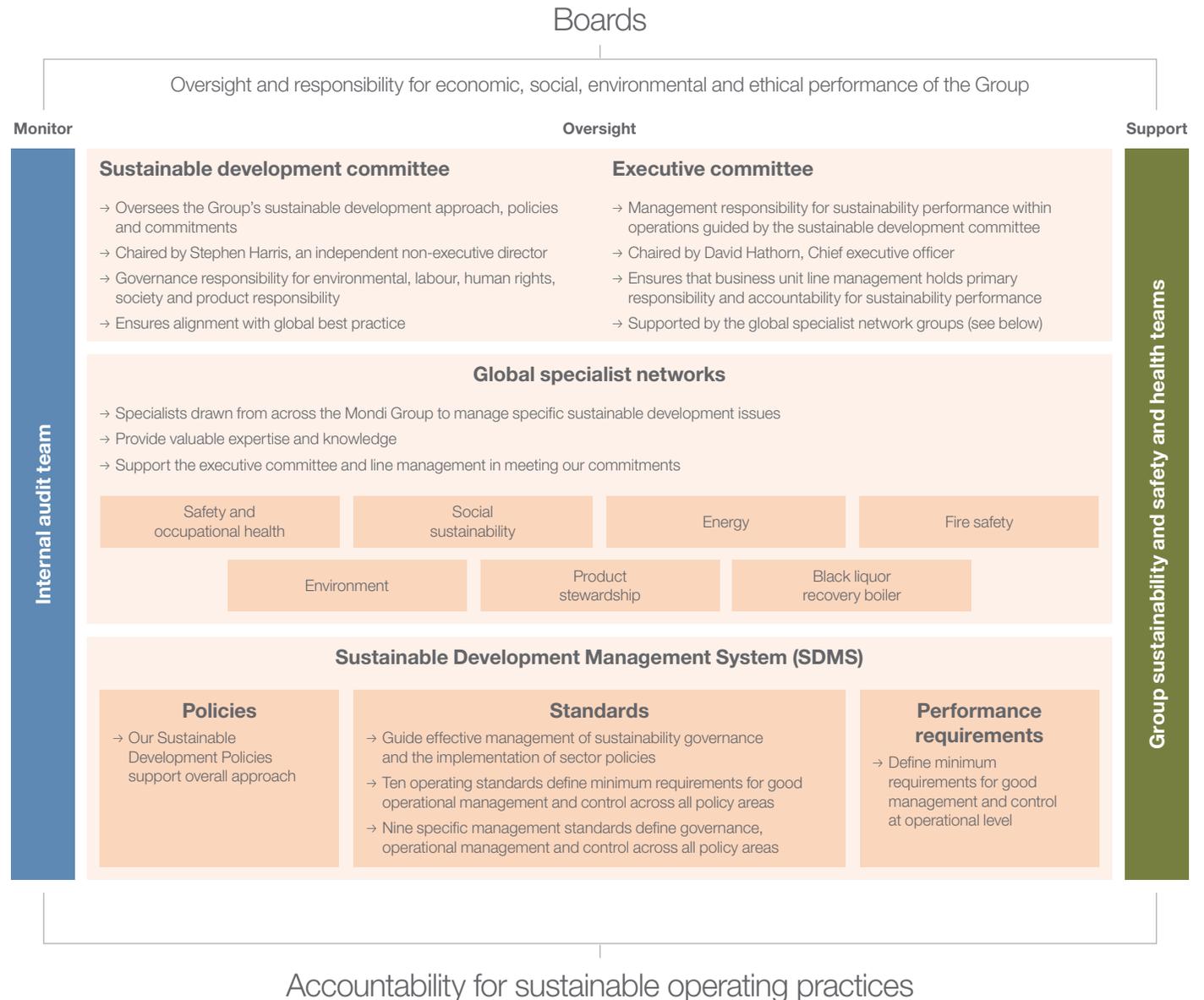


Sustainability governance

Operating responsibly

Responsible governance of our operations is fundamental to building a resilient, effective and efficient business. Our long-term success depends on working openly and transparently with our stakeholders. We aim to operate as a responsible organisation, with sustainability a key pillar of our overall business strategy. To deliver against our sustainability commitments, we look to manage risks and opportunities through robust policies, standards and management systems.

