The background of the page is a close-up, high-angle photograph of a light-colored, woven surface, possibly a basket or a textured paper, creating a subtle grid pattern and a sense of depth.

**Mondi Group**  
Integrated report and  
financial statements 2015

# We are Mondi: IN TOUCH EVERY DAY

**At Mondi, our products protect and preserve the things that matter.**

**We offer over 100 packaging and paper products, customised into more than 100,000 different solutions for customers, consumers and industrial end users – touching the lives of millions of people every day.**

**And we're determined to deliver the highest quality in everything we do, from managing forests and producing pulp, paper and compound plastics, to developing effective and innovative industrial and consumer packaging solutions. We work closely with our customers and other strategic partners to develop cutting edge solutions; while also prioritising the sustainable management of our resources.**

**We are committed to delivering value to our stakeholders. This integrated report provides an overview of how our strategy, governance, people and performance combine to generate this value in a sustainable way.**

Front cover: Polywoven material from our Consumer Goods Packaging business. Strong, durable, tear-resistant and recyclable – ideal for packaging products such as pet food, fertiliser, seeds, flour, sugar and rice.

# Our 2015 performance

# Contents

## Underlying operating profit

€ million

€957m

## Dividend per share

euro cents

52 euro cents

## Underlying earnings per share

euro cents

133.7 euro cents

## Return on capital employed

%

20.5%

2 – 11

- Significant profit improvements across all business units
- Completed major projects delivering to plan: contributing incremental €50 million to underlying operating profit in 2015
- Strong capital investment pipeline: €450 million in major projects approved and in progress
- Considerable progress made against our five-year sustainable development commitments

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## Scope

Mondi's Integrated report and financial statements 2015 is our primary report to shareholders.

The scope of this report covers the Group's main business and operations and provides an overview of the performance of the Group for the year ended 31 December 2015.

All significant items are reported on a like-for-like basis. Our integrated report is prepared in accordance with the requirements of both the Listings Requirements of the JSE Limited and the Disclosure and Transparency and Listing Rules of the United Kingdom Listing Authority.

We also prepare a detailed sustainable development report, in accordance with the GRI G4 core requirements, and externally assured, which is available at [www.mondigroup.com/sd15](http://www.mondigroup.com/sd15)

## Materiality

Mondi's Integrated report and financial statements 2015 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
- Key risks identified through our risk management process
- Feedback from key stakeholders during the course of the year

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# Overview

**Mondi is a leading integrated packaging and paper Group with operations across more than 30 countries, offering over 100,000 solutions to our customers.**

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Overview

Strategic report

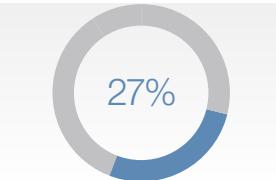
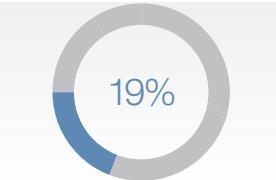
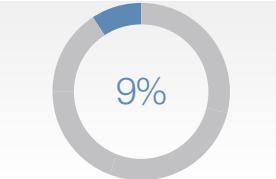
Governance

Financial statements

# Integrated packaging and paper Group

Mondi is an integrated packaging and paper Group with a dual listed company structure – primary listing on the JSE Limited for Mondi Limited and premium listing on the London Stock Exchange for Mondi plc.

### Group structure

Business unit	% of Group revenue	Return on capital employed	Products
<b>Packaging Paper</b> Europe & International Division  Read more on <a href="#">pages 52 to 55</a>	 29%	25.5%	<ul style="list-style-type: none"><li>• Containerboard</li><li>• Sack kraft paper</li><li>• Speciality kraft paper</li><li>• Pulp</li></ul>
<b>Fibre Packaging</b> Europe & International Division  Read more on <a href="#">pages 56 to 58</a>	 27%	13.9%	<ul style="list-style-type: none"><li>• Corrugated packaging</li><li>• Industrial bags</li><li>• Extrusion coatings</li></ul>
<b>Consumer Packaging</b> Europe & International Division  Read more on <a href="#">pages 59 to 61</a>	 19%	10.7%	<ul style="list-style-type: none"><li>• Advanced materials</li><li>• Consumer goods packaging</li></ul>
<b>Uncoated Fine Paper</b> Europe & International Division  Read more on <a href="#">pages 62 to 65</a>	 16%	25.6%	<ul style="list-style-type: none"><li>• Uncoated fine paper</li><li>• Pulp</li></ul>
<b>South Africa Division</b>  Read more on <a href="#">pages 66 to 69</a>	 9%	30.1%	<ul style="list-style-type: none"><li>• Pulp</li><li>• Uncoated fine paper</li><li>• White-top kraftliner</li></ul>

## What we do

Mondi is integrated across the packaging and paper value chain – from managing forests and producing pulp, paper and compound plastics, to developing effective and innovative industrial and consumer packaging solutions.

## Culture and values

With around 25,000 employees and operations across more than 30 countries, our people and our culture really matter. We're connected, guided and inspired by our culture and values. Our people are dynamic, entrepreneurial and empowered, with a real passion for performance. We show we care by being respectful and responsible. We act with integrity, encouraging honesty and transparency in all that we do.



Read more about our approach to sustainable development on [pages 44 to 51](#)

## Our approach to sustainability

For us, sustainable development makes good business sense and is part of the way we work every day. We have a clear approach to sustainable development, which links our material issues to a comprehensive set of commitments, against which we measure our progress. Our future relies on the responsible stewardship of the natural resources we need to source, manufacture and market our products. That's why we believe in engaging proactively and collaborating with key stakeholders on global issues and their local consequences. We play our part by creating value in our communities, looking for ways to achieve more from less, increasing resource and process efficiencies and communicating the value of the sustainable product solutions we offer.

We have been included in the FTSE4Good Index Series since 2008 and the JSE's Socially Responsible Investment (SRI) Index since 2007.



Read more about our products on [pages 8 to 11](#)

## Our customers and the industries we work in

Many of our customers are leaders in their industries and their products are household names around the world.

Our innovative technologies and products can be found in a variety of applications including hygiene components, stand-up pouches, super-strong cement bags, clever retail boxes and office paper.

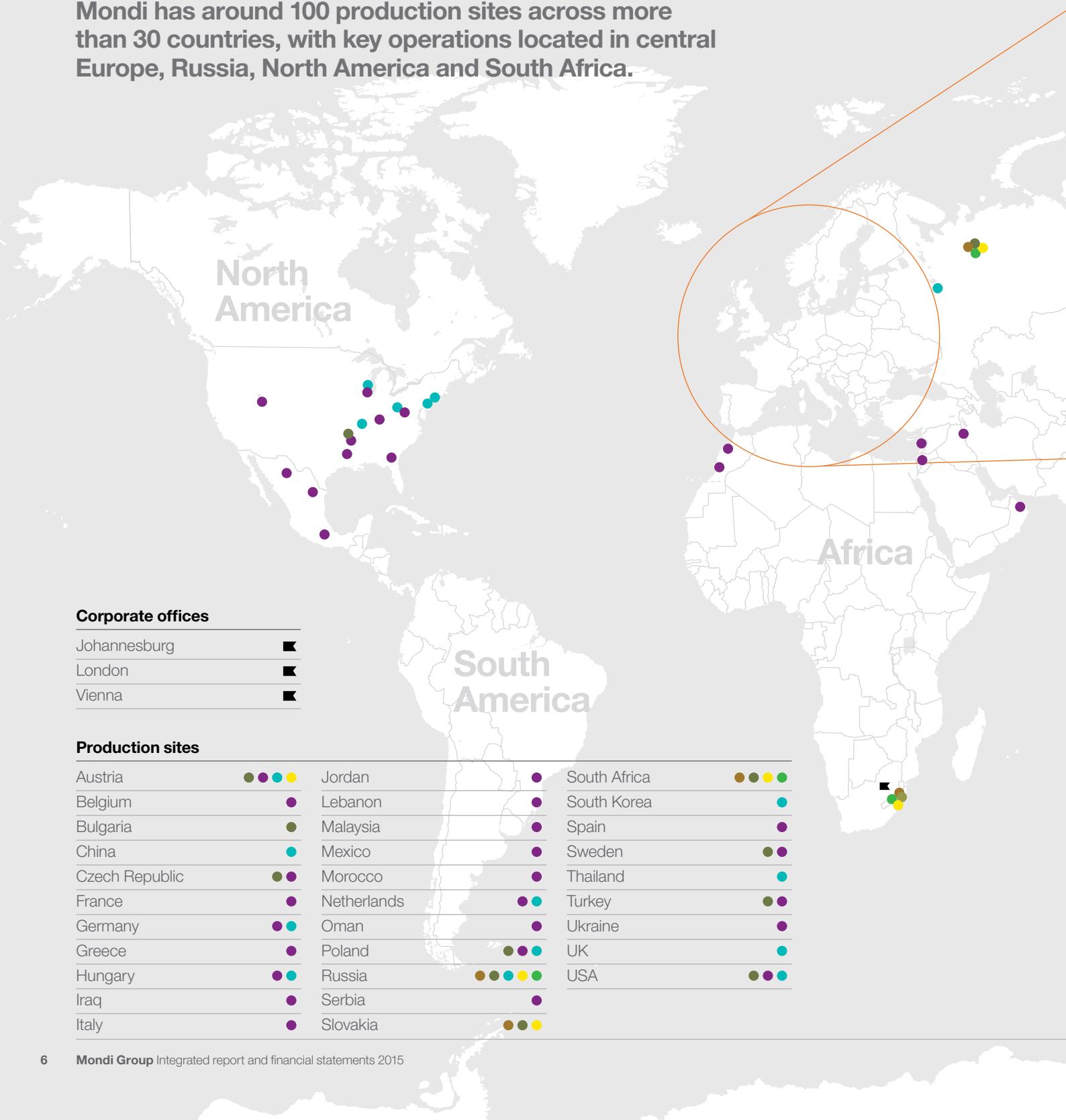
Our key customers are in industries such as automotive; building and construction; chemicals; food and beverage; home and personal care; medical and pharmaceutical; packaging and paper converting; pet care; and office and professional printing.

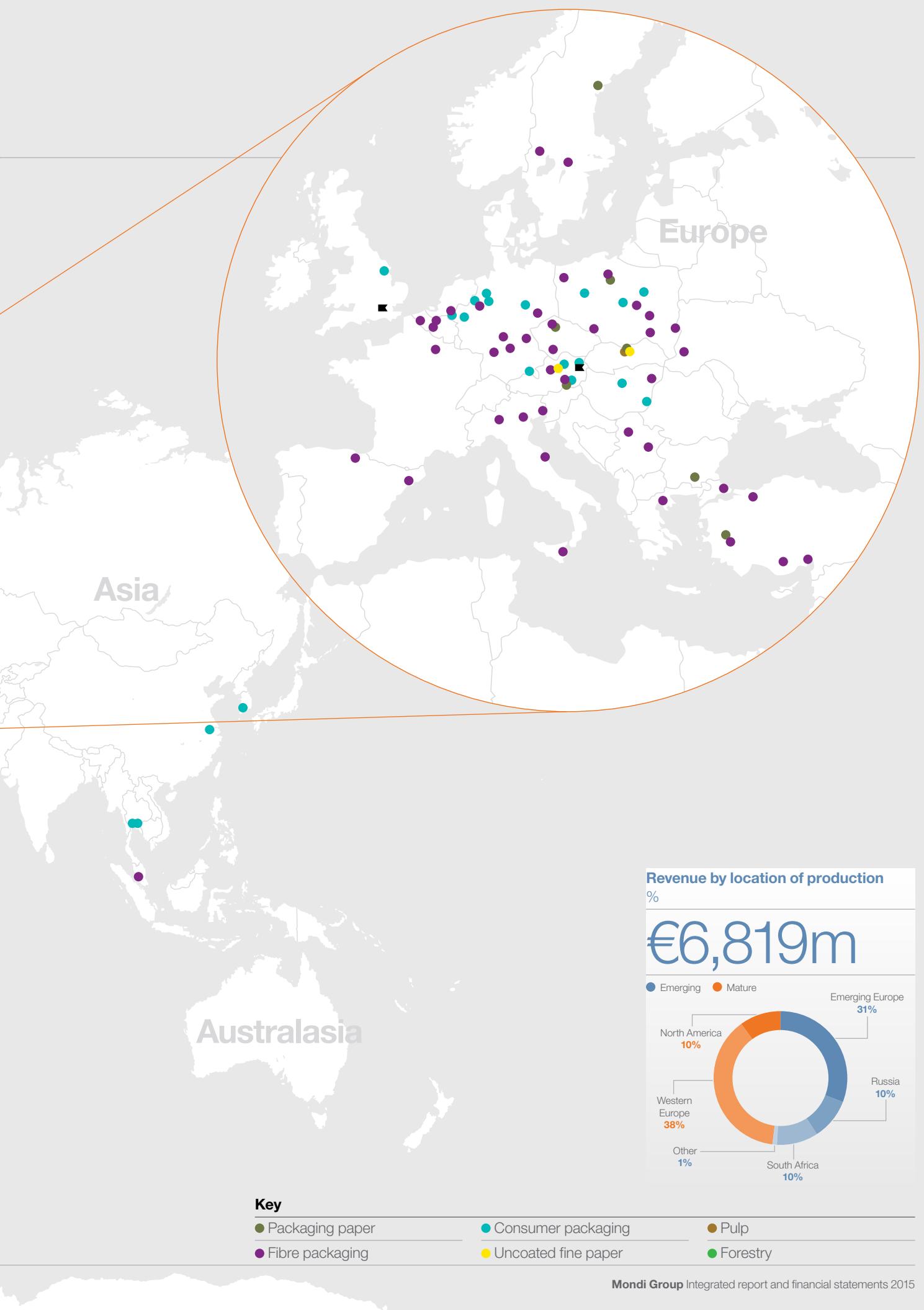
## Market positions

#1 <b>Kraft paper and industrial bags producer in Europe</b>	#1 <b>Industrial bags producer in North America</b>	#2 <b>Virgin containerboard producer in Europe</b>
#1 <b>Containerboard producer in emerging Europe</b>	#3 <b>Corrugated packaging producer in emerging Europe</b>	#1 <b>Commercial release liner producer in Europe</b>
#1 <b>Uncoated fine paper producer in Europe</b>	#2 <b>Extrusion coatings producer in Europe</b>	#1 <b>Hardwood pulp, white-top kraftliner and uncoated fine paper producer in South Africa</b>

# Our global presence

Mondi has around 100 production sites across more than 30 countries, with key operations located in central Europe, Russia, North America and South Africa.





# Touching the lives of millions worldwide Every day

### Packaging Paper

Our virgin and recycled **containerboard** is used to make corrugated packaging, primarily designed to protect our customers' products along the value chain and display them in-store. **Sack kraft paper**, which we offer in brown, white and polyethylene-coated grades, is the main component of industrial bags. Our **speciality kraft paper** is used to make everything from heavy-duty industrial packaging, to retail shopping bags, and attractive food packaging for supermarket shelves.



### Fibre Packaging

Innovation and design improvements extend the benefits of our **corrugated packaging** well beyond traditional boxes to fully customised trays and wraps, multi-piece solutions, point-of-sale displays and heavy-duty shipping containers. **Industrial bags** are a strong, lightweight and sustainable choice for cement and building materials and agricultural, chemical and food products. Our innovative range of industrial bags is available globally and optimised for high-speed filling and easy handling, including open-mouth bags, pasted valve bags, water-repellent bags and bags suitable for food contact. Our **extrusion coatings** portfolio comprises high-quality barrier solutions used in several industries for applications such as food packaging, building insulation, wrappers and case linings as well as automotive and protective clothing.

We offer a broad range of packaging and paper products designed for a multitude of consumer and industrial end uses. The scope and expertise of our vertically-integrated operations help us to create customised packaging solutions for particular needs – often in collaboration with our customers.

### Consumer Packaging

Our **consumer goods packaging** products help brands communicate with customers, extend shelf life and improve end-user convenience. We produce high-quality laminates and barrier materials on reels, capable of handling a variety of printing techniques. We also offer a wide variety of tailor-made converted flexible packaging solutions such as stand-up pouches, spouted pouches, re-closable plastic bags, paper-based bags and microwavable packaging. **Advanced materials** is our range of components for personal hygiene products, films and release liners for labels, tapes, graphic arts and many other applications.

### Uncoated Fine Paper

Our extensive range of **office papers** is designed to achieve optimal print results on laser, inkjet and copy machines. Our high-performance professional **printing papers** are dedicated for offset presses, high-speed inkjet presses and the latest digital print technologies. With our wide range of high-quality papers we aim to provide customers a one-stop-shop solution for their needs.



# Bringing our products to life

We are...

Customer focused  
Every day

### E-commerce packaging

Corrugated Packaging



Otto, a large multi-channel retailer, attaches great importance to the shopping experience of their customers, who are influenced by the packaging used. At the same time material usage needs to be as efficient as possible. A close and strategic partnership with Mondi has enabled Otto to successfully optimise their **corrugated e-commerce packaging solutions** to differentiate themselves from the competition while improving customer loyalty.

### HYBRID<sup>PRO</sup>

Industrial Bags



We collaborated with Knauf Belgium to develop a bag that offers all the advantages of a plastic bag, yet is fillable on conventional paper bag filling systems. The resulting **HYBRID<sup>PRO</sup>** bag is among our next generation of water-repellent bags. Its outer layer of polyethylene protects powdery products such as building materials and cement against wet weather and moisture seepage. Trials show that gypsum packaged in HYBRID<sup>PRO</sup> and stored outdoors enjoys a shelf life twice as long as that stored in standard paper bags.

## Innovative Every day

### **Advantage Kraft White Print**

Sack Kraft Paper



We've introduced new grades of sack kraft paper that combine the strength of standard sack kraft paper with the excellent printability of smooth machine-finished paper. Production of these innovative paper grades is possible with our state-of-the-art paper machine at Mondi Štětí (Czech Republic). With **Advantage Kraft White Print** and **Advantage Semi Extensible White Print**, customers enjoy new branding possibilities and decreased total package costs.

### **Air<sup>x</sup>Liner® CCK**

Release Liner



We've developed the industry's first siliconised structured clay-coated kraft paper liner: **Air<sup>x</sup>Liner® CCK**. Adding a structure to a liner creates an air egress that improves product performance by preventing bubbles from forming during the application of a self-adhesive graphic arts product. In addition, Air<sup>x</sup>Liner® CCK shows higher heat resistance in comparison to poly-coated liners, allowing higher converting speeds during production.

## Sustainable Every day

### **PERGRAPHICA®**

Uncoated Fine Paper



**PERGRAPHICA®** is an example of a Mondi Green Range product that helps our customers go green. This portfolio of premium design papers is Forest Stewardship Council® (FSC®) certified for responsible forestry, carries the EU Ecolabel and is produced exclusively at Mondi Neusiedler (Austria), an ISO 14001-certified mill. It is the only design paper brand included in the WWF's 'Check Your Paper' list of third-party audited, environmentally friendly pulp and paper products ([checkyourpaper.panda.org](http://checkyourpaper.panda.org)).

### **BarrierFilm**

Extrusion Coatings



Multiple award-winning **BarrierFilm** is completely aluminium free, unlike many other barrier films used in food packaging. By removing aluminium as a component, we reduced the packaging's carbon footprint while still maintaining its high-quality barrier properties. One customer reported that switching to BarrierFilm for their convenience food packaging reduced their packaging carbon footprint by as much as 25%.

# Strategic report

Mondi's excellent performance in 2015 is testament to our consistent and focused long-term strategy, robust business model and high-quality, low-cost asset base. We remain strategically well-positioned, with a strong platform for growth.

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The Strategic report was approved by the Boards on 24 February 2016 and is signed on their behalf by:

**David Hathorn**  
Chief executive officer

**Andrew King**  
Chief financial officer



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# Delivering superior performance

**"Mondi has a track record of creating shareholder value across the business cycle."**

David Williams left  
Fred Phaswana right





Mondi's fifth integrated report gives a balanced overview of performance in 2015 and insight into the Group's approach to strategy, governance, sustainable development and creating value in the short, medium and long term.



Read more about our approach to good governance on pages 70 to 114

**A clear strategy drives Mondi's strong results and positions the Group for further growth. The Boards fully support Mondi's continued strategic focus on growing our packaging interests, while at the same time investing appropriately in our uncoated fine paper operations.**

Mondi's success is based on the disciplined approach we take in seeking opportunities for value-enhancing growth and cost optimisation through capital investments, acquisitions and asset rationalisation. Combined with a strong financial position and ability to generate cash; a real desire to work closely with customers; passion for performance; and a commitment to sustainable development, this makes Mondi a resilient organisation, and one in which we have every reason to be confident going forward.

#### A continued focus on good governance

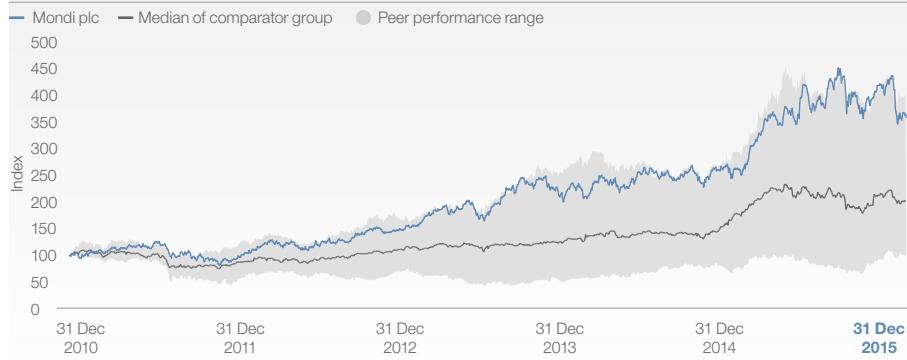
The boards of Mondi Limited and Mondi plc strive to ensure the highest standards of corporate governance and best practice. Our directors provide governance oversight of the Group's established framework of policies, practices and management systems. We believe in the values of transparency, integrity and accountability.

#### Our commitment to shareholder value

We focus on maximising the potential and value of this high-quality business, using our combined experience to provide appropriate guidance. We believe in a collaborative yet systematic approach so we openly discuss strategic decisions, giving both challenge and support as needed to prioritise shareholder value, manage risks and build on Mondi's inherent strengths. Once we have agreed on the right course of action, we hold management accountable for clear progress updates and successful execution.

Mondi's excellent financial results and strong share price performance provide confirmation that our strategic approach is sound, with the Group continuing to outperform the peer average in 2015.

#### Five-year total shareholder return (TSR) (indexed to 1 January 2011)



Given the Group's strong performance in 2015, the boards of Mondi Limited and Mondi plc have recommended a final dividend of 37.62 euro cents per share (2014: 28.77 euro cents per share). Together with the interim dividend of 14.38 euro cents per share, this amounts to a total dividend for the year of 52.0 euro cents per share, an increase of 24% from 2014.

# Joint chairmen's statement



## Transparent sustainability reporting

We have been included in the FTSE4Good Index Series since 2008 and the JSE's Socially Responsible Investment (SRI) Index since 2007. As of 1 January 2016, the SRI has been replaced by the new FTSE/JSE Responsible Investment Index Series and Mondi has been confirmed as one of the inaugural constituents. We continue to report annually to Carbon Disclosure Project (CDP)'s climate, water, forests and supply chain programmes, and were included in the CDP FTSE 350 Climate Disclosure Leadership Index (CDLI) for the fifth time since 2010. In addition, we once again submitted our annual Communication on Progress (CoP) report to the United Nations Global Compact (UNGC) as an Advanced Level reporter.



Read more about our approach to sustainable development 2020 on [page 51](#)

Mondi recognises the importance of regular communication with the investment community and we value the opportunity to share progress and discuss plans with shareholders. In 2015, the Group held a number of investor and analyst events, including results presentations, roadshows and one-on-one meetings. In November Mondi hosted a Capital Markets Day in London to give investors and analysts further insight into the business, its growth strategy and capital expenditure programme.

## A passion for performance across the business

Mondi delivered very strong results in 2015, with underlying operating profit of €957 million, up 25% on the prior year, and a return on capital employed (ROCE) of 20.5% against the backdrop of moderate global economic growth.

Mondi's passion for driving productivity, efficiency and margin improvement by focusing on the things that really matter is a key strength across the business. There are hundreds of great projects happening across the business all the time. They are being delivered by people with a commitment to improvement and include significant achievements in delivering excellence in our operations, new ways of engaging our people, successful ideas for building better relationships with our customers and the communities in which we operate, innovative new product developments, as well as highly effective approaches to safety and health.

The Group continued to invest in its operations, making good progress on all major capital projects during the year. We grew our packaging interests through two acquisitions, both bolstering our customer offering.

## Our integrated approach to sustainability and safety

We continued to integrate sustainability into our business decisions and we are pleased with the ongoing progress we are making in a number of areas. We successfully delivered on the majority of our 2015 commitments – increasing awareness around our sustainable development priorities; focusing on resource efficiency; reducing our environmental footprint; adding social value; and working constructively with our stakeholders. We are now in the process of rolling out our new action areas and approach to sustainable development, including a new set of commitments to 2020.

The safety of our people is a major focus and in 2015 our operations made significant progress in eliminating their Top 5 Fatal Risks. It is however unacceptable that we experienced a fatality at our Syktyvkar logging operations (Russia) in March. Our goal of zero harm is an absolute imperative for the business, and we are fully committed to making it a reality.

## A highly competent and determined team

We always enjoy meeting Mondi's people as it gives us such confidence in the future of the Group. Mondi is a well-run organisation and it is inspiring to see the passion at all levels of the business. It is not just about the many talented individuals across Mondi's operations, but more importantly the way people work together with a genuine desire and determination to get things right. It has been a demanding year and the constructive way in which everyone engages with each other and with Mondi's broader stakeholders has certainly been an important contributor to the Group's superior results. On behalf of the Boards, we extend our sincere thanks to everyone at Mondi who has worked so hard to make 2015 another successful year.

**Fred Phaswana**  
Joint chairman

**David Williams**  
Joint chairman



### Investing in safety

In 2013, we invested significantly in our operations to engineer out the Top 5 Fatal Risks and manage the residual risks through robust controls and procedures. Two years down the line, over 95% of resulting actions in our mills, forests and logging operations have been completed. The changes made by our operations have been innovative and diverse, from improved guarding of moving and rotating parts on machines to installing camera inspection systems that ensure safe access to recovery boilers.

# Tracking our progress



Read more about the performance of each of our businesses on pages 52 to 69

## We track our long-term performance against strategic, financial and sustainable development key performance indicators (KPIs).

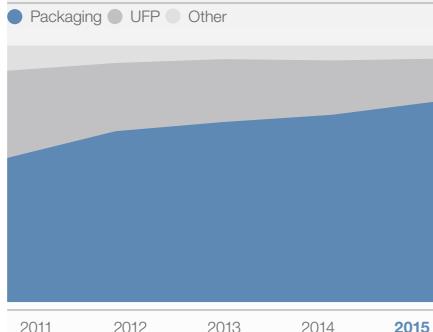
These KPIs are intended to provide a broad measure of the Group's performance. We set individual targets for each of our business units in support of these Group KPIs.

Our Remuneration report, on pages 115 to 131, 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, EBITDA and safety for purposes of the Bonus Share Plan (BSP) incentive and on Total Shareholder Return (TSR) and ROCE for the Long-Term Incentive Plan (LTIP).

### Strategic

Read more in our Chief executive's review and in Our strategy on pages 20 to 25 and 34 and 35

#### Growth in packaging % of capital employed



We have a clear strategic objective to grow our packaging interests, while investing appropriately to maintain and improve the competitiveness of our uncoated fine paper operations.

Our strategic value drivers provide a framework for pursuing value-creating growth opportunities.

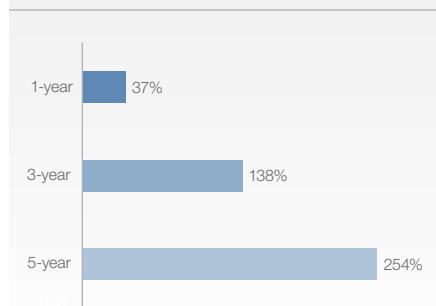
#### 2015 performance

We invested €595 million in capital expenditure, of which 82% was allocated to packaging.

Our packaging interests represent 78% of the Group's capital employed.

#### Total shareholder return (TSR)

%



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.

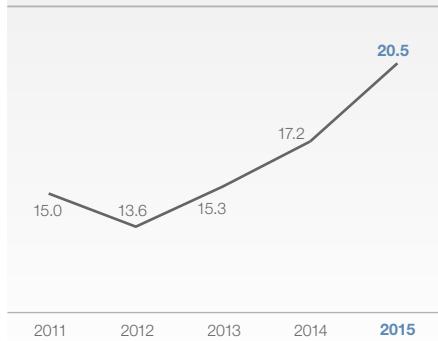
#### 2015 performance

Mondi declared a dividend of 52.0 euro cents per share and realised a TSR of 37%.

## Financial

 Read more in our Chief financial officer's review on pages 26 to 31

### Return on capital employed (ROCE) % (12-month rolling)



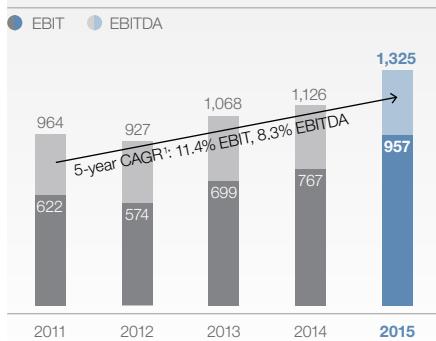
ROCE, defined as underlying EBIT divided by 12-month rolling capital employed, provides a broad overview of the efficient and effective use of capital in our operations.

New investments are required to deliver returns in excess of our hurdle rate of 13% across the business cycle.

#### 2015 performance

ROCE of 20.5% reflects an industry-leading performance, with key strategic projects delivering well above our targeted hurdle rate.

### Underlying EBIT/EBITDA € million



<sup>1</sup> Compound annual growth rate.

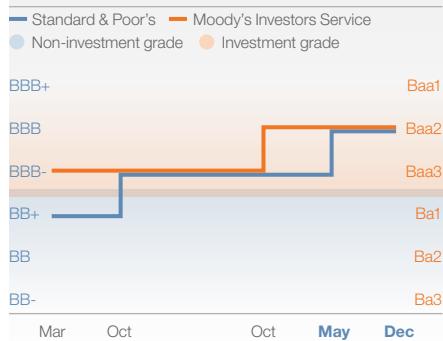
Underlying EBIT provides a measure of the underlying operating performance of the Group and absolute growth in profitability of the operations. We target improving profitability across our business.

EBITDA, underlying EBIT before deducting depreciation and amortisation, provides a measure of the absolute growth in the cash generating ability of the Group and is therefore used for incentive purposes.

#### 2015 performance

25% increase in underlying EBIT and 18% increase in EBITDA, with all businesses improving their profitability.

### Investment grade credit rating



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

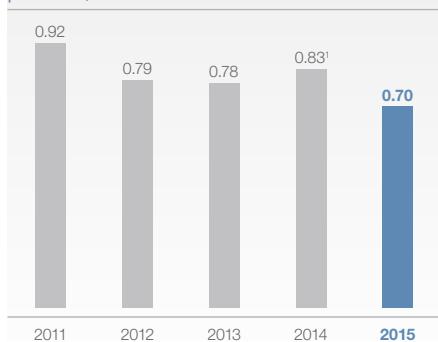
#### 2015 performance

Standard & Poor's upgraded the Group's credit rating to BBB, bringing it in line with Moody's Investors Service Baa2 rating.

## Sustainable development

 Read more about our approach to sustainable development on pages 44 to 51

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



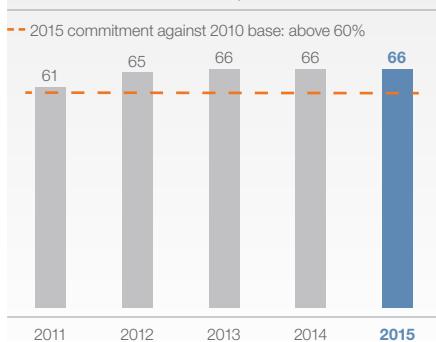
<sup>1</sup> Recent acquisitions included therefore 2014 figures not comparable with historical data.

The safety and health of all our employees and contractors is of paramount importance. Our goal is a zero harm workplace.

#### 2015 performance

We continued to experience a steady improvement in our TRCR. There was one fatality and three life-altering injuries during the year.

### Sustainable fibre supply % CoC-certified wood procured



Securing a sustainable source of fibre for our integrated pulp and paper mills is critical to the long-term success of these operations.

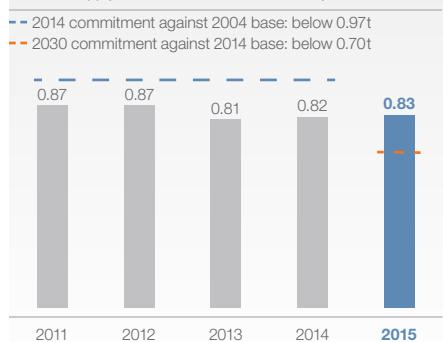
We are committed to maintaining 100% FSC-certified forests and at least 60% of procured wood from Chain-of-Custody (CoC)-certified sources according to FSC or Programme for the Endorsement of Forest Certification™ (PEFC™) standards.

#### 2015 performance

Our forests have maintained their FSC certification and we have exceeded our commitment for sourcing credibly certified wood.

### Total specific CO<sub>2</sub>e emissions<sup>1</sup>

tonnes (t) per tonne of saleable production



<sup>1</sup> From our pulp and paper mills.

We have continually focused on making our business less carbon intensive to address climate impacts. In 2004 we committed to reducing our specific CO<sub>2</sub>e emissions by 15% over the next 10 years.

Our new commitment is a reduction of 15% by 2030 against the 2014 baseline.

#### 2015 performance

We achieved a 29% reduction in specific CO<sub>2</sub>e emissions by the end of 2014. In 2015 we had a 0.9% increase compared to our 2014 baseline.

# Consistent strategy, dynamic approach

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**“2015 was an extremely successful year for Mondi. We made significant progress across a number of key areas and again delivered excellent results.”**

**David Hathorn**  
Chief executive officer



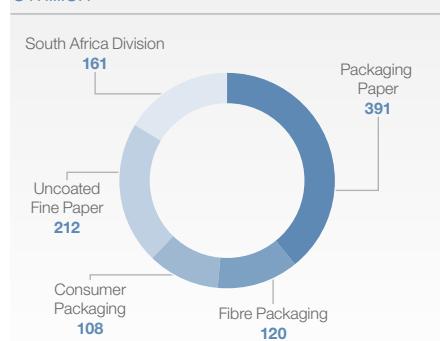


Read more about our strategy on pages 34 and 35

**It is very pleasing to see the strong contribution from all our business units, driven by generally higher selling prices, volume growth, good cost control and important contributions from recently completed capital projects.**

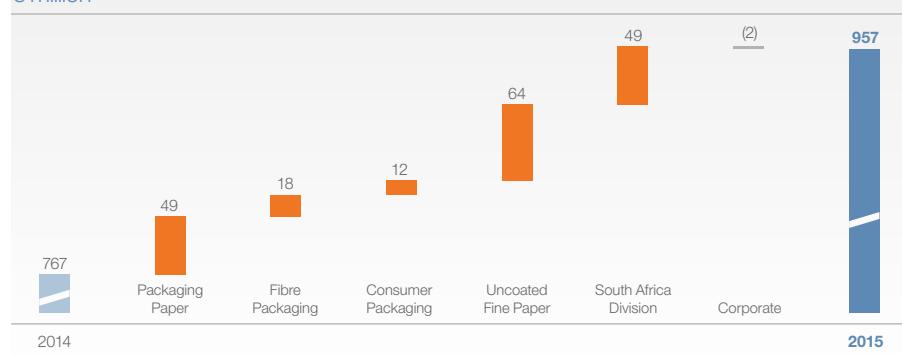
This performance, in what remains a challenging economic environment, is testament to our consistent strategy, robust business model and high-quality, low-cost asset base. Underlying operating profit increased by 25% to €957 million and our ROCE was 20.5%. Underlying earnings increased by 25% to 133.7 euro cents per share.

**Underlying operating profit**  
€ million



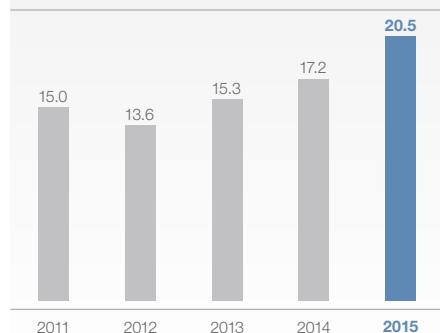
Excludes Corporate costs of €35 million.

**Divisional underlying operating profit growth**  
€ million



**Return on capital employed (ROCE)**  
% (12-month rolling)

**20.5%**



### A clear strategic focus

Our focus continues to be on growing the packaging side of our business while at the same time investing appropriately in our uncoated fine paper operations. In 2015 we continued to seek out opportunities for value-enhancing growth and cost optimisation through capital investments, acquisitions and asset rationalisation.

We put our strategy into action through our three strategic value drivers:

- We are passionate about our performance
- We invest in our high-quality, low-cost assets
- We work with our customers to find innovative solutions

It is however important to acknowledge that while all three of these drivers are relevant to each business, priorities differ across the value chain. For our upstream pulp and paper assets, investing in our high-quality, low-cost assets is particularly important, while working with our customers to find innovative solutions is more critical in our downstream converting operations. Passion for performance is a key focus across all our businesses.

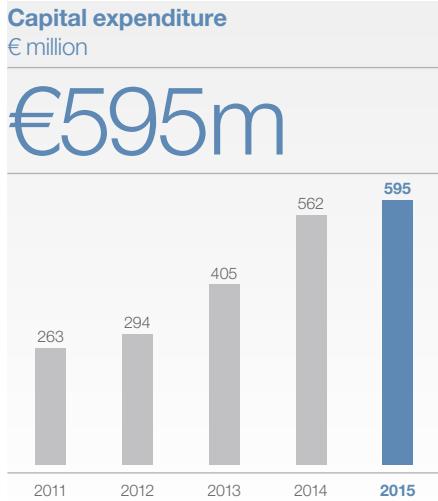
### Delivering value-enhancing growth

Our strategic value drivers give us the framework for delivering value-enhancing growth and in 2015 we continued to make good progress in a number of areas.

We completed the acquisitions of Ascania nonwoven Germany GmbH and KSP, Co. (South Korea and Thailand). Both provide opportunity for value-enhancing growth and cost optimisation in our Consumer Packaging business.

While acquisition-led growth remains a key component of our strategy, and we continue to evaluate opportunities as they arise, we have been deterred in a number of instances by, in our view, inflated asset prices. We anticipate that there will be further opportunities for value-accretive acquisitions as the availability of cheap financing reduces and asset prices become potentially more attractive. In the meantime, we continue to see greater opportunity for value-enhancing growth through capital investments in our existing operations.

## Chief executive's review



Our completed major capital investment projects have delivered an incremental underlying operating profit contribution of approximately €100 million over the past two years. In 2015, we continued to make good progress on a number of major projects. These include:

- The €166 million Świecie recovery and biofuel boiler project (Poland), which started up as planned in the second half 2015. This first phase involved a new recovery boiler, new turbine and conversion of the existing recovery boiler to a biofuel boiler to replace the existing coal boilers. The project was designed to deliver a reduction in ongoing maintenance costs, an improvement in overall efficiencies, a reduction in CO<sub>2</sub>e emissions, full electricity self-sufficiency of the mill and valuable options for further growth.
- The €94 million second phase of the Świecie investment will provide an additional 100,000 tonnes per annum of softwood pulp and 80,000 tonnes per annum of lightweight kraftliner, ensuring full utilisation of the new recovery boiler's capacity. This project remains on track for completion in early 2017.
- The ramp-up of the rebuilt paper and inline coating machine at Štětí (Czech Republic) was slower than anticipated, but is now progressing in line with the revised plan.
- In our South Africa Division, the two major projects are progressing according to plan and we expect them to be completed in the latter part of 2016. They involve upgrading the woodyard at Richards Bay and providing the mill with the capacity to produce unbleached kraftliner in addition to the current white-top kraftliner.
- In our Corrugated Packaging business we invested in a number of new converting machines across our operations, improving our customer offering, especially in the higher-value product segments in the growing markets where we operate. These investments are delivering strong returns and the Boards have approved further similar investments.
- A number of smaller projects were completed or are in progress, primarily focused on our Packaging Paper and Fibre and Consumer Packaging operations.

The incremental operating profit expected from major projects in 2016 is around €60 million (2015: €50 million), further demonstrating the benefits that arise from these high-return investments.

In addition to those projects already in development for start-up over the coming two years, the Boards have recently approved an investment of €310 million in a new 300,000 tonne per annum kraft top white machine at our Ružomberok mill (Slovakia) and related pulp mill upgrades, subject to obtaining approval for various tax incentives from the European Commission and necessary permitting. Based on the current timetable, significant capital expenditure on the project is only expected to start in 2017, with the new board machine expected to start production in 2019.

We have a strong pipeline of projects under consideration for implementation in the medium term. These projects include:

- The replacement of the recovery boiler at our Štětí mill as part of a debottlenecking and optimisation project.
- The installation of a 90,000 tonne per annum kraft paper machine at one of our central European operations with integrated pulp capacity, producing machine glazed paper to replace capacity reductions as a result of the closure of the Lohja mill (Finland) and conversions to other grades at the Štětí mill.

We anticipate being in a position to make a final investment decision on these projects during the course of 2016.

Given the current approved project pipeline, annual capital expenditure is expected to be in the range of €400-€450 million per annum over the next two years.

In our continued efforts to improve performance, we took the decision to close our speciality kraft mill at Lohja, two Consumer Packaging plants in Italy and Spain, and three Industrial Bags plants in the US and Germany. We also sold three Consumer Packaging plants, two in Malaysia and one in Germany, and a recycled containerboard mill at Raubling (Germany). These actions allow us to focus on those operations where we enjoy sustainable market and/or cost advantages.



Świecie, Poland

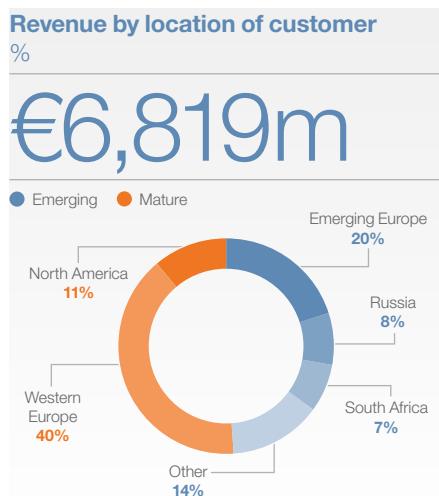
#### Our €166 million Świecie recovery boiler

Our product development approach is centred on meeting the needs of our customers and we collaborate closely with both our customers and suppliers to find innovative new solutions. We successfully launched a number of new products in 2015 including:

- Easy-pak – a corrugated alternative for overseas shipping systems
- HYBRID<sup>PRO</sup> – water-repellent bags for building materials
- PaperPack – food packaging combining paper with a laminated film product window
- SKOG – a natural barrier solution for Form Fill and Seal machines
- PERGRAPHICA<sup>®</sup> – premium uncoated fine paper
- New corrugated packaging solutions for e-commerce

During the year our Europe & International Division conducted a comprehensive customer survey in 16 languages covering over 11,000 customer contacts in more than 100 countries. The survey provides us with valuable insight into how our customers perceive Mondi's performance and how we are performing relative to our key competitors in each business. Pleasingly, our overall performance improved since our previous survey in 2012. Product quality and service performance are the most important factors for our customers and we have made consistent progress in both these areas. The survey highlighted areas where we can perform even better, which we will be focusing on as part of our drive for continuous improvement.

Our priorities for the business in 2016 are to evaluate market and product growth opportunities, successfully complete current capital expenditure projects, fully realise the potential of acquisitions made in recent years, maintain tight control of costs and embed the new 2020 sustainable development commitments across the business.

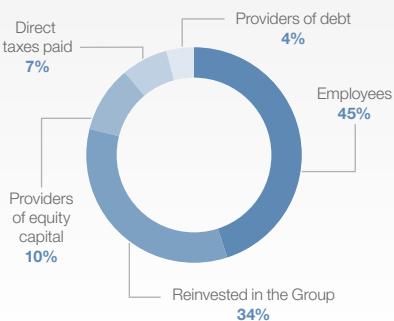


## Chief executive's review

### Value distribution 2015

%

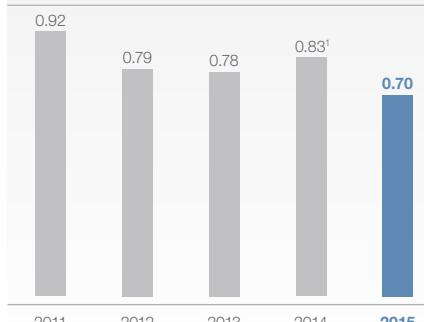
€2,303m



Read more about our sustainable development commitments 2020 on [page 51](#)

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

0.70



<sup>1</sup> Recent acquisitions included therefore 2014 figures not comparable with historical data.

### Effectively managing risk

Risk is an inherent part of any business and identifying and managing the risks specific to Mondi is critical to our long-term success. Our proactive risk management system is embedded in the way we operate, allowing us to identify, evaluate and respond to the ever changing business environment.

A number of our most significant risks are long-term in nature and do not tend to change significantly in the near term as they are linked to our strategy. In general these relate to countries we choose to operate in; products we make; changes in industry capacities; and availability of the raw materials we use.

In 2015 we extended our most significant risks to include those relating to the technical integrity of our operations and information technology (IT). These risks are in no way new to the business; however as part of our continuous assessment of the risk environment and after discussion with the Boards, we felt it was appropriate to highlight these risks for increased focus going forward.

Our risk management framework, most significant risks and our responses to those risks are set out on pages 38 to 42.

### Safeguarding our future

Our long-term success is dependent on our ability to integrate sustainability across the business. This ensures that we can continue to respond to the risks and opportunities arising from global environmental and social shifts, retain our competitive edge and generate value for our stakeholders. We believe that being part of the solution to global challenges will secure the long-term success of our business and the wellbeing of our communities and other stakeholders.

In 2011 we identified six material issues and defined 37 commitments to guide our work to 2015. We are proud of the progress we've made across all areas, having successfully delivered on the majority of our 2015 commitments. Our sustainable development review on pages 44 to 51 highlights our performance against key commitments over this period and in our online Sustainable development report, we detail our performance against all of these commitments.

Over the course of 2015 we conducted an inclusive and comprehensive review of our material issues. Working closely with our key internal and external stakeholders, including a number of international organisations and partners such as WWF and the World Business Council for Sustainable Development (WBCSD), we researched our global context and evaluated emerging issues to strengthen our approach in alignment with international initiatives such as the newly launched United Nations' Sustainable Development Goals (SDGs) for 2030.

Further integrating sustainability into our overall business strategy is a key priority. We believe our new action areas and 2020 commitments will accelerate our progress by ensuring we collectively focus our efforts on things that are critical to our long-term success.

Our 2020 action areas are centred on providing a safe, healthy, fair and inspiring workplace for our people; considering climate change, constrained resources and environmental impacts in our business decisions; ensuring our fibre sources are sustainable; adding value to our communities; promoting responsibility in the supply chain; and developing products that create value for our customers.

The safety of our people is of particular importance to Mondi as a business and to me personally. In 2015 our operations continued to focus on eliminating their Top 5 Fatal Risks and we have seen a significant improvement in our TRCR. We did unfortunately experience one fatality and three life-altering injuries, highlighting the need for us to remain vigilant and keep safety right at the top of all our people's minds.



### Celebrating the best of Mondi

The Mondi Diamond Awards recognise the exceptional people and projects that contribute to our success, and they provide a great opportunity to share best practice across the Group.

The Awards take place every two to three years, and in 2015 we received over 100 submissions across the six categories. Our finalists really do represent the best of what we do at Mondi and we feature some of these projects throughout this integrated report.

#### Mondi Diamond Awards

Read more in our business reviews on  
pages 52 to 69

### Acknowledging our remarkable people

Our success is driven by our people. The strength and depth of our leadership team and the quality of our employees across the Group play a fundamental role in the delivery of our strategic priorities.

We value open and honest feedback so that we can continue creating an inspiring work environment for our employees, and offer an attractive employment option for new recruits. At the end of 2015, we conducted our third Group-wide employee survey, with a participation rate of 90%. Results show positive development across all categories and I am particularly pleased that our employees feel we have a strong safety culture and are highly dynamic. We have agreed on action areas to keep up the momentum.

I believe in the value of creating an environment that stays focused on performance, while encouraging new ideas that bring real value to our business and our customers. Whenever I visit our operations, I find it truly encouraging to see how so many teams across the Group are doing exactly that – looking at what they are doing and asking how they can do it better. With people like this in our business, I have every reason to be very optimistic about our future.

On behalf of the executive committee I sincerely thank all our people for contributing to the success we have enjoyed in 2015.

### Looking ahead

Our outlook for the business remains positive. While we are currently seeing some softness in certain of our packaging paper grades, we are also seeing firmer prices in the European uncoated fine paper markets following recent industry capacity rationalisation. In addition, lower energy and related input costs, the generally positive impact of weaker emerging market currencies and the incremental contribution from recently completed major capital projects are expected to benefit the Group's performance in the near term.

Underpinned by the Group's robust business model, centred around our high-quality, low-cost asset base, clear strategic focus and culture of continuous improvement, we remain confident of continuing to deliver an industry-leading performance.

### David Hathorn

Chief executive officer

# **Strong financial position, capacity for growth**

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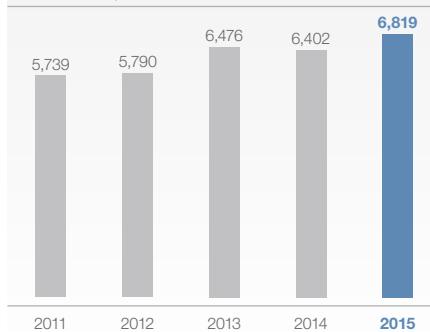
**“In 2015, we achieved excellent results on all key metrics, reflecting our strategy of disciplined and value-creating investment and growth.”**

**Andrew King**  
Chief financial officer

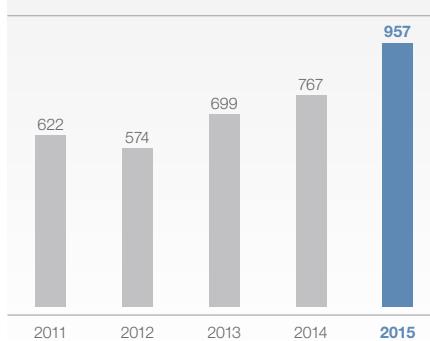


**Group revenue**

€ million

**€6,819m****Underlying operating profit**

€ million

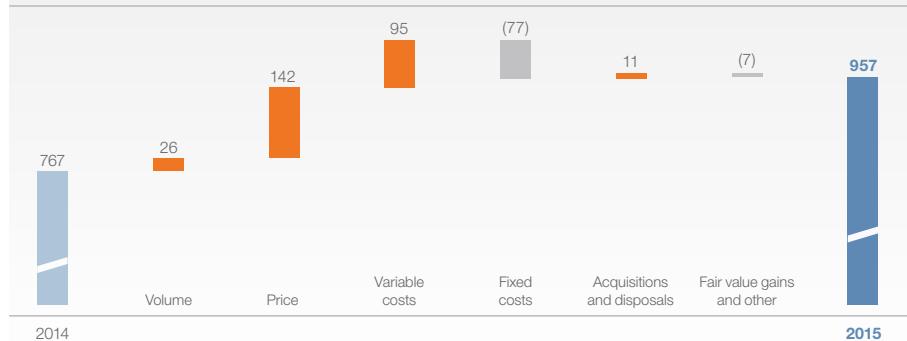
**€957m****Our 2015 financial performance**

	2015	2014	% change
Group revenue	<b>6,819</b>	6,402	7
Underlying EBITDA	1,325	1,126	18
Depreciation and amortisation	(368)	(359)	
Underlying operating profit	<b>957</b>	767	25
Special items	(57)	(39)	
Operating profit	<b>900</b>	728	24

Group revenue of €6,819 million was 7% above the prior year. Excluding the effects of acquisitions and disposals, revenue was up 3.9%, driven by generally higher domestic selling prices in the upstream paper businesses and good volume gains in Containerboard, Corrugated Packaging and Consumer Packaging. Currency effects also had a net positive effect on revenue.

**Underlying operating profit**

€ million



Our underlying operating profit of €957 million was up 25% on the prior year. Packaging Paper delivered another very strong performance, supported by higher selling prices and volume growth in Containerboard, the benefits of completed capital investments and positive currency effects. Fibre Packaging benefited from higher gross margins, currency benefits and the contribution from recently completed investments. We have made steady progress in repositioning Consumer Packaging, with good volume growth in higher value-added segments leading to margin expansion. Our Uncoated Fine Paper business benefited from domestic selling price increases and contributions from capital investments, which more than offset the negative currency effects from the weaker rouble. Our South Africa Division delivered strong results through higher selling prices, good cost control and currency benefits.

In 2015 we continued to seek out and exploit opportunities for value-enhancing growth and cost optimisation through a combination of capital investments, acquisitions and asset rationalisation. We completed the acquisitions of Ascania nonwoven Germany GmbH and KSP, Co. (South Korea and Thailand) during the second half of the year, broadening our product portfolio and expanding our geographic reach in the fast growing Consumer Packaging business. We closed six operations and sold a further four to optimise cost structures and refine our product mix.

Our capital investments completed during 2014 and 2015 contributed strongly to underlying operating profit. The incremental operating profit from these projects amounted to around €50 million in 2015. We expect a further incremental contribution from major projects of around €60 million in 2016.

# Chief financial officer's review

Input costs were generally lower across most of our operations. Central European wood costs were lower than the prior year given reduced industry consumption and stable supply. In Russia, higher domestic wood costs were more than offset by the weaker rouble. Benchmark paper for recycling costs were around 7% higher on average than the prior year, with prices increasing in the second half of the year. Energy costs were significantly lower than the prior year due to lower average crude oil, gas and coal prices, together with the benefits of our energy related investments completed in 2014. Polyethylene prices were highly volatile in 2015, but were, on average, at similar levels to the prior year. Currently favourable cost conditions, combined with our ongoing productivity improvements and strong cost control should provide further benefits in 2016.

