a further three years. However, Mondi follows governance best practice with all directors standing for re-election by shareholders at each Annual General Meeting.

Appointments of Svein Richard Brandtzaeg, Sue Clark and Dame Angela Strank

In November 2020 we announced the appointment of Svein Richard Brandtzaeg as an independent non-executive director. This was followed in February 2021 by an announcement confirming the appointments of Sue Clark and Dame Angela Strank as independent non-executive directors. They will join the Board on 22 April 2021.

With effect from the same date, Svein Richard will be appointed as a member of the Audit, Nominations and Sustainable Development Committees. Sue will be appointed as a member of the Audit, Nominations and Remuneration Committees and Angela as a member of the Nominations, Remuneration and Sustainable Development Committees.

The decisions to appoint Svein Richard, Sue and Angela were taken following consideration of the skills and experience required to support the development of Mondi's strategy and in light of succession planning requirements. They have strong commercial and strategic backgrounds, with experience of leading and operating in large, international companies in both executive and non-executive roles. Their exposure to a broad range of industries and stakeholders will bring significant knowledge and insight to the Board.

As part of the appointment process, their external commitments were reviewed. Svein Richard undertook to reduce his external commitments in line with governance guidelines prior to joining Mondi and will step down from the board of SCR-Sibelco SA in April 2021. As a result, the Nominations Committee was comfortable that Svein Richard, Sue and Angela will be able to commit the necessary time to Mondi. Their independence was also reviewed and confirmed.

In line with our appointment process, they have each received a letter of appointment from Mondi plc. The terms provide for their appointments to be terminable on six months' notice and their fees will be in accordance with the details set out on page 131 for non-executive directors. At the date of this report, they do not hold any shares in Mondi plc.

 **Svein Richard, Sue and Dame Angela's biographies**
Page 114

Corporate governance report

Nominations Committee

continued

Diversity & Inclusion

Mondi is committed to encouraging and promoting diversity and inclusion (D&I) in all its forms.

As a global organisation operating in more than 30 countries, D&I forms an integral part of the way we do business and we know that having a diverse Board and workforce and the broad range of perspectives this brings supports the achievement of our strategy and contributes towards our success. We are committed to creating a culture that embraces D&I and provides a working environment that is fair and non-discriminatory, from recruitment and people development to reward and our talent management approach. We strive for an inclusive environment where differences are valued and embraced. We empower and develop our people, helping them to grow to their full potential while also developing and maintaining a competitive business advantage.

The Group's D&I Policy, which was approved by the Board, is intended to help us meet these goals and support the development of a diverse pipeline up to the Board, Executive Committee and all other levels of the organisation. It sets out guidelines for such matters as recruitment, the use of search firms, succession and annual reviews, both at Board level and in relation to the wider workforce.

 **The policy can be found on Mondi's website**
www.mondigroup.com/en/sustainability/governance-of-sustainability

Key policy requirements include:

At Board and Executive Committee level:

- The Board supports the principles outlined in the Hampton–Alexander Review in relation to gender diversity on the Board and across the Executive Committee and in direct reports to the Executive Committee.
- The Board supports the principles outlined in the Parker Review in relation to ethnic diversity on boards.
- For Board appointments, Mondi will, wherever possible, engage executive search firms that have signed up to the Voluntary Code of Conduct for Executive Search Firms.
- Search firms will be requested to include a sufficient number of credible and suitably qualified female candidates and candidates from a variety of ethnic backgrounds.
- The Nominations Committee will review, at least annually, succession plans in relation to the Board, the Executive Committee and other senior managers in light of D&I levels across the Group and taking into account skills, experience and diversity requirements.
- Mondi commits to complying with the seven UN 'Women Empowerment Principles'.

At employee level:

- Recruitment activities are aligned with the aims of our D&I Policy and applicable employment/equality legislation in jurisdictions in which we operate, including to promote diversity of all types and to ensure fair and non-discriminatory working practices.
- We aim to ensure that a sufficient pipeline of candidates of diverse backgrounds is considered during succession planning.
- We aim to ensure that the nationalities of candidates at long and short list stages are appropriately representative of our international footprint, subject to the availability of candidates with the necessary qualifications and experience.
- We will ensure fair and equal training and development opportunities.

During 2020, following a review of best practice and the developing expectations of our employees, investors and wider stakeholders, a number of amendments to the D&I Policy were implemented by the Board. In particular, the policy now includes greater clarity and detail on protected diversity attributes, and explicitly states our commitment to working with our suppliers to improve D&I practices in our value chain.

Non-executive directors joining the Board

Svein Richard Brandtzaeg

Svein Richard has a PhD in Chemical Engineering from the Norwegian University of Science and Technology. He started his career at Ardal og Sunndal Verk AS, the Norwegian state-owned aluminium business before it merged with Norsk Hydro ASA. Svein Richard went on to hold a variety of management roles at Norsk Hydro, leading a number of its businesses before being appointed chief executive in 2009, a position he held until retiring in 2019. Svein Richard is Chair of Veidekke ASA, Vice Chair of Den Norske Bank ASA and a non-executive director of Swiss Steel Holding AG, SCR-Sibelco SA and Eramet Norway.

Sue Clark

Sue has a BSc in Biological Sciences from Manchester University and an MBA from Heriot Watt University. She started her career with the Central Electricity Generating Board before holding a variety of communication roles at National Power plc. Sue went on to join Scottish Power plc, where she became Director of Corporate Affairs. In 2000, she joined Railtrack Group plc before moving to SABMiller plc in 2003 where she was a member of the Executive Management team, and Director of Corporate Affairs until 2012 and then Managing Director, Europe until the business was acquired in 2016. Sue is the Senior Independent Director at Imperial Brands plc and a non-executive director of AkzoNobel NV and Britvic plc. She was also a non-executive director of Bakkavor Group plc from 2017 to 2020.

Dame Angela Strank

Angela has a BSc and PhD in Geology from Manchester University. She is also a Chartered Engineer with the Institute of Chemical Engineers. After graduating, Angela spent two years with the Institute of Geological Sciences before joining BP plc in 1982 where she held a number of international roles, including in the Far East and Angola. She went on to hold various senior leadership and technology-focused roles with BP. From 2012 to 2014 she was Head of the Group Chief Executive's Office before being appointed Chief Scientist and Head of Downstream Technology in 2014, a role she held until retiring in 2020. From 2018 to 2020 she was a member of BP's Group Executive Management Team. Angela was appointed a DBE in 2017 and is a Fellow of the Royal Society, the Royal Academy of Engineers and the Institute of Chemical Engineers, as well as an Honorary Fellow of the UK Energy Institute. She holds honorary degrees from Royal Holloway University and the University of Bradford. Angela is a non-executive director of Severn Trent plc, SSE plc and Rolls-Royce Holdings plc.

We expect our suppliers to adhere to the same standards of equal opportunity without discrimination, an expectation that was already set out in our updated Code of Conduct for Suppliers. We have also emphasised the vital role that the governance of D&I issues across the Group, particularly stakeholder engagement, transparency and training plays in achieving our D&I objectives.

While appointments at all levels will continue to be made based on skill and ability, ensuring that we have the right mix of backgrounds, knowledge and experience to meet our future business needs, it is clear that gender, ethnicity, race and other forms of D&I must form a key part of our succession planning discussions and are critical to the long-term sustainable success of our business. Additional information on the specific process followed for Board-level appointments can be found on page 113.

During 2020, we reported to the Hampton-Alexander Review that as at 31 October 2020, we had 37.5% female representation on our Executive Committee and 28% in the direct reports to the Executive Committee, giving a combined total of 29%. As at 31 December 2020, following the appointment of Mike Powell as Group CFO, female representation on our Executive Committee had reduced to 33%. However, the percentage of female direct reports to the Executive Committee had increased to 29%, maintaining a combined total of 29%. We had two female directors representing 25% of the composition of the Board and one director of colour.

“Together we’re focused on maximising the potential of our business, building an empowered and inclusive team that contributes to a better world.”

Andrew King
Group CEO

It is clear we still have further to go, particularly in developing the pipeline up to the Executive Committee and ultimately up to the Board, a process that will take time. This remains a priority at all levels of the organisation. We took a key step during 2020 when we set a diversity and inclusion target as part of the Mondi Action Plan 2030 (MAP2030). We are committing to providing purposeful employment for all in a diverse and inclusive workplace. Our progress will be measured by the purpose satisfaction and inclusiveness scores in our global employee survey (each to reach 90% by 2030, against a 2020 baseline of 78% and 79% respectively); and by the overall percentage of women that we employ across Mondi (to reach a minimum of 30% women globally by 2030, against a 2020 baseline of 21%). Read more about our MAP2030 commitments on pages 26–27.

Our D&I taskforce – a cross-business, cross-functional team launched in 2018 – is helping to shape and embed our approach. 2019 saw good momentum across the business, with the development and roll out of several supporting initiatives such as the ‘conscious inclusion training’, ‘8 steps towards inclusive behaviour’ and projects related to specific target groups like gender-inclusive language and reverse-mentoring. In 2020 the taskforce explored how to shape the diversity and inclusiveness of our leadership and culture to embody our D&I aspirations, and what targets we need to drive our MAP2030 sustainable development ambitions. We set the foundation to measure our baseline and worked with colleagues across the business to shape a D&I vision and meaningful targets for the coming years. We continue to encourage local ownership to drive the D&I agenda, supported by our taskforce members. Projects include a female leadership network in Poland, a D&I programme in North America and cooperating with universities to engage with the next generation of our workforce. We are now working on a roadmap that will cover concrete actions on strategic performance and management, including our policies and governance; leadership and culture; human resource practices; training; tools, data and reporting; infrastructure; and transparency and external engagement.

In South Africa we are committed to making a positive contribution to the process of transformation. We have taken active steps to meet the requirements of broad-based black economic empowerment (BBBEE), including establishing transformation forums in our South African operations to allow our employees to discuss equity and training-related issues and ideas.

 **Our current BBBEE certificate can be found on Mondi’s website**
www.mondigroup.com/en/corporate-governance/regulatory-reports/broad-based-black-economic-empowerment-act-annual-compliance-report

D&I is also an essential part of Mondi’s leadership development programme. We offer success management training with a focus on female career strategies for higher management positions and training on career building for young female employees. In addition, employee exchanges where individuals spend time working in different business units and locations around the Group enable them to gain experience of different working practices and skills as well as having exposure to different cultures. We have also recently collaborated with Female Factors, a global community striving to enhance female leader careers by boosting confidence, competence and connections. This provides an opportunity to offer a number of women across the Group access to mentoring, networking and knowledge sharing.

The Mondi cultural characteristics incorporate our aim to hire and work effectively with people from a variety of diverse backgrounds, ethnicity, race, gender, culture and age. We measure our progress through the use of tools such as our global employee surveys and 360° feedback.

While it is recognised that there are many challenges and there is more work to do, Mondi believes that working across the business and engaging our stakeholders on our 2030 vision, sharing best practice, and collaborating both internally and externally will allow us to make good progress.

More details can be found on pages 49–50.

Corporate governance report

Audit Committee

Together we are... maintaining high standards of transparency and internal control

The implications of COVID-19 were considered in detail by the committee, including the impact on business continuity, our principal risks and our customers and suppliers. The committee was comfortable with the mitigation measures in place but given the potential implications for the business, it was recommended to the Board that pandemic risk should be classified as a new principal risk.

Stephen Young
Chair of the Audit Committee



Composition¹

Members throughout the year	Committee member since	Meeting attendance
Stephen Young, Chair ²	May 2018	4/4
Tanya Fratto	May 2017	4/4
Stephen Harris	March 2011	4/4

- The maximum number of scheduled meetings held during the year that each director could attend is shown next to the number attended
- Stephen Young satisfies the requirement for the committee to have a member with recent and relevant financial experience given his previous role as Group Finance Director at Meggitt plc and the other commercial accounting and finance roles he has held during his career. Stephen is a member of the Chartered Institute of Management Accountants

Other regular attendees

- Group CEO
- Group CFO
- Chair and Non-Executive Directors who are not members of the committee
- Group Controller
- Group Head of Internal Audit
- Representatives from PwC as external auditor

Dear Shareholder

This report provides an overview of the committee's key activities and focus areas during the year and the framework within which it operates.

Composition

The membership of the committee remained unchanged during the year, with the Board remaining comfortable that the committee members have the appropriate knowledge, skills and experience to fulfil the duties delegated to the committee. The members of the committee each have appropriate knowledge and understanding of financial matters and have commercial expertise gained from industries with similar manufacturing, engineering and technology-focused international operations, giving the committee as a whole competence relevant to the sector in which the Group operates.

It was announced that Svein Richard Brandtzaeg and Sue Clark will join the committee upon appointment to the Board in April 2021, adding further perspectives and experience. I am confident they will bring valuable insight to the committee.

Areas of focus

The committee's primary responsibility is to oversee the Group's corporate financial reporting, including the relationship with the external auditor, as well as Mondi's internal control and risk management framework and to assist the Board with any judgements and decision-making required in this regard. This remained the key focus of the committee during the year, with its activities being consistent with prior years and in line with its terms of reference.

Oversight of Mondi's principal risks remained high on the agenda during the year, with a number of the key risks falling within the committee's remit reviewed at each meeting. The implications of COVID-19 were considered in detail by the committee, including the impact on business continuity, our principal risks and our customers and suppliers. The committee was comfortable with the mitigation measures in place but given the potential implications for the business, it was recommended to the Board that pandemic risk should be classified as a new principal risk for the Group (see page 77 for more information). A rigorous analysis of Mondi's long-term prospects and viability was also undertaken.

While cyber security is always a focus for the committee, COVID-19 also presented new challenges in this regard given the significant increase in the number of people working from home due to the pandemic. The measures being taken to ensure secure and reliable remote access to employees working from home and to continue raising awareness around IT security were kept under close review and the committee remains confident that the approach taken was, and continues to be, robust (see page 85 for more information). In light of our increasing reliance on IT systems, cyber security risks have been decoupled from IT risks and are now presented on a standalone basis (see page 84 for more information).

Emerging risks were discussed during the year, with the execution of major capital expenditure projects identified as a notable emerging risk (see page 76 for more information).

The committee also undertook an external review of the Internal Audit function during 2020, the results of which can be found on page 122.

A more detailed overview of the key matters considered by the committee during the year can be found below.

Approach to regular financial reporting

The committee continually reviews its approach to financial reporting. During the year, the practice of publishing a quarterly update on trading conditions was reviewed. Given the cyclical nature of our business, our competitor reporting cycles and our desire to keep the market informed, it was agreed that we should continue with this practice. We also took into account feedback received from some of the Group's largest shareholders who have indicated their support for this approach as they find that it bridges the gap between the full reporting periods and provides an update on important market dynamics that affect the sector in which Mondi operates. We continue to monitor market practice and keep the position under review.

FRC review of Integrated report

During the year the Financial Reporting Council (FRC) included Mondi's 2019 Integrated report in its sample for its thematic review of companies' reporting on the impact of climate change. While the review of our climate disclosures was a limited scope review and the FRC does not verify information or provide assurance, I am pleased to confirm that no questions or queries were raised regarding our climate disclosures. Suggestions for improvements to our disclosures were made and these have been considered and implemented as appropriate.

Committee effectiveness

The committee's performance and effectiveness were reviewed as part of the Board evaluation undertaken during the year, more details of which can be found on page 110. I am pleased to confirm that the committee is seen to be operating effectively and fulfilling the duties delegated to it by the Board.

Stephen Young
Chair, Audit Committee

Audit Committee activity

Set out below are some of the key matters addressed by this committee.

Financial reporting

- Reviewed the integrity of all financial announcements with input provided by the Group CFO, Group Controller and PwC.
- Reviewed the Mondi Group Integrated report and financial statements for tone and consistency and considered whether the report as a whole was fair, balanced and understandable (see page 120 for more information).
- Reviewed and discussed PwC's reports to the committee.
- Reviewed and agreed the accounting policies to be applied for the year ending 31 December 2020.
- Reviewed new accounting pronouncements and any potential impact for the Group's financial reporting.
- Reviewed the going concern basis of accounting and the longer-term viability statement (see pages 86-87 for more information).
- Reviewed and considered the outcome of the FRC's limited review of Mondi's 2019 Integrated report and financial statements (see above for more details).

External audit matters

- Recommended to the Board that the appointment of PwC for the 2020 audit be put to shareholders at the Annual General Meeting.
- Reviewed the independence, objectivity and effectiveness of PwC (see page 121 for more information).
- Reviewed and approved the external audit plan, taking account of the scope, materiality and audit risks and agreeing the audit fees.
- Agreed amendments to the policy governing the provision of non-audit services by PwC in response to the Revised Ethical Standard 2019, further limiting the types of services that can be performed. The committee received a report at each meeting of non-audit services performed by PwC in order to monitor auditor independence.
- Reviewed and agreed the engagement and representation letters.
- Held two meetings with PwC without management present; the committee Chair also engaged regularly with the lead audit partner.

Risk management and internal controls

- Undertook a detailed review of the Group's risk management policy, plan and tolerance levels and process to assess the risks. This resulted in the recommendation of changes to the Board, including an adjustment to the impact rating of climate-related risk. Emerging risks were also considered (see page 76 for more information).
- Considered the implications of COVID-19 and in response to this, agreed to recommend to the Board the addition of pandemic risk as a separate principal risk.
- Reviewed the effectiveness of the risk management and internal control systems (see page 118 for more information).
- Undertook a more in-depth review of a number of the most significant Group risks with presentations from relevant members of senior management. The reviews looked at the level of risk and the monitoring and mitigation measures in place.
- Received half-yearly presentations on IT risk management and cyber security (see page 120 for more information).

Internal audit matters

- Reviewed and agreed the internal audit plan, confirming the focus on key risk areas and adequate cover of all material operations.
- Received reports from the Group Head of Internal Audit at each meeting (see page 122 for more information).
- Undertook an external review of the effectiveness of the Internal Audit function (see page 122 for more information).
- Held a meeting with the Group Head of Internal Audit without management present.

Governance and other

- Monitored and reviewed the continued implementation of those elements of the Group's Code of Business Ethics reserved for review by the committee.
- Reviewed the findings of an external review of Mondi's anti-bribery and corruption processes and procedures, with measures agreed to strengthen the approach to training and due diligence in relation to agents.
- Reviewed the legal and compliance risks faced by the Group.
- Reviewed Mondi's competition compliance programme.
- Reviewed the committee's terms of reference, performance and work programme.

Audit Committee continued

Internal control

The Group's internal control and risk management framework, embedded in all key operations, is designed to address all the significant strategic, financial, operational and compliance risks that could undermine our ability to achieve our business objectives in the future and is managed within risk tolerance levels defined by the Board. In accordance with the provisions of the UK Corporate Governance Code, the Group has in place an internal control environment to protect the business from principal risks which have been identified. Management is responsible for establishing and maintaining adequate internal controls over financial reporting and we have responsibility for ensuring the effectiveness of these controls. Full details of Mondi's internal control and risk management framework can be found in the Strategic report on pages 74–75.

The committee has reviewed the risk management process and the Group's system of internal controls. The committee considers that the system of internal controls operated effectively throughout the financial year and up to the date on which the financial statements were signed.

Significant issues related to the financial statements

The committee has considered each of the following items based on discussions with, and submissions by, management and satisfied itself as to the accounting treatment and presentation thereof. The most significant items were discussed with the external auditor during the planning stage and on completion of the audit. In the context of increased levels of macroeconomic uncertainty, resulting from the COVID-19 pandemic, increased attention has been given to certain estimates and judgements (as described in more detail below). Other issues are broadly similar to those addressed by the committee during 2019.

The key considerations in relation to the 2020 financial statements were:

Matter considered	Action
<p>Special items are those financial items which the Group considers should be separately disclosed on the face of the income statement to assist in understanding the underlying financial performance achieved by the Group as special items affect year-on-year comparability. The classification of an item as special is based on materiality in the context of the current year's financial performance and generally must exceed €10 million. Subsequent adjustments to items previously reported as special items continue to be reflected as special items in future periods even if they do not exceed the quantitative reporting threshold.</p> <p>The net special item charge (before tax) for the year was €57 million (2019: €16 million), consisting mainly of €30 million of restructuring and closure costs and €26 million of net impairment charges.</p> <p>Details of the special items are included in the Strategic report on page 71 and in note 3 of the financial statements.</p>	<p>The committee has:</p> <ul style="list-style-type: none"> – critically reviewed each item presented by management as being special to ensure that the items are in line with the Group's accounting policy; – considered both the quantification and presentation of special items; – reviewed the adequacy of the descriptions of the special items in the financial statements and the Strategic report; and – considered whether any significant transactions that were not classified as special were appropriately classified in the financial statements and appropriately described in the Strategic report.
<p>In the context of the increased level of macroeconomic uncertainty resulting from the COVID-19 pandemic increased attention has been given to the following areas: going concern and liquidity; impairment risk relating to property, plant and equipment and goodwill; expected credit losses for trade receivables and net realisable value of inventories. Details of the impact of COVID-19 on the consolidated financial statements are included in note 1 of the financial statements.</p>	<p>The committee has:</p> <ul style="list-style-type: none"> – considered reports from management in relation to the impact of COVID-19; – evaluated the assessment of going concern (see page 87 for further information); and – satisfied itself that the level at which macroeconomic uncertainty is applied is appropriate and considered according to the Group's accounting policy.

Significant issues related to the financial statements

Matter considered	Action
<p>In addition to property, plant and equipment of €4,641 million, intangible assets of €70 million and goodwill of €923 million are included as assets in the statement of financial position.</p> <p>As set out in the accounting policies, the goodwill is tested for impairment annually and property, plant and equipment and intangible assets whenever there is any indication that those assets are impaired.</p>	<p>The committee has:</p> <ul style="list-style-type: none"> – considered a report from management describing potential impairment indicators for tangible and intangible assets and the outcomes of related impairment tests; – considered a report from management on the outcomes of the annual goodwill impairment test; – reviewed the underlying assumptions applied and compared them with the Group's budget and the current macroeconomic environment; – considered the sensitivities underlying the primary assumptions to determine the consequences that reasonably possible changes in such assumptions may have on the recoverable amount of the underlying assets; and – satisfied itself that no impairment related to goodwill was required and that the impairments to property, plant and equipment were appropriate.
<p>The Group has operations in a number of countries each with a different tax system.</p> <p>The Group is regularly subject to routine tax audits and provisions are made based on the tax laws in the relevant country and the expected outcomes of any negotiations or settlements.</p> <p>The Group's recognition of deferred tax assets, relating to future utilisation of accumulated tax losses, is dependent on the future profitability and performance of the underlying businesses.</p>	<p>The committee has:</p> <ul style="list-style-type: none"> – received regular reports from management about new legislative developments that may impact the Group's tax positions; – considered reports from management outlining the Group's most significant tax exposures, including ongoing tax audits and litigation, and has reviewed the related tax provisions recognised by management, satisfying itself these are appropriate and the risk of new unexpected exposures arising is low; and – considered a report from management outlining the key assumptions relating to the recognition of deferred tax assets and satisfied itself that the assumptions made are reasonable and consistent from year to year.
<p>Significant estimation is required in determining the assumptions to be applied for the valuation of the Group's forestry assets and retirement benefit obligations. Such assumptions are based, as far as possible, on observable market data and, in the case of the retirement benefit obligations, the input and advice of actuaries.</p>	<p>The committee has:</p> <ul style="list-style-type: none"> – reviewed the assumptions applied in the valuation of the forestry assets and retirement benefits; – considered the basis on which these assumptions were determined, and evaluated the assumptions by comparing them with prior years and considering market developments during 2020; and – satisfied itself that the assumptions, and the changes to those assumptions when compared with the year ended 31 December 2019, were appropriate.

Audit Committee

continued

Fair, balanced and understandable

In line with the committee's responsibility for ensuring there are robust financial reporting procedures and internal controls in place and the UK Corporate Governance Code requirement for the committee to advise the Board in relation to the annual report and accounts, the committee undertook an assessment of the 2020 Integrated report and financial statements. This incorporated the work undertaken by the committee throughout the year to monitor financial reporting. The process and outcome are set out below.

Oversight through the year

- Review of applicable accounting policies and pronouncements and their application
- Review of regular financial results and announcements
- Reports from the Group Controller and PwC
- Reports from Internal Audit

Review included

- Provision of an outline plan including content and structure, design concepts and timetable
- Consideration of regulatory and governance requirements for reporting
- Review of detailed reports from the Group Controller and PwC providing the opportunity for debate and challenge
- Summaries of areas where management judgements or significant accounting estimates had been made
- Consideration of going concern and longer-term viability
- Separate meetings with PwC without management present
- Sufficient opportunity to review drafts

Review confirmed

- Well documented planning and procedures for the preparation of the report
- Collaborative approach between all parties required to contribute to the report
- Basis of preparation consistent with financial reporting throughout the year
- All significant issues had been considered
- Messaging was consistent particularly the narrative reflecting the financials

Conclusion

After completion of the detailed review, the committee was satisfied that:

- taken as a whole, the Group's Integrated report and financial statements 2020, were fair, balanced and understandable;
- the report accurately reflected the information shareholders would require in order to assess the Group's position and performance, business model and strategy; and
- the use of alternative performance measures contained in the report assists in presenting a fair review of the Group's business.

Recommendation

- The committee reported its findings and conclusion to the Board

Information technology risk

The committee undertakes, on a half-yearly basis, a detailed review of information technology risk and mitigation actions. The Group's IT risk management framework has been explained to the committee, with comfort obtained that it is holistic and robust, having been audited by independent third parties.

While these reviews cover all relevant aspects of IT risk, including security, compliance and availability, the focus is increasingly on cyber security, with the top five IT risks being in this area. Cyber security drives the principal mitigation activities, particularly in the areas of network design and security architecture. Lessons learnt from attempted security breaches and cyber security training for employees were key areas of focus for the committee during the year. The launch of a new cyber security awareness campaign was particularly successful, teaching employees how to better protect themselves. ISO 27001 certification was also obtained. The committee was encouraged by the level of focus being given to cyber security across the Group and the emphasis being placed on employee awareness, education and testing was welcomed.

The significant increase in the number of employees working from home due to COVID-19 was also a challenge this year. Work was undertaken at very short notice to ensure stable and effective remote access to the Mondi network and that reliable methods of communication and the ability to hold virtual meetings were readily available. At the same time, security was a priority. The key actions taken were monitored by the committee. These included the development of a taskforce to monitor system performance, guidelines to help employees work from home effectively and the expansion of the virtual meeting functionality, as well as the continuation of cyber security training. The committee was comfortable that the response had been appropriate, with systems remaining stable and secure throughout the pandemic.

Overall the committee concluded that the Group's IT risk management was effective and that management ensured that it was subject to continuous monitoring and improvement (see pages 84-85 for more information).

External audit

PricewaterhouseCoopers LLP (PwC) was first appointed as auditor by shareholders at the Annual General Meeting in May 2017, replacing Deloitte LLP following a tender process. The 2020 audit was PwC's fourth for Mondi and Simon Morley's first as lead audit partner.

The committee confirms its compliance for the financial year ended 31 December 2020 with the provisions of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

Non-audit services

A policy is in place that governs the provision of non-audit services provided by PwC to Mondi, setting out those services that are permissible and the process to be followed to obtain approval for permissible services. All such services must be approved – there are no pre-approvals in place. The policy was updated in 2020 to reflect the changes introduced by the Revised Ethical Standard 2019.

For all non-audit services, the business must submit a formal request setting out the objectives, scope of work, likely fee level and the rationale for requiring the work to be carried out by the Group's external auditor, as well as sufficient information to allow an assessment of materiality.

The committee monitors compliance with the policy and the monetary cap on non-audit fees, receiving reports at each meeting detailing all approved non-audit services.

Total fees for non-audit services amounted to €0.4 million, representing 8% of the audit fee paid, with the vast majority of the non-audit fees incurred relating to the half-year review and other audit-related assurance services.

External audit independence, objectivity and effectiveness

A formal framework for the assessment of the effectiveness of the external audit process and quality of the audit has been adopted by the committee, covering all aspects of the audit service provided by PwC. While part of the assessment is managed annually, it is treated as an ongoing review throughout the cycle.

Evaluation focus

- Robustness of audit process
- Audit quality, including quality controls
- Audit partners and team, including skills, character and knowledge
- Independence and objectivity
- Formal reporting

Inputs

Audit Committee

- Continual monitoring of audit performance throughout the year
- Reviewed and agreed the audit plan
- Reviewed the quality of reporting to the committee, the level of challenge and professional scepticism and the understanding demonstrated by PwC of the business of the Group
- Reviewed the quality of the audit team, technical skills and experience and the allocation of resources during the audit
- Considered the interaction with management and the level of challenge
- Regular meetings held between the Chair of the committee and the audit engagement partner
- Reviewed feedback from committee members including views on how PwC has supported the work of the committee and communication with the committee
- Considered the effectiveness of Mondi's policies and procedures for maintaining auditor independence

Management

- Feedback from engagement with the Group CFO, Group Controller and Group Head of Internal Audit
- Feedback from questionnaires issued at corporate and business unit level to those personnel involved with the audit

PwC

- Provided the committee with confirmation that they operate in accordance with the ethical standards required of audit firms
- Confirmed the policies and procedures they have in place to maintain their independence
- An independent audit partner, who had no other connection to Mondi, conducted an additional review of the audit process following completion of the 2019 audit, with PwC's performance generally assessed as effective following discussions with the Audit Committee Chair, Group CFO and Group Controller

Regulators

- The UK Financial Reporting Council's (FRC) 2019/20 report on Audit Quality Inspections included a review of audits carried out by PwC

Key outputs

- The quality of the audit partners and team were confirmed with no material issues raised in the feedback received
- The audit had been well planned and delivered with work completed on schedule and management comfortable that any key findings had been raised appropriately, active engagement on misstatements and appropriate judgements on materiality
- PwC demonstrated a good understanding of the Group and its internal control systems, and had identified and focused on the areas of greatest financial reporting risk
- PwC's reporting to the committee was clear, open and thorough, including explanations of the rationale for particular conclusions as appropriate
- It was confirmed that there had been an appropriate level of challenge during the course of the audit, with the external auditor challenging management's judgements and assertions on matters including critical accounting judgements and key sources of estimation uncertainty; impairment of property, plant and equipment and goodwill; and assumptions underlying the going concern basis of accounting in preparing the financial statements and the viability statement

Conclusion

The committee, having considered all relevant matters, has concluded that it is satisfied that auditor independence, objectivity and effectiveness have been maintained.

Audit Committee continued

Internal audit

Mondi's Internal Audit function forms an integral part of Mondi's governance and risk management and internal control frameworks. The primary purpose of the Internal Audit function is to help the Board and executive management to protect the assets, reputation and sustainability of the organisation and to manage and mitigate its risks effectively. This includes assessing whether all significant risks are identified and appropriately reported by management to the Board and executive management and whether they are adequately controlled.

The Audit Committee has primary responsibility for monitoring and reviewing the scope and effectiveness of the Group's Internal Audit function. The Group Head of Internal Audit has direct access to, and responsibility to, the committee as well as regular access to Mondi's executive management.

An internal audit charter, approved by the committee, is in place. The charter sets out the purpose, remit and authority of the Internal Audit function. Each year the committee considers and approves the internal audit plan which is designed to focus on the Group's key risks to ensure that they are managed effectively within the context of our business objectives and that appropriate internal controls are in place.

The committee ensures that all material operations are covered and that there is an appropriate degree of financial and geographical coverage. Every Mondi operation is visited at least once every five years with all major plants audited annually. In 2020, due to COVID-19 restrictions, while the majority of our major plants were audited, there were a number we were not able to audit in the usual manner. These plants will be a priority in 2021.

Reports are given at each committee meeting providing an update on activities, resourcing levels, progress against plan, results from audits carried out and management's response to address any areas highlighted for improvement. The committee will consider deviations from plan as the need arises during the year, usually in response to a material acquisition or change in the Group's risk profile highlighted through audit reports and through matters raised via the confidential reporting hotline. In 2020, a number of adjustments were made to the plan in response to COVID-19 and the restrictions imposed on international travel. Wherever possible, remote audits were carried out or local personnel engaged. Maintaining sound oversight and control of activities through the use of internal audit reviews is considered by the committee to be a key element of its work.

During the year, an external review of the Internal Audit function was undertaken by Independent Audit, with a full report presented to the committee. The review concluded that the internal audit function is led by an experienced and independent Group Head of Internal Audit and supported by a professional team of well qualified people. The report highlighted in particular a positive culture around the role and contribution of the Internal Audit function and comprehensive audit planning processes. The execution of audits is governed by an appropriate methodology supplemented by good practice guidance. Some recommendations were made, including to consider widening the scope of the internal audit plan and to include audits which consider the effectiveness of the overall control framework, to assess resourcing levels and to further customise reporting. The recommendations are being considered and the committee will monitor progress. The committee has concluded following the review that the Group Head of Internal Audit provides appropriate leadership of the Internal Audit function, which remains effective in carrying out its remit.

Together we are...
**measuring performance
 against our ambitious
 commitments**

During the year the committee considered the new 2030 sustainability commitments, articulated through Mondi's Action Plan 2030 (MAP2030). The commitments reflect those issues that Mondi believes are most important to its stakeholders and are fundamental to our future growth strategy and long-term sustainable success.

Dominique Reiniche
 Chair of the Sustainable
 Development Committee



Composition¹

Members throughout the year	Committee member since	Meeting attendance
Dominique Reiniche, Chair	May 2017	6/6
Enoch Godongwana	September 2019	6/6
Stephen Harris	March 2011	6/6
Andrew King ²	May 2020	4/4
Peter Oswald ³	May 2017	0/1
Stephen Young	May 2018	6/6

1 The maximum number of scheduled meetings held during the year that each director could attend is shown next to the number attended
 2 Andrew King joined the committee on 6 May 2020. Andrew attended all meetings following his appointment
 3 Peter Oswald stepped down from the Board and the committee on 31 March 2020. Peter was unable to attend the meeting prior to this due to an unavoidable commitment

Other regular attendees

- Group CFO
- Chair and Non-Executive Directors who are not members of the committee
- Group Technical & Sustainability Director
- Group Head of Sustainable Development
- Group Head of Safety and Health

Dear Shareholder

This report provides an overview of the committee's key activities and focus areas during the year and the framework within which it operates.

While the Board as a whole has responsibility for overseeing Mondi's approach to sustainability, the committee, on behalf of the Board, oversees and monitors Mondi's sustainable development policies, practices and progress against our sustainability commitments and targets. It provides guidance in relation to sustainability matters, including climate change-related issues, reviewing and updating the Group's framework of sustainability policies and strategies, ensuring they are aligned with global best practice.

In addition, Mondi's approach to sustainability is monitored by the Executive Committee, chaired by the Group CEO, and the operational management team consisting of senior executives from across Group operations.

A summary report from the directors on the Group's sustainability practices is set out on pages 38-65.

Composition

In March 2020, Peter Oswald stepped down as Group CEO and as a member of the committee. The Board was of the view that, given the growing importance of the committee as the global focus on sustainability matters rises, and stakeholder expectations of business to address its impact grow, the Group CEO should continue to be a member of the committee, leading to Andrew King's appointment as a member in May 2020. Andrew's appointment to the committee reinforces the message across the Group that sustainability is critical to Mondi's long-term success and that our approach must be led from the top.

It was also announced that Svein Richard Brandtzaeg and Dame Angela Strank will join the committee upon their appointments to the Board in April 2021, adding further perspectives and experience to the committee. Having a diversity of knowledge and experience on the committee is extremely valuable given the rapid pace with which the sustainability field, and best practice, is developing.

Sustainable Development Committee continued

Areas of focus

The safety of our employees and contractors continued to be a key focus during the year, with safety performance reviewed at every meeting. It was critical to ensure that the additional challenges posed by COVID-19 did not take our focus away from our usual high safety standards. We were deeply saddened however by the two fatalities we experienced during 2020. In January, a contractor died as a result of an incident during demolition activities at our Syktyvkar mill (Russia) and in June a contractor lost his life at our Richards Bay mill (South Africa) during planned maintenance and cleaning activities. It was extremely important for the committee to spend time understanding the reasons for each incident, the lessons learned and actions to be taken. We fully acknowledge the impact such incidents have on the families, friends and colleagues of those involved and we continue to work hard to further embed our safety culture across the Group. Further details of the actions being taken can be found on pages 46-47.

Our safety reviews also included specific consideration of the additional risks posed by COVID-19 and the focus areas in this regard. Protecting our employees and contractors while at the same time maintaining the stability of our operations has been a key challenge for management during the year and the committee had a role to play in ensuring that the balance was appropriate and that the right measures were being taken. The committee agreed to adapt the 'safety and health' risk to reflect the impact of COVID-19 and to allow for a targeted response to potential future pandemics or similar public health-related crises of this scale.

During the year the committee considered the new sustainability commitments, articulated through the Mondi Action Plan 2030 (MAP2030). The commitments reflect those issues that Mondi believes are most important to its stakeholders and are fundamental to our future growth strategy and long-term sustainable success. The Board approved the commitments after a recommendation from the committee. Approval of the commitments followed extensive consultation and engagement undertaken throughout the business, more details of which can be found on pages 42-43. Going forwards, the committee will monitor and oversee progress against the MAP2030 commitments and targets and will provide regular updates to the Board.

Alongside this, the committee also considered sustainability risks and opportunities facing the Group, focusing in detail on those relating to climate change. This is an area that affects all of our key stakeholders and the way we do business and so it is a priority for us to ensure we understand the impact climate change can have. A cross-functional team has been set up to evaluate these risks and opportunities in line with the recommendations of the Task Force on Climate-related Financial Disclosure. In 2020 the team focused on three areas – plantations and wood procurement, products and operations. The work resulted in the identification of a number of specific risks and opportunities and quantification of the potential financial impact in each case. This provides context for the committee during its future discussions around climate change and allows it to focus on the issues identified as having the greatest impact. It is also clear that this is an evolutionary process and our understanding of the impact these risks and opportunities might have will develop over time. More details can be found on page 80.

The committee also discussed the progress Mondi is making to address its potential human rights impacts and risks. This included developments in our Responsible Procurement process and work commenced in collaboration with the Danish Institute for Human Rights (DIHR) on a Mondi human rights due diligence process. The committee received the findings of the analysis done by DIHR, and agreed to the actions proposed to improve our practices and approach.

A more detailed overview of the key matters considered by the committee during the year can be found opposite.

Committee effectiveness

The committee's performance and effectiveness were reviewed as part of the board evaluation undertaken during the year, more details of which can be found on page 110. I am pleased to confirm that the committee is seen to be operating effectively and fulfilling the duties delegated to it by the Board.

Dominique Reiniche

Chair, Sustainable Development Committee

Sustainable Development Committee activity

Set out below are some of the key matters addressed by this committee.

Safety performance and serious incidents

- Reviewed detailed reports on the fatalities at our Syktyvkar and Richards Bay mills and received follow up reports on the outcome of the investigations into each incident, management's response and actions taken.
- Monitored the number of COVID-19 cases across the Group, actions taken to protect employees and contractors and the key focus areas in this regard, particularly the higher risk associated with the annual maintenance shuts, giving the committee comfort that all the appropriate measures were in place.
- Received regular reports on safety performance at Group and business unit level, including individual mill performance, classification of incidents and peer comparisons, giving the committee insight into the safety culture and specific sites that required further focus.
- Considered and agreed the safety milestones and leading and lagging indicators for the next reporting period.

Sustainable development governance and risks

- Reviewed the material sustainability issues, risks and opportunities.
- Received a presentation from Mondi's legal advisers on the emerging regulatory regime in relation to ESG matters, focusing on those developments likely to impact Mondi and its investors, including EU and UK disclosure requirements, particularly the forthcoming requirement to report in line with the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD), the European Green Deal and the EU Taxonomy.
- Reviewed those elements of the Group's Code of Business Ethics reserved for review by the committee, concluding that they remain appropriate and aligned with the culture of the Group.
- Reviewed and approved the Group's human trafficking and modern slavery statement.
- Reviewed and approved the annual sustainable development reporting.
- Reviewed the committee's terms of reference and performance, concluding that the terms remain appropriate and that the committee has covered all matters required of it.
- Considered and agreed the committee's annual work programme.