Our sustainability governance framework



Sustainability governance

Embedding sustainability

Our Boards and committees provide the leadership necessary to implement the principles of good corporate governance across the Group so that all our decisions and actions are based on integrity, responsibility, accountability, fairness and transparency. The Boards approve our approach and review performance. Members of the Boards are diverse in respect of origin, gender, race and education, reflecting the broad nature of our activities and operational territories.

In 2016, two of our nine directors were women and one of the three South African directors was from a historically disadvantaged community. Together, the directors bring a wealth of experience and expertise to the Group.

Our committees, to which the Boards delegate specific areas of responsibility, have authority to make decisions according to their terms of reference. While the Boards have ultimate responsibility, accountability at Group level for our sustainable development (SD) policies, systems, practices, commitments and actions is guided and monitored on three levels:

- the sustainable development committee chaired by Stephen Harris, an independent non-executive director;
- the executive committee chaired by David Hathorn, our Chief executive officer; and
- seven global specialist network groups (see sustainability governance framework on [page 22](#)).

A significant proportion of executive director and senior executive remuneration is performance-based, linked to the achievement of both short and long-term objectives, which can be financial or non-financial and include safety metrics.

Business ethics

Mondi's Code of Business Ethics sets clear standards to ensure we conduct business to a high ethical standard and build trust with all stakeholders. It is based on a number of voluntary codes, principles and guidelines.

The Code of Business Ethics comprises five principles under the following headings: legal compliance; honesty and integrity; human rights; stakeholders; and sustainability.

Responsibility for monitoring compliance is shared by the sustainable development and audit committees: the sustainable development committee has responsibility for the human rights, stakeholders and sustainability principles while the audit committee has responsibility for the legal compliance and honesty and integrity principles.

In addition, the Mondi Limited social and ethics committee has a duty to monitor certain activities covered by the code.

Mondi's Group sustainable development function

The Group's SD function monitors relevant regulations and ensures all our businesses are informed and supported to help ensure compliance. It oversees the management of the Sustainable Development Management System (SDMS) and facilitates all Group sustainability reporting and external assurance.

Internal and external engagement is a key responsibility of the SD function. Internally, this means communicating our position and performance while supporting business units and suppliers to better understand SD issues, address the business benefits and deliver solutions that create value for our customers. Externally, it is about engagement and collaboration to ensure there is an understanding of and, where relevant, an influence on the SD landscape and a dialogue on emerging issues that are important to our business.

Sustainable Development Management System

Our established policies, procedures and management systems enable us to apply a consistent approach to sustainability throughout our operations. We consider environmental, safety, health, economic and social implications of our key decisions. Our SDMS guides the effective management of all aspects of sustainability governance and the implementation of our sector policies. It covers all facilities and activities that we own and operate (including those in which we hold a controlling interest), new developments, mergers and acquisitions and businesses in which we plan to invest. Activities undertaken by contractors on Mondi sites or while under our management are incorporated into our SDMS, ensuring that they comply with our policies, requirements and practices.

We updated and restructured our sustainable development policies in 2016 with the support of the sustainable development committee. This update involved all relevant teams across the Group and was supported by external experts. Policy developments were informed by current best practice and aligned with our Growing Responsibly model.

Our new Sustainable Development Governance Policy supports our overall approach and is further supported by updated policies for: Safety and Occupational Health; Labour and Human Rights; Sustainable Forestry; Energy and Climate Change; Environment; Supply Chain and Responsible Sourcing; Product Stewardship and Communities. These, in turn, inform our detailed sustainability commitments.

The SD policies apply to all our owned and managed operations. The Boards review the Group's SD policies on an annual basis.