The impact of maintenance shuts on underlying operating profit in 2015, which included a number of longer project related shuts, was in line with expectations at around €90 million. In 2016, based on prevailing market prices, we estimate that the impact of planned maintenance shuts on underlying operating profit will reduce to around €70 million.

Underlying earnings of 133.7 euro cents per share were up 25% compared to 2014.

## Special items

Special items are those items of financial performance that we believe should be separately disclosed to assist in the understanding of our underlying financial performance. Special items are considered to be material either in nature or in amount.

The net special item charge of €57 million before tax comprised the following:

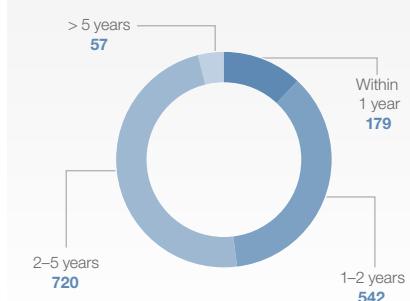
- Restructuring and closure costs of €45 million and related impairments of €4 million for the closures of our Lohja kraft paper mill (Finland), a Consumer Packaging operation in Spain and four Industrial Bags plants
- €8 million write off of a receivable and provision for settlement of a legal case relating to the 2012 Nordenia acquisition

Further detail is provided in note 3 of our combined and consolidated financial statements.

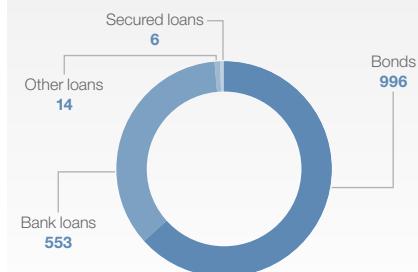
After taking the effect of special items into account, our basic earnings of 124.0 euro cents per share were up 27% compared to 2014.

**Maturity profile of net debt**  
€ million

€1,498m



**Composition of debt**  
€ million



## Managing our financial risks

### Our capital structure

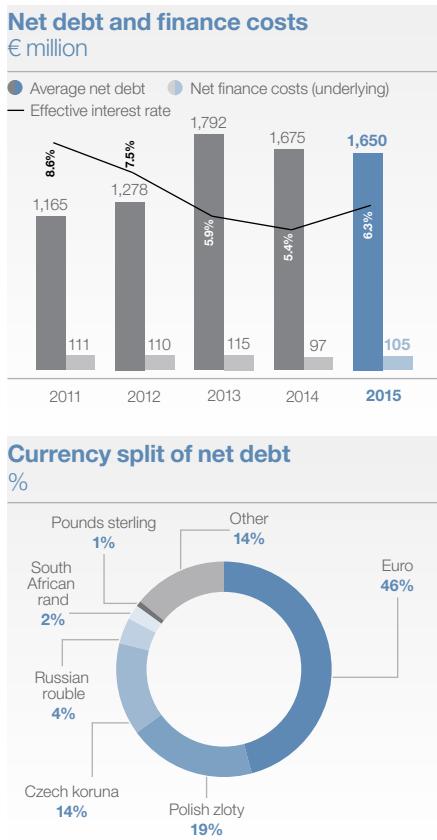
We aim to manage our cost of capital by maintaining an appropriate capital structure, with a balance between equity and debt. The primary sources of the Group's net debt include our €2.5 billion Guaranteed Euro Medium Term Note Programme, our €750 million syndicated revolving credit facility and financing from various banks and other credit agencies, thus providing us with access to diverse sources of debt financing with varying debt maturities.

In May 2015, Standard & Poor's upgraded our credit rating from BBB- to BBB (stable outlook). This follows the upgrade of our credit rating by Moody's Investors Service to Baa2 in October 2014.

The weighted average maturity of our Eurobonds and committed debt facilities was 3.6 years at 31 December 2015. At the end of the year, €598 million of our €2 billion committed debt facilities remained undrawn.

Our short-term liquidity needs are met through our revolving credit facility and we maintain minimal cash balances in order to minimise the amount drawn on this facility.

Net debt at 31 December 2015 was down €115 million compared to the prior year at €1,498 million, reflecting our strong cash generating capacity, despite an increase in capital expenditure on major projects.



Gearing at 31 December 2015 was 32.0% and our net debt to 12-month trailing EBITDA ratio was 1.1 times, well within our key financial covenant requirement of 3.5 times.

Net finance costs of €105 million were €8 million higher than the previous year. Average net debt of €1,650 million was similar to the prior year and our effective interest rate increased to 6.3% (2014: 5.4%), primarily as a result of certain one-off effects and sharply higher interest rates in Russia.

## Currencies

Our multinational 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. External funding is obtained in a range of currencies and, where required, translated 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 on derivative contracts and only enter into contractual arrangements relating to financial instruments with counterparties that have investment grade credit ratings.

Volatility in foreign exchange rates had a significant impact on the performance of the different divisions, although the net impact on the Group was minimal. The 34% weakening of the rouble against the euro had a net negative impact on translation of the profits of our domestically focused Russian uncoated fine paper business, although this was more than offset by domestic selling price increases and the transactional benefits from our export oriented Russian packaging paper operations. The stronger US dollar had a net positive impact on US dollar denominated sales, particularly in our Fibre and Consumer Packaging businesses and our South Africa Division. Going into the new year, our export oriented businesses in emerging Europe and South Africa are benefiting from margin expansion as a result of the recent weakness in emerging market currencies.

## Tax

We aim to manage our tax affairs conservatively, consistent with our approach to all aspects of financial risk management. Our objective is to structure our operations tax efficiently, taking advantage of available incentives and exemptions. We endeavour to comply with all applicable laws and regulations and to maintain constructive dialogue with taxation authorities. Arm's length principles are applied in the pricing of all intra-group transactions, in accordance with Organisation for Economic Cooperation and Development guidelines.

We have dedicated internal tax resources throughout the organisation, supported by a centralised Group tax department that takes overall 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.

Mondi operates in a number of countries, each with a different tax system. In addition, there have been significant developments within the global tax environment to achieve greater tax transparency. The Group is routinely subject to tax audits and reviews which may take a considerable period of time to conclude. Provision is made for known issues and the expected outcomes of any negotiations or litigation.

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. We seek regular professional advice to ensure that we remain up to date with changes in tax legislation, disclosure requirements and best practices.

Based on the Group's geographic profit mix and the relevant tax rates applicable, we would expect our tax rate to be around 22%. However, we benefited from tax incentives related to our capital investments in Slovakia, Poland and Russia. In addition, we

## Chief financial officer's review

recognised deferred tax assets related to previously unrecognised tax losses which we now expect to be able to utilise in the coming years. As such, our tax charge for 2015 of €161 million reflects an effective tax rate for 2015 of 19%, consistent with 2014.

Tax paid in 2015 was €160 million (2014: €106 million) as a result of the increased profitability and the timing of final tax payments for the 2014 and earlier financial years.

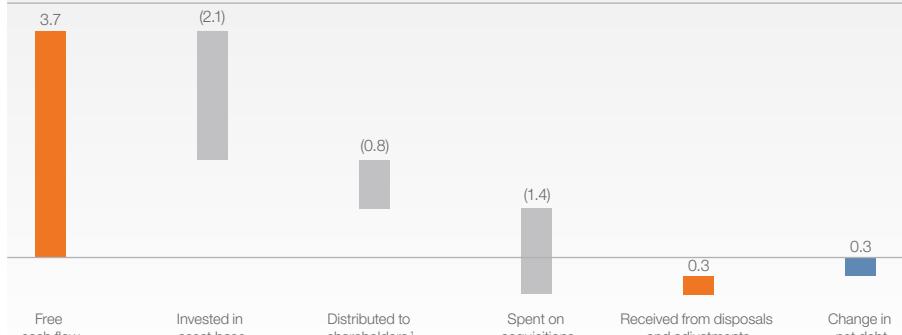
Going forward, in the absence of further investment related tax incentives and assuming a similar profit mix, we would anticipate marginal upward pressure on the tax rate over the next three years as it moves towards the expected tax rate of 22%.

### Cash flow priorities

We are well positioned as a leading international packaging and paper group with a strong platform for growth. In pursuing opportunities to grow, we are committed to maintaining discipline around expansionary capital expenditure and acquisitions.

#### Five-year cumulative cash flow

€ billion



<sup>1</sup> Excludes dividend in specie of €205 million.

#### Our cash flow priorities

Free cash flow priorities

Maintain our strong and stable financial position and investment grade credit metrics

Grow through selective capital investment opportunities

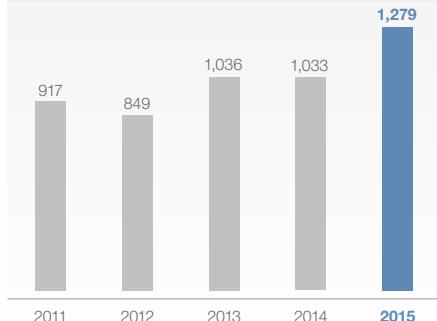
Support payment of dividends to our shareholders

Evaluate growth opportunities through M&A and/or increased shareholder distributions (as appropriate)

#### Cash flows from operating activities

€ million

€1,279m

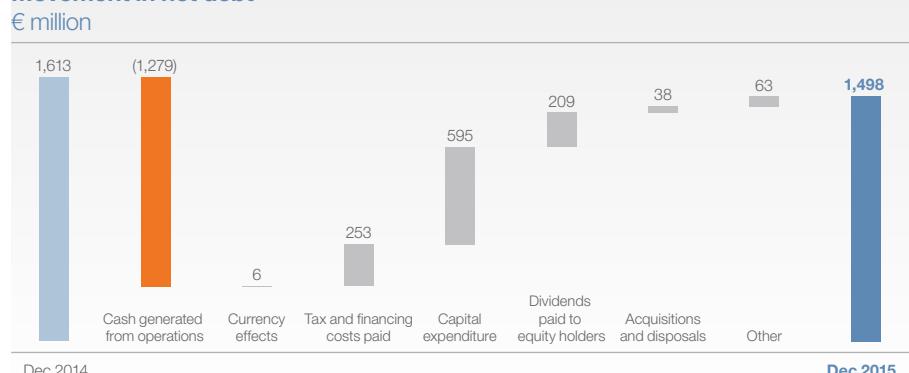


#### Strong cash flow generation

In 2015, the cash generated from our operations was €1,279 million. On average over the last five years, our cash generated from operations has increased by 8.7% per year.

Working capital as a percentage of revenue was 11.6%, marginally below our revised targeted range of 12-14% and down on the prior year (12.3%). We have increased our targeted average working capital range to reflect the increased contribution from our more working capital intensive Industrial Bags and Consumer Packaging businesses as we continue to grow our downstream packaging interests. The net cash inflow from movements in working capital during the year was €9 million (2014: outflow of €87 million).

### Movement in net debt



We paid dividends of €209 million to shareholders (2014: €193 million). Interest paid of €93 million (2014: €125 million) was lower than the prior year, largely due to the refinancing in July 2014 of the 9.75% €280 million bond, assumed as part of the acquisition of Nordenia in 2012.

Dividends paid to holders of non-controlling interests in the Group's subsidiaries increased in 2015, primarily due to the increased dividend from the 51% held Ružomberok (Slovakia) operations.

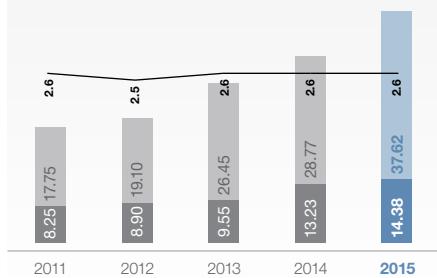
In 2015, we invested €595 million in capital expenditure and completed a number of smaller acquisitions with a total purchase price, on a debt and cash free basis, of €94 million.

### Dividends

euro cents per share

**52 euro cents**

● Interim dividend    ● Final dividend  
— Dividend cover (times)



### Shareholder returns

Mondi pursues a dividend policy that reflects its strategy of disciplined and value-creating investment and growth with the aim of offering shareholders long term dividend growth.

The Group targets a dividend cover range of two to three times underlying earnings on average over the cycle, although the payout ratio in each year will vary in accordance with the business cycle. Payment of dividends is subject to the Group having sufficient distributable reserves. At present, the Group has a significant level of distributable reserves.

The directors intend that the interim dividend will be paid in September and the final dividend will generally be paid in May of the subsequent calendar year in the approximate proportions of one-third for the interim dividend and two-thirds for the final dividend.

Over the last five years, the directors have set the interim dividend equal to half of the prior year's final dividend.

Given the Group's strong financial position and the Boards' stated objective to increase distributions to shareholders through the ordinary dividend, the Boards have recommended an increase in the final dividend to 37.62 euro cents per share. Together, with the interim dividend of 14.38 euro cents per share, this amounts to a total dividend for the year of 52.0 euro cents per share (2014: 42.0 euro cents per share).

### Andrew King

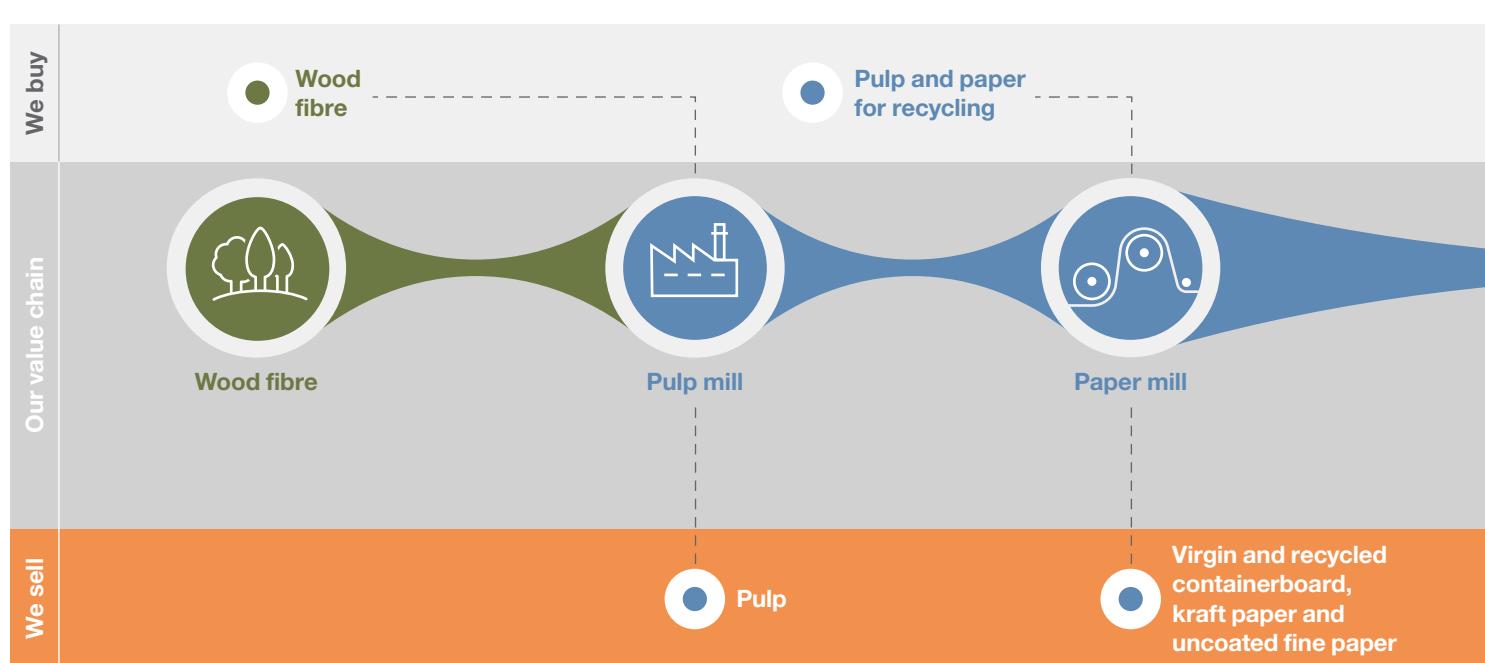
Chief financial officer

# Creating value for our stakeholders

We sustainably manage forests and purchase wood from responsible sources...

...to produce pulp...

...which, along with paper for recycling, we turn into containerboard, kraft paper and uncoated fine paper.



## What we rely on

- Our well-invested, low-cost, high-quality integrated mills and converting operations  
Chief executive's review, pages 20 to 25
- A strong financial position to fund our business and pursue relevant growth opportunities  
Chief financial officer's review, pages 26 to 31
- Our talented and committed people  
Chief executive's review, pages 20 to 25
- Sustainable access to natural resources such as fibre and water, as well as fuels and electricity  
Sustainability at Mondi, pages 44 to 51
- Strong partnerships with our suppliers and our customers  
Sustainability at Mondi, pages 44 to 51
- Our constructive working relationships with communities, governments, NGOs and other stakeholders  
Sustainability at Mondi, pages 44 to 51

## What makes us successful

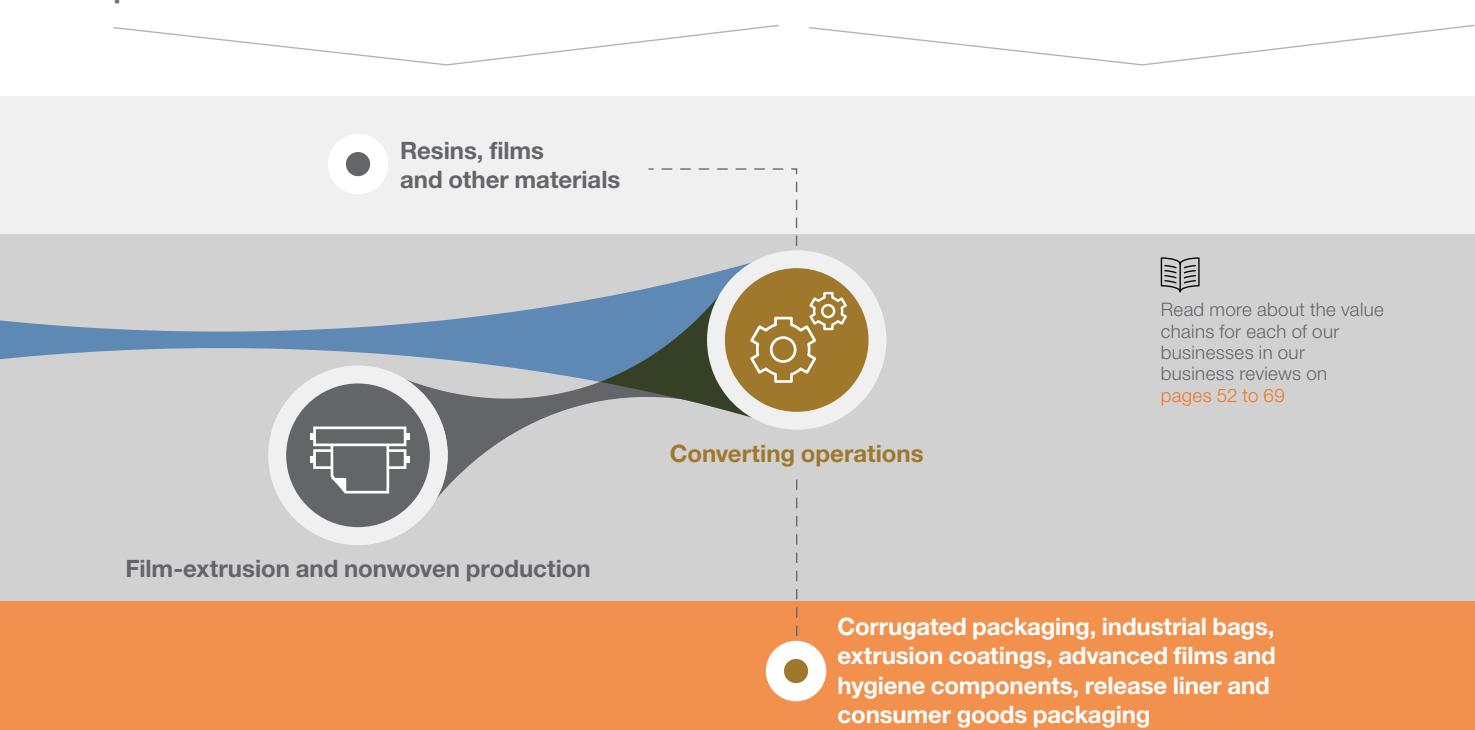
Our consistent and focused long-term strategy gives us the framework for creating value for our stakeholders. We believe the ongoing success of our business is closely linked to the following key success drivers.

Our strategy, pages 34 and 35

- We enjoy inherent sustainable cost advantages from our **low-cost production assets** and exposure to emerging markets, which also offer long-term structural growth  
Chief executive's review, pages 20 to 25
- By being **integrated through the value chain**, we are able to improve the security of supply and reduce exposure to price volatility
- Our **focus on operational efficiency** provides benefits including savings in costs, production time and resource inputs  
Business reviews, pages 52 to 69

Our downstream products require paper and other raw materials such as resins, films and nonwovens, some of which we produce ourselves.

Our converting operations create a wide range of innovative and sustainable packaging solutions and advanced materials that contribute to our customers' success.



- Our **strong market positions** bring us benefits and enable us to better serve our customers
- We are **innovative across our value chain** in the manufacturing process and in product design
- Our **commitment to sustainable development** safeguards the long-term future of our business  
Sustainability at Mondi, pages 44 to 51
- By providing a **healthy and safe work environment**, we increase engagement and productivity  
Sustainability at Mondi, pages 44 to 51
- The **scale and global reach** of our operations brings us cost benefits and a consistently high level of quality and service across different regions
- Our **proactive risk management** allows us to identify, evaluate and respond to the ever changing business environment  
Our principal risks, pages 38 to 42

## What we create

- **We deliver value to our shareholders through capital appreciation and distribution of dividends**  
Chief financial officer's review, pages 26 to 31
- **We generate cash to reinvest in our business**  
Chief financial officer's review, pages 26 to 31
- **We develop and train our people**  
Sustainability at Mondi, pages 44 to 51
- **We support regional economies and local communities**  
Sustainability at Mondi, pages 44 to 51
- **We actively promote sustainable and healthy ecosystems**  
Sustainability at Mondi, pages 44 to 51



**Our products protect and preserve the things that matter and touch the lives of millions every day**

Read more about our products on pages 8 to 11

# Framework for profitable growth

**A consistent and focused long-term strategy has positioned Mondi as a leading international packaging and paper Group, with a strong platform for growth.**

**Our clear strategic focus is on growing our packaging interests**, while at the same time investing appropriately to maintain and improve the competitiveness of our uncoated fine paper operations.

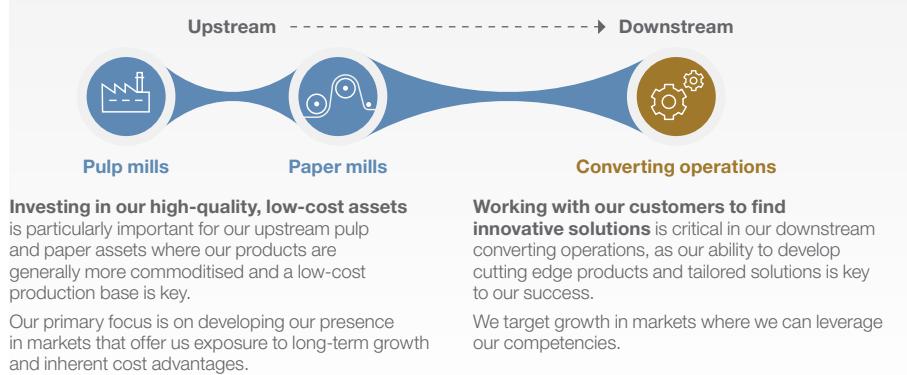
Our strategic value drivers give us the framework for creating value for our stakeholders. They ensure we focus on the right things and help us to make sound strategic decisions.

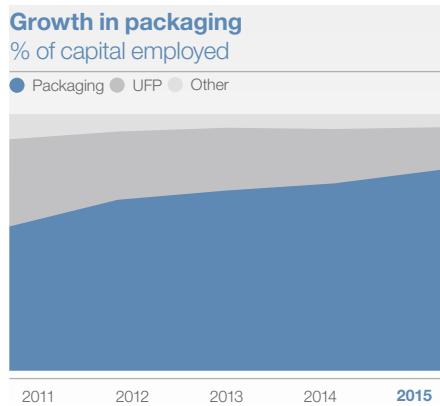
### Strategic value drivers



**Our passion for performance is important across all our businesses and we consistently focus on driving productivity, improving efficiencies and reducing costs.**

**Our value drivers of investing in our high-quality, low-cost assets and working with our customers to find innovative solutions apply to all our operations, although the priorities differ across the value chain.**





## Delivering on our strategy in 2015

### Packaging Paper

Action	Strategic relevance
Completion of first phase of Świecie Green (Poland): investment in a new recovery boiler and replacement of coal-fired boilers with a biofuel boiler	<ul style="list-style-type: none"> <li>Cost optimisation and energy efficiency, providing sustainable cost advantages at high-quality, low-cost mill</li> <li>Ensures electricity self-sufficiency and reduced environmental footprint</li> <li>Provides opportunities for further growth</li> </ul>
Sale of Raubling (Germany) and closure of Lohja (Finland)	<ul style="list-style-type: none"> <li>Focus on operations with sustainable cost advantages</li> </ul>
Completion of various strategic capital projects, mainly at our kraft paper operations	<ul style="list-style-type: none"> <li>Invest in our high-quality, low-cost mills to maintain our competitive advantages</li> </ul>
Evaluating significant new packaging investments in integrated mills in central Europe <sup>1</sup>	<ul style="list-style-type: none"> <li>Cost optimisation and energy efficiency, providing sustainable cost advantages at high-quality, low-cost mills</li> <li>Develop innovative new products at low-cost production asset base</li> </ul>

### Fibre Packaging

Action	Strategic relevance
Investment in various Corrugated Packaging operations	<ul style="list-style-type: none"> <li>Growing our product range and developing customised solutions for our customers</li> </ul>
Closure of two US bags plants and Sendenhorst (Germany)	<ul style="list-style-type: none"> <li>Production base optimisation</li> </ul>

### Consumer Packaging

Action	Strategic relevance
Acquisition of Ascania (Germany)	<ul style="list-style-type: none"> <li>Growing product range and broadened capabilities for innovation with customers</li> <li>Cost optimisation through backward integration</li> </ul>
Acquisition of KSP, Co. (South Korea and Thailand)	<ul style="list-style-type: none"> <li>Increased capacity to serve customers in attractive stand-up pouch applications and greater geographic reach (US and Asia)</li> </ul>
Closure of Ibérica (Spain) and Silicart (Italy)	<ul style="list-style-type: none"> <li>Cost optimisation and improved product mix</li> </ul>
Sale of Ipoh (Malaysia) and Osterburken (Germany)	<ul style="list-style-type: none"> <li>Improved product mix</li> </ul>

# How we respond to global trends

The world we live in is constantly evolving.  
These are some of the most significant trends  
we see and how we are responding to them.



Read more about trends specific  
to each of our businesses on  
pages 52 to 69



### Economic development in emerging markets and demographic shifts

- Rising middle class in emerging markets
- Improved living standards and increased life expectancy
- Urbanisation

#### Impact on our external context

- New hubs for demand creating opportunities for market growth
- Smaller and busier households with increasing need for convenience in consumer products both in emerging and mature markets

#### Our response

- Grow our business in emerging markets
- Develop our advanced materials and consumer packaging businesses
- Develop innovative solutions for enhanced convenience in packaging such as extended shelf life and storage, easy-to-open features, tailored portioning and intelligent packaging
- Focus on efficient use of materials and resources



### Globalisation and digitalisation

- Increased interconnectivity
- More complex supply chains
- Digitalisation era

#### Impact on our external context

- Interconnectivity
- Extended reach of global e-commerce
- Digital platforms changing the way paper is used in the office
- Increased demand for corporate and supply chain transparency

#### Our response

- Develop packaging solutions for e-commerce needs
- Work with customers to find packaging solutions that preserve and protect goods during transit
- Focus on maintaining and enhancing the cost competitiveness of our uncoated fine paper business and explore areas of value-added growth, such as in digital printing
- Deliver on our responsible sourcing policies and increase our CoC certification for fibre



## Evolving consumer behaviour and distribution channels

- Consumers engaged and making more informed choices
- Brand owners under pressure to cut costs
- Distribution channels changing

### Impact on our external context

- Packaging is an important way for brand owners to communicate with their customers
- Retailers and brand owners need to enhance in-store display in the most cost-effective way
- Increasing environmental awareness of end consumer

### Our response

- Work with our customers to find innovative solutions to communicate with consumers and empower brands
- Consider every step of the value chain to develop packaging products that minimise cost and waste, and enhance in-store shelf displays
- Develop effective packaging designs with our customers that use less materials (e.g. lightweight containerboard, flexible packaging replacing rigid plastics options), have better recycling potential and help reduce packaging and food waste

## Global environmental challenges

- Increasing population and industrialisation continue to put pressure on natural resources
- Continued deforestation and degradation of ecosystems
- Continued increase in global greenhouse gas (GHG) emissions and impact of climate change more evident

### Impact on our external context

- Increasing regulations aimed at reducing waste and increasing energy generation from renewable resources
- Increasing awareness of scarce resources such as land and water

### Our response

- Aim for operational excellence and improved efficiency of our operations to optimise our use of natural resources and reduce our emissions and waste
- Partnerships and programmes to safeguard the health of freshwater ecosystems and areas of high conservation value (HCV)
- Responsibly manage our forests, which play a role in storing carbon, and reduce our contribution to climate change by lowering our carbon footprint
- Increase our electricity self-sufficiency by generating energy from biomass-based renewable sources
- Procure wood from responsible, sustainable sources to ensure that no Mondi sourcing leads to deforestation or illegal logging

# Proactive risk management

**Our risk and internal control management framework is designed to address all the significant strategic, sustainable development, financial, operational and compliance-related risks that could undermine our ability to achieve our business objectives into the future.**

### Our risk and internal control management framework





### Focusing on fire protection

In 2012, the executive committee took a decision to upgrade fire protection across all our operations. We started by launching our practical fire protection code, looking at how best to safeguard our people and our operations from the hazards of fire. We initiated a six-year programme and we have already completed almost 200 projects across our operations, investing around €20 million. In addition to better fire protection, the programme has achieved a significant improvement in our fire-risk rating from our insurers (reducing the total loss estimate by more than 25%) and reduced our insurance claims from fire-related losses.

The Boards are responsible for the effectiveness of the Group's risk management activities and internal control processes. The Boards have put in place procedures for identifying, evaluating and managing significant risks that the Group faces.

The executive committee, audit committee and Boards conduct an annual review of the most significant risks and uncertainties faced by the Group, including how these risks are monitored and managed. Risk management is embedded in all decision-making processes, with ongoing review of the Group's risks throughout the year as well as risk assessments being conducted as part of all investment decisions. A number of our most significant risks are long-term in nature and do not tend to change significantly from year to year as they are linked to our strategy.

We aim to manage risk within the risk management framework and accepted tolerance limits which are determined by the Boards in relation to our strategy. Risks, if they develop positively, may lead to opportunities. Our business units are managed locally and are responsible for implementing their own risk management policies and procedures within the framework approved by the Boards. Our business units also play a critical role in the identification of emerging risks. Certain more specialised risk areas such as information technology, sustainable development, safety and health, treasury and tax are managed centrally, allowing more effective coordination.

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

This report only addresses our most significant identified risks. A comprehensive review of risks affecting the business is conducted annually at business unit level and the most significant risks are reported to the Group executive committee and subsequently to the audit committee and Boards, in accordance with the Group's risk tolerance threshold.

Our system of internal control is designed to safeguard the assets of the Group and to provide reasonable, rather than absolute, assurance that the Group's business objectives will be achieved. Our system of internal control comprises three levels of assurance:

#### **Boards/audit committee approval**

- Approval of Group financial, business conduct, operating and administrative policies
- Approval of all major investments, following rigorous strategic and commercial examination
- Approval of the annual internal audit plan
- Approval of the annual budget and three-year plan

#### **Management review and assurance**

- Continuous review of operating performance
- Regular financial reporting, including monthly results, periodic forecasts and comparisons against budgets and previous projections
- Six-monthly internal control assessment confirming compliance with Group policies and procedures and listing any weaknesses

#### **Independent assessment**

- Centrally coordinated internal audit programme
- Confidential reporting hotline – Speakout – operated by an independent third party
- External assurance including external audit review and insurance assessments
- Registration and compliance with independent standard-setting authorities such as FSC and ISO (the International Organization for Standardization)

# Our principal risks

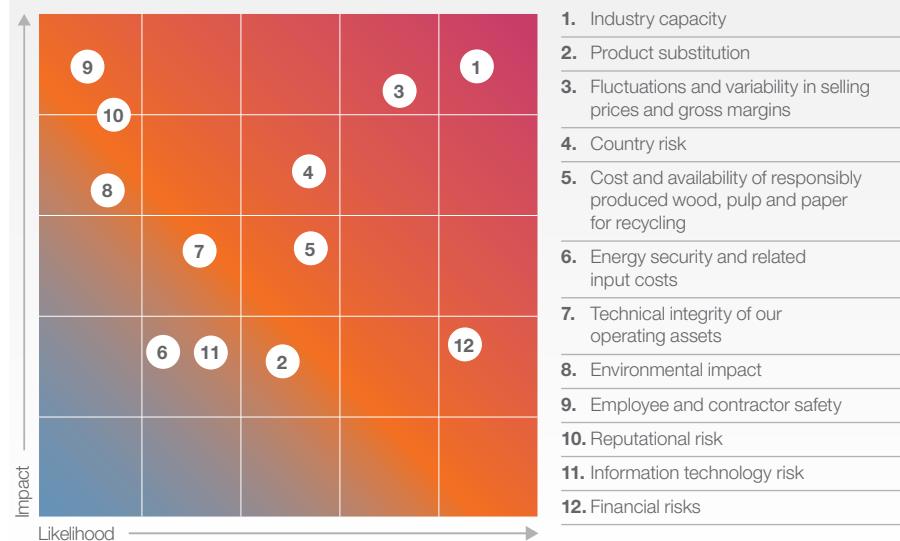
**"A number of our most significant risks are long term in nature and do not tend to change significantly in the short term. In order to increase focus on risks relating to the technical integrity of our operations and information technology, the Boards have decided to include both as significant risks."**

**David Hathorn**  
Chief executive officer

Over the course of the past year, the audit committee has reviewed each of the principal risks set out below. In evaluating the Group's risk management and internal control processes, the committee has considered both internal and external audit reports and received confirmation from the finance heads of the business units that financial control frameworks have operated satisfactorily.

The Boards are satisfied that the Group has effective systems and controls in place to manage its key risks within the risk tolerance levels established by the Boards.

## Our most significant risks



	Risk	Response
<b>Industry capacity</b>	Plant utilisation levels are the main driver of profitability in paper mills. New capacity additions are usually in large increments which, through their impact on the supply/demand balance, influence market prices. Unless market growth exceeds capacity additions, excess capacity may lead to lower selling prices. In our converting operations newer technology may lower operating costs and provide increased product functionality impacting margins.	We monitor industry developments in terms of changes in capacity as well as trends and developments in our own product markets.  Our strategic focus on low-cost production and innovation activities to produce higher value-added products, combined with our focus on growing markets and consistent investment in our operating capacity, ensures that we remain competitive.
<b>Product substitution</b>	Changing global socio-economic and demographic trends and increased public awareness of sustainability challenges affect the demand for Mondi's products.  Customers' needs and purchasing power are changing in emerging markets.  Factors that impact the demand for our products include reduced weight of packaging materials; increased use of recycled materials; electronic substitution of paper products; increased demand for high-quality printed material; certified and responsibly produced goods; and specific material qualities.	Our ability to meet changes in consumer demand depends on our capacity to correctly anticipate change and develop new products on a sustainable, competitive and cost-effective basis.  Our focus is on products enjoying positive substitution dynamics and growing regional markets. We work with our customers to develop new markets and new products.  Our broad range of converting products provides some protection from the effects of substitution between paper and plastic-based packaging products.

Risk	Response
<b>Fluctuations and variability in selling prices and gross margins</b>	<p>Our selling prices are determined by changes in capacity and by demand for our products, which are, in turn, influenced by macroeconomic conditions, 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.</p>
	<p>Our strategic focus is on higher-growth markets and products where we enjoy a competitive advantage through innovation, proximity or a production cost advantage.</p> <p>We continue to invest in our high-quality, low-cost production assets to ensure we maintain our competitive cost position.</p>
	<p>Our high levels of vertical integration reduce our exposure to price volatility of our key input costs. Our financial policies and structures are designed taking the inherent price volatility of the markets in which we operate into consideration.</p>
<b>Country risk</b>	<p>We have production operations across more than 30 countries, a number of which are in jurisdictions where the political, economic and legal systems are less predictable than in countries with more developed institutional structures. Political or economic upheaval, inflation, changes in laws, nationalisation or expropriation of assets may have a material effect on our operations in those countries.</p>
	<p>Areas of weaker governance also present the challenge of addressing potential human rights issues in our operations and supply chain. From a human capital perspective, we face different demographic and social conditions in the countries we operate in, affecting the availability of skills and talent for the Group.</p>
	<p>We actively monitor all countries and environments in which we operate.</p>
	<p>We engage in regular formal and informal interaction with the authorities to ensure we remain abreast of any new developments.</p>
	<p>New investments are subject to rigorous strategic and commercial evaluation.</p>
	<p>We actively engage with our employees, communities and other stakeholders for a better understanding of the local socio-economic conditions and development needs.</p>
	<p>Our geographic diversity and decentralised management structure, utilising local resources in countries in which we operate, reduces our exposure to any specific jurisdiction.</p>
<b>Cost and availability of responsibly produced wood, pulp and paper for recycling</b>	<p>Wood, pulp and paper for recycling comprise approximately a third of our input costs. We have access to our own sources of wood in Russia and South Africa and we purchase wood, pulp and paper for recycling to meet our needs in the balance of our operations. Wood prices and availability may be adversely affected by reduced quantities of available wood supply that meet FSC or PEFC CoC standards and our company minimum wood standard that complies with the standard for Controlled Wood (FSC-STD-40-005), as well as initiatives to promote the use of woody biomass from residues of pulp and paper processes as a renewable energy source.</p>
	<p>We are committed to acquiring fibre from sustainable, responsible sources and avoiding the use of any controversial or illegal supply.</p>
	<p>The sustainable management of our forestry operations is key in managing our overall environmental impact, helping to protect ecosystems and develop resilient landscapes.</p>
	<p>We have built strong forestry management resources in Russia and South Africa to actively monitor and manage our wood resources in those countries.</p>
	<p>We have multiple suppliers for each of our mills and actively pursue longer term agreements with strategic suppliers of wood, pulp and paper for recycling. We are involved in multi-stakeholder processes to address challenges in meeting the global demand for sustainable, responsible fibre.</p>
<b>Energy security and related input costs</b>	<p>Energy and related input costs comprise approximately a third of our variable costs.</p>
	<p>Mondi is a significant consumer of electricity, which we generate internally and purchase from external suppliers. Where we don't generate electricity from biomass and by-products of our production processes, we are dependent on external suppliers for raw materials such as gas, oil and coal.</p>
	<p>As an energy-intensive business, we face potential physical and regulatory risks related to climate change.</p>
	<p>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.</p>
	<p>We focus on improving the energy efficiency of our operations and have invested in our operations to improve our energy profile and increase electricity self-sufficiency, while reducing ongoing operating costs and carbon emission levels.</p>
	<p>To the extent that we generate electricity surplus to our own requirements, we may sell such surplus externally. We also generate revenue from the sale of green energy credits in certain of our operations, the prices of which are determined in the open market.</p>

# Our principal risks

	<b>Risk</b>	<b>Response</b>
<b>Technical integrity of our operating assets</b>	<p>We have five major mills which together account for approximately 70% of our total pulp and paper production capacity and a significant consumer packaging manufacturing facility in Germany. If operations at any of these key facilities were interrupted for any significant length of time, it could have a material adverse effect on our financial position or performance. Accidents or incidents such as fires, explosions or large machinery breakdowns, could result in property damage, loss of production, reputational damage and/or safety incidents.</p>	<p>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 minimise breakdown risks.</p> <p>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.</p> <p>We actively monitor all incidents and have a formal process which allows us to share lessons learnt across our operations, identify emerging issues, conduct benchmarking and evaluate the effectiveness of our risk reduction activities.</p>
<b>Environmental impact</b>	<p>We operate in a high-impact sector and need to manage the associated risks and responsibilities. Our operations are water, carbon and energy intensive; consume materials such as fibre, polymers, metals and chemicals; and generate emissions to air, water and land. We are the custodian of more than two million hectares of forested land.</p> <p>We are subject to a wide range of international, national and local environmental laws and regulations as well as the requirements of our customers and expectations of our broader stakeholders.</p>	<p>We ensure that we are complying with all applicable environmental, health and safety requirements where we operate.</p> <p>Our own policies and procedures, at or above local policy requirements, are embedded in all our operations.</p> <p>We focus on a clean production philosophy to address the impact from emissions, discharge and waste.</p> <p>We focus on increasing the energy efficiency of our operations and using biomass-based fuels, reducing our use of fossil-based energy sources. We emphasise the responsible management of forests and associated ecosystems, protecting high conservation value areas.</p>
<b>Employee and contractor safety</b>	<p>We operate large facilities, often in remote locations. Accidents and incidents cause injury to our employees or contractors, property damage, lost production time and/or harm to our reputation.</p>	<p>We have a zero harm policy. We continually monitor incidents and close calls and actively transfer learnings across our operations.</p> <p>We apply an externally accredited safety management system and conduct regular audits of our operations to support safe and productive workplaces.</p> <p>We have implemented a project to engineer out the most significant risks in our operations, supported by robust controls and procedures for operating those assets.</p>
<b>Reputational risk</b>	<p>Non-compliance with the legal and governance requirements and globally established responsible business conduct practices in any of the jurisdictions in which we operate could expose us to significant risk if not actively managed. These include laws relating to the environment, exports, price controls, taxation, human rights and labour.</p>	<p>We operate a comprehensive training and compliance programme, supported by self-certification and reporting.</p> <p>Our legal and governance compliance is managed at business unit level, supported by a central team of relevant professionals, and is subject to regular internal audit review.</p> <p>We also operate a confidential reporting hotline, Speakout, enabling employees, customers, suppliers, managers and other stakeholders to raise concerns about conduct that may be contrary to our values.</p> <p>We increasingly work with our suppliers to promote responsible business conduct in the value chain.</p>
<b>Information technology risk</b>	<p>Many of our operations are dependent on the availability of IT services and an extended interruption of such services may result in plant shutdown. Cyber crime continues to increase and attempts are more and more sophisticated, with the consequences of successful attacks including compromised data, financial fraud and system shutdowns.</p>	<p>We have a comprehensive IT Security Policy approved by our Boards. We conduct regular threat assessments and utilise external providers to evaluate and review our security policies and procedures.</p> <p>Where possible, we have redundancies in place, our system landscape is based on well-proven products and we have cyber crime insurance.</p>
<b>Financial risks</b>	<p>Our trading and financing activities expose the Group to financial risks that, if left unmanaged, could adversely impact our financial position. These risks relate to the currencies in which we conduct our activities, interest rate and liquidity risks and exposure to customer credit risk.</p>	<p>Our approach to financial risk management is described in our Chief financial officer's review on pages 28 to 30 and in note 30 of our Financial statements.</p>

## Going concern

The directors have reviewed the Group's budget for 2016, considered the assumptions contained in the budget and reviewed the critical risks which may impact the Group's performance in the near term. These include an evaluation of the current macroeconomic environment and reasonably possible changes in the Group's trading performance.

The Group's financial position, cash flows, liquidity position and borrowing facilities are described in the annual financial statements. At 31 December 2015, Mondi had €598 million of undrawn, committed debt facilities. The Group's debt facilities have maturity dates of between 1 and 10 years, with a weighted average maturity of 3.6 years.

Based on their evaluation, the Boards are satisfied that the Group remains solvent and has adequate liquidity to meet its obligations and continue in operational existence for the foreseeable future.

Accordingly, the Group continues to adopt the going concern basis in preparing the Integrated report and financial statements.

## Viability statement

As part of the approval of this integrated report, the Boards have assessed the Group's prospects and viability. The Boards have reviewed the three-year period to December 2018, marking the end of the Group's planning horizon. The Boards believe that the three years to December 2018 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 Boards have considered the inherent volatility in commodity prices and exchange rates, the time taken for new investments in pulp and paper production capacity to be introduced into the market, typical new product development cycles and the Group's funding structure.

Mondi's geographical spread, product diversity and large customer base mitigate potential risks of customer or supplier liquidity issues. Ongoing initiatives by management in implementing profit improvement initiatives, which include ongoing investment in its operations; plant optimisation; cost-cutting; and restructuring and rationalisation activities, have consolidated the Group's leading positions in its chosen markets.

The Group's budget and plan has been tested for severe, but plausible, downside scenarios. These include lower packaging and uncoated fine paper prices and weaker demand. The potential impact of a weaker US dollar/euro exchange rate and stronger emerging market currencies has also been evaluated. Based on the results of these scenarios, the Boards are satisfied that the Group will be able to respond to such circumstances through various means, which may include a reduction of capital expenditure and further rationalisation and/or restructuring, to ensure that the Group can continue to meet its ongoing obligations.

The Group meets its funding requirements from a variety of sources as more fully described in note 18 of the financial statements. The Boards are satisfied that the Group will have sufficient liquidity to meet its needs over the planning horizon. In the scenarios evaluated, the Group remains within its key financial covenant ratio in terms of which its net debt to trailing 12-month EBITDA ratio must not exceed 3.5 times.

Taking into account the Group's long-term strategy, the principal risks described above and the results of the scenario planning detailed above, the directors have a reasonable expectation that the Group remains viable over the period of the assessment.

# Looking back, moving forward

As an international business, major employer, steward of ecosystems, supplier, community member and producer of goods, we believe sustainable development is fundamental to our success.

Our strategic approach enables us to better respond to the key risks and opportunities associated with global challenges such as climate change, degradation of ecosystems, resource scarcity and population growth.

### A selection of our highlights and achievements

**"We are very pleased with the progress we've made and the lessons we've learnt by working collaboratively as a business and with our stakeholders to scale up our positive impact."**

**John Lindahl**  
Group technical director



Read more in our online Sustainable development report 2015  
[www.mondigroup.com/sd15](http://www.mondigroup.com/sd15)



### 2012

Odour abatement project at Richards Bay (South Africa)

Established the Mondi Zimele Jobs Fund (South Africa)

Sector leader in the Forest Footprint Disclosure initiative

### 2011

Launched Inspire – a programme to strengthen our culture

Started the Mezen River Project with Silver Taiga (Russia)

Published the Group's first integrated report





## 2013

100% of mills CoC-certified

Tailored our SEAT process to better assess our social impact and add value to communities

Water Impact Assessments completed for all mills and forest operations

## 2014

Launched three-year global partnership with WWF

Exceeded our 10-year climate commitments, achieving 29% cut in specific carbon emissions

Focus on Top 5 Fatal Risks to eliminate fatalities and life-altering injuries



## 2015

Significantly reduced waste to landfill at Świecie (Poland) and Merebank (South Africa)

Launched Social Sustainability Network for a more strategic approach to community development

Developed 'Growing responsibly' model and SD commitments up to 2020



# Sustainability at Mondi

## Looking back

### Progress against our 2015 commitments

In 2011 we defined 35<sup>1</sup> sustainable development commitments to be achieved by 2015<sup>2</sup>.

- Achieved
- Progress made
- Not achieved

Material issue	Progress against a selection of commitments	Overall progress
<b>Securing access to sustainable fibre in the short, medium and long term</b>	<ul style="list-style-type: none"> <li>• 100% of owned and leased land FSC-certified</li> <li>• 66% of wood CoC-certified with the balance meeting our company minimum wood standard that complies with the standard for Controlled Wood (FSC-STD-40-005)</li> </ul>	 5 commitments
<b>Maintaining our licence to trade by making a real and lasting contribution to the communities in which we operate</b>	<ul style="list-style-type: none"> <li>• Advanced Level reporter at the UNGC, and active member of WBCSD</li> <li>• 100% of forestry operations and all but three of our smaller pulp and paper mills have community engagement plans (CEPs) in place. Socio-economic assessment toolbox (SEAT) reviews were conducted at Merebank mill (South Africa) and Syktyvkar logging operations (Russia) in 2015. SEAT reviews were carried out regularly at our mills and forestry operations in the 2011-2015 period, as appropriate.</li> </ul>	 10 commitments
<b>Understanding and minimising our contribution to climate change</b>	<ul style="list-style-type: none"> <li>• 103% electricity self-sufficiency across our pulp and paper mills</li> <li>• 59% of fuel consumed by our pulp and paper mills from renewable energy sources</li> </ul>	 2 commitments
<b>Operating in a world of constrained resources and recognising concerns regarding biodiversity, forests, water and ecosystem services</b>	<ul style="list-style-type: none"> <li>• 524,000 hectares of HCV areas identified</li> <li>• 25% of managed land set aside for conservation</li> <li>• Launched our global partnership with WWF in 2014 and continued support of WWF-Mondi Wetlands Programme (WWF-MWP) and WWF's New Generation Plantations (NGP) platform</li> <li>• Continued to co-chair the HCV Resource Network</li> </ul>	 7 commitments
<b>Safeguarding the wellbeing of employees and contractors and securing key talent and skills</b>	<ul style="list-style-type: none"> <li>• 0.70 TRCR (however one fatality and three life-altering injuries in 2015)</li> </ul>	 5 commitments
<b>Increasing the eco-efficiency of our products</b>	<ul style="list-style-type: none"> <li>• 22% reduction of waste to landfill<sup>3</sup></li> <li>• 5% reduction of specific contact water consumption<sup>3</sup></li> <li>• 33% reduction of TRS emissions<sup>3</sup></li> </ul>	 6 commitments

<sup>1</sup> Excluding an additional two climate-related commitments for the period 2004–2014.

<sup>2</sup> Against a 2010 baseline.

<sup>3</sup> Over the commitment period.



Read more about our full progress against commitments at [www.mondigroup.com/sd15](http://www.mondigroup.com/sd15)

## Issues in focus



### Forests and ecosystems

Our aim is to meet the increasing demand for products from sustainable forests that maintain HCV areas and ecosystem services. Our pioneering work with conservation partners on forestry and freshwater stewardship over the past decade has helped transform forest management and wetland conservation in South Africa and we are exploring how the landscape approach can be applied to other production landscapes and countries around the world.

Our partnership with WWF on the WWF-MWP and WWF's NGP platform in South Africa, as well as our WWF-Boreal Forest Platform work in Russia, demonstrates our landscape approach. We also partner with NGOs, universities and multi-stakeholder organisations to develop scientific solutions that improve forestry and ecosystem management practices.

Despite current limitations, we believe that certification is the most reliable indicator for sustainable forestry and assures our stakeholders that we meet globally-accepted standards for responsible, sustainable forest management. All of our 2.4 million hectares of owned and leased forests are FSC certified. 25% of our owned and leased land is set aside for conservation. We are not party to deforestation or illegal logging.



### Safety and health

Mondi has an industry leading safety record, as evidenced by our TRCR of 0.70. This is a function of a safety culture that promotes listening, trust and respect; and is backed by clear policies and compliance with international safety management standards such as OHSAS 18001.

Despite a strong long-term performance, we experienced one fatality and three life-altering injuries in 2015. Immediate investigation and a comprehensive response has led to changes to controls to prevent reoccurrence and reinforce our commitment to zero harm in the workplace. Measures taken include a simplified Task Risk Management Methodology and we are on track to update all risk assessments by 2018.

Eliminating fatal and life-altering injuries is a top priority. In 2014 and 2015, we committed €17 million to engineer the Top 5 Fatal Risks out of our mills, forests and logging operations and manage the residual risks through robust controls and procedures. Over this period, over 95% of the Top 5 Fatal Risk actions have been completed.

Our occupational health programmes are designed to eliminate risks to health, prevent illness and provide a high-quality working environment. They focus on using engagement tools to optimise ergonomics, reduce noise impact and prevent injuries.



### Operational excellence

The fundamental principle behind operational excellence at Mondi is the desire to do more with less. We do this through optimising our processes and products, and promoting recycling, reuse and the substitution of resources to reduce our waste and emissions to air and water.

In 2011, we committed to reduce the waste we send to landfill by 20% by 2015. By considering our waste streams as potential sources of secondary raw materials, we've found new ways to recycle and reuse them. This has subsequently reduced the total amount of waste sent to landfill by 22% since 2010.

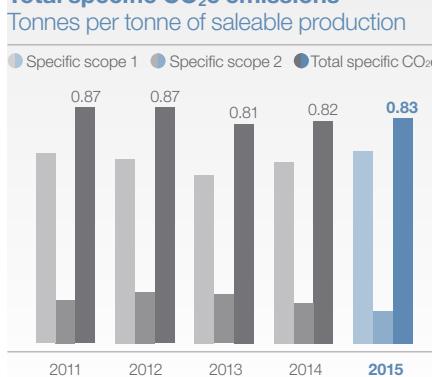
Thanks to effective monitoring, investment in closed-loop systems and improved recycling processes, our specific contact water consumption (per tonne of saleable production) has reduced by 5% in our pulp and paper mills since 2010. We are investing in the modernisation of our waste water treatment plants at Syktyvkar and Świecie. We are also using water impact assessments to identify potential impacts and implement actions that will reduce our long-term water impacts.

# Sustainability at Mondi

## Issues in focus continued



### Total specific CO<sub>2</sub>e emissions<sup>1</sup>



<sup>1</sup> From our pulp and paper mills.

### Energy and climate change

**We recognise the significant role that business can play in reducing climate impact and promoting a low carbon future. At Mondi, we've invested significantly to reduce our carbon footprint over the past decade and have launched a new commitment to 2030.**

2014 marked the end of our 10-year carbon reduction commitment. In that period we achieved a 29% reduction in specific<sup>1</sup> GHG emissions. Our new long-term climate commitment is to reduce specific CO<sub>2</sub>e<sup>2</sup> emissions from our pulp and paper mills by a further 15% by 2030 (against a 2014 baseline).

We have improved our energy efficiency through our manufacturing plants, as well as utilising the role of sustainable forests to mitigate climate change and store carbon. In 2015 we continued to invest in new technology, including the commissioning of a new recovery boiler and biomass boiler at our Świecie mill.

We also continued to generate biomass-based renewable energy in our pulp and paper mills, and overall we are self-sufficient in electricity across our pulp and paper mills.

