

Our global context

We operate in a changing world

Many complex issues affect society, livelihoods and the way we do business – from climate change and resource scarcity to biodiversity loss, deforestation and the shift in socioeconomic balance globally.



Collectively, we must find more effective ways to support business and livelihoods within the limits of the planet. At Mondi, we're clear that our success depends on how we manage the risks and opportunities associated with the key global trends affecting our business, and how we work with others to find long-term solutions.

The UN Sustainable Development Goals (UN SDGs) will drive collective action on a global level until 2030. They are also helping to shape how we respond as a business through our sustainability approach and commitments. In this section, we describe the key global megatrends affecting society and our business.

Climate change

Climate change continues to be one of the greatest threats to society, the environment and the economy. Despite international action, greenhouse gas emissions continue to rise with knock-on effects for biodiversity, water and food security. At the Paris climate conference COP21 in December 2015, 195 countries adopted the first-ever universal, legally binding global climate deal. It sets out a global action plan to limit global warming to well below 2°C.

We operate an energy intensive business and manage 2.3 million hectares of forests, so we have a clear responsibility to minimise our impact on climate. We focus on improving energy efficiency, increasing our use of renewable energy, sustainably managing our forests and ecosystems, sourcing our raw materials and services responsibly in collaboration with stakeholders along the value chain, and developing new products that contribute to a low-carbon economy.



Read more about our approach to:

- 37 Forestry.
- 43 Energy and climate.
- 63 Supply chain collaboration and procurement practices.
- 71 Developing innovative products and solutions.

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Resource scarcity and industrial emissions

Humanity currently uses the equivalent of 1.6 planets to provide its resources and absorb its waste¹. Alongside the environmental and social benefits, using resources more efficiently makes good business sense. Adaptive businesses do more with less and provide their customers with the opportunity to do the same as part of the circular economy. Failure to use resources more efficiently and develop circular and sustainable business models will result in higher costs and impact on competitiveness².

Our business is resource intensive and has an impact on the natural environment through its emissions to air and water and generation of waste. We work to secure our raw materials sustainably and to reduce our operational footprint, while addressing the needs of our customers to contribute to society's shift to a circular economy.



Read more about our approach to:

- 37** Practicing and promoting sustainable forestry.
- 43** Using efficient and renewable sources of energy.
- 48** Efficient water consumption, waste minimisation, and managing our emissions to air and water.
- 63** Responsible sourcing of wood and other fibre-based raw materials.
- 71** Developing resource-efficient, innovative and value-adding product solutions.

Shift in global socioeconomic balance

The global population is growing at a rapid pace, particularly in urban areas. Economic power and production patterns are also shifting to the east and south, with overall trade volumes and disposable incomes rising. Some 3.6 billion people are expected to enter the middle classes by 2030, up from 1.7 billion people today³. Such demographic and economic shifts are driving increased demand for basic materials, energy and natural resources. These changes can impact on the socioeconomic status of our operating regions as well as customer demand and purchasing power, providing opportunities and challenges in emerging markets.

We strategically move into markets that offer us growth opportunities. Global socioeconomic shifts can translate into opportunities for our business to develop new products and markets. But this can present challenges related to material input and products' end-of-life. In addition, in areas of weaker governance, we could face human rights challenges. There are however, opportunities to address these challenges through strengthened mechanisms in our operations and value chain. These include a healthier, more diverse and more productive workforce across the supply chain; a fair and inclusive supply chain that benefits all; and more resource productivity resulting from cleaner production along the chain.

Demographic shifts can also affect our ability to recruit and retain skilled and motivated people in more remote and rural locations. Other challenges include obstacles for development in rural communities as people migrate to the urban areas.



Read more about our approach to:

- 48** How we strive for resource efficiency in everything we do.
- 48** Our contribution to society's shift to a circular economy.
- 55** Investing in communities.
- 63** Addressing human rights in our supply chain.
-  How we motivate, engage and train our people in remote locations in our Global thinking, local action 2016 publication.

Increased transparency, connectedness and public awareness

We operate in an increasingly connected world. With widespread use of the internet, mobile technology and social media, society now has greater access to a much wider range of information. This is driving the need for more transparency across complex and globalised supply chains as stakeholders question where their products and services come from. Today's global connectedness means stakeholders can also form instant virtual communities and use their collective power to shape business and influence public policy, bringing both challenges and opportunities for organisations.

Our business risks and opportunities are not limited to our own operational boundaries but can occur anywhere along the value chain. We believe everyone needs to work together to develop a joint approach to managing risks and opportunities if we're all to benefit. We support the drive for more transparency through proactive engagement with our stakeholders and by disclosing our performance.



Read more about how:

- 63** Our sourcing of certified and controlled wood supports the tracing of fibre along the value chain.
- 63** Our response to the Modern Slavery Act 2015 in the UK will drive improvements in risk assessments, practices and reporting.
- 63** Our Suppliers Relationship Management (SRM) system is strengthening supply chain opportunities for improvements and collaboration.

1 www.footprintnetwork.org/

2 BITC 'Forces for change' report

3 BITC 'Forces for change' report

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Collective action and international commitment

Collaboration across sectors and governments is essential to address sustainable development challenges and meet the UN SDGs and the Paris Climate agreement of 2015. There's an important role for business to play, and partnerships across the public, private and civil sectors will be crucial in scaling the response.

