mondi

OPPORTUNITY UNPACKED

Mondi Group
Integrated report and financial statements 2021

Scope

Mondi's Integrated report and financial statements 2021 is our primary report to shareholders, providing an overview of the performance of the Group for the year ended 31 December 2021.

The 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 where applicable.

The Strategic report contains the required non-financial information disclosures and Section 172 statement in accordance with the UK Companies Act 2006.

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

Materiality

Mondi's Integrated report and financial statements 2021 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

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 243-247 and are prepared on a consistent basis for all periods presented.

TCFD disclosure

In line with the UK Listing Rules, this report is consistent with the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) recommendations and recommended disclosures relating to the impact of climate change on governance, strategy, risk management and metrics and targets. Further information can be found on pages 60-67.

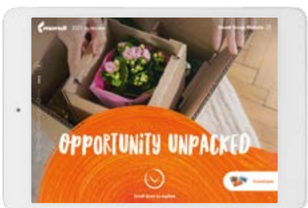
SASB

SASB

This report is prepared in accordance with the Sustainability Accounting Standards Board (SASB): Containers & Packaging Industry Standard. Relevant disclosures are highlighted by the icon above and further disclosures can be found in our GRI & SASB Index at the address below.

Sustainable Development report

We prepare a detailed, externally assured Sustainable Development report in accordance with the Global Reporting Initiative (GRI) Standards: Core option and SASB. Our Sustainable Development report, consolidated performance data, and supporting index reports can be found at www.mondigroup.com/year-in-review-2021



Our full suite of 2021 reports is available alongside video stories of our year in review at the address below

Our 2021 year in review
www.mondigroup.com/year-in-review-2021

OPPORTUNITY UNPACKED

Mondi makes innovative packaging and paper solutions that are sustainable by design.

With our talented and passionate colleagues, high-quality asset base and focus on collaborating with customers, we are growing our business and creating value for our stakeholders. Our ability to sustain momentum, even during periods of rapid change, demonstrates the strength of our business, effectiveness of our strategy and determination to contribute to a better world.

This year, Mondi has achieved strong results and provided security of supply to customers in a market characterised by uncertainty and surging demand for sustainable packaging. Our integrated value chain and close partnerships enable us to meet our customers' evolving needs, while our robust financial position means we can continue to invest in the Group's long-term capabilities.

By reading this report you will discover how Mondi is unpacking this growth opportunity for the benefit of all our stakeholders.

Read more about how we are unpacking opportunities across the business

AMBITION + ACTION

Page 12-13

COLLABORATION + INNOVATION

Page 100-101

SKILLED + INCLUSIVE

Page 164-165

The word pairings found throughout this report reflect our conviction that by combining our strengths and stakeholder partnerships we will continue to be successful and unpack opportunity into the future.

LEADING + GROWING

> "Demand for smart and sustainable packaging has never been higher and the forces driving this momentum are here to stay. Mondi has the expertise, assets, relationships and leading positions to unpack this opportunity – creating significant value for all our stakeholders and supporting the positive change needed by our world at large."
>
> **Andrew King**
> Group CEO

What it means to be sustainable by design

Mondi's purpose is to contribute to a better world by making innovative, sustainable packaging and paper solutions. This better world is one in which everyday products are designed to minimise waste and maximise resource efficiency as part of a truly circular economy, supported by responsible and sustainable business practices. In our efforts to achieve this, we build on our position as a leading partner for ambitious customers, talented employees, responsible suppliers and industry associations that support cross-sector innovation.

Our consistent and long-term strategy underpins our ability to grow and drive our business forward, while our Mondi Action Plan 2030 (MAP2030) sustainability framework ensures we capture our growth opportunity in a sustainable way.

Our strategy
Page 28-41

MAP2030
Page 44-77

Our people make the difference

Our passion for performance is central to the way we run our business and our teams are motivated by the potential we have to make a real difference. We invest in engaging, inspiring and upskilling the best talent in the industry through an entrepreneurial culture in which innovation thrives.

The Mondi Way shows how our shared sense of purpose connects to our strategy and culture, empowering our people to work together for the benefit of all our stakeholders. Our values of Performance, Care and Integrity help us to create an inclusive environment where diverse ideas enable us to design the best and most sustainable products for our customers.

Empowered People
Page 50-54

The Mondi Way
www.mondigroup.com/en/about-mondi/who-we-are

STRUCTURALLY GROWING PACKAGING MARKETS

External context
Page 24-27

We are an international packaging producer operating in structurally growing markets underpinned by increasing demand for eCommerce and sustainable packaging solutions. Accelerated by the pandemic, consumers are shopping online more than ever before, driving demand for our broad portfolio of eCommerce solutions. Consumers and customers are increasingly concerned about the global social and environmental challenges we face, including climate change. They want more sustainable packaging solutions that meet everyday performance and convenience needs, while minimising waste and emissions.

LEADING AND INVESTING FOR THE FUTURE

Our growth priorities
Page 28-29

We are a leader in our packaging markets. Our expertise, unique product portfolio, cost-advantaged asset base and integrated business model empower us to deliver high-quality packaging and provide security of supply.

We have a strong track record of investing in our asset base and delivering returns through-the-cycle. Our ongoing investment plans will enable us to capture growth opportunities into the future.

PARTNERING WITH CUSTOMERS FOR CIRCULAR INNOVATION

Partner with customers for innovation
Page 38-40

Our innovative products and extensive expertise enable us to partner with customers to create fit-for-purpose packaging and paper that is part of a circular economy. By keeping materials in circulation and eliminating waste, we have an exciting opportunity to grow our business, support our customers and address societal challenges such as food waste, climate change, and unsustainable packaging.

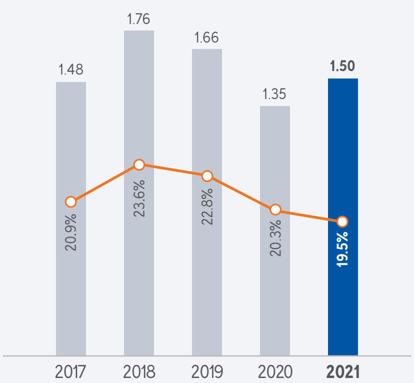
We are proud of the recognition our innovation receives, including nine wins at the 2022 WorldStar Packaging Awards. This recognition is testament to the ingenuity of our people and our collective determination to make a difference.

2021 at a glance
Delivering value for our stakeholders

Strong financial performance

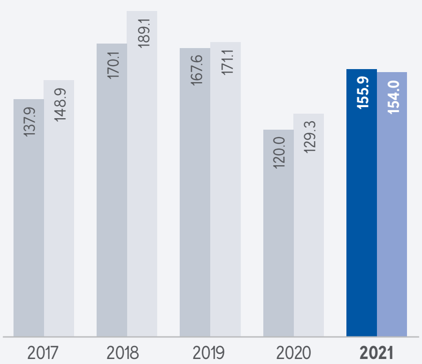
Underlying EBITDA
(€ billion)

€1.5 bn ↑11% on 2020



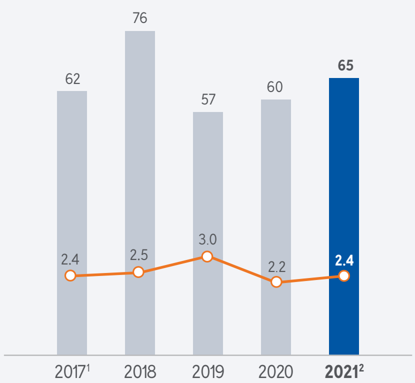
Basic earnings per share (EPS)
(euro cents)

155.9 euro cents ↑30% on 2020



Dividends per share
(euro cents)

65.0 euro cents ↑8% on 2020



€1.3 billion
Cash generated from operations

1.2x net debt to underlying EBITDA
Strong balance sheet

1 In addition to the 2017 ordinary dividend (of 62 euro cents), a special dividend of 100 euro cents was paid in 2018
2 Based on proposed final dividend of 45.00 euro cents per share
3 Underlying EBITDA, basic underlying EPS and net debt to underlying EBITDA are Alternative Performance Measures and are defined on page 243-247

Expansionary capital investment pipeline

Accelerating
growth in packaging

Including
€1 billion
of capital projects (approved or under advanced evaluation)

Building on our
leading market positions
and
long track record
of disciplined capital allocation

Making progress on our ambitious sustainability targets

Supporting the circular economy transition

78%
of our revenue is from products that are reusable, recyclable or compostable

22%
reduction of specific waste to landfill compared to 2020

Keeping our people safe

Zero
fatalities

0.62
Achieved our Total Recordable Case Rate (TRCR) milestone

Taking climate action

25%
reduction in our mills' greenhouse gas emissions against our 2014 baseline

Committed to a science-based
Net-Zero target

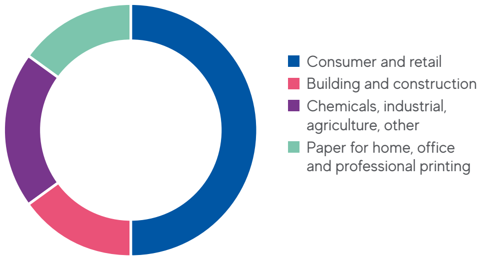
100%
responsibly sourced fibre

100%
certified forests

PACKAGING + PAPER
that is sustainable by design

We work with global and local brands, leveraging our knowledge, innovation and expertise across the value chain to offer our customers a wide range of packaging solutions based on our principle of paper where possible, plastic when useful. We are also a leading manufacturer of printing papers used at home, in the office and for professional applications.

Markets served based on Group revenue



A selection of products illustrating the variety of industries that we serve:

Consumer and retail

TwinBox Classic
A one-piece transport and shelf solution for efficient shipping and display

X-FoldBox
A corrugated eCommerce solution offering efficient, economic and easy set up

RetortPouch Recyclable
A high barrier, mono-material food and pet-food pouch that replaces aluminium

Functional BarrierPaper
Recyclable barrier papers for food packaging which can replace low barrier PE films

Building and construction

ONE Bag
A lightweight and efficient alternative for high speed filling of powdered goods made from only one ply of paper

Chemicals, industrial, agriculture, other

MonoCorr Box
A recyclable corrugated solution that optimises transport and eliminates polystyrene inserts

Advantage StretchWrap
A recyclable, responsibly sourced paper alternative to plastic pallet wrapping

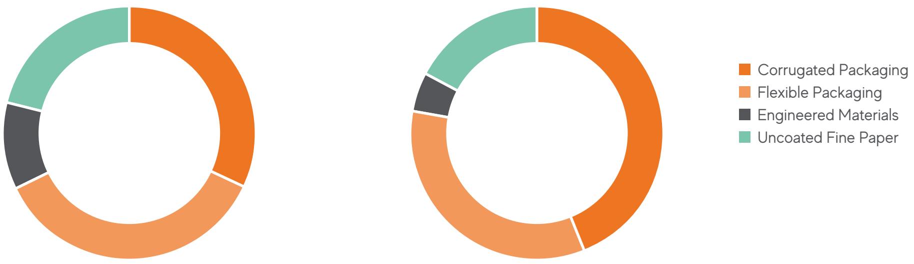
Paper for home, office and professional printing

Pergraphica®
Full spectrum premium printing papers for creative communications, design, publishing and luxury packaging

Color Copy
Office and professional paper for digital printing

Our business units

Segment revenue **Underlying EBITDA**



Segment revenue split excludes intersegment revenue and underlying EBITDA split excludes corporate costs

Packaging

Our packaging businesses produce a range of corrugated packaging and paper- and plastic-based flexible packaging for a range of consumer, retail, industrial and specialised applications. Our integrated, well-invested, efficient and cost-advantaged asset base is world class. Our broad packaging offering and focus on innovation, quality and service provides a unique platform to deliver fit-for-purpose packaging and supports our customers in achieving their sustainability goals.

Corrugated Packaging

In Corrugated Packaging we produce containerboard which we use 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.

Leading market positions

#1 virgin containerboard producer in Europe

#1 containerboard producer in emerging Europe

#2 corrugated solutions producer in emerging Europe

Corrugated Packaging
Page 78

Flexible Packaging

Our Flexible Packaging business produces kraft papers that we and our customers use to convert into strong, lightweight paper-based packaging such as paper bags. We also make a range of plastic-based flexible packaging solutions which provide additional functionality and product protection, avoiding food waste and enhancing choice for customers.

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

Flexible Packaging
Page 79

Engineered Materials

In Engineered Materials, our functional paper and films protect adhesive surfaces or provide protective barriers to papers for packaging and other applications. Our personal care components, which include stretchable elastic films and soft non-woven fabrics, are used in everyday baby care, feminine care and adult incontinence products[1].

Leading market positions

#1 commercial release liner producer in Europe

#2 extrusion coatings producer in Europe

Engineered Materials
Page 80

Uncoated Fine Paper

Our Uncoated Fine Paper business produces a wide range of environmentally sound home, office, converting and professional printing papers, tailored to the latest digital and offset print technologies. We manage forests in Russia and South Africa and also produce more pulp than we use which is sold to customers around the world.

Leading market positions

#1 uncoated fine paper supplier in Europe (including Russia)

#1 uncoated fine paper producer in South Africa

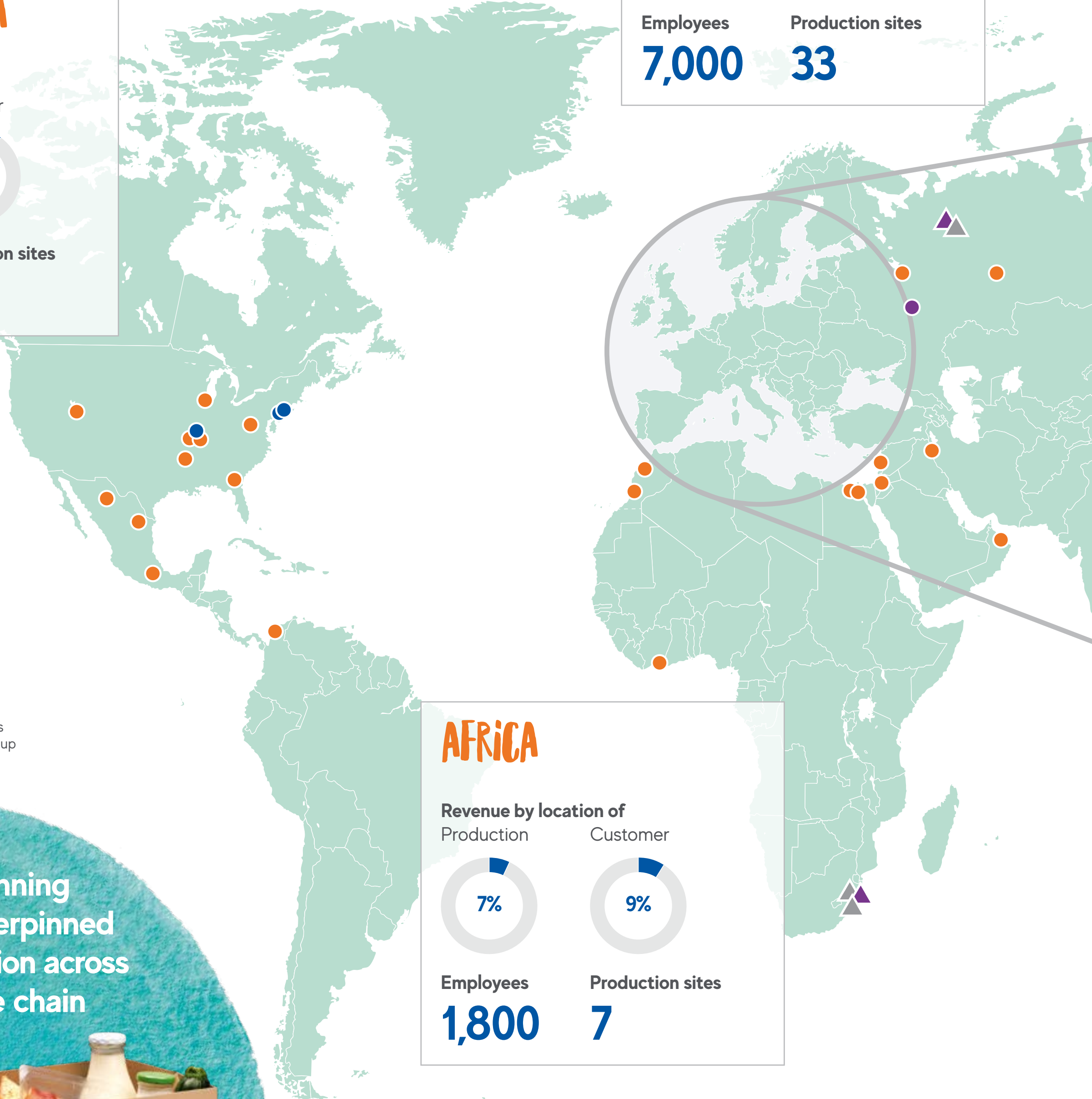
Uncoated Fine Paper
Page 81

1 Agreed sale of Personal Care Components business in February 2022

Where we operate

Driving innovation and excellence across the globe

Mondi employs around 26,500 people at over 100 production sites across more than 30 countries, with key operations located in Europe, North America and Africa.



WESTERN EUROPE

Revenue by location of

Production	Customer
35%	37%

Employees	Production sites
7,000	33

NORTH AMERICA

Revenue by location of

Production	Customer
6%	10%

Employees	Production sites
1,600	12

The Group has one production site in South America. Revenue from customers in South America represented 2% of Group revenue in 2021.

AFRICA

Revenue by location of

Production	Customer
7%	9%

Employees	Production sites
1,800	7

Our award-winning solutions are underpinned by close collaboration across our global value chain

Production sites per business unit

Corrugated Packaging	▲ Mill (5) ● Converting plant (21)
Flexible Packaging	▲ Mill (5) ● Converting plant (57)
Engineered Materials	● Converting plant (14)
Uncoated Fine Paper	▲ Mill (6)

EMERGING EUROPE

Revenue by location of

Production	Customer
39%	26%

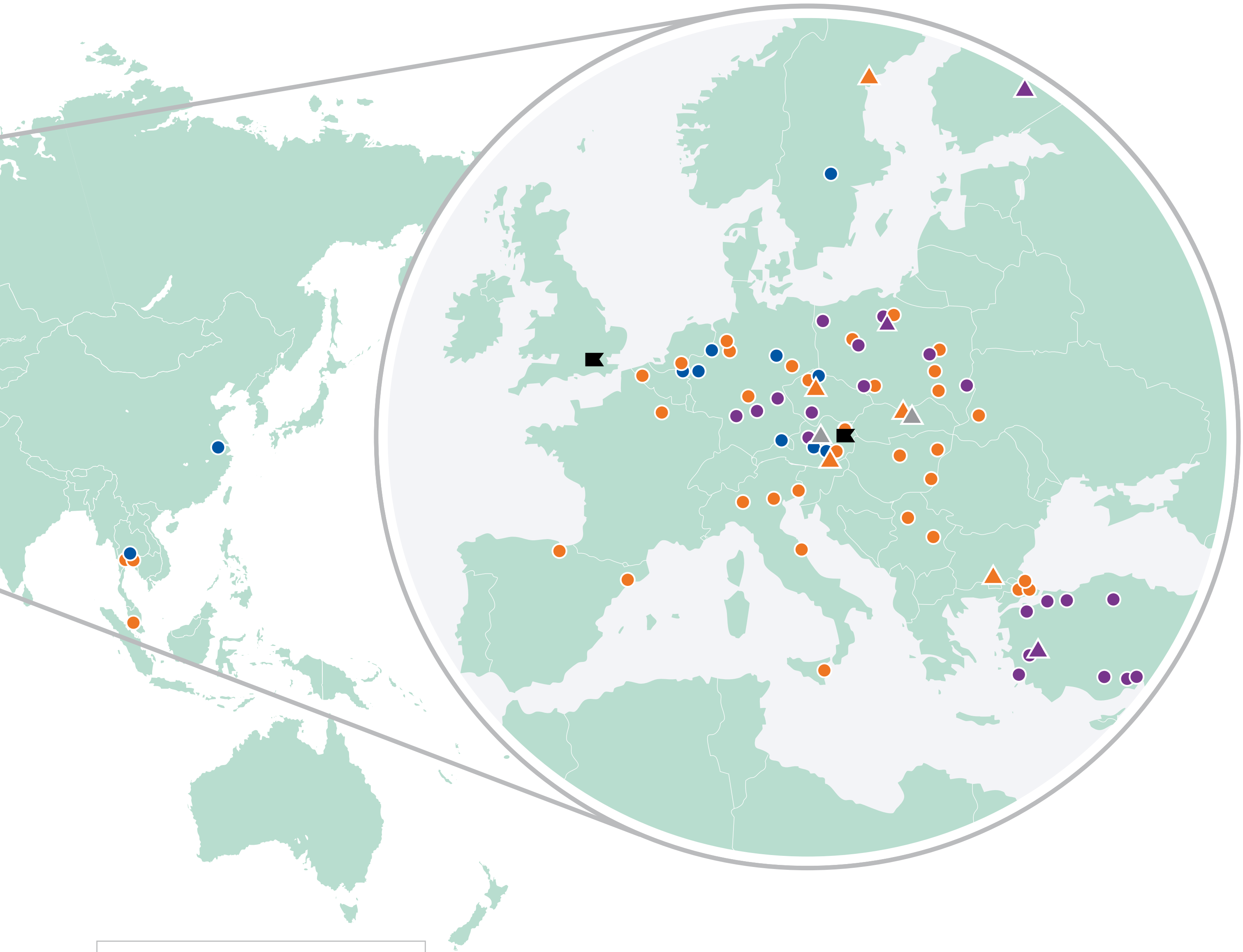
Employees	**Production sites**
10,000	38

RUSSIA

Revenue by location of

Production	Customer
12%	9%

Employees	**Production sites**
5,300	4



ASIA & AUSTRALIA

Revenue by location of

Production	Customer
1%	7%

Employees	**Production sites**
700	9

Group offices

- London
- Vienna

Production sites

Austria	● ▲ ● ● ▲
Belgium	●
Bulgaria	▲
China	●
Colombia	●
Côte d'Ivoire	●
Czech Republic	● ▲ ● ●
Egypt	●
Finland	▲
France	●
Germany	● ● ●
Hungary	●
Iraq	●
Italy	●
Jordan	●
Lebanon	●
Malaysia	●
Mexico	●
Morocco	●
Netherlands	● ●
Oman	●
Poland	▲ ● ●
Russia	▲ ● ● ▲
Serbia	●
Slovakia	▲ ▲
South Africa	▲ ▲
Spain	●
Sweden	▲ ●
Thailand	● ●
Turkey	▲ ● ●
Ukraine	●
USA	● ●

CAPABILITY + AGILITY

Philip Yea
Chair

I am pleased to report that Mondi has delivered a strong financial and operational performance in 2021 and has continued to make good progress against our long-term strategic priorities, both commercially and in the area of sustainability. Such progress would not have been possible without the strong entrepreneurial and collaborative culture that connects our people across the world.

Unpacking long-term opportunity

Our consistent approach to investing in award-winning innovation, improved operational efficiency and our high-quality assets is the reason we enjoy significant opportunities to grow value for all our stakeholders.

2021 saw an acceleration of these opportunities across a number of key areas, most notably the growing demand for sustainable packaging and eCommerce solutions. As always, we work closely with our customers to meet the evolving expectations of consumers. The combination of our customers' ambitions and Mondi's unique expertise in key packaging materials has driven the product innovations that you can find illustrated elsewhere in this report.

In the same way as our long-term strategy has prepared us well for these growth opportunities, the competitive advantages enjoyed by our business have helped us to navigate the challenges of the past year. Our vertically integrated network and the agility of our production sites ensured we met surging demand at a time when supply chains continued to operate under the strain of pandemic pressure.

The Group's robust financial position continues to provide us with the strategic flexibility to invest behind new opportunities, particularly through disciplined capital allocation that strengthens our high-quality cost-advantaged asset base. Given these opportunities and our financing flexibility, we are accelerating our growth in packaging with our latest capital investment programme, currently including around €1 billion of expansionary value-enhancing projects approved or under advanced evaluation. We continue to actively evaluate further capital investments for growth in the packaging markets where we operate.

As a Board, we differentiate between the short-term impacts of our changing landscape and the long-term structural changes that will shape the needs of our stakeholders far into the future. We empower our people to respond to a fast-changing operating and market environment in the near term, while leveraging our strong balance sheet to accelerate investment in areas which will drive value accretive growth sustainably over a longer timeframe. The Board is confident that our businesses can deliver growth on both these timelines.

Making progress on our ambitious sustainability targets

2021 was the first year of our Mondi Action Plan 2030 (MAP2030) sustainability framework. This plan sets out how circular driven solutions, created by empowered people, taking action on climate will be crucial for the future of our business and the people, places and ecosystems that matter so much to Mondi and our stakeholders.

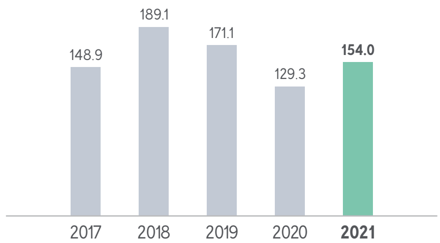
I'm pleased to say that our sharpened focus on these three action areas has been well received across our stakeholder groups. In 2021, we built roadmaps that clearly define the actions our businesses will take to drive positive impacts against our MAP2030 commitments, and a scorecard to measure progress against our reusable, recyclable or compostable product commitment, along with metrics for measuring purposeful work and employee wellbeing.

You can find more detail in this report and in our 2021 Sustainable Development report. Our Remuneration report also sets out how these goals are being incorporated into our incentive arrangements.

When it comes to climate action, we continue to make progress against our long-standing commitment of reducing greenhouse gas (GHG) emissions and we have achieved a 25% reduction against our 2014 baseline. The investments we make to improve efficiency, eliminate waste and tackle emissions support our ambitious long-term targets based on the latest science.

Basic underlying earnings per share
(euro cents)

154.0 euro cents



We are well on our way to achieving our initial science-based GHG reduction target to 2025 and have committed to update our Scope 1 and 2 science-based targets to a 1.5°C scenario, set a Scope 3 target and announced our commitment to a science-based Net-Zero target.

Our teams continue to put tremendous effort into protecting each other's safety and wellbeing, including the risk of COVID-19. This hard work and vigilance helped us to achieve zero work-related fatalities this year.

Delivering sustainable growth

Mondi has delivered strongly against a backdrop of significant cost inflation, tight supply chains and the ongoing operational complexities of the global pandemic, with underlying EBITDA of €1,503 million, up 11% on 2020 and ROCE of 16.9%. This industry-leading performance builds on our strong track record of delivering value accretive growth sustainably.

Given our confidence in both the near and long-term positioning of the business, the Board has recommended a final 2021 dividend of 45.00 euro cents per share. Together with the interim dividend, this amounts to a total dividend for the year of 65.00 euro cents per share. This is an 8% increase on the 2020 total dividend.

Purposeful employment and empowered people

Mondi's strong performance would not have been possible without our dedicated people and their role in driving Mondi's high-performance culture. On behalf of the Board, I would like to express my sincere thanks to all our colleagues around the world. I trust that they feel proud of their achievements in 2021 and that they share my optimism for the opportunities ahead.

Leadership and engagement

We are committed to the highest levels of corporate governance and I am grateful for the effective combination of skills, experience and judgement of our directors. With only limited travelling possible during the year, I have been grateful for the few opportunities that the other directors and I had to visit a number of our sites and meet colleagues in person. Nevertheless, our regular business reviews have allowed the Board to develop closer insight into the specific product innovations that are delivering value for Mondi's customers and experience the Mondi culture at work.

In reviewing the effectiveness of our governance framework, the Board has taken the decision to move Mondi's people strategy to the Sustainable Development Committee. This strengthens the Sustainable Development Committee's visibility of our MAP2030 progress while unlocking capacity for the Nominations Committee to focus on building the requisite succession plans within our leadership.

Board developments

Stephen Harris retired from the Board in May 2021 at the conclusion of the Annual General Meeting and in August 2021, Enoch Godongwana stepped down as non-executive director following his appointment as South Africa's finance minister. On behalf of the Board and shareholders I would like to thank Stephen and Enoch for their contribution to our discussions and decisions since they joined the Board in 2011 and 2019 respectively. In addition, we announced in March 2022 that Tanya Fratto will retire from the Board at the conclusion of the 2022 Annual General Meeting after almost six years on the Board, five of these as Chair of the Remuneration Committee. We wish them all the best for the future.

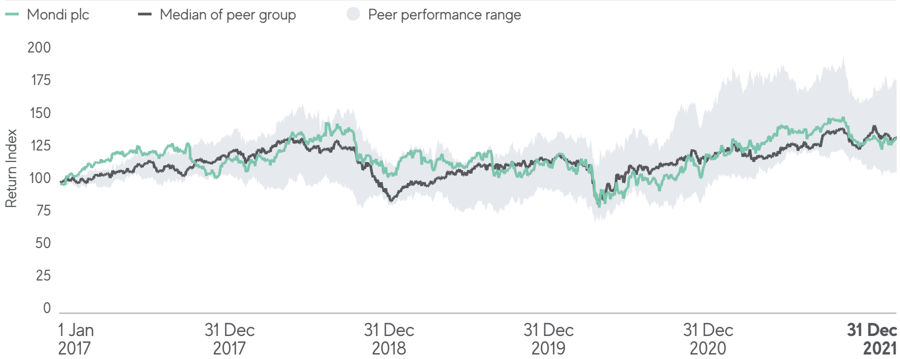
As outlined in last year's report, we welcomed Svein Richard Brandtzaeg, Sue Clark and Dame Angela Strank as independent non-executive directors in April 2021. I am pleased with the success of their respective inductions and their strong contribution to our discussions since joining the Board. The search for a successor to Enoch is ongoing and progressing well.

Looking forward

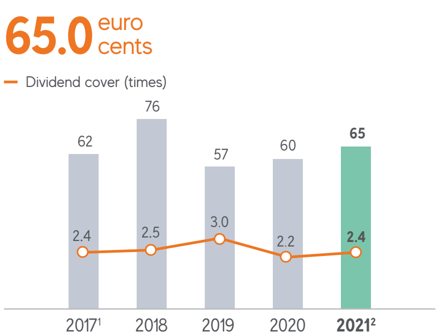
The volatility that has been such a feature of the past year will likely continue into the year ahead as the world continues to adapt to the health, environmental and economic challenges currently evident, and most recently to the hostilities in Ukraine. As we have demonstrated in 2021, Mondi's financial strength and our teams' agility are key assets in navigating difficult environments in pursuit of our long-term objectives. The Board is confident that Mondi is well placed to address significant opportunities for growth in its packaging markets while delivering sustainable value to our stakeholders.

Philip Yea
Chair

Five-year total shareholder return (TSR) of 37%
(sterling returns: indexed to 1 January 2017)



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 Based on proposed final dividend of 45.00 euro cents per share

Strategic report

UNPACKING THE OPPORTUNITY OF NET-ZERO

The climate crisis presents the urgent challenge and important opportunity of transitioning to a low carbon economy. Mondi has already been taking action for almost two decades, with targets to reduce our greenhouse gas (GHG) emissions against a 2004 baseline. Since then, we have successfully reduced our emission intensity by 46%.

Going forward, our MAP2030 framework lays out a clear commitment to reduce our emissions further. We have now accelerated our climate ambition by committing to Net-Zero in line with a 1.5°C scenario. Our plan, which has been developed to align with the Science Based Targets initiative (SBTi) Net-Zero Standard, commits us to reducing GHG emissions across Scopes 1, 2 and 3.

Our continued focus on emission reduction, sustainable working forests, biodiversity conservation and water stewardship is an important source of competitive advantage for Mondi. The progress we are making drives performance and helps us to build stronger stakeholder partnerships that protect the value of the thriving ecosystems upon which we all rely.

The Strategic report was approved by the Board on 2 March 2022 and is signed on its behalf by:

Andrew King
Group CEO

Mike Powell
Group CFO

Read more about how we are unpacking opportunities across the business

COLLABORATION + INNOVATION

Page 100–101

SKILLED + INCLUSIVE

Page 164–165

PERFORMANCE + MOMENTUM

Andrew King
Group CEO

Andrew King took over as Group CEO of Mondi in early 2020. His 19 years in the business, just over 12 as Group CFO, have provided him with a unique perspective and the experience to navigate the highs and lows of the past two years.

Under Andrew's leadership, Mondi has prioritised the wellbeing of colleagues and communities across the world in response to COVID-19; demonstrated significant volume growth by meeting customers' evolving needs; and maintained the Group's industry-leading returns profile. Mondi's firm focus on making packaging and paper sustainable by design has played a key role in this year's success, and the Mondi Action Plan 2030 (MAP2030) launched in January 2021, sets out ambitious sustainability plans for the coming decade.

In this Q&A, Andrew unpacks Mondi's customer proposition and long-term growth opportunities, and provides his reflections on 2021 and thoughts for the year ahead.

Q1 Where do you see the growth opportunities in Mondi's packaging business?

We are excited by the growth opportunities in our packaging markets, underpinned by increasing demand for eCommerce and more sustainable packaging. Today packaging is part of the brand experience and consumers expect real change with increasingly sophisticated expectations around sustainability.

Our conversation with customers has shifted from how we can make products that cost less, to how can we design solutions that are efficient, fit-for-purpose and help to convey and deliver their sustainability commitments. This brings real momentum and plays to our strengths as a business. Our unique product portfolio, expertise in understanding the best material choices and customer-focused innovation capabilities mean we can create packaging solutions that are sustainable by design. This helps us to contribute to a circular economy and gives us the opportunity to grow our existing customer base as well as service new customers.

Q2 How are you investing to grow Mondi's packaging business?

Our disciplined approach to capital investments is one of our key strengths and plays an important role in successfully delivering strong returns today and into the future. We continue to invest to drive organic growth, reduce our environmental footprint and strengthen our cost competitiveness so that we can best serve our customers.

Demonstrating our approach, our new containerboard machine in Ružomberok (Slovakia) and the converted speciality kraft paper machine at Štětí (Czech Republic), both commissioned in January 2021, started up at the perfect time to meet growing demand and were well-received by our customers. We also continued to expand our converting network to enhance our product and service offering in key markets.

Overall, Mondi invested €573 million of capital expenditure in the business in 2021, continuing the trend of investing well above depreciation to support the growth opportunities we see in the business. Going forward we are accelerating our capital investment programme to meet demand for sustainable packaging solutions and deliver value for our stakeholders.

During the year we also welcomed around 800 colleagues in Turkey to the Mondi family as part of the Olmuksan acquisition. This has significantly strengthened our position in the fast-growing Turkish corrugated market and enabled us to expand our offering to existing and new customers in the region.

Our continued investment in the business, alongside selected inorganic growth opportunities, positions us strongly to continue generating value long into the future.

Our growth priorities
Page 28-29

Q3 What really stood out for you in 2021?

For me a highlight is how we've been able to adapt to the surge in demand from our customers in very dynamic markets thanks to our teams around the world. At the height of the COVID-19 pandemic we saw a rapid decline in demand in certain segments, followed almost immediately by a very strong recovery. In markets like these, clear leadership across the business is essential to be able to adapt production capability quickly and manage unpredictable supply chains.

Our ability to increase volumes significantly in a very short timeframe is also thanks to our integrated value chain, our consistent strategy and the investments we have made in the business. Strong volume growth is achieved by judicious capital allocation and focused decision-making, taking account of the long-term demands of our customers and the market environment.

Q4 How has Mondi's security of supply and value chain integration benefitted customers?

Security of supply has been a major focus of our customers this year given all the challenges of raw material availability and logistics constraints. For us, one of the benefits of our business model is our backward integration, giving us more control over our supply chain and helping us to be a reliable partner to our customers. Given the broad geographic coverage of our plant network, the ability to supply locally and thereby shorten supply chains has also been widely appreciated by our customers. Furthermore, the efforts of my procurement colleagues in securing supplies of key raw materials have been – and continue to be – significant and they have my profound thanks.

Q5 How is Mondi delivering value in a sustainable way?

Mondi's ability to create value is a direct result of the significant efforts and resilience of colleagues around the world, and the support we have all shown each other. We share an understanding that by creating solutions that contribute to a better world, in the form of a truly circular economy, we can maximise the benefits for all our stakeholders.

This is why we purposefully position the message of delivering value accretive growth sustainably at the centre of our strategy. The results of this consistent approach are evidenced again this year by our strong performance across all strategic focus areas.

Strategic performance
Page 32-41

Looking ahead, we will continue to prioritise organic growth in line with our strategy, with MAP2030 as our framework to guide the action we'll take to ensure this is done sustainably over the next decade.

Q6 One year in, what progress have you made in relation to Mondi Action Plan 2030 (MAP2030)?

The dedication and energy with which colleagues across the business have taken ownership of MAP2030 reinforces the value of building a sustainability framework that authentically reflects the priorities across the business. Our collaborative efforts will ensure that we focus on the critical short-term action required while maintaining momentum on our long-term sustainability ambitions.

This year our focus has been on developing roadmaps for each of our three MAP2030 action areas. Highlights include a Group-wide scorecard to measure progress against our commitment to 100% reusable, recyclable or compostable products by 2025; tackling the challenge of how best to measure purposeful work, employee wellbeing and diversity and inclusion (D&I); and continued progress on our climate journey by committing to transition to Net-Zero by 2050.

MAP2030
Page 44-77

Q7 What was the context and rationale for approving Mondi's Net-Zero commitment?

Credibility when setting targets has always been very important to us at Mondi. We have been investing to reduce our impact on climate for a long time and we are proud that we have already reduced specific CO_2e emissions by 46% since 2004.

Since 2015 alone, we have invested around €650 million in low carbon technologies and energy efficiency measures across our manufacturing operations. These investments have also facilitated an increase in the proportion of renewable energy to around 65% of total mill energy generation.

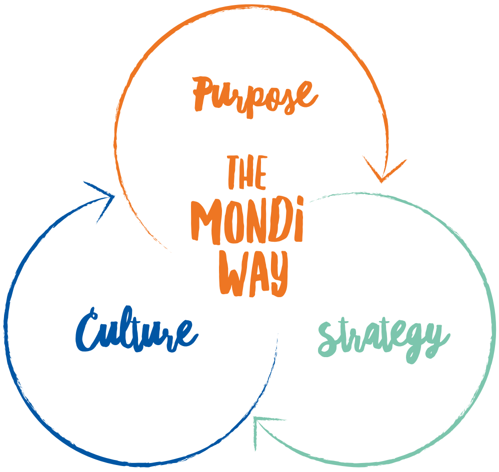
Our Net-Zero commitment which has been developed to align with the Science Based Targets initiative's Net-Zero Standard, commits to reducing greenhouse gas (GHG) emissions across Scopes 1, 2 and 3 in line with a 1.5°C scenario. The adoption of science-based targets is an important milestone in our journey to Net-Zero. However, taking action today remains imperative and we are confident that we have a clear roadmap to achieve our 2025 milestones.

Q8 What is your key message for 2022 and beyond?

We started 2022 in a strong position and as a business are committed to building a more sustainable future. While uncertainties have risen due to geopolitical tensions caused by the crisis in Ukraine, our business continues to enjoy clear competitive advantages with a focus on delivering value accretive growth. I have confidence that, working with my colleagues and our business partners, we will continue to deliver for our stakeholders over the year ahead.

Mondi delivered strongly in 2021. We operate in structurally growing markets, have a unique sustainable product portfolio, a high quality asset base and talented and experienced people

PURPOSE + VALUE CREATION



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 that are sustainable by design. We do this through the execution of our strategy, delivering value accretive growth 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 30-41

We foster a culture that connects, guides and inspires our people to achieve Mondi's purpose. Three values Performance – Care – Integrity underpin our culture, empowering our people to be passionate and entrepreneurial in a respectful and inclusive way. The dedication and commitment of our employees is essential to delivering on our strategic priorities as we contribute to a better world.

Empowered People
Page 50-54

The Mondi Way
www.mondigroup.com/en/about-mondi/who-we-are

What we rely on

We build and maintain trusted relationships and manage our key resources responsibly to create value for our stakeholders.

Long-standing relationships

The integrated nature of our business means that we rely on the strong relationships we have built over time to drive our business forward for our joint success:

- Caring for our employees and delivering against operational priorities
- Partnering with our customers to innovate and meet their requirements
- Optimising our value chain with our suppliers and contractors
- Collaborating with our communities to address challenges and create opportunity
- Engaging with investors to share our performance and strategic priorities
- Shaping our context with partners and industry associations

Natural and financial resources

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

Our strong cash generation and robust financial position provide us with strategic flexibility to pursue value accretive opportunities when they arise. We have a disciplined capital allocation framework, ensuring we can invest in our portfolio through-the-cycle and maintain our cost-advantaged asset base, positioning us strongly to generate value for our stakeholders.

MAP2030
Page 44-77

Financial review
Page 82-85

What makes us different

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

Unique platform

As a leading paper and flexible plastic-based packaging producer, we are uniquely positioned to take a holistic view to meet our customers' requirements with our broad range of sustainable solutions

Leading market positions

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

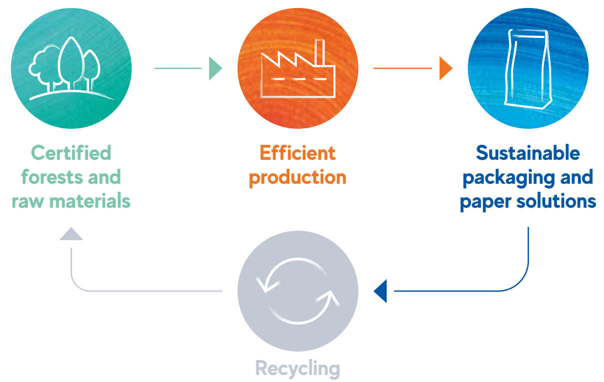
Cost-advantaged assets

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

What we do

As a global leader, we make a broad range of innovative and sustainable packaging and paper solutions to meet growing customer needs.

Our integrated value chain
Page 18-19



Managing our risks

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

Principal risks
Page 86-97

Vertical integration

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

Focus on continuous improvement

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

Strong financial position

Our disciplined capital allocation, robust financial position and strong cash generation provide us with strategic flexibility

Sustainable by design

Sustainability is embedded into everything we do, making us an ideal partner and employer of choice

Entrepreneurial culture

Our entrepreneurial culture brings the best out of Mondi's people, helping to develop an empowered and inclusive team that contributes to a better world

Examples of the value we create

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

Employees

741,700
employee and contractor training hours

We invest in the development of our people, providing a safe working environment and supporting a diverse, skilled and committed workforce

Customers

8.4 out of 10
Mondi's overall 2021 customer satisfaction survey score

Our commitment to high-quality products and services and our approach to innovation are well recognised by our customers (a score of 8.5 is considered best in class)

Communities

€190 million
direct taxes paid

We invest in local community initiatives and have committed to invest a minimum of 1% of the Group's profit before tax in social projects annually

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

37%
five-year total shareholder return

We have recommended an 8% increase in the total dividend for the year to 65.00 euro cents per share

Partners and industry associations

Strategic
partnerships and initiatives

Our global collaborations support us to find sustainable solutions to the collective challenges we all face and bring about meaningful change. Some of our key partnerships are with the International Union of Forest Research Organizations (IUFRO), the Ellen MacArthur Foundation (EMF), 4evergreen and the United Nations World Food Programme (WFP)

Our business model

Our integrated value chain

We produce sustainable packaging and paper solutions for our customers, leveraging our innovation capabilities, unique platform and integration across the value chain.

Certified forests and responsibly sourced raw materials

Fibre, a key input material for our pulp and paper mills, is sourced from our sustainably managed forests and responsibly procured externally. We also access other natural resources, including water and energy, and raw materials such as chemicals and polymers which we source responsibly.

Efficient production and sustainable packaging and paper solutions

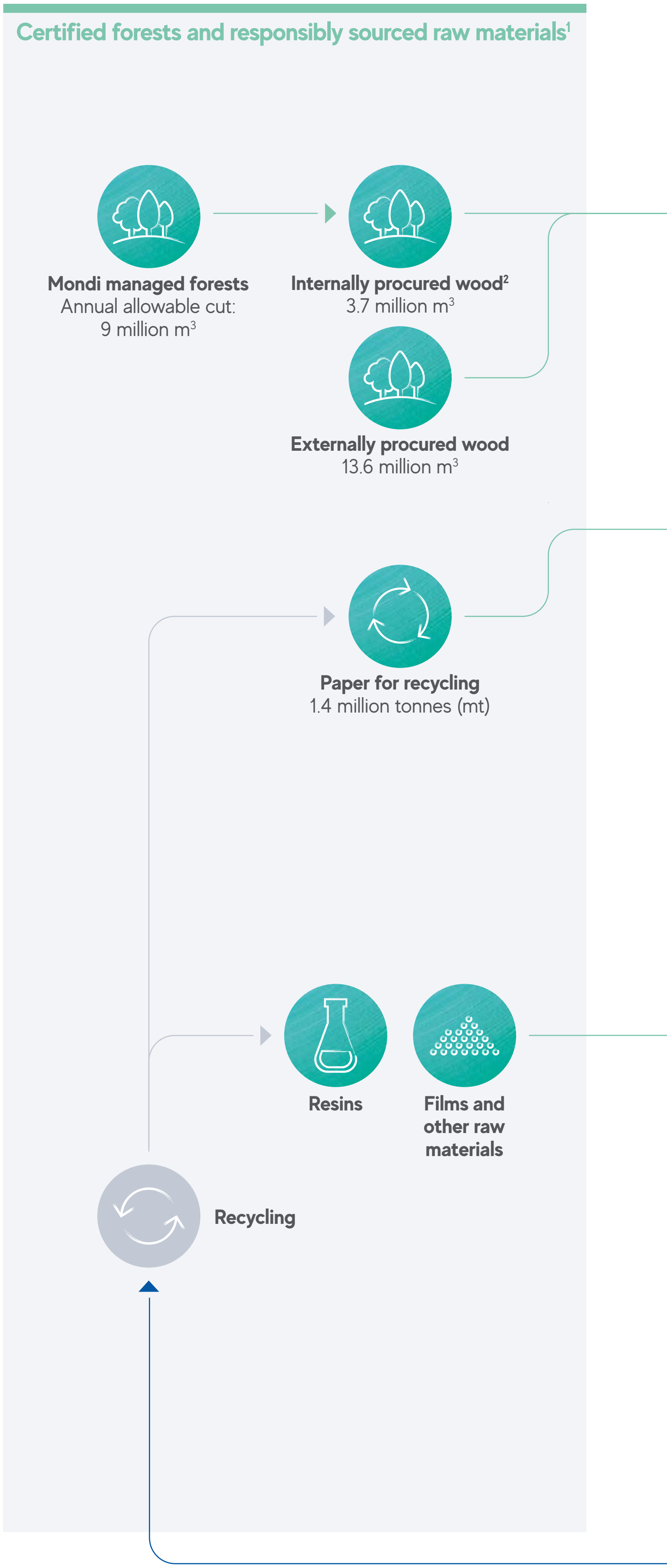
The Group's vertically integrated pulp and paper mills produce pulp, packaging papers and uncoated fine paper. The additional pulp produced that is not used in our production processes is sold externally. Our broad range of containerboard and kraft paper packaging grades are used by our converting operations 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

We are committed to supporting the transition to a circular economy and preventing waste. We are collaborating with stakeholders across the value chain to eliminate unsustainable packaging and are focusing on creating high-quality, innovative packaging and paper solutions that are designed for a sustainable end-of-life through recycling or composting.

Our paper-based solutions already contribute to the circular economy. We aim to include an increasing proportion of recycled content in our plastic-based packaging solutions.



1 Based on 2021 statistics
2 Due to commercial, logistic and sustainability considerations, the wood procured from our managed forests was lower than the annual allowable cut
3 In addition to the 1.6 mt of uncoated fine paper, the Group also produced 0.2 mt of newsprint in 2021
4 Pulp and packaging paper net exposure

SASB

Efficient production[1]

Pulp and paper mills

Pulp
4.4 mt

Containerboard
2.7 mt

Kraft paper
1.3 mt

Uncoated fine paper[3]
1.6 mt

Converting operations

Box plants

Converting plants

Sustainable packaging and paper solutions[1,4]

Pulp
0.2 mt

Corrugated Packaging

Containerboard
1.5 mt

Corrugated solutions
2.2 bn m^2

Corrugated Packaging
Page 78

Flexible Packaging

Kraft paper
0.4 mt

Paper bags
5.9 bn bags

Consumer flexibles
2.6 bn m^2

Flexible Packaging
Page 79

Engineered Materials

Engineered materials
4.8 bn m^2

Engineered Materials
Page 80

Uncoated Fine Paper

Uncoated fine paper
1.6 mt

Uncoated Fine Paper
Page 81

Section 172 statement
Stakeholder engagement

Listening to, partnering with and engaging our diverse stakeholders drives progress, trust and transparency. It enables us to understand external developments and market expectations and unpack our opportunities and risks.

Our employees

How we engage

- Employee surveys (biennial Group-wide surveys and regular pulse surveys)
- Group-wide intranet (planetmondi) and other forms of communication (such as social media, printed publications, info screens and posters, etc.)
- Performance and development reviews at regular intervals
- Internal conferences such as the European Communication Forum, Leadership Forums, Virtual Employee Meetings and regular management updates
- Employee training programmes and workshops
- Day-to-day team interaction and recognition schemes like You Make Mondi
- Annual Making a Difference Day (MADD)

Key issues raised in 2021 and our response

Conversations about culture were dominated by themes of feedback and recognition, collaboration and diversity and inclusion (D&I). Highlighted as central topics were 'sense of purpose' and 'proud to work for Mondi'. Mondi Academy launched a new e-learning campus and increased its focus on digital learning. 52 first-line managers took part in a dedicated leadership programme focused on agile leadership and we developed a new video series, You make Mondi, to showcase our diverse colleagues and their roles.

The hashtag #StrongerTogether gained momentum and employees were inspired by solidarity and support through shared video messages and personal stories, including from Mondi leaders. We extended the reach of the Employee Assistance Programme (EAP) resulting in 97% of our employees worldwide now able to rely on its help and support. A series of webinars on mental health were attended by more than 800 colleagues. MADD took place across most Mondi locations.

Our customers

How we engage

- Key account manager relationships
- Digital customer interfaces
- Collaboration on product innovation
- Customer and industry events and exhibitions
- Multi-stakeholder initiatives, e.g. CEFLEX and the Ellen MacArthur Foundation's New Plastics Economy initiative
- Participation in supplier sustainability rating platforms, e.g. EcoVadis
- Participation in transparency initiatives, e.g. CDP and Paper Profile
- Questionnaires
- Regular customer satisfaction surveys
- Ongoing conversations

Key issues raised in 2021 and our response

Our customers focused on topics including security of supply, product quality, the circular economy, recyclability, competitive advantage and carbon emissions. To meet customer requests for transparency on the climate and water impacts of our products, we carried out more than 300 assessments of product impacts using our in-house Product Impact Assessment (PIA) and Product Carbon Footprint (PCF) tools. 2,320 customers took part in our customer satisfaction survey and we achieved an overall satisfaction score of 8.4/10, improving on the 2019 results (8.0/10). We continued our partnership with the Graz University of Technology to advance research and education in Pulping and Paper Technology and in Food Contact Materials. We also collaborated with customers to develop solutions to meet their sustainability goals – see page 40 for examples – and maintained our ongoing collaborations with multi-stakeholder initiatives.

Our suppliers and contractors

How we engage

- Strategic supplier partnerships
- Supplier assessments, evaluations 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 in 2021 and our response

In 2021, products and services purchased from local suppliers represented 58% of our overall spend. We risk-screened 2,617 suppliers using our Responsible Procurement process. Safety was a key priority for contractors, particularly during annual and project-based shuts. We developed Safety Ambassador Training to increase support at our plants. Close liaison with contractors saw 4.0 million hours worked by over 15,000 contractors during shuts and major projects. Local sourcing, secure contracts and capacity building were key topics for suppliers.

We are seeing increasing attention on the environmental performance of our suppliers and contractors. We support forestry SMEs and smallholders in Russia and South Africa via our corporate social projects and provide them with sustainability training opportunities. For example, Mondi supported Silver Taiga Foundation to produce training on biodiversity conservation in logging operations for wood suppliers, including forestry SMEs. We also started a pilot with a marine transport company to use their ships that run on waste oil, instead of heavy fuel oil, to reduce our transport-related Scope 3 emissions.

Our communities

How we engage

- Community engagement and investments
- Open days and visits to our sites
- Development initiatives
- Confidential hotlines (SpeakOut and local equivalents)
- Socio-Economic Assessment Toolbox (SEAT) process (2021 assessments postponed due to the pandemic)

Key issues raised in 2021 and our response

We invested €11.8 million in social initiatives supporting health, environmental protection, education, local enterprise and infrastructure. Our mills continued to serve local communities with power supply, wastewater treatment and waste disposal services. After severe wildfires and floods in the region, our operations in Turkey joined forces with an environmental NGO to donate 10,000 seedlings for the creation of the Mondi Türkiye Memorial forest by 2022. In South Africa, Mondi Zimele focuses on income-generating projects and self-help groups to support livelihoods. Our nine mobile health clinics provided healthcare and support for forestry contractor employees and their families and provided Early Childhood Development services and support sessions.

We received and addressed 113 complaints from communities, including 78 odour-related and 29 noise-related complaints. We continued to invest in the latest technologies to reduce our impacts on communities.

Our investors

How we engage

- Annual General Meetings
- Results presentations and trading update calls
- 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
- Site visits and capital markets days
- Investor perception studies

Key issues raised in 2021 and our response

We continued to engage with investors throughout the year, focusing on our financial performance, market dynamics, governance and remuneration, strategy, capital allocation and sustainability priorities and actions.

In June 2021, the Group entered into a new €750 million five-year revolving multi-currency credit facility agreement (RCF) to refinance the existing €750 million facility that was due to mature in July 2022. The RCF incorporates key sustainability targets linked to MAP2030, classifying the facility as a Sustainability Linked Loan, extends the Group's debt maturity profile and reinforces our strong relationships with our banking partners.

The Board recommended a final 2021 dividend of 45.00 euro cents per share. This final dividend, together with the interim dividend, amount to a total dividend for the year of 65.00 euro cents per share, an increase of 8% on the 2020 total dividend.

Partners and industry associations

Among others, we engage with:

- 4evergreen
- Circular Economy for Flexible Packaging
- Confederation of European Paper Industries
- Ellen MacArthur Foundation
- Endangered Wildlife Trust
- EU Business @ Biodiversity Platform
- Institute of Biology of Komi Science Centre of Russian Academy of Science
- International Union of Forest Research Organizations
- Silver Taiga Foundation
- Stellenbosch University
- United Nations World Food Programme
- World Business Council for Sustainable Development Forest Solutions Group
- WWF Climate Savers

Key issues raised in 2021 and our response

Our partnerships aim to find solutions to societal challenges such as climate change, the circular economy, responsible sourcing, biodiversity and water stewardship. We announced new strategic global partnerships with the International Union of Forest Research Organizations (IUFRO) (see page 58) and the World Food Programme (see page 49).
Mondi worked with the WBCSD's Forest Solutions Group (FSG) and its members to develop the 'Forest Sector Net-Zero Roadmap'. With Cepi, we engaged in discussions related to the EU Forest Strategy and the EU Biodiversity Strategy.

In South Africa, we worked with our new partner, Endangered Wildlife Trust, to evaluate our biodiversity practices and in Russia, we extended our agreement with the Institute of Biology for a further three years. We engaged with the Science Based Targets Network (SBTN) and the Taskforce on Nature-related Financial Disclosures (TNFD). In addition, we collaborated with CEFLEX, the Ellen MacArthur Foundation's New Plastics Economy initiative and 4evergreen to drive progress across the value chain.

Section 172 statement

How stakeholder considerations shape decision-making

At its core, Mondi's strategic decision-making framework is focused on delivering shared value for our key stakeholders. The effectiveness of this framework is empowered by the closeness of the relationships and partnerships we maintain with these groups. As a Board, our decisions take the long-term interests of our stakeholders into account, along with the impact of our business upon them and the balance of actions required to deliver sustainable growth.

Pages 20-23 of this report aim to provide a snapshot of how this approach operates and, in doing so, serve as a statement summarising how Mondi's directors have fulfilled their Section 172 duty in 2021. This includes a summary of who our key stakeholders are, how we engage with them and how we respond to their interests.

The case study on the following page about the €125 million investment in our mill at Kuopio (Finland) illustrates our action alongside the other value creation stories found across our 2021 reporting suite, each of which is the outcome of decisions that begin with one question: how can Mondi deliver and protect value for stakeholders in line with our purpose of contributing to a better world by making innovative, sustainable packaging and paper solutions?

Our approach

The Board categorises Mondi's stakeholders into six key groups described in the preceding pages and reviews these annually. As part of their responsibilities and as a methodology for maximising the effectiveness of their decisions, the directors debate stakeholder considerations in the short, medium and long term.

The Board's approach is shaped by the following principles:

1. Local and personal engagement

The Board has determined the most effective and scalable way of engaging stakeholders is to embed responsibilities throughout the organisation while facilitating regular feedback from colleagues who maintain strong day-to-day relationships with our stakeholders. The Executive Committee and Sustainable Development Committee are important mechanisms for reporting these insights to the Board on a regular basis.

2. Informed decision-making

The Board seeks to continue to keep itself informed of the material issues relevant to stakeholders. In addition to the regular feedback it receives from stakeholders and colleagues, the Group carries out an established materiality assessment process, which is conducted roughly every three years.

3. Long-term horizons

To grow and protect value, the Board maintains a long-term view that stretches beyond the projected tenure of the directors and factors long-term consequences into decision-making. This can be seen with the launch of our MAP2030 framework and our commitment in relation to taking action on climate.

4. Two-way dialogue

Long-term decision-making, trade-offs and the nuances of local relationships mean it is important to not only take stakeholders into account at Board level, but to effectively engage with and communicate our actions to them. This is integral to the reputational focus of Mondi's internal and external communication priorities, supporting the Board's focus on promoting the strongest standards of business ethics and governance.

Informed decision-making

The materiality process is valued by the Board as it provides a structured way to capture and understand stakeholder issues, providing the opportunity to sense check the Group's focus areas and support its risk assessment process.

Our 2021 assessment was delivered in line with the concept of 'double materiality', meaning that each issue was evaluated according to its potential impact on people and planet, alongside its financial materiality to the business.

The assessment involved four key steps and was supported by external experts:

- Desk-based research
- Engagement with Mondi colleagues
- Engagement with key external stakeholder groups identified by the Board
- Sign-off by Mondi's senior leadership team and Sustainable Development Committee

The Board valued the insights learned through this process and the Sustainable Development Committee agreed and approved on behalf of the Board the final definition and prioritisation of the most material sustainability issues for our business and stakeholders. In doing so, the directors agreed on the foundational considerations that will inform their decision-making and how we will concentrate our efforts and resources going forward.

Both internal and external stakeholders ranked environmental issues as highly significant, validating the focus areas of our MAP2030 framework and emphasising the increasing significance of a circular economy, biodiversity, and diversity and inclusion (D&I) for our business. Supported by these findings, the Board continues to prioritise environmental considerations in all decisions. These findings also supported us to accelerate our climate plans by committing to transition to Net-Zero by 2050, in line with the Science Based Target initiative's (SBTi) new Net-Zero standard.

Further details of the materiality assessment and outcomes can be found on pages 101-103 of the 2021 Sustainable Development report.

For further information of our stakeholder engagement activities and decisions made by the Board during the year, please see:

Board activities Page 116-117

Board stakeholder engagement Page 109-112

MAP2030 Page 44-77

Sustainable Development report www.mondigroup.com/sd21

INVESTING FOR THE FUTURE AT MONDI KUOPIO

In June the Board approved a €125 million capital investment project at its mill in Kuopio (Finland). ProVantage Powerflute®, the semi-chemical fluting produced at the mill, is a high-performance and top quality containerboard grade and is a key component of fresh fruit and vegetable boxes and trays.

This investment will increase the mill's capacity by around 55,000 tonnes per annum to meet growing customer demand, enhance product quality and cost competitiveness, and strengthen the mill's environmental performance.

The scope of the investment includes an upgrade of the wood yard, fibre line, evaporation plant and paper machine, with start-up planned for the fourth quarter of 2023.

How does this decision account for stakeholder interests?

The Board based its decision on an in-depth review of the following benefits expected for key stakeholders:

- **Customers:** Additional capacity helps to meet the growing demand for strong and resilient paper-based fresh food packaging and enhance product quality.
- **Employees:** The upgrade and modernisation of the mill's equipment improves the safety of the operation and supports employees' confidence the Group will remain an employer of choice in the region.
- **Communities:** New machinery will reduce noise when in operation. The investment also stimulates local economic activity that is positive for local employment.
- **Environment:** The investment will reduce the mill's environmental footprint, including a reduction in total GHG emissions, and enhance resource efficiency.
- **Investors:** Expansion of a high-quality product supporting the Group's long-term growth in packaging, improving the cost competitiveness of the mill and delivering sound returns.

What trade-offs were involved in making the decision?

Automation and mechanisation of some production processes means some job positions may change. In close cooperation with our employees, the Group is making every effort to train and relocate those employees to other parts of the value chain.

What was the outcome of the decision?

The outcome of the decision based on the interests of stakeholders, the strategic rationale and business case was to proceed with the investment. By committing to invest in the Kuopio mill, the directors are prioritising the long-term success of the mill through increased capacity, quality levels, profitable growth and environmental benefits, which will also be reflected in the Group's overall performance.

External context
Our structurally growing packaging markets

Over the past five years to 2021 global packaging consumption is estimated to have grown on average by around 3% per annum. This growing packaging demand creates exciting opportunities for our business.

Europe and North America account for around half of the global packaging market.

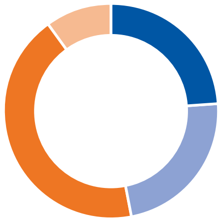
From a materials perspective, fibre or paper-based packaging comprises about 40% of the global market, while plastic-based packaging represents another 40%. Metal and glass make up most of the remaining portion.

Consumer end-uses (including food, drink, healthcare and cosmetics) make up around 60% of the packaging market while the remaining 40% comprises industrial, transport and other applications.

As a global packaging and paper producer, Mondi's focus is on the corrugated packaging value chain (paper-based 'board') and flexible packaging (which can be paper, plastic or hybrid based). The Group's key operations are located in Europe, North America and Africa, serving our customers across the globe with innovative, sustainable packaging solutions.

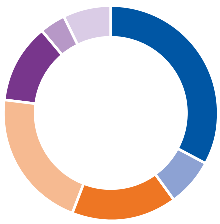
Market sources: Smithers Pira, The future of global packaging to 2026

Global packaging by region
(%)



Europe	24
North America	23
Asia-Pacific	43
Rest of world	10

Global packaging by material
(%)



Board	33
Flexible paper	7
Flexible plastic	16
Rigid plastic	21
Metal	12
Glass	4
Other	7

"Our accelerated growth opportunities are underpinned by the structural growth drivers of eCommerce and sustainable packaging demand."

Clara Valera
Group Head of Strategy
& Investor Relations

Corrugated packaging

European medium-term market growth expectation

2-4%

Corrugated packaging is used to protect, transport and display products along the value chain until they reach the end consumer. Its strength, printability, recyclability and endless potential for customisation make it an ideal solution for fast moving consumer goods, eCommerce and retail end-uses. Corrugated packaging can also pack heavier goods in consumer durables, industrial and other specialised applications. Mondi is a leading corrugated packaging player in emerging Europe.

Corrugated packaging is made of containerboard, which can be virgin or recycled fibre-based. Mondi is the leading virgin containerboard producer in Europe and the largest containerboard producer in emerging Europe. On an annual basis, Europe consumes around 40 million tonnes of containerboard of which around 80% is recycled fibre-based. Recycled containerboard is predominately sold regionally as most production is utilised by corrugated packaging plants in the surrounding area near our production sites. Conversely, virgin containerboard is traded globally.

Market growth is expected to follow economic growth and be underpinned by growing demand for eCommerce and sustainable packaging solutions. The Group expects demand for corrugated packaging in Europe to grow by around 2-4% per annum on average in the medium term.

Corrugated Packaging
Page 78

Flexible packaging

European medium-term market growth expectation

2-4%

Flexible packaging is used in a range of consumer, retail, construction and industrial applications to promote and preserve products from source to its final use. With a unique portfolio of paper, plastic and hybrid-based solutions, Mondi is a leading global flexible packaging player, with a focus on paper.

Paper bags and other flexible packaging solutions are made from kraft papers. Mondi is a leading global producer of kraft paper, offering our customers a full range of sack kraft papers and a comprehensive range of speciality kraft papers. We are a leading global player in paper bag production, with leading positions in Europe, the Middle East, North Africa and North America providing scale, security of supply and global reach to our customers. Mondi is also the third largest producer of consumer flexible packaging in Europe, offering a range of solutions, where innovation, recyclability and the development of coating technologies to add functional barriers to paper is key to our success.