In 2015, our pulp and paper mills' scope 1<sup>3</sup> GHG emissions were 4.4 million tonnes CO<sub>2</sub>e (2014: 4.2 million tonnes), while specific scope 1 emissions were 0.71 tonnes per saleable tonne of production (2014: 0.67 tonnes). Additionally, our converting operations' scope 1 emissions were 0.1 million tonnes (2014: 0.1 million tonnes).

Our pulp and paper mills' scope 2<sup>4</sup> emissions amounted to 0.8 million tonnes CO<sub>2</sub>e in 2015 (2014: 0.9 million tonnes), while specific scope 2 emissions were 0.12 tonnes per saleable tonne of production (2014: 0.15 tonnes). Additionally, our converting operations' scope 2 emissions were 0.2 million tonnes (2014: 0.2 million tonnes).

We report our GHG emissions according to the Greenhouse Gas Protocol, published by the WBCSD and the World Resources Institute, and have reported our scope 1 and 2 GHG data in compliance with ISO 14064:1-2006. ERM CVS has provided reasonable assurance on our scope 1 and 2 GHG data in accordance with ISO 14064:3-2006. See their full statement at [www.mondigroup.com/sdassurance](http://www.mondigroup.com/sdassurance).

<sup>1</sup> Specific: calculated in tonnes of CO<sub>2</sub>e per tonne of saleable production.

<sup>2</sup> GHGs are often compared on the basis of their estimated potential to cause global warming. CH<sub>4</sub> and N<sub>2</sub>O emissions are the most relevant for the pulp and paper industry. Every gram of CH<sub>4</sub> is equivalent to 21 grams of CO<sub>2</sub> and each N<sub>2</sub>O gram is equivalent to 310 grams of CO<sub>2</sub>. Total GHG emissions can be calculated as the sum of several GHGs expressed as the equivalent amount of CO<sub>2</sub>, abbreviated as CO<sub>2</sub>e.

<sup>3</sup> Scope 1 emissions: Total GHG emissions from sources owned or controlled by Mondi and its subsidiaries of the Group boundaries. This includes CO<sub>2</sub>e from fossil fuels and processes, Group leased/owned vehicles, waste and waste water treatment, from make-up chemicals, and from other GHG gases.

<sup>4</sup> Scope 2 emissions: Total GHG emissions from sources that are related to generation of purchased energy outside the Group boundaries (no other GHG considered but CO<sub>2</sub>e).



## Communities

As a direct and indirect employer, purchaser and manager of resources we seek to make a positive contribution to local livelihoods and the economy. Our ongoing engagement and investment in communities over the last five years has helped our business develop more open and trusting relationships with stakeholders.

Our community investments are informed by local priorities and aligned with our business objectives. We've invested over €68 million in community initiatives since 2010 (2015: €7 million), with a special focus on education, employment and enterprise support, health, infrastructure and development.

We assess our impact using SEATs and CEPs. Our businesses develop CEPs with key stakeholders and we make all SEAT reports available on our website. In 2015, we launched our Social Sustainability Network, with the aim of sharing learning and best-practice to allow local teams to continue to address local priorities using our global framework and strategic approach.

## Supply chain

Securing access to sustainable sources of fibre is one of our most significant challenges. We promote responsible and legal forestry practices, from the sustainable management of our own forests to the procurement of our wood and fibre throughout the supply chain. All fibre and non-fibre materials are governed by Group procurement requirements for raw materials and services and guided by the 10 UNGC principles.

We source credibly certified fibre and support initiatives to increase its availability. This is why we are working with certification systems such as the FSC and PEFC as part of a multi-stakeholder engagement process to make these systems more effective. 66% of our wood is from CoC-certified sources, and the balance meets our company minimum wood standard that complies with the standard for Controlled Wood (FSC-STD-40-005) as well as the European Union Timber Regulation (EUTR) and the US Lacey Act requirements.

We conduct regular assessments of our key suppliers, working with local procurement teams. This allows us to evaluate the quality of service and reliability of supply, as well as environmental and social practices.

Our sustainability criteria are clearly stated in the Group Code of Conduct for Suppliers which includes human rights and labour aspects and we report annually on compliance with the principles of the UNGC. [www.mondigroup.com/suppliers\\_code\\_of\\_conduct](http://www.mondigroup.com/suppliers_code_of_conduct)

## Issues in focus continued



Gender diversity 2015 <sup>1</sup>	Male	%	Female	%
Directors	7	78	2	22
Senior managers	259	91	25	9
Employees	19,300	78	5,400	22

<sup>1</sup> As at 31 December 2015.

### People

**With around 25,000 people working across more than 30 countries, our success depends on inspiring a global workforce, developing people to achieve their full potential and instilling a sense of pride to meet our goals.**

We launched our Inspire programme in 2011 to develop our people and culture. It has guided our approach towards engaging and motivating our people and contributing to their development. As of 2015 we have provided training and development programmes to around 7,000 people through The Mondi Academy over the past five years. Overall, 827,000 hours of training were provided across the Group in 2015 (2014: 871,000).

Mondi has formal and informal processes to communicate with and engage employees across the Group. In addition to electronic communications and publications, regular local briefing sessions by managers focus on safety, operational objectives and performance, financial performance and the Group's values and culture. We also conduct regular Group-wide employee surveys. In 2015, 90% (2013: 89%) of our employees participated in the survey, a very high response rate that is well above the High Performing Companies Norm. We use the survey to consult employees (so that their views can be taken into account), track progress against our actions from the last survey and check that we are making progress on our Inspire journey.

The Fundamental Rights Convention of the International Labour Organization and the UNGC<sup>1</sup> guide our approach to employment. Although labour and collective bargaining practices differ from country to country, basic rights and fair employment standards (including fair wages<sup>2</sup>) apply throughout the business, and are managed locally, guided by Group policies and standards.

We have a zero tolerance policy towards discrimination and provide equal opportunities for all employees. In 2015, 22% of our employees were female (2014: 22%), including 9% of female senior managers (2014: 8%). At board level, two of our nine board members are women and one of the three South African-based board members is from an historically-disadvantaged community. The percentage of South Africa Division's management from previously disadvantaged individuals was 45% in 2015.

We consider applications for employment by disabled persons in a fair and balanced way, and seek to cater to individual requirements and needs. It is Group policy that training, career development and promotion of disabled persons should, as far as possible, be consistent with that of other employees. In the event of employees incurring life-altering or life-threatening injuries at work, we ensure they receive the necessary medical treatment, facilitate access and transportation to and from the hospital for their families, and support them during their rehabilitation if required. Every effort is made to ensure that their employment continues and necessary support is provided.

The Group has a number of performance-related pay schemes that reward employees for the pursuit and achievement of business objectives, and the majority of our employees participate in these schemes.

<sup>1</sup> A UN policy initiative that aligns businesses with 10 universally accepted principles in the areas of human rights, labour, environment and anti-corruption.

<sup>2</sup> Ensuring that wages paid for a standard working week shall at least meet legal or industry minimum standards and shall always be sufficient to meet the basic needs of our employees and to provide some discretionary income.

## Moving forward

### Our 2020 action areas and commitments

We've engaged with our businesses, partners and external experts to define our next set of sustainable development commitments to 2020.

We developed these action areas following a comprehensive review of the macro trends that influence our global context. We worked closely with our businesses to understand the risks and opportunities facing them and to gain their commitment. We engaged with our stakeholders to better understand their expectations and be able to respond to their needs. We also benefited from working with partners and international organisations to align our thinking with the global sustainable development agenda and to scale up our impact. This inclusive process has strengthened our approach and will help our business and stakeholders to secure a sustainable future. In short, it will help us grow responsibly.

**In 2016 we launch our new commitments to 2020 across 10 action areas, guiding our sustainable development commitments and shaping our approach for the next five years.**



Read more about our commitments and how they align with the UN Sustainable Development Goals [www.mondigroup.com/sd15](http://www.mondigroup.com/sd15)

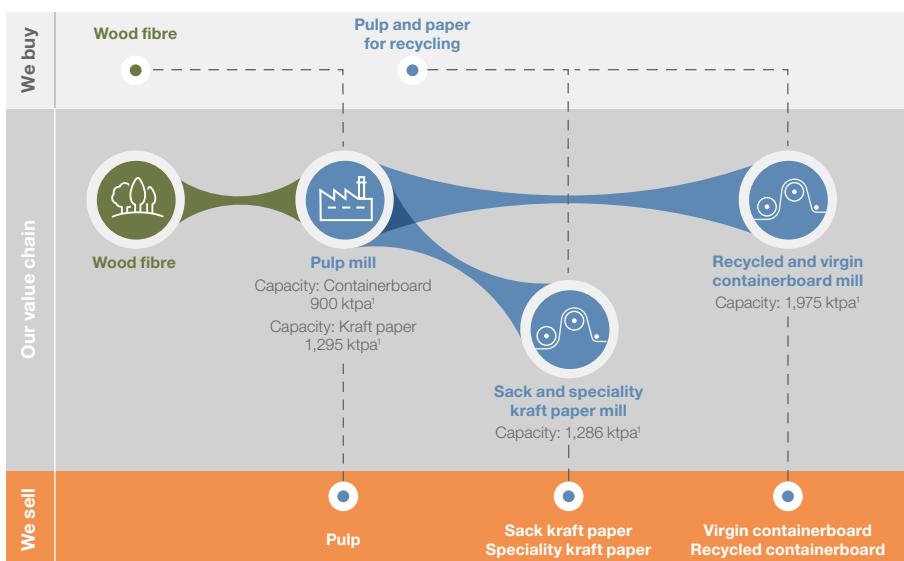
10 action areas	16 commitments by 2020
<b>Employee and contractor safety</b>	<ul style="list-style-type: none"> <li>Avoid work-related employee and contractor fatalities</li> <li>Prevent life-altering employee and contractor injuries</li> <li>Reduce TRCR by 5% compared to 2015 baseline, including new acquisitions</li> </ul>
<b>A skilled and committed workforce</b>	<ul style="list-style-type: none"> <li>Engage with our people to create a better workplace</li> </ul>
<b>Fairness and diversity in the workplace</b>	<ul style="list-style-type: none"> <li>Promote fair working conditions in the workplace</li> </ul>
<b>Sustainable fibre</b>	<ul style="list-style-type: none"> <li>Maintain 100% FSC certification and promote sustainable management of our owned and leased forestry operations</li> <li>Procure a minimum of 70% of our wood from FSC or PEFC CoC-certified sources with the balance meeting our company minimum wood standard that complies with the standard for Controlled Wood (FSC-STD-40-005)</li> </ul>
<b>Climate change</b>	<ul style="list-style-type: none"> <li>Reduce specific<sup>1</sup> CO<sub>2</sub>e emissions from our pulp and paper mills by 15% by 2030 against a 2014 baseline</li> </ul>
<b>Constrained resources and environmental impacts</b>	<ul style="list-style-type: none"> <li>Reduce specific<sup>1</sup> contact water consumption by 5% compared to a 2015 baseline</li> <li>Reduce specific<sup>1</sup> waste to landfill by 7.5% compared to a 2015 baseline</li> <li>Reduce specific<sup>1</sup> NOx emissions from our pulp and paper mills by 7.5% compared to a 2015 baseline</li> <li>Reduce specific<sup>1</sup> effluent load to the environment by 5% (measure COD) compared to a 2015 baseline</li> </ul>
<b>Biodiversity and ecosystems</b>	<ul style="list-style-type: none"> <li>Promote ecosystem stewardship in the landscapes where we operate through continued multi-stakeholder collaboration</li> </ul>
<b>Supplier conduct and responsible procurement</b>	<ul style="list-style-type: none"> <li>Encourage supply chain transparency and promote fair working conditions together with our key suppliers</li> </ul>
<b>Relationships with communities</b>	<ul style="list-style-type: none"> <li>Enhance social value to our communities through effective stakeholder engagement and meaningful social investments</li> </ul>
<b>Solutions that create value for our customers</b>	<ul style="list-style-type: none"> <li>Encourage sustainable, responsibly produced products</li> </ul>

<sup>1</sup> Measurement based on tonnes per tonne of saleable production.

# Packaging Paper



**Our Packaging Paper business manufactures and sells a wide range of virgin and recycled containerboard and sack and speciality kraft paper for conversion by the Fibre and Consumer Packaging businesses, or for use by external customers.**



<sup>1</sup> ktpa = thousand tonnes per annum.

We are a leading packaging paper producer in Europe with a well-invested, low-cost asset base. We operate nine production sites – eight located in central Europe and Russia and one in the US, with 5,300 employees. We are focused on continuous improvement in quality, efficiency and profitability.

Our broad product range is designed to meet specific customer needs including printability, strength and moisture resistance; the use of raw materials from sustainable sources; and products that are biodegradable and contain recycled content.

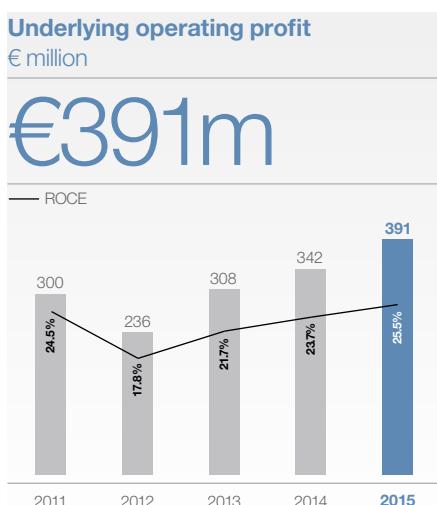
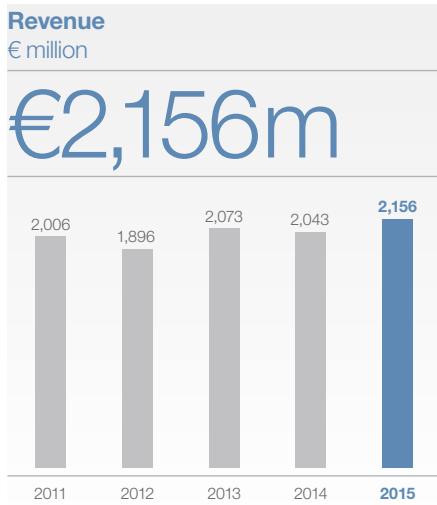
## Production information

		2015	2014
Containerboard <sup>2</sup>	'000 tonnes	2,138	2,160
Kraft paper	'000 tonnes	1,162	1,130
Softwood pulp			
Internal consumption	'000 tonnes	1,952	1,970
Market pulp	'000 tonnes	156	115

<sup>2</sup> Includes production from Raubling (Germany), sold in December 2015.

## Delivering on our strategy

Strategic value drivers	Progress in 2015	2016 objectives
<b>We are passionate about performance</b>	<ul style="list-style-type: none"> <li>Significant improvement in safety performance</li> <li>Continued strong profitability</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing focus on safety</li> <li>Focus on increasing productivity and reliability at all our sites</li> </ul>
<b>We invest in our high-quality, low-cost assets</b>	<ul style="list-style-type: none"> <li>Completion of a number of key capital expenditure projects</li> </ul>	<ul style="list-style-type: none"> <li>Completion and successful start-up of strategic projects</li> </ul>
<b>We work with our customers to find innovative solutions</b>	<ul style="list-style-type: none"> <li>Continued long-term relationships with customers and strong focus on service delivery</li> </ul>	<ul style="list-style-type: none"> <li>Further improve service delivery, focusing on planning and delivery accuracy</li> </ul>



## Financial performance

€ million	2015	2014	Change %
Segment revenue	2,156	2,043	6
Underlying EBITDA	505	443	14
Underlying operating profit	391	342	14
Underlying operating profit margin	18.1%	16.7%	
Special items	(14)	(6)	
Capital expenditure	259	259	
Net segment assets	1,753	1,588	
ROCE	25.5%	23.7%	

Our Packaging Paper business delivered another very strong performance with underlying operating profit increasing by 14% to €391 million and ROCE increasing to 25.5%. The improvements were delivered through volume growth, higher selling prices, generally lower input costs, the benefits of completed capital investments and positive currency effects.

European demand for containerboard is estimated to have grown 4.1% in 2015, with virgin grades growing by 4.7% and recycled grades by 3.9%. Demand in Russia and the other Commonwealth of Independent States (CIS) was stable. Our total containerboard sales volumes grew by 1.2%, driven by operational debottlenecking, with all operations running at capacity.

Average European benchmark selling prices for unbleached kraftliner were up 4.4% on 2014 levels, with a series of price increases implemented during the year before some moderate price erosion towards the end of the year. White-top kraftliner prices were relatively stable during the year, with the average benchmark price marginally up compared to 2014.

Average benchmark recycled containerboard prices were up 0.9% on the prior year. Price increases were implemented in the second half of the year and closing prices were 3.4% higher than the average price for the year.

Recent capacity increases in the European virgin containerboard market, coupled with an increase in imports from certain emerging markets benefiting from weaker currencies versus the euro, have resulted in downward pressure on selling prices. In the early part of 2016, selling prices for the Group's unbleached kraftliner grades sold into Europe declined by an average of around €20-€25/tonne, while white-top kraftliner prices were €10-€15/tonne lower. A 10% increase in the domestic Russian market was implemented for white-top containerboard in February.

Sales volumes of sack kraft paper were up by 10.4%, benefiting from the ramp-up of the 155,000 tonne per annum bleached kraft paper machine in Štětí (Czech Republic), commissioned in 2014; forward integrating pulp that was previously sold in the open market; and the full-year contribution from the Pine Bluff, Arkansas mill (US) acquired in mid 2014.

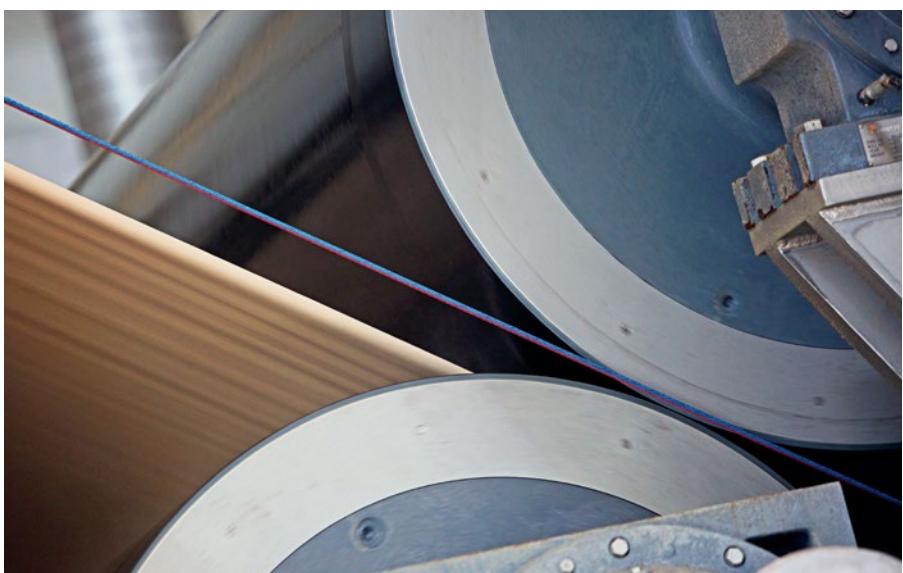
Selling prices for sack kraft paper declined at the beginning of 2015, giving up much of the gains achieved in the second half of 2014. Thereafter prices remained stable for most of the year, and average prices were broadly in line with those of the prior year. In export markets, a combination of a slowdown in construction activity in certain south east Asian markets and political instability in some countries in the Middle East and North Africa had a negative effect on demand in the second half of the year. Seasonal weakness towards the end of the year also impacted European markets. As a result, in early 2016, average selling prices for sack kraft paper produced in Europe have reduced by approximately 5-6%.

We saw good demand for our speciality grades of kraft paper, with higher selling prices on average than the prior year, although sales volumes were negatively impacted by the closure of the Lohja mill (Finland). Selling prices remain stable in the early part of 2016.

The full-year contributions of our projects completed in 2014, including the Syktyvkar pulp dryer (Russia) and rebuilt bleached kraft paper machine in Štětí, contributed significantly to our performance. The completion of our new recovery boiler in Świecie (Poland), conversion of the existing boiler to a biofuel boiler and closure of the coal-fired boilers contributed to lower energy costs in the second half of the year.

Input costs were generally lower than in 2014 as a result of various cost savings initiatives and lower market prices. Wood, chemicals and biofuel costs were all lower and in Syktyvkar, the weaker rouble more than offset domestic inflationary cost increases. Paper for recycling costs were, on average, 7% higher than in 2014, with significant increases experienced during the third quarter of the year before decreasing again towards the end of the year. Income from green energy was lower than the prior year due to lower market prices and volumes sold.

Planned annual maintenance shuts of our Świecie, Dynäs (Sweden) and Stambolijski (Bulgaria) mills were completed in the first half of the year with the balance of shuts taking place in the second half of the year. In 2016, the maintenance shuts of our Świecie and Syktyvkar mills are scheduled to take place in the middle of the year and our kraft paper mill shuts are scheduled for the fourth quarter.



**ECO7, our state-of-the-art lightweight recycled containerboard machine is one of the world's fastest machines**

 Świecie, Poland



### Mondi Diamond Awards

Managing odorous gases is a key challenge in the pulp industry. At our Frantschach mill, we developed a stable, safe procedure to burn such gases without requiring support fuel in the recovery boiler. This technological breakthrough saves millions of cubic metres of natural gas compared to standard industry practice and is a clear example of how sustainable development is part of the way we work at Mondi.

### Sustainable development

		2015	2014
TRCR <sup>1</sup>	per 200,000 hours worked	0.70	0.97
Energy consumption	million GJ	54.65	53.28
Scope 1 and 2 GHG emissions	million tonnes CO <sub>2</sub> e	1.49	1.50
CoC-certified wood procured	%	50	53
Environmental management certification <sup>2</sup>	% operations certified to ISO 14001 standards	100	100

<sup>1</sup> 2014 restated to include Pine Bluff mill and exclude Release Liner Asia converting operation.

<sup>2</sup> Excludes Pine Bluff mill and Release Liner Asia converting operation.

Packaging Paper operates large and generally integrated production facilities. We focus on improving efficiencies, increasing yields, reducing energy and water consumption and reducing waste. Product development is aimed at reducing the weight of our packaging paper, while still retaining or improving its functionality and printability. We also aim to increase the recycled content of our products. We consider virgin and recycled fibres as complementary. Both are key elements of an integrated fibre cycle that is not sustainable without the introduction of virgin fibre for quality and strength.

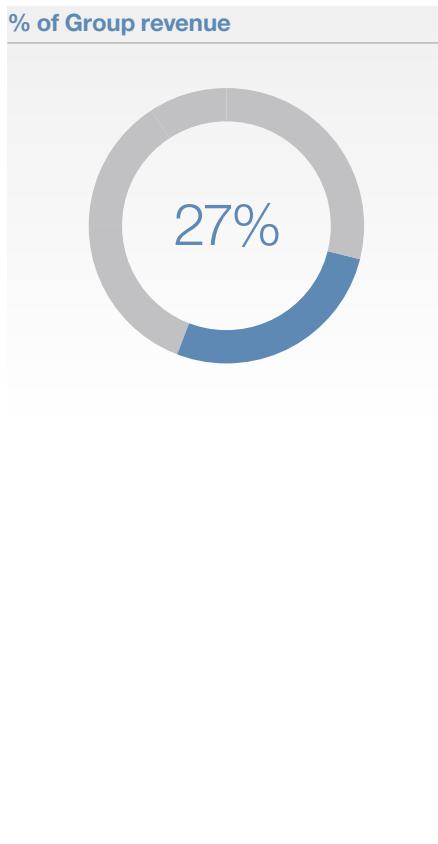
Our passion for performance drives us to continually improve the yields and efficiencies in our mills. During 2015, we completed a number of projects at our Świecie, Syktyvkar and Frantschach (Austria) mills to improve the quality of products produced. The most significant investment completed in 2015 was the construction of the new recovery boiler and conversion of the existing recovery boiler to a biofuel boiler, replacing the coal-fired boilers at our Świecie operation. This investment significantly improved the energy efficiency of the mill, reduced CO<sub>2</sub>e emissions, improved operating efficiencies and reduced ongoing maintenance costs. In 2016, the focus will be on the completion of the second phase of the project, providing increased softwood pulp capacity and an additional 80,000 tonnes of lightweight kraftliner – making full use of the increased capacity from the new recovery boiler.

In 2015, we hosted a seminar, ‘From Fibre to Corrugated Board’ attended by over 300 customers at our Świecie mill. Our customers had the opportunity to observe and ask questions about our production processes and our operating procedures, providing them with a much deeper understanding of the products they use. Our next event is planned for 2017.

Packaging Paper enjoys strong, long-term relationships with many of our customers and this was clearly reflected in the outcomes of the customer survey. The survey also identified two areas that need our ongoing focus: improving our production planning and delivery, and ensuring that our products continue to meet sustainability criteria.

We continue to invest in the development of our people, with a focus on plant maintenance activities in 2016. We have completed the capital investments to engineer out the business’s Top 5 Fatal Risks and we are making good progress in improving our safety record, with a significant reduction in our TRCR. At our kraft paper mill in the US, we continued our activities to ensure the mill meets Mondi safety standards through both training and investment.

# Fibre Packaging



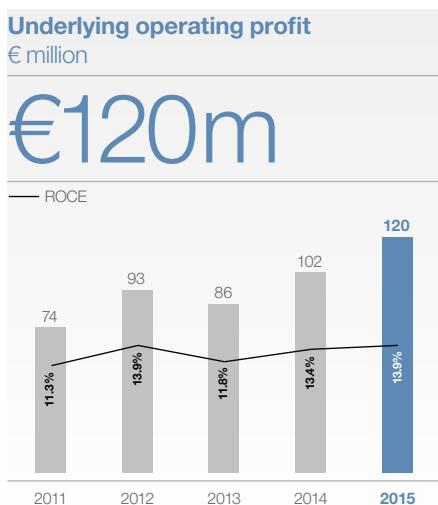
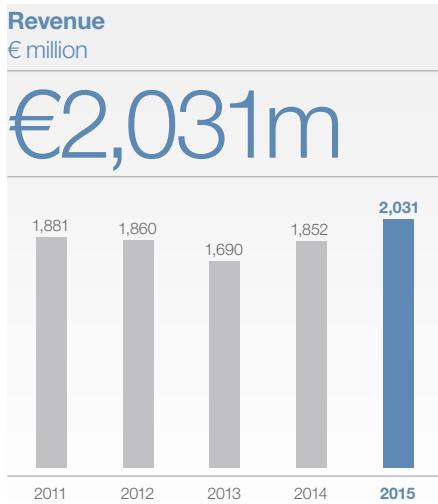
**Our Fibre Packaging business consists of our primarily paper-based converting operations. We manufacture and sell a range of corrugated packaging products, industrial bags and extrusion coatings for a variety of consumer and industrial applications.**



Our comprehensive product portfolio, integration into paper and strong innovation capabilities help us meet our customers' needs by delivering consistent quality and service; lighter weight with the same functionality and strength; high-quality printing; as well as more complex requirements for specific applications.

## Production information

		2015	2014
Corrugated board and boxes	million m <sup>2</sup>	1,350	1,343
Industrial bags	million units	4,925	4,446
Extrusion coatings	million m <sup>2</sup>	1,389	1,401



## Delivering on our strategy

Strategic value drivers	Progress in 2015	2016 objectives
<b>We are passionate about performance</b>	<ul style="list-style-type: none"> <li>Zero defects initiative has resulted in improved quality and service delivery, with reduced costs and waste</li> </ul>	<ul style="list-style-type: none"> <li>Continue to optimise production network</li> </ul>
<b>We invest in our high-quality, low-cost assets</b>	<ul style="list-style-type: none"> <li>Upgrading and providing new capabilities, particularly in our corrugated packaging and North American bags operations</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing investment in modernisation and automation as well as introducing new capabilities</li> </ul>
<b>We work with our customers to find innovative solutions</b>	<ul style="list-style-type: none"> <li>New product development in partnership with customers such as HYBRID<sup>PRO</sup> and e-commerce solutions</li> </ul>	<ul style="list-style-type: none"> <li>Grow with customers in emerging markets</li> <li>Ongoing focus on innovative new products</li> </ul>

## Financial performance

€ million	2015	2014	Change %
Segment revenue	2,031	1,852	10
Underlying EBITDA	187	166	13
Underlying operating profit	120	102	18
Underlying operating profit margin	5.9%	5.5%	
Special items	(21)	(16)	
Capital expenditure	118	77	
Net segment assets	935	875	
ROCE	13.9%	13.4%	

Underlying operating profit of €120 million reflected an 18% increase on the prior year, with ROCE increasing to 13.9%. Continuous improvements in underlying operating performance, acquisitions and currency gains contributed to our performance.

On a like-for-like basis, sales volumes in Corrugated Packaging were 3.3% higher than the prior year, with good volume growth in Poland and the Czech Republic and stable volumes in central Europe and Turkey. Margins were supported through innovative customer solutions, high-quality service and the benefits of restructuring activities completed in 2014. We invested in a number of new converting machines to improve our customer offering, especially in the higher-value product segments, and these investments have contributed to our improved performance. We have planned further similar investments to take advantage of these growing markets. Profitability of the Turkish business was negatively impacted by ongoing political turbulence in the region affecting demand growth, domestic cost inflation and the weaker Turkish lira. In February 2016, we announced our intentions to acquire SIMET S.A., a corrugated plant in Poznań (Poland), and upgrade the plant to a high-efficiency box plant, improving our customer offering and supporting the strong growth in this region.

In Industrial Bags, sales volumes were up 11% on the prior year, benefiting from the full-year contribution of our US bags business, acquired in 2014, and good volume growth in the Middle East and Africa which, combined with a number of innovative new products, more than offset softer European markets. Selling prices were higher than the previous year and we saw currency gains from sales in our US dollar-based markets. We completed various commercial excellence projects, generating cost savings and productivity improvements. A one-off gain from the sale of land and buildings in Italy also contributed to the improved results.

Our focus on improving the product portfolio in Extrusion Coatings resulted in positive gains from product mix effects, further supported by good cost management.



### Mondi Diamond Awards

Our corrugated packaging business in Poland developed a new consultancy-based approach with one of its key customers, designed to understand and deliver on their needs. Working with our integrated network of operations, Mondi created a team of experts to study the customer's needs and develop solutions including supply chain processes, shelf operations and packing guidelines for all its suppliers. Based on the analysis we were able to propose a variety of new solutions to our customer to improve their logistics, reduce costs and enhance shelf-appeal. We have extended this approach to other customers in Poland, delivering a significant increase in new and high value-added business.

### Sustainable development

		2015	2014
TRCR	per 200,000 hours worked	1.13	1.31
CoC certification	% operations certified to FSC or PEFC CoC standards	67	68

The breadth of operations across more than 20 countries gives our Fibre Packaging business the unique capability of fully optimising the production network to better serve our customers. We have a number of initiatives in progress to optimise our operations such as our zero defect initiative, investment in automation and modernisation and plant specialisation. In 2015 and 2016, we are also investing in our IT systems to enhance our ability to serve our customers and manage our business even better.

We were very pleased with the outcomes of the recent customer survey, demonstrating good progress across all areas. Our production network improvement initiatives, focused on product quality and service delivery, are designed to help us further develop those areas our customers identified as priorities to them.

We have a strong culture of innovation and have launched a number of new products during the year. Our innovation capabilities are supported by our long-term customer relationships and backward integration into paper. Our focus is on highlighting the benefits of fibre-based packaging solutions. Where appropriate, we have also introduced synthetic-based features, for example our HYBRID<sup>PRO</sup> industrial bags described on page 10. In our US bags operations we are promoting the features of our kraft paper, which allow a reduction in the number of layers, while still delivering the required strength.

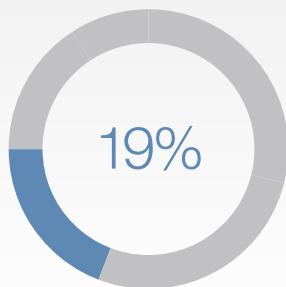
Fibre Packaging is Mondi's most labour intensive business with 7,700 employees, and we have a strong focus on developing our people, particularly those in first time leadership positions. We have seen the benefits this brings in improved productivity, customer service and safety performance.

Safety is a top priority for our business and we have continued to address our Top 5 Fatal Risks, particularly those relating to the safe use of moving and rotating equipment. We have made significant progress in aligning the safety systems and procedures in our US bags business with those of the Group.

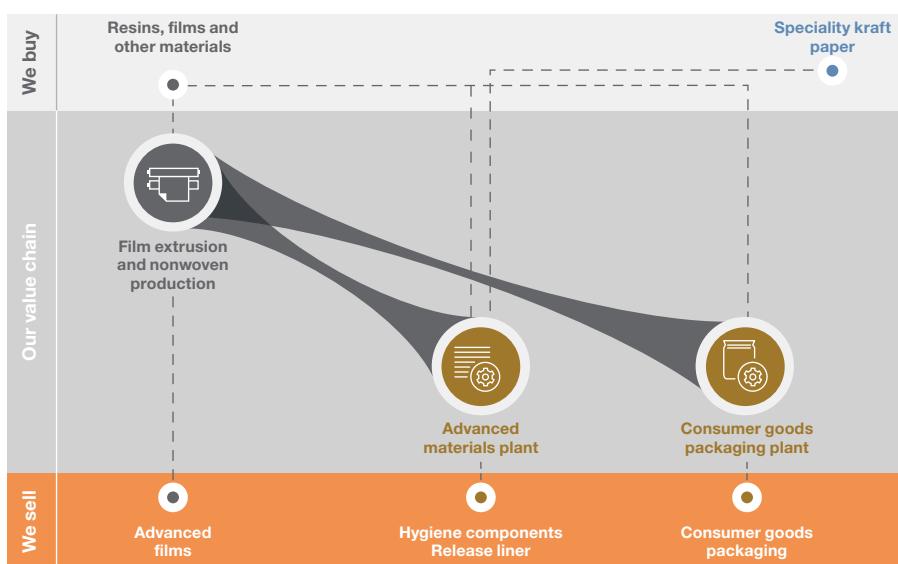
Our backward integration into paper, provided by the Packaging Paper business, ensures that our primary input material meets required sustainability standards. Fibre Packaging focuses on reducing waste and delivering material savings in our end products, without compromising on product functionality.

# Consumer Packaging

% of Group revenue

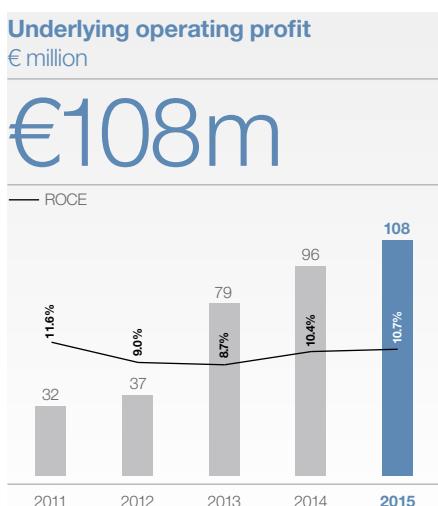
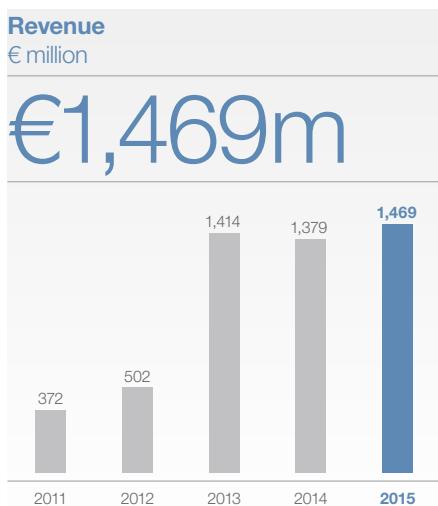


**Our Consumer Packaging business develops, manufactures and sells innovative consumer packaging solutions, advanced films, components for hygiene products and release liner.**



We operate a high-quality asset base with 27 operating sites, using proprietary processing technology with vertical integration along the value chain. Our leading positions in chosen end-use applications; especially hygiene, food, pet food and industrial applications; combined with our product innovation culture provide a strong platform for growth.

Delivering on our strategy		
Strategic value drivers	Progress in 2015	2016 objectives
 <b>We are passionate about performance</b>	<ul style="list-style-type: none"> <li>Further refinement of production base and focus on segments offering sustainable value growth</li> </ul>	<ul style="list-style-type: none"> <li>Successful integration of recent acquisitions</li> <li>Deliver on productivity improvement and waste reduction targets</li> </ul>
 <b>We invest in our high-quality, low-cost assets</b>	<ul style="list-style-type: none"> <li>Recent acquisitions providing integration and growth opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Successful delivery of capital investments</li> </ul>
 <b>We work with our customers to find innovative solutions</b>	<ul style="list-style-type: none"> <li>Restructured innovation to be more customer driven</li> <li>Stronger collaboration and partnering</li> </ul>	<ul style="list-style-type: none"> <li>Further develop innovation, and translate innovation into growth and higher margins</li> </ul>



## Financial performance

€ million	2015	2014	Change %
Segment revenue	1,469	1,379	7
Underlying EBITDA	177	158	12
Underlying operating profit	108	96	13
Underlying operating profit margin	7.4%	7.0%	
Special items	(22)	(17)	
Capital expenditure	92	80	
Net segment assets	1,146	1,021	
ROCE	10.7%	10.4%	

A 13% increase in underlying operating profit to €108 million and the improvement in ROCE to 10.7% reflect the steady progress we have made in repositioning our Consumer Packaging business to take advantage of value-added growth opportunities.

Volume growth was supported by the ramp-up of the Chinese plant, opened in early 2014, and the Polish start-up acquired in July 2014. In line with our strategy, good progress was made in our ongoing initiatives to improve the product mix. Strong volume growth was achieved in our higher value-added segments of hygiene components, consumer laminates and bags, while we have further reduced our exposure to lower value-added products. Margins were further boosted by the benefits from various commercial excellence activities.





### Mondi Diamond Awards

Early in 2014, Mondi opened a new production facility in Taicang (China), producing baby diaper laminates. Within a very tight timeframe we had to transfer know-how to a completely new team, working in a different culture and language. Key personnel were recruited ahead of time for on-the-job training at our main production facility in Gronau (Germany) and we completed the project ahead of schedule, within budget and without any quality incidents.

During 2015, we took a number of steps to accelerate the repositioning of the business. The closures of two operations in Spain and Italy and the sale of three plants in Malaysia and Germany reduced our exposure to lower value-added and/or higher-cost production. The acquisitions of Ascania nonwoven Germany GmbH and KSP, Co. (South Korea and Thailand), completed during the second half of the year, increase the Group's exposure to high-growth, high value-added segments. Ascania is a key supplier to our business, producing nonwoven fabrics and composites used as components in personal care products. KSP, Co. has operations specialising in the production of high-quality spouted and retort stand-up pouches for the food, pet food and beverage industries, offering an excellent fit with our existing stand-up pouch operations in Austria and the US.

Capital investment has been focused on achieving incremental improvements in our existing operations. Commercial excellence activities have contributed to improved operating profit margins in the short term, while at the same time ensuring that the business is correctly positioned to take advantage of future growth opportunities. These activities have focused on improved sales infrastructure, material usage and efficiency, leveraging the purchasing power of the Group, improving productivity and enhancing the innovation process.

### Sustainable development

		2015	2014
TRCR <sup>1</sup>	per 200,000 hours worked	1.14	1.54
Hygiene certification	% food contact operations certified to recognised food hygiene standards	100	100

<sup>1</sup> 2014 restated to include Release Liner Asia converting operation.

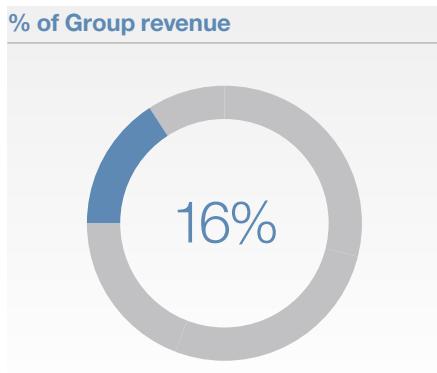
Flexible packaging can provide considerable advantages over rigid packaging alternatives, saving over 70% of packaging material, and reducing the carbon footprint and water usage by up to 40%. Our focus is on developing products that provide the same, or better, properties and features as their rigid packaging alternatives, resulting in savings for our customers and reducing the impact on the environment. The most important requirements include reduced weight, extended product shelf life and easy-opening or reclosable solutions. For example, in our production of laminates we have achieved a significant reduction in material weight without compromising elasticity or strength.

Customer-driven innovation is critical to our long-term success. We have allocated more resources to our innovation activities and refined our innovation processes by taking a more structured approach.

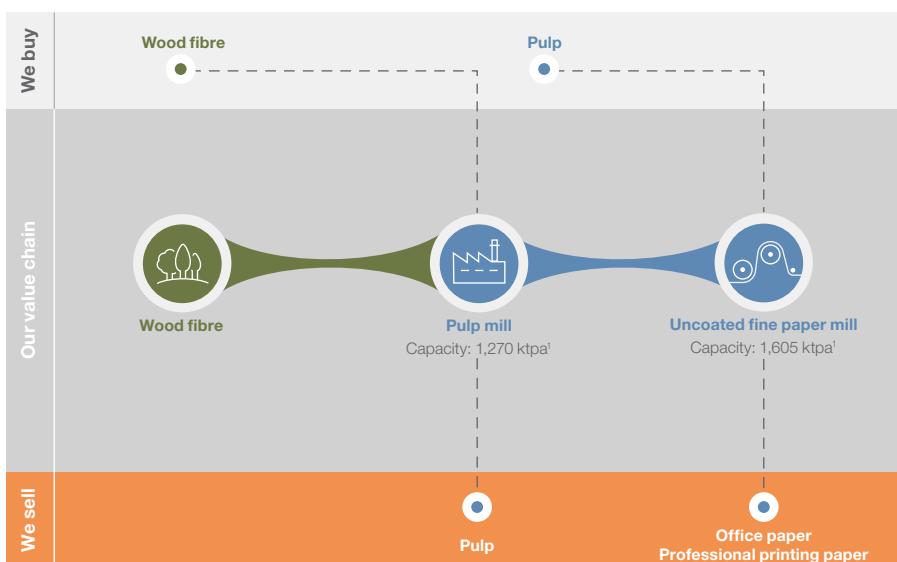
We have completed a number of initiatives across our operations to debottleneck them and improve our productivity and efficiency. These initiatives have reduced our operating costs and enabled us to make good progress in reducing weight.

We have implemented a formal people development strategy throughout our operations for our 4,600 employees, enriched by extensive communication and two-way feedback. Our safety performance remains a key area of focus and we have seen a pleasing improvement in our TRCR by focusing on our Top 5 Fatal Risks and other initiatives to further strengthen our safety culture. Our focus is on ensuring that all new entities acquired meet the Mondi standards as quickly as possible – both through training and investment.

# Uncoated Fine Paper



**Our Uncoated Fine Paper business manufactures and sells a wide range of quality papers for use in office and professional printing.**



<sup>1</sup> ktpa = thousand tonnes per annum.

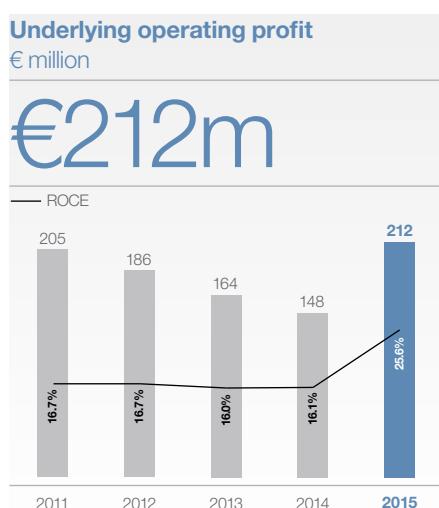
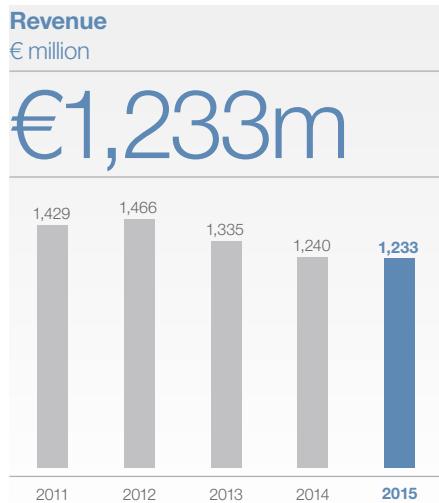
We have a leading position in Europe, with a focus on emerging Europe and Russia. We operate a vertically integrated, high-quality, low-cost asset base with three operating sites, 6,000 employees, and we are continually looking for ways to improve efficiency and productivity.

## Production information

		2015	2014
Uncoated fine paper	'000 tonnes	1,379	1,361
Hardwood pulp			
Internal consumption	'000 tonnes	1,061	1,041
Market pulp	'000 tonnes	100	86
Newspaper	'000 tonnes	197	202

## Delivering on our strategy

Strategic value drivers	Progress in 2015	2016 objectives
<b>We are passionate about performance</b>	<ul style="list-style-type: none"> <li>Higher productivity</li> <li>Targets for cost reduction and efficiency met</li> </ul>	<ul style="list-style-type: none"> <li>Continue to focus on paper machine efficiencies and improving productivity</li> </ul>
<b>We invest in our high-quality, low-cost assets</b>	<ul style="list-style-type: none"> <li>Recent investments fully integrated and operational, delivering significant cost savings and efficiency benefits</li> </ul>	<ul style="list-style-type: none"> <li>Successful management of large capital projects</li> </ul>
<b>We work with our customers to find innovative solutions</b>	<ul style="list-style-type: none"> <li>Continued innovation in high-performance printing papers and extending portfolio of Green Range products</li> </ul>	<ul style="list-style-type: none"> <li>Targeting further growth in high-performance printing papers</li> </ul>



## Financial performance

€ million	2015	2014	Change %
Segment revenue	1,233	1,240	(1)
Underlying EBITDA	291	238	22
Underlying operating profit	212	148	43
Underlying operating profit margin	17.2%	11.9%	
Capital expenditure	65	117	
Net segment assets	821	922	
ROCE	25.6%	16.1%	

Our Uncoated Fine Paper business generated underlying operating profit of €212 million, up 43% on the prior year, with a ROCE of 25.6%. Higher selling prices in the CIS, including Russia, lower input costs across the business and contributions from capital investments more than offset the negative currency effects, primarily from the weaker rouble.

Our uncoated fine paper sales volumes increased by 1.7% over the prior year, reflecting market share gains in an overall declining market. European demand was stable, while in the CIS, including Russia, demand contracted by an estimated 4%. The business also benefited from increased sales of market pulp following the investments completed in 2014 at the Ružomberok mill (Slovakia) to improve energy efficiencies and increase pulp production.

Benchmark average selling prices in Europe were down 0.7% on average over the prior year, but 1.9% up comparing the second half of the year to the first half. Selling price increases were implemented in April and September in a tight market, supported by significant capacity rationalisation through conversions and closures, and stable demand. We have successfully implemented a further price increase of up to 4% in European markets from January 2016.

Selling prices were increased in Russia at the beginning of the year and again in the fourth quarter, offsetting the effects of domestic cost inflation. Price increases have been implemented during February 2016 with further increases announced for implementation in April 2016.

Overall the business benefited from generally lower input costs, with wood, chemical and energy costs all declining. In Russia, higher prices in local currency were more than offset by the rouble devaluation. Our commercial excellence programmes, focused on purchased material, operating efficiencies and productivity improvements, also contributed to good cost control. The benefits of our new recovery boiler at the Ružomberok mill, completed in October 2014, were fully realised during the year. Hardwood pulp prices were however significantly higher in euro terms, up around 26%, negatively impacting the profitability of the semi-integrated Neusiedler (Austria) operations.

We completed our planned maintenance shuts during the third quarter of 2015. In 2016, the maintenance shuts of our Ružomberok and Syktyvkar mills are planned for the first half of the year.

In February 2016 we agreed to sell our Neusiedler operations to one of our subsidiaries, Mondi SCP, a.s. (which owns and operates our Ružomberok mill), reducing our effective ownership in Neusiedler to 51%. The transaction enables Neusiedler and SCP to better align and optimise their product portfolio and production capacity.

### Sustainable development

		2015	2014
TRCR	per 200,000 hours worked	0.29	0.37
Energy consumption	million GJ	65.79	62.36
Scope 1 and 2 GHG emissions	million tonnes CO <sub>2</sub> e	2.32	2.32
Forest certification	% managed land certified to FSC and PEFC standards	100	100
CoC-certified wood procured	%	79	76
Environmental management certification	% of pulp and paper mills and forestry operations certified to ISO 14001 standards	100	100



 Syktyvkar, Russia

We have invested in our waste water treatment plant to reduce our emissions



### Mondi Diamond Awards

Our Syktyvkar mill was impacted by significant negative external factors affecting its low-cost market position. To reverse this situation we set out to create a programme owned, defined and driven by our people. We pulled expertise from right across the mill, together generating and then implementing more than 300 initiatives. We have realised significant improvements in productivity and efficiency and our people-centred approach ensures that we have a constant flow of new initiatives to boost the long-term sustainability and cost competitiveness of our mill.

Our UFP business continues to deliver excellent customer service, with high ratings for our product range, innovative marketing approach and reliability of delivery. We were delighted to again be ranked first in the EMGE cutszie brand and supplier benchmarking survey (June 2015) – the seventh time in a row that we have achieved this rating for mill performance.

Our products are wood-based, a renewable and recyclable resource. Our forests in Russia are critical to our success and we have invested in modernising our forestry equipment, with a focus on transportation safety and efficiency as distances increase. By investing in our nursery, we have almost doubled our capacity over the last four years to eight million seedlings per year.

We work with customers and original equipment manufacturers in the printing industry to develop innovative new products, such as our new design paper PERGRAPHICA®, developed at our Austrian mill. We are well positioned to take advantage of opportunities in the high-quality printing industry, such as the move from offset to digital printing.

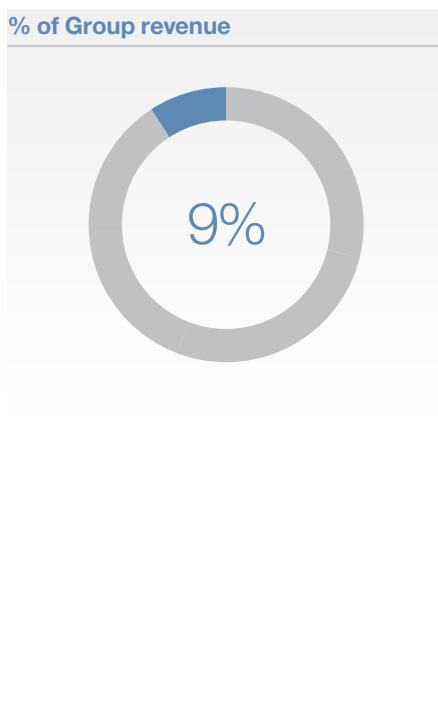
At Ružomberok, our focus has been on the optimisation of the new recovery boiler which, in combination with our investments in the lime kiln, has resulted in a reduction in energy consumption; CO<sub>2</sub>e emissions; specific chemical consumption and ongoing maintenance costs.

We unfortunately experienced a fatality at our logging operations in Syktyvkar in March. Immediate investigation and comprehensive response has led to changes to controls to prevent reoccurrence. In addition we have made good progress in engineering out our most significant risks and providing extensive safety training to all our people. We have extended our focus on safety at our Ružomberok mill with our Guardian Angel safety programme, which is helping us to eliminate unsafe behaviour at our operations and improve safety standards in our surrounding communities.

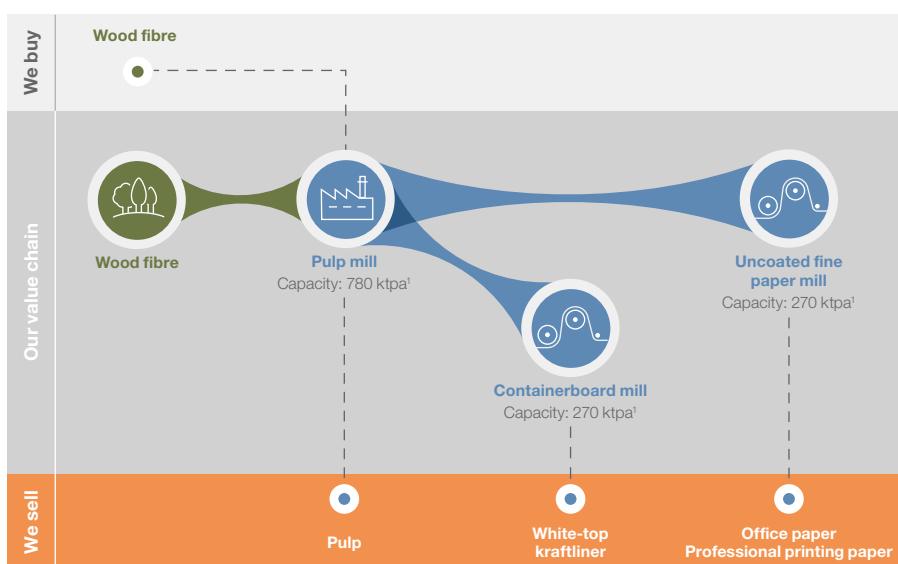
We remain committed to making a real and lasting contribution to the communities in which we operate. We have invested in talent development in Russia to ensure that we secure the next generation of talent for our business. Our focus has been on the development of local management resources in collaboration with universities in the region. The encouraging early successes have led us to extend this programme to our Ružomberok mill.

We work closely with the communities surrounding our operations, with education being a primary focus. In addition to financial aid, we provide apprenticeships and student support. In Russia, we offer support for local business incubation in rural communities and have contributed to infrastructure development at the universities. We operate a community medical centre, sports centre and recreation centre; treat more than 90% of the waste water in the Syktyvkar municipality; supply over 23,000 households with heat; and supply more than 15% of the electricity requirements of the Komi Republic.