Climate change

- Reviewed climate-related risks and opportunities and the potential impacts on the business in line with the TCFD recommendations (see page 59 for more information).
- As part of the regular reviews of environmental performance, reviewed KPIs that track the Group's progress in reducing its greenhouse gas emissions in line with its science-based targets.
- Agreed to recommend to the Board the inclusion of climate change as a specific action area within MAP2030 and considered and agreed the supporting commitments and targets (see pages 26-27 for more information).

Environmental performance

- Received regular reviews on performance against each of the environmental key performance indicators and commitments.
- Received information on any material environmental incidents and considered management's response.

Policies and commitments

- Reviewed the achievements against the Growing Responsibly model 2020 commitments (see pages 44-45 for more information).
- Reviewed and agreed to recommend to the Board MAP2030, developed based on a detailed materiality analysis and stakeholder consultation (see pages 42-43 for more information).
- Reviewed Group sustainable development policies and approved amendments to reflect best practice.

Forestry

- Reviewed updates on the forestry operations in Russia and South Africa.

Stakeholder relationships

- Received a presentation from WWF South Africa on the work being undertaken in respect of water security, highlighting the key challenges facing the country in this respect and the work being undertaken in response through Mondi's partnership with WWF.
- Reviewed the Group's relationships and engagement with key stakeholders, including governments and non-governmental organisations, focusing on the partnerships that will be required to support Mondi in achieving MAP2030 and the primary areas for engagement.
- Reviewed our social and community engagement, focusing in particular on COVID-19 related community contributions and the review of Mondi's policies, procurement processes and grievance mechanism by the Danish Institute for Human Rights.
- Reviewed Mondi's ESG ratings in order to understand which ratings are most important to our stakeholders, how we perform and where there is potential for improvement.

Product stewardship

- Received a report on the Group's product stewardship practices, focusing in particular on Mondi's response to the Single-Use Plastics Directive, including through engagement with regulators and understanding our customers' commitments in this regard.

Statement from the Remuneration Committee Chair

Together we are...

aligning reward, performance and stakeholder interests

At Mondi, the committee focuses on consistency and fairness in executive pay, taking into account the performance of the company and the results that the shareholders and other stakeholders have experienced during the year.

Tanya Fratto

Chair of the Remuneration Committee



Composition and attendance¹

Members throughout the year	Committee member since	Meeting attendance ¹
Tanya Fratto, Chair	January 2017	5/5
Stephen Harris	March 2011	5/5
Dominique Reiniche	October 2015	5/5
David Williams (until 7 May 2020) ²	May 2007	2/3
Philip Yea (from 1 April 2020) ³	May 2020	3/3

¹ The maximum number of scheduled meetings held during the year that each director could attend is shown next to the number attended. Additional meetings were held as required

² David Williams retired from the committee on 7 May 2020. David was unable to attend one meeting prior to his retirement due to an unavoidable family commitment

³ Philip Yea joined the committee on 1 April 2020. Philip attended all meetings following his appointment

Other regular attendees

- Group CEO
- Group Head of Reward
- External remuneration consultant

Fellow shareholder, it is with pleasure that I present the committee's report on directors' remuneration for 2020.

At the 2020 AGM, shareholders approved our revised Directors' Remuneration Policy (DRP) with 92.8% of votes cast in favour. We were delighted that our shareholders continue to support and endorse our remuneration framework. This year, rather than reproduce in full the approved DRP, we have instead provided relevant extracts on pages 132-136.

The annual report on remuneration, describing how the DRP has been applied for the year ended 31 December 2020, and how we intend to implement the DRP for 2021 is provided on pages 129-131.

Performance and remuneration for 2020

Mondi delivered a robust performance in 2020, with continued strong cash generation, testament to the strength of our business model. Underlying EBITDA amounted to €1,353 million with a margin of 20.3%. The Group remains strongly cash generative with cash generated from operations of €1,485 million. Our return on capital employed (ROCE) was 15.2%. Net debt at 31 December 2020 was down by more than €400 million during the year to €1,791 million. Further details are set out in the Strategic performance pages 24-35 and Financial review on pages 70-73.

In response to COVID-19, we prioritised the safety, health and wellbeing of our people. We acted quickly to ensure sites were safe for our employees and could remain open, as well as implementing initiatives to support remote working. As a result, we maintained levels of employment activity, allowing the business to continue to provide essential products and materials to our customers, which played an important role in responding to the COVID-19 pandemic. It also minimised the need to utilise government support schemes, and we made no use of the UK furlough scheme. Please see pages 42 to 43 for more information on how we responded to the pandemic.

Performance and remuneration for 2020

We also increased our community support, beyond our existing initiatives. We made significant financial and in-kind donations to support the pandemic response and provided food, fresh water and other supplies to people in need in the countries where we operate.

Given our strong financial position and confidence in the future of the business, the Board recommended a final 2020 dividend of 41.00 euro cents per share. The final dividend, together with the interim dividend, amount to a total dividend for the year of 60.00 euro cents per share, an increase of 5% on the 2019 total dividend.

 [Managing our relationships and resources](#)
Page 45-65

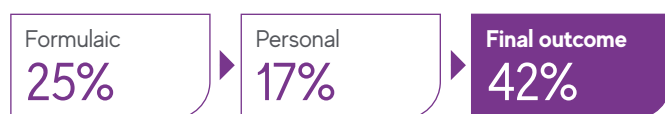
Performance outcomes are reflected in the remuneration received by directors:

- Annual bonuses of 42%, 40% and 41% of maximum have been awarded in respect of performance in 2020 to Andrew King, Mike Powell and Peter Oswald respectively. Mike Powell's and Peter Oswald's annual bonuses were pro-rated to reflect time in service. These outcomes reflect the robust financial performance of the Group, where both underlying EBITDA of €1,353 million and ROCE of 15.2% were above the threshold targets of €1,283 million and 13.8% respectively. There was no pay-out in respect of the safety element of the bonus (10% of maximum) as a result of the two regrettable fatalities that occurred during the year and despite the best endeavours, not all Lead indicators were achieved due to travel restrictions resulting from the COVID-19 pandemic.

- The personal element of the bonus (20% of maximum) reflected specific operational and strategic objectives for each individual. This element paid out at 85%, 75% and 80% for Andrew King, Mike Powell and Peter Oswald respectively. For Andrew, this reflected his exceptional personal performance during the year, including his significant contribution in facilitating the transition of our leadership team by simultaneously undertaking the roles of CEO and CFO for over seven months of the financial year. In accordance with our Policy, half of these awards will be delivered in deferred shares which vest after three years, except for Peter Oswald (as disclosed in the 2019 remuneration report, in line with the Remuneration Policy any deferred bonus he receives is to be encashed). Further details are set out on pages 139-141.

Performance outcomes

Annual bonus: Andrew King



 [Read more](#)
Page 139-141

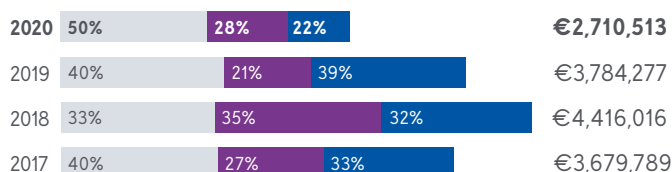
Performance shares (LTIs)



 [Read more](#)
Page 141

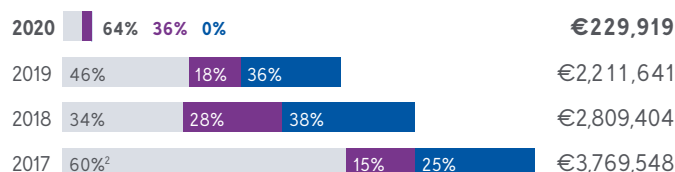
Remuneration outcomes¹

Group CEO



■ Salary, benefits, pension & other ■ Annual bonus ■ Performance shares (LTIPs)

Group CFO



Executive directors' shareholdings

Andrew King Group CEO³



 [Read more](#)
Page 144

Mike Powell Group CFO⁴



 [Read more](#)
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¹ Andrew King became Group CEO in 2020, prior to that he was Group CFO. Mike Powell became Group CFO in 2020. Peter Oswald was Group CEO from 2017 until Q1 2020

² Includes one-off relocation assistance for relocation from South Africa to UK

³ Andrew King is below the minimum shareholding requirement due to his promotion to CEO, which increased both his base salary and the holding requirement (previously 200%, now 300%)

⁴ Mike Powell joined the Board in November 2020 and has yet to be awarded shares

⁵ New appointees are required to meet the relevant shareholding requirements within five years from appointment

Remuneration report

Performance and remuneration for 2020 continued

– The performance period for the 2018 LTIP ended on 31 December 2020. Half of the award was based on ROCE performance and half on relative TSR performance. ROCE for the three-year performance period was 19.5%, above the stretch performance requirement of 18.0% and leading to full vesting of this element. The Group's TSR over the period was 8.4%, which placed it marginally below the median TSR performance of the comparator group of 9.1%, resulting in zero vesting for this element. As a result of this performance, 50% of the overall LTIP award will vest in March 2021, and be subject to the two-year holding period until 2023. Further details are set out on page 141.

The committee believes these outcomes are a fair reflection of the overall performance achieved for shareholders over the financial year, and over the longer term. As a result, the committee determined that no discretionary adjustments to these outcomes would be required.

Further information about the levels of executive remuneration earned in 2020, including details of performance against the relevant targets for both bonus and LTIP are given on pages 138-141.

Board changes

Mike Powell's remuneration as Group CFO

Mike Powell was appointed Group CFO with effect from 1 November 2020. His remuneration terms, which are in line with the DRP, included a base salary of £630,000, a pension allowance of 8% (in line with the UK workforce rate), and participation in the Bonus Share Plan and LTIP in accordance with our DRP. He also received 'buy-out' share awards in respect of incentives forgone as a result of leaving his former employer (these are described in detail on page 142).

Chair succession

David Williams retired as Chair of the Board on 7 May 2020 and was succeeded by Philip Yea, who was appointed to the Board as a non-executive director on 1 April 2020. On appointment as Chair, Philip Yea's Chair fee was £450,000. The committee is not proposing an increase to the Chair's fee for 2021.

Remuneration in 2021

Salary

Andrew King's base salary was increased by 1.9% to £988,000, effective from 1 January 2021. This compares to an average increase for Mondi's UK workforce of 2.5%. Mike Powell did not receive an increase at 1 January 2021, having taken up his role in November 2020. His salary remains at £630,000.

Pension

Both Andrew King and Mike Powell receive a pension allowance of 8% of base salary, which is aligned to the majority of the UK workforce, in accordance with our DRP.

Variable pay

Annual bonus and LTIP opportunities will remain unchanged for 2021. Andrew King will be eligible for a maximum bonus of 185% of base salary and an LTIP award of 230% of base salary. Mike Powell will be eligible for a maximum bonus of 170% of base salary and an LTIP award of 210% of base salary.

Given the strategic importance of our sustainability agenda (see pages 26-27 of this report for further detail on our MAP2030 framework), the committee has determined that an element of the 2021 annual bonus (representing 10% of maximum) will be specifically allocated to sustainability objectives. These objectives will focus on specific annual priorities in our MAP2030 framework and reflect the areas of responsibility of the role. Further details are discussed on page 129.

The performance measures and targets for the 2021 LTIP will remain the same as the 2019 and 2020 LTIP awards, details of which can be found on page 130.

Non-executive directors

Following a review of the non-executive fee framework, the fee structure has been simplified by removing attendance fees which will be consolidated into a revised base fee, such that the overall base fee paid to non-executives will be unchanged, but delivered through a more transparent structure. Non-executive directors will continue to receive a travel fee, at a reduced level, for travelling to meetings outside of their home country. The supplemental fees for chairing Board committees (and undertaking the role of Senior Independent Director) will be increased to market levels, having fallen significantly below the market range. There will be no change to the fee for the Board Chair. Further details are set out on page 131.

Alignment of DRP with the code

When determining the application of the DRP, the committee considered clarity, simplicity, risk, predictability, proportionality and alignment to culture as set out in the UK Corporate Governance Code. We operate simple variable pay arrangements, which are subject to clear performance measures aligned with the Group's strategy and interests of all stakeholders. The application of recovery provisions (malus and clawback) enables the committee to have appropriate regard to risk considerations. As part of our culture we want all employees within the Group to share in the success of the Group, with their interests aligned to shareholders, for example we operate a Share Incentive Plan for our UK employees.

Executive director pay and the broader workforce

Every year, we conduct a remuneration survey which covers our global workforce pay practices. This is presented to the Board, detailing by country, fixed pay, discretionary and unionised increases, bonus plan and wider incentive participation, among other data. Data is also presented on a gender basis, showing the split by male and female colleagues.

Conclusion

Thank you for the strong support you have given our remuneration approach in prior years. I very much hope that you will give your support to the remuneration resolution at the 2021 AGM.

Tanya Fratto
Chair of the Remuneration Committee

Statement of implementation of directors' remuneration policy in 2021

Current salary levels, and increases awarded in January 2021, are as follows.

Name	Base salary effective 1 Jan 2021	Previous base salary	% change
Andrew King	£988,000	£970,000	1.9%
Mike Powell	£630,000	£630,000	–

Andrew King's salary was increased by 1.9%. The average increase for Mondi's UK workforce was 2.5%. Mike Powell did not receive an increase at 1 January 2021, having taken up his role in November 2020.

BSP for 2021

The bonus structure for 2021 is shown below. Andrew King's and Mike Powell's maximum bonus opportunities will be 185% of base salary and 170% of base salary respectively.

Measure	Weighting (%)	Why chosen?	How targets are set
Underlying EBITDA	35%	Underlying EBITDA provides a measure of the cash-generating ability of the business that is comparable from year to year.	Targets and ranges are set each year by the committee taking account of required progress towards strategic goals, and the prevailing market conditions.
ROCE	35%	ROCE provides a measure of the efficient and effective use of capital in our operations	Targets and ranges are set each year by the committee taking account of the required progress towards strategic goals, and the prevailing market conditions.
Sustainability	20%	Reflects the strategic importance of progress towards our MAP2030 framework.	Targets are set each year by the committee, based on the specific annual priorities in our MAP2030 framework and reflecting the areas of responsibility of the role.
Safety (10%)		One of the key indicators of whether the business is meeting its sustainability goal of zero harm.	The committee considers input from the Sustainable Development Committee, and sets appropriate standards and goals.
KPIs in personal objectives (10%)		An indicator of the contribution each executive director is making to the overall success of our MAP2030 framework, including a science-based specific greenhouse gas reduction target.	The committee considers input from the Sustainable Development Committee, and sets appropriate targets, based on the specific priorities, and areas of responsibility, of the role.
Personal objectives	10%	An indicator of the contribution each executive director is making to the overall success of the management team.	Targets are set each year by the committee, based on the specific priorities, and areas of responsibility, of the role.

Targets will be disclosed in next year's report as the committee considers these targets to be commercially sensitive. Half of any bonus earned in respect of 2021 performance will be paid out in cash and the other half will be deferred for three years in conditional Mondi shares.

Remuneration report

Statement of implementation of directors' remuneration policy in 2021 continued

LTIP for 2021

LTIP awards that are made in 2021 will continue to have two performance conditions of equal weight – TSR and ROCE, measured over a three-year performance period commencing on 1 January 2021 and subject to a two-year holding period from the date of vesting. The committee's intention is to grant at the level of 230% of base salary and 210% of base salary for Andrew King and Mike Powell respectively.

Metric	Why chosen?	How targets are set
TSR, relative to a peer group of competitors (50%)	TSR measures the total returns to Mondi's shareholders, so provides close alignment with shareholder interests.	The committee sets the performance requirements for each grant. A peer group of packaging and paper sector companies is used. TSR targets with respect to the LTIP are detailed below.
ROCE (50%)	A key indicator of the efficient and effective use of capital.	The committee sets threshold and stretch levels, aligned to the Group's strategic targets for ROCE. ROCE targets with respect to the LTIP are detailed below.

The targets for the 2021 LTIP awards are as follows:

Measure	Weighting (%)	Threshold (25% vesting)	Maximum (100% vesting)
Mondi's TSR relative to bespoke peer group	50%	Median	Upper quartile
ROCE (average)	50%	12%	18%

Between threshold and maximum, the LTIP awards will vest on a straight-line basis.

Both the TSR and ROCE targets have remained the same as the targets that were set for both the 2019 LTIP and 2020 LTIP awards. The committee still believes these targets remain appropriately stretching in the current environment.

The TSR performance condition is based on the Group's TSR relative to a group of competitor companies consisting of the following companies:

Amcor	DS Smith	International Paper	Sappi	The Navigator Company
BillerudKorsnäs	Holmen	Mayr-Melnhof	Smurfit Kappa	UPM
Domtar	Huhtamaki	Metsä Board	Stora Enso	WestRock

The committee has discretion to amend the vesting outturn should any formulaic output be inappropriate (e.g. unreflective of underlying performance). Where the provision is utilised the committee will seek to explain clearly the basis for this decision.

Non-executive directors' remuneration

The fees for non-executive directors, including the Chair, are set to attract and retain high-calibre non-executives with the necessary experience and skills, and to take account of the time commitment and responsibilities of the role. Following a review of the framework for non-executive fees, two changes will be implemented for 2021. First, the overall fee structure has been simplified by removing the attendance fee for meetings within the country of residence and significantly reducing the fee for overseas meetings (from £6,230 to £2,490 per meeting). The attendance fee for meetings within the country of residence has effectively been consolidated into a revised base fee (£76,070, up from £49,890) such that the overall base fee paid to non-executives is unchanged, but delivered through a simpler and more transparent structure. Second, in recognition that the supplemental fees for chairing Board committees (and undertaking the role of Senior Independent Director) had fallen significantly below market, and at a time where the demands on those undertaking these roles continues to increase, these supplemental fees will be increased to market levels as shown in the table below. There will be no change for the fee to the Board Chair.

Fee levels are as follows:

Role	Fees from 1 January 2021	Fees from 1 January 2020
Board Chair fee ¹	£450,000	£400,000
Non-executive base fee	£76,070	£49,890
Additional fees:		
Supplement for Audit Committee Chair	£21,000	£12,470
Supplement for Remuneration Committee Chair	£20,000	£11,870
Supplement for Sustainable Development Committee Chair	£20,000	£11,870
Supplement for Senior Independent Director	£20,000	£11,870
Supplement for Senior Independent Director role if held by a non-executive who already chairs a committee ²	N/A	£6,490
Attendance fee for meetings outside country of residence (per meeting)	£2,490	£6,230
Attendance fee for meetings inside country of residence (per day) ²	N/A	£1,870

¹ David Williams retired as Chair of the Board on 7 May 2020 and was succeeded by Philip Yea, who was appointed to the Board as a non-executive director on 1 April 2020. On appointment as Chair, Philip Yea's fee was £450,000 and did not increase on 1 January 2021

² This fee is no longer payable with effect from 2021

Summary of Directors' remuneration policy

Executive directors' remuneration policy table

The tables below provide an extract of the DRP for executive directors and non-executive directors as approved by shareholders on 7 May 2020, at the 2020 AGM (updated where appropriate for 2021 implementation). The full DRP can be found within the 2019 integrated report and financial statements, on our website at: https://www.mondigroup.com/media/11729/mondi_ir_2019_web_complete.pdf.

	Purpose and link to strategy	Operation	Maximum opportunity
Base salary	To recruit and reward executives of a suitable calibre for the role and duties required.	<p>Reviewed annually by the committee, taking account of Group and individual performance, changes in responsibility and levels of increase for the broader employee population.</p> <p>Reference is also made to market median levels in companies of similar size and complexity.</p> <p>The committee considers the impact of any base salary increase on the total remuneration package.</p> <p>Salaries (and other elements of the remuneration package) may be paid in different currencies as appropriate to reflect their geographic location.</p>	<p>There is no prescribed maximum base salary or annual increase.</p> <p>However, increases will normally be no more than the general level of increase in the UK business or the location in which the executive is based. On occasions a larger increase may be needed to recognise, for example, development in role or change in responsibility.</p> <p>Details of the outcome of the most recent review are provided in the annual report on remuneration.</p>
Benefits	To provide market competitive benefits.	<p>The Group typically provides:</p> <ul style="list-style-type: none"> – car allowance or company car; – medical insurance; – death and disability insurance; – limited personal taxation and financial advice; and – other ancillary benefits, including relocation and assistance with expatriate expenses (as required). <p>The policy authorises the committee to make minor changes to benefits provision from time to time, including if appropriate implementing all-employee share plans up to the limits approved by tax authorities.</p>	Maximum values are determined by reference to market practice, avoiding paying more than is necessary.
Pension	To provide market competitive pension contributions or allowances.	<p>Defined contribution to pension, or cash allowance of equivalent value. Only base salary is pensionable.</p>	<p>For new appointments, the maximum company pension allowance will be no more than available to the majority of the workforce in the relevant country from time to time. For the period from 1 January to 31 March 2020, existing executive directors' pension allowances reduced from 25% to 23%. On his appointment as CEO on 1 April 2020, Andrew King's pension allowance aligned with the majority of the UK workforce at 8%.</p>

	Purpose and link to strategy	Operation	Maximum opportunity
Bonus Share Plan (BSP)	To provide incentive and reward for annual performance achievements. To also provide sustained alignment with shareholders through a deferred component.	<p>Awards are based on annual performance against a balanced scorecard of metrics as determined by the committee from time to time such as underlying EBITDA, percentage ROCE and safety. These have the highest weighting (currently 80% of the total). Individual performance is also assessed against suitable objectives, and currently has a 20% weighting. These metrics are selected as they provide strong alignment to Mondi's strategy.</p> <p>The policy gives the committee the authority to select suitable performance metrics, aligned to Mondi's strategy and shareholders' interests, and to assess the performance outcome.</p> <p>Half of the award is normally delivered in cash and half in deferred shares which normally vest after three years (subject to service conditions), and with no matching element. For grants from 2020 onwards, any dividend equivalents accruing on shares between the date when the awards were granted and when they vest, will be delivered in shares.</p> <p>Malus and clawback provisions apply to both the cash and share based element of awards, for a period of three years from the date of payment (cash) or date of release (shares) in the event of:</p> <ul style="list-style-type: none"> – misstatement of financial results; – misstatement of performance; – gross or serious misconduct; – corporate failure; – severe downturn in financial or operational performance; or – severe reputational damage. 	<p>The maximum annual bonus is 200% of base salary (increased from 175% under the previous policy).</p> <p>The committee retains discretion to set the actual maximum below the policy maximum.</p> <p>The on-target bonus, as a percentage of maximum, has been reduced from 62.5% to 50% for financial targets from the 2020 performance year.</p> <p>The bonus payable at threshold (entry level) performance is 25% of maximum.</p>

Remuneration report

Summary of Directors' remuneration policy continued

	Purpose and link to strategy	Operation	Maximum opportunity
Long-Term Incentive Plan (LTIP)	To provide incentive and reward for the delivery of the Group's strategic objectives, and provide further alignment with shareholders through the use of shares.	<p>Individuals are considered each year for an award of shares that vest after three years to the extent that performance conditions are met and in accordance with the terms of the plan approved by shareholders.</p> <p>Under the plan rules, in exceptional circumstances, the committee has the ability to cash-settle awards, if necessary. There is no current intention for awards to the executive directors to be delivered in this way.</p> <p>Awards are granted subject to continued employment and satisfaction of stretching performance conditions measured over three years, which are set by the committee before each grant.</p> <p>For awards to be granted in 2021, metrics comprise TSR against a suitable peer group, and percentage ROCE, each with a 50% weighting.</p> <p>The vesting outcome can be reduced, if necessary, to reflect the underlying or general performance of the Group.</p> <p>For awards granted from 2020 onwards, any dividend equivalents will be delivered in shares, at the end of the vesting period, based on the proportion of the award that vests.</p> <p>Malus and clawback provisions apply to awards made, for a period from grant to the third anniversary of vesting of the award, in the event of:</p> <ul style="list-style-type: none"> – misstatement of financial results; – misstatement of performance; – gross or serious misconduct; – corporate failure; – severe downturn in financial or operational performance; or – severe reputational damage. <p>A two-year post-vesting holding period applies for LTIP shares that vest (net of tax). The two-year holding requirement will continue if the director leaves employment during the holding period or is permitted to retain any part of the award as a good leaver. The shares held will count towards the executive director's normal holding requirement.</p>	<p>The maximum grant limit is 250% of base salary (face value of shares at grant), to any individual in a single year (increased from 225% in the previous policy).</p> <p>25% of the grant is available for threshold performance, rising on a straight-line scale to 100% of the grant for performance at the 'stretch' level.</p> <p>Individual awards, up to the policy limit, are determined each year by the committee. The committee's practice has historically been to make grants below the policy maximum as detailed in the annual report on remuneration.</p>

	Purpose and link to strategy	Operation	Maximum opportunity
Share ownership policy	To further align the interests of executive directors with those of shareholders.	<p>The Minimum Shareholding Requirement ("MSR") for the CEO was increased to 300% of base salary and to 250% for the CFO (the MSR under the previous policy was 200% of base salary for both roles). A new executive director is normally required to meet the MSR within five years from the date of appointment to the Board.</p> <p>While the executive director is building to the required shareholding level, deferred bonus awards under the BSP, net of the expected tax liability that will apply on vesting, will count towards the requirement. Once the required shareholding has been met, such shares will not count unless the committee, at its sole discretion, determines that a number of deferred shares may count towards the holding requirement of a director.</p> <p>Unvested LTIP awards (i.e. those awards where performance targets and/or a service requirement must still be met for awards to vest) will not count towards the holding requirement. LTIP shares that have vested and on which tax has been paid and that are within the two-year post-vesting holding period will count towards the holding requirement.</p> <p>Previously compliant directors who do not meet the minimum requirement on annual assessment are normally expected to achieve compliance by 31 December of the same year.</p> <p>In order to allow the committee to deal with unexpected circumstances, the committee retains discretion on how to operate the Policy and may make exceptions and allowances if it sees fit.</p> <p>Post-employment MSR: A post-employment shareholding requirement applies.</p> <p>Under the policy, executive directors will be required to retain a shareholding for two-years post-employment.</p> <p>For the first year post-employment, the full in-employment MSR level applies. For the second year post-employment, one-half of the in-employment MSR level applies. New executive directors who have not achieved the necessary in-employment MSR level at date of exit, will be required to retain the level of shares held at date of exit, reducing in the second year to the lesser of one-half of the in-employment MSR, or the actual shares held.</p>	Not applicable.

Choice of performance measures and approach to target setting

Committee discretion

The committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of the policy. These include (but are not limited to) the following:

- who participates in the incentive plans;
- the timing of award grants and/or payments;
- the size of an award and/or a payment (within the limits set out in the policy table on pages 132-136);
- the choice and weighting of performance metrics (in accordance with the statements made in the policy table on pages 132-136);
- in exceptional circumstances, determining that any share-based award (or any dividend equivalent) shall be settled (in full or in part) in cash;
- discretion relating to the measurement of performance in the event of a change of control or restructuring;
- determination of a good leaver (in addition to any specified categories) for incentive plan purposes based on the rules of each plan and the appropriate treatment in such circumstances;
- determining the extent of payment or vesting of an award based on the assessment of any performance conditions, including discretion as to the basis on which performance is to be measured if an award vests in advance of normal timetable (on cessation of employment as a good leaver or on the occurrence of a corporate event) and whether (and to what extent) pro-rata shall apply in such circumstances;
- whether (and to what extent) malus and/or clawback shall apply to any award;
- adjustments required in certain circumstances (e.g. rights issues, corporate restructuring, on a change of control and special dividends); and
- the ability to adjust existing performance conditions for exceptional events so that they can still fulfil their original purpose whilst being no less stretching.

Remuneration report

Directors' remuneration policy

Remuneration policy for non-executive directors

Remuneration policy for non-executive directors

Element	Purpose and link to strategy	Operation	Maximum opportunity
Non-executive board chair fees	To attract and retain a high-calibre chair, with the necessary experience and skills. To provide fees which take account of the time commitment and responsibilities of the role.	The Chair receives an all-inclusive fee.	The Chair's fees are reviewed periodically by the committee. While there is not a maximum fee level, fees are set by reference to market median data for companies of similar size and complexity to Mondi.
Other non-executive fees	To attract and retain high-calibre non-executives, with the necessary experience and skills. To provide fees which take account of the time commitment and responsibilities of the role.	The non-executives are paid a basic fee. Attendance fees are also paid to reflect the requirement for non-executive directors to attend meetings in various international locations. The chairs of the main board committees and the Senior Independent Director are paid additional fees to reflect their extra responsibilities.	Non-executive directors' fees are reviewed periodically by the Chair and executive directors. While there is not a maximum fee level, fees are set by reference to market median data for companies of similar size and complexity to Mondi.

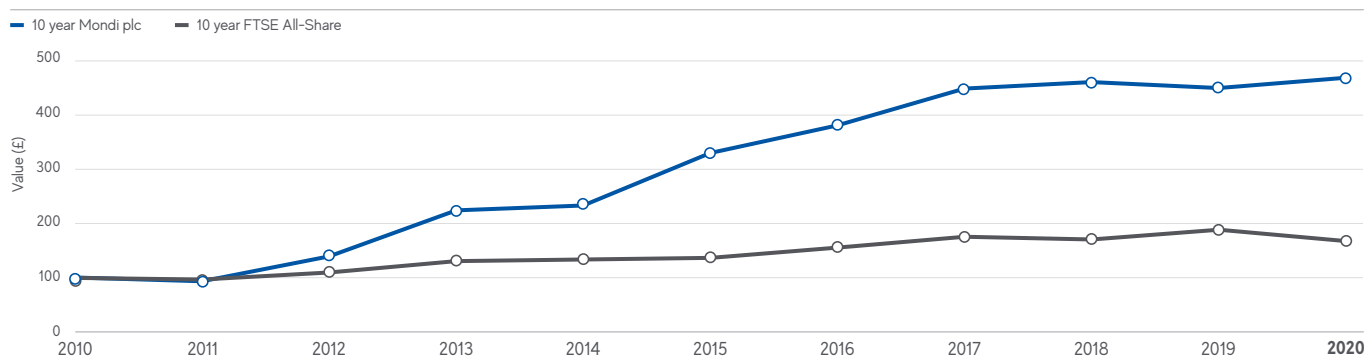
The Group may reimburse the reasonable expenses of board directors that relate to their duties on behalf of Mondi (including tax thereon if applicable). The Group may also provide advice and assistance with board directors' tax returns where these are impacted by the duties they undertake on behalf of Mondi.

Annual report on remuneration

Mondi's TSR performance over the last ten years

The following graph sets out the comparative TSR of Mondi plc relative to the FTSE All-Share Index, for the period between 31 December 2010 and 31 December 2020 as required in the reporting regulation. This index was chosen because it is the broad equity market index of Mondi plc.

FTSE All-Share Index
Total shareholder return
Source: Thomson Datastream



This graph shows the value, by 31 December 2020 of £100 invested in Mondi plc on 31 December 2010, compared with the value of £100 invested in the FTSE All-Share Index on the same date. TSR has been calculated on a three-month average basis

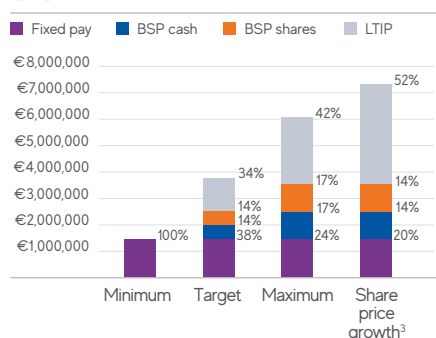
Historical CEO remuneration

Year	CEO	Total remuneration	% of maximum bonus earned	% of LTI vested
2020 ¹	Andrew King/Peter Oswald	€3,851,255	42	50.0
2019 ²	Peter Oswald	€3,784,277	44	67.2
2018	Peter Oswald	€4,416,016	88	76.6
2017 ³	Peter Oswald/David Hathorn	€3,828,077	63	72.5
2016	David Hathorn	€5,786,958	69	92.5
2015	David Hathorn	€7,016,785	90	100.0
2014	David Hathorn	€7,763,908	92	100.0
2013	David Hathorn	€5,900,140	73	100.0
2012	David Hathorn	€6,305,794	80	100.0
2011 ⁴	David Hathorn	€12,824,112	78	92.0

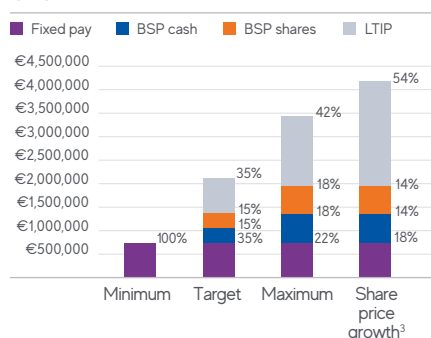
- Andrew King's and Peter Oswald's total remuneration is in respect of their tenure as Group CEO. Their salary and bonus has been subject to a pro-rata time reduction. The bonus earned and LTIP vested are based on their remuneration in the role as Group CEO. Peter's percentage of maximum bonus earned is 41%
- For purposes of simplification and consistency, total remuneration for 2019 has been re-stated using the average exchange rate for 2019 of 0.8779 (EUR/GBP). In addition, in the 2019 remuneration report, the value of the 2017 LTIP awards vesting, for which the three-year performance cycle ended on 31 December 2019, was calculated using the average share price, being £16.49. The actual share price on vesting was £16.41. The award values for 2019 have been restated on this basis and converted into Euro amounts using the exchange rate on vesting of 0.8667 (EUR/GBP)
- For 2017 the CEO remuneration reflects David Hathorn's remuneration up to his retirement from the Board on 11 May 2017, including the pro rata CEO annual bonus, and Peter Oswald's base salary, pension, benefits and pro rata CEO annual bonus, as well as the 2015 LTIP vesting amount, with effect from 11 May 2017
- David Hathorn's remuneration in 2011 included €3.9 million from the proceeds of a one-off, shareholder approved, share award under a Co-Investment Plan he participated in at the time of the Group's demerger from Anglo American plc in 2007. Under this plan, he invested £1 million from his own funds in Mondi plc shares in August 2007. He was eligible to receive a match of up to 250% of the number of investment shares based on a relative TSR performance measure over a four-year period. As the TSR achieved by Mondi plc was better than the upper quintile - Mondi was the top-performing company in the comparator group - the committee approved the maximum vesting in accordance with the Plan rules

Remuneration scenarios at different performance levels^{1,2}

CEO



CFO



The charts above illustrate the total potential remuneration for each executive director at three performance levels.

1 Assumptions:

Minimum = fixed pay only (salary + benefits + pension)

On-target = 53% vesting of the annual bonus and 50% for LTIP awards

Maximum = 100% vesting of the annual bonus and LTIP awards

Salary levels (on which other elements of the package are calculated) are based on those applying on 1 January 2021

2 Benefit values for both the Group CEO and the Group CFO exclude the costs of business travel and accommodation

3 To reflect the impact of a share price increase between award and vesting, the LTIP value in the 'Maximum' column has been increased by 50% in the 'Share Price Growth' column

Annual report on remuneration continued

2020 remuneration of directors (audited)

The table below sets out the total remuneration for each person who served as a director in the period ended 31 December 2020 and 31 December 2019. A full breakdown of fixed pay and pay for performance in 2020 is detailed below.

Executive directors

	Fixed pay			Pay for performance							Total
	Base salary/ NED fees	Benefits ¹	Pension contribution	Subtotal	Annual bonus including grant value of BSP award ²	Value of LTIP vesting in the performance year ^{3,4}	Value of LTIP vesting at date of grant	Share price gain on vesting of LTIP award between grant and vest dates	Other ⁵	Subtotal	
2020											
Andrew King ⁶	€989,093	€204,345	€104,838	€1,298,276	€753,044	€588,106	€567,926	€20,180	€71,087	€1,412,237	€2,710,513
Mike Powell ⁷	€118,017	€21,567	€9,441	€149,025	€80,894	–	–	–	–	€80,894	€229,919
Peter Oswald ⁸	€283,279	€34,012	€65,205	€382,496	€215,458	€929,003	€847,364	€81,639	€141,488	€1,285,949	€1,668,445
2019⁹											
Andrew King	€677,219	€45,627	€169,305	€892,151	€405,149	€799,592	€784,241	€15,351	€114,749	€1,319,490	€2,211,641
Mike Powell	–	–	–	–	–	–	–	–	–	–	–
Peter Oswald	€1,105,000	€61,208	€276,250	€1,442,458	€807,974	€1,449,707	€1,481,769	–	€84,138	€2,341,819	€3,784,277

Non-executive directors

	Year ended 31 December 2020			Year ended 31 December 2019		
	Fees ¹⁰	Other ⁵	Total	Fees ⁹	Other	Total
Philip Yea ¹¹	€336,965	–	€336,965	–	–	–
Tanya Fratto	€102,337	–	€102,337	€113,169	–	€113,169
Enoch Godongwana	€86,197	–	€86,197	€32,217	–	€32,217
Stephen Harris	€102,337	–	€102,337	€110,515	–	€110,515
Dominique Reiniche	€105,136	€2,428	€107,564	€115,880	€2,050	€117,930
David Williams ¹²	€158,097	–	€158,097	€380,035	–	€380,035
Stephen Young	€100,213	–	€100,213	€108,274	–	€108,274

1 For Andrew King this includes a total of €60,316 for UK, South African and Austrian tax advice benefit and a total reimbursement of tax and gross-up of €114,468. The increase results from the UK tax returns for the tax years 2018-19 and 2019-20 being completed in 2020 and support in respect of enquiries from tax authorities. Accommodation cost for some of Peter Oswald's business trips prior to his departure is, for reasons of UK tax regulation, subject to UK income tax, and is therefore required to be included in the disclosure. The figure for Peter Oswald in the 'Benefits' column includes €6,345 in respect of accommodation cost for his business travel and the cost of any grossed up income tax paid during the year

2 This is the amount of cash bonus in respect of the financial year 2020. For further details, see pages 139-141

3 For 2020, the three-year performance cycle of the 2018 LTIP ended on 31 December 2020 and the awards will vest in March 2021. The award value shown is based on the average share price over the last three months of the financial year ended 31 December 2020 of €16.66. This amount includes cash amounts of equivalent value to all dividends on vested LTIP shares during the year. The award values for 2020 have been converted into Euro amounts using the average exchange rate for the three months ended on 31 December 2020 of 0.9025 (EUR/GBP). The 2018 LTIP awards were granted on 27 March 2018, when the share price was €19.22. As a consequence, any gain shown is not attributable to share price appreciation, but results from cash amounts of equivalent value to all dividends on vested LTIP shares during the year

4 In the 2019 remuneration report, the value of the 2017 LTIP awards vesting for which the three-year performance cycle ended on 31 December 2019 was calculated using the average share price for the three months ended 31 December 2019, being €16.49. The actual share price on vesting was €16.41. The award values for 2019 have been restated on this basis and converted into Euro amounts using the exchange rate on vesting of 0.8667 (EUR/GBP). The awards were granted on 12 May 2017, when the share price was £18.76. This equated to a decrease in value of £2.35 per share. As a consequence, any gain shown is not attributable to share price appreciation, but results from cash amounts of equivalent value to all dividends on vested LTIP shares during the year

5 Includes cash amounts of equivalent value to all dividends on vested BSP shares during the year. See table of share awards granted to executive directors on page 145. Andrew King received equivalent dividends to the value of €34,510, Peter Oswald received a total of €141,487, including €87,682 equivalent dividends as a result of his 2018 and 2019 BSP awards vesting immediately after his exit in April 2020. Accommodation costs in Vienna for Andrew King's business trips are, for reasons of Austrian and UK tax regulation, subject to income tax, and are therefore required to be included in the disclosure. The figure for Andrew King in the 'Other' column includes €36,576 in respect of accommodation costs for his business travel and the cost of any grossed up income tax paid during the year. Dominique Reiniche received tax advice in the year to the value of €2,428

6 As disclosed in the 2019 remuneration report, Andrew King was appointed as Group CEO on 1 April 2020. His 2020 salary on appointment increased from €610,000 to €970,000 (2019: £594,500). His salary is denominated in pound sterling. For the purposes of the above table, these have been converted into Euro amounts using a 12-month average exchange rate to 31 December 2020 of 0.8897 (EUR/GBP)

7 Mike Powell was appointed as Group CFO on 1 November 2020. The 2020 figures reflect his remuneration as an executive director from 1 November 2020 to 31 December 2020. His salary is denominated in pound sterling. For the purposes of the above table, these have been converted into Euro amounts using a 12-month average exchange rate to 31 December 2020 of 0.8897 (EUR/GBP)

8 As disclosed in the 2019 remuneration report, Peter Oswald stepped down as Group CEO on 31 March 2020. The 2020 figures reflect his remuneration up to the date of departure. Peter Oswald's termination arrangements were disclosed in full in the 2019 remuneration report

9 For purposes of simplification and consistency, the columns Base salary/NED fees, Benefits, Pension contribution, Bonus BSP award and Other for 2019 have been re-stated using the average exchange rate for 2019 of 0.8779 (EUR/GBP)

10 The non-executive directors' fees are denominated in pound sterling. For the purposes of the above table, these have been converted into Euro amounts using a 12-month average exchange rate to 31 December 2020 of 0.8897 (EUR/GBP)

11 Philip Yea was appointed as a non-executive director on 1 April 2020 and with effect from 7 May 2020 was appointed Chair. The 2020 figures reflect his remuneration as a non-executive director from 1 April 2020 to 6 May 2020 and as Chair from 7 May 2020 to 31 December 2020 and have been converted into Euro amounts using a 12-month average exchange rate to 31 December 2020 of 0.8897 (EUR/GBP)

12 David Williams stepped down as a non-executive director and Chair on 7 May 2020. The 2020 figures reflect his remuneration up to the date of departure and have been converted into Euro amounts using a 12-month average exchange rate to 31 December 2020 of 0.8897 (EUR/GBP)

13 None of the executive directors have entitlements under a defined benefit pension scheme

Annual bonus

2020 bonus outcomes (audited)

For the annual bonus in respect of 2020 performance, the performance measures and achievement levels were:

	BSP performance measures				Total
	Underlying EBITDA	ROCE	Safety	Personal	
Weight (% max)	35	35	10	20	100
Outcomes:					
Andrew King (% of max)	11	14	–	17	42
Mike Powell (% of max)	11	14	–	15	40
Peter Oswald (% of max)	11	14	–	16	41

Financial element of 2020 bonus (audited)

Financial performance was assessed against the underlying EBITDA and ROCE ranges that were set for 2020. The ranges and outcomes were:

2020 Financial bonus elements



On-target performance of financial metrics is midway between the performance at threshold and the performance at maximum and delivers a bonus of 50% of maximum

Safety element of 2020 bonus (audited)

A maximum of 10 points are awarded for safety. Five points are awarded, based on the assessment of Lead indicators, with up to a further five points awarded based on the TRCR (Total Recordable Case Rate), which includes fatalities. Irrespective of the TRCR, in the event of one fatality half of the five points are forfeited. In the event of two or more fatalities all five points are forfeited.