Supported by general economic development and increasing demand for sustainable packaging solutions, in particular for consumer and eCommerce applications, we expect growth in the medium term to be, on average, around 2-4% per annum.

Flexible Packaging
Page 79

Read more about our strong track record of above market growth and how we are continuing to seize opportunities to grow our business

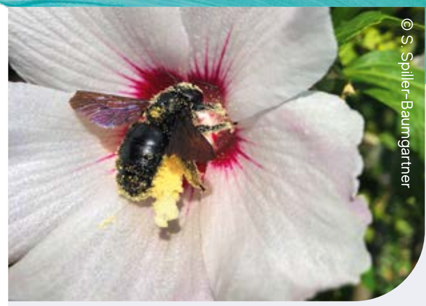
Our opportunity
Page 2-3

Our growth priorities
Page 28-29

Responding to opportunities and challenges in our packaging markets

We leverage our in-depth packaging knowledge, unique platform and collaborative partnerships to drive our business forward and realise our potential.

Sustainability



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Recent developments and implications

- The demand for global action to tackle climate change continues to gain momentum, with governments, businesses and consumers increasing their attention and commitment to reducing carbon emissions and protecting and restoring ecosystems
- Increasing legislation, such as the Single-Use Plastics Directive, the Packaging and Packaging Waste Directive, the Sustainable Products Initiative and the Substantiating Green Claims Initiative, is driving the transition to more sustainable solutions and raising awareness and concerns about greenwashing
- Social challenges including inequality and social injustices continue to be prevalent, and in some instances, further exacerbated by the COVID-19 pandemic, heightening the importance of responsible and sustainable business practices

The opportunities and challenges we face

- Global social and environmental challenges including food and water insecurity, inequality, social injustices, human rights violations, plastic waste, deforestation, water and air pollution have clear implications for our business and our stakeholders
- Population growth and economic development is increasing consumption, adding pressure on scarce natural resources, demanding responsible business practices and the development of low carbon, renewable or recyclable products for a circular economy
- Climate change is increasing the severity and frequency of extreme weather events around the world, from changing precipitation patterns to devastating wildfires and natural disasters, disrupting global systems, impacting world hunger, peace and security
- Changing climate patterns can also result in biodiversity loss affecting our access to clean air, fresh water, medicines and food security derived from healthy ecosystems
- Growing socio-economic inequality is closely intertwined with climate change as poorer countries are less well-equipped to mitigate extreme weather conditions that will disproportionately affect their food security, health, safety and livelihoods
- Increasing consumer awareness around the impact of the products and services they consume is driving demand for more sustainable solutions, creating a platform for innovation and new business opportunities, and challenging major FMCGs, retailers and packaging players, including Mondi, to actively drive positive change and deliver against our ambitious sustainability targets

How we are responding

- Keeping sustainability at the centre of our strategy to deliver value accretive growth – launching the Mondi Action Plan 2030 (MAP2030) as our new sustainability framework, building on our strong track record of setting and achieving targets
- Upholding our sustainability policies and standards to tackle social and environmental challenges, fostering diversity and inclusion and protecting our employees
- Updating our Science Based Targets with a new Net-Zero GHG emissions reduction target by 2050 based on a 1.5°C scenario
- Continuing to assess the implications of climate-related risks and report in line with the TCFD recommendations
- Working with our customers to help them achieve their sustainability goals, leveraging our unique platform of paper where possible, plastic when useful, to achieve our commitment of 100% reusable, recyclable or compostable packaging and paper solutions by 2025
- Seizing new business opportunities by leveraging our strong platform to develop innovative and sustainable packaging solutions
- Partnering with industry associations and other stakeholders to shape our approach to sustainability and improve our response to global social and environmental challenges

€650 million

Mondi's energy-related investments since 2015

MAP2030 Page 44-77

TCFD Page 60-67

eCommerce and digitalisation

The opportunities and challenges we face

- Digitalisation continues to shape our daily lives and the world around us, connecting billions of people with information generated and distributed at unprecedented speed and scale. It opens up opportunities to change behaviours, challenge traditional practices and the potential to make processes more precise and efficient with automation and data analytics
- Accelerated by the pandemic, online retail channels are disrupting traditional alternatives as they enable more frequent purchases and faster deliveries which 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
- Technological advancements can drive productivity gains but give rise to cyber security risks

Recent developments and implications

- eCommerce retail continued to increase its penetration, driven by the ongoing rise in online shopping across a range of products, creating growth opportunities for sustainable packaging solutions
- Remote and flexible working models continued to be adopted driven in part by government guidance, personal circumstances and individual choices providing flexibility but increasing the reliance placed on technology

How we are responding

- Developing innovative and sustainable packaging solutions for eCommerce applications, optimising material usage, enabling the reuse of solutions for returns and delivering on service and quality – building on our existing wide range of corrugated packaging and paper-based flexible packaging products such as MailerBAG
- 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 through the installation of robust systems and secure networks
- Encouraging transparency along the value chain and active stakeholder engagement
- Collaborating along the value chain to be the complete packaging provider to our customers

15%

Annual growth in European retail eCommerce sales since 2019 (CAGR to 2021)

Source: Statista

Strategic performance
Page 32-41

Customer brand value

The opportunities and challenges 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 – packaging is today part of the brand experience
- Customers demand packaging solutions aligned with their own brand values
- Consumers are looking for brands that care for people and the environment, with growing willingness to pay a premium for products and packaging with superior sustainability credentials
- Our customers need to keep pace with ever-evolving consumer demands for fit-for-purpose, convenient, functional and authentic packaging which protects products from source to use

Recent developments and implications

- The sustainability credentials of packaging continued to be in the spotlight as end-consumers increasingly choose products based on the sustainability properties of the packaging, ranging from recyclability to a lower carbon footprint
- Brands that provide reassurance, convey trust and clearly articulate their commitment to sustainability and make progress against their goals are standing out from the crowd and gaining a competitive advantage
- Increasing demand for packaging that is fit-for-purpose is driving innovation and the development of new solutions including functional barrier papers and recyclable solutions
- Customers are looking for the optimal packaging for their goods, scanning a range of solutions which meet their required quality standards and considering properties such as printability, barrier properties, recyclability, durability, cost and the use of renewable materials

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 and compelling consumer experience across channels
- Leveraging our 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

~50%

of global consumers are willing to pay more for sustainable packaging, and over 70% for packaging that prevents food/product waste

Source: FMCG GURUS

Circular Driven Solutions
Page 46-49

Our growth priorities

ACCELERATION + OPPORTUNITY

Our structurally growing packaging markets underpinned by demand for eCommerce and sustainable packaging solutions offer significant opportunities for value accretive growth, leveraging our unique product portfolio, leading market positions, innovation capabilities and high-quality asset base. We are investing in our people and our operations to deliver on these opportunities, building on our successful track record of delivering value accretive growth sustainably.

Consistent strategy of growing our packaging businesses

Driving the growth of our packaging businesses continues to be our priority. We are actively working with our customers and other stakeholders to develop innovative packaging solutions that are fit-for-purpose and sustainable by design. To support this ongoing growth, we plan to continue pursuing value-enhancing capital investments and selective acquisitions that build on our competitive advantages and enable us to better serve our customers in our growing markets.

Over the past five years, we have invested significantly in our business, with total capital investment of around €1.2 billion above depreciation, as well as around €600 million mostly in bolt-on packaging acquisitions. Expansionary capital investment has been directed primarily to growing our packaging businesses, which today account for around 80% of the Group's underlying EBITDA. We will continue to deploy the majority of our expansionary capital investment into these businesses.

In February 2022, we entered into an agreement to sell our Personal Care Components business for an enterprise value of €615 million. Simplifying our portfolio will enable us to focus on our core packaging and paper businesses and enhance our ability to pursue our strategic priority to grow in sustainable packaging. The transaction is subject to competition clearance and other customary closing conditions, with completion expected in the second half of 2022. Following the planned completion, the remaining portion of Engineered Materials, namely Functional Paper and Films, will be merged into the Flexible Packaging business unit. This will strengthen integration along the kraft paper value chain and foster innovation to continue developing functional papers with the necessary barriers to meet increasing customer demand for sustainable packaging.

Five-year net investment[1]
2017-2021 (%)

Corrugated Packaging	51
Flexible Packaging	34
Engineered Materials	2
Uncoated Fine Paper	13

Underlying EBITDA[2]
2021 (%)

Corrugated Packaging	44
Flexible Packaging	34
Engineered Materials	5
Uncoated Fine Paper	17

1 Net investment calculated as capex plus acquisitions less depreciation and disposals
2 Underlying EBITDA split excludes corporate costs

Our strategic priority for each of our businesses

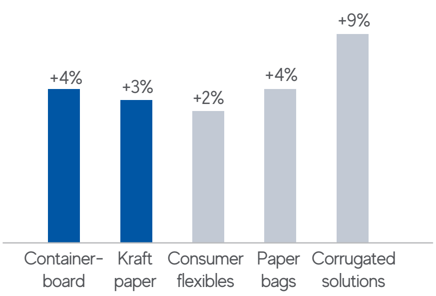
Grow

Grow

Optimise

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. Our integrated mills are cost-advantaged and mixed use, producing packaging papers along with their uncoated fine paper offering. This business is strongly cash generative, which supports our growth in packaging. We will continue to invest to ensure we remain a highly competitive supplier of choice to our uncoated fine paper customers, while also leveraging the asset base to increase our exposure to faster growing packaging products where the opportunities arise.

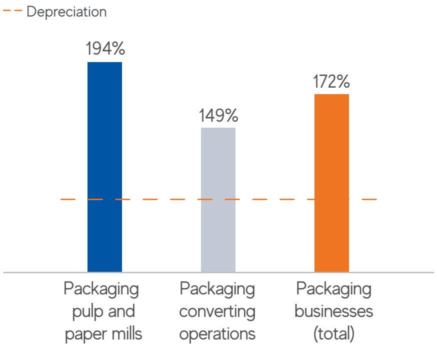
Five-year production volume CAGR
2017–2021 (excluding disposals)



Track record of growing with our customers

Mondi has grown its packaging businesses consistently, on the back of our innovative product development capabilities and sound investments in our cost-advantaged asset base, supplemented by selective acquisitions. Our unique expertise, collaborative approach and breadth of portfolio make us a strong partner for our customers, positioning us well for growth.

Packaging: capex as a percentage of depreciation
2017–2021 (five-year average)



New applications for our paper bags – MailerBAG

In response to our eCommerce customers' demand for sustainable packaging solutions, we invested to expand and adapt our facilities to produce up to an additional 350 million paper bags for this application.

Complementing our range of corrugated-based eCommerce solutions, our MailerBAG is easy to open and reclose for returns and is fully recyclable. Our customers are delighted with this lightweight and efficient fit-for-purpose paper-based flexible packaging solution replacing traditional plastic mailers.

Over the past five years, capital expenditure in our packaging businesses amounted to around 170% of depreciation. Our focus has been on developing our upstream pulp and paper assets, leveraging our cost advantages, together with expanding our powerful converting network to better serve our customers with innovative solutions that are sustainable by design.

Partner with customers for innovation
Page 38-40

Unpacking opportunity: developing our strong packaging platform

Looking forward, we see an opportunity to accelerate growth across our packaging businesses, supporting our customers and strengthening our leading market positions in the structurally growing markets in which we operate. We have an ambitious expansionary capital investment programme to further capture this growth. In this context, our pipeline currently includes around €1 billion of expansionary projects already approved or under advanced evaluation, which we anticipate will generate mid-teen returns when in full operation. We continue to evaluate further capital investments for growth in the packaging markets where we operate, leveraging our high-quality, cost-advantaged asset base. Read more about our investment plan in the Strategic performance.

Invest in assets with cost advantage
Page 35-36

In 2021 we completed the acquisition of Olmuksan (Turkey). While remaining diligent on valuations, we will continue to pursue selective acquisitions that supplement our organic growth, enable us to better serve our customers and build on our competitive advantages.

Geographically, our focus is unchanged and will primarily be in the core regions in which we currently operate. Most of our packaging mills are European based, serving customers in Europe but also around the world. In converting, our corrugated solutions network is focused on central and eastern Europe and adjacencies; in paper bags we will continue to grow our leading global position and our consumer flexibles offering will remain focused in Europe and North America.

Strategic framework

SUSTAINABILITY + GROWTH

As we prioritise our growth in packaging, our strategy is to deliver value accretive growth sustainably leveraging our four strategic value drivers. Sustainability is at the centre of our strategy and drives our decision-making in line with our purpose. This strategic approach builds on the competitive advantages we have today, and guides our investment and operational decisions so that we can continue creating value in a sustainable way into the future for all our stakeholders.

All strategic value drivers are important, although priorities may differ across the value chain. Digital initiatives play an important role across our four drivers to accelerate our value creation.

We drive value accretive growth, sustainably

Our exposure to structurally growing packaging markets and our competitive advantages provide a strong platform for growth to generate value for our stakeholders in a responsible and sustainable way.

Sustainability lies at the centre of our purpose, culture and strategy. We have a solid foundation of setting sustainability targets and reporting on our performance, ensuring we contribute to finding solutions to the global sustainability challenges that we face and help to deliver on the UN Sustainable Development Goals (SDGs). In early 2021 we launched the Mondi Action Plan 2030 (MAP2030), our new sustainability framework.

We believe in working together with our stakeholders to better understand and address the risks and opportunities faced and to inform our decision-making, securing value for our stakeholders long into the future. It is only through this collaborative spirit that we will achieve the impact, innovation and scale necessary to bring about positive change beyond our own boundaries.

Watch Andrew King and the team unpack Mondi's approach to sustainability
www.mondigroup.com/en/sustainability/approach/

Mondi Action Plan 2030

MAP2030 builds on our strong progress made to date and sets out the actions we need to take over the next decade to achieve our ambitious sustainability goals. MAP2030 has three action areas, each with three high-level commitments supported by more detailed targets, built on a foundation of responsible business practices. We will report annually on the progress made against these commitments.

CIRCULAR DRIVEN SOLUTIONS...	Innovative packaging and paper solutions that keep materials in circulation and prevent waste
CREATED BY EMPOWERED PEOPLE...	An empowered and inclusive team that contributes to a better world
TAKING ACTION ON CLIMATE...	Climate resilience through our forests and operations for the future of the planet
BUILT ON RESPONSIBLE BUSINESS PRACTICES	Spanning business ethics and governance, human rights, communities, procurement and environmental impact

Further information
Page 33-34

Drive performance along the value chain

Our passion for performance is central to the way we run our business. Continuous improvement initiatives, focus on commercial excellence, lean processes, rigorous quality management and operational excellence programmes enhance our productivity and efficiency and reduce waste.

We follow a collaborative approach throughout the Group to tackle challenges and create opportunities. Benchmarking performance ensures we share best practice and identify emerging issues to optimise productivity and performance throughout the organisation. Centralised functions, such as procurement, technical, sustainable development, treasury and tax, improve coordination, control and reduce costs. The use of digital technology accelerates our performance and provides new opportunities to reduce costs and become more efficient across the Group.

We regularly review our portfolio and take decisive actions where appropriate to manage our cost base ensuring we maintain our superior customer offering in the most efficient way.

Further information
Page 34-35

Invest in assets with cost advantage

To drive organic growth in our structurally growing packaging markets, strengthen cost competitiveness, enhance our product offering, quality and service to customers and improve environmental performance, the Group invests in its asset base through-the-cycle. We follow a disciplined approach of investigating, approving and executing capital projects, delivering industry-leading returns.

Maintaining and enhancing competitiveness is of particular importance for our vertically-integrated pulp and paper operations where products are generally more standardised and relative cost competitiveness is a key value driver. In our downstream converting network, we focus on enhancing our customer offering to meet their bespoke needs.

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 and enhance our customer offering.

Further information
Page 35-36

Inspire our people

We are committed to provide an inspiring, inclusive, diverse and safe working environment for our people. We want to give them the confidence to take action in their own particular area of responsibility and unlock potential across the business in line with our purpose.

The safety, health and mental wellbeing of our people always comes first. 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.

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 people through training and personal development initiatives 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.

Further information
Page 37-38

Partner with customers for innovation

We collaborate with our customers and other partners along the value chain to create high-quality, innovative, sustainable packaging solutions to meet our customers' needs, leveraging our strong relationships, product and technical know-how, and unique platform as a leading packaging producer.

Our customer-centric approach, EcoSolutions, supports our customers to achieve their sustainability goals following our principle of paper where possible, plastic when useful. We are focused on delivering innovative packaging and paper solutions that keep materials in circulation and prevent waste.

Our innovation capabilities are critical to meet increasingly sophisticated and bespoke customer needs relying on our R&D centres, innovation activities and cooperation with external partners. Additionally, the integrated nature of our business provides security of supply and enables us to carry developments in our upstream paper operations over to our downstream converting plants.

Further information
Page 38-40

Strategic performance

Our 2021 performance

Mondi delivered strongly in 2021 and we see good opportunity to accelerate growth in sustainable packaging. Underlying EBITDA of €1,503 million was up 11% and ROCE up at 16.9%. We grew our packaging businesses and saw a recovery in uncoated fine paper markets. Our vertical integration, the agility of our operations and collaboration with our customers ensured we met surging demand at a time when supply chains were under pressure around the world. We implemented price increases across all our businesses and, against a backdrop of rising commodity input costs, we exhibited good cost control. Our focus on safety and protecting the wellbeing of our people remains our priority.

All this cannot be achieved without the dedication, stamina and ongoing commitment of our people. Our sincere thanks go to all colleagues.

We are particularly proud of how we continue to lead the way in sustainability. We have accelerated our climate plans by committing to transition to Net-Zero by 2050 in line with a 1.5°C scenario, and made strong progress on all elements of MAP2030, our sustainability roadmap for the next 10 years, which we launched in early 2021.

Sustainable packaging continues to be a key priority for our customers and wider society. With our unique product portfolio, technical know-how, expertise in understanding the best material choices and leading innovation capabilities, we are supporting our customers to achieve their environmental goals with circular driven solutions that are sustainable by design.

Our capital investments to generate value accretive growth, enhance our cost competitiveness and drive sustainability benefits continue to deliver. We successfully started up investments in key pulp and paper mills providing incremental total capacity of around 350,000 tonnes when in full operation. Projects are also underway at a number of our converting operations enhancing our production capabilities and product offering to further support our customers.

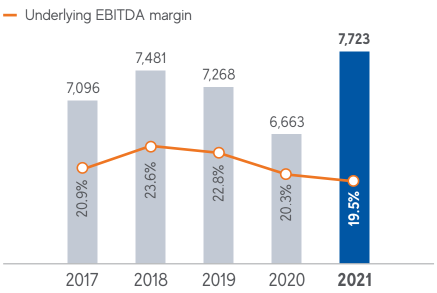
We continue to explore opportunities to accelerate growth across our packaging businesses supporting our customers and strengthening our leading market positions in structurally growing markets, underpinned by demand for eCommerce and sustainable packaging solutions. We have an ambitious expansionary capital investment programme to further capture this growth. In this context, our pipeline currently includes around €1 billion of expansionary projects already approved or under advanced evaluation, which we anticipate will generate mid-teen returns when in full operation. We continue to actively consider further capital investments for growth in the packaging markets where we operate.

We agreed the sale of our Personal Care Components business in February 2022. By simplifying our portfolio, the transaction will enable us to focus on our core packaging and paper businesses and enhance our ability to pursue our strategic priority to grow in sustainable packaging.

A decision regarding the use of the net cash proceeds from the sale of Personal Care Components will be taken post completion.

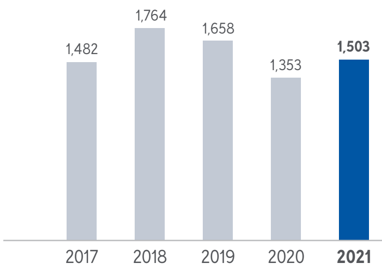
Group revenue
(€ million)

€7,723m

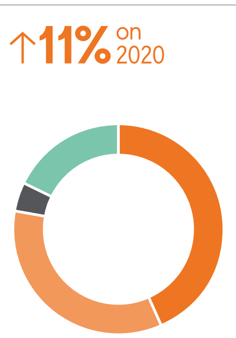


Group underlying EBITDA
(€ million)

€1,503m

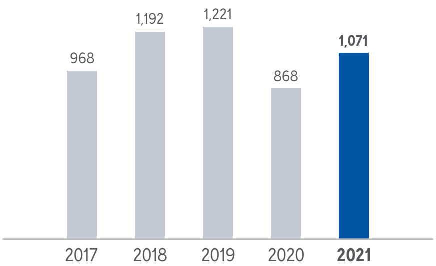


↑11% on 2020

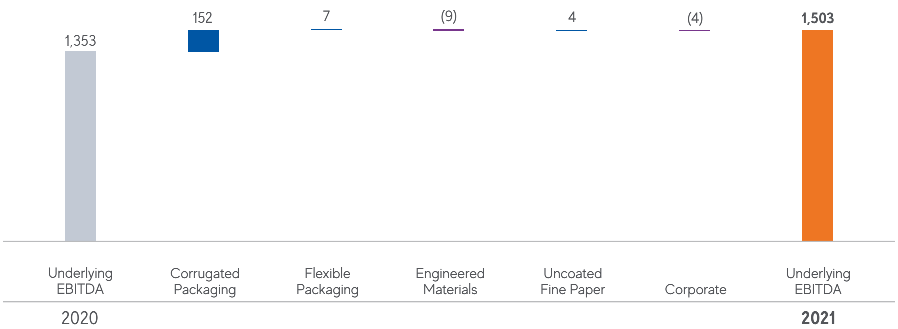


Operating profit
(€ million)

€1,071m



Underlying EBITDA development by business unit
(€ million)



This section includes Alternative Performance Measures such as underlying EBITDA and ROCE which are defined on pages 243-247

We drive value accretive growth, sustainably

Progress in 2021

- Launched the Mondi Action Plan 2030 (MAP2030), our sustainability framework to 2030
- Committed to Net-Zero by 2050, in alignment with the SBTi's new Net-Zero Standard
- Developed roadmaps to clearly articulate our approach and key initiatives to monitor our progress towards our MAP2030 commitments

Medium-term priorities

- Complete the sale of Personal Care Components business
- Continue to innovate and collaborate along the value chain with key stakeholders to further develop our sustainable packaging and paper portfolio
- Validate our Net-Zero GHG emissions reduction targets with the SBTi and continue to reduce our GHG emissions
- Work on delivering our MAP2030 commitments including 2025 milestones, by actively engaging with our people and other stakeholders

Related risks and mitigation

Pandemic risk
1

Strategic risks
3 5 6

Financial risks
7 8 9

Operational risks
10 11 12 13 14 15 16

Compliance risk
17

Principal risks
Page 86-97

Our business is well-positioned to benefit from the structural growth drivers in our packaging markets, leveraging our competitive advantages across the value chain, generating value for our key stakeholders. We believe in acting responsibly and delivering this value in a sustainable way. In early 2021, we launched the Mondi Action Plan 2030 (MAP2030), building on our strong track record of sustainable practices throughout the organisation. This 10 year period gives us the long-term vision we need and aligns our actions with the United Nation's Sustainable Development Goals (UN SDGs) timeframe. Our framework has three action areas, circular driven solutions, created by empowered people, taking action on climate, each with commitments and targets, underpinned by our responsible business practice commitments.

MAP2030
Page 44-77

We are a leading packaging producer, supporting our customers to meet their sustainability goals by offering the optimal solution from our unique portfolio. By producing a broad range of paper- and selected plastic-based solutions, our customers can consider the trade-offs between different products and material choices as well as each option's overall sustainability impact. This approach helps to reduce waste and support the transition to a circular economy.

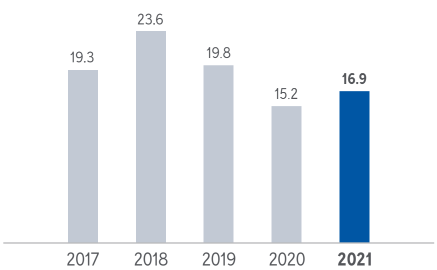
We recognise the importance of working with others across the value chain, engaging with suppliers and customers in initiatives to drive positive change at scale. Some of our key multi-stakeholder initiatives and partnerships are with the International Union of Forest Research Organizations (IUFRO), the Ellen MacArthur Foundation (EMF), 4evergreen and the United Nations World Food Programme (WFP). To continue to tackle plastic pollution, we have joined the call for an ambitious UN Treaty on plastic pollution.

We engage with our people to create opportunities for our joint success. We value our employees and want everyone to contribute to Mondi's purpose while developing and reaching their full potential in line with our values of performance, care and integrity. During the year, our people faced significant pandemic-related challenges. We continued to support our teams emotional and mental wellbeing with services and programmes, maintaining our responsible business practices and keeping our people safe and inspired.

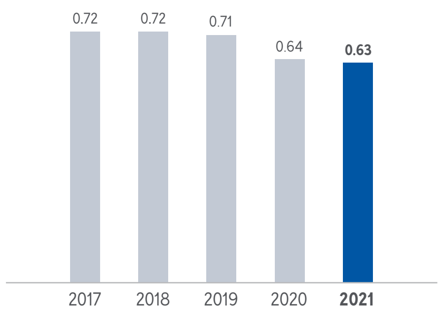
We have a long-standing focus on reducing our carbon emissions. In 2021, our greenhouse gas (GHG) emission intensity (per tonne of saleable production) was 0.63, a 25% reduction against our 2014 baseline, equating to a 46% reduction since 2004, our first baseline year for emission reduction targets. The contribution of biomass-based renewable energy to the total fuel consumption of our mills has increased from 59% in 2014 to 65% in 2021.

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

16.9%



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



1 From our pulp and paper mills

Strategic performance continued

We drive value accretive growth, sustainably continued

These improvements have been made possible through consistent capital investment across our mill network, making us more energy efficient and less reliant on fossil fuels. Since 2015, we have commissioned energy-related investment projects totalling around €650 million.

Energy-related investments
Page 62

Building on almost two decades of progress, including science-based targets approved by the Science Based Targets initiative (SBTi) in 2019, we have accelerated our climate plans by committing to transition to Net-Zero by 2050. Our Net-Zero commitment has been developed to align with the SBTi's new Net-Zero Standard and commits Mondi to reducing GHG emissions across Scopes 1, 2 and 3 in line with a 1.5°C scenario. While we work with the SBTi to validate our new targets, we are taking action today and we have a clear roadmap to achieve our 2025 milestones.

Nature-based solutions play an important role in climate change mitigation. As part of our MAP2030 framework, we will continue to focus on climate resilience, maintaining zero deforestation in our wood supply, sourcing wood responsibly from healthy and resilient forests, and safeguarding biodiversity and water resources in our operations and beyond.

We are particularly proud to have been recognised by CDP for a second year as one of only 14 companies worldwide with a 'Triple A' score on its environmental performance related to climate, forests and water security.

Value distribution[1]
(%)

€2,608m

Employees	42
Providers of equity capital	12
Direct taxes paid	7
Providers of loan capital	3
Reinvested in the Group	36

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

Drive performance along the value chain

Progress in 2021

- Strong operational performance in the face of COVID-19 related challenges, supply chain shortages and rising costs
- Optimised our converting plant network including the closure of a consumer flexibles plant in South Korea and a functional paper and films plant in the US
- Stabilised performance in Engineered Materials by reducing the cost base and realising benefits from restructuring initiatives
- Progressed on a number of digitalisation initiatives to drive productivity gains

Medium-term priorities

- 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 previously implemented restructuring initiatives

Related risks and mitigation

Pandemic risk
1

Strategic risks
2 4 6

Financial risks
7 8 9

Operational risks
10 11 12 16

Principal risks
Page 86-97

The Group delivered a strong operational performance during the year, in the face of COVID-19 related challenges, supply chain shortages and rising costs, testament to our employees' dedication, focus and determination. Our people's passion for performance and continuous improvement initiatives drove productivity and efficiency gains during the year while tackling pandemic-related lockdowns, travel restrictions and requiring, at times, to collaborate remotely as a result of the pandemic. Leveraging our integrated value chain and strong performance from our procurement teams, we were able to navigate supply chain disruptions and logistic challenges, ensuring we continued to serve our customers globally, burnishing our reputation as a trusted and reliable partner. We also successfully implemented significant price increases across the portfolio to more than compensate rising costs and passed these significant increases on to our customers, growing margins and maintaining strong returns.

During the year we closed a consumer flexibles plant in South Korea. We also closed a functional paper and films plant in Pleasant Prairie (Wisconsin, US) and restructured our personal care components focused operations in Gronau (Germany) which helped to reduce our cost base and stabilise performance in Engineered Materials.

We completed a number of maintenance and project-related shuts, thanks to our employees' efforts. This included a shut at our Syktyvkar mill (Russia) in which a number of processes were completed remotely to limit interaction as part of our response to the COVID-19 pandemic. We see an opportunity to leverage these digital tools and processes in the future, which we expect will further drive efficiency and productivity gains. By combining technology, data science and the talents of our people, we continue to build on our digital capabilities, creating opportunities to refine processes, improve our offering to our customers and generate value for our business.

Digitally driving supply chain efficiencies

Mondi has 21 corrugated solutions plants in central and eastern Europe, delivering sustainable packaging to a wide range of customers in several industries. Operating across a number of countries and meeting customers' bespoke needs requires in-depth paper knowledge and flexible production capabilities.

Supporting our drive for performance, our centralised digital tool optimises procurement of packaging paper and materials across the network, ensuring the required paper quality, width and grammage is delivered to each respective plant. This solution drives efficiency gains, reduces waste and proved extremely valuable during the year in times of tight supply. We plan to continue rolling out this digital platform to our Turkish corrugated solutions network in 2022.

Invest in assets with cost advantage

Progress in 2021

- Commissioned new paper machine investment at Ružomberok and converted machine investment at Štětí
- Realised financial and sustainability benefits from recently completed major capital projects
- Continued to invest in our asset base to drive growth, strengthen cost competitiveness, enhance our offering and improve our environmental footprint
- Approved a number of major capital investments in 2021 and early 2022 that will drive value accretive growth

Medium-term priorities

- On time and on budget execution of capital investment programme
- Finalisation of investment decision for new kraft paper machine
- Continue to evaluate further organic and selective inorganic investment opportunities

Related risks and mitigation

Pandemic risk
1

Strategic risks
2 3 4 5 6

Financial risks
7 8 9

Operational risks
11 12 16

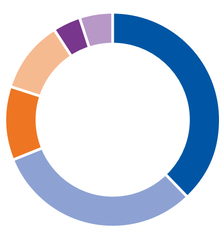
Compliance risk
17

Principal risks
Page 86-97

Mondi's packaging markets are growing, underpinned by the structural growth drivers of eCommerce and the demand for more sustainable packaging. Our capital investment programme is focused on driving organic growth, enhancing our product offering, quality and service to customers, strengthening our cost competitiveness, and improving our environmental footprint. This ongoing investment in our cost-advantaged, high-quality asset base enables us to continue to capture future opportunity.

The Group's 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. Our capital investment programme continues to deliver. In January 2021, we started up an investment in a new 300,000 tonne per annum kraft top white machine at Ružomberok (Slovakia) and a converted speciality kraft paper machine in Štětí (Czech Republic). We also progressed key steps in the modernisation of our Richards Bay mill (South Africa), including upgrading the energy and chemical plants to improve reliability and environmental performance; as well as the programme at Syktyvkar (Russia) to debottleneck production and maintain competitiveness. At the end of 2021, we commissioned the new evaporation plant and are currently finalising the pulp dryer upgrade. We expect to generate around a further €50 million of incremental underlying EBITDA contribution from projects in 2022.

Net operating assets by location
(%)



Emerging Europe	38
Western Europe	31
South Africa	11
Russia	11
North America	4
Other	5

Strategic performance continued

Invest in assets with cost advantage continued

Looking forward, we see an opportunity to accelerate growth across our packaging businesses, supporting our customers and strengthening our leading market positions in our growing markets. We have an ambitious expansionary capital investment programme to further capture this growth. In this context, our pipeline currently includes around €1 billion of expansionary projects already approved or under advanced evaluation, which we anticipate will generate mid-teen returns when in full operation. These investments, which include the projects below, will deliver volume growth, lower our cost base and enhance our environmental footprint. We continue to actively evaluate further capital investments for growth in the packaging markets in which we operate, leveraging our high-quality, cost-advantaged asset base.

In Corrugated Packaging we are investing €125 million in our Kuopio mill (Finland) to increase semi-chemical fluting capacity by around 55,000 tonnes, enhance product quality, drive cost competitiveness and strengthen the mill's environmental performance, with start-up expected in the fourth quarter of 2023. We have approved a €95 million investment to debottleneck kraftliner production by 55,000 tonnes at our state of the art Świecie mill (Poland), with commissioning expected during 2024.

We have an ambitious expansionary capital investment programme to grow organically into the future which currently includes around €1 billion of expansionary projects already approved or under advanced evaluation

To strengthen our leading market position, support growth in eCommerce and enhance our product and service offering, around €185 million will be invested across our central and eastern European Corrugated Solutions plant network.

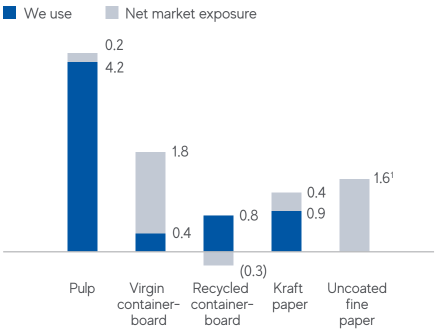
In Flexible Packaging, to meet growing demand for sustainable paper-based flexible packaging, we are well-advanced in the evaluation of an investment in a new 200,000 tonne kraft paper machine at one of our cost-advantaged facilities for an anticipated total of around €350 million. We expect to be in a position to make a final decision on the investment during 2022.

We continue to expand the global reach of our leading Paper Bags business, ramping up production at our new plant in Cartagena (Colombia), investing in a new plant in Morocco, upgrading the capabilities in our Mexican plants and expanding our capacity of paper-based flexible packaging solutions for eCommerce across Europe and the US.

We plan to invest around €50 million to enhance our coating capabilities and meet our customers' growing demand for innovative, sustainable paper-based packaging with the necessary barrier properties. We are also investing €65 million in our consumer flexibles plants, cementing our leading position in the fast growing pet food packaging market.

On the back of this programme, our capital expenditure is expected to be around €700-800 million in 2022 and around €900-1,000 million in 2023.

Vertical integration (production in million tonnes)

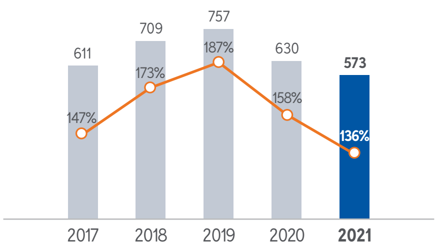


1 In addition to the 1.6mt of uncoated fine paper, the Group also produced 0.2mt of newsprint in 2021

Capital expenditure (€ million)

€573m

— Capex as a percentage of depreciation



Inspire our people

Progress in 2021

- Continued attention to care for the physical and mental health of our people
- Developed and enhanced our people's skills through training programmes and upskilling initiatives
- Maintained strong focus on safety and no fatalities in the year

Medium-term priorities

- Focus on talent attraction, retention and diversity and inclusion (D&I) initiatives
- Continue to engage with our employees and create an inspiring work environment
- Continuous focus on improving our safety performance and embedding a behaviour-based safety mindset

Related risks and mitigation

Pandemic risk
1

Operational risks
14 15 16

Compliance risk
17

Principal risks
Page 86-97

As an organisation, we are grateful for the efforts made by our employees as the COVID-19 pandemic continued to impact our daily lives. The dedication, willingness and drive of our people was clearly demonstrated, highlighting their commitment and care. We understand the emotional toll of pandemic-related challenges and in response, increased our efforts on our employees' wellbeing and mental health during this unsettling time. During the year, we continued to roll-out our Employee Assistance Programme, a 100% confidential hotline provided by an external company of qualified counsellors and advisers which, together with local programmes in the US and South Africa, is now available to 97% of our global workforce, helping to support our people.

Our belief in lifelong learning is championed by the Mondi Academy, and focuses on creating tailored development plans, supported by coaching and mentoring, to develop our people. In 2021, most training sessions were conducted online, with the exception of local team training, with 741,700 hours of training completed, a 20% increase on 2020. These programmes covered a range of topics from safety and sustainability topics to people development and upskilling programmes.

We want to inspire our global workforce and develop the right skills, for now and for the future. We aim to be an employer of choice by engaging and developing our people and enhancing skills to realise their potential and help drive our business forward. As part of MAP2030, our commitment to build skills that support long-term employability will provide valuable opportunities to our people through training and development programmes to support personal and professional growth.

During the year we undertook a number of upskilling programmes, including a talent management programme known as NEXGEN in Corrugated Packaging – read more below.

We have set ambitious targets in order to meet our commitment of providing purposeful employment in a diverse and inclusive workplace. During the year we focused on developing roadmaps and defining KPIs to provide clear guidance and support to help our operations progress against these targets. Through training, communication and collaborating, we aim to raise awareness and support a culture where everyone can Grow. Create. Inspire. Together.

Next generation leaders

NEXGEN is a new learning and development platform designed to identify, develop and inspire our next generation of talented leaders within the organisation. Co-created within Corrugated Packaging, this initiative helps to upskill and develop our people, preparing a clear pathway for career progression ensuring we foster D&I and promote people rotations within Mondi.

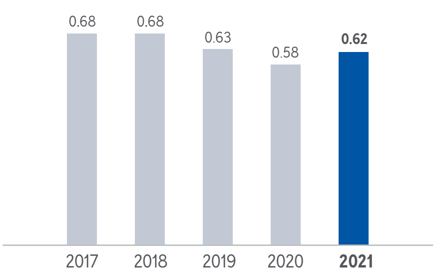
In 2021, more than 50 employees were nominated for the program, of which 25 were selected to take part in the NEXGEN development stream. One-third of the participants were women. Following its successful roll-out in Corrugated Packaging, Kraft Paper and selected Group functions, it will be extended to Functional Paper and Films in 2022, extending its reach and providing a valuable platform to grow and develop our people.

Strategic performance continued

Inspire our people continued

As a global company operating in many locations, we have policies and processes in place to prioritise equal opportunity and have zero tolerance for discrimination and harassment. We aim to create an inclusive culture where all our employees can grow and contribute based on their individual backgrounds, experience and ideas. Our D&I taskforce and policy shape our approach and help to drive meaningful change. As part of this, we are working on increasing the representation of women across the organisation. Currently, 21% of our workforce are women. Our target is to employ 30% women by 2030.

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



Our approach to safety has enabled us to engineer many of the most serious risks out of our operations. Where this was not feasible or possible, robust controls and procedures were introduced to reduce the risk. We promote a 24-hour safety mindset across the Group with initiatives to address peoples' conscious and unconscious behaviours, elevating safety to the front of peoples' minds and actions. We monitor lead indicators as part of our safety programme, which helps our operations to address risks before an incident occurs. In 2021, we had no fatalities but unfortunately experienced a life-altering injury in January 2021 when a contractor lost a finger during harvesting activities in Finland. We also experienced a life-altering injury in January 2022 when an employee lost four fingers while working on rotating equipment. Our policies have been reviewed following these incidents to avoid repeat occurrences. Our Total Recordable Case Rate (TRCR) was 0.62, achieving the milestone we set for 2021 to allow for the prolonged shut at Richards Bay. As part of our MAP2030 commitments, we have set a target to reduce our TRCR by 15% to 2030 against a 2020 baseline, together with zero fatalities and life-altering injuries.

Empowered People
Page 50-54

Partner with customers for innovation

Progress in 2021

- Maintained successful delivery of products to our customers in the face of tight global supply chains
- Developed a number of sustainable packaging solutions, leveraging our unique expertise as a leading paper- and flexible plastic-based producer
- Ongoing focus on innovation and product development with our customers, continuing to be externally recognised with our award-winning products
- Completed the acquisition of Olmuksan and continue to integrate the business into the Mondi Group

Medium-term priorities

- Continue to partner with our customers to develop innovative and sustainable packaging solutions
- Increase the proportion of products that are reusable, recyclable or compostable, aiming to reach 100% by 2025
- Maintain our overall strong customer satisfaction score and implement improvement initiatives where necessary

Related risks and mitigation

Pandemic risk
1

Strategic risks
3 4 6

Operational risk
16

Compliance risk
17

Principal risks
Page 86-97

Demand for sustainable products has never been higher, with brands and consumers wanting to contribute to a low carbon, circular economy

During the year, we faced strong demand for our products at a time where global supply chains came under pressure. Our teams' outstanding efforts and passion for performance, leveraging our integrated value chain, scale and strong network of plants across core regions, enabled us to continue to supply our customers during this period. Providing this security of supply helped us increase our market share in our core markets and is testament to our focus on service, quality and innovation as well as the success of our investments to grow and enhance the business.

Demand for sustainable products has never been higher, with brands and consumers wanting to contribute to a low carbon, circular economy. Our conversations with customers focus on how to design solutions that are efficient, fit-for-purpose and help to convey and deliver their sustainability commitments. Our unique product portfolio, expertise in understanding the best material choices and customer-focused innovation capabilities mean we can create packaging solutions that are sustainable by design. This helps us to eliminate unsustainable packaging, lead the transition to a circular economy and grow our customer base of forward-thinking brands.

Our customers value our EcoSolutions partnership approach to help achieve their environmental goals. This includes everything from reducing raw material use, to designing for recycling or compostability at end of life, and clarifying the often complex trade-offs of various solutions. As a leading producer of paper-based packaging, we prioritise the use of paper-based solutions to replace unnecessary plastic packaging because paper is made from a renewable resource and has the highest recycling rates across our markets. When more specialised functional barriers are required (for example to reduce food waste), lightweight plastic-based flexible packaging can be the most sustainable choice so long as it is manufactured, used and disposed of appropriately. Here we are working on recyclable mono-material plastic solutions and increased recycled plastic content to ensure our packaging is designed to be part of a circular economy.

As part of MAP2030, we have set an ambitious target to make 100% of our products reusable, recyclable or compostable by 2025. We estimate that currently 78% of our portfolio meets this criteria. During the year, we developed roadmaps for our businesses to help them drive progress towards meeting this commitment and identify significant growth opportunities.

We continue to collaborate with customers and partners across the value chain to develop innovative solutions as we transition to a low carbon and circular economy and work to eliminate unsustainable packaging. We actively participate in 4evergreen, a cross-value chain alliance launched by Cepi to boost the role of fibre-based packaging in a circular economy and a climate neutral, sustainable society. Our long-term engagement with CEFLEX, a pan-European multi-stakeholder consortium, is working to make all flexible packaging in Europe circular by 2025.

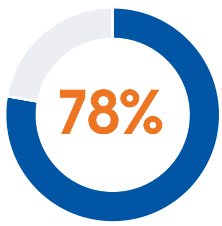
In May 2021, we completed the acquisition of a 90% interest in Olmuksan. With this transaction, we significantly strengthened our position in the fast-growing Turkish corrugated market, expanding our offering to existing and new customers in the region. Integration is progressing well and the business delivered ahead of our expectations.

During the year we spent €23 million (2020: €23 million) on R&D across our businesses to drive process and efficiency improvements, and develop innovative products for our customers. These innovation initiatives, together with ongoing product development programmes with our customers, have delivered a number of successful solutions. We are delighted with the external recognition we have received for our innovations, including a record nine 2022 WorldStar Packaging Awards.

In 2021, we completed a Group-wide customer satisfaction survey. Despite pandemic-related challenges, we were pleased to see noticeable improvements compared to the previous survey in 2019. Overall, Mondi was rated as a reliable and quality brand, seen as trustworthy, competent, dedicated, and a company that provides excellent support to customers, especially during difficult times. We achieved an overall satisfaction score of 8.4 out of 10, considerably stronger than our 2019 score of 8.0 out of 10 and a notable achievement as a score of 8.5 is considered best in class. We are proud of our achievements but continue to strive for excellence through maintaining our high standards and improve in other areas where possible.

Circular Driven Solutions
Page 46–49

Reusable, recyclable or compostable products
(% of Group revenue)



Strategic performance continued

Partner with customers for innovation continued

Innovating with our customers

Our unique product portfolio and extensive expertise makes us a partner of choice for our customers to develop fit-for-purpose packaging for a circular economy. We leverage our packaging expertise, broad product offering, technical know-how and ongoing product development initiatives, to collaborate with our customers and partners along the value chain to develop innovative, sustainable packaging solutions. Some of our successful product launches this year include:

SASB

MonoCorr Box for Warmhaus – eliminating polystyrene

We have designed a fully recyclable mono-material corrugated boiler box for Warmhaus in Turkey, a producer of boilers, eliminating the use of expanded polystyrene plastic foam (EPS) which is not widely recyclable.

The new packaging has also increased pallet efficiency with 20% more products shipped per truck, delivering lower emissions through reduced transport.

Les Crudettes – functional barrier paper for salad packaging

The French salad brand, Les Crudettes, has replaced its transparent glossy polypropylene packaging with our functional barrier paper for a selection of its pre-washed, ready-to-eat salads.

The new packaging is 95% paper with a functional barrier layer, meaning the salad remains fresh for up to 10 days – the same amount of time as with the previous plastic packaging. This fit-for-purpose packaging is able to run on existing machines and has been verified as recyclable.

Advantage StretchWrap – an alternative to plastic pallet wrapping

We collaborated with the Italian machine producer ACMI to transform the way pallets are wrapped, creating a paper-based solution that is renewable and fully recyclable, replacing a multi-layer plastic alternative.

Advantage StretchWrap, made from our range of speciality kraft paper, is able to stretch and resist punctures, providing robust protection for goods during transit. It also has a significantly lower climate change impact compared to conventional plastic stretch film, supporting our drive to be sustainable by design.

WalletPack – recyclable and reclosable to prevent food spoilage

Together with gourmet food producer Bell Germany, we developed WalletPack, a new mono-material recyclable solution for sliced ham products. It operates as a folder and features a re-close function to prevent food spoilage while providing excellent protection for thinly sliced deli meats.

The new solution replaces a multi-material non-recyclable plastic solution, is lightweight and reduces plastic waste.

Strategic financial priorities and returns to shareholders

We believe that a strong and stable financial position, supported by an investment grade credit rating, increases our flexibility and provides access to capital markets through the business cycle. This in turn allows us to invest through-the-cycle and take advantage of strategic opportunities when they arise. To deliver on our strategy, 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 a €750 million Sustainability Linked Revolving Credit Facility.

The Group's balance sheet and liquidity position remain robust. At the end of the year, Mondi had a strong liquidity position of around €1.3 billion, comprising €803 million of undrawn committed debt facilities and cash and cash equivalents of €455 million. The weighted average maturity of our committed debt facilities was 4.7 years. We have a disciplined capital allocation policy. We are focused on 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 remain focused on allocating capital while maintaining solid investment grade credit metrics.

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.

Given our strong financial position and confidence in the future of the business, the Board has recommended an increase in the final 2021 dividend to 45.00 euro cents per share. The final dividend, together with the interim dividend, amount to a total dividend for the year of 65.00 euro cents per share, an increase of 8% on the 2020 total dividend.

Near-term outlook

The humanitarian crisis unfolding in Ukraine is of great concern. Our thoughts are with all those impacted by these tragic events, including some of Mondi's employees.

We have significant operations in Russia, representing around 12% of the Group's revenue by location of production in 2021, including our high-margin, cost-competitive, integrated pulp, packaging paper and uncoated fine paper mill located in Syktyvkar (Komi Republic). Over the last three years our Russian operations have generated around 20% of the Group's underlying EBITDA. Our businesses primarily serve the domestic market. We are actively monitoring this rapidly evolving situation, the international response and the implications for the Group.

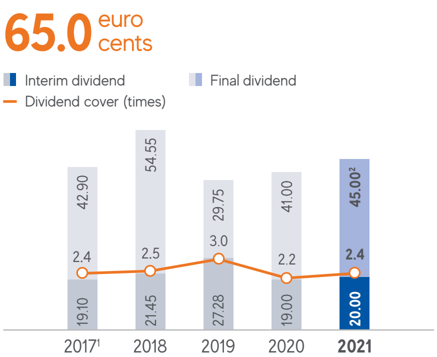
Looking forward, we expect to make progress in the year. There are significant geopolitical and macroeconomic uncertainties and we anticipate continued inflationary pressures on our cost base. However, we also expect to realise the full benefit of the price increases implemented in 2021 and early 2022, shorter planned maintenance shuts and the contribution from our capital investment programme.

Underpinned by the Group's integrated cost-advantaged asset base, high-performance culture, 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

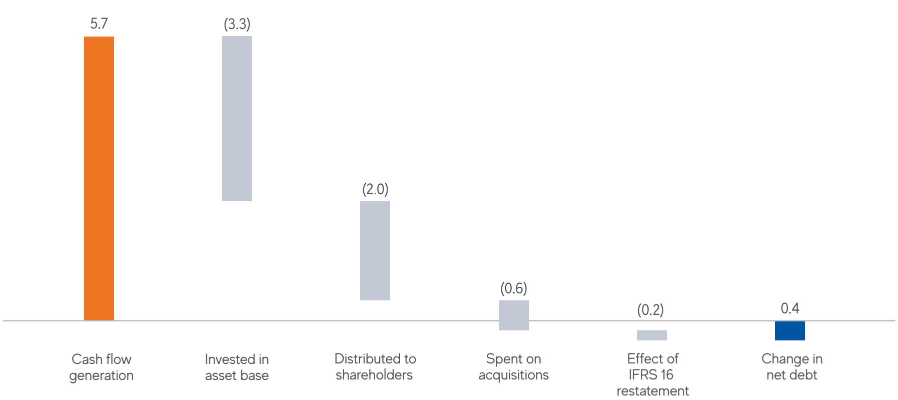
Mike Powell
Group CFO

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 Proposed

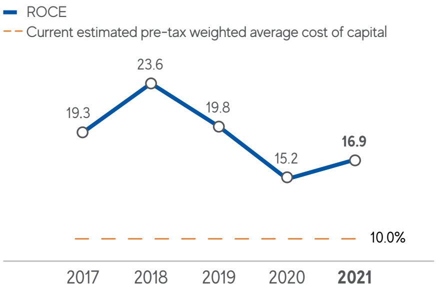
Five-year cumulative cash flow
(€ billion)



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)



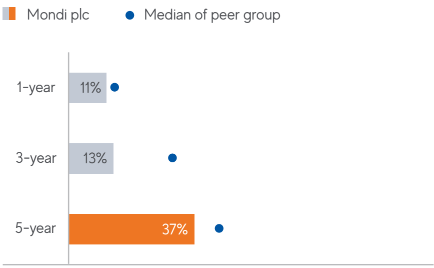
Why this is a KPI
ROCE provides a measure of the efficient and effective use of capital in our operations.

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

2021 performance
The Group achieved a ROCE of 16.9%.

Link to strategic framework

Total shareholder return (TSR)
(%)



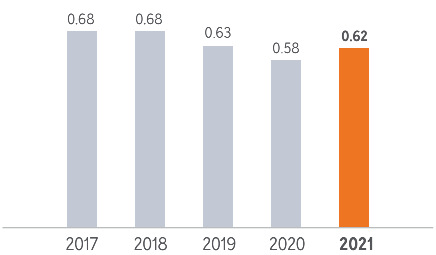
Why this is a KPI
TSR provides a market-related measure of the Group's progress against our objective of delivering long-term value for our shareholders.

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

2021 performance
Mondi realised a five-year TSR of 37% and recommended a total dividend of 65.00 euro cents per share for the year, an 8% increase on 2020.

Link to strategic framework

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

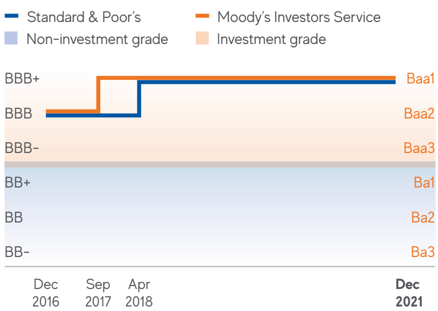


Why this is a KPI
Keeping people safe and healthy is a moral and a business imperative that applies to all who work for and on behalf of Mondi. Our 24-hour safety mindset supports our goal of sending everybody home safely, every day.

2021 performance
We achieved our TRCR milestone for 2021 set at 0.62 to allow for the prolonged shut at Richards Bay. There were no fatalities or serious injuries during annual shuts but unfortunately one of our contractors experienced a life-altering injury in January 2021.

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.

2021 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.

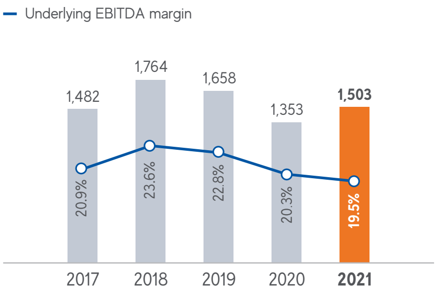
Strategic framework and performance
Page 30-41

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 sustainability metrics for purposes of the Bonus Share Plan and on Total Shareholder Return and ROCE for the Long-Term Incentive Plan.

Remuneration report
Page 136-161

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.

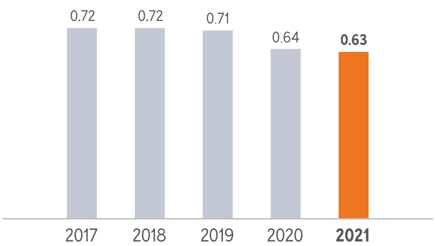
Tracking our cash generation is one of the components we measure when we assess our value creation through-the-cycle.

2021 performance

Underlying EBITDA of €1,503 million represents an 11% year-on-year increase. The Group's underlying EBITDA margin was 19.5%.

Link to strategic framework

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



1 From our pulp and paper mills

Why this is a KPI

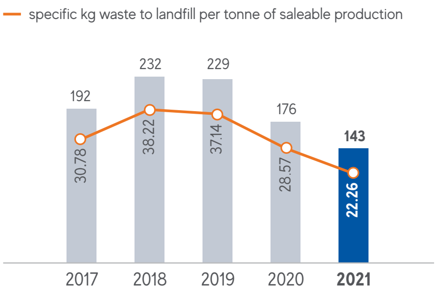
Our focus is to reduce our GHG emissions to address climate-related impacts and secure the long-term success of our business.

2021 performance

We have reduced our specific CO_2e emissions by 25% against our 2014 baseline and continue to make progress against our science-based greenhouse gas reduction targets. During the year we accelerated our climate plans by committing to transition to Net-Zero by 2050.

Link to strategic framework

Waste to landfill
(thousand tonnes)



Why this is a KPI

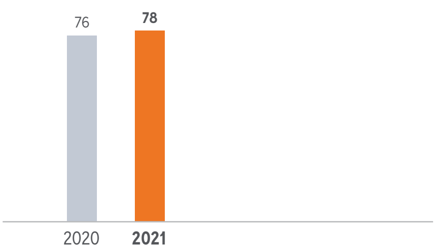
Our goal is to keep materials in circulation. We are focused on avoiding, reusing or recycling unavoidable waste generated in our production processes instead of disposing of it to landfill. Going forward, waste to landfill will be one of the measures included in management remuneration and has therefore been added as a KPI.

2021 performance

In 2021, we reduced our specific waste to landfill by 22% against our 2020 baseline. We continue to make progress against our target of zero waste.

Link to strategic framework

Reusable, recyclable or compostable products
(% of Group revenue)



Why this is a KPI

The demand for sustainable packaging continues to rise, with brands and consumers looking for solutions to help meet their sustainability pledges and support the transition to a circular economy. We began reporting our progress against this KPI in 2020.

2021 performance

We estimate that 78% of our revenue in 2021 was generated from products that were reusable, recyclable or compostable. We are working towards our ambitious target of reaching 100% by 2025.

Link to strategic framework

COMMITMENTS + ACTION

In January 2021 we launched the Mondi Action Plan (MAP2030), our new sustainability framework built on our purpose to contribute to a better world by making innovative packaging and paper solutions that are sustainable by design. MAP2030 comprises three ambitious action areas focused on our products, people and planet.

Developing MAP2030

In designing our framework, we considered the successes and learnings from our track record of delivering against sustainability targets, as well as the issues of importance for our employees, customers, suppliers, communities, investors and partners. We benchmarked our performance, consulted stakeholders across Mondi and reflected on feedback from external stakeholders through our materiality assessment and ongoing engagements.

Stakeholder engagement
Page 20–21

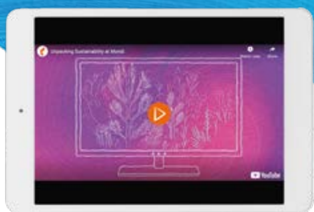
Having shaped the Group's MAP2030 ambition, the Executive Committee and the Board approved the commitments and targets that this was translated into. Given the strategic importance of our sustainability agenda, the Board Remuneration Committee determined that an element of the 2021 annual bonus of the executive directors (representing 20% of maximum) will be specifically allocated to objectives linked to MAP2030.

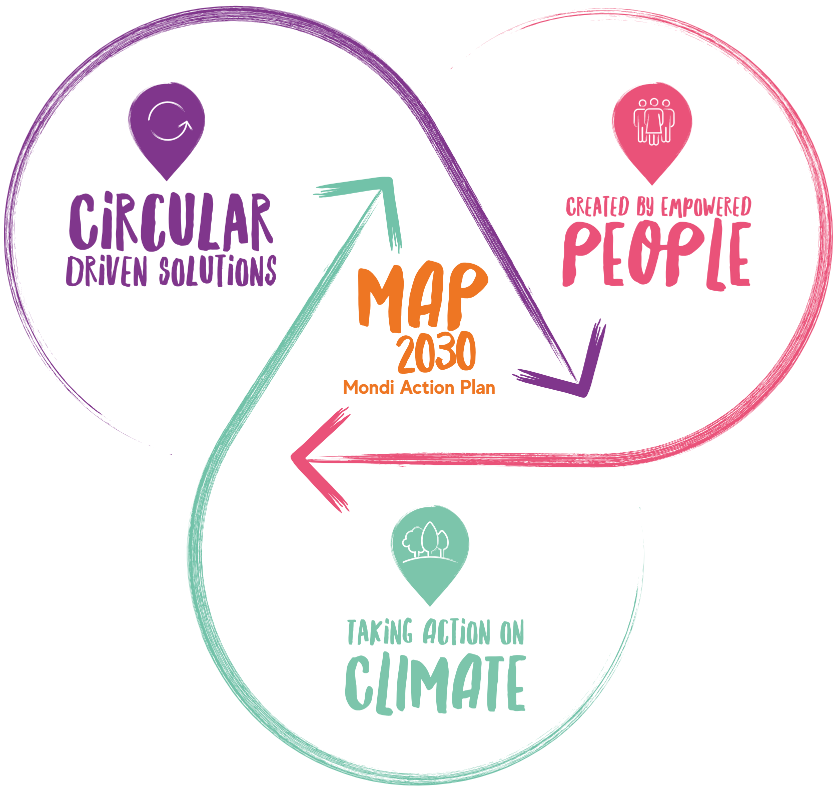
Remuneration report
Page 136–161

Our focus

Our three MAP2030 action areas are supported by a set of responsible business practices including business ethics and governance, human rights, communities, procurement and environmental impact. For each of these areas, we have established commitments and targets to guide our progress. All commitments run until 2030 and some have milestones defined for 2025, or earlier.

Unpacking Sustainability at Mondi
www.mondigroup.com/en/sustainability/approach/





Built on Responsible Business Practices
Business Ethics & Governance | Human Rights | Communities | Procurement | Environmental Impact

CIRCULAR DRIVEN SOLUTIONS...

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

	2021 performance
Make our packaging and paper solutions reusable, recyclable or compostable	
– 100% of our products are reusable, recyclable or compostable by 2025	On track
Avoid waste by keeping materials in circulation	
– Eliminate waste to landfill from our manufacturing processes	On track
Work with others to eliminate unsustainable packaging	
– Progress made through our partnerships and stakeholder engagement activities every year	On track

Further information
Page 46-49

CREATED BY EMPOWERED PEOPLE...

An empowered and inclusive team that contributes to a better world

	2021 performance
Build skills that support long-term employability	
– Enable our employees to participate in upskilling programmes	On track
Provide purposeful employment for all our employees in a diverse and inclusive workplace	
– Achieve 90% Purpose Satisfaction score in our employee survey	On track
– Achieve 90% Inclusiveness score in our employee survey	On track
– Employ 30% women across Mondi	On track
Create an environment that enables a positive work-life experience, valuing our safety, health and mental wellbeing	
– Zero fatalities	On track
– Zero life-altering injuries	Slightly behind target
– 15% reduction of total recordable case rate	On track
– Support our employees in pursuit of a work-life experience that enhances their wellbeing	On track
– Our operations drive awareness of and take measures to improve health and mental wellbeing	On track

Further information
Page 50-54

TAKING ACTION ON CLIMATE...

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

	2021 performance
Reduce our greenhouse gas (GHG) emissions in line with science-based 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	On track
– Reduce Scope 2 GHG emissions by 39% per MWh by 2025 and by 86% by 2050 from the 2014 base year	On track
– Set a science-based Scope 3 reduction target by 2025	On track
Maintain zero deforestation in our wood supply, sourcing from healthy and resilient forests	
– Maintain 100% FSC™ certification in our own forestry landholdings	On track
– 100% responsibly sourced fibre with 75% FSC™- or PEFC™-certified fibre procured by 2025 and the remainder meeting the FSC™ Controlled Wood standard	On track
– Implement leading forestry measures to ensure productive, healthy and resilient forests	On track
Safeguard biodiversity and water resources in our operations and beyond	
– Conduct water stewardship and biodiversity assessments at our mills and forestry operations by 2025, and implement required actions to address the findings by 2030	On track
– Conduct biodiversity assessments at our mills and forest operations, introducing biodiversity action plans where necessary by 2025	On track

Further information
Page 55-67

Key On track Slightly behind target Not on track In development

Mondi Action Plan 2030
Circular Driven Solutions

Our impacts occur along the value chain – from raw materials to product design to their end of life. We see 'waste' as a resource in the wrong place and we work with partners to keep materials in circulation by avoiding, reusing or recycling unavoidable waste.

The circularity of products is a complex and evolving topic. The changes needed require designing products for recycling or reuse, developing harmonised approaches and improving waste separation, collection and recycling. We collaborate with industry players and support customers, retailers and brands to adopt more sustainable packaging options and educate consumers about the best way to dispose of packaging at end of life.

Partner with customers for innovation
Page 38-40

Demand for sustainable products has never been higher, with brands and consumers wanting to contribute to a low carbon, circular economy.

Leveraging our expertise in packaging and paper to drive innovation in circular packaging is an exciting opportunity to grow our business, support our customers and address societal challenges such as preventing food waste, using resources efficiently, tackling climate change and eliminating unsustainable packaging.

Commitment

Make our packaging and paper solutions reusable, recyclable or compostable

Target

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

On track

Sustainability is front and centre when we design new solutions. Our customers look to us to help them identify and create the best options for circularity which reduce climate impact. This means collaborating across the value chain, using paper where possible and plastic when useful.

Our customer-centric EcoSolutions approach underlines our unique proposition and holistic view when making material choices that meet the needs of customers, consumers and the planet. We continue to pursue opportunities to increase renewable materials and recycled content use.

The EU Green Deal sets a roadmap towards carbon neutrality by 2050. One of the main elements is the Circular Economy Action Plan (CEAP) which contains 35 actions and includes the review and update of several pieces of legislation, all aimed at making sustainable products the norm. Most notably, this includes the Single-Use Plastics Directive (SUPD), the Packaging and Packaging Waste Directive (PPWD), the Sustainable Products Initiative (SPI) and the initiative on Substantiating Green Claims.

Our Product Stewardship Policy supports the shift to more circular solutions and our Sustainable Products Criteria are the parameters we consider across the entire product life cycle of our sustainable products. Complementing our product-oriented innovations, we continue to develop material and energy efficient production processes. In 2021, we invested €23 million in R&D to drive deeper collaboration throughout the supply chain and improve our process technologies, energy and material efficiency to reduce our emissions and eliminate waste.

SASB

We maintain relevant and credible certifications at our operations to comply with safety, health and hygiene standards. They include ISO 9001 (quality management), ISO 14001 (environmental management) and food safety certification. Our solutions must meet all relevant safety, health and hygiene standards and regulations as a basic requirement to provide compliant, high-quality solutions for customers.

The Mondi Group Food Safety Laboratories in Graz and Frantschach (Austria) support the business to develop smart, customised packaging solutions that are optimised for food contact. Our expertise in sourcing safe and sustainable materials for innovative products offers significant value to customers. We assess more than 10,000 chemical parameters every year with a key focus on how packaging interacts with packaged goods, depending on the intended application (dry, wet, fatty or frozen foodstuffs, or foods handled at ambient conditions or microwave heated). There were no product recalls issued in 2021.