# South Africa Division



**Our South Africa Division sustainably manages plantation forests and manufactures and sells pulp, white-top kraftliner and uncoated fine paper.**

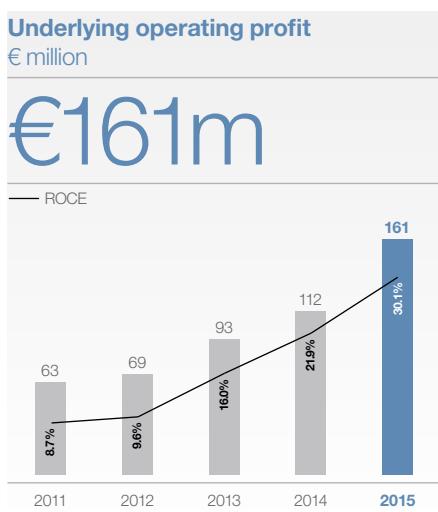
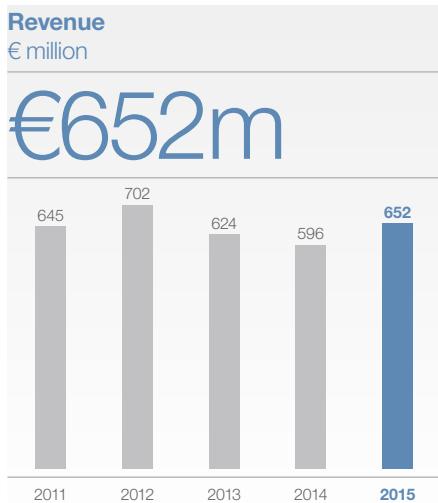


<sup>1</sup> ktpa = thousand tonnes per annum.

We are focused on leveraging our strong domestic market position and the global competitiveness of our Richards Bay mill. We employ 1,600 people, own and manage 154,000 hectares of forestry land, and operate two production sites.

## Production information

	2015	2014
White-top kraftliner	'000 tonnes	247
Uncoated fine paper	'000 tonnes	240
Hardwood pulp		
Internal consumption	'000 tonnes	305
Market pulp	'000 tonnes	314
Newsprint	'000 tonnes	113
Softwood pulp – internal consumption	'000 tonnes	138



## Delivering on our strategy

Strategic value drivers	Progress in 2015	2016 objectives
<b>We are passionate about performance</b>	<ul style="list-style-type: none"> <li>Realised benefits from modernisation and further efficiencies</li> </ul>	<ul style="list-style-type: none"> <li>Deliver efficiencies and modernisation benefits in forestry operations</li> <li>Focus on productivity and operational efficiency in mills</li> </ul>
<b>We invest in our high-quality, low-cost assets</b>	<ul style="list-style-type: none"> <li>Capital projects progressing to plan</li> </ul>	<ul style="list-style-type: none"> <li>Completion of strategic investments in woodyard and brown kraftliner production</li> </ul>
<b>We work with our customers to find innovative solutions</b>	<ul style="list-style-type: none"> <li>Further growth in domestic cutsize market</li> </ul>	<ul style="list-style-type: none"> <li>Continue to serve domestic market as customer needs evolve</li> </ul>

## Financial performance

€ million	2015	2014	Change %
Segment revenue	652	596	9
Underlying EBITDA	199	153	30
Underlying operating profit	161	112	44
Underlying operating profit margin	24.7%	18.8%	
Capital expenditure	61	29	
Net segment assets	563	626	
ROCE	30.1%	21.9%	

Our South Africa Division's underlying operating profit increased 44% to €161 million and ROCE improved to 30.1%. Higher selling prices, good cost control, forestry revaluation gains and currency benefits more than offset domestic cost inflation.

Sales volumes were marginally lower than the previous year as a result of an extended planned maintenance shut at our Richards Bay mill. Strong domestic demand for uncoated fine paper was met by reducing export volumes into the rest of Africa, while export volumes of pulp were increased due to favourable export pricing and weaker domestic demand.

Selling prices for pulp and white-top kraftliner were higher on average than in the previous year for both our domestic market and exports. For uncoated fine paper, domestic prices were higher on average while US dollar export prices were lower. Significant currency gains were realised from the effect of the stronger US dollar and euro on export sales volumes. Selling price increases were implemented in early 2016 in certain domestic uncoated fine paper segments.

Above inflationary price increases in labour and electricity and the impact of the weaker South African rand on imported materials put pressure on our input costs. However, a continued focus on improving productivity, driving efficiencies and reducing waste ensured that fixed cost increases were limited.

Forestry gains are dependent on a variety of factors over which we have limited control. In 2015, selling prices of timber increased which, combined with the benefit of the lower average crude oil price, resulted in a fair value gain of €40 million (2014: €34 million) being recognised, of which €23 million was recognised in the first half of the year. We also benefited from land sales as we sought to further optimise our forestry operations.

The planned maintenance shut at Richards Bay took place during the first half of 2015. In 2016, a shorter shut is planned, again for the first half of the year.



### Mondi Diamond Awards

Modernising our nursery and forestry operations unlocked major improvements in operational productivity, ergonomics and safety, resulting in higher skilled jobs. To mitigate the impact of the resulting job losses in communities, the Mondi Zimele Jobs Fund, co-funded by the government, has developed over 100 sustainable community businesses which employ over 2,600 people and generate local revenues in excess of €28 million per annum. Consequently, our forestry operations have been modernised without any notable community disruption – a critical contribution to the sustainability of our business in South Africa. These higher skilled jobs, maximising local participation, build strong community partnerships, strengthen the competitiveness of local suppliers and enable economic and social stability for community growers.

### Sustainable development

		2015	2014
TRCR	per 200,000 hours worked	0.49	0.42
Energy consumption	million GJ	28.53	29.56
Scope 1 and 2 GHG emissions	million tonnes CO <sub>2</sub> e	1.35	1.36
Forest certification	% managed land certified to FSC standards	100	100
CoC-certified wood procured	%	77	81
Environmental management certification	% of pulp and paper mills and forestry operations certified to ISO 14001 standards	100	100

We are dependent on low-cost timber from sustainably managed forests. Our research activities focus on increasing the resistance of our trees to pests and diseases, improving their ability to withstand drought conditions and increasing the rate of growth and yield. As a result we have significantly reduced the time to market for new clones; improved our disease and pest resistance as well as the uniformity and quality of our timber; and achieved a 10% improvement in growth rate. Coupled with our nursery modernisation investments, this has enabled us to deliver a 10-15% improvement in our timber yield.

South Africa is experiencing one of its worst droughts in 30 years. At our Richards Bay operations, we have reduced our specific water consumption by 9% compared to 2014. We are operating below the Level 3 water restriction limits of the Department of Water and Sanitation and will be well below the Level 4 water restriction limits proposed for implementation in March 2016. We continue to explore opportunities for increasing water recovery from the mill's production processes and we are investigating alternative water sourcing options in collaboration with government, industry and agriculture.

We enjoy strong relationships with our customers and received excellent ratings in our recent customer survey for our product and service quality, and professional staff performance. In response to customer feedback, we improved the way we communicate sustainability information, and we will continue to focus on ensuring consistent, on-time, in-full delivery.

We are committed to the development of our people and have a consistently high level of training in our operations. A highlight this year was that four of our employees received their international Pulp and Paper Craftsman qualification in Europe. By investing in our people, our operations have become safer and our people are more skilled, more effective and more productive. Our productivity has improved by 90% over the last three years.

Safety remains our top priority and we have kept our focus on eliminating incidents. Among other initiatives, we have made successful use of training videos to highlight safety procedures during maintenance shuts.



**Mechanised forestry results in higher skilled jobs and improves safety, productivity, reliability and quality of supply**

 Richards Bay, South Africa

# Governance

**Your Boards are confident that Mondi's strong and effective governance framework is providing the right level of oversight and challenge to maintain an effective relationship with management in the best interests of our shareholders.**

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# Introduction from joint chairmen



**David Williams**  
**Fred Phaswana**  
Joint chairmen

## Dear shareholder

Earlier in this report we discussed Mondi's ability to deliver strongly across the cycle. Your Boards remain confident that this will continue, due to the quality of Mondi's business, the robustness of the Group's strategy and the Boards' and management's commitment to the principles of transparency, integrity and accountability, underpinned by an effective governance framework.

Your Boards continue to apply comprehensive controls to ensure Mondi maintains its proven track record of operational excellence, capital expenditure project delivery and M&A execution. We pursue a clear and consistent strategy that we believe remains valid and continues to deliver value for shareholders. Providing effective and responsible leadership for the long-term success of the Group is key and we trust that the following report will explain how we achieve this.

During the year, as part of our long-term planning, we have considered a number of large capital investment projects. We have focused on those providing further opportunities for value-enhancing growth in line with our strategy. Two projects that will enhance our packaging product portfolio include:

- a €310 million investment in a new 300,000 tonne per annum kraft top white machine at our Ružomberok mill in Slovakia together with related pulp mill upgrades. In February 2016 we approved this project, subject to obtaining approval for various tax incentives from the European Commission and necessary permitting; and
- the debottlenecking and optimisation of our Štětí mill in the Czech Republic, including the replacement of the recovery boiler.

In addition, we reviewed and approved two acquisitions that provide growth and cost optimisation opportunities for our Consumer Packaging business. To grow our product range in hygiene components and improve our innovation capabilities, we approved the acquisition of Ascania nonwoven Germany GmbH, which completed in November 2015. To increase our geographic reach, particularly in the US and Asia, we also approved the acquisition of KSP, Co. (South Korea and Thailand), a producer of spouted and retort stand up pouches, which completed in December 2015.

We have continued our focus on improving performance, approving the sale of non-core operations in Germany and Malaysia and also of a recycled containerboard mill at Raubling (Germany), and supporting the difficult decisions management made to close certain operations in Finland, Italy, Spain, Germany and the US.

Your Boards are confident that the strong and effective governance framework is providing the right level of oversight and challenge to maintain an effective relationship with management in the best interests of our shareholders.

## Changes to the composition of the Boards

During the year we have made a change to the composition of the Boards with Imogen Mkhize retiring at the end of September after having served almost nine years. We are grateful to Imogen for her valuable contribution to the Boards and committees since her appointment in 2007 and wish her well for the future. We have also been pleased to welcome Dominique Reiniche to the Boards as an independent non-executive director. Dominique joined Mondi at the beginning of October and with her extensive business experience of operating in Europe, her international consumer marketing and innovation experience and strong customer awareness, brings important additional skills that will benefit Mondi as we continue to grow our packaging interests in line with our stated strategy. The process followed for her appointment is explained in more detail in the nominations committee report on page 91.

This change to the composition of the Boards also provided an opportunity to refresh the committee memberships.

## Governance and values

We continue to operate in a challenging legislative and regulatory environment, so focusing on what is important and considering how best to address these challenges in such a way that we can continue to operate effectively is key. It is important to us that the Boards and the Group as a whole engage with the spirit of good governance, operate from a robust ethical foundation and demonstrate strong corporate values. While we invest time in monitoring operational and financial performance we also review and check the controls, procedures and practices that underpin how we operate as a Group to ensure they are robust.

All the directors attended the Mondi Leadership Forum held in June providing us with a unique opportunity to spend quality time with the Group's top 130 senior leaders and engage with them on how they see the business and what hopes they have for the future. It also enabled us to evaluate the personal attributes of the Group's future leaders, assisting us when we discussed the executive succession plans.

One of the key governance focus areas this year for the audit committee was the audit tender process which, as announced in October, has resulted in the decision to change the Group's auditors from Deloitte to PricewaterhouseCoopers from 2017. More information on the process is given in the audit committee report on pages 99 and 100.

## Conclusion

We have prepared the following governance report which sets out the detail of how Mondi's governance framework works in practice. We hope that, together with the Strategic report and financial statements, this will provide you with an overview of how we are managing the Group and looking after the interests of our shareholders.

**Fred Phaswana**  
Joint chairman

**David Williams**  
Joint chairman

## Board of directors

# Wide ranging experience

### Fred Phaswana, 71

Joint chairman

**Appointed**

June 2013

**Committee memberships**

Nominations, social & ethics

**Qualifications**

MA (Unisa),  
BCom (Hons) (RAU),  
BA (Philosophy, Politics and  
Economics) (Unisa)



**Experience**

Fred has a wealth of experience in African and global businesses with well developed strategic and commercial skills having previously been regional president of BP Africa, a non-executive director of Anglo American plc and chairman of Anglo American South Africa, Anglo Platinum, Transnet, Ethos Private Equity, the South African Energy Association and the Advisory Board of the Cape Town Graduate School of Business. Fred retired as chairman of Standard Bank group and The Standard Bank of South Africa at the end of May 2015. He was also the former vice chairman of WWF South Africa and Business Leadership of South Africa and was the honorary president of the Cape Town Press Club.

**External appointments**

Chairman of the South African Institute of International Affairs and non-executive director of Naspers Limited.

### David Williams, 70

Joint chairman

**Appointed**

May 2007  
and as joint chairman in  
August 2009

**Committee memberships**

Nominations (chairman),  
remuneration

**Qualifications**

Graduated in economics  
from Manchester University,  
chartered accountant (UK)



**Experience**

David has significant experience in senior financial roles held across a range of multinational companies, with board experience as both an executive and non-executive director. He retired as finance director of Bunzl plc in January 2006, having served on the board for 14 years. He was previously a member of the Tootal management board and finance director of Tootal plc. Until December 2015 David was senior independent director of Meggitt plc where he also chaired the audit committee. Formerly a non-executive director of the Peninsular & Oriental Steam Navigation Company, Dewhurst Group plc, Medeva plc, George Wimpey plc, Taylor Wimpey plc, Tullow Oil plc and Dubai-based DP World Limited.

**External appointments**

None.

### David Hathorn, 53

Chief executive officer

**Appointed**

May 2007

**Committee memberships**

Executive (chairman),  
sustainable development,  
social & ethics

**Qualifications**

Graduated in commerce  
from the University of Natal,  
chartered accountant  
(South Africa)



**Experience**

David has more than 24 years' experience in the packaging and paper industry with strong financial and commercial experience of the sector. He completed articles with Deloitte & Touche in Johannesburg in 1987. He joined Anglo American plc in 1989 as a divisional finance manager, moving to Mondi in 1991 and going on to serve as finance director and then general manager of Mondi Europe until 2000, when he was appointed chief executive officer of the Mondi Group. He has led Mondi through major change, especially the demerger from Anglo in 2007.

At Anglo American plc, David was a member of the executive committee from 2003 and an executive director from 2005 and served on the boards of a number of group companies.

**External appointments**

Chairman of Elemental Minerals Limited.

### Andrew King, 46

Chief financial officer

**Appointed**

October 2008

**Committee membership**

Executive

**Qualifications**

Graduated in commerce  
from the University of Cape  
Town, chartered accountant  
(South Africa)



**Experience**

Andrew has more than 13 years' experience with Mondi in various strategy, business development and finance roles. 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 chief financial officer of Mondi from June 2005 to May 2006. He was then appointed as Group strategy and business development director before becoming the chief financial officer of the Mondi Group in 2008.

**External appointments**

None.

**Peter Oswald, 53**

Chief executive officer: Europe & International Division

**Appointed**

January 2008

**Committee membership**

Executive

**Qualifications**

Graduated in law from the University of Vienna and in business administration from WU-Vienna Business School

**Experience**

Peter has over 23 years' experience of the sector with detailed knowledge of operations and extensive experience in the acquisition, disposal, restructuring and turnaround of businesses. He began his career with Deutsche Bank and automotive company KTM. He joined the Frantschach Group in 1992 as the head of internal audit, later becoming corporate controller.

After serving as chief executive of the bag and flexibles business from 1995 to 2001, he was appointed chief executive of Mondi Packaging Europe in 2002, leading its subsequent integration with Frantschach into the new Mondi packaging division. Having held a number of senior executive roles within Mondi, Peter was appointed chief executive officer of the Europe & International Division in January 2008. He was a non-executive director of Telekom Austria AG between 2008 and 2014 and of MIBA AG between 2014 and 2015.

**External appointments**

Chairman of the supervisory board of OMV AG.

**Anne Quinn CBE, 64**

Senior independent director

**Appointed**

May 2007 and as senior independent director in August 2009

**Committee memberships**

Audit, nominations, remuneration (chairman), sustainable development

**Qualifications**

BCom from Auckland University and MSc in management science from the Massachusetts Institute of Technology. Awarded a CBE for services to the natural gas industry

**Experience**

Anne has extensive experience in the natural resources sector. She spent her early career with NZ Forest Products Limited and the US management consulting company Resource Planning Associates. She has wide-ranging oil and gas global experience having joined Standard Oil of Ohio, which was subsequently acquired by BP plc, following which she went on to work for BP in the US, Belgium, Colombia and the UK and held a number of executive positions, including group vice president. Previously a managing director of Riverstone Holdings (Europe), a private equity investment firm specialising in the renewable and conventional energy and power industries and a former non-executive director of The BOC Group plc from 2004 to 2006.

**External appointments**

Non-executive director of Smiths Group plc.

**John Nicholas, 59**

Non-executive director

**Appointed**

October 2009

**Committee memberships**

Audit (chairman), nominations

**Qualifications**

Master's degree in business administration from Kingston University, chartered accountant (UK)

**Experience**

John has business and commercial experience having spent his early career in technology-focused international manufacturing and service companies involved in analytical instruments, fire protection and food processing. He became group finance director of Kidde plc on its demerger from Williams Holdings and was group finance director at Tate & Lyle plc from 2006 to 2008. He was a non-executive director of Ceres Power Holdings plc until December 2012, chairing the audit committee.

At the end of April 2015 John completed his tenure as a member of the UK Financial Reporting Review Panel, which seeks to ensure that the provision of financial information by public and large private companies complies with relevant reporting requirements. He had served as a member for six years.

**External appointments**

Non-executive director of Hunting PLC where he chairs the audit committee and of Rotork p.l.c. where he is the senior independent director and chairman of Diploma PLC where he was previously the senior independent director and chair of the remuneration committee.

**Dominique Reiniche, 60**

Non-executive director

**Appointed**

October 2015

**Committee memberships**

Nominations, remuneration

**Qualifications**

MBA from ESSEC Business School in Paris

**Experience**

Dominique has extensive business understanding of operating in Europe and has international consumer marketing and innovation experience. 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, Dominique joined The Coca-Cola System in 1992, starting in sales and marketing and then holding various roles of increasing responsibility up to general manager France. From 2002 to early 2005 she was president Europe for Coca-Cola Enterprises and from 2005 on she was president Europe for the Coca-Cola Company and then chairman from 2013 until stepping down in 2014.

Until December 2015 Dominique was a non-executive director of Peugeot-Citroen SA.

**External appointments**

Non-executive director of AXA SA, Chr. Hansen Holdings A/S and Paypal (Europe).

**Stephen Harris, 57**

Non-executive director

**Appointed**

March 2011

**Committee memberships**

Audit, nominations, remuneration, sustainable development (chairman), social & ethics (chairman)

**Qualifications**

Chartered engineer, graduated in engineering from Cambridge University, master's degree in business administration from the University of Chicago, Booth School of Business

**Experience**

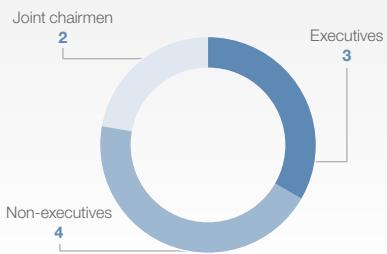
Stephen has extensive experience in engineering and manufacturing having spent his early career with Courtaulds plc and then moved to the USA to join APV Inc from 1984 until 1995, where he held several senior management positions. He was appointed to the board of Powell Duffryn plc as an executive director in 1995 and then went on to join Spectris plc as an executive director from 2003 until 2008. He was also a non-executive director of Brixton plc from 2006 to 2009.

**External appointments**

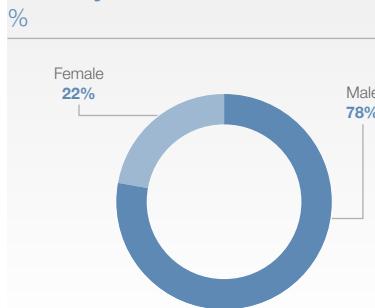
Chief executive officer of Bodycote plc.

# Corporate governance report

## Composition of the Boards



## Diversity of the Boards



## Compliance statement

Mondi's dual listed company (DLC) structure requires us to comply with the principles contained in the South African King III Code of Corporate Governance Principles (available at [www.iodsa.co.za](http://www.iodsa.co.za)) and the September 2014 edition of the UK Corporate Governance Code issued by the Financial Reporting Council (available at [www.frc.org.uk](http://www.frc.org.uk)). It is the view of the Boards that, except as referred to below, Mondi has complied throughout the year with all the provisions of these codes.

The Boards determined that the DLC sustainable development committee provided the appropriate oversight for the sustainability reporting in the Integrated report and financial statements 2015 rather than the DLC audit committee, as recommended under King III. Due to the nature of Mondi's business the DLC sustainable development committee regularly reviews all key sustainability issues for the Group, meeting six times a year and reporting directly to the Boards. Therefore it is considered to be better placed to review the integrity of the sustainability reporting. The DLC sustainable development committee has therefore provided the assurance on sustainability issues in the Integrated report and financial statements 2015.

A more detailed analysis of Mondi's compliance with King III is available on the Mondi Group website at [www.mondigroup.com](http://www.mondigroup.com).

The Boards note the review of King III that is currently being undertaken. We are monitoring developments and await the final outcome at which time we will review any potential implications for Mondi.

## Composition of the Boards

The directors holding office during the year ended 31 December 2015 are listed below, together with their attendance at board meetings. As at 31 December 2015 there were nine directors: the joint chairmen, four non-executive directors, each considered by the Boards to be independent, and three executive directors.

While the size and composition of the Boards and its committees are kept under review by the nominations committee, following the appointment of Dominique Reiniche during the year, we are of the view that collectively there is an appropriate balance of capabilities, business experience, independence and diversity on the Boards to meet the Group's current business needs. The directors have experience gained from a range of international organisations.

Those in office as at the date of this report, together with their biographical details, can be found on pages 74 and 75.

Directors	Position	Independent	Board member since	Mondi Limited board (one meeting)	Mondi plc board (one meeting)	DLC board (six meetings)
Fred Phaswana	Joint chairman	Yes (on appointment)	June 2013	1	1	6
David Williams	Joint chairman	Yes (on appointment)	May 2007	1	1	6
Stephen Harris	Non-executive director	Yes	March 2011	1	1	6
David Hathorn	Chief executive officer	No	May 2007 <sup>1</sup>	1	1	6
Andrew King	Chief financial officer	No	October 2008	1	1	6
Imogen Mkhize <sup>2</sup>	Non-executive director	Yes	May 2007	1	1	4
John Nicholas	Non-executive director	Yes	October 2009	1	1	6
Peter Oswald	Chief executive officer, Europe & International Division	No	January 2008	1	1	6
Anne Quinn	Senior independent non-executive director	Yes	May 2007	1	1	6
Dominique Reiniche <sup>3</sup>	Non-executive director	Yes	October 2015	n/a	n/a	2

<sup>1</sup> David Hathorn was appointed a director of Mondi Limited in May 1997.

<sup>2</sup> Imogen Mkhize retired from the boards of Mondi Limited and Mondi plc on 30 September 2015. Imogen attended all meetings up to the time of her departure.

<sup>3</sup> Dominique Reiniche joined the boards of Mondi Limited and Mondi plc on 1 October 2015. Dominique attended all meetings following her appointment.

### Non-executive director tenure



### 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 either Mondi Limited or Mondi plc. No requests were received during the year.

In addition, each of the committees are empowered, through their terms of reference, to seek independent professional advice at Mondi's expense in the furtherance of their duties.

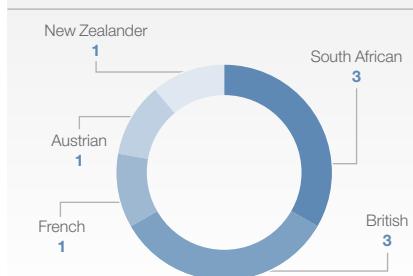
### D&O insurance

Throughout the year to 31 December 2015, in line with market practice, Mondi maintained directors' and officers' liability insurance.

### Procedure for conflicts of interest

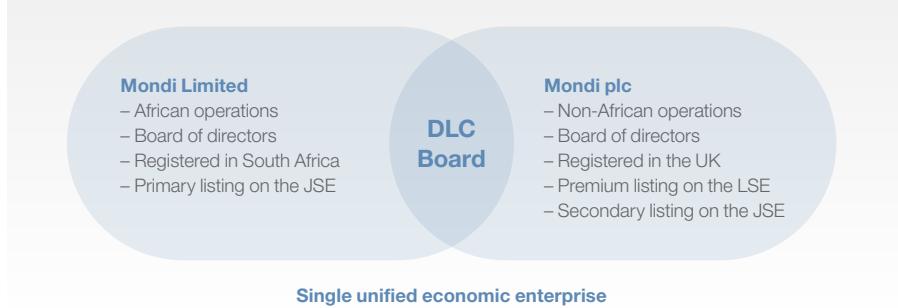
Company law, the memorandum of incorporation of Mondi Limited and the articles of association of Mondi plc allow directors to manage potential conflicts. A formal procedure is in place for the reporting and review of any potential conflicts of interest involving the Boards with support from the company secretaries, with authorisations reviewed on an annual basis.

### Nationalities represented on the Boards



# Corporate governance report

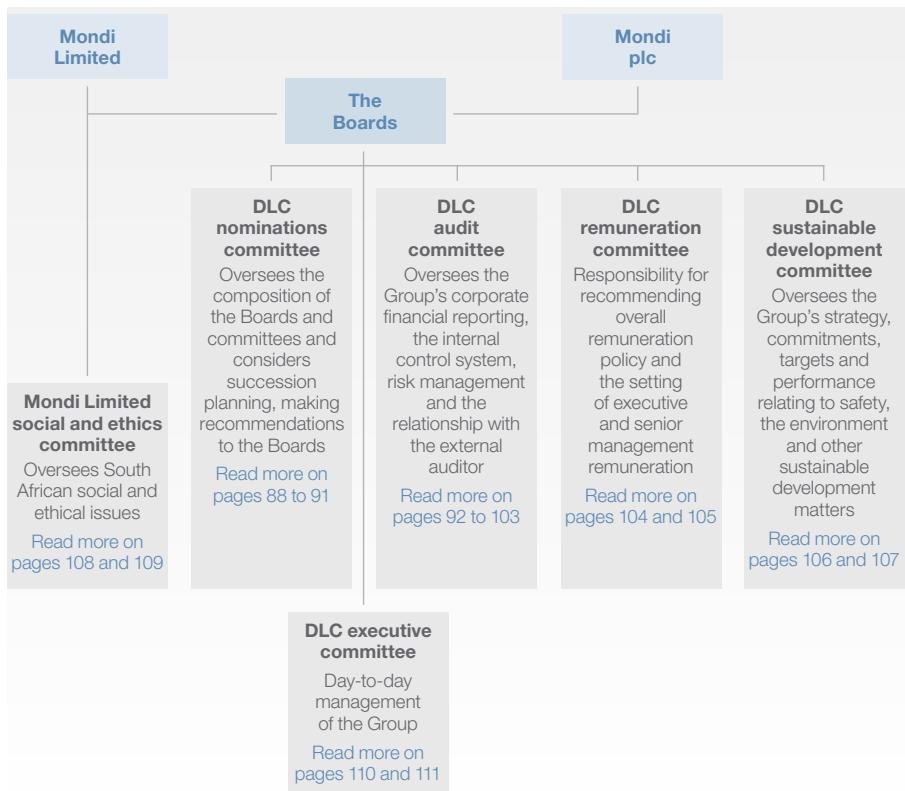
## Board structure



### Single unified economic enterprise

Mondi comprises Mondi Limited, registered and listed in South Africa, and Mondi plc, registered and listed in the UK. Each entity has its own board of directors comprising the same individuals. This enables the effective management of the DLC structure as a single unified economic enterprise with due consideration being given to the interests of the ordinary shareholders of both Mondi Limited and Mondi plc.

Leadership of the Boards comes from the joint chairmen. Having joint chairmen brings to the Boards a diversity of knowledge and experience and shared values. They have agreed a rolling agenda to ensure that all key matters reserved for the consideration of the Boards is covered in the annual cycle of meetings. Agendas for each meeting are agreed with the chairmen 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. Examples of additional agenda items during 2015 were the review of the US operations, focusing on the recently acquired businesses, and the views of an economist on Global macroeconomic issues. Responding appropriately to the changing environment in which the Group operates is vital for the long-term success of Mondi.



The effective operation of the Boards is supported by each of the committees listed below:

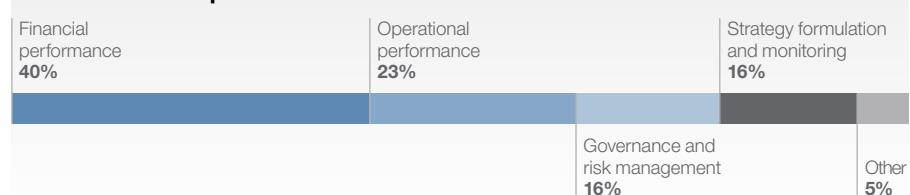
- DLC nominations committee;
- DLC audit committee;
- DLC remuneration committee;
- DLC sustainable development committee; and
- Mondi Limited social and ethics committee.

The committees have been established in line with governance practice and the Boards have delegated certain responsibilities thereby enabling full consideration to be given to all key matters. The role of each committee is described later in this report. After each committee meeting, each committee chair reports back to the next board meeting. This facilitates the communication between directors and ensures that all aspects of the Boards' mandate have been addressed. In addition there is a DLC executive committee that is responsible for the day-to-day management of the Group within the limits set by the Boards.

The matters reserved for the Boards together with the terms of reference of each of the committees are available on Mondi's website. They are reviewed and updated at least on an annual basis. During 2015 certain of the committee terms of reference were updated in response to changes in circumstances, governance and regulation, in particular those of the audit committee.

The Boards meet six times a year as a DLC board plus at least once each year as separate legal entity boards. 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's characters which in turn aids discussion and challenge in the board room and creates a positive dynamic. Fred Phaswana generally chairs those meetings held in South Africa and David Williams those held in Europe. They oversee the distribution of appropriate, accurate and well-presented materials, with meeting packs being circulated electronically a week before each meeting. They also ensure there is sufficient debate and consultation with management and advisers as well as between the directors themselves during meetings in order that effective decisions are reached. As appropriate, other senior executives below board level and advisers, are invited to attend and present at meetings, providing the non-executive directors with a broader perspective on matters under consideration.

#### **How the Boards spent their time**



There is a work programme agreed for the Boards each year which ensures that all matters reserved for review by the Boards are covered by the regular meeting agendas. There are also additional matters presented to the Boards during the year as the need arises, usually in connection with strategic opportunities that have presented themselves for consideration. Some of the specific areas reviewed during the year are set out on pages 80 to 82.

# Corporate governance report

During the year the key activities of the Boards included:

## Financial performance

- Following reports from the audit committee, the Boards have reviewed and approved the full and half-yearly results and associated announcements and also the interim management statements. In addition, the Boards have reviewed the feedback from investors and analysts following the roadshows undertaken by management after the release of these results.
- Again following reports from the audit committee, the Boards have reviewed and approved the Mondi Group Integrated report and financial statements, ensuring they present a fair, balanced and understandable assessment of the Group's position and prospects (see page 98 for more information).
- Dividend recommendations and declarations have been considered in light of the Group's stated dividend policy, financial performance and strong cash generation.
- At every meeting the chief financial officer provided an update on the Group's current trading performance which highlighted the Group's and individual business unit financial performance against the agreed budget and latest forecasts.
- The Group business plan for 2016-2018 and the budget for 2016 were reviewed, supported by presentations from the chief financial officer and Group financial controller, with the Boards considering the assumptions made and the reasonableness of the plan, focusing on the operational overviews, cash flow management and capital allocation.
- Annual reviews of Group treasury and of the Group's tax management practices were undertaken including updates on the funding position, longer-term plans as well as consideration of the maintenance of the Group's investment grade credit ratings, renewal of the EMTN programme and revolving multicurrency credit facility.

## Operational performance

- The chief executive officer provided a report to the Boards at each meeting highlighting developments in the markets in which we operate, outlining the current operations and flagging any areas of management focus as well as providing a high-level overview of the projects and financial performance. These reports are taken at the start of each meeting to provide the Boards with an overview of any areas of focus for the meeting.
- At every meeting the Boards received a report on safety performance and serious incidents, providing an update on performance against the milestones agreed for the year with breakdowns by business unit. These reports also included a focus on safety performance for each material mill enabling the Boards to identify any particular areas of concern. The directors were saddened by the fatality at Syktyvkar (Russia) and oversaw management's response to the incident and the support provided to the family.
- At regular intervals throughout the year the Boards received detailed presentations on the trends in the Europe & International Division and South Africa Division, providing more in-depth reviews of each business and enabling the directors to obtain a clear picture of the markets, pricing and performance.
- The Boards received an update on the Group's US Industrial Bags and Consumer Packaging businesses, including a post investment review of the bags and kraft paper business acquired from Graphic Packaging International, Inc. in 2014 and actions and initiatives for the continuous improvement of the US operations.
- At every meeting the Boards received an update report on each of the material capital investment projects in progress, enabling adequate oversight of the robustness of the project planning and budgeting.

## Governance

- Following a report from the nominations committee, the Boards reviewed and approved the renewal of the term of office of John Nicholas as he had reached his six-year term (see page 86 for more information).
- Following recommendation from the nominations committee, the Boards considered and approved the appointment of Dominique Reiniche as an independent non-executive director (see page 91 for more information).
- Following recommendation from the audit committee, the Boards reviewed the external audit tender process and approved the change of the Group's auditor from Deloitte to PricewaterhouseCoopers (PwC) after completion of the 2016 audit and subject to shareholder approval (see pages 99 and 100 for more information).

- Following a report from the nominations committee, the Boards reviewed the output from the annual evaluation process and agreed an action plan (see pages 86 and 87 for more information).
- At every meeting the Boards received country assessments, primarily for Russia and South Africa, providing updates on the local economies and related matters that help provide perspective when considering Group performance and any new proposals.

#### **Other regular governance matters**

- Reviewed delegations of authority and the matters reserved for the Boards as well as the calendar of meetings and rolling agenda.
- Reviewed an analysis of the share registers and a market analysis at every meeting in order to stay in touch with the Group's investor profile and views.
- Reviewed key Group policies and their continued relevance and implementation, highlighting any areas for improvement or change.
- Reviewed the Group's corporate governance compliance, focusing on the South African and UK requirements for listed companies.
- Reviewed the continued implementation of the Business Integrity Policy.
- Reviewed and approved the matters to be presented to shareholders at the Annual General Meetings and approved the meeting notices.
- Received reports at each meeting from the company secretaries which included governance and regulatory updates and details of any potential implications for Mondi.

#### **Risk management**

- The Boards undertook their annual review of the Group's risk management processes, plan and risk tolerance levels supported by the audit committee, with the presentation including details of risk monitoring and mitigation activities, noting that there had been no significant change in the Group's risk profile since the previous year (see pages 38 to 42 for more information).
- With input from the audit committee, the Boards considered a presentation of IT risks, security and governance with a particular focus on cyber security (see page 95 for more information).
- Reviewed the Group insurances, the presentation providing details of the different insurances in place and the level of cover, enabling the Boards to ensure that there is an appropriate balance of risk between the Group and our insurers.

#### **Strategy formulation and monitoring**

- A strategy review session was held during the year including consideration of where Mondi is today, its strategic focus, options for future growth and detailed business by business strategic initiatives, resulting in continued support for Mondi's strategic direction.
- As part of our longer-term planning we have been considering a number of large capital projects, focusing on those that would produce superior products at among the lowest costs on their respective cost curves, including:
  - the modernisation of the Štětí mill; and
  - the optimisation of the Ružomberok mill by utilising surplus pulp capacity to make a kraft top white for the corrugated industry, which we subsequently approved in February 2016.
- A number of investment and acquisition proposals were considered as well as the divestment of non-core businesses. Examples of those approved during the year are:
  - the acquisition of Ascania nonwoven Germany GmbH to strengthen Mondi's position as the preferred supplier of hygiene components;
  - the acquisition of KSP, Co., a producer of spouted and retort stand-up pouches, which supports our strategy to develop in high value-added, high-growth markets in our Consumer Packaging business;
  - €30 million investment in the woodyard at the Richards Bay mill (South Africa);
  - the divestiture of a recycled containerboard mill at Raubling (Germany); and
  - the sale of non-core operations in film manufacturing in Osterburken (Germany) and Ipoh (Malaysia).
- Once a year we invite a third party, usually a representative from one of our relationship banks, to present to the Boards on the broader economic environment. In 2015, BNP presented a review of Global macroeconomic issues.

# Corporate governance report

- The Boards regularly reviewed potential growth opportunities identified by management to ensure we remain on track and are considering opportunities as they present themselves.

## Other

- There are a number of other regular matters that are reviewed by the Boards throughout the year. Examples during the year have included reviewing the Group's performance against its competitors and receiving feedback on the Mondi Group Leadership Forum.

## Board responsibilities

### Principal responsibilities of the joint chairmen

- Lead and manage the dynamics of the Boards, providing direction and focus, ensuring their effectiveness, consideration of succession and setting the agenda
- Ensure that the Boards set a clear and appropriate strategy for the Group
- Ensure high standards of corporate governance and ethical behaviour
- Ensure effective communication with shareholders and other stakeholders

### Principal responsibilities of the chief executive officer

- Leads the business with day-to-day responsibility for running the operations and, in particular, the execution of strategy
- Chairs the DLC executive committee and leads and motivates the management team
- Ensures the Group has effective processes, controls and risk management systems
- Ensures the Boards receive accurate, timely and clear information about the Group's performance

The roles of chairman and chief executive are distinct and separate. Mondi has joint chairmen, Fred Phaswana and David Williams, with the chief executive officer role held separately by David Hathorn. The joint chairmen maintain a regular dialogue with each other and manage the Boards through mutual agreement.

The division of responsibilities between the joint chairmen and the chief executive officer has been clearly defined and approved by the Boards. They do however work closely on matters such as the relationships with major shareholders, governments, analysts, media and other external relationships. The joint chairmen provide support and advice while respecting the executive responsibility of the chief executive officer. They maintain an effective relationship and have regular interaction through meetings and telephone calls outside the formal board meeting cycle. This provides opportunities for regular updates on business objectives and priorities.

The main positions held by Fred Phaswana and David Williams outside the Mondi Group are detailed in their biographies set out on page 74. During the year Fred Phaswana retired as chairman of Standard Bank group and The Standard Bank of South Africa, and at the end of December 2015 David Williams relinquished his non-executive directorship of Meggitt plc. Both Fred Phaswana and David Williams were independent upon appointment.

With the joint chairmen now having minimal commitments external to Mondi, the Boards continue to consider that they each devote sufficient time to their duties to Mondi, with both having attended all meetings and made themselves available to management and other directors when required.

Anne Quinn is the senior independent director (SID), having been appointed to this role in August 2009.

### Principal responsibilities of the senior independent director

- Provides support to, and acts as a sounding board for, the joint chairmen
- Available as a point of contact for shareholders
- Available as a trusted intermediary for the other directors, as necessary
- Chairs a meeting of the non-executive directors at which the performance of the joint chairmen is considered

## Non-executive directors

### Principal responsibilities of the non-executive directors

- Offer an external perspective to, and constructively challenge, management
- Monitor management performance
- Assist in developing the Group's strategy
- Ensure the integrity of financial reporting and the effectiveness of internal controls and risk management
- Determine executive director remuneration

The non-executive directors provide a valuable level of independent oversight of the Group's activities and constructive challenge of management. Their varied business backgrounds enable them to apply diverse knowledge and experience to issues raised with the Boards, particularly when considering the setting of the Group's strategy. They each actively participate in the decision-making, discussing and tackling issues with a frankness and openness of mind, and dedicate sufficient time to effectively discharge their duties to Mondi.

### Non-executive director meetings

Non-executive director meetings, chaired by one of the joint chairmen (except when their performance is being considered), are held twice a year. These meetings focus particularly on the performance of the executives although the agendas are driven by the non-executive directors and cover a variety of topics. One of these meetings is attended by the chief executive officer in order to provide input to the discussions on executive performance and succession.

## Company secretaries

Philip Laubscher is the company secretary of Mondi Limited and Carol Hunt the company secretary of Mondi plc. They work together on the coordination of Mondi's DLC structure.

- Appointed and removed by the Boards and are accountable to the Boards as a whole
- Both are professionally qualified and have gained experience over a number of years (their biographies are on page 110)
- Report at each board meeting on relevant corporate governance and regulatory matters and changes, including the provision of advice on the performance of directors' duties and the continuing obligations of the JSE and LSE
- Ensure the timely distribution of meeting packs ahead of each meeting

Pursuant to the Listings Requirements of the JSE, the Boards confirm that they have reviewed and are satisfied that each of the company secretaries is competent and has the relevant qualifications and experience.

In assessing their competence the Boards have considered the expected role and duties pursuant to the requirements of both South African and UK Companies' Acts, governance codes and continuing obligations of the stock exchanges on which Mondi is listed, and considered their respective compliance with each of these. The Boards have reviewed their performance not only during the last year but since joining Mondi. The Boards concluded that the company secretaries have each complied with all the requirements of the Companies Acts, governance codes and continuing obligations of the relevant stock exchanges.

While all directors have access to the advice and services of the company secretaries, the company secretaries maintain an arm's length relationship with the Boards. They do not take part in board deliberations and only advise on matters of governance, form or procedure. Throughout the year they have not only ensured compliance with board procedures, but have provided independent advice to the Boards, in particular the chairmen and non-executive directors, on a range of governance and compliance matters and best practice.

# Corporate governance report

## Training and development

When new directors join the Boards they undertake an induction. While there is an outline induction programme in place this is discussed with each new director and is tailored to meet any specific requirements, in particular any committee responsibilities. The programme generally includes meetings with each member of the executive committee and key advisers in addition to site visits. The aim is to provide a new director with sufficient background and information about the Group and its performance and to highlight any specific areas of risk or concern. See below for information regarding the ongoing induction programme for Dominique Reiniche.

Each director has the opportunity to discuss any development needs with one of the joint chairmen 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. During the year directors have attended programmes relating to finance and remuneration. Also, presentations and reports are provided regularly to the Boards that give information on the broader context of the Group's activities and position in the market. Regular feedback is provided through the sharing of regular analyst and broker reports and briefings.

 Richards Bay, South Africa



### Dominique Reiniche – induction programme

Following Dominique's appointment in October as a non-executive director, an induction programme that would be managed over the first few months of appointment was agreed. The primary purpose 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 within which Mondi must operate.

### Company secretaries

Her induction started with a briefing from one of the company secretaries to explain the DLC structure and its implications for the operation of the Boards. The governance framework within which we operate was discussed and access provided to an online director handbook, containing all key documents of reference for directors including guidance on the duties and obligations for listed company directors.

### Joint chairmen and non-executive directors

Meetings with her board colleagues were arranged, particularly with the chairmen of committees to which Dominique has been appointed. Ahead of her first board programme at which there was to be a key audit committee meeting, a meeting was held with the chairman of the audit committee.

### Executive committee members and senior management

Meetings with each member of the executive committee have been held in order to provide an understanding of the Group's business, markets, operations and material projects as well as risk areas. In addition, meetings with the Group heads of tax, treasury, health and safety and sustainability were arranged, providing the opportunity to engage with senior management on a one-on-one basis.

### Advisers

A meeting has been held with the UK audit engagement partner and other sessions, particularly with the remuneration committee consultants, are being arranged in order to provide an independent view of key areas of focus for the Group.

### Site visits

Dominique has visited our South African operations. Her visit included both the forestry operations and mills. Specifically she toured the KwaMbonambi nursery, saw our tree improvement and mechanical harvesting operations and visited the Richards Bay mill.

Further visits to other key operational sites will be arranged over the coming months.



## Site visits

Although the whole board have not had the opportunity to undertake a site visit this year, individual directors have made visits to some of our key assets and operations, providing them with the opportunity for more in-depth reviews and discussions with local management and staff.

Fred Phaswana, joint chairman, visited our mill in Świecie (Poland) in September and was able to see first-hand the €166 million capital investment project to install a new recovery boiler and replace the coal-fired boilers with a biofuel boiler. The first phase of this project was commissioned according to schedule in 2015. The second phase of the project, to provide an additional 100,000 tonnes per annum of softwood pulp and 80,000 tonnes per annum of lightweight kraftliner, remains on track for completion in early 2017.

In August Stephen Harris visited the mill and logging operations at Syktyvkar in Russia. As chair of the sustainable development committee he focused on safety and sustainability issues at this operational site.

Part of the Boards' annual rolling agenda is focused on updating skills and knowledge. Periodically Mondi's South African and UK advisers facilitate sessions on the duties and responsibilities of directors and on corporate governance developments. Management also provide updates on issues affecting the packaging and paper industry as a whole.

To ensure that the directors are aware of developing trends and future changes in governance and regulation and the likely impact on the Group, the company secretaries report to the Boards at each meeting. They also brief the directors on government and regulatory consultations for information and to assist the directors with context for their decision-making during board and committee deliberations. Other corporate function specialists, for example from Group tax and Group treasury, report to the Boards to enable the directors to gain a greater insight into the way Mondi is managed and controlled. This provides opportunities to question processes, resources and key risks as well as providing context on the wider economic environment.

Although it is recognised that valuable experience can be gained from executive directors accepting appointments as non-executive directors on other boards, it is important to ensure the appropriateness and number of such commitments. There is a policy in place setting out the parameters regarding such appointments. A director will retain any fee paid to them in respect of directorships external to Mondi. Two executive directors hold external directorships, something the Boards consider provides them with broader business experience and skills that will benefit them as individuals and the Group.

David Hathorn was appointed chairman of Elemental Minerals Limited in December, an advanced stage mineral exploration and development company listed on the Australian stock exchange with a primary asset in the Republic of Congo and with its head office in Johannesburg. The Boards were mindful that David is chairman but were satisfied that the nature of the business, its location and the time commitment expected, would not interfere with David's role and commitments at Mondi. It was concluded that the commitment required at this stage in the company's development would be no greater than that of a regular non-executive role. During 2015 no fees were paid to David.

Peter Oswald also holds an external directorship, being chairman of the supervisory board of OMV AG. At the time of his appointment he resigned from his other directorship and the two industry association roles he held. Again, the Boards were mindful of the potential commitment as this was a chairmanship. However, given the two tier board system and that this is the chairmanship of the supervisory board only, the commitment was not considered to interfere with Peter's duties to Mondi. During 2015 Peter received fees totalling €26,243, representing fees owed from both prior and current appointments.

# Corporate governance report



## John Nicholas – review of term of office

During 2015 John Nicholas completed his six-year term. A more detailed review of his performance, including consideration of the governance code requirements, evaluation feedback and shareholder opinion, was considered against the time he devotes to his duties at Mondi and his other business commitments. Feedback from his fellow directors and his contribution to the board debate was also taken into account. It was concluded that John remained independent and able to contribute effectively to Mondi in the best interests of shareholders.

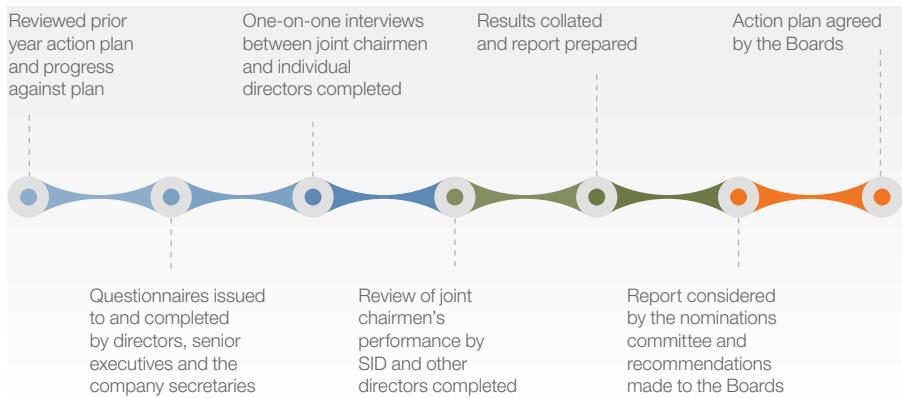
## Performance evaluation

Below are the key actions reported last year and details of the progress we have made against those actions:

Action agreed from 2014 evaluation	Progress achieved
To continue to consider the future need for non-executive directors with relevant experience of the product areas and geographic locations identified as growth areas for the Group.	Dominique Reiniche appointed during the year. See her biography on page 75 and more information regarding her appointment on page 91.
To continue to monitor developments in cyber security and any potential impacts for the Group.	Detailed presentations were made to the audit committee and Boards during the year focusing on cyber security. See page 95 for more information.
To review all committee terms of reference to eliminate, where possible, any overlap in responsibilities following changes in regulation in South Africa resulting in some duties and committee structures being required by law rather than governance.	During the year all committee terms of reference were reviewed and updated as deemed appropriate by each committee and the Boards.
To ensure procedures are in place to meet the new UK governance requirements relating to risk management and going concern.	See the audit committee report on page 93 and the viability statement on page 43 for more information.

## 2015 internal board evaluation process

In line with best practice, we have conducted external evaluations at least once every three years, the last time being in 2013. In 2015, the Boards determined that an internal evaluation was appropriate, recognising the opportunity this provides to reflect on the activities and performance of the Boards, committees and individual directors, and consider improvements to the operation of the Boards. The process followed, which was facilitated by the company secretaries, is illustrated below:



The report highlighted the openness, independent thinking and quality of challenge among directors. The good balance between reviewing strategic and operational matters while maintaining high levels of corporate governance and effective management of risk were of particular note.

The review of the performance of the joint chairmen, led by Anne Quinn as the senior independent director, incorporated feedback from the non-executive and executive directors. Consideration was given to the effective leadership of the Boards, how they worked together, their time commitment and the management of meetings. The positive working relationship between the joint chairmen and the way in which they effectively manage their joint role was noted.

**The key actions agreed by the Boards following the 2015 evaluation are:**

- to continue to focus on succession planning, in particular to consider the need for directors with relevant skills and experience to provide support for the Group's future strategic growth;
- to oversee, through the audit committee, the transition to the Group's new external auditor (see pages 99 and 100 for more information);
- to continue to evaluate growth opportunities in line with the agreed strategy;
- to receive a bi-annual presentation on the Group's cyber security measures; and
- to monitor changes in governance and regulation anticipated to be effective in 2016 (e.g. the Market Abuse Regulation) and ensure appropriate implementation and changes to procedures and policies.

The Boards consider that they continue to benefit from the annual review process, the results from which help guide the future focus of meeting agendas and behaviours.

**Committee reports**

The Boards are supported by the principal committees to which the Boards delegate specific areas of responsibility as described on the following pages and which have authority to make decisions according to their terms of reference. Work programmes are agreed by each committee that are designed around the annual business calendar and their respective terms of reference. Each committee reviews its terms of reference on an annual basis and these are available on the Mondi Group website. The committees are empowered, through their terms of reference, to seek independent professional advice at Mondi's expense in the furtherance of their duties.

The committees meet prior to meetings of the Boards to enable the committees to report to the Boards and provide any necessary recommendations or advice relevant for their deliberations.

Only committee members are entitled to attend committee meetings, although the chairmen of each committee can invite, as they consider appropriate, management and advisers to meetings to provide information and insights, answer questions and generally to assist the committees in carrying out their duties. An indication of the regular attendees is given for each committee.

# Corporate governance report



**"In addition to the continuing robust discussions on succession and talent management, the committee focused on the recruitment of a new non-executive director. We were very clear on the skill set we were looking for. In particular we were aware of the need to broaden the experience on the Boards to be in line with our strategy of growing our packaging interests. The calibre of available candidates was impressive and we have been pleased to welcome Dominique to the Mondi Boards. She is already making a positive contribution to our deliberations."**

David Williams

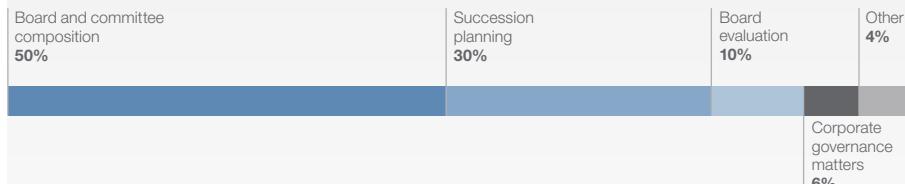
Chairman of the DLC nominations committee

## DLC nominations committee

### Meeting schedule and attendance

The committee met six times during the year.

### How the committee spent its time



### Composition

Members throughout the year	Committee member since	Meeting attendance (six meetings in the year)
Stephen Harris	March 2011	6
Imogen Mkhize <sup>1</sup>	January 2008	5
John Nicholas	October 2009	6
Fred Phaswana	June 2013	6
Anne Quinn	May 2007	6
Dominique Reiniche <sup>2</sup>	October 2015	1
David Williams, chairman	May 2007	6

<sup>1</sup> Imogen Mkhize resigned from the committee on 30 September 2015 and had attended all meetings up to this date.

<sup>2</sup> Dominique Reiniche was appointed a committee member on 1 October 2015 and attended all meetings held following her appointment.

### Other regular attendees

- Chief executive officer

David Williams chairs this committee but is not permitted to chair meetings during sessions regarding his own performance. Neither does he chair meetings at which the appointment of his successor is discussed.

During the year the committee's key activities included:

### Board and committee composition

- Reviewed the composition of the Boards and, having identified the need to appoint a new non-executive director with more experience of the product areas and geographic locations identified as growth areas for the Group, made recommendations to the Boards.
- Oversaw the recruitment process that was led by one of the joint chairmen and the senior independent director (see page 91 for more information).
- Reviewed and confirmed the composition of each of the committees and the committee chairs, recommending changes to the Boards following the appointment of the new director which provided an opportunity to refresh some committee memberships.
- Reviewed the continued independence of each non-executive director, including consideration of their term in office and any potential conflicts of interest, in particular through relationships and circumstances set out in the corporate governance codes of South Africa and the UK. It was concluded that all non-executive directors remained independent.
- Reviewed the time commitment required from each non-executive director, taking account of the number of meetings, preparation for and attendance at those meetings and other commitments held. It was concluded that all non-executive directors continued to devote an appropriate amount of time to address their responsibilities to Mondi.
- Conducted a review as John Nicholas had reached his six-year term in office (see page 86 for more information).

## Succession planning

- Received a report and presentation on talent management practices within the Group.
- Received a report and presentation on diversity within the Group and discussed measures being taken to improve this.
- Received a report and presentation on the succession plans for the executive committee members and senior management within the Group, highlighting emergency cover and likely successors ready now, in 1-3 years and 3-5 years.
- Attended the Mondi Group Leadership Forum (see below for more information).

## Board evaluation

- Monitored progress against the agreed action plan from the prior year's evaluation process (see page 86 for more information).
- Considered the process for the 2015 evaluation of the Boards, committees and individual directors (see pages 86 and 87 for more information).
- Reviewed the output from the 2015 evaluation process and recommended an action plan to the Boards (see page 87 for more information).