Our policies, standards, reporting and practices are guided by international conventions and agreements. Working with stakeholders globally, locally and across the value chain is a core part of how we do business. We believe in partnerships that help bring about change, sustainability and scale. Our collaborations include our global partnership with WWF, active participation in the Forest Solutions Group of World Business Council for Sustainable Development (WBCSD) and membership of the Cambridge Institute for Sustainable Leadership (CISL). Our Growing Responsibly action areas have links to the UN SDGs.



Read more about our approach to:

18 Growing Responsibly model.

20 Global and local partnerships and stakeholder engagement.

44 Science-based targets to reduce carbon.

55 Community development initiatives and investments.

Business and human rights

Respecting human rights is a global standard of conduct for all businesses, wherever they operate. Human rights issues have become increasingly central to the public debate about the interaction of business and society. High profile breaches have shown the business and human costs of getting it wrong. There's an increasing expectation of businesses to proactively tackle their human rights issues, particularly in areas of weak governance. Meanwhile, legislation is expanding with changes such as the introduction of the UK Modern Slavery Act 2015.

Human rights challenges for businesses include child labour or forced labour within the supply chain, poor safety or security practices and environmental pollution causing harm to people's health. To identify and better understand the salient human rights issues in our supply chain, we're strengthening the monitoring and reporting of our suppliers' sustainability performance and the sourcing of our raw materials and services, and improving our risk assessment processes. In 2016 we updated and strengthened our Group-wide policies on Labour and Human Rights and Supply Chain.



Read more about how:

64 Our fibre sourcing is governed by certification and Controlled Wood standards, which include labour and human rights criteria.

65 Our SRM system addresses responsible procurement of raw materials and services.

Water

Water is essential for sustaining livelihoods, wellbeing and development. Access to water is a basic human right, but competing demands for use in agriculture, households and industry are impacting both water quality and availability, particularly for the most vulnerable. According to the 2030 Water Resources Group, without improvements in how water is managed and used, the world could face a 40% supply gap by 2030¹. Climate change impacts will further exacerbate the challenges – creating new risks for businesses, governments, communities and the environment.

We rely on water throughout our supply chain, from growing trees to using water in our manufacturing processes and discharging treated water back into the environment. Across our business, we continuously strive to use and treat water responsibly and efficiently.



Read more about how:

51 We look to reduce our specific contact water consumption through focused investments and implementing closed loops and recycling water streams in our operations.

52 Since 2011, we've undertaken detailed water impact assessments of all our forest and mill operations to identify and address shared water challenges in the catchment, manage our water impacts and implement improvement plans.

Degradation of ecosystems and biodiversity

Ongoing deforestation and land conversion continue to cause biodiversity loss and are major contributors to climate change. WWF's Living Planet Index highlights the severe degradation of ecosystems and loss of habitat and species that has occurred over the last decades. This has had a significant negative effect on ecosystem services upon which communities and business rely – especially soils, water and biodiversity, the fundamental elements that support livelihoods and business.

Wood is one of our primary raw materials and we procure it only from responsible sources. We sustainably manage forests and associated ecosystems that our business, communities and stakeholders rely on. Forest Stewardship Council® (FSC®) certification helps provide assurance of responsible forest management (page 38). Our forest lands, associated freshwater ecosystems and high conservation value areas are supported by Ecosystem Management Plans at all forestry operations (page 38). We apply sound science and sustainability principles to increase yields from our commercial forests while working with key stakeholders to maintain a balance of commercial and conservation areas (page 39).

¹ <https://www.2030wrg.org>

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Occupational health and safety

The human cost and adverse global impact of occupational accidents, diseases and major industrial disasters are vast. The International Labour Organization (ILO) estimates that 6,300 people die every day from occupational accidents and work-related diseases (over 2.3 million deaths per year), and 317 million accidents happen on the job annually. The economic burden alone is estimated at 4% of global GDP each year¹.

While we're among the leading safety performers in our industry, we remain mindful that our operations involve many high-risk activities. A number of our highest risk activities occur during annual maintenance shut-downs and projects at our mills. We believe health and safety in the workplace is a fundamental right of every employee and contractor and our ultimate goal is zero harm. It's our responsibility to develop systems, policies and practices that minimise the probability of incidents, injury and exposure to health hazards in our operations.

Demand for sustainable products

With more and more people wanting to make the right choices, consumer interest in responsible products and services is greater than ever. This is driving demand for increased transparency across the whole value chain, as demonstrated by the growth in demand for certified forestry products over the last 20 years. Certification helps provide stakeholders with confidence that wood-based products are sourced from sustainably managed forests. But only limited areas of the world's forests are certified. This shortfall must be urgently addressed if certification is to remain relevant and demand for sustainable, certified wood is to be met.

While much of our focus remains on securing responsibly produced fibre and other raw materials, as well as increasing efficiency and reducing emissions during production, we also look to better communicate our sustainability practices with our customers. This helps to show the value embedded in our products and to encourage responsible purchasing in markets where we operate.



Read more about:

66

How we're working through multi-stakeholder platforms to improve certification systems, including the implementation of the new FSC global strategy and supporting efforts to make certification more practical and affordable for small and medium enterprises and communities.

72

How our packaging contributes to reducing food waste in global food supply chains.

74

Our Green Range.

¹ ILO, 'Safety and Health at Work'