A sustainable development governance standard provides the link between our management standards and our corporate governance structure. Nine specific management standards define our governance requirements and provide a basis for the development, enhancement and application of our sustainable development principles. A further 10 operating standards define the minimum requirements for good operational management and control across all policy areas and provide guidance on the implementation of the SDMS at Group, divisional and operational levels. We are currently reviewing our management and operating standards.

Our central reporting system captures and consolidates monthly data on key safety and health, energy, environmental, wood procurement and other sustainability parameters from our global operations and we independently assure selected KPIs annually. This data allows us to benchmark individual operations and identify opportunities for improvement and best practice sharing across the Group.



Our SD policies are available on our website:
www.mondigroup.com/sd-policies

Sustainability governance

Managing risks and opportunities

Our Group-wide risk management framework is designed to address all significant strategic, SD, financial, operational and compliance-related risks that could undermine our ability to achieve our business objectives into the future. We exercise due diligence prior to the introduction of new operations, practices, processes and products.

Our Sustainable Development Risk and Change Management Standard guides the way sustainable development risks are identified and managed. Our risk management approach – particularly relating to environmental issues – incorporates the precautionary principle, which implies our responsibility to protect the natural environment from harm where there is a plausible risk.

We update our sustainable development risk register annually to ensure mitigation plans are in place for those risks with a high likelihood of occurrence and/or impact potential. These risks include inherent operational as well as strategic risks. In addition to the key impacts on our business and our stakeholders, we identify sustainability trends and opportunities and seek to mitigate risks that affect our longer-term prospects and financial performance.

Risk management is one of the internal processes that have informed the identification of our material sustainability issues and the commitments we have set to monitor and improve our performance within these. For more information on our material issues, please refer to [page 18](#), and for progress against our commitments, see [page 78](#).

You can read more about our principal risks on [page 32 of our Integrated report and financial statements 2016](#).

Mondi's internal audit function

Our internal audit function is an integral part of our system of corporate governance. It ensures the Group's systems of control are effective and adequately mitigate business risks. The assurance provided assists the Boards in fulfilling their duties and obligations under the corporate governance codes of South Africa and the UK, and in reporting annually to shareholders on the effectiveness of Mondi's systems of control.

Internal audit assumes regular evaluation of the adequacy and effectiveness of our systems of internal control across all business sites and all business processes. They plan and undertake audits across our business in a systematic way to ensure the overall internal control environment is appropriate, effective and complies with Mondi controls and procedures. They visit every Mondi operation at least once every five years, with all major plants audited annually.

The audit committee has primary responsibility for monitoring and reviewing the effectiveness of the Group's internal audit function.

Speakout hotline

The audit committee oversees the adequacy of the Speakout procedures, while internal audit is responsible for the day-to-day monitoring of the Speakout process. This ensures management is appropriately informed about reported issues and that risks are adequately managed. Summaries of all reported issues and the status of unresolved items are presented to the audit committee.

During 2016, we received 335 Speakout messages (2015: 133) relating to 76 cases (2015: 88). These covered a number of topics, in particular the reporting of HR-related concerns, potential business irregularities and perceived fraudulent activities. Although the number of messages increased significantly, this was due to multiple messages for some cases, with total cases down compared to last year. The committee receives a report at each meeting of Speakout messages received in the period since the prior meeting and ensures that appropriate investigation into each message has been undertaken and responses given with actions taken where any allegation proves to have some foundation.

Political donations, gifts and bribes

Mondi is opposed to all forms of corruption and illegal practices. The Group does not tolerate the giving and receiving of bribes, nor does it condone anti-competitive practices in its dealings with governments or in the marketplace. Mondi does not permit contributions or donations for political purposes. Our approach to preventing corruption is published in corporate brochures, newsletters and on the Group website. Mondi requires any lobbying undertaken to be in line with the Group's business ethics and policies. Our policies on these matters are set out in our Group Business Integrity Policy.

Fines, non-monetary sanctions and significant legal issues

Mondi has not been the subject of any legal actions against it for anti-competitive behaviour, anti-trust, or monopoly practices during the year. Mondi has not received any material fines or non-monetary sanctions for non-compliance with laws and regulations.



Speakout, Mondi's confidential reporting hotline