## Corporate governance matters

- Reviewed whether it remained appropriate for each director to stand for re-election at the Annual General Meetings and made a recommendation to the Boards.
- Reviewed the committee's terms of reference, performance and work programme to ensure the activities of the committee reflected current regulation, governance and best practice. A proposal to implement changes to the terms of reference was presented to the Boards and approved.
- Considered and agreed the committee's report for inclusion in the Group's Integrated report and financial statements.

## Other

- Reviewed the proposed response to an inquiry from the Equality and Human Rights Commission that they were conducting into gender diversity and the director appointment process.
- Considered requests from David Hathorn and Peter Oswald for them to accept external directorships. Having reviewed the proposals against the policy and the critical factors involved, in particular the time commitments, the requests were agreed to (see page 85 for more information).

 Prague, Czech Republic



Read more about the  
**Mondi Diamond Awards**  
in our business reviews on [pages 52 to 69](#)

## Attendance at the Mondi Group Leadership Forum

The joint chairmen and all non-executive directors attended the Mondi Group Leadership Forum that was held in Prague in June 2015. Mondi's Leadership Forums are held every two to three years and provide an opportunity for the senior leadership group to come together to debate key issues facing Mondi as a leading international business. The Forum in 2015 focused on the three key areas of strategy, innovation and leadership. Leaders used the time together to discuss what Mondi needs to do to keep being successful into the future. The Forum concluded with the Mondi Diamond Awards which recognised outstanding projects and teams across Mondi in the areas of safety, people, operational excellence, customer focus, cutting edge products and sustainable development. More information regarding these awards can be found in the Chief executive's review and Business unit reviews of this report.

Attending the Forum provided the chairmen and non-executive directors with an opportunity to meet the senior leadership group, helping them form views on future successors for the executive team. In addition it provided them with invaluable insights into how the Group's strategy is working and perceived, and the areas of debate among the senior management for the future.

# Corporate governance report

## Appointments to the Boards

At least annually the committee reviews the composition of the Boards and each of its committees to ensure they remain appropriate. During the year it was agreed that Imogen Mkhize would retire from the Boards having served nearly a nine-year term and Dominique Reiniche was appointed an independent non-executive director. More details on the recruitment process are given on page 91. This change has also enabled the refreshing of the composition of some of the committee memberships.

## Terms of appointment

On appointment each non-executive director receives letters of appointment from each of Mondi Limited and Mondi plc setting out, among other things, their terms of appointment, the expected time commitment 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. Mondi follows governance best practice with all directors standing for re-election by shareholders at each Annual General Meeting.

## Diversity

In line with our philosophy of encouraging diversity and excluding discrimination, we provide equal opportunities within the Group. The Group's gender diversity statistics can be found in the Strategic report on page 50. We currently have two female directors representing 22% of the composition of the Boards. While gender diversity is always a consideration we consider diversity to be broader than just gender. Therefore, while we are committed to always considering gender diversity when making appointments, it remains important to ensure diversity is considered in a broader context and that we have the right mix of skills, knowledge and experience on our Boards to meet our business needs and future strategy.

As a global organisation operating in more than 30 countries, diversity forms an integral part of the way we do business and is encouraged. We are committed to creating a culture that embraces diversity and provides a working environment that is non-discriminatory, from recruitment, training and career development, to reward and promotion. We employ, empower and develop competent people with the necessary potential required to meet our business needs and maintain a competitive business advantage.

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.

The Boards have adopted a formal diversity policy for the Group which sets out guidelines for such matters as recruitment, the use of search firms, succession and annual reviews. A number of initiatives continue to be moved forward including an external direct search policy that defines a percentage of female candidates on the long and shortlists and a commitment to hire 50% women for our trainee and internship programmes. Diversity is also becoming an essential part of Mondi's leadership development programme, with the inclusion of a number of talent management and development initiatives through the Mondi Academy, including the implementation of training modules such as 'Intercultural Diversity & International Business Competence' to enhance the understanding and appreciation of the benefits of diversity within the business. Employee exchanges where individuals spend time working in different business units and locations around the Group enables them to gain experience of different working practices and skills as well as having exposure to different cultures.

While it is recognised that there is more work to do, Mondi believes that continually sharing best practice, networking and sharing experiences, both internally and externally, helps us to make good progress.

## Appointment of Dominique Reiniche

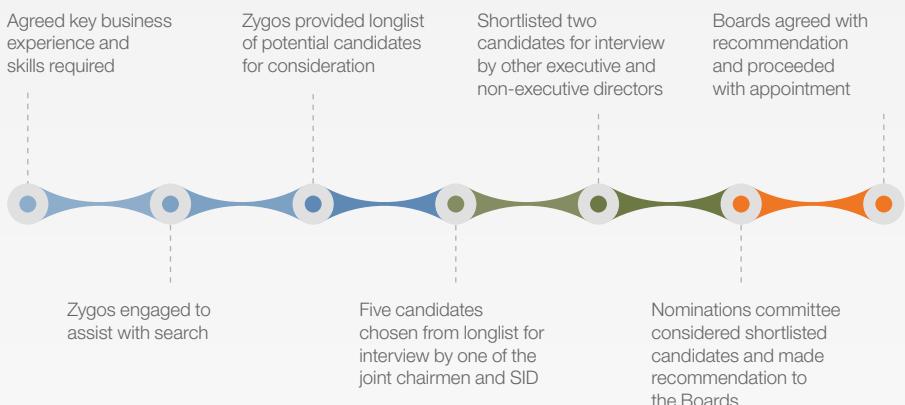


### Background

Board evaluation reviews in recent times have identified the need to bring directors onto the Boards who have experience of the product areas and geographic locations identified as growth areas for the Group. Early in the year it was decided to commence a search for a director with experience in consumer-related packaging, who had a strong customer orientation and whose skills would complement those of existing board members. This led to a clear description of the role and capabilities required.

While gender diversity was a consideration for the Boards, as has been stated previously, ensuring a diversity of business skills and experience to meet our business needs and future strategy remained paramount.

### Process



The process for the recruitment was led by David Williams, joint chairman, and Anne Quinn, senior independent director, on behalf of the nominations committee. The Zygos Partnership (Zygos)<sup>1</sup>, an external search agency, was engaged to assist with the selection process. Zygos helped produce a detailed candidate specification based on the criteria provided by the committee. They then conducted a market search and benchmarked candidates for the role before providing detailed profiles for a longlist of candidates. The candidates were from a variety of backgrounds, with a mix of executives and portfolio non-executives, all having business backgrounds in marketing with related packaging exposure and were from a number of different nationalities.

Having reviewed all the profiles presented, David and Anne interviewed five of the candidates before drawing up a shortlist of two who were then interviewed by other Mondi executive and non-executive directors. Detailed references were also taken before the two shortlisted candidates were considered at a full meeting of the nominations committee.

### Conclusion

Following a rigorous selection process, the committee, having considered the relative merits and fit of each candidate, made a recommendation to the Boards, which was accepted, to appoint Dominique Reiniche as an independent non-executive director with effect from 1 October 2015.

Dominique was the preferred candidate as she has extensive business experience of operating in Europe and has international consumer marketing and innovation experience as well as strong customer awareness (see page 75 for her full biography).

<sup>1</sup> The Zygos Partnership does not provide any other services to the Mondi Group. The Zygos Partnership is a signatory to the Voluntary Code of Conduct for Executive Search Firms.

# Corporate governance report



**"In addition to our normal financial reporting, risk and control agenda items, the committee undertook two significant pieces of work. Following the announcement of results last year we invited tenders for the external audit of the Group. This process concluded in October with a recommendation to appoint PricewaterhouseCoopers as the Group auditors with effect from the 2017 audit. In addition, we commissioned an external review of internal audit. While always seeking ways to improve, I'm pleased to report that our internal audit function is performing to a high standard."**

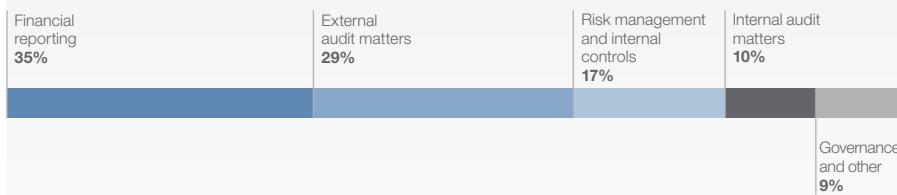
**John Nicholas**  
Chairman of the DLC audit committee

## DLC audit committee

### Meeting schedule and attendance

The committee met four times during the year. Meetings are planned around the Group's financial reporting cycle.

### How the committee spent its time



### Composition

Members throughout the year	Committee member since	Meeting attendance (four meetings in the year)
Stephen Harris	March 2011	4
John Nicholas, chairman	October 2009	4
Anne Quinn	May 2007	4

### Other regular attendees

- Chief executive officer
- Chief financial officer
- Group financial controller
- Heads of internal audit
- South African and UK representatives from Deloitte

### Composition

The committee is constituted as a statutory committee in respect of the duties set out in the South African Companies Act 2008 and a DLC committee of the Boards in respect of other duties assigned to it by the Boards.

All members of the committee are independent non-executive directors. The Boards consider each member has appropriate knowledge and understanding of financial matters and commercial expertise, sufficient to enable them to consider effectively the financial and accounting issues that are presented to the committee. The Boards consider John Nicholas, the chairman of the committee, to have specific recent and relevant financial experience; he is a chartered accountant and, until April 2015, was a member of the UK Financial Reporting Review Panel. The full biographies detailing the experience of each member of the committee can be found on page 75.

In accordance with the Listings Requirements of the JSE, the committee has considered and satisfied itself that Andrew King, Mondi's chief financial officer, has appropriate expertise and experience. Andrew is a chartered accountant and throughout his career has held various finance and business development roles. The committee has also considered and satisfied itself of the appropriateness of the expertise and adequacy of resources of the finance function and expertise of the senior management responsible for the finance function.

The committee operates under formal terms of reference that are reviewed at least annually. The committee considers that it has appropriately discharged its responsibilities as set out in its terms of reference during the year and has operated in compliance with relevant legal, regulatory and other responsibilities. Apart from the significant issues relating to the financial statements, set out on pages 96 and 97, the external audit tender process explained on pages 99 and 100 and the external review of the internal audit function summarised on page 103, there were no material matters requiring review or decision during 2015, so the committee agenda covered the regular matters reserved for its consideration during the annual financial reporting cycle.

The committee always meets prior to meetings of the Boards to enable the committee to report to the Boards and provide any necessary recommendations or advice relevant for their deliberations.

During the year the committee's key activities included:

#### **Financial reporting**

- Reviewed the integrity of the full-year and half-yearly results and the announcement of those results and reported to the Boards on the committee's findings. Input was provided to the committee through detailed reports from the Group financial controller and Deloitte. There was particular focus on any significant financial reporting judgements and disclosures, and the assessment of the going concern basis of accounting.
- Reviewed the Mondi Group Integrated report and financial statements with due regard to the tone and consistency of reporting, and that the report as a whole was fair, balanced and understandable and reported to the Boards on the committee's conclusions (see page 98 for more information).
- Reviewed and discussed the audit management letter.
- Reviewed the interim management statements including consideration of the appropriateness to continue with issuing quarterly statements. Having taken into account our desire to keep the market informed and our competitor reporting cycles it was decided to retain interim trading updates but to adjust the timing to better fit the Group's financial cycle.
- Reviewed accounting policies that would be applied for the year ending 31 December 2015 noting that there had been no significant new accounting policies applicable to the 2015 financial year.
- Reviewed new accounting pronouncements to existing accounting standards effective 1 January 2015, confirming that all had been adopted and that the Group was compliant although none had resulted in any material impact on the Group's financial reporting.
- Considered and approved the early adoption of IAS1 Presentation of Financial Statements that included amendments relating to disclosure.
- Reviewed the requirement for a longer-term viability statement, particularly focusing on ensuring that there was a robust process in place to support the viability statement within the business planning cycle and to provide the committee and the Boards with the required level of comfort in order to make the statement. Mondi's current procedures and any changes to be introduced in order for the committee and Boards to make the appropriate judgements were considered. There was particular debate regarding the appropriate period that should be covered by the statement (see page 43 for more information).

# Corporate governance report

## External audit matters

- Undertook a full audit tender process resulting in a recommendation to the Boards to change the external auditors for the Group (see pages 99 and 100 for more information).
- Finalised the rotation of the South African external audit partner following completion of the 2014 audit. The committee has monitored the change and has been comfortable with management's feedback on the transition to the new audit partner and with the reporting to and interface with the committee by the new audit partner.
- Reviewed the independence, objectivity and effectiveness of Deloitte (see pages 101 and 102 for more information).
- Reviewed Deloitte's reappointment as auditors for the 2015 audit and made a recommendation to the Boards.
- Reviewed and approved the external audit plan, having taken account of the proposed scope, materiality and audit risks as well as the proposed fees.
- Received a report at each meeting of any non-audit services approved by either the chairman of the committee or the chief financial officer in line with the Group's policy (see pages 102 and 103 for more information).
- Reviewed and agreed the engagement letters and representation letters.
- Held a meeting with Deloitte without management present.

## Risk management and internal controls

- Undertook a detailed review of the Group's risk management policy, plan and tolerance levels. Considered the likelihood, impact criteria and risk rating matrix and the Group risk map as well as ensuring that there had been a robust process to assess the risks.
- Reviewed the effectiveness of the internal control and risk management systems. Key elements of the Group's system of internal control were discussed. The committee was satisfied that the development and improvement of risk assurance was managed on an ongoing basis (see pages 38 to 42 for more information).
- At each committee meeting undertook a more in-depth review of two or three of the most significant Group risks.
- Received a detailed presentation on the IT risk management framework, IT risk register, activities and mitigations with a particular focus on cyber security, and reported on this to the Boards (see page 95 for more information).

## Internal audit matters

- Reviewed and agreed the internal audit plan, confirming the continued focus on the Group's key risk areas to ensure effective management within the context of our business objectives and that appropriate controls are in place. The committee confirmed that all material operations were covered and that there was an appropriate degree of financial and geographic coverage.
- Received reports from the heads of internal audit at each meeting that provided an update on the activities of the function (see page 103 for more information).
- Received and considered the external report from Ernst & Young LLP following their review of Mondi's internal audit function (see page 103 for more information). The report helped inform the committee's view on the independence, resources, appropriateness and effectiveness of internal audit.
- Held a meeting with the heads of internal audit without management present.

## Governance and other

- For JSE purposes reviewed the appropriateness of the chief financial officer and the effectiveness of the finance functions (see page 92 for more information).
- Monitored and reviewed the continued implementation of those elements of the Group's Code of Business Ethics reserved for review by the committee, as well as the supporting framework of the Business Integrity Policy.
- Monitored and reviewed the Group's competition compliance programme, noting in particular the role of the divisional competition compliance committees that are both chaired by the chief financial officer.
- Reviewed the committee's terms of reference, performance and work programme to ensure the activities of the committee reflected current regulation, governance and best practice. A proposal to implement changes to the terms of reference was presented to the Boards and approved.

## IT risk management oversight



During the year the committee requested and received a detailed presentation on the Group's IT risk management processes and how these are managed, with a particular focus on cyber security.

The Group's IT risk management framework was explained with comfort obtained that it was holistic and robust, having been audited by independent third parties. The committee reviewed the IT risk register, confirming that all aspects had been covered (security, compliance and availability) and noting that the top five risks were all in the area of cyber security. It was further noted that cyber security was driving the main mitigation activities, particularly in the areas of network design and security architecture. Like many major organisations, IT risk is now regarded as a significant risk (see page 42 for more information).

The committee was encouraged by the level of focus being given to cyber security within the organisation and will now receive regular reports. The emphasis being placed on IT security technology, processes and employee awareness was welcomed by the committee. Overall the committee concluded that the Group's IT risk management was effective and that management ensured that it was subject to continuous monitoring and improvement.

## Internal control

The Group's system of internal control, embedded in all key operations, is designed to provide reasonable rather than absolute assurance that the Group's business objectives will be achieved, within risk tolerance levels defined by the Boards. Full details of Mondi's risk management and internal control framework can be found in the Strategic report on pages 38 to 42.

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 auditors during the planning stage and on completion of the audit. These issues are broadly similar to those addressed by the committee during 2014.

# Corporate governance report

The key considerations in relation to the 2015 financial statements were:

Matter considered	Action
Special items are non-recurring financial items which the Group believes should be separately disclosed on the face of the income statement to assist in the understanding of the underlying financial performance achieved by the Group. The classification of an item as special is based on judgement and generally must exceed €5 million and/or be material in the context of the current year's financial performance.	The committee has critically reviewed each item presented by management as being special to ensure that the items are in line with the Group's accounting policy. The committee considered both the quantification and presentation of such items.
The net special item charge of €57 million before tax comprised restructuring and closure costs of €45 million and related impairments of €4 million for the closures of the Lohja kraft paper mill in Finland, a Consumer Packaging operation in Spain and four Industrial Bags plants; and €8 million write off of a receivable and provision for settlement of a legal case relating to the 2012 Nordenia acquisition.	The committee has reviewed the adequacy of the descriptions of the special items in the financial statements and the Chief financial officer's review.
Detail of the special items is included in the Chief financial officer's review on page 28 and in note 3 of the financial statements.	The committee has resolved that, with effect from 1 January 2016, the quantitative threshold for recognition of special items be increased to €10 million due to the significantly higher profitability of the Group since the original threshold was established.
The Group operates a number of large, capital-intensive facilities and incurs significant amounts of capital expenditure. In 2015, the Group incurred €595 million of capital expenditure. Significant projects completed in 2015 included the first phase of the project in Świecie for the replacement of the recovery boiler and coal-fired boilers, a number of rebuilds of paper machines in Świecie, Syktyvkar and Štětí and the installation of new equipment in the Group's corrugated packaging operations. These projects are more fully described in the Chief executive's review on pages 20 to 25 and details of the Group's tangible fixed assets are provided in note 10 of the financial statements.	At the time of approval of significant capital projects, the Boards approve the underlying assumptions including the estimated useful lives of these investments. The committee has reviewed the submissions by management in respect of the significant capital expenditure during the year, summarising the depreciation rates applied, estimated residual values and the carrying values of the Group's tangible assets. The committee has interrogated management and satisfied itself of the appropriateness of the assumptions made, the consistency of those assumptions compared to the initial approvals and the basis on which any changes were made. The committee has also considered the internal audit reports completed in respect of the Group's procurement and capital expenditure processes, in which there were no significant weaknesses identified.

Matter considered	Action
<p>The Group has operations in a number of geographical locations and is subject to a number of tax jurisdictions.</p> <p>In particular, the recognition of deferred tax assets arising from accumulated tax losses and the future utilisation of such tax losses requires a significant degree of judgement by management about the future profitability and performance of the underlying businesses.</p> <p>See note 7 of the financial statements.</p>	<p>The committee receives regular reports from management about ongoing tax audits and new legislative developments that may impact the Group's tax positions.</p> <p>The committee has considered a report from management outlining the key judgements relating to the recognition of deferred tax assets and satisfied itself that the assumptions made are reasonable and consistent from year to year.</p> <p>The committee has evaluated the Group's most significant tax exposures, the corporate judgements and related tax provisions recognised by management and satisfied itself that these are appropriate.</p>
<p>In addition to property, plant and equipment of €3,554 million, goodwill of €590 million is included as an asset in the statement of financial position.</p> <p>As set out in the accounting policies, the Group reviews its assets at least annually and whenever there is any indication that certain of its assets may be impaired.</p> <p>See notes 10, 11 and 12 of the financial statements.</p>	<p>The committee considered a report from management outlining that there were no significant indicators of impairment in respect of its property, plant and equipment or intangible assets, except for those assets subject to closure as discussed in special items.</p> <p>The critical underlying assumptions and outcomes applied in the annual goodwill impairment tests were reviewed by the committee and compared to the Group's budget and the current macroeconomic environment.</p> <p>The committee considered the sensitivities underlying the primary assumptions to determine the consequences that reasonable possible changes in such assumptions may have on the recognised value of the underlying assets.</p> <p>The committee has satisfied itself that, except for the impairments related to closures of operations, there was no impairment of property, plant and equipment, goodwill or intangible assets.</p>
<p>Significant judgement is required in determining the assumptions to be applied for the valuation of the Group's forestry assets and retirement benefit obligations. Such assumptions are based, as far as possible, on observable market data and, in the case of the retirement benefit obligations, the input and advice of actuaries.</p> <p>The most significant assumptions and sensitivities are disclosed in note 13 for the forestry assets and 22 for retirement benefits in the financial statements.</p>	<p>The assumptions applied to both the forestry assets and retirement benefits were evaluated by the committee. The committee considered the basis on which these assumptions were determined, as well as comparing the assumptions both to prior years and market developments during 2015. The committee satisfied itself that the assumptions, and the changes to those assumptions when compared to the year ended 31 December 2014, were appropriate.</p>

# Corporate governance report

## Fair, balanced and understandable

A key role of the committee is to ensure that the interests of shareholders are protected, in particular that there is robust financial reporting with good internal controls in place and appropriate accounting practices and policies combined with sound judgement.

Although oversight and review of material financial reporting matters are considered throughout the year, at the request of the Boards, the committee assessed the integrity of the Group's Integrated report and financial statements 2015 and the clarity, completeness and consistency of disclosures.

### Oversight through the year

- Review of applicable accounting policies and pronouncements and their application
- Review of regular financial results and announcements
- Reports from Group financial controller and Deloitte
- Reports from internal audit

### 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

### Recommendation

- The committee reported its findings and conclusion to the Boards

### 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 financial controller and Deloitte providing the opportunity for debate and challenge
- Summaries of areas where management judgements had been made
- Consideration of going concern and longer-term viability
- Separate meeting with Deloitte without management present
- Sufficient opportunity to review drafts

### Conclusion

- After completion of the detailed review the committee was satisfied that, taken as a whole, the Group's Integrated report and financial statements 2015, were fair, balanced and understandable
- That the report accurately reflected the information shareholders would require in order to assess the Group's performance, business model and strategy

## Committee focus in 2016

While the committee will continue to operate within its terms of reference and ensure that the meetings address all regular matters reserved for its consideration, the following additional key activities are expected to require the committee's attention during 2016:

- overseeing the preparation for transition from Deloitte to PwC as auditors to the Group following completion of the 2016 audit; and
- reviewing and updating the policy and procedures relating to non-audit services to take account of new regulatory requirements.

## External audit

Deloitte & Touche in South Africa and Deloitte LLP in the UK (together 'Deloitte') were appointed as auditors at the time of Mondi's demerger from Anglo American plc in July 2007. Following the conclusion of the 2014 audit the South African audit partner rotated off the Mondi audit and a new audit partner has been in place for the 2015 audit. The UK audit partner has been in place since the audit of the 2012 results and would be scheduled to rotate off the audit in 2016. As reported in more detail below, the audit was put out to tender during the year, culminating in the decision to change the audit firm after the conclusion of the 2016 audit from Deloitte to PwC.

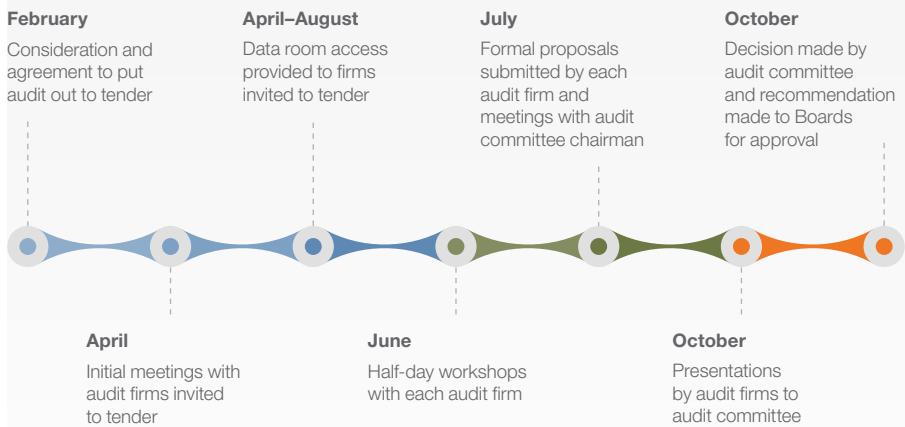
## External audit tender

### Background

In last year's report the committee confirmed that it anticipated putting the audit out to tender ahead of the rotation of the UK audit partner in 2016 and would focus on this during 2015. Early in the year the committee reviewed the new regulatory requirements relating to audit tendering, noting the need to retender the audit at least every 10 years and to change auditor at least every 20 years.

While Deloitte were appointed as auditors of Mondi upon its demerger from Anglo American plc in 2007, the committee took into consideration the fact that Deloitte had been the auditors of Anglo American plc prior to the demerger. It was decided that the audit should be put out to tender, with a view to changing auditors, to be effective from the 2017 audit, thereby coinciding with the rotation of the UK audit partner and representing a 10-year term by Deloitte as Mondi's auditors.

### Process



### Decision on which firms would tender

The committee, having been clear from the outset that Deloitte should not be included due to their length of tenure, considered which firms should be invited to tender. A number of factors were taken into account when making the selection, including the ability of the audit firm to effectively manage the complexities of Mondi's DLC structure and its geographic footprint. Following an initial assessment of the wider universe of potential service providers, three audit firms were invited to tender and the process was overseen by the chairman of the audit committee.

## External audit tender continued

### Interviews and discovery workshops

Having defined the process and chosen the firms to tender, initial meetings were held with each firm led by the committee chairman and supported by the chief financial officer and Group financial controller. These initial meetings were two-way, providing the audit firms with an opportunity to gain a greater understanding of Mondi and the expectations for the audit, and for Mondi to start to build relationships and gain an initial impression of how each firm would manage the audit.

Access was then provided to a data room which provided information on such matters as the Group's structure, recent results, systems and controls and risk map.

This initial information sharing phase was followed by half-day workshop style meetings with each firm. Attendees from each firm included their proposed audit partners as well as key personnel who they proposed would take responsibility for key audit locations around the globe as well as key specialists. For Mondi the chief financial officers and financial controllers from the Group and each division, together with the Group tax and treasury managers, heads of internal audit and company secretaries, were all involved. These meetings went into more detail on how Mondi operates and provided greater insight into how each firm would structure the audit at an operational level and work with management.

At the end of the workshops each firm was evaluated and scored against key criteria including the overall audit coverage and scope, levels of materiality, understanding of the business and audit risk areas, depth of knowledge and experience. This feedback from the workshops was shared with the committee chairman.

### Written proposals

Following the workshops each audit firm submitted a formal written proposal detailing their proposed audit teams, geographic footprint alignment, audit approach, independence considerations and transition approach and their fee proposals. The proposals were evaluated by the chairman of the committee, the chief financial officer and selected senior management followed by one-on-one meetings with the committee chairman. After these meetings two firms were recommended to make presentations to the committee.

### Tender presentations

Two firms made presentations to the full committee in October. The presentations included the proposed audit approach, team structure, specialist resources and global coordination approach and allowed time for questions. After the presentations there was detailed debate as to the merits of each firm and the differentiating factors and consideration against the criteria and key factors determined for Mondi's auditors. The committee members agreed upon a recommendation to be made to the Boards.

### Conclusion

As was confirmed in Mondi's announcement in October, after the conclusion of a thorough tender process and careful consideration, the Boards agreed with the committee's decision to appoint PwC. Accordingly, Deloitte will carry out the audit of the financial statements for the year ending 31 December 2016 and, following completion of this audit, PwC will be appointed as Mondi Limited and Mondi plc's statutory auditor, subject to approval by shareholders at the Annual General Meetings in May 2017.

## 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 Deloitte. While part of the assessment is managed annually through the use of questionnaires to the committee members, key management and finance function personnel directly involved with the audit process at Group, divisional and business unit level, 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
- Considered the appropriateness of the audit planning including the scope, coverage, materiality levels and significant audit risks
- Reviewed the quality of reporting to the committee, the level of challenge and professional scepticism and the understanding demonstrated by Deloitte of the business of the Group
- Reviewed the coordination between the South African and UK audit partners, the quality of the audit team, technical skills and experience and the allocation of resources during the audit
- Considered how Deloitte and management interact and the level of challenge, especially relating to critical judgements
- Feedback from regular meetings held between the chairman of the committee and the audit engagement partners without management present
- Feedback from questionnaires issued to committee members including views on how Deloitte have 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 provided to the committee directly from engagement with the chief financial officer, Group financial controller and heads of internal audit
- Feedback from questionnaires issued at corporate, divisional and business unit level to those personnel involved with the audit, providing responses to key questions regarding the audit and their interaction with Deloitte

#### Deloitte

- Provided the committee with confirmation that they operate in accordance with the ethical standards required of audit firms
- Reported on the policies and procedures they have in place to maintain their independence
- An independent Deloitte audit partner, who had no other connection with Mondi, gathered feedback from senior management involved in the audit and provided a report to the committee. He focused on efficiency of the audit process; technical quality; query handling; global team coordination; timeliness of communication and reporting; and adherence to independence rules

# Corporate governance report

## External audit independence, objectivity and effectiveness continued

### Regulators

- The UK Financial Reporting Council's 2015 report on Audit Quality Inspections included a review of audits carried out by Deloitte. Deloitte shared the findings with the committee and confirmed how they were addressing the areas highlighted for improvement

### Key outputs

- The quality of the audit partners and team were confirmed with no material issues raised in the feedback from the questionnaires issued, although some improvement areas were noted at subsidiary entity level, there had also been a smooth transition of audit partners in South Africa
- The audit had been well planned and delivered with work completed on schedule and management comfortable that any key findings had been raised sufficiently early in the process, active engagement on misstatements and appropriate judgements on materiality
- Deloitte continued to demonstrate a strong understanding of the Group and had identified and focused on the areas of greatest risk
- Deloitte's reporting to the committee was clear, open and thorough, including explanations of the rationale for particular conclusions as appropriate
- From the committee's interaction with Deloitte and input from management it was confirmed that there had been an appropriate level of challenge

### Conclusion

The committee, having considered all relevant matters, has concluded that it is satisfied that auditor independence, objectivity and effectiveness have been maintained.

Following the conclusion of the review the committee made a recommendation to, which was accepted by, the Boards that resolutions to reappoint Deloitte be proposed at the Annual General Meetings of Mondi Limited and Mondi plc, to be held in May 2016.

The committee confirms its compliance for the financial year ending 31 December 2015 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.

The committee also confirmed that Deloitte & Touche is included in the JSE list of accredited auditors.

### Non-audit services

A policy is in place that governs the provision of non-audit services provided by Deloitte to Mondi, including the requirements for the pre-approval of such services. In order to limit the non-audit services provided by the external auditor, the policy restricts those services by type and monetary limit.

Where pre-approval is required 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 Deloitte rather than another service provider. Each request is reviewed, and where appropriate challenged, by the company secretary's office before being passed, dependent upon the limits defined by the committee, to either the audit committee chairman or chief financial officer for approval. In certain cases, where a request either falls outside the delegated limits or the nature of the service to be provided warrants, requests are referred to the committee for consideration.



## **Speakout**

The Group has a confidential reporting hotline called 'Speakout' operated by an independent third party. Speakout, monitored by the audit committee, is a simple, accessible and confidential channel through which our employees, customers, suppliers, managers or other stakeholders can raise concerns about conduct that seems contrary to Mondi's values. It makes communication channels available to any person in the world who has information about unethical practice in the Group's operations. During 2015, 133 (2014: 129) Speakout messages were received covering a number of topics, in particular the reporting of HR-related concerns, potential business irregularities or perceived fraudulent activities. 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.

The committee monitors compliance with the policy, receiving reports at each meeting detailing all approved non-audit services. This enables regular consideration and oversight of a key threat to auditor independence and objectivity.

The majority of non-audit services are audit-related assurance and tax compliance services. During 2015 examples were the provision of an audit comfort letter for the EMTN programme, advice in connection with applications for government grants in South Africa relating to capital expenditure and assistance with tax submissions for expatriate employees.

The committee has noted the further restriction of non-audit services being introduced by the EU Audit Regulation and Directive, and will be undertaking a review of the Group's policy and procedures with this in mind.

During the audit tender process a factor considered by the committee was how the audit firm that would replace Deloitte would manage the transition and ensure that any services currently being provided to Mondi would be cleared before appointment. PwC presented a proposal that incorporated the effective management and anticipated completion of outstanding services prior to their formal appointment and a procedure to monitor this has been put in place.

The breakdown of the fees paid to Deloitte, including the split between audit and non-audit fees, is included in note 4 to the financial statements on page 156. The non-audit fees for 2015 represent 13% of the audit fee paid.

## **Internal audit**

The audit committee has primary responsibility for monitoring and reviewing the scope and effectiveness of the Group's internal audit function and appoints and removes the heads of internal audit (the equivalent of the chief audit executive as envisaged by King III). The heads of internal audit have direct access to, and responsibility to, the committee and work closely with the committee in liaison with Deloitte.

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. Reports are given at each committee meeting providing an update on activities, 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, Speakout. The committee regularly challenges the nature and speed of management's response to issues raised in audits and to Speakout messages in order to be satisfied that this has been appropriate to the circumstances. 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.

The committee also monitors the staffing and resources available to the internal audit function and the quality of those resources. During the year an external review of the internal audit function was undertaken by Ernst & Young LLP with a full report presented to the committee. The review concluded that the internal audit function is fit for purpose, meeting its mandate to provide assurance primarily in the financial and operational areas. Of particular note was the clear affirmation that the function is independent and objective. Some recommendations were put forward, mainly in the areas of knowledge sharing and the greater use of technology by the team. All recommendations are receiving attention and the committee will monitor progress. The committee has concluded that the heads of internal audit provide appropriate leadership of the internal audit function, which remains effective in carrying out its remit.



**"The committee believes that the remuneration policy will continue to motivate our senior team to achieve the Group's objectives and deliver sustainable returns for our shareholders. We also believe that the remuneration of executives during 2015 reflects our successes to date in the delivery of our strategy."**

**Anne Quinn**

Chairman of the DLC remuneration committee

## DLC remuneration committee

### Meeting schedule and attendance

The committee met four times during the year.

### How the committee spent its time



### Composition

Members throughout the year	Committee member since	Meeting attendance (four meetings in the year)
Stephen Harris	March 2011	4
Imogen Mkhize <sup>1</sup>	May 2007	3
Anne Quinn, chairman	May 2007	4
Dominique Reiniche <sup>2</sup>	October 2015	1
David Williams	May 2007	4

<sup>1</sup> Imogen Mkhize resigned from the committee on 30 September 2015 and had attended all meetings up to this date.

<sup>2</sup> Dominique Reiniche was appointed a committee member on 1 October 2015 and attended all meetings held following her appointment.

### Other regular attendees

- Chief executive officer
- Joint chairman (Fred Phaswana)
- Group head of reward
- External remuneration consultant

The committee's full report on directors' remuneration, including details of the Group's remuneration policies and practices, is set out on pages 115 to 131.

During the year the committee's key activities included:

#### **Executive and senior management remuneration**

- Reviewed the objectives for the year for each member of the executive committee
- Considered termination packages for certain senior management who left during the year
- Reviewed pay management practices across the Group and the proposed pay increases for the wider employee population
- Received an update on executive pay regulations and market trends
- Reviewed salary proposals for key executive and senior management roles and agreed increases
- Considered the fees of the joint chairmen

#### **Governance**

- Reviewed and approved the remuneration report
- Reviewed the committee's terms of reference and performance against them
- Considered and agreed the committee's annual work programme

#### **Bonus Share Plan (BSP)**

- Determination of executive bonuses for the 2014 performance year
- Considered and agreed the financial, personal and safety performance metrics for the 2015 performance year
- Reviewed and agreed the proposed BSP structure for 2016
- Considered the renewal of the BSP for approval by shareholders at the next Annual General Meetings

#### **Long-Term Incentive Plan (LTIP)**

- Considered the achievement of performance conditions and vesting outcomes for 2012 LTIP awards
- Considered the granting of the 2015 LTIP awards
- Reviewed the proposed LTIP structure for 2016
- Considered the renewal of the LTIP for approval by shareholders at the next Annual General Meetings
- Received an update on the Group's Total Shareholder Return (TSR) performance

#### **Other**

- A briefing session was held with the remuneration consultant providing a general update on current trends and issues being seen in remuneration practices
- Confirmed the application of the living wage in the Group's UK operations

# Corporate governance report



**"We've reached the end of our latest five-year commitments period, and we've got much to be proud of. There is without doubt still lots to be done, but looking back, we have built a sound foundation on which to continue growing responsibly."**

## Stephen Harris

Chairman of the DLC sustainable development committee

## DLC sustainable development committee

### Meeting schedule and attendance

The committee met six times during the year.

### How the committee spent its time



### Composition

Members throughout the year	Committee member since	Meeting attendance (six meetings in the year)
Stephen Harris, chairman	March 2011	6
David Hathorn	May 2007	6
Anne Quinn	August 2009	6

### Other regular attendees

- Group head of sustainable development
- Group head of safety and health

The committee oversees and monitors the progress of our sustainable development (SD) approach, commitments, targets and performance within a global context. Providing guidance in relation to sustainability matters generally, reviewing and updating the Group's framework of sustainability policies and strategies, ensuring they are aligned with global best practice. Focusing on the prioritisation of safety by management has remained a continuing priority for the committee, especially in what has been a challenging operating environment. The committee works together with the Mondi Limited social and ethics committee in addressing social and ethical values. The Group heads of sustainable development and safety and health attend all meetings of the committee and provide the link between the committee, management and the operations.

During the year the committee's key activities included:

### Safety performance and serious incidents

- Reviewed a detailed report on the death of an employee in Syktyvkar and received follow up reports on the outcome from the investigation into the incident and reviewed management's response and actions
- Received detailed reports of any serious incidents that had occurred, for example those resulting in life-altering injuries or close calls and reviewed management's response and actions
- Monitored progress with the implementation of action plans resulting from the particular focus on the Top 5 Fatal Risks identified across each business unit
- Received reports at each meeting on safety performance broken down by Group, division and business unit, as well as individual mill performance, classification of incidents and peer comparisons, helping to identify any developing trends
- Considered the safety milestones for the next period

## SD governance and risks

- Monitored and reviewed the continued implementation of those elements of the Group's Code of Business Ethics reserved for review by the committee
- Received an annual review of the SD material risks and opportunities
- Reviewed and approved annual SD reporting
- Reviewed the committee terms of reference and performance against them
- Considered and agreed the committee's annual work programme

## Environmental performance

- Received regular reviews throughout the year on performance against each of the environmental key performance indicators, including commitments
- Received information on any major environmental incidents

## Policies and commitments

- Reviewed Group SD policies and approved annual update to the policies
- Received a detailed report on the achievements against the 2015 commitments
- Received pre-information and a presentation of management's proposals for the 2020 commitments
- Reviewed the proposals for, and agreed, the Group's 2030 carbon commitments
- Received an annual report and update on the SD policies and commitments so that the committee is able to effectively monitor progress against the commitments made

## Forestry

- Received an annual review and update on the forestry operations in Russia
- Received an annual review and update on the forestry operations in South Africa

## Community and other relationships

- Reviewed the Group's relationships with governments, NGOs and other stakeholders and the increasing need for Mondi and these third parties to work together on issues that impact the sustainability of our business
- Reviewed progress of the WWF global partnership
- Reviewed our Community Engagement Programmes and the outcomes from our SEAT (Socio-economic assessment toolbox) reviews conducted during the year

## Product stewardship

- Received an annual review on the Group's product stewardship practices

A summary report from the directors on the Group's sustainability practices is set out on pages 44 to 51 and further details, including a full review of Mondi's sustainability activities and progress in 2015, can be found at: [www.mondigroup.com/sd15](http://www.mondigroup.com/sd15)

# Corporate governance report



**"I am pleased to report that, in monitoring Mondi Limited's activities referred to in Regulation 43 of the South African Companies Act, the committee noted the high level of compliance and the many social-upliftment initiatives undertaken during the period under review."**

#### Stephen Harris

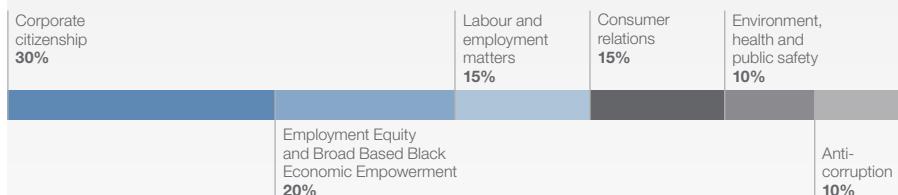
Chairman of the Mondi Limited social and ethics committee

## Mondi Limited social and ethics committee

### Meeting schedule and attendance

The committee met twice during the year.

### How the committee spent its time



### Composition

Members throughout the year	Committee member since	Meeting attendance (two meetings in the year)
Stephen Harris, chairman <sup>1</sup>	February 2012, chairman since October 2015	2
David Hathorn	February 2012	2
Imogen Mkhize, chairman <sup>2</sup>	February 2012	1
Fred Phaswana <sup>3</sup>	October 2015	1

<sup>1</sup> Stephen Harris took over as chairman of the committee on 1 October 2015.

<sup>2</sup> Imogen Mkhize resigned from the committee on 30 September 2015 and had attended all meetings up to this date.

<sup>3</sup> Fred Phaswana was appointed a committee member on 1 October 2015 and attended all meetings held following his appointment.

The composition of the committee is in accordance with the requirements of Section 72(8) of the South African Companies Act 2008 and its associated regulations.

### Other regular attendees

- Non-executive directors (who are not members of the committee)
- Executive management who present on relevant topics

There are areas of overlap between the remit of the committee and that of the DLC audit committee and the DLC sustainable development committee. In order to prevent duplication, the committee considers reports to these two committees relating to environmental, labour, human rights, product responsibility, risk management, whistle blowing, fraud and business integrity, and monitors compliance by Mondi Limited on those matters as they pertain to the responsibility of the committee.

During the year the committee's key activities included:

#### **Corporate citizenship**

- Considered community development and corporate social investment initiatives; 2,800 jobs were created by Mondi during the period under review

#### **Employment Equity and Broad Based Black Economic Empowerment (BBBEE)**

- Reviewed progress made against the employment equity targets set for the period 2013 to 2017
- Monitored the BBBEE status. The date by which Sector Councils, including the Forestry Council which Mondi Limited is aligned with, had to get approval for its Sector Codes following the amended Broad Based Black Economic Empowerment Codes of Good Practice was extended to October 2015. Prior to this date Mondi Limited had an independent assessment performed which confirmed its status as a level 3 contributor. This status will apply for a period of 12 months

#### **Labour and employment matters**

- Reviewed compliance by Mondi Limited with South African labour legislation which incorporates the decent work requirements prescribed by the ILO. The committee noted specifically the various areas of employer/employee interface and the development of action plans aimed at addressing focus areas arising from the last employee survey
- Considered training and development. Based on nearly 1,500 training initiatives embarked on during 2013, 83% of Mondi Limited's employees received training during the year under consideration
- Considered various initiatives and procedures in place to achieve Mondi Limited's transformation and diversity management objectives

#### **Consumer relations**

- Reviewed Mondi Limited's customer relations initiatives as well as the levels of certification of its products used for food packaging
- Reviewed Mondi Limited's advertising policy aimed at ensuring compliance with the Code of Advertising Standards enforced by the Advertising Standards Authority of South Africa

#### **Environment, health and public safety**

- Reviewed Mondi Limited's good progress against its 2015 targets with regard to Effluent Load COD, Organo-chlorines AOX, Malodorous Gas TRS, Specific Contact Water, Waste to Landfill and Hazardous Process Waste to Landfill
- Reviewed Mondi Limited's environmental indicators relating to CO<sub>2</sub> emissions, carbon-based energy consumption, renewal resource for primary energy and electrical self-sufficiency

#### **Anti-corruption**

- Reviewed the requirements of the King III Code of Good Practice with regard to the principles relating to ethical leadership, and Mondi Limited's activities relating to the eradication of corruption with specific reference to the UN Global Compact and the OECD Recommendations

# Corporate governance report

## DLC executive committee and company secretaries

### David Hathorn, 53

Chief executive officer

See full biography  
on page 74



### Andrew King, 46

Chief financial officer

See full biography  
on page 74



### Peter Oswald, 53

Chief executive officer: Europe & International Division

See full biography  
on page 75



### Ron Traill, 61

Chief executive officer:  
South Africa Division

Appointed  
January 2008

Committee membership  
Executive

Qualifications  
Graduated in mechanical engineering and management from Dundee Colleges in Scotland in 1980



#### Experience

Ron has over 35 years' experience in the paper industry. He began his career as an industrial engineer with DRG Packaging Group, working in its Scottish paper mill. He went on to hold a succession of posts within the company, leading ultimately to his appointment as general manager. Following DRG's acquisition by Sappi in 1990, he worked for 10 years in a number of general management roles.

He has also held senior operational positions with Fletcher Challenge and with Tullis Russell.

Ron joined Mondi in 2003 as managing director of the Štětí pulp and paper mill in the Czech Republic, also assuming responsibility for the Mondi packaging paper business in Ružomberok (Slovakia). He then relocated to South Africa, being appointed chief executive officer of the South Africa Division in January 2008.

#### External appointments

None.

### John Lindahl, 56

Group technical director

Appointed  
August 2011

Committee membership  
Executive

Qualifications  
Graduated in pulp and paper engineering from the Technical University of Helsinki in 1985 and an MBA from Jyväskylä University in 1996



#### Experience

Between 1985 and 2000 John had an extensive career in the forest industry, working in different operational managerial positions in Finland, the US and France in companies including M-real, Myllykoski and UPM. At UPM he then moved on to roles within corporate technology and investment coordination.

From the industry he moved on to consulting and engineering company Pöry, where he held a number of executive positions in the forest industry business group, being involved in advisory services, pre-engineering studies and major implementation projects for the global Pulp and Paper Industry until 2011 when he joined Mondi.

#### External appointments

None.

### Philip Laubscher, 60

Company secretary Mondi Limited



#### Experience

Philip Laubscher, who holds BProc and LLB degrees and is an attorney of the High Court of South Africa, was in-house counsel with national power utility Eskom for 15 years before joining Mondi in 1999 as head of legal services. He was appointed company secretary of Mondi Limited in January 2001.

### Carol Hunt, 54

Company secretary Mondi plc



#### Experience

Carol Hunt, a fellow of the Institute of Chartered Secretaries & Administrators, spent 15 years with The BOC Group plc, holding various roles in the company secretariat, the last six years as deputy company secretary. She joined Mondi in November 2006 and was formally appointed company secretary of Mondi plc in May 2007.

Philip and Carol work together on the coordination of Mondi's DLC structure.



**"In 2015 we continued to seek out opportunities for value-enhancing growth and cost optimisation through capital investments, acquisitions and asset rationalisation. We continue to see greater opportunity for value-enhancing growth through capital investment in our existing operations, and our completed projects have delivered an incremental operating profit contribution of approximately €100 million over the past two years."**

**David Hathorn**  
Chairman of the DLC executive committee

## DLC executive committee

### Meeting schedule and attendance

The committee met nine times during the year.

### Composition

Members throughout the year	Committee member since	Meeting attendance (nine meetings in the year)
David Hathorn, chairman	May 2007	9
Andrew King	May 2007	9
John Lindahl	August 2011	9
Peter Oswald	May 2007	9
Ron Traill <sup>1</sup>	June 2008	8

<sup>1</sup> When the date was changed Ron Traill was unable to attend one meeting due to prior business commitments.

### Other regular attendees

- Business unit managers
- Representatives from corporate functions, each of whom present on relevant topics

### Key responsibilities

- Day-to-day management of the Group within the limits set by the Boards, including implementation of operational decisions
- Strategy implementation, including an annual strategy session with the heads of each business unit
- Risk identification and the management and mitigation of those risks
- Monitoring financial, operational and safety performance, in particular monitoring the achievement of budgets, forecasts and targets
- Policy implementation

### Shareholder engagement

We believe in having an open and constructive dialogue with our shareholders and prospective investors, with our principal communication being managed through the integrated report and Annual General Meetings.

While the joint chairmen maintain responsibility for ensuring there is effective communication with shareholders, it is the chief executive officer and chief financial officer who undertake the active engagement and dialogue with institutional shareholders, analysts and fund managers. All contact with investors is strictly controlled in terms of timing and content such that no information is made available on a selective basis and to ensure a common awareness and interpretation of strategic objectives, matters of governance and the Group's performance. The programme of communication is based primarily around the financial reporting calendar. The main events that took place during 2015 are detailed on page 112 with in excess of 40 additional ad hoc meetings taking place throughout the year.

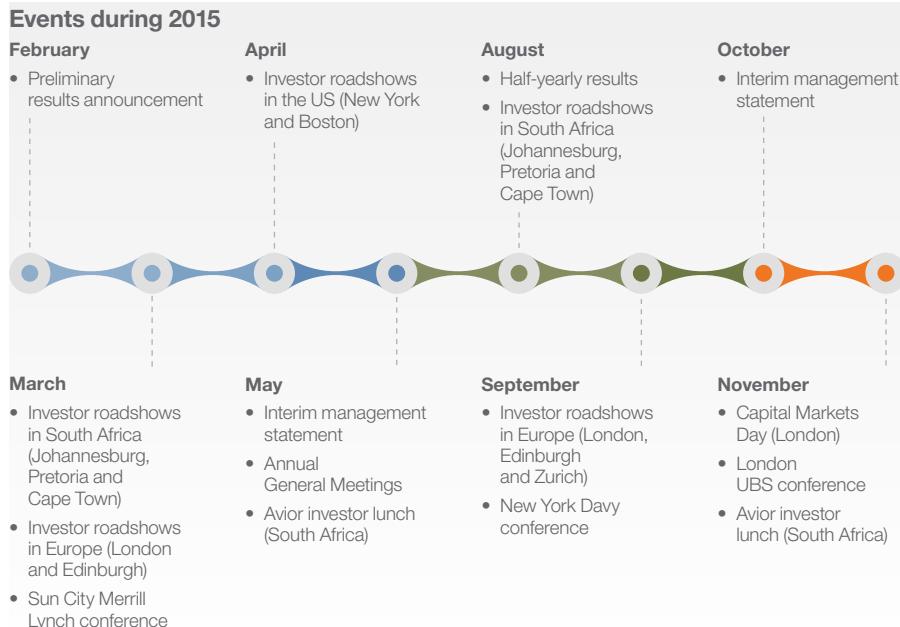
# Corporate governance report



## Capital Markets Day

In November 2015 Mondi hosted a Capital Markets Day in London that was attended by 76 analysts and investors. The day was focused on providing further insight into Mondi's business, with updates on each business unit; our growth strategy; our capital expenditure programme; and how we plan and execute capital projects. Presentations were given by the Group executive committee and chief executive officers of the Group's business units.

There are video recordings and copies of all presentations from the day available on the Mondi Group website.



Investors are regularly offered the opportunity to meet with the joint chairmen and other directors. We acknowledge that at times our shareholders may take a different view to us which is why we maintain a regular dialogue as it is important that we explain our reasoning in the context of our strategy. Some of the key areas of interest expressed by investors remain our strategy, our delivery on material capital expenditure projects and our future capital allocation plans.

The remuneration committee consults with shareholders on remuneration matters when appropriate and responds to remuneration governance questions when raised.

With our focus on delivering value in a sustainable way our Group head of sustainable development also maintains a dialogue on socially responsible investment through focused briefings with interested investors and stakeholders.

Throughout the year responses are given to correspondence received from shareholders and other interested parties on a variety of subjects.

Feedback from the dialogue with shareholders, in particular following the full and half-yearly results roadshows, is provided by the brokers direct to the Boards. When available, directors also receive analysis of Mondi's performance against other companies in the sector with analysts' and brokers' briefings relating to Mondi and the packaging and paper industry circulated on a regular basis, further enhancing their understanding of investor views.

The investor section of the Mondi Group website is a valuable reference point for shareholders and others interested in our business. It contains financial reports, trading updates and news about our business operations as well as the share price, governance and sustainability information. There is current as well as historical information available, together with information for shareholders on managing their shareholding and a section of frequently asked questions.

Many of our shareholders are choosing to receive shareholder information electronically rather than by post. Information on how to elect to receive financial reports and other communications from Mondi via electronic means can be found in the shareholder information pages 212 to 216.

During 2015, Mondi did not receive any requests for access to records under the South African Promotion of Access to Information Act 2000.

## Annual General Meetings

At the 2015 Annual General Meetings all resolutions were passed. Overall in excess of 62% of the total Group shares were voted. The directors did however note that the votes against five of the resolutions were higher than for other resolutions. These resolutions all related to the authority to be given to directors to allot and issue shares of Mondi Limited and of Mondi plc. The voting was in line with the pattern Mondi has seen at previous Annual General Meetings. Having engaged with shareholders in this regard over recent years the directors are aware that South African shareholders in particular have concerns about these types of resolution. We understand from our engagement with shareholders that this is not specific to Mondi and they routinely vote against such resolutions as a matter of policy.

The Annual General Meetings of Mondi Limited and Mondi plc are scheduled to be held on 12 May 2016 in Johannesburg and London respectively, presenting an opportunity for shareholders to question the directors about our activities and prospects. Directors are available to meet informally with shareholders immediately before and after the meetings. It is expected that all directors and, in particular, the chairmen of the committees will be present.

Separate resolutions will be proposed for each item of business to be considered at the meetings with the voting conducted by polls. It is confirmed that each director will be standing for re-election by shareholders at the meetings. The only item of business for the 2016 Annual General Meetings that is not a regular item is the proposal to renew the Mondi Limited and Mondi plc Bonus Share Plans and Long-Term Incentive Plans, on substantially the same terms. This is explained in the meeting notices. The voting results will be announced on the JSE and LSE and made available on the Mondi Group website as soon as practicable following the close of both meetings.

The notices, which include explanations of each resolution, are contained in separate circulars which will be sent to all shareholders in advance of the meetings, in accordance with the corporate governance codes of South Africa and the UK.

## Dealing in securities

The Boards have adopted a share dealing code for dealing in securities of Mondi Limited and Mondi plc which is based on regulatory and governance best practice in South Africa and the UK. The code sets out the restrictions placed on directors, senior management and other key employees with regard to their share dealing to ensure that they do not abuse their access to information about the Group pending its public release and availability to shareholders and other interested parties. The code is reviewed regularly and updated as required to ensure continued compliance with regulation and best practice. The Boards are monitoring new European regulation in this regard and are working on reviewing and updating procedures and practices in line with this, while still being mindful of the differing requirements under South African regulations. Regular reminders of the procedures to be followed are issued and periodic training is provided to relevant employees.