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

SASB

We are committed to making innovative packaging and paper solutions that keep materials in circulation and prevent waste. We joined the Ellen MacArthur Foundation's New Plastics Economy initiative[1] in 2018 and committed to work towards eliminating plastic pollution and creating 100% reusable, recyclable or compostable plastic packaging, including a commitment to use 25% post-consumer recycled content in our plastic packaging by 2025. With MAP2030, we extended the commitment to having 100% of our products reusable, recyclable or compostable by 2025 across all Mondi products.

In 2021, a cross-functional team of Mondi experts came together to develop circular driven solutions roadmaps for all business segments. We developed a new 'Path to circularity' scorecard to assess the circularity of our portfolio considering a sustainable end-of-life – reusable, recyclable or compostable products – and determine our baseline. The roadmaps provide a harmonised approach for measuring the end-of-life sustainability of our entire portfolio and tracking improvements in the use of renewable and/or recycled content in our products and solutions.

Every business segment applied these definitions and developed roadmaps in 2021 with outlook projections based on existing and planned initiatives.

We take a life cycle-based approach to consider the trade-offs between different sustainability considerations across the whole value chain and product life cycle. Our new Product Impact Assessment (PIA) tool calculates the life cycle impacts of plastic- and paper-based products. It has been employed to meet customer requests for information on the climate and water impacts of our products. The PIA tool complements our Product Carbon Footprint (PCF) tool for paper-based products. In 2021, we carried out 86 PIA assessments and 238 PCF assessments.

Given the complexities of Life Cycle Assessments (LCAs), critical reviews are essential to assure reliable, objective and trustworthy data. Such reviews provide a critical process that ensures objectivity if the study conforms to the requirements of ISO 14044. In 2021, we launched an ISO-compliant LCA study for our Advantage StretchWrap speciality kraft paper including a critical review by an expert panel. You can read about the results on page 28 of our 2021 Sustainable Development report.

We need all our people – from technical product engineers and innovation teams to sales and marketing teams – to find solutions to meet our MAP2030 commitment. In 2021, we offered 30 training sessions on sustainability-related topics to build capabilities and understanding across these functions, with 2,780 participants taking part.

How have we performed?

SASB

We made great strides in 2021 to develop a comprehensive and harmonised Group-wide approach to drive progress. 78% of our portfolio (based on revenue) is now reusable, recyclable or compostable and we have a clear view of where the opportunities lie to make further progress across our portfolio.

What's next?

- For those products where we already have sustainable alternatives, we will engage with customers to drive the transition and replace unsustainable packaging in use today
- For some products of our portfolio currently without a sustainable end-of-life, we will target innovation and R&D to develop alternative solutions, leveraging existing infrastructure and technology
- For a small portion of our portfolio where there is no sustainable alternative identifiable today, we will support development and scaling of suitable collection, sorting and recycling infrastructure

As we evolve our portfolio and develop more circular solutions, we must consider the trade-offs between different sustainability considerations across the whole value chain and product life cycle

1 https://ellenmacarthurfoundation.org

Mondi Action Plan 2030
Circular Driven Solutions continued

Commitment

Avoid waste by keeping materials in circulation

Target

Eliminate waste to landfill from our manufacturing processes.

On track

We focus on avoiding, reusing or recycling unavoidable waste generated in the manufacturing of our products instead of disposing of it to landfill. We work closely with partners including customers and suppliers, NGOs, and think tanks such as the New Plastics Economy initiative, to avoid waste across the value chain.

Target: Eliminate waste to landfill from our manufacturing processes

Our manufacturing sites, R&D and innovation teams, environmental managers and sustainability experts are partnering to identify opportunities to achieve our ambitious target. Through MAP2030 working groups, we provide regular updates and encourage collaboration across the Group.

Instead of incinerating renewable by-products from pulp production, we can sell biomass-based chemicals (e.g. tall oil) as a substitute for fossil fuel-based materials and the ash from our bark boilers can be used as secondary raw material in the production of cement and bricks. In 2021, we were awarded with a slot in the EU PITCCH project which supports our journey to identify new technologies and customers to realise value from the fly ash generated by our mills' recovery boilers.

We are exploring options to further utilise renewable by-products from the kraft pulping process such as lignin from black liquor and Eucalyptol extraction. These can create new revenue streams while avoiding emissions and reducing waste.

Our pulp mill at Kuopio (Finland) has been working with Soilfood, a manufacturer of soil improvement products for agriculture, to investigate whether fibre residues from our wastewater treatment works can be used to improve soil quality. In 2021, we were able to utilise around 39,000 tonnes of wastewater sludge as a soil improvement product.

Environmental performance
Page 75–76

How have we performed?

In 2021, we reduced Mondi Group's waste to landfill from our manufacturing processes by around 33,500 tonnes. This is equivalent to a 22% reduction of specific waste to landfill (per tonne of saleable production) against a 2020 baseline. This was driven by the start-up of a recultivation project for a second sludge pond at Syktyvkar (Russia).

What's next?

- We are exploring options to further utilise renewable by-products from the kraft pulping process such as lignin from black liquor and Eucalyptol extraction. These have the potential to create new revenue streams while avoiding GHG emissions and reducing our waste

Commitment

Work with others to eliminate unsustainable packaging

Target

Progress made through our partnerships and stakeholder engagement activities every year.

On track

The circularity of products is a complex and evolving topic that spans the entire value chain. No single organisation can solve the sustainability challenges our industry faces alone – we must work together through industry associations and cross-value chain initiatives to eliminate unsustainable packaging, drive innovation and promote circular solutions at scale.

SASB

We leverage our R&D centres and work with partners and customers to create innovative, sustainable packaging and paper solutions that are designed for recycling or compostability at end of life. Roughly 80% of our business is fibre-based with the remainder mainly comprising flexible plastic packaging solutions. The main impacts of fibre and plastic occur at opposite ends of the value chain. For fibre, it is at the start of the value chain during harvesting, while for plastic it is the end of life impacts of plastic pollution in the environment and oceans.

We direct our attention and resources towards partnerships and engagements along the value chain which we believe will enable us to have the most impact. Our Sustainable Development Committee and Executive Committee review our key engagements and partnerships annually and evaluate the progress we are making.

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

The extensive engagement we carried out to develop our MAP2030 commitments identified the need for a target on partnerships to underline the essential contribution of collaboration to driving change at scale. We work with a wide range of stakeholders to drive progress and eliminate plastic waste in the environment.

We have continued to actively participate in 4evergreen, a cross-value chain alliance hosted by Cepi to boost the role of fibre-based packaging in a circular economy and a climate neutral, sustainable society. The goal is to raise the overall recycling rate of fibre-based packaging in Europe to 90% by 2030, from 83% in 2020.[2]

We signed up to the Ellen MacArthur Foundation Global Commitment in 2018, committing to achieve 100% reusable, recyclable or compostable plastic solutions by 2025. The threshold used by the Ellen MacArthur Foundation to prove recycling or composting works 'in practice and at scale' is a 30% recycling/composting rate achieved across multiple regions, collectively representing at least 400 million inhabitants. By using this definition, Mondi has not reported progress on its recyclability metric. However, we reported 28% of our plastic packaging as designed for recycling based on the CEFLEX guideline. We have focused our product development on structures that contain 30%-50% post-consumer resin (PCR), as requested by relevant customers and in support of our Global Commitment target to have 25% of plastic packaging from recycled content (where it does not compromise functionality or food health requirements).

For example, we have a project using mechanically-recycled PCR for non-food and another using chemically-recycled resin for food packaging to comply with food safety requirements. The 2021 Progress Report is available online[3].

Other key partnerships include:

– Flexible Packaging Europe (FPE): plays an advocacy role for the European flexible packaging industry. We have been a member of FPE's sustainability committee since 2004. In 2020, FPE launched its vision for flexible packaging in a sustainable Europe. In collaboration with FPE and other industry partners, we are contributing to the development of the Product Environmental Footprint (PEF) Product Category Rules for flexible packaging with a supporting study.
– CEFLEX: a pan-European multi-stakeholder consortium working to make flexible packaging in Europe circular by 2025. We are participating in three of the seven work streams: design guidelines, sustainable end markets and facilitating technologies.
– Circular Economy for Labels (CELAB): an initiative focused on enabling the recycling of self-adhesive labels. We are active on the Board of CELAB Global and engaged in technical work streams in Europe and North America addressing data mining, logistics and recycling solutions.

How have we performed?

Our performance is not about the number of engagements but the quality of those engagements and the impact they achieve. It can be challenging to get agreement and drive progress in forums involving many different organisations operating across the value chain, but we are seeing progress.

We are engaging with the right organisations and remain focused on sharing our expertise and enthusiasm to unlock new opportunities for our business and our industry.

What's next?

– Continue with our key engagements to drive progress towards eliminating unsustainable packaging, particularly through our multi-stakeholder and cross-value chain collaborations
– Support the development of more harmonised approaches to collection, sorting and recycling across countries and regions
– Use insights from our internal benchmarking to continue to develop innovative, sustainable alternatives to products that are not recyclable or compostable at scale today; and encourage customers to make the transition to circular driven solutions

2 Source: Eurostat, https://ec.europa.eu/eurostat/databrowser/view/ten00063/default/table
3 https://ellenmacarthurfoundation.org/global-commitment/signatory-reports

WFP World Food Programme

Developing more sustainable packaging with the World Food Programme

In February 2021, we announced a three-year, $1 million partnership with the World Food Programme (WFP). The aim of our extensive packaging capabilities and R&D infrastructure will enable WFP to explore effective sustainable packaging solutions without compromising on essential functionality.

WFP does not endorse any product or service.

Mondi Action Plan 2030
Created by Empowered People

With around 26,500 people working in over 30 countries, we need to inspire a global workforce and enable them to develop the skills they need now and in the future. Digitalisation, automation and augmentation will shape the future workplace and we must develop skills programmes that enable everyone to acquire and refine the needed skills and capabilities.

Our role as an employer is one of our main contributions to society. We want to support our employees to realise their individual purpose and see their contribution to Mondi's purpose. A diverse workforce thinks more creatively and responds better to local contexts and changing environments.

Keeping people safe and healthy is a moral and a business imperative. Our operations involve high-risk activities and providing a safe and healthy working environment is a minimum expectation of our stakeholders. Looking after ourselves and each other is fundamental to our culture, mindset and daily conduct.

The challenges of COVID-19 highlighted the need to focus on supporting employees' work-life experience and mental wellbeing. Higher stress reduces concentration and slows reaction time which can lead to a higher risk of incidents and impact the physical and mental health of employees.

Inspire our people
Page 37-38

Commitment
Build skills that support long-term employability

Target
Enable our employees to participate in upskilling programmes

On track

We respond to changing requirements by creating upskilling programmes which support the personal growth and long-term employability of Mondi employees and empower our business to succeed.

Focusing on critical roles and succession planning, we create targeted programmes to enable employees to acquire and develop new skills to meet our strategic objectives and support individual career paths. Many operations also offer local training dedicated to the needs of their employees and businesses. Employees have access to diverse learning opportunities that are continually refined based on business need, employee feedback, best-practices, trends and new technologies.

Individual Development Plans (IDP) are a tool for employees to define their short and long-term goals. Mentoring and coaching also play an important role and transparency, assessment and feedback is key to supporting personal development.

Performance and Development Reviews (PDRs) and 360° feedback enable people to understand how their behaviours are perceived and identify strengths and areas for improvement.

We use both formal and informal processes to communicate and engage with employees, together with PDRs. In addition to our global intranet platform, regular local sessions focus on safety, operational objectives and the Mondi Way. Our Group-wide employee survey, conducted every two years, enables us to understand employee views and consider them in our strategy and decision-making. 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.

Target: Enable our employees to participate in upskilling programmes

Mondi Academy is our global learning hub which comprises a Group-wide training network including local academies. The Mondi Academy e-learning campus, launched in 2021, can be accessed anytime, from anywhere by our employees.

The Mondi Learning library also offers employees access to eBooks and audio learning in various categories. Additional upskilling offered to our employees includes external education, on-site and on-the-job training. We aim to help develop knowledge around products, innovation, people skills, agile ways of working, technology and trends impacting strategic business areas with a special focus on sustainability.

We have refreshed our targeted programme for First Line Managers who are the important link between the production floor and strategic decision makers. This programme focuses on the challenges of leadership and the importance of strategic focus on topics such as sustainability and diversity and inclusion (D&I). Content was refreshed in 2021 to increase the focus on agile leadership and people skills such as empathy and listening, giving guidance and feedback and fostering team collaboration.

How have we performed?

In 2021, 8,800 employees had access to the PDR process (2020: 8,400) with 8,600 completing their review using the online system (2020: 7,980). The opportunity to develop an Individual Development Plan (IDP) was used by 69% of employees with access to the PDR system. Around 600 employees received 360° feedback in 2021 (2020: 355).

We had 26,200 Mondi participants attend training offered by Mondi Academy international and local operations, with a 21% female participation rate. In total, our employees and contractors completed 741,700 hours of training in 2021 (2020: 617,470), including 46% of hours dedicated to safety training (2020: 42%). Our EcoSolutions and Sustainability trainings were offered in addition to the Mondi Academy initiatives, with 2,780 participants joining 30 internal online training sessions to build capacity. Since 2010, more than 1,200 Mondi managers have successfully participated in the First Line Managers' programme and 52 managers took part in 2021.

Group-wide employee and contractor training
Including acquisitions

	2021	2020
Total training hours	741,700	617,470
Average training hours per employee (including safety training for contractors)	28	24

Total training includes all local vocational, Mondi Academy, health and safety and EcoSolutions and sustainability training.

What's next?

- Continue to identify critical skills that benefit our employees and our business, and develop relevant learning and development opportunities
- Maintain succession planning as a key activity to make sure we have a strong pipeline, building on development programmes including international graduate programmes, young talent programmes and future leader programmes
- Further promote the take up of Individual Development Plans as key to individual career journeys

Commitment

Provide purposeful employment for all our employees in a diverse and inclusive workplace

Target

Achieve 90% Purpose Satisfaction score in our employee survey
On track

Achieve 90% Inclusiveness score in our employee survey
On track

Employ 30% women across Mondi
On track

Our commitment to providing purposeful employment is embedded in our culture and delivered through initiatives spanning leadership, personal development and employee engagement. Equal opportunity is a priority and we have zero tolerance for discrimination and harassment. This is addressed by our D&I Policy[1] and we are a signatory of the UN Women's Empowerment Principles.

Our D&I taskforce shapes our approach, supported by Executive Committee members via the D&I Steering Committee. While our policies and processes enable gender equality, we need to do more to ensure our people are hired, paid, and promoted fairly and equitably. Recruitment activities are aligned with our D&I Policy to promote diversity and ensure fair and non-discriminatory work practices for recruitment and succession planning.

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, where required.

Target: Achieve 90% Purpose Satisfaction score in our employee survey

Our most recent biennial employee survey, completed in 2020, highlighted the need to improve the emotional connection of our employees to Mondi. These insights were used to shape our MAP2030 framework. Two key areas identified for improvement were recognition and strengthening the pride of colleagues in Mondi. In response, we improved best-practice sharing, developed communication and engagement campaigns and established a cross-country employer branding focus group. These activities are complemented with a broad range of local initiatives.

1 https://www.mondigroup.com/media/12838/diversity-policy-october-2020.pdf

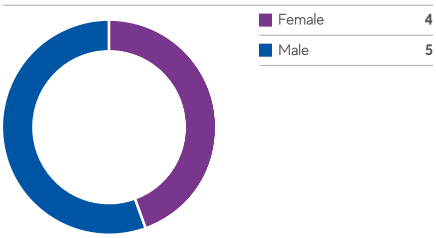
Created by Empowered People continued

Gender diversity 2021* SASB

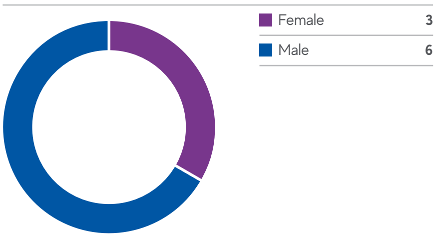
	Male	%	Female	%
Directors	5	56%	4	44%
Senior managers	266	80%	68	20%
Employees	21,237	79%	5,585	21%

* As at 31 December 2021. Senior managers as defined by Mondi and including subsidiary directors in accordance with the definition set out in Section 414C of the UK Companies Act 2006

Diversity of the Board



Diversity of the Executive Committee



Target: Achieve 90% inclusiveness score in our employee survey

Our aim is to create equal opportunities for people from all walks of life and across all aspects of gender, race, ethnicity, age and sexual orientation.

We are developing an inclusive culture where all employees can grow and contribute to Mondi's success based on their individual backgrounds, experience and ideas.

In 2021, we created a roadmap for delivering our MAP2030 commitment including plans to evolve our D&I strategy, develop leaders as D&I change agents and establish a global community to drive D&I initiatives. These aims will be achieved through community building, learning and development, and supporting targeted and fair recruitment practices.

We invest in recruiting and developing a diverse and agile workforce. All Mondi Academy programmes include elements designed to increase intercultural competences and D&I awareness. Other initiatives include mentoring (and reverse mentoring), conscious inclusion and global leadership training. The conscious inclusion training was completed by 123 employees in 13 teams in 2021 (2020: 97 employees in 10 teams).

Target: Employ 30% women across Mondi

Increasing the representation of women at all levels is a strategic priority in the traditionally male-dominated forest products and packaging sectors. To establish an ambitious but realistic target, our goal of 30% representation of women across Mondi was derived by analysing labour market data and education statistics as well as internal data such as the 2020 baseline of 21% women and turnover rates.

To reach our new ambition, four out of every ten new hires will need to be women as of the 2020 baseline. Ensuring equitable processes to hire and promote diverse talent and developing a diverse succession pipeline will be key. We are critically reflecting on our current recruitment practices to achieve this. Employees with potential for future development are identified through roundtable processes that include time for reflection on biases and hidden talents to ensure we take care to give fair consideration to everyone.

How have we performed?

We first measured Purpose Satisfaction in our 2020 employee survey resulting in an overall score of 78%. This index comprises questions covering development opportunities, pride to work for Mondi, recognition and personal accomplishment, among others.

Our 2020 employee survey also included a set of questions covering respect, fairness and trust to evaluate our approach towards improving D&I. The result was a 79% favourable score which is the baseline for our ambitious target of an Inclusiveness score of 90% by 2030.

At the end of 2021, 21% of employees were female (2020: 21%) and there were four female directors (44%) on the Mondi Board (2020: 25%). Female representation on our Executive Committee is 33% (2020: 33%) and the proportion of female direct reports to the Executive Committee is 30% (2020: 29%).

What's next?

- Continue to implement measures to provide a purposeful workplace and equal opportunities
- Mainstream D&I and broaden our D&I community by raising awareness and fostering personal growth among all managers and employees
- Evolve our 2022 employee survey to provide a more flexible process and find new ways to engage frequently to understand employee needs, particularly related to purpose, inclusion and engagement

Nominations Committee
Page 121-125
Inspire our people
Page 37-38

Commitment

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

Target

Zero fatalities

On track

Zero life-altering injuries

Slightly behind target

15% reduction of total recordable case rate (TRCR)

On track

Support our employees in pursuit of a work-life experience that enhances their wellbeing

On track

Our operations drive awareness of and take measures to improve health and mental wellbeing

On track

Our MAP2030 commitments and core values of Performance, Care and Integrity hold us accountable for creating a working environment that values safety, health and mental wellbeing.

Our safety approach centres on a 24-hour safety mindset and managing top risks. We are shifting our focus from traditional safety, which focuses mainly on controls, to addressing social psychology and cultural elements to drive continuous improvement in our safety performance. We use 'current' and 'lead' indicators in addition to traditional 'lag' indicators to drive proactive efforts to address risks before an incident occurs. Performance against these indicators form part of our senior managers' bonus scheme.

We seek to create a positive work-life experience that enhances performance, attracts and retains talent and supports the physical and mental health and wellbeing of our employees and contractors in our offices, plants, mills and forestry operations. We are developing flexible working models and increasing efforts to give all employees access to assistance programmes and support, with a strong focus on mental wellbeing.

Targets: Zero fatalities, life-altering injuries and 15% reduction of total recordable case rate (TRCR)

We are committed to going beyond industry-minimum requirements to ensure our employees and contractors return home safely, every day. Our target of a 15% reduction in total recordable case rate is set against our already impressive 2020 baseline, meaning a 1.5% reduction per year on average.

We promote a 24-hour safety mindset and strive to bring the unconscious to the conscious – thinking about the work we do before starting to ensure it is done safely. We are rolling out an engagement board process to help our leaders to engage with employees and contractors with a focus on social psychology of risk elements.

While COVID-19 slowed implementation of some of our safety and health tools and training, we still delivered most of our training sessions online in 2021. This included 290,102 hours of general safety training and 39,943 hours of critical safety training against a target of 167,510 hours. 89 people have now attended the fifth module of the dedicated programme for safety, health and environment (SHE) professionals and 1,566 people have attended the three-day first-line managers training programme.

How have we performed?

There were no fatalities in 2021 but one of our contractors unfortunately experienced a life-altering injury in January 2021 when they slipped during winter conditions while disembarking a harvester in our forestry operations in Finland, losing a finger as a result. To prevent reoccurrence, the operation has reviewed clothing and jewellery policy to address the wearing of rings.

A life-altering injury occurred in January 2022, when an employee lost four fingers while working on rotating equipment. The incident was investigated and actions were taken accordingly to prevent a reoccurrence.

We had 240 recordable cases in our operations (excluding acquisitions) in 2021; 176 related to employees and 64 to contractors (2020: 217; 157 related to employees and 60 to contractors). This equates to a TRCR of 0.62 (2020: 0.58); 0.74 related to employees (2020: 0.68); and 0.43 related to contractors (2020: 0.43). This represents a 6.2% increase compared with our 2020 baseline. We have achieved our TRCR milestone for 2021, set at 0.62 to allow for the longer shut at our Richards Bay mill (which included a recovery boiler rebuild, involving many contractors, additional risk and working hours).

Our operations involve high-risk activities, meaning that it is a moral and a business imperative to ensure everyone who works for and on behalf of Mondi stays safe and healthy

Created by Empowered People continued

Target: Support our employees in pursuit of a work-life experience that enhances their wellbeing

Target: Our operations drive awareness of and take measures to improve health and mental wellbeing

With many non-production employees working remotely during the pandemic, we established a taskforce to develop a new Flexible Work Framework that will cover all Mondi colleagues regardless of whether they work in an office, plant, mill or in forestry. We have also developed training and tools to enable our leaders to adapt how they engage with their teams, including remote leadership trainings.

The Employee Assistance Programme (EAP) is a 100% confidential telephone service provided by an external company of qualified counsellors. In 2021, the EAP was expanded to cover 97% of Mondi colleagues worldwide who can now rely on an EAP-equivalent system for help and support.

Occupational health programmes are in place at all our operations. Initiatives to promote health and wellbeing include mobile health clinics in South Africa, on-site health and wellbeing facilities and promotion of sports, health and recreation.

We established vaccination and testing facilities at several Mondi operations and ran educational and awareness campaigns and provided psychological support to address anxiety of employees and families during the pandemic.

How have we performed?

Monitoring performance against this commitment is challenging. Quality of work-life experience and mental wellbeing are very individual and difficult to define and measure as a KPI. We are developing a more flexible approach to understand the views of our employees through our employee survey.

What's next?

- Continue to develop and implement tools to increase understanding of social psychology of risk and drive improvements across all aspects of risk and safety
- Develop frameworks and practices for operations which incorporate concepts of mental health and wellbeing to ensure projects are designed with consideration of the impact on people
- Continue to roll out and raise awareness of assistance programmes and culture initiatives in support of mental health
- Continue to explore aspects of flexible working such as when we work and how much we work as the next phase of our Flexible Working Framework

SUPPORT + CARE

Rising to the challenges of the pandemic

The hashtag #StrongerTogether was created in 2020 as a symbol for Mondi employees' solidarity and support for each other in difficult times. What started with a simple word became a global movement in 2021 and the focus shifted to mental health and wellbeing while restrictions around the world remained in place.

#StrongerTogether

Taking Action on Climate

The impact of climate change and pace of change is proving a challenge for governments as they plan their future programmes. The private sector plays a critical role in setting targets and innovating to reduce greenhouse gas (GHG) emissions to help drive the transition to a low carbon economy.

Taking committed steps to reduce our GHG emissions will help minimise our contribution to climate change and improve efficiency as we reduce our energy use and deliver value through sustainable solutions. Our primary direct carbon impact occurs through combustion of fuels to generate the energy required for our manufacturing (Scope 1).

We also purchase energy from the grid (Scope 2) and have indirect GHG emissions throughout the value chain mainly as a result of our purchase of raw materials, fuels and transportation (Scope 3).

Our planet is facing a dual crisis of climate change and biodiversity loss which are closely interconnected. Climate change mitigation relies on nature-based solutions such as resilient forest ecosystems and resilience in nature depends on the ability of ecosystems to adapt to a changing climate. This is why we put commitments on zero deforestation, healthy and resilient forests, biodiversity and water stewardship at the centre of our climate action.

Read our in-depth review of how we manage climate-related risks and opportunities in our TCFD statement
Page 60-67

Commitment

Reduce our greenhouse gas (GHG) emissions in line with science-based targets

Target

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

On track

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

On track

Set a science-based Scope 3 reduction target by 2025

On track

Our MAP2030 Climate Action roadmap supports the transition to a low carbon economy by reducing our carbon footprint across the value chain and shifting to low carbon energy.

We use a science-based approach to set targets that are in line with climate science, while combining strategic energy-related investments at our pulp and paper mills with good management and best practice sharing. We have invested around €650 million in energy-related projects since 2015 with an additional €400-500 million in the pipeline for energy-related investment projects by 2025.

Energy-related investments
Page 62

In 2021 we committed to set an ambitious science-based target to achieve Net-Zero by 2050 in line with the Science Based Targets initiative (SBTi) guidelines for a Net-Zero commitment. This means that we have clear action plans to reduce GHG emissions in line with a 1.5°C scenario and have set a Scope 3 target for our indirect emissions. We will publish and report against our updated targets once they have been validated by the SBTi later this year. In addition, we remain committed to zero deforestation in our wood fibre supply chains and to maintaining carbon sinks in forestry through implementation of best forest management and silviculture practices.

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

SASB

This science-based reduction target covers more than 95% of the total Scope 1 and 2 GHG emissions[1] 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. 44% of the Group's Scope 1 emissions are reported in regions with limits on GHG emissions of which 27% are covered by the EU ETS and 17% by South Africa's carbon tax.

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

Taking Action on Climate continued

We have been investing to improve the energy efficiency at our plants and shifting our fuel mix to renewable biomass which offers the most significant potential for reducing our GHG emissions. As a result, Mondi has steadily increased its electricity self-sufficiency over time. In 2021, we purchased 53,190 TJ of fossil fuels and used 97,800 TJ of biomass to generate most of our energy and electricity on-site in our energy plants. In addition to the energy we need to run our operations, we also sell excess heat to external energy users, such as local communities. The energy sold resulted in 0.8 million tonnes of GHG emissions (2020: 0.8 million tonnes) accounting for 21% of the Group's total CO_2e emissions in 2021.

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

One of our priorities is to reduce the amount of energy we use in our processes which also reduces our need for electricity from external grid providers. We have developed a roadmap to reduce the Scope 2 factor kg CO_2e/MWh of regional electricity purchases. We are investigating long-term power purchase agreements (PPAs) with green electricity providers (e.g. windfarms and photovoltaic energy providers) to further increase our future renewable electricity supply. Where no alternative renewable electricity is currently available (for example in South Africa), reduced Scope 2 emissions can be achieved by investing in our mills' electricity self-sufficiency using renewable sources, where feasible.

Target: Set a science-based Scope 3 reduction target by 2025

Our Scope 3 emissions are estimated to represent 45% of our total GHG emissions. We have developed a science-based Scope 3 GHG reduction target as part of our Net-Zero plan. Engaging with suppliers, especially suppliers of raw materials and fuel, is key to reducing our Scope 3 GHG emissions. We will intensify supplier engagement and request carbon footprint data and information on supplier GHG emissions reductions targets and plans to transition to Net-Zero.

SASB

GHG emissions of our pulp and paper mills

	2014 baseline*	2020	2021	% change 2020-2021
Absolute Scope 1 emissions (million tonnes CO_2e)	4.3	3.5	3.6	1.2%
Absolute Scope 2 emissions (million tonnes CO_2e)	1.0	0.43	0.45	4.5%
Specific GHG emissions (tonnes CO_2e per tonne of saleable production)**	0.84	0.64	0.63	-2.3%
Specific Scope 1 emissions (tonnes CO_2e per tonne of saleable production)	0.69	0.57	0.56	-2.6%
Specific Scope 2 emissions (tonnes CO_2e per tonne of saleable production)	0.15	0.07	0.07	0.5%

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 been engaged to provide 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

* 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 (0.50 t/t) and to energy sales (0.13 t/t)

Energy consumption of our pulp and paper mills

	2014 baseline	2020	2021	% change 2020-2021
Energy consumed by pulp and paper core processes in the form of heat and electricity at our operations (billion kWh)	25.2	26.3	26.3	0.2%
Energy purchased by our mills from external sources (billion kWh)	2.1	1.0	1.2	29.5%
Total electricity requirements for producing pulp and paper (billion kWh)	5.6	5.8	5.6	-3.4%
Total heat requirements for producing pulp and paper (billion kWh)	19.6	20.4	20.7	1.2%
Energy sold to the local grids (billion kWh)	3.0	2.3	2.4	4.2%
Total energy sales including green fuel sales (billion kWh)	3.6	2.8	2.8	3.2%
Our mills' electricity self-sufficiency***	95%	104%	99%	-5%

***Including energy generated for sale

Energy consumption of Group (including converting plants)

	2020		2021	
	Mondi Group	UK operations	Mondi Group	UK operations†
Total energy use (million kWh)	43,500	9.0	41,589	–
Energy purchased (million kWh)	1,542	3.5	1,852	–
Scope 1 emissions (t CO_2e)	3,667,020	1,247	3,715,327	–
Scope 2 emissions (t CO_2e)	652,237	873	630,254	–

† No UK production sites were operated in 2021

How have we performed? SASB

In 2021, we reduced the specific Scope 1 emissions of our mills by 2.6% to 0.56 t CO_2e/t (2020: 0.57 t CO_2e/t), mainly due to our investments in our Syktyvkar (Russia) and Ružomberok (Slovakia) mills. Since 2004, the baseline year of our first Group-wide GHG target, we have reduced specific GHG emissions by 46% and our absolute GHG emissions by 37%.

43% of our purchased electricity is now from renewable sources (2020: 5%). Our converting operations contribute 29% of the Group's total Scope 2 emissions and are focused on increasing energy efficiency and purchasing electricity from renewable sources. In 2021, we decreased our total Group's Scope 2 emissions by 3.4% by securing renewable electricity at our mills in Dynäs (Sweden), Ružomberok (Slovakia) and Frantschach (Austria).

Our Scope 3 emissions in 2021 were estimated at 3.5 million tonnes CO_2e, an increase of 9.1% against 2020, mainly due to improved data (e.g. replacing secondary data from publicly available and accepted data sources with primary data from our suppliers).

What's next?

- Work with SBTi to validate our updated Scope 1, 2 and 3 short-term GHG reduction targets and our new long-term science-based Net-Zero targets
- Continue to invest in energy efficiency and fuel change to reduce Scope 1 emissions, especially through the modernisation of our on-site energy plants
- Intensify engagement activities with partners and suppliers to support our Scope 3 reduction plan
- Continue to engage with electricity providers to further increase the share of renewables of our electricity purchased

Energy management SASB

- Mondi Group generates 99%[2] of the electricity required for its manufacturing sites in its own energy plants
- 4,452 TJ of excess energy is sold in the form of steam (e.g. for central heating), and 4,176 TJ of electricity is sold back to the public grid
- 65% of the fuels incinerated in our energy plants in 2021 were biomass, of which 84% are generated from by-products of the pulp process or from our wastewater treatment plants

2 This figure includes energy generated for electricity sales. The total is the average across all our operations and does not imply that each operation is self-sufficient

Continued collaboration with partners and customers is one of our key priorities as we tackle our Scope 3 emissions going forward

Commitment

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

Target

Maintain 100% FSC™ certification in our own forest landholdings

On track

100% responsibly sourced fibre with 75% FSC™- or PEFC™-certified fibre procured by 2025 and the remainder meeting the FSC™ Controlled Wood standard

On track

Implement leading forestry measures to ensure productive, healthy and resilient forests

On track

Healthy and resilient forests are vital to the circular bioeconomy as a source of low carbon, renewable, recyclable and compostable material. Forests are also central to our business as wood fibre is our most important raw material for producing our sustainable paper and packaging solutions.

Deforestation remains a major global challenge and a leading contributor to climate change and biodiversity loss. At the same time, some production landscapes face challenges to the health and resilience of forests due to changing climatic conditions such as heavy rainfall, drought, frost and windstorms.

We are committed to ensuring deforestation-free supply chains and to prioritise sourcing from markets close to our pulp and paper mills across central Europe, South Africa and north-western Russia, while implementing our due diligence management system (DDMS). We do not use indigenous tropical tree species or genetically modified trees, nor do we accept CITES and IUCN protected tree species.[3]

We consume around 17 million m^3 of wood annually in the form of round wood and wood chips. We manage around 2.4 million hectares of natural forestry landholdings in Russia and 254,000 hectares of plantation forest landholdings in South Africa, from where we source around one quarter of the wood we consume. Nearly three quarters of our wood is purchased from external suppliers, mainly in central Europe. We also buy a small proportion of pulp and packaging paper from the market – 0.3 and 0.8 million tonnes respectively.

Our commitment is to use 100% responsibly sourced fibre, which is FSC- or PEFC-certified or compliant with FSC Controlled Wood standard as a minimum. Controlled Wood standards are instrumental in addressing legal, environmental and social requirements through a risk-based approach which is underpinned by third party country-level risk assessments embedded into our DDMS.

3 The Convention of International Trade on Endangered Species (CITES) or the Red List of International Union for Conservation of Nature (IUCN)

Taking Action on Climate continued

Target: Maintain 100% FSC™ certification in our own forest landholdings

Credible third-party certification supports our forestry operations in complying with internationally recognised standards for sustainable forestry inclusive of environmental management. We reached the milestone of 100% of our forestry landholdings FSC-certified in 2009 and have maintained this level of certification ever since.

We ensure timely certification of newly acquired landholdings. In Russia, we extended our forestry landholdings up to 2.4 million hectares by leasing an additional 229,000 hectares in 2020 and 161,000 hectares in 2021. The vast majority of new areas are included in the scope of our existing FSC and PEFC certificates. We are preparing the remaining 36,000 hectares for certification in 2022. In South Africa, we successfully maintained FSC forest management certification for 254,000 hectares of our landholdings.

Target: 100% responsibly sourced fibre with 75% FSC™- or PEFC™-certified fibre procured by 2025 and the remainder meeting the FSC™ Controlled Wood standard

We have defined specific certification targets for each of our mills considering the availability of certified forests in local wood sourcing regions. Most of the countries where Mondi operates have high demand for certified wood and we face a challenge with limited availability of certified forests in some sourcing regions. We are working with partners to increase the availability of certified wood fibre in these regions.

Target: Implement leading forestry measures to ensure productive, healthy and resilient forests

We have an opportunity to lead the way in our own forestry operations by developing best practice silviculture and other forest management practices.

In South Africa, we have developed a comprehensive tree improvement programme as well as silviculture techniques to maintain healthy, resilient and productive tree plantations. In Russia, while protecting the most valuable primary forests, we have established a long-standing programme to support the sustainable intensification of commercially used forest areas.

In central Europe, we support the uptake of climate-fit forestry practices through collaboration with partners and suppliers. In 2021, this included a Think Tank meeting that we arranged with business and science representatives within our partnership with IUFRO towards climate-fit forests.

More broadly, we have worked with other members of the WBCSD's Forest Solutions Group (FSG) to develop the 'Forest Sector Net-Zero Roadmap' to convey the transformational role of the forest sector in tackling climate change.[4] Through our membership of the Confederation of European Paper Industries (Cepi), we also engaged in discussions related to the EU Green Deal, specifically on the EU Forest Strategy and the EU Biodiversity Strategy.

How have we performed?

We have maintained 100% of our own forestry landholdings as FSC-certified complemented by other certification schemes. Both our forestry operations successfully maintained certification of their environmental management systems according to the ISO 14001 (2015) standard.

100% of our wood fibre procured in 2021 was from responsible sources with 77% FSC- or PEFC-certified wood and the remainder being compliant with the FSC Controlled Wood standards.

We continued to develop and implement leading forestry measures in line with our target. In particular we have ensured that average annual growth exceeds wood harvesting rates in our landholdings and have controlled the risk of catastrophic fires with a robust fire management system.

What's next?

- Continue to support development of forest management certification at scale, promoting a balanced approach to the role of sustainably managed forests for wood fibre production while maintaining their role for climate change mitigation, biodiversity conservation and other ecosystem services
- Build on current science-based collaborations to develop a comprehensive and accurate understanding of the climate change mitigation and adaptation potential in our own forestry landholdings and external wood sourcing areas and products
- Conduct a peer review of our carbon balance, taking into account the new international accounting guidelines being developed for carbon removals as part of the GHG Protocol

Procurement
Page 72-74

Working with IUFRO for climate-fit forestry

In July 2021, we announced a three-year partnership with the International Union of Forest Research Organizations (IUFRO) to identify viable responses to climate-related threats to forests and forest-based industries. We aim to establish a science-business platform to address climate challenges and identify ways forward for the forestry and business community.

4 https://www.wbcsd.org/Sector-Projects/Forest-Solutions-Group/Resources/Forest-Sector-Net-Zero-Roadmap

Commitment

Safeguard biodiversity and water resources in our operations and beyond

Target

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

On track

Conduct biodiversity assessments at our mills and forest operations, introducing biodiversity action plans where necessary by 2025

On track

The proceedings of COP26 once again highlighted the critical role of nature with a strong call for urgent action to stop nature loss and to reverse the trend and achieve full recovery by 2050. A number of international frameworks on nature assessment and accounting are emerging to help drive this change by making impacts and progress measurable and quantifiable.

Biodiversity and water stewardship assessments for our forestry operations and mills support us to manage our impacts and dependences on nature to achieve healthy ecosystems around our manufacturing sites and beyond at a landscape level.

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

SASB

In addition to the impacts of climate change on freshwater ecosystems and water cycles, industrial water withdrawal from freshwater ecosystems can lower the water table, reducing the volume of water available to other stakeholders and the healthy functioning of ecosystems. This can have negative economic and social consequences for local communities. We have made water stewardship a priority, especially in water-stressed and water-scarce regions.

We work with our partners to develop approaches for evaluating and mitigating the impacts on quantity of water available and quality of freshwater ecosystems in key water catchments.

We extended our WWF-Mondi Water Stewardship Partnership for the next three years to promote best practices across priority water catchments. We are also a member of the Alliance for Water Stewardship (AWS) – a global membership collaboration comprising businesses, non-governmental organisations (NGOs) and the public sector. Together with WWF and AWS, we consolidated best available practices gained from our membership to develop a Mondi Group Water Stewardship standard which we are implementing. We will assess all our mills and forestry operations according to the Group Water Stewardship Standard by 2025 and identify actions, investments and stakeholder engagement activities.

In 2021, we revisited the water stewardship assessments at our South African operations to assess compliance with our new corporate Group Water Stewardship Standard and define actions. The criteria include requirements related to the water stewardship policy, plan and strategy as well as commitments related to water, sanitation and hygiene (WASH). Our Richards Bay and Merebank mills currently have over 80% of criteria fully or partly fulfilled. Mondi South Africa is creating an action plan to address gaps such as understanding the embedded water use of outsourced services and evaluating value created by water stewardship partnerships.

Target: Conduct biodiversity assessments at our mills and forest operations, introducing biodiversity action plans where necessary by 2025

We have been implementing biodiversity conservation measures in our forestry operations for more than 15 years. Many of these measures were developed through local partnerships with NGOs and scientists as well as our engagement in certification schemes.

In 2021, we conducted a biodiversity status review of our South African forestry operations to evaluate the state of biodiversity in the operational landscape and the effectiveness of environmental management systems in maintaining or enhancing these biodiversity values. We engaged a range of local biodiversity experts to inform our review. Our new partnership with the Endangered Wildlife Trust provided an evaluation which we will use to benchmark our biodiversity management efforts and outcomes.

In Russia, we have worked with local NGO Silver Taiga Foundation to produce practical guidelines on biodiversity conservation in Komi Republic. In 2021, with support from Mondi and other large forest companies in the region, Silver Taiga Foundation produced video instructions on biodiversity conservation measures during logging operations to make the guidelines more accessible to wood suppliers, including SMEs.

In 2021, we reviewed the reports for our mills in Kematen and Hausmening (both Austria) in detail. No material issues requiring biodiversity action plans were identified.

How have we performed?

We conducted water stewardship assessment in two mills. We also finalised biodiversity status reviews of our mills and proceeded with action plans in three mills. We have also undertaken a biodiversity status review in our forestry operations in South Africa and conducted preparatory work for a similar assessment in Russia.

What's next?

- Continue to update biodiversity and water stewardship status reports and action plans for our forestry operations and define a set of high-level KPIs
- Continue rolling out assessment of biodiversity and water stewardship in our mills and set actions based on materiality of the issues identified
- Continue to define key principles for our multi-stakeholder and landscape-level approaches to ecosystem stewardship

Taking Action on Climate: TCFD

We are committed to reducing our carbon emissions and have been taking action to reduce our carbon intensity for nearly two decades

Our TCFD journey

Investing in our energy-intensive operations, driving more responsible and sustainable practices and setting ambitious targets has paved the way for our success over a number of years and sets a platform for our future plans and investments as we continue our drive to transition to a circular economy and further reduce our emissions.

COP26 highlighted the broad action being taken to mitigate the worst impacts of climate change, such as national commitments to the Net-Zero Standard, a phase-down in coal and a commitment to fund the ending and reversal of deforestation.

Although COP26 brings us another step closer to addressing climate change, there is further commitment and action required to limit global warming. We recognise that the impact of climate change gives rise to key physical and transitional risks. We also recognise clear opportunities for our business with sustainability at the centre of our strategy to drive value accretive growth.

MAP2030, and our focus on taking action on climate, are key to helping us achieve our sustainability goals. The Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) recommendations facilitate clear disclosure of our governance, strategy, risk management and metrics and targets in relation to our climate change-related risks and opportunities, enabling transparent disclosure on how we are taking action on climate.

The timeline below shows how we have integrated the TCFD recommendations into our journey of taking action on climate, specifically tracking our reduction of greenhouse gas (GHG) emissions since setting our first Group-wide GHG reduction target in 2005 against a 2004 baseline. GHG reduction continues to be a key focus in MAP2030.

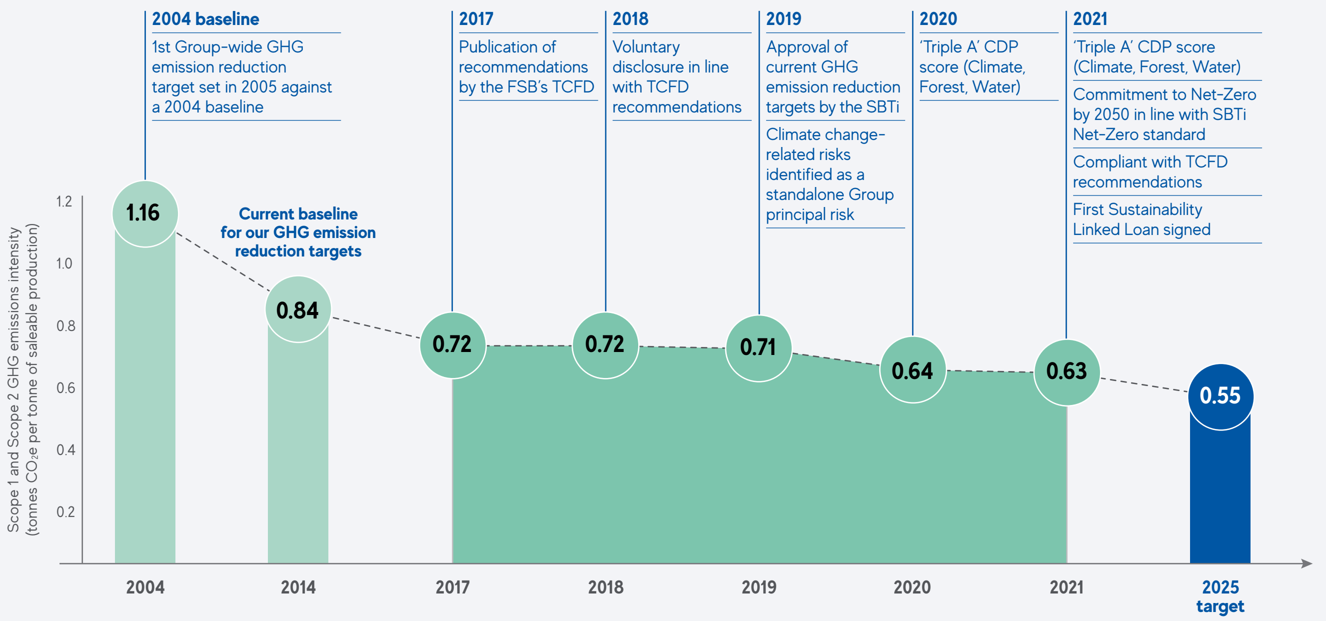
Future of our TCFD reporting

As part of our ongoing review of our performance and recognising that our operations are energy-intensive, we are revising our previously approved science-based GHG emission reduction targets and accelerating plans to take action on climate by committing to transition to Net-Zero by 2050, in line with the Science Based Targets initiative (SBTi) new Net-Zero standard. This means that we have defined clear action plans to reduce our GHG emissions according to a 1.5°C scenario. We are in the process of validating our updated targets with the SBTi.

In response to our increased ambition, we will continue to build on our assessment of the Group's climate change-related risks and opportunities, enhance the quality of our scenario modelling and develop the risk management and mitigation approach throughout the Group.

Mondi supports the establishment of the International Sustainability Standards Board (ISSB) and the future development of globally adopted sustainability disclosure standards.

Our journey of taking action on climate



Compliance statement

In line with the UK Listing Rules, we confirm that the disclosures included in the Integrated report and financial statements 2021 are consistent with the TCFD Recommendations and Recommended Disclosures. This section contains the relevant disclosures or otherwise provides cross-references where the disclosures are located elsewhere in the report.

Governance

TCFD Recommended disclosures	Further information
a) Describe the Board's oversight of climate-related risks and opportunities	**Corporate governance report** Page 129, 133-135
b) Describe management's role in assessing and managing climate-related risks and opportunities	**Sustainable Development Report** www.mondigroup.com/sd21 Page 98

While the Board as a whole has responsibility for overseeing our approach to sustainability, the Sustainable Development Committee, on behalf of the Board, oversees and monitors our 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.

The Sustainable Development Committee met six times during 2021, with climate change-related matters discussed by the committee at the majority of these meetings. Every Board member attends each meeting of the Sustainable Development Committee, even if they are not a member of the committee, providing context for Board discussions. The Chair of the Sustainable Development Committee also reports back to the Board after every meeting. Further details on the experience of our Sustainable Development Committee members can be found on pages 104-105.

In addition, the Executive Committee, chaired by the Group CEO, and the operational management team consisting of senior executives from across Group operations, monitor our approach to sustainability. The Executive Committee regularly reviews progress against our sustainability commitments and targets. In addition, all papers and updates prepared for the Sustainable Development Committee, including those relating to climate change, are reviewed and discussed by the Executive Committee, prior to submission to the Sustainable Development Committee, allowing the Executive Committee to develop its understanding and awareness of sustainability matters and to provide relevant input.

Progress against our sustainability commitments and targets, articulated through MAP2030, was an integral part of the Sustainable Development Committee's agenda throughout the year, with each of the key action areas reviewed and focus given not only to the current status of each commitment, but also to the actions being taken towards achieving these commitments. Further details of our performance in this regard can be found on pages 133-135.

Alongside this, the Sustainable Development Committee also spent time considering the climate change-related risks and opportunities facing the Group in the context of the recommendations of the TCFD. Each risk and opportunity was reviewed and discussed in detail, considering in particular the potential impact in each case. The Sustainable Development Committee acknowledges that this is an evolutionary process, with the quantification of the financial impact and the methodologies applied being continually refined, and that these discussions support the development of the committee's understanding of these risks and opportunities and provide context not only for Mondi's plans for addressing climate change but also its wider decision-making.

During 2021, the Sustainable Development Committee also addressed a number of other key matters including sustainable development governance and risks, environmental performance and climate change, forestry, stakeholder relationships and product stewardship. Further details on the key matters considered by the Sustainable Development Committee. during the year can be found on page 135.

Oversight and responsibility for environmental, social and ethical performance of the Group

Our sustainability governance framework

Mondi Board

Management frameworks

Sustainable Development Management System, Corporate Governance Code, other management systems, policies, standards and externally verified certification

Sustainable Development Committee

- Chaired by an independent non-executive director
- Oversees the Group's sustainable development approach, policies, performance and commitments
- Responsible for the governance of matters related to the environment, **climate change**, labour, human rights, biodiversity and product stewardship
- Ensures alignment with global best practice

Executive Committee

- Chaired by the Group CEO
- Management responsibility for sustainability performance within operations guided by the Sustainable Development Committee
- Ensures that business unit line management holds primary responsibility and accountability for sustainability performance

Other committees of the Board

Including Audit Committee and Remuneration Committee

Group functions and networks

Sustainable development, legal, human resources, communications, procurement, internal audit and global specialist networks:

- Safety and occupational health
- Social sustainability
- Energy
- Fire safety
- Environment
- Product stewardship
- Kraft recovery boiler
- Wood supply

Business unit and operational level responsibilities

Taking Action on Climate: TCFD continued

Strategy

TCFD Recommended disclosures	Further information
a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term	**Principal risks** Page 92
b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning	**Strategic performance** Page 32-41 **Taking Action on Climate** Page 55-59
c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	**Our strategy** Page 30-34

Sustainability is at the core of Mondi's strategy and we have a long-standing focus on becoming less carbon intensive. Since 2014, we have reduced our GHG emissions (per tonne of saleable production) by 25%. This has been achieved through targeted investments to reduce our reliance on fossil fuels and increase energy efficiency across our operations as described in the case study below. We believe that we have the right strategy, including our commitment to Net-Zero by 2050, to address the challenges and opportunities arising from climate change-related risks. There are many uncertainties around the impacts of a business-as-usual scenario[1] (BAU). While we continue to enhance the quality of our scenario modelling and further understand the impact under a 2°C scenario[2] (2DS) and a BAU scenario, we consider that based on our current understanding our strategy is resilient.

The Group's climate change-related risks and opportunities are routinely considered in our strategic and financial planning, our capital allocation decisions and in operational management. Climate change-related risks have been identified as one of our strategic principal risks and are reflected in our accounting policies and financial reporting.

The impact of climate change is considered in the estimates of future cash flows used in the impairment assessment of goodwill, as detailed on page 196. Climate change is, as detailed on page 198, included as a factor that impacts the conversion factor used in the assumptions for valuation of the Group's forestry assets and as a factor incorporated into the risk premium applied to mature and immature timber. Climate change was considered in the assessment of fair value of assets and liabilities acquired in business combinations as detailed on page 212. The Group accounting policies reflect the impact of climate change considerations in relation to the assessment of the residual values and estimated useful economic lives of property, plant and equipment, as detailed on page 226, and in relation to the accounting policy applied for the valuation of forestry assets and the assessment of goodwill for impairment.

1 The Representative Concentration Pathway's 8.5 (RCP8.5) scenario is a business-as-usual (BAU) 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

2 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 CO_2 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

MODERNISATION + DECARBONISATION

For nearly two decades, GHG emission reduction targets have been central to our approach as a manufacturer with energy-intensive processes and to our strategy for delivering sustainable growth. Our current commitments, outlined in MAP2030, build on the progress we have achieved so far and set ambitious targets into the future.

Energy-related investments can drive decarbonisation and enhance our asset base. Since 2015, we have invested around €650 million in energy efficiency measures and low carbon generation technologies across our manufacturing operations. Some of our key projects completed include a new recovery boiler, turbine and biomass boiler at Świecie (Poland) in 2015, energy-related investments at Štětí (Czech Republic) as part of the mill's overall modernisation completed in 2018, and upgrading the energy plant in Syktyvkar (Russia) in 2019.

Recently, we completed the investment to replace two coal boilers with new standby power boilers at our Świecie mill, modernised the energy plant at our Richards Bay mill (South Africa), and commissioned a new evaporation plant at our Syktyvkar mill.

Building on this strong progress to date, we continue to investigate and approve additional capital investment projects. We have identified a number of energy-related projects, totalling around €400-500 million, that will support us achieving our science-based 2025 reduction target. This includes a €135 million project at our Syktyvkar mill to further modernise the energy plant, upgrading the energy plant as part of the expansion project at Kuopio (Finland) and a number of additional projects under investigation.

These projects evidence our continuous drive to improve our environmental performance and operate sustainably by investing through-the-cycle in our production network.

During the year, we identified seven climate change-related risks and three climate change-related opportunities that we have assessed as material to our business. Materiality considers both financial impacts and other considerations such as the importance of key climate change-related topics to internal and external stakeholders. Further details on our approach to materiality are detailed on page 22. For additional information please visit our Sustainable Development report.

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, low carbon 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 business and society directly and have the potential to affect the economy.

The TCFD recommends applying widely used reference scenarios that are publicly available and peer reviewed. For the year ended 2021 our assessment of the financial implications of our climate change-related risks was prepared considering a 2DS and BAU scenario in line with our commitments published in 2019.

Going forward we will further our understanding of the financial implications of our commitment to transition to Net-Zero by 2050, in line with the SBTi new Net-Zero standard, and the impact of assessing our climate change-related risks in line with a 1.5°C scenario.

Physical risks and opportunities are considered more severe under the business-as-usual scenario as under this scenario, physical climate change-related events will be more frequent and severe with an increased likelihood of impact on our business. Under the 2°C scenario we still observe some impacts of physical climate risks. Our mitigation measures are designed to reduce the impact of these risks under both presented scenarios.

In contrast to physical risks, transition risks and opportunities increase in likelihood under the 2°C scenario with earlier policy action and a more aggressive transition. This is driven by an increase in stricter regulations around carbon and energy as well as the increased scrutiny of target achievements through increased market and customer pressure.

Given the nature of transition risks, the likelihood of occurrence is lower under the business-as-usual scenario as there is limited change projected to current regulation and litigation pressures.

Going forward, we will continue to evolve our understanding of climate change-related impacts on our business and consider the impact of climate scenarios on our risks and opportunities.

During the year we assessed our climate change-related risks and opportunities and have specified the estimated EBITDA impact in the tables below and on pages 64-66, taking into consideration mitigation measures implemented by the Group. These risks and opportunities only reflect our climate change-related risks and opportunities and reflect an update of the risks and opportunities presented in our 2020 Sustainable Development report and our 2021 CDP submission. For an overview of all our Group principal risks please refer to page 88.

Climate change-related risks and opportunities

Climate change-related risks		Estimated financial impact (€m)	Timeframe			Scenario sensitivity	
			Short	Medium	Long	2DS	BAU
Physical risks	1. South African plantation yield loss	15-20				●●	●●●
	2. Chronic changes in precipitation	10-15				●●	●●●
	3. Higher wood procurement costs	50-100				●●	●●●●
	4. Risk of flooding	10-15				●●	●●●●
Transition risks	5. GHG regulatory changes (net impact)	25-65				●●●●●	●●●
	6. Energy supply costs	40-100				●●●●●	●●
	7. Changing customer behaviour	0-35				●●●	●
Climate change-related opportunities							
1. Sale of by-products		10-20				●●●●●	●
2. Reduced operating costs through energy efficiency		20-25				●●●●●	●●
3. Changing customer behaviour		120-240				●●●●●	●●

Anticipated onset of risk or opportunity
Estimated full impact of risk or opportunity

●●●●● High likelihood
●●●●
●●●
●●
● Low likelihood

Taking Action on Climate: TCFD continued

Strategy continued

Climate change-related risks: Physical risks

Risk	Risk description	How we manage and mitigate this risk	Estimated financial impact (€m)
1. South African plantation yield loss **Timeframe:** Medium-term	Increased severity and frequency of extreme weather events may result in disruptions and decreased harvesting capacity of our managed plantation forests in South Africa. Extreme weather conditions may impact plantations through sustained higher temperatures, which can lead to stronger winds and increased windfalls. Plantations may be vulnerable to changes in rainfall patterns and erosion. Higher temperatures may increase vulnerability of trees to pests and diseases. Fire remains a challenge for our South African plantations, exacerbated in years when drought conditions occur.	Our tree improvement programme aims to produce stronger, more robust hybrids that can resist disturbances such as drought, pests and diseases. We mitigate fire risks with naturally vegetated open corridors acting as fire-breaks between forest plantations, investment in a fire fighting fleet and efficient logging site management. We have improved pre- and post-burning assessments at harvesting sites which aim to mitigate the risks of erosion and nutrient loss after prescribed burning to ensure healthy soils, which are critical for productive plantation forests.	15–20
2. Chronic changes in precipitation **Timeframe:** Long-term	Water is a key natural resource used in our production process. Extended water shortages are a concern as they could disrupt production at our operations. This is especially relevant in water scarce regions such as South Africa. Water supply to our Richards Bay mill is already under pressure from urban development. Our risk quantification considers mitigation measures in place at the mill and is based on lower production at the mill as a result of water shortages.	Our Richards Bay mill has conducted a water stewardship assessment and developed methods to significantly reduce water use by implementing closed loops and recycling water used in our processes. We continue to investigate cost-effective improvements to local water management systems. We are working with local authorities and other industries to identify solutions to enhance water stewardship across the entire water catchment surrounding Richards Bay.	10–15
3. Higher wood procurement costs **Timeframe:** Long-term	Temperature increase, changes in rainfall patterns and windstorms can result in large-scale forest damage. In Europe, at lower altitudes, fibre losses from bark beetle damage are expected to continue unless precipitation increases. Our mills in Europe are sensitive to the economic development of the sawmill industry. A reduction in the cutting capacity of the sawmilling industry due to a lack of spruce saw logs could lead to a change in the mix of available pulpwood and sawmill chips. Increasing competition for wood is being driven by demand for renewable raw materials and timber for green energy generation to achieve EU GHG reduction and Net-Zero targets. At the same time, there is a call to increase forest areas set aside for conservation.	In mountainous regions, we expect an increase in yearly forest growth due to rising temperatures. At lower altitudes, spruce will be mainly replaced with other softwood species. We are investigating alternatives to support flexibility in species mix for our future pulp production. We invest in research and development (R&D) projects and are building strategic partnerships with forest owners and industries, NGOs and scientific institutions to foster sustainable forest management. This is supported by the sustainable working forest model and fit-for-purpose certification concepts, which we developed and promote with our partners. We have started to explore approaches to climate-fit forestry to enhance forest ecosystems' resilience. We also promote the cascading use of wood nationally and via Cepi on a European level.	50–100
4. Risk of flooding **Timeframe:** Long-term	Our mills are often located close to rivers which provide the water needed for our operations. Climate change may increase the frequency and extent of flooding events through surface water flooding (e.g. after extreme rainfall or rapid snow melting) or flooding of low-lying coastal regions (due to sea level rise) which may cause damage to our operations. Our risk quantification takes into account the investments we have made at our operations to mitigate the potential impact of flooding and have assumed a flooding event does not result in a prolonged shut.	Our operations regularly review their flood prevention plans, collaborate with governments and hydropower energy providers in the regions where we operate and invest in flood protection solutions where necessary. Our current flooding assessments show the measures implemented are generally sufficient to mitigate this risk to an acceptable level with only a few additional measures required such as the elevation of motors and vulnerable equipment, additional pumps and water level sensors.	10–15

Climate change-related risks: Transition risks

Risk	Risk description	How we manage and mitigate this risk	Estimated financial impact (€m)
5. GHG regulatory changes (net impact) **Timeframe:** Medium-term	Nine of Mondi's 13 pulp and paper mills fall under the EU Emissions Trading Scheme (EU ETS). Some of our mills have sufficient EU ETS allowances, while there is potential that four will face a deficit in the medium term, and three could be excluded from the EU ETS due to exceeding a 95% renewable energy generation share, resulting in the potential for the Group to be in a net deficit position. In addition, there is a South African carbon tax on emissions from fossil fuels, which includes fossil fuel combustion at our Richards Bay and Merebank operations. In total, 1.6 million tonnes or 44% of Mondi's total Scope 1 GHG emissions are covered by carbon tax or emission trading schemes. Our risk quantification considered a carbon pricing range of €50 to €150 per tonne CO_2.	We collect detailed information on GHG emissions from our mills and consider the cost of carbon when making investment decisions. Our ongoing investments reduce our reliance on fossil fuels and improve energy efficiency and help to mitigate the risk of insufficient CO_2 allowances for our EU-based operations and reduce CO_2 emissions for our South African operations.	25-65
6. Energy supply costs **Timeframe:** Medium-term	Due to increasing regulation on fossil-based energy sources, increased demand for renewable energy and the shifting energy supply mix, the Group estimates that our total energy costs could increase sharply in the medium term, estimated by up to 10-20%. The energy supply mix transition in Europe includes the closing of coal power plants, selective closure of nuclear power capacity and an increased reliance on natural gas and renewable sources of energy such as onshore and offshore wind, solar and biomass. Wind and solar energy supply can be inconsistent due to weather patterns leading to increased reliance on natural gas. The energy supply cost risk does not consider fluctuations in energy prices due to post-lockdown economic reopening, geopolitical tensions or other non-climate related factors.	We continue to focus on energy efficiency and to deliver incremental improvements through operational enhancements and our ongoing capital investment programme. 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 operating costs. Where we generate electricity surplus to our own requirements, we may sell such surplus.	40–100
7. Changing customer behaviour **Timeframe:** Short- to long-term	The demand for sustainable packaging solutions continues to grow driven by changing consumer preferences. We offer our customers a broad range of solutions, both paper- and plastic-based. Our fibre-based solutions are renewable and generally recyclable, making them an ideal solution for many applications. When barrier properties are required, our flexible plastic-based offering can meet our customers' needs. However, a small portion of our portfolio includes solutions not yet sustainable by design due to the complexities of their design and construction. We are working with our customers to develop new, innovative solutions in order to find sustainable alternatives for these products. If we are not able to develop new solutions to support our customers' transition to more sustainable solutions, we risk losing this business.	Over the coming years, we will continue to work with our customers and industry associations and leverage our existing platform, innovation capabilities and know-how to develop sustainable solutions for all our products. The development of these solutions will ensure we minimise our risk while realising the opportunity to develop innovative and sustainable packaging solutions for our customers (as outlined on the following page).	0–35
Total estimated financial impact of climate change-related risks			**150-350**

Taking Action on Climate: TCFD continued

Strategy continued

Climate change-related opportunities

Opportunity	Opportunity description	How we realise this opportunity	Estimated financial impact (€m)
1. Sale of by-products **Timeframe:** Short-term	By-products of the kraft pulping process include turpentine and tall oil. These renewable by-products are highly valued as a substitute for fossil fuel-based materials. They can be used internally for energy generation or extracted, purified and sold as higher value secondary raw materials. We are investigating additional opportunities to use other by-products (e.g. lignin from black liquor and Eucalyptol extraction) to create additional revenue streams in the future.	The extraction and sale of renewable by-products from the kraft pulping process is part of our circular economy approach. We have invested in our mills to realise this opportunity including upgrading our tall oil extraction plant in Syktyvkar (Russia). Depending on the existing infrastructure at our other mills, further investments may be required in order to realise the opportunity.	10-20
2. Reduced operating costs through energy efficiency **Timeframe:** Medium-term	The production of pulp, paper and packaging is energy-intensive and energy generation is the major source of our GHG emissions. By improving the efficiency of our energy plants and manufacturing operations, we have the opportunity to realise cost savings.	Investing in optimising energy and process efficiencies in our operations has been a long-standing focus. Since 2015, we have invested around €650 million in energy efficiency measures and in increasing biomass-based energy in our mills. Further investment projects are planned to meet our science-based GHG reduction targets over the coming years which will also reduce our specific energy costs.	20–25
3. Changing customer behaviour **Timeframe:** Short- to long-term	The growing demand for sustainable packaging is driving investment, collaboration and innovation to meet evolving customer needs. Paper-based packaging is renewable and generally recyclable making it an ideal alternative to less sustainable solutions. Where certain barriers are required, flexible plastic packaging can be an ideal solution when manufactured, used and disposed of appropriately. Leveraging our unique platform of paper where possible, plastic when useful, we see an opportunity to meet the demand for more sustainable products, using our leading corrugated packaging and flexible packaging (both paper- and plastic-based) footprint and increasing the focus on recyclability and the amount of recycled content used within our solutions. While we continue to further our understanding around this opportunity, our estimated quantification is based on revenue growth of 1-2% per annum based on current margins for our packaging businesses in the long term.	As a leading packaging producer, Mondi is uniquely positioned to leverage the Group's innovation capabilities, leading market positions and strong customer base to deliver sustainable packaging solutions to our customers. We actively collaborate with customers using our EcoSolutions customer-centric approach to develop innovative solutions that are sustainable by design. We are also investing in our asset base to increase our cost-advantaged packaging capacity to meet growing demand. We are leveraging strong partnerships to bring about positive change and drive the transition to a circular economy.	120–240
Total estimated financial impact of climate change-related opportunities			**150–285**

Risk management

TCFD Recommended disclosures	Further information
a) Describe the organisation's processes for identifying and assessing climate-related risks	**Principal risks** Page 86-88, 92
b) Describe the organisation's processes for managing climate-related risks	**Principal risks** Page 86-88, 92
c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	**Principal risks** Page 86-88, 92

The climate change-related risk was specifically identified as a standalone Group principal risk in 2019 and remains a principal risk as detailed on page 92. Climate change-related risks, and the related mitigating actions, are reviewed and updated annually using the input of the content reviewed by the Sustainable Development Committee and presented to the Audit Committee along with all Group principal risks. Read about the Group's risk management framework on pages 86-87.