2020 Safety bonus elements



Despite best endeavours, not all Lead indicators were achievable in 2020. This was mainly due to the travel restrictions resulting from the COVID-19 pandemic. Despite the impact of COVID-19 and the significant focus on safety from our leadership and wider workforce, no points were awarded for Lead indicators. The TRCR achieved for 2020 was 0.58 relative to a target of 0.61. However due to the two regrettable fatalities as set out on page 46, no points were awarded for this part of the safety element either. As a consequence the entire 10 points available for safety performance were forfeited.

Annual report on remuneration continued

Personal objectives of executives for 2020 bonus (audited)

Key objectives and achievements

The executive directors share many key objectives and also have individual objectives that are specific to their roles. Key objectives, and achievements against these objectives during 2020, included:

Strategy development and execution	<ul style="list-style-type: none"> – Good progress on key expansionary projects, including: <ul style="list-style-type: none"> – a new kraft top white machine in Ružomberok (Slovakia), which started up at the end of January 2021 – machine conversion at Štětí (Czech Republic) commissioned in early January 2021 – investment programme at Syktyvkar (Russia) to debottleneck production and maintain competitiveness – modernisation of Richards Bay (South Africa) mill, including upgrading the energy and chemical plants – Developed a number of sustainable packaging solutions applying our EcoSolutions approach, leveraging unique platform as a leading paper- and flexible plastic-based packaging producer – Achieved almost all 2016–2020 sustainability commitments as set out in the Growing Responsibly model – Finalisation and approval of 2030 sustainable development commitments (MAP2030)
Organisational performance	<ul style="list-style-type: none"> – Fast and effective response to COVID-19, prioritising the health and safety on our people, supply to customers and increasing our community support beyond our existing initiatives – Strong operational performance, even during the height of COVID-19 lockdowns – Continuous improvement initiatives to enhance productivity, efficiency and reduce costs, including progress on a number of digitalisation initiatives
Financial efficiency and financing	<ul style="list-style-type: none"> – Robust financial performance in a challenging year – Maintained strong liquidity and financial position – Investment grade credit ratings reconfirmed: Moody's Baa1 and Standard & Poor's BBB+
Organisational structure and resourcing	<ul style="list-style-type: none"> – Key appointments made, of note, Mike Powell as CFO, and Lars Mallasch as Group Technical & Sustainability Director
Stakeholder relationships	<ul style="list-style-type: none"> – Enhanced employee-supportive initiatives and programmes as a response to the challenges faced by the pandemic – Completed a Group-wide employee survey to understand our people's concerns and areas for further engagement – Virtual leadership meetings and colleague conversations to enhance communication with leaders and employees – Maintained key institutional relationships in difficult circumstances, with continued positive feedback
The ratings of the current and previous executive directors were:	<ul style="list-style-type: none"> – Andrew King 17/20 – Mike Powell 15/20 – Peter Oswald 16/20

Detail of annual bonus awarded in the year (audited)

Name	Maximum bonus (% of salary)	Maximum bonus	% of maximum	Awarded in cash	Awarded in shares	Total
Andrew King ¹	185% of salary/ 155% of salary	€1,779,736	42	€376,522	€376,522	€753,044
Mike Powell ²	170% of salary	€200,669	40	€40,447	€40,447	€80,894
Peter Oswald ³	185% of salary	€521,538	41	€215,458	–	€215,458

¹ As disclosed in the 2019 remuneration report, Andrew King's maximum bonus opportunity was 155% of base salary pro-rated for the period in 2020 as CFO and a maximum bonus opportunity of 185% of base salary, pro-rated in 2020 for the period he served as CEO

² On appointment to the Board as Group CFO on 1 November 2020, Mike Powell is eligible to participate in the 2020 bonus, which has been pro-rated to reflect time in service during 2020

³ As disclosed in the 2019 remuneration report, Peter Oswald is eligible for a 2020 bonus to the date he stepped down from the Board as Group CEO on 31 March 2020. The 2020 bonus has been pro-rated to reflect his time in service. As disclosed in the 2019 remuneration report, as Peter Oswald stepped down as Group CEO on 31 March 2020, in line with the Plan Rules any deferred bonus he holds is to be encashed

The committee reviewed performance against these performance measures and considered the underlying performance of the Group during the performance period and concluded the overall bonus outcomes to be appropriate. No discretion was exercised by the committee in determining the bonus outcomes.

In accordance with our DRP, 50% of the bonuses earned are paid in cash, the remaining 50% is deferred into shares which are released after three years. From 2020 onwards, any dividend equivalents accruing on the BSP awards will be delivered in shares. In line with the BSP, dividend equivalents are subject to a service requirement.

BSP Awards granted in 2020 (audited)

On 26 March 2020 the committee made the following awards under the Group's BSP to the following executive director in relation to the 2019 bonus outcome. As disclosed in the 2019 remuneration report, as Peter Oswald stepped down as Group CEO on 31 March 2020 in line with the Plan Rules any deferred bonus he holds will be paid entirely in cash.

Name	Type of award	Relating to FY	Number of shares	Share price at grant ¹	Face value of shares
Andrew King	Nil-cost option	2019	11,220	£15.85	£177,837

¹ Being a three-day average share price commencing on the day of announcement of financial results

Long-Term Incentive Plan (LTIP) (audited)

Vesting of the 2018 awards

The LTIP awards that were granted in 2018, with a three-year performance period ending on 31 December 2020, will vest in March 2021 at 50% of maximum against the (equally weighted) relative TSR and ROCE performance conditions, as shown in the table below. The committee considered the underlying performance of the Group during the performance period, and considers the level of payout is reflective of the overall performance of the Group. No discretion was exercised by the committee in determining the vesting outcomes.

Measure	Weighting (%)	Threshold (25% vesting)	Maximum (100% vesting)	Actual	Actual vesting (% of max)
Mondi's TSR relative to bespoke peer group	50%	Median	Upper quartile	Below median	–
ROCE (average)	50%	10% p.a.	18% p.a.	19.5% p.a. ¹	100%
Total vesting (% max)					50%

¹ The three-year ROCE that was achieved was 19.5% (23.6% in 2018, 19.8% in 2019 and 15.2% in 2020)

Vesting of the 2018 awards



Mondi plc achieved a TSR of 8.4%, over the performance period and Mondi's rank within the TSR peer group was ninth out of 16 remaining companies. This was marginally below the median position required for threshold vesting of 25% of the relevant shares. Therefore 0% of the maximum shares attributable to this element will vest.

TSR peer group ranking



Overall, 50% of maximum vested with the remainder lapsing.

Details of 2018 LTIP vesting

Name	Number of awards granted	Vesting performance	Shares vesting	Dividend equivalents ¹ (cash value)	Total number of shares vesting	Average share price	Total estimated value of award on vesting ²
Andrew King	52,719	50%	26,360		26,360	£16.66	€486,574
Peter Oswald ³	78,660	50%	39,330		39,330	£16.66	€725,978

¹ In accordance with the LTIP Plan Rules, the committee has discretion to allow LTIP participants to receive the benefit of any dividends paid on vesting shares between the grant date and the vesting date in the form of a cash award. From 2020 grants onwards, any dividend equivalents will be delivered in shares. Dividend equivalents awarded at the vesting of the 2018 LTIP will be disclosed in next years report

² The award values for 2020 have been converted into Euro amounts using the average exchange rate for the three months ended on 31 December 2020 of 0.9025 (EUR/GBP)

³ As disclosed in the 2019 remuneration report, Peter Oswald's 2018 LTIP was pro-rated to reflect his term in employment before stepping down from the Board on 31 March 2020. Therefore, the number of shares awarded has been pro-rated by 75% (i.e. 27 of 36 months)

Remuneration report

Annual report on remuneration continued

In accordance with the DRP, vested awards are subject to a two-year holding period whereby the executive (including those who have left employment) must retain the after-tax number of vested shares for a minimum of two years from the point of vesting.

Awards granted in 2020

On May 11 2020, the committee made the following award under the Group's LTIP to the following executive director:

Name	Type of award	Basis of award	Number of shares	Share price at grant ¹	Face value of shares	Vesting at minimum performance	End of performance period
Andrew King	Nil-cost option	230% of salary	140,758	£15.85	£2,231,014	25.0%	31/12/22

¹ Being a three-day average share price commencing on the date of the announcement of the Company's annual results

The performance conditions, as summarised in the table below, are based on two performance measures of equal weight – relative TSR and ROCE – measured over a three-year performance period ending on 31 December 2022. This combination of metrics provides an appropriate means of aligning the operation of the LTIP with shareholders' interests and the Group's business strategy.

Measure	Weighting (%)	Threshold (25% vesting)	Maximum (100% vesting)
Mondi's TSR relative to bespoke peer group	50.0%	Median	Upper quartile
ROCE (average)	50.0%	12% p.a.	18% p.a.

Between threshold and maximum the LTIP awards will vest on a straight-line basis

The TSR performance condition is based on the Group's TSR relative to a group of competitor companies. The following companies were selected:

Amcor	DS Smith	International Paper	Sappi	The Navigator Company
BillerudKorsnäs	Holmen	Mayr-Melnhof	Smurfit Kappa	UPM
Domtar	Huhtamaki	Metsä Board	Stora Enso	WestRock

The committee has discretion to amend the vesting outturn should any formulaic output be inappropriate (e.g. unreflective of underlying performance). Where the provision is utilised the committee will seek to explain clearly the basis for this decision.

Buyout awards (audited)

To secure Mike Powell's appointment as Group CFO, the committee agreed to buy out the non-cash incentives forfeited on leaving his previous employer. On leaving his previous role, Mike Powell forfeited two long-term share awards, which were due to vest at the end of October 2021 and October 2022, respectively. These forfeited awards were replaced by the grant of two LTIP awards on 2 December 2020, a Mondi 2019 LTIP award to replace the award due to vest in October 2021 and a Mondi 2020 LTIP award to replace the award due to vest in October 2022. These awards had an equivalent value to the forfeited awards, reduced pro-rata by two-thirds and one-third respectively to take into account Mike Powell's time in service with his previous employer.

The 2019 LTIP award and 2020 LTIP award will vest in March 2022 and March 2023 respectively based on Mondi's 2019 and 2020 performance conditions and targets. Any shares that vest under these two LTIPs will be subject to a two-year holding period from the date of vesting.

Details of the buyout awards are summarised in the table below:

Award level	Type of award	Number of shares	Share price at grant ¹	Face value of shares	Vesting at minimum performance	End of performance period
2019 LTIP	Nil-cost option	69,211	£13.88	£960,575	25%	31 December 2021
2020 LTIP	Nil-cost option	39,427	£13.88	£547,208	25%	31 December 2022

¹ Being a three-day VWAP for the three trading days prior to the announcement of Mike Powell's appointment

The performance conditions which apply to the 2019 LTIP awards are identical to the performance conditions which apply to the 2020 LTIP awards, set out in this remuneration report above.

Payments to past directors (audited)

There were no payments to past directors during the period. Payments made with regards to Peter Oswald who stepped down as Group CEO on 31 March 2020 were disclosed in the 2019 remuneration report.

Payments for loss of office (audited)

There were no payments for loss of office made to directors during the period.

CEO pay ratio

The table below sets out the CEO pay ratio based on total remuneration and salary of the Group CEO to the 25th, 50th (median) and 75th percentile of all permanent UK employees of the business:

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2020	Option A	48:1	34:1	27:1
2019	Option A	126:1	97:1	67:1

2020	CEO	25th percentile	Median pay ratio	75th percentile
Salary	£1,007,618	£64,000	£76,406	£99,807
Total pay and benefits	£3,050,956	£64,000	£88,738	£114,129

Date of calculation 5 February 2021

Mondi has chosen to use Option A under the regulations, where the total annual pay for all UK colleagues is calculated to identify those at median, 25th and 75th percentile. This calculation methodology was selected as the data was felt to be the most accurate way of identifying the percentiles. CEO remuneration for the year ended 31 December 2020 is based on the aggregated total remuneration earned by Andrew King and Peter Oswald in respect of their tenures as Group CEO during 2020. CEO remuneration for the year ended 31 December 2019 is Peter Oswald's 'single figure' which has been adjusted to reflect the actual LTIP vesting (further information on page 138). This adjustment led to a minor change in the CEO pay ratio for the year ended 31 December 2019 in respect of the 50th percentile (from 98:1). No element of the workforce remuneration was excluded for the purposes of calculating the CEO pay ratio. The total full-time equivalent remuneration for the relevant employees has been calculated based on the amount paid or receivable in respect of the financial year (unless stated otherwise). For administrative practicality, the bonus figures used for employees represent the bonuses paid during the relevant financial year in relation to the previous year. Mondi's UK annual average employee number in 2020 was 173 (2019: 261), circa 0.6% and circa 1% of our global workforce, respectively. The decrease in the UK workforce is due to the closure of our plants in Deeside and Nelson during 2020. The committee considers pay ratios as one of many reference points when considering remuneration. Throughout the Group, pay is positioned to be fair and market competitive in the context of the talent market for the relevant role, fairly reflecting local market data and other relevant benchmarks. The committee notes the limited comparability of pay ratios across companies and sectors, given the diverse range of business models and employee population profiles which exist across the market. A significant proportion of the CEO's total remuneration is delivered in variable remuneration, and particularly via long-term share awards. In order to drive alignment with shareholders, the value ultimately received from LTIP awards is linked to stretching company performance targets and long-term share price movement. As a result, the pay ratio is likely to be driven largely by the CEO's LTIP outcome and may therefore fluctuate significantly on a year-to-year basis. The committee has confirmed that the ratio is consistent with the Company's wider policies on employee pay, reward and progression. The reason for the significant decrease in the CEO pay ratio for 2020 is predominantly the decrease in CEO total remuneration and change in the UK employee comparator group.

Percentage change in directors' remuneration

The table below shows the percentage change in each director's salary/fees, benefits and bonus between the year ended 31 December 2020 and 31 December 2019, and the average percentage change in the same remuneration over the same period in respect of the employees of the Company on a full time equivalent basis.

The average employee change has been calculated by reference to the mean of employee pay. Mike Powell and Philip Yea were appointed to the Board during the year ended 31 December 2020 and both Peter Oswald and David Williams stepped down from the Board during the year ended 31 December 2020. Accordingly, they have been excluded from the table below.

	Average employee	Andrew King ^{1,2}	Tanya Fratto	Enoch Godongwana ³	Stephen Harris	Dominique Reiniche	Stephen Young
Salary/fees	0.6%	-1.3%	-9.6%	-10.6%	-7.4%	-9.3%	-7.4%
Taxable benefits ²	N/A	233.85%	N/A	N/A	N/A	18.4%	N/A
Annual bonus	5.2%	-6.8%	N/A	N/A	N/A	N/A	N/A

1 Andrew King's salary as Group CEO from 1 April 2020 has been annualised, using the average exchange rate to 31 December 2020 of 0.8897 and compared to Peter Oswald's salary and bonus as Group CEO in 2019

2 Andrew King's benefits for 2020 have been compared to Peter Oswald's benefits for 2019. The increased benefits result from Andrew King's tax advice benefits for the UK, South Africa and Austria relating to the 2018-19 and 2019-20 tax years being completed in 2020 and enquiries from the UK, South Africa and Austrian tax authorities, as well as gross-up on benefits. In most of the Group the majority of benefits are provided through social security. Additional benefits represent less than 5% of the salary bill

3 Enoch Godongwana was appointed to the Board on 1 September 2019. To enable comparison and to provide meaningful reflection of the annual percentage change, his fees for the year ended 31 December 2019 have been annualised

Relative importance of spend on pay

The table below shows the total remuneration paid across the Group together with the total dividend and share buybacks in respect of 2020 and 2019. There have been no share buybacks during 2020 and 2019.

€ million	2020	2019	% change
Overall remuneration expenditure ¹	1,051	1,072	-2%
Dividends	237	396	-40%

¹ Remuneration expenditure for all Mondi Group employees

Statement of directors' shareholdings and share interests (audited)

The CEO is required to achieve and maintain a minimum shareholding equivalent to 300% of base salary, and other executive directors a minimum shareholding of 250% of base salary. New appointees are required to meet the relevant requirement within five years from appointment. Therefore, Andrew King and Mike Powell have until 31 March 2025 and 31 October 2025 to meet their respective shareholding requirements. Until the shareholding guidelines are met, the executive's deferred bonus awards under the BSP (after tax) will count towards the requirement. LTIP shares that have vested (after tax) and within the two-year post-vesting holding period will count towards the holding requirement. As at 31 December 2020, Andrew King was below his minimum shareholding requirement. This was due to his increase in base salary on appointment as CEO, and the increase to the shareholding requirement in the DRP.

The beneficial and non-beneficial share interests of the directors and their connected persons as at 1 January 2020 (or, if later, on appointment), and as at 31 December 2020 (or as at their date of resignation if earlier) were as follows:

Executive directors

	Shareholding at 1 Jan 2020 (or, if later, on appointment)	Shareholding at 31 Dec 2020 (or, at the date of resignation, if earlier)	Total shareholding as multiple of base salary ¹ (%)	Deferred BSP shares outstanding at 31 Dec 2020 ²	Deferred BSP shares as multiple of salary ¹ (%)	Deferred LTIP shares outstanding at 31 Dec 2020 ³	Deferred LTIP shares as multiple of base salary ¹ (%)
Andrew King	73,178	112,734	202%	43,340	78%	252,156	453%
Mike Powell	–	–	–	–	–	108,638	300%
Peter Oswald	191,518	223,824	380%	–	–	125,529	213%

¹ The one-month volume weighted average share price of £17.41 as at 31 December 2020 was used in calculating the percentage figures shown above divided by the executive's respective salary as at 31 December 2020 or, at the date of resignation, if earlier. For Peter Oswald, his salary was converted from euros to sterling using the average December exchange rate of 0.9049

² BSP shares subject to service condition. 11,220 shares of the number shown in this column were awarded as nil-cost options to Andrew King

³ LTIP shares subject to service and performance conditions. 140,758 shares of the number shown in this column were awarded as nil-cost options to Andrew King. All shares shown in this column for Mike Powell were awarded as nil-cost options and none for Peter Oswald

Non-executive directors

	Shareholding at 1 Jan 2020 (or, if later, on appointment)	Shareholding at 31 Dec 2020 (or, at the date of resignation, if earlier)
Philip Yea ¹	20,000	20,000
Tanya Fratto	1,000	1,000
Enoch Godongwana	–	–
Stephen Harris	1,000	1,000
Dominique Reiniche	1,000	1,000
David Williams ²	5,000	5,000
Stephen Young	2,026	2,026

¹ Philip Yea held 20,000 shares on his appointment 1 April 2020

² David Williams stepped down as Chair on 7 May 2020

There has been no change in the interests of the directors and their connected persons between 31 December 2020 and the date of this report.

Share awards granted to executive directors (audited)

The following tables set out the share awards granted to the executive directors. All share awards are determined by the three-day average share price commencing the day Mondi announces its results, unless stated otherwise.

Awards under BSP and LTIP

	Type of award	Awards held at beginning of year or on appointment to the Board	Awards granted during year	Shares lapsed	Awards vested during year	Vesting price	Date of award	Awards held as at 31 December 2020	Release date	Status
Andrew King	BSP	8,427	–	–	8,427	£16.41	Mar 2017	–	Mar 2020	Vested
	BSP	12,501	–	–	–	–	Mar 2018	12,501	Mar 2021	Unvested
	BSP	19,619	–	–	–	–	Mar 2019	19,619	Mar 2022	Unvested
	BSP	–	11,220	–	–	–	Mar 2020	11,220	Mar 2023	Unvested
	LTIP ¹	36,894	–	12,101	24,793	£16.41	May 2017	–	Mar 2020	Vested
	LTIP ²	52,719	–	–	–	–	Mar 2018	52,719	Mar 2021	Unvested
	LTIP ³	58,679	–	–	–	–	Mar 2019	58,679	Mar 2022	Unvested
	LTIP ⁴	–	140,758	–	–	–	May 2020	140,758	Mar 2023	Unvested
Mike Powell ⁵	Buy-out LTIP	–	69,211	–	–	–	Dec 2020	69,211	Mar 2022	Unvested
	Buy-out LTIP	–	39,427	–	–	–	Dec 2020	39,427	Mar 2023	Unvested
Peter Oswald	BSP	17,730	–	–	17,730	£16.41	Mar 2017	–	Mar 2020	Vested
	BSP	23,030	–	–	23,030	£13.30	Mar 2018	–	Apr 2020	Vested
	BSP	37,868	–	–	37,868	£13.30	Mar 2019	–	Apr 2020	Vested
	LTIP ¹	99,555	–	32,654	66,901	£16.41	May 2017	–	Mar 2020	Vested
	LTIP ²	104,879	–	26,219	–	–	Mar 2018	78,660	Mar 2021	Unvested
	LTIP ³	112,485	–	65,616	–	–	Mar 2019	46,869	Mar 2022	Unvested

	Type of award	Awards held at beginning of year or on appointment to the Boards	Awards granted during year	Shares lapsed	Awards vested during year	Vesting price	Date of award	Awards held as at 31 December 2020	Release date	Status
Andrew King ⁶	BSP SA	3,608	–	–	3,608	£16.41	Mar 17	–	Mar 20	Vested
	LTIP SA	15,796	–	5,181	10,615	£16.41	May 17	–	Mar 20	Vested

1 The performance conditions applying to the 2017 LTIP are set out on pages 136 to 137 of the 2019 remuneration report

2 The performance conditions applying to the 2018 LTIP are set out on page 141

3 The performance conditions applying to the 2019 LTIP are set out on pages 136 to 137 of the 2019 remuneration report

4 The performance conditions applying to the 2020 LTIP are set out on page 142. These were awarded as nil-cost options

5 Details of the buyout awards granted to Mike Powell are set out on page 142. These were awarded as nil-cost options

6 As a result of the completion of the corporate simplification, all of Andrew King's Mondi Limited shares were converted to Mondi plc shares on a 1:1 basis

Annual report on remuneration continued

All-employee share plans (audited)

The Group currently operates one HM Revenue & Customs approved all-employee share plan in the UK.

Share Incentive Plan (SIP)

Employees resident in the UK are eligible to participate in the SIP. Contributions of up to £150 are taken from participants' gross salary and used to purchase ordinary shares in Mondi plc each month. Participants receive one matching Mondi plc ordinary share free of charge for each share purchased. The shares are placed in trust and the matching shares are forfeited if participants resign from the Group's employment within three years. If the shares are left in trust for at least five years, they can be removed free of UK income tax and National Insurance contributions. Mike Powell will be eligible to participate after six months of service.

SIP

	Shares held at beginning of year or on appointment to the Boards	Partnership shares acquired during the year	Matching shares awarded during the year	Shares released during year	Total shares held as at 31 December 2020
Andrew King ¹	5,972	117	117	–	6,206

¹ Since 1 January 2021 up to the date of this report Andrew King acquired 17 partnership shares and was awarded 17 matching shares

Statement of voting at Annual General Meeting

The Annual General Meeting was held on 7 May 2020. All resolutions were passed. The voting result in respect of the remuneration report is given below. Overall approximately 76% of the total Group shares were voted.

Resolution	Votes for	%	Votes against	%	Votes total	Votes withheld
To approve the remuneration report	346,798,929	93.86	22,676,181	6.14	369,475,110	231,204
To approve the remuneration policy	341,642,445	92.81	26,461,002	7.19	368,103,447	1,602,867

Remuneration Committee governance**The Remuneration Committee**

The Remuneration Committee is a formal committee of the Board. Its remit is set out in terms of reference adopted by the Board. A copy of the terms of reference is available on the Group's website at www.mondigroup.com. The committee's performance against these terms of reference is reviewed on an annual basis and the committee is satisfied that it has acted in accordance with its terms of reference during the year.

The primary purposes of the committee, as set out in its terms of reference, are:

- to make recommendations to the Board on the Group's framework of executive remuneration;
- to determine individual remuneration packages within that framework for the executive directors and certain senior executives;
- to determine the remuneration of the Board Chair; and
- to oversee the operation of the Group's share schemes.

Composition

Members throughout the year:	Committee member since	Meeting attendance ¹
Tanya Fratto, Chair	January 2017	5/5
Stephen Harris	March 2011	5/5
Dominique Reiniche	October 2015	5/5
David Williams (until 7 May 2020) ²	May 2007	2/3
Philip Yea (from 1 April 2020) ³	May 2020	3/3

¹ The maximum number of scheduled meetings held during the year that each director could attend is shown next to the number attended. Additional meetings were held as required

² David Williams retired from the committee on 7 May 2020. David was unable to attend one meeting prior to his retirement due to an unavoidable family commitment

³ Philip Yea joined the committee on 1 April 2020. Philip attended all meetings following his appointment

Other regular attendees

- Group CEO
- Group Head of Reward
- External remuneration consultant

The committee is authorised to seek information from any director and employee of the Group and to obtain external advice. The committee is solely responsible for the appointment of external remuneration advisers and for the approval of their fees and other terms. No director or other attendee takes part in any discussion regarding his or her personal remuneration.

During 2020, the committee completed a competitive tender for the role of its principal consultants which included four independent candidates. Following the completion of the tender, the committee unanimously appointed Deloitte as its independent remuneration consultant with effect from 29 September 2020. Deloitte has provided share scheme advice and general remuneration advice to the Company. Deloitte LLP also provided other tax and human consulting services during the year. All advice received by Deloitte was both objective and independent. Deloitte is a founder member of Remuneration Consultants Group, and as such, voluntarily operates under the Code of Conduct in relation to executive remuneration consulting in the UK. Total fees paid to Deloitte for providing remuneration advice to the committee were determined based on time and materials and amounted to £26,750 for the year ended 31 December 2020. Fees to Aon in respect of the year under review were £75,521 based on consulting time required by the committee.

Prior to the appointment of Deloitte, Aon provided remuneration advice and benchmarking data to the committee. Aon continues to provide actuarial advice to the trustees of Mondi's three UK pension schemes and pension administration services, and certain insurance broking services. These services were entirely independent of the advice to the committee.

The committee reviews the appointment of its advisers annually and is satisfied that the advice it receives is objective and independent.

Sums paid to third parties in respect of a director's services

No consideration was paid or became receivable by third parties for making available the services of any person as a director of Mondi plc ('the Company'), or while a director of the Company, as a director of any of the Company's subsidiary undertakings, or as a director of any other undertaking of which he/she was (while a director of the Company) a director by virtue of the Company's nomination, or otherwise in connection with the management of the Company or any undertaking during the year to 31 December 2020.

Tanya Fratto

Chair of the Remuneration Committee

For the purposes of the Companies Act 2006, the disclosures below, including those incorporated by reference, together with the Corporate governance report set out on pages 88-125, form the Directors' report.

In addition, disclosures relating to the following items, which also form part of the Directors' report, have been included in the Strategic report which can be found on pages 12-87:

- Dividends page 35
- Financial risk management objectives and policies pages 72-73
- Principal risks pages 74-85
- Likely future developments in the business pages 16-17, 22-34, 66-69
- Research and development activities pages 33-34, 51-52
- Greenhouse gas (GHG) emissions and energy consumption pages 58-60
- Employees pages 46-50

Information required to be disclosed under UK Listing Rule 9.8.4 R

The UK Listing Authority listing rules require the disclosure of certain specified information in the annual financial report of Mondi plc.

The information required under rule 9.8.4 (1) in relation to interest capitalised and related tax relief can be found on page 181.

The information required under rules 9.8.4 (12) and (13) in relation to dividend waivers can be found on page 193. This information is incorporated by reference into this Directors' report.

Besides the above, the information required to be disclosed under rule 9.8.4 R is not applicable to Mondi plc and therefore no disclosures have been made in this regard.

Employee and stakeholder engagement

Information relating to engagement with employees and other stakeholders, including customers and suppliers, can be found in the Strategic report on pages 40-43 and in the Corporate governance report on pages 98-102.

Share Capital

Full details of Mondi's share capital can be found in note 21 to the financial statements.

Substantial interests

As at 31 December 2020, the Company had received notifications from the following parties in the voting rights of Mondi plc. The number of voting rights and percentage interests shown are as disclosed at the date on which the holding was notified.

Shareholder	Number of voting rights	% ¹
Public Investment Corporation Limited	28,670,065	5.91
BlackRock, Inc	21,530,677	5.86
Investec Asset Management Limited	18,352,708	4.99
AXA S.A.	17,210,471	4.69
Standard Life Investments Limited	16,476,021	4.49
Old Mutual plc	11,978,984	3.26
Sanlam Investment Management Proprietary Limited	10,936,128	3.00

¹ Percentage provided was correct at the date of notification. No further notifications have been received under DTR Rule 5 as at the date of this report

Additional information for shareholders

The information for shareholders required pursuant to the Companies Act 2006 can be found on pages 234-235 of this report.

Political donations

No political donations were made during 2020 and it is Mondi's policy not to make such donations.

Auditor

Each of the directors of Mondi plc at the date when this report was approved confirms that:

- so far as each of the directors is aware, there is no relevant audit information of which the Group's auditor is unaware; and
- each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

PricewaterhouseCoopers LLP (PwC) has indicated its willingness to continue as auditor of Mondi plc. The Board has decided that a resolution to reappoint PwC will be proposed at the Annual General Meeting scheduled to be held on 6 May 2021.

The reappointment of PwC has the support of the Audit Committee, which will be responsible for determining its audit fee on behalf of the directors (see page 121 for more information).

Note 4 to the financial statements sets out the auditor's fees both for audit and non-audit work.

Events occurring after 31 December 2020

In addition to the final dividend proposed for 2020, included in note 9 to the financial statements 2020, there has been the following material reportable event since 31 December 2020:

- Mondi agreed to acquire 90.38% of the outstanding shares in Olmuksan International Paper Ambalaj Sanayi ve Ticaret A.Ş. (Olmuksan) for a total consideration of €66 million on 5 January 2021, which implies an enterprise value of €88 million on a 100% basis. Olmuksan is a leading and well-established corrugated packaging producer in Turkey, listed on the Istanbul stock exchange. Its network of five plants provides a diverse customer base with high-quality sustainable packaging for food, beverage, agriculture and industrial applications. The transaction remains subject to competition clearance and other closing conditions and is expected to complete in the first half of 2021. Following the completion of the transaction, Mondi will launch a mandatory tender offer to acquire the remaining 9.62% of outstanding shares in Olmuksan held by minority shareholders.

Annual General Meeting

The Annual General Meeting will be held on Thursday 6 May 2021. The notice convening the meeting, which is sent separately to shareholders, provides further details, including the business to be considered and explanatory notes for each resolution. The notice is available on the Mondi Group website at: www.mondigroup.com.

This Directors' report was approved by the Board on 24 February 2021 and is signed on its behalf.

Jenny Hampshire

Company Secretary
Mondi plc
Building 1, 1st Floor
Aviator Park, Station Road
Addlestone
Surrey
KT15 2PG

Registered No. 6209386

24 February 2021

“Strong, collaborative relationships with customers enabled our continued innovation through the year.”

Markus Gärtner
CEO, Corrugated Packaging





Together, we are... innovating with our customers

2020 was a year of continued product innovation despite the challenges of the pandemic. In particular, we celebrated a number of achievements made through our EcoSolutions approach of using paper where possible, plastic when useful.

An example is our partnership with BIOhof Kirchweidach, an organic farm in Bavaria. During the year, we followed our EcoSolutions approach to develop a 100% recyclable corrugated packaging solution for organic tomatoes. Named 'CoralTray' for its marine life resemblance and its contribution to reducing plastic waste, this innovative new product protects contents during transit, offers great shelf appeal and mitigates food waste.

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See how we are
safeguarding
our employees

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See how we are
supporting our
communities

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The directors are responsible for preparing the Integrated report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Additionally, the Financial Conduct Authority's Disclosure Guidance and Transparency Rules require the directors to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRS) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union (EU). The Mondi plc parent company financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). In preparing the Group financial statements, the directors have also elected to comply with IFRS, issued by the International Accounting Standards Board (IASB).

Under the Companies Act 2006, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the parent company and of the profit or loss of the Group and the parent company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether international accounting standards in conformity with the requirements of the Companies Act 2006 and the IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the EU and IFRS issued by the IASB have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the parent company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and parent company will continue in business.

The directors are also responsible for safeguarding the assets of the Group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent company and enable them to ensure that the financial statements and the Directors' Remuneration report comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

Each of the directors, whose names and functions are listed in the Governance section of the Integrated report confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the EU and IFRS issued by the IASB, give a true and fair view of the financial position and profit of the Group;
- the parent company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the financial position and profit of the Mondi plc parent company; and
- the Strategic report includes a fair review of the development and performance of the business and the position of the Group and parent company, together with a description of the principal risks and uncertainties that the Group and the parent company face.

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the Group's and parent company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group's and parent company's auditors are aware of that information.

The Directors' responsibility statement was approved by the Board on 24 February 2021 and is signed on its behalf by:

Andrew King
Director

Mike Powell
Director

Report on the audit of the financial statements

Opinion

In our opinion:

- Mondi plc's Group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2020 and of the Group's profit and the Group's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Integrated report and financial statements 2020 (the "Integrated Report"), which comprise: the consolidated statement of financial position and Mondi plc parent company balance sheet as at 31 December 2020; the consolidated income statement and consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated and Mondi plc parent company statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in note 1 to the financial statements, the Group, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group.

Other than those disclosed in note 4 to the financial statements, we have provided no non-audit services to the Group in the period under audit.

Our audit approach

Overview

Audit scope

- Overall Group materiality: €52 million (2019: €55 million), based on approximately 5% of a three-year rolling-average of profit before tax adjusted for special items (2019: based on approximately 5% of annual profit before tax adjusted for special items). Special items are described in note 3 of the consolidated financial statements.
- Overall parent company materiality: €35 million (2019: €35 million), based on approximately 1% of total assets.
- Performance materiality: €39 million (Group) and €26 million (parent company).
- We identified three components (2019: three) as individually significant components, which required an audit of their complete financial information due to their financial significance to the Group, and a further two components (2019: four) where we have concluded that the component engagement leader is a Key Audit Partner (as defined under ISAs (UK)). These five components (2019: seven) are located in Austria, the Czech Republic, Poland and Russia (2019: Austria, the Czech Republic, Poland, Russia, Slovakia and South Africa). We obtained full scope audit reporting from an additional 23 components (2019: 21), including operating units and treasury operations. Audit of specific financial statement line items was performed at a further 19 components (2019: 21).

- We assessed the risks of material misstatement in the financial statements and determined the following key audit matters for 2020:
 - Special items (Group)
 - Impairment of goodwill (Group)
 - Taxation (Group)
 - COVID-19 (Group and parent company)
 - Impairment of fixed asset investment in a subsidiary (parent company)

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined in the *Auditors' responsibilities for the audit of the financial statements* section, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of environmental regulations, and unethical and prohibited business practices (see pages 83 and 85 of the Integrated Report), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue and management bias in accounting estimates and judgements. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Discussions with management, internal audit and the Group's internal legal counsel, including consideration of potential instances of non-compliance with laws and regulation and fraud;
- Assessment of matters reported through the Group's whistleblowing helpline and the results of management's investigation of such matters;
- Testing controls in relation to IT systems within the Group, in part to identify if opportunities exist to carry out fraud through inappropriate access to systems and data;
- Testing a sample of journal entries posted to revenue based on specific risk criteria; and
- Challenging assumptions and judgements made by management in its accounting estimates or judgements, in particular in relation to the assessment of impairment of goodwill and matters classified as special items (see related key audit matters below).