All dealings by directors and persons discharging managerial responsibilities and their connected persons are announced to the JSE and the LSE when they occur. Details of the directors' interests in the shares of both Mondi Limited and Mondi plc can be found on pages 127 to 130.

# Corporate governance report

## Business ethics

The Boards have adopted a Code of Business Ethics, which applies throughout the Group and sets out five fundamental principles that govern the way in which Mondi and its employees conduct business. Three of the principles are monitored and reviewed by the sustainable development committee (human rights, stakeholders and sustainability) and two by the audit committee (legal compliance and honesty and integrity).

The code incorporates the requirement for the Group to comply with all applicable laws and regulations. Our legal and governance compliance is managed at business unit level, supported by a central team of relevant professionals who have oversight of compliance, including consideration of the application of non-binding rules, codes and standards. Regular reports are presented to the Boards, or relevant committees, on compliance matters.

The detailed application of the principles of the code is documented in Mondi's policies and procedures, in particular the Business Integrity Policy and the Sustainable Development Policy. These policies have been rolled out across the Group and regular training is provided to all relevant employees. Our internal audit team test the implementation of these policies and report to the audit committee on their findings. The directors believe that the Group has robust compliance systems and procedures in place in relation to the code. The directors are not aware of any material non-compliance with the code. The code is available on the Mondi Group website.

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 fines or non-monetary sanctions for material non-compliance with laws and regulations.

# Remuneration report

## Introduction from the DLC remuneration committee chairman



**Anne Quinn**

Chairman of the DLC remuneration committee

I am pleased to present the Committee's report on directors' remuneration.

Due to Mondi's DLC structure and our need to comply with both South African and UK regulation the remuneration report has been left largely unchanged from last year and comprises the directors' remuneration policy and the annual report on remuneration. The annual report on remuneration will be put to an advisory shareholder resolution at the 2016 AGMs. The directors' remuneration policy, which remains unchanged since it was approved by shareholders at the 2014 AGMs, will be tabled for a non-binding advisory vote to Mondi Limited shareholders in 2016 in accordance with South African regulations. Under UK regulations the policy report is required to be put to a binding shareholder resolution every three years (or sooner if changes are proposed).

Our remuneration policy for executive directors continues to be based on the principle of pay for performance and alignment with shareholders. Annual bonuses are dependent on a scorecard of financial and non-financial elements, and 50% of any bonus is deferred into Mondi shares for three years. The LTIP rewards sustained financial performance, measured through our percentage Return on Capital Employed (ROCE), and our relative TSR compared to other international companies in our sector. Executive directors are also required to build a personal shareholding in Mondi.

As described in the Strategic report, Mondi's financial performance in the year under review was very strong. ROCE performance for 2015 was 20.5%, compared with 17.2% the previous year, and EBITDA was €1,325 million, 17.7% higher than in 2014. Bonus performance outcomes against the targets that were set are outlined in the annual report on remuneration. The Committee has reviewed the disclosure of bonus performance metrics with a view to enhancing the information provided, with due regard to commercial sensitivity. We have disclosed EBITDA and ROCE performance requirements on a prior year retrospective basis and have, for the year under review, provided enhanced disclosure of safety and personal objectives. Performance outcomes are reflected in the remuneration received by directors:

- Annual bonuses of approximately 90% to 91% of the maximum have been awarded in respect of performance in 2015. This recognises the Group's financial performance and strong performance against personal operational and strategic objectives that were set at the start of the year. As a result of the tragic and unacceptable fatality of an employee engaged in Mondi operations the payment under the safety element of the bonus was limited to the portion which was attributable to total recordable incidents, where performance was good.
- The performance period for the 2013 LTIP ended on 31 December 2015. Half of the award was based on ROCE performance and the other half on relative TSR performance. ROCE for the three-year performance period was 17.7%, above the applicable performance range of 10% to 16%. The Group's TSR over the period was in excess of 150% (150.6% for Mondi Limited and 151.9% for Mondi plc) which placed it in the top 25% of the comparator group. As a result of this performance both the ROCE and TSR elements, and therefore the overall LTIP award, vested in their entirety.

Base salary increases of circa 2% were implemented with effect from 1 January 2016, after consideration of percentage increases for the wider employee population.

The Committee believes that the remuneration policy will continue to motivate our senior team to achieve the Group's objectives and deliver sustainable returns for our shareholders. We also believe that the remuneration of executives during 2015 reflects our successes to date in the delivery of our strategy.

We are proposing the renewal of the BSP and LTIP plans at the 2016 AGMs, a year before the end of their 10-year terms. The proposed changes have been designed to materially continue with the elements of the existing plans that have been operated to date, but with flexibility to take account of prevailing best practice expectations, e.g. post award retention periods for LTIPs. If the renewed plans are approved, no further awards will be made under the current plans.

I trust that you will feel able to support this year's remuneration resolutions.

**Anne C Quinn**

Chairman of the DLC remuneration committee

# Directors' remuneration policy

## The report

The report has been prepared by the DLC remuneration committee (the 'Committee') and approved by the boards of Mondi Limited and Mondi plc (together 'the Boards'). Deloitte & Touche and Deloitte LLP have independently audited the items stipulated in the regulations:

- executive directors' and non-executive directors' remuneration and associated footnotes on page 122;
- the table of share awards granted to executive directors and associated footnotes on pages 128 and 129; and
- the statement of directors' shareholdings and share interests on page 127.

## Directors' remuneration policy

This part of the directors' remuneration report sets out the remuneration policy for the Group and has been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The policy has been developed taking into account the principles of the governance codes in South Africa and the UK and the views of our major shareholders and describes the policy to be applied from 2014 onwards. The policy report was put to a binding shareholder vote at the 2014 Annual General Meetings.

The Group's remuneration policy has been set with the objective of attracting, motivating and retaining high calibre directors, in a manner that is consistent with best practice and aligned with the interests of the Group's shareholders.

Remuneration policy for executive directors is framed around the following key principles:

- remuneration packages should be set at levels that are competitive in the relevant market;
- the structure of remuneration packages and, in particular, the design of performance-based remuneration schemes, should be aligned with shareholders' interests and should support the achievement of the Group's business strategy and the management of risk;
- a significant proportion of the remuneration of executive directors should be performance-based;
- the performance-based element of remuneration should be appropriately balanced between the achievement of short-term objectives and longer-term objectives; and
- the remuneration of executive directors should be set taking appropriate account of remuneration and employment conditions elsewhere in the Group.

## Executive directors' remuneration policy table

The following table summarises key elements of the remuneration of executive directors in accordance with reporting regulations:

Component	Purpose and link to strategy	Operation	Maximum opportunity
<b>Base salary</b>	To recruit and reward executives of a suitable calibre for the role and duties required.	Reviewed annually by the Committee, taking account of Group performance, 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 salary or annual increase. However, increases will normally be no more than the general level of increase in the UK market or the market against which the executive's salary is determined. 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.
<b>Benefits</b>	To provide market competitive benefits.	The Group typically provides: <ul style="list-style-type: none"><li>• car allowance or company car;</li><li>• medical insurance;</li><li>• death and disability insurance;</li><li>• limited personal taxation and financial advice; and</li><li>• other ancillary benefits, including relocation and assistance with expatriate expenses (as required).</li></ul> 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, avoiding paying more than is necessary.
<b>Pension</b>	To provide market competitive pension contributions.	Defined contribution to pension, or cash allowance of equivalent value. Only base salary is pensionable.	Company contribution of 30% of base salary for the chief executive and 25% of base salary for other executive directors.
<b>Bonus Share Plan (BSP)</b>	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 EBITDA and percentage ROCE and safety. These have the highest weighting (currently 70% of the total). Individual performance is also assessed against suitable objectives, and currently has a 30% weighting. 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 delivered in cash and half in deferred shares which normally vest after three years (subject to service conditions), and with no matching element. On vesting of deferred shares, participants receive a bonus of equivalent value to the dividends that would have been payable on those shares between the date when the awards were granted and when they vest. Clawback provisions apply to awards made since January 2011.	The policy permits a maximum annual bonus of up to 150% of base salary. The Committee's practice has been to apply a limit of 150% for the chief executive, and 120% (i.e. below the policy maximum) for other executive directors.
<b>Long-Term Incentive Plan (LTIP)</b>	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 normally 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, the Committee has the ability to cash-settle awards, if necessary, in exceptional circumstances. 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 challenging performance conditions measured over three years, which are set by the Committee before each grant. For awards to be granted in 2016, metrics comprise Total Shareholder Return against a suitable peer group, and percentage ROCE, each with a 50% weighting. The vesting outcome can also be reduced, if necessary, to reflect the underlying or general performance of the Group. Performance is measured over three calendar years, starting with the year of grant. For awards granted from 2013 onwards, an amount equivalent to dividends that would have been payable on the unvested share awards are rolled up and paid out (in cash and/or additional shares) at the end of the vesting period based on the proportion of the award that actually vests. Clawback provisions apply to awards made since January 2011.	The maximum grant limit in the plan rules and under this policy is 200% of base salary (face value of shares at grant), to any individual in a single year. Individual awards, up to this limit, are determined each year by the Committee. The Committee's practice has been to make grants below this policy maximum as detailed in the annual report on remuneration. 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.
<b>Share ownership policy</b>	To align the interests of executive directors with those of shareholders.	The chief executive officer is required to build a shareholding, in 'unfettered' shares, equivalent to at least 150% of base salary, and other executive directors equivalent to 100% of base salary, over a period of not more than five years from the date of appointment to the Boards. Executive directors are required to retain at least 50% of any vested shares, other than as necessary to meet tax obligations, under Mondi's various share plans until the requirement is met.	Not applicable.

# Directors' remuneration policy

## Choice of performance measures and approach to target setting

### Bonus Share Plan (BSP)

The table below shows the metrics for 2016, why they were chosen and how targets are set.

Metric	Why chosen?	How targets are set
EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation)	A key indicator of the underlying profit performance of the Group, reflecting both revenues and costs.	Targets and ranges are set each year by the Committee taking account of required progress towards strategic goals, and the prevailing market conditions.
ROCE (%) (Return on Capital Employed)	A key indicator of the effective use of capital.	Targets and ranges are set each year by the Committee taking account of the required progress towards strategic goals, and the prevailing market conditions.
Safety	One of the key indicators of whether the business is meeting its sustainability goal of 'zero harm'.	The Committee considers input from the Board's sustainable development committee, and sets appropriate standards and goals.
Personal performance	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.

The policy gives the Committee the authority to select suitable performance metrics, aligned to Mondi's strategy and shareholders' interests.

### Long-Term Incentive Plan (LTIP)

The table below shows the metrics for 2016 grants, why they were chosen and how targets are set.

Metric	Why chosen?	How targets are set
Total Shareholder Return (TSR), relative to a peer group of competitors	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. Nothing vests below median. 25% vests for median performance; 100% vests for upper quartile performance, with a straight-line scale between these two points.
ROCE (%) (Return on Capital Employed)	A key indicator of the effective use of capital.	The Committee sets threshold and stretch levels, aligned to the Group's strategic targets for ROCE.  Nothing vests below threshold. 25% vests for threshold performance; 100% vests for stretch performance, with a straight-line scale between these two points.

The policy gives the Committee the authority to select suitable performance metrics, aligned to Mondi's strategy and shareholders' interests.

### Differences in remuneration policy for executive directors compared to other employees

There are differences in the structure of the remuneration policy for the executive directors and employees, which are necessary to reflect the different levels of responsibility and market practices. The key difference is the increased emphasis on performance-related pay in senior roles. Lower maximum incentive pay opportunities apply below executive level, driven by market benchmarks and the relative impact of the role. Only the most senior executives in the Group participate in the LTIP and the BSP as these plans are targeted on those individuals who have the greatest responsibility for Group performance.

### Executive directors' existing service contracts, and policy on loss of office

David Hathorn and Andrew King are employed under service contracts with both Mondi Limited and Mondi plc. Peter Oswald is employed in Austria under a service contract with Mondi Services AG.

The service contracts for David Hathorn and Andrew King provide for one year's notice by either party. They include pay in lieu of notice provisions which may be invoked at the discretion of the Group. The payment in lieu of notice would comprise base salary, benefits and pension contributions for the notice period and an amount in compensation for annual bonus only for that part of the financial year the individual has worked.

Peter Oswald was recruited, and is based, in Austria. His service contract is required under Austrian law to be for a fixed period, which renewable fixed period expires on 30 April 2019. However, the contract has also been structured as far as possible to conform to the accepted practice for directors in the UK, and can be terminated on one year's notice by either party. Prior to 2008, he did not have a notice period, and was entitled to receive compensation on termination equivalent to remuneration for the unexpired term of the five-year fixed term contract. The Committee renegotiated this contract in 2008 to substantially reduce the Group's potential liabilities, and introduced a standard 12-month notice period, together with an accompanying lump sum payment on termination, which was necessary to facilitate the transition from the previous contract. In the event of termination by Mondi, other than for 'cause', the current contract provides for payment of base salary, benefits and pension contribution in respect of the 12-month notice period and eligibility for annual bonus in respect of the period he has worked. He would also be eligible for a lump sum amount calculated as €908,800 plus interest on this amount accrued at the Euribor interest rate for the period since 1 January 2008.

Any share-based entitlements granted to an executive director under the Group's share plans will be determined based on the relevant plan rules. The default treatment is that any outstanding awards lapse on cessation of employment. However, in certain prescribed circumstances, such as death, disability, retirement or other circumstances at the discretion of the Committee (taking into account the individual's performance and the reasons for their departure) 'good leaver' status can be applied. For good leavers, vesting of BSP awards that are not subject to performance conditions is accelerated to as soon as practical after employment termination. LTIP awards remain subject to performance conditions (measured over the original time period) and are reduced pro rata to reflect the proportion of the performance period actually served. The Committee has the discretion to disapply the application of performance conditions and/or time pro rating if it considers it appropriate to do so. However, it is envisaged that this would only be applied in exceptional circumstances. In determining whether an executive should be treated as a good leaver or not, the Committee will take into account the performance of the individual and the reasons for their departure.

Details of the service contracts of the executive directors who served during the period under review are as follows. These contracts were all signed prior to 27 June 2012.

<b>Executive director</b>	<b>Effective date of contract</b>	<b>Unexpired term/notice period</b>
David Hathorn	3 July 2007	Terminable on 12 months' notice
Andrew King	23 October 2008	Terminable on 12 months' notice
Peter Oswald	1 January 2008	A fixed term expiring on 30 April 2019 but terminable at any time on 12 months' notice

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.

### **Service contracts for new appointments**

Normally, for any new executive director appointments, the Group's policy is that the service contracts should provide for one year's notice by either party. The contract would provide that, in the event of termination by the company, other than for 'cause', the executive would be eligible for:

- payment of the base salary, pension contribution and benefits in respect of the unexpired portion of the 12-month notice period;
- annual bonus only in respect of the period they have served, payable following the relevant performance year end and subject to the normal performance conditions for annual bonus; and
- share-based awards they hold, subject to the plan rules, which include arrangements for pro ration of LTIP awards and continued application of performance conditions.

The Group would seek to apply the principle of mitigation to the termination payment by, for example, making payments in instalments that can be reduced or ended if the former executive wishes to commence alternative employment during the payment period.

In exceptional circumstances, such as to secure for the Group the appointment of a highly talented and experienced executive in a market such as Germany or Austria where it is common for the most senior executives to have three-year or five-year fixed term contracts, the Committee may need to offer a longer initial notice period that reduces progressively to one year over a set time period. In such exceptional circumstances, the Committee would seek to ensure that any special contract provisions are not more generous than is absolutely necessary to secure the appointment of such a highly talented individual. The Committee would also take account of the remuneration and contract features that the executive may be foregoing or relinquishing in order to join Mondi, in comparison with the overall remuneration package that Mondi is able to offer.

# Directors' remuneration policy

## Approach to remuneration for new executive director appointments

The remuneration package for a newly appointed executive director would be set in accordance with the terms of the Group's approved remuneration policy in force at the time of appointment. The variable remuneration for a new executive director would be determined in the same way as for existing executive directors, and would be subject to the maximum limits on variable pay referred to in the policy table on page 117.

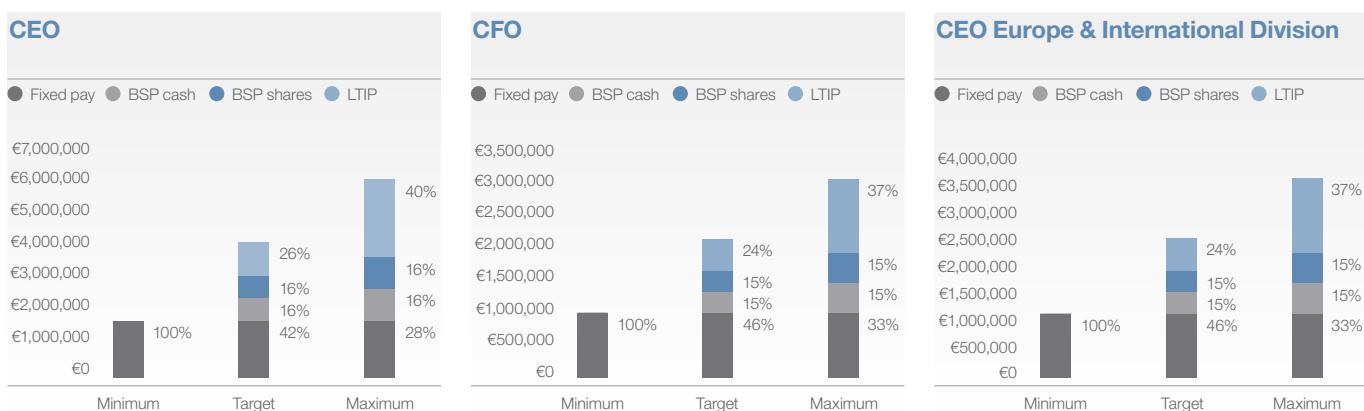
For an internal appointment, any legacy pay elements awarded in respect of the prior role would be allowed to pay out according to their terms.

For internal and external appointments, the Group may meet certain relocation expenses, as appropriate.

For external appointments, the Committee may also offer additional cash and/or share-based elements when it considers these to be in the best interests of Mondi and shareholders, to replace variable remuneration awards or arrangements that an individual has foregone in order to join the Group. This includes the use of awards made under Section 9.4.2 of the UK Listing Rules. Any such payments would take account of the details of the remuneration foregone including the nature, vesting dates and any performance requirements attached to that remuneration.

## Remuneration scenarios at different performance levels<sup>1</sup>

The charts below illustrate the total potential remuneration for each executive director at three performance levels.



<sup>1</sup>Assumptions:

Below target = fixed pay only (salary + benefits + pension)

On target = 70% vesting of the annual bonus and 44% 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 2016.

## Remuneration policy for non-executive directors

Element	Purpose and link to strategy	Operation	Maximum opportunity
Non-executive chairmen fees	To attract and retain high calibre chairmen, with the necessary experience and skills. To provide fees which take account of the time commitment and responsibilities of the role.	The joint chairmen each receive an all-inclusive fee.	The joint chairmen's fees are reviewed periodically by the Committee.  While there is not a maximum fee level, fees are set by reference to market median data for companies of similar size and complexity to Mondi.
Other non-executive fees	To attract and retain high-calibre non-executives with the necessary experience and skills. To provide fees which take account of the time commitment and responsibilities of the role.	The non-executives are paid a basic fee. Attendance fees are also paid to reflect the requirement for non-executive directors to attend meetings in various international locations.  The chairmen 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 joint chairmen 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.

All non-executive directors have letters of appointment with Mondi Limited and 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 Meetings. Appointments may be terminated by Mondi with six months' notice. No compensation is payable on termination, other than accrued fees and expenses.

### Statement of consideration of employment conditions elsewhere in the Group

The Group's remuneration policy for the remuneration of executive directors and other senior executives is set taking appropriate account of remuneration and employment conditions of other colleagues in the Group.

The Committee annually receives a report from management on pay practices across the Group, including salary levels and trends, collective bargaining outcomes and bonus participation. At the time that salary increases are considered the Committee additionally receives a report on the approach management propose to adopt for general staff increases. Both these reports are taken into account in the Committee's decisions about the remuneration of executive directors and other senior executives.

The Group does not engage in formal consultation with employees on directors' remuneration policy. However, employees of the Group are encouraged to provide feedback on the Group's general employment policies. In some countries where the Group operates, more formal consultation arrangements with employee representatives are in place relating to employment terms and conditions, in accordance with local custom and practice. The Group also conducts periodic employee engagement surveys which gauge employees' satisfaction with their working conditions. The Mondi Boards are given feedback on these survey results.

### Shareholder context

The Committee considers the views of shareholders in its deliberations about the remuneration of executive directors and other senior executives, and consults directly with major shareholders when any material changes to policy are being considered.

### Legacy arrangements

For the avoidance of doubt, in approving this policy report, authority is given to the Group to honour any commitments entered into with current or former directors that have been disclosed to shareholders in previous remuneration reports. Details of any payments to former directors will be set out in the annual report on remuneration as they arise.

# Annual report on remuneration

## 2015 remuneration of directors

This table reports executive and non-executive directors' remuneration in accordance with UK reporting regulations applicable to financial reporting periods ending on or after 1 October 2013.

	Base salary/NED fees <sup>1</sup>	Benefits	Pension contribution	Annual bonus including grant value of BSP award	Value of LTIP vesting in the performance year <sup>2</sup>	Share price		Other <sup>5</sup>	Total
						LTIP vesting at date of grant <sup>3</sup>	Value of gain on vesting between grant and vest dates <sup>4</sup>		
David Hathorn	2015	€1,234,121	€54,323	€368,889	€1,652,794	€3,673,395	€1,808,590	€1,864,805	€82,106 €7,065,628
	2014	€1,078,353	€48,824	€322,614	€1,478,738	€4,572,073	€1,696,853	€2,875,220	€263,306 €7,763,908
Andrew King	2015	€729,693	€43,192	€182,423	€790,518	€1,525,601	€751,127	€774,474	€37,895 €3,309,322
	2014	€637,322	€39,652	€159,330	€714,430	€1,765,907	€655,389	€1,110,518	€223,380 €3,540,021
Peter Oswald	2015	€921,000	€39,557	€230,250	€990,260	€2,303,324	€1,133,609	€1,169,715	€53,226 €4,537,617
	2014	€895,000	€40,617	€223,750	€983,784	€2,743,356	€1,016,403	€1,726,953	€53,236 €4,939,743
Fred Phaswana	2015	€378,995	–	–	–	–	–	–	– €378,995
	2014	€336,658	–	–	–	–	–	–	– €336,658
David Williams	2015	€378,995	–	–	–	–	–	–	– €378,995
	2014	€336,658	–	–	–	–	–	–	– €336,658
Stephen Harris	2015	€119,712	–	–	–	–	–	–	– €119,712
	2014	€106,399	–	–	–	–	–	–	– €106,399
Imogen Mkhize <sup>6</sup>	2015	€82,966	–	–	–	–	–	–	– €82,966
	2014	€100,802	–	–	–	–	–	–	– €100,802
John Nicholas	2015	€119,710	–	–	–	–	–	–	– €119,710
	2014	€109,111	–	–	–	–	–	–	– €109,111
Anne Quinn	2015	€127,312	–	–	–	–	–	–	– €127,312
	2014	€115,852	–	–	–	–	–	–	– €115,852
Dominique Reiniche <sup>7</sup>	2015	€30,578	–	–	–	–	–	–	– €30,578
	–	–	–	–	–	–	–	–	– –

<sup>1</sup> David Hathorn's and Andrew King's salaries are denominated in pounds sterling and their 2015 salaries were £893,000 and £528,000 respectively.

The non-executive directors' fees are also denominated in pounds sterling. Euro amounts are reported based on exchange rates on the dates actual payments were made. Non-executive director fees were increased by circa 2% with effect from 13 May 2015 following the passing of a resolution at the Annual General Meetings of Mondi Limited and Mondi plc. See the table on page 126 for current fee levels.

<sup>2</sup> For 2015, the three-year performance cycle of the 2013 LTIP award ended on 31 December 2015. The award value shown has been based on the average share price over the last three months of the performance cycle. For 2014, the three-year performance cycle of the 2012 LTIP award ended on 31 December 2014. The award value shown in the 2014 remuneration report was an estimate based on the average share price over the last three months of the performance cycle which was £10.38 for Mondi plc LTIP awards and ZAR183.79 for Mondi Limited LTIP awards. The actual award price on vesting was £13.36 for Mondi plc LTIP awards and ZAR241.22 for Mondi Limited LTIP awards. The award values for 2014 have been restated on this basis.

<sup>3</sup> For 2015, the value is shown of the 2013 LTIP award made at the start of the three-year performance cycle, and for 2014, the value of the 2012 LTIP award made at the start of the three-year performance cycle.

<sup>4</sup> For 2015, the enhanced value is shown of the 2013 LTIP based on the share price gain between grant and the average share price over the last three months of the performance cycle. The value of Mondi plc's shares increased from £8.51 to £14.43, and the value of Mondi Limited shares from ZAR114.64 to ZAR310.44 during this time. For 2014, the enhanced value is shown of the 2012 LTIP that vested based on share price appreciation during the holding period. The value of Mondi plc's shares increased from £5.84 to £13.36, and the value of Mondi Limited shares from ZAR69.79 to ZAR241.22.

<sup>5</sup> Includes cash amounts of equivalent value to dividends on vested BSP shares during the year and for 2014 includes the net gain from exercise of options under the Mondi Sharesave Option Plan. See table of share awards granted to executive directors on pages 128 and 129.

<sup>6</sup> Imogen Mkhize's 2015 fee covers the period until 30 September 2015 when she stepped down from the Boards.

<sup>7</sup> Dominique Reiniche's fee covers the period from her appointment on 1 October 2015.

## Annual bonus

### Approach to disclosure of bonus targets

Mondi has, since its 2012 report, disclosed the performance measures used for the annual bonus as well as outcomes against these measures. Since the 2013 report we have, in the case of financial measures, provided broad indications of where performance outcomes fell within the bonus ranges that had been set. Precise bonus ranges were not disclosed, principally for reasons of commercial sensitivity. Few of Mondi's competitors are subject to the same disclosure obligations and such disclosure would place Mondi at a competitive disadvantage. The Committee is however committed to providing disclosure as soon as the passage of time has rendered such competitive considerations less acute.

For the 2015 report, bonus outcomes have been reported in the same manner as in recent years. In addition, retrospective disclosure of the financial bonus ranges for the previous (2014) performance year has been provided. It is the Committee's view that this strikes the correct balance between disclosure needs and commercial sensitivity. In the case of the safety element, where competitive considerations are less pertinent, the disclosures below relate to the 2015 performance year.

For the personal bonus element, the achievements of our executives against key 2015 focus areas are described, together with the ratings awarded to each executive.

### 2015 bonus outcomes

For the annual bonus in respect of 2015 performance, the performance measures and achievement levels were:

	BSP performance measures				
	EBITDA	ROCE	Safety	Personal	Total
Weight	30	30	10	30	100
Outcomes:					
David Hathorn	29.6	30	5	25	89.6
Andrew King	29.6	30	5	26	90.6
Peter Oswald	29.6	30	5	25	89.6

### Retrospective disclosure of 2014 financial bonus ranges, and outline disclosure of 2015 financial bonus outcomes<sup>1</sup>

Financial performance was assessed against the EBITDA and ROCE ranges that were set for 2014. The 2014 ranges and outcomes were:

	EBITDA (€ m)	Bonus outcome (points)	ROCE (%)	Bonus outcome (points)
Entry level	925	7.5	13.0	7.5
Ceiling	1,150	30.0	17.0	30.0
Outcome	1,126	27.6	17.2	30.0

<sup>1</sup> For the 2014 performance year, bonus ranges that were communicated within Mondi did not make reference to specific target values. Since the 2015 performance year bonus ranges have included entry level, target and ceiling values and future disclosures will therefore include all these elements.

Financial performance for 2015 was strong. Both EBITDA and ROCE were in excess of target performance levels. ROCE was also in excess of the applicable range ceiling while EBITDA performance came close to the range ceiling. Full disclosure of the 2015 bonus ranges and outcomes will be included in the 2016 report.

### Safety element of 2015 bonus

Five points of the 10-point safety element was payable on the achievement of total recordable case rate (TRCR) targets. If the achieved TRCR rate was 0.83 or better, then the entire five points would be earned. One point would be earned for a TRCR of 0.91, with straight-line interpolation for TRCR performance between 0.83 and 0.91. The other five points were payable if there were no fatalities within the Mondi Group. If there is one fatality then these five points are forfeited. If there are two fatalities during the year then the entire 10 points attributable to safety are forfeited.

Mondi continued to achieve an industry-leading TRCR performance. The TRCR that was achieved for 2015 was 0.70. The full five points attributable to this element were therefore earned.

Following the tragic and unacceptable fatality of an employee engaged in Mondi operations, the portion of the safety element that is payable if there are no fatalities was not paid.

# Annual report on remuneration

## Personal objectives of executives for 2015 bonus

### Key objectives and achievements

The executive directors share many key objectives and also have individual objectives that are specific to their roles. Key objectives, and achievements against these objectives during 2015, included:

Strategy development and execution	<ul style="list-style-type: none"><li>• All committed major projects on track and on budget</li><li>• Divested two consumer packaging plants and one containerboard plant</li><li>• A large number of potential acquisitions considered. Walki thwarted by EU anti-trust ruling</li><li>• Completed the acquisitions of Ascania nonwoven Germany GmbH and KSP, Co. (South Korea and Thailand)</li></ul>
Operational performance	<ul style="list-style-type: none"><li>• Rationalisations continued: Ibérica (Spain), Sendenhorst (Germany), Lohja (Finland) and two US bag plants</li><li>• New start ups at PM7 Štětí (Czech Republic), pulp dryer Syktyvkar (Russia) performing above plan</li><li>• Continue to make good progress on cost management</li><li>• Strong growth in Consumer Packaging revenue and EBITDA</li><li>• Continued to review major risks to the business and regularly discuss with the Boards</li></ul>
Financial efficiency and financing	<ul style="list-style-type: none"><li>• Standard &amp; Poor's rating upgraded to BBB</li><li>• Significant work on tax optimisation and risk mitigation</li><li>• Self financing of major capital projects and acquisitions due to our robust liquidity</li></ul>
Organisational structure and resourcing	<ul style="list-style-type: none"><li>• Several key appointments made during the year</li><li>• Succession plans for key roles</li></ul>
Organisational culture	<ul style="list-style-type: none"><li>• Safety focus on major risks continued. TRCR improved 16% on prior year</li><li>• Completed employee culture survey. Good progress on all dimensions</li><li>• Management style and leadership assessed via 360 degree surveys</li><li>• Successful leadership conference with 130 senior leaders</li></ul>
Stakeholder relationships	<ul style="list-style-type: none"><li>• Hosted a well attended Capital Markets Day in London</li><li>• Extensive roadshows, individual meetings and phone calls with existing and potential shareholders</li><li>• Government and NGO engagement on a wide variety of issues e.g. forestry, employees, communities, industry groups</li><li>• Achieved 29 of 35 sustainable development 2015 commitments and made good progress on five others</li><li>• Published 2020 sustainability targets</li></ul>
The ratings of the three executive directors were:	David Hathorn 25/30 Andrew King 26/30 Peter Oswald 25/30

### Detail of annual bonus awarded in the year

Name	Awarded in cash	Awarded in shares	Total
David Hathorn	€826,397	€826,397	€1,652,794
Andrew King	€395,259	€395,259	€790,518
Peter Oswald	€495,130	€495,130	€990,260

### Clawback

The Committee considered whether there were any circumstances in the year that would have required clawback and agreed that such circumstances did not exist. Under Mondi's LTIP and BSP rules clawback can be applied to awards made on or after 1 January 2011 if there has been a misstatement of financial results, or performance outcomes that are relevant to the plans, that had the effect that awards were larger than they would have been had such errors not been made. Clawback may, at the Committee's discretion, take the form of a demand for the participant to repay amounts to Mondi, a reduction of future bonus payments to the participant, and a reduction in the number of conditional share awards held by a participant. Clawback applies to misstatement of results or miscalculation of relevant performance outcomes but not to other conduct that may result in the Group wishing to recover funds from the participant. The Committee and the Group cannot foresee circumstances under which misconduct of a severity that would render the desire for such redress appropriate would be compatible with the participant's continued employment. In the case of employment termination Mondi is able to cancel subsisting but unvested share awards, withhold payments that would otherwise be due to the participant, and, where appropriate, initiate legal proceedings to recover funds to which the Group is legally entitled.

## Long-Term Incentive Plan (LTIP)

### Vesting of the 2013 award

The LTIP awards that were made in 2013, with a three-year performance period that ended on 31 December 2015, were reviewed by the Committee in February 2016 against the (equally weighted) relative TSR and ROCE performance conditions. Maximum performance was achieved against the TSR targets and ROCE targets. 100% of the shares under award therefore vested in March 2016.

### Awards granted in 2015

The maximum award that can be made to any LTIP participant in any year is equal to two times salary. For 2015, the award made to David Hathorn was 185% of salary and the awards made to Andrew King and Peter Oswald were 150% of salary.

For the LTIP awards made in 2015, the performance conditions are based on two performance measures of equal weight – relative TSR and ROCE, measured over a three-year performance period ending on 31 December 2017. The Committee believes that this combination of metrics provides an appropriate means of aligning the operation of the LTIP with shareholders' interests and the Group's business strategy.

The TSR performance condition is based on the Group's TSR relative to a group of competitor companies. For the 2012, 2013, 2014 and 2015 LTIP awards, the following group of companies were selected:

Amcor (2013) <sup>1</sup>	DS Smith	International Paper	Metsä Board	Sappi	UPM
Bemis (2013) <sup>1</sup>	Domtar	Mayr-Melnhof	Norske Skog (2012) <sup>3</sup>	Smurfit Kappa	WestRock <sup>4</sup>
Billerud	Holmen	MeadWestvaco <sup>2</sup>	Portucel	Stora Enso	

<sup>1</sup> As previously reported, Amcor and Bemis were added to the peer group for 2013 and subsequent awards.

<sup>2</sup> MeadWestvaco was included in LTIP awards until its merger with Rock Tenn in 2015 when it was, in accordance with Committee practice, removed from the peer group for all subsisting awards.

<sup>3</sup> As previously reported, Norske Skog was excluded from the peer group for 2013 and subsequent awards.

<sup>4</sup> WestRock, the company that was formed by the merger of MeadWestvaco and Rock Tenn, has been included in the peer group for 2016 and subsequent awards.

For the 50% of awards attributable to TSR: If the Group's TSR is below the median when ranked against the comparator group, this part of the award will lapse in full. For TSR at the median, 25% of this part of the award (i.e. 12.5% of the total award) will vest, with a straight-line progression to the upper quartile, at which point 100% of this part of the award (i.e. 50% of the total award) will vest.

For the 50% of awards attributable to ROCE: This part will lapse in full if ROCE is below 10%. 25% of this part of the award (i.e. 12.5% of the total award) will vest for achievement of ROCE of 10%, with a straight-line progression to full vesting of this part of the award for achievement of ROCE of 16% (i.e. 50% of the total award).

### Mondi's TSR performance over the last seven years

The following graphs set out the comparative TSR of Mondi Limited relative to the JSE All-Share Index, and Mondi plc relative to the FTSE All-Share Index, for the period between 31 December 2008 and 31 December 2015. Those indices were chosen because they are broad equity market indices of which Mondi Limited and Mondi plc, respectively, are members.

#### JSE All-Share Index

Total shareholder return

Source: Thomson Reuters (Datastream)

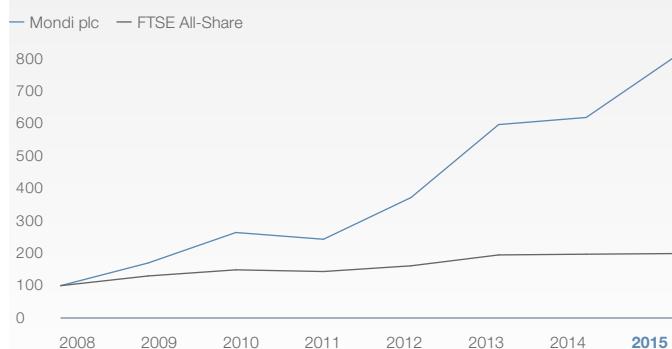


This graph shows the value, by 31 December 2015 of ZAR100 invested in Mondi Limited on 31 December 2008 compared with the value of ZAR100 invested in the JSE All-Share Index. The other points plotted are the values at intervening financial year ends.

#### FTSE All-Share Index

Total shareholder return

Source: Thomson Reuters (Datastream)



This graph shows the value, by 31 December 2015 of £100 invested in Mondi plc on 31 December 2008 compared with the value of £100 invested in the FTSE All-Share Index. The other points plotted are the values at intervening financial year ends.

# Annual report on remuneration

## CEO remuneration from 2009

Year	Total remuneration	% of maximum bonus earned	% of LTI vested
2015	€7,065,628	89.6	100
2014	€7,763,908 <sup>1</sup>	91.6	100
2013	€5,900,140	73	100
2012	€6,305,794	80	100
2011	€12,824,112 <sup>2</sup>	78	92
2010	€3,160,318	89	33
2009	€2,627,196	83	12

<sup>1</sup> In 2014, the three-year performance cycle of the 2012 LTIP award ended on 31 December 2014. The award value shown in the 2014 Remuneration report was an estimate based on the average share price over the last three months of the performance cycle which was £10.38 for Mondi plc LTIP awards and ZAR183.79 for Mondi Limited LTIP awards. The actual award price on vesting was £13.36 for Mondi plc LTIP awards and ZAR241.22 for Mondi Limited LTIP awards. The total remuneration for 2014 has been restated on this basis.

<sup>2</sup> David Hathorn's remuneration in 2011 included €3.9 million from the proceeds of a one-off, shareholder approved, share award under a Co-Investment Plan he participated in at the time of the Group's demerger from Anglo American plc in 2007. Under this plan, he invested £1 million from his own funds in Mondi plc shares in August 2007. He was eligible to receive a match of up to 250% of the number of investment shares based on a relative TSR performance measure over a four-year period. As the TSR achieved by Mondi plc was better than the upper quintile – Mondi was the top-performing company in the comparator group – the Committee approved the maximum vesting in accordance with the Plan rules.

## Comparison of 2015 and 2014 remuneration of CEO versus other employees

	Percentage change in remuneration elements from 2014 to 2015		
	Salary	Benefits	Bonus
CEO <sup>1</sup>	2.9%	0.1%	0.6%
Mondi Group <sup>2</sup>	2.1%	N/A <sup>3</sup>	30.4% <sup>4</sup>

<sup>1</sup> CEO remuneration is reported in euros, but denominated in pounds sterling. See the table on page 122. Change percentages shown are for pounds sterling values.

<sup>2</sup> Includes salaries and bonuses (where applicable) for all employees of Mondi Group excluding the CEO with year-on-year movements reported in per capita terms.

<sup>3</sup> In most of the Group the majority of benefits are provided through social security. Additional benefits represent less than 5% of the salary bill.

<sup>4</sup> Aggregate bonuses paid during 2015 are compared with those paid in 2014. This includes annual bonuses that are paid in arrears and periodic bonuses that are paid more frequently. Each year's numbers therefore include some payments attributable to that year and some that reflect performance in the previous year. Bonuses are often based on specific objectives that are set at the level of local operations that do not necessarily correlate with Group-wide metrics that underpin the CEO's bonus.

## Relative importance of spend on pay

€ million	2015	2014	% change
Dividends	209	193	8.3
Overall remuneration expenditure <sup>1</sup>	1,003	946	6.0

<sup>1</sup> Remuneration expenditure for all Mondi Group employees.

## Non-executive directors' remuneration

Current fee levels are as follows:

Role	Annual Fee <sup>2</sup>
Joint chairman fee <sup>1</sup>	£278,000
Non-executive base fee	£44,400
Additional fees:	
Senior independent director and DLC remuneration committee chairman fee	£16,680
DLC audit committee chairman fee	£11,100
DLC sustainable development committee chairman fee	£8,870
Mondi Limited social and ethics committee chairman fee	£8,870
Attendance fee per meeting (outside country of residence)	£5,560
Attendance fee per day (inside country of residence)	£1,660

<sup>1</sup> No supplement is payable for additional commitments in relation to this role.

<sup>2</sup> Fees are determined in pounds sterling. In the remuneration table on page 122, euro amounts are reported based on exchange rates on the dates actual payments were made.

The joint chairmen and the other non-executive directors are appointed by Mondi Limited and Mondi plc. The terms of their appointment provide for the appointment to be terminable on six months' notice.

### **Statement of directors' shareholdings and share interests**

The chief executive officer is required to build a shareholding equivalent to 150% of base salary, and other executive directors a shareholding equivalent to at least 100% of base salary. As at 31 December 2015, all executive directors had significantly exceeded the shareholding requirements.

The beneficial and non-beneficial share interests of the directors and their connected persons as at 1 January 2015 or, if later, on appointment, and as at 31 December 2015, or as at their date of resignation if earlier, were as follows:

#### **Executive directors**

	Shareholding at 1 Jan 2015	Shareholding at 31 Dec 2015	Total shareholding as multiple of salary (%)	Deferred BSP shares outstanding at 31 Dec 2015 <sup>1</sup>	Deferred BSP shares as multiple of salary (%)	Deferred LTIP shares outstanding at 31 Dec 2015 <sup>2</sup>	Deferred LTIP shares as multiple of salary (%)
<b>David Hathorn</b>							
Mondi plc	193,922	193,922	299%	101,949	157%	319,005	491%
Mondi Limited	–	–	–	43,931	67%	137,472	211%
<b>Andrew King</b>							
Mondi plc	78,330	78,330	204%	47,393	123%	138,060	359%
Mondi Limited	208	208	0.54%	20,424	53%	59,498	154%
<b>Peter Oswald</b>							
Mondi plc	100,000	100,000	206%	97,386	201%	279,333	576%

<sup>1</sup> BSP shares subject to service condition.

<sup>2</sup> LTIP shares subject to service and performance conditions.

#### **Non-executive directors**

##### **Mondi Limited**

	Shareholding at 1 Jan 2015	Shareholding at 31 Dec 2015
Imogen Mkhize	3,222	3,222 <sup>1</sup>

##### **Mondi plc**

	Shareholding at 1 Jan 2015	Shareholding at 31 Dec 2015
Fred Phaswana	5,143	5,230
David Williams	5,000	5,000
Stephen Harris	1,000	1,000
Imogen Mkhize	2,000	2,000 <sup>1</sup>
John Nicholas	6,000	6,000
Anne Quinn	11,882	11,882
Dominique Reiniche	–	– <sup>2</sup>

<sup>1</sup> Shareholding shown is for 30 September 2015, when she stepped down from the Boards.

<sup>2</sup> Joined the Boards on 1 October 2015.

There has been no change in the interests of the directors and their connected persons between 31 December 2015 and the date of this report.

# Annual report on remuneration

## Remuneration committee governance

### The DLC remuneration committee

The DLC remuneration committee (the 'Committee') is a formal committee of the Boards. Its remit is set out in terms of reference adopted by the Boards. A copy of the terms of reference is available on the Group's website at [www.mondigroup.com](http://www.mondigroup.com). The primary purposes of the Committee, as set out in its terms of reference, are:

- to make recommendations to the Boards 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 joint chairmen; and
- to oversee the operation of the Group's share schemes.

The members of the Committee are Anne Quinn (chairman of the Committee), Stephen Harris, Dominique Reiniche (since 1 October 2015) and David Williams, all of whom are independent non-executive directors. David Williams is joint chairman of Mondi Limited and Mondi plc and Anne Quinn is senior independent director. Philip Laubscher and Carol Hunt act as secretary to the Committee. Imogen Mkhize was a Committee member until 30 September 2015 when she stepped down from the Boards.

The Group head of reward, Paul Wessels, provides advice on remuneration policies and practices and is usually invited to attend meetings of the Committee, along with David Hathorn, the chief executive officer and Fred Phaswana, joint chairman.

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.

In the year to 31 December 2015, New Bridge Street (NBS) provided remuneration advice and benchmarking data to the Committee. NBS do not undertake any other work for the Group. Total fees paid to NBS in respect of the year under review were £95,379.

### 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 Limited or Mondi plc ('the Companies'), or while a director of the Companies, as a director of any of the Companies' subsidiary undertakings, or as a director of any other undertaking of which he/she was (while a director of the Companies) a director by virtue of the Companies' nomination, or otherwise in connection with the management of the Companies or any undertaking during the year to 31 December 2015.

### Share awards granted to executive directors

The following tables set out the share awards granted to the executive directors.

#### Mondi Limited

	Type of award <sup>1</sup>	Awards held at beginning of year or on appointment to the Boards	Awards granted during year	Shares lapsed	Awards exercised during year	Award price basis (ZAc)	Date of award	Awards held as at 31 December 2015	Release date
David Hathorn	BSP	24,216	–	–	24,216	6979	Mar 12	–	Mar 15
	BSP	17,506	–	–	–	11464	Mar 13	17,506	Mar 16
	BSP	12,883	–	–	–	19435	Mar 14	12,883	Mar 17
	BSP	–	13,542	–	–	23444	Mar 15	13,542	Mar 18
	LTIP	74,355	–	–	74,355	6979	Mar 12	–	Mar 15
	LTIP	55,233	–	–	–	11464	Mar 13	55,233	Mar 16
	LTIP	44,723	–	–	–	19435	Mar 14	44,723	Mar 17
	LTIP	–	37,516	–	–	23444	Mar 15	37,516	Mar 18
Andrew King	BSP	11,177	–	–	11,177	6979	Mar 12	–	Mar 15
	BSP	7,790	–	–	–	11464	Mar 13	7,790	Mar 16
	BSP	6,091	–	–	–	19435	Mar 14	6,091	Mar 17
	BSP	–	6,543	–	–	23444	Mar 15	6,543	Mar 18
	LTIP	28,719	–	–	28,719	6979	Mar 12	–	Mar 15
	LTIP	22,939	–	–	–	11464	Mar 13	22,939	Mar 16
	LTIP	18,574	–	–	–	19435	Mar 14	18,574	Mar 17
	LTIP	–	17,985	–	–	23444	Mar 15	17,985	Mar 18

<sup>1</sup> For note 1 please refer to the table on page 129.

## Mondi plc

	Type of award <sup>1</sup>	Awards held at beginning of year or on appointment to the Boards	Awards granted during year	Shares lapsed	Awards exercised during year	Award price basis (GBP)	Date of award	Awards held as at 31 December 2015	Release date
David Hathorn	BSP	56,154	–	–	56,154	584	Mar 12	–	Mar 15
	BSP	40,803	–	–	–	851	Mar 13	40,803	Mar 16
	BSP	29,760	–	–	–	1088	Mar 14	29,760	Mar 17
	BSP	–	31,386	–	–	1330	Mar 15	31,386	Mar 18
	LTIP	172,423	–	–	172,423	584	Mar 12	–	Mar 15
	LTIP	128,740	–	–	–	851	Mar 13	128,740	Mar 16
	LTIP	103,315	–	–	–	1088	Mar 14	103,315	Mar 17
	LTIP	–	86,950	–	–	1330	Mar 15	86,950	Mar 18
Andrew King	BSP	25,917	–	–	25,917	584	Mar 12	–	Mar 15
	BSP	18,158	–	–	–	851	Mar 13	18,158	Mar 16
	BSP	14,071	–	–	–	1088	Mar 14	14,071	Mar 17
	BSP	–	15,164	–	–	1330	Mar 15	15,164	Mar 18
	LTIP	66,596	–	–	66,596	584	Mar 12	–	Mar 15
	LTIP	53,467	–	–	–	851	Mar 13	53,467	Mar 16
	LTIP	42,908	–	–	–	1088	Mar 14	42,908	Mar 17
	LTIP	–	41,685	–	–	1330	Mar 15	41,685	Mar 18
Peter Oswald	BSP	56,039	–	–	56,039	584	Mar 12	–	Mar 15
	BSP	41,064	–	–	–	851	Mar 13	41,064	Mar 16
	BSP	29,293	–	–	–	1088	Mar 14	29,293	Mar 17
	BSP	–	27,029	–	–	1330	Mar 15	27,029	Mar 18
	LTIP	147,547	–	–	147,547	584	Mar 12	–	Mar 15
	LTIP	115,276	–	–	–	851	Mar 13	115,276	Mar 16
	LTIP	88,147	–	–	–	1088	Mar 14	88,147	Mar 17
	LTIP	–	75,910	–	–	1330	Mar 15	75,910	Mar 18

<sup>1</sup> The value on award of the BSP awards set out in this table is included in the table of executive directors' remuneration on page 122.

<sup>2</sup> In addition to the number of shares that vested as shown in the table above in respect of the BSP, the executive directors also received the following cash amounts of equivalent value to dividends on vested shares over the vesting period, in accordance with the plan rules:

Name	Amount
David Hathorn	€82,106 (£60,299)
Andrew King	€37,895 (£27,830)
Peter Oswald	€53,226

# Annual report on remuneration

## All-employee share plans

The Group currently operates two HM Revenue & Customs approved all-employee share plans 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

Details of shares purchased and awarded to executive directors in accordance with the terms of the SIP:

	Shares held at beginning of year or on appointment to the Boards	Partnership shares acquired during the year	Matching shares awarded during the year	Shares released during year	Total shares held as at 31 December 2015
David Hathorn	4,422	132	132	—	4,686
Andrew King	4,866	132	132	—	5,130

Since 1 January 2016 up to the date of this report, David Hathorn has acquired 25 partnership shares and was awarded 25 matching shares. Andrew King acquired 25 partnership shares and was awarded 25 matching shares.

### Sharesave

Employees resident in the UK are also eligible to participate in a Sharesave scheme when offered. Participants enter into a savings contract under which they choose to save a fixed amount of between £5 and £500 per month by deduction from their salary. They are granted an option to acquire Mondi plc shares to the value of their savings at a specified price. In normal circumstances the option can only be exercised during the six months following the end of the savings contract. The last Sharesave invitation was made in 2009 and the exercise period for these options expired on 31 October 2014. There were no options outstanding under this plan during the 2015 reporting period.

### Mondi Limited and Mondi plc share prices

The closing price of a Mondi Limited ordinary share on the JSE Limited on 31 December 2015 was ZAR307.27 and the range during the period between 1 January 2015 and 31 December 2015 was ZAR181.29 (low) and ZAR336.00 (high).

The closing price of a Mondi plc ordinary share on the London Stock Exchange on 31 December 2015 was £13.34 and the range during the period between 1 January 2015 and 31 December 2015 was £10.18 (low) to £16.11 (high).

### Statement of voting at Annual General Meetings

The Annual General Meetings of Mondi Limited and Mondi plc were both held on 13 May 2015. As required by the dual listed company structure, all resolutions were treated as joint electorate actions and were decided on a poll. All resolutions at both meetings were passed. The voting results of the joint electorate actions are identical and are given below. Overall in excess of 62% of the total Group shares were voted.

Resolution	Votes For	%	Votes Against	%	Votes Total	Votes Withheld
<b>Mondi Limited business</b>						
14. To endorse the remuneration policy	295,897,062	98.16	5,550,789	1.84	301,447,851	1,983,545
15. To authorise a maximum increase of 2.21% in non-executive director fees <sup>1</sup>	302,339,548	99.87	397,085	0.13	302,736,633	694,763
<b>Mondi plc business</b>						
25. To approve the remuneration report (other than the policy)	296,923,777	98.50	4,521,602	1.50	301,445,379	1,986,017

<sup>1</sup> Special resolution.

## Statement of implementation of directors' remuneration policy in 2016

Current salary levels, and increases awarded in January 2016, are as follows:

Name	Base salary effective 1 Jan 2016	Previous base salary	% change
David Hathorn	£911,000	£893,000	2.0%
Andrew King	£540,000	£528,000	2.3%
Peter Oswald	€939,000	€921,000	2.0%

David Hathorn remains eligible for a bonus of up to 150% of salary in respect of 2016 and the other executive directors for a bonus of up to 120% of salary. Half of any bonus earned will be paid out in cash and the other half will be deferred for three years in conditional Mondi shares. The bonus structure for 2016 will remain as it was for 2015, i.e. a maximum of 60 points on financial objectives (30 on EBITDA and 30 on ROCE), 10 points on safety and 30 points on personal objectives.

For 2016, the Committee intends to make an LTIP award of 185% of salary to David Hathorn and of 150% of salary to Andrew King and Peter Oswald. There will continue to be two performance conditions of equal weight – TSR and ROCE, measured over a three-year performance period commencing on 1 January 2016.

For the 50% of awards attributable to TSR: If the Group's TSR is below the median when ranked against the comparator group on page 125, this part of the award will lapse in full. For TSR at the median, 25% of this part of the award (i.e. 12.5% of the total award) will vest, with a straight-line progression to the upper quartile, at which point 100% of this part of the award (i.e. 50% of the total award) will vest.

For the 50% of awards attributable to ROCE: This part will lapse in full if ROCE is below 10%. 25% of this part of the award (i.e. 12.5% of the total award) will vest for achievement of ROCE of 10%, with a straight-line progression to full vesting of this part of the award for achievement of ROCE of 16% (i.e. 50% of the total award).

The Group will continue to operate pensions and benefits in accordance with its approved policy in 2016.

Current non-executive directors' fees, and increases proposed for implementation with effect from the date of the Annual General Meetings of Mondi Limited and Mondi plc to be held on 12 May 2016, are:

Role	Annual fee	Proposed with effect from 12 May 2016	Percentage increase proposed
Joint chairman fee <sup>1</sup>	£278,000	£283,600	2.0
Non-executive base fee	£44,400	£45,300	2.0
Additional fees:			
Senior independent director and DLC remuneration committee chairman fee	£16,680	£17,020	2.0
DLC audit committee chairman fee	£11,100	£11,320	2.0
DLC sustainable development committee chairman fee	£8,870	£9,050	2.0
Mondi Limited social and ethics committee chairman fee	£8,870	£9,050	2.0
Attendance fee per meeting (outside country of residence)	£5,560	£5,675	2.1
Attendance fee per day (inside country of residence)	£1,660	£1,695	2.1

<sup>1</sup> No supplement is payable for additional commitments in relation to this role.

This report was approved by the Boards on 24 February 2016 and is signed on their behalf.

**Anne C Quinn**

Senior independent director and chairman of the DLC remuneration committee

# Other statutory information

For the purposes of the UK Companies Act, the disclosures below, including those incorporated by reference, together with the Corporate governance report set out on pages 70 to 114, 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 14 to 69:

- Dividends
- Financial risk management objectives and policies
- Principal risks
- Likely future developments in the business
- Greenhouse gas (GHG) emissions
- Employees

## Information required to be disclosed under UK Listing Rule 9.8.4 R

The UK Listing Authority listing rules require the disclosure of certain specified information in the annual financial report of Mondi plc.