A cross-functional team identifies and assesses our material climate change-related risks and opportunities through an iterative continuous improvement process. The annual review considers the breadth of our business, across operating locations and our product portfolio, including consultations with internal and external technical subject experts and senior operational management. Our climate-related risks and opportunities are reviewed and approved by the Executive Committee and the Sustainable Development Committee annually.

Climate change-related risks and opportunities are managed and where possible mitigated by our operational management team and through our capital investment programme. The climate change-related risks and opportunities are considered in the preparation of, and integrated in, the Group's three-year 2022-2024 plan ("budget period").

Metrics and targets

TCFD Recommended disclosures	Further information
a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	**Key performance indicators** Page 42-43 **Taking Action on Climate** Page 55-59 **Environmental Performance** Page 75-76
b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and the related risks	**Taking Action on Climate** Page 56-57
c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	**Taking Action on Climate** Page 55-59

The Group uses a variety of metrics to measure the current and potential impact of our climate change-related risks and opportunities, including GHG emissions, sustainable fibre metrics, waste to landfill, NOx emissions, water use and effluent load (COD) in waste water.

Direct GHG emissions are from our energy plants through combustion of fuels to generate the energy required for our manufacturing (Scope 1). We also purchase energy from the grid (Scope 2) and have indirect GHG emissions throughout the value chain mainly as a result of our purchase of goods, raw materials, services, fuels and transportation which together make up more than 95% of our total Scope 3 emissions. We are acting across all three Scopes and working closely with our partners to reduce GHG emissions for our business, our customers and our value chain.

In 2021, we reviewed our science-based targets and committed to setting a more ambitious science-based Net-Zero plan, which includes both short-term and long-term GHG emissions reduction targets, including Scope 3. Our efforts to reduce our Scope 1 and 2 emissions have provided a firm foundation on which we were able to revise our existing Scope 1 and 2 science-based targets to be more ambitious, in line with a 1.5°C scenario. We will publish and report against our updated targets once they have been validated by the SBTi. In addition, we remain committed to zero deforestation in our wood fibre supply chains and to maintaining carbon sinks in forestry through implementation of best forest management and silviculture practices.

Taking Action on Climate
Page 55-59

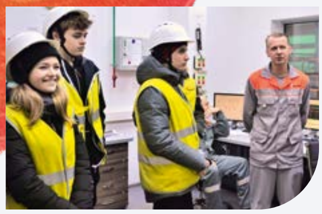
We report our GHG emissions according to the Greenhouse Gas Protocol, published by the WBCSD and the WRI, and have reported our Scopes 1, 2 and 3 GHG data in compliance with ISO 14064:1-2006. ERM CVS has been engaged to provide reasonable (pulp and paper mills) and limited (converting operations) levels of assurance on our Scopes 1 and 2 GHG data, and limited levels of assurance on our Scope 3 GHG data in accordance with ISO 14064.

The Group's executive directors' remuneration in 2021 was linked to their contribution to the overall success of MAP2030, including our GHG reduction targets. From 2022, the Group's bonus incentive across the organisation will be linked to the achievement of the Group's GHG emission reduction targets and certain other MAP2030 targets.

Remuneration report
Page 136-161

Built on responsible business practices

BUILT ON RESPONSIBLE BUSINESS PRACTICES



MAP2030 is built on a foundation of responsible business practices. Each area has commitments and targets to guide our actions.

Respecting human rights is core to our responsible business practices and we proactively identify and manage potential risks within our own operations and across the value chain.

We also continually explore ways to minimise the environmental impact of our operations. Resource efficiency is relevant to many of our material issues and we work with partners across our value chain to use finite resources wisely, reverse environmental degradation and develop circular solutions.

Investment in communities is needed now more than ever as COVID-19 impacts people's lives and livelihoods. For our businesses to succeed, they must exist within healthy, prosperous and dynamic communities.

Supply chain transparency is fundamental to ensure responsible business practices. Stakeholders want clear information on how businesses manage their supply chain risks. This also allows us to mitigate our own risks and drive positive change.

Business integrity, ethics and high quality standards are the foundation upon which we operate, build trust and preserve our reputation as a business partner of choice. We see strong governance and compliance with legal requirements as the basic requirement on which to deliver MAP2030.

BUSINESS ETHICS & GOVERNANCE

Commitment
SD training and audit scheme

Targets

Implement a Governance Operating Standard in 2021

On track (completed)

Train auditors by 2022

In development

Commitment
Employee training on sustainability

Targets

Training needs identified by 2022

On track

Relevant training developed and implemented as an ongoing process

On track

Commitment
Compliance audits at all our mills and converting operations

Targets

Conduct compliance audits at all mills by 2025

In development

Conduct compliance audits at all converting operations by 2030

In development

Management review and measurements to improve audit scores by 2022, ongoing process thereafter

In development

Commitment
Integration of sustainability in CAPEX investments

Targets

Identify relevant metrics (e.g. GHG emissions, waste to landfill, water)

On track

Implement processes to integrate into investment decision-making

On track

As part of MAP2030, we focus on enhancing internal training programmes and broadening the scope of our compliance programme.

The Board and committees provide the leadership underpinning good governance across the Group, ensuring decisions are based on integrity, responsibility, accountability, fairness and transparency. The Sustainable Development Committee met six times during the year and the rolling agenda covers all aspects of sustainability material to our business. Details of discussions that took place are provided on page 135 of this report.

We consistently apply our Sustainable Development Governance Policy across the Group, supported by 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 Diversity & Inclusion (D&I) Policy.

The Board, supported by the Sustainable Development Committee, reviews the Group's sustainability policies annually. The Labour and Human Rights Policy was updated in 2021 to address findings from work conducted with the Danish Institute for Human Rights, while the Environmental Policy was updated to reflect our new provision of product life cycle information.

Operating standards define minimum requirements for effective operational management and control across policy areas. They provide guidance as part of our Sustainable Development Management System (SDMS) which covers all facilities and activities that we manage, including those in which we hold a controlling interest, new developments, and acquisitions. Activities undertaken by contractors, either on Mondi sites or under our management, are covered and they are required to comply with our policies and standards. In 2021, we updated a number of our Operating Standards and Practice Notes, for example our Practice Note on Social Investments.

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.

Code of business ethics

Mondi's code of business ethics is based on a system of voluntary codes comprising 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 which defines our values and key principles of ethical business practices, along with Mondi's zero tolerance of bribery and corruption. Our process for reporting violations includes notifying the Group CEO, Group CFO and Group Head of Internal Audit in all instances.

Regular training is provided and compliance with the policy is monitored by the Audit Committee. The directors believe the Group has robust compliance procedures and are not aware of material non-compliance.

We have rigorous internal processes to facilitate the reporting, investigation and resolution of issues. SpeakOut, our confidential hotline operated by an independent third party, is the tool through which employees and other stakeholders can raise concerns. In 2021, we had a total of 61 cases (2020: 74), 47 from SpeakOut and 14 further cases through other channels. Topics included human resources-related concerns, business integrity issues and environmental and safety topics.

We have zero tolerance for corruption and corruption risk forms part of the annual Group risk assessment process. The outcomes are reviewed by the Audit Committee and the Board.

We inform Board members regularly about anti-corruption policies, procedures and requirements. All relevant employees have to complete a mandatory business integrity training each year, which also covers anti-corruption topics. The number of relevant employees in 2021 was 3,071, with 3,017 (98%) completing the online training.

Making progress in our Responsible Business Practices

In 2021, we made progress in a number of key commitments and areas:

Commitment: A revised Sustainable Development training and audit scheme will be introduced to prevent the occurrence of non-compliances

We instituted a Governance Operating Standard, supporting progress towards our commitment to support us to prevent the occurrence of incidents of non-compliances.

Commitment: Employees will be trained on relevant sustainability topics

Building on the Mondi Academy offering, we developed an online sustainability training programme covering more than 20 topics. Topics are based on internal feedback and relevance to our people, customers and suppliers. Customer- and market-facing roles were prioritised with 2,780 colleagues from sales, marketing, R&D and product development functions participating in 2021.

Commitment: Sustainability assessment criteria to be applied for 100% of our capex investments >€500k from 2022

In considering sustainability criteria for capital investments, we identified environmental metrics related to GHG emissions, waste to landfill, air and water-related emissions as metrics to review. This is now integrated into the decision-making process for all investments over €500,000.

HUMAN RIGHTS

Commitment

Strengthen governance systems to prevent human rights violations and remedy any adverse impacts

Targets

Develop the due diligence and risk assessment methodology and guidance with the support of the Danish Institute for Human Rights (DIHR) by the end of 2021

On track (completed)

100% of operations with a completed human rights due diligence and risk assessment, and action plan in place to address findings by 2025

In development

100% of operations to have addressed their human rights impacts (investigate, prevent future occurrences and remedy adverse impacts) by 2030

In development

Respecting human rights is core to our responsible business practices and we proactively identify and manage potential risks within our own operations and across the value chain. We continually strengthen our human rights governance systems to protect those we may impact as a business.

The United Nations (UN) Guiding Principles on Business and Human Rights provide an effective framework for the monitoring and reporting of potential human rights risks. We have embedded respect for human rights in our relevant practices and policies including our Labour and Human Rights Policy, Supply Chain and Responsible Procurement Policy, Communities Policy, Code of Conduct for Suppliers and Business Integrity Policy. We report annually at Advanced Level on our compliance with the 10 principles of the United Nations Global Compact (UNGC).

Based on the recommendations from the human rights risk and gap analysis conducted with the Danish Institute for Human Rights (DIHR) in 2020, we have more explicitly incorporated the International Labour Organization (ILO) Core conventions in our Labour and Human Rights Policy and included the Universal Declaration of Human Rights and the International Covenant on Economic, Social and Cultural Rights as sources for our policies.

We provide robust internal processes and tools to facilitate the reporting, investigation and resolution of grievances, including those related to potential human rights violations. Our operations make formal grievance mechanisms such as SpeakOut available to the public. For more information please refer to the dedicated SpeakOut section on our website and Mondi's human trafficking and modern slavery statement. There were no reports of human rights incidents in our operations or supply chain received through any of our reporting mechanisms in 2021.

Target: Develop the due diligence and risk assessment methodology and guidance with the support of Danish Institute for Human Rights (DIHR) by end of 2021

We have strong existing processes in place across our business to ensure good practice and we are now aiming to develop more formal guidance for our operations to support continued good practice: The development of the methodology and guidance is a crucial step towards reaching our wider targets of 100% of operations having completed a human rights due diligence and risk assessment and having an action plan in place to address findings by 2025.

We work with human rights experts to develop guidance and tools to enable our operations to evaluate human rights risks in their business activities and relationships. Our Human Rights and Working Conditions Operating Standard and Human Rights Practice Note comprise the second and third tier of our SDMS to guide the management and implementation of the Group Labour and Human Rights Policy.

The Human Rights Practice Note provides guidance to identify, mitigate and remediate the human rights risks resulting from Mondi's business activities and business relationships. The supplementary Human Rights Due Diligence toolbox is a further support for our operations, including detailed examples, templates, practical tips and additional educational material.

How have we performed?

With the Operating Standard, Practice Note and Human Rights Due Diligence toolbox, we have achieved our first human rights target for MAP2030.

What's next?

- Roll out self-assessment pilots to support development and implementation of an effective roadmap for all operations
- Work towards reaching the remaining targets we have set for human rights:
  - 100% of operations with a completed human rights due diligence and risk assessment, and action plan in place to address findings by 2025
  - 100% of operations to have addressed their human rights impacts (investigate, prevent future occurrences and remedy adverse impacts) by 2030
- Further develop internal action plans to address any gaps identified and improve our human rights understanding through training and communication

COMMUNITIES

Commitment

Invest a minimum of 1% of profit-before-tax in social investments annually, with a focus on Science, Technology, Engineering and Mathematics (STEM) education, environmental protection, enterprise support and job creation

Target

Group spend as a % of profit-before-tax annually, in strategic categories named above (target: >1% annually for Group)

On track

Developing open relationships with and investing in the communities in which we operate builds trust and collaboration. We focus our community engagement, investments and initiatives on people who live adjacent to our operations, on or around our landholdings and within our zone of influence. We make it a priority to understand our operations' social, environmental and economic impacts, be they positive or negative, actual or potential, short- or long-term, direct or indirect and intended or unintended. To understand the needs of local communities as well as our impacts on them, we use a variety of stakeholder engagement tools, the outcomes of which inform our community development programmes, social investments, initiatives and community forums.

- **Feedback and grievance mechanisms:** We make formal grievance mechanisms available to employees and the public to ensure we are aware of and can respond promptly and effectively to issues. These include local hotlines and our Group-wide confidential, third-party platform, SpeakOut.
- **Community Engagement Plans (CEPs):** Bespoke local engagement plans set out topics, stakeholders and engagement activities to be undertaken by our operations.
- **Socio-Economic Assessment Toolbox (SEAT):** Open and transparent dialogue with a variety of stakeholders is facilitated by an independent third party to inform our understanding and actions.

Target: Group spend as a % of profit-before-tax annually, in strategic categories named above (target: >1% annually for Group)

Our long-standing commitment to invest in community development has increasingly moved from providing cash donations to delivering impact through strategic collaborations and partnerships. Our social investments are guided by the needs of local people and support the key drivers of development in the communities, covering a broad spectrum of investment areas. In addition to the priorities set out in our MAP2030 commitment, we support community health provision and infrastructure development as long-standing and important parts of our community strategy.

Educating future generations

Our support for education focuses on science, technology, engineering and mathematics (STEM) subjects to promote careers in the fields needed by our mills and operations. Our mills engage and collaborate with schools and educational institutions to create a healthy flow of future talent with relevant skill sets, especially in rural locations where attracting new employees can be a challenge. Supporting women and girls to study these often male-dominated subjects can enable a more diverse workforce. Examples include our collaboration with Ligbron e-Learning System in South Africa, a partnership between our Ružomberok mill (Slovakia) and the local polytechnic secondary school to provide work experience with vocational education, and work of our Syktyvkar mill (Russia) with the regional Ministry of Education Science and Youth to attract high-quality employees to Komi Republic.

Safeguarding local environments

We build awareness of and help tackle critical environmental issues in the communities in which we operate. For example, Mondi Syktyvkar (Russia) collaborates with the Institute of Biology of the Komi Science Centre to deliver various research projects focused on endangered species, soils and reforestation. After severe wildfires and floods, our operations in Turkey joined forces with an environmental NGO to donate 10,000 seedlings for the creation of the Mondi Türkiye Memorial forest. Our employees also participate in initiatives to protect the environment near our operations.

Supporting local enterprise and job creation

We support local suppliers to build knowledge and capacity, particularly those linked to our forestry operations. Our mills also contract with and purchase from local companies, contributing to their development. In Russia, our Syktyvkar mill helped to create 31 new jobs, secure 285 existing jobs and create temporary employment for 190 unemployed people in 2021. And the investment in a new containerboard machine at our Ružomberok mill (Slovakia), which started up in January 2021, created 125 new permanent jobs. In South Africa, our main channel for supporting enterprise development is Mondi Zimele.

Improving public health

Public health provision can be a challenge in some remote areas and improving the health of our workforce and local communities is an important part of our social contribution. In South Africa, we operate nine mobile health clinics and Early Childhood Development services in partnership with local NGOs and the Department of Health. Many of our operations support local medical institutions to improve quality of health care to local communities. We continued to assist interventions critical to the COVID-19 pandemic response, such as vaccination and testing facilities, in 2021.

Investing in local infrastructure and community development

Our investments in infrastructure and community development provide access to vital services, empower enterprise, facilitate health and education and support our business operations. For example, some of our mills treat community wastewater and supply electricity generated by our plant to the local community. In South Africa, we support agri-villages – sustainable rural developments that promote agriculture-based livelihoods, improve living conditions and alleviate poverty for people in isolated villages on our land.

Built on responsible business practices continued

How have we performed?

With MAP2030, we formalised our commitment to invest a minimum of 1% of profit-before-tax annually in social investments with a focus on STEM education, environmental protection, enterprise support and job creation. In 2021, our total community investment was €11.8 million (2020: €11.5 million) equating to 1.2% of profit before-tax, above our 1% target.

What's next?

- Provided COVID-19 restrictions allow, we will carry out SEAT assessments at two mills in 2022
- Review social investment strategies to identify areas for improvement, including the outcomes of SEAT and Community Engagement Plans where available
- Further develop our frameworks and standardised governance for operations to support strategic social investments across the focus areas

Developing local talent in Russia

Our Syktyvkar mill (Russia) collaborates with the regional Ministry of Education, Science and Youth to attract high-quality employees to Komi Republic. "Choose the future with Mondi! Stay in Komi!" is a unique career guidance programme that aims to encourage school children to pursue a career in engineering at our mill and other industrial enterprises in the region.

PROCUREMENT

Commitment

We mitigate risks and create greater transparency in our supply chains through our responsible procurement process

Target

We will minimise the supplier risk ratio year-on-year. Supplier risk ratio = (Total number of residual high-risk suppliers)/(Total number of suppliers screened)

On track

Commitment

Ensure that all our wood fibre (round wood, wood chips and market pulp) is sourced solely from credible wood sources

Targets

Maintain 100% of wood fibre compliant with credible standards (FSC™, PEFC™, or controlled wood)

On track

Maintain 100% FSC™-certified fibre from high-risk countries
Exception: countries where Mondi has local operations and expertise (i.e. Russia, Bulgaria)

On track

100% FSC™ or PEFC™ certified market pulp

On track

100% FSC™ or PEFC™ Chain-of-Custody certification for our pulp and paper mills

On track

We will continue to work with certification bodies to ensure credibility of the certification and controlled wood systems

On track

Responsible procurement is vital to all parts of our integrated value chain. Our global supply chain includes around 14,000 suppliers[1] in more than 66 countries. In 2021, we procured €5.9 billion worth of goods and services from suppliers (2020: €5.1 billion). Products and services purchased locally represented 58% of overall spend (2020: 58%).

Our Responsible Procurement process aims to achieve a consistent process for selecting, evaluating, on-boarding and monitoring suppliers globally based on their sustainability risk and performance. Due to specific requirements related to the responsible procurement of wood and pulp, we have a dedicated Due Diligence Management System (DDMS) which ensures all our wood fibre (round wood, wood chips and market pulp) is purchased from responsible sources.

1 Direct suppliers that were active in 2021 with at least one purchase order, grouped into single entities

Commitment: We mitigate risks and create greater transparency in our supply chains through our responsible procurement process

We partner with suppliers who share our values and ambition to drive improvement in sustainability, quality and responsible conduct. Engagement processes include supplier risk management, quality management, supplier evaluation and audits.

Key instruments include the Group-wide Supply Chain and Responsible Procurement Policy, Business Integrity Policy and General Supplier Quality Requirements. Our Code of Conduct for Suppliers sets the minimum standard for environmental, governance, legal and ethical issues. Our Responsible Procurement process applies a risk-based approach to assess suppliers against the requirements of our Code of Conduct for Suppliers. This supports our response to the UK Modern Slavery Act and legal requirements in other jurisdictions.

Target: We will minimise the supplier risk ratio year-on-year

We track the proportion of suppliers deemed to be high risk to measure our annual progress towards reducing supplier risk. Our risk screening tool gives an indication of which suppliers are potentially high risk in one or more of three areas: labour and human rights; environment and climate change; and water stress. In 2021, we defined the scope of screening based on criteria related to spend and the critical nature of materials or services purchased. Consequently, more local suppliers[2] were included in the risk assessment process. Over the last three years we have successfully screened over 6,000 suppliers representing 77% of our total spend.

How have we performed?

In 2021 we screened 2,617 supplier production sites. 12.6% of supplier sites were found to be potential high risk. Following a review of initial screening results, 4.1% were de-escalated and 8.4% were requested to complete a questionnaire. Based on evaluation of these questionnaires and follow up conversations with our sustainability specialists, 5.9% of suppliers were de-escalated. Through the engagement of local buyers, the total percentage of non-responsive suppliers was 2.3% and the number of incomplete questionnaires 0.2%. By the end of 2021, 0.1% of screened supplier production sites were classified as high risk. In 2020 the total of high-risk, non-responsive and incomplete questionnaires was 1.3%. Based on prioritisation criteria, we have developed a risk-mitigation plan for these suppliers including further escalation steps such as supplier meetings, audits, third-party ESG reports and, if required, termination of the supplier relationship.

What's next?

- Engage with non-responsive and high risk suppliers to implement initiatives aimed at reducing risk in our supply chain
- Continue to refine our approach to develop a scalable process to implement the risk assessment for the vast majority of our suppliers
- Fully integrate responsible procurement processes into holistic supplier engagement along the supplier life cycle

Commitment: Ensure that all our wood fibre (round wood, wood chips and market pulp) is sourced solely from credible wood sources

We are committed to zero deforestation and to excluding illegal and controversial wood fibre sources from our supply chain. We do not source tropical tree species, species listed as protected by CITES or IUCN or wood from genetically modified trees.

We also do not accept wood fibre from sources where deforestation and unsustainable land conversion happens, where biodiversity and other critical ecosystem values are under threat, or where the rights of workers and communities are violated. Legality and labour requirements are also relevant further downstream in the value chain when wood fibre is processed, transported and traded.

To manage these risks, we procure wood fibre through supply chains covered by FSC and PEFC Chain-of-Custody certification to ensure their integrity. As wood moves from certified forests through the supply chain, each physical process and ownership change has to be covered by valid Chain-of-Custody certification. This supports us to verify the supply chain integrity and wood fibre traceability back to particular geographies and legal entities. All uncertified sources have to be compliant with FSC Controlled Wood requirements. Local due diligence systems are underpinned by National Risk Assessments (NRAs) which address country-specific legal, environmental and social issues.

Our DDMS is designed to address risks beyond legal and certification requirements and the requirements of current assurance mechanisms by screening additional economic, social and environmental risks. We use publicly available information and insights from local operations and partners. We engage with the FSC and PEFC certification schemes and support their efforts to remain relevant, fit-for-purpose and credible.

2 Local suppliers of products and services are defined as suppliers that are located close to our significant operations (including our mills and converting plants) within the same region

Built on responsible business practices continued

Successful functioning of our DDMS depends on the support of local managers and specialists across our global operations. Our Wood Certification Managers Network is an example of effective collaboration to ensure responsible sourcing across the Group. During the pandemic, we developed online training and made it available to all employees through our intranet, planetmondi. Topics include forest certification schemes, sustainable working forests, our DDMS and recent changes in forest-related legislation in the EU and other relevant countries.

How have we performed?

In 2021 we sourced 77% of wood fibre as FSC- or PEFC-certified with the remainder being Controlled Wood. We also achieved 100% certified pulp sourcing (94% in 2020) and maintained 100% Chain-of-Custody certification with Controlled Wood requirements for our pulp and paper mills.

We engaged with key stakeholders on upcoming changes in the evolving standards, contributing to working groups and public consultations. In 2021, we participated in FSC and PEFC's members' General Assemblies.

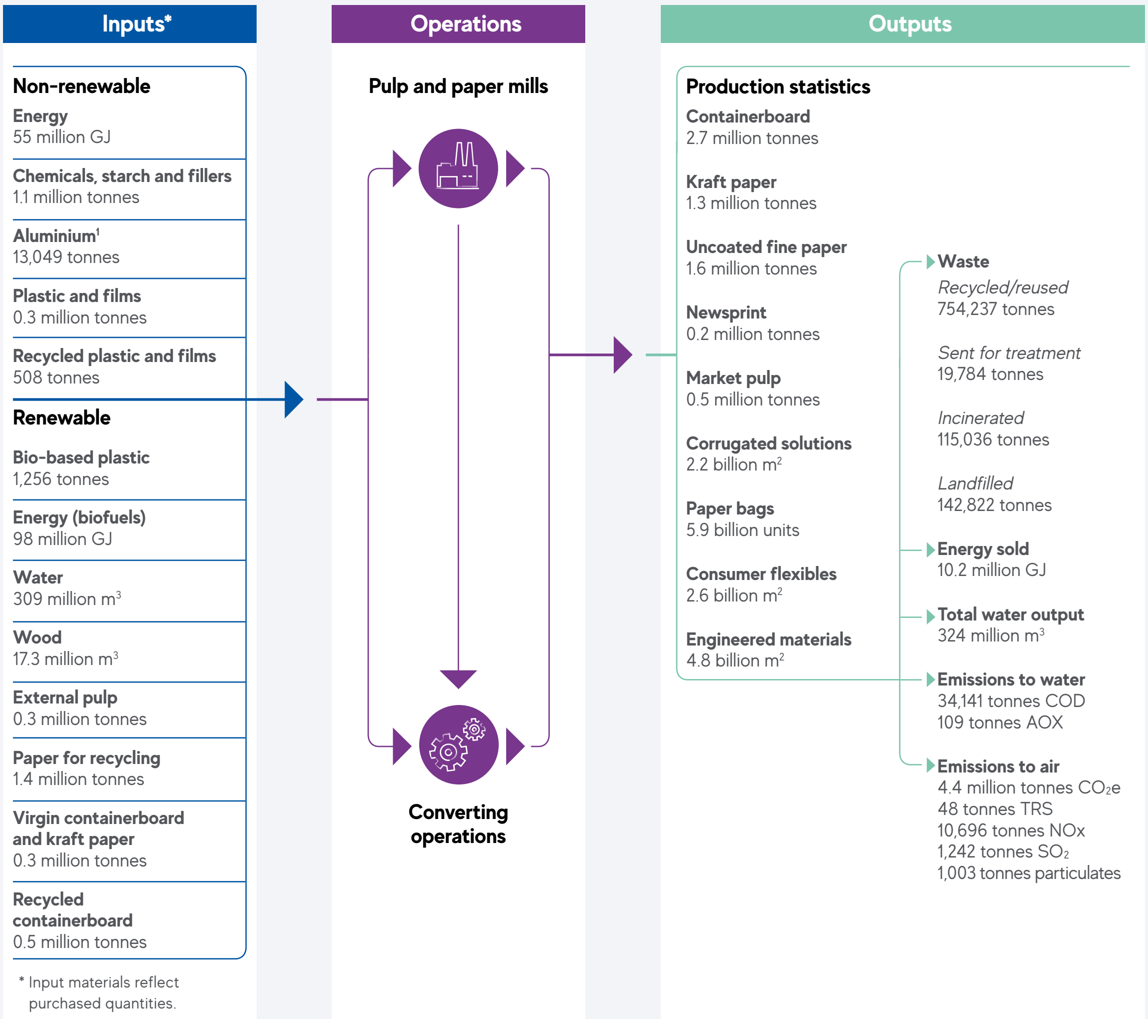
What's next?

- Continue to develop our due diligence system for paper procurement in our converting operations
- Further develop risk-based approaches and targeted actions to address issues in our sourcing regions through collaboration with multiple stakeholders
- Continue to work with FSC and PEFC certification schemes and certification bodies to support their continuous improvement

Taking Action on Climate
Page 55-67

Energy and materials flow 2021

SASB



1 The percentage of aluminium from certified sources is 0%

ENVIRONMENTAL PERFORMANCE

Commitment

We will continually work on improving the environmental performance of our operations to minimise environmental impacts

Targets

100% of our operations will be certified according to globally accepted environmental standards equivalent to ISO 14001 by 2025

On track

Reduce specific contact water consumption of our pulp and paper mills in water stressed areas by 5% by 2025 compared to a 2020 baseline

Slightly behind target

Reduce specific effluent load to the environment (measure COD) by 5% by 2025 compared to a 2020 baseline

On track

Reduce specific NOx emissions from our pulp and paper mills by 5% by 2025 compared to a 2020 baseline

On track

Reduce specific waste to landfill by 20% by 2025 compared to a 2020 baseline

On track

Our manufacturing processes are resource intensive and our environmental impacts arise predominantly in our pulp and paper mills. Most of the energy we use for our processes is generated on-site and, in some operations, also from fossil fuels. This results in greenhouse gas and other air emissions. Our processes also use significant amounts of water and generate waste. We see every emission to water, air and land as lost resource and landfilling as wasted raw material. Hazardous waste poses a threat to the environment and can create future liabilities, particularly when deposited in landfills.

SASB

We require our operations to comply fully with local and regional environmental laws, regulations and other standards such as site permits. Environmental incidents mainly arise from accidental releases. We have established management systems and procedures to avoid such incidents. Nearly all environmental incidents are captured in secondary containment, preventing harm to the environment. When a major incident does occur due to unforeseen circumstances or gaps in our internal systems, we thoroughly investigate it, take corrective action to avoid reoccurrence and share lessons learned through our Group environmental managers' network.

Our Environment Policy outlines the commitments we adhere to including the principle of resource efficiency and cleaner production. Our operations around the world apply a precautionary approach and comply with all applicable environmental regulations and permits. When an impact is identified, we define mitigating measures to avoid harm to the environment. We record and thoroughly investigate all environmental incidents and complaints.

Environmental management systems support our operations to meet environmental protection standards, compliance with legislation, and improving reporting and transparency. Our Sustainable Development Management System (SDMS) supports our operations, mills, forest and converting operations to manage their impacts and improve environmental performance.

We have implemented ISO 14001 across all our pulp and paper mills and forest operations. In line with our MAP2030 target to implement environmental management systems at all our manufacturing operations by 2025, we expanded our efforts at our converting operations. In 2021, we established a working group to support us to meet this target.

Using resources efficiently

The United Nations Environment Programme (UNEP) defines the principles of resource efficiency to which we adhere. By investing in Best Available Techniques (BAT), we have significantly improved our resource efficiency.

Our approach includes:

- **Managing our water impacts** SASB
  We assess and manage our water-related risks and conduct basin- and production-related water stewardship assessments. We focus on increasing reuse and recycling of water and using water efficiently and responsibly. We also closely monitor the volume and quality of the waste water we discharge, releasing it at a quality level that is in line with the local regulatory requirements.
- **Reducing emissions to air**
  We invest in the modernisation of our mills' energy plants and implement BAT standards to reduce our impacts on air quality. We have identified investment projects and opportunities including combustion modification technologies such as low NOx burners, implementing flue-gas abatement techniques and switching fuel from coal to biomass or to gas, which has significantly lower NOx emissions per unit of energy.
- **Reducing waste and promoting the circular economy**
  Our goal is zero waste to landfill by 2030. By working with our partners and investing in the right initiatives, we are working to improve resource efficiency within and beyond all our operations. We monitor the volume of operational waste (by waste type and waste routes) across all operations and find ways to divert unavoidable waste from being landfilled wherever possible and feasible. We especially focus on preventing hazardous waste from going to landfill.
- **Managing environmental incidents and ensuring compliance**
  We work to minimise and eliminate potential negative impacts of our operations on local communities and the environment. We define appropriate mitigating measures whenever an impact is identified and find ways to avoid harm to the environment. We also record and thoroughly investigate every complaint.

How have we performed?

SASB

In 2021, we reported a 22.1% decrease in specific waste sent to landfill compared with the previous year, mainly by starting up a recultivation project at our mill in Syktyvkar (Russia). We have reduced hazardous waste to landfill over the last fifteen years by more than 99%. Currently, about 289 tonnes of hazardous waste is disposed in landfills. Within our MAP2030 working groups we are focusing on finding alternatives to landfilling.

Mondi Action Plan 2030
Built on responsible business practices continued

100% of our pulp and paper mills and forestry operations and 66% of our converting operations were certified to the international environmental management system standard ISO 14001 in 2021. This is a 1% improvement of the Group's ISO 14001 certification level.

In 2021, our specific NOx emissions were 5.8% lower than the 2020 baseline. This improvement is due to the investment at our mill in Ružomberok (Slovakia).

We achieved a Group-specific COD reduction of 10.9% compared with 2020. The biggest reduction was achieved by Syktyvkar as a consequence of the wastewater treatment plant modernisation. In 2021, specific contact water use of our pulp and paper mills in water stressed areas slightly increased by 0.2% compared to the 2020 baseline due to process instabilities at our Richards Bay mill (South Africa).

We are committed to regulatory compliance and ensure that our operating sites conform to strict performance parameters. In 2021, Mondi reported 95 non-monetary sanctions for non-compliance with environmental laws and regulations (2020: 82). We paid fines totalling approximately €13,657 involving 10 cases.

What's next?

- Invest in the modernisation of our evaporation plant in Syktyvkar (Russia) to reduce COD emissions and water consumption
- Continue to implement water stewardship assessments at our pulp and paper mills in 2022
- Install a low NOx-burner in our lime kiln in Syktyvkar (Russia) to reduce NOx emissions

Circular Driven Solutions
Page 46-49

Taking Action on Climate
Page 55-67

We ensure that all our wood fibre is purchased from responsible sources and in line with our commitment to zero deforestation

Waste management

- Mondi used 17.3 million m^3 of wood and 3.8 million tonnes of other raw materials to manufacture its products, out of which 1.9 million tonnes are from recycled resources
- Mondi generated 1.0 million tonnes of waste in 2021. 73% of the waste was recycled or reused, 11% incinerated to generate energy, 2% was specially treated and 14% landfilled

Water management

- 88% of the water we use in our operations for contact water or for cooling is released back to freshwater (e.g. rivers, lakes), 6% is sent to the ocean, 6% is contained in our products (e.g. humidity of paper) or evaporated at our energy and manufacturing sites
- The water used in our manufacturing process (206.9 million m^3) and water received from third parties for treatment (33.0 million m^3) is treated in our own and/or external wastewater treatment plants to fulfil all permission requirements
- 84.5 million m^3 of non-contact water used in our energy plants, has not been in contact with process chemicals, and has been monitored to ensure suitability for the receiving water body

Air emissions SASB

	2020 performance	2021 performance	% change 2020–2021
Specific NOx emissions (per tonne of saleable production)	1.77 kg	1.67 kg	-5.8%
Total reduced sulphur (TRS) emissions and malodorous gases	48.2 tonnes	48.5 tonnes	0.5%
SO_2 emissions	1,059 tonnes	1,242 tonnes	17.3%
Fine dust emissions	961 tonnes	1,003 tonnes	4.3%
Ozone depleting substances (ODS)	4.2 tonnes	3.9 tonnes	-6.7%

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

REPORTING ON OUR SUSTAINABILITY PERFORMANCE

In addition to this section, pages 20-23 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 2021. The insights and dialogue we cultivate through these engagement activities have continued to define our sustainability focus.

External assurance

Our Sustainable Development (SD) report provides a comprehensive view of our approach to sustainable development and our performance in 2021. ERM CVS has been engaged to provide assurance on selected information and key performance indicators as well as check 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. The signed ERM CVS Independent Assurance Statement is included in our Sustainable Development Report.

Sustainable Development Report
www.mondigroup.com/sd21

Materiality

Our materiality assessment enables us to explore what matters most to our business and our stakeholders. It also helps us articulate what these impacts and issues mean for Mondi, both now and in the future. In 2021, we carried out a materiality assessment with third party expert support, taking both impact and financial materiality into account.

Section 172 statement
Page 22

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:

External recognition

We have been recognised as a leader in sustainability by a number of external corporate ratings and indices, including:

'Triple A' score for climate change, forest and water security
CDP 'Triple A' score for climate change, forests and water security as one of 14 companies worldwide out of 12,000 organisations rated

'AAA' Rating
MSCI ESG Rating top 'AAA' score for strong resilience to ESG risks

Prime status
ISS ESG Corporate Rating highest sector-specific score for ESG performance

Ranked #1 in Paper & Forest Industry
Sustainalytics top score out of 81 companies ranked in Paper & Forestry industry (October 2021)

Member of V.E Indices
Member of the following V.E Indices:
World 120
Europe 120
UK 20

Member of FTSE4Good Index Series
Member of Index Series demonstrating strong ESG practices

Top 1% globally
Platinum status in EcoVadis Corporate Social Responsibility (CSR) ratings

Member of Top 30 Index
Member of the FTSE/JSE Responsible Investment Top 30 Index for stocks with highest ESG ratings in South Africa

Highest level score in Paper Sector
Top level climate change score by Transition Pathway Initiative
- Management Quality: Level 4 rating
- Carbon performance aligned with Paris Pledges

Industry-leading sustainability reporting
'Top performer' in the annual member ranking of sustainability reports by WBCSD Reporting Matters and Radley Yeldar

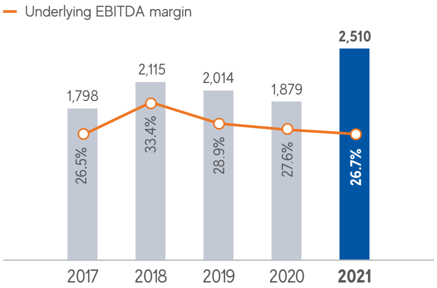
Corrugated Packaging

FloralBox

A modular eCommerce solution that optimises packaging and protection requirements for the transportation of plants

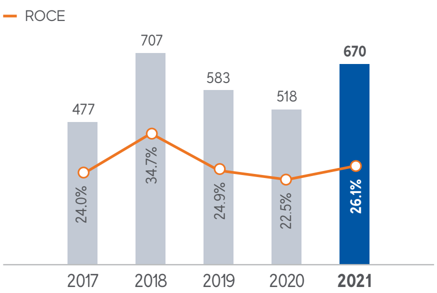
Segment revenue
(€ million)

€2,510m



Underlying EBITDA
(€ million)

€670m



Financial performance

€ million	2021	2020	Change %
Segment revenue	2,510	1,879	34%
Underlying EBITDA	670	518	29%
Underlying EBITDA margin	26.7%	27.6%	
Underlying operating profit	529	397	33%
Capital expenditure cash payments	223	249	
Operating segment net assets	2,338	2,087	
ROCE	26.1%	22.5%	

Corrugated Packaging delivered very strongly in the year, driven by higher volumes, significantly higher average prices and the contribution from recently completed capital investments and acquisitions.

Demand was very strong throughout the year with growth across all end-uses, and most notably in eCommerce and FMCG applications. Containerboard sales volumes were up on the prior year supported by our broad, high-quality product portfolio. Corrugated Solutions grew volumes 13% organically year-on-year, a notable achievement enabled by our value chain integration, ongoing investment in the business and our sharp focus on innovation and customer service.

We implemented price increases across all containerboard grades during the year, leading to higher average selling prices year-on-year, with the magnitude of the increases varying by grade. Average benchmark European selling prices for unbleached kraftliner and recycled containerboard were up 24% and 45%, respectively; while average benchmark white top kraftliner and semi-chemical fluting prices, which are typically more stable over time, were up 8% and 13%, respectively.

We were successful in passing on higher input paper costs through box price increases over the course of the year.

Input costs were higher year-on-year, in particular paper for recycling, energy and transport costs. Following a period of sharp increases, paper for recycling costs have remained stable at elevated levels since the second quarter. Average European benchmark prices for the year were around 2.5 times higher than the prior year.

Cash fixed costs were up due to higher maintenance costs, additional personnel to serve growing customer demand and inflationary effects, mitigated by our cost control initiatives.

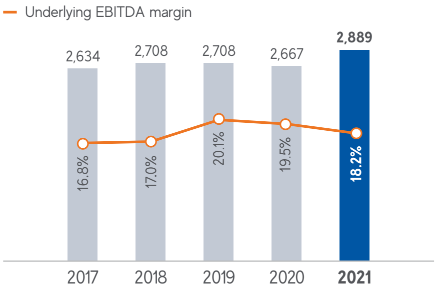
In May 2021, we completed the acquisition of a 90% interest in Olmuksan. With this transaction, we significantly strengthened our position in the fast-growing Turkish corrugated market, expanding our offering to existing and new customers in the region. Integration is progressing well and the business delivered ahead of our expectations.

Our strategy
Page 28-41

Flexible Packaging

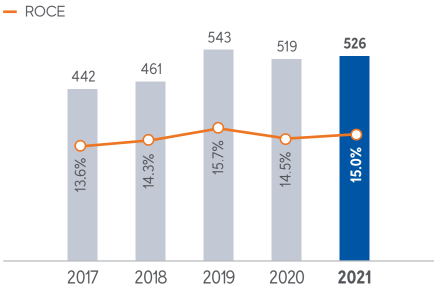
Segment revenue
(€ million)

€2,889m



Underlying EBITDA
(€ million)

€526m



Financial performance

€ million	2021	2020	Change %
Segment revenue	2,889	2,667	8%
Underlying EBITDA	526	519	1%
Underlying EBITDA margin	18.2%	19.5%	
Underlying operating profit	367	362	1%
Special items before tax	2	(8)	
Capital expenditure cash payments	176	162	
Operating segment net assets	2,632	2,475	
ROCE	15.0%	14.5%	

Flexible Packaging achieved good volume growth and successfully implemented price increases to recover significantly higher input costs.

Volume growth was supported by our innovative and sustainable packaging portfolio. We saw strong growth in retail end-uses, in particular paper-based shopping and eCommerce bags as well as consumer applications, such as food and pet food, where we have leading market positions. Demand for building materials, construction and other specialised applications remained good during the period.

Kraft paper sales volumes were significantly up on the prior year, in particular in our range of speciality kraft papers which has grown by 190,000 tonnes over the last three years, benefiting from the increasing demand from customers for paper-based sustainable packaging, our product development initiatives and capital investments completed early in the year. Paper bag sales volumes were up 9%, with growth in all regions supported by good demand in traditional industrial end-uses and growing demand in new applications; for example, our fully recyclable, lightweight and flexible MailerBAG, used by our eCommerce customers and now accounting for around 3% of total paper bag volumes. Consumer flexibles volumes were up year-on-year and the business focused on successfully passing on higher resins and other input costs.

Prices in the kraft paper value chain were modestly up year-on-year following price increases implemented during 2021. On the back of continued strong order books and tight market conditions, we implemented further price increases across our range of kraft papers and paper bags at the start of 2022. Average kraft paper prices in Q1 2022 are up between 20% to 25% on average compared to average 2021 price levels.

We continue to drive innovation to support our customers' transition to more sustainable packaging, and to partner along the value chain to create products 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 materially up year-on-year, with higher plastic resin, energy and transport costs. While cash fixed costs were higher due to increased costs to service our customers' incremental volumes and inflationary effects, this was mitigated by our strong cost control initiatives.

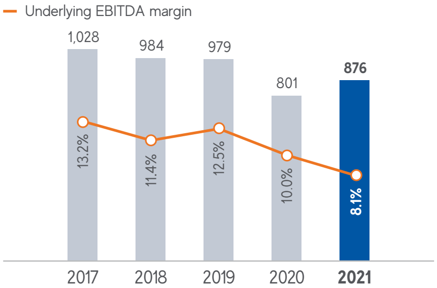
Our strategy
Page 28-41

EcoWicketBag
A fully recyclable, paper-based alternative to traditional plastic packaging for hygiene products

Business unit trading review
Engineered Materials

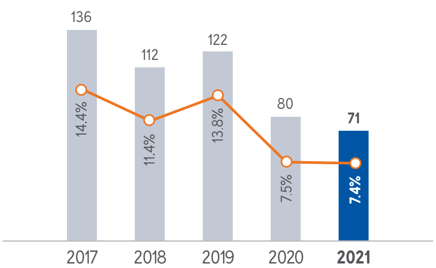
Segment revenue
(€ million)

€876m



Underlying EBITDA
(€ million)

€71m



Financial performance

€ million	2021	2020	Change %
Segment revenue	876	801	9%
Underlying EBITDA	71	80	(11)%
Underlying EBITDA margin	8.1%	10.0%	
Underlying operating profit	43	44	(2)%
Special items before tax	5	(49)	
Capital expenditure cash payments	33	74	
Operating segment net assets	632	589	
ROCE	7.4%	7.5%	

Engineered Materials' performance stabilised in 2021 in line with our expectations. The business saw generally good demand in consumer end-uses, and a strong recovery in most industrial and specialised end-uses, in particular in Functional Paper and Films, which serves a broad range of applications including graphic arts, tapes and industrial.

We completed the transformation of the Personal Care Components area during the year. As anticipated, volumes were lower as a key product matures and we implement certain technology changes, while we saw the benefits of our product development and restructuring initiatives.

Input costs were higher on average, due to higher resin, energy, speciality kraft paper and transport costs. Cash fixed costs were lower as a result of restructuring initiatives and ongoing strong cost control.

The expertise and coating technologies of Functional Paper and Films provide real advantage to Flexible Packaging's speciality kraft paper business, working closely with our customers to develop further innovative sustainable packaging solutions.

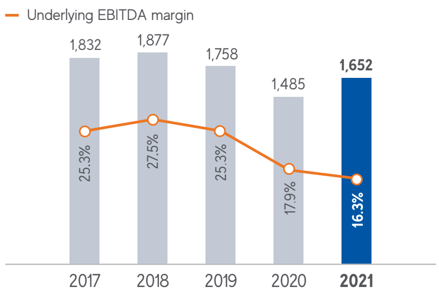
Our strategy
Page 28-41

PerFORMing Monoloop
Formable paper-based food tray that reduces CO_2 emissions and is recyclable in certain paper streams

Uncoated Fine Paper

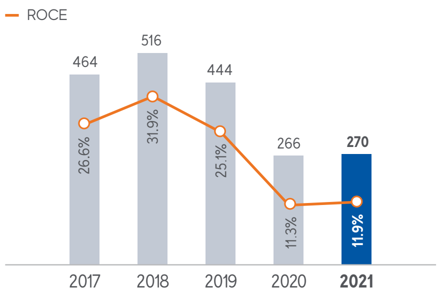
Segment revenue
(€ million)

€1,652m



Underlying EBITDA
(€ million)

€270m



Financial performance

€ million	2021	2020	Change %
Segment revenue	1,652	1,485	11%
Underlying EBITDA	270	266	2%
Underlying EBITDA margin	16.3%	17.9%	
Underlying operating profit	160	153	5%
Capital expenditure cash payments	139	145	
Operating segment net assets	1,595	1,582	
ROCE	11.9%	11.3%	

Trading in Uncoated Fine Paper improved over the course of 2021. Driven by higher average selling prices and higher volumes, underlying EBITDA was up despite longer planned maintenance shuts (€30 million year-on-year effect), materially higher input costs, and a lower forestry fair value movement (down €34 million).

Uncoated fine paper sales volumes grew 11% in the period. Our customers value us as a supplier of choice while capacity leaves the market, recognising the strength of our strategic position, underpinned by a broad product portfolio, excellent customer service and superior cost competitiveness. We increased our market share in all the key markets where we operate. In Europe, we estimate market demand increased 6-7% year-on-year showing a good recovery. Our own sales in the region were up 14%.

On the back of improving demand and increasing costs we implemented a series of price increases, most notably in the second half of the year, as well as in early 2022. While in 2021 the average benchmark European uncoated fine paper selling prices were broadly flat year-on-year, prices are today 20-22% higher than the 2021 average.

Input costs were up with significantly higher energy and transport costs. Cash fixed costs were higher, with strong cost control mitigating higher maintenance costs and inflationary cost pressures.

Lower export prices and a strong South African rand during the period resulted in a non-cash forestry fair value loss of €7 million, down €34 million compared to the prior year gain. Based on current market conditions, we expect a forestry fair value gain in 2022.

Our strategy
Page 28-41

STRENGTH + FLEXIBILITY

Mike Powell
Group CFO

Our financial performance

€ million	2021	2020	% change
Group revenue	**7,723**	**6,663**	**16%**
Underlying EBITDA	**1,503**	**1,353**	**11%**
% margin	*19.5%*	*20.3%*	
Depreciation, amortisation and impairments (underlying)	(439)	(428)	
Underlying operating profit	**1,064**	**925**	**15%**
% margin	*13.8%*	*13.9%*	
Net profit/(loss) from joint ventures	6	(3)	
Net finance costs	(94)	(95)	
Underlying profit before tax	**976**	**827**	**18%**
Underlying tax charge	(212)	(180)	
Non-controlling interests	(17)	(20)	
Underlying earnings	**747**	**627**	**19%**
Special items before tax	7	(57)	
Profit for the year attributable to shareholders	**756**	**582**	**30%**
Basic earnings per share (euro cents)	**155.9**	**120.0**	**30%**
Basic underlying earnings per share (euro cents)	**154.0**	**129.3**	**19%**
ROCE (%)	**16.9%**	**15.2%**	

Our financial position

€ million	2021	2020
Property, plant and equipment	4,870	4,641
Goodwill	926	923
Working capital	988	739
Other assets	558	557
Other liabilities	(690)	(687)
Net assets excluding net debt	**6,652**	**6,173**
Equity	4,498	4,002
Non-controlling interests in equity	391	380
Net debt	1,763	1,791
Capital employed	**6,652**	**6,173**

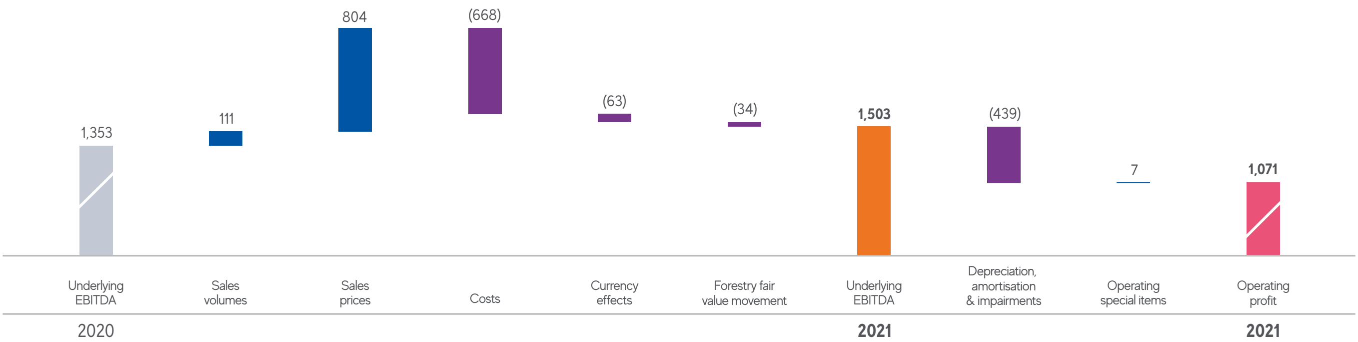
This section includes Alternative Performance Measures which are defined on pages 243-247

Mondi delivered strongly in 2021, with underlying EBITDA of €1,503 million, up €150 million on the prior year (11%), driven mainly by higher sales volumes and significantly higher selling prices in the face of inflationary cost pressures.

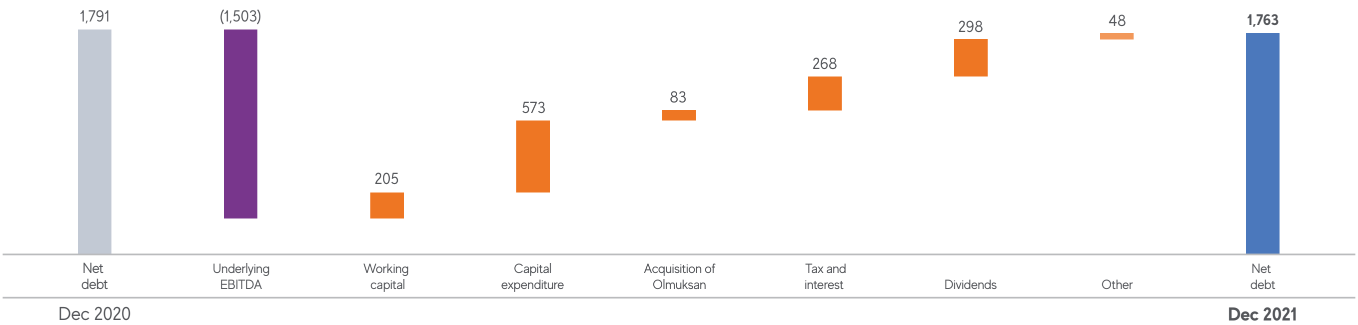
Group revenue was up 16% due to a combination of increased sales volumes and significantly higher selling prices. We drove volume growth in Corrugated Packaging and Flexible Packaging, on the back of our integrated value chain, our unique portfolio of innovative and sustainable packaging solutions and our attention to quality and service. Uncoated fine paper volumes were also up, with our customers recognising the stability of a long-term supplier, the sustained quality of our products and our reliable and consistent service. Selling prices were up across the entire business, and most significantly in Corrugated Packaging.

Input costs increased materially year-on-year, in particular energy, resins, paper for recycling and transport costs. Energy costs gradually increased during the first half of the year from the very low levels seen in 2020, before rising sharply at the end of the third quarter as a result of significant increases in the price of European gas and electricity. We expect energy costs to remain elevated for some time. Our pulp and paper mills generate most of their energy needs internally, with biomass sources accounting for around 65% of the fuels used in this process, thereby mitigating the impact of the significant surge in external fuel costs. Resin and paper for recycling costs increased sharply in the first half and have remained stable at high levels. We are currently seeing rising wood and chemical costs and generally expect cost pressures to continue.

Underlying EBITDA development
(€ million)



Movement in net debt
(€ million)



Cash fixed costs were higher year-on-year driven by higher maintenance costs, additional resources required to serve surging demand from our customers and general inflation, mitigated by our strong cost control. The impact of planned maintenance and project-related shuts on underlying EBITDA in 2021 was around €165 million (2020: €100 million). Based on prevailing market conditions, we estimate that the impact of planned maintenance shuts on underlying EBITDA in 2022 will be around €110 million, of which the first half year effect is estimated at around €60 million (2021: €50 million).

The non-cash forestry fair value movement recognised was €34 million lower than the prior year.

Depreciation and amortisation charges were slightly higher year-on-year mainly due to the effects of our capital investment programme.

Underlying operating profit of €1,064 million was up 15% on 2020.

Special items before tax during the period amounted to a net income of €7 million mainly relating to reversal of impairments and net release of provisions for costs initially recognised as special items in prior years (2020: €57 million net charge).

After taking the effect of special items into account, operating profit of €1,071 million, was up 23%. Basic earnings of 155.9 euro cents per share were up 30% compared to 2020.

Strong cash flow generation

Cash generated from operations of €1,339 million (2020: €1,485 million), reflects the continued strong cash generating capability of the Group. This included the impact of an increase in working capital on the back of strong turnover growth in the year. The net cash outflow from the movement in working capital was €205 million (2020: €125 million inflow). As a percentage of revenue, working capital was in line with our expected range of 12% to 14% at 12.8% (2020: 11.1%).

Capital expenditure was €573 million (2020: €630 million). Tax paid was €190 million (2020: €168 million).

In May 2021 we completed the acquisition of a 90.4% interest in Olmuksan for a consideration of €66 million which implies an enterprise value of €88 million on a 100% basis. Pursuant to local stock exchange rules, in July 2021 we completed a mandatory tender offer, leading to the acquisition of an additional 1.6% of the outstanding shares in the company for a total consideration of €3 million.

Interest paid was €78 million (2020: €82 million). We are pleased to have paid dividends to shareholders of €298 million (2020: €237 million) in the year.

Net debt and interest

€ million	2021	2020	% change
Net debt	**1,763**	**1,791**	**(2)%**
Trailing 12-month average net debt	1,875	2,012	(7)%
Net finance costs	94	95	(1)%
Effective interest rate (%)	4.6%	4.5%	
Committed facilities	2,760	2,772	
Of which undrawn	803	869	
Net debt to underlying EBITDA (times)	1.2	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 Syndicated Revolving Credit Facility and available cash. In June 2021, the Group entered into a new €750 million 5-year revolving multi-currency credit facility agreement ('RCF') to refinance the existing €750 million facility that was due to mature in July 2022. The agreement includes options to extend the RCF by one or two years with each bank's approval.

The RCF incorporates key sustainability targets linked to MAP2030, classifying the facility as a Sustainability Linked Loan. There are no financial covenants included in the RCF or any other Group facility. We aim to maintain sufficient headroom under this facility for the potential needs of the Group.

Other primary sources of the Group's net debt include our €2.5 billion Guaranteed Euro Medium Term Note Programme and financing from various banks and other credit agencies.

At 31 December 2021, Mondi had a strong liquidity position of around €1.3 billion, comprising €803 million of undrawn committed debt facilities and cash and cash equivalents of €455 million. The weighted average maturity of our committed debt facilities was 4.7 years.

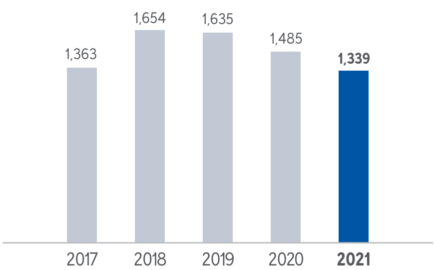
Net debt at 31 December 2021 was €1,763 million, reduced from €1,791 million at 31 December 2020. Net debt to underlying EBITDA ended the year at 1.2 times (2020: 1.3 times).

Underlying net finance costs of €94 million were slightly down on the previous year. Average net debt of €1,875 million was lower (2020: €2,012 million) while the effective interest rate was slightly higher at 4.6% (2020: 4.5%) due to higher cash balances.

The Group's credit ratings were unchanged with Standard & Poor's at BBB+ (stable outlook) and Moody's Investors Service at Baa1 (stable outlook).

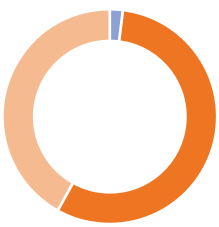
Cash generated from operations
(€ million)

€1,339m



Maturity profile of net debt
(€ million)

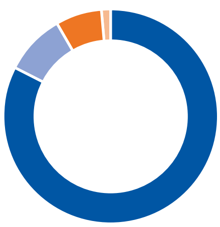
€1,763m



Within 1 year	(341)
1–2 years	41
2–5 years	1,184
>5 years	879

The graph excludes net cash of €341 million (maturity of less than 1 year)

Composition of debt
(€ million)



Bonds	1,840
Lease liabilities	204
Bank loans and overdrafts	159
Other loans	25

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 of around €63 million versus the prior year as a result of the impact on certain of our export oriented businesses of a weaker US dollar, notably in the first half of the year; coupled with losses on translation from a weaker Russian rouble and Turkish lira relative to the euro.

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 and tax decisions are made in response to business transactions and activities.

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.

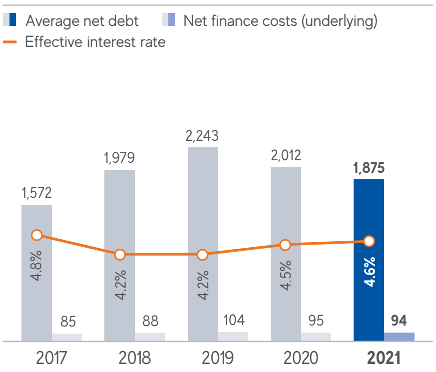
While ultimate responsibility for the tax affairs of the Group rests with the Board, the Executive Committee ensures that the tax governance framework is aligned with the principles of financial management applied throughout the Group. At both Board and Executive Committee level, the Group CFO is accountable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

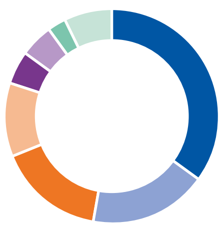
Tax risks are monitored on a continuous basis and are more formally reviewed on a half-yearly basis by the Audit Committee as part of our half-yearly reporting process. The Board formally reviews tax management activities on an annual basis. As Mondi operates in a number of countries, each with a different 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. We maintain a constructive dialogue with tax authorities and 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.

The underlying tax charge for the year was €212 million (2020: €180 million) giving an effective tax rate of 22% (2020: 22%), in line with our expectations.

Net debt and finance costs
(€ million)



Currency split of net debt
(%)



Euro	35
Czech koruna	18
Polish zloty	16
South African rand	11
Swedish krona	5
Thai baht	5
Russian rouble	3
Other	7

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. Risk management is of key importance 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 appetite 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 mitigating actions and controls. The Board has also established specific appetite levels for each principal 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 Group principal risks and related mitigation, including consideration of acceptable risk appetite levels for the Group. Each of the Group's principal and emerging risks are reviewed in detail by either the Board, the Audit Committee or the Sustainable Development 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.

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 2021 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, an annual three-year plan ("budget period"), and 3 updates to the first budget year during the course of that budget year. 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.

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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, including climate change-related risks and opportunities

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

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, legal, procurement, information management, sustainable development, safety and health)

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

Internal audit

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

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 and Group function 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

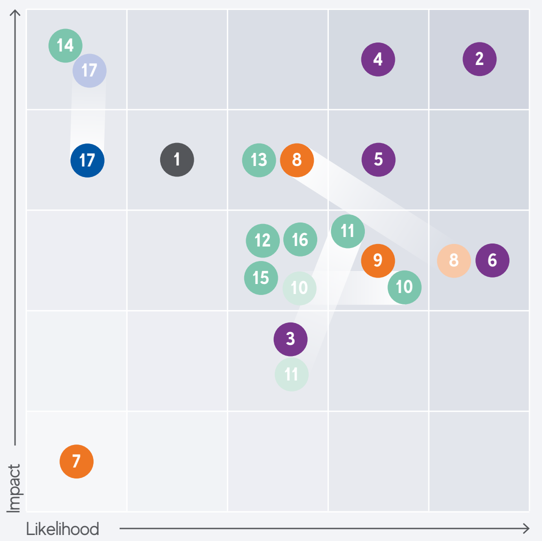
- Management is responsible for regularly reviewing the Group's operating and financial performance, including monthly management accounts, the progress of significant capital investment projects and plans, safety, health, environmental and other sustainability matters.
- Management at Group level and, in more depth, at business unit level is responsible for a detailed assessment of current market conditions.
- The Group functions (such as information management, group 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 platform 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.
- The Group sustainable development key performance indicators are externally verified.

Sustainable Development report
www.mondigroup.com/sd21

Our principal risks



Risk movement in the year:

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 risks

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

Compliance
17. Reputational risk

Our principal risks

Over the course of the past year, the Board and the Audit Committee have 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 the Group's control frameworks have operated satisfactorily. The sustainable development risks considered throughout our business have been reviewed by the Sustainable Development Committee during the year. Sustainable development risks that are considered to be principal risks are reviewed by the Audit Committee as part of the annual review process.

Key changes in the year

The Group's most significant risks are long term in nature. The assessment of the principal risks is updated annually to reflect the developments in our strategic priorities and Board discussions on emerging risks.

During the year, we enhanced our understanding of the risks and implications related to climate change and identified it as a driver to create long-term structural changes to pricing and availability of timber. Consequently, the cost and availability of raw materials risk was updated to reflect an increase in anticipated likelihood of occurrence of the risk.

The risk to energy security and related input costs was rated higher due to an increase in volatility in energy pricing and supply. This is driven by long-term changes in the energy supply portfolio in the regions in which we operate, such as higher demand for renewable energy, due to the accelerated transition to cleaner energy sources and an accompanying increase in regulation enacted to deter the impact of climate change.

A review of our currency risk and related mitigating actions resulted in the corresponding residual risk being updated to reflect the impact of currency movements on our business.

In consideration of comprehensive measures in place to mitigate our reputational risk, the impact of non-compliance with the Group's legal and governance requirements has been reviewed and lowered to reflect the Group's view on the potential financial and regulatory impact of such instances.

In response to the Group's assessment of information technology risk, the Group believes that it has effective mitigating and monitoring controls in place to sufficiently reduce the risk to an acceptable level and has elected to remove the information technology risk as a principal risk.

Country risk is a strategic risk to the Group. We are actively monitoring the rapidly evolving situation in Ukraine, the international response and the implications for the Group.

Emerging risks

The Board has highlighted the execution of major capital expenditure projects as a continued notable emerging risk. 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. COVID-19 continues to impact our ability to plan and execute some of our major capital expenditure projects as we carefully plan the number of contractors and other non-operating people on our sites and adapt to local restrictions and unpredictable international travel restrictions. We will continue to monitor potential risks relating to executing major capital expenditure projects in the year ahead including, but not limited to, the effects of COVID-19.

Pandemic risk

Risk owner

1

Executive Committee (oversight CEO)

COVID-19 continues to impact the way we do business due to various health, social and economic measures implemented by authorities around the world to combat the pandemic. The health, safety and welfare of the Group's employees and our communities remain 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.