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

COVID-19 and impairment of the parent company's fixed asset investment in a subsidiary are new key audit matters this year. Simplification of the corporate structure, which was a key audit matter last year, is no longer included as the transaction was completed in the prior year and has had no further impact on the current year's financial position and results. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Special items (Group)	
<p>The classification of certain transactions as 'special items', which are defined in the Alternative Performance Measures section of the Integrated Report, is a key judgement because of its impact on the reported underlying financial performance of the Group.</p>	<p>Our testing was directed at the significant amounts classified within special items in 2020 related to the impairment of assets and the related restructuring and closure costs incurred at Gronau and Pleasant Prairie.</p>
<p>The Group has recognised a net €57 million of charges in profit before tax which are classified as special items during the financial year, principally related to the following:</p>	<p>Restructuring of Gronau</p> <p>We considered management's classification of these restructuring costs and impairment charges as special items in comparison with the Group's accounting policy.</p>
<ul style="list-style-type: none"> – Restructuring costs incurred on the restructuring of the personal care component plant in Gronau (Germany) and related impairment of assets – €17 million restructuring cost expense and €18 million impairment charge which consists of an impairment recognised on certain idle assets and a separate impairment based on the recoverable amount of the CGU; and – Closure of a functional paper and films plant in Pleasant Prairie (United States) – €5 million restructuring and closure cost expense and €9 million impairment charge. 	<p>We evaluated the impact of the restructuring through discussions with management and obtained the Board approved plan. We verified the recognition criteria for the provisions recorded satisfied the requirements of IAS 37 'Provisions, Contingent liabilities and Contingent assets' and that a constructive restructuring obligation existed at the balance sheet date. We also tested the mathematical accuracy of management's calculations and verified a sample of related costs to underlying documentation.</p>
<p>In addition, a net €8 million of expenses were recorded in special items relating to other matters.</p>	<p>We assessed the impairment of individual assets that will no longer be utilised by comparison with the Board approved restructuring plan and tested the completeness of that assessment, along with verifying the mathematical accuracy of management's calculation.</p>
<p>Refer to note 3 of the consolidated financial statements, the Alternative Performance Measures set out on page 229 and the Audit Committee's views set out on page 118.</p>	<p>We satisfied ourselves as to the appropriateness of the judgement related to the level at which impairment of the remaining property, plant and equipment is assessed, being the lowest level at which largely independent cash inflows can be identified (the CGU). This has appropriately been determined to be at a plant level.</p>
	<p>We assessed whether the recoverable amount of the CGU was determined in accordance with the Group's accounting policy.</p>
	<p>We tested and challenged the basis for management's estimates of growth rates and future cash flows applied in the value in use assessment, including the probability weighting of forecast scenarios used to determine the expected cash flows and the appropriateness of including certain capital expenditure cash flows, by comparison with historical trading performance, future market estimates, contractual arrangements with customers and the status of certain capital projects as at the balance sheet date. We involved our internal valuation experts to independently recalculate the discount rates applied by management and medium-term growth assumptions and checked the mathematical accuracy of management's valuation models.</p>
	<p>We evaluated the assessment of the valuation determined on a fair value less costs to dispose basis, by comparing market based multiples used by management with comparable companies and our valuation experts assessed the valuation method applied.</p>
	<p>Closure of Pleasant Prairie</p> <p>We evaluated management's assessment for the closure costs and impairment of Pleasant Prairie to be presented as a special item against the Group's accounting policy.</p>
	<p>We held discussions with management to understand the closure plan and resulting accounting implications. We validated a sample of items to corroborate the nature and classification of the closure costs incurred to underlying calculations and supporting documentation.</p>
	<p>We audited management's impairment test and evaluated the basis used to determine the recoverable amount of the residual assets after site closure. We also tested the mathematical accuracy of management's assessment.</p>
	<p>Overall presentation</p> <p>We considered and challenged each item disclosed in 'special items' with reference to the guidance from the Financial Reporting Council and the European Securities & Markets Authority. We determined whether such categorisation is appropriate and consistent with the Group's stated policy and past practice for recognition of such items.</p>
	<p>Based on the procedures performed above, we noted no material issues from our work.</p>

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill (Group)	
<p>The Group has goodwill of €923 million (2019: €948 million).</p> <p>For the groups of CGUs to which goodwill relates (which require an annual impairment test), the determination of the recoverable amount, being the higher of value in use (VIU) and fair value less costs to dispose (FVLCD), requires judgement and estimation by management. This is because the determination of a recoverable amount includes management's consideration of key internal inputs and external market conditions such as future paper prices, customer demand and forecast growth rates, which all impact future cash flows, and the determination of the most appropriate discount rate. Therefore, we considered it to be a key audit matter.</p> <p>Refer to notes 1, 12 and 31 of the consolidated financial statements, and the Audit Committee's views set out on page 119.</p>	<p>We satisfied ourselves as to the level at which goodwill is monitored for impairment by review of the internal reporting of financial performance by the Group to ensure the level of monitoring is consistent with, and not at a higher level than, the Group's identified operating segments.</p> <p>We challenged the basis for management's estimates of growth rates and future cash flows, including the probability weighting of forecast scenarios used to determine the expected cash flows applied in the assessment, with reference to historical trading performance, market expectations and independent third party support where available. We used our internal valuation experts to independently recalculate the discount rates applied and checked the mathematical accuracy of management's valuation models.</p> <p>For the groups of CGUs that have goodwill attached to them, we also compared the Group's market capitalisation with the aggregate enterprise value reflected in management's impairment models.</p> <p>We recalculated management's assessment of the sensitivity of the Group's goodwill impairment models to reasonably possible changes in the key assumptions and considered the appropriateness of disclosures provided by the Group in relation to its impairment reviews.</p> <p>We focused our procedures on the goodwill balance allocated to Engineered Materials, as the carrying value of goodwill is a higher proportion of the asset base of this group of CGUs, relative to other goodwill balances, and therefore has a greater inherent sensitivity to changes in the assumptions used in the impairment test.</p> <p>Based on the procedures performed, we noted no material issues from our work.</p>
Taxation (Group)	
<p>The Group has operations in a number of geographical locations and as such is subject to multiple tax jurisdictions, giving rise to complexity in accounting for the Group's taxation.</p> <p>In particular, the interpretation of complex tax regulations and the unknown future outcome of any pending judgements by the tax authorities results in the need to provide against a number of uncertain tax positions. There are also cross-border transactions which give rise to transfer pricing related risks that require judgement to determine the appropriate tax charge and any associated provisions, and for these reasons we considered it to be a key audit matter.</p> <p>Refer to notes 1, 7 and 31 of the consolidated financial statements, and the Audit Committee's views set out on page 119.</p>	<p>Our audit work, which involved taxation audit specialists at the Group level and in specific locations where local tax knowledge was considered necessary, included the assessment of the Group's uncertain tax positions. As part of our audit challenge, we also involved transfer pricing experts to consider the appropriateness of the Group's assessment of its exposure to transfer pricing risks and related corporate tax provisions.</p> <p>Our assessment included reading correspondence with tax authorities to understand the current status of tax assessments and investigations and to monitor developments in ongoing disputes. We also read recent rulings by local tax authorities, as well as external tax advice received by the Group where relevant, to satisfy ourselves that the tax provisions had been appropriately recorded or adjusted to reflect the latest tax legislative developments. In addition, we verified underlying documentation, including third party evidence, to assess the maximum exposures determined by management.</p> <p>In assessing the adequacy of the tax provisions, we considered factors such as possible penalties and interest which could be imposed by the local tax authorities. We also determined whether the tax provisions were recognised in accordance with the relevant accounting standards.</p> <p>We considered the appropriateness of the related disclosures in note 7 and note 31 of the consolidated financial statements.</p> <p>Based on the procedures performed, we noted no material issues from our work.</p>

Key audit matter	How our audit addressed the key audit matter
COVID-19 (Group and parent company)	
<p>Management has undertaken an assessment of the impact of COVID-19 on the Group and parent company financial statements focusing on the potential impact of the pandemic on the Group's accounting estimates and judgements. The areas where management has given greatest attention to the accounting and disclosures implications of COVID-19 are as follows:</p> <ul style="list-style-type: none"> – The Group's going concern assessment (note 1 of the consolidated financial statements); – Impairment assessments of goodwill, property, plant and equipment and fixed asset investments (notes 12 and 10 of the consolidated financial statements and note 5 of the parent company financial statements); – Net realisable value of inventories (note 15 of the consolidated financial statements); and – Recoverability of trade receivables (note 16 of the consolidated financial statements). 	<p>We issued specific audit instructions to component teams, requesting additional risk assessments to be performed on the impact of COVID-19 locally, and directed component auditors to perform further procedures to address the additional areas that may be subject to significant estimates or judgements to ensure the appropriateness and completeness of our audit risk assessment and planned audit response.</p> <p>We assessed our ability to execute the audit when operating under lockdown and the related international travel restrictions. We implemented alternative communication and review protocols with management and with our component auditors. We also held a planning meeting ahead of the year-end audit, involving management and certain component auditors, and agreed ways to facilitate a remote audit, including determining how we could ensure appropriate access to relevant documentation needed for our audit.</p> <p>We assessed management's disclosures in the Integrated Report in relation to the impact of COVID-19, considering whether the disclosures were consistent with our underlying audit procedures both at the Group and at the component level.</p> <p>With the support of our component teams where necessary, we also evaluated management's accounting estimates in light of COVID-19, including assessing the recoverability of trade receivables and inventory net realisable value. We also considered its impact on impairment and we have reported separate key audit matters in the following areas:</p> <ul style="list-style-type: none"> – Special items of the Group; – Impairment of goodwill of the Group; and – Impairment of fixed asset investment in a subsidiary of the parent company. <p>Our conclusions related to the audit of management's going concern assessment are reported separately below.</p>
<p>We focused on the impact of COVID-19 on the preparation of the Group and parent company financial statements as its impact may be significant and pervasive, both in terms of the impact on a range of the Group's accounting judgements and estimates, including but not limited to impairment, and in terms of the related disclosures in the Integrated Report.</p>	<p>Based on the procedures performed, we noted no material issues from our work.</p>
<p>Refer also to note 1 of the consolidated financial statements and the Audit Committee's views set out on page 118.</p>	

Key audit matter	How our audit addressed the key audit matter
Impairment of fixed asset investment in a subsidiary (parent company)	
<p>The parent company holds an investment in Mondi South Africa (Pty) Ltd with a carrying amount of €666 million (2019: €783 million).</p> <p>Due to the adverse changes in the macroeconomic environment and weaker results during the year, management performed an impairment test and determined that the recoverable amount of the investment as at 31 December 2020 was €666 million, resulting in an impairment charge of €117 million.</p> <p>We focused on this area because of the judgement and estimation involved in the impairment assessment undertaken by management. The recoverable amount of the investment is based on the future cash flows of the underlying South Africa operations.</p> <p>Refer to note 5 of the parent company financial statements.</p>	<p>We held discussions with management on its proposed approach to the impairment assessment and the models prepared by management using a Value-in-use (VIU) methodology and a fair value less costs to dispose (FVLCD) methodology in determining the investment's recoverable amount.</p> <p>We assessed the consistency of the underlying VIU methodology applied, agreed the forecasts used in the impairment models to the three-year budget approved by the Board and considered the appropriateness of the significant assumptions in the model. We obtained our valuation experts' view on the methodology used, discount rate and the long-term growth rates applied.</p> <p>We evaluated the appropriateness of cash flows and agreed these to underlying supporting information, including third party evidence, where available.</p> <p>We evaluated management's FVLCD model and utilised our valuation experts to validate the inputs and assumptions used in the valuation model independently against third party data, including earnings multiples of comparable companies.</p> <p>We verified the mathematical accuracy of management's assessments and agreed with management's conclusion to utilise the VIU model in determining the investment's recoverable amount as it was marginally higher than the FVLCD.</p> <p>We considered the appropriateness of the disclosure in note 5 of the parent company financial statements.</p> <p>Based on the procedures performed, we noted no material issues from our work.</p>

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the parent company, the accounting processes and controls, and the industry in which they operate.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at components by us, as the Group engagement team, or component auditors operating under our instruction.

We identified three components (2019: three) as significant components (as defined within ISAs (UK)) which, in our view, required an audit of their complete financial information, due to their financial significance to the Group. Outside of these components, we obtained full scope audit reporting from a further two components (2019: four), where we concluded that the component engagement leader is a Key Audit Partner (as defined under ISAs (UK)), and an additional 23 components where full scope audits were performed (2019: 21). Together, these components were in 11 countries (2019: 11), representing the Group's principal businesses, and accounted for 64% (2019: 66%) of the Group's revenue. The Group engagement team performed work at two of these components, with component auditors operating under our instruction performing the work on the other 26 full scope components.

Audit of specific financial statement line items was performed at a further 19 (2019: 21) components. The Group engagement team performed the work at two of these components, with component auditors operating under our instruction performing the work on the other 17 components where specific financial statement line items were audited. Central testing was also performed on selected items, such as goodwill, primarily to ensure appropriate audit coverage. In aggregate, the locations subject to audit procedures represented 79% (2019: 82%) of the Group's revenue.

The components included within our scope of audit were determined based on the individual component's contribution to the Group's key financial statement line items (in particular revenue and profit or loss before tax), and considerations relating to aggregation risk within the Group.

Where work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude on whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

We issued formal written instructions to all component auditors setting out the audit work to be performed by each of them and maintained regular communication with them throughout the audit cycle. These interactions included attendance at certain component audit clearance meetings through the use of conferencing technologies, as well as reviewing and assessing any matters reported. Due to the COVID-19 pandemic, we requested additional deliverables from component auditors to evaluate the potential impact of the pandemic on the audit and directed components to perform further procedures to address potential risks arising from COVID-19. We then held a planning meeting jointly with management and the component auditors ahead of the year-end audit to agree on effective remote working arrangements given travel restrictions in place. We also reviewed selected audit working papers for certain in-scope component teams, including all financially significant components and the further two components where we concluded that the component engagement leader is a Key Audit Partner.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – Group	Financial statements – parent company
Overall materiality	€52 million (2019: €55 million).	€35 million (2019: €35 million).
How we determined it	Based on approximately 5% of a three-year rolling-average of profit before tax adjusted for special items (2019: approximately 5% of annual profit before tax adjusted for special items). Special items are described in note 3 of the Group financial statements.	Based on approximately 1% of total assets.
Rationale for benchmark applied	For overall Group materiality, we chose an adjusted profit before tax measure based on a three-year rolling-average as the benchmark. The adjusted profit before tax measure removes the impact of significant items which do not recur from year to year or otherwise significantly affect the underlying trend of performance from continuing operations. This is the metric against which the performance of the Group is most commonly assessed by management and reported to members. We chose 5%, which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector. A change was made in the current year to calculate materiality based on the average adjusted profit before tax over the last three years (previously the annual adjusted profit before tax was used) due to the adverse short-term impact of COVID-19 on the Group's results.	For overall Mondi plc parent company materiality, we determined the materiality based on total assets, which is more appropriate than a performance-related measure as the Company is an investment holding company for the Group. Using professional judgement, we determined materiality for this year at €35 million (2019: €35 million), which equates to approximately 1% of the current year's total assets.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between €2.5 million (2019: €2.5 million) and €35 million (2019: €35 million).

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to €39 million for the Group financial statements and €26 million for the parent company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk, and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €2.5 million (Group audit) (2019: €2.5 million) and €2.5 million (parent company audit) (2019: €2.5 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group's and the parent company's ability to continue to adopt the going concern basis of accounting included:

- We assessed management's going concern cash flow projections, agreeing them to the latest Board approved forecasts which have factored in the estimated future impact of COVID-19 and were extended for a period of 18 months;
- We evaluated management's future cash flows with reference to historical trading performance, market expectations from industry or economic reports and management capital investment plans;
- We tested the available committed debt facilities to our year end audit work, including checking that the key terms were applied appropriately in the going concern assessment related to the maturity dates of available committed debt facilities and covenant requirements;
- We considered the potential downside sensitivities that management had applied and considered their likelihood and whether more severe scenarios could arise and the associated impact on available liquidity and compliance with covenant requirements;
- We assessed management's reverse stress test and considered the likelihood of events arising that could erode liquidity or impact compliance with covenant requirements within the forecast period;
- We assessed the performance of the Group since year end and compared it with the Board approved cash flow forecast; and
- We read the basis of preparation note to the financial statements and validated that it accurately described management's going concern considerations.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the parent company's ability to continue as a going concern.

In relation to the parent company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Integrated Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Directors' Remuneration

In our opinion, the part of the Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the parent company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the Corporate governance report, is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Integrated Report and financial statements that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and parent company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the Group's and parent company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the parent company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the Group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and parent company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Integrated Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and parent company's position, performance, business model and strategy;
- The section of the Integrated Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Integrated Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the parent company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the parent company financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 11 May 2017 to audit the financial statements for the year ended 31 December 2017 and subsequent financial periods. The period of total uninterrupted engagement is four years, covering the years ended 31 December 2017 to 31 December 2020.

Simon Morley

(Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

24 February 2021

Consolidated income statement for the year ended 31 December 2020

€ million	Notes	2020			2019		
		Underlying	Special items (note 3)	Total	Underlying	Special items (note 3)	Total
Group revenue	2	6,663	–	6,663	7,268	–	7,268
Materials, energy and consumables used		(3,120)	–	(3,120)	(3,449)	–	(3,449)
Variable selling expenses		(558)	–	(558)	(549)	–	(549)
Gross margin		2,985	–	2,985	3,270	–	3,270
Maintenance and other indirect expenses		(346)	–	(346)	(363)	–	(363)
Personnel costs	5	(1,051)	(21)	(1,072)	(1,072)	40	(1,032)
Other net operating expenses		(235)	(10)	(245)	(177)	(1)	(178)
EBITDA		1,353	(31)	1,322	1,658	39	1,697
Depreciation, amortisation and impairments		(428)	(26)	(454)	(435)	(41)	(476)
Operating profit	2	925	(57)	868	1,223	(2)	1,221
Net loss from equity accounted investees		(3)	–	(3)	–	–	–
Investment income	6	5	–	5	8	–	8
Foreign currency losses	6	–	–	–	(3)	–	(3)
Finance costs	6	(100)	–	(100)	(109)	(14)	(123)
Profit before tax		827	(57)	770	1,119	(16)	1,103
Tax (charge)/credit	7a	(180)	12	(168)	(257)	–	(257)
Profit for the year		647	(45)	602	862	(16)	846
Attributable to:							
Non-controlling interests	29	20	–	20	33	1	34
Shareholders		627	(45)	582	829	(17)	812
Earnings per share (EPS) attributable to shareholders							
(euro cents)							
Basic EPS	8			120.0			167.6
Diluted EPS	8			120.0			167.6
Basic underlying EPS	8			129.3			171.1
Diluted underlying EPS	8			129.3			171.1

Consolidated statement of comprehensive income for the year ended 31 December 2020

€ million	2020			2019		
	Before tax amount	Tax charge	Net of tax amount	Before tax amount	Tax credit	Net of tax amount
Profit for the year			602			846
Items that may subsequently be reclassified to the consolidated income statement						
Fair value gains/(losses) arising from cash flow hedges	4	-	4	(4)	-	(4)
Exchange differences on translation of foreign operations	(367)	-	(367)	143	-	143
Items that will not subsequently be reclassified to the consolidated income statement						
Remeasurements of retirement benefits plans:	(2)	(3)	(5)	(21)	3	(18)
Return on plan assets	11			10		
Actuarial gains arising from changes in demographic assumptions	-			12		
Actuarial losses arising from changes in financial assumptions	(17)			(47)		
Actuarial gains arising from experience adjustments	4			4		
Other comprehensive (expense)/income for the year	(365)	(3)	(368)	118	3	121
Other comprehensive (expense)/income attributable to:						
Non-controlling interests	(9)	-	(9)	(9)	-	(9)
Shareholders	(356)	(3)	(359)	127	3	130
Total comprehensive income attributable to:						
Non-controlling interests			11			25
Shareholders			223			942
Total comprehensive income for the year			234			967

Consolidated statement of financial position as at 31 December 2020

€ million	Notes	2020	2019
Property, plant and equipment	10	4,641	4,800
Goodwill	12	923	948
Intangible assets	13	70	81
Forestry assets	14	372	411
Investment in equity accounted investees		10	14
Financial instruments		31	31
Deferred tax assets	7b	39	49
Net retirement benefits asset	23	21	17
Total non-current assets		6,107	6,351
Inventories	15	849	984
Trade and other receivables	16	1,006	1,111
Current tax assets		11	15
Financial instruments		11	5
Cash and cash equivalents	24b	382	74
Assets held for sale		1	-
Total current assets		2,260	2,189
Total assets		8,367	8,540
Short-term borrowings	20	(128)	(780)
Trade and other payables	17	(1,116)	(1,143)
Current tax liabilities		(85)	(101)
Provisions	18	(55)	(47)
Financial instruments		(6)	(9)
Total current liabilities		(1,390)	(2,080)
Medium and long-term borrowings	20	(2,050)	(1,496)
Net retirement benefits liability	23	(215)	(225)
Deferred tax liabilities	7b	(278)	(301)
Provisions	18	(35)	(37)
Other non-current liabilities		(17)	(16)
Total non-current liabilities		(2,595)	(2,075)
Total liabilities		(3,985)	(4,155)
Net assets		4,382	4,385
Equity			
Share capital	21	97	97
Retained earnings and other reserves		3,905	3,918
Total attributable to shareholders		4,002	4,015
Non-controlling interests in equity		380	370
Total equity		4,382	4,385

The Group's consolidated financial statements, including related notes 1 to 31, were approved by the Board and authorised for issue on 24 February 2021 and were signed on its behalf by:

Andrew King
Director

Mike Powell
Director

Consolidated statement of changes in equity for the year ended 31 December 2020

€ million	Share capital	Treasury shares	Retained earnings	Other reserves	Equity attributable to shareholders	Non-controlling interests	Total equity
At 1 January 2019	542	(26)	3,589	(620)	3,485	340	3,825
Total comprehensive income for the year	-	-	812	130	942	25	967
Dividends	-	-	(396)	-	(396)	(3)	(399)
Purchases of treasury shares	-	(17)	-	5	(12)	-	(12)
Distribution of treasury shares	-	18	(18)	-	-	-	-
Mondi share schemes' charge	-	-	-	11	11	-	11
Issue of shares under employee share schemes	-	-	13	(13)	-	-	-
Issue of ordinary shares, net of expenses	23	-	(6)	(23)	(6)	-	(6)
Cancellation of deferred shares	(37)	-	8	29	-	-	-
Transfer of ordinary shares from Mondi Limited shareholders to Mondi plc	(431)	-	-	431	-	-	-
Retirement benefit plan settlement transferred to retained earnings	-	-	(30)	30	-	-	-
Other movements in non-controlling interests	-	-	(9)	-	(9)	8	(1)
At 31 December 2019	97	(25)	3,963	(20)	4,015	370	4,385
Total comprehensive income for the year	-	-	582	(359)	223	11	234
Dividends	-	-	(237)	-	(237)	(4)	(241)
Purchases of treasury shares	-	(6)	-	-	(6)	-	(6)
Distribution of treasury shares	-	13	(12)	-	1	-	1
Mondi share schemes' charge (see note 22)	-	-	-	8	8	-	8
Issue of shares under employee share schemes	-	-	12	(12)	-	-	-
Retirement benefit plan settlement transferred to retained earnings	-	-	(6)	6	-	-	-
Other movements in non-controlling interests	-	-	(2)	-	(2)	3	1
At 31 December 2020	97	(18)	4,300	(377)	4,002	380	4,382

Other reserves

€ million	2020	2019
Cumulative translation adjustment reserve	(1,038)	(680)
Post-retirement benefits reserve	(51)	(52)
Share-based payment reserve	16	20
Cash flow hedge reserve	-	(4)
Merger reserve	667	667
Other sundry reserves	29	29
Total other reserves	(377)	(20)

Consolidated statement of cash flows for the year ended 31 December 2020

€ million	Notes	2020	2019
Cash flows from operating activities			
Cash generated from operations	24a	1,485	1,635
Dividends received from other investments		1	1
Income tax paid		(168)	(248)
Net cash generated from operating activities		1,318	1,388
Cash flows from investing activities			
Investment in property, plant and equipment		(630)	(757)
Investment in intangible assets	13	(18)	(12)
Investment in forestry assets	14	(43)	(48)
Investment in equity accounted investees		-	(5)
Proceeds from the disposal of property, plant and equipment		12	12
Proceeds from the disposal of financial asset investments		1	-
Acquisition of businesses, net of cash and cash equivalents		-	(2)
Proceeds from the disposal of businesses, net of cash and cash equivalents		-	20
Loans advanced to related and external parties		(1)	(9)
Interest received		4	7
Net cash used in investing activities		(675)	(794)
Cash flows from financing activities			
Proceeds from Eurobonds	24c	744	-
Repayment of Eurobonds	24c	(500)	-
Repayment of other medium and long-term borrowings	24c	(86)	(48)
Net repayment of short-term borrowings	24c	(136)	(20)
Repayment of lease liabilities	24c	(24)	(23)
Interest paid		(82)	(96)
Transaction costs relating to the issue of share capital		-	(6)
Dividends paid to shareholders	9	(237)	(396)
Dividends paid to non-controlling interests	9	(4)	(3)
Purchases of treasury shares		(6)	(12)
Financing special item	3	-	(14)
Net cash inflow from derivatives	24c	59	3
Other financing activities		4	5
Net cash used in financing activities		(268)	(610)
Net increase/(decrease) in cash and cash equivalents		375	(16)
Cash and cash equivalents at beginning of year		(7)	8
Cash movement in the year	24c	375	(16)
Effects of changes in foreign exchange rates	24c	(20)	1
Cash and cash equivalents at end of year	24b	348	(7)

1 Basis of preparation

These consolidated financial statements as at and for the year ended 31 December 2020 comprise Mondi plc and its subsidiaries (referred to as the 'Group'), and the Group's share of the results and net assets of its associates and joint ventures.

The Group's consolidated financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. In addition, the Group's consolidated financial statements also comply with International Financial Reporting Standards (IFRS) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union (EU). The principal accounting policies adopted are set out in note 31.

The Group also applies IFRS as issued by the International Accounting Standards Board (IASB) and there are no differences with applying IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the EU.

The consolidated financial statements have been prepared on a going concern basis. The directors have reviewed the Group's budget, considered the assumptions contained in the budget, including consideration of the plausible future impact of the COVID-19 pandemic and the other principal risks which may impact the Group's performance in the near term. At 31 December 2020, the Group had €869 million of undrawn, committed debt facilities. The Group's committed debt facilities have maturity dates of between less than 1 and 8 years, with a weighted average maturity of 5.7 years. In addition, the Group had €348 million of cash and cash equivalents available to fund its short-term needs. The assessment of going concern is further described in the Strategic report as part of the viability statement under the heading 'Going concern' on page 87 which is incorporated by reference into these financial statements. Based on this evaluation, the Board considered it appropriate to prepare the consolidated financial statements on the going concern basis.

The consolidated financial statements have been prepared under the historical cost basis of accounting, as modified by forestry assets, pension assets and financial assets and financial liabilities held at fair value through profit and loss.

The Group presents certain measures of financial performance, position or cash flows that are not defined or specified according to IFRS. These measures, referred to as Alternative Performance Measures (APMs), are defined on pages 229-233.

Significant accounting estimates

The preparation of the Group's consolidated financial statements includes the use of estimates and assumptions. Although the estimates used are based on management's best information about current circumstances and future events and actions, actual results may differ from those estimates. The significant accounting estimates in terms of IAS 1, 'Presentation of Financial Statements', are:

- Fair value of forestry assets – refer to note 14
- Actuarial valuations of retirement benefit obligations – refer to note 23

Other areas of judgement and accounting estimates

The consolidated financial statements include other areas of judgement and accounting estimates. While these areas do not meet the definition under IAS 1 of significant accounting estimates or critical accounting judgements, the recognition and measurement of certain material assets and liabilities are based on assumptions and/or are subject to longer term uncertainties. The other areas of judgement and accounting estimates are, aside from any estimation uncertainty arising as a result of the COVID-19 pandemic, consistent with the prior year and are listed below:

- Taxation – refer to notes 7 and 31
- Residual values and useful economic lives of property, plant and equipment – refer to notes 10 and 31

Impact of COVID-19 on the consolidated financial statements at 31 December 2020

Management has considered the impact of the COVID-19 pandemic on the estimates and judgements it has to exercise in applying its accounting policies. In the context of the increased level of macroeconomic uncertainty resulting from the COVID-19 pandemic, management has given increased attention in its assessment of the following areas:

- Impairment of property, plant and equipment and goodwill – refer to notes 10 and 12
- Recoverability of trade receivables – refer to note 16
- Net realisable value of inventories – refer to note 15

While management has given increased attention to these areas, they are not considered significant accounting estimates.

Notes to the consolidated financial statements for the year ended 31 December 2020

2 Operating segments

The Group generates revenue from the sale of manufactured products across the packaging and paper value chain. Revenue is generally recognised at a point in time, typically when the goods have been delivered to a contractually agreed location. Customer payment terms do not contain significant financing components.

The Group provides transport services after control of certain goods has passed to the customer. The Group generated transport revenue of €74 million (2019: €59 million) in the current financial year, which is recognised over time.

The material product types from which the Group's externally reportable segments derive their internal and external revenues are as follows:

Operating segments	Product types
Corrugated Packaging	Containerboard Corrugated solutions Pulp
Flexible Packaging	Kraft paper Paper bags Consumer flexibles Pulp
Engineered Materials	Personal care components Functional paper and films ¹
Uncoated Fine Paper	Uncoated fine paper Newsprint Pulp

Note:

¹ Previously split into release liner and extrusion solutions (extrusion coatings and technical films)

Year ended 31 December 2020

€ million, unless otherwise stated	Corrugated Packaging	Flexible Packaging	Engineered Materials	Uncoated Fine Paper	Corporate	Intersegment elimination	Total
Segment revenue	1,879	2,667	801	1,485	-	(169)	6,663
Internal revenue	(32)	(66)	(31)	(40)	-	169	-
External revenue	1,847	2,601	770	1,445	-	-	6,663
Underlying EBITDA	518	519	80	266	(30)	-	1,353
Depreciation and underlying impairments	(115)	(146)	(27)	(111)	(1)	-	(400)
Amortisation	(6)	(11)	(9)	(2)	-	-	(28)
Underlying operating profit/(loss)	397	362	44	153	(31)	-	925
Special items	-	(8)	(49)	-	-	-	(57)
Operating segment assets	2,331	2,942	695	1,873	5	(96)	7,750
Operating segment net assets	2,087	2,475	589	1,582	(3)	-	6,730
Trailing 12-month average capital employed	1,764	2,468	590	1,349	(96)	-	6,075
Additions to non-current non-financial assets	268	178	73	183	-	-	702
Capital expenditure cash payments	249	162	74	145	-	-	630
<i>Underlying EBITDA margin (%)</i>	<i>27.6</i>	<i>19.5</i>	<i>10.0</i>	<i>17.9</i>	-	-	<i>20.3</i>
<i>Return on capital employed (%)</i>	<i>22.5</i>	<i>14.5</i>	<i>7.5</i>	<i>11.3</i>	-	-	<i>15.2</i>
Average number of employees (thousands) ¹	6.7	10.4	2.2	6.3	0.1	-	25.7

Note:

¹ Presented on a full time employee equivalent basis

Year ended 31 December 2019

€ million, unless otherwise stated	Corrugated Packaging	Flexible Packaging	Engineered Materials	Uncoated Fine Paper	Corporate	Intersegment elimination	Total
Segment revenue	2,014	2,708	979	1,758	-	(191)	7,268
Internal revenue	(30)	(71)	(45)	(45)	-	191	-
External revenue	1,984	2,637	934	1,713	-	-	7,268
Underlying EBITDA	583	543	122	444	(34)	-	1,658
Depreciation and underlying impairments	(118)	(142)	(28)	(118)	(1)	-	(407)
Amortisation	(6)	(12)	(8)	(2)	-	-	(28)
Underlying operating profit/(loss)	459	389	86	324	(35)	-	1,223
Special items	-	(4)	-	2	(14)	-	(16)
Operating segment assets	2,407	3,094	723	2,082	7	(117)	8,196
Operating segment net assets	2,166	2,603	612	1,758	(7)	-	7,132
Trailing 12-month average capital employed	1,846	2,485	622	1,290	(81)	-	6,162
Additions to non-current non-financial assets	275	256	37	310	-	-	878
Capital expenditure cash payments	257	248	32	220	-	-	757
<i>Underlying EBITDA margin (%)</i>	<i>28.9</i>	<i>20.1</i>	<i>12.5</i>	<i>25.3</i>	-	-	22.8
<i>Return on capital employed (%)</i>	<i>24.9</i>	<i>15.7</i>	<i>13.8</i>	<i>25.1</i>	-	-	19.8
Average number of employees (thousands) ¹	6.7	10.4	2.4	6.3	0.1	-	25.9

Note:

¹ Presented on a full time employee equivalent basis

Reconciliation of operating segment assets

€ million	2020		2019	
	Segment assets	Segment net assets	Segment assets	Segment net assets
Group total	7,750	6,730	8,196	7,132
Unallocated				
Investment in equity accounted investees	10	10	14	14
Deferred tax assets/(liabilities)	39	(239)	49	(252)
Other non-operating assets/(liabilities) ¹	177	(328)	204	(302)
Group capital employed	7,976	6,173	8,463	6,592
Financial instruments/(net debt)	391	(1,791)	77	(2,207)
Total assets/equity	8,367	4,382	8,540	4,385

Note:

¹ Includes non-current financial instruments, current tax assets/(liabilities), provisions for restructuring costs, employee related and other provisions, derivative financial instruments and other non-operating receivables/(payables)

2 Operating segments

External revenue by location of production and by location of customer

€ million	External revenue by location of production		External revenue by location of customer	
	2020	2019	2020	2019
Africa				
South Africa	409	539	309	402
Rest of Africa	55	50	254	289
Africa total	464	589	563	691
Western Europe				
Austria	1,062	1,097	140	150
Germany	766	856	863	939
United Kingdom	28	43	179	205
Rest of western Europe	641	720	1,344	1,437
Western Europe total	2,497	2,716	2,526	2,731
Emerging Europe				
Czech Republic	520	536	178	184
Poland	983	1,059	548	599
Rest of emerging Europe	833	891	791	829
Emerging Europe total	2,336	2,486	1,517	1,612
Russia	796	889	622	707
North America	481	490	731	757
South America	–	–	107	112
Asia and Australia	89	98	597	658
Group total	6,663	7,268	6,663	7,268

There were no external customers which account for more than 10% of the Group's total external revenue in either year.

There are no material contract assets or contract liabilities as at 31 December 2020 (2019: €nil). No contract costs were capitalised in either year presented.

The Group does not disclose information about remaining performance obligations that have original expected durations of one year or less, as permitted under IFRS 15.

Net assets by location

€ million	2020			2019		
	Non-current non-financial assets	Segment assets	Segment net assets	Non-current non-financial assets	Segment assets	Segment net assets
Africa						
South Africa	755	893	796	819	972	865
Rest of Africa	62	109	103	63	124	117
Africa total	817	1,002	899	882	1,096	982
Western Europe						
Austria	456	796	563	467	857	621
United Kingdom	35	58	56	46	78	69
Rest of western Europe	1,257	1,613	1,428	1,245	1,634	1,447
Western Europe total	1,748	2,467	2,047	1,758	2,569	2,137
Emerging Europe						
Czech Republic	838	907	819	824	897	799
Poland	725	922	822	781	992	884
Rest of emerging Europe	959	1,200	1,026	892	1,137	978
Emerging Europe total	2,522	3,029	2,667	2,497	3,026	2,661
Russia	673	802	712	832	1,002	896
North America	145	297	266	167	335	300
South America	2	2	1	-	-	-
Asia and Australia	99	151	138	104	168	156
Group total	6,006	7,750	6,730	6,240	8,196	7,132

Average number of employees by principal location of employment¹

thousands	2020	2019
South Africa	1.4	1.4
Rest of Africa	0.3	0.4
Western Europe	7.1	7.3
Emerging Europe	9.2	9.1
Russia	5.3	5.3
North America	1.7	1.7
Asia and Australia	0.7	0.7
Group total	25.7	25.9

Note:

¹ Presented on a full time employee equivalent basis

3 Special items

€ million	2020	2019
Operating special items		
Impairment of assets	(27)	(42)
Reversal of impairment of assets	1	1
Restructuring and closure costs:		
Personnel costs	(21)	(1)
Other restructuring and closure costs	(9)	4
Third party contribution relating to the Group's Austrian health insurance fund	-	41
Settlement of claim relating to the 2012 Nordenia acquisition	(1)	(5)
Total operating special items	(57)	(2)
Financing special item		
Simplification of corporate structure	-	(14)
Total special items before tax	(57)	(16)
Tax credit (see note 7)	12	-
Total special items	(45)	(16)
Attributable to:		
Non-controlling interests	-	1
Shareholders	(45)	(17)

The operating special items resulted in a cash outflow of €28 million for the year ended 31 December 2020 (2019: €22 million).

To 31 December 2020

The special items during the year ended 31 December 2020 comprised:

- Flexible Packaging
 - Closure of two consumer flexibles plants in the UK. Additional restructuring and closure costs of €8 million and related reversal of impairment of assets of €1 million were recognised. These costs are a continuation of the special item from prior year with total costs in excess of €10 million.
 - Additional costs of €1 million for the settlement of a claim relating to the 2012 Nordenia acquisition were recognised. The costs relate to a special item from prior years with total costs in excess of €10 million.
- Engineered Materials
 - Closure of a functional paper and films plant in the US. Restructuring and closure costs of €5 million and related impairment of assets of €9 million were recognised.
 - Restructuring of the personal care components focused operations in Gronau (Germany). Restructuring costs of €17 million and related impairment of assets of €18 million were recognised. Further detail is provided in note 10.

To 31 December 2019

The special items during the year ended 31 December 2019 comprised:

- Flexible Packaging
 - Announced closure of two consumer flexibles plants in the UK. Restructuring and closure costs of €1 million and related impairment of assets of €3 million were recognised.
 - Release of restructuring and closure provisions of €5 million, partly offset by additional restructuring costs of €1 million, and reversal of impairment of assets of €1 million were recognised. All credits/(charges) related to special items from prior years.
 - Additional provision of €5 million relating to the 2012 Nordenia acquisition was recognised. The provision related to a special item from prior years.

- Uncoated Fine Paper
 - Impairment of the Neusiedler operation in Austria. Impairment of assets of €39 million was recognised.
 - On 13 December 2018 a change in the Austrian Social Security Law was enacted. Effective 1 January 2020, the law states that the plan liabilities of the Group's Austrian health insurance fund are assumed by the Republic of Austria. The effect of the change in law was classified as a third party taking on the obligation for future contributions which was a one-off non-cash benefit to the Group of €41 million.
- Corporate
 - To effect the Simplification of the corporate structure from a dual listed company structure into a single holding company structure under Mondi plc, the Group incurred one-off transaction costs of €20 million, of which €14 million were charged as a financing special item to the consolidated income statement and €6 million were attributed to equity in accordance with IAS 32.

4 Auditors' remuneration

€ million	2020	2019
Fees payable to the auditors for the audit of Mondi plc's annual financial statements	1.3	1.1
Fees payable to the auditors and their associates for the audit of Mondi plc's subsidiaries	3.7	3.5
Total audit fees	5.0	4.6
Audit-related and other assurance services	0.4	0.5
Other services	-	-
Total non-audit fees	0.4	0.5
Total fees	5.4	5.1

5 Personnel costs

€ million, unless otherwise stated	2020	2019
Within underlying operating costs		
Wages and salaries	853	865
Social security costs	174	178
Defined contribution retirement plan contributions (see note 23)	12	14
Defined benefit retirement plan service costs net of gain from settlement (see note 23)	4	4
Share-based payments (see note 22)	8	11
Total within underlying operating costs	1,051	1,072
Within special items		
Personnel costs relating to restructuring (see note 3)	21	1
Third party contribution relating to the Group's Austrian health insurance fund	-	(41)
Total within special items (see note 3)	21	(40)
Within net finance costs		
Retirement benefit medical plan net interest costs	3	5
Retirement benefit pension plan net interest costs	3	4
Total within net finance costs (see note 6)	6	9
Group total	1,078	1,041
Average number of employees (thousands)¹	25.7	25.9

Note:

¹ Presented on a full time employee equivalent basis

Notes to the consolidated financial statements for the year ended 31 December 2020

6 Net finance costs

€ million	2020	2019
Investment income		
Investment income	5	8
Net foreign currency losses		
Net foreign currency losses	-	(3)
Finance costs		
Interest expense		
Interest on bank overdrafts and loans	(83)	(90)
Interest on lease liabilities (see note 11)	(12)	(13)
Net interest expense on net retirement benefits liability (see note 23)	(6)	(9)
Total interest expense	(101)	(112)
Less: Interest capitalised (see note 10)	1	3
Total finance costs	(100)	(109)
Net finance costs before special item	(95)	(104)
Financing special item		
Simplification of corporate structure	-	(14)
Net finance costs after special item	(95)	(118)

Net interest expense, as defined on page 230, for the year was €90 million (2019: €95 million). The effective interest rate was 4.5% (2019: 4.2%) based on trailing 12-month average net debt of €2,012 million (2019: €2,243 million).

The weighted average interest rate applicable to capitalised interest on general borrowings for the year ended 31 December 2020 was 3.9% (2019: 4.9%) and was related to investments in the Czech Republic and Germany (2019: the Czech Republic).

7 Taxation

(a) Analysis of tax charge for the year

The Group's effective rate of tax before special items for the year ended 31 December 2020 was 22% (2019: 23%).

€ million	2020	2019
UK corporation tax at 19% (2019: 19%)	-	1
Overseas tax	155	218
Current tax in respect of prior years	5	(1)
Current tax	160	218
Deferred tax in respect of the current year	26	47
Deferred tax in respect of prior years	(6)	(8)
Tax charge before special items	180	257
Current tax on special items	(5)	(1)
Deferred tax on special items	(7)	1
Tax credit on special items (see note 3)	(12)	-
Tax charge for the year	168	257

The Group's current tax charge for the year was €155 million (2019: €217 million) and the deferred tax charge for the year was €13 million (2019: €40 million).