The information required under rule 9.8.4 (1) in relation to interest capitalised and related tax relief can be found on page 161.

The information required under rules 9.8.4 (12) and (13) in relation to dividend waivers can be found on page 170. 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.

## Share capital

Full details of the Group's share capital can be found in note 20 to the financial statements.

## Substantial interests

### Mondi Limited

Based on the Mondi Limited share register as at 31 December 2015, the directors are aware of the following shareholders holding directly 5% or more of the issued share capital of Mondi Limited:

Shareholder	Shares	%
Government Employees Pension Fund	20,516,203	17.34

Save as indicated above, the directors have not been advised of and have no certainty whether any of the shareholders could be beneficially interested in 5% or more of the issued share capital of Mondi Limited.

### Mondi plc

As at 31 December 2015, the Group 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	%
Public Investment Corporation Limited	28,655,736	7.80
Coronation Asset Management Proprietary Limited	21,781,701	5.93
BlackRock, Inc	20,860,476	5.68
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	11,025,198	3.00
Sanlam Investment Management Proprietary Limited	10,936,128	3.00

The following changes in interests have been notified between 1 January 2016 and the date of this report:

Date	Shareholder	Number of voting rights	%
9 February 2016	Public Investment Corporation Limited	25,528,734	6.95

### **Additional information for Mondi plc shareholders**

The information for Mondi plc shareholders required pursuant to the UK Companies Act can be found on pages 209 to 211 of this report.

### **Research and development**

Mondi operates a number of research and development (R&D) centres to improve existing products and processes and to innovate new solutions. Mondi's investment into R&D during 2015 amounted to €18 million. Further information on Mondi's innovation activities can be found in the Chief executive's review on pages 20 to 25 and Business reviews on pages 52 to 69.

### **Political donations**

No political donations were made during 2015 and it is Mondi's policy not to make such donations.

### **Auditors**

Each of the directors of Mondi Limited and 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 auditors are 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 auditors are aware of that information.

Deloitte & Touche and Deloitte LLP (together 'Deloitte') have indicated their willingness to continue as auditors of Mondi Limited and Mondi plc respectively. The Boards have decided that resolutions to reappoint them will be proposed at the Annual General Meetings of Mondi Limited and Mondi plc scheduled to be held on 12 May 2016.

The reappointment of Deloitte has the support of the DLC audit committee, which will be responsible for determining their audit fee on behalf of the directors (see page 102 for more information).

Note 4 to the financial statements sets out the auditors' fees both for audit and non-audit work.

### **Events occurring after 31 December 2015**

With the exception of the proposed final dividend for 2015, included in note 9 to the financial statements, there have been no material reportable events since 31 December 2015.

### **Annual General Meetings**

The Annual General Meeting of Mondi Limited will be held at 11:30 (SA time) on Thursday 12 May 2016 at the Hyatt Regency, 191 Oxford Road, Rosebank, Johannesburg 2132, Republic of South Africa and the Annual General Meeting of Mondi plc will be held at 10:30 (UK time) on Thursday 12 May 2016 at Haberdashers' Hall, 18 West Smithfield, London EC1A 9HQ, UK. The notices convening each meeting, which are sent separately to shareholders, detail the business to be considered and include explanatory notes for each resolution.

The notices are available on the Mondi Group website at: [www.mondigroup.com](http://www.mondigroup.com).

This Directors' report was approved by the Boards on 24 February 2016 and is signed on their behalf.

#### **Philip Laubscher**

Company secretary

Mondi Limited  
4<sup>th</sup> Floor, No. 3 Melrose Boulevard  
Melrose Arch 2196  
PostNet Suite #444  
Private Bag X1  
Melrose Arch 2076  
Gauteng  
Republic of South Africa  
Registration No. 1967/013038/06  
24 February 2016

#### **Carol Hunt**

Company secretary

Mondi plc  
Building 1, 1<sup>st</sup> Floor  
Aviator Park  
Station Road  
Addlestone  
Surrey  
KT15 2PG  
UK  
Registered No. 6209386  
24 February 2016

# Financial statements

Mondi's strong financial position is underpinned by a sound financial control environment and a conservative approach to financial risk management.

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# Directors' responsibility statement

The directors are responsible for preparing the Integrated report, Remuneration report and the Financial statements in accordance with applicable laws and regulations.

South African and UK company law require the directors to prepare financial statements for each financial year.

- Under the Companies Act of South Africa 2008, the directors are required to prepare financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Act for each financial year giving a true and fair view of the Mondi Limited parent company's and the Group's state of affairs at the end of the year and profit or loss for the year.
- Under the UK Companies Act 2006, the directors are required to prepare the Group financial statements in accordance with IFRS as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the Mondi plc parent company financial statements in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). Furthermore, under UK 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 company and of the profit or loss of the company for that period.

In preparing the Group's financial statements and the Mondi Limited parent company financial statements, International Accounting Standard 1, 'Presentation of Financial Statements', requires that the directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosure when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group's and company's ability to continue as a going concern.

In preparing the Mondi plc parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS 101 has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and parent companies' transactions; disclose with reasonable accuracy at any time the financial position of the Group and parent companies; and enable them to ensure that the financial statements comply with the requirements of the Companies Act of South Africa 2008 and the UK Companies Act 2006. They are also responsible for safeguarding the assets of the Group and parent companies and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Report on the financial statements

These financial statements have been prepared under the supervision of the Group chief financial officer, Andrew King CA (SA), and have been audited in compliance with the applicable requirements of the Companies Act of South Africa 2008 and the UK Companies Act 2006.

The Boards confirm that to the best of their knowledge:

- the financial statements of the Group and Mondi Limited, prepared in accordance with IFRS, and Mondi plc, prepared in accordance with FRS 101, give a true and fair view of the assets, liabilities, financial position and profit or loss of Mondi Limited, Mondi plc and the undertakings included in the consolidation taken as a whole;
- the Strategic report includes a fair review of the development and performance of the business and the position of Mondi Limited, Mondi plc and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Integrated report and financial statements 2015, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

The Group's combined and consolidated financial statements, and related notes 1 to 34, were approved by the Boards and authorised for issue on 24 February 2016 and were signed on their behalf by:

**David Hathorn**  
Director

**Andrew King**  
Director

# Independent auditor's report to the shareholders of Mondi Limited

## Opinion

We have audited the combined and consolidated financial statements of Mondi Limited and its subsidiaries (Group) set out on pages 146 to 195, which comprise the combined and consolidated statement of financial position as at 31 December 2015, and the combined and consolidated income statement, the combined and consolidated statement of comprehensive income, the combined and consolidated statement of changes in equity and the combined and consolidated statement of cash flows for the year then ended, and the notes to the combined and consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the combined and consolidated financial statements present fairly, in all material respects, the combined and consolidated financial position of Mondi Limited as at 31 December 2015, and its combined and consolidated financial performance and its combined and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act of South Africa 2008.

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Combined and Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code), which is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Part A and B), together with other ethical requirements that are relevant to our audit of the combined and consolidated financial statements in South Africa, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the combined and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the combined and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<b>Impairment of goodwill and property, plant and equipment</b>	
As disclosed in note 11, goodwill of €590 million (2014: €545 million) is assessed annually for impairment using a value-in-use basis, whilst property, plant and equipment of €3,554 million (2014: €3,432 million), as disclosed in note 10, are assessed for impairment where possible impairment indicators are identified.  The Group's assessment of the carrying value of goodwill and property, plant and equipment requires significant judgement, as described in note 1 to the Group financial statements, in particular forecast future cash flows, future growth rates, the discount rates applied and the determination of the level at which impairments should be assessed. As such this has been noted as a key audit matter.	Our audit work included evaluating key controls around the impairment review process, and challenging the director's key assumptions used in the cash flow forecasts included within the impairment models for goodwill and property, plant and equipment with reference to historical trading performance, market expectations and our understanding of the future utilisation of assets by the Group. Particular focus was given to the incorporation of country risk within the Group's forecasts.  In performing our audit procedures, we used internal valuation specialists to assess the discount rates applied by benchmarking against independent data.  Key assumptions challenged include those related to the level at which impairment is assessed, being for property, plant and equipment the lowest level at which largely independent cash inflows can be identified and for goodwill the businesses that are expected to benefit from the acquisition, forecast future cash flows, future growth rates and the discount rates applied.  We also evaluated the directors' assessment of the sensitivity of the Group's impairment models to reasonably possible changes in the key assumptions and considered the disclosures provided by the Group in relation to its impairment reviews.  We concluded that the levels at which impairments were assessed and the assumptions used were appropriate. In the context of the inherent uncertainties disclosed, the valuations, determined with reference to the forecast future cash flows, future growth rates and discount rates applied, are considered to be within a reasonable range of the possible outcomes. The disclosure in relation to the impairment reviews and the assumptions applied is considered comprehensive.

Key audit matter	How our audit addressed the key audit matter
<b>Capitalisation of property, plant and equipment</b>	
<p>The Group continues to invest in significant capital projects with capital expenditure of €593 million during the year ended 31 December 2015, as detailed in note 10, of which €112 million relates to the Group's major capital projects, including those in Świecie and Štětí.</p> <p>The significant level of capital expenditure requires consideration of the nature of costs incurred to ensure that capitalisation of property, plant and equipment meets the specific recognition criteria in IAS 16, 'Property, Plant and Equipment' (IAS 16), specifically in relation to assets constructed by the Group, and the application of the directors' judgement in assigning appropriate useful economic lives. As a result, this was noted as a key audit matter.</p>	<p>Our audit work included assessing the nature of property, plant and equipment capitalised by the Group to test the validity of amounts capitalised and evaluating whether assets capitalised meet the recognition criteria set out in IAS 16.</p> <p>Our audit work considered whether capitalisation of assets ceased when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by the Group and that a consistent approach was applied by the Group across all significant operations.</p>
<b>Taxation</b>	
<p>The Group has operations in a number of geographical locations and as such is subject to multiple tax jurisdictions, giving rise to complexity in accounting for the Group's taxation.</p> <p>In particular, as detailed in note 7, the existence of tax incentives available to the Group and historical tax losses give rise to judgement in determining the appropriate tax charge for the Group and the recognition of deferred tax assets.</p>	<p>Our audit work, which involved taxation specialists within specific jurisdictions where local tax knowledge was required, included the assessment of taxation assets and liabilities, with particular consideration and challenge given to the judgements taken in relation to corporate tax provisions and the recognition of deferred tax assets and liabilities.</p>

# Independent auditor's report to the shareholders of Mondi Limited

## Auditor's Responsibilities for the Audit of the Combined and Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 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 combined and consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the combined and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the combined and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the combined and consolidated financial statements, including the disclosures, and whether the combined and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the combined and consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the combined and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Shelly Nelson.

## Report on Other Legal and Regulatory Requirements

In terms of the Independent Regulatory Board for Auditors (IRBA) Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Mondi Limited for 48 years.

### Deloitte & Touche

Registered Auditor  
Per Shelly Nelson  
Partner  
Sandton

24 February 2016

Building 1 and 2, Deloitte Place, The Woodlands  
Woodlands Drive, Woodmead, Sandton,  
Republic of South Africa

Riverwalk Office Park, Block B  
41 Matroosberg Road, Ashlea Gardens X6, Pretoria,  
Republic of South Africa

National Executive: \*LL Bam Chief Executive \*AE Swiegers Chief Operating Officer \*GM Pinnock Audit \*N Singh Risk Advisory \*NB Kader Tax TP Pillay Consulting  
S Gwala BPaaS \*K Black Clients & Industries \*JK Mazzocco Talent & Transformation \*MJ Jarvis Finance \*M Jordan Strategy \*MJ Comber Reputation & Risk  
\*TJ Brown Chairman of the Board

A full list of partners and directors is available on request  
B-BBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code  
Associate of Deloitte Africa, a member of Deloitte Touche Tohmatsu Limited

\*Partner and Registered Auditor

# Independent auditor's report to the members of Mondi plc

## Opinion on financial statements of Mondi plc

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Mondi plc parent company's affairs as at 31 December 2015 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Mondi plc parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101, 'Reduced Disclosure Framework'; and
- the financial statements have been prepared in accordance with the requirements of the UK Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the combined and consolidated income statement, the combined and consolidated statement of comprehensive income, the combined and consolidated and Mondi plc parent company statements of financial position, the combined and consolidated statement of cash flows, the combined and consolidated and Mondi plc parent company statements of changes in equity and the related notes 1 to 34 of the combined and consolidated financial statements and notes 1 to 9 of the Mondi plc parent company financial statements. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Mondi plc parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101, 'Reduced Disclosure Framework'.

## Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 1 to the Group financial statements, in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, the Group has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the Group financial statements comply with IFRSs as issued by the IASB.

## Going concern and the directors' assessment of the principal risks that would threaten the solvency or liquidity of the Group

As required by the Listing Rules we have reviewed the directors' statement regarding the appropriateness of the going concern basis of accounting and the directors' statement on the longer-term viability of the Group, both contained within the Strategic report on page 43.

We have nothing material to add or draw attention to in relation to:

- the directors' confirmation on page 43 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on pages 40 to 42 that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in note 1 to 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 ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements; or
- the director's explanation on page 43 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they 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 their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

## Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and we confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

## Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Risk	How the scope of our audit responded to the risk
<b>Impairment of goodwill and property, plant and equipment</b>	
Goodwill of €590 million (2014: €545 million) is reviewed annually for impairment using a value-in-use basis, whilst property, plant and equipment of €3,554 million (2014: €3,432 million) are assessed for impairment where possible impairment indicators are identified.	Our audit procedures included evaluating the design and implementation of key controls around the impairment review processes, and challenging management's key assumptions used in the cash flow forecasts included within the impairment models for goodwill and property, plant and equipment with reference to historical trading performance, market expectations and our understanding of the future utilisation of assets by the Group. Particular focus was given to the incorporation of country risk within the Group's forecasts. In performing our audit procedures, we used internal valuation specialists to assess the discount rates applied by benchmarking against independent data.
The Group's assessment of the carrying value of goodwill and property, plant and equipment requires significant management judgement, as described in note 1 to the Group financial statements, in particular in relation to the forecast future cash flows, future growth rates and the discount rates applied.	
	Key assumptions challenged include those related to the level at which impairment is assessed, being for property, plant and equipment the lowest level at which largely independent cash inflows can be identified and for goodwill the businesses that are expected to benefit from the acquisitions, forecast future cash flows, future growth rates and the discount rates applied.
	We also evaluated management's assessment of the sensitivity of the Group's impairment models to reasonably possible changes and considered the disclosures provided by the Group in relation to its impairment reviews.
<b>Capitalisation of property, plant and equipment</b>	
The Group continues to invest in significant capital projects with capital expenditure of €593 million during the year ended 31 December 2015, as detailed in note 10, of which €112 million relating to the Group's major capital projects, including those in Świecie and Štětí.	Our audit work included evaluating the design and implementation of key controls around the capitalisation process, assessing the nature of property, plant and equipment capitalised by the Group to test the validity of amounts capitalised and evaluating whether assets capitalised meet the recognition criteria set out in IAS 16. Our work considered whether capitalisation of assets ceased when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by the Group and that a consistent approach was applied by the Group across all operations.
The significant level of capital expenditure requires consideration of the nature of costs incurred to ensure that capitalisation of property, plant and equipment meets the specific recognition criteria in IAS 16, 'Property, Plant and Equipment' (IAS 16), specifically in relation to assets constructed by the Group, and the application of management judgement in assigning appropriate useful economic lives.	Furthermore, we challenged the useful economic lives assigned with reference to the Group's historical experience, our understanding of the future utilisation of assets by the Group and the depreciation policies applied by third parties operating similar assets.
<b>Taxation</b>	
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.	Our audit work, which involved taxation audit specialists within specific locations where local tax knowledge was required, included the assessment of taxation assets and liabilities, with particular consideration and challenge given to the judgements taken in relation to corporate tax provisions and the recognition of deferred tax assets and liabilities.
In particular, as detailed in note 7, the existence of tax incentives available to the Group and historical tax losses give rise to judgement in determining the appropriate tax charge for the Group and recognition of deferred tax assets.	Our assessment included the review of applicable third-party evidence and correspondence with tax authorities.
	In relation to deferred tax assets, we considered the appropriateness of management's judgements of the availability of future appropriate taxable profits in assessing whether to recognise deferred tax assets.
Our prior year audit report included a further risk relating to business combinations which is not included in our report in the current year. Due to the smaller scale of the business combinations completed in the current year, they have not been assessed as having the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team and as such have been excluded from the risks identified above.	
The description of risks above should be read in conjunction with the significant issues considered by the dual listed company (DLC) audit committee as discussed on pages 96 and 97.	
These matters 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.	

# Independent auditor's report to the members of Mondi plc

## Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group to be €36 million (2014: €30 million), which is below 5% (2014: 5%) of profit before tax and special items, and below 2% (2014: 2%) of equity. Special items are defined by the Group as those items of financial performance that the Group believes should be separately disclosed to assist in the understanding of the underlying financial performance by the Group with further details provided in note 3 to the financial statements. Since these items are non-recurring in nature, and we consider profit before tax and special items to be a key driver of the business and a focus for shareholders, we have concluded that it is appropriate to exclude these items in determining materiality.

We agreed with the DLC audit committee that we would report to the committee all audit differences identified in excess of €720,000 (2014: €600,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also reported to the DLC audit committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

## An overview of the scope of our audit

Mondi Group has two separate legal parent entities, Mondi plc and Mondi Limited, which operate under a DLC structure. The substance of the DLC structure is such that Mondi plc and its subsidiaries, and Mondi Limited and its subsidiaries, operate together as a single economic entity through a sharing agreement, with neither parent entity assuming a dominant role. Accordingly, the financial statements of Mondi Group is prepared and reported on a combined and consolidated basis as a single reporting entity.

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused primarily on the audit work at 16 locations (2014: 16 locations) from across Mondi Group, which were subject to a full audit completed using materiality which was set at a level lower than Group materiality. These 16 locations (2014: 16 locations) represent the principal business units and account for 64% (2014: 63%) of the Group's revenue. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above.

A further 27 locations (2014: 27 locations) were subject to an audit of specified account balances where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations at those locations. These 27 locations (2014: 27 locations) represent a further 19% (2014: 20%) of the Group's revenue.

From the above audit scope, in aggregate the locations subject to audit procedures represents 83% (2014: 83%) of the Group's revenue.

The Group audit team continued to follow a programme of planned visits that has been designed so that a senior member of the Group audit team visits the 10 operating locations (2014: 10 operating locations) that have been assessed as the most financially significant to the Group at least once every three years, or more frequently where other indicators are identified. In the current year, a senior member of the Group audit team therefore visited certain of the Group's operations in Slovakia, Sweden, South Africa and the United States.

For all full scope locations, we discussed risk assessment and audit planning with the component team before the commencement of our work. Furthermore, for each of the businesses included within the programme of planned visits, the Group audit team also discussed audit findings with the relevant component audit team throughout the audit engagement and reviewed relevant audit working papers.

For the remaining six locations (2014: six locations) where full audits were completed, we discussed audit findings with the relevant component audit team, reviewed audit working papers in relation to key issues and discussed key matters with divisional management where considered necessary in forming our Group audit opinion.

In relation to the 27 locations (2014: 27 locations) which were subject to an audit of specified account balances, we discussed the results of these businesses and accounting matters arising through our involvement in divisional meetings with management.

## Opinion on other matters prescribed by the UK Companies Act 2006

In our opinion:

- the part of the Remuneration report to be audited has been properly prepared in accordance with the UK Companies Act 2006; and
- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

<b>Adequacy of explanations received and accounting records</b>	Under the UK Companies Act 2006 we are required to report to you if, in our opinion:
	<ul style="list-style-type: none"> <li>• we have not received all the information and explanations we require for our audit; or</li> <li>• 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</li> <li>• the parent company financial statements are not in agreement with the accounting records and returns.</li> </ul> <p>We have nothing to report in respect of these matters.</p>
<b>Directors' remuneration</b>	Under the UK Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Remuneration report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.
<b>Corporate governance statement</b>	Under the Listing Rules we are also required to review the part of the Corporate governance statement relating to the company's compliance with certain provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.
<b>Our duty to read other information in the Integrated report</b>	<p>Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Integrated report is:</p> <ul style="list-style-type: none"> <li>• materially inconsistent with the information in the audited financial statements; or</li> <li>• apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or</li> <li>• otherwise misleading.</li> </ul> <p>In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the Integrated report is fair, balanced and understandable and whether the Integrated report appropriately discloses those matters that we communicated to the DLC audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.</p>

## Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the UK Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Integrated report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Nicola Mitchell** (Senior statutory auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London, United Kingdom

24 February 2016

# Combined and consolidated income statement for the year ended 31 December 2015

€ million	Notes	2015			2014		
		Underlying	Special items (note 3)	Total	Underlying	Special items (note 3)	Total
<b>Group revenue</b>	2	<b>6,819</b>	—	<b>6,819</b>	6,402	—	6,402
Materials, energy and consumables used		(3,413)	—	(3,413)	(3,314)	—	(3,314)
Variable selling expenses		(512)	—	(512)	(499)	—	(499)
<b>Gross margin</b>		<b>2,894</b>	—	<b>2,894</b>	2,589	—	2,589
Maintenance and other indirect expenses		(308)	—	(308)	(283)	—	(283)
Personnel costs	5	(1,003)	(28)	(1,031)	(946)	(29)	(975)
Other net operating expenses		(258)	(25)	(283)	(234)	(4)	(238)
Depreciation, amortisation and impairments		(368)	(4)	(372)	(359)	(6)	(365)
<b>Operating profit</b>	2	<b>957</b>	(57)	<b>900</b>	767	(39)	728
Net profit from associates		1	—	1	1	—	1
<b>Total profit from operations and associates</b>		<b>958</b>	(57)	<b>901</b>	768	(39)	729
Net finance costs	6	(105)	—	(105)	(97)	(13)	(110)
<b>Profit before tax</b>		<b>853</b>	(57)	<b>796</b>	671	(52)	619
Tax charge	7a	(161)	10	(151)	(126)	4	(122)
<b>Profit for the year</b>		<b>692</b>	(47)	<b>645</b>	545	(48)	497
Attributable to:							
Non-controlling interests	32	<b>45</b>		<b>45</b>	26		26
Shareholders		<b>647</b>		<b>600</b>	519		471
<b>Earnings per share (EPS) attributable to shareholders</b>							
Basic EPS		(euro cents)	8	<b>124.0</b>			97.4
Diluted EPS		(euro cents)	8	<b>123.7</b>			97.1
Basic underlying EPS		(euro cents)	8	<b>133.7</b>			107.3
Diluted underlying EPS		(euro cents)	8	<b>133.4</b>			107.0
Basic headline EPS		(euro cents)	8	<b>123.4</b>			99.5
Diluted headline EPS		(euro cents)	8	<b>123.1</b>			99.2

# Combined and consolidated statement of comprehensive income for the year ended 31 December 2015

€ million	2015			2014		
	Before tax amount	Tax expense	Net of tax amount	Before tax amount	Tax (expense)/ benefit	Net of tax amount
<b>Profit for the year</b>	<b>645</b>			497		
<b>Items that may subsequently be reclassified to the combined and consolidated income statement</b>						
Fair value (losses)/gains on cash flow hedges	(1)	—	(1)	2	(1)	1
Gains on available-for-sale investments	—	—	—	1	—	1
Exchange differences on translation of foreign operations	(122)	—	(122)	(193)	—	(193)
<b>Items that will not subsequently be reclassified to the combined and consolidated income statement</b>						
Remeasurements of retirement benefits plans:	27	(3)	24	(44)	9	(35)
Return on plan assets	(1)			11		
Actuarial gains arising from changes in demographic assumptions	—			2		
Actuarial gains/(losses) arising from changes in financial assumptions	27			(62)		
Actuarial gains arising from experience adjustments	1			3		
Asset ceiling movement	—			2		
<b>Other comprehensive (expense)/income for the year</b>	<b>(96)</b>	<b>(3)</b>	<b>(99)</b>	<b>(234)</b>	<b>8</b>	<b>(226)</b>
Other comprehensive (expense)/income attributable to:						
Non-controlling interests	(4)	—	(4)	2	—	2
Shareholders	(92)	(3)	(95)	(236)	8	(228)
Total comprehensive income attributable to:						
Non-controlling interests			<b>41</b>			28
Shareholders			<b>505</b>			243
<b>Total comprehensive income for the year</b>	<b>546</b>					<b>271</b>

# Combined and consolidated statement of financial position as at 31 December 2015

€ million	Notes	2015	2014
Property, plant and equipment	10	3,554	3,432
Goodwill	11	590	545
Intangible assets	12	105	113
Forestry assets	13	219	235
Investment in equity accounted investees		9	5
Financial instruments		23	26
Deferred tax assets	7b	23	10
Net retirement benefits asset	22	3	1
<b>Total non-current assets</b>		<b>4,526</b>	4,367
Inventories	14	838	843
Trade and other receivables	15	994	966
Current tax assets		29	23
Financial instruments		15	76
Cash and cash equivalents	26b	64	56
Assets held for sale	25	3	17
<b>Total current assets</b>		<b>1,943</b>	1,981
<b>Total assets</b>		<b>6,469</b>	6,348
Short-term borrowings	19	(250)	(176)
Trade and other payables	16	(1,038)	(998)
Current tax liabilities		(102)	(85)
Provisions	17	(56)	(58)
Financial instruments		(7)	(6)
<b>Total current liabilities</b>		<b>(1,453)</b>	(1,323)
Medium and long-term borrowings	19	(1,319)	(1,565)
Net retirement benefits liability	22	(212)	(250)
Deferred tax liabilities	7b	(241)	(259)
Provisions	17	(40)	(36)
Other non-current liabilities		(17)	(21)
<b>Total non-current liabilities</b>		<b>(1,829)</b>	(2,131)
<b>Total liabilities</b>		<b>(3,282)</b>	(3,454)
<b>Net assets</b>		<b>3,187</b>	2,894
<b>Equity</b>			
Share capital and stated capital	20	542	542
Retained earnings and other reserves		2,363	2,086
<b>Total attributable to shareholders</b>		<b>2,905</b>	2,628
Non-controlling interests in equity		282	266
<b>Total equity</b>		<b>3,187</b>	2,894

The Group's combined and consolidated financial statements, and related notes 1 to 34, were approved by the Boards and authorised for issue on 24 February 2016 and were signed on their behalf by:

**David Hathorn**

Director

**Andrew King**

Director

Mondi Limited company registration number: 1967/013038/06

Mondi plc company registered number: 6209386

# Combined and consolidated statement of changes in equity for the year ended 31 December 2015

€ million	Combined share capital and stated capital	Treasury shares	Retained earnings	Other reserves	Equity attributable to shareholders	Non-controlling interests	Total equity
At 1 January 2014	542	(24)	2,233	(160)	2,591	255	2,846
Total comprehensive income/(expense) for the year	—	—	471	(228)	243	28	271
Dividends paid	—	—	(193)	—	(193)	(16)	(209)
Purchases of treasury shares	—	(22)	—	—	(22)	—	(22)
Distribution of treasury shares	—	22	(22)	—	—	—	—
Non-controlling interests bought out	—	—	—	—	—	(1)	(1)
Mondi share schemes' charge	—	—	—	10	10	—	10
Issue of shares under employee share schemes	—	—	8	(9)	(1)	—	(1)
At 31 December 2014	542	(24)	2,497	(387)	2,628	266	2,894
Total comprehensive income/(expense) for the year	—	—	600	(95)	<b>505</b>	41	<b>546</b>
Dividends paid	—	—	(209)	—	<b>(209)</b>	(25)	<b>(234)</b>
Purchases of treasury shares	—	(31)	—	—	<b>(31)</b>	—	<b>(31)</b>
Distribution of treasury shares	—	26	(26)	—	—	—	—
Non-controlling interests bought out	—	—	(1)	—	<b>(1)</b>	(1)	<b>(2)</b>
Mondi share schemes' charge	—	—	—	11	<b>11</b>	—	<b>11</b>
Issue of shares under employee share schemes	—	—	10	(10)	—	—	—
Acquisition of business	—	—	—	—	—	1	1
Disposal of business	—	—	—	2	<b>2</b>	—	<b>2</b>
Retirement benefit plans curtailment transferred to retained earnings	—	—	(3)	3	—	—	—
<b>At 31 December 2015</b>	<b>542</b>	<b>(29)</b>	<b>2,868</b>	<b>(476)</b>	<b>2,905</b>	<b>282</b>	<b>3,187</b>

## Other reserves

€ million	2015	2014
Cumulative translation adjustment reserve	(685)	(569)
Post-retirement benefits reserve	(65)	(92)
Share-based payment reserve	20	19
Cash flow hedge reserve	(2)	(1)
Merger reserve	259	259
Other sundry reserves	(3)	(3)
<b>Total</b>	<b>(476)</b>	<b>(387)</b>

# Combined and consolidated statement of cash flows

## for the year ended 31 December 2015

€ million	Notes	2015	2014
<b>Cash flows from operating activities</b>			
Cash generated from operations	26a	1,279	1,033
Dividends from associates		—	2
Income tax paid		(160)	(106)
<b>Net cash generated from operating activities</b>		<b>1,119</b>	929
<b>Cash flows from investing activities</b>			
Investment in property, plant and equipment		(595)	(562)
Investment in intangible assets	12	(9)	(8)
Investment in forestry assets		(41)	(37)
Proceeds from the disposal of property, plant and equipment and forestry assets		41	33
Acquisition of subsidiaries, net of cash and cash equivalents	23	(72)	(72)
Proceeds from the disposal of businesses, net of cash and cash equivalents	24	38	(1)
Loan repayments from external parties		1	1
Interest received		4	3
<b>Net cash used in investing activities</b>		<b>(633)</b>	(643)
<b>Cash flows from financing activities</b>			
Proceeds from medium and long-term borrowings		2	354
Repayment of medium and long-term borrowings		(221)	—
Proceeds from/(repayment of) short-term borrowings	26c	52	(375)
Interest paid		(93)	(125)
Dividends paid to shareholders	9	(209)	(193)
Dividends paid to non-controlling interests		(26)	(13)
Purchases of treasury shares		(31)	(22)
Non-controlling interests bought out		(2)	(1)
Net realised gain on held-for-trading derivatives		74	27
Government grants received		—	7
Other financing activities		—	1
<b>Net cash used in financing activities</b>		<b>(454)</b>	(340)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>32</b>	(54)
Cash and cash equivalents at beginning of year		9	64
Cash movement in the year	26c	32	(54)
Effects of changes in foreign exchange rates	26c	(5)	(1)
<b>Cash and cash equivalents at end of year</b>	26b	<b>36</b>	9

# Notes to the combined and consolidated financial statements for the year ended 31 December 2015

## 1 Basis of preparation

### Dual listed structure

The Group has two separate legal parent entities, Mondi Limited and Mondi plc, which operate under a dual listed company (DLC) structure. The substance of the DLC structure is such that Mondi Limited and its subsidiaries, and Mondi plc and its subsidiaries, operate together as a single economic entity through a sharing agreement, with neither parent entity assuming a dominant role. Accordingly, Mondi Limited and Mondi plc are reported on a combined and consolidated basis as a single reporting entity.

The Group's combined and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The principal accounting policies adopted are set out in note 34.

There are no differences for the Group in applying IFRS as issued by the IASB and IFRS as adopted by the European Union (EU) and therefore the Group also complies with Article 4 of the EU IAS Regulation.

The combined and consolidated financial statements have been prepared on a going concern basis as discussed in the Strategic report under Principal risks under the heading 'Going concern'.

### Critical accounting judgements and key estimates

The preparation of the Group's combined and consolidated financial statements includes the use of estimates and assumptions which affect certain items reported in the combined and consolidated financial statements. The disclosure of contingent assets and liabilities is also affected by the use of estimation techniques. 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. Such estimates relate to management's assumptions about expected future cash flows, market exposures, useful lives and discount rates, among others.

The estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next financial year are:

#### Critical accounting judgements

- Estimated impairment of property, plant and equipment, goodwill and intangible assets – refer to notes 10, 11 and 12
- Recognition of deferred tax assets arising from accumulated tax losses and expected future utilisation of these losses – refer to note 7

#### Key estimates

- Capitalisation of property, plant and equipment – estimated residual values and useful economic lives – refer to notes 10 and 34
- Fair value of forestry assets – refer to note 13
- Retirement benefits – refer to note 22
- Business combinations – refer to notes 23 and 34

### Special items

Special items are those items of financial performance that the Group believes should be separately disclosed to improve the understanding of the underlying financial performance achieved by the Group. Such items exceed €5 million or are material in nature.

Subsequent adjustments to amounts previously recognised as special items continue to be reflected as special items in future periods even if they do not exceed €5 million.

# Notes to the combined and consolidated financial statements for the year ended 31 December 2015

## 2 Operating segments

### Identification of the Group's externally reportable operating segments

The Group's externally reportable operating segments reflect the internal reporting structure of the Group. Due to its unique characteristics in terms of geography, currency and underlying risks, the South Africa Division is managed and reported as a separate geographic segment. The remaining operating segments, consolidated as the Europe & International Division, are managed based on the nature of the underlying products produced by that business and comprise four distinct segments.

Each of the reportable business segments derives its income from the sale of manufactured products.

The material product types from which the Group's externally reportable segments derive both their internal and external revenues are presented as follows:

<b>Operating segments</b>	<b>Revenues</b>
Packaging Paper	Packaging paper Pulp
Fibre Packaging	Industrial bags Corrugated packaging Extrusion coatings
Consumer Packaging	Advanced films and components Consumer goods packaging Release liners
Uncoated Fine Paper	Uncoated fine paper Pulp Newsprint
South Africa Division	Packaging paper Uncoated fine paper Pulp Newsprint

### Year ended 31 December 2015

€ million, unless otherwise stated	Europe & International					South Africa Division	Corporate	Intersegment elimination	<b>Segments total</b>
	Packaging Paper	Fibre Packaging	Consumer Packaging	Uncoated Fine Paper					
Segment revenue	2,156	2,031	1,469	1,233	652	—	(722)	6,819	
Internal revenue	(574)	(37)	(4)	(6)	(101)	—	722	—	—
External revenue	1,582	1,994	1,465	1,227	551	—	—	6,819	
Underlying EBITDA	505	187	177	291	199	(34)	—	1,325	
Depreciation, amortisation and impairments	(114)	(67)	(69)	(79)	(38)	(1)	—	(368)	
Underlying operating profit	391	120	108	212	161	(35)	—	957	
Special items	(14)	(21)	(22)	—	—	—	—	(57)	
Operating segment assets	2,094	1,224	1,333	1,001	669	6	(168)	6,159	
Operating net segment assets	1,753	935	1,146	821	563	1	—	5,219	
Additions to non-current non-financial assets	281	118	173	56	104	1	—	733	
Capital expenditure cash payments	259	118	92	65	61	—	—	595	
<i>Operating margin (%)</i>	18.1	5.9	7.4	17.2	24.7	—	—	14.0	
<i>Return on capital employed (%)</i>	25.5	13.9	10.7	25.6	30.1	—	—	20.5	
Average number of employees (thousands)	5.3	7.7	4.6	6.0	1.6	0.1	—	25.3	

**Year ended 31 December 2014**

€ million, unless otherwise stated	Europe & International						Intersegment elimination	Segments total
	Packaging Paper	Fibre Packaging	Consumer Packaging	Uncoated Fine Paper	South Africa Division	Corporate		
Segment revenue	2,043	1,852	1,379	1,240	596	—	(708)	6,402
Internal revenue	(559)	(41)	(5)	(6)	(97)	—	708	—
External revenue	1,484	1,811	1,374	1,234	499	—	—	6,402
Underlying EBITDA	443	166	158	238	153	(32)	—	1,126
Depreciation, amortisation and impairments	(101)	(64)	(62)	(90)	(41)	(1)	—	(359)
Underlying operating profit	342	102	96	148	112	(33)	—	767
Special items	(6)	(16)	(17)	—	—	(13)	—	(52)
Operating segment assets	1,961	1,165	1,185	1,089	743	4	(166)	5,981
Operating net segment assets	1,588	875	1,021	922	626	2	—	5,034
Additions to non-current non-financial assets	279	104	109	125	68	—	—	685
Capital expenditure cash payments	259	77	80	117	29	—	—	562
<i>Operating margin (%)</i>	16.7	5.5	7.0	11.9	18.8	—	—	12.0
<i>Return on capital employed (%)</i>	23.7	13.4	10.4	16.1	21.9	—	—	17.2
Average number of employees (thousands)	5.0	7.3	4.6	6.5	1.6	0.1	—	25.1

**Reconciliation of underlying EBITDA and underlying operating profit to profit before tax**

€ million	2015	2014
<b>Underlying EBITDA</b>	<b>1,325</b>	1,126
Depreciation, amortisation and impairments	(368)	(359)
<b>Underlying operating profit</b>	<b>957</b>	767
Special items (see note 3)	(57)	(52)
Net profit from associates	1	1
Net finance costs (excluding financing special item)	(105)	(97)
<b>Profit before tax</b>	<b>796</b>	619

**Reconciliation of operating segment assets**

€ million	2015		2014	
	Segment assets	Net segment assets	Segment assets	Net segment assets
<b>Segments total</b>	<b>6,159</b>	<b>5,219</b>	5,981	5,034
<b>Unallocated</b>				
Investment in equity accounted investees	9	9	5	5
Deferred tax assets/(liabilities)	23	(218)	10	(249)
Other non-operating assets/(liabilities)	201	(325)	224	(283)
<b>Group capital employed</b>	<b>6,392</b>	<b>4,685</b>	6,220	4,507
Financial instruments/(net debt)	77	(1,498)	128	(1,613)
<b>Total assets/equity</b>	<b>6,469</b>	<b>3,187</b>	6,348	2,894

# Notes to the combined and consolidated financial statements for the year ended 31 December 2015

## 2 Operating segments continued

€ million	External revenue by location of production		External revenue by location of customer	
	2015	2014	2015	2014
<b>Revenue</b>				
Africa				
South Africa	652	596	465	419
Rest of Africa	13	10	205	216
Africa total	665	606	670	635
Western Europe				
Austria	981	960	144	153
Germany	964	931	960	966
United Kingdom	39	34	252	236
Rest of western Europe	607	664	1,360	1,331
Western Europe total	2,591	2,589	2,716	2,686
Emerging Europe				
Poland	909	873	515	484
Rest of emerging Europe	1,225	1,144	877	857
Emerging Europe total	2,134	2,017	1,392	1,341
Russia	674	685	535	559
North America	664	437	771	515
South America	—	—	72	61
Asia and Australia	91	68	663	605
<b>Group total</b>	<b>6,819</b>	6,402	<b>6,819</b>	6,402

There are no external customers which account for more than 10% of the Group's total external revenue.

€ million	2015			2014		
	Non-current non-financial assets	Segment assets	Net segment assets	Non-current non-financial assets	Segment assets	Net segment assets
<b>Africa</b>						
South Africa	537	646	541	598	717	600
Rest of Africa	7	22	21	7	22	20
Africa total	544	668	562	605	739	620
<b>Western Europe</b>						
Austria	462	798	572	440	780	570
United Kingdom	38	55	50	37	51	45
Rest of western Europe	911	1,307	1,134	892	1,295	1,087
Western Europe total	1,411	2,160	1,756	1,369	2,126	1,702
<b>Emerging Europe</b>						
Poland	765	954	857	650	824	725
Slovakia	447	492	424	468	516	463
Rest of emerging Europe	605	828	681	540	742	609
Emerging Europe total	1,817	2,274	1,962	1,658	2,082	1,797
Russia	431	541	492	479	581	531
North America	182	372	314	151	325	265
Asia and Australia	83	144	133	64	128	119
<b>Segments total</b>	<b>4,468</b>	<b>6,159</b>	<b>5,219</b>	4,326	5,981	5,034

**Average number of employees**

thousands	2015	2014
<b>By principal locations of employment</b>		
Africa	1.8	1.8
Western Europe	7.4	7.6
Eastern Europe	7.3	7.0
Russia	5.7	6.0
North America	2.5	2.0
Asia and Australia	0.6	0.7
<b>Group total</b>	<b>25.3</b>	25.1

**3 Special items**

€ million	2015	2014
<b>Operating special items</b>		
Asset impairments	(4)	(6)
Restructuring and closure costs:		
Personnel costs relating to restructuring	(28)	(29)
Restructuring and closure costs excluding related personnel costs	(17)	(9)
Adjustments relating to 2012 Nordenia acquisition	(8)	4
Transaction costs for US acquisition	—	(2)
Gain on settlement of 2007 legal case	—	3
<b>Total operating special items</b>	<b>(57)</b>	(39)
<b>Financing special item</b>		
Net charge on early redemption of €280 million Eurobond	—	(13)
<b>Total special items before tax and non-controlling interests</b>	<b>(57)</b>	(52)
Tax credit (see note 7)	10	4
<b>Total special items attributable to shareholders</b>	<b>(47)</b>	(48)

**Operating special items**

Restructuring and closure costs and related impairments during the year comprise:

- Packaging Paper
  - Closure of a speciality kraft paper mill in Finland. Restructuring costs of €11 million and related impairment of assets of €3 million were recognised.
- Fibre Packaging
  - Further restructuring following the acquisition of the bags business from Graphic Packaging in the US in 2014, giving rise to restructuring costs of €10 million.
  - Provision for closure of the plants in Sendenhorst (Germany) and Lembacel (France) in Industrial Bags. Restructuring costs of €11 million were recognised.
- Consumer Packaging
  - Closure of a plant in Spain. Restructuring costs of €13 million and related impairment of assets of €1 million were recognised.

€8 million write off of a receivable and provision for settlement of a legal case relating to the 2012 Nordenia acquisition was recognised in Consumer Packaging.

# Notes to the combined and consolidated financial statements for the year ended 31 December 2015

## 4 Auditors' remuneration

€ million	2015	2014
Fees payable to the auditors for the audit of Mondi Limited's and Mondi plc's annual financial statements	0.5	0.5
United Kingdom	0.4	0.4
South Africa	0.1	0.1
Fees payable to the auditors and their associates for the audit of Mondi Limited's and Mondi plc's subsidiaries	3.3	3.1
<b>Total audit fees</b>	<b>3.8</b>	3.6
Audit-related assurance services	0.3	0.2
Tax compliance services	0.1	0.1
Other services	0.1	0.1
<b>Total non-audit fees</b>	<b>0.5</b>	0.4
<b>Total fees</b>	<b>4.3</b>	4.0

## 5 Personnel costs

€ million, unless otherwise stated	2015	2014
<b>Within operating costs</b>		
Wages and salaries	808	755
Social security costs	168	170
Defined contribution retirement plan contributions (see note 22)	12	7
Defined benefit retirement benefit service costs (see note 22)	4	4
Share-based payments (see note 21)	11	10
<b>Total within operating costs</b>	<b>1,003</b>	946
<b>Within special items</b>		
Personnel costs relating to restructuring (see note 3)	28	29
<b>Within net finance costs</b>		
Retirement benefit medical plan net interest costs	5	5
Retirement benefit pension plan net interest costs	4	6
<b>Total within net finance costs (see note 6)</b>	<b>9</b>	11
<b>Group total</b>	<b>1,040</b>	986
<b>Average number of employees (thousands)</b>	<b>25.3</b>	25.1

## 6 Net finance costs

Net finance costs are presented below:

€ million	2015	2014
<b>Investment income</b>		
Total investment income	<b>4</b>	3
<b>Finance costs</b>		
Interest expense		
Interest on bank overdrafts and loans	(107)	(94)
Net interest expense on net retirement benefits liability (see note 22)	(9)	(11)
<b>Total interest expense</b>	<b>(116)</b>	(105)
Less: Interest capitalised (see note 10)	7	5
<b>Total finance costs</b>	<b>(109)</b>	(100)
<b>Net finance costs before special item</b>	<b>(105)</b>	(97)
<b>Financing special item</b>		
Net charge on early redemption of €280 million Eurobond	—	(13)
<b>Net finance costs</b>	<b>(105)</b>	(110)

The weighted average interest rate applicable to capitalised interest on general borrowings for the year ended 31 December 2015 is 7.08% (2014: 8.36%) and is related to investments in Poland, Russia, the Czech Republic and South Africa (2014: investments in Poland, Russia and the Czech Republic).

## 7 Taxation

### (a) Analysis of tax charge for the year

The Group's effective rate of tax before special items for the year ended 31 December 2015, calculated on profit before tax before special items and including net profit from associates, was 19% (2014: 19%).

€ million	2015	2014
UK corporation tax at 20.25% (2014: 21.50%)	1	1
SA corporation tax at 28% (2014: 28%)	35	30
Overseas tax	137	86
<b>Current tax</b>	<b>173</b>	117
Deferred tax in respect of the current year	24	23
Deferred tax in respect of prior years	(36)	(14)
<b>Total tax charge before special items</b>	<b>161</b>	126
Current tax on special items	(2)	—
Deferred tax on special items	(8)	(4)
<b>Total tax credit on special items (see note 3)</b>	<b>(10)</b>	(4)
<b>Total tax charge</b>	<b>151</b>	122

# Notes to the combined and consolidated financial statements for the year ended 31 December 2015

## 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 weighted average UK and SA corporation tax rate of 21.7%<sup>1</sup> (2014: 22.5%), as follows:

€ million	2015	2014
<b>Profit before tax</b>	<b>796</b>	619
<b>Tax on profit before tax calculated at the weighted average UK and SA corporation tax rate of 21.7% (2014: 22.5%)</b>	<b>173</b>	139
<b>Tax effects of:</b>		
<b>Expenses not deductible/(taxable) for tax purposes</b>	<b>7</b>	—
Intangible amortisation and non-qualifying depreciation	—	(7)
Special items not tax deductible	1	4
Other non-deductible expenses	6	3
<b>Non-taxable income</b>	<b>(1)</b>	(1)
<b>Temporary difference adjustments</b>	<b>(17)</b>	1
Current year tax losses and other temporary differences not recognised	14	15
Prior year tax losses and other temporary differences not previously recognised	(31)	(14)
<b>Other adjustments</b>	<b>(11)</b>	(17)
Current tax prior year adjustments	1	(1)
Tax incentives	(15)	(20)
Effect of differences between local rates and UK and SA rates	(4)	(7)
Other adjustments	7	11
<b>Tax charge for the year</b>	<b>151</b>	122

Note:

<sup>1</sup> The weighted average tax rate has been determined by weighting the profit before tax after special items of Mondi Limited and its subsidiaries and Mondi plc and its subsidiaries.

### (b) Deferred tax

€ million	Deferred tax assets		Deferred tax liabilities	
	2015	2014	2015	2014
At 1 January	10	4	(259)	(264)
Credited/(charged) to combined and consolidated income statement	14	—	6	(5)
(Charged)/credited to combined and consolidated statement of comprehensive income	—	—	(3)	8
Acquired through business combinations (see note 23)	—	—	(9)	(1)
Disposal of businesses (see note 24)	—	—	2	—
Reclassification	(1)	6	1	(6)
Currency movements	—	—	21	9
<b>At 31 December</b>	<b>23</b>	10	<b>(241)</b>	(259)

## Deferred tax comprises

€ million	Deferred tax assets		Deferred tax liabilities	
	2015	2014	2015	2014
Capital allowances in excess of depreciation	(33)	(1)	(217)	(266)
Fair value adjustments	—	—	(59)	(66)
Tax losses <sup>1</sup>	20	—	8	21
Other temporary differences	36	11	27	52
<b>Total</b>	<b>23</b>	10	<b>(241)</b>	(259)

Note:

<sup>1</sup> Based on forecast data, the Group considers it is probable that there will be sufficient future taxable profits available in the relevant jurisdictions to utilise these tax losses and other temporary differences.

The amount of deferred tax credited/(charged) to the combined and consolidated income statement comprises:

€ million	2015	2014
Capital allowances in excess of depreciation	2	—
Fair value adjustments	(6)	(2)
Tax losses	7	—
Other temporary differences	17	(3)
<b>Total credit/(charge)</b>	<b>20</b>	(5)

The current expectation regarding the maturity of deferred tax balances is:

€ million	Deferred tax assets		Deferred tax liabilities	
	2015	2014	2015	2014
Recoverable/(payable) within 12 months	13	7	2	(5)
Recoverable/(payable) after 12 months	10	3	(243)	(254)
<b>Total</b>	<b>23</b>	10	<b>(241)</b>	(259)

The Group has the following amounts in respect of which no deferred tax asset has been recognised due to the unpredictability of future profit streams or gains against which these could be utilised:

€ million	2015	2014
Tax losses – revenue	1,560	1,602
Tax losses – capital	19	18
Other temporary differences	60	68
<b>Total</b>	<b>1,639</b>	1,688

Included in unrecognised tax losses are losses that will expire as follows:

€ million	2015	2014
<b>Expiry date</b>		
Within one year	34	13
One to five years	121	110
After five years	104	117
No expiry date	1,320	1,380
<b>Total</b>	<b>1,579</b>	1,620

No deferred tax liability is recognised on gross temporary differences of €577 million (2014: €593 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. A change to UK tax legislation largely exempts, from UK tax, overseas dividends received on or after 1 July 2009. As a result, the gross temporary differences at 31 December 2015 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.

# Notes to the combined and consolidated financial statements for the year ended 31 December 2015

## 8 Earnings per share

euro cents per share	2015	2014
<b>Profit for the year attributable to shareholders</b>		
Basic EPS	<b>124.0</b>	97.4
Diluted EPS	<b>123.7</b>	97.1
<b>Underlying earnings for the year</b>		
Basic underlying EPS	<b>133.7</b>	107.3
Diluted underlying EPS	<b>133.4</b>	107.0
<b>Headline earnings for the year</b>		
Basic headline EPS	<b>123.4</b>	99.5
Diluted headline EPS	<b>123.1</b>	99.2

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	
	2015	2014
<b>Profit for the year attributable to shareholders</b>	<b>600</b>	471
Special items (see note 3)	57	52
Related tax (see note 3)	(10)	(4)
<b>Underlying earnings for the year</b>	<b>647</b>	519
Special items not excluded from headline earnings	(53)	(46)
Profit on disposal of property, plant and equipment	(13)	—
Impairments not included in special items	3	4
Related tax	13	4
<b>Headline earnings for the year</b>	<b>597</b>	481

million	Weighted average number of shares	
	2015	2014
<b>Basic number of ordinary shares outstanding</b>	<b>483.9</b>	483.6
Effect of dilutive potential ordinary shares	1.1	1.3
<b>Diluted number of ordinary shares outstanding</b>	<b>485.0</b>	484.9

## 9 Dividends

Dividends paid to the shareholders of Mondi Limited and Mondi plc are presented on a combined basis.

euro cents per share	2015	2014
Final dividend paid (in respect of prior year)	28.77	26.45
Interim dividend paid	14.38	13.23
<b>Final dividend proposed for the year ended 31 December</b>	<b>37.62</b>	28.77

€ million	2015	2014
Final dividend paid (in respect of prior year)	140	129
Interim dividend paid	69	64
<b>Total dividends paid</b>	<b>209</b>	193

<b>Final dividend proposed for the year ended 31 December</b>	<b>182</b>	139
Declared by Group companies to non-controlling interests	25	16

The final dividend proposed is subject to approval by shareholders at the Annual General Meetings of Mondi Limited and Mondi plc scheduled for 12 May 2016.

## 10 Property, plant and equipment

€ million	Land and buildings <sup>1</sup>	Plant and equipment	Assets under construction	Other	Total
<b>Net carrying value</b>					
At 1 January 2014	933	2,207	226	62	3,428
Acquired through business combinations (see note 23)	24	21	3	1	49
Additions	45	149	376	20	590
Disposal of assets	(12)	(10)	(1)	(3)	(26)
Depreciation charge for the year	(44)	(267)	—	(22)	(333)
Impairments <sup>2</sup>	(3)	(7)	—	—	(10)
Transfer from assets under construction	53	267	(334)	11	(3)
Reclassification	(10)	6	—	(2)	(6)
Currency movements	(65)	(181)	(8)	(3)	(257)
<b>At 31 December 2014</b>	<b>921</b>	<b>2,185</b>	<b>262</b>	<b>64</b>	<b>3,432</b>
Cost	1,552	5,826	269	274	7,921
Accumulated depreciation and impairments	(631)	(3,641)	(7)	(210)	(4,489)
Acquired through business combinations (see note 23)	21	19	—	—	40
Additions	69	267	236	21	593
Disposal of assets	(9)	(10)	—	(2)	(21)
Disposal of businesses (see note 24)	(17)	(25)	(1)	(2)	(45)
Depreciation charge for the year	(46)	(271)	—	(24)	(341)
Impairments <sup>2</sup>	(4)	(3)	—	—	(7)
Transfer from assets under construction	58	225	(304)	17	(4)
Reclassification	4	(2)	—	(1)	1
Currency movements	(16)	(69)	(7)	(2)	(94)
<b>At 31 December 2015</b>	<b>981</b>	<b>2,316</b>	<b>186</b>	<b>71</b>	<b>3,554</b>
Cost	1,626	6,050	192	288	8,156
Accumulated depreciation and impairments	(645)	(3,734)	(6)	(217)	(4,602)

Notes:

<sup>1</sup> The land value included in 'Land and buildings' is €143 million.

<sup>2</sup> Impairments include €4 million (2014: €6 million) of asset impairments reflected in operating special items and €3 million (2014: €4 million) of other impairments.

Included in the cost above is €7 million (2014: €5 million) of interest incurred on qualifying assets which has been capitalised during the year. These amounts are deductible for tax purposes either when incurred or included in the amount permitted to be deducted for capital expenditure, depending on the jurisdiction in which they are capitalised.

# Notes to the combined and consolidated financial statements for the year ended 31 December 2015

## 11 Goodwill

### (a) Reconciliation

€ million	2015	2014
<b>Net carrying value</b>		
At 1 January	545	550
Acquired through business combinations (see note 23)	44	—
Currency movements	1	(5)
<b>At 31 December</b>	<b>590</b>	545

### (b) Assumptions

€ million, unless otherwise stated	Weighted average pre tax discount rate	Growth rate	Carrying value	
			2015	2014
Europe & International				
Consumer Packaging	9.6%	2%	337	293
Kraft Paper	9.2%	0%	83	84
Containerboard	9.6%	0%	60	58
Industrial Bags	10.8%	0%	50	50
Uncoated Fine Paper	11.6%	0%	31	31
Corrugated Packaging	10.4%	0%	21	21
Extrusion Coatings	10.0%	0%	8	8
<b>Total goodwill</b>			<b>590</b>	545

### Key assumptions

The recoverable amounts of the Group's cash generating units are determined from value-in-use calculations. The key assumptions in the value-in-use calculations are:

- Cash flow forecasts which are derived from the budgets most recently approved by the Boards covering the three-year period to 31 December 2018.
- 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 industry capacity changes.
- Cash flow projections beyond three years are based on internal management projections taking into consideration industry forecasts and growth rates in the regions in which the Group operates. In general, such growth rates are assumed to be zero, but for Consumer Packaging, a growth rate of 2% is applied for each of the following five years beyond the budget period and zero thereafter into perpetuity.
- Capital expenditure forecasts are based on historical experience and include expenditure necessary to maintain the projected cash flows from operations at current operating levels.