Supporting our stakeholders and prioritising safety, health and wellbeing

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.
- Availability of containers and transport capacities is still limited and the market remains unbalanced as a consequence of global supply chain interruptions originating from the COVID-19-related lockdowns.
- 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 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 result in changing consumer behaviour and open up new opportunities, such as increased demand for eCommerce packaging. Structural changes arising post-pandemic related lockdowns in the demand for packaging and paper products presents additional opportunities for growth.
- New business development initiatives with customers could slow down where personal interaction or technical support at customer premises is required; continued working from home may hinder our employees' 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 support local businesses.

Mitigation

- Closely monitoring 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 needed for everyday life.
- 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.
- 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, flexible working for employees.
- Where employees work from home, having 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.
- 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

Risk owner

2 3 4 5
Executive Committee (oversight CEO)

6
SD Committee (oversight Group Head of Sustainable Development)

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 are actively monitoring the rapidly evolving situation in Ukraine, the international response and the implications for the Group. We continue to track capacity announcements, demand developments and how consumers are demanding more sustainable packaging. We continue to increase our understanding of climate change-related risks and its impact whilst continuing 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.

Supporting our strategic priority to grow in sustainable packaging

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, customer relationships 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 of 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

- Changes in consumer preferences and socio-economic and demographic trends can affect the demand for packaging and paper products in general, and demand for specific grades of our products in particular.
- Substitution can be to a different packaging or paper substrate or to a different solution meeting the same need.
- With increased public awareness of sustainability challenges and our customers' focus on sustainable packaging; on balance, our business faces more opportunities than risks, underpinned by the transition from plastics to paper, although there could be pressures on certain areas of our portfolio.
- The ongoing growth of eCommerce creates a strong pull for paper-based bags and corrugated solutions for eCommerce, additionally we see plastic replacement in tertiary packaging as a new pool of opportunities.
- Product substitution trends, many of which benefit Mondi are, for example, replacing plastic-based with paper-based packaging, moving to mono-material recyclable plastic packaging solutions, reducing the weight of products, demand for increased recycled content in packaging, demand for certified and responsibly produced materials and the impact of digital media on uncoated fine paper demand.
- The increased public and stakeholder focus on the impact of plastic-based packaging on marine and terrestrial ecosystems has led to changes in legislation which can be complex and unclear, and lack harmonisation which could pose substitution or related challenges.
- Taxes or Extended Producer Responsibility schemes may negatively impact demand for plastic-based packaging or packaging without recycled content.

Mitigation

- A wide portfolio of paper-based and flexible plastic-based solutions, providing 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.
- Continuous focus on products enjoying positive substitution dynamics and growing regional markets.
- Regular monitoring of trends and new developments 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 value chain such as the Ellen MacArthur Foundation, CEFLEX and 4evergreen.
- Providing product impact and life cycle analysis insights to customers through our Product Impact Assessment (PIA tool), product carbon footprints, Paper Profiles and other expert analysis on trade-offs.

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 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, 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.
- Ongoing 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.
- Frequent review of gross margin development in order to monitor price pass through to customers.

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 and economic sanctions.
- We have significant operations in Russia, representing around 12% of the Group's revenue by location of production in 2021, including our high-margin, cost-competitive, integrated pulp, packaging paper and uncoated fine paper mill located in Syktyvkar (Komi Republic). Over the last three years our Russian operations have generated around 20% of the Group's underlying EBITDA. Our businesses primarily serve the domestic market. In Ukraine Mondi has one paper bag plant located in Lviv, west of the country, employing approximately 100 people. The US, the EU and other countries continue to impose economic sanctions and other measures on persons and corporate entities in Russia. Possible additional sanctions and/or other measures on Russia can have a material effect on our business.
- In South Africa, the Group is subject to land claims and could face adverse land claims rulings.

Mitigation

- Our geographic diversity and decentralised management structure, utilising local resources in countries in which we operate, reduce our exposure to any specific jurisdiction. Our operational management teams have strong localised operational experience.
- 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.
- 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. 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 risks

Potential impact

- Climate change-related risks will likely have a high impact on our business in the medium- and long-term.
- Our manufacturing operations are energy-intensive resulting in Scope 1 and Scope 2 GHG emissions.
- Fibre is the main raw material for our products and forests are an important carbon store, with sustainably managed forests enabling 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. Investors are increasingly focused on the climate impact of their portfolios.
- Our climate change-related risks include transition and physical risks. Transition risks include regulatory risk for example, the EU Emissions Trading Scheme (EU ETS) and a carbon tax in South Africa; and energy supply cost volatility due to changes in future energy supply mix. Physical risks include the impact of water shortages due to drought or changing precipitation patterns and increased costs driven by a shortage of wood supply in the long term due to physical impacts such as droughts, pests and diseases.

Mitigation

- Reducing our GHG emissions through a combination of capital investment and ongoing efficiency programmes to improve our energy efficiency, optimise the use of biomass-based fuels and decrease carbon-intensive energy sources.
- Sourcing our wood from diverse regions and forest types mitigating the potential impacts of climate change on our tree 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.
- Monitoring and measuring our impact on climate change, reporting on GHG emissions and energy is independently assured.
- Committing to a science-based plan to transition to Net-Zero in line with a 1.5°C scenario by 2050, which includes commitments to reducing GHG emissions across our value chain.
- 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 FSB's TCFD.
- Continuing to investigate the financial implication of our short-, medium- and long-term climate-related risks and opportunities.

TCFD
Page 60-67

Link to strategic framework

Financial risks

Risk owner

7 Group CFO

8 Group Treasurer

9 Group Head of Tax

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.

An attentive approach to financial risk management remains in response to increased scrutiny of the tax affairs of multinational companies and ongoing short-term currency volatility.

Maintaining our strong financial position which enables strategic flexibility

Overview
Strategic report
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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.

Link to strategic framework

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 and Czech koruna; whilst the fluctuations in the US dollar, Russian rouble, British pound 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.

Link to strategic framework

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 (OECD) 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.

Link to strategic framework

Operational risks

Risk owner

10
Executive Committee (oversight CEO)

11 12
Group Head of Operations

13
SD Committee (oversight Group Technical Director & Group Head of Sustainable Development)

14
Group Head of Safety & Health

15
Group HR Director

16
Chief Information Officer

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 and improve operating efficiencies thereby reducing the likelihood of operational risk events. Physical and transitional risks arising due to climate change are anticipated to have an operational impact on the Group, particularly on supply of wood fibre and energy within the EU.

Investing to improve efficiency and enhance operational excellence

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 suitable wood supply, increased frequency of severe weather events, changes in rainfall, increased pest and disease outbreaks and increasing use of wood as biofuel.
- Climate change is expected to create long-term structural changes to the pricing and availability of timber, with an impact on growing conditions due to temperature and precipitation change resulting in a geographic shift of optimal growth areas, and an impact from forest-related legislative policies mainly driven by environmental conservation and CO_2 emission reduction targets, particularly in the EU.
- 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

- Where possible indexation clauses in revenue contracts allow the pass-through of major raw material price movements.
- 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 for 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.
- Our own sources of wood in Russia and South Africa.
- 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 policies.
- Wood and pulp suppliers are assessed as part of our Due Diligence Management System which addresses the main legal and sustainability risks.
- In South Africa, we have tree improvement programmes to produce stronger hybrids; fire prevention and firefighting capacity are integrated into a fire management system with local Fire Protection Associations and neighbouring operations.

Link to strategic framework

11 Energy security and related input costs

Potential impact

- Availability of sufficient and reliable energy supply is increasingly becoming a concern; as the transition to cleaner energy sources accelerates, accompanied by increased regulation, the energy supply portfolio is undergoing long-term changes, such as an increase in demand for renewable energy and an increase in carbon taxes, which increases the risk of more volatile pricing as well as potential for severe energy interruptions.
- Security of supply of gas is subject to political pressures and could be intermittent, while renewable energy sources, such as wind and solar, are subject to unpredictable physical weather patterns. Competition for sources of green energy, such as biomass, causes cost and availability pressures.
- Rapid increases in fuel, transport and energy costs represent higher direct costs to the Group as well as for our suppliers, which in turn may seek to increase prices which may be difficult to pass on to customers and could cause a contraction of gross margins.
- Income from the sale of green energy, either from sales of certificates, subsidies or sales of green energy to the grid, represent a significant source of income for various pulp and paper mills and are subject to both volatility in price and regulatory changes.
- Availability of sufficient and reliable electricity supply in South Africa remains a concern and above inflationary increases are virtually certain.

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 reduced use of fossil-based energy sources, such as carbon-intensive 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. If operations at any of these key facilities are interrupted for any significant length of time, it could have a material effect on our financial position or performance. Our converting operations are spread over a considerably larger number of plants providing risk diversification.
- 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 project-related shuts can experience delays in start-up and ramp-up due to reliance on external suppliers and contractors for engineering services and equipment supplies.

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; a digital predictive maintenance approach is in development.
- 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.
- External experts 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

SASB

Potential impact

- We are subject to a wide range of 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.
- 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 and chemicals; and generate emissions to air, water and land. Our water-intensive mills could pose a risk especially in water scarce and stressed areas.
- As we manage more than two million hectares of forestry landholdings and purchase significant amounts of wood and fibre on the market, a decline in ecosystem functions and loss of biodiversity could impact the natural resources that we rely on.

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 by externally accredited environmental management systems.
- Our focus, as captured by MAP2030, 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, and promote equitable use of water resources among local stakeholders wherever we operate.
- We promote the responsible management of forests and associated ecosystems, protect high conservation value areas and implement measures to protect biodiversity.
- We participate in international associations and engage with universities, NGOs and other organisations, such as Cepi, WWF, Alliance for Water Stewardship and the World Business Council for Sustainable Development's Forest Solutions Group.
- We organise specialist internal networks sharing best practice and comprehensively report and investigate major environmental incidents to avoid reoccurrence.
- We monitor our environmental performance indicators and report our progress against our targets, with our Scopes 1 and 2 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 impacts.

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 programme and wellness initiatives are offered across the countries in which the Group operates in order to help employees with general health and mental health concerns.
- 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

- 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.
- The economies of Western Europe and the United States are seeing an ageing workforce which could present challenges in the future. Socio-political issues in South Africa result in skilled workers looking to emigrate.

Mitigation

- Our culture and values play a key role in empowering and inspiring our people, highlighted by programmes and collaboration initiatives to inspire our people throughout our operations.
- We have a zero tolerance policy towards discrimination and we provide equal opportunities for all employees.
- The setting of ambitious sustainability commitments in our MAP2030 framework supports our reputation as a Group that places significant importance on sustainability issues, 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 platform, SpeakOut, employees and external stakeholders can raise concerns about conduct that may be contrary to our values.

Link to strategic framework

16 Cyber security risk

Potential impact

- The Group could experience targeted and untargeted cyber-attacks as cybercrime continues to increase and attempts are increasingly sophisticated.
- 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

Risk owner

17
Executive Committee (oversight CEO)

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

Underpinned by robust governance, policies and standards

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 continue 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.
- Compliance committees are established at a Group level to monitor the risk relating to trade controls, data protection, competition compliance and business integrity – chaired by the Group CFO with representatives from across the business. 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 platform, enabling employees, customers, suppliers, communities and other stakeholders to raise concerns about misconduct and irregularities.

Link to strategic framework

Viability statement

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 16-19 and 30-31 respectively. Our strategy is to deliver value accretive growth sustainably by focusing on our four strategic value drivers. These value drivers build on the competitive advantages we enjoy today, setting a clear roadmap for investment and operational decisions into the future. Our performance against our strategic objectives are discussed in more detail on pages 32-41.

Mondi's geographical spread with over 100 production sites across more than 30 countries and broad product portfolio mitigate potential risks of customer or supplier liquidity issues. By combining our integrated value chain, strong relationships, responsible resource management, and leveraging our competitive advantages, we create value for our stakeholders in line with the Mondi Way.

The Group's financial position, cash flows, liquidity position and borrowing facilities are described in the financial statements. At 31 December 2021, the Group had €803 million of undrawn, committed debt facilities. The weighted average maturity of the Group's committed debt facilities was 4.7 years. The principal loan arrangements are disclosed in note 20 of the financial statements. In addition, the Group had €455 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 2024 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 selling 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 our principal risks, 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 86-97 have been assessed for potential impact as part of the risk assessment. Opportunities and challenges shaping the future of packaging are described in detail on pages 26-27.

The Group's three-year 2022-2024 plan ("budget period") has been tested for severe but plausible downside scenarios. These are summarised in the table at the bottom of this page.

While linked to the Group's principal risks, the scenarios detailed in the table below are hypothetical and designed to test the ability of the Group to withstand such severe outcomes. In an event that a scenario partly or fully takes place, the Group has various options available to maintain liquidity and continue operations. The scenarios modelled are linked to those risks which are most likely to occur and have the most significant impact.

The sales volume compression scenario (Scenario 1) was calculated with assumed reductions of up to 10% depending on the relevant product compared with the assumptions in each year of the budget period.

The margin compression scenario (Scenario 2) was calculated with assumed reductions of up to 16% depending on the relevant product compared with the assumptions in each year of the budget period.

Testing was performed for Scenarios 1 and 2 individually and in combination for a duration of three years. Both margin and volume sensitivities have been modelled considering current and potential future market developments.

Scenario testing

Scenario modelled		Link to principal risks
Scenario 1	**Volume compression** Sales volume reduction across pulp and paper mills and converting operations	2 Industry productive capacity 3 Product substitution 12 Technical integrity of our operating assets
Scenario 2	**Margin compression** Sales prices reduction in pulp and paper mills and gross margin reduction in converting operations	4 Fluctuations and variability in selling prices or gross margin
Scenario 3	**Input costs inflation** Increase in materials, energy, consumables used and variable selling expenses	10 Costs and availability of raw materials 11 Energy security and related input costs
Scenario 4	**Currency risk** Volatility in foreign exchange rates	7 Currency risk

Besides, we have tested for cost inflation across all major input cost positions. The assumed cost increases are up to 18% depending on the relevant cost item compared with the assumptions in every year of the budget period. Input costs which are usually passed on through higher sale prices in the converting operations have been excluded from the testing.

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 all four 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 individually and in combination for Scenarios 1 and 2, 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 of operations, to ensure that the Group continues to meet its ongoing obligations.

The Group meets its funding requirements from a variety of sources as more fully described in the financial statements in note 20. The Board is satisfied that the Group will have sufficient liquidity to meet its needs over the planning horizon. In 2021, the covenant on net debt to underlying EBITDA performance has been removed from the European Investment Bank Facility and the new Revolving Credit Facility has no financial covenant hence the viability testing is focused on available liquidity during the assessment period.

The scenario testing is carried out against Mondi's current committed debt facilities. 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 through the business cycle.

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 principal risks which may impact the Group's performance in the 12 months following the date of approval of the financial statements and considerations of the period immediately thereafter.

At 31 December 2021, the Group had €803 million of undrawn, committed debt facilities. The weighted average maturity of the Group's committed debt facilities was 4.7 years. The principal loan arrangements are disclosed in note 20 of the financial statements. In addition, the Group has €455 million of cash and cash equivalents available to fund its short-term needs. In 2021, the covenant on net debt to underlying EBITDA performance has been removed from the European Investment Bank Facility and the new Revolving Credit Facility has no financial covenant and hence the going concern assessment is focused on available liquidity during the assessment period.

The current and possible future impact from the 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 on Group performance. In the severe but plausible downside scenario, the Group has sufficient liquidity headroom through the whole period covered.

A decline of 67% to the budgeted underlying EBITDA would need to persist throughout the assessment period for the liquidity headroom to come to zero, 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 Integrated report and 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 2021.

Sale of Personal Care Components

The directors have assessed the impact of the potential sale of Mondi's Personal Care Components business announced on 17 February 2022 on the Group's assessment of viability and going concern status and the directors confirm that the conclusions set out above remain unchanged.

Governance

UNPACKING THE OPPORTUNITY OF SUSTAINABLE PACKAGING

More often than not, the race for true innovation starts with a problem and is won through partnership. This is one of the cornerstones of EcoSolutions, our customer-centric approach to developing sustainable packaging solutions without compromising on performance, functionality or brand appeal.

Demand for sustainable packaging has never been higher, accelerated by ambitious brands and purposeful consumers who want to tackle the waste inherent in a linear economy. Our cross-functional teams of specialists work with customers to offer holistic guidance on selecting the most effective materials, understanding trade-offs and helping them achieve their own sustainability goals.

The development of circular driven solutions presents a considerable opportunity for our business, customers and shared stakeholders. It can been seen, for example, in our collaboration with Tesco Central Europe in which Mondi purchases the retailer's corrugated waste to create recycled EcoVantage paper for reusable, recyclable and high-performance shopping bags. This closed loop concept is supporting Tesco on its own journey towards Net-Zero.

Read more about how we are unpacking opportunities across the business

AMBITION + ACTION

Page 12-13

SKILLED + INCLUSIVE

Page 164-165

STEWARDSHIP + ENGAGEMENT

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.

In a year of continued uncertainty created by COVID-19 and during which we appointed a number of new non-executive directors, Mondi's well-established governance framework continued to provide the foundation for a strong, effective and engaged Board and allowed the new directors to contribute to the Board fully from the start.

While a number of Board meetings were held virtually due to continued travel restrictions, we were able to transition to hybrid meetings towards the end of the year, with those who were able to travel attending in-person whenever possible. While the culture of transparency, openness and respect among Board members and senior managers supported effective virtual meetings, it is clear that the relationships that develop and strengthen during in-person meetings are critical to the long-term success of the business and our aim in 2022 will be to continue the return to physical meetings whenever it is safe and practicable to do so. This was a key action identified in the board evaluation process undertaken during the year, as was the need to reinstate site visits for the Board to meet face-to-face with management and employees (see page 120 for further details).

Board composition

At the Annual General Meeting in May, we said goodbye to Stephen Harris who retired from the Board after ten years. Stephen has played a key role during his time on the Board, initially as a non-executive director and Chair of the Sustainable Development Committee and latterly as Senior Independent Director. In addition, Enoch Godongwana left the Board at short notice in August 2021 to become South Africa's Finance Minister and we announced in March 2022 that Tanya Fratto will retire from the Board at the conclusion of the Annual General Meeting on 5 May 2022 after almost six years on the Board. We thank them for their contribution and wish them all the best for the future.

As outlined in last year's report, Svein Richard Brandtzaeg, Sue Clark and Dame Angela Strank joined us as independent non-executive directors in April 2021. They each bring a wealth of experience from a wide variety of industries and I am pleased to say that their input to Board discussions, and the new perspectives they bring, have already proven valuable. You can find their biographies on page 105. Angela will replace Tanya as chair of the Remuneration Committee when she steps down on 5 May.

We are now focusing on the recruitment of a successor to Enoch, more details of which can be found on page 122. Ensuring we have a diverse Board with the ability to lead Mondi with integrity and to achieve long-term sustainable value for our stakeholders continues to be our focus and is at the heart of this search. I look forward to further strengthening our Board as a result.

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.

The Governance report is structured according to the sections of the UK Corporate Governance Code 2018 in order to clearly demonstrate how we have applied the principles.

Safety

The safety and health of our workforce continued to be a priority for the Board during the year, particularly in light of COVID-19 and the maintenance shuts during the year. These shuts are always a critical time for the business given the significant number of employees and contractors on site and the potential for incidents to occur. Mondi's strong safety culture is crucial throughout the year but particularly during these shuts and work continued to ensure we are doing everything we can to protect those working for us. We recognise the devastating impact safety incidents can have on individuals, their family and friends and their work colleagues and so it is always first on our agenda. We cannot afford to relax our efforts.

More information regarding the actions we are taking to improve safety can be found on page 53.

Stakeholder engagement

Understanding the views of our key stakeholders is fundamental to the role of the Board and the decisions we take. As a Board, we have a responsibility to our shareholders but also to consider the interests of our employees, our customers, our suppliers, the communities where we operate and our other key stakeholders. We create value for our shareholders by taking decisions that are sustainable in the long-term not only for Mondi but also for those our business affects. We do not operate in isolation.

This report, particularly here in the governance report and on pages 20-23 in our section 172 statement, aims to provide more colour on how we engage with stakeholders and how we consider these interests during decision-making. The appointment of Sue Clark as the non-executive director responsible for understanding the views of our employees was a notable development during the year and more information relating to her work to date can be found on pages 110-111.

Understanding the views of our stakeholders also allows us to shape our culture and our values, ensuring we are taking the right approach to our business and the way we operate. Our confidential reporting hotline, 'SpeakOut' is critical to this. SpeakOut is available to all of our stakeholders and provides the Board with one insight into the culture of the Group. Further details can be found below. More information about the multiple ways in which we monitor culture can be found on page 108.

Looking forward

I remain confident that Mondi has the right governance framework and culture in place to support the achievement of Mondi's strategy and our purpose, while at the same time enabling our stakeholders to achieve their ambitions, particularly from a sustainability perspective.

I would like to thank everyone across the organisation for their work during 2021 and I look forward to discussions and engagement with our stakeholders during 2022.

Philip Yea
Chair

TRUST THROUGH TRANSPARENCY

SpeakOut

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 any 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. More information about SpeakOut and Mondi's approach to anti-bribery and corruption in particular can be found on page 69.

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 Chair at Equiniti Group plc, Greene King plc and bwin.party digital entertainment plc; Senior Independent Director at Vodafone Group plc, Manchester United plc and Computacenter plc; and non-executive director at Marshall of Cambridge (Holdings) Ltd, Aberdeen Standard Asia Focus plc, Rocket Internet SE and HBOS plc.

Current external appointments
None.

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 19 years' experience with Mondi in various strategy, business development and 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 Young
Senior Independent 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 was appointed as Senior Independent Director of Mondi plc on 6 May 2021.

Current external appointments
Non-executive director and Audit Committee Chair at Weir Group plc.

Svein Richard Brandtzaeg
Non-Executive Director

Appointed to the Board
April 2021

Independent
Yes

Committee memberships
Audit, Nominations, Sustainable Development

Qualifications
PhD in Chemical Engineering from the Norwegian University of Science and Technology

Skills and experience
Svein Richard has a strong commercial and strategic background as a former chief executive of Norsk Hydro ASA and more recently as a non-executive director on a number of Boards. His experience of leading a global industrial group brings valuable insight to the Board.

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.

Current external appointments
Chair of Veidekke ASA (Svein Richard has notified the Board he will be stepping down from this position in May 2022), Vice Chair of Den Norske Bank ASA, and a non-executive director of Swiss Steel Holding AG and Eramet Norway.

Sue Clark
Non-Executive Director

Appointed to the Board
April 2021

Independent
Yes

Committee memberships
Audit, Nominations, Remuneration

Qualifications
BSc in Biological Sciences from Manchester University and an MBA from Heriot Watt University

Skills and experience
Sue brings to the Board significant commercial and strategic experience gained across a range of industries, with exposure to a broad range of stakeholders in both an executive and non-executive capacity.

Sue started her career with the Central Electricity Generating Board before holding a variety of communication roles at National Power plc. She went on to join Scottish Power plc, where she became Director of Corporate Affairs.

In 2000, Sue 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 was a non-executive director of Bakkavor Group plc from 2017 to 2020, and a member of the Supervisory Board of AkzoNobel NV until April 2021.

Current external appointments
Senior Independent Director at Imperial Brands plc, and a non-executive director of Britvic plc and Tulchan Communications LLP.

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 valuable 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.

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, AXA SA between 2005 and 2017 and Severn Trent Plc between 2016 and 2021.

Current external appointments
Non-executive director and Chair of Chr. Hansen Holding A/S and Eurostar International Limited and a non-executive director of Deliveroo plc and Paypal (Europe).

Dame Angela Strank
Non-Executive Director

Appointed to the Board
April 2021

Independent
Yes

Committee memberships
Nominations, Remuneration, Sustainable Development

Qualifications
BSc and PhD in Geology from Manchester University and a Chartered Engineer

Skills and experience
Angela brings to the Board extensive experience of operating in large, international companies in a broad range of both executive and non-executive roles, bringing valuable knowledge including operations, technology and sustainability.

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 USA, Far East and Angola. She went on to hold various senior leadership and technology/engineering-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. In 2018 she was appointed to BP's Group Executive Management Team, a position she held until her retirement in 2020. Angela was honoured with a Damehood (DBE) in 2017, and is a Fellow of the Royal Society, a Fellow of the Royal Academy of Engineers and the Institute of Chemical Engineers, as well as an honorary Fellow of the UK Energy Institute. Angela holds honorary DSc degrees from Royal Holloway University and the University of Bradford, and she is an honorary professor of the University of Manchester.

Current external appointments
Non-executive director of Severn Trent Plc, SSE plc and Rolls-Royce Holdings plc.

Executive Committee and Company Secretary

Andrew King
Group CEO

See full biography
Page 104

Mike Powell
Group CFO

See full biography
Page 104

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 Štětí 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.

Thomas Ott
CEO, Flexible Packaging and Engineered Materials

Appointed to the Executive Committee
January 2022

Qualifications
Graduated in business administration from the WU-Vienna business school

Skills and experience
Thomas has extensive experience in the industrial bags and consumer packaging industries, having held a variety of roles with Mondi for more than 25 years, building Mondi's Industrial Bags business and shaping Mondi's portfolio in Europe.

Thomas started his career with Deloitte & Touche in 1992, before joining Mondi in 1995 as a financial controller. He went on to hold a number of leadership roles within Mondi before becoming COO Industrial Bags in 2012, a role he held until 2019. During this time, he successfully restructured Western Europe and supported Mondi's growth in North America, the Middle East and Africa.

Thomas briefly moved to Amcor EMEA, focusing on consumer packaging as a member of the EMEA executive team in the role VP Food, Snacks and Confectionery before returning to Mondi in March 2021 as COO Kraft Paper & Paper Bags.

In January 2022, he was appointed CEO of Mondi's Flexible Packaging and Engineered Materials businesses.

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.

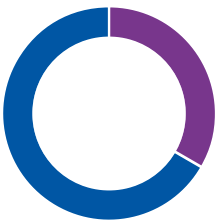
Sara joined Mondi in September 2017 as Group Communication & Marketing Director. She also chairs Mondi's Diversity & Inclusion (D&I) steering committee.

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



Female	3
Male	6

Nationalities represented on the Executive Committee

British	2
German	2
South African	2
Austrian	1
Swedish	1
Swiss	1

Board leadership and company purpose

Promoting long-term sustainable success

The primary role 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's purpose, strategy and culture define The Mondi Way and how we run our business. This is illustrated in our business model, set out on pages 16-19, which explains how we achieve our purpose and deliver value for stakeholders while ensuring sustainability is at the centre of everything we do. Strong, ethical leadership, underpinned by a robust corporate governance framework, is crucial to the achievement of our purpose and strategy in a way that balances the interests of our key stakeholders while creating long-term sustainable value.

Supported by its committees, 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 and sustainability performance. Mondi's governance framework and culture of respect and transparency ensure 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 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.

How the Board monitors culture

Mondi's culture underpins everything we do. It defines our behaviour and the way we do business, across the Group, within our operations and in the boardroom. It is critical to achieving long-term sustainable success. The Mondi Way sets out the key values that form the foundation of our culture, 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's responsibility for assessing and monitoring the culture of the Group is embedded in the Matters Reserved for the Board.

There are a number of ways in which the Board monitors and assesses culture, with the insight acquired used as context for discussions and decision-making, 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 for the full Board during 2021 due to COVID-19, a number of the directors were able to undertake individual visits towards the end of the year. More details can be found on page 118. Board site visits will resume as soon as it is safe to do so – this was identified as a key focus for 2022 during the annual board evaluation process.

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 117. Presenters and members of local management 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, had an overall response rate of 88%, therefore providing insight into the views of a broad range of employees. More information about the way in which the views of employees are gathered and assessed can be found on pages 110-111. The 2020 survey was also used to determine our first Inclusiveness score. 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.

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.

Feedback from non-executive director representative

During 2021, Sue Clark was appointed as the independent non-executive director responsible for understanding and feeding back to the Board the views and concerns of our employees. Sue's engagement with our employees provides the Board with crucial insight into how our employees are feeling about Mondi and the matters of most concern to them, giving the Board a clear sense of how well the Group's culture is embedded across the organisation and issues that need to be addressed.

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. This is reflected in Mondi's Code of Business Ethics, recognising the fact that engagement and collaboration with our stakeholders is essential if we are to fulfil our purpose and achieve our strategy. 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. While these decisions may not always be in the interests of all our stakeholders, understanding what matters most to them and what they hope to achieve allows the appropriate judgements and trade-offs to be made.

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 relayed 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 Section 172 statement on pages 20-23. The information provided over the next few pages and in our Section 172 statement aims to explain how the feedback from this engagement influences the Board's decision-making.

Information enabling the Board to assess and understand the views and priorities of our key stakeholders comes from a number of different sources. During 2021 these included:

- Presentations from the CEO of each business unit, and other members of senior management, highlighting those stakeholder issues that are of specific relevance to their business or area of responsibility, including the views of our customers and how these influence product development and key sustainability considerations (see page 117 for more information).
- The results of the sustainability materiality assessment undertaken during the year which involved engagement with internal and external stakeholders with the aim of understanding which sustainability issues were of most importance to each stakeholder group (see page 22 for more information). The assessment was supported by an external consultancy, providing independent insight, and the results provide context for future Board discussions.
- Updates on the global initiatives Mondi participates in, primarily related to sustainability matters, and collaboration with external bodies.
- Regular environmental performance reviews, including metrics on our greenhouse gas emissions, given at meetings of the Sustainable Development Committee, which all Board members usually 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 other 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?

Understanding the views and issues raised by our stakeholders through the engagement methods referred to opposite forms 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 they consider the Group's strategy and take 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 22-23.

Board leadership and company purpose continued

How the Board has engaged with employees

The effect our decisions have on our employees is a key consideration when determining our future strategy, reviewing potential transactions and capital expenditure proposals and considering our approach to safety and sustainability. In order to assess the impact, we first have to understand the views of our employees and the issues that matter to them. Rather than use only one method to establish the views of our employees, we use a combination of different methods. Mondi employs around 26,500 people across more than 30 countries. Some of our people are office-based but many work in our plants and forests. This means that no single method is suitable. 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 key form 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 HR Director and 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 once COVID-19 travel restrictions allow.

During 2021, it was agreed that Sue Clark, an independent non-executive director, would be responsible for understanding and feeding back to the Board the views and concerns of our employees. Sue's exposure to a broad range of stakeholders in both an executive and non-executive capacity and her previous communication-focused roles mean she is well-positioned to take on this responsibility. Sue replaced Stephen Harris in this role following his retirement from the Board in May 2021.

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.

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, which was undertaken in 2020 can be found on pages 51-52.
- 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 118 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 103.
- Review of usage rates for Mondi's Employee Assistance Programme which offers an anonymous counselling service for employees. The programme covers approximately 97% of Mondi's workforce.

Key events in 2021

The annual meeting of the European Communication Forum was held in October 2021. The meeting involved 25 participants from nine countries, with a representative from Turkey participating for the first time. 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 opportunity to ask questions and to engage with the Group CEO and Group HR Director.

A dinner was also held for participants, allowing further opportunity for more informal engagement outside of the meeting. Sue Clark attended the meeting in her role as the non-executive director responsible for understanding the views of employees, further reinforcing the value of these meetings and providing employee representatives with a direct channel of communication to the Board.

Sue confirmed to the Board that the atmosphere at the meeting had been constructive, with participants highly engaged. Matters raised included the work being undertaken to attract talent and replace retiring skills and the health and wellness of employees, supporting the Board's view that safety and health should continue to be a focus for the Board and that succession planning is a priority, not only at Board level but across the organisation. Matters raised during these meetings are subject to subsequent follow up, with further information provided to participants where required and regular meetings throughout the year between the Group HR Director and the chair of the European Communication Forum, ensuring continuous dialogue.

Alongside this, Sue held an interactive session with employees to explain Mondi's approach to executive remuneration, more details of which can be found in the Remuneration Report on page 138, and produced a video, which was published on Mondi's intranet site, directly reaching out to employees to explain the role of the Board, offering engagement and requesting their views.

The Group HR Director also held a number of so called 'Inspire' meetings. The meetings were held across the business units at a number of different plants and involved meetings with small groups of both production and office workers without their supervisors or line managers present, allowing free and open discussion. Of particular focus this year were the measures in place to allow knowledge sharing across plants and business units, highlighting the desire to continuously improve and to learn from one another.

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. These are taken into consideration with every decision the Board makes. 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 understand what long-term, sustainable value means from their perspective. While recognising that every investor has their own rationale for investing in Mondi and that their investment goals vary, 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) also presents an opportunity for shareholders to question the directors about our activities, performance and prospects.

Board leadership and company purpose continued

How the Board has engaged with investors continued

Key events in 2021

Details of the key investor events that have taken place during 2021 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 approach to sustainability.

In addition, Philip Yea held several calls with investors in response to specific requests for dialogue.

The AGM continued to be a valuable opportunity for direct engagement between the Board and shareholders.

While COVID-19 restrictions and our focus on protecting the safety of our shareholders and employees meant that shareholders were not able to attend the AGM in person, measures were taken to ensure shareholders could participate and engage as fully as possible. Shareholders were encouraged to submit their questions in advance of the meeting, with written answers provided in advance of the proxy voting deadline wherever possible, frequently asked questions were published on Mondi's website and a facility was put in place to allow shareholders to listen to and submit written questions live during the AGM.

All resolutions at the 2021 AGM were passed, with approximately 76% of the total Group shares voted, indicating high levels of engagement. In direct response to investor feedback, amendments to our articles of association permitting the use of hybrid meetings were also proposed and approved. While we are required to continue having physical meetings, the changes allow us to offer electronic means of participation in addition to physical attendance. Full details of the arrangements for the 2022 AGM, and explanations of each resolution to be proposed at the AGM, can be found in the 2022 AGM notice which is contained in a separate circular to be made available to all shareholders in advance of the meeting.

2021 investor events

Most of these events were held virtually.

February
- Preliminary results announcement

March
- London and Edinburgh full year results roadshow, including Jefferies packaging conference
- Johannesburg and Cape Town full year results roadshow
- Exane Future of Packaging conference
- London investor roadshow day

April
- Discussions with investors and advisory bodies prior to Annual General Meeting

May
- Annual General Meeting and trading update
- UBS Pan European small and mid-cap conference
- US investor roadshow

June
- Credit Suisse packaging conference
- London investor roadshow day
- Avior summit (South Africa)
- Paris and Netherlands investor roadshow day

August
- Half-year results

September
- London and Edinburgh half-year results roadshow
- Johannesburg and Cape Town half-year results roadshow
- Davy packaging conference

October
- Trading update
- London investor roadshow day

November
- UBS European conference
- Switzerland and Netherlands investor roadshow day
- UK sustainability roadshow

December
- Bank of America conference

Corporate governance report
Division of responsibilities

Composition and independence of the Board

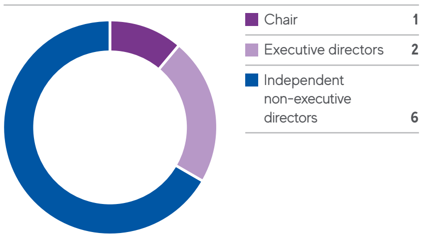
The directors holding office during the year ended 31 December 2021 are listed opposite, together with their attendance at board meetings. Biographical details for those in office at the date of this report can be found on pages 104–105.

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. However, given the resignation of Enoch Godongwana in August, it will be important to recruit a suitable South African director to ensure that the Board continues to enjoy independent insight into developments in this key country. Further information relating to the recruitment process can be found on page 122.

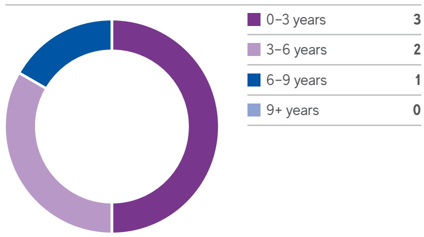
Non-executive director meetings

Meetings between the Chair and non-executive directors without management present are held prior to every board meeting. These meetings allow discussion of matters relevant to the most effective conduct of the immediately following meeting, although the content of each meeting is driven by the non-executive directors themselves and may cover a variety of topics. Stephen Young also met with the other directors without the Chair present in order to lead the review of the Chair's performance in his role as Senior Independent Director.

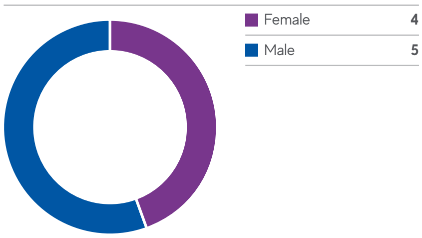
Composition of the Board



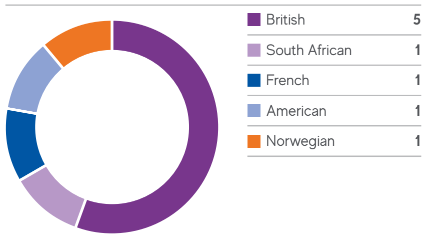
Independent non-executive director tenure



Diversity of the Board



Nationalities represented on the Board



Based on Board composition as at 31 December 2021

Board attendance[1]

Directors	
Philip Yea	7/7
Svein Richard Brandtzaeg[2]	5/5
Sue Clark[3]	5/5
Tanya Fratto[4]	5/7
Enoch Godongwana[5]	5/5
Stephen Harris[6]	3/3
Andrew King	7/7
Mike Powell	7/7
Dominique Reiniche	7/7
Dame Angela Strank[7]	4/5
Stephen Young	7/7

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 Svein Richard Brandtzaeg joined the Board on 22 April 2021. Svein Richard attended all meetings following his appointment
3 Sue Clark joined the Board on 22 April 2021. Sue attended all meetings following her appointment
4 Tanya Fratto was unable to attend two meetings during the year, the first due to a funeral and the second due to another unavoidable commitment
5 Enoch Godongwana stepped down from the Board on 6 August 2021. Enoch attended all meetings up to the date of his resignation
6 Stephen Harris stepped down from the Board on 6 May 2021. Stephen attended all meetings up to the date of his retirement
7 Dame Angela Strank joined the Board on 22 April 2021. Angela was unable to attend one meeting following her appointment due to another commitment made prior to joining the Board

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 2021, 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. During the year, it was agreed that Dominique Reiniche could join the board of Deliveroo plc as a non-executive director. After considering the time commitment involved and in light of her decision to step down from the board of Severn Trent Plc in July 2021, it was determined that Dominique would continue to have the necessary time to dedicate to Mondi. In addition, the Board noted that Svein Richard Brandtzaeg will be stepping down as chair of Veidekke ASA in May 2022, reducing his commitments outside of Mondi.

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 104

- 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 CEO

Andrew King

Biography
Page 104

- 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

Group CFO

Mike Powell

Biography
Page 104

- 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 Young

Biography
Page 104

- 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

Independent Non-Executive Directors

Svein Richard Brandtzaeg

Sue Clark

Tanya Fratto

Dominique Reiniche

Dame Angela Strank

Biographies
Page 105

- 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 107

- 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 Board

Nominations Committee
Oversees the composition of the Board and committees and considers succession planning and diversity, making recommendations to the Board

Read more Page 121

Audit Committee
Oversees the Group's corporate financial reporting, the internal control system, risk management and the relationship with the external auditor

Read more Page 126

Remuneration Committee
Responsibility for recommending overall remuneration policy and the setting of executive and senior management remuneration

Read more Page 136

Sustainable Development Committee
Oversees the Group's strategy, commitments, targets and performance relating to safety, the environment, climate-related matters and other sustainable development issues

Read more Page 133

CEO

Executive Committee
Day-to-day management of the Group

Disclosure Committee
Responsibility for classifying and overseeing the prompt disclosure of inside information and overseeing the creation of insider lists

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. 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 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. Although a number of meetings during 2021 were held virtually due to the ongoing impact of COVID-19, meetings held in the second half of the year were predominantly held in hybrid format, allowing those able to travel to attend in person. While virtual meetings have proven to be effective, the value achieved from meeting in person is clear and we will continue to hold physical meetings whenever possible.

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 (see page 117 for more information).

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.

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 Group 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 130 for more information), noting the requirement to produce and file a version of the report meeting the Single Electronic Reporting Format requirements in accordance with the UK Disclosure Guidance & Transparency Rules.
- Considered dividend recommendations and declarations in light of the Group's stated dividend policy. This resulted in the decisions to pay a final dividend in May 2021 and an interim dividend in September 2021 (see page 41 for more information).
- Reviewed and approved the Group business plan for 2022–2024 and the budget for 2022, considering assumptions made and the reasonableness of the plan and focusing on the operational overviews, cash flow management and capital allocation.
- 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).
- In response to recommendations from the Sustainable Development Committee, approved plans to take action on climate to Net-Zero by 2050, with a plan aligned with the Science Based Target Initiative's new Net-Zero Standard (see page 55 for more information).
- Considered and approved the disposal of Mondi's Personal Care Components business for an enterprise value of €615 million.
- Considered and approved a number of capital expenditure projects, including a €125 million capital investment project at the Kuopio mill (Finland), a €135 million investment to further modernise the energy plant at the Syktyvkar mill (Russia) and a €95 million investment to debottleneck kraftliner production at the Świecie mill (Poland) (see page 36 for more information).
- Regularly reviewed competitor and market analyses and shareholder analysis reports and feedback.

Operational performance

- Reviewed detailed reports in relation to safety.
- Received detailed reports from the CEOs of the business units.
- Monitored the implementation of a number of large capital expenditure projects, including projects at Štětí (Czech Republic), Ružomberok (Slovakia) and Richards Bay (South Africa) (see page 35 for more information).

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.

Consideration was given to the impacts of key industry trends, including sustainability, eCommerce and digitalisation, more details of which can be found on pages 26-27. The Board focused in particular on capturing opportunities for growth, Mondi's competitive position in key markets, capital allocation and the options for future capital investment. In addition, the Board considered the MAP2030 commitments and targets, including the actions required to reduce Mondi's greenhouse gas emissions, and the key external factors influencing Mondi's ability to achieve these targets.

The Board ultimately confirmed its continued support for Mondi's strategic direction, recognising the need to ensure that sustainability continues to be at the core of Mondi's strategy.

More information on Mondi's strategy can be found on pages 28-41.

PRESENTATIONS FROM SENIOR MANAGEMENT

During the year, members of Mondi's senior management presented to the Board on a variety of topics. These presentations not only provide insight into the business directly from those on the ground but also support the Board's focus on succession planning, allowing Board members to hear from, speak to and get to know potential future leaders.

Each of the business unit CEOs provided updates on their businesses, focusing on safety performance, market position and dynamics, financial performance and people development. The specific impacts on each business of developing trends and key strategic drivers were also reviewed, including sustainability, eCommerce and digitalisation. The other members of the Executive Committee also presented to the Board in relation to their areas of responsibility. These presentations included updates on technology developments in Mondi's core manufacturing processes from the Group Technical & Sustainability Director.

In addition, the Group Head of Digital Excellence updated the Board in relation to digital initiatives across the Group, the Chief Procurement Officer presented to the Board in relation to supply chain developments, focusing in particular on the increasing importance of sustainability and responsible procurement to the supply chain, and the Group Heads of Tax and Treasury updated the Board on their current focus areas, providing insight into the priorities of a number of Mondi's key stakeholders and current risk areas.

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 111-112 for more information).
- Reviewed employee engagement matters, including views raised by employee representatives at the Employee Communication Forum meeting in October 2021 (see page 110-111 for more information).
- Reviewed the interests of key stakeholders, agreeing that the current stakeholder groups remain appropriate (see pages 20-21 for more information).
- Reviewed reports received via Mondi's confidential reporting hotline, SpeakOut (see page 103 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 page 120 for more information).
- Reviewed arrangements for the Annual General Meeting (AGM), particularly in light of COVID-19. Following investor feedback in 2020, the ability to listen to the AGM and to submit written questions during the meeting was offered to shareholders in 2021.

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 a number of changes based on the recommendations of the Audit Committee, including the recalibration of information technology risk as falling outside the Group's principal risks given the effective monitoring and mitigation controls in place and adjustments to the profile of certain other principal risks (see page 88 for more information).
- Received half-yearly presentations on IT risks and cyber security (see page 127 for more information).
- Reviewed the Group insurances, ensuring an appropriate balance of risk between the Group and our insurers.

Leadership

- Considered and approved the appointments of Sue Clark and Dame Angela Strank as independent non-executive directors (see page 123 for more information).
- 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.

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.

Inductions for Svein Richard Brandtzaeg, Sue Clark and Dame Angela Strank, all of whom joined the Board in April 2021, began in the lead up to their appointments and are ongoing. Given the international locations of Mondi's sites, site visits, which would normally form a key part of the induction process, remained difficult to organise in 2021 due to the ongoing travel restrictions imposed due to COVID-19. This also impacted Philip Yea's and Mike Powell's inductions following their appointments in 2020. However, towards the end of 2021, a number of visits have been undertaken by newly appointed directors and these have proven invaluable in getting to know Mondi. Further details can be found below.

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.

Director inductions

In the lead up to the appointments of Svein Richard, Sue and Angela to the Board, a number of virtual meetings and briefings were organised in order to provide them with a detailed overview of the Group and to give them the insight and knowledge required to make as full and effective a contribution as possible to the Board upon appointment.

Meetings were held with each of the Executive Committee members, allowing Svein Richard, Sue and Angela the opportunity to gain an understanding of the Group's business units, culture, risk areas and priorities and providing 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 and the Group Heads of Sustainable Development, Safety & Health and Internal Audit.

In September 2021, in her role as the non-executive director responsible for understanding the views of employees, Sue undertook a visit to Mondi's Group office in Vienna, meeting with the Group HR Director and members of his team and holding in-person meetings with Executive Committee members. She subsequently visited Vienna again in October 2021 to attend the annual European Communication Forum meeting, more details of which can be found on pages 110-111. While there, she undertook a tour of Mondi's plant in Korneuburg (Austria), giving her a first opportunity to see Mondi's operations in practice.

Separately, Philip Yea and Mike Powell were able to continue their inductions, undertaking a site visit to Świecie (Poland) in October 2021. The visit included tours of the paper mill and the bags and box plants, presentations and question and answer sessions and a dinner with local management, providing Philip and Mike with first-hand insight into Mondi's operations, culture and safety practices. In addition, Mike visited a number of other plants during the year, including Štětí (Czech Republic), Ružomberok (Slovakia) and Padova (Italy), giving him the opportunity to engage with local staff and to develop a more in-depth understanding of the business. Philip was also able to visit the Vienna Group office and the nearby Korneuburg plant.

Visits are also scheduled for the Board in 2022, subject to COVID-19 travel restrictions. These include a visit for the full Board to Mondi's Štětí plant (Czech Republic) later in the year.

2020 Board evaluation process

In 2020 we conducted an internal Board evaluation. Below are the key actions reported last year following the evaluation, which was facilitated by Lintstock, an independent governance advisory firm, and details of the progress we have made against those actions:

Action agreed from 2020 evaluation	Progress achieved
To continue to develop Mondi's strategy in light of developing sustainability and other key industry trends	While Mondi's strategy is considered throughout the year and particularly when key decisions are required, the Board also undertook its annual strategy review in October 2021, focusing in particular on the impact of sustainability and other key industry trends, including eCommerce and digitalisation.
To reinstate site visits by the Board as soon as safe and practicable	This remained challenging in 2021 due to the continued travel restrictions imposed by COVID-19. However, visits by certain members of the Board were undertaken towards the end of the year and further visits, including site visits involving the full Board, are scheduled for 2022. This continues to be a focus for the Board. Further information can be found on page 118.
To introduce annual reviews on technology and related developments in Mondi's core manufacturing processes	Relevant reviews have been added into the Board's rolling agenda, with the first presentation given in August 2021 in relation to pulp and paper-production technologies and a further presentation in relation to the converting businesses given in January 2022.
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	Each business unit CEO presented to the Board during the year, with the presentations including updates on product developments, changing customer demands and the results of the customer satisfaction survey. A presentation from the Chief Procurement Officer was also given during the year, giving the Board insight into the work being undertaken from a supplier and supply chain perspective. This has been added to the Board's rolling agenda as a regular item.
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	Detailed succession plans in relation to Executive Committee members and those in key operational positions were reviewed and discussed by the Nominations Committee during the year. Each Executive Committee member and members of senior management had the opportunity to present to the Board during the year and as travel restrictions ease, these presentations are taking place in person where possible, allowing the Board to spend more time with key management both on a formal and informal basis.
To successfully integrate Svein Richard Brandtzaeg, Sue Clark and Dame Angela Strank following their appointments to the Board	Svein Richard, Sue and Angela each held a number of virtual meetings with members of senior management in the lead up to and following their appointments to the Board. As travel restrictions ease, site visits are being arranged to provide them greater insight into the business. Further information can be found on page 118.

Composition, succession and evaluation continued

2021 Board evaluation process

In 2021, 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 and supported Mondi with its internal evaluation in 2020, it was agreed that the follow-up support and insight Lintstock could offer in 2021 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:

Engagement

Decision to engage Lintstock to conduct the evaluation

Questionnaires completed

Questionnaires relating to the Board, committees and individual performance completed by directors, the Company Secretary and other regular attendees at Board and committee meetings

Report issued

Detailed report issued and reviewed with the Chair

Findings reviewed

Findings discussed by the Chair with each Board member and findings related to individual committees reviewed and considered by committee chairs

Report considered

Report considered by the Nominations Committee

Action plan recommended

Action plan recommended by the Nominations Committee and agreed by the Board

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 reinstate full physical attendance at Board meetings as well as Board site visits as soon as safe and practicable to do so in light of the continuing impact of COVID-19
- to continue to develop succession planning at senior management level, focusing particularly on succession planning for the Group CEO and CFO
- to successfully conclude the recruitment of a new non-executive director to succeed Enoch Godongwana
- to move oversight of the MAP2030 people-related commitments from the Nominations Committee to the Sustainable Development Committee, the committee responsible for overseeing progress against all other MAP2030 commitments, allowing the Sustainable Development Committee to have full oversight on behalf of the Board and the Nominations Committee to focus on senior-level succession planning
- to continue the development of Mondi's strategy in light of the growing importance of sustainability and ensure sustainability matters are appropriately considered in all investment decisions

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.

Nominations Committee

SKILLS + EXPERIENCE

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.

Composition and attendance[1]

Members throughout the year	Committee member since	Meeting attendance
Philip Yea, Chair	April 2020	6/6
Svein Richard Brandtzaeg[2]	April 2021	4/4
Sue Clark[3]	April 2021	4/4
Tanya Fratto	January 2017	6/6
Enoch Godongwana[4]	September 2019	4/4
Stephen Harris[5]	March 2011	2/2
Dominique Reiniche	October 2015	6/6
Dame Angela Strank[6]	April 2021	3/4
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. Additional meetings were held as required
2 Svein Richard Brandtzaeg joined the committee on 22 April 2021. Svein Richard attended all meetings following his appointment
3 Sue Clark joined the committee on 22 April 2021. Sue attended all meetings following her appointment
4 Enoch Godongwana stepped down from the Board and the committee on 6 August 2021. Enoch attended all meetings up to the date of his resignation
5 Stephen Harris stepped down from the Board and the committee on 6 May 2021. Stephen attended all meetings up to the date of his retirement
6 Dame Angela Strank joined the committee on 22 April 2021. Angela missed one meeting following her appointment due to a commitment made prior to her appointment to the Board

Other regular attendees

– Group CEO

Philip Yea
Chair of the Nominations Committee

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

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 joined the committee upon their appointments to the Board in April 2021.

Enoch Godongwana and Stephen Harris stepped down from the committee during the year following their retirements from the Board. I would like to thank them both for their contributions to the committee.

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.

During the year, based on the recommendations of the committee, the Board decided to appoint Sue Clark and Dame Angela Strank as new non-executive directors. This followed the decision in late 2020 to appoint Svein Richard Brandtzaeg to the Board. Svein Richard, Sue and Angela joined the Board in April 2021, considerably increasing the knowledge and experience available to the Board and supporting our commitment to increasing the level of gender diversity on the Board, which we see as critical to evolving and achieving Mondi's strategy.

Nominations Committee continued

Following Enoch Godongwana's resignation from the Board in August 2021, which took place at short notice following his appointment as South Africa's Finance Minister, the committee's focus then moved to the recruitment of a successor to Enoch. It remains clear to the committee that having a non-executive director on the Board with South African experience and insight into the South African business environment is valuable to the Board given Mondi's origins and footprint. This is also in line with the undertaking Mondi gave as part of the corporate simplification in 2019 to continue to have a South African-resident director on the Board. Continuing our progress towards greater diversity on the Board and ensuring that we continue to meet the principles of the Parker Review, which Mondi fully supports, are also key considerations in this process. To date, the committee has agreed the key attributes it is looking for in a new non-executive director and an independent recruitment firm based in South Africa has been appointed. The search is progressing well, with a short list of candidates agreed and interviews ongoing.

Alongside this, the committee continued to consider succession planning more widely, reviewing the current succession plans for Executive Committee members, including the Group CEO and Group CFO, and the managing directors of our largest plants and mills. It is recognised that there is more that could be done in this regard and the board evaluation process identified this as an area requiring more focus. Finding opportunities to spend more time with senior management given the ongoing restrictions imposed by COVID-19 on travel and in-person meetings will be crucial and we are hopeful that conditions in 2022 will allow the Board to do this.

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 120. 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

- Initiated the search for a new non-executive director to succeed Enoch Godongwana on the Board following his appointment as South Africa's Finance Minister and his subsequent resignation from the Mondi plc Board in August 2021. The recruitment process, which is being undertaken with the support of an independent recruitment firm, is progressing well.
- 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 reached his three-year term on the Board in May 2021, and Dominique Reiniche, who reached her six-year term on the Board in October 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 Sue Clark and Dame Angela Strank.
- 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, particularly in light of Mondi's MAP2030 commitments in this regard (see pages 124-125 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 119 for more information).
- Considered and agreed the process for the 2021 evaluation of the Board, committees and individual directors (see page 120 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 Tanya Fratto, 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 2021 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 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.

Biographies for Svein Richard, Sue and Angela, who are directors at the date of this report, can be found on page 105.

In addition, Amrop Woodburn Mann, an external search agency based in Johannesburg, South Africa with significant expertise in the South African market, has been engaged to assist with the recruitment of a successor to Enoch Godongwana. Amrop Woodburn Mann does not provide any services to the Mondi Group other than Board-level recruitment.

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.

Nominations Committee continued

Diversity and inclusion

Mondi is committed to encouraging and promoting diversity and inclusion (D&I) in all its forms. This is reflected in one of our strategic value drivers, Inspire our people.

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 thereby 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.

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 123.

The Board's commitment to promoting D&I at all levels of our business recognises that diverse workforces think more creatively in responding to local context, changing environments and different customer needs

During 2021, we reported to the Hampton-Alexander Review that as at 31 October 2021, we had 33% female representation on our Executive Committee and 30% in the direct reports to the Executive Committee, giving a combined total of 30%. As at 31 December 2021, our combined total remained at 30%. We had four female directors representing 44% of the composition of the Board.

While Mondi plc does not currently have a director of colour on its Board (as defined by the Parker Review in relation to ethnic diversity on boards), as set out earlier, we remain committed to the principles of the Parker Review. We are in the process of appointing a successor to Enoch Godongwana, who left the Board at short notice in August 2021 to become South Africa's Finance Minister.

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. This remains a priority at all levels of the organisation. We took a key step during 2020 when we set a D&I 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 and our progress in this regard on pages 50-54.

Our D&I taskforce – a cross-business, cross-functional team launched in 2018 – is helping to shape and embed our approach. The taskforce is supported by Executive Committee members through a D&I Steering Committee. In 2021 we recruited a Senior Manager Diversity & Inclusion who will report to the D&I Steering Committee and who will be responsible for coordinating our D&I approach globally. During 2021, the taskforce focused on supporting the people pillar of MAP2030, contributing to the conceptual development and to the collection of examples of good D&I practices from all over the world.

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 50-54.

Audit Committee

INTEGRITY + RIGOUR

Consideration was given to refreshing the processes in place to determine Mondi's risk profile and to provide the Board and management with the necessary assurance in relation to the principal risks. While the committee was comfortable that there were already solid processes in place, to ensure they remain sound and fit for purpose, an external specialist was engaged to assist with a review and assessment of these processes.

Composition and attendance[1]

Members throughout the year	Committee member since	Meeting attendance
Stephen Young, Chair[2]	May 2018	5/5
Svein Richard Brandtzaeg[3]	April 2021	4/4
Sue Clark[4]	April 2021	4/4
Tanya Fratto	May 2017	5/5
Stephen Harris[5]	March 2011	2/2

1 The maximum number of scheduled meetings held during the year that each director could attend is shown next to the number attended
2 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
3 Svein Richard Brandtzaeg joined the committee on 22 April 2021. Svein Richard attended all meetings following his appointment
4 Sue Clark joined the committee on 22 April 2021. Sue attended all meetings following her appointment
5 Stephen Harris stepped down from the Board and the committee on 6 May 2021. Stephen attended all meetings up to the date of his retirement

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

Stephen Young
Chair of the Audit Committee

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

During 2021, Stephen Harris stepped down from the committee following his retirement from the Board – I would like to thank Stephen for his significant contribution during his time on the committee.
In preparation for Stephen's retirement, in April 2021, Svein Richard Brandtzaeg and Sue Clark joined the committee following their appointments to the Board. They each bring extensive commercial experience gained across a range of industries, expanding the insight and knowledge available to the committee.

The Board remains comfortable following these adjustments that the committee members have the appropriate knowledge, skills and experience to fulfil the duties delegated to the committee. Each member has appropriate knowledge and understanding of financial matters and commercial expertise gained from industries with similar manufacturing, engineering and technology-focused international operations, to give the committee as a whole competence relevant to the sector in which the Group operates.

Areas of focus

The committee's primary responsibility is to oversee the Group's corporate financial reporting, including the relationship with the external auditor, 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.

Mondi's approach to risk management and its internal control framework was also the subject of discussion during the year. While risk management and the regular review of Mondi's principal risks are consistently on the Board and the committee's agendas, this year consideration was given to refreshing the processes in place to determine Mondi's risk profile and to provide the Board and management with the necessary assurance in relation to the principal risks. While the committee was comfortable that there were already solid processes in place, to ensure they remain sound and fit for purpose, an external specialist was engaged to assist with a review and assessment of these processes.

This resulted in a risk assurance map clearly articulating the implications of each risk, the residual risk level and risk appetite and the key assurance measures in place, giving the committee further clarity around management's approach and comfort that Mondi's processes are robust. A detailed review of Mondi's internal controls framework related to financial controls and reporting was also undertaken, assessing the maturity of Mondi's framework against the COSO Internal Controls Framework. The conclusion that each of the key elements is either established or advanced reinforced the committee's confidence in Mondi's internal controls system.

Cyber security also remained the other notable focus for the committee during the year, given the increasing number and sophistication of the methods being employed by cyber attackers. The Group continues to undertake significant work in this regard and the committee was pleased to hear that external testing of Mondi's infrastructure, which is undertaken regularly, indicated that the measures we have in place are effective and robust. More information can be found on page 96.

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.

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 120. 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 as appropriate.
- 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 130 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 2021.
- 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 98-99 for more information).

External audit matters

- Recommended to the Board that the appointment of PwC for the 2021 audit be put to shareholders at the Annual General Meeting.
- Reviewed the independence, objectivity and effectiveness of PwC (see page 131 for more information).
- Reviewed and approved the external audit plan, taking account of the scope, materiality and audit risks and agreeing the audit fees.
- 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 the recalibration of information technology risk as falling outside the Group's principal risks given the effective monitoring and mitigation controls in place (with cyber security remaining as a principal risk) and adjustments to the profile of certain other principal risks. Emerging risks were also considered. Further information can be found on page 88.
- Reviewed and discussed the outcome of a review of Mondi's risk management processes, undertaken with the support of an external specialist, focusing in particular on the development of a risk assurance map and the assessment of the effectiveness of Mondi's internal control framework (see above for further 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.

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 (see page 132 for more information).
- Undertook a review of the effectiveness of the Internal Audit function (see page 132 for more information).
- Reviewed regular summaries of messages and reporting from the confidential reporting hotline, SpeakOut.
- 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 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.
- Reviewed proposed regulatory and governance reforms in relation to the audit market.

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. During 2021, the Group performed a project to review and update the documentation around the Mondi internal control framework related to financial control and reporting and connected guidelines. The project did not result in any material changes to existing controls. Full details of Mondi's internal control and risk management framework can be found in the Strategic report on pages 86-87.

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 continued high levels of macroeconomic uncertainty, resulting from the COVID-19 pandemic, attention has been given to certain estimates and judgements (as described in more detail below). Issues are broadly similar to those addressed by the committee during 2020.

The key considerations in relation to the 2021 financial statements were:

Matter considered	Action
In the context of the macroeconomic uncertainty resulting from the continued COVID-19 pandemic, attention has been given to the following areas: going concern and liquidity; impairment risk relating to property, plant and equipment and goodwill; recoverability of 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.	The committee has: – considered reports from management in relation to the impact of COVID-19; – evaluated the assessment of going concern (see page 99 for further information); and – satisfied itself that the level of the macroeconomic uncertainty is considered appropriately and according to the Group's accounting policy.
In addition to property, plant and equipment of €4,870 million, intangible assets of €76 million and goodwill of €926 million are included as assets in the statement of financial position. 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.	The committee has: – considered a report from management describing potential impairment indicators for tangible and intangible assets and the outcomes of related impairment tests where performed; – 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 three-year 2022-2024 plan (budget period) 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 impairments related to goodwill or property, plant and equipment or intangible assets were required.

Significant issues related to the financial statements continued

Matter considered	Action
The Group has operations in a number of countries each with a different tax system. The Group is regularly subject to routine tax audits and provisions are made based on the tax laws in the relevant country and the expected outcomes of any negotiations or settlements. The Group's recognition of deferred tax assets, relating to future utilisation of accumulated tax losses, is dependent on the future profitability and performance of the underlying businesses.	The committee has: – 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.
The Group acquired 90.38% of the outstanding shares in Olmuksan International Paper Ambalaj Sanayi ve Ticaret A.Ş (Olmuksan) on 31 May 2021 for a total consideration of €66 million. On 26 July 2021, Mondi completed a mandatory tender offer to acquire an additional 1.62% of the outstanding shares for a total consideration of €3 million resulting in a total ownership interest in Olmuksan of 92%. The identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values on the acquisition date. Assets and liabilities, which cannot be measured reliably, are recorded at provisional fair values, which are finalised within 12 months of the acquisition date. Any non-controlling interests in the acquiree are recorded at the non-controlling interest's proportionate share of the acquired net assets. Details of the fair value of assets acquired and liabilities assumed in business combination on the consolidated financial statements are included in note 25 of the financial statements.	The committee has: – considered reports from management and external valuation experts in relation to the acquisition; – evaluated the management reports of the purchase price allocation; and – satisfied itself that the fair value of assets acquired and liabilities assumed in the business combination are appropriate and considered according to the Group's accounting policy.
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.	The committee has: – reviewed the key 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 2021; and – satisfied itself that the assumptions, and the changes to those assumptions when compared with the year ended 31 December 2020, were appropriate.
Understanding of the risks and implications related to climate change has been enhanced. This year the Group launched the Mondi Action Plan 2030 as the new sustainability framework. While the Group's assessments still reflect that these may not be severe in the short term, it is believed that climate change-related risks are likely to have a medium and long-term impact on business. The financial statement disclosures consider the impact of climate change notably in the estimates used to calculate the fair value of our forestry assets. The Group continues to assess accounting policies, judgements and estimates to consider the impact of climate change.	The committee has: – received regular reports from management about climate change and related legislative developments that may impact the Group's disclosure; – reviewed the Integrated report (including the new TCFD section) and financial statements for consistency with respect to climate related risks; – reviewed the assumptions applied in the valuation of the forestry assets; – considered accounting policies, judgements and estimates on the basis of expected climate change impacts; and – satisfied itself that the assumptions, and the changes to those assumptions when compared with the year ended 31 December 2020, 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 2021 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
- Classification and presentation of alternative performance measures
- 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 2021, 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

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 2021 audit was PwC's fifth for Mondi and Simon Morley's second as lead audit partner.

The committee confirms its compliance for the financial year ended 31 December 2021 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. Authority is delegated by the committee to the Chair of the committee to approve such services. The policy was last 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.

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 €0.4m, representing 7% of the audit fee, 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

Regulators

- The UK Financial Reporting Council's (FRC) 2020/21 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, through the review of management papers and analyses and the discussion of key matters with management and the auditor, there had been an appropriate level of challenge during the course of the audit, with the external auditor and the Audit Committee 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 2021, 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 2022.

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 and 2021, 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.

In 2020 an external review of the Internal Audit function was undertaken by Independent Audit, a consultancy firm specialising in board evaluations and effectiveness reviews, 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. These recommendations are in the process of being implemented. This was followed by an internal review in 2021. 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.