Factors affecting tax charge for the year

The Group's total tax charge for the year can be reconciled to the tax on the Group's profit before tax at the UK corporation tax rate of 19% (2019: 19%), as follows:

€ million	2020	2019
Profit before tax	770	1,103
Tax on profit before tax, calculated at the UK corporation tax rate of 19% (2019: 19%)	146	210
Tax effects of:		
Expenses not deductible for tax purposes	7	10
Special items not tax deductible	1	4
Other non-deductible expenses	6	6
Temporary difference adjustments	3	1
Current year tax losses and other temporary differences not recognised	9	7
Prior year tax losses and other temporary differences not previously recognised	(6)	(6)
Other adjustments	12	36
Current tax prior year adjustments	5	(1)
Tax incentives ¹	(13)	(9)
Effect of differences between local rates and UK rate	10	28
Other adjustments	10	18
Tax charge for the year	168	257

Note:

¹ The tax incentives principally relate to capital investments in the Czech Republic (2019: Slovakia and the Czech Republic)

(b) Deferred tax

€ million	Deferred tax assets		Deferred tax liabilities	
	2020	2019	2020	2019
At 1 January	49	49	(301)	(253)
Charged to the consolidated income statement	(9)	(1)	(4)	(39)
(Charged)/credited to the consolidated statement of comprehensive income	-	1	(3)	2
Currency movements	(1)	-	30	(11)
At 31 December	39	49	(278)	(301)

The amount of deferred tax (charged)/credited to the consolidated income statement comprises:

€ million	2020	2019
Capital allowances in excess of depreciation	(13)	(11)
Fair value adjustments	(4)	(15)
Tax losses recognised/(derecognised)	2	(1)
Other temporary differences	2	(13)
Total	(13)	(40)

7 Taxation

Deferred tax comprises:

€ million	Deferred tax assets		Deferred tax liabilities	
	2020	2019	2020	2019
Capital allowances in excess of depreciation	(17)	(11)	(255)	(271)
Fair value adjustments	–	1	(99)	(108)
Tax losses ¹	18	24	16	9
Other temporary differences ¹	38	35	60	69
Total	39	49	(278)	(301)

Note:

¹ Based on forecast data, the Group considers it probable that there will be sufficient future taxable profits available in the relevant jurisdictions to utilise these tax losses and other temporary differences

The current expectation regarding the maturity of deferred tax balances is:

€ million	Deferred tax assets		Deferred tax liabilities	
	2020	2019	2020	2019
Recoverable/(payable) within 12 months	20	26	(1)	(1)
Recoverable/(payable) after 12 months	19	23	(277)	(300)
Total	39	49	(278)	(301)

The Group has the following amounts in respect of which no deferred tax asset has been recognised as it is not considered probable that there will be future profit streams or gains against which these could be utilised:

€ million	2020	2019
Tax losses – revenue	1,567	1,564
Tax losses – capital	16	16
Other temporary differences	27	13
Total	1,610	1,593

There were no significant changes during the year in the expected future profit streams or gains.

Included in unrecognised tax losses are losses that will expire as follows:

€ million	2020	2019
Expiry date		
Within one year	–	1
One to five years	6	3
After five years	43	44
No expiry date	1,534	1,532
Total	1,583	1,580

No deferred tax liability is recognised on gross temporary differences of €1,017 million (2019: €1,233 million) relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future. UK tax legislation largely exempts, from UK tax, overseas dividends received. As a result, the gross temporary differences at 31 December 2020 represent only the unremitted earnings of those overseas subsidiaries where remittance to the UK of those earnings would still result in a tax liability, principally as a result of dividend withholding taxes levied by the overseas tax jurisdictions in which these subsidiaries operate and non-UK corporate taxes on dividends.

8 Earnings per share (EPS)

(euro cents)	EPS attributable to shareholders	
	2020	2019
Basic EPS	120.0	167.6
Diluted EPS	120.0	167.6
Basic underlying EPS	129.3	171.1
Diluted underlying EPS	129.3	171.1
Basic headline EPS	123.9	172.5
Diluted headline EPS	123.9	172.5

The calculation of basic and diluted EPS, basic and diluted underlying EPS and basic and diluted headline EPS is based on the following data:

€ million	Earnings	
	2020	2019
Profit for the year attributable to shareholders	582	812
Special items attributable to shareholders (see note 3)	57	17
Related tax (see note 3)	(12)	–
Underlying earnings for the year	627	829
Special items not excluded from headline earnings	(31)	25
Gain on disposal of property, plant and equipment	(2)	(2)
Net gain on disposal of businesses and equity accounted investees	–	(9)
Impairments not included in special items (see note 10)	–	2
Related tax	7	(9)
Headline earnings for the year	601	836

million	Weighted average number of shares	
	2020	2019
Basic number of ordinary shares outstanding	484.9	484.6
Effect of dilutive potential ordinary shares	–	–
Diluted number of ordinary shares outstanding	484.9	484.6

9 Dividends

euro cents per share	2020	2019
Final dividend paid (in respect of prior year)	–	54.55
Interim dividend paid	48.75	27.28
Paid in respect of the prior year	29.75	–
Paid in respect of current year	19.00	27.28
Final dividend proposed for the year ended 31 December	41.00	–

On 9 April 2020, at the height of the first wave of the COVID-19 pandemic, the Board took the difficult but prudent decision to withdraw the recommendation to pay the 2019 final dividend, with a commitment to re-evaluate later in the year when the impact of the pandemic became clearer. In August 2020, the Board decided to resume the payment of dividends, including the payment of a further interim dividend relating to the 2019 financial year of 29.75 euro cents per share.

€ million	2020	2019
Final dividend paid (in respect of prior year)	–	264
Total interim dividend paid	237	132
Paid in respect of the prior year	145	–
Paid in respect of current year	92	132
Total dividends paid	237	396
Final dividend proposed for the year ended 31 December	199	–
Declared by Group companies to non-controlling interests	4	3

The final dividend proposed in respect of the financial year ended 31 December 2020 has been recommended by the Board and is subject to the approval of the shareholders of Mondi plc at the Annual General Meeting scheduled for 6 May 2021.

10 Property, plant and equipment

€ million	Land and buildings ¹	Plant and equipment	Assets under construction	Other	Total
Net carrying value					
At 1 January 2019	1,180	2,374	667	119	4,340
Additions	108	300	364	46	818
Disposal of assets	(14)	(4)	–	(3)	(21)
Disposal of businesses	(3)	(6)	(1)	–	(10)
Depreciation charge for the year	(72)	(292)	–	(41)	(405)
Impairment losses recognised ²	–	(43)	(1)	–	(44)
Impairment losses reversed ³	1	–	–	–	1
Reclassification	117	328	(462)	13	(4)
Currency movements	33	61	25	6	125
At 31 December 2019	1,350	2,718	592	140	4,800
Cost	2,250	7,322	599	436	10,607
Accumulated depreciation and impairments	(900)	(4,604)	(7)	(296)	(5,807)
Additions	43	148	410	40	641
Disposal of assets	(7)	(3)	–	(3)	(13)
Depreciation charge for the year	(70)	(288)	–	(42)	(400)
Impairment losses recognised ²	(6)	(18)	–	(3)	(27)
Impairment losses reversed ³	1	–	–	–	1
Reclassification	51	259	(337)	25	(2)
Currency movements	(106)	(195)	(44)	(14)	(359)
At 31 December 2020	1,256	2,621	621	143	4,641
Cost	2,168	7,244	638	435	10,485
Accumulated depreciation and impairments	(912)	(4,623)	(17)	(292)	(5,844)

Notes:

1 The land carrying value included in 'Land and buildings' is €174 million (2019: €179 million)

2 Impairment losses include €27 million (2019: €42 million) classified as special items (see note 3) and €nil (2019: €2 million) of other impairments

3 Impairment losses reversed are classified as special items

Included in the additions above is €1 million (2019: €3 million) of interest incurred on qualifying assets which has been capitalised during the year. These amounts are deductible for tax purposes either when incurred or included in the amount permitted to be deducted for capital expenditure, depending on the jurisdiction in which they are capitalised.

The recoverable amount of property, plant and equipment is determined based on the use of the asset within the current business plans. Any change in future intentions could result in an impairment of varying magnitude, depending on the assets affected.

10 Property, plant and equipment

Impact of COVID-19 on property, plant and equipment

Management conducted trigger analyses as a result of the COVID-19 pandemic and, consequently, a number of impairment tests were performed relating to the property, plant and equipment held at certain plants and mills. The impairment tests were performed using value-in-use calculations for each cash-generating unit (CGU). There has been no change in the identification of CGUs in the period.

Following the restructuring of the personal care components focused operations in Gronau (Germany), management performed an impairment test for the Gronau plant CGU and concluded that an impairment charge of €18 million was recognised as a special item in the consolidated income statement (see note 3). In addition to certain idle assets being fully impaired, management assessed the recoverable amount of the CGU (€130 million) using a value-in-use calculation with the following key assumptions:

- cash flow forecasts which were derived from the budget most recently approved by the Board covering the three-year period to 31 December 2023;
- sales volumes, sales prices and variable input cost assumptions in the budget period were derived from a combination of economic and industry forecasts for individual product lines, internal management projections, historical performance, and announced and expected industry capacity changes;
- 9.5% pre-tax discount rate was derived from the Group's weighted average cost of capital, adjusted for country risk;
- zero growth rate was applied beyond the budget period into perpetuity; and
- capital expenditure forecasts were based on historical experience and include expenditure necessary to maintain the assets in their current condition.

Due to the increased level of uncertainty resulting from the COVID-19 pandemic, particularly relating to the timing and the extent of the assumed macroeconomic and industry-related recovery, management determined the recoverable amount of the CGU based on three probability-weighted scenarios. Aside from the base scenario derived from the budget most recently approved by the Board, management included an optimistic and a pessimistic scenario in the calculation of the recoverable amount to address the uncertainty associated with the cash flow forecasts.

The impairment calculation is sensitive to changes in key assumptions, in particular in relation to medium and long-term cash flow forecasts over the budget period and the probability-weighting of scenarios. If the cash flow forecasts were changed by 5% throughout the budget period, the recoverable amount would change by €22 million, while holding all other assumptions constant. If the probability weighting of the pessimistic scenario was changed by 1%, the recoverable amount would change by €4 million.

11 Leases

The Group has entered into various lease agreements. Leases over land and buildings have a weighted average term of 41 years (2019: 40 years), plant and equipment a weighted average term of 9 years (2019: 13 years) and other assets a weighted average term of 4 years (2019: 4 years).

The principal lease agreements in place include the following:

South African land lease

The Group entered into a land lease agreement on 1 January 2001 for a total term of 70 years. The lease commitment and annual escalation rate is renegotiated every five years. The lease does not contain any clauses with regard to contingent rent or an option to purchase the land at the end of the lease term, and does not impose any significant restrictions on the Group as a lessee.

Russian forestry leases

The majority of the forestry lease agreements were entered into by the Group in 2007, 2008, 2015 and 2020 for an average term of 46 years. The leases are not renewable. Rental escalates on an annual basis by the consumer price index of the local jurisdiction. The leases do not contain any clauses with regard to contingent rent or options to purchase the forestry assets at the end of the lease term, and do not impose any significant restrictions on the Group as a lessee. The Group applied the practical expedient per IFRS 16 not to separate non-lease components from lease components, consistent with prior years.

Office building

The Group entered into an office building lease agreement for a total term of 20 years from October 2013. The lease may only be terminated by the Group, after six months' notice, in September 2023 and again in September 2028. Rent escalates on an annual basis by the consumer price index of the local jurisdiction. The lease does not contain any option to purchase the building at the end of the lease term, and does not impose any significant restrictions on the Group as a lessee. Variable lease payments are included in the lease liability and calculated at the consumer price index. The Group does not intend to exercise the termination options, as described above, and thus were not considered in the calculation of the right-of-use asset.

Right-of-use assets

€ million	Right-of-use assets		Depreciation charge	
	2020	2019	2020	2019
Land and buildings	115	133	(12)	(13)
Plant and equipment	37	43	(6)	(7)
Other	10	8	(5)	(5)
Total	162	184	(23)	(25)

Additions to the right-of-use assets during 2020 were €25 million (2019: €62 million).

Lease liabilities

Set out below are the carrying amounts of lease liabilities:

€ million	2020	2019
Current	18	25
Non-current	169	193
Lease liabilities	187	218

The maturity analysis of lease liabilities is disclosed in note 20.

The total cash outflow for leases during 2020 was €39 million (2019: €39 million).

Amounts recognised in the consolidated income statement

€ million	2020	2019
Depreciation charge	(23)	(25)
Interest on lease liabilities	(12)	(13)
Expenses relating to short-term leases	(2)	(2)
Expenses relating to leases of low-value assets	(1)	(1)

12 Goodwill

(a) Reconciliation

€ million	2020	2019
Net carrying value		
At 1 January	948	942
Disposal of businesses	–	(2)
Currency movements	(25)	8
At 31 December	923	948

(b) Assumptions

Goodwill acquired through business combinations is allocated to the group of cash-generating units (CGUs) that are expected to benefit from the synergies of the combination and represents the lowest level at which goodwill is monitored for internal management purposes. As described further in the accounting policies in note 31, goodwill is assessed for impairment at least annually. In performing this impairment test, the recoverable amounts of these groups of CGUs are the higher of fair value less costs to dispose and value-in-use.

Goodwill is allocated to the groups of CGUs as follows:

€ million, unless otherwise stated	Weighted average pre-tax discount rate		Growth rate		Carrying value	
	2020	2019	2020	2019	2020	2019
Corrugated Packaging	9.1%	10.3%	2.1%	2.7%	338	343
Flexible Packaging	8.6%	9.8%	1.6%	1.3%	342	359
Engineered Materials	7.9%	9.1%	2.0%	1.6%	213	214
Uncoated Fine Paper	10.6%	11.4%	0.0%	0.0%	30	32
Total goodwill					923	948

Key assumptions

The key assumptions in the value-in-use calculations are:

- cash flow forecasts which are derived from the budget most recently approved by the Board covering the three-year period to 31 December 2023;
- sales volumes, sales prices and variable input cost assumptions in the budget period are derived from a combination of economic forecasts for the regions in which the Group operates, industry forecasts for individual product lines, climate change, internal management projections, historical performance, and announced and expected industry capacity changes;
- cash flow projections beyond three years are based on internal management projections taking into consideration industry forecasts and growth rates in the regions in which the Group operates. Growth rates (as per the table above) are applied to the groups of CGUs for each of the following seven years beyond the budget period and into perpetuity (2019: growth rates only applied for each of the following seven years beyond budget period and zero thereafter into perpetuity); and
- capital expenditure forecasts are based on historical experience and include expenditure necessary to maintain the assets in their current condition.

The pre-tax discount rate is derived from the Group's weighted average cost of capital. In determining the discount rate applicable to each group of CGUs, adjustments are made to reflect the impacts of country risk.

Impact of COVID-19 on goodwill

Due to the increased level of uncertainty resulting from the COVID-19 pandemic, particularly relating to the timing and the extent of the assumed macroeconomic and industry-related recovery, management determined the recoverable amount of the groups of CGUs based on multiple probability-weighted scenarios. Aside from the base scenario derived from the budget most recently approved by the Board, management included an optimistic and a pessimistic scenario in the calculation of the recoverable amount to address the uncertainty associated with the cash flow forecasts.

Sensitivity analyses

Expected future cash flows are inherently uncertain and could change materially over time. They are affected by a number of factors, including market and production estimates, together with economic factors such as prices, discount rates, currency exchange rates, estimates of production costs, and future capital expenditure.

Sensitivity analyses of reasonably possible changes in the underlying assumptions for each group of CGUs included:

- 100 bps increase in discount rate;
- 0% growth rate assumed for cash flow projections beyond three years;
- 5% decrease in sales prices in the Corrugated Packaging, Flexible Packaging and Uncoated Fine Paper groups of CGUs; and
- 12% decrease in sales volume in the Engineered Materials group of CGUs.

None of these downside sensitivity analyses in isolation indicated the need for an impairment.

13 Intangible assets

€ million	2020	2019
Net carrying value		
At 1 January	81	91
Additions	18	12
Amortisation charge for the year	(28)	(28)
Reclassification	3	4
Currency movements	(4)	2
At 31 December	70	81
Cost	259	325
Accumulated amortisation and impairments	(189)	(244)

The intangible assets comprise mainly software development costs, customer relationships, patents and trademarks.

Research and development expenditure incurred by the Group and charged to the consolidated income statement during the year amounted to €23 million (2019: €25 million).

14 Forestry assets

€ million	2020	2019
At 1 January	411	340
Investment in forestry assets	43	48
Fair value gains	27	71
Felling costs	(59)	(64)
Currency movements	(50)	16
At 31 December	372	411
Mature	227	251
Immature	145	160

The Group has 253,680 hectares (2019: 253,680 hectares) of owned and leased land available for forestry activities, all of which is in South Africa. 80,538 hectares (2019: 80,238 hectares) are set aside for conservation activities and infrastructure needs. 1,038 hectares (2019: 1,045 hectares) relate to non-core activities. The balance of 172,104 hectares (2019: 172,397 hectares) are under afforestation which forms the basis of the valuation set out above.

Mature forestry assets are those plantations that are harvestable, while immature forestry assets have not yet reached that stage of growth. Timber is harvested according to a rotation plan, once trees reach maturity. The maturity period ranges from 6.5 to 14.5 years, depending on species, climate and location.

The fair value of forestry assets is a level 3 measure in terms of the fair value measurement hierarchy, consistent with prior years.

The following assumptions have a significant impact on the valuation of the Group's forestry assets:

- The net selling price, which is defined as the selling price less the costs of transport, harvesting, extraction and loading. The net selling price is based on third-party transactions and is influenced by the species, maturity profile and location of timber. In 2020, the net selling price used ranged from the South African rand equivalent of €15 per tonne to €45 per tonne (2019: €17 per tonne to €48 per tonne) with a weighted average of €28 per tonne (2019: €31 per tonne).
- The conversion factor, which is used to convert hectares of land under afforestation to tonnes of standing timber, is dependent on the species, the maturity profile of the timber, the geographic location and a variety of other environmental factors, such as the anticipated impact of climate change on water scarcity and fire risks. In 2020, the conversion factors ranged from 8.2 to 23.6 (2019: 8.5 to 24.3).
- The risk premium on immature timber of 14.3% (2019: 13.9%) is based on an assessment of the risks associated with forestry assets in South Africa and is applied for the years the immature timber has left to reach maturity. A risk premium on mature timber of 4.0% (2019: 3.5%) was applied. The risk premium applied to immature and mature timber include factors for the anticipated impact of climate change on water scarcity and fire risks.

The valuation of the Group's forestry assets is determined in South African rand and converted to euro at the closing exchange rate on 31 December of each year.

The Group has performed sensitivity analyses of reasonably possible changes in the significant assumptions and EUR/ZAR exchange rate, taking into account historical experience. The reported value of owned forestry assets would change as follows should there be a change in these underlying assumptions on the basis that all other factors remain unchanged:

€ million	2020
Effect of €5/tonne increase in net selling price	68
Effect of 1% increase in conversion factor (hectares to tonnes)	4
Effect of 1% increase in risk premium	(6)
Effect of 10% increase in EUR/ZAR exchange rate	(34)

15 Inventories

€ million	2020	2019
Valued using the first-in, first-out cost formula		
Raw materials and consumables	32	37
Work in progress	6	11
Finished products	19	33
Total valued using the first-in, first-out cost formula	57	81
Valued using the weighted average cost formula		
Raw materials and consumables	364	390
Work in progress	109	121
Finished products	319	392
Total valued using the weighted average cost formula	792	903
Total inventories	849	984
Of which, held at net realisable value	95	128

Consolidated income statement

€ million	2020	2019
Within materials, energy and consumables used		
Cost of inventories recognised as an expense ¹	(2,815)	(3,100)
Write-down of inventories to net realisable value	(41)	(37)
Aggregate reversal of previous write-downs of inventories	23	21
Within other net operating expenses		
Green energy sales and disposal of emissions credits	85	88

Note:

1 The prior year amount was re-presented to include the costs of €68 million for bio-mass fuels consumption in the manufacturing process which were omitted in the prior year

Impact of COVID-19 on inventories

The net realisable value of inventory has been reassessed with careful consideration of the effects of the COVID-19 pandemic. No material adjustments have been made to the carrying values of inventories for the year ended 31 December 2020 as a result of the COVID-19 pandemic.

16 Trade and other receivables

€ million	2020	2019
Trade receivables	877	953
Allowance for bad and doubtful debts	(29)	(28)
Net trade receivables	848	925
Other receivables	13	34
Tax and social security	118	122
Prepayments	24	25
Accrued income	3	5
Total trade and other receivables	1,006	1,111

Trade receivables: credit risk

The Group has a large number of unrelated customers and does not have significant credit risk exposure to any particular customer. The Group considers that there is no significant geographical or customer concentration of credit risk.

Each business segment manages its own exposure to credit risk according to the economic circumstances and characteristics of the relevant markets that they serve. The Group considers that management of credit risk on a decentralised basis enables it to assess and manage credit risk more effectively. However, broad principles of credit risk management are observed across all business segments, such as the use of credit rating agencies, credit guarantee insurance, where appropriate, and the maintenance of a credit control function.

€ million	2020	2019
Credit risk exposure		
Gross trade receivables	877	953
Credit insurance	(703)	(793)
Total exposure to credit risk	174	160

The insured cover is presented gross of contractually agreed excess amounts. In addition, the Group is in possession of bank guarantees and letters of credit securing trade and other receivables to the value of €6 million (2019: €4 million).

Credit periods offered to customers vary according to the credit risk profiles of, and invoicing conventions established by, participants operating in the various markets in which the Group operates. Interest is charged at appropriate market rates on balances which are considered overdue in the relevant market.

To the extent that recoverable amounts are expected to be less than their associated carrying values, impairment charges have been recorded in the consolidated income statement and the carrying values have been written down to their expected recoverable amounts. The total gross carrying value of trade receivables that were subject to impairment during the year is €50 million (2019: €50 million).

Included within the Group's aggregate trade receivables balance are specific debtor balances with customers totalling €22 million (2019: €31 million) which are past due and the Group considers that their credit quality remains intact.

An ageing analysis of net trade receivables is provided as follows:

€ million	2020	2019
Trade receivables within terms ¹	826	894
Past due by less than one month	16	21
Past due by one to two months	2	4
Past due by two to three months	–	1
Past due by more than three months	4	5
At 31 December	848	925

Note:

¹ Includes net trade receivables past due which were subject to impairment or allowance for bad and doubtful debts during the year

Movement in the allowance account for bad and doubtful debts

€ million	2020	2019
At 1 January	28	35
Increase in allowance recognised in consolidated income statement	10	7
Amounts written-off or recovered	(6)	(14)
Currency movements	(3)	–
At 31 December	29	28

Impact of COVID-19 on trade receivables

The recoverability of the Group's trade receivables has been reassessed with careful consideration of the effects of the COVID-19 pandemic. No material adjustments have been made to the carrying values of trade receivables for the year ended 31 December 2020 as a result of the COVID-19 pandemic.

17 Trade and other payables

€ million	2020	2019
Trade payables	549	574
Capital expenditure payables	100	119
Tax and social security	55	52
Other payables	56	53
Accruals	343	338
Deferred income	13	7
Total trade and other payables	1,116	1,143

18 Provisions

€ million	Restructuring costs	Employee related provisions	Environmental restoration	Other	Total
At 1 January 2020	15	31	4	34	84
Charged to consolidated income statement	30	5	–	16	51
Unwinding of discount	–	–	–	1	1
Released to consolidated income statement	–	–	–	(1)	(1)
Amounts applied	(12)	(6)	–	(22)	(40)
Currency movements	(1)	(1)	–	(3)	(5)
At 31 December 2020	32	29	4	25	90
Current	32	4	–	19	55
Non-current	–	25	4	6	35

The provisions for restructuring costs relate primarily to restructuring and closure costs recognised as a special item (see note 3). Other provisions are mainly attributable to potential claims against the Group and onerous contracts, none of which are individually significant. All non-current provisions are discounted using a discount rate relevant in the local countries, based on a pre-tax yield on long-term bonds.

19 Capital management

The Group defines its capital employed as equity, as presented in the consolidated statement of financial position, plus net debt.

€ million	2020	2019
Equity attributable to shareholders	4,002	4,015
Equity attributable to non-controlling interests	380	370
Total equity	4,382	4,385
Net debt (see note 24c)	1,791	2,207
Capital employed	6,173	6,592
Trailing 12-month average capital employed	6,075	6,162

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

The Group utilises its capital employed to fund the growth of the business and to finance its liquidity needs.

The primary sources of the Group's net debt include its €2.5 billion Guaranteed Euro Medium Term Note Programme, its €750 million Syndicated Revolving Credit Facility and financing from various banks and other credit agencies, thus providing the Group with access to diverse sources of debt financing.

The principal loan arrangements in place are the following:

€ million	Maturity	Interest rate %	2020	2019
Financing facilities				
Syndicated Revolving Credit Facility	July 2021/2022 ¹	EURIBOR/LIBOR + margin	750	750
€500 million Eurobond	September 2020	3.375%	-	500
€500 million Eurobond	April 2024	1.500%	500	500
€600 million Eurobond	April 2026	1.625%	600	600
€750 million Eurobond	April 2028	2.375%	750	-
European Investment Bank Facility	June 2025	EURIBOR + margin	43	52
Export Credit Agency Facility	June 2020	EURIBOR + margin	-	2
Long Term Facility Agreement	December 2026	EURIBOR + margin	70	-
Other	Various	Various	59	72
Total committed facilities			2,772	2,476
Drawn			(1,903)	(1,816)
Total committed facilities available			869	660

Note:

¹ €75 million of the Syndicated Revolving Credit Facility is due in July 2021

In February 2020 the Group entered into a €250 million debt facility maturing in August 2021, which was subsequently cancelled upon the issuance of a €750 million Eurobond, as described below.

In April 2020 the Group issued a €750 million Eurobond maturing in 2028 at a coupon rate of 2.375% per annum. The Eurobond has been issued under the Group's Guaranteed Euro Medium Term Note Programme. In addition, the Group extended the maturity of €675 million of the €750 million Syndicated Revolving Credit Facility by one year to July 2022.

In September 2020 the Group repaid a €500 million Eurobond on its maturity from available cash.

Mondi currently has investment grade credit ratings from both Moody's Investors Service (Baa1, outlook stable) and Standard & Poor's (BBB+, outlook stable).

Short-term liquidity needs are met from cash and through the Syndicated Revolving Credit Facility.

The Group reviews its capital employed on a regular basis and makes use of several indicative ratios which are appropriate to the nature of its operations and consistent with conventional industry measures. The principal ratios used include:

	2020	2019
Pre-tax weighted average cost of capital (%)	10.0	10.5
Gearing (%) (see page 233)	29.0	33.5
Net debt to underlying EBITDA (times) (see page 232)	1.3	1.3
Return on capital employed (%) (see page 232)	15.2	19.8

In order to manage its cost of capital, maintain an appropriate capital structure and meet its ongoing cash flow needs, the Group may issue new debt instruments; adjust the level of dividends paid to shareholders; issue new shares to, or repurchase shares from, investors; or dispose of assets to reduce its net debt exposure.

20 Borrowings

€ million	2020			2019		
	Current	Non-current	Total	Current	Non-current	Total
Secured						
Bank loans and overdrafts	2	3	5	–	–	–
Lease liabilities (see note 11)	18	169	187	25	193	218
Total secured	20	172	192	25	193	218
Unsecured						
Bonds	–	1,838	1,838	500	1,094	1,594
Bank loans and overdrafts	86	39	125	250	204	454
Other loans	22	1	23	5	5	10
Total unsecured	108	1,878	1,986	755	1,303	2,058
Total borrowings	128	2,050	2,178	780	1,496	2,276
Committed facilities drawn			1,903			1,816
Uncommitted facilities drawn			275			460

The Group's borrowings as at 31 December are analysed by nature and underlying currency as follows:

2020/€ million	Floating rate borrowings	Fixed rate borrowings	Total carrying value	Fair value
Euro	61	1,905	1,966	2,149
Pounds sterling	–	1	1	1
South African rand	33	23	56	56
Turkish lira	23	24	47	47
US dollar	–	11	11	11
Russian rouble	1	69	70	70
Other currencies	6	21	27	27
Carrying value	124	2,054	2,178	
Fair value	124	2,237		2,361

Notes to the consolidated financial statements for the year ended 31 December 2020

20 Borrowings

2019/€ million	Floating rate borrowings	Fixed rate borrowings	Total carrying value	Fair value
Euro	158	1,679	1,837	1,903
Pounds sterling	106	3	109	109
South African rand	70	29	99	99
Turkish lira	40	26	66	66
US dollar	13	14	27	27
Russian rouble	–	85	85	85
Other currencies	29	24	53	54
Carrying value	416	1,860	2,276	
Fair value	416	1,927		2,343

The fair values of the Eurobonds are estimated with reference to the last price quoted in the secondary market. All other financial liabilities are estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The maturity analysis of the Group's borrowings, presented net of interest, is as follows:

2020/€ million	< 1 year	1-2 years	2-5 years	> 5 years	Total ¹
Bonds	–	–	498	1,340	1,838
Bank loans and overdrafts	88	10	32	–	130
Lease liabilities (see note 11)	18	13	30	126	187
Other loans	22	1	–	–	23
Total borrowings	128	24	560	1,466	2,178
Effective interest on borrowings net of amortised costs and discounts ²	51	45	120	212	428
Total undiscounted cash flows	179	69	680	1,678	2,606

2019/€ million	< 1 year	1-2 years	2-5 years	> 5 years	Total ¹
Bonds	500	–	497	597	1,594
Bank loans and overdrafts	250	170	30	4	454
Lease liabilities	25	16	38	139	218
Other loans	5	2	3	–	10
Total borrowings	780	188	568	740	2,276
Effective interest on borrowings net of amortised costs and discounts ²	51	32	77	182	342
Total undiscounted cash flows	831	220	645	922	2,618

Notes:

¹ It has been assumed that, where applicable, interest and foreign exchange rates prevailing at the reporting date will not vary over the time periods remaining for future cash outflows

² As to the €428 million (2019: €342 million), €211 million (2019: €216 million) relates to lease liabilities, of which €163 million is due to mature in greater than 5 years (2019: €163 million), €27 million between 2-5 years (2019: €27 million), €10 million between 1-2 years (2019: €14 million) and €11 million is due to mature in less than one year (2019: €12 million)

In addition to the above, the Group swaps euro and pound sterling debt into other currencies through the foreign exchange market as disclosed in note 27.

21 Share capital

Mondi plc is not restricted in the number of shares that can be issued. Any issue of shares is subject to shareholder approval. Mondi plc ordinary shares issued on the London Stock Exchange and Johannesburg Stock Exchange have a nominal value of €0.20. All ordinary shares are called up, allotted and fully paid.

2020 & 2019	Number of shares	Share capital in € million
Mondi plc €0.20 ordinary shares issued	485,553,780	97

Treasury shares

Treasury shares represent the cost of shares in Mondi plc purchased in the market to satisfy share awards under the Group's employee share schemes (see note 22). These costs are reflected in the consolidated statement of changes in equity.

at 31 December	Treasury shares held			
	2020		2019	
	Number of shares held	Average price per share	Number of shares held	Average price per share
Mondi Incentive Schemes Trust	211,424	ZAR217.29	266,788	ZAR222.25
Mondi Employee Share Trust	435,882	GBP16.02	626,265	GBP17.66

Dividend waivers are in place in respect of the shares held by the Mondi Incentive Schemes Trust and the Mondi Employee Share Trust.

22 Share-based payments

Mondi share awards

The Group has established its own share-based payment arrangements to incentivise employees. Full details of the Group's share schemes are set out in the Remuneration report.

The fair values of the share awards granted under the Mondi schemes are calculated with reference to the facts and assumptions presented below:

	BSP 2020	BSP 2019	BSP 2018
Date of grant	26 March 2020	29 March 2019	27 March 2018
Vesting period (years)	3	3	3
Expected leavers p.a. (%)	5	5	5
Grant date fair value per instrument (GBP)	13.87	16.98	19.31
Grant date fair value per instrument (ZAR)	279.76	318.78	316.76
Number of shares conditionally awarded	205,633	365,679	266,721

Notes to the consolidated financial statements for the year ended 31 December 2020

22 Share-based payments

	LTIP 2020 ¹	LTIP 2019	LTIP 2018
Date of grant	26 March 2020	29 March 2019	27 March 2018
Vesting period (years)	3	3	3
Expected leavers p.a. (%)	5	5	5
Grant date fair value per instrument (GBP)			
ROCE component	14.42	16.98	19.31
TSR component ²	3.60	4.25	4.83
Grant date fair value per instrument (ZAR)			
ROCE component	279.76	318.78	316.76
TSR component ²	69.94	79.70	79.19
Number of shares conditionally awarded	534,276	465,710	450,955

Notes:

1 All participants, except the Group CEO and Group CFO, were granted an award on 26 March 2020. The Group CEO was granted an award on 11 May 2020 after the remuneration policy approval at the Mondi plc AGM. The Group CFO was granted a LTIP 2020 and a LTIP 2019 award on 2 December 2020. The weighted average grant date fair value is reflected in the table. All performance requirements are identical for all 2020 LTIP awards

2 The base fair value has been adjusted for contractually-determined market-based performance conditions

All of these scheme awards, prior to the 2020 scheme awards, are settled by the award of ordinary shares in Mondi plc. The 2020 scheme awards will be settled at the end of the vesting cycle in either the award of ordinary shares in Mondi plc or the award of nil-cost options to ordinary shares in Mondi plc. The Group has no obligation to settle the awards made under these schemes in cash. An amount equal to the dividends that would have been paid on Bonus Share Plan (BSP) and Long-Term Incentive Plan (LTIP) share awards during the holding period are paid to participants upon vesting.

The total fair value charge in respect of all the Mondi share awards for the year ended 31 December is made up as follows:

€ million	2020	2019
Bonus Share Plan	5	6
Long-Term Incentive Plan	3	5
Total share-based payment expense	8	11

The weighted average share price of share awards that vested during the period:

	2020	2019
Mondi plc - Johannesburg Stock Exchange	ZAR327.60	ZAR329.50
Mondi plc - London Stock Exchange	GBP16.02	GBP17.81

A reconciliation of share award movements for the Mondi share schemes is shown below:

number of shares	BSP	LTIP
At 1 January 2019	803,540	1,446,287
Shares conditionally awarded	365,679	465,710
Shares vested	(413,167)	(434,668)
Shares lapsed	(30,244)	(212,336)
At 31 December 2019	725,808	1,264,993
Shares conditionally awarded	205,633	534,276
Shares vested	(282,852)	(426,421)
Shares lapsed	(17,516)	(160,264)
At 31 December 2020	631,073	1,212,584

23 Retirement benefits

The Group operates post-retirement defined contribution, post-retirement defined benefit pension plans and post-retirement medical plans for many of its employees.

Defined contribution plans

The assets of the defined contribution plans are held separately in independently administered funds. The charge in respect of these plans of €12 million (2019: €14 million) is calculated on the basis of the contribution payable by the Group in the financial year. There were no material outstanding or prepaid contributions recognised in relation to these plans as at the reporting dates presented. The expected contributions to be paid to defined contribution plans during 2021 are €12 million.

Defined benefit pension plans and post-retirement medical plans

The Group operates in excess of 100 defined benefit retirement plans across its global operations. A large proportion of the Group's defined benefit plans are closed to new members.

The majority of these plans are unfunded and provide pensions and severance benefits to members of those plans.

The most significant unfunded defined benefit plans are operated in Austria, Germany and Russia and funded plans are operated primarily in the UK. These plans are established in accordance with applicable local labour legislation and/or collective agreements with participating employees.

The benefits are based on a variety of factors, the most significant of which are a combination of pensionable service and final salary. A number of these plans also provide additional benefits in the event of death in service, disability or ill-health retirement which are derived from the final salary benefit formula.

The assets of the funded plans are held separately in independently administered funds, in accordance with statutory requirements or local practice where those funds are operated. The boards of trustees of these plans are required to act in the best interest of the plans and all relevant stakeholders of the plans (active employees, inactive employees, retirees and employers), and are responsible for the investment policy with regard to the assets of the plans.

The post-retirement medical plans provide health benefits to retired employees and certain of their dependants. Eligibility for cover is dependent upon certain criteria. The South African plan is unfunded and has been closed to new participants since 1 January 1999.

Except for the actuarial risks set out below, the Group has not identified any additional specific risks in respect of these plans.

Defined benefit plans typically expose the Group to the following actuarial risks:

Investment risk (Asset volatility)	The present value of the net retirement benefit liability/asset is calculated using a discount rate determined by reference to high-quality bond yields. If the return on plan assets is below this rate, it will create a plan deficit that needs to be funded/guaranteed by the employer. Currently the plan assets have a relatively balanced investment in equity and bonds. Due to the long-term nature of the plan liabilities, the boards of trustees consider it appropriate that a reasonable portion of the plan assets should be invested in equities.
Interest risk	A decrease in the bond interest rate will increase plan liabilities, however this will be partially offset by an increase in the value of the plan's fixed rate debt instruments.
Longevity risk	The present value of the net retirement benefit liability/asset is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan liabilities.
Salary risk	The present value of the net retirement benefit liability/asset is calculated by reference to the expected future salaries of plan participants. An increase in the salary of the plan participants will increase the plan liabilities.
Medical cost inflation risk	The present value of the post-retirement medical plans is calculated by reference to expected future medical costs. An increase in medical cost inflation will increase the plan liabilities.

Independent qualified actuaries carry out full valuations every year using the projected unit credit method.

23 Retirement benefits

Actuarial assumptions

The weighted average principal assumptions used in the actuarial valuations are detailed below:

%	2020			2019		
	South Africa	Europe	Other regions	South Africa	Europe	Other regions
Discount rate	9.1	0.8	8.0	9.2	1.2	8.5
Rate of inflation	5.2	2.1	5.9	5.5	2.2	4.7
Rate of increase in salaries	6.2	2.7	6.6	6.5	2.4	6.3
Rate of increase of pensions in payment	-	2.7	4.0	-	2.8	4.0
Expected average increase of medical costs ¹	6.7	-	-	7.0	3.7	-

Note:

¹ The expected average increase of medical costs in Europe is nil in 2020 due to the Group's Austrian health insurance fund being assumed by the Republic of Austria effective 1 January 2020 as a result of a change in the Austrian Social Security Law enacted on 13 December 2018. See further details in note 3

The assumption for the discount rate for plan liabilities is based on AA corporate bonds, which are of a suitable duration and currency. In South Africa, the discount rate assumption has been based on the zero coupon government bond yield curve.

Mortality assumptions

The assumed remaining life expectancies on retirement at age 65 are:

years	2020			2019		
	South Africa	Europe	Other regions	South Africa	Europe	Other regions
Retiring today						
Males	16.3	14.1-23.2	15.3-20.4	16.2	14.1-22.9	15.3-20.7
Females	20.3	17.9-25.4	17.7-23.1	20.3	17.8-27.4	17.7-25.3
Retiring in 20 years						
Males	21.9	14.1-25.5	15.3-20.0	21.8	14.1-25.5	15.3-21.0
Females	26.0	17.9-27.8	17.7-25.3	25.9	17.8-27.8	17.7-25.3

The mortality assumptions have been based on published mortality tables in the relevant jurisdictions.