Sustainable Development Committee

IMPACT + PROGRESS

During 2021, the committee decided to recommend to the Board a commitment to Net-Zero by 2050, including revision of the science-based GHG reduction targets, in line with a 1.5°C scenario. Recognising the need to take decisive action and to reinforce Mondi's commitment to reducing its impact, the Board accepted the recommendation of the committee.

Composition and attendance[1]

Members throughout the year	Committee member since	Meeting attendance
Dominique Reiniche, Chair	May 2017	6/6
Svein Richard Brandtzaeg[2]	April 2021	5/5
Enoch Godongwana[3]	September 2019	4/4
Stephen Harris[4]	March 2011	2/2
Andrew King	May 2020	6/6
Dame Angela Strank[5]	April 2021	4/5
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 Svein Richard Brandtzaeg joined the committee on 22 April 2021. Svein Richard attended all meetings following his appointment
3 Enoch Godongwana stepped down from the Board and the committee on 6 August 2021. Enoch attended all meetings up to the date of his resignation
4 Stephen Harris stepped down from the Board and the committee on 6 May 2021. Stephen attended all meetings up to the date of his retirement
5 Dame Angela Strank joined the committee on 22 April 2021. Angela missed one meeting following her appointment due to a commitment made prior to her appointment to the Board

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

Dominique Reiniche
Chair of the Sustainable Development Committee

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.

A summary report from the directors on the Group's sustainability practices is set out on pages 44-77.

Composition

In April 2021, Svein Richard Brandtzaeg and Dame Angela Strank joined the committee following their appointments to the Board. Svein Richard and Angela each bring extensive sustainability experience and insight to the committee gained through their executive careers and during their current non-executive roles. Their appointments strengthen and enhance the committee, bringing broader knowledge and perspectives at a time when the focus on sustainability matters is growing rapidly and best practice in this field continues to develop.

Enoch Godongwana and Stephen Harris stepped down from the committee during the year following their retirements from the Board. I would like to thank them both for their contributions to the committee and Stephen for his leadership as chair of the committee for seven years until May 2018.

Areas of focus

The safety of our employees and contractors continues to be a priority for both the committee and the Board, with safety performance, including COVID-19 developments, reviewed and discussed at every meeting. There is a strong focus on understanding the circumstances and causes of safety incidents so that lessons can be learned and on identifying trends in the types or locations of incidents so that proactive measures can be taken to address any developing patterns early on.

Sustainable Development Committee continued

We are extremely cognisant of the impact safety incidents can have on those involved and on their families and friends and so we continue to work hard to further embed our safety culture across the Group.

One of the key elements of Mondi's approach to safety is the 24-hour mindset, designed to embed safety in everything that people do. In support of this, the committee took the time during the year to develop its understanding of social psychology of risk and how it can be applied to further improve safety performance by ensuring that acting in a safe manner is part of our unconscious behaviour. This continues to be an area of focus as we strive to improve our safety performance.

During 2021, we also continued to focus in particular on safety throughout our annual maintenance shuts, during which there were a significant number of employees and contractors on site. This was key in particular during the extended project-related shut at our Richards Bay mill (South Africa).

Also of significant discussion by the committee during the year was Mondi's approach to climate change and reducing its greenhouse gas (GHG) emissions. While we already had validated science-based reduction targets in place, we recognise that Mondi can play a critical role in minimising the impact of business on climate change and so our commitments in this regard are kept under close review.

As a result, during 2021, the committee decided to recommend to the Board a commitment to Net-Zero by 2050, including revision of the science-based GHG reduction targets, in line with a 1.5°C scenario. Recognising the need to take decisive action and to reinforce Mondi's commitment to reducing its impact, the Board accepted the recommendation of the committee. Further details can be found on page 55. To further support this commitment, Mondi has also signed up to the UN Business Ambition for 1.5°C, the world's largest and fastest-growing group of companies committed to taking urgent climate action aligned with 1.5°C and Net-Zero.

Progress against our sustainability commitments and targets more widely, articulated through the Mondi Action Plan 2030 (MAP2030), was an integral part of the committee's agenda throughout the year, with each of the key action areas reviewed and focus given not only to the current status of each commitment, but also to the actions being taken towards achieving these commitments. Further details of our performance in this regard can be found on pages 44-77.

Alongside this, the committee also spent time considering the sustainability risks and opportunities facing the Group, focusing in particular on those relating to climate change in the context of the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD). More information can be found in our TCFD disclosures on pages 60-67.

A materiality assessment was also undertaken during 2021, the outcomes of which will inform the committee's agenda and discussions during the next year. A comprehensive refresh of the assessment is undertaken roughly every three years to give the committee and the Board clear insight into which issues are of most importance to our stakeholders. The assessment involved engagement with internal and external stakeholders, through questionnaires, interviews and the use of publicly available information. The process was supported by an external consultancy, with the results presented to the committee by the consultancy, providing an independent perspective to the committee on the views and priorities of our key stakeholders. Not only will the results guide the committee's future discussions and focus areas, they also provide important context for future decision-making. More information can be found on page 22.

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 120. 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

The Board maintains a clear overview of policies, systems, practices and progress across all aspects of sustainability. This is crucial for promoting Mondi's long-term strategic success and the needs of our key stakeholders

Sustainable Development Committee activity

Set out below are some of the key matters addressed by this committee.

Safety performance and serious incidents

- 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. There was a particular focus on safety during the annual maintenance shuts.
- 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 a presentation on social psychology of risk, with a focus on how to embed safety in unconscious behaviour and the ways in which culture can be adapted to promote safe behaviour in the workplace.
- 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.
- 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 proposal for the annual sustainable development report, including the approach to assurance.
- Reviewed Group sustainable development policies and approved amendments to reflect best practice.
- 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, building in regular reviews of each of our MAP2030 commitments and targets.

Environmental performance and climate change

- Reviewed Mondi's GHG emissions targets, resulting in the committee recommending to the Board a commitment to Net-Zero by 2050, including revision of the science-based GHG reduction targets in line with a 1.5°C scenario (see page 55 for more information).
- Reviewed climate-related risks and opportunities and the potential impacts on the business in line with the TCFD recommendations (see pages 62-67 for more information).
- Reviewed performance against each of the environmental key performance indicators and commitments, including those that track the Group's progress in reducing its GHG emissions in line with its science-based targets.

Forestry

- Received an update on forestry-related sustainability topics, focusing in particular on the MAP2030 forestry-related commitments and targets and progress to date.
- Considered the challenges facing the industry in respect of sustainable wood sourcing, particularly in light of climate change and increasing policy developments in this area and discussed the key partnerships developed by Mondi to further understand and address these challenges.

Stakeholder relationships

- Undertook a comprehensive refresh of the materiality assessment process in order to understand the issues of most importance to our key stakeholders (see page 22 for more information).
- 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.
- Received an update on engagement with a number of investors in relation to plastics and the issues of most concern to them.
- Reviewed proposals for forthcoming Socio-economic Assessment Toolbox (SEAT) assessments at a number of Mondi's plants.
- 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 in the context of the MAP2030 circular driven solutions commitments, focusing on progress with the development of a roadmap and the key partnerships and collaborations required to achieve the commitments and targets.
- Considered the implications of the Single-Use Plastics Directive.

Responsible procurement

- Reviewed the development of Mondi's Responsible Procurement process, including the continued roll out of a supplier screening process designed to identify and manage high-risk suppliers.

Statement from the Remuneration Committee Chair

PERFORMANCE
+
REWARD

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.

Composition and attendance[1]

Members throughout the year	Committee member since	Meeting attendance
Tanya Fratto, Chair	January 2017	4/4
Sue Clark[2]	April 2021	2/2
Stephen Harris[3]	March 2011	2/2
Dominique Reiniche	October 2015	4/4
Dame Angela Strank[4]	April 2021	2/2
Philip Yea	April 2020	4/4

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 Sue Clark joined the committee on 22 April 2021. Sue attended all meetings following her appointment
3 Stephen Harris stepped down from the Board and the committee on 6 May 2021. Stephen attended all meetings up to the date of his retirement
4 Dame Angela Strank joined the committee on 22 April 2021. Angela attended all meetings following her appointment

Other regular attendees

- Non-Executive Directors who are not members of the committee
- Group CEO
- Group HR Director
- Group Head of Reward
- External remuneration consultant

Tanya Fratto
Chair of the Remuneration Committee

Fellow shareholder, it is with pleasure that I present the committee's report on directors' remuneration for 2021.

At the 2021 AGM, shareholders approved the Directors' Remuneration Report for the year ended 31 December 2020 with over 98% of votes cast in favour. The Directors' Remuneration Policy (DRP) remains unchanged following approval by shareholders in 2020. Rather than reproduce in full the current DRP, we have instead provided relevant extracts on pages 144-148.

The annual report on remuneration, describing how the DRP has been applied for the year ended 31 December 2021, and how we intend to implement the DRP for 2022 is provided on pages 142 and 151-156.

Performance in 2021

Mondi delivered a strong financial performance in 2021, with underlying EBITDA of €1,503 million up €150 million on the prior year (11%), driven mainly by higher sales volumes, significantly higher average selling prices and the contribution from acquisitions. Our return on capital employed (ROCE) increased to 16.9%. Net debt at 31 December 2021 was €1,763 million, down from €1,791 million.

This strong performance was achieved despite the ongoing operational challenges posed by the pandemic, including significant disruption to supply chains. We were able to meet a surge in demand from our customers and provide a continued supply and service – testament to our integrated value chain, operational performance, and investments. In part this was also enabled through a continued focus on enhancing productivity and efficiency across the business, including the successful development and roll-out of digital solutions.

During 2021, Mondi completed the acquisition of Olmuksan, a leading and well-established corrugated packaging player in Turkey, strengthening the Group's position in the fast-growing Turkish corrugated market and expanding our offering to existing and new customers in the region. In addition, Mondi continued to pursue its disciplined approach to value-enriching capital investments, examples of which include the new containerboard machine in Ružomberok and the converted speciality kraft paper machine in Štětí – both successfully ramped up during the year and helping to ensure we were able to meet growing demand.

Mondi continues to develop its pipeline of capital investments to accelerate growth, build on our market-leading position and meet the long-term needs of our customers.

Throughout the year, we continued to prioritise the safety, health and wellbeing of our people and our communities in light of the ongoing impact of the COVID-19 pandemic. In respect of our communities, we continue to invest in local initiatives – a minimum of 1% of the Group's profit before tax annually – and support through the provision of power, wastewater treatment and waste disposal in certain locations. The COVID-19 pandemic has resulted in a shift towards more remote-working and use of virtual engagement channels through which the leadership of the business have been able to maintain highly effective engagement with the workforce.

Mondi Action Plan 2030 (MAP2030), launched in early 2021, outlines the steps and actions we need to take as a business over the next decade in order to achieve our ambitious 2030 sustainability goals. Clear and measurable progress on a number of key metrics was made during 2021, including acceleration of our climate plans as we transition to Net-Zero by 2050. Persistent product development and innovation meant we were also able to support our customers in transitioning to more sustainable packaging solutions.

Given our strong financial position and confidence in the future of the business, the Board recommended a final 2021 dividend of 45.00 euro cents per share. The final dividend, together with the interim dividend, amount to a total dividend for the year of 65.00 euro cents per share, an increase of 8% on the 2020 total dividend.

Further details on performance in 2021 are set out on pages 4-5 and pages 32-43.

Remuneration outcomes aligned to performance

Performance outcomes are reflected in the remuneration received by directors. Annual bonuses of 97% and 96% of maximum have been awarded in respect of performance in 2021 for Andrew King and Mike Powell respectively. In accordance with the DRP, half of these annual bonus awards will be delivered in deferred shares which vest after three years. These outcomes reflect:

- The strong financial performance of the Group, where both underlying EBITDA of €1,503 million and ROCE of 16.9% were above the stretching maximum targets set, resulting in the financial element of the bonus (70% of maximum) being received in full. Further details are set out on page 152.
- In respect of our safety performance, a component of our sustainability element, we had zero fatalities in the year and achieved our 2021 Total Recordable Case Rate (TRCR) milestone of 0.62, which reflects our focus on social psychology to minimise risk-taking within our business. The Executive Committee achieved all of the proactive efforts, and improvements aimed at preventing incidents. As such, the entire safety element of the bonus (10% of maximum) was received in full. Further details are set out on page 152.
- The personal element of the bonus (20% of maximum) reflected specific operational and strategic objectives for each individual, including their contribution to the overall success of our MAP2030 framework. This element paid out at 17% and 16% for Andrew King and Mike Powell respectively. Further details are set out on pages 153-154.

The performance period for the 2019 Long-Term Incentive Plan (LTIP) ended on 31 December 2021. Half of the award was based on ROCE performance and half on relative TSR performance. ROCE for the three-year performance period was 17.3%, above threshold but below stretch performance requirement of 18.0% and leading to vesting of 91.3% of this element. The Group's TSR over the period was 28.7%, which placed it below the median TSR performance of the comparator group of 51.7%, resulting in zero vesting for this element. As a result of this performance, 45.6% of the overall LTIP award will vest in March 2022, and be subject to the two-year holding period until 2024. Further details are set out on page 155.

The committee believes these bonus and LTIP 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 2021, including details of performance against the relevant targets for both bonus and LTIP are given on page 151.

Remuneration in 2022

Salary

Andrew King's and Mike Powell's base salaries were increased by 2.5% to £1,012,700 and £645,750 respectively, effective from 1 January 2022. This is in line with the average increase for Mondi's UK workforce of 2.5%.

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.

Variable pay

Annual bonus and LTIP opportunities will remain unchanged for 2022. 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.

Statement from the Remuneration Committee Chair continued

Given the strategic importance of sustainability (see pages 44-45 of this report for further detail on our MAP2030 framework), the committee has determined that a sustainability scorecard will be introduced into the Bonus Share Plan for 2022, comprising 20% of the total bonus. The current focus on safety will be retained, by incorporating the safety metric into the scorecard, retaining its current weighting (10% of maximum bonus opportunity). In addition two new metrics, reduction in greenhouse gas (GHG) emissions and elimination of waste to landfill, will be included (each with a weighting of 5% of maximum bonus opportunity). Both metrics will be based on robust, quantifiable targets, which will be disclosed retrospectively. Constructing the scorecard with these three metrics addresses each key focus area of MAP2030: circular driven solutions, created by empowered people, taking action on climate. The introduction of the scorecard not only further aligns our executive directors' incentives, but also those of the Executive Committee and approximately 3,400 colleagues in the business who participate in the Group bonus plan.

With regards to the LTIP, the committee reviewed the TSR peer group, with a focus on peers who are subject to broadly the same market forces and trading environment as Mondi. This review concluded that Amcor should no longer be included in the peer group, given it is less closely aligned to the market forces and trading environment that Mondi is subject to and others in the peer group. Domtar has also been removed from the peer group following its acquisition in November 2021. Details of the updated comparator group are on page 143.

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

The Remuneration Committee is regularly informed on matters of pay and employment conditions throughout the Group. At least once a year a detailed analysis of pay and incentives is presented to the Committee, covering approximately 98% of the global workforce in all geographies and business units. In addition during 2021, we launched a new initiative where Sue Clark, our non-executive director responsible for understanding the views of employees, was able to virtually connect with a range of employees (covering various levels of seniority, location, business unit and gender). Sue was able to listen to their thoughts on pay and performance matters, and the relationship between local and Group level. The outputs from these engagements are reported to the Board, and are taken into account when the Remuneration Committee makes decisions relating to executive pay. Specifically, the Remuneration Committee will take the output from these engagements into consideration as it develops the DRP review during 2022, which will include engagement with shareholders before the revised policy is taken to the AGM in 2023.

Shareholder engagement

During 2021, we engaged with a cross-section of shareholders and proxy agencies with regard to developments in executive pay. In particular, shareholder views on linking executive pay to sustainability provided context, and informed our decision to introduce a sustainability scorecard into our annual bonus from 2022, in line with our MAP2030 framework. Further details are set out on page 142.

In line with the three-year cycle under the directors' remuneration reporting regulations, we will be submitting the DRP for shareholder approval at the 2023 AGM. In advance of this, the Remuneration Committee will be reviewing the DRP to ensure that it continues to align to and support the forward-looking strategy. We look forward to continuing engaging with our shareholders on this later in the year.

Conclusion

Thank you for the strong support you have given our remuneration report in prior years. As noted in Philip Yea's comments to shareholders on pages 102-103, this will be my last remuneration report to you. It has been a pleasure to lead the development of Mondi's remuneration approach over the last five years and I am grateful for your strong support during my tenure as chair of the committee. The decision to retire from the Board will be effective from the conclusion of the 2022 AGM and the future is bright as we transition the reins to Dame Angela Strank and she leads the committee forwards through the coming years.

I will look forward to your support of the remuneration report at the 2022 AGM and your support of Angela in the future years.

Tanya Fratto
Chair of the Remuneration Committee

Remuneration at a glance

Summary of our current Directors' Remuneration Policy and implementation for 2022

Implementation of policy in 2022

Fixed pay

Base salary, pension and benefits

Salary
Group CEO:
£1,012,700 (2.5% increase);
Group CFO:
£645,750 (2.5% increase)
Average increase for Mondi's UK workforce was 2.5%.

Pension
8% of salary, aligned to the majority of the UK workforce.

Benefits
Will continue to receive benefits in line with policy, which include car allowance, medical insurance, death and disability insurance and limited personal taxation advice.

Annual bonus

Short-term variable remuneration

Cash element → Half of any bonus earned is deferred in shares for three years

- To incentivise and reward the achievement of stretching annual performance targets.
- Maximum opportunity unchanged from prior year at 185% of base salary (Group CEO) and 170% of base salary (Group CFO).
- Performance measures for 2022 will be underlying EBITDA, ROCE, safety, reduction in greenhouse gas emissions, elimination of waste to landfill, and personal objectives.

Long-Term Incentive Plan

Long-term variable remuneration

3-year performance period → 2-year holding period

- To incentivise and reward for the delivery of the Group's long-term objectives, and provide alignment with shareholders.
- Maximum opportunity unchanged from prior year at 230% of base salary (Group CEO) and 210% of base salary (Group CFO).
- Performance measures for 2022 will be ROCE and relative TSR.

Share ownership policy

- To align interests of executive directors with those of shareholders.
- Minimum shareholding requirement of 300% of base salary for the Group CEO and 250% of base salary for the Group CFO.
- A post-employment shareholding requirement applies – first year post-employment, full in-employment shareholding requirement applies and for second year post-employment, 50% of the full in-employment shareholding requirement applies.

Key decisions made during the year

Review of executive director salaries

Andrew King and Mike Powell's base salaries increased by 2.5% on 1 January 2022, in line with discretionary increases for the UK workforce.

Introduction of new sustainability measures within the 2022 annual bonus

A sustainability scorecard has been introduced into the annual bonus. The scorecard consists of three elements – safety, reduction in greenhouse gas emissions, and elimination of waste to landfill. These align to MAP2030, and represent our focus on our people, the climate crisis and our circular driven solutions.

Review of 2022 LTIP award performance measures and targets

Amcor has been removed from the TSR peer group, given it is less closely aligned to the market forces and trading environment that Mondi is subject to. Also, with effect from the 2022 grant, so as not to disincentivise management from making investment decisions which are in the strategic interests of Mondi, and create long-term shareholder value, any unplanned investments made during the performance period may be considered by the Remuneration Committee for exclusion in the final assessment of the ROCE performance.

Review of non-executive director fees

The non-executive director base fees and the attendance fee for meetings outside country of residence (per meeting) were increased by 2.5% with effect from 1 January 2022.

Engaging with our workforce on remuneration

During 2021, we launched a new initiative where Sue Clark, our non-executive director responsible for understanding the views of employees, was able to virtually connect with a range of employees (covering various levels of seniority, location, business unit and gender).

Remuneration at a glance continued

Linking our reward and business strategy

Our strategy:

Delivering value accretive growth sustainably

Underpinned by our four strategic value drivers:

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

- Above maximum
- Between threshold and maximum
- Below threshold

Annual bonus

U. EBITDA	ROCE	Safety	Personal
35%	35%	10%	20%
Outturn 35%	Outturn 35%	Outturn 10%	Outturn 17% / 16%

LTIP

TSR	Average 3-yr ROCE
50%	50%
Outturn 0%	Outturn 91.3%

Remuneration outcomes

Andrew King

Base salary

€1,149,366

Annual bonus

U. EBITDA	ROCE	Safety	Personal
35%	35%	10%	20%
Outturn 35%	Outturn 35%	Outturn 10%	Outturn 17%

Total outturn
97%
€2,062,538
50% deferred in shares

LTIP

TSR	ROCE
50%	50%
Outturn 0%	Outturn 91.3%

Total outturn
45.6%
€650,496

Benefits, pension contributions and other

€285,688

Total remuneration 2021

€4,148,088

Mike Powell

Base salary

€732,896

Annual bonus

U. EBITDA	ROCE	Safety	Personal
35%	35%	10%	20%
Outturn 35%	Outturn 35%	Outturn 10%	Outturn 16%

Total outturn
96%
€1,196,086
50% deferred in shares

LTIP

TSR	ROCE
50%	50%
Outturn 0%	Outturn 91.3%

Total outturn
45.6%
€672,574

Benefits, pension contributions and other

€87,137

Total remuneration 2021

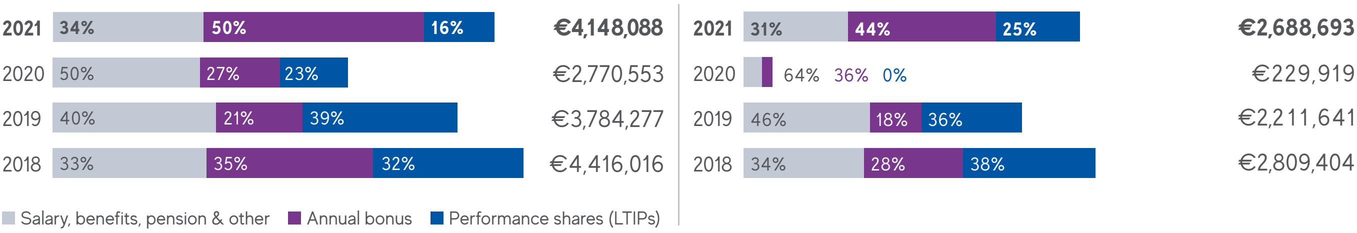
€2,688,693

Long-Term Incentive Plan (LTIP)
See page 155

Fixed vs variable remuneration outcomes

Group CEO

Group CFO



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

Executive directors' shareholdings[2]

Andrew King Group CEO[3]

Shares at 31/12/21:
132,515

% base salary:
242%

Read more
Page 159

Mike Powell Group CFO[4]

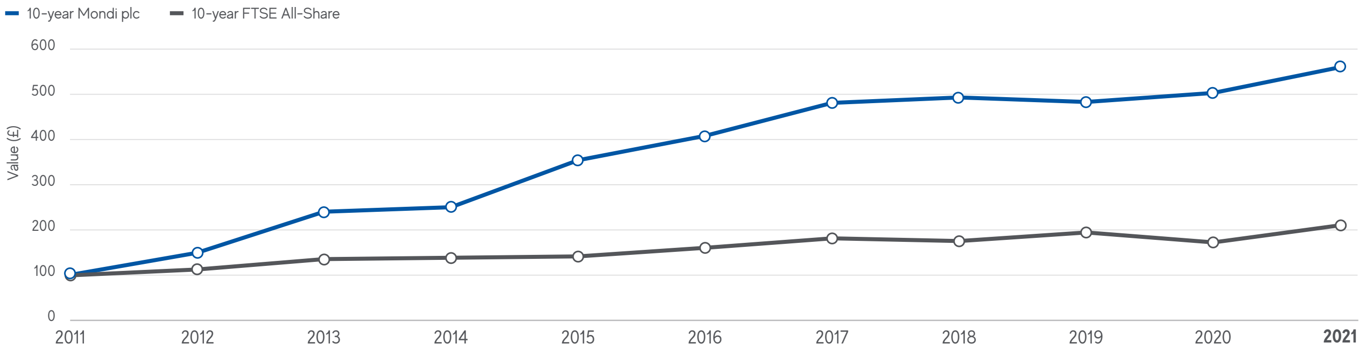
Shares at 31/12/21:
11,172

% base salary:
32%

Read more
Page 159

2 Including beneficial and non-beneficial share interests of connected persons
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 receive any shares through award vestings
5 New appointees are required to meet the relevant shareholding requirements within five years from appointment

Total shareholder return – Mondi vs FTSE All Share



This graph shows the value, by 31 December 2021 of £100 invested in Mondi plc on 31 December 2011, 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.
Source: Thomson Datastream

Statement of implementation of directors' remuneration policy in 2022

Current salary levels, and increases awarded in January 2022, are as follows.

Name	Base salary effective 1 Jan 2022	Previous base salary	% change
Andrew King	£1,012,700	£988,000	2.5%
Mike Powell	£645,750	£630,000	2.5%

Andrew King's and Mike Powell's salaries were each increased by 2.5%. The average increase for Mondi's UK workforce was 2.5%.

BSP for 2022

The bonus structure for 2022 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	25%	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 scorecard		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. The committee considers input from the Sustainable Development Committee, and sets appropriate standards and goals.
Greenhouse gas emissions	5%	One of our key environmental indicators in our MAP2030 framework.	
Waste to landfill	5%	One of our key circular driven solution indicators in our MAP2030 framework.	
Safety	10%	One of the key indicators of whether the business is meeting its sustainability goal of zero harm.	
Personal objectives	20%	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 2022 performance will be paid out in cash and the other half will be deferred for three years in conditional Mondi shares.

LTIP for 2022

LTIP awards that are made in 2022 will continue to have two performance conditions of equal weight – TSR and ROCE, measured over a three-year performance period commencing on 1 January 2022 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 2022 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 since the 2019 LTIP award; no adjustments have been made in light of the COVID-19 pandemic. The committee still believes these targets remain appropriately stretching in the current environment.

The committee reviewed the TSR peer group, with a focus on peers who are subject to broadly the same market forces and trading environment as Mondi. This review concluded that Amcor should no longer be included in the peer group, given it is less closely aligned to the market forces and trading environment that Mondi is subject to. The TSR peer group for the 2022 LTIP awards consists of the following companies:

BillerudKorsnäs	Huhtamaki	Metsä Board	Stora Enso	WestRock
DS Smith	International Paper	Sappi	The Navigator Company	
Holmen	Mayr-Melnhof	Smurfit Kappa	UPM	

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

Fee levels for 2022 are as set out in the table below. The Chair fee and non-executive director base fee as well as the attendance fee for meetings outside the country of residence (per meeting) have been increased by 2.5% in line with the average increase for Mondi's UK workforce.

Role	Fees from 1 January 2022	Fees from 1 January 2021
Board Chair fee	£461,250	£450,000
Non-executive base fee	£77,972	£76,070
Additional fees:		
Supplement for Audit Committee Chair	£21,000	£21,000
Supplement for Remuneration Committee Chair	£20,000	£20,000
Supplement for Sustainable Development Committee Chair	£20,000	£20,000
Supplement for Senior Independent Director	£20,000	£20,000
Attendance fee for meetings outside country of residence (per meeting)	£2,552	£2,490

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. 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.	Reviewed annually by the committee, taking account of Group and individual performance, changes in responsibility and levels of increase for the broader employee population. Reference is also made to market median levels in companies of similar size and complexity. The committee considers the impact of any base salary increase on the total remuneration package. Salaries (and other elements of the remuneration package) may be paid in different currencies as appropriate to reflect their geographic location.	There is no prescribed maximum base salary or annual increase. 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. Details of the outcome of the most recent review are provided in the annual report on remuneration.
Benefits	To provide market competitive benefits.	The Group typically provides: – car allowance or company car; – medical insurance; – death and disability insurance; – limited and specific personal taxation and financial advice; and – other ancillary benefits, including relocation and assistance with expatriate expenses (as required). The policy authorises the committee to make minor changes to benefits provision from time to time, including if appropriate implementing all-employee share plans up to the limits approved by tax authorities.	Maximum values are determined by reference to market practice.
Pension	To provide market competitive pension contributions or allowances.	Defined contribution to pension, or cash allowance of equivalent value. Only base salary is pensionable.	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 incumbent directors, pension allowances aligned to the UK workforce in 2020.

	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.	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, ROCE and Safety. These have the highest weighting (currently 80% of the total for the 2021 performance year). 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. The policy gives the committee the authority to select suitable performance metrics, aligned to Mondi's strategy and shareholders' interests, and to assess the performance outcome. Half of the award is 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. 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: – misstatement of financial results; – misstatement of performance; – gross or serious misconduct; – corporate failure; – severe downturn in financial or operational performance; or – severe reputational damage.	The maximum annual bonus is 200% of base salary (increased from 175% under the previous policy). The committee retains discretion to set the actual maximum below the policy maximum. 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. The bonus payable at threshold (entry level) performance is 25% of maximum.

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.	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. 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. 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. For awards to be granted in 2022, metrics comprise TSR against a suitable peer group, and ROCE, each with a 50% weighting. The vesting outcome can be reduced, if necessary, to reflect the underlying or general performance of the Group. 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. 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: – misstatement of financial results; – misstatement of performance; – gross or serious misconduct; – corporate failure; – severe downturn in financial or operational performance; or – severe reputational damage. 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.	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). 25% of the grant is available for threshold performance, rising on a straight-line scale to 100% of the grant for performance at the 'stretch' level. Individual awards, up to the policy limit, are determined each year by the committee. The committee's practice has historically been to make grants below the policy maximum as detailed in the annual report on remuneration.

	Purpose and link to strategy	Operation	Maximum opportunity
Share ownership policy	To further align the interests of executive directors with those of shareholders.	The Minimum Shareholding Requirement (MSR) for the CEO is 300% of base salary and 250% for the CFO. On appointment, an executive director is normally required to meet the MSR within five years from the date of appointment. While the executive director is building to the required shareholding level, deferred bonus awards under the BSP, net of the expected tax liability that will apply on vesting, will count towards the requirement. Once the required shareholding has been met, such shares will not count unless the committee, at its sole discretion, determines that a number of deferred shares may count towards the holding requirement of a director. Unvested LTIP awards (i.e. those awards where performance targets and/or a service requirement must still be met for awards to vest) will not count towards the 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. 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. 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. **Post-employment MSR:** A post-employment shareholding requirement applies. Under the policy, executive directors will be required to retain a shareholding for two-years post-employment. 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.	Not applicable.

Summary of Directors' Remuneration Policy continued

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 145-146);
- the choice and weighting of performance metrics (in accordance with the statements made in the policy table on pages 145-146);
- 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-ration 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 policy for non-executive directors

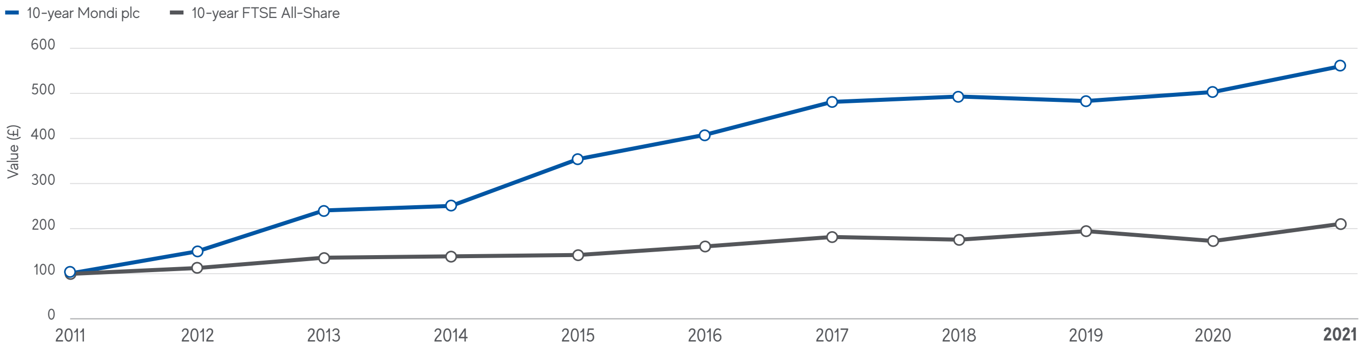
Element	Purpose and link to strategy	Operation	Maximum opportunity
Non-executive board chair fee	To attract and retain a high-calibre chair, with the necessary experience and skills. To provide fees which take account of the time commitment and responsibilities of the role.	The Chair receives an all-inclusive fee.	The Chair's fee is 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 2011 and 31 December 2021 as required in the reporting regulation. This index was chosen because it is the broad equity market index of Mondi plc.



This graph shows the value, by 31 December 2021 of £100 invested in Mondi plc on 31 December 2011, 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
2021	Andrew King	€4,148,088	97%	45.6%
2020[1,2]	Andrew King / Peter Oswald	€4,000,876	42%	50.0%
2019	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%

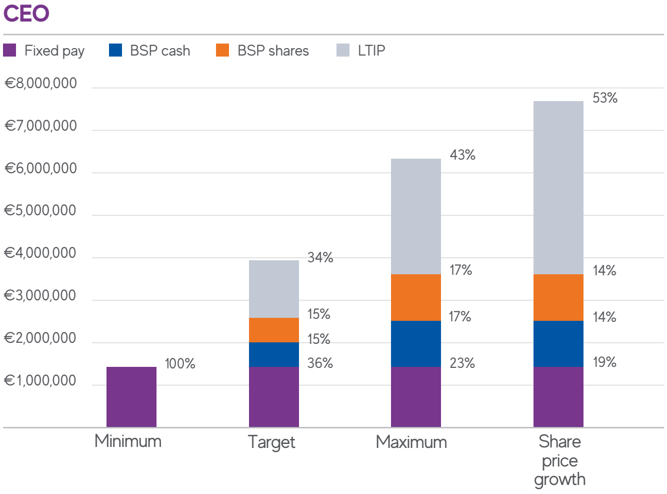
1 Andrew King's and Peter Oswald's 2020 total remuneration is in respect of their tenure as Group CEO. Their salary and bonus has been subject to a pro rata time reduction. The bonus earned and LTIP vested is based on their remuneration in the role as Group CEO. Peter's percentage of maximum bonus earned is 41

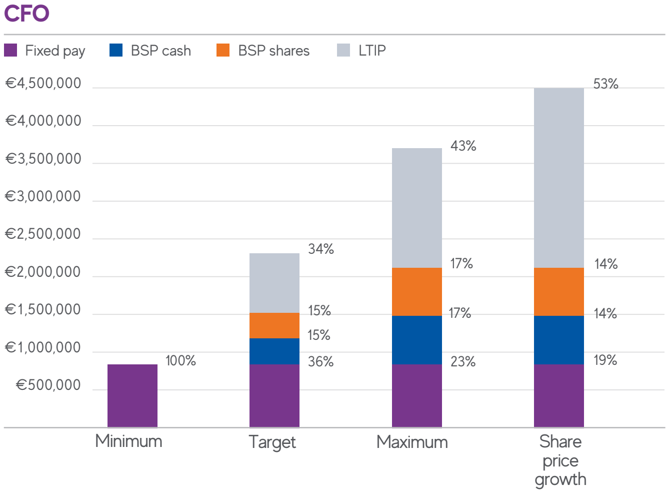
2 The three-year performance cycle of the 2018 LTIP award ended on 31 December 2020. The award value shown in the 2020 Remuneration report was calculated using the average share price, being £16.66. The actual share price on vesting was £17.89 . The award values for 2020 have been restated on this basis and converted into Euro amounts using the exchange rate on vesting of 0.8627 (EUR/GBP)

3 For 2017 the CEO remuneration reflects David Hathorn's remuneration up to his retirement from the Boards 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

Annual report on remuneration continued

Remuneration scenarios at different performance levels[1,2]





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 2022

2 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

2021 remuneration of directors (audited)

The table below sets out the total remuneration for each person who served as a director in the years ended 31 December 2021 and 31 December 2020. A full breakdown of fixed pay and pay for performance in 2021 is detailed below.

Executive directors

	Fixed pay				Pay for performance						
	Base salary	Benefits[1]	Pension contribution	Total Fixed Remuneration	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 LTIP award between grant and vest dates	Other[1]	Total Variable Remuneration	Total
2021											
Andrew King[6]	€1,149,366	€155,669	€91,949	€1,396,984	€2,062,538	€650,496	€552,003	€18,218	€38,070	€2,751,104	€4,148,088
Mike Powell[6]	€732,896	€28,505	€58,632	€820,033	€1,196,086	€672,574	€484,103	€188,471	–	€1,868,660	€2,688,693
2020[7]											
Andrew King	€989,093	€204,345	€104,838	€1,298,276	€753,044	€648,146	€567,926	–	€71,087	€1,472,277	€2,770,553
Mike Powell	€118,017	€21,567	€9,441	€149,025	€80,894	–	–	–	–	€80,894	€229,919

Non-executive directors

	Year ended 31 December 2021			Year ended 31 December 2020		
	Fees[6]	Taxable benefits[5]	Total	Fees[7]	Taxable benefits[5]	Total
Philip Yea[8]	€523,497	–	€523,497	€336,965	–	€336,965
Svein Richard Brandtzaeg[9]	€64,479	€2,513	€66,992	–	–	–
Sue Clark[9]	€61,582	–	€61,582	–	–	–
Tanya Fratto	€111,761	–	€111,761	€102,337	–	€102,337
Enoch Godongwana[10]	€52,854	€2,513	€55,367	€86,197	–	€86,197
Stephen Harris[11]	€38,580	–	€38,580	€102,337	–	€102,337
Dominique Reiniche	€117,554	€11,932	€129,486	€105,136	€2,428	€107,564
Dame Angela Strank[9]	€61,582	–	€61,582	–	–	–
Stephen Young	€128,223	–	€128,223	€100,213	–	€100,213

1 For Andrew King, this includes a total of €28,599 for UK, South African and Austrian tax advice benefit and a total reimbursement of tax and gross-up of €61,053 . 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 includes €34,612 in respect of accommodation costs for his business travel and the cost of any grossed up income tax paid during the year. Also included in this column are other benefits such as car allowance, life and health insurance cover. In 2021, Andrew King received equivalent dividends on vested BSP shares during the year to the value of €38,070 , shown in column 'Other'

2 This is the total annual bonus amount awarded in respect of the financial year 2021, and includes both the upfront cash element and the deferred share award. The amounts have been converted into Euro amounts using a 12-month average exchange rate to 31 December 2021 of 0.8596 (EUR/GBP) For further details, see pages 152-155

3 For 2021 , the three-year performance cycle of the 2019 LTIP ended on 31 December 2021 and the awards will vest in March 2022. The award value shown is based on the average share price over the last three months of the financial year ended 31 December 2021 of £18.07. For Andrew King, this included cash amounts of equivalent value to dividends paid during the years 2021 and 2020 on the vesting of 2018 and 2017 LTIPs, to the value of €80,275 and €101,532 respectively. The award values for 2021 have been converted into Euro amounts using the average exchange rate for the three months ended on 31 December 2021 of 0.8479 (EUR/GBP). The 2019 LTIP awards were granted on 29 March 2019, when the share price was £17.73. This equated to an increase in value of £0.34 per share. As disclosed in the 2020 remuneration report, Mike Powell's 2019 LTIP award was granted on 2 December 2020, with a grant share price of £13.88, in respect of incentives forgone as a result of leaving his former employer. This equated to an increase in value of £4.19 per share

4 In the 2020 remuneration report, the value of the 2018 LTIP awards vesting for which the three-year performance cycle ended on 31 December 2020 was calculated using the average share price for the three months ended 31 December 2020, being £16.66. The actual share price on vesting was £17.89 . The award values for 2020 have been restated on this basis and converted into Euro amounts using the exchange rate on vesting of 0.8627 (EUR/GBP). The awards were granted on 27 March 2018, when the share price was £19.22. This equated to a decrease in value of £1.33 per share. As a consequence a zero gain is shown for Andrew King. Andrew's loss due to share price depreciation was €21,312

5 Svein Richard Brandtzaeg, Enoch Godongwana and Dominique Reiniche received tax advice in the year, constituting taxable benefits to the values shown in this column

6 Directors' salaries and 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 2021 of 0.8596 (EUR/GBP)

7 Mike Powell was appointed as Group CFO on 1 November 2020. The 2020 figures for Mike Powell reflect his remuneration as an executive director from 1 November 2020 to 31 December 2020. Directors' salaries and 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)

8 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

9 Appointed as non-executive directors on 22 April 2021. The 2021 figures reflect each individual's remuneration as a non-executive director from 22 April 2021 to 31 December 2021

10 Enoch Godongwana stepped down from the Board on 6 August 2021. The 2021 figures reflect his remuneration as a non-executive director from 1 January 2021 to 6 August 2021

11 Stephen Harris stepped down from the Board on 6 May 2021. The 2021 figures reflect his remuneration as a non-executive director from 1 January 2021 to 6 May 2021

12 None of the executive directors have entitlements under a defined benefit pension scheme

Annual report on remuneration continued

Annual bonus

2021 bonus outcomes (audited)

For the annual bonus in respect of 2021 performance, the performance measures and achievement levels were:

	BSP performance measures				
	Underlying EBITDA	ROCE	Safety	Personal and sustainability objectives	Total
Weight (% max)	35	35	10	20	100
Outcomes:					
Andrew King (% of max)	35	35	10	17	97
Mike Powell (% of max)	35	35	10	16	96

Financial element of 2021 bonus (audited)

Financial performance was assessed against the underlying EBITDA and ROCE ranges that were set for 2021. The ranges and outcomes were:

2021 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 2021 bonus (audited)

A maximum of 10 points are awarded for safety. Five points are awarded, based on the assessment of Lead indicators. All of the Executive Committee Lead indicators must be achieved for these five points to vest. A further five points are 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.

2021 Safety bonus elements

The TRCR achieved for 2021 was 0.62 relative to a target of 0.62. The Executive Committee achieved all of the Lead indicators for the 2021 performance year. Despite the ongoing challenges of COVID-19, these included, amongst others, multiple safety-focused site visits, a safety and health conference and a review of plant's safety and health action plans. There were no fatalities during 2021. As a result, the full 10 points of this bonus element vested.

Personal objectives of executives for 2021 bonus (audited)

Key personal and sustainability 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 2021, included:

Strategy development and execution	– Start-up of a number of key investment projects including a new kraft-top white machine in Ružomberok (Slovakia) and a speciality kraft paper machine in Štětí (Czech Republic). Additionally, progressed the modernisation of the energy and chemical plants at Richards Bay (South Africa) and the modernisation of the Syktyvkar mill (Russia). – Under the leadership of our executive directors, judicious capital allocation and focused decision-making led to the development of a strong pipeline of capital investments to accelerate growth in packaging, building on our leading market positions, including €1 billion of projects approved or under advanced evaluation in order to meet customers' long-term needs. – Good progress on all elements of our sustainability roadmap, Mondi Action Plan 2030 (MAP2030), Mondi's sustainability roadmap for the next 10 years launched in early 2021, including reducing waste to landfill, and reducing our greenhouse gas (GHG) emissions. – Reduced specific Scope 1 and Scope 2 GHG emissions of our mills by 2.3% year on year. – Accelerated climate plans to transition to Net-Zero by 2050 in alignment with the SBTi's new Net-Zero Standard. – The Group's sustainability achievements and approach achieving the highest rating by a number of third parties such as MSCI, Sustainalytics, EcoVadis, etc. Most notably, CDP rated Mondi for a second year as one of only 14 companies worldwide with a 'Triple A' score on its environmental performance related to climate, forests and water security. – Fostered product development and innovation, supporting customers transition to more sustainable packaging solutions. 2021 highlights included the rapid ramp-up of our fully recyclable, lightweight and flexible MailerBAG, used by our eCommerce customers. – External validation of our product innovation included being awarded nine of the prestigious global 2022 WorldStar Packaging Awards and a number of other national awards. – Completed acquisition and integration of Olmuksan (Turkey), with performance in the year ahead of our expectations. With this transaction, we significantly strengthened our position in the fast-growing Turkish corrugated market, expanding offering to existing and new customers.

Annual report on remuneration continued

Operational and financial performance	– Maintained a pro-active response to the ongoing impact of COVID-19, prioritising the health and safety of our people and communities, e.g. investing in local community initiatives a minimum of 1% of the Group's profit before tax in social projects annually. Certain of our mills continued to serve local communities with power supply, wastewater treatment and waste disposal services. – Effective and compelling leadership that led to strong operational performance in a year where supply chains have been disrupted by COVID-19 and other global challenges, ensuring continued supply and service to customers. – All financial KPIs over and above those assessed for the bonus performance exceeded budget and prior year, including a group revenue of €7,723 million, up 16%, underlying operating profit of €1,064 million, up 15%, basic underlying earnings per share of 154.0 (euro cents), up 19%. Net debt declined to €1,763 million, resulting in a net debt to underlying EBITDA of 1.2x. – Focus on continuous improvement initiatives to enhance productivity and efficiency and reduce costs across the business, including digital initiatives. For example, in Corrugated Solutions, a centralised digital tool optimising procurement of packaging paper and materials across the network. This solution drove efficiency gains, reduced waste and proved extremely valuable during the year in times of tight supply.
Financial efficiency and financing	– Agreed new €750 million 5-year revolving multi-currency credit facility agreement ('RCF') to refinance the existing €750 million facility that was due to mature in July 2022, extending the Group's maturity profile. The RCF incorporates key sustainability targets linked to MAP2030, classifying the facility as a Sustainability Linked Loan. There are no financial covenants included in the RCF or any other Group facility.
Organisational structure	– Key senior appointments made to effectively manage ongoing succession and development of the senior team, including of Thomas Ott to succeed Peter Orisich as CEO of the business units Flexible Packaging and Engineered Materials (representing almost half of our Group revenues), ensuring a smooth transition. Thomas Ott is an industry-renowned, extremely experienced professional and is already adding value to the business units and Group results. – Expanded the use of virtual leadership meetings and enhanced virtual communication channels across the organisation, maintaining high engagement in difficult times and energizing and motivating senior management and wider workforce to deliver our strong 2021 performance.
The overall personal ratings of the executive directors were:	– Andrew King 17/20 – Mike Powell 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	185% of salary	€2,126,328	97	€1,031,269	€1,031,269	€2,062,538
Mike Powell	170% of salary	€1,245,923	96	€598,043	€598,043	€1,196,086

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. No further performance conditions are attached to these shares, except for being in service at date of vesting.

BSP Awards granted in 2021 (audited)

On 12 March 2021 the committee made the following awards under the Group's BSP to the following executive directors in relation to the 2020 bonus outcome.

Name	Type of award	Relating to FY	Number of shares	Share price at grant[1]	Face value of shares
Andrew King	Nil-cost option	2020	18,970	£17.66	£335,010
Mike Powell[2]	Nil-cost option	2020	2,038	£17.66	£35,991

1 Being a three-day average share price commencing on the day of announcement of financial results
2 Pro-rated performance year 2020 for Mike Powell, who joined Mondi on 1 November 2020

Long-Term Incentive Plan (LTIP) (audited)

Vesting of the 2019 awards

The LTIP awards that were granted in 2019, with a three-year performance period ending on 31 December 2021, will vest in March 2022 at 45.6% 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%	12% p.a.	18% p.a.	17.3% p.a.[1]	91.3%
				Total vesting (% max)	45.6%

1 The three-year ROCE that was achieved was 17.3% (19.8% in 2019, 15.2% in 2020 and 16.9% in 2021)

TSR peer group ranking

Mondi plc achieved a TSR of 28.7%, over the performance period and Mondi's rank within the TSR peer group was 11th out of the remaining 15 companies . This was 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.

ROCE

Details of 2019 LTIP vesting

Name	Number of awards granted	Vesting performance	Shares vesting	Total number of shares vesting	Average share price	Dividend equivalents[1] (cash value)	Total estimate value of award on vesting[2]
Andrew King	58,679	45.6%	26,758	26,758	£18.07		€570,221
Mike Powell[3]	69,211	45.6%	31,561	31,561	£18.07		€672,574

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 2019 LTIP will be disclosed in next years report
2 The award value has been converted into Euros using the exchange rate for the three months ended on 31 December 2021 of 0.8479 (EUR/GBP)
3 Mike Powell's share grant relates to a buyout of forfeited awards from his previous employer, as disclosed in the 2020 remuneration report
4 25% of the award would have vested for threshold performance for each of the two measures

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.

Annual report on remuneration continued

Awards granted in 2021 (audited)

On 12 March 2021, the committee made the following award under the Group's LTIP to the following executive directors:

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	128,675	£17.66	£2,272,401	25.0%	31/12/23
Mike Powell	Nil-cost option	210% of salary	74,916	£17.66	£1,323,017	25.0%	31/12/23

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 2023. 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.

Payments to past directors (audited)

Payments made with regards to Peter Oswald, who stepped down as Group CEO on 31 March 2020, were disclosed in the 2020 and 2019 remuneration reports. In respect of the 2018 LTIP award, Peter received a value on vesting of €815,565 and a dividend equivalent bonus of €115,996. There were no other payments made to past directors during the period.

Payments for loss of office (audited)

There were no payments for loss of office made to directors during the period.

Directors' contracts and notice periods

Executive Directors

Andrew King's and Mike Powell's service contracts provide for termination on one year's notice by either party. The Group may elect to make a payment in lieu of notice and, if it does so, to apply mitigation. Payment in lieu of notice would comprise base salary, benefits and pension contributions for the notice period (or, if applicable, the balance of the notice period).

Notice periods for the executive directors who served during the period under review are as follows:

Executive director	Unexpired term/notice period
Andrew King	Terminable on 12 months' notice
Mike Powell	

A director's service contract may be terminated without notice and without any further payment or compensation, except for sums accrued up to the date of termination, on the occurrence of certain events such as gross misconduct.

Non-executive directors

All non-executive directors have letters of appointment with Mondi plc for an initial period of three years. In accordance with best practice, non-executive directors are subject to annual re-election at the Annual General Meeting. Appointments may be terminated by either party with six months' notice. No compensation is payable on termination, other than accrued fees and expenses.

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
2021	Option A	50:1	36:1	24:1
2020	Option A	48:1	34:1	27:1

2021	CEO	25th percentile	Median pay ratio	75th percentile
Salary	£988,000	£61,257	£76,145	£114,083
Total pay and benefits	£3,565,713	£71,995	£98,772	£149,578

Mondi employs fewer than 250 people in our UK operations and as such is no longer required to report on the pay ratio. However, we choose to voluntarily disclose this ratio in line with our commitments to fairness and transparency. Despite the fact that this is a voluntary disclosure, we have chosen to continue to use Option A as our methodology, 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 2021 is based on the aggregated total remuneration earned by Andrew King as Group CEO during 2021. 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 2021 was 50 (2020: 173), approximately 0.18% and approximately 0.65% 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. 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.

Annual report on remuneration continued

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 2021 and 31 December 2020, and the average percentage change in the same remuneration over the same period in respect of the employees of the Group on a full time equivalent basis. The disclosure is based on Group employees given the low number of UK employees.

The average employee change has been calculated by reference to the average of employee pay. Svein Richard Brandtzaeg, Sue Clark and Dame Angela Strank were appointed to the Board during the year ended 31 December 2021 and both Enoch Godongwana and Stephen Harris stepped down from the Board during the year ended 31 December 2021. Accordingly, they have been excluded from the table below.

		Average employee	Andrew King[1]	Mike Powell[2]	Philip Yea[3]	Tanya Fratto	Dominique Reiniche[4]	Stephen Young
Salary/fees	2021	3.6%	5.4%	3.5%	16.7%	9.2%	11.8%	27.9%
	2020	0.6%	-1.3%	N/A	N/A	-9.6%	-9.3%	-7.4%
Taxable benefits[2]	2021	N/A	-23.8%	-78.0%	N/A	N/A	391.5%	N/A
	2020	N/A	233.9%	N/A	N/A	N/A	18.4%	N/A
Annual bonus	2021	18.1%	173.9%	146.4%	N/A	N/A	N/A	N/A
	2020	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. The reduction in taxable benefits reflects a decrease in tax advice fees and gross-up

2 Mike Powell joined Mondi on 1 November 2020. Therefore, to provide a meaningful comparison his 2020 remuneration has been annualised, using the 12-month average exchange rate to 31 December 2020 of 0.8897. The reduction in taxable benefits for Mike Powell reflects the annualisation of his 2020 value being greater than his 2021 value. 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 Philip Yea was appointed to the Board on 1 April 2020. To enable comparison and to provide meaningful reflection of the annual percentage change, his fees for the year ended 31 December 2020 have been annualised

4 Dominique Reiniche's tax advice value increased as a result of travel restrictions imposed in response to COVID-19

5 The majority of the non-executive directors' increase in 2021 relative to 2020 was as a consequence of the simplification of the fees as disclosed in the 2020 remuneration report

6 Directors' salaries and 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 2021 of 0.8596 (EUR/GBP) and a 12-month average exchange rate to 31 December 2020 of 0.8897 (EUR/GBP)

7 The exchange rate also has an impact on the variances shown above. The variances in the denominated salaries (GBP), absent of any exchange rate impact, are as follows: Andrew King 1.9% (2021), Mike Powell 0% (2021), Philip Yea 13% (2021), based on his annualised 2020 fee, where 2020 includes NED fees earned prior to his appointment as Chair, Tanya Fratto 6% and -8% (2021 and 2020 respectively), Dominique Reiniche 8% and -8% (2021 and 2020 respectively), Stephen Young 24% and -6% (2021 and 2020 respectively)

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 2021 and 2020. There have been no share buybacks during 2021 and 2020.

€ million	2021	2020	% change
Overall remuneration expenditure[1]	1,107	1,051	5%
Dividends	298	237	26%

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 2021, both Andrew King and Mike Powell were below their minimum shareholding requirement.

The beneficial and non-beneficial share interests of the directors and their connected persons as at 1 January 2021, and as at 31 December 2021 were as follows:

Executive directors (audited)

	Shareholding at 1 Jan 2021	Shareholding at 31 Dec 2021	Total shareholding as multiple of base salary[1] (%)	Deferred BSP shares outstanding at 31 Dec 2021[2]	Deferred BSP shares as multiple of salary[1] (%)	Deferred LTIP shares outstanding at 31 Dec 2021[3]	Deferred LTIP shares as multiple of base salary[1] (%)
Andrew King	112,734	132,515	242%	49,809	91%	328,112	600%
Mike Powell	–	11,172	32%	2,038	6%	183,554	527%

1 The one-month volume weighted average share price of £18.07 as at 31 December 2021 was used in calculating the percentage figures shown above divided by the executive's respective salary as at 31 December 2021

2 BSP shares subject to service condition. 30,190 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

3 LTIP shares subject to service and performance conditions. 269,433 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

Non-executive directors

	Shareholding at 1 Jan 2021 (or, if later, on appointment)	Shareholding at 31 Dec 2021 (or, at the date of resignation, if earlier)
Philip Yea	20,000	25,000
Svein Richard Brandtzaeg[1]	–	1,250
Sue Clark[1]	–	4,000
Tanya Fratto	1,000	1,000
Enoch Godongwana[2]	–	–
Stephen Harris[3]	1,000	1,000
Dominique Reiniche	1,000	1,000
Dame Angela Strank[1]	–	271
Stephen Young	2,026	2,026

1 Appointed to the Board on 22 April 2021

2 Stepped down from the Board on 6 August 2021

3 Stepped down from the Board on 6 May 2021

There has been no change in the interests of the directors and their connected persons between 31 December 2021 and the date of this report other than the amounts shown in the footnote to the 'SIP' table on page 160.

Annual report on remuneration continued

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	Awards granted during year	Shares lapsed	Awards exercised during year	Exercise price	Date of award	Awards held as at 31 December 2021	Release date	Status
Andrew King	BSP	12,501	–	–	12,501	£17.89	Mar 2018	0	Mar 2021	Vested
	BSP	19,619	–	–	–	–	Mar 2019	19,619	Mar 2022	Unvested
	BSP	11,220	–	–	–	–	Mar 2020	11,220	Mar 2023	Unvested
	BSP	–	18,970	–	–	–	Mar 2021	18,970	Mar 2024	Unvested
	LTIP[1]	52,719	–	26,359	26,360	£17.89	Mar 2018	0	Mar 2021	Vested
	LTIP[2]	58,679	–	–	–	–	Mar 2019	58,679	Mar 2022	Unvested
	LTIP[3]	140,758	–	–	–	–	May 2020	140,758	Mar 2023	Unvested
	LTIP[4]	–	128,675	–	–	–	Mar 2021	128,675	Mar 2024	Unvested
Mike Powell	Buy-out LTIP[5]	69,211	–	–	–	–	Dec 2020	69,211	Mar 2022	Unvested
	Buy-out LTIP[5]	39,427	–	–	–	–	Dec 2020	39,427	Mar 2023	Unvested
	BSP	–	2,038	–	–	–	Mar 2021	2,038	Mar 2024	Unvested
	LTIP	–	74,916	–	–	–	Mar 2021	74,916	Mar 2024	Unvested

1 The performance conditions applying to the 2018 LTIP are set out on page 141 of the 2020 Integrated Report
2 The performance conditions applying to the 2019 LTIP are set out on page 155
3 The performance conditions applying to the 2020 LTIP are set out on page 142 of the 2020 Integrated Report. These were awarded as nil-cost options
4 The performance conditions applying to the 2021 LTIP are set out on page 156. These were awarded as nil-cost options
5 Details of the buyout awards granted to Mike Powell are set out on page 142 of the 2020 Integrated Report. These were awarded as nil-cost options

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.

SIP

	Shares held at beginning of year or on appointment to the Board	Partnership shares acquired during the year	Matching shares awarded during the year	Shares released during year	Total shares held as at 31 December 2021
Andrew King[1]	6,206	95	95	–	6,396
Mike Powell[1]	–	54	54	–	108

1 Since 1 January 2022 up to the date of this report Andrew King acquired 17 partnership shares and was awarded 17 matching shares and Mike Powell acquired 16 partnership shares and was awarded 16 matching shares

Statement of voting at Annual General Meeting

The Annual General Meeting was held on 6 May 2021. All resolutions were passed. The voting result in respect of the remuneration report is given below. Overall in excess of 76% of the total Group shares were voted.

Resolution	Votes for	%	Votes against	%	Votes total	% of ISC voted	Votes withheld
To approve the remuneration report (other than the policy)	367,497,634	98.42	5,906,792	1.58	373,404,426	76.90%	203,939

The remuneration policy was last approved at the AGM held on 7 May 2020, with a 92.81% vote for the resolution and 7.19% against, with 1,602,867 votes withheld.

Remuneration Committee governance

The Remuneration Committee

The Remuneration Committee is a formal committee of the Board (see composition of the Remuneration Committee on page 136). 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.

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.

Deloitte was appointed as the committee's independent remuneration consultant with effect from 29 September 2020 following a competitive tender process. Total fees paid to Deloitte for providing remuneration advice to the committee were determined based on time and materials and amounted to £73,500 for the year ended 31 December 2021. Deloitte also provided other tax, risk and controls services to the Mondi Group during the year. All advice to the Remuneration Committee, received from Deloitte, was objective and independent. Deloitte is a founder member of the Remuneration Consultants Group, and as such, voluntarily operates under the Code of Conduct in relation to executive remuneration consulting in the UK.

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 2021.

Tanya Fratto
Chair of the Remuneration Committee

Other statutory information

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 100-135, 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 12-99:

- Dividends page 41
- Financial risk management objectives and policies pages 84-85
- Principal risks pages 86-97
- Likely future developments in the business pages 24-41, 78-81
- Research and development activities pages 31, 38-40, 46-49
- GHG emissions and energy consumption pages 55-57
- Employees pages 50-54

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 rules 9.8.4 (12) and (13) in relation to dividend waivers can be found on page 205. 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 20-23 and in the Corporate governance report on pages 109-112.

Share capital

Full details of Mondi's share capital can be found in note 22 to the financial statements.

Substantial interests

As at 31 December 2021, 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]
BlackRock, Inc	21,530,677	5.86
Public Investment Corporation Limited	24,953,964	5.14
Aggregate of abrdn plc affiliated investment management entities with delegated voting rights on behalf of multiple managed portfolios	24,352,221	5.02
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
Norges Bank	14,588,006	3.00
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, except as detailed below

The following changes in interests have been notified between 1 January 2022 and the date of this report.

Date	Shareholder	Number of voting rights	%
27 January 2022	Aggregate of abrdn plc affiliated investment management entities with delegated voting rights on behalf of multiple managed portfolios	Below 5%	Below 5%
3 February 2022	Aggregate of abrdn plc affiliated investment management entities with delegated voting rights on behalf of multiple managed portfolios	24,353,567	5.02
18 February 2022	Aggregate of abrdn plc affiliated investment management entities with delegated voting rights on behalf of multiple managed portfolios	Below 5%	Below 5%
2 March 2022	Aggregate of abrdn plc affiliated investment management entities with delegated voting rights on behalf of multiple managed portfolios	24,354,186	5.02

Additional information for shareholders

The information for shareholders required pursuant to the Companies Act 2006 can be found on pages 248-249 of this report.

Political donations

No political donations were made during 2021 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 and parent company'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 and parent company'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 5 May 2022.

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 pages 130-131 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 2021

In addition to the final dividend proposed for 2021, included in note 9 to the financial statements 2021, there have been the following material reportable events since 31 December 2021:

- On 16 February 2022, the Group agreed to sell its Personal Care Components business (PCC) to Nitto Denko Corporation for an enterprise value of €615 million, which is also the approximate cash consideration payable to Mondi at completion. By simplifying its portfolio, the sale will enable the Group to focus on its core packaging and paper businesses and enhance its ability to pursue the Group's strategic priority to grow in sustainable packaging. Further details can be found in note 32 of the financial statements.
- We have significant operations in Russia, representing around 12% of the Group's revenue by location of production in 2021, including our high-margin, cost-competitive integrated pulp, packaging paper and uncoated fine paper mill located in Syktyvkar (Komi Republic). Over the last three years, our Russian operations have generated around 20% of the Group's underlying EBITDA. Our businesses primarily serve the domestic market. In Ukraine Mondi has one paper bag plant located in Lviv, west of the country, employing approximately 100 people. We are actively monitoring this rapidly evolving situation, the international response and the implications for the Group.

Annual General Meeting

The Annual General Meeting will be held at 10:30 (UK time) on Thursday 5 May 2022 at Haberdashers' Hall, 18 West Smithfield, London EC1A 9HQ, UK. We are also offering shareholders the ability to attend, participate and vote electronically. 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 2 March 2022 and is signed on its behalf.

Jenny Hampshire
Company Secretary
Mondi plc
Ground Floor, Building 5
The Heights
Brooklands
Weybridge
Surrey
KT13 0NY
Registered No. 6209386

2 March 2022

Financial statements

UNPACKING THE OPPORTUNITY OF EMPOWERED PEOPLE

Mondi's purpose is central to how we attract and retain talented colleagues around the world. More and more, people want to be part of organisations where they can contribute to tackling the biggest sustainability challenges of our time – and in our case, they have the opportunity to do so by creating packaging and paper solutions that are sustainable by design.

Maximising the potential of our passionate colleagues is a strategic imperative for our continued sustainable growth. We focus on building diverse and inclusive workplaces in which colleagues can Grow. Create. Inspire. Together.

Mondi's training, development and succession planning roadmaps under MAP2030 are crucial for achieving this. Shaped by the actions of our Diversity & Inclusion (D&I) Steering Committee, these initiatives focus on upskilling programmes to identify and develop the expertise, behaviour, enablers and cross-cultural competencies integral to our long-term success.

Read more about how we are unpacking opportunities across the business

AMBITION + ACTION

Page 12-13

COLLABORATION + INNOVATION

Page 100-101

Financial statements

Directors' responsibility statement

The directors are responsible for preparing the Integrated report and the financial statements 2021 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 UK-adopted international accounting standards and the Mondi plc parent company financial statements 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 International Financial Reporting Standards issued by the International Accounting Standards Board (IFRSs issued by IASB).

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of the profit or loss of the Group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards and IFRSs issued by 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.

The directors consider that the Integrated report and financial statements 2021, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and parent company's position and performance, business model and strategy.

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 UK-adopted international accounting standards and IFRSs issued by IASB, give a true and fair view of the assets, liabilities, 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 assets, liabilities, 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 parent company face.

The Directors' responsibility statement was approved by the Board on 2 March 2022 and is signed on its behalf by:

Andrew King
Director

Mike Powell
Director

Independent auditors' report to the members of Mondi plc

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 2021 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 UK-adopted international accounting standards;
- 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 2021 (the "Integrated Report"), which comprise: the consolidated statement of financial position and Mondi plc parent company balance sheet as at 31 December 2021; the consolidated income statement and consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated and Mondi plc parent company statements 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.

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.

Other than those disclosed in note 4 to the consolidated financial statements, we have provided no non-audit services to the Group in the period under audit.