The amounts recognised in the consolidated statement of financial position are determined as follows:

€ million	2020				2019			
	South Africa	Europe	Other regions	Total	South Africa	Europe	Other regions	Total
Present value of unfunded liabilities	(38)	(129)	(20)	(187)	(47)	(129)	(20)	(196)
Present value of funded liabilities	-	(138)	(2)	(140)	-	(140)	(2)	(142)
Present value of plan liabilities	(38)	(267)	(22)	(327)	(47)	(269)	(22)	(338)
Fair value of plan assets	-	133	-	133	-	130	-	130
Plan liabilities net of plan assets	(38)	(134)	(22)	(194)	(47)	(139)	(22)	(208)
Amounts reported in consolidated statement of financial position								
Defined benefit pension plans	-	21	-	21	-	17	-	17
Net retirement benefits asset	-	21	-	21	-	17	-	17
Defined benefit pension plans	-	(155)	(22)	(177)	-	(156)	(22)	(178)
Post-retirement medical plans	(38)	-	-	(38)	(47)	-	-	(47)
Net retirement benefits liability	(38)	(155)	(22)	(215)	(47)	(156)	(22)	(225)

The changes in the present value of defined benefit liabilities and fair value of plan assets are as follows:

€ million	Defined benefit liabilities		Fair value of plan assets		Net liability	
	2020	2019	2020	2019	2020	2019
At 1 January	(338)	(363)	130	135	(208)	(228)
Included in consolidated income statement						
Current service cost	(5)	(5)	–	–	(5)	(5)
Past service cost	–	(1)	–	–	–	(1)
Gain/(loss) from settlement	1	59	–	(16)	1	43
Interest	(8)	(12)	2	3	(6)	(9)
Included in consolidated statement of comprehensive income						
Remeasurement losses	(13)	(31)	–	–	(13)	(31)
Return on plan assets	–	–	11	10	11	10
Disposal of businesses	–	2	–	(2)	–	–
Contributions paid by scheme members	–	(3)	–	3	–	–
Contributions paid by employer	–	–	2	1	2	1
Benefits paid	20	25	(6)	(10)	14	15
Currency movements	16	(9)	(6)	6	10	(3)
At 31 December	(327)	(338)	133	130	(194)	(208)

The expected maturity analysis of undiscounted retirement benefits is as follows:

€ million	2020			2019		
	Defined benefit pension plans	Post-retirement medical plans	Total	Defined benefit pension plans	Post-retirement medical plans	Total
Less than a year	12	4	16	10	4	14
Between one and two years	10	4	14	11	4	15
Between two to five years	29	12	41	31	14	45
After five years	202	98	300	227	118	345

The weighted average duration of the defined retirement benefits liability for South Africa is 9 years (2019: 9 years), Europe 13 years (2019: 14 years) and other regions 13 years (2019: 13 years).

It is expected that the Group's share of contributions will increase as the schemes' members age. The expected contributions to be paid to defined benefit pension plans and post-retirement medical plans during 2021 are €16 million.

The market values of the plan assets in these plans are detailed below:

€ million	2020			2019 ¹		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
External equity	–	4	4	–	12	12
Bonds	–	73	73	–	32	32
Insurance contracts	–	25	25	–	26	26
Cash	1	–	1	1	–	1
Liability driven investment (LDI) portfolio	–	30	30	–	59	59
Fair value of plan assets	1	132	133	1	129	130

Note:

¹ The comparative period has been re-presented to reflect the nature of the direct investments held by the plans in the analysis of quoted or unquoted investments. €114 million of assets have been reclassified from quoted to unquoted in the comparatives at 31 December 2019 (amount of the reclassification at 1 January 2019: €94 million)

23 Retirement benefits

The majority of the Group's plan assets are located in the UK and the asset-liability matching/investing strategy in the UK is that the trustees invest in diverse portfolios of pooled funds and insured annuities. The long-term objective is to ensure that each plan can continue to meet the benefit payments without exposing either the plan or the Group to an undue level of risk. The mix of investments in each plan is determined taking into account the maturity, currency and nature of the expected benefit payments required. The LDI portfolio is constituted of bonds and derivatives and is a UK plan asset which is designed to hedge the interest rate risk of the pension fund liabilities.

There are no other financial instruments or property owned by the Group included in the fair value of plan assets.

The fair value of equity, bonds and insurance contracts are determined in accordance with IAS 19.

The actual return on plan assets in respect of defined benefit plans was a gain of €13 million (2019: gain of €13 million).

The market value of assets is used to determine the funding level of the plans and is sufficient to cover 95% (2019: 92%) of the benefits which have accrued to members, after allowing for expected increases in future earnings and pensions. Companies within the Group are paying contributions at rates agreed with the plans' trustees and in accordance with local independent actuarial advice and statutory provisions.

In certain jurisdictions, Group plans are subject to minimum funding requirements. At 31 December 2020, these minimum funding requirements did not give rise to the recognition of any additional liabilities.

Sensitivity analyses

The sensitivity analyses below have been determined based on reasonably possible changes to the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

The sensitivity analyses may not be representative of the actual changes in the net retirement benefits asset/(liability) as it is unlikely that the changes in assumptions would occur in isolation of one another and some of the assumptions may be inter-related. The projected unit credit method was used to calculate the sensitivity analyses below.

The sensitivity table is based on an illustrative 1% change, however the estimates may vary by greater amounts. Therefore the Group considers the retirement benefit obligations a key estimate.

€ million	1% increase	1% decrease
Discount rate		
(Decrease)/increase in current service cost	(1)	1
(Decrease)/increase in net retirement benefits liability	(36)	45
Rate of inflation		
Increase in current service cost	1	-
Increase/(decrease) in net retirement benefits liability	30	(25)
Rate of increase in salaries		
Increase in current service cost	1	-
Increase/(decrease) in net retirement benefits liability	11	(8)
Rate of increase of pensions in payment		
Decrease in current service cost	-	-
Increase/(decrease) in net retirement benefits liability	18	(14)
Medical cost trend rate		
Decrease in aggregate of the current service cost and interest cost	-	(1)
Increase/(decrease) in net retirement benefits liability	3	(3)
Mortality rates	1 year increase	
Increase in current service cost	-	
Increase in net retirement benefits liability	13	

24 Consolidated cash flow analysis

(a) Reconciliation of profit before tax to cash generated from operations

€ million	2020	2019
Profit before tax	770	1,103
Depreciation and amortisation	428	433
Impairment of property, plant and equipment (not included in special items)	–	2
Share-based payments	8	11
Net cash flow effect of current and prior year special items	29	(6)
Net finance costs before special item	95	104
Net loss from equity accounted investees	3	–
Decrease in provisions and net retirement benefits	(9)	(23)
Decrease/(increase) in inventories	68	(1)
Decrease in operating receivables	8	91
Increase/(decrease) in operating payables	49	(55)
Fair value gains on forestry assets	(27)	(71)
Felling costs	59	64
Gain on disposal of property, plant and equipment	(2)	(2)
Net gain from disposal of businesses and equity accounted investees	–	(9)
Other adjustments	6	(6)
Cash generated from operations	1,485	1,635

(b) Cash and cash equivalents

€ million	2020	2019
Cash and cash equivalents per consolidated statement of financial position	382	74
Bank overdrafts included in short-term borrowings	(34)	(81)
Cash and cash equivalents per consolidated statement of cash flows	348	(7)

The fair value of cash and cash equivalents approximate their carrying values presented.

The Group operates in certain countries (principally South Africa) where the existence of exchange controls may restrict the use of certain cash balances. These restrictions are not expected to have any material effect on the Group's ability to meet its ongoing obligations.

24 Consolidated cash flow analysis**(c) Movement in net debt**

The Group's net debt position is as follows:

€ million	Cash and cash equivalents	Current financial asset investments	Total assets	Debt due within one year	Debt due after one year	Debt-related derivative financial instruments	Total debt	Total net debt
At 1 January 2019	8	1	9	(224)	(2,002)	(3)	(2,229)	(2,220)
Cash flow	(16)	-	(16)	43	48	3	94	78
Additions to lease liabilities	-	-	-	(10)	(48)	-	(58)	(58)
Disposal of lease liabilities	-	-	-	2	9	-	11	11
Disposal of businesses	-	-	-	1	-	-	1	1
Movement in unamortised loan costs	-	-	-	-	(2)	-	(2)	(2)
Net movement in derivative financial instruments	-	-	-	-	-	(6)	(6)	(6)
Reclassification	-	-	-	(517)	517	-	-	-
Currency movements	1	-	1	6	(18)	-	(12)	(11)
At 31 December 2019	(7)	1	(6)	(699)	(1,496)	(6)	(2,201)	(2,207)
Cash flow	375	-	375	660	(658)	59	61	436
Additions to lease liabilities	-	-	-	(5)	(17)	-	(22)	(22)
Disposal of lease liabilities	-	-	-	1	2	-	3	3
Movement in unamortised loan costs	-	-	-	-	(2)	-	(2)	(2)
Net movement in derivative financial instruments	-	-	-	-	-	(49)	(49)	(49)
Reclassification	-	-	-	(71)	71	-	-	-
Currency movements	(20)	-	(20)	20	50	-	70	50
At 31 December 2020	348	1	349	(94)	(2,050)	4	(2,140)	(1,791)

(d) Cash flow generation

€ million	2020	2019
Net increase/(decrease) in cash and cash equivalents	375	(16)
Investment in property, plant and equipment	630	757
Acquisition of businesses, net of cash and cash equivalents	-	2
Proceeds from the disposal of businesses, net of cash and cash equivalents	-	(20)
Investment in equity accounted investees	-	5
Dividends paid to shareholders	237	396
Net repayment of borrowings	2	91
Proceeds from Eurobonds	(744)	-
Repayment of Eurobonds	500	-
Repayment of other medium and long-term borrowings	86	48
Net repayment of short-term borrowings	136	20
Repayment of lease liabilities	24	23
Cash flow generation	1,244	1,215

25 Capital commitments

€ million	2020	2019
Contracted for but not provided	291	442
Approved, not yet contracted for	1,402	1,214
Total capital commitments	1,693	1,656

These capital commitments relate to the following categories of non-current non-financial assets:

€ million	2020	2019
Intangible assets	65	47
Property, plant and equipment	1,628	1,609
Total capital commitments	1,693	1,656

The expected maturity of these capital commitments is:

€ million	2020	2019
Within one year	644	744
One to two years	520	487
Two to five years	529	425
Total capital commitments	1,693	1,656

Capital commitments are based on capital projects approved by the end of the financial year and the budget approved by the Board. These capital projects are in line with the Group's strategy to deliver value accretive growth sustainably and focus on driving organic growth, strengthening the Group's cost position, enhancing the Group's product and service offering to customers and improving the Group's environmental footprint. Major capital projects that still require further approval before they commence are not included in the above analysis. The Group's capital commitments are expected to be financed from existing cash resources and borrowing facilities.

26 Contingent liabilities

Contingent liabilities comprise aggregate amounts as at 31 December 2020 of €3 million (2019: €3 million) in respect of loans and guarantees given to banks and other third parties. No acquired contingent liabilities have been recorded in the Group's consolidated statement of financial position for either year presented.

The Group is subject to certain legal proceedings, claims, complaints and investigations arising out of the ordinary course of business. Legal proceedings may include, but are not limited to, alleged breach of contract and alleged breach of environmental, competition, securities and health and safety laws. The Group may not be fully, or partly, insured in respect of such risks. The Group cannot predict the outcome of individual legal actions or claims or complaints or investigations. The Group may settle litigation or regulatory proceedings prior to a final judgment or determination of liability. The Group may do so to avoid the cost, management efforts or negative business, regulatory or reputational consequences of continuing to contest liability, even when it considers it has valid defences to liability. The Group considers that no material loss to the Group is expected to result from these legal proceedings, claims, complaints and investigations. Provision is made for all liabilities that are expected to materialise through legal and tax claims against the Group.

27 Financial instruments

The Group's trading and financing activities expose it to various financial risks that, if left unmanaged, could adversely impact current or future earnings. Although not necessarily mutually exclusive, these financial risks are categorised separately according to their different generic risk characteristics and include market risk (foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group is actively engaged in the management of all of these financial risks in order to minimise their potential adverse impact on the Group's financial performance.

The principles, practices and procedures governing the Group-wide financial risk management process have been approved by the Board and are overseen by the Executive Committee. In turn, the Executive Committee delegates authority to a central treasury function (Group treasury) for the practical implementation of the financial risk management process across the Group and for ensuring that the Group's entities adhere to specified financial risk management policies. Group treasury continually reassesses and reports on the financial risk environment; identifying, evaluating and hedging financial risks by entering into derivative contracts with counterparties where appropriate. The Group does not take speculative positions on derivative contracts.

(a) Financial instruments by category

2020/€ million	Fair value hierarchy	At amortised cost	At fair value through profit or loss	At fair value through OCI	Total
Financial assets					
Trade and other receivables ¹		864	–	–	864
Financial asset investments	Level 2	13	19	–	32
Derivative financial instruments	Level 2	–	9	1	10
Cash and cash equivalents		382	–	–	382
Total		1,259	28	1	1,288

2019/€ million	Fair value hierarchy	At amortised cost	At fair value through profit or loss	At fair value through OCI	Total
Financial assets					
Trade and other receivables ¹		964	–	–	964
Financial asset investments	Level 2	12	19	–	31
Derivative financial instruments	Level 2	–	5	–	5
Cash and cash equivalents		74	–	–	74
Total		1,050	24	–	1,074

Note:

¹ Excludes tax, social security and prepayments

The fair values of financial assets investments represent the published prices of the securities concerned.

2020/€ million	Fair value hierarchy	At amortised cost	At fair value through profit or loss	At fair value through OCI	Total
Financial liabilities					
Borrowings – bonds		(1,838)	–	–	(1,838)
Borrowings – loans and overdrafts		(153)	–	–	(153)
Lease liabilities		(187)	–	–	(187)
Trade and other payables ¹		(1,048)	–	–	(1,048)
Derivative financial instruments	Level 2	–	(6)	–	(6)
Other non-current liabilities		(17)	–	–	(17)
Total		(3,243)	(6)	–	(3,249)

Note:

¹ Excludes tax, social security and deferred income

2019/€ million	Fair value hierarchy	At amortised cost	At fair value through profit or loss	At fair value through OCI	Total
Financial liabilities					
Borrowings – bonds		(1,594)	–	–	(1,594)
Borrowings – loans and overdrafts		(464)	–	–	(464)
Lease liabilities		(218)	–	–	(218)
Trade and other payables ¹		(1,084)	–	–	(1,084)
Derivative financial instruments	Level 2	–	(7)	(2)	(9)
Other non-current liabilities		(16)	–	–	(16)
Total		(3,376)	(7)	(2)	(3,385)

Note:

1 Excludes tax, social security and deferred income

(b) Fair value measurement

There have been no transfers of assets or liabilities between levels of the fair value hierarchy during the year.

Except as detailed below, the carrying values of financial instruments at amortised cost as presented in the consolidated financial statements approximate their fair values.

€ million	Carrying amount		Fair value	
	2020	2019	2020	2019
Financial liabilities				
Borrowings	2,178	2,276	2,361	2,343

(c) Financial risk management

Market risk

The Group's activities expose it primarily to foreign exchange and interest rate risk. Both risks are actively monitored on a regular basis and managed through the use of foreign exchange contracts and interest rate swaps as appropriate. Although the Group's cash flows are exposed to movements in key input and output prices, such movements represent commercial rather than financial risk inherent to the Group.

Foreign exchange risk

The Group operates globally and is exposed to foreign exchange risk in the normal course of its business. Multiple currency exposures arise from commercial transactions denominated in foreign currencies, recognised financial assets and liabilities (monetary items) denominated in foreign currencies and translational exposure on net investments in foreign operations.

Foreign exchange contracts

The Group's treasury policy requires subsidiaries to actively manage foreign currency transactional exposures against their functional currencies by entering into foreign exchange contracts. For segmental reporting purposes, each subsidiary enters into, and accounts for, foreign exchange contracts with Group treasury or with counterparties that are external to the Group, whichever is more commercially appropriate.

Only material balance sheet exposures and highly probable forecast capital expenditure transactions are hedged.

Foreign currency sensitivity analysis

Foreign exchange risk sensitivity analysis has been performed on the foreign currency exposures inherent in the Group's financial assets and financial liabilities at the reporting dates presented, net of related foreign exchange contracts. The sensitivity analysis provides an indication of the impact on the Group's reported earnings of reasonably possible changes in the currency exposures embedded within the functional currency environments that the Group operates in. In addition, an indication is provided of how reasonably possible changes in foreign exchange rates might impact on the Group's equity, as a result of fair value adjustments to foreign exchange contracts designated as cash flow hedges. Reasonably possible changes are based on an analysis of historical currency volatility, together with any relevant assumptions regarding near-term future volatility.

27 Financial instruments

Net monetary foreign currency exposures by functional currency zone

€ million	Net monetary foreign currency exposures – assets/(liabilities) ¹			
	2020		2019	
	EUR	Other	EUR	Other
Functional currency zones²				
Euro	–	(29)	–	(4)
South African rand	(8)	1	(3)	(3)
Czech koruna	(4)	–	1	1
Polish zloty	25	1	(11)	1
Russian rouble	(12)	–	(26)	(1)
Swedish krona	5	–	(41)	–
Turkish lira	(11)	(1)	(5)	1
Other	(31)	14	(68)	12

Notes:

1 Presented in euro, the presentation currency of the Group

2 Net monetary exposures represent financial assets less financial liabilities denominated in currencies other than the applicable functional currency, adjusted for the effects of foreign exchange risk hedging, excluding cash flow hedging of non-monetary assets and liabilities

Resultant impacts of reasonably possible changes to foreign exchange rates

The Group considers that for each functional to foreign currency net monetary exposure it is reasonable to assume a 5% appreciation/depreciation of the functional currency. If all other variables are held constant, the table below presents the impacts on the Group's consolidated income statement if these currency movements had occurred.

€ million	Income/(expense)			
	2020		2019	
	+5%	-5%	+5%	-5%
Functional currency zones				
Polish zloty	1	(1)	1	(1)
Turkish lira	(1)	1	–	–
Russian rouble	(1)	1	1	(1)
Swedish krona	–	–	2	(2)
Other	(1)	1	5	(5)

The corresponding fair value impact on the Group's equity, resulting from the application of these reasonably possible changes to the valuation of the Group's foreign exchange contracts designated as cash flow hedges, would have been €nil (2019: €1 million). It has been assumed that changes in the fair value of foreign exchange contracts designated as cash flow hedges of non-monetary assets and liabilities are fully recorded in equity and that all other variables are held constant.

Interest rate risk

The Group holds cash and cash equivalents, which earn interest at a variable rate and has variable and fixed rate debt in issue. Consequently, the Group is exposed to interest rate risk. Although the Group has fixed rate debt in issue, the Group's accounting policy stipulates that all borrowings be held at amortised cost. As a result, the carrying value of fixed rate debt is not sensitive to changes in credit conditions in the relevant debt markets and there is, therefore, no exposure to fair value interest rate risk.

Management of cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with short-term highly liquid investments which have a maturity of three months or less from the date of acquisition. Centralised cash pooling arrangements are in place, which ensure that cash is utilised most efficiently for the ongoing working capital needs of the Group's operating units and, in addition, to ensure that the Group earns the most advantageous rates of interest available.

Management of variable rate debt

The Group has multiple variable rate debt facilities, of which the most significant is the Syndicated Revolving Credit Facility (see note 19). When deemed necessary, Group treasury uses interest rate swaps to hedge certain exposures to movements in the relevant interbank lending rates.

The Group's cash and cash equivalents act as a natural hedge to movements in the relevant interbank lending rates on its variable rate debt, subject to any interest rate differentials that exist between the Group's corporate saving and lending rates.

Net variable rate debt sensitivity analysis

The net variable rate exposure represents variable rate debt less the future cash outflows swapped from variable-to-fixed via interest rate swap instruments and cash and cash equivalents. Reasonably possible changes in interest rates have been applied to the net variable rate exposure, denominated by currency, in order to provide an indication of the possible impact on the Group's consolidated income statement.

Interest rate risk sensitivities on variable rate debt

€ million	Interest rate risk exposures					
	2020			2019		
	EUR	Other	Total	EUR	Other	Total
Total debt	1,966	212	2,178	1,837	439	2,276
Less:						
Fixed rate debt	(1,836)	(31)	(1,867)	(1,608)	(34)	(1,642)
Lease liabilities	(69)	(118)	(187)	(71)	(147)	(218)
Cash and cash equivalents	(265)	(117)	(382)	(13)	(61)	(74)
Net variable rate debt and exposure	(204)	(54)	(258)	145	197	342

Included in other is net variable exposure to various currencies, the most significant of which are South African rand and Russian rouble (2019: Polish zloty and South African rand).

The Group did not have any outstanding interest rate swaps at 31 December 2020 (2019: €nil).

The potential impact on the Group's consolidated equity resulting from the application of 50 basis points increase to the variable interest rate exposure would be a loss of €1 million and vice versa for a 50 basis point reduction.

In addition to the above, the Group swaps euro and sometimes pound sterling debt into other currencies through the foreign exchange market using foreign exchange contracts which has the effect of exposing the Group to the interest rates of these currencies. The currencies swapped into/(out of) and the amounts as at 31 December were as follows:

€ million	2020	2019
Short-dated contracts with tenures of less than 12 months		
Pound sterling	15	(48)
Czech koruna	256	369
Polish zloty	301	339
Russian rouble	(7)	28
Swedish krona	59	40
US dollar	109	50
South African rand	76	(18)
Other	169	159
Total swapped against the euro	978	919

27 Financial instruments

Credit risk

The Group's principal credit risk is the risk of customers defaulting on sales invoices raised. The Group's exposure to the credit risk inherent in its trade receivables and the associated risk management techniques that the Group deploys in order to mitigate this risk are discussed in note 16. Additionally, the Group has credit risk on the investment of cash with certain financial institutions. The Group treasury manages the risk on these investments within approved credit limits.

Several Group entities have also issued certain financial guarantees to external counterparties in order to achieve competitive funding rates for specific debt agreements entered into by other Group entities. None of these financial guarantees contractually obligates the Group to pay more than the recognised financial liabilities in the entities concerned. As a result, these financial guarantee contracts have no bearing on the credit risk profile of the Group as a whole.

Liquidity risk

Liquidity risk is the risk that the Group could experience difficulties in meeting its commitments to creditors as financial liabilities fall due for payment. The Group manages its liquidity risk by using reasonable and retrospectively assessed assumptions to forecast the future cash-generative capabilities and working capital requirements of the businesses it operates and by maintaining sufficient reserves, committed borrowing facilities and other credit lines as appropriate.

The following table shows the amounts available to draw down on the Group's committed loan facilities:

€ million	2020	2019
Expiry date		
Within one year	119	57
One to two years	690	600
Two to five years	46	3
Above five years	14	-
Total committed facilities available (see note 19)	869	660

Forecast liquidity represents the Group's expected cash inflows, principally generated from sales made to customers, less the Group's expected cash outflows, principally related to the payment of employees, supplier payments and the repayment of borrowings plus the payment of any interest accruing thereon. The matching of these cash inflows and outflows rests on the expected ageing profiles of the underlying assets and liabilities.

Short-term financial assets and financial liabilities are primarily represented by the Group's trade receivables and trade payables. The matching of the cash flows that result from trade receivables and trade payables typically takes place over a period of three to four months from recognition in the consolidated statement of financial position and is managed to ensure the ongoing operating liquidity of the Group.

Financing cash outflows may be longer-term in nature. The Group does not hold long-term financial assets to match against these commitments, but is significantly invested in long-term non-financial assets which generate the sustainable future cash inflows, net of future capital expenditure requirements, needed to service and repay the Group's borrowings.

(d) Derivative financial instruments

At 31 December 2020, the Group recognised total derivative assets of €10 million (2019: €5 million) and derivative liabilities of €6 million (2019: €9 million). The net asset of €4 million (2019: net liability of €4 million) will mature within one year.

The notional amount of €1,783 million (2019: €1,691 million) is the aggregate face value of all derivatives outstanding at the reporting date. They do not indicate the contractual future cash flows of the derivative instruments held or their current fair value and, therefore, do not indicate the Group's exposure to credit or market risks. Of the €1,783 million (2019: €1,691 million) aggregate notional amount, €1,774 million (2019: €1,301 million) primarily relates to the economic hedging of foreign exchange exposures on short-term inter-company funding balances, which are fully eliminated on consolidation.

Derivative financial instruments are subject to International Swaps and Derivatives Association (ISDA) master netting agreements. The amounts are not offset in the consolidated statement of financial position.

Hedging

Cash flow hedges

The Group designates certain derivative financial instruments as cash flow hedges. The fair value gains/(losses) are reclassified from the cash flow hedge reserve to the consolidated income statement in the period when the hedged transaction affects profit and loss. For non-current non-financial assets, these gains/(losses) are included in the carrying value of the asset and depreciated over the same useful life as the cost of the asset.

Fair value losses of €nil (2019: losses of €2 million) were reclassified from the cash flow hedge reserve to property, plant and equipment during the current year. There was no ineffectiveness recognised in the consolidated income statement arising on cash flow hedges for both years presented.

28 Related party transactions

The Group and its subsidiaries, in the ordinary course of business, enter into various sale, purchase and service transactions with associated undertakings in which the Group has a material interest. These transactions are under terms that are no less favourable than those arranged with third parties. These transactions, in total, are not considered to be significant.

Transactions between Mondi plc and its subsidiaries, which are related parties, and transactions between its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

€ million	Associates	
	2020	2019
Sales to related parties	8	23
Purchases from related parties	184	213
Receivables due from related parties	–	1
Payables due to related parties	39	36

Compensation for the Board and key management

In accordance with IAS 24, 'Related Party Disclosures', key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, and includes directors (both Executive and Non-Executive) of Mondi plc. The Board and those members of the Group Executive Committee who are not directors comprise the key management personnel of the Group. The remuneration of the directors is disclosed in the Remuneration report.

€ million	2020	2019
Salaries and short-term employee benefits	6.5	7.4
Non-Executive Directors	1.0	1.1
Defined contribution plan payments	0.6	0.9
Social security costs	0.6	0.9
Share-based payments	3.5	4.8
Total	12.2	15.1

Details of the transactions between the Group and its pension and post-retirement medical plans are disclosed in note 23.

29 Group companies

Composition of the Group

The subsidiaries of the Group as at 31 December 2020 are set out in note 11 of the Mondi plc parent company financial statements. All of these interests are consolidated within the Group's financial statements.

The Group has no material joint ventures or associates.

Refer to Mondi's global footprint on pages 8-9 of the overview to the Integrated report for more information on the places of operation.

A list of subsidiaries taking advantage of an exemption from audit under section 479A of the Companies Act 2006 is disclosed in note 9 of the Mondi plc parent company financial statements.

Details of non-wholly-owned subsidiaries

€ million, unless otherwise stated	Proportion of ownership interests and voting rights held by non-controlling interests (%)		Profit attributable to non-controlling interests		Equity attributable to non-controlling interests	
	2020	2019	2020	2019	2020	2019
Mondi SCP, a.s.	49	49	7	22	307	297
Individually immaterial subsidiaries with non-controlling interests			13	12	73	73
Total			20	34	380	370

Summarised financial information of the Group's material non-controlling interest is as follows:

Mondi SCP, a.s.

€ million	2020	2019
Statement of financial position		
Non-current assets	777	687
Current assets	184	253
Current liabilities	(201)	(196)
Non-current liabilities	(125)	(129)
Net assets	635	615
Equity attributable to owners of the company	328	318
Equity attributable to non-controlling interests	307	297
Income statement and statement of comprehensive income		
Revenue	672	759
Operating costs (including taxation)	(657)	(713)
Profit for the year	15	46
Attributable to owners of the company	8	24
Attributable to non-controlling interests	7	22
Total comprehensive income for the year	15	46
Statement of cash flows		
Net cash inflow from operating activities	82	93
Net cash outflow from investing activities	(158)	(183)
Net cash inflow/(outflow) from financing activities	22	(1)
Net cash outflow	(54)	(91)

The summarised financial information represents amounts before intra-group eliminations. The subsidiary's registered office as set out in note 11 of the Mondi plc parent company financial statements is also its principal place of business.

30 Events occurring after 31 December 2020

Aside from the final dividend proposed for 2020 (see note 9), there has been the following material reportable event since 31 December 2020:

- Mondi agreed to acquire 90.38% of the outstanding shares in Olmuksan International Paper Ambalaj Sanayi ve Ticaret A.Ş. (Olmuksan) for a total consideration of €66 million on 5 January 2021, which implies an enterprise value of €88 million on a 100% basis. Olmuksan is a leading and well-established corrugated packaging producer in Turkey, listed on the Istanbul stock exchange. Its network of five plants provides a diverse customer base with high-quality sustainable packaging for food, beverage, agriculture and industrial applications. The transaction remains subject to competition clearance and other closing conditions and is expected to complete in the first half of 2021. Following the completion of the transaction, Mondi will launch a mandatory tender offer to acquire the remaining 9.62% of outstanding shares in Olmuksan held by minority shareholders.

31 Accounting policies

Basis of consolidation

The consolidated financial statements incorporate the revenues, expenses, assets, liabilities, equity and cash flows of Mondi plc and its subsidiaries (the Group), and the Group's share of equity accounted investees drawn up to 31 December each year. All intra-group balances and transactions are eliminated.

A subsidiary is an entity over which the Group has control. Control is evident where the Group is exposed to, or has rights to, variable returns from its involvement with that entity and has the ability to affect those returns through its power over that entity.

The results of subsidiaries acquired or disposed of during the years presented are included in the consolidated income statement from the effective date of acquiring control or up to the effective date of disposal.

Non-controlling interests are measured, at initial recognition, as the non-controlling proportion of the fair values of the assets and liabilities recognised at acquisition.

After initial recognition, non-controlling interests are measured as the aggregate of the value at initial recognition and their subsequent proportionate share of profits and losses less any distributions made.

Changes in the Group's interests in subsidiaries that do not result in a change in control are accounted for as equity transactions. Any resulting difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration payable or receivable is recognised directly in equity and attributed to the shareholders.

Foreign currency transactions and translation

Foreign currency transactions

Foreign currency transactions are translated into the functional currency of the entity that has undertaken the transaction using the exchange rates ruling on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the reporting date. Gains and losses arising on translation are included in the consolidated income statement and are classified as either operating or financing consistent with the nature of the monetary item giving rise to them.

Translation of overseas operations

The Group's results are presented in euro, the currency in which most of its business is conducted. On consolidation, the assets and liabilities of the Group's overseas operations are translated into the presentation currency of the Group at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the month in which they occur where these approximate the rates on the dates of the underlying transactions. Exchange differences, if any, are recognised directly in other comprehensive income, and accumulated in equity. Such translation differences are reclassified to profit or loss only on disposal or partial disposal of the overseas operation.

31 Accounting policies

Fair value measurement

Assets and liabilities that are measured at fair value, or where the fair value of financial instruments has been disclosed in notes to the consolidated financial statements, are based on the following fair value measurement hierarchy:

- level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- level 3 – inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The assets measured at fair value on level 3 of the fair value measurement hierarchy are the Group's forestry assets as set out in note 14.

The fair values of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) are determined using generally accepted valuation techniques. These valuation techniques maximise the use of observable market data and rely as little as possible on Group specific estimates.

Specific valuation methodologies used to value financial instruments include:

- the fair values of interest rate swaps and foreign exchange contracts are calculated as the present value of expected future cash flows based on observable yield curves and exchange rates;
- the fair values of the Group's commodity price derivatives are calculated as the present value of expected future cash flows based on observable market data; and
- other techniques, including discounted cash flow analysis, are used to determine the fair values of other financial instruments.

Segmental reporting (note 2)

The Group's operating segments are reported in a manner consistent with the internal reporting provided to the Executive Committee, the chief operating decision-making body. The operating segments are managed based on the nature of the underlying products produced by those businesses and comprise four distinct segments.

Measurement of operating segment revenues, profit or loss, assets and non-current non-financial assets

Each of the reportable segments derives its income from the sale of manufactured products.

The operating segment measures adhere to the recognition and measurement criteria presented in the Group's accounting policies and are presented on an underlying basis, excluding special items. The Group has presented certain non-IFRS measures (Alternative Performance Measures), as defined on pages 229-233, by segment to supplement the user's understanding. All intra-group transactions are conducted on an arm's length basis.

Revenue from contracts with customers (note 2)

Sale of goods

Revenue is recognised from the sale of goods and is measured at the amount of the transaction price received in exchange for transferring goods. The transaction price is the expected consideration to be received, to the extent that it is highly probable that there will not be a significant reversal of revenue in future, after deducting discounts, volume rebates, value added tax and other sales taxes. When the period of time between delivery of goods and subsequent payment by the customer is less than one year, no adjustment for a financing component is made.

Control of the goods is passed when title and insurance risk have passed to the customer, which is typically when the goods have been delivered to a contractually agreed location.

The incremental costs of obtaining a contract are recognised as an expense when the period of amortisation over which the costs would have been recognised is one year or less. If not, these costs are capitalised and amortised on a basis consistent with the transfer of goods to the customer to which the asset relates.

Transport revenue

Transport revenue is considered distinct when the Group provides transport services after the point in time when control of goods has passed to the customer. Such revenue is recognised over time.

Other income

Sale of green energy and CO₂e credits (note 15)

Income generated from the sale of green energy and CO₂e credits issued under international trading schemes are accounted for as government grants and are measured at the consideration received in exchange for transferring such credits. The income is recorded within other net operating expenses in the consolidated income statement when ownership rights pass to the buyer. Any unsold green energy credits are recorded in inventory.

Investment income (note 6)

Interest income, which is derived from cash and cash equivalents and other interest-bearing financial assets, is accrued on a time proportion basis, by reference to the principal outstanding and at the applicable effective interest rate.

Taxation (note 7)

The tax expense represents the sum of the current tax charge and the deferred tax charge.

Current tax

The current tax charge is based on taxable profit for the year. The Group's asset/liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date. The Group is regularly subject to routine tax audits. Provision is made based on the tax laws in the relevant country and the expected outcomes of any negotiations or settlements.

The Group is subject to corporate taxes in a number of jurisdictions and a degree of estimation and judgement is required in determining the appropriate tax provision for transactions where the tax treatment is uncertain. In these circumstances, the Group recognises provisions for taxes based on information available where the anticipated liability is both probable and estimable.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amount of assets and liabilities in the Group's consolidated financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill or from the initial recognition, other than in a business combination, of other assets and liabilities in a transaction that affects neither the tax profit nor accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date. The carrying amount is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered within a reasonable period of time. Similarly, it is increased to the extent that it becomes probable that sufficient taxable profit will be available in the future for all or part of the deferred tax asset to be recovered within a reasonable period of time.

Deferred tax is calculated at the tax rates that have been enacted or substantively enacted and are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited to the consolidated income statement, except when it relates to items charged or credited directly to other comprehensive income and accumulated in equity, in which case the deferred tax is also taken directly to other comprehensive income and accumulated in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same tax authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The Group applies the initial recognition exemption model to account for any investment tax credits. Deferred tax is not recognised for temporary differences relating to investment tax credits due to the availability of the initial recognition exemption.

31 Accounting policies

Earnings per share (EPS) (note 8)

Basic EPS

The basic EPS is calculated by dividing net profit attributable to ordinary shareholders by the weighted average number of Mondi plc shares in issue during the year, net of treasury shares.

Diluted EPS

For diluted EPS, the weighted average number of Mondi plc ordinary shares in issue, net of treasury shares, is adjusted to assume conversion of all dilutive potential ordinary shares. At present these only include share awards granted to employees. Potential or contingent share issues are treated as dilutive when their conversion to shares would decrease EPS.

Non-current non-financial assets excluding goodwill, deferred tax and net retirement benefit assets

Property, plant and equipment (note 10)

Property, plant and equipment principally comprise land and buildings, plant and equipment and assets under construction.

Property, plant and equipment is stated at cost less accumulated depreciation and impairment. Land and assets under construction are carried at cost less impairment. Cost includes site preparation, the purchase price of the equipment and directly attributable labour and installation costs. Borrowing costs are capitalised on qualifying assets. The capitalisation of costs ceases when the asset is in the location and condition necessary for it to be capable of commercial operation. Start-up and ongoing maintenance costs are recognised immediately as an expense.

Depreciation is charged to the consolidated income statement so as to write off the cost of assets, other than freehold land and assets under construction, over their estimated useful lives on a straight-line basis to their estimated residual values.

Residual values and useful lives are reviewed at least annually. Depreciation commences when the assets are ready for their intended use. An adjustment is made to the estimated useful lives of assets where geographical climate factors are anticipated to have a material impact. Estimated useful lives range from three years to 25 years for items of plant and equipment and other categories and to a maximum of 40 years for buildings.

Leases (note 11)

To the extent that a right-of-control exists over an asset subject to a lease, a right-of-use asset, representing the Group's right to use the underlying leased asset, is recognised within property, plant and equipment in the consolidated statement of financial position. A corresponding lease liability, representing the Group's obligation to make lease payments, is recognised, depending on the maturity of the underlying lease payments, within short-term borrowings or medium and long-term borrowings in the consolidated statement of financial position at the commencement of the lease.

The right-of-use asset is measured initially at cost and includes the amount of initial measurement of the lease liability, any initial direct costs incurred, including advance lease payments, and an estimate of the dismantling, removal and restoration costs required in terms of the lease. Depreciation is charged to the consolidated income statement so as to depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The lease term shall include the period of an extension option where it is reasonably certain that the option will be exercised. Where the lease contains a purchase option the asset is written off over the useful life of the asset when it is reasonably certain that the purchase option will be exercised.

The lease liability is measured at the present value of the future lease payments, including variable lease payments that depend on an index and the exercise price of purchase options where it is reasonably certain that the option will be exercised, discounted using the interest rate implicit in the lease, if readily determinable. If the implicit interest rate cannot be readily determined, the lessee's incremental borrowing rate is used. Finance charges are recognised within finance costs in the consolidated income statement over the period of the lease.

Lease expenses for leases with a duration of one year or less and low-value assets are not recognised in the consolidated statement of financial position, and are charged to the consolidated income statement when incurred. Low-value assets are determined based on quantitative criteria.

Intangible assets and research and development expenditure (note 13)

Intangible assets are measured initially at purchase consideration and are amortised on a straight-line basis over their estimated useful lives. Estimated useful lives vary between three years and 10 years and are reviewed at least annually.

Research expenditure is expensed in the year in which it is incurred. Development costs are capitalised when the completion of the asset is both commercially and technically feasible and are amortised on a systematic basis over the economic life of the related development. Development costs are recognised immediately as an expense if they do not qualify for capitalisation.

Impairment of property, plant and equipment and intangible assets

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated. If the recoverable amount of an asset, or cash-generating unit (CGU) to which the asset relates, is less than its carrying amount, the carrying amount of the asset, or CGU, is reduced to its recoverable amount and an impairment recognised as an expense.

The recoverable amount of the asset, or CGU, is the higher of its fair value less costs to dispose and its value-in-use. In assessing value-in-use, the estimated future cash flows generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the smallest CGU to which the asset belongs.

Where the underlying circumstances change such that a previously recognised impairment subsequently reverses, the carrying amount of the asset, or CGU, is increased to the revised estimate of its recoverable amount. Such a reversal is limited to the carrying amount that would have been determined (taking into account depreciation or amortisation in the intervening period) had no impairment been recognised for the asset, or CGU, in prior years. A reversal of an impairment is recognised in the consolidated income statement.

Agriculture – owned forestry assets (note 14)

Owned forestry assets are biological assets measured at fair value less costs to sell, calculated by applying the expected selling price, less costs to harvest and deliver, to the estimated volume of timber on hand at each reporting date. The fair value less costs to sell is determined using a market approach. The estimated volume of timber on hand is determined based on the maturity profile of the area under afforestation, the species, the geographic location, climate and other environmental considerations and excludes future growth. The product of these is then adjusted for risks associated with forestry assets.

Changes in fair value are recognised in the consolidated income statement within other net operating expenses. At point of harvest, the carrying value of forestry assets is transferred to inventory and recorded as a felling cost reduction to the fair value of forestry assets.

Directly attributable costs incurred during the year of biological growth and investments in standing timber are capitalised and presented within cash flows from investing activities.

Goodwill (note 12)

Any excess of the consideration of the acquisition over the fair values of the identifiable net assets acquired is attributed to goodwill. Goodwill is subsequently measured at cost less any impairment.

Impairment of goodwill

Goodwill acquired through business combinations is allocated to the group of CGUs that is expected to benefit from the synergies of the combination and represents the lowest level at which goodwill is monitored for internal management purposes. The recoverable amount of the group of CGUs to which goodwill has been allocated is tested for impairment annually in the fourth quarter of each financial year and when events or changes in circumstances indicate that it may be impaired.

The recoverable amount of a group of CGUs is determined based on value-in-use calculations. Value-in-use calculations use cash flow projections based on financial budgets covering a three-year period that are based on the latest forecasts for revenue and costs as approved by the Board. Projected revenues and costs are determined taking into consideration relevant industry forecasts for individual product lines, climate change, internal management projections, historical performance and announced industry capacity changes.

Cash flow projections beyond three years are based on internal management projections. Growth rates in the countries in which the Group operates are determined with reference to published gross domestic product information, and for specific product lines are determined with reference to published industry studies.

The discount rate is determined as the Group's weighted average cost of capital using published market data and published borrowing rates and adjusted for country risk and tax.

Any impairment is recognised in the consolidated income statement. Impairments of goodwill are not subsequently reversed.

31 Accounting policies

Current non-financial assets

Inventories (note 15)

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the first-in, first-out (FIFO) or weighted average cost basis, as appropriate. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value is defined as the selling price less any estimated costs to sell.