Our audit approach

Overview

Audit scope

- We identified three components (2020: 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 (2020: two) where we have concluded that the component engagement leader is a Key Audit Partner (as defined under ISAs (UK)). These five components (2020: five) are located in Austria, the Czech Republic, Poland, Russia and South Africa (2020: Austria, the Czech Republic, Poland and Russia). We obtained full scope audit reporting from an additional 24 components (2020: 23), including operating units and treasury operations. Audit of specific financial statement line items was performed at a further 14 components (2020: 19).
- In aggregate, the locations subject to audit procedures represented 80% (2020: 79%) of the Group's revenue.

Key audit matters

- Impairment of goodwill and property, plant and equipment (Group)
- Taxation (Group)
- Carrying value of shares in Group undertakings (parent company)

Materiality

- Overall Group materiality: €52 million (2020: €52 million) based on approximately 5% of a three-year rolling-average of profit before tax adjusted for special items, rounded up based on our professional judgement to remain consistent with the prior year overall materiality.
- Overall parent company materiality: €39 million (2020: €35 million) based on 1% of total assets.
- Performance materiality: €39 million (2020: €39 million) (Group) and €29 million (2020: €26 million) (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.

In planning our work, including identifying areas of audit risk and determining an appropriate response, we were mindful of the increased focus on the impact of climate change risk on companies and their financial reporting, and also that the Group has identified climate change as a principal risk. Climate change risk is expected to have a significant impact on the Group's business as the operations and strategy of the Group evolve to address the potential physical and transition risks that could arise and the opportunities associated with climate change. Climate change initiatives and commitments impact the Group in a variety of ways, as described within the Integrated Report.

We made enquiries of management, and read relevant Group pronouncements and public statements on climate change to understand the extent of the potential impact of climate change risk on the Group financial statements, including considering the Mondi Action Plan 2030 ("MAP2030") science-based targets as detailed within the Integrated Report.

We also considered the key financial statement line items and estimates that are most likely to be impacted by climate risks, as set out in note 1 of the Group financial statements. Given that the impact of climate change on the Group is likely, principally, to crystallise in the medium to long-term, we concluded that the risks of material misstatement in the financial statements associated with climate change relate primarily to the valuation of forestry assets and estimates of future cash flows, which are used, for example, when testing assets for impairment. Management considers that the impact of climate change does not give rise to a material financial statement impact.

We discussed with management the ways in which climate change disclosures should continue to evolve as the Group further develops its response to the impact of climate change. We also considered the consistency of the disclosures in relation to climate change made in the other information within the Integrated Report with the financial statements and our knowledge from our audit.

Where applicable, our audit response to climate change risk is included in relevant key audit matters below. Refer also to notes 1, 12, 14 and 33 of the Group financial statements for disclosures related to climate change.

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.

Special items and COVID-19, which were key audit matters last year, are no longer included because of the items recognised as special items in the current year being immaterial (€7 million) in comparison with the previous year (€57 million), and a reduction in the level of uncertainty associated with the future impact of COVID-19 and resulting impact on the amounts presented in the financial statements. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill and property, plant and equipment (Group)	
The Group has goodwill of €926 million (2020: €923 million) and property, plant and equipment ("PPE") of €4,870 million (2020: €4,641 million). For the groups of cash generating units ("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 recoverable amount reflects management's consideration of key internal inputs and external market conditions (taking into account the impact of climate change, where relevant), 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. Management has also assessed whether indicators of impairment or impairment reversal existed in relation to PPE as at 31 December 2021. The determination of whether an indicator of impairment or impairment reversal exists is judgemental. Where an indicator of impairment or impairment reversal is identified, management must estimate the recoverable amount of the relevant CGU. Refer to notes 1, 10, 12 and 33 of the Group financial statements, and the Audit Committee's views set out on page 128.	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. We challenged the basis for management's estimates of growth rates and future cash flows, 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. We evaluated how the risks and opportunities associated with climate change have been considered in the preparation of the cash flow forecasts and related sensitivity. 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. 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 assessments. 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. We also considered the implications of the planned disposal of the Group's Personal Care Component ("PCC") business announced on 17 February 2022 on the impairment assessment of the goodwill balances allocated with Engineered Materials. In relation to PPE, we satisfied ourselves as to the appropriateness of the judgement related to the level at which impairment of these assets is assessed, being the lowest level at which largely independent cash inflows can be identified (the "CGU"). We evaluated management's assessment of impairment and impairment reversal indicators by comparison of actual performance with the budget and consideration of other internal and external factors, including the conclusions reached. In relation to the CGUs where impairment indicators were identified, we challenged the basis for management's estimates of growth rates and future cash flows with reference to historical trading performance, market expectations and management forecasts. We used our internal valuation experts to independently recalculate the discount rates applied by management and evaluate the long-term growth assumptions. We also checked the mathematical accuracy of management's valuation models. Where management had obtained independent, third party valuations to determine the fair value less costs to dispose of individual assets in specific CGUs, we assessed the external valuation reports and the professional qualifications of these third party valuers. Based on the procedures performed, we noted no material issues from our work.

Key audit matter	How our audit addressed the key audit matter
Taxation (Group)	
The Group has operations in a number of geographical locations and as such is subject to multiple tax jurisdictions, giving rise to complexity in accounting for the Group's taxation. In particular, 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. Refer to notes 1, 7 and 33 of the Group financial statements, and the Audit Committee's views set out on page 129.	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. We also evaluated the tax consequences of significant transactions completed by the Group in the period. 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. 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. We considered the appropriateness of the related disclosures in the Group financial statements. Based on the procedures performed, we noted no material issues from our work.
Carrying value of shares in Group undertakings (parent company)	
The parent company holds an investment in Mondi South Africa (Pty) Ltd with a carrying amount of €666 million (2020: €666 million). Management identified an impairment indicator in the investment, following which an impairment test indicated that the carrying amount of the parent company's investment is recoverable and, accordingly, no impairment was recorded in the year ended 31 December 2021. 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. Refer to note 6 of the parent company financial statements	We considered the adequacy of management's impairment indicator analysis as at 31 December 2021. We assessed the appropriateness of the underlying VIU methodology applied to determine the recoverable amount and agreed the forecasts used in the impairment models to the three-year budget approved by the Board. We obtained our valuation experts' view on the nominal long-term growth rates and the discount rates applied. We also evaluated the appropriateness of the cash flow forecasts used in the impairment assessment and agreed these to underlying supporting information, including third party evidence, where available. We evaluated how the risks and opportunities associated with climate change had been considered in the preparation of the cash flow forecasts. We also considered the appropriateness of the disclosures in the parent company financial statements. Based on the procedures performed, we noted no material issues from our work.

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 (2020: 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 (2020: two), where we concluded that the component engagement leader is a Key Audit Partner (as defined under ISAs (UK)), and an additional 24 components where full scope audits were performed (2020: 23). Together, these components were in 11 countries (2020: 11), representing the Group's principal businesses, and accounted for 66% (2020: 64%) 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 27 full scope components.

Audit of specific financial statement line items was performed at a further 14 (2020: 19) components. The Group engagement team performed the work at two of these components (2020: two), with component auditors operating under our instruction performing the work on the other 12 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 80% (2020: 79%) 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 before tax adjusted for special items), 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 video conferencing technologies, as well as reviewing and assessing any matters reported. Due to the ongoing COVID-19 pandemic, we again instructed our components to evaluate the potential impact of the pandemic on the audit and directed them to perform further procedures to address potential risks arising from COVID-19. We also 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 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 (2020: €52 million).	€39 million (2020: €35 million).
How we determined it	Based on approximately 5% of a three-year rolling-average of profit before tax adjusted for special items, rounded up based on our professional judgement to remain consistent with the prior year overall materiality.	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, rounded up based on our professional judgement to remain consistent with the prior year overall materiality.	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 parent company is an investment holding company for the Group. Using professional judgement, we determined materiality for this year at €39 million (2020: €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 (2020: €2.5 million) and €39 million (2020: €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% (2020: 75%) of overall materiality, amounting to €39 million (2020: €39 million) for the Group financial statements and €29 million (2020: €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) (2020: €2.5 million) and €2.5 million (parent company audit) (2020: €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;
- 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 satisfied ourselves that there are no financial covenants in these facilities;
- 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;
- We assessed management's reverse stress test and considered the likelihood of events arising that could erode liquidity within the forecast period;
- We assessed the performance of the Group since year end and compared it with the Board approved cash flow forecast;
- We evaluated the implications of events occurring after 31 December 2021 on the going concern assessment; 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 directors' 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, which includes reporting based on the Task Force on Climate-related Financial Disclosures ("TCFD") recommendations. 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 2021 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 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, 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, 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 financial statements such as the Companies Act 2006 and relevant tax legislation. 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.

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.

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 five years, covering the years ended 31 December 2017 to 31 December 2021.

Other matter

In due course, as required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements will form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ("ESEF RTS"). This auditors' report provides no assurance over whether the annual financial report will be prepared using the single electronic format specified in the ESEF RTS.

Simon Morley
(Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

2 March 2022

Consolidated income statement for the year ended 31 December 2021

€ million	Notes	2021 Underlying	2021 Special items (note 3)	2021 Total	2020 Underlying	2020 Special items (note 3)	2020 Total
Group revenue	2	**7,723**	**–**	**7,723**	**6,663**	**–**	**6,663**
Materials, energy and consumables used		(3,777)	–	(3,777)	(3,120)	–	(3,120)
Variable selling expenses		(639)	–	(639)	(558)	–	(558)
Gross margin		3,307	–	3,307	2,985	–	2,985
Maintenance and other indirect expenses		(391)	–	(391)	(346)	–	(346)
Personnel costs	5	(1,107)	5	(1,102)	(1,051)	(21)	(1,072)
Other net operating expenses		(306)	(2)	(308)	(235)	(10)	(245)
EBITDA		**1,503**	**3**	**1,506**	**1,353**	**(31)**	**1,322**
Depreciation, amortisation and impairments		(439)	4	(435)	(428)	(26)	(454)
Operating profit	2	**1,064**	**7**	**1,071**	**925**	**(57)**	**868**
Net profit/(loss) from joint ventures	15	6	–	6	(3)	–	(3)
Investment income	6	6	–	6	5	–	5
Foreign currency losses	6	(2)	–	(2)	–	–	–
Finance costs	6	(98)	–	(98)	(100)	–	(100)
Profit before tax		976	7	983	827	(57)	770
Tax (charge)/credit	7a	(212)	2	(210)	(180)	12	(168)
Profit for the year		**764**	**9**	**773**	**647**	**(45)**	**602**
Attributable to:							
Non-controlling interests	31	**17**	**–**	**17**	**20**	**–**	**20**
Shareholders		**747**	**9**	**756**	**627**	**(45)**	**582**

Earnings per share (EPS) attributable to shareholders

euro cents	Notes	2021	2020
Basic EPS	8	**155.9**	**120.0**
Diluted EPS	8	**155.8**	**120.0**
Basic underlying EPS	8	**154.0**	**129.3**
Diluted underlying EPS	8	**153.9**	**129.3**

Consolidated statement of comprehensive income for the year ended 31 December 2021

€ million	2021 Before tax amount	2021 Tax charge	2021 Net of tax amount	2020 Before tax amount	2020 Tax charge	2020 Net of tax amount
Profit for the year			**773**			**602**
Items that may subsequently be reclassified to the consolidated income statement						
Fair value (losses)/gains arising from cash flow hedges	(1)	–	(1)	4	–	4
Exchange differences on translation of foreign operations	26	–	26	(367)	–	(367)
Share of other comprehensive income of joint ventures	1	–	1	–	–	–
Items that will not subsequently be reclassified to the consolidated income statement						
Remeasurements of retirement benefits plans:	12	(4)	8	(2)	(3)	(5)
Return on plan assets	(5)			11		
Actuarial gains/(losses) arising from changes in financial assumptions	17			(17)		
Actuarial gains arising from experience adjustments	–			4		
Other comprehensive income/(expense) for the year	**38**	**(4)**	**34**	**(365)**	**(3)**	**(368)**
Other comprehensive income/(expense) attributable to:						
Non-controlling interests			**(4)**			**(9)**
Shareholders			**38**			**(359)**
Total comprehensive income attributable to:						
Non-controlling interests			**13**			**11**
Shareholders			**794**			**223**
Total comprehensive income for the year			**807**			**234**

Consolidated statement of financial position as at 31 December 2021

€ million	Notes	2021	2020
Property, plant and equipment	10	4,870	4,641
Goodwill	12	926	923
Intangible assets	13	76	70
Forestry assets	14	348	372
Investments in joint ventures	15	17	10
Financial instruments		33	31
Deferred tax assets	7b	43	39
Net retirement benefits asset	24	26	21
Other non-current assets		1	–
Total non-current assets		**6,340**	**6,107**
Inventories	16	1,099	849
Trade and other receivables	17	1,333	1,006
Current tax assets		12	11
Financial instruments		4	11
Cash and cash equivalents	26b	473	382
Assets held for sale		–	1
Total current assets		**2,921**	**2,260**
Total assets		**9,261**	**8,367**
Short-term borrowings	21	(124)	(128)
Trade and other payables	18	(1,444)	(1,116)
Current tax liabilities		(116)	(85)
Provisions	19	(33)	(55)
Financial instruments		(18)	(6)
Total current liabilities		**(1,735)**	**(1,390)**
Medium and long-term borrowings	21	(2,104)	(2,050)
Net retirement benefits liability	24	(197)	(215)
Deferred tax liabilities	7b	(283)	(278)
Provisions	19	(35)	(35)
Other non-current liabilities		(18)	(17)
Total non-current liabilities		**(2,637)**	**(2,595)**
Total liabilities		**(4,372)**	**(3,985)**
Net assets		**4,889**	**4,382**
Equity			
Share capital	22	97	97
Own shares		(18)	(18)
Retained earnings		4,760	4,300
Other reserves	22	(341)	(377)
Total attributable to shareholders		**4,498**	**4,002**
Non-controlling interests in equity	31	391	380
Total equity		**4,889**	**4,382**

The Group's consolidated financial statements, including related notes 1 to 33, were approved by the Board and authorised for issue on 2 March 2022 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 2021

€ million	Share capital	Own shares	Retained earnings	Other reserves	Equity attributable to shareholders	Non-controlling interests	Total equity
At 1 January 2020	97	(25)	3,963	(20)	**4,015**	370	**4,385**
Total comprehensive income/(expense) for the year	–	–	582	(359)	**223**	11	**234**
Profit for the year	–	–	582	–	**582**	20	**602**
Other comprehensive expense	–	–	–	(359)	**(359)**	(9)	**(368)**
Retirement benefit plan settlement transferred to retained earnings	–	–	(6)	6	**–**	–	**–**
Transactions with shareholders in their capacity as shareholders:							
Dividends	–	–	(237)	–	**(237)**	(4)	**(241)**
Purchases of own shares	–	(6)	–	–	**(6)**	–	**(6)**
Distribution of own shares	–	13	(12)	–	**1**	–	**1**
Mondi share schemes' charge	–	–	–	8	**8**	–	**8**
Issue of shares under employee share schemes	–	–	12	(12)	**–**	–	**–**
Other movements in non-controlling interests	–	–	(2)	–	**(2)**	3	**1**
At 31 December 2020	**97**	**(18)**	**4,300**	**(377)**	**4,002**	**380**	**4,382**
Total comprehensive income for the year	–	–	756	38	**794**	13	**807**
Profit for the year	–	–	756	–	**756**	17	**773**
Other comprehensive income/(expense)	–	–	–	38	**38**	(4)	**34**
Transactions with shareholders in their capacity as shareholders:							
Dividends	–	–	(298)	–	**(298)**	(6)	**(304)**
Purchases of own shares	–	(7)	–	–	**(7)**	–	**(7)**
Distribution of own shares	–	7	(7)	–	**–**	–	**–**
Mondi share schemes' charge (see note 23)	–	–	–	9	**9**	–	**9**
Issue of shares under employee share schemes	–	–	9	(9)	**–**	–	**–**
Acquired through business combinations (see note 25)	–	–	–	–	**–**	7	**7**
Non-controlling interests bought out (see note 25)	–	–	–	–	**–**	(3)	**(3)**
Other movements	–	–	–	(2)	**(2)**	–	**(2)**
At 31 December 2021	**97**	**(18)**	**4,760**	**(341)**	**4,498**	**391**	**4,889**

Consolidated statement of cash flows for the year ended 31 December 2021

€ million	Notes	2021	2020
Cash flows from operating activities			
Cash generated from operations	26a	1,339	1,485
Dividends received from other investments		1	1
Income tax paid		(190)	(168)
Net cash generated from operating activities		**1,150**	**1,318**
Cash flows from investing activities			
Investment in property, plant and equipment		(573)	(630)
Investment in intangible assets	13	(17)	(18)
Investment in forestry assets	14	(45)	(43)
Investment in joint ventures		(1)	–
Proceeds from the disposal of property, plant and equipment		22	12
Proceeds from the disposal of financial asset investments		–	1
Acquisition of businesses, net of cash and cash equivalents	25	(63)	–
Loans advanced to related and external parties		(1)	(1)
Interest received		4	4
Other investing activities		4	–
Net cash used in investing activities		**(670)**	**(675)**
Cash flows from financing activities			
Proceeds from Eurobonds	26c	–	744
Repayment of Eurobonds	26c	–	(500)
Proceeds from other medium and long-term borrowings	26c	59	–
Repayment of other medium and long-term borrowings	26c	–	(86)
Net repayment of short-term borrowings	26c	(4)	(136)
Repayment of lease liabilities	26c	(23)	(24)
Interest paid	26c	(78)	(82)
Dividends paid to shareholders	9	(298)	(237)
Dividends paid to non-controlling interests	9	(6)	(4)
Purchases of own shares		(7)	(6)
Non-controlling interests bought out	25	(3)	–
Net cash (outflow)/inflow from debt-related derivative financial instruments	26c	(12)	59
Other financing activities		–	4
Net cash used in financing activities		**(372)**	**(268)**
Net increase in cash and cash equivalents		**108**	**375**
Cash and cash equivalents at beginning of year		348	(7)
Cash movement in the year	26c	108	375
Effects of changes in foreign exchange rates	26c	(1)	(20)
Cash and cash equivalents at end of year	26b	**455**	**348**

Notes to the consolidated financial statements for the year ended 31 December 2021

1 Basis of preparation

These consolidated financial statements as at and for the year ended 31 December 2021 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 UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. On 31 December 2020, IFRS as adopted by the EU at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. The Group transitioned to UK-adopted International Accounting Standards in its consolidated financial statements on 1 January 2021. This transition constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure, as well as no changes in the accounting policies from the transition. The principal accounting policies adopted are set out in note 33 and were applied consistently throughout the year and preceding year.

The Group also applies IFRS as issued by the International Accounting Standards Board (IASB) and there are no differences with applying IFRS adopted for use in the United Kingdom which may significantly affect the Group's accounting policies.

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 the principal risks which may impact the Group's performance in the near term. At 31 December 2021, the Group had €803 million of undrawn, committed debt facilities. The weighted average maturity of the Group's committed debt facilities was 4.7 years. In addition, the Group had €455 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 99 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, financial assets and financial liabilities held at fair value through profit and loss and assets acquired and liabilities assumed in a business combination.

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 243-247.

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 with a significant risk of a material change to the carrying value of assets and liabilities within the next year 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 24

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:

- Taxation – refer to notes 7 and 33
- Residual values and useful economic lives of property, plant and equipment – refer to notes 10 and 33
- Fair value of assets acquired and liabilities assumed in business combinations – refer to note 25

Climate change

Management has considered the impact of climate change in preparing the consolidated financial statements, in particular in the context of the disclosures included in the Strategic report, including the Group's Mondi Action Plan 2030 (MAP2030) science-based targets as detailed in the taking action on climate section on pages 55-67. These considerations, which are integral to the Group's strategy, did not have a material impact on the key accounting estimates and judgements, including the following areas:

- the estimates of future cash flows used in the impairment assessment of goodwill – refer to note 12
- the assumptions used in the fair value measurement of forestry assets – refer to note 14
- the assessment of residual values and estimated useful economic lives of property, plant and equipment – refer to note 33
- the fair value of assets acquired and liabilities assumed in business combinations – refer to note 25

While these considerations did not have a material impact on the areas set out above, this may change in future periods as management evolves its understanding of climate change related impacts on the Group.

Impact of COVID-19 on the consolidated financial statements at 31 December 2021

Management continued to consider the impact of the COVID-19 pandemic on the estimates and judgements it has to exercise in applying the accounting policies, including impairment of property, plant and equipment and goodwill, recoverability of trade receivables and net realisable value of inventories. No material adjustments have been made to the carrying values of the Group's assets and liabilities for the year ended 31 December 2021 as a result of the COVID-19 pandemic.

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 in line with the shipment terms agreed with customers. Customer payment terms vary within the Group due to its global operations and 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 €87 million (2020: €74 million) in the current financial year, which is recognised over time. The stage of completion is used to determine the amount of revenue recognised, which is based on the transportation days completed at the reporting date relative to the total expected delivery days.

The material product types from which the Group's operating 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
Uncoated Fine Paper	Uncoated fine paper
	Newsprint
	Pulp

Notes to the consolidated financial statements for the year ended 31 December 2021 continued

2 Operating segments continued

Year ended 31 December 2021[1]

€ million, unless otherwise stated	Corrugated Packaging	Flexible Packaging	Engineered Materials	Uncoated Fine Paper	Corporate	Intersegment elimination	Total
Segment revenue	2,510	2,889	876	1,652	–	(204)	**7,723**
Internal revenue	(40)	(94)	(37)	(33)	–	204	**–**
External revenue	2,470	2,795	839	1,619	–	–	**7,723**
Underlying EBITDA	670	526	71	270	(34)	–	**1,503**
Depreciation and impairments[2]	(134)	(151)	(27)	(108)	(1)	–	**(421)**
Amortisation	(7)	(8)	(1)	(2)	–	–	**(18)**
Underlying operating profit/(loss)	529	367	43	160	(35)	–	**1,064**
Special items before tax	–	2	5	–	–	–	**7**
Operating segment assets	2,722	3,200	773	1,933	7	(110)	**8,525**
Operating segment net assets	2,338	2,632	632	1,595	(1)	–	**7,196**
Trailing 12-month average capital employed	2,025	2,485	580	1,350	(91)	–	**6,349**
Additions to non-current non-financial assets	293	166	36	188	6	–	**689**
Capital expenditure cash payments	223	176	33	139	2	–	**573**
Underlying EBITDA margin (%)	*26.7*	*18.2*	*8.1*	*16.3*	–	–	***19.5***
Return on capital employed (%)	*26.1*	*15.0*	*7.4*	*11.9*	–	–	***16.9***
Average number of employees (thousands)[3]	7.5	10.5	2.1	6.2	0.1	–	**26.4**

Year ended 31 December 2020[1]

€ 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 impairments[2]	(115)	(146)	(27)	(111)	(1)	–	**(400)**
Amortisation	(6)	(11)	(9)	(2)	–	–	**(28)**
Underlying operating profit/(loss)	397	362	44	153	(31)	–	**925**
Special items before tax	–	(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**
Underlying EBITDA margin (%)	*27.6*	*19.5*	*10.0*	*17.9*	–	–	***20.3***
Return on capital employed (%)	*22.5*	*14.5*	*7.5*	*11.3*	–	–	***15.2***
Average number of employees (thousands)[3]	6.7	10.4	2.2	6.3	0.1	–	**25.7**

Notes:
1 See pages 243-247 for definitions of APMs
2 Includes only impairment not classified as special items
3 Presented on a full time employee equivalent basis

Reconciliation of operating segment assets

€ million	2021 Segment assets	2021 Segment net assets/ (liabilities)	2020 Segment assets	2020 Segment net assets/ (liabilities)
Group total	**8,525**	**7,196**	**7,750**	**6,730**
Unallocated				
Investments in joint ventures	17	17	10	10
Deferred tax assets/(liabilities)	43	(240)	39	(239)
Other non-operating assets/(liabilities)[1]	201	(321)	177	(328)
Group capital employed	**8,786**	**6,652**	**7,976**	**6,173**
Financial instruments/(net debt)	475	(1,763)	391	(1,791)
Total assets/equity	**9,261**	**4,889**	**8,367**	**4,382**

Note:
1 Includes non-current financial instruments and current tax assets/(liabilities) as presented in the consolidated statement of financial position, provisions for restructuring costs, employee related and other provisions (see note 19), derivative financial instruments (see note 29d) and other non-operating receivables/(payables) of €152 million and €324 million, respectively, as at 31 December 2021 (2020: €125 million and €328 million)

External revenue by location of production and by location of customer

€ million	External revenue by location of production 2021	External revenue by location of production 2020	External revenue by location of customer 2021	External revenue by location of customer 2020
Africa				
South Africa	441	409	394	309
Rest of Africa	56	55	272	254
Africa total	497	464	666	563
Western Europe				
Austria	1,134	1,062	159	140
Germany	882	766	996	863
United Kingdom	3	28	193	179
Rest of western Europe	699	641	1,517	1,344
Western Europe total	2,718	2,497	2,865	2,526
Emerging Europe				
Czech Republic	602	520	223	178
Poland	1,243	983	707	548
Rest of emerging Europe	1,198	833	1,055	791
Emerging Europe total	3,043	2,336	1,985	1,517
Russia	899	796	703	622
North America	480	481	804	731
South America	–	–	128	107
Asia and Australia	86	89	572	597
Group total	**7,723**	**6,663**	**7,723**	**6,663**

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 2021 and 31 December 2020. 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.

Notes to the consolidated financial statements for the year ended 31 December 2021 continued

2 Operating segments continued

Net assets by location

€ million	2021 Non-current non-financial assets	2021 Segment assets	2021 Segment net assets	2020 Non-current non-financial assets	2020 Segment assets	2020 Segment net assets
Africa						
South Africa	778	898	805	755	893	796
Rest of Africa	62	118	114	62	109	103
Africa total	840	1,016	919	817	1,002	899
Western Europe						
Austria	471	937	665	456	796	563
Germany	657	943	806	650	862	748
United Kingdom	34	60	57	35	58	56
Rest of western Europe	608	780	695	607	751	680
Western Europe total	1,770	2,720	2,223	1,748	2,467	2,047
Emerging Europe						
Czech Republic	878	958	846	838	907	819
Poland	723	991	850	725	922	822
Rest of emerging Europe	989	1,382	1,067	959	1,200	1,026
Emerging Europe total	2,590	3,331	2,763	2,522	3,029	2,667
Russia	753	921	814	673	802	712
North America	161	363	317	145	297	266
South America	7	10	10	2	2	1
Asia and Australia	100	164	150	99	151	138
Group total	**6,221**	**8,525**	**7,196**	**6,006**	**7,750**	**6,730**

Average number of employees by principal location of employment[1]

thousands	2021	2020
South Africa	1.4	1.4
Rest of Africa	0.4	0.3
Western Europe	7.0	7.1
Emerging Europe	10.0	9.2
Russia	5.3	5.3
North America	1.6	1.7
Asia and Australia	0.7	0.7
Group total	**26.4**	**25.7**

Note:
1 Presented on a full time employee equivalent basis

3 Special items

The Group separately discloses special items, an APM as defined on page 243, 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.

€ million	2021	2020
Operating special items		
Impairment of assets	–	(27)
Reversal of impairment of assets	4	1
Restructuring and closure costs:		
Personnel costs	5	(21)
Other restructuring and closure costs	(2)	(9)
Settlement of claim relating to the 2012 Nordenia acquisition	–	(1)
Total special items before tax	**7**	**(57)**
Tax credit (see note 7)	2	12
Total special items	**9**	**(45)**

The operating special items resulted in a cash outflow of €15 million for the year ended 31 December 2021 (2020: €28 million).

To 31 December 2021

The special items during the year ended 31 December 2021 comprised:

- Flexible Packaging
  - Release of restructuring and closure provision of €2 million, partly offset by additional restructuring costs of €1 million, and reversal of impairment of assets of €1 million were recognised. All credit/(charges) related to special items from prior years.
- Engineered Materials
  - Release of restructuring and closure provision of €2 million and partial reversal of impairment of assets of €3 million were recognised relating to the closure of a functional paper and films plant in the US. The credits are linked to a special item from the prior year, of which total costs now accumulate to €9 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 were a continuation of the special item from prior year with total costs amounting to €12 million.
  - Additional costs of €1 million for the settlement of a claim relating to the 2012 Nordenia acquisition were recognised. The costs related to a special item from prior years with total costs amounting to €17 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 with total costs amounting to €14 million.
  - 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 with total costs amounting to €35 million.

4 Auditors' remuneration

€ million	2021	2020
Fees payable to the auditors for the audit of Mondi plc's annual financial statements	1.7	1.3
Fees payable to the auditors and their associates for the audit of Mondi plc's subsidiaries	3.9	3.7
Total audit fees	**5.6**	**5.0**
Audit-related and other assurance services	0.4	0.4
Other services	–	–
Total non-audit fees	**0.4**	**0.4**
Total fees	**6.0**	**5.4**

5 Personnel costs

€ million, unless otherwise stated	2021	2020
Within underlying operating costs		
Wages and salaries	896	853
Social security costs	186	174
Defined contribution retirement plan contributions (see note 24)	14	12
Defined benefit retirement plan service costs net of gain from settlement (see note 24)	2	4
Share-based payments (see note 23)	9	8
Total within underlying operating costs	**1,107**	**1,051**
Within special items		
Personnel costs relating to restructuring (see note 3)	**(5)**	**21**
Within net finance costs		
Retirement benefit medical plan net interest costs	3	3
Retirement benefit pension plan net interest costs	2	3
Total within net finance costs (see note 6)	**5**	**6**
Group total	**1,107**	**1,078**
Average number of employees (thousands)[1]	**26.4**	**25.7**

Note:
1 Presented on a full time employee equivalent basis

6 Net finance costs

€ million	2021	2020
Investment income		
Investment income	**6**	**5**
Net foreign currency losses		
Net foreign currency losses	**(2)**	**–**
Finance costs		
Interest expense		
Interest on bank overdrafts and loans	(80)	(83)
Interest on lease liabilities (see note 11)	(13)	(12)
Net interest expense on net retirement benefits liability (see note 24)	(5)	(6)
Total interest expense	**(98)**	**(101)**
Less: Interest capitalised	–	1
Total finance costs	**(98)**	**(100)**
Net finance costs	**(94)**	**(95)**

Net interest expense, as defined on page 244, for the year was €87 million (2020: €90 million).

The weighted average interest rate applicable to capitalised interest on general borrowings for the year ended 31 December 2021 was 2.9% (2020: 3.9%) and was related to investments in Finland and Germany (2020: the Czech Republic and Germany).

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 2021 was 22% (2020: 22%).

€ million	2021	2020
UK corporation tax at 19% (2020: 19%)	–	–
Overseas tax	216	155
Current tax in respect of prior years	4	5
Current tax	**220**	**160**
Deferred tax in respect of the current year	(4)	26
Deferred tax in respect of prior years	(4)	(6)
Tax charge before special items	**212**	**180**
Current tax on special items	(1)	(5)
Deferred tax on special items	(1)	(7)
Tax credit on special items (see note 3)	**(2)**	**(12)**
Tax charge for the year	**210**	**168**

The Group's current tax charge for the year was €219 million (2020: €155 million) and the deferred tax credit for the year was €9 million (2020: deferred tax charge of €13 million).

As the Group operates in a number of countries, each with different tax systems, a degree of tax risk is inevitable as tax laws are complex and subject to changes in legislation and to differing interpretations. Consequently, provision has been made for such tax risk exposures within current tax liabilities of €63 million (2020: €51 million), mainly in relation to transfer pricing risks arising from cross border transactions. There is not expected to be any material change to the tax risk exposures or associated provisions within the next 12 months.

In the Spring Budget 2020, the UK Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). The Government made a number of budget announcements on 3 March 2021. These include confirming that the rate of corporation tax will increase to 25% from 1 April 2023. This new law was substantively enacted on 24 May 2021. There is no material impact on the Group's current and deferred taxation balances.

7 Taxation continued

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% (2020: 19%), as follows:

€ million	2021	2020
Profit before tax	**983**	**770**
Tax on profit before tax, calculated at the UK corporation tax rate of 19% (2020: 19%)	**187**	**146**
Tax effects of:		
Expenses not deductible for tax purposes	**7**	**7**
Special items not tax deductible	–	1
Other non-deductible expenses	7	6
Temporary difference adjustments	**(1)**	**3**
Fixed asset revaluation[1]	(4)	–
Current year tax losses and other temporary differences not recognised	7	9
Prior year tax losses and other temporary differences not previously recognised	(4)	(6)
Other adjustments	**17**	**12**
Current tax prior year adjustments	4	5
Tax incentives[2]	(13)	(13)
Effect of differences between local rates and UK rate	13	10
Other adjustments	13	10
Tax charge for the year	**210**	**168**

Notes:
1 Fixed asset revaluation in Turkey has resulted in a one-off tax uplift
2 The tax incentives principally relate to capital investments in the Czech Republic and Turkey (2020: the Czech Republic)

(b) Deferred tax

	Deferred tax assets		Deferred tax liabilities	
€ million	2021	2020	2021	2020
At 1 January	39	49	(278)	(301)
Credited/(charged) to the consolidated income statement	4	(9)	5	(4)
Charged to the consolidated statement of comprehensive income	–	–	(4)	(3)
Acquired through business combinations (see note 25)	–	–	(4)	–
Currency movements	–	(1)	(2)	30
At 31 December	**43**	**39**	**(283)**	**(278)**

The amount of deferred tax credited/(charged) to the consolidated income statement comprises:

€ million	2021	2020
Capital allowances in excess of depreciation	(23)	(13)
Fair value adjustments	6	(4)
Tax losses recognised	1	2
Other temporary differences	25	2
Total	**9**	**(13)**

Deferred tax comprises:

€ million	Deferred tax assets 2021	Deferred tax assets 2020	Deferred tax liabilities 2021	Deferred tax liabilities 2020
Capital allowances in excess of depreciation	(16)	(17)	(288)	(255)
Fair value adjustments	–	–	(93)	(99)
Tax losses[1]	11	18	26	16
Other temporary differences[1]	48	38	72	60
Total[2]	**43**	**39**	**(283)**	**(278)**

Notes:
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
2 Deferred tax balances have been shown after offset when they relate to income taxes levied by the same tax authority and it is intended to settle current assets and liabilities on a net basis

The current expectation regarding the maturity of deferred tax balances is:

€ million	Deferred tax assets 2021	Deferred tax assets 2020	Deferred tax liabilities 2021	Deferred tax liabilities 2020
Recoverable/(payable) within 12 months	29	20	(5)	(1)
Recoverable/(payable) after 12 months	14	19	(278)	(277)
Total	**43**	**39**	**(283)**	**(278)**

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	2021	2020
Tax losses – revenue	1,448	1,567
Tax losses – capital	16	16
Other temporary differences	21	27
Total	**1,485**	**1,610**

Of the total of €1,485 million (2020: €1,610 million), €1,272 million (2020: €1,409 million) relates to tax losses (with no expiry date) and other timing differences not recognised in the UK and Luxembourg due to lack of future profit streams.

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	2021	2020
Expiry date		
One to five years	22	6
After five years	45	43
No expiry date[1]	1,397	1,534
Total	**1,464**	**1,583**

Note:
1 During the year ended 31 December 2021, €173 million of brought forward unrecognised tax losses (with no expiry date) were extinguished as a result of a simplification of the holding company structure. There was no impact on the effective tax rate in the period from the simplification

No deferred tax liability is recognised on gross temporary differences of €1,146 million (2020: €1,017 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 2021 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 2021	2020
Basic EPS	155.9	120.0
Diluted EPS	155.8	120.0
Basic underlying EPS	154.0	129.3
Diluted underlying EPS	153.9	129.3
Basic headline EPS	155.3	123.9
Diluted headline EPS	155.2	123.9

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 2021	2020
Profit for the year attributable to shareholders	**756**	**582**
Special items attributable to shareholders (see note 3)	(7)	57
Related tax (see note 3)	(2)	(12)
Underlying earnings for the year	**747**	**627**
Special items attributable to shareholders not excluded from headline earnings	3	(31)
Loss/(gain) on disposal of property, plant and equipment	1	(2)
Related tax	2	7
Headline earnings for the year	**753**	**601**

million	Weighted average number of shares 2021	2020
Basic number of ordinary shares outstanding	**485.0**	**484.9**
Effect of dilutive potential ordinary shares	0.3	–
Diluted number of ordinary shares outstanding	**485.3**	**484.9**

9 Dividends

euro cents per share	2021	2020
Final dividend paid (in respect of prior year)	41.00	–
Interim dividend paid	20.00	48.75
Paid in respect of the prior year	–	29.75
Paid in respect of current year	20.00	19.00
Final dividend proposed	**45.00**	**41.00**

€ million	2021	2020
Final dividend paid (in respect of prior year)	201	–
Total interim dividend paid	97	237
Paid in respect of the prior year	–	145
Paid in respect of current year	97	92
Total dividends paid	**298**	**237**
Final dividend proposed	**218**	**199**
Declared by Group companies to non-controlling interests	6	4

The final dividend proposed in respect of the financial year ended 31 December 2021 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 5 May 2022.

10 Property, plant and equipment

€ million	Land and buildings[1]	Plant and equipment	Assets under construction	Other	Total
Net carrying value					
At 1 January 2020	1,350	2,718	592	140	**4,800**
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)**
Acquired through business combinations (see note 25)	37	18	–	2	**57**
Additions	72	212	237	43	**564**
Disposal of assets	(18)	(5)	–	(2)	**(25)**
Depreciation charge for the year	(75)	(302)	–	(44)	**(421)**
Impairment losses reversed[3]	4	–	–	–	**4**
Reclassification	133	378	(529)	16	**(2)**
Currency movements	10	34	7	1	**52**
At 31 December 2021	**1,419**	**2,956**	**336**	**159**	**4,870**
Cost	2,405	7,824	353	471	**11,053**
Accumulated depreciation and impairments	(986)	(4,868)	(17)	(312)	**(6,183)**

Notes:
1 The land carrying value included in 'Land and buildings' is €188 million (2020: €174 million)
2 Impairment losses include €nil (2020: €27 million) classified as special items (see note 3) and €nil (2020: €nil) of other impairments
3 Impairment losses reversed are classified as special items (see note 3)

The Group recognised income from insurance reimbursements relating to damages of property, plant and equipment of €2 million (2020: €1 million) in other net operating expenses within the consolidated income statement.

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.

11 Leases

The Group has entered into various lease agreements. Leases over land and buildings have a weighted average term of 40 years (2020: 41 years), plant and equipment a weighted average term of 13 years (2020: 9 years) and other assets a weighted average term of 4 years (2020: 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, 2020 and 2021 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. Variable lease payments are included in the lease liability and calculated at the consumer price index. 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 in Vienna (Austria) 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 these were not considered in the calculation of the right-of-use asset.

Right-of-use assets

	Right-of-use assets		Depreciation charge	
€ million	**2021**	**2020**	**2021**	**2020**
Land and buildings	126	115	(13)	(12)
Plant and equipment	39	37	(7)	(6)
Other	12	10	(5)	(5)
Total	**177**	**162**	**(25)**	**(23)**

Additions to the right-of-use assets during 2021 were €37 million (2020: €25 million).

Lease liabilities

€ million	**2021**	**2020**
Maturity analysis – contractual undiscounted cash flows		
Less than one year	31	29
One to two years	27	23
Two to five years	63	57
More than five years	328	289
Total undiscounted cash flows	**449**	**398**
Total lease liabilities	**204**	**187**
Current	20	18
Non-current	184	169

The total cash outflow for leases during 2021 was €40 million (2020: €39 million).

Amounts recognised in the consolidated income statement

€ million	**2021**	**2020**
Depreciation charge	(25)	(23)
Interest on lease liabilities	(13)	(12)
Expenses relating to short-term leases	(2)	(2)
Expenses relating to leases of low-value assets	(2)	(1)

12 Goodwill

(a) Reconciliation

€ million	2021	2020
Net carrying value		
At 1 January	923	948
Currency movements	3	(25)
At 31 December	**926**	**923**

(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 33, 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:

	Weighted average pre-tax discount rate		Growth rate beyond year 3		Carrying value	
€ million, unless otherwise stated	2021	2020	2021	2020	2021	2020
Corrugated Packaging	8.7%	9.1%	3%	2%	341	338
Flexible Packaging	8.7%	8.6%	2%	2%	341	342
Engineered Materials	7.9%	7.9%	2%	2%	214	213
Uncoated Fine Paper	10.7%	10.6%	0%	0%	30	30
Total goodwill					**926**	**923**

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 2024;

– sales volumes, sales prices and variable input cost assumptions in the budget period are derived from a combination of economic forecasts for the regions in which the Group operates, industry forecasts for individual product lines, internal management projections, historical performance, and announced and expected industry capacity changes;

– the impact from climate change such as regulatory risks on carbon pricing, yield losses on plantations or impacts from droughts in the budget period is considered in the cash flow forecasts. The Group's climate change-related risks and opportunities identified according to the TCFD recommendations are disclosed on pages 60-67 of this report. The effect of climate change-related risks and opportunities in the budget period is not material for the Group;

– 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 all years beyond the budget period; 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.

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. Risks associated with increased operating costs such as carbon pricing mechanisms have also been considered.

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
- 3% decrease in gross margin in the Engineered Materials group of CGUs.

None of these downside sensitivity analyses indicated the need for an impairment.

13 Intangible assets

€ million	2021	2020
Net carrying value		
At 1 January	70	81
Acquired through business combinations (see note 25)	6	–
Additions	17	18
Amortisation charge for the year	(18)	(28)
Reclassification	2	3
Currency movements	(1)	(4)
At 31 December	**76**	**70**
Cost	259	259
Accumulated amortisation and impairments	(183)	(189)

The intangible assets comprise mainly software development costs.

Research and development expenditure incurred by the Group and charged to the consolidated income statement during the year amounted to €23 million (2020: €23 million).

14 Forestry assets

€ million	2021	2020
At 1 January	372	411
Investment in forestry assets	45	43
Fair value (losses)/gains	(7)	27
Felling costs	(62)	(59)
Currency movements	–	(50)
At 31 December	**348**	**372**
Mature	217	227
Immature	131	145

The Group has 253,680 hectares (2020: 253,680 hectares) of owned and leased land available for forestry activities, all of which is in South Africa. 80,854 hectares (2020: 80,538 hectares) are set aside for conservation activities and infrastructure needs. 1,044 hectares (2020: 1,038 hectares) relate to non-core activities. The balance of 171,782 hectares (2020: 172,104 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 2021, the net selling price used ranged from the South African rand equivalent of €14 per tonne to €44 per tonne (2020: €15 per tonne to €45 per tonne) with a weighted average of €24 per tonne (2020: €28 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 2021, the conversion factors ranged from 8.3 to 24.1 (2020: 8.2 to 23.6).
- The risk premium on immature timber of 12.9% (2020: 14.3%) 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% (2020: 4.0%) 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. An increase in the severity and frequency of extreme weather events, such as higher temperatures, changes in rainfall patterns and drought conditions, may result in higher timber losses in future years caused by stronger winds, erosion, fires, pests and diseases. The decrease in the risk premium on immature timber was triggered by an identified reduction in the historical incident risk factor.

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 the EUR/ZAR exchange rate, taking into account historical experience. The sensitivity table is based on an illustrative % change, however the estimates may vary by greater amounts. Therefore the Group considers the forestry assets valuation to be a key estimate. 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	2021	2020
Effect of €5/tonne increase in net selling price	71	68
Effect of 1% increase in conversion factor (hectares to tonnes)	3	4
Effect of 1% increase in risk premium	(5)	(6)
Effect of 10% increase in EUR/ZAR exchange rate	(32)	(34)

15 Investments in joint ventures

€ million	2021	2020
At 1 January	10	14
Share of profit/(loss)	6	(3)
Additions	1	–
Currency movements	–	(1)
At 31 December	**17**	**10**

16 Inventories

€ million	2021	2020
Valued using the first-in, first-out cost formula		
Raw materials and consumables	20	32
Work in progress	4	6
Finished products	8	19
Total valued using the first-in, first-out cost formula	**32**	**57**
Valued using the weighted average cost formula		
Raw materials and consumables	499	364
Work in progress	134	109
Finished products	434	319
Total valued using the weighted average cost formula	**1,067**	**792**
Total inventories	**1,099**	**849**
Of which, held at net realisable value	165	95

Consolidated income statement

€ million	2021	2020
Within materials, energy and consumables used		
Cost of inventories recognised as an expense	(3,276)	(2,815)
Write-down of inventories to net realisable value	(46)	(41)
Aggregate reversal of previous write-downs of inventories	33	23
Within other net operating expenses		
Green energy sales and disposal of emissions credits	62	85

The reversal of previous write-downs of inventories relates to goods that had been written down to net realisable value and were sold subsequently above their carrying value.

17 Trade and other receivables

€ million	2021	2020
Trade receivables	1,173	877
Credit loss allowance	(29)	(29)
Net trade receivables	**1,144**	**848**
Other receivables	23	13
Tax and social security	133	118
Prepayments	32	24
Accrued income	1	3
Total trade and other receivables	**1,333**	**1,006**

17 Trade and other receivables continued

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	2021	2020
Credit risk exposure		
Gross trade receivables	1,173	877
Credit insurance	(968)	(703)
Net exposure to credit risk	**205**	**174**

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 €5 million (2020: €6 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 €45 million (2020: €50 million).

Included within the Group's aggregate trade receivables balance are specific debtor balances with customers totalling €112 million (2020: €88 million) which are past due and the Group considers that their credit quality remains intact.

The expected credit loss allowance for trade receivables was determined as follows:

		Past due by				
2021/€ million, unless otherwise stated	Within terms	< 1 month	1–2 months	2–3 months	> 3 months	Total
Expected loss rate %	1	2	7	33	76	
Trade receivables	1,041	93	15	3	21	**1,173**
Credit loss allowance	(9)	(2)	(1)	(1)	(16)	**(29)**

		Past due by				
2020/€ million, unless otherwise stated	Within terms	< 1 month	1–2 months	2–3 months	> 3 months	Total
Expected loss rate %	1	3	7	25	75	
Trade receivables	767	67	15	4	24	**877**
Credit loss allowance	(7)	(2)	(1)	(1)	(18)	**(29)**

Movement in the credit loss allowance

€ million	2021	2020
At 1 January	29	28
Increase in allowance recognised in consolidated income statement	11	10
Amounts written-off or recovered	(7)	(6)
Currency movements	(4)	(3)
At 31 December	**29**	**29**

18 Trade and other payables

€ million	2021	2020
Trade payables	823	549
Capital expenditure payables	56	100
Tax and social security	71	55
Other payables	60	56
Accruals	419	343
Deferred income	15	13
Total trade and other payables	**1,444**	**1,116**

19 Provisions

€ million	Restructuring costs	Employee related provisions	Environmental restoration	Other	Total
At 1 January 2021	32	29	4	25	**90**
Charged to consolidated income statement	2	6	–	13	**21**
Unwinding of discount	–	–	–	1	**1**
Released to consolidated income statement	(7)	–	–	(3)	**(10)**
Amounts applied	(18)	(5)	–	(12)	**(35)**
Currency movements	–	–	–	1	**1**
At 31 December 2021	**9**	**30**	**4**	**25**	**68**
Current	9	5	–	19	**33**
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) and are expected to be settled over the next year. Restructuring provisions include severance costs, when management has made a formal decision to eliminate certain positions and this has been communicated to the groups of employees affected, and other related costs that are typically expected to be incurred in the course of a restructuring programme.

Employee related provisions comprise provisions for jubilee awards and other short-term benefits. Given the nature of jubilee provisions, the amounts are likely to be settled over many years.

The Group provides for the costs of environmental remediation that have been identified at the time of plant closure, as part of acquisition due diligence or in other circumstances where remediation by the Group is required and a probable outflow of economic resources is identified. Judgement and experience is used by management in determining the expected timing, closure and decommissioning methods, which can vary over time and between locations in response to the relevant legal requirements in each territory or the impact of applying new technologies. As of 31 December 2021, such provisions totalled €4 million (2020: €4 million).

The Group does not provide for any potential future environmental remediation or asset retirement obligations in respect of plants that the Group continues to own and operate into the foreseeable future based on the existing strategy of the Group, unless a legal or constructive obligation exists at the reporting date.

Provisions may be identified at a future date if a change in strategy results in planned plant closure or disposal and the Group identifies the need for future environmental remediation subject to the existence of a legal or constructive obligation.

Other provisions are mainly attributable to potential claims against the Group and onerous contracts, none of which are individually significant. The Group expects to settle the majority of the provisions over the next year.

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.

20 Capital management

The Group defines its capital employed as equity, as presented in the consolidated statement of financial position, plus net debt.

€ million	2021	2020
Equity attributable to shareholders	4,498	4,002
Equity attributable to non-controlling interests	391	380
Total equity	**4,889**	**4,382**
Net debt (see note 26c)	**1,763**	**1,791**
Capital employed (see page 245)	**6,652**	**6,173**
Trailing 12-month average capital employed (see page 245)	**6,349**	**6,075**

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 %	2021	2020
Financing facilities				
Syndicated Revolving Credit Facility	July 2022	EURIBOR/LIBOR + margin	–	750
Syndicated Revolving Credit Facility	June 2026	EURIBOR + margin	750	–
€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	750
European Investment Bank Facility	June 2025	EURIBOR + margin	33	43
Long Term Facility Agreement	December 2026	EURIBOR + margin	70	70
Other	Various	Various	57	59
Total committed facilities			**2,760**	**2,772**
Drawn			(1,957)	(1,903)
Total committed facilities available			**803**	**869**

The effective interest rate was 4.6% (2020: 4.5%) based on trailing 12-month average net debt of €1,875 million (2020: €2,012 million).

On 3 June 2021, the Group entered into a new €750 million 5-year revolving multi currency credit facility agreement (RCF) to refinance the existing €750 million facility that was due to mature in July 2022. It includes options to extend the RCF by one or two years with each bank's approval. The new RCF has no financial covenant and the facility was not drawn at 31 December 2021. The RCF incorporates key sustainability targets linked to MAP2030 (Mondi's Action Plan to meet its ambitious 2030 sustainability goals), classifying the facility as a Sustainability Linked Loan. Under the terms of the agreement, the margin will be adjusted according to the Group's performance against specified sustainability targets.

Short-term liquidity needs are met from cash and the RCF. As at 31 December 2021, the Group had no financial covenants in any of its financing facilities.

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:

	2021	2020
Pre-tax weighted average cost of capital (%)	10.0	10.0
Gearing (%) (see page 247)	26.5	29.0
Net debt to underlying EBITDA (times) (see page 246)	1.2	1.3
Return on capital employed (%) (see page 246)	16.9	15.2

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.

21 Borrowings

	2021			2020		
€ million	**Current**	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Secured						
Bank loans and overdrafts	2	1	3	2	3	5
Lease liabilities (see note 11)	20	184	204	18	169	187
Total secured	**22**	**185**	**207**	**20**	**172**	**192**
Unsecured						
Bonds	–	1,840	1,840	–	1,838	1,838
Bank loans and overdrafts	77	79	156	86	39	125
Other loans	25	–	25	22	1	23
Total unsecured	**102**	**1,919**	**2,021**	**108**	**1,878**	**1,986**
Total borrowings	**124**	**2,104**	**2,228**	**128**	**2,050**	**2,178**
Committed facilities drawn			1,957			1,903
Uncommitted facilities drawn			271			275

The Group's borrowings as at 31 December are analysed by nature and underlying currency as follows:

2021/€ million	Floating rate borrowings	Fixed rate borrowings	Total carrying value	Fair value
Euro	125	1,904	2,029	2,154
Pounds sterling	–	4	4	4
South African rand	15	23	38	38
Turkish lira	25	16	41	41
US dollar	–	9	9	9
Russian rouble	–	82	82	82
Other currencies	4	21	25	25
Carrying value	**169**	**2,059**	**2,228**	
Fair value	**169**	**2,184**		**2,353**

21 Borrowings continued

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**

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:

2021/€ million	< 1 year	1–2 years	2–5 years	> 5 years	Total[1]
Bonds	–	–	1,096	744	1,840
Bank loans and overdrafts	79	25	55	–	159
Lease liabilities (see note 11)	20	16	33	135	204
Other loans	25	–	–	–	25
Total borrowings	**124**	**41**	**1,184**	**879**	**2,228**
Effective interest on borrowings net of amortised costs and discounts	51	46	111	221	429
Total undiscounted cash flows	**175**	**87**	**1,295**	**1,100**	**2,657**

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	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	51	45	120	212	428
Total undiscounted cash flows	**179**	**69**	**680**	**1,678**	**2,606**

Note:
1 It has been assumed that, where applicable, interest and foreign exchange rates prevailing at the reporting date will not vary over the time periods remaining for future cash outflows

In addition to the above, the Group swaps euro debt into other currencies through the foreign exchange market as disclosed in note 29.

22 Share capital and other reserves

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.

2021 & 2020	Number of shares	Share capital in € million
Mondi plc €0.20 ordinary shares issued	485,553,780	97

Own shares

Own 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 23). These costs are reflected in the consolidated statement of changes in equity.

	Own shares held			
	2021		2020	
at 31 December	Number of shares held	Average price per share	Number of shares held	Average price per share
Mondi Incentive Schemes Trust	186,760	ZAR214.13	211,424	ZAR217.29
Mondi Employee Share Trust	426,230	GBP16.87	435,882	GBP16.02

Dividend waivers are in place in respect of the shares held by the Mondi Incentive Schemes Trust and the Mondi Employee Share Trust.

Other reserves

€ million	Cumulative translation adjustment reserve	Post-retirement benefits reserve	Share-based payment reserve	Cash flow hedge reserve	Merger reserve	Other sundry reserves	Total
At 1 January 2020	(680)	(52)	20	(4)	667	29	**(20)**
Other comprehensive (expense)/income for the year	(358)	(5)	–	4	–	–	**(359)**
Mondi share schemes' charge	–	–	8	–	–	–	**8**
Issue of shares under employee share schemes	–	–	(12)	–	–	–	**(12)**
Retirement benefit plan settlement transferred to retained earnings	–	6	–	–	–	–	**6**
At 31 December 2020	**(1,038)**	**(51)**	**16**	**–**	**667**	**29**	**(377)**
Other comprehensive income/(expense) for the year	31	8	–	(1)	–	–	**38**
Mondi share schemes' charge (see note 23)	–	–	9	–	–	–	**9**
Issue of shares under employee share schemes	–	–	(9)	–	–	–	**(9)**
Other	–	–	–	–	–	(2)	**(2)**
At 31 December 2021	**(1,007)**	**(43)**	**16**	**(1)**	**667**	**27**	**(341)**

Cumulative translation adjustment reserve

Exchange differences arising on the translation of the Group's overseas operations into the presentation currency of the Group are recognised in other comprehensive income, as described in note 33, and accumulated in the cumulative translation adjustment reserve. The cumulative amount is reclassified to profit or loss only on disposal or partial disposal of the overseas operation.

Post-retirement benefits reserve

Actuarial gains and losses and the return on plan assets arising from the Group's defined benefit pension and post-retirement medical plans are recognised in other comprehensive income, as described in note 33, and accumulated in the post-retirement benefits reserve. 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 to retained earnings within equity.

22 Share capital and other reserves continued

Share-based payment reserve

The share-based payment reserve is used to recognise the grant date fair value of options issued to employees but not exercised and the grant date fair value of shares awarded to employees but not yet vested, as described in note 33.

Cash flow hedge reserve

The cash flow hedge reserve is used to recognise the effective portion of changes in the fair value of derivative financial instruments that are designated as hedges of future cash flows, as described in note 33.

Merger reserve

The merger reserve was recognised in respect of the Simplification of the dual listed company structure in 2019 and the demerger from Anglo American plc in 2007.

Other sundry reserves

The other sundry reserves comprise various other reserves, which individually are not material and are typically not subject to material changes.

23 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 2021	BSP 2020	BSP 2019
Date of grant	12 March 2021	26 March 2020	29 March 2019
Vesting period (years)	3	3	3
Expected leavers p.a. (%)	5	5	5
Grant date fair value per instrument (GBP)	18.46	13.87	16.98
Grant date fair value per instrument (ZAR)	383.47	279.76	318.78
Number of shares conditionally awarded	234,516	205,633	365,679

	LTIP 2021	LTIP 2020[1]	LTIP 2019
Date of grant	12 March 2021	26 March 2020	29 March 2019
Vesting period (years)	3	3	3
Expected leavers p.a. (%)	5	5	5
Grant date fair value per instrument (GBP)			
ROCE component	18.46	14.42	16.98
TSR component[2]	4.62	3.60	4.25
Grant date fair value per instrument (ZAR)			
ROCE component	383.47	279.76	318.78
TSR component[2]	95.87	69.94	79.70
Number of shares conditionally awarded	506,519	534,276	465,710

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, subsequent to the 2019 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 2019 scheme awards are settled by the award of 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	2021	2020
Bonus Share Plan	4	5
Long-Term Incentive Plan	5	3
Total share-based payment expense	**9**	**8**

The weighted average share price of share awards that vested during the period:

	2021	2020
Mondi plc – Johannesburg Stock Exchange	ZAR377.46	ZAR327.60
Mondi plc – London Stock Exchange	GBP17.97	GBP16.02

A reconciliation of share award movements for the Mondi share schemes is shown below:

number of shares	BSP	LTIP
At 1 January 2020	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**
Shares conditionally awarded	234,516	506,519
Shares vested	(223,228)	(157,767)
Shares lapsed	(20,827)	(233,729)
At 31 December 2021	**621,534**	**1,327,607**

24 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 €14 million (2020: €12 million) is calculated on the basis of the contribution payable by the Group in the financial year. There were no material outstanding or prepaid contributions recognised in relation to these plans as at the reporting dates presented. The expected contributions to be paid to defined contribution plans during 2022 are €14 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.
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.

Actuarial assumptions

The weighted average principal assumptions used in the actuarial valuations are detailed below:

	2021			2020		
%	South Africa	Europe	Other regions	South Africa	Europe	Other regions
Discount rate	10.3	1.3	10.2	9.1	0.8	8.0
Rate of inflation	6.2	2.5	6.7	5.2	2.1	5.9
Rate of increase in salaries	7.2	2.6	8.1	6.2	2.7	6.6
Rate of increase of pensions in payment	–	2.8	2.3	–	2.7	4.0
Expected average increase of medical costs	7.7	–	–	6.7	–	–

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:

	2021			2020		
years	South Africa	Europe	Other regions	South Africa	Europe	Other regions
Retiring today						
Males	16.3	13.6–23.2	15.3–20.7	16.3	14.1–23.2	15.3–20.4
Females	20.4	17.5–25.5	17.7–25.3	20.3	17.9–25.4	17.7–23.1
Retiring in 20 years						
Males	22.0	13.6–25.5	15.3–20.0	21.9	14.1–25.5	15.3–20.0
Females	26.1	17.5–27.8	17.7–25.3	26.0	17.9–27.8	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:

	2021				2020			
€ million	South Africa	Europe	Other regions	Total	South Africa	Europe	Other regions	Total
Present value of unfunded liabilities	(37)	(115)	(22)	(174)	(38)	(129)	(20)	(187)
Present value of funded liabilities	–	(128)	–	(128)	–	(138)	(2)	(140)
Present value of plan liabilities	**(37)**	**(243)**	**(22)**	**(302)**	**(38)**	**(267)**	**(22)**	**(327)**
Fair value of plan assets	–	131	–	131	–	133	–	133
Plan liabilities net of plan assets	**(37)**	**(112)**	**(22)**	**(171)**	**(38)**	**(134)**	**(22)**	**(194)**
Amounts reported in consolidated statement of financial position								
Defined benefit pension plans	–	26	–	26	–	21	–	21
Net retirement benefits asset	**–**	**26**	**–**	**26**	**–**	**21**	**–**	**21**
Defined benefit pension plans	–	(138)	(22)	(160)	–	(155)	(22)	(177)
Post-retirement medical plans	(37)	–	–	(37)	(38)	–	–	(38)
Net retirement benefits liability	**(37)**	**(138)**	**(22)**	**(197)**	**(38)**	**(155)**	**(22)**	**(215)**

24 Retirement benefits continued

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	
	2021	2020	2021	2020	2021	2020
At 1 January	(327)	(338)	133	130	(194)	(208)
Included in consolidated income statement						
Current service cost	(5)	(5)	–	–	(5)	(5)
Past service cost	3	–	–	–	3	–
Gain from settlement	–	1	–	–	–	1
Interest	(7)	(8)	2	2	(5)	(6)
Included in consolidated statement of comprehensive income						
Remeasurement gains/(losses)	17	(13)	–	–	17	(13)
Return on plan assets	–	–	(5)	11	(5)	11
Acquired through business combinations (see note 25)	(2)	–	–	–	(2)	–
Contributions paid by employer	–	–	4	2	4	2
Benefits paid	25	20	(12)	(6)	13	14
Currency movements	(6)	16	9	(6)	3	10
At 31 December	**(302)**	**(327)**	**131**	**133**	**(171)**	**(194)**

The expected maturity analysis of undiscounted retirement benefits is as follows:

€ million	2021			2020		
	Defined benefit pension plans	Post-retirement medical plans	Total	Defined benefit pension plans	Post-retirement medical plans	Total
Less than a year	10	4	**14**	12	4	**16**
Between one and two years	10	4	**14**	10	4	**14**
Between two to five years	28	12	**40**	29	12	**41**
After five years	205	102	**307**	202	98	**300**

The weighted average duration of the defined retirement benefits liability for South Africa is 8 years (2020: 9 years), Europe 13 years (2020: 13 years) and other regions 13 years (2020: 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 2022 are €15 million.

The market values of the plan assets in these plans are detailed below:

€ million	2021			2020		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
External equity	–	2	**2**	–	4	**4**
Bonds	–	69	**69**	–	73	**73**
Insurance contracts	–	23	**23**	–	25	**25**
Cash	1	–	**1**	1	–	**1**
Liability driven investment (LDI) portfolio	–	36	**36**	–	30	**30**
Fair value of plan assets	**1**	**130**	**131**	**1**	**132**	**133**

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 loss of €3 million (2020: gain of €13 million).

The market value of assets is used to determine the funding level of the plans and is sufficient to cover 102% (2020: 95%) 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 2021, 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	(33)	39
Rate of inflation		
Increase in current service cost	–	–
Increase/(decrease) in net retirement benefits liability	27	(24)
Rate of increase in salaries		
Increase in current service cost	–	(1)
Increase/(decrease) in net retirement benefits liability	10	(10)
Rate of increase of pensions in payment		
Decrease in current service cost	(1)	(1)
Increase/(decrease) in net retirement benefits liability	14	(13)
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	11	

25 Business combinations

To 31 December 2021

On 31 May 2021, Mondi acquired 90.38% of the outstanding shares in Olmuksan International Paper Ambalaj Sanayi ve Ticaret A.Ş (Olmuksan) for a total consideration of €66 million, 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. On 26 July 2021, Mondi completed a mandatory tender offer to acquire an additional 1.62% of the outstanding shares for a total consideration of €3 million resulting in a total ownership interest in Olmuksan of 92.00%.

Property, plant and equipment has been measured at fair value using relevant valuation methods accepted under IFRS 13, with related deferred tax adjustments. The fair value uplift on intangible assets arises from long lasting customer relationships.

Olmuksan's revenue for the year ended 31 December 2021 was €216 million with a profit after tax of €18 million. Olmuksan's revenue of €132 million and profit after tax of €10 million since the date of acquisition have been included in the consolidated income statement.

Details of the net assets acquired, as adjusted from book to fair value, are as follows:

€ million	Book value	Revaluation	Fair value
Net assets acquired			
Property, plant and equipment	24	33	57
Intangible assets	–	6	6
Inventories	27	–	27
Trade and other receivables	62	–	62
Cash and cash equivalents	3	–	3
Total assets	**116**	**39**	**155**
Trade and other payables	(54)	–	(54)
Income tax liabilities	(1)	–	(1)
Other current liabilities	(4)	–	(4)
Net retirement benefits liability	(2)	–	(2)
Deferred tax assets/(liabilities)	3	(7)	(4)
Total liabilities (excluding debt)	**(58)**	**(7)**	**(65)**
Short-term borrowings	(16)	–	(16)
Medium and long-term borrowings	(1)	–	(1)
Debt assumed	**(17)**	**–**	**(17)**
Net assets acquired	**41**	**32**	**73**
Non-controlling interests in equity			(7)
Cash acquired net of overdrafts			(3)
Net cash paid per consolidated statement of cash flows			**63**

Transaction costs of €4 million were charged to other net operating expenses into the consolidated income statement.

The fair values of assets acquired and liabilities assumed in business combinations are level 3 measures in terms of the fair value measurement hierarchy. Management has considered the impact of environmental and climate risks on Olmuksan's customers and the estimated fair values of property, plant and equipment. These considerations did not have a material impact.

The fair value accounting of this acquisition is provisional pending final determination of the fair value of the assets and liabilities acquired. In particular, the fair values of the assets and liabilities disclosed above have only been determined provisionally, because the independent valuations have not been finalised. If necessary, any adjustments to the fair values recognised will be made within 12 months of the acquisition date.

In respect of trade and other receivables, the gross contractual amounts receivable less the best estimates at the acquisition dates of the contractual cash flows not expected to be collected approximate the book values as presented.