Provisions (note 18)

Provisions are recognised when the Group has a present obligation as a result of a past event, which it is probable it will be required to settle. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value using country specific discount rates for periods matching the duration of the underlying liability where the effect of discounting is material.

Equity instruments

Treasury shares (note 21)

The purchase by any Group entity of Mondi plc's equity instruments results in the recognition of treasury shares. The consideration paid or payable is deducted from equity. Where treasury shares are subsequently sold, reissued or otherwise disposed of, any consideration received or receivable is included in equity attributable to the shareholders of Mondi plc, net of any directly attributable incremental transaction costs and the related tax effects.

Dividend payments (note 9)

The dividend distributions to Mondi plc's ordinary shareholders are recognised as a liability when the dividends are declared and approved. Final dividends are accrued when approved by Mondi plc's ordinary shareholders at its Annual General Meeting and interim dividends are recognised when approved by the Board.

Share-based payments (note 22)

The Group operates a number of equity-settled, share-based compensation schemes. The fair value of the employee services received in exchange for the grant of share awards is recognised concurrently as an expense and an adjustment to equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the share awards granted, as adjusted for market performance conditions and non-market vesting conditions. Vesting conditions are included in assumptions about the number of awards that are expected to vest. At each reporting date, the Group revises its estimates of the number of share awards that are expected to vest as a result of changes in non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

Financial instruments (note 27)

Financial assets and financial liabilities are recognised in the Group's consolidated statement of financial position when the Group becomes party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the consolidated income statement.

Cash and cash equivalents (note 24b)

Cash and cash equivalents comprise cash on hand and demand deposits, together with short-term, highly liquid investments of a maturity of three months or less from the date of acquisition that are readily convertible to a known amount of cash and that are subject to an insignificant risk of changes in value. Bank overdrafts are shown within short-term borrowings in current liabilities in the consolidated statement of financial position. Cash and cash equivalents presented in the consolidated statement of cash flows are net of overdrafts.

Trade receivables (note 16)

Trade receivables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest rate method, less an allowance for impairment.

Impairment of trade receivables (note 16)

A simplified lifetime Expected Credit Loss (ECL) model is used to assess trade receivables for impairment. ECL is the present value of all cash shortfalls over the expected life of a trade receivable. Expected credit losses are based on historical loss experience on trade receivables, adjusted to reflect information about current economic conditions and reasonable and supportable forecasts of future economic conditions. At the date of initial recognition, the credit losses expected to arise over the lifetime of a trade receivable are recognised as an impairment.

Trade payables (note 17)

Trade payables are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest rate method.

Borrowings (note 20)

Interest bearing loans and overdrafts are initially recognised at fair value, net of direct transaction costs. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the consolidated income statement over the term of the borrowings using the effective interest rate method.

Borrowing costs (note 6)

Interest on borrowings directly relating to the acquisition, construction or production of qualifying assets is capitalised until such time as the assets are substantially ready for their intended use. Where funds have been borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the construction period.

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

Derivative financial instruments and hedge accounting (note 27d)

The Group enters into forward and swap contracts in order to hedge its exposure to foreign exchange, interest rate and commodity price risks.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and subsequently measured at fair value in the consolidated statement of financial position within financial instruments, and are classified as current or non-current depending on the maturity of the derivative.

Changes in the fair value of derivative financial instruments that are not formally designated in hedge relationships are recognised immediately in the consolidated income statement and are classified within operating profit or net finance costs, depending on the type of risk to which the derivative relates.

Cash flow hedges

The effective portion of changes in the fair value of derivative financial instruments that are designated as hedges of future cash flows are recognised directly in other comprehensive income and accumulated in equity. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement. If the cash flow hedge of a forecast transaction results in the recognition of a non-financial asset then, at the time the asset is recognised, the associated gains or losses on the derivative that had previously been recognised in the Group's cash flow hedge reserve in equity are included in the initial measurement of the asset. For hedges that do not result in the recognition of a non-financial asset, amounts deferred in the Group's cash flow hedge reserve in equity are recognised in the consolidated income statement in the same period in which the hedged item affects profit or loss on a proportionate basis.

Hedge accounting is discontinued when the hedge relationship is revoked or the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss deferred in equity remains in equity and is recognised in the consolidated income statement when the forecast transaction is ultimately recognised. If a hedge transaction is no longer expected to occur, the net cumulative gain or loss deferred in equity is included immediately in the consolidated income statement.

31 Accounting policies

Retirement benefits (note 23)

The Group operates defined benefit pension plans and defined contribution pension plans for the majority of its employees as well as post-retirement medical plans.

Defined contribution plans

For defined contribution plans, the amount charged to the consolidated income statement is the contributions paid or payable during the reporting period.

Defined benefit pension plans and post-retirement medical plans

For defined benefit pension and post-retirement medical plans, actuarial valuations are performed at each financial year end using the projected unit credit method. The average discount rate for the plans' liabilities is based on investment grade rated corporate bonds or similar government bonds of a suitable duration and currency. Plans' assets are measured using market values at the end of the reporting period.

The net retirement benefits liability recognised in the consolidated statement of financial position represents the present value of the defined benefit liability as reduced by the fair value of any plan assets.

Any increase in the present value of plan liabilities expected to arise from employee service during the year is charged to personnel costs as service costs. Past service costs resulting from plan amendments or curtailments and gains or losses on settlements are charged to personnel costs. A net interest expense or net interest income is calculated by applying the discount rate, on a per plan basis, to the net defined benefit liability or asset and recognised in the consolidated income statement within finance costs.

Remeasurements comprising actuarial gains and losses and the return on plan assets (after recognising the net finance charge) are charged or credited to equity in other comprehensive income, net of deferred tax, in the reporting period in which they occur. Remeasurements recorded in other comprehensive income are not recycled to the consolidated income statement, but those amounts recognised in other comprehensive income may be transferred within equity.

New accounting policies, early adoption and future requirements

Amendments to published Standards effective during 2020

The following amendments to Standards have been adopted for the financial year beginning on 1 January 2020, and have had no significant impact on the Group's results:

- Amendments to IFRS 3 – Business Combinations
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform
- Amendments to IAS 1 – Presentation of Financial Statements
- Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors
- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IFRS 16 – Leases – Covid-19-Related Rent Concessions

Amendments to published Standards that are not yet effective

The following amendments to Standards will be effective for the financial year beginning on 1 January 2021 and are not expected to have a significant impact on the Group's results:

- Amendments to IFRS 4 – Insurance Contracts – deferral of IFRS 9
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform – Phase 2

Mondi plc parent company balance sheet as at 31 December 2020

€ million	Notes	2020	2019
Fixed asset investments	5	3,604	3,721
Total debtors: due within one year	6	4	35
Total assets		3,608	3,756
Total creditors: due within one year	7	(56)	(12)
Total provisions: due after more than one year		(1)	(1)
Total liabilities		(57)	(13)
Net assets		3,551	3,743
Capital and reserves			
Share capital	8	97	97
Profit or loss account		2,775	2,846
Merger reserve		637	754
Legal reserve		29	29
Share-based payments reserve		13	17
Total shareholders' funds		3,551	3,743

Mondi plc reported a profit of €42 million (2019: profit of €818 million) for the year ended 31 December 2020. The balance sheet and statement of changes in equity of Mondi plc and related notes were approved by the Board and authorised for issue on 24 February 2021 and were signed on its behalf by:

Andrew King
Director

Mike Powell
Director

Mondi plc company registered number: 6209386

Mondi plc parent company statement of changes in equity for the year ended 31 December 2020

€ million	Share capital	Profit or loss account	Merger reserve	Legal reserve	Share-based payments reserve	Total equity
At 1 January 2019	103	2,367	-	-	18	2,488
Total comprehensive income for the year	-	818	-	-	-	818
Dividends	-	(332)	-	-	-	(332)
Issue of shares under employee share schemes	-	11	-	-	(11)	-
Purchases of treasury shares	-	(12)	-	-	-	(12)
Mondi share schemes' charge	-	-	-	-	10	10
Cancellation of deferred shares	(29)	-	-	29	-	-
Acquisition of Mondi Limited	23	(6)	754	-	-	771
At 31 December 2019	97	2,846	754	29	17	3,743
Total comprehensive income for the year	-	42	-	-	-	42
Dividends	-	(237)	-	-	-	(237)
Issue of shares under employee share schemes	-	13	-	-	(12)	1
Purchases of treasury shares	-	(6)	-	-	-	(6)
Mondi share schemes' charge	-	-	-	-	8	8
Merger reserve transferred to profit or loss account	-	117	(117)	-	-	-
At 31 December 2020	97	2,775	637	29	13	3,551

1 Accounting policies

Basis of preparation

Mondi plc meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council. Accordingly, the financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) as issued by the Financial Reporting Council.

As permitted by FRS 101, Mondi plc has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain items, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions.

Where required, equivalent disclosures are given in the Group accounts of Mondi plc, which are publicly available. The results, assets and liabilities of Mondi plc are included in the publicly available consolidated Group financial statements.

Mondi plc has made use of the exemption from presenting a profit and loss account, in accordance with Section 408 of the Companies Act 2006.

The financial statements have been prepared on a going concern basis. The assessment of going concern is disclosed in the Strategic report as part of the viability statement under the heading 'Going concern' on page 87 which is incorporated by reference into these financial statements.

The financial statements are prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies adopted are described below. They have all been applied consistently throughout the year and the preceding year.

Principal accounting policies

The principal accounting policies applied by Mondi plc are the same as those presented in notes 1 and 31 to the Group's consolidated financial statements, to the extent that the Group's transactions and balances are applicable to the company financial statements. Principally, the accounting policies which are not directly relevant to the Mondi plc parent company financial statements are those relating to consolidation accounting and the recognition and subsequent measurement of goodwill.

The accounting policy, that is additional to those applied by the Group, is stated as follows:

Investments

Fixed asset investments are stated at cost, less, where appropriate, provisions for impairment. Any potential impairment is determined on a basis consistent with the Group accounting policy on the impairment of goodwill.

Costs incremental and directly attributable to the acquisition of investments are capitalised.

Critical accounting judgements and significant accounting estimates

The preparation of the financial statements of Mondi plc includes the use of estimates and assumptions. Although the estimates used are based on management's best information about current circumstances and future events and actions, actual results may differ from those estimates. The significant accounting estimates and critical accounting judgements in terms of IAS 1, 'Presentation of Financial Statements', are:

Significant accounting estimates

- Impairment of fixed asset investment in Mondi South Africa (Pty) Limited – refer to note 5

2 Auditors' remuneration and employee information

Disclosure of the audit fees payable to the auditors for the audit of Mondi plc's financial statements is set out in note 4 of the Group's consolidated financial statements.

Mondi plc had 25 employees during the year (2019: 25).

3 Share-based payments

The share schemes and the underlying assumptions used to estimate the associated fair value charge are set out in note 22 of the Group's consolidated financial statements.

4 Deferred tax

No deferred tax asset is recognised on gross temporary differences of €11 million (2019: €13 million) relating to share-based payment arrangements. Mondi plc has tax losses of €160 million (2019: €155 million) in respect of which no deferred tax asset has been recognised due to the low probability of future taxable profit streams or gains against which these could be utilised. Although Mondi plc receives dividend income from its subsidiaries, this dividend income is exempt from corporation tax.

5 Fixed asset investments

€ million	2020	2019
Unlisted		
Shares at cost	3,721	3,721
Impairment	(117)	–
Total fixed asset investments	3,604	3,721

The investments are in Mondi Investments Limited (incorporated in the UK), a wholly-owned subsidiary which acts as an investment holding company, and Mondi South Africa (Pty) Limited (incorporated in South Africa), a wholly-owned subsidiary which manages forestry operations and manufactures pulp, uncoated fine paper and containerboard.

Due to lower profitability during the year and lower medium and long-term cash flow expectations management performed an impairment test for the investment in Mondi South Africa (Pty) Limited and concluded that an impairment of €117 million be charged to the profit or loss for the year. The recoverable amount of the investment is €666 million and is based on a value-in-use calculation with the following key assumptions:

- cash flow forecasts denominated in euro which were derived from the budget most recently approved by the Board covering the three-year period to 31 December 2023;
- sales volumes, sales prices and variable input cost assumptions in the budget period were derived from a combination of economic and industry forecasts for individual product lines and pulp, climate change, internal management projections, historical performance, and announced and expected industry capacity changes;
- 12.4% pre-tax discount rate was derived from the Group's weighted average cost of capital, adjusted for country risk;
- 2.1% growth rate for containerboard and zero growth rate for pulp and uncoated fine paper was applied beyond the budget period into perpetuity; and
- capital expenditure forecasts were based on historical experience and include expenditure necessary to maintain the assets in their current condition.

Due to the increased level of uncertainty resulting from the COVID-19 pandemic, particularly relating to the timing and the extent of the assumed macroeconomic and industry-related recovery, management determined the recoverable amount of the investment based on multiple probability-weighted scenarios. Aside from the base scenario derived from the budget most recently approved by the Board, management included an optimistic and a pessimistic scenario in the calculation of the recoverable amount to address the uncertainty associated with the cash flow forecasts.

The impairment calculation is sensitive to changes in key assumptions, in particular in relation to medium and long-term cash flow forecasts over the budget period. If the model assumptions on cash flow forecasts were changed by 5% throughout the budget period, the recoverable amount would change by €70 million, while holding all other assumptions constant.

The distributable reserve of Mondi plc remained unchanged as, following the impairment charged to profit or loss, an equivalent amount has been transferred from the merger reserve to the profit and loss account reserve in accordance with section 3.9(f) of Tech 02/17, 'Guidance on realised and distributable profits under the Companies Act 2006'.

6 Total debtors: due within one year

Amounts held on deposit in a cash pool facility with a subsidiary of €nil (2019: €29 million) are included within debtors due within one year. No provision on expected credit losses is recognised at 31 December 2020 (2019: €nil).

7 Total creditors: due within one year

€47 million (2019: €nil) is owed in relation to a cash pool facility with a subsidiary.

8 Share capital

Full disclosure of the share capital of Mondi plc is set out in note 21 of the Group's consolidated financial statements.

9 Contingent liabilities

Mondi plc has issued financial guarantees in respect of the UK pension schemes of its subsidiaries, obligations incurred in the ordinary course of business and the borrowings of other Group undertakings. The likelihood of these financial guarantees being called is considered to be remote and, therefore, the estimated financial effect of issuance is €nil (2019: €nil). The fair value of these issued financial guarantees is deemed to be immaterial.

€ million	2020	2019
Pension scheme guarantees	78	79
Guarantees of obligations of subsidiaries of Mondi plc		
- Incurred in the ordinary course of business	23	32
- In favour of banks and bondholders	3,151	2,890
At 31 December	3,252	3,001

The following subsidiaries have taken advantage of an exemption from audit under section 479A of the Companies Act 2006. As the ultimate parent, Mondi plc has provided a statutory guarantee for any outstanding liabilities of those subsidiaries. All subsidiary undertakings have been included in the consolidation of the Group.

- Mondi Glossop Ltd
- Mondi Packaging Limited
- Mondi Packaging UK Holdings Limited
- Mondi Scunthorpe Limited
- Powerflute Group Holdings Limited

Mondi plc is subject to certain legal proceedings, claims, complaints and investigations arising out of the ordinary course of business. Legal proceedings may include, but are not limited to, alleged breach of contract and alleged breach of environmental, competition, securities and health and safety laws. Mondi plc may not be insured fully, or at all, in respect of such risks. Mondi plc cannot predict the outcome of individual legal actions or claims or complaints or investigations. Mondi plc may settle litigation or regulatory proceedings prior to a final judgment or determination of liability. Mondi plc may do so to avoid the cost, management efforts or negative business, regulatory or reputational consequences of continuing to contest liability, even when it considers it has valid defences to liability. Mondi plc considers that no material loss to Mondi plc is expected to result from these legal proceedings, claims, complaints and investigations. Provision is made for all liabilities that are expected to materialise through legal and tax claims against Mondi plc.

10 Events occurring after 31 December 2020

Aside from the final dividend proposed for 2020, included in note 9 of the Group's consolidated financial statements, there have been no material reportable events since 31 December 2020.

11 List of subsidiaries and associated undertakings and other significant holdings as at 31 December 2020

All shares are held indirectly through a subsidiary or associated undertaking except where noted. Except where stated, the shares held are ordinary shares.

Company	Registered office	Principal activities	% of shares held by Group	Company	Registered office	Principal activities	% of shares held by Group
Austria				China			
Mondi AG	Marxergasse 4A, 1030 Vienna	Holding, Corporate	100.00	Mondi (China) Film Technology Co., Ltd.	No 29 Xinggang Road, Taicang Port Development Zone	Production, Engineered Materials	100.00
Mondi Coating Zeltweg GmbH	Bahnhofstrasse 3, 8740 Zeltweg	Production, Engineered Materials	100.00	Mondi Trading (Beijing) Co., Ltd.	0912, Air China Plaza, Building 1, No.36 Xiaoyun Road, Chaoyang, Beijing	Dormant, Engineered Materials	100.00
Mondi Consumer Packaging GmbH	Marxergasse 4A, 1030 Vienna	Holding, Flexible Packaging	100.00	Colombia			
Mondi Corrugated Holding Österreich GmbH	Marxergasse 4A, 1030 Vienna	Holding, Corrugated Packaging	100.00	Mondi Cartagena SAS ¹	LT No CA-4 Zona Franca la Candelaria, Sector Cospique, Zona Industrial Mamonal, Cartagena, Bolivar	Production, Flexible Packaging	100.00
Mondi Corrugated Services GmbH	Marxergasse 4A, 1030 Vienna	Service, Corrugated Packaging	100.00	Côte d'Ivoire			
Mondi Engineered Materials GmbH	Marxergasse 4A, 1030 Vienna	Holding, Engineered Materials	100.00	Mondi Abidjan S.A.	Zone Industrielle de Yopougon 01, Abidjan, BP 5676	Production, Flexible Packaging	50.00
Mondi Finance Europe GmbH	Marxergasse 4A, 1030 Vienna	Service, Corporate	100.00	Czech Republic			
Mondi Frantschach GmbH	Frantschach 5, 9413 St. Gertraud	Production, Flexible Packaging	100.00	EURO WASTE a.s.	Litoměřická 272, 41108 Štětí	Service, Flexible Packaging	100.00
Mondi Grünburg GmbH	Steyrtalstrasse 5, 4594 Grünburg	Production, Corrugated Packaging	100.00	Labe Wood s.r.o. ²	Litoměřická 272, 41108 Štětí	Production, Flexible Packaging	24.99
Mondi Holdings Austria GmbH	Marxergasse 4A, 1030 Vienna	Holding, Corporate	100.00	LIGNOCEL s.r.o. v likvidaci ³	Poupětova 3, 17000 Prague 7	In liquidation, Flexible Packaging	20.00
Mondi Industrial Bags GmbH	Marxergasse 4A, 1030 Vienna	Holding, Flexible Packaging	100.00	Mondi Bags Štětí a.s.	Litoměřická 272, 41108 Štětí	Production, Flexible Packaging	100.00
Mondi Korneuburg GmbH	Stockerauer Strasse 110, 2100 Korneuburg	Production, Flexible Packaging	100.00	Mondi Bupak s.r.o.	Papírenská 41, 37052 České Budějovice	Production, Corrugated Packaging	100.00
Mondi Neusiedler GmbH	Theresienthalstrasse 50, 3363 Ulmerfeld-Hausmending	Production, Uncoated Fine Paper	51.00	Mondi Coating Štětí a.s.	Litoměřická 272, 41108 Štětí	Production, Engineered Materials	100.00
Mondi Oman Holding GmbH	Marxergasse 4A, 1030 Vienna	Holding, Flexible Packaging	70.00	Mondi Štětí a.s.	Litoměřická 272, 41108 Štětí	Production, Flexible Packaging	100.00
Mondi Paper Sack Zeltweg GmbH ¹	Bahnhofstrasse 3, 8740 Zeltweg	Holding, Flexible Packaging	100.00	Mondi Štětí White Paper s.r.o.	Litoměřická 272, 41108 Štětí	Production, Flexible Packaging	100.00
Mondi Paper Sales GmbH	Marxergasse 4A, 1030 Vienna	Distribution, Corrugated Packaging, Flexible Packaging, Uncoated Fine Paper	100.00	Wood & Paper a.s. ²	Hlina 57/18, 66491 Brno	Service, Flexible Packaging	46.50
Mondi Release Liner Austria GmbH	Waidhofnerstrasse 11, 3331 Hilm	Production, Engineered Materials	100.00	Egypt			
Mondi Styria GmbH	Bahnhofstrasse 3, 8740 Zeltweg	Production, Flexible Packaging	100.00	Mondi Cairo for Packaging Material S.A.E.	Plots No. 6 and No. 7 in the Northern Expansion Area, Industrial Zone, 6th of October, Giza	Production, Flexible Packaging	100.00
Mondi Uncoated Fine & Kraft Paper GmbH	Marxergasse 4A, 1030 Vienna	Holding, Corrugated Packaging, Flexible Packaging, Uncoated Fine Paper	100.00	Suez Bags Company (S.A.E.)	30 Maadi Road, Katameya, Kilo 138, Cairo	Production, Flexible Packaging	98.34
Papierholz Austria GmbH ²	Frantschach 5, 9413 St. Gertraud	Service, Flexible Packaging	25.00	Finland			
Ybbstaler Zellstoff GmbH	Theresienthalstrasse 50, 3363 Ulmerfeld-Hausmending	Production, Uncoated Fine Paper	51.00	Harvestia Oy	Selluntie 142, 70420 Kuopio	Service, Corrugated Packaging	94.70
Belgium				Mondi Finland Services Oy	Peltotie 20, 28400 Ulvila	Holding, Corrugated Packaging	100.00
Mondi Poperinge N.V.	Nijverheidslaan 11, 8970 Poperinge	Production, Flexible Packaging	100.00	Mondi Powerflute Oy	Selluntie 142, 70420 Kuopio	Production, Corrugated Packaging	100.00
Bulgaria							
Mondi Stamboljiski E.A.D	1 Zavodska Street, Stamboljiski 4210, Plovdiv Region	Production, Flexible Packaging	100.00				

11 List of subsidiaries and associated undertakings and other significant holdings as at 31 December 2020

Company	Registered office	Principal activities	% of shares held by Group	Company	Registered office	Principal activities	% of shares held by Group
France				Iraq			
Mondi Gournay Sarl	5, rue Vernet, 75008 Paris	Service, Flexible Packaging	100.00	Mondi Kaso Iraq Industrial Bags Ltd.	Takya, Bazian, Sulaimaniyah	Production, Flexible Packaging	34.55
Mondi Lembacel SAS	11 Rue de Reims, 51490 Bétheniville	Production, Flexible Packaging	100.00	Italy			
Mondi Paper Sales France Sarl	5, rue Vernet, 75008 Paris	Distribution, Corrugated Packaging	100.00	Mondi Gradisac S.r.l.	Via dell'Industria 11, 34072 Gradisca d'Isonzo, Gorizia	Production, Flexible Packaging	100.00
Germany				Mondi Italia S.r.l.	Via Balilla 32, 24058 Romano di Lombardia, Bergamo	Production, Flexible Packaging	100.00
Mondi Ascania GmbH	Daimlerstrasse 8, 06449 Aschersleben	Production, Engineered Materials	100.00	Mondi Padova S.r.l.	Via Mazzini 21, 35010 San Pietro in Gu, Padua	Production, Flexible Packaging	100.00
Mondi Bad Rappenau GmbH	Wilhelm-Hauff-Strasse 41, 74906 Bad Rappenau	Production, Corrugated Packaging	100.00	Mondi Paper Sales Italia S.r.l.	Via Fara Gustavo 35, 20124 Milano	Distribution, Corrugated Packaging, Flexible Packaging, Uncoated Fine Paper	100.00
Mondi Consumer Packaging International GmbH	Jöbkesweg 11, 48599 Gronau	Holding, Flexible Packaging	100.00	Mondi Silicart S.r.l.	Via Zanchetta 27, 35010 San Pietro in Gu, Padua	Dormant, Engineered Materials	100.00
Mondi Eschenbach GmbH	Am Stadtwald 14, 92676 Eschenbach	Production, Corrugated Packaging	100.00	Mondi Tolentino S.r.l.	Via Giovanni Falcone 1, 62029 Tolentino, Macerata	Production, Flexible Packaging	100.00
Mondi Gronau GmbH	Jöbkesweg 11, 48599 Gronau	Production, Engineered Materials	100.00	NATRO TECH S.r.l.	Via Balilla 32, 24058 Romano di Lombardia, Bergamo	Service, Flexible Packaging	100.00
Mondi Halle GmbH	Wielandstrasse 2, 33790 Halle	Production, Flexible Packaging	100.00	Powerflute Italia S.r.l.	Via Giacomo Matteotti 2, 21013 Gallarate	Distribution, Corrugated Packaging	100.00
Mondi Hammelburg GmbH	Thüringenstrasse 1-3, 97762 Hammelburg	Production, Flexible Packaging	100.00	Japan			
Mondi Holding Deutschland GmbH	Jöbkesweg 11, 48599 Gronau	Holding, Corporate	100.00	Mondi Tokyo KK	7th floor 14-5, Akasaka 2-chrome, Minato-ku, Tokyo	Service, Engineered Materials	100.00
Mondi Innocoat GmbH	Angererstrasse 25, 83064 Raubling	Production, Engineered Materials	100.00	Jordan			
Mondi Jülich GmbH	Rathausstrasse 29, 52428 Jülich	Production, Engineered Materials	100.00	Jordan Paper Sacks Co. Ltd.	Al Salt, Industrial Area, P.O. Box 119, 19374, Balqa	Production, Flexible Packaging	67.74
Mondi Lindlar GmbH	Wielandstrasse 2, 33790 Halle	Dormant, Flexible Packaging	100.00	Republic of Korea			
Mondi Paper Sales Deutschland GmbH	Oberbaumbrücke 1, 20457 Hamburg	Distribution, Corrugated Packaging	100.00	Krauzen Co., Ltd.	1420, Keumkang-Pentierum IT tower, 282 Hakeui-ro, Dongang-gu, Anyang-si, Gyunggi-do	Service, Flexible Packaging	100.00
Mondi Sendenhorst GmbH	Thüringenstrasse 1-3, 97762 Hammelburg	Distribution, Flexible Packaging	100.00	Mondi KSP Co., Ltd.	48-29, 439 Hongandaero, Dongang-gu, Anyang-si, Gyunggi-do	Production, Flexible Packaging	95.00
Mondi Trebsen GmbH	Erich-Hausmann-Strasse 1, 04687 Trebsen	Production, Flexible Packaging	100.00	Lebanon			
Mondi Wellpappe Ansbach GmbH	Robert-Bosch-Strasse 3, 91522 Ansbach	Production, Corrugated Packaging	100.00	Mondi Lebanon SAL	7th Floor, Bloc C, Kassis Building, Antelias Highway, Antelias	Production, Flexible Packaging	66.00
wood2M GmbH ²	Hauptstrasse 16, 07366 Blankenstein	Service, Corporate	50.00	Luxembourg			
Greece				Mondi Packaging S.à r.l.	1, rue Hildegard von Bingen, 1282	Holding, Corporate	100.00
Mondi Thessaloniki A.E.	Sindos Industrial Zone – Block 18, 57022 Thessaloniki	Distribution, Flexible Packaging	100.00	Mondi S.à r.l.	1, rue Hildegard von Bingen, 1282	Holding, Corporate	100.00
Hungary				Mondi Services S.à r.l.	1, rue Hildegard von Bingen, 1282	Holding, Corporate	100.00
Mondi Bags Hungária Kft.	Tünde u. 2, 4400 Nyíregyháza	Production, Flexible Packaging	100.00	Malaysia			
Mondi Békéscsaba Kft.	Tevan Andor u. 2, 5600 Békéscsaba	Production, Flexible Packaging	100.00	Mondi Kuala Lumpur Sdn. Bhd.	Lot Nos.PT 5034 & 5036, Jalan Teluk Datuk 28/40, 40000 Shah Alam, Selangor	Production, Flexible Packaging	62.00
Mondi Szada Kft.	Vasút u. 13, 2111 Szada	Production, Flexible Packaging	100.00				

Company	Registered office	Principal activities	% of shares held by Group	Company	Registered office	Principal activities	% of shares held by Group
Mexico				Poland			
Caja de Ahorro de Personal de Mondí Mexico Servicios A.C.	Av. San Nicolás No. 249, Colonia Cuauhtémoc, San Nicolás de los Garza, Nuevo León, 66450	Service, Flexible Packaging	100.00	Agromasa Sp. z o.o.	ul. Bydgoska 1, 86-100 Świecie	Service, Corrugated Packaging	100.00
Mondí Mexico S. de R.L. de C.V.	Av. San Nicolás No. 249, Colonia Cuauhtémoc, San Nicolás de los Garza, Nuevo León, 66450	Production, Flexible Packaging	100.00	Fredonia Investments Sp. z o.o.	ul. Bukowa 21, 87-148 Łysomice	Service, Corrugated Packaging	100.00
Mondí Mexico Servicios S. de R.L. de C.V.	Av. San Nicolás No. 249, Colonia Cuauhtémoc, San Nicolás de los Garza, Nuevo León, 66450	Service, Flexible Packaging	100.00	Mondí Bags Mielec Sp. z o.o.	ul. Wojska Polskiego 12, 39-300 Mielec	Production, Flexible Packaging	100.00
Morocco				Mondí Bags Świecie Sp. z o.o.	ul. Bydgoska 12, 86-100 Świecie	Production, Flexible Packaging	100.00
Ensachage Moderne Sarl	Rue Boukraa N1, Quartier Industriel Dokkarat, Fes	Dormant, Flexible Packaging	80.64	Mondí BZWP Sp. z o.o.	ul. Zamenhofa 36, 57-500 Bystrzyca Kłodzka	Production, Corrugated Packaging	100.00
Pap Sac Maghreb SA	Km 16, Route d'El Jadida, Casablanca	Production, Flexible Packaging	80.64	Mondí Corrugated Świecie Sp. z o.o.	ul. Bydgoska 1, 86-100 Świecie	Production, Corrugated Packaging	100.00
Netherlands				Mondí Dorohusk Sp. z o.o.	Brzezno 1, 22-174 Brzezno	Production, Corrugated Packaging	100.00
Mondí Coating B.V.	Fort Willemweg 1, 6219 PA Maastricht	Holding, Engineered Materials	100.00	Mondí Poznań Sp. z o.o.	ul. Wyzwolenia 34/36, 62-070 Dopiewo	Production, Flexible Packaging	100.00
Mondí Consumer Bags & Films B.V.	Fort Willemweg 1, 6219 PA Maastricht	Holding, Flexible Packaging	100.00	Mondí Recykling Polska Sp. z o.o.	ul. Bydgoska 1, 86-100 Świecie	Service, Corrugated Packaging	100.00
Mondí Consumer Bags & Films Benelux B.V.	Fort Willemweg 1, 6219 PA Maastricht	Distribution, Flexible Packaging	100.00	Mondí Simet Sp. z o.o.	Grabonóg 77, 63-820 Piaski	Production, Corrugated Packaging	100.00
Mondí Corrugated B.V.	Fort Willemweg 1, 6219 PA Maastricht	Holding, Corrugated Packaging	100.00	Mondí Solec Sp. z o.o.	Solec 143, 05-532 Banochoa	Production, Flexible Packaging	100.00
Mondí Corrugated Poland B.V.	Fort Willemweg 1, 6219 PA Maastricht	Holding, Corrugated Packaging	100.00	Mondí Świecie S.A.	ul. Bydgoska 1, 86-100 Świecie	Production, Corrugated Packaging	100.00
Mondí Heerlen B.V.	Imstenraderweg 15, 6422 PM Heerlen	Production, Engineered Materials	100.00	Mondí Szczecin Sp. z o.o.	ul. Słoneczna 20, 72-123 Kliniska Wielkie	Production, Corrugated Packaging	100.00
Mondí Industrial Bags B.V.	Fort Willemweg 1, 6219 PA Maastricht	Holding, Flexible Packaging	100.00	Mondí Warszawa Sp. z o.o.	ul. Tarczyńska 98, 96-320 Mszczonów	Production, Corrugated Packaging	100.00
Mondí International Holdings B.V.	Fort Willemweg 1, 6219 PA Maastricht	Holding, Corrugated Packaging	100.00	Mondí Wierzbica Sp. z o.o.	Kolonia Rzeków 76, 26-680 Wierzbica	Production, Flexible Packaging	100.00
Mondí Maastricht N.V.	Fort Willemweg 1, 6219 PA Maastricht	Production, Flexible Packaging	100.00	Świecie Rail Sp. z o.o.	ul. Bydgoska 1, 86-100 Świecie	Service, Corrugated Packaging	100.00
Mondí MENA B.V.	Fort Willemweg 1, 6219 PA Maastricht	Holding, Flexible Packaging	70.00	Świecie Recykling Sp. z o.o.	ul. Bydgoska 1/417, 86-100 Świecie	Service, Corrugated Packaging	100.00
Mondí Packaging Paper B.V.	Fort Willemweg 1, 6219 PA Maastricht	Holding, Flexible Packaging	100.00	Romania			
Mondí Paper Sales Netherlands B.V.	Bruynvisweg 14, 1531 AZ Wormer	Distribution, Corrugated Packaging, Flexible Packaging, Uncoated Fine Paper	100.00	Mondí Bucharest S.R.L.	Filderman Wilhelm Nr. 4/3/19, Sector 3, 030353 Bucharest	Distribution, Flexible Packaging	100.00
Mondí SCP Holdings B.V.	Fort Willemweg 1, 6219 PA Maastricht	Holding, Uncoated Fine Paper	100.00	Russia			
Norway				LLC Mondí Aramil	25 Klubnaya Street, 62400 Aramil, Sverdlovskii Region	Production, Flexible Packaging	100.00
Mondí Moss AS	Rådmann Sirasvei 1, 1712 Grålum	Distribution, Flexible Packaging	100.00	LLC Mondí Lebedyan	Lva Tolstogo, Building 80, Office 52, 399612 Lebedyan, Lipetsk Region	Production, Corrugated Packaging	100.00
Oman				LLC Mondí Pereslavl	Mendeleeva sq. 2, Building 55, 152025 Pereslavl-Zalesski	Production, Flexible Packaging	100.00
Mondí Oman LLC	P.O. Box 20, 124, Muscat Governorate, As Seeb, Al Rusayl	Production, Flexible Packaging	49.00	LLC Mondí Syktyvkar Energy Company	pr. Bumazhnikov 2, 167026 Syktyvkar, Republic of Komi	Service, Uncoated Fine Paper	100.00
				OJSC Mondí Syktyvkar ³	pr. Bumazhnikov 2, 167026 Syktyvkar, Republic of Komi	Production, Corrugated Packaging, Uncoated Fine Paper	100.00
				OOO Mondí Sales CIS	2nd Brestskaya str. 8 Floor 13, 123047 Moscow	Distribution, Uncoated Fine Paper	100.00
				Serbia			
				Mondí Šabac d.o.o.	Šabac Severna 4 No.2, 15000 Šabac	Production, Flexible Packaging	100.00

Notes to the Mondi plc parent company financial statements for the year ended 31 December 2020

11 List of subsidiaries and associated undertakings and other significant holdings as at 31 December 2020

Company	Registered office	Principal activities	% of shares held by Group	Company	Registered office	Principal activities	% of shares held by Group
Singapore				Spain			
Mondi Packaging Paper Sales Asia Pte. Ltd.	3 Anson Road 27-01, Springleaf Tower, 079909	Distribution, Flexible Packaging	100.00	Mondi Bags Ibérica S.L.	Autovía A-2, Km 582, 08630 Abrera	Production, Flexible Packaging	100.00
Slovakia				Sweden			
East Paper, spol. s.r.o. ²	Rastislavova 98, 04346 Kosice	Service, Corrugated Packaging	26.01	Mondi Ibersac S.L.	Calle La Perenal 4, 48840 Güeñes, Bizcaia	Production, Flexible Packaging	100.00
Mondi SCP, a.s.	Tatranská cesta 3, 03417 Ružomberok	Production, Flexible Packaging, Uncoated Fine Paper	51.00	Mondi Sales Ibérica S.L.	Calle Joaquín Costa 36 2a, 28002 Madrid	Distribution, Flexible Packaging	100.00
Obaly SOLO, s.r.o.	Tatranská cesta 3, 03417 Ružomberok	Production, Uncoated Fine Paper	51.00	Powerflute International S.L.	Josep Irla I Bosch, 1-3 P6 PTA.2, 08034 Barcelona	Distribution, Corrugated Packaging	100.00
RECOPAP, s.r.o. ²	Bratislavská 18, 90051 Zohor	Service, Corrugated Packaging	25.50	Switzerland			
Sloppaper Collection s.r.o. ¹	Tatranská cesta 3, 03417 Ružomberok	Service, Corrugated Packaging	51.00	Dipeco AG	Bruehlstrasse 5, 4800 Zofingen	Production, Flexible Packaging	100.00
Sloppaper Recycling s.r.o.	Tatranská cesta 3, 03417 Ružomberok	Service, Corrugated Packaging	51.00	Thailand			
SLOWOOD Ružomberok a.s.	Tatranská cesta 3, 03417 Ružomberok	Distribution, Uncoated Fine Paper	33.66	Mondi Bangkok Company Limited	789/10 Moo 9 Bang Pla Sub-District, Bang Phli District, Bangkok, Samut Prakan Province	Production, Flexible Packaging	100.00
STRÁŽNA SLUŽBA VLA-STA s.r.o.	Tatranská cesta 3, 03417 Ružomberok	Distribution, Uncoated Fine Paper	51.00	Mondi Coating (Thailand) Co. Ltd.	Nr 888/100-101 Soi Yingcharoen Moo 19, Bangplee-Tamru Road, Bangpleeyai, Bangplee, Samutprakam 10540	Service, Engineered Materials	100.00
South Africa				Trinidad and Tobago			
Arctic Sun Trading 17 Proprietary Limited ²	380 Old Howick Road, Mondi House, Hilton, 3245	Distribution, Uncoated Fine Paper	50.00	TCL Packaging Ltd. ²	Southern Main Road, Claxton Bay	Production, Flexible Packaging	20.00
Bongani Development Close Corporation	4th Floor, No 3 Melrose Boulevard, Melrose Arch, 2196	Service, Uncoated Fine Paper	100.00	Turkey			
Mondi Africa Holdings Proprietary Limited	4th Floor, No 3 Melrose Boulevard, Melrose Arch, 2196	Dormant, Uncoated Fine Paper	100.00	Mondi Istanbul Ambalaj Limited Şti.	No. 12A Türkgücü OSB Mah. Yılmaz Alpaslan Caddesi Corlu, Tekirdag, 59870	Production, Flexible Packaging	100.00
Mondi Forests Partners Programme Proprietary Limited	380 Old Howick Road, Mondi House, Hilton, 3245	Service, Uncoated Fine Paper	100.00	Mondi Kale Nobel Ambalaj Sanayi Ve Ticaret A.Ş.	Sevketiye Cobancesme Kavsagi, A2 Blok, No. 229/230 Yeşilköy, Bakirköy/Istanbul	Production, Flexible Packaging	100.00
Mondi Sacherie Moderne Holdings Proprietary Limited	Merebank Mill, Travencore Drive, Merebank, 4052	Holding, Uncoated Fine Paper	100.00	Mondi Tire Kutsan Kagit Ve Ambalaj Sanayi A.Ş.	Toki Mahallesi, Hasan Tahsin Caddesi, No. 28, Tire, Izmir 35900	Production, Corrugated Packaging	79.15
Mondi South Africa (Pty) Limited ⁴	Merebank Mill, Travencore Drive, Merebank, 4052	Production, Corrugated Packaging, Uncoated Fine Paper	100.00	Ukraine			
Mondi Timber (Wood Products) Proprietary Limited	Merebank Mill, Travencore Drive, Merebank, 4052	Holding, Uncoated Fine Paper	100.00	Mondi Packaging Bags Ukraine LLC	Fabrychna Street 20, Zhydachiv, Lviv Region, 81700	Production, Flexible Packaging	100.00
Mondi Zimele Job Funds Proprietary Limited	380 Old Howick Road, Mondi House, Hilton, 3245	Service, Uncoated Fine Paper	100.00				
Mondi Zimele Proprietary Limited	380 Old Howick Road, Mondi House, Hilton, 3245	Service, Uncoated Fine Paper	100.00				
MZ Business Services Proprietary Limited	128 Lansdowne Road, Jacobs, 4052	In liquidation, Uncoated Fine Paper	100.00				
MZ Technical Services Proprietary Limited	380 Old Howick Road, Mondi House, Hilton, 3245	In liquidation, Uncoated Fine Paper	56.00				
Professional Starch Proprietary Limited	380 Old Howick Road, Mondi House, Hilton, 3245	In liquidation, Uncoated Fine Paper	100.00				
Siyahubeka Forests Proprietary Limited	Merebank Mill, Travencore Drive, Merebank, 4052	Service, Uncoated Fine Paper	51.00				
Zimshelf Eight Investment Holdings Proprietary Limited	4th Floor, No 3 Melrose Boulevard, Melrose Arch, 2196	In liquidation, Uncoated Fine Paper	100.00				

Company	Registered office	Principal activities	% of shares held by Group
UK			
Frantschach Holdings UK Limited	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Dormant, Flexible Packaging	100.00
Hypac Limited	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Dormant, Corrugated Packaging	100.00
Medway Packaging Pension Trustee Limited	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Service, Flexible Packaging	100.00
Mondi Aberdeen Limited	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Distribution, Flexible Packaging	100.00
Mondi Consumer Goods Packaging UK Ltd	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Production, Flexible Packaging	100.00
Mondi Finance plc	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Service, Corporate	100.00
Mondi Glossop Ltd	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Dormant, Engineered Materials	100.00
Mondi Holcombe Limited	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Dormant, Corrugated Packaging	100.00
Mondi Investments Limited ⁴	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Holding, Corporate	100.00
Mondi Packaging (Delta) Limited	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Dormant, Corrugated Packaging	100.00
Mondi Packaging Limited	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Dormant, Corrugated Packaging	100.00
Mondi Packaging UK Holdings Limited	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Dormant, Corrugated Packaging	100.00
Mondi Pension Trustee Limited ⁴	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Service, Corporate	100.00
Mondi Scunthorpe Limited ³	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Dormant, Flexible Packaging	100.00
Mondi Services (UK) Limited	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Service, Corporate	100.00
Mondi UK Consumer Packaging Holding 1 Ltd	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Holding, Flexible Packaging	100.00
Mondi UK Consumer Packaging Holding 2 Ltd	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Holding, Flexible Packaging	100.00
Powerflute Group Holdings Limited	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Dormant, Corrugated Packaging	100.00

Company	Registered office	Principal activities	% of shares held by Group
USA			
Mondi Akrosil, LLC	251 Little Falls Drive, Wilmington DE 19808	Production, Engineered Materials	100.00
Mondi Bags USA, LLC	251 Little Falls Drive, Wilmington DE 19808	Production, Flexible Packaging	100.00
Mondi Jackson LLC	251 Little Falls Drive, Wilmington DE 19808	Production, Flexible Packaging, Engineered Materials	100.00
Mondi Minneapolis, Inc.	220 South Sixth Street, Suite 2200, Minneapolis 55402	Service, Engineered Materials	100.00
Mondi Romeoville LLC	251 Little Falls Drive, Wilmington DE 19808	Production, Flexible Packaging	100.00
Mondi Tekkote LLC	251 Little Falls Drive, Wilmington DE 19808	Production, Engineered Materials	100.00

Notes:

- 1 % of shares held by the Group in 2019: nil
- 2 Associated undertaking
- 3 These companies have ordinary and preference shares
- 4 These companies are held directly

Financial performance 2011–2020

Consolidated income statement

€ million, unless otherwise stated	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Group revenue	6,663	7,268	7,481	7,096	6,662	6,819	6,402	6,476	5,790	5,739
Underlying EBITDA	1,353	1,658	1,764	1,482	1,366	1,325	1,126	1,068	927	964
Corrugated Packaging	518	583	707	477	408	427	381	341	249	284
Flexible Packaging	519	543	461	442	380	365	317	302	276	294
Engineered Materials	80	122	112	136	131	119	111	96	51	34
Uncoated Fine Paper	266	444	516	464	481	448	349	359	383	394
Corporate	(30)	(34)	(32)	(37)	(34)	(34)	(32)	(30)	(32)	(32)
Discontinued and disposed operations	–	–	–	–	–	–	–	–	–	(10)
Underlying operating profit	925	1,223	1,318	1,029	981	957	767	699	574	622
Special items	(57)	(16)	(126)	(61)	(38)	(57)	(52)	(87)	(91)	(55)
Net finance costs (excluding financing special item)	(95)	(104)	(88)	(85)	(101)	(105)	(97)	(115)	(110)	(111)
Underlying earnings	627	829	916	721	667	647	519	460	334	340
Basic earnings	582	812	824	668	638	600	471	386	242	330
Basic underlying EPS (euro cents)	129.3	171.1	189.1	148.9	137.8	133.7	107.3	95.0	69.2	68.1
Basic EPS (euro cents)	120.0	167.6	170.1	137.9	131.8	124.0	97.4	79.8	50.1	57.5
Total ordinary dividend per share paid and proposed (euro cents)^{1, 2}	60.00	57.03	76.00	62.00	57.00	52.00	42.00	36.00	28.00	26.00

Notes:

¹ In early April 2020, at the height of the first wave of the COVID-19 pandemic, the Board took the difficult but prudent decision to withdraw the recommendation to pay the 2019 final dividend, with a commitment to re-evaluate later in the year when the impact of the pandemic became clearer. In August 2020, the Board decided to resume the payment of dividends, including the payment of a further interim dividend relating to the 2019 financial year of 29.75 euro cents per share

² A special dividend of 100 euro cents was paid in 2018 in addition to the 2017 ordinary dividend

Significant ratios

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Underlying EBITDA (decline)/growth (%)	(18.4)	(6.0)	19.0	8.5	3.1	17.7	5.4	15.2	(3.8)	20.8
Underlying EBITDA margin (%)	20.3	22.8	23.6	20.9	20.5	19.4	17.6	16.5	16.0	16.8
Underlying operating profit margin (%)	13.9	16.8	17.6	14.5	14.7	14.0	12.0	10.8	9.9	10.8
ROCE (%)	15.2	19.8	23.6	19.3	20.3	20.5	17.2	15.3	13.6	15.0
Net debt to underlying EBITDA (times)	1.3	1.3	1.3	1.0	1.0	1.1	1.4	1.5	2.0	0.9
Dividend cover (times) ¹	2.2	3.0	2.5	2.4	2.4	2.6	2.6	2.6	2.5	2.6
PE Ratio	14.8	12.2	9.6	14.6	14.2	13.5	12.6	13.2	11.9	8.0
Mondi plc (LSE) – Share price at end of year (GBP pence per share)	1,720	1,773	1,634	1,931	1,666	1,334	1,050	1,046	670	455
Mondi plc (JSE) – Share price at end of year (ZAR per share)	343	326	304	319	279	309	190	181	91	57
Market capitalisation (€ million)	9,342	10,165	8,901	10,523	9,457	8,803	6,563	6,081	4,001	2,655

Note:

¹ The 2019 dividend per share comprises an interim dividend of 27.28 euro cents and a further interim dividend of 29.75 euro cents paid in 2020 relating to the 2019 financial year

Significant cash flows

€ million	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Cash generated from operations	1,485	1,635	1,654	1,363	1,401	1,279	1,033	1,036	849	917
Working capital cash flows	125	35	(117)	(122)	68	9	(87)	(27)	(83)	(68)
Income tax paid	(168)	(248)	(248)	(151)	(173)	(160)	(106)	(126)	(109)	(85)
Capital expenditure cash outflows	(630)	(757)	(709)	(611)	(465)	(595)	(562)	(405)	(294)	(263)
Interest paid	(82)	(96)	(73)	(97)	(82)	(93)	(125)	(124)	(92)	(106)
Ordinary dividends paid to shareholders¹	(237)	(396)	(309)	(273)	(274)	(209)	(193)	(138)	(128)	(126)

Note:

1 A special dividend of €484 million was paid in 2018 in addition to the 2017 ordinary dividend

Consolidated statement of financial position

€ million	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Property, plant and equipment	4,641	4,800	4,340	4,128	3,788	3,554	3,432	3,428	3,709	3,377
Goodwill	923	948	942	698	681	590	545	550	561	202
Working capital	739	952	972	899	799	794	811	711	764	575
Other assets	557	620	540	530	532	422	434	429	503	408
Other liabilities	(687)	(728)	(749)	(716)	(721)	(675)	(715)	(653)	(789)	(696)
Net assets excluding net debt	6,173	6,592	6,045	5,539	5,079	4,685	4,507	4,465	4,748	3,866
Equity	4,002	4,015	3,485	3,683	3,392	2,905	2,628	2,591	2,572	2,586
Non-controlling interests in equity	380	370	340	324	304	282	266	255	301	449
Net debt ¹	1,791	2,207	2,220	1,532	1,383	1,498	1,613	1,619	1,875	831
Capital employed	6,173	6,592	6,045	5,539	5,079	4,685	4,507	4,465	4,748	3,866

Note:

1 Net debt prior to 2012 does not include the effect of net debt-related derivatives

		2020	2019
Containerboard	000 tonnes	2,525	2,524
Kraft paper	000 tonnes	1,145	1,162
Uncoated fine paper	000 tonnes	1,422	1,526
Newsprint	000 tonnes	169	201
Pulp	000 tonnes	4,484	4,387
Internal consumption	000 tonnes	3,767	3,883
Market pulp	000 tonnes	717	504
Corrugated solutions	million m ²	1,771	1,653
Paper bags	million units	5,435	5,228
Consumer flexibles	million m ²	2,472	2,457
Engineered materials	million m ²	5,068	5,506

Exchange rates

versus euro	Average		Closing	
	2020	2019	2020	2019
South African rand	18.77	16.18	18.02	15.78
Czech koruna	26.46	25.67	26.24	25.41
Polish zloty	4.44	4.30	4.56	4.26
Pound sterling	0.89	0.88	0.90	0.85
Russian rouble	82.72	72.45	91.47	69.96
Turkish lira	8.05	6.36	9.11	6.68
US dollar	1.14	1.12	1.23	1.12

The Group presents certain measures of financial performance, position or cash flows in the consolidated financial statements that are not defined or specified according to IFRS in order to provide additional performance-related measures to its stakeholders. These measures, referred to as Alternative Performance Measures (APMs), are prepared on a consistent basis for all periods presented in this report.

By their nature, the APMs used by the Group are not necessarily uniformly applied by peer companies and therefore may not be comparable with similarly defined measures and disclosures applied by other companies. Such measures should not be viewed in isolation or as a substitute to the equivalent IFRS measure.

Internally, the Group and its operating segments apply the same APMs in a consistent manner in planning and reporting on performance to management and the Board. Two of the Group's APMs (underlying EBITDA and ROCE) form part of the executive directors and senior management remuneration targets. The Group has not adjusted its APMs for the impact of the COVID-19 pandemic.

The most significant APMs used by the Group are described below, together with a reconciliation to the equivalent IFRS measure. The reconciliations are based on Group figures. The reporting segment equivalent APMs are measured in a consistent manner.

APM description and purpose	Financial statement reference	Closest IFRS equivalent measure
Special items		
Special items are generally material, non-recurring items that exceed €10 million.	Note 3	None

The Group separately discloses special items on the face of the consolidated income statement to assist its stakeholders in understanding the underlying financial performance achieved by the Group on a basis that is comparable from year to year.

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

Underlying EBITDA

Operating profit before special items, depreciation, amortisation and impairments not recorded as special items provides a measure of the cash generating ability of the business that is comparable from year to year.

Consolidated income statement

Operating profit

Underlying EBITDA margin

Underlying EBITDA expressed as a percentage of Group revenue (segment revenue for operating segments) provides a measure of the cash generating ability relative to revenue.

None

APM calculation:

€ million, unless otherwise stated	2020	2019
Underlying EBITDA (see consolidated income statement)	1,353	1,658
Group revenue (see consolidated income statement)	6,663	7,268
Underlying EBITDA margin (%)	20.3	22.8

Underlying operating profit

Operating profit before special items provides a measure of operating performance that is comparable from year to year.

Consolidated income statement

Operating profit

APM description and purpose	Financial statement reference	Closest IFRS equivalent measure
Underlying operating profit margin		
Underlying operating profit expressed as a percentage of Group revenue (segment revenue for operating segments) provides a measure of the profitability of the operations relative to revenue.		None
APM calculation:		
€ million, unless otherwise stated	2020	2019
Underlying operating profit (see consolidated income statement)	925	1,223
Group revenue (see consolidated income statement)	6,663	7,268
Underlying operating profit margin (%)	13.9	16.8
Net interest expense		
Net interest expense comprises interest expense on bank overdrafts, loans and lease liabilities net of investment income.		None
Net interest expense provides an absolute measure of the net cost of borrowings.		
APM calculation:		
€ million	2020	2019
Investment income (see note 6)	5	8
Interest on bank overdrafts and loans (see note 6)	(83)	(90)
Interest on lease liabilities (see note 6)	(12)	(13)
Net interest expense	(90)	(95)
Effective interest rate		
Trailing 12-month net interest expense expressed as a percentage of trailing 12-month average monthly net debt over the period.		None
Effective interest rate provides a measure of the net cost of borrowings.		
APM calculation:		
€ million, unless otherwise stated	2020	2019
Net interest expense (see above)	90	95
Trailing 12-month average net debt (see note 6)	2,012	2,243
Effective interest rate (%)	4.5	4.2
Underlying profit before tax		
Profit before tax and special items. Underlying profit before tax provides a measure of the Group's profitability before tax that is comparable from year to year.	Consolidated income statement	Profit before tax

APM description and purpose	Financial statement reference	Closest IFRS equivalent measure
Effective tax rate		
Underlying tax charge expressed as a percentage of underlying profit before tax.		None
A measure of the Group's tax charge relative to its profit before tax expressed on an underlying basis.		
APM calculation:		
€ million, unless otherwise stated	2020	2019
Tax charge before special items (see note 7)	180	257
Underlying profit before tax (see consolidated income statement)	827	1,119
Effective tax rate (%)	22	23
Underlying earnings (and per share measure)		
Net profit after tax attributable to shareholders, before special items.	Note 8	Profit for the period attributable to shareholders (and per share measure)
Underlying earnings (and the related per share measure based on the basic, weighted average number of ordinary shares outstanding), provides a measure of the Group's earnings that is comparable from year to year.		
Headline earnings (and per share measure)		
The presentation of headline earnings (and the related per share measure based on the basic, weighted average number of ordinary shares outstanding) is mandated under the Listings Requirements of the JSE Limited and is calculated in accordance with Circular 1/2019, 'Headline Earnings', as issued by the South African Institute of Chartered Accountants.	Note 8	Profit for the period attributable to shareholders (and per share measure)
Dividend cover		
Basic underlying EPS divided by total ordinary dividend per share paid and proposed provides a measure of the Group's earnings relative to ordinary dividend payments.		None
APM calculation:		
euro cents, unless otherwise stated	2020	2019¹
Basic underlying EPS (see note 8)	129.3	171.1
Total ordinary dividend per share (see note 9)	60.00	57.03
Dividend cover (times)	2.2	3.0

Note:

1 The 2019 dividend per share comprises an interim dividend of 27.28 euro cents and a further interim dividend of 29.75 euro cents paid in 2020 relating to the 2019 financial year

Capital employed (and related trailing 12-month average capital employed)		
Capital employed comprises total equity and net debt. Trailing 12-month average capital employed is the average monthly capital employed over the last 12 months adjusted for spend on major capital expenditure projects which are not yet in production.	Note 19	Total equity
These measures provide the level of invested capital in the business. Trailing 12-month average capital employed is used in the calculation of return on capital employed.		

APM description and purpose	Financial statement reference	Closest IFRS equivalent measure
Return on capital employed (ROCE)		
Trailing 12-month underlying operating profit, including share of equity accounted investees' net profit/(loss), divided by trailing 12-month average capital employed. ROCE provides a measure of the efficient and effective use of capital in the business.		None
APM calculation:		
€ million, unless otherwise stated	2020	2019
Trailing 12-month underlying operating profit (see consolidated income statement)	925	1,223
Trailing 12-month underlying net profit from equity accounted investees (see consolidated income statement)	(3)	-
Trailing 12-month underlying profit from operations and equity accounted investees	922	1,223
Trailing 12-month average capital employed (see note 19)	6,075	6,162
ROCE (%)	15.2	19.8

Net debt

A measure comprising short, medium, and long-term interest-bearing borrowings and the fair value of debt-related derivatives less cash and cash equivalents, net of overdrafts, and current financial asset investments.

Note 24c

None

Net debt provides a measure of the Group's net indebtedness or overall leverage.

Net debt to underlying EBITDA

Net debt divided by trailing 12-month underlying EBITDA. A measure of the Group's net indebtedness relative to its cash-generating ability.

None

APM calculation:

€ million, unless otherwise stated	2020	2019
Net debt (see note 24c)	1,791	2,207
Trailing 12-month underlying EBITDA (see consolidated income statement)	1,353	1,658
Net debt to underlying EBITDA (times)	1.3	1.3

Operating segment assets and operating segment net assets

Operating segment assets and operating segment net assets comprise total assets (excluding financial instruments) and capital employed respectively but exclude investments in equity accounted investees, deferred tax assets and liabilities and other non-operating assets and liabilities.

Note 2

Total assets
Net assets

Operating segment assets and operating segment net assets provide a measure of the assets and net assets required in the daily operation of the business.

APM description and purpose	Financial statement reference	Closest IFRS equivalent measure
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Working capital as a percentage of revenue

Working capital, defined as the sum of trade and other receivables and inventories less trade and other payables, expressed as a percentage of annualised Group revenue, which is calculated based on an extrapolation of average monthly year-to-date revenue. A measure of the Group's effective use of working capital relative to revenue.

None

APM calculation:

€ million, unless otherwise stated	2020	2019
Inventories (see note 15)	849	984
Trade and other receivables (see note 16)	1,006	1,111
Trade and other payables (see note 17)	(1,116)	(1,143)
Working capital	739	952
Group revenue (see consolidated income statement)	6,663	7,268
Working capital as a percentage of revenue	11.1	13.1

Gearing

Net debt expressed as a percentage of capital employed provides a measure of the financial leverage of the Group.

None

APM calculation:

€ million, unless otherwise stated	2020	2019
Net debt (see note 24c)	1,791	2,207
Capital employed (see note 19)	6,173	6,592
Gearing (%)	29.0	33.5

Cash flow generation

A measure of the Group's cash generation before considering deployment of cash towards investment in property, plant and equipment ('capex' or 'capital expenditure'), acquisitions and disposals of businesses, investment in equity accounted investees, payment of dividends to shareholders and proceeds from and repayment of borrowings. Note 24d

Net increase/ (decrease) in cash and cash equivalents

Cash flow generation is a measure of the Group's ability to generate cash through-the-cycle before considering deployment of such cash.

Additional information for shareholders

The disclosures below form part of the Directors' report on pages 148-149 of this report.

Introduction

Set out below is a summary of certain provisions of Mondi's articles of association (Articles) and applicable English law concerning companies (the Companies Act 2006). This is a summary only and the relevant provisions of the Articles and/or the Companies Act 2006 should be consulted (as applicable) if further information is required.

Share capital

Mondi's issued share capital as at 31 December 2020 comprised 485,553,780 ordinary shares of 20 euro cents each (the Ordinary Shares) representing 100% of the total share capital.

Purchase of own shares

Subject to the provisions of the Articles and the Companies Act 2006, Mondi may purchase, or may enter into a contract under which it will or may purchase, any of its own shares of any class, including any redeemable shares. At the Annual General Meeting held on 7 May 2020, authority was given for Mondi to purchase, in the market, up to 24,277,689 Ordinary Shares. This authority will expire at the conclusion of the Annual General Meeting to be held in 2021 and, in accordance with usual practice, a resolution to renew such authority for the next year will be proposed.

Ordinary Shares

Dividends and distributions

Subject to the provisions of the Companies Act 2006, Mondi may, by ordinary resolution, from time to time declare dividends not exceeding the amount recommended by the Board. The Board may pay interim dividends whenever the financial position of Mondi, in the opinion of the Board, justifies such payment.

The Board may withhold payment of all, or any part of any dividends or other monies payable in respect of Mondi's shares, from a person with a 0.25% interest or more in nominal value of the issued shares, if such a person has been served with a notice after failure to provide Mondi with information concerning interest in those shares required to be provided under the Companies Act 2006.

Voting rights and restrictions

Subject to the Articles generally and to any special rights or restrictions as to voting attached by or in accordance with the Articles to any class of shares, at a general meeting, every member present in person has, upon a show of hands, one vote. Every duly appointed proxy has, upon a show of hands, one vote unless the proxy is appointed by more than one member, in which case the proxy has one vote for and one vote against if (i) the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution or (ii) the proxy has been instructed by one or more members to vote either for or against the resolution and by one or more members to use their discretion as to how to vote. On a poll, every member who is present in person or by proxy has one vote for every fully paid share of which they are the holder.

In the case of joint holders of a share, the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the shares.

Under the Companies Act 2006, members are entitled to appoint a proxy, who need not be a member of Mondi, to exercise all or any of their rights to attend and to speak and vote on their behalf at a general meeting or class meeting.

A member may appoint more than one proxy in relation to a general meeting or class meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy is not entitled to delegate the proxy's authority to act on behalf of a member to another person. A member that is a corporation may appoint one or more individuals to act on its behalf at a general meeting or class meeting as a corporate representative. Where a shareholder appoints more than one corporate representative in respect of its shareholding, but in respect of different shares, those corporate representatives can act independently of each other, and validly vote in different ways.

No member shall be entitled to vote either in person or by proxy at any general meeting or class meeting, or to exercise any other right conferred by membership in relation to such meetings, in respect of any shares held by them, if any call or other sum then payable by them to Mondi in respect of that share remains unpaid. In addition no member shall be entitled to vote if they have been served with a notice after failing to provide Mondi with information concerning interests in those shares required to be provided under the Companies Act 2006.

The Articles provide a deadline for submission of proxy forms of not less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting.

Variation of rights

Subject to the Companies Act 2006, the Articles specify that rights attached to any class of shares may be varied with the written consent of the holders of not less than three-quarters in nominal value of the issued shares of that class, or with the sanction of a special resolution passed at a separate general meeting of the holders of those shares. At every such separate general meeting the quorum shall be two persons holding, or representing, by proxy at least one-third in nominal value of the issued shares of the class (calculated excluding any

shares held as treasury shares). The rights conferred upon the holders of any shares shall not, unless otherwise expressly provided in the rights attaching to those shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* with them.

Notwithstanding this, the relevant plan rules provide that any shares held by the trustee of the Mondi Share Incentive Plan from time to time will not be voted.

Transfer of shares

All transfers of shares which are in certificated form may be effected by transfer in writing in any usual or common form or in any other form acceptable to the directors. The instrument of transfer shall be signed by, or on behalf of, the transferor and (except in the case of fully-paid shares) by, or on behalf of, the transferee and shall specify the name of the transferor, the name of the transferee and the number of shares being transferred. The transferor shall remain the holder of the shares concerned until the name of the transferee is entered into the register of members in respect of those shares. Transfers of shares which are in uncertificated form are effected by means of the CREST system.

The directors may refuse to register an allotment or transfer of shares (whether fully paid or not) in favour of more than four persons jointly. If the directors refuse to register an allotment or transfer they shall, within two months after the date on which the letter of allotment or transfer was lodged with Mondi, send to the allottee or transferee a notice of the refusal.

The directors may decline to register any instrument of transfer unless the instrument of the transfer: (i) is in respect of only one class of share; (ii) is lodged at the transfer office (duly stamped if required), accompanied by the relevant share certificate(s) and such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer (and, if the instrument of transfer is executed by some other person on their behalf, the authority of that person to do so); and (iii) is fully paid.

Subject to the Companies Act 2006 and regulations and applicable CREST rules, the directors may determine that any class of shares may be held in uncertificated form and that title to such shares may be transferred by means of the CREST system, or that shares of any class should cease to be so held and transferred.

A shareholder does not need to obtain the approval of Mondi, or of other shareholders of Mondi, for a transfer of shares to take place.

Notwithstanding the above, some of the Mondi employee share plans include restrictions on transfer of shares while the shares are subject to such plan.

Directors

Directors shall be no less than four and no more than 20 in number. A director is not required to hold any shares of Mondi by way of qualification. Mondi may by special resolution increase or reduce the maximum or minimum number of directors. Each director shall retire at the Annual General Meeting held in the third calendar year following the year in which the director was elected or last re-elected by Mondi, or at such earlier Annual General Meeting as the directors resolve. A retiring director shall be eligible for re-election.

The Board may appoint any person to be a director (so long as the total number of directors does not exceed the limit prescribed in the Articles). Any such director shall hold office only until the next Annual General Meeting (or if the notice of the next Annual General Meeting has already been sent at the time of such person's appointment, the Annual General Meeting following that one) and shall then be eligible for re-election.

Subject to the Articles, the Companies Act 2006 and any directions given by special resolution, the business of Mondi will be managed by the Board who may exercise all the powers of Mondi.

The Board may exercise all the powers of Mondi to borrow money and to mortgage or charge any of its undertaking, property and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of Mondi or of any third party.

Indemnities

As at the date of this report, indemnities are in force under which Mondi has agreed to indemnify its directors, to the extent permitted by law and the Articles in respect of all losses arising out of, or in connection with, the execution of their powers, duties and responsibilities, as directors of Mondi or any of its subsidiaries.

Significant agreements: change of control

All of Mondi's employee share plans contain provisions relating to a change of control. Outstanding awards and options would normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions at that time and under certain plans, time pro-rating. The Group also has in place certain borrowing facilities and banking arrangements, some of which could be cancelled, become immediately payable or subject to acceleration upon a change of control of Mondi. Of these arrangements, only one facility agreement is considered to be significant to the Group. There are no other significant agreements that would take effect, alter or terminate upon a change of control following a takeover bid.

Amendment of the Articles

Any amendments to the Articles may be made in accordance with the provisions of the Companies Act 2006 by way of special resolution.

Shareholder information

Mondi plc is a company registered in the UK. It has a premium listing on the London Stock Exchange and a secondary listing on the JSE Limited.

Financial calendar

May 2021	2021 Annual General Meeting
May 2021	Trading update
May 2021	2020 final dividend payment
August 2021	2021 half-year results announcement
September 2021	2021 interim dividend payment
October 2021	Trading update

Please go to www.mondigroup.com for the most up-to-date calendar.

Analysis of shareholders

As at 31 December 2020 Mondi plc had 485,553,780 ordinary shares in issue, of which 136,785,420 were held on the South African branch register.

By size of holding

Number of shareholders	% of shareholders	Size of shareholding	Number of shares	% of shares
1,949	51.09	1 – 500	407,104	0.08
450	11.79	501 – 1000	324,271	0.07
538	14.10	1,001 – 5,000	1,262,427	0.26
464	12.16	5,001 – 50,000	9,338,858	1.92
352	9.23	50,001 – 1,000,000	93,630,931	19.28
62	1.63	1,000,001 – highest	380,590,189	78.39
3,815	100.00		485,553,780	100.00

Managing your shares

Registrars

To manage your shares or if you have any queries, please contact the relevant Registrar:

	Shares held on the UK register	Shares held on the South African branch register
Registrar	Link Market Services	JSE Investor Services (Pty) Limited (JSE Investor Services)
Postal address	10th Floor Central Square 29 Wellington Street Leeds LS1 4DL UK	PO Box 4844 Johannesburg, 2000 South Africa
Helpline number	0371 664 0300 (calls are charged at the standard geographic rate and will vary by provider; lines are open Monday to Friday between 9:00am to 5:30pm excluding public holidays in England and Wales) +44 371 664 0300 (if calling from outside the UK; calls will be charged at the applicable international rate)	011 713 0800 (if calling from South Africa) +27 11 713 0800 (if calling from outside South Africa)
Email	shareholderenquiries@linkgroup.co.uk	info@jseinvestorservices.co.za
Online	www.signalshares.com	Not available

Sign up to email communications

Many of our shareholders have chosen to receive shareholder information electronically rather than by post. Benefits include faster notification of shareholder information, reduced costs and being more environmentally friendly.

Shareholders on the UK register can sign up to email communications by contacting Link Market Services or via their online portal, Signal Shares.

Shareholders on the South African branch register holding their shares in certificated form can sign up to email communications by contacting JSE Investor Services or by emailing ecomms@jseinvestorservices.co.za. Shareholders on the South African branch register with dematerialised shares should contact their Central Securities Depository Participant (CSDP) or broker.

You will be notified by email each time new financial reports, notices of shareholder meetings and other shareholder communications are published on our website at: www.mondigroup.com.

Manage your shares online

Shareholders on the UK register can sign up to Signal Shares, a free secure online site provided by Link Market Services, where you can manage your shareholding quickly and easily. You can:

- View your holding and get an indicative valuation
- Change your address
- Arrange to have dividends paid into your bank account
- Request to receive shareholder communications by email rather than post
- View your dividend payment history
- Make dividend payment choices
- Buy and sell shares and access stock market news and information
- Register your proxy voting instruction
- Download a Stock Transfer form

To register for Signal Shares just visit www.signalshares.com. All you need is your investor code which can be found on your share certificate.

Dividends

A proposed final dividend for the year ended 31 December 2020 of 41.00 euro cents per ordinary share will be paid to shareholders in accordance with the below timetable.

Payment of the final dividend is subject to the approval of shareholders at the Annual General Meeting scheduled for 6 May 2021.

Last date to trade shares cum-dividend

JSE Limited	Tue 6 April 2021
London Stock Exchange	Wed 7 April 2021

Shares commence trading ex-dividend

JSE Limited	Wed 7 April 2021
London Stock Exchange	Thu 8 April 2021
Record date	Fri 9 April 2021
Last date for receipt of Dividend Reinvestment Plan (DRIP) elections by Central Securities Depository Participants	Thu 15 April 2021
Last date for DRIP elections to South African Transfer Secretaries by shareholders	Fri 16 April 2021
Last date for DRIP elections to UK Registrar by shareholders	Fri 23 April 2021
Payment date	Thu 13 May 2021

DRIP purchase settlement dates

(subject to the purchase of shares in the open market):

South African Register	Wed 19 May 2021
UK Register	Mon 17 May 2021

Currency conversion dates

ZAR/euro	Thu 25 February 2021
Euro/sterling	Thu 29 April 2021

Share certificates on Mondi plc's South African register may not be dematerialised or rematerialised between Wednesday 7 April 2021 and Friday 9 April 2021, both dates inclusive, nor may transfers between the UK and South African registers take place between Wednesday 31 March 2021 and Friday 9 April 2021, both dates inclusive.

Dividend tax will be withheld from the amount of the gross final dividend paid to shareholders on the South African branch register at the rate of 20%, unless a shareholder qualifies for an exemption.

Your dividend currency

All dividends are declared in euro. Dividends are paid in euro with the following exceptions:

UK residents	pound sterling
South African residents	South African rand

Shareholders on the UK register resident in the UK may however elect to receive their dividends in euro and shareholders on the UK register resident outside the UK may elect to receive their dividends in pound sterling.

Shareholders on the UK register wishing to elect to receive their dividends in an alternative currency should contact Link Market Services using the details provided.

Payment of your dividends

Mondi encourages shareholders to have their dividends paid directly into their bank accounts. This means that the dividend will reach your bank account more securely and on the payment date without the inconvenience of depositing a cheque.

Shareholders on the UK register:

- Shareholders with a UK bank account can elect to receive dividends directly into their bank account via Signal Shares or by contacting Link Market Services.
- Shareholders without a UK bank account may be able to take advantage of the International Payment Service offered by Link Market Services. Find out more via Signal Shares or by contacting Link Market Services.

Shareholders on the South African branch register:

- The 2019 interim dividend was the last dividend to be paid by cheque. Shareholders who previously received cheques should contact JSE Investor Services, if they have not already done so, to provide their bank details and ensure they continue to receive their dividends.
- Shareholders without a South African bank account are encouraged to dematerialise their shares with a CSDP in South Africa as a CSDP is often able to pay dividends into foreign bank accounts. Find out more by contacting JSE Investor Services or any CSDP.

Reinvest your dividends

The dividend reinvestment plans (DRIPs) provide an opportunity for shareholders to have their cash dividends reinvested in Mondi plc ordinary shares.

The plans are available to all ordinary shareholders (excluding those in certain restricted jurisdictions). Fees may apply.

If you wish to participate in the DRIPs you can sign up via Signal Shares or by contacting either Link Market Services in the UK or JSE Investor Services in South Africa as appropriate.

South African dematerialisation

Mondi encourages shareholders on the South African branch register to consider dematerialising their shares. By surrendering your share certificate, you will hold your shares electronically with a CSDP in South Africa.

Holding shares electronically can help to prevent share fraud, theft and loss of share certificates.

Find out more by contacting JSE Investor Services or any CSDP.

Shareholders who previously held Mondi Limited shares

Prior to 26 July 2019, Mondi had a dual listed company (DLC) structure comprising Mondi Limited, a company registered in South Africa and Mondi plc. Following the completion of the corporate simplification on 26 July 2019, this changed to a single holding company structure under Mondi plc. Mondi Limited (now Mondi South Africa (Pty) Limited) became a subsidiary of Mondi plc and the DLC arrangements between the two companies were terminated. Mondi Limited shareholders received Mondi plc shares held on the South African branch register. Shareholders who have any questions relating to their old Mondi Limited shares should contact JSE Investor Services.

Taxation

Mondi is unable to advise shareholders on taxation. Your tax obligations will vary depending on your jurisdiction and financial circumstances. With regard to your Mondi shareholding, we recommend all shareholders maintain records of dividend payments, share purchases and sales. A dividend confirmation will be sent with all dividend payments. For further assistance, please speak to an independent professional tax or financial adviser.

Donating shares to charity

If you have a small number of shares which would cost you more to sell than they are worth, there is the option to donate these unwanted shares to charity free of charge. These shares are then aggregated, sold and the proceeds distributed to various charities. Donate your shares or find out more using the relevant contact details below:

	Shares held on the UK register	Shares held on the South African branch register
	ShareGift	Strate Charity Shares
Postal address	PO Box 72253 London SW1P 9LQ UK	PO Box 78608 Sandton, 2146 South Africa
Helpline number	+44 (0)20 7930 3737	0800 202 363 (if calling from South Africa) +27 11 870 8207 (if calling from outside South Africa)
Email	help@sharegift.org	charityshares@computershare.co.za
Online	www.sharegift.org	http://www.strate.co.za/wp-content/uploads/2020/11/strate_charity_shares_donation_form_2020-1.pdf

Fraud

Shareholders should be aware that they may be targeted by certain organisations offering unsolicited investment advice or the opportunity to buy or sell worthless or non-existent shares. Should you receive any unsolicited calls or documents to this effect, you are advised not to give out any personal details or to hand over any money without ensuring that the organisation is authorised by the UK Financial Conduct Authority (FCA) and doing further research.

If you are unsure or think you may have been targeted you should report the organisation to the FCA. For further information, please visit the FCA's website at www.fca.org.uk, email consumer.queries@fca.org.uk or call the FCA consumer helpline on 0800 111 6768 if calling from the UK or +44 20 7066 1000 if calling from outside the UK.

Shareholders can also contact Link Market Services in the UK, JSE Investor Services in South Africa or Mondi's company secretarial department on +44 (0)1932 826300.

Account amalgamations

If you receive more than one copy of any documents sent out by Mondi or for any other reason you believe you may have more than one Mondi plc account, please contact the relevant Registrar who will be able to confirm and, if necessary, arrange for the accounts to be amalgamated into one.

Alternative formats

If you would like to receive this report in an alternative format, such as in large print, Braille or in audio format, please contact Mondi's company secretarial department on +44 (0) 1932 826300.

Mondi plc

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Registered No. 6209386

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In addition to the terms explained below, the Group's Alternative Performance Measures (APMs) are defined on pages 229 to 233. A full glossary of sustainability-related terms and partner organisations can be found in Mondi's Sustainable Development report 2020.

 **Sustainable Development report**
www.mondigroup.com/sd20

Certified wood

Certified wood is produced from wood fibre which originates from sustainably managed forest lands. The most recognised forest certification schemes are PEFC™ and FSC™.

FSC™

Forest Stewardship Council™ 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.

PEFC™

Programme for the Endorsement of Forest Certification™ is an international not-for-profit non-government organisation, founded in 1999, dedicated to promoting sustainable forest management through independent third-party certification.

Circular economy

An industrial system that is restorative or regenerative by intention and design. It replaces the 'end-of-life' concept with restoration, shifts towards the use of renewable energy, eliminates the use of toxic chemicals which impair reuse, and aims for the elimination of waste through the superior design of materials, products, systems and business models.

Ellen MacArthur Foundation definition™

CoC

Chain-of-Custody 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.

COD

Chemical oxygen demand is a measure of the oxygen consuming capacity of inorganic and organic matter present in the waste water. It is a metric for emissions to water.

Controlled wood (CW)

Controlled wood is wood of known origin with a minimum risk that it is harvested in an unacceptable way. The controlled wood system defines the minimum standards for wood that can be mixed with FSC wood. Products made from such material can use the FSC Mix label.

GHG and CO₂e

Greenhouse gases (GHG) are gases listed in the Kyoto Protocol of the United Nations Framework Convention on Climate Change (UN-FCCC) that contribute to the greenhouse effect and are regulated by the Kyoto Protocol. We convert non-CO₂ GHGs (such as CH₄ or N₂O) into an amount of CO₂ with an equivalent warming potential. Total GHG emissions are the sum of the equivalent amount of CO₂ for each GHG, abbreviated as CO₂e.

Scope 1 emissions

Total GHG emissions from sources owned or controlled by Mondi and its subsidiaries. This includes CO₂e from fossil fuels and processes, company leased/owned vehicles, waste and waste water treatment, make-up chemicals, and other GHGs.

Scope 2 emissions

Total GHG emissions from sources that are related to generation of purchased energy outside the company boundaries.

Scope 3 emissions

Total GHG emissions from the production of fuel and raw materials business travel; raw materials; transport of products and raw materials; and employee commuting.

GRI

The Global Reporting Initiative is a not-for-profit organisation that produces one of the world's most prevalent frameworks for sustainability reporting.

Human Rights Due Diligence

The process through which Mondi can identify, prevent, mitigate, and account for how we address our actual and potential adverse impacts on human rights, as an integral part of decision-making and risk management systems.

Science-based target

A carbon emission target is defined as 'science-based' if it is in line with the scale of reductions required to keep global temperature increase below 2°C compared to pre-industrial levels.

Specific

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

SDGs

The UN Sustainable Development Goals were launched in 2015, involving a comprehensive, far-reaching and people-centred set of 17 universal and transformative goals and 169 targets. They are integrated and indivisible, and will stimulate action over the next years until 2030 in areas of critical importance for humanity and the planet: people, planet, prosperity, peace and partnerships.

TRCR

Total recordable case rate is calculated as the number of total recordable cases (the sum of fatalities, lost-time injuries, restricted work cases, medical treatment cases and compensated occupational illnesses) divided by the number of hours worked per 200,000 man hours.

TRS

Total reduced sulphur compounds, generated in the pulping process, and a source of odorous emissions to air.

UNGC

United Nations Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labour, environment and anti-corruption.

Forward-looking statements

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

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

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

This document includes market position estimates prepared by the Group based on industry publications and management estimates. Main industry publication sources are:

Fastmarkets RISI, Henry Poole Consulting, Eurosac, Freedonia, Alexander Watson Associates, PCI Wood Mackenzie, EMGE, EURO-GRAPH, Pulp and Paper Products Council, Bumprom and SBO.

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Our 2020 suite of reports

Please visit our Group website where copies of our reports can be downloaded:
www.mondigroup.com/reports20



Integrated report and financial statements 2020

A balanced overview of Mondi's performance in 2020 and insight into how our approach to strategy, governance, people and performance combine to generate value in a sustainable way. Also available online at:
www.mondigroup.com/ir20



Sustainable Development report 2020

A comprehensive view of our approach to sustainable development and our performance in 2020, prepared in accordance with the GRI Standards: Core option and the SASB: Containers & Packaging Industry Standard, which is externally assured. Available online at:
www.mondigroup.com/sd20



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