To 31 December 2020

There were no business combinations during the year ended 31 December 2020.

26 Consolidated cash flow analysis

(a) Reconciliation of profit before tax to cash generated from operations

€ million	2021	2020
Profit before tax	**983**	**770**
Depreciation and amortisation	439	428
Share-based payments	9	8
Net cash flow effect of current and prior year special items	(22)	29
Net finance costs	94	95
Net (profit)/loss from joint ventures	(6)	3
(Decrease)/increase in provisions	(7)	3
Decrease in net retirement benefits	(15)	(12)
Net movement in working capital	(205)	125
(Increase)/decrease in inventories	(238)	68
(Increase)/decrease in operating receivables	(334)	8
Increase in operating payables	367	49
Fair value losses/(gains) on forestry assets	7	(27)
Felling costs	62	59
Loss/(gain) on disposal of property, plant and equipment	1	(2)
Other adjustments	(1)	6
Cash generated from operations	**1,339**	**1,485**

(b) Cash and cash equivalents

€ million	2021	2020
Cash and cash equivalents per consolidated statement of financial position	473	382
Bank overdrafts included in short-term borrowings	(18)	(34)
Cash and cash equivalents per consolidated statement of cash flows	**455**	**348**

The cash and cash equivalents of €473 million (2020: €382 million) include money market funds of €340 million (2020: €136 million) valued at fair value through profit and loss, with the remaining balance carried at amortised cost.

The fair value of cash and cash equivalents carried at amortised cost approximate their carrying values presented.

The Group operates in certain countries where the existence of exchange controls may restrict the use of certain cash balances outside of those countries. These restrictions are not expected to have any material effect on the Group's ability to meet its ongoing obligations.

26 Consolidated cash flow analysis continued

(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[1]	Debt due after one year	Debt-related derivative financial instruments	Total debt	Total net debt
At 1 January 2020	(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 fair value of 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)**
Cash flow	108	–	**108**	27	(59)	12	**(20)**	**88**
Additions to lease liabilities	–	–	**–**	(9)	(26)	–	**(35)**	**(35)**
Disposal of lease liabilities	–	–	**–**	1	1	–	**2**	**2**
Acquired through business combinations (see note 25)[2]	–	–	**–**	(16)	(1)	–	**(17)**	**(17)**
Movement in unamortised loan costs	–	–	**–**	–	(2)	–	**(2)**	**(2)**
Net movement in fair value of derivative financial instruments	–	–	**–**	–	–	(25)	**(25)**	**(25)**
Reclassification	–	–	**–**	(39)	39	–	**–**	**–**
Currency movements	(1)	–	**(1)**	24	(6)	–	**18**	**17**
At 31 December 2021	**455**	**1**	**456**	**(106)**	**(2,104)**	**(9)**	**(2,219)**	**(1,763)**

Notes:
1 Excludes bank overdrafts of €18 million as at 31 December 2021 (31 December 2020: €34 million, 1 January 2020: €81 million) which are included in cash and cash equivalents (see note 26b)
2 Cash acquired net of overdrafts through business combinations included in 'Cash flow' is €3 million (2020: €nil) (see note 25)

The Group expensed interest of €93 million relating to its bank overdrafts, loans and lease liabilities (2020: €95 million) and paid interest of €78 million (2020: €82 million).

(d) Cash flow generation

€ million	2021	2020
Net increase in cash and cash equivalents	**108**	**375**
Investment in property, plant and equipment	573	630
Acquisition of businesses, net of cash and cash equivalents	63	–
Investment in joint ventures	1	–
Dividends paid to shareholders	298	237
Net (proceeds)/repayment of borrowings	(32)	2
Proceeds from Eurobonds	–	(744)
Repayment of Eurobonds	–	500
Proceeds from other medium and long-term borrowings	(59)	–
Repayment of other medium and long-term borrowings	–	86
Net repayment of short-term borrowings	4	136
Repayment of lease liabilities	23	24
Cash flow generation	**1,011**	**1,244**

27 Capital commitments

Capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

€ million	2021	2020
Intangible assets	2	3
Property, plant and equipment	353	288
Total capital commitments	**355**	**291**

28 Contingent liabilities

Contingent liabilities comprise aggregate amounts as at 31 December 2021 of €8 million (2020: €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.

29 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

2021/€ million	Fair value hierarchy[1]	At amortised cost	At fair value through profit or loss	At fair value through OCI	Total
Financial assets					
Trade and other receivables[2]		1,168	–	–	1,168
Financial asset investments	Level 2	14	19	–	33
Derivative financial instruments	Level 2	–	4	–	4
Cash and cash equivalents	Level 1	133	340	–	473
Total		**1,315**	**363**	**–**	**1,678**

2020/€ million	Fair value hierarchy[1]	At amortised cost	At fair value through profit or loss	At fair value through OCI	Total
Financial assets					
Trade and other receivables[2]		864	–	–	864
Financial asset investments	Level 2	13	19	–	32
Derivative financial instruments	Level 2	–	9	1	10
Cash and cash equivalents[3]	Level 1	246	136	–	382
Total		**1,123**	**164**	**1**	**1,288**

Notes:

1 Fair value hierarchy level is disclosed for assets measured at fair value

2 Excludes tax, social security and prepayments

3 The comparative period has been re-presented to reflect money market funds included as cash equivalents, with €136 million reclassified from held at amortised cost to held at fair value through profit or loss at 31 December 2020 (1 January 2020: €nil). The money market funds were classified as level 1 as the units in the fund are actively traded with their net asset value being published on the website of the funds on a daily basis which is the most reliable evidence of fair value

The fair values of financial assets investments represent the published prices of the securities concerned.

2021/€ million	Fair value hierarchy[1]	At amortised cost	At fair value through profit or loss	At fair value through OCI	Total
Financial liabilities					
Borrowings – bonds		(1,840)	–	–	**(1,840)**
Borrowings – loans and overdrafts		(184)	–	–	**(184)**
Lease liabilities		(204)	–	–	**(204)**
Trade and other payables[2]		(1,358)	–	–	**(1,358)**
Derivative financial instruments	Level 2	–	(17)	(1)	**(18)**
Total		**(3,586)**	**(17)**	**(1)**	**(3,604)**

Notes:

1 Fair value hierarchy level is disclosed for liabilities measured at fair value

2 Excludes tax, social security and deferred income

2020/€ million	Fair value hierarchy[1]	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[2]		(1,048)	–	–	**(1,048)**
Derivative financial instruments	Level 2	–	(6)	–	**(6)**
Other non-current liabilities		(17)	–	–	**(17)**
Total		**(3,243)**	**(6)**	**–**	**(3,249)**

Notes:
1 Fair value hierarchy level is disclosed for liabilities measured at fair value
2 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.

	Carrying amount		Fair value	
€ million	2021	2020	2021	2020
Financial liabilities				
Borrowings	2,228	2,178	2,353	2,361

The fair values of the Eurobonds represent level 1 fair values and are estimated with reference to the last price quoted in the secondary market. The fair values of all other borrowings represent level 3 fair values and 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.

(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.

29 Financial instruments continued

Net monetary foreign currency exposures by functional currency zone

	Net monetary foreign currency exposures – assets/(liabilities)[1]			
	2021		2020	
€ million	EUR	Other	EUR	Other
Functional currency zones[2]				
Euro	–	(6)	–	(29)
South African rand	12	2	(8)	1
Czech koruna	11	–	(4)	–
Polish zloty	(13)	–	25	1
Russian rouble	(1)	(4)	(12)	–
Swedish krona	5	(1)	5	–
Turkish lira	(1)	(4)	(11)	(1)
Other	(46)	5	(31)	14

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

Functional to foreign currency net monetary exposure sensitivity

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.

	Income/(expense)			
	2021		2020	
€ million	+5%	-5%	+5%	-5%
Functional currency zones				
Polish zloty	(1)	1	1	(1)
Turkish lira	–	–	(1)	1
Russian rouble	–	–	(1)	1
Other	(1)	1	(1)	1

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 (2020: €nil). 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 20).

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

	Interest rate risk exposures					
	2021			2020		
€ million	**EUR**	**Other**	**Total**	**EUR**	**Other**	**Total**
Total debt	2,029	199	**2,228**	1,966	212	**2,178**
Less:						
Fixed rate debt	(1,838)	(17)	**(1,855)**	(1,836)	(31)	**(1,867)**
Lease liabilities	(66)	(138)	**(204)**	(69)	(118)	**(187)**
Cash and cash equivalents	(357)	(116)	**(473)**	(265)	(117)	**(382)**
Net variable rate debt and exposure	**(232)**	**(72)**	**(304)**	**(204)**	**(54)**	**(258)**

Included in other is net variable exposure to various currencies, the most significant of which are Turkish lira and Russian rouble (2020: South African rand and Russian rouble).

The potential impact on the Group's consolidated equity resulting from the application of a 50 basis points increase to the variable interest rate exposure would be a profit of €2 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	**2021**	**2020**
Short-dated contracts with tenures of less than 12 months		
Pound sterling	13	15
Czech koruna	266	256
Polish zloty	202	301
Russian rouble	(37)	(7)
Swedish krona	64	59
US dollar	117	109
South African rand	154	76
Other	187	169
Total swapped against the euro	**966**	**978**

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 17. 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.

29 Financial instruments continued

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	2021	2020
Expiry date		
Within one year	47	119
One to two years	6	690
Two to five years	750	46
Above five years	–	14
Total committed facilities available (see note 20)	**803**	**869**

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 2021, the Group recognised total derivative assets of €4 million (2020: €10 million) and derivative liabilities of €18 million (2020: €6 million). The net liability of €14 million (2020: net asset of €4 million) will mature within one year.

The notional amount of €1,619 million (2020: €1,783 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 €1,619 million (2020: €1,783 million) aggregate notional amount, €1,608 million (2020: €1,774 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. The amount subject to an enforceable master netting arrangement or similar agreement that is not netted off is €3 million (2020: €5 million).

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.

The Group designates both the spot and forward element of forward foreign exchange contracts to hedge its currency risk and applies a hedge ratio of 1:1. The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows. The Group's policy is for critical terms of the forward exchange contracts to align with the hedged items and uses the same method to determine hedge ineffectiveness.

Fair value gains of €2 million (2020: losses of €nil) 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.

30 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. The related party transactions entered into by the Group have been contracted on an arms-length basis. 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.

	Joint ventures	
€ million	**2021**	**2020**
Sales to related parties	6	8
Purchases from related parties	238	184
Trade and other receivables from related parties	2	–
Trade and other payables due to related parties	50	39
Loans receivable from related parties	9	8

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	**2021**	**2020**
Salaries and short-term employee benefits	8.3	6.5
Non-Executive Directors	1.2	1.0
Defined contribution plan payments	0.6	0.6
Social security costs	0.8	0.6
Share-based payments	4.3	3.5
Total	**15.2**	**12.2**

Details of the transactions between the Group and its pension and post-retirement medical plans are disclosed in note 24.

31 Group companies

Composition of the Group

The subsidiaries of the Group as at 31 December 2021 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 (%) 2021	2020	Profit attributable to non-controlling interests 2021	2020	Equity attributable to non-controlling interests 2021	2020
Mondi SCP, a.s. and its subsidiaries	49	49	(1)	7	306	307
Individually immaterial subsidiaries with non-controlling interests			18	13	85	73
Total			**17**	**20**	**391**	**380**

Summarised financial information of the Group's material non-controlling interest is as follows:

Mondi SCP, a.s. and its subsidiaries

€ million	2021	2020
Statement of financial position		
Non-current assets	788	777
Current assets	276	184
Current liabilities	(264)	(201)
Non-current liabilities	(167)	(125)
Net assets	**633**	**635**
Equity attributable to owners of the company	327	328
Equity attributable to non-controlling interests	306	307
Income statement and statement of comprehensive income		
Revenue	874	672
Operating costs (including taxation)	(877)	(657)
(Loss)/profit for the year	**(3)**	**15**
Attributable to owners of the company	(2)	8
Attributable to non-controlling interests	(1)	7
Total comprehensive (expense)/income for the year	**(3)**	**15**
Statement of cash flows		
Net cash inflow from operating activities	86	82
Net cash outflow from investing activities	(79)	(158)
Net cash inflow from financing activities	34	22
Net cash inflow/(outflow)	**41**	**(54)**

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.

32 Events occurring after 31 December 2021

Aside from the final dividend proposed for 2021 (see note 9), there have been the following material reportable events since 31 December 2021:

- On 16 February 2022, the Group agreed to sell its Personal Care Components business (PCC) to Nitto Denko Corporation for an enterprise value of €615 million (the Transaction), which is also the approximate cash consideration payable to Mondi at completion. By simplifying its portfolio, the sale will enable the Group to focus on its core packaging and paper businesses and enhance its ability to pursue the Group's strategic priority to grow in sustainable packaging.
  PCC, part of the Group's Engineered Materials business unit, manufactures a range of components for personal and home care products needed in everyday life such as diapers, feminine care, adult incontinence and wipes. For the financial year ended 31 December 2021, PCC generated an underlying EBITDA of €27 million and as at 31 December 2021, its gross assets were €444 million, including an appropriate allocation of part of the goodwill that is currently recorded in the Engineered Materials business unit.
  Prior to the disposal agreement being reached, the Group assessed, based on the criteria in IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, whether the relevant assets and liabilities (the disposal group) were required to be classified as held for sale as at 31 December 2021. For this to be the case, the disposal group must have been, at that date, available for immediate sale and the sale must have been highly probable. Management has applied judgement in assessing whether the sale was highly probable at the balance sheet date. Taking into account that discussions at that time with potential buyers were in their early stages, a number of stakeholder matters had to be resolved, the perimeter of the Transaction was uncertain and that it was not considered highly probable that any sale would proceed as at 31 December 2021, management concluded that the held for sale classification criteria were not met as at 31 December 2021.
  The Transaction remains subject to competition clearance and other customary closing conditions, with completion expected in the second half of 2022. A profit on disposal is expected to arise on completion.
- We have significant operations in Russia, representing around 12% of the Group's revenue by location of production in 2021, including our high-margin, cost-competitive, integrated pulp, packaging paper and uncoated fine paper mill located in Syktyvkar (Komi Republic). Over the last three years our Russian operations have generated around 20% of the Group's underlying EBITDA. Our businesses primarily serve the domestic market. In Ukraine Mondi has one paper bag plant located in Lviv, west of the country, employing approximately 100 people. We are actively monitoring this rapidly evolving situation, the international response and the implications for the Group.

33 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 associates and joint ventures 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.

33 Accounting policies continued

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.

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 and certain assets acquired or liabilities assumed in business combinations as set out in note 25.

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 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 243-247, 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 CO_2e credits (note 16)

Income generated from the sale of green energy and CO_2e 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. Current tax is presented as a special item if the corresponding taxable income/expense is accounted for as a special item.

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 is presented as a special item if the corresponding temporary difference arises from a special item.

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. 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.

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 to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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.

33 Accounting policies continued

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 own shares.

Diluted EPS

For diluted EPS, the weighted average number of Mondi plc ordinary shares in issue, net of own 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, of nil or scrap value.

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 climate change is anticipated to have a material impact. Estimated useful lives range from 3 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 3 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 based 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.

Investments in joint ventures (note 15)

A joint venture is an entity in which the Group holds a long-term interest with a contractually agreed sharing of control over the strategic, financial and operating decisions with one or more other venturers. Typically, the Group owns between 20% and 50% of the voting equity of its joint ventures. Investments in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated statement of financial position.

Business combinations (note 25)

Identifiable net assets

The identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values on the acquisition date. Assets and liabilities, which cannot be measured reliably, are recorded at provisional fair values, which are finalised within 12 months of the acquisition date. Any non-controlling interest in the acquiree is recorded at the non-controlling interest's proportionate share of the acquired net assets.

Cost of a business combination

The cost of a business combination includes the fair value of assets provided, liabilities incurred or assumed, and any equity instruments issued by a Group entity, in exchange for control of an acquiree. The directly attributable costs associated with a business combination are expensed as incurred and recognised within other net operating expenses into the consolidated income statement.

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.

33 Accounting policies continued

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 the higher of value-in-use or its fair value less costs of disposal. 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 derived from 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.

Current non-financial assets

Inventories (note 16)

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 19)

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

Own shares (note 22)

The purchase by any Group entity of Mondi plc's equity instruments results in the recognition of own shares. The consideration paid or payable is deducted from equity. Where own 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 paid.

Share-based payments (note 23)

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 29)

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 26b)

Cash and cash equivalents comprise cash on hand and demand deposits, together with short-term, highly liquid investments of a maturity of three months or less from the date of acquisition that are readily convertible to a known amount of cash and that are subject to an insignificant risk of changes in value. Bank overdrafts are shown within short-term borrowings in current liabilities in the consolidated statement of financial position. Cash and cash equivalents presented in the consolidated statement of cash flows are net of overdrafts.

Trade receivables (note 17)

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 17)

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 18)

Trade payables are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest rate method.

Borrowings (note 21)

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 29d)

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.

33 Accounting policies continued

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.

Retirement benefits (note 24)

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 2021

The following amendments to Standards have been adopted for the financial year beginning on 1 January 2021, and have had no significant impact on the Group's results:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform – Phase 2

The following amendment is a voluntary practical expedient that was not applied by the Group due to no COVID-19 related rent concessions being received:

- Amendments to IFRS 16 – Leases – Covid-19-Related Rent Concessions beyond 30 June 2021

The IFRS IC agenda decision on configuration and customisation costs in cloud computing arrangements published 2021 had no significant impact on the Group's results.

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 2022 and are not expected to have a significant impact on the Group's results:

- Annual improvements to IFRS Standards 2018-2020 cycle
- Amendments to IAS 16 – Property, Plant and Equipment – Proceeds before Intended Use
- Amendments to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract
- Amendments to IFRS 3 – Business Combinations – References to the Conceptual Framework

Mondi plc parent company balance sheet as at 31 December 2021

€ million	Notes	2021	2020
Tangible assets	5	4	–
Shares in group undertakings	6	3,604	3,604
Total debtors: due within one year	7	371	4
Total assets		**3,979**	**3,608**
Creditors: amounts falling due within one year		(9)	(56)
Creditors: amounts falling due after more than one year		(4)	–
Provisions		(1)	(1)
Total liabilities		**(14)**	**(57)**
Net assets		**3,965**	**3,551**
Capital and reserves			
Called up share capital	8	97	97
Profit or loss account		3,189	2,775
Merger reserve	8	637	637
Capital redemption reserve		29	29
Share-based payments reserve		13	13
Total shareholders' funds		**3,965**	**3,551**

Mondi plc reported a profit of €710 million (2020: profit of €42 million) for the year ended 31 December 2021. The balance sheet and statement of changes in equity of Mondi plc and related notes 1 to 11 were approved by the Board and authorised for issue on 2 March 2022 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 2021

€ million	Share capital	Profit or loss account	Merger reserve	Capital redemption reserve	Share-based payments reserve	Total equity
At 1 January 2020	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 own 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**
Total comprehensive income for the year	–	710	–	–	–	**710**
Dividends	–	(298)	–	–	–	**(298)**
Mondi share schemes' charge	–	–	–	–	9	**9**
Issue of shares under employee share schemes	–	9	–	–	(9)	**–**
Purchases of own shares	–	(7)	–	–	–	**(7)**
At 31 December 2021	**97**	**3,189**	**637**	**29**	**13**	**3,965**

Notes to the Mondi plc parent company financial statements for the year ended 31 December 2021

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 and the Companies Act 2006.

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 99 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 33 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.

Impairment reviews are performed when there is an indicator that the carrying value of the shares in Group undertakings could exceed their recoverable amounts based on their value in use or fair value less costs to dispose. Value in use is calculated by discounting future expected cash flows. These calculations use cash flow projections based on Board-approved budgets and forecasts which reflect management's current experience and future expectations of the markets in which the Group undertaking operates.

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. No critical accounting judgements or significant accounting estimates were identified.

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 27 employees during the year (2020: 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 23 of the Group's consolidated financial statements.

4 Deferred tax

No deferred tax asset is recognised on gross temporary differences of €17 million (2020: €11 million) relating to share-based payment arrangements. Mondi plc has tax losses of €176 million (2020: €160 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.

In the Spring Budget 2020, the UK Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). The Government made a number of budget announcements on 3 March 2021. These include confirming that the rate of corporation tax will increase to 25% from 1 April 2023. This new law was substantively enacted on 24 May 2021. There is no material impact on the current and deferred taxation balances of Mondi plc.

5 Tangible assets

Mondi plc entered into an office building lease agreement for a total term of 10 years from 2 August 2021 and recognised a right-of-use asset of €4 million accordingly. The lease may only be terminated by Mondi plc after 5 years. Mondi plc does not intend to exercise the termination option, and thus it was not considered in the calculation of the right-of-use asset.

6 Shares in group undertakings

€ million	2021	2020
Unlisted		
Shares at cost	3,721	3,721
Accumulated impairment	(117)	(117)
Total fixed asset investments	**3,604**	**3,604**

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.

In prior year, 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 2020. This was due to lower profitability during the prior year and lower medium and long-term cash flow expectations.

7 Total debtors: due within one year

Amounts held on deposit in a cash pool facility with a subsidiary of €369 million are included within debtors due within one year (2020: liability of €47 million included in creditors due within one year). No provision on expected credit losses is recognised at 31 December 2021 (2020: €nil).

8 Capital and reserves

Full disclosure of the share capital of Mondi plc is set out in note 22 of the Group's consolidated financial statements.

The merger reserve was recognised in respect of the Simplification of the dual listed company structure in 2019.

Notes to the Mondi plc parent company financial statements for the year ended 31 December 2021 continued

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 (2020: €nil). The fair value of these issued financial guarantees is deemed to be immaterial.

€ million	2021	2020
Pension scheme guarantees	83	78
Guarantees of obligations of subsidiaries of Mondi plc		
Incurred in the ordinary course of business	3	23
In favour of banks and bondholders	2,998	3,151
At 31 December	**3,084**	**3,252**

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 Packaging Limited (registered number: 01846191)
- Mondi Packaging UK Holdings Limited (registered number: 03714255)
- Mondi Scunthorpe Limited (registered number: 01446927)

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 2021

Aside from the final dividend proposed for 2021, included in note 9 of the Group's consolidated financial statements, there have been no material reportable events since 31 December 2021.

11 List of subsidiaries and associated undertakings and other significant holdings as at 31 December 2021

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
Austria			
Mondi AG	Marxergasse 4A, 1030 Vienna	Holding, Corporate	100.00
Mondi Coating Zeltweg GmbH	Bahnhofstrasse 3, 8740 Zeltweg	Production, Engineered Materials	100.00
Mondi Consumer Packaging GmbH	Marxergasse 4A, 1030 Vienna	Holding, Flexible Packaging	100.00
Mondi Corrugated Holding Österreich GmbH	Marxergasse 4A, 1030 Vienna	Holding, Corrugated Packaging	100.00
Mondi Corrugated Services GmbH	Marxergasse 4A, 1030 Vienna	Service, Corrugated Packaging	100.00
Mondi Engineered Materials GmbH	Marxergasse 4A, 1030 Vienna	Holding, Engineered Materials	100.00
Mondi Finance Europe GmbH	Marxergasse 4A, 1030 Vienna	Service, Corporate	100.00
Mondi Frantschach GmbH	Frantschach 5, 9413 St. Gertraud	Production, Flexible Packaging	100.00
Mondi Grünburg GmbH	Steyrtalstrasse 5, 4594 Grünburg	Production, Corrugated Packaging	100.00
Mondi Holdings Austria GmbH	Marxergasse 4A, 1030 Vienna	Holding, Corporate	100.00
Mondi Industrial Bags GmbH	Marxergasse 4A, 1030 Vienna	Holding, Flexible Packaging	100.00
Mondi Korneuburg GmbH	Stockerauer Strasse 110, 2100 Korneuburg	Production, Flexible Packaging	100.00
Mondi Neusiedler GmbH	Theresienthalstrasse 50, 3363 Ulmerfeld-Hausmening	Production, Uncoated Fine Paper	51.00
Mondi Oman Holding GmbH	Marxergasse 4A, 1030 Vienna	Holding, Flexible Packaging	70.00
Mondi Paper Sack Zeltweg GmbH	Bahnhofstrasse 3, 8740 Zeltweg	Distribution, Flexible Packaging	100.00
Mondi Paper Sales GmbH	Marxergasse 4A, 1030 Vienna	Distribution, Corrugated Packaging, Flexible Packaging, Uncoated Fine Paper	100.00
Mondi Release Liner Austria GmbH	Waidhofnerstrasse 11, 3331 Hilm	Production, Engineered Materials	100.00
Mondi Styria GmbH	Bahnhofstrasse 3, 8740 Zeltweg	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
Papierholz Austria GmbH[3]	Frantschach 5, 9413 St. Gertraud	Service, Flexible Packaging	25.00
Ybbstaler Zellstoff GmbH	Theresienthalstrasse 50, 3363 Ulmerfeld-Hausmening	Production, Uncoated Fine Paper	51.00
Belgium			
Mondi Poperinge N.V.	Nijverheidslaan 11, 8970 Poperinge	Production, Flexible Packaging	100.00

Company	Registered office	Principal activities	% of shares held by Group
Bulgaria			
Mondi Stambolijski E.A.D	1 Zavodska Street, Stambolijski 4210, Plovdiv Region	Production, Flexible Packaging	100.00
China			
Mondi (China) Film Technology Co., Ltd.	No 29 Xinggang Road, Taicang Port Development Zone	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
Colombia			
Mondi Cartagena SAS	LT No CA-4 Zona Franca la Candelaria, Sector Cospique, Zona Industrial Mamonal, Cartagena, Bolivar	Production, Flexible Packaging	100.00
Côte d'Ivoire			
Mondi Abidjan S.A.	Zone Industrielle de Yopougon 01, Abidjan, BP 5676	Production, Flexible Packaging	50.00
Czech Republic			
EURO WASTE a.s.	Litoměřická 272, 41108 Štětí	Service, Flexible Packaging	100.00
Labe Wood s.r.o.[3]	Litoměřická 272, 41108 Štětí	Production, Flexible Packaging	24.99
Mondi Bags Štětí a.s.	Litoměřická 272, 41108 Štětí	Production, Flexible Packaging	100.00
Mondi Bupak s.r.o.	Papírenská 41, 37052 České Budějovice	Production, Corrugated Packaging	100.00
Mondi Coating Štětí a.s.	Litoměřická 272, 41108 Štětí	Production, Engineered Materials	100.00
Mondi Štětí a.s.	Litoměřická 272, 41108 Štětí	Production, Flexible Packaging	100.00
Mondi Štětí White Paper s.r.o	Litoměřická 272, 41108 Štětí	Production, Flexible Packaging	100.00
Wood & Paper a.s.[3]	Hlina 57/18, 66491 Brno	Service, Flexible Packaging	46.50
Egypt			
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
Suez Bags Company (S.A.E.)	30 Maadi Road, Katameya, Kilo 138, Cairo	Production, Flexible Packaging	98.30
Finland			
Harvestia Oy	Selluntie 142, 70420 Kuopio	Service, Corrugated Packaging	100.00
Mondi Finland Services Oy	Selluntie 142, 70420 Kuopio	Holding, Corrugated Packaging	100.00
Mondi Powerflute Oy	Selluntie 142, 70420 Kuopio	Production, Corrugated Packaging	100.00

Notes to the Mondi plc parent company financial statements for the year ended 31 December 2021 continued

11 List of subsidiaries and associated undertakings and other significant holdings as at 31 December 2021 continued

Company	Registered office	Principal activities	% of shares held by Group
France			
Mondi Gournay Sarl	5, rue Vernet, 75008 Paris	Service, Flexible Packaging	100.00
Mondi Lembacel SAS	11 Rue de Reims, 51490 Bétheniville	Production, Flexible Packaging	100.00
Mondi Paper Sales France Sarl	5, rue Vernet, 75008 Paris	Distribution, Corrugated Packaging	100.00
Germany			
Mondi Ascania GmbH	Daimlerstrasse 8, 06449 Aschersleben	Production, Engineered Materials	100.00
Mondi Bad Rappenau GmbH	Wilhelm-Hauff-Strasse 41, 74906 Bad Rappenau	Production, Corrugated Packaging	100.00
Mondi Consumer Packaging International GmbH	Jöbkesweg 11, 48599 Gronau	Holding, Flexible Packaging	100.00
Mondi Eschenbach GmbH	Am Stadtwald 14, 92676 Eschenbach	Production, Corrugated Packaging	100.00
Mondi Estonteco GmbH[1]	Jöbkesweg 11, 48599 Gronau	Dormant, Corrugated Packaging	100.00
Mondi Gronau GmbH	Jöbkesweg 11, 48599 Gronau	Production, Engineered Materials	100.00
Mondi Halle GmbH	Wielandstrasse 2, 33790 Halle	Production, Flexible Packaging	100.00
Mondi Hammelburg GmbH	Thüringenstrasse 1-3, 97762 Hammelburg	Production, Flexible Packaging	100.00
Mondi Holding Deutschland GmbH	Jöbkesweg 11, 48599 Gronau	Holding, Corporate	100.00
Mondi Inncoat GmbH	Angererstrasse 25, 83064 Raubling	Production, Engineered Materials	100.00
Mondi Jülich GmbH	Rathausstrasse 29, 52428 Jülich	Production, Engineered Materials	100.00
Mondi Paper Sales Deutschland GmbH	Oberbaumbrücke 1, 20457 Hamburg	Distribution, Corrugated Packaging	100.00
Mondi Sendenhorst GmbH	Thüringenstrasse 1-3, 97762 Hammelburg	Distribution, Flexible Packaging	100.00
Mondi Trebsen GmbH	Erich-Hausmann-Strasse 1, 04687 Trebsen	Production, Flexible Packaging	100.00
Mondi Wellpappe Ansbach GmbH	Robert-Bosch-Strasse 3, 91522 Ansbach	Production, Corrugated Packaging	100.00
wood2M GmbH[3]	Hauptstrasse 16, 07366 Blankenstein	Service, Corporate	50.00
Greece			
Mondi Thessaloniki A.E.	Sindos Industrial Zone – Block 18, 57022 Thessaloniki	Distribution, Flexible Packaging	100.00
Hungary			
Mondi Bags Hungária Kft.	Tünde u. 2, 4400 Nyíregyháza	Production, Flexible Packaging	100.00
Mondi Békéscsaba Kft.	Tevan Andor u. 2, 5600 Békéscsaba	Production, Flexible Packaging	100.00
Mondi Szada Kft.	Vasút u. 13, 2111 Szada	Production, Flexible Packaging	100.00
Iraq			
Mondi Kaso Iraq Industrial Bags Ltd.	Takya, Bazian, Sulaimaniyah	Production, Flexible Packaging	34.55

Company	Registered office	Principal activities	% of shares held by Group
Italy			
Mondi Gradisac S.r.l.	Via dell´Industria 11, 34072 Gradisca d´Isonzo, Gorizia	Production, Flexible Packaging	100.00
Mondi Italia S.r.l.	Via Balilla 32, 24058 Romano di Lombardia, Bergamo	Production, Flexible Packaging	100.00
Mondi Padova S.r.l.	Via Mazzini 21, 35010 San Pietro in Gu, Padua	Production, Flexible 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 Silicart S.r.l.	Via Mazzini 21, 35010 San Pietro in Gu, Padua	Dormant, Engineered Materials	100.00
Mondi Tolentino S.r.l.	Via Giovanni Falcone 1, 62029 Tolentino, Macerata	Production, Flexible Packaging	100.00
NATRO TECH S.r.l.	Via Copernico snc, 24053 Brignano Gera d'Adda	Service, Flexible Packaging	100.00
Powerflute Italia S.r.l.	Via Giacomo Matteotti 2, 21013 Gallarate	Distribution, Corrugated Packaging	100.00
Japan			
Mondi Tokyo KK	7th floor 14-5, Akasaka 2-chrome, Minato-ku, Tokyo	Service, Engineered Materials	100.00
Jordan			
Jordan Paper Sacks Co. Ltd.	Al Salt, Industrial Area, P.O. Box 119, 19374, Balqa	Production, Flexible Packaging	67.74
Republic of Korea			
Krauzen Co., Ltd.	1420, Keumkang-Penterium IT tower, 282 Hakeui-ro, Dongang-gu, Anyang-si, Gyunggi-do	Service, Flexible Packaging	100.00
Mondi KSP Co., Ltd.	48-29, 439 Hongandaero, Dongang-gu, Anyang-si, Gyunggi-do	Distribution, Flexible Packaging	95.00
Lebanon			
Mondi Lebanon SAL	7th Floor, Bloc C, Kassis Building, Antelias Highway, Antelias	Production, Flexible Packaging	66.00
Luxembourg			
Mondi Packaging S.à r.l.	1, rue Hildegard von Bingen, 1282	Holding, Corporate	100.00
Mondi S.à r.l.	1, rue Hildegard von Bingen, 1282	Holding, Corporate	100.00
Mondi Services S.à r.l.	1, rue Hildegard von Bingen, 1282	Holding, Corporate	100.00
Malaysia			
Mondi Kuala Lumpur Sdn. Bhd.	Lot Nos.PT 5034 & 5036, Jalan Teluk Datuk 28/40, 40000 Shah Alam, Selangor	Production, Flexible Packaging	62.00
Mexico			
Caja de Ahorro de Personal de Mondi Mexico Servicios A.C.	Av. San Nicolás No. 249, Colonia Cuauhtémoc, San Nicolás de los Garza, Nuevo Léon, 66450	Service, Flexible Packaging	100.00
Mondi Mexico S. de R.L. de C.V.	Av. San Nicolás No. 249, Colonia Cuauhtémoc, San Nicolás de los Garza, Nuevo Léon, 66450	Production, Flexible Packaging	100.00

Company	Registered office	Principal activities	% of shares held by Group
Morocco			
Ensachage Moderne Sarl	Km 16, Route d´El Jadida, Casablanca	Dormant, Flexible Packaging	80.64
Mondi Tanger S.A.[1]	Lot N 28 Zone D'exploitation de la Zone Franche , D.Exploitation de Tanger Automobile Cite Dite Tac 2, Tanger, Jouamaa Province Fahsanjra	Production, Flexible Packaging	100.00
Pap Sac Maghreb SA	Km 16, Route d´El Jadida, Casablanca	Production, Flexible Packaging	80.64
Netherlands			
Mondi Coating B.V.	Fort Willemweg 1, 6219 PA Maastricht	Holding, Engineered Materials	100.00
Mondi Consumer Bags & Films B.V.	Fort Willemweg 1, 6219 PA Maastricht	Holding, Flexible Packaging	100.00
Mondi Consumer Bags & Films Benelux B.V.	Fort Willemweg 1, 6219 PA Maastricht	Distribution, Flexible Packaging	100.00
Mondi Corrugated B.V.	Fort Willemweg 1, 6219 PA Maastricht	Holding, Corrugated Packaging	100.00
Mondi Corrugated Poland B.V.	Fort Willemweg 1, 6219 PA Maastricht	Holding, Corrugated Packaging	100.00
Mondi Heerlen B.V.	Imstenraderweg 15, 6422 PM Heerlen	Production, Engineered Materials	100.00
Mondi Industrial Bags B.V.	Fort Willemweg 1, 6219 PA Maastricht	Holding, Flexible Packaging	100.00
Mondi International Holdings B.V.	Fort Willemweg 1, 6219 PA Maastricht	Holding, Corrugated Packaging	100.00
Mondi Maastricht N.V.	Fort Willemweg 1, 6219 PA Maastricht	Production, Flexible Packaging	100.00
Mondi MENA B.V.	Fort Willemweg 1, 6219 PA Maastricht	Holding, Flexible Packaging	70.00
Mondi Packaging Paper B.V.	Fort Willemweg 1, 6219 PA Maastricht	Holding, Flexible Packaging	100.00
Mondi Paper Sales Netherlands B.V.	Bruynvisweg 14, 1531 AZ Wormer	Distribution, Corrugated Packaging, Flexible Packaging, Uncoated Fine Paper	100.00
Mondi SCP Holdings B.V.	Fort Willemweg 1, 6219 PA Maastricht	Holding, Uncoated Fine Paper	100.00
Norway			
Mondi Moss AS	Rådmann Sirasvei 1, 1712 Grålum	Distribution, Flexible Packaging	100.00
Oman			
Mondi Oman LLC	P.O. Box 20, 124, Muscat Governorate, As Seeb, Al Rusayl	Production, Flexible Packaging	49.00

Company	Registered office	Principal activities	% of shares held by Group
Poland			
Agromasa Sp. z o.o.	ul. Bydgoska 1, 86-100 Świecie	Service, Corrugated Packaging	100.00
Fredonia Investments Sp. z o.o.	ul. Bydgoska 1, 86-100 Świecie	Service, Corrugated Packaging	100.00
Mondi Bags Mielec Sp. z o.o.	ul. Wojska Polskiego 12, 39-300 Mielec	Production, Flexible Packaging	100.00
Mondi Bags Świecie Sp. z o.o.	ul. Bydgoska 12, 86-100 Świecie	Production, Flexible Packaging	100.00
Mondi BZWP Sp. z o.o.	ul. Zamenhofa 36, 57-500 Bystrzyca Kłodzka	Production, Corrugated Packaging	100.00
Mondi Corrugated Świecie Sp. z o.o.	ul. Bydgoska 1, 86-100 Świecie	Production, Corrugated Packaging	100.00
Mondi Dorohusk Sp. z o.o.	Brzezno 1, 22-174 Brzezno	Production, Corrugated Packaging	100.00
Mondi Krapkowice Sp. z o.o.[1]	ul. Opolska 103, 47-300, Krapkowice	Production, Flexible Packaging	100.00
Mondi Poznań Sp. z o.o.	ul. Wyzwolenia 34/36, 62-070 Dopiewo	Production, Flexible Packaging	100.00
Mondi Recykling Polska Sp. z o.o.	ul. Bydgoska 1, 86-100 Świecie	Service, Corrugated Packaging	100.00
Mondi Simet Sp. z o.o.	Grabonóg 77, 63-820 Piaski	Production, Corrugated Packaging	100.00
Mondi Solec Sp. z o.o.	Solec 143, 05-532 Baniocha	Production, Flexible Packaging	100.00
Mondi Świecie S.A.	ul. Bydgoska 1, 86-100 Świecie	Production, Corrugated Packaging	100.00
Mondi Szczecin Sp. z o.o.	ul. Sloneczna 20, 72-123 Kliniska Wielkie	Production, Corrugated Packaging	100.00
Mondi Warszawa Sp. z o.o.	ul. Tarczyńska 98, 96-320 Mszczonów	Production, Corrugated Packaging	100.00
Mondi Wierzbica Sp. z o.o.	Kolonia Rzecków 76, 26-680 Wierzbica	Production, Flexible Packaging	100.00
PLWD Sp. z o.o.[1,3]	ul. Bydgoska 1, 86-100 Świecie	Service, Corrugated Packaging	50.67
Świecie Rail Sp. z o.o.	ul. Bydgoska 1, 86-100 Świecie	Service, Corrugated Packaging	100.00
Świecie Recykling Sp. z o.o.	ul. Bydgoska 1/417, 86-100 Świecie	Service, Corrugated Packaging	100.00
Romania			
Mondi Bucharest S.R.L.	Filderman Wilhelm Nr. 4/3/19, Sector 3, 030353 Bucharest	Distribution, Flexible Packaging	100.00
Russia			
LLC Mondi Aramil	25 Klubnaya Street, 62400 Aramil, Sverdlovskii Region	Production, Flexible Packaging	100.00
LLC Mondi Lebedyan	Lva Tolstogo, Building 80, Office 52, 399612 Lebedyan, Lipetsk Region	Production, Corrugated Packaging	100.00
LLC Mondi Pereslavl	Mendeleeva sq. 2, Building 55, 152025 Pereslavl-Zalesski	Production, Flexible Packaging	100.00
LLC Mondi Syktyvkar Energy Company	pr. Bumazhnikov 2, 167026 Syktyvkar, Komi Republic	Service, Uncoated Fine Paper	100.00
OJSC Mondi Syktyvkar[4]	pr. Bumazhnikov 2, 167026 Syktyvkar, Komi Republic	Production, Corrugated Packaging, Uncoated Fine Paper	100.00
OOO Mondi Sales CIS	1st Tverskaya-Yamskaya, 21, 123047, Moscow	Distribution, Uncoated Fine Paper	100.00

11 List of subsidiaries and associated undertakings and other significant holdings as at 31 December 2021 continued

Company	Registered office	Principal activities	% of shares held by Group
Serbia			
Mondi Šabac d.o.o. Šabac	Severna 4 No.2, 15000 Šabac	Production, Flexible Packaging	100.00
Singapore			
Mondi Packaging Paper Sales Asia Pte. Ltd.	77 Robinson Road, #13-00, Robinson 77, Singapore, 068896	Distribution, Flexible Packaging	100.00
Slovakia			
East Paper, spol. s.r.o.[3]	Rastislavova 98, 04346 Kosice	Service, Corrugated Packaging	26.01
Mondi SCP, a.s.	Tatranská cesta 3, 03417 Ružomberok	Production, Corrugated Packaging, Flexible Packaging, Uncoated Fine Paper	51.00
Obaly SOLO, s.r.o	Tatranská cesta 3, 03417 Ružomberok	Production, Uncoated Fine Paper	51.00
RECOPAP, s.r.o.[3]	Bratislavska 18, 90051 Zohor	Service, Corrugated Packaging	25.50
Slovpaper Collection s.r.o.	Tatranská cesta 3, 03417 Ružomberok	Service, Corrugated Packaging	51.00
Slovpaper Recycling s.r.o.	Tatranská cesta 3, 03417 Ružomberok	Service, Corrugated Packaging	51.00
SLOVWOOD Ružomberok a.s.	Tatranská cesta 3, 03417 Ružomberok	Distribution, Uncoated Fine Paper	33.66
STRÁŽNA SLUŽBA VLA-STA s.r.o.	Tatranská cesta 3, 03417 Ružomberok	Service, Uncoated Fine Paper	51.00
South Africa			
Arctic Sun Trading 17 Proprietary Limited[2]	380 Old Howick Road, Mondi House, Hilton, 3245	Distribution, Uncoated Fine Paper	50.00
Bongani Development Close Corporation	Merebank Mill, Travencore Drive, Merebank, 4052	Dormant, Uncoated Fine Paper	100.00
Mondi Africa Holdings Proprietary Limited	4th Floor, No 3 Melrose Boulevard, Melrose Arch, 2196	Dormant, Uncoated Fine Paper	100.00
Mondi Forests Partners Programme Proprietary Limited	380 Old Howick Road, Mondi House, Hilton, 3245	Service, Uncoated Fine Paper	100.00
Mondi Sacherie Moderne Holdings Proprietary Limited	Merebank Mill, Travencore Drive, Merebank, 4052	Holding, Uncoated Fine Paper	100.00
Mondi South Africa (Pty) Limited[5]	Merebank Mill, Travencore Drive, Merebank, 4052	Production, Corrugated Packaging, Uncoated Fine Paper	100.00
Mondi Timber (Wood Products) Proprietary Limited	Merebank Mill, Travencore Drive, Merebank, 4052	Holding, Uncoated Fine Paper	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	380 Old Howick Road, Mondi House, Hilton, 3245	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
Siyaqhubeka 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
Spain			
Mondi Bags Ibérica S.L.U.	Autovía A-2, Km 582, 08630 Abrera	Production, Flexible Packaging	100.00
Mondi Ibersac S.L.U.	Calle La Perenal 4, 48840 Güeñes, Bizcaia	Production, Flexible Packaging	100.00
Mondi Sales Ibérica S.L.	Calle Joaquin Costa 36 2a, 28002 Madrid	Distribution, Flexible Packaging	100.00
Powerflute International S.L.	Josep Irla I Bosch, 1-3 P.6 PTA.2, 08034 Barcelona	Distribution, Corrugated Packaging	100.00
Sweden			
Mondi Dynäs AB	87381 Väja	Production, Flexible Packaging	100.00
Mondi Örebro AB	Papersbruksallen 3A, Box 926, 70130 Örebro	Production, Engineered Materials	100.00
Switzerland			
Dipeco AG	Bruehlstrasse 5, 4800 Zofingen	Distribution, Flexible Packaging	100.00
Thailand			
Mondi Bangkok Company, Limited	789/10 Moo 9 Bang Pla Sub-District, Bang Phli District, Bangkok, Samut Prakan Province	Production, Flexible Packaging	100.00
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
Mondi TSP Company Limited	110, Moo 3, Nong Chumphon Nuea, Khao Yoi District, Petchaburi Province, 76140	Production, Flexible Packaging	97.55
Trinidad and Tobago			
TCL Packaging Ltd.[2]	Southern Main Road, Claxton Bay	Dormant, Flexible Packaging	20.00
Turkey			
Doğal Kağıt Hammaddeleri Sanayi ve Ticaret Limited Şirketi[1]	Esentepe Mahallesi Harman 1 sk.Nida Kule Levent Ap. No:7/9/54 Şişli, İstanbul	Service, Corrugated Packaging	92.00
Mondi Istanbul Ambalaj Limited Şti.	No. 12A Türkgücü OSB Mah. Yilmaz Alpaslan Caddesi Corlu, Tekirdag, 59870	Production, Flexible Packaging	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 Olmuksan Kağıt ve Ambalaj Sanayi A.Ş[1]	Esentepe Mahallesi Harman 1 sk.Nida Kule Levent Ap. No:7/9/54 Şişli, İstanbul	Production, Corrugated Packaging	92.00
Mondi Tire Kutsan Kagit Ve Ambalaj Sanayi A.Ş.	Toki Mahallesi, Hasan Tahsin Caddesi, No. 28, Tire, Izmir 35900	Production, Corrugated Packaging	79.15
Ukraine			
Mondi Packaging Bags Ukraine LLC	Fabrychna Street 20, Zhydachiv, Lviv Region, 81700	Production, Flexible Packaging	100.00

Company	Registered office	Principal activities	% of shares held by Group
UK			
Frantschach Holdings UK Limited	Ground Floor, Building 5, The Heights, Brooklands, Weybridge, Surrey, KT13 0NY	Dormant, Flexible Packaging	100.00
Hypac Limited	Ground Floor, Building 5, The Heights, Brooklands, Weybridge, Surrey, KT13 0NY	Dormant, Corrugated Packaging	100.00
Medway Packaging Pension Trustee Limited	Ground Floor, Building 5, The Heights, Brooklands, Weybridge, Surrey, KT13 0NY	Service, Flexible Packaging	100.00
Mondi Aberdeen Limited	Ground Floor, Building 5, The Heights, Brooklands, Weybridge, Surrey, KT13 0NY	Distribution, Flexible Packaging	100.00
Mondi Consumer Goods Packaging UK Ltd	Ground Floor, Building 5, The Heights, Brooklands, Weybridge, Surrey, KT13 0NY	Dormant, Flexible Packaging	100.00
Mondi Finance plc	Ground Floor, Building 5, The Heights, Brooklands, Weybridge, Surrey, KT13 0NY	Service, Corporate	100.00
Mondi Holcombe Limited	Ground Floor, Building 5, The Heights, Brooklands, Weybridge, Surrey, KT13 0NY	Dormant, Corrugated Packaging	100.00
Mondi Investments Limited[5]	Ground Floor, Building 5, The Heights, Brooklands, Weybridge, Surrey, KT13 0NY	Holding, Corporate	100.00
Mondi Packaging (Delta) Limited	Ground Floor, Building 5, The Heights, Brooklands, Weybridge, Surrey, KT13 0NY	Dormant, Corrugated Packaging	100.00
Mondi Packaging Limited	Ground Floor, Building 5, The Heights, Brooklands, Weybridge, Surrey, KT13 0NY	Dormant, Corrugated Packaging	100.00
Mondi Packaging UK Holdings Limited	Ground Floor, Building 5, The Heights, Brooklands, Weybridge, Surrey, KT13 0NY	Dormant, Corrugated Packaging	100.00
Mondi Pension Trustee Limited[5]	Ground Floor, Building 5, The Heights, Brooklands, Weybridge, Surrey, KT13 0NY	Service, Corporate	100.00
Mondi Scunthorpe Limited[4]	Ground Floor, Building 5, The Heights, Brooklands, Weybridge, Surrey, KT13 0NY	Dormant, Flexible Packaging	100.00
Mondi Services (UK) Limited	Ground Floor, Building 5, The Heights, Brooklands, Weybridge, Surrey, KT13 0NY	Service, Corporate	100.00
Powerflute Group Holdings Limited	Ground Floor, Building 5, The Heights, Brooklands, Weybridge, Surrey, KT13 0NY	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	Holding, 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 2020: nil
2 Associate
3 Joint venture
4 These companies have ordinary and preference shares
5 These companies are held directly

Group financial record

Financial performance 2012–2021

Consolidated income statement

€ million, unless otherwise stated	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Group revenue	**7,723**	**6,663**	**7,268**	**7,481**	**7,096**	**6,662**	**6,819**	**6,402**	**6,476**	**5,790**
Underlying EBITDA	**1,503**	**1,353**	**1,658**	**1,764**	**1,482**	**1,366**	**1,325**	**1,126**	**1,068**	**927**
Corrugated Packaging	670	518	583	707	477	408	427	381	341	249
Flexible Packaging	526	519	543	461	442	380	365	317	302	276
Engineered Materials	71	80	122	112	136	131	119	111	96	51
Uncoated Fine Paper	270	266	444	516	464	481	448	349	359	383
Corporate	(34)	(30)	(34)	(32)	(37)	(34)	(34)	(32)	(30)	(32)
Underlying operating profit	**1,064**	**925**	**1,223**	**1,318**	**1,029**	**981**	**957**	**767**	**699**	**574**
Special items (before tax)	7	(57)	(16)	(126)	(61)	(38)	(57)	(52)	(87)	(91)
Net finance costs (excluding financing special item)	(94)	(95)	(104)	(88)	(85)	(101)	(105)	(97)	(115)	(110)
Underlying earnings	**747**	**627**	**829**	**916**	**721**	**667**	**647**	**519**	**460**	**334**
Basic earnings	756	582	812	824	668	638	600	471	386	242
Basic underlying EPS (euro cents)	**154.0**	**129.3**	**171.1**	**189.1**	**148.9**	**137.8**	**133.7**	**107.3**	**95.0**	**69.2**
Basic EPS (euro cents)	155.9	120.0	167.6	170.1	137.9	131.8	124.0	97.4	79.8	50.1
Total ordinary dividend per share paid and proposed (euro cents)[1]	**65.00**	**60.00**	**57.03**	**76.00**	**62.00**	**57.00**	**52.00**	**42.00**	**36.00**	**28.00**

Note:
1 A special dividend of 100 euro cents was paid in 2018 in addition to the 2017 ordinary dividend

Significant ratios

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Underlying EBITDA growth/(decline) (%)	11.1	(18.4)	(6.0)	19.0	8.5	3.1	17.7	5.4	15.2	(3.8)
Underlying EBITDA margin (%)	19.5	20.3	22.8	23.6	20.9	20.5	19.4	17.6	16.5	16.0
Underlying operating profit margin (%)	13.8	13.9	16.8	17.6	14.5	14.7	14.0	12.0	10.8	9.9
ROCE (%)	16.9	15.2	19.8	23.6	19.3	20.3	20.5	17.2	15.3	13.6
Net debt to underlying EBITDA (times)	1.2	1.3	1.3	1.3	1.0	1.0	1.1	1.4	1.5	2.0
Dividend cover (times)	2.4	2.2	3.0	2.5	2.4	2.4	2.6	2.6	2.6	2.5
PE Ratio	14.1	14.8	12.2	9.6	14.6	14.2	13.5	12.6	13.2	11.9
Mondi plc (LSE) – Share price at end of year (GBP pence per share)	1,826	1,720	1,773	1,634	1,931	1,666	1,334	1,050	1,046	670
Mondi plc (JSE) – Share price at end of year (ZAR per share)	395	343	326	304	319	279	309	190	181	91
Market capitalisation (€ million)	10,555	9,342	10,165	8,901	10,523	9,457	8,803	6,563	6,081	4,001

Significant cash flows

€ million	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Cash generated from operations	**1,339**	**1,485**	**1,635**	**1,654**	**1,363**	**1,401**	**1,279**	**1,033**	**1,036**	**849**
Working capital cash flows	(205)	125	35	(117)	(122)	68	9	(87)	(27)	(83)
Income tax paid	(190)	(168)	(248)	(248)	(151)	(173)	(160)	(106)	(126)	(109)
Capital expenditure cash outflows	**(573)**	**(630)**	**(757)**	**(709)**	**(611)**	**(465)**	**(595)**	**(562)**	**(405)**	**(294)**
Interest paid	(78)	(82)	(96)	(73)	(97)	(82)	(93)	(125)	(124)	(92)
Ordinary dividends paid to shareholders[1]	**(298)**	**(237)**	**(396)**	**(309)**	**(273)**	**(274)**	**(209)**	**(193)**	**(138)**	**(128)**

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	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Property, plant and equipment	4,870	4,641	4,800	4,340	4,128	3,788	3,554	3,432	3,428	3,709
Goodwill	926	923	948	942	698	681	590	545	550	561
Working capital	988	739	952	972	899	799	794	811	711	764
Other assets	558	557	620	540	530	532	422	434	429	503
Other liabilities	(690)	(687)	(728)	(749)	(716)	(721)	(675)	(715)	(653)	(789)
Net assets excluding net debt	**6,652**	**6,173**	**6,592**	**6,045**	**5,539**	**5,079**	**4,685**	**4,507**	**4,465**	**4,748**
Equity	4,498	4,002	4,015	3,485	3,683	3,392	2,905	2,628	2,591	2,572
Non-controlling interests in equity	391	380	370	340	324	304	282	266	255	301
Net debt	1,763	1,791	2,207	2,220	1,532	1,383	1,498	1,613	1,619	1,875
Capital employed	**6,652**	**6,173**	**6,592**	**6,045**	**5,539**	**5,079**	**4,685**	**4,507**	**4,465**	**4,748**

Production statistics

		2021	2020
Containerboard	000 tonnes	2,724	2,525
Kraft paper	000 tonnes	1,253	1,145
Uncoated fine paper	000 tonnes	1,564	1,422
Newsprint	000 tonnes	164	169
Pulp	000 tonnes	4,432	4,484
Internal consumption	000 tonnes	3,953	3,767
Market pulp	000 tonnes	479	717
Corrugated solutions	million m^2	2,187	1,771
Paper bags	million units	5,928	5,435
Consumer flexibles	million m^2	2,629	2,472
Engineered materials	million m^2	4,844	5,068

Exchange rates

	Average		Closing	
versus euro	**2021**	**2020**	**2021**	**2020**
South African rand (ZAR)	17.48	18.77	18.06	18.02
Czech koruna (CZK)	25.64	26.46	24.86	26.24
Polish zloty (PLN)	4.57	4.44	4.60	4.56
Pound sterling (GBP)	0.86	0.89	0.84	0.90
Russian rouble (RUB)	87.15	82.72	85.30	91.47
Turkish lira (TRY)	10.51	8.05	15.23	9.11
US dollar (USD)	1.18	1.14	1.13	1.23

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. Underlying EBITDA and ROCE, two of the Group's APMs, link to the Group's strategic framework as described on pages 42-43 and 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.

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. The Audit Committee regularly assesses the monetary threshold of €10 million and considers the threshold in the context of both the Group as a whole and individual operating segment performance. 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.	Note 3	None
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	2021	2020
Underlying EBITDA (see consolidated income statement)	1,503	1,353
Group revenue (see consolidated income statement)	7,723	6,663
Underlying EBITDA margin (%)	**19.5**	**20.3**

APM description and purpose	Financial statement reference	Closest IFRS equivalent measure
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	2021	2020
Underlying operating profit (see consolidated income statement)	1,064	925
Group revenue (see consolidated income statement)	7,723	6,663
Underlying operating profit margin (%)	**13.8**	**13.9**

APM description and purpose	Financial statement reference	Closest IFRS equivalent measure
Net interest expense		
Net interest expense comprises interest expense on bank overdrafts, loans and lease liabilities net of investment income. Net interest expense provides an absolute measure of the net cost of borrowings.		None

APM calculation:

€ million	2021	2020
Investment income (see note 6)	6	5
Interest on bank overdrafts and loans (see note 6)	(80)	(83)
Interest on lease liabilities (see note 6)	(13)	(12)
Net interest expense	**(87)**	**(90)**

APM description and purpose	Financial statement reference	Closest IFRS equivalent measure
Effective interest rate		
Trailing 12-month net interest expense expressed as a percentage of trailing 12-month average net debt. Effective interest rate provides a measure of the net cost of borrowings.		None

APM calculation:

€ million, unless otherwise stated	2021	2020
Net interest expense (see above)	87	90
Trailing 12-month average net debt (see note 20)	1,875	2,012
Effective interest rate (%)	**4.6**	**4.5**

APM description and purpose	Financial statement reference	Closest IFRS equivalent measure
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. A measure of the Group's tax charge relative to its profit before tax expressed on an underlying basis.		None

APM calculation:

€ million, unless otherwise stated	2021	2020
Tax charge before special items (see note 7)	212	180
Underlying profit before tax (see consolidated income statement)	976	827
Effective tax rate (%)	**22**	**22**

Underlying earnings (and per share measure)		
Net profit after tax attributable to shareholders, before special items. 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.	Note 8	Profit for the period attributable to shareholders (and per share measure)
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 1/2021, '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	2021	2020
Basic underlying EPS (see note 8)	154.0	129.3
Total ordinary dividend per share (see note 9)	65.00	60.00
Dividend cover (times)	**2.4**	**2.2**

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. 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.	Note 20	Total equity

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 associates' and joint ventures' 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	2021	2020
Trailing 12-month underlying operating profit (see consolidated income statement)	1,064	925
Trailing 12-month underlying net profit/(loss) from joint ventures (see consolidated income statement)	6	(3)
Trailing 12-month underlying profit from operations and joint ventures	1,070	922
Trailing 12-month average capital employed (see note 20)	6,349	6,075
ROCE (%)	**16.9**	**15.2**

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. Net debt provides a measure of the Group's net indebtedness or overall leverage.	Note 26c	None
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	2021	2020
Net debt (see note 26c)	1,763	1,791
Trailing 12-month underlying EBITDA (see consolidated income statement)	1,503	1,353
Net debt to underlying EBITDA (times)	**1.2**	**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 associates and joint ventures, deferred tax assets and liabilities and other non-operating assets and liabilities. 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.	Note 2	Total assets Net assets

APM description and purpose	Financial statement reference	Closest IFRS equivalent measure
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	2021	2020
Inventories (see note 16)	1,099	849
Trade and other receivables (see note 17)	1,333	1,006
Trade and other payables (see note 18)	(1,444)	(1,116)
Working capital	988	739
Group revenue (see consolidated income statement)	7,723	6,663
Working capital as a percentage of revenue (%)	**12.8**	**11.1**

APM description and purpose	Financial statement reference	Closest IFRS equivalent measure
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	2021	2020
Net debt (see note 26c)	1,763	1,791
Capital employed (see note 20)	6,652	6,173
Gearing (%)	**26.5**	**29.0**

APM description and purpose	Financial statement reference	Closest IFRS equivalent measure
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 associates and joint ventures, payment of dividends to shareholders and proceeds from and repayment of borrowings. Cash flow generation is a measure of the Group's ability to generate cash through-the-cycle before considering deployment of such cash.	Note 26d	Net increase/ (decrease) in cash and cash equivalents

Additional information for shareholders

The disclosures below form part of the Directors' report on pages 162-163 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 2021 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 6 May 2021, 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 2022 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 two facility agreements are 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 2022	2022 Annual General Meeting
May 2022	Trading update
May 2022	Payment date for 2021 final dividend
August 2022	2022 half-year results announcement
September/October 2022	2022 interim dividend payment
October 2022	Trading update

Please go to www.mondigroup.com for the most up-to-date calendar

Analysis of shareholders

As at 31 December 2021 Mondi plc had 485,553,780 ordinary shares in issue, of which 144,984,165 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
1,901	51.38	1 – 500	384,530	0.08
421	11.38	501 – 1000	302,187	0.06
502	13.57	1,001 – 5,000	1,178,154	0.24
455	12.30	5,001 – 50,000	8,951,886	1.84
359	9.70	50,001 – 1,000,000	89,279,082	18.39
62	1.67	1,000,001 – highest	385,457,941	79.39
3,700	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 2021 of 45.00 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 5 May 2022.

Last date to trade shares cum-dividend	
JSE Limited	Tue 5 April 2022
London Stock Exchange	Wed 6 April 2022
Shares commence trading ex-dividend	
JSE Limited	Wed 6 April 2022
London Stock Exchange	Thu 7 April 2022
Record date	Fri 8 April 2022
Last date for receipt of Dividend Reinvestment Plan (DRIP) elections by Central Securities Depository Participants	Thu 14 April 2022
Last date for DRIP elections to South African Transfer Secretaries by shareholders	Tue 19 April 2022
Last date for DRIP elections to UK Registrar by shareholders	Tue 26 April 2022
Payment date	Mon 16 May 2022
DRIP purchase settlement dates (subject to the purchase of shares in the open market):	
South African Register	Fri 20 May 2022
UK Register	Wed 18 May 2022
Currency conversion dates	
ZAR/euro	Thu 3 March 2022
Euro/sterling	Tue 3 May 2022

Share certificates on Mondi plc's South African register may not be dematerialised or rematerialised between Wednesday 6 April 2022 and Friday 8 April 2022, both dates inclusive, nor may transfers between the UK and South African registers take place between Wednesday 30 March 2022 and Friday 8 April 2022, 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 in England and Wales
Registered No. 6209386

Website: www.mondigroup.com

Glossary of terms

In addition to the terms explained below, the Group's Alternative Performance Measures (APMs) are defined on pages 243-247. A full glossary of sustainability-related terms and partner organisations can be found in Mondi's Sustainable Development report 2021.

Sustainable Development report
www.mondigroup.com/sd21

Certified wood
Certified wood is produced from wood fibre which originates from sustainably managed forest lands. The most recognised forest certification schemes are:

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 within this, business models.

Chain-of-Custody
Chain-of-Custody is a tracking system that allows manufacturers and traders to demonstrate that wood comes from a forest that is responsibly managed in accordance with credible standards.

CO_2e
Other greenhouse gases (such as CH_4, CFCs or N_2O) can be converted into an equivalent amount of CO_2 according to their global warming potential. Total GHG emissions are the sum of the equivalent amount of CO_2 for each GHG, abbreviated as CO_2e.

COD
Chemical oxygen demand is a measure of the oxygen-consuming capacity of inorganic and organic matter present in waste water; it quantifies the amount of oxidisable pollutants in water and is measured in tonnes.

Controlled Wood
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
Greenhouse gases (GHG) are gases that have the property of absorbing infrared radiation (net heat energy) emitted from Earth's surface and re-radiating it back to Earth's surface, thus contributing to the greenhouse effect. The GHG that contribute to the greenhouse effect are listed in the Kyoto Protocol of the United Nations Framework Convention on Climate Change (UNFCCC)

Human Rights Due Diligence (HRDD)
The process through which companies identify, prevent, mitigate, and account for how they address their actual and potential adverse impacts on human rights, as an integral part of decision-making and risk management systems.

Net-Zero target
Net-Zero target setting supports the rapid decline of a company's value-chain emissions to limit global temperature rise to 1.5°C. Net-Zero covers the entire value chain, including Scope 1, Scope 2 and Scope 3 emissions.

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 rise to well-below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C.

Scope 1 emissions
Total direct GHG emissions from sources owned or controlled by Mondi and its subsidiaries. This includes CO_2e from fossil fuels and processes, company leased/owned vehicles, waste and wastewater treatment, make-up chemicals and other GHGs.

Scope 2 emissions
Total indirect GHG emissions from sources that are related to generation of purchased energy outside the company boundaries.

Scope 3 emissions
Total indirect GHG emissions from the production of fuel and raw materials; business travel; raw materials; transport of products and raw materials; and employee commuting.

Specific
Measurement of emissions or consumption normalised to volume, measured in saleable production tonnes.

SDGs
The United Nations Sustainable Development Goals, a set of universal goals that meet the urgent environmental, political and economic challenges facing our world.

TRCR
Total recordable case rate is calculated as the number of total recordable cases (the sum of fatalities, lost-time injuries, restricted work cases and medical treatment cases), multiplied by 200,000 and divided by the total hours worked for the selected period.

TRS
Total reduced sulphur compounds are generated in the pulping process and are the sum of the reduced malodorous sulphur compounds. It is a metric for emissions to air and is measured in tonnes.

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.

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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 and SBO.

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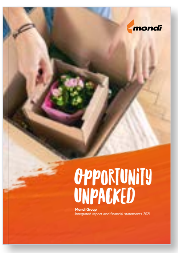

Integrated report and financial statements 2021
A balanced overview of Mondi's strategic, operational and financial performance in 2021.
www.mondigroup.com/ir21

Sustainable Development report 2021
A comprehensive view of our approach to sustainable development and our performance in 2021.
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