The pre tax discount rate is derived from the Group's weighted average cost of capital. In determining the discount rate applicable to each cash-generating unit, adjustments are made to reflect the impacts of country risk and tax.

### Sensitivity analyses

Expected future cash flows are inherently uncertain and could change materially over time. They are affected by a number of factors, including market and production estimates, together with economic factors such as prices, discount rates, currency exchange rates, estimates of production costs and future capital expenditure.

Sensitivity analyses of reasonably possible changes in the underlying assumptions on each cash-generating unit included:

- 1% increase in discount rate;
- 0% growth rate assumed in Consumer Packaging;
- 5% decrease in sales prices in Packaging Paper (Containerboard and Kraft Paper cash generating units) and Uncoated Fine Paper; and
- 2% decrease in sales prices in Consumer Packaging and Fibre Packaging (Corrugated Packaging, Industrial Bags and Extrusion Coatings cash generating units).

None of these downside sensitivity analyses indicated the need for an impairment.

## 12 Intangible assets

€ million	2015	2014
<b>Net carrying value</b>		
At 1 January	113	125
Acquired through business combinations (see note 23)	6	1
Disposal of businesses (see note 24)	(3)	—
Additions	9	8
Amortisation charge for the year	(24)	(22)
Reclassification	3	3
Currency movements	1	(2)
<b>At 31 December</b>	<b>105</b>	113
Cost	263	252
Accumulated amortisation and impairments	(158)	(139)

The carrying value of intangible assets comprises:

€ million	2015	2014
<b>Internally generated</b>		
Software development costs	30	28
<b>Acquired through business combinations</b>		
Customer relationships	35	38
Patents and trademarks	31	38
Other	9	9
<b>Total intangible assets</b>	<b>105</b>	113

Research and development expenditure incurred by the Group and charged to the combined and consolidated income statement during the year amounted to €18 million (2014: €18 million).

## 13 Forestry assets

€ million	2015	2014
At 1 January	235	233
Capitalised expenditure	38	35
Acquisition of assets	3	2
Fair value gains	40	34
Disposal of assets	(1)	(13)
Felling costs	(51)	(54)
Reclassified to assets held for sale (see note 25)	—	(11)
Currency movements	(45)	9
<b>At 31 December</b>	<b>219</b>	235
<b>Comprising</b>		
Mature	139	148
Immature	80	87
<b>Total forestry assets</b>	<b>219</b>	235

The Group has approximately 154,000 hectares (2014: 164,000 hectares) of owned and leased land under afforestation, all of which is in South Africa.

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. This period ranges from 6.5 to 14.5 years for both years presented, depending on species, climate and location.

# Notes to the combined and consolidated financial statements for the year ended 31 December 2015

## 13 Forestry assets continued

The fair value of forestry assets is a level 3 measure in terms of the fair value measurement hierarchy (see note 30b) and this category is consistent with prior years. The fair value of forestry assets is calculated on the basis of future expected net cash flows arising on the Group's owned forestry assets, discounted based on a pre tax yield on long-term bonds over the last five 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 2015, the net selling price used ranged from the South African rand equivalent of €9 per tonne to €33 per tonne (2014: €10 per tonne to €35 per tonne) with a weighted average of €20 per tonne (2014: €22 per tonne).
- The conversion factor used to convert hectares of land under afforestation to tonnes of standing timber, which is dependent on the species, the maturity profile of the timber, the geographic location, climate and a variety of other environmental factors. In 2015, the conversion factors ranged from 8.9 to 25.2 (2014: 8.8 to 25.2).
- The discount rate of 15.2% (2014: 10.6%) based on a pre tax yield from long-term South African government bonds matching the average age of the timber and adjusted for the risks associated with forestry assets.

The valuation of the Group's forestry assets is determined in rand and converted to euro at the closing exchange rate on 31 December of each year.

The reported value of owned forestry assets would change as follows should there be a change in these underlying assumptions:

€ million	2015
Effect of €1/tonne increase in net selling price	11
Effect of 1% increase in conversion factor (hectares to tonnes)	2
Effect of 1% increase in discount rate	(2)
Effect of 1% increase in EUR/ZAR exchange rate	(2)

## 14 Inventories

€ million	2015	2014
<b>Valued using the first-in-first-out cost formula</b>		
Raw materials and consumables	22	24
Work in progress	9	12
Finished products	22	29
<b>Total valued using the first-in-first-out cost formula</b>	<b>53</b>	65
<b>Valued using the weighted average cost formula</b>		
Raw materials and consumables	321	324
Work in progress	102	106
Finished products	362	348
<b>Total valued using the weighted average cost formula</b>	<b>785</b>	778
<b>Total inventories</b>	<b>838</b>	843
Of which, held at net realisable value	138	150
<b>Combined and consolidated income statement</b>		
Cost of inventories recognised as expense	(2,912)	(2,812)
Write-down of inventories to net realisable value	(24)	(24)
Aggregate reversal of previous write-down of inventories	19	16
Green energy sales and disposal of emissions credits	68	81

## 15 Trade and other receivables

€ million	2015	2014
Trade receivables	864	829
Allowance for doubtful debts	(35)	(36)
<b>Net trade receivables</b>	<b>829</b>	793
Other receivables	59	61
Tax and social security	86	93
Prepayments and accrued income	20	19
<b>Total trade and other receivables</b>	<b>994</b>	966

The fair values of trade and other receivables approximate their carrying values presented.

### Trade receivables: credit risk

The Group has a large number of unrelated customers and does not have any significant credit risk exposure to any particular customer. The Group believes 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 believes 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	2015	2014
<b>Credit risk exposure</b>		
Gross trade receivables	864	829
Credit insurance	(708)	(681)
<b>Total exposure to credit risk</b>	<b>156</b>	148

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 €16 million (2014: €15 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 estimated to be less than their associated carrying values, impairment charges have been recorded in the combined and consolidated income statement and the carrying values have been written down to their recoverable amounts. The total gross carrying value of trade receivables that were subject to impairment during the year is €108 million (2014: €111 million).

Included within the Group's aggregate trade receivables balance are specific debtor balances with customers totalling €32 million (2014: €32 million) which are past due but not impaired at the reporting date. The Group has assessed these balances for recoverability and believes that their credit quality remains intact.

An ageing analysis of net trade receivables is provided as follows:

€ million	2015	2014
Trade receivables within terms	797	761
Past due by less than one month	24	24
Past due by one to two months	4	3
Past due by two to three months	1	1
Past due by more than three months	3	4
<b>At 31 December</b>	<b>829</b>	793

# Notes to the combined and consolidated financial statements for the year ended 31 December 2015

## 15 Trade and other receivables continued

### Movement in the allowance account for bad and doubtful debts

€ million	2015	2014
At 1 January	36	37
Increase in allowance recognised in combined and consolidated income statement	8	6
Amounts written off or recovered	(8)	(6)
Currency movements	(1)	(1)
<b>At 31 December</b>	<b>35</b>	36

## 16 Trade and other payables

€ million	2015	2014
Trade payables	508	505
Capital expenditure payables	70	72
Tax and social security	61	56
Other payables	71	55
Accruals and deferred income	328	310
<b>Total trade and other payables</b>	<b>1,038</b>	998

The fair values of trade and other payables approximate their carrying values presented.

## 17 Provisions

€ million	Restructuring costs	Employee related provisions	Environmental restoration	Other	Total
At 1 January 2014	20	28	6	24	78
Charged to combined and consolidated income statement	39	12	—	23	74
Unwinding of discount	—	1	—	—	1
Released to combined and consolidated income statement	(2)	—	—	(4)	(6)
Amounts applied	(30)	(9)	—	(15)	(54)
Currency movements	1	—	—	—	1
<b>At 31 December 2014</b>	<b>28</b>	<b>32</b>	<b>6</b>	<b>28</b>	<b>94</b>
Charged to combined and consolidated income statement	33	11	—	13	57
Disposal of businesses (see note 24)	—	(1)	(2)	—	(3)
Released to combined and consolidated income statement	(3)	—	(1)	(4)	(8)
Amounts applied	(29)	(10)	—	(5)	(44)
Reclassification	1	—	—	(1)	—
Currency movements	1	—	—	(1)	—
<b>At 31 December 2015</b>	<b>31</b>	<b>32</b>	<b>3</b>	<b>30</b>	<b>96</b>

Maturity analysis of total provisions on a discounted basis:

€ million	2015	2014
Current	56	58
Non-current	40	36
<b>Total provisions</b>	<b>96</b>	94

Other provisions are mainly attributable to onerous contracts. €17 million (2014: €21 million) is due to be incurred within the next 12 months. The remaining €13 million (2014: €7 million) will be incurred over a period longer than one 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 over the last five years.

## 18 Capital management

The Group defines its capital employed as equity, as presented in the combined and consolidated statement of financial position, plus net debt.

€ million	2015	2014
Equity attributable to shareholders	2,905	2,628
Equity attributable to non-controlling interests	282	266
<b>Equity</b>	<b>3,187</b>	2,894
<b>Net debt (see note 26c)</b>	<b>1,498</b>	1,613
<b>Capital employed</b>	<b>4,685</b>	4,507

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 include the following:

€ million	Maturity	Interest rate %	2015	(Restated) 2014
<b>Financing facilities</b>				
Syndicated Revolving Credit Facility	July 2020	EURIBOR/LIBOR + margin	750	750
€500 million Eurobond	April 2017	5.75%	500	500
€500 million Eurobond	September 2020	3.375%	500	500
European Investment Bank Facility	June 2025	EURIBOR + margin	90	100
Export Credit Agency Facility	June 2020	EURIBOR + margin	72	92
Other	Various	Various	90	164
<b>Total committed facilities</b>			<b>2,002</b>	2,106
Drawn			(1,404)	(1,650)
<b>Total committed facilities available</b>			<b>598</b>	456

Both the €500 million Eurobonds contain a coupon step-up clause whereby the coupon will be increased by 1.25% per annum if Mondi fails to maintain at least one investment grade credit rating from either Moody's Investors Service or Standard & Poor's. Mondi currently has investment grade credit ratings from both Moody's Investors Service (Baa2, outlook stable) and Standard & Poor's (BBB, outlook stable).

Short-term liquidity needs are met through the revolving credit facility. The Group maintains minimal cash balances in order to minimise the amount drawn on the revolving credit facility.

The Group reviews its capital employed on a regular basis and makes use of several indicative ratios which are appropriate to the nature of its operations and consistent with conventional industry measures. The principal ratios used include:

- weighted average cost of capital;
- gearing, defined as net debt divided by capital employed;
- net debt/12-month trailing EBITDA; and
- return on capital employed, defined as trailing 12-month underlying operating profit, plus share of associates' net profit/(loss), divided by trailing 12-month average capital employed. Capital employed is adjusted for impairments in the year and spend on those strategic projects which are not yet in production.

	2015	2014
Weighted average cost of capital (%)	7.8	7.9
Gearing (%)	32.0	35.8
Net debt/12-month trailing EBITDA (times)	1.1	1.4
Return on capital employed (%)	20.5	17.2

# Notes to the combined and consolidated financial statements for the year ended 31 December 2015

## 18 Capital management continued

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.

The Group operates a DLC structure which has been agreed with the South African Ministry of Finance and is subject to certain exchange control conditions. The exchange control conditions do not infringe upon the Group's ability to optimally manage its capital structure. However, they do require that the capital supplied by, or made available to, the shareholders of Mondi Limited and Mondi plc be constrained by the equality of treatment mechanism, which serves to maintain and protect the economic interests of both sets of shareholders. The Group has continually met the exchange control provisions in the past and management is committed to ensuring that the Group continues to meet these provisions in future.

## 19 Borrowings

€ million	2015			2014		
	Current	Non-current	Total	Current	Non-current	Total
<b>Secured</b>	3	3	<b>6</b>	3	3	6
<b>Unsecured</b>						
Bonds	—	996	996	—	995	995
Bank loans and overdrafts	247	306	553	170	553	723
Other loans	—	14	14	3	14	17
<b>Total unsecured</b>	247	1,316	<b>1,563</b>	173	1,562	1,735
<b>Total borrowings</b>	<b>250</b>	<b>1,319</b>	<b>1,569</b>	176	1,565	1,741

The Group's borrowings as at 31 December are analysed by nature and underlying currency as follows:

2015/€ million	Floating rate borrowings	Fixed rate borrowings	Non-interest bearing borrowings	Total carrying value	Fair value
Euro	278	1,002	—	1,280	1,363
Pounds sterling	159	—	—	159	159
South African rand	36	—	6	42	42
Polish zloty	32	2	—	34	34
Turkish lira	33	—	—	33	33
Other currencies	11	10	—	21	22
<b>Carrying value</b>	<b>549</b>	<b>1,014</b>	<b>6</b>	<b>1,569</b>	
<b>Fair value</b>	<b>549</b>	<b>1,098</b>	<b>6</b>		<b>1,653</b>

2014/€ million	Floating rate borrowings	Fixed rate borrowings	Non-interest bearing borrowings	Total carrying value	Fair value
Euro	199	999	—	1,198	1,309
Pounds sterling	355	—	—	355	355
South African rand	58	—	7	65	65
Polish zloty	48	—	—	48	48
Turkish lira	28	—	—	28	28
Other currencies	35	6	6	47	47
<b>Carrying value</b>	<b>723</b>	<b>1,005</b>	<b>13</b>	<b>1,741</b>	
<b>Fair value</b>	<b>723</b>	<b>1,116</b>	<b>13</b>		<b>1,852</b>

The fair values of the €500 million 2017 Eurobond and €500 million 2020 Eurobond are estimated from 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 on an undiscounted future cash flow basis, is as follows:

<b>2015/€ million</b>	< 1 year	1–2 years	2–5 years	> 5 years	Total <sup>1</sup>
Bonds	—	498	498	—	996
Bank loans and overdrafts	249	43	221	43	556
Other loans	1	1	1	14	17
<b>Total borrowings</b>	<b>250</b>	<b>542</b>	<b>720</b>	<b>57</b>	<b>1,569</b>
Interest on borrowings net of amortised costs and discounts	54	56	58	1	169
<b>Total undiscounted cash flows</b>	<b>304</b>	<b>598</b>	<b>778</b>	<b>58</b>	<b>1,738</b>
<b>2014/€ million</b>	< 1 year	1–2 years	2–5 years	> 5 years	Total <sup>1</sup>
Bonds	—	—	497	498	995
Bank loans and overdrafts	172	52	448	55	727
Other loans	4	8	1	6	19
<b>Total borrowings</b>	<b>176</b>	<b>60</b>	<b>946</b>	<b>559</b>	<b>1,741</b>
Interest on borrowings net of amortised costs and discounts	59	53	99	20	231
<b>Total undiscounted cash flows</b>	<b>235</b>	<b>113</b>	<b>1,045</b>	<b>579</b>	<b>1,972</b>

Note:

<sup>1</sup> 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 and sterling debt into other currencies through the foreign exchange market as disclosed in note 30.

The Group does not have any material finance lease arrangements.

The Group has pledged specific property, plant and equipment as collateral against certain borrowings. The carrying values of these property, plant and equipment amount to €9 million (2014: €14 million). The Group is entitled to receive all cash flows from these pledged assets. Further, there is no obligation to remit these cash flows to another entity.

## 20 Share capital and stated capital

number of shares	Authorised
Mondi Limited ordinary shares with no par value	250,000,000
Mondi Limited special converting shares with no par value	650,000,000

Mondi plc is not restricted in the number of shares that can be issued. Any issue of shares is subject to shareholder approval.

2015 & 2014	Number of shares	Called up, allotted and fully paid/€ million		
		Share capital	Stated capital	Total
Mondi Limited ordinary shares with no par value issued on the JSE	118,312,975	—	431	431
Mondi plc €0.20 ordinary shares issued on the LSE	367,240,805	74	—	74
<b>Total ordinary shares in issue</b>	<b>485,553,780</b>	<b>74</b>	<b>431</b>	<b>505</b>
Mondi Limited special converting shares with no par value	367,240,805	—	8	8
Mondi plc €0.20 special converting shares	118,312,975	24	—	24
<b>Total special converting shares</b>	<b>485,553,780</b>	<b>24</b>	<b>8</b>	<b>32</b>
Mondi plc €0.04 deferred shares	146,896,322	5	—	5
<b>Total shares</b>		<b>103</b>	<b>439</b>	<b>542</b>

# Notes to the combined and consolidated financial statements for the year ended 31 December 2015

## 20 Share capital and stated capital continued

The special converting shares are held in trust and do not carry dividend rights. These shares provide a mechanism for equality of treatment on termination of the DLC agreement for both Mondi Limited and Mondi plc ordinary shareholders. The deferred shares are held in trust and do not carry any dividend or voting rights.

Treasury shares represent the cost of shares in Mondi Limited (held by the Mondi Incentive Schemes Trust) and Mondi plc (held by the Mondi Employee Share Trust) purchased in the market to satisfy share awards under the Group's employee share schemes (see note 21). These costs are reflected in the combined and consolidated statement of changes in equity.

at 31 December	Treasury shares held			
	2015		2014	
	Number of shares held	Average price per share	Number of shares held	Average price per share
<b>Mondi Incentive Schemes Trust</b>				
Mondi Limited ordinary shares with no par value	677,234	ZAR 203.90	682,260	ZAR 159.50
<b>Mondi Employee Share Trust</b>				
Mondi plc €0.20 ordinary shares	931,265	GBP 13.32	1,133,804	GBP 10.80

A dividend waiver is in place in respect of shares held by the Mondi Employee Share Trust.

## 21 Share-based payments

### Mondi share awards

The Group has set up its own share-based payment arrangements to incentivise employees. Full details of the Group's share schemes are set out in the Remuneration report.

All of these schemes are settled by the award of ordinary shares in either Mondi Limited or 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 fair values of the share awards granted under the Mondi schemes are calculated with reference to the facts and assumptions presented below:

Mondi Limited (ZAR) & Mondi plc (GBP)	BSP 2015	BSP 2014	BSP 2013
Date of grant	1 April 2015	31 March 2014	25 March 2013
Vesting period (years)	3	3	3
Expected leavers per annum (%)	5	5	5
Grant date fair value per instrument (GBP)	12.99	10.49	8.87
Grant date fair value per instrument (ZAR)	230.00	184.91	125.55
Number of shares conditionally awarded	440,848	448,670	609,817

Mondi Limited (ZAR) & Mondi plc (GBP)	LTIP 2015	LTIP 2014	LTIP 2013
Date of grant	1 April 2015	31 March 2014	25 March 2013
Vesting period (years)	3	3	3
Expected leavers per annum (%)	5	5	5
Expected outcome of meeting performance criteria (%)			
ROCE component	100	100	100
TSR component	25	25	25
Grant date fair value per instrument (GBP) – Mondi plc			
ROCE component	12.99	10.49	8.87
TSR component <sup>1</sup>	3.25	2.62	2.22
Grant date fair value per instrument (ZAR) – Mondi Limited			
ROCE component	230.00	184.91	125.55
TSR component <sup>1</sup>	57.50	46.23	31.39
Number of shares conditionally awarded	647,849	715,524	960,283

Note:

<sup>1</sup> The base fair value has been adjusted for contractually-determined market-based performance conditions.

The total fair value charge in respect of all the Mondi share awards granted during the year ended 31 December is made up as follows:

€ million	2015	2014
Bonus Share Plan	6	5
Long-Term Incentive Plan	5	5
<b>Total share-based payment expense</b>	<b>11</b>	<b>10</b>

The weighted average share price of share awards that vested during the period:

	2015	2014
Mondi Limited	ZAR 236.82	ZAR 192.53
Mondi plc	GBP 13.20	GBP 10.84

A reconciliation of share award movements for the Mondi share schemes is shown below:

number of shares	BSP			LTIP		
	Mondi Ltd	Mondi plc	Total	Mondi Ltd	Mondi plc	Total
At 1 January 2014	460,758	1,696,606	2,157,364	523,023	2,732,313	3,255,336
Shares conditionally awarded	71,043	377,627	448,670	96,844	618,680	715,524
Shares vested	(205,673)	(650,155)	(855,828)	(197,198)	(928,782)	(1,125,980)
Shares lapsed	(17,449)	(18,733)	(36,182)	(30,145)	(25,981)	(56,126)
At 31 December 2014	308,679	1,405,345	1,714,024	392,524	2,396,230	2,788,754
Shares conditionally awarded	75,438	365,410	440,848	82,830	565,019	647,849
Shares vested	(140,595)	(614,886)	(755,481)	(175,445)	(997,517)	(1,172,962)
Shares lapsed	—	(47,508)	(47,508)	—	(70,535)	(70,535)
<b>At 31 December 2015</b>	<b>243,522</b>	<b>1,108,361</b>	<b>1,351,883</b>	<b>299,909</b>	<b>1,893,197</b>	<b>2,193,106</b>

## 22 Retirement benefits

The Group operates post-retirement defined contribution and defined benefit pension plans for many of its employees. It also operates two post-retirement medical plans.

### Defined contribution plans

The assets of the defined contribution plans are held separately in independently administered funds. The charge in respect of these plans of €12 million (2014: €7 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 2016 are €12 million (2015: €7 million).

### Defined benefit pension plans and post-retirement medical plans

The Group operates in excess of 100 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.

# Notes to the combined and consolidated financial statements for the year ended 31 December 2015

## 22 Retirement benefits continued

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 while the Austrian plan is funded. The South African plan has been closed to new participants since 1 January 1999.

Except for the actuarial risks set out below, the Group has not identified any additional specific risks in respect of these plans.

Defined benefit plans typically expose the Group to the following actuarial risks:

Investment risk (Asset volatility)	The present value of the net retirement benefit liability/asset is calculated using a discount rate determined by reference to high-quality bond yields. If the return on plan assets is below this rate, it will create a plan deficit that needs to be funded/guaranteed by the employer. Currently the plan assets have a relatively balanced investment in equity and bonds. Due to the long-term nature of the plan liabilities, the boards of trustees consider it appropriate that a reasonable portion of the plan assets should be invested in equities.
Interest risk	A decrease in the bond interest rate will increase plan liabilities, however this will be partially offset by an increase in the return on the plan's 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:

%	2015			2014		
	South Africa	Europe	Other regions	South Africa	Europe	Other regions
Discount rate	10.2	2.7	9.4	8.3	2.3	5.9
Rate of inflation	8.2	2.3	5.8	6.5	2.3	5.2
Rate of increase in salaries	9.2	2.0	6.1	7.5	2.8	6.0
Rate of increase of pensions in payment	—	2.6	3.6	—	1.9	2.1
Expected average increase of medical costs	9.7	4.0	—	8.0	4.1	—

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 life expectancies on retirement at age 65 are:

years	2015			2014		
	South Africa	Europe	Other regions	South Africa	Europe	Other regions
<b>Retiring today</b>						
Males	16.04	14.16-22.80	14.29	15.99	13.98-22.70	13.93
Females	19.97	17.63-27.02	17.91	19.93	17.35-26.89	17.72
<b>Retiring in 20 years</b>						
Males	20.54	13.51-25.00	14.29	20.44	13.98-23.00	13.93
Females	24.79	13.51-26.51	17.91	24.74	14.00-26.00	17.72

The mortality assumptions have been based on published mortality tables in the relevant jurisdictions.

The amounts recognised in the combined and consolidated statement of financial position are determined as follows:

€ million	2015				2014			
	South Africa	Europe	Other regions	Total	South Africa	Europe	Other regions	Total
Present value of unfunded liabilities	(48)	(121)	(12)	(181)	(59)	(131)	(13)	(203)
Present value of funded liabilities	—	(165)	—	(165)	—	(187)	—	(187)
<b>Present value of plan liabilities</b>	<b>(48)</b>	<b>(286)</b>	<b>(12)</b>	<b>(346)</b>	<b>(59)</b>	<b>(318)</b>	<b>(13)</b>	<b>(390)</b>
Fair value of plan assets	—	137	—	137	—	141	—	141
<b>Net retirement benefits liability</b>	<b>(48)</b>	<b>(149)</b>	<b>(12)</b>	<b>(209)</b>	<b>(59)</b>	<b>(177)</b>	<b>(13)</b>	<b>(249)</b>
<b>Amounts reported in combined and consolidated statement of financial position</b>								
Post-retirement medical plans	—	1	—	1	—	—	—	—
Defined benefit pension plans	—	2	—	2	—	1	—	1
<b>Net retirement benefits asset</b>	<b>—</b>	<b>3</b>	<b>—</b>	<b>3</b>	<b>—</b>	<b>1</b>	<b>—</b>	<b>1</b>
Defined benefit pension plans	—	(152)	(12)	(164)	—	(171)	(13)	(184)
Post-retirement medical plans	(48)	—	—	(48)	(59)	(7)	—	(66)
<b>Net retirement benefits liability</b>	<b>(48)</b>	<b>(152)</b>	<b>(12)</b>	<b>(212)</b>	<b>(59)</b>	<b>(178)</b>	<b>(13)</b>	<b>(250)</b>

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	
	2015	2014	2015	2014	2015	2014
At 1 January	(390)	(330)	141	121	(249)	(209)
<b>Included in combined and consolidated income statement</b>						
Current service cost	(5)	(5)	—	—	(5)	(5)
Past service cost	1	(2)	—	—	1	(2)
Gains from settlements	9	3	(9)	—	—	3
Interest (cost)/income	(13)	(16)	4	5	(9)	(11)
<b>Included in combined and consolidated statement of comprehensive income</b>						
Remeasurement gains/(losses)	28	(57)	—	—	28	(57)
Return on plan assets	—	—	(1)	11	(1)	11
Acquired through business combinations (see note 23)	(2)	(1)	—	—	(2)	(1)
Disposal of businesses (see note 24)	2	1	—	—	2	1
Contributions paid by other members	(3)	(3)	3	3	—	—
Contributions paid by employer	—	—	3	3	3	3
Benefits paid	22	24	(10)	(9)	12	15
Reclassification	—	1	—	(1)	—	—
Currency movements	5	(5)	6	8	11	3
<b>At 31 December</b>	<b>(346)</b>	<b>(390)</b>	<b>137</b>	<b>141</b>	<b>(209)</b>	<b>(249)</b>

The changes in the asset ceiling are as follows:

€ million	2015	2014
At 1 January	—	2
Asset ceiling movement	—	(2)
<b>At 31 December</b>	<b>—</b>	<b>—</b>

# Notes to the combined and consolidated financial statements for the year ended 31 December 2015

## 22 Retirement benefits continued

The expected maturity analysis of undiscounted retirement benefits is as follows:

€ million	2015			2014		
	Defined benefit pension plans	Post-retirement medical plans	Total	Defined benefit pension plans	Post-retirement medical plans	Total
Less than a year	11	7	<b>18</b>	10	7	17
Between one and two years	12	10	<b>22</b>	10	11	21
Between two to five years	34	21	<b>55</b>	29	20	49
After five years	264	98	<b>362</b>	276	98	374

The weighted average duration of the defined retirement benefits liability for South Africa is 11 years, Europe 14 years and other regions 12 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 2016 are €17 million (2015: €18 million).

The market values of the plan assets in these plans are detailed below:

€ million	2015			2014		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
External equity	41	—	<b>41</b>	39	—	39
Property	1	—	<b>1</b>	—	—	—
Bonds	79	—	<b>79</b>	77	—	77
Insurance contracts	—	15	<b>15</b>	—	23	23
Cash	1	—	<b>1</b>	2	—	2
<b>Fair value of plan assets</b>	<b>122</b>	<b>15</b>	<b>137</b>	118	23	141

The majority of the Group's plan assets are located in Austria and the UK and the following asset-liability matching/investing strategies are applied:

Austria	The investment strategy is based on Austrian Social Security Law which stipulates that investments can only be made in high-quality euro bonds or deposits in euro in highly rated financial institutions. No investments in equity or equity funds are allowed. Due to legal and market restrictions asset-liability matching is not possible.
UK	The trustees invest in diverse portfolios of pooled funds. The long-term objective is to ensure that each plan can continue to meet the benefit payments without exposing either the plan or the company 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.

There are no financial instruments or property owned by the Group included in the fair value of plan assets.

The fair values of equity, property, bonds, insurance contracts and cash are determined based on quoted prices in active markets.

The actual return on plan assets in respect of defined benefit plans was a gain of €3 million (2014: gain of €16 million).

The market value of assets is used to determine the funding level of the plans and is sufficient to cover 83% (2014: 75%) 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.

### 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.

A 1% change in the assumptions would have the following effects on the net retirement benefits plans:

€ million	1% increase	1% decrease
<b>Discount rate</b>		
Effect on current service cost	(1)	1
Effect on net retirement benefit asset/liability	(46)	60
<b>Rate of inflation</b>		
Effect on current service cost	—	—
Effect on net retirement benefit asset/liability	30	(25)
<b>Rate of increase in salaries</b>		
Effect on current service cost	1	—
Effect on net retirement benefit asset/liability	13	(8)
<b>Rate of increase of pensions in payment</b>		
Effect on current service cost	—	—
Effect on net retirement benefit asset/liability	14	(9)
<b>Medical cost trend rate</b>		
Effect on aggregate of the current service cost and interest cost	1	(1)
Effect on net retirement benefit asset/liability	19	(8)
<b>Mortality rates</b>	<b>1 year increase</b>	
Effect on current service cost	—	
Effect on net retirement benefit asset/liability	13	

## 23 Business combinations

To 31 December 2015

### Acquisition of Ascania nonwoven Germany GmbH

Mondi acquired 100% of the outstanding share capital of Ascania nonwoven Germany GmbH (Ascania) on 2 November 2015 for a consideration of €53 million on a debt and cash-free basis. Ascania is a producer of nonwoven fabrics and nonwoven composites primarily used for personal care, hygiene and medical products as well as household applications. The acquisition strengthens Mondi's position as a preferred supplier of hygiene components such as elastic laminates for diapers and enables further growth with innovative products for baby diapers, adult incontinence, femcare and medical applications.

Ascania's revenue for the year ended 31 December 2015 was €53 million with a profit after tax of €4 million. Ascania's revenue of €9 million and profit after tax of €1 million since the date of acquisition have been included in the combined and consolidated income statement.

### Acquisition of KSP, Co.

On 14 December 2015, Mondi acquired a 95% interest in KSP, Co. (KSP), for a consideration of €41 million on a debt and cash-free basis. KSP is a flexible packaging company specialising in the production of high-quality spouted and retort stand-up pouches for the food, pet food and beverage industries. The acquisition allows Mondi to better serve its customers in the US and Asia and supports the strategy to expand in high value-added, high-growth markets in Consumer Packaging.

KSP's revenue for the year ended 31 December 2015 was €36 million with a profit after tax of €1 million. No contributions have been included since the date of acquisition in the combined and consolidated income statement, as the acquisition was completed in the last month of the year.

# Notes to the combined and consolidated financial statements for the year ended 31 December 2015

## 23 Business combinations continued

Details of the net assets acquired, as adjusted from book to fair value, are as follows:

€ million	Book value	Revaluation	Fair value
<b>Net assets acquired</b>			
Property, plant and equipment	14	26	40
Intangible assets	—	6	6
Share of joint venture	1	3	4
Inventories	4	—	4
Trade and other receivables	17	—	17
Cash and cash equivalents	12	—	12
<b>Total assets</b>	48	35	<b>83</b>
Trade and other payables	(8)	—	(8)
Income tax liabilities	(2)	—	(2)
Net retirement benefits liability	(2)	—	(2)
Deferred tax liabilities	—	(9)	(9)
<b>Total liabilities (excluding debt)</b>	(12)	(9)	<b>(21)</b>
Short-term borrowings	(13)	—	(13)
Medium and long-term borrowings	(8)	—	(8)
<b>Debt assumed</b>	(21)	—	<b>(21)</b>
<b>Net assets acquired</b>	<b>15</b>	<b>26</b>	<b>41</b>
Goodwill arising on acquisitions			44
Non-controlling interests in equity			(1)
Cash acquired net of overdrafts			(12)
<b>Net cash paid per combined and consolidated statement of cash flows</b>			<b>72</b>
€ million	Goodwill	Net assets	Net cash paid
Ascania	25	26	47
KSP	19	15	25
<b>Acquisitions total</b>	<b>44</b>	<b>41</b>	<b>72</b>

Transaction costs of €2 million were charged to the combined and consolidated income statement.

The fair value accounting of these acquisitions is provisional in nature. The nature of these businesses is such that further adjustments to the carrying values of acquired assets and/or liabilities, and adjustments to the purchase price, are possible as the detail of the acquired businesses is evaluated post acquisition. If necessary, any adjustments to the fair values recognised will be made within 12 months of the acquisition dates.

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 and the revaluation amounts respectively as presented.

### To 31 December 2014

On 30 June 2014, Mondi acquired the bags and kraft paper business of Graphic Packaging International Inc. (Graphic), a wholly-owned subsidiary of Graphic Packaging Holding Company, for a total consideration of US\$101 million (€74 million) on a debt and cash-free basis.

On 31 July 2014, the acquisition of a consumer packaging plant in Poland from Printpack Inc. (Printpack), for US\$23 million (€17 million) on a debt and cash-free basis, was completed, adding to the Group's production capacity in that region.

On 31 October 2014, the industrial bags business was acquired from Inn\_Flex S.r.L. & David Tomasin (Intercell), for US\$12 million (€9 million) on a debt and cash-free basis, in line with the Group's growth strategy.

Details of the net assets acquired, as adjusted from book to fair value, are as follows:

€ million	Book value	Revaluation	Fair value
<b>Net assets acquired</b>			
Property, plant and equipment	97	(48)	49
Intangible assets	—	1	1
Inventories	62	(7)	55
Trade and other receivables	33	(1)	32
Cash and cash equivalents	6	—	6
<b>Total assets</b>	198	(55)	143
Trade and other payables	(31)	(3)	(34)
Net retirement benefits liability	(1)	—	(1)
Deferred tax liabilities	—	(1)	(1)
<b>Total liabilities (excluding debt)</b>	(32)	(4)	(36)
Short-term borrowings	(30)	—	(30)
Medium and long-term borrowings	(2)	—	(2)
<b>Debt assumed</b>	(32)	—	(32)
<b>Net assets acquired</b>	134	(59)	75
Transaction costs expensed			3
Cash acquired net of overdrafts			(6)
<b>Net cash paid per combined and consolidated statement of cash flows</b>			72
€ million	Net assets	Net cash paid	
Graphic	44	46	
Printpack	23	17	
Intercell	8	9	
<b>Acquisitions total</b>	75	72	

No changes were made to the fair values recognised at acquisition.

## 24 Disposal of businesses

### To 31 December 2015

#### Disposal of Mondi Ipoh Sdn Bhd

On 11 August 2015, Mondi sold 100% of the shares in Mondi Ipoh Sdn Bhd (Ipoh) to Scientex Packaging Film Sdn Bhd. The sale enables Mondi's Consumer Packaging business to refine its product portfolio in line with its business strategy. The profit on disposal of the business of €3 million was recognised in the combined and consolidated income statement.

#### Disposal of Mondi Osterburken GmbH

Mondi sold 100% of the shares in Mondi Osterburken GmbH (Osterburken) on 24 August 2015 to POLIFILM Extrusion GmbH. The sale will enable Mondi to refine its product portfolio and move away from supplying films to competitors of its Consumer Packaging business unit. The profit on disposal of the business of €1 million was recognised in the combined and consolidated income statement.

#### Disposal of Mondi Raubling Group

On 22 December 2015, Mondi disposed of 100% of the shares in the Mondi Raubling Group (Raubling), which comprise Mondi Raubling GmbH, HBB Heizkraftwerk Bauernfeind Betreibergesellschaft m.b.H and Chiemgau Recycling GmbH to the Heinzel Group. The sale enables Mondi to focus on the development of its core containerboard operations. The profit on disposal of the business of €2 million was recognised in the combined and consolidated income statement.

# Notes to the combined and consolidated financial statements for the year ended 31 December 2015

## 24 Disposal of businesses continued

Details of the net assets disposed, are as follows:

€ million	2015
Property, plant and equipment	45
Intangible assets	3
Inventories	16
Trade and other receivables	21
Cash and cash equivalents	12
<b>Total assets</b>	<b>97</b>
Trade and other payables	(30)
Net retirement benefits liability	(2)
Deferred tax liabilities	(2)
Provisions	(3)
<b>Total liabilities (excluding debt)</b>	<b>(37)</b>
<b>Short-term borrowings</b>	<b>(18)</b>
<b>Net assets disposed</b>	<b>42</b>
Cumulative translation adjustment reserve realised	2
Profit on disposal	6
<b>Disposal proceeds</b>	<b>50</b>
Cash disposed net of overdrafts	(12)
<b>Net cash received per combined and consolidated statement of cash flows</b>	<b>38</b>

€ million	Net cash inflow
Ipoh	13
Osterburken	7
Raubling	18
<b>Disposals total</b>	<b>38</b>

## 25 Assets held for sale

€ million	2015	2014
Property, plant and equipment	3	6
Forestry assets	—	11
<b>Total assets classified as held for sale</b>	<b>3</b>	<b>17</b>

## 26 Consolidated cash flow analysis

### (a) Reconciliation of profit before tax to cash generated from operations

€ million	2015	2014
<b>Profit before tax</b>	<b>796</b>	619
Depreciation and amortisation	365	355
Impairment of property, plant and equipment and intangible assets (not included in special items)	3	4
Share-based payments	11	10
Non-cash effect of special items	15	15
Net finance costs (including financing special item)	105	110
Net profit from associates	(1)	(1)
Decrease in provisions and net retirement benefits	(15)	(10)
Increase in inventories	(11)	(71)
Increase in operating receivables	(51)	(2)
Increase/(decrease) in operating payables	71	(14)
Fair value gains on forestry assets	(40)	(34)
Felling costs	51	54
Profit on disposal of property, plant and equipment	(13)	—
Profit from disposal of businesses	(6)	—
Other adjustments	(1)	(2)
<b>Cash generated from operations</b>	<b>1,279</b>	1,033

### (b) Cash and cash equivalents

€ million	2015	2014
Cash and cash equivalents per combined and consolidated statement of financial position	64	56
Bank overdrafts included in short-term borrowings	(28)	(47)
<b>Cash and cash equivalents per combined and consolidated statement of cash flows</b>	<b>36</b>	9

The fair value of cash and cash equivalents approximate their carrying values presented.

### (c) Movement in net debt

The Group's net debt position is as follows:

€ million	Cash and cash equivalents	Debt due within one year	Debt due after one year	Current financial asset investments	Debt-related derivative financial instruments	Total net debt
At 1 January 2014	64	(115)	(1,571)	1	2	(1,619)
Cash flow	(54)	375	(354)	(1)	—	(34)
Business combinations (see note 23)	—	(30)	(2)	—	—	(32)
Movement in unamortised loan costs	—	—	16	—	—	16
Net movement in derivative financial instruments	—	—	—	—	70	70
Reclassification	—	(388)	388	—	—	—
Currency movements	(1)	29	(42)	—	—	(14)
At 31 December 2014	9	(129)	(1,565)	—	72	(1,613)
Cash flow	32	(52)	219	—	—	199
Business combinations (see note 23 and 24)	—	5	(8)	—	—	(3)
Movement in unamortised loan costs	—	—	(3)	—	—	(3)
Net movement in derivative financial instruments	—	—	—	—	(73)	(73)
Reclassification	—	(54)	54	2	—	2
Currency movements	(5)	8	(16)	—	6	(7)
<b>At 31 December 2015</b>	<b>36</b>	<b>(222)</b>	<b>(1,319)</b>	<b>2</b>	<b>5</b>	<b>(1,498)</b>

# Notes to the combined and consolidated financial statements for the year ended 31 December 2015

## 26 Consolidated cash flow analysis continued

The Group operates in certain countries (principally South Africa) where the existence of exchange controls may restrict the use of certain cash balances. These restrictions are not expected to have any material effect on the Group's ability to meet its ongoing obligations.

## 27 Capital commitments

€ million	2015	2014
Contracted for but not provided	213	344
Approved, not yet contracted for	817	1,009
<b>Total capital commitments</b>	<b>1,030</b>	1,353

These capital commitments relate to the following categories of non-current non-financial assets:

€ million	2015	2014
Intangible assets	22	26
Property, plant and equipment	1,008	1,327
<b>Total capital commitments</b>	<b>1,030</b>	1,353

The expected maturity of these capital commitments is:

€ million	2015	2014
Within one year	418	570
One to two years	334	451
Two to five years	278	332
<b>Total capital commitments</b>	<b>1,030</b>	1,353

Capital commitments are based on capital projects approved by the end of the financial year and the budget approved by the Boards. Major capital projects still require further approval before they commence and are not included in the above analysis. The Group's capital commitments are expected to be financed from existing cash resources and borrowing facilities.

## 28 Contingent liabilities

Contingent liabilities comprise aggregate amounts as at 31 December 2015 of €9 million (2014: €26 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 combined and consolidated statement of financial position for both years presented.

## 29 Operating leases

### Lease agreements

The principal operating 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 operating 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 lessee. There are 55 years remaining on the lease.

#### Russian forestry leases

The forestry lease agreements were entered into by the Group on 1 November 2007 for a total term of 47 years and on 30 June 2008 for a total term of 49 years. The leases are not renewable. Rental escalates on an annual basis by the consumer price inflation 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 lessee.

### Office building

The Group entered into an office building lease agreement for a total term of 20 years from October 2013. The lease may be terminated upon six months' notice to September 2023 and again to 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 lessee. Contingent rent is included in the lease charge and calculated at the consumer price index.

### Other

The Group has also entered into approximately 880 (2014: 850) lease agreements, none of which are individually significant.

The operating lease expense recorded in the Group's combined and consolidated income statement was €39 million (2014: €36 million).

As at 31 December, the Group had the following outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

€ million	2015		2014	
	Forestry assets	Land, buildings and other assets	Forestry assets	Land, buildings and other assets
Within one year		3	22	3
One to two years		3	18	3
Two to five years		9	30	10
After five years		77	24	91
<b>Total operating leases</b>		<b>92</b>	<b>94</b>	107
				108

## 30 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 Boards and are overseen by the DLC executive committee. In turn, the DLC 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 and only enters into contractual arrangements with counterparties that have investment grade credit ratings.

### (a) Financial instruments by category

2015/€ million	Fair value hierarchy	Loans and receivables	At fair value through profit or loss	At fair value through OCI	Available-for-sale investments	Total
<b>Financial assets</b>						
Trade and other receivables		908	—	—	—	908
Financial asset investments	Level 2	7	—	—	18	25
Derivative financial instruments	Level 2	—	13	—	—	13
Cash and cash equivalents		64	—	—	—	64
<b>Total</b>		<b>979</b>	<b>13</b>	<b>—</b>	<b>18</b>	<b>1,010</b>

# Notes to the combined and consolidated financial statements for the year ended 31 December 2015

## 30 Financial instruments continued

2014/€ million	Fair value hierarchy	Loans and receivables	At fair value through profit or loss	At fair value through OCI	Available-for-sale investments	Total
<b>Financial assets</b>						
Trade and other receivables		873	—	—	—	873
Financial asset investments	Level 2	8	—	—	18	26
Derivative financial instruments	Level 2	—	66	10	—	76
Cash and cash equivalents		56	—	—	—	56
<b>Total</b>		937	66	10	18	1,031

2015/€ million	Fair value hierarchy	At fair value through profit or loss	At amortised cost	Total
<b>Financial liabilities</b>				
Borrowings – bonds	Level 1	—	(996)	(996)
Borrowings – loans and overdrafts	Level 2	—	(573)	(573)
Trade and other payables		—	(977)	(977)
Derivative financial instruments	Level 2	(7)	—	(7)
Other non-current liabilities	Level 2	—	(17)	(17)
<b>Total</b>		(7)	(2,563)	(2,570)

2014/€ million	Fair value hierarchy	At fair value through profit or loss	At amortised cost	Total
<b>Financial liabilities</b>				
Borrowings – bonds	Level 1	—	(995)	(995)
Borrowings – loans and overdrafts	Level 2	—	(746)	(746)
Trade and other payables		—	(942)	(942)
Derivative financial instruments	Level 2	(6)	—	(6)
Other non-current liabilities	Level 2	—	(21)	(21)
<b>Total</b>		(6)	(2,704)	(2,710)

The fair values of available-for-sale investments represent the published prices of the securities concerned. Loans and receivables are held at amortised cost. The fair value of loans and receivables approximate the carrying values presented.

### (b) Fair value measurement

Financial instruments that are measured in the combined and consolidated statement of financial position at fair value, or where the fair value of financial instruments have been disclosed in notes to the combined and 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 Group does not hold any financial instruments categorised as level 3 financial instruments. The only 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 13.

There have also been no transfers of assets or liabilities between levels of the fair value hierarchy during the year.

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 where available and rely as little as possible on Group specific estimates.

Specific valuation methodologies used to value financial instruments include:

- the fair values of interest rate swaps and foreign exchange contracts are calculated as the present value of expected future cash flows based on observable yield curves and exchange rates;
- the Group's commodity price derivatives are valued by independent third parties, who in turn calculate the fair values 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.

Except as detailed in the following table, the directors consider that the carrying values of financial assets and financial liabilities recorded at amortised cost in the combined and consolidated financial statements are approximately equal to their fair values.

€ million	Carrying amount		Fair value	
	2015	2014	2015	2014
<b>Financial liabilities</b>				
Borrowings	1,569	1,741	1,653	1,852

### (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 historic currency volatility, together with any relevant assumptions regarding near-term future volatility.

# Notes to the combined and consolidated financial statements for the year ended 31 December 2015

## 30 Financial instruments continued

Net monetary foreign currency exposures by functional currency zone

€ million	Net monetary foreign currency exposures – assets/(liabilities) <sup>1</sup>			
	2015		2014	
	EUR	Other	EUR	Other
<b>Functional currency zones<sup>2</sup></b>				
Euro	—	(1)	—	(14)
South African rand	(3)	(1)	(1)	(2)
Pounds sterling	—	1	—	1
Czech koruna	(13)	—	(11)	—
Polish zloty	(1)	—	(14)	—
Russian rouble	21	—	(3)	2
Turkish lira	4	(3)	—	2
US dollar	(4)	—	(7)	—
Other	(43)	4	(57)	12

Notes:

<sup>1</sup> Presented in euro, the presentation currency of the Group.

<sup>2</sup> Net monetary exposures represent financial assets less financial liabilities denominated in currencies other than the applicable functional currency, adjusted for the effects of foreign exchange risk hedging, excluding cash flow hedging of non-monetary assets and liabilities.

### Resultant impacts of reasonably possible changes to foreign exchange rates

The Group believes 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 combined and consolidated income statement if these currency movements had occurred.

€ million	Income/(expense)			
	2015		2014	
	+5%	-5%	+5%	-5%
<b>Functional currency zones</b>				
Czech koruna	1	(1)	1	(1)
Euro	—	—	1	(1)
Polish zloty	—	—	1	(1)
Russian rouble	(1)	1	—	—
Other	2	(2)	2	(2)

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 €1 million (2014: €3 million). It has been assumed that changes in the fair value of foreign exchange contracts designated as cash flow hedges of non-monetary assets and liabilities are fully recorded in equity and that all other variables are held constant.

### Interest rate risk

The Group holds cash and cash equivalents, which earn interest at a variable rate and has variable and fixed rate debt in issue. Consequently, the Group is exposed to interest rate risk. Although the Group has fixed rate debt in issue, the Group's accounting policy stipulates that all borrowings be held at amortised cost. As a result, the carrying value of fixed rate debt is not sensitive to changes in credit conditions in the relevant debt markets and there is therefore no exposure to fair value interest rate risk.

### Management of cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with short-term highly liquid investments which have a maturity of three months or less from the date of acquisition. Centralised cash pooling arrangements are in place, which ensure that cash is utilised most efficiently for the ongoing working capital needs of the Group's operating units and, in addition, to ensure that the Group earns the most advantageous rates of interest available.

## Management of variable rate debt

The Group has multiple variable rate debt facilities, of which the most significant is the syndicated facility (RCF) (see note 18).

When deemed necessary, Group treasury uses interest rate swaps to hedge certain exposures to movements in the relevant interbank lending rates, primarily the London Interbank Offered Rate (LIBOR) and the Johannesburg Interbank Agreed Rate (JIBAR).

Interest rate swaps are designated as cash flow or fair value hedges and are measured at fair value at each reporting date. The fair value of interest rate swaps are determined by reference to the discounted contractual future cash flows, using the relevant currency-specific yield curves, and the credit risk inherent in the contract. 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 net variable rate exposure, denominated by currency, in order to provide an indication of the possible impact on the Group's combined and consolidated income statement.

### Interest rate risk sensitivities on variable rate debt and interest rate swaps

€ million	Interest rate risk exposures							
	2015				2014			
	EUR	GBP	Other	Total	EUR	GBP	Other	Total
<b>Total debt</b>	1,280	159	130	1,569	1,198	355	188	1,741
Less:								
Fixed rate debt	(1,002)	—	(12)	(1,014)	(999)	—	(6)	(1,005)
Cash and cash equivalents	(6)	—	(58)	(64)	(10)	—	(46)	(56)
<b>Net variable rate debt and exposure</b>	<b>272</b>	<b>159</b>	<b>60</b>	<b>491</b>	189	355	136	680

Included in other is net variable exposure to various currencies, the most significant of which are ZAR, PLN and TRY.

The Group did not have any outstanding interest rate swaps at 31 December 2015.

The potential impact on the Group's combined and consolidated equity resulting from the application of +/- 50 basis points to the variable interest rate exposure would be €2 million (2014: €3 million).

In addition to the above, the Group swaps euro and sterling debt into other currencies through the foreign exchange market using foreign exchange contracts which has the effect of exposing the Group to interest rates of these currencies. The currencies swapped into/(out of) and the amounts as at 31 December were as follows:

€ million	2015	2014
<b>Short-dated contracts with tenures of less than 12 months</b>		
Pounds sterling	(148)	(322)
Czech koruna	200	179
Polish zloty	250	198
Russian rouble	86	141
Swedish krona	42	50
US dollar	104	67
Other	57	41
<b>Total swapped</b>	<b>591</b>	354

# Notes to the combined and consolidated financial statements for the year ended 31 December 2015

## 30 Financial instruments continued

### Credit risk

The Group's credit risk is mainly confined to 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 15.

Several Group entities have also issued certain financial guarantees to external counterparties in order to achieve competitive funding rates for specific debt agreements entered into by other Group entities. None of these financial guarantees contractually obligates the Group to pay more than the recognised financial liabilities in the entities concerned. As a result, these financial guarantee contracts have no bearing on the credit risk profile of the Group as a whole.

### Liquidity risk

Liquidity risk is the risk that the Group could experience difficulties in meeting its commitments to creditors as financial liabilities fall due for payment. The Group manages its liquidity risk by using reasonable and retrospectively assessed assumptions to forecast the future cash-generative capabilities and working capital requirements of the businesses it operates and by maintaining sufficient reserves, committed borrowing facilities and other credit lines as appropriate.

The following table shows the amounts available to draw down on the Group's committed loan facilities:

€ million	2015	2014
<b>Expiry date</b>		
Within one year	5	59
Two to five years	593	397
<b>Total credit available</b>	<b>598</b>	456

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 combined and 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

Derivative financial instruments are carried at fair value. At 31 December 2015, the Group recognised total derivative assets of €13 million (2014: €76 million) and derivative liabilities of €7 million (2014: €6 million). The full net €6 million (2014: €70 million) matures within one year.

The notional amount of €1,259 million (2014: €1,433 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 €1,259 million (2014: €1,433 million) aggregate notional amount, €842 million (2014: €739 million) relates to the economic hedging of foreign exchange exposures on short-term inter-company funding balances, which are fully eliminated on consolidation.

### 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 profit and loss in the period when the hedged transaction affects profit and loss. For non-current non-financial assets, these gains/(losses) are included in the carrying value of the asset and depreciated over the same useful life as the cost of the asset.

Fair value losses of €2 million (2014: €nil) were reclassified from the cash flow hedge reserve to Property, plant and equipment during the current or prior year. There was no ineffectiveness recognised in profit or loss arising on cash flow hedges for both the years presented.

## 31 Related party transactions

The Group and its subsidiaries, in the ordinary course of business, enter into various sale, purchase and service transactions with equity accounted investees and others in which the Group has a material interest. These transactions are under terms that are no less favourable than those arranged with third parties. These transactions, in total, are not considered to be significant.

Transactions between Mondi Limited, Mondi plc and their respective subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

€ million	<b>Associates</b>	
	2015	2014
Sales to related parties	10	7
Purchases from related parties	190	202
Dividends received	—	1
Receivables due from related parties	1	—
Payables due to related parties	34	12

## Compensation for the Boards 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 Limited and Mondi plc. The Boards and those members of the DLC 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	2015	2014
Salaries and short-term employee benefits	6.5	5.9
Non-executive directors	1.2	1.1
Defined contribution plan payments	1.0	0.9
Social security costs	1.5	1.0
Share-based payments	4.6	4.1
<b>Total</b>	<b>14.8</b>	<b>13.0</b>

The information presented in the table above, in conjunction with the audited information included in the Remuneration report, satisfies the disclosure requirements of the Companies Act of South Africa 2008 Section 30(4) to (6) with regard to the remuneration of prescribed officers of the Group.

Details of the transactions between the Group and its pension and post-retirement medical plans are disclosed in note 22.

## 32 Group companies

### Composition of the Group

The subsidiaries of the Group as at 31 December 2015 are set out in note 6 of the Mondi Limited parent company financial statements and note 9 of the Mondi plc parent company financial statements. All of these interests are combined and consolidated within the Group's financial statements.

There are no material joint ventures or associates in the Group.

Refer to Mondi's global footprint on pages 6 and 7 for more information on the places of operation.

### Details of non-wholly-owned subsidiaries

€ million	Proportion of ownership interests and voting rights held by non-controlling interests		Profit attributable to non-controlling interests		Equity attributable to non-controlling interests	
	2015	2014	2015	2014	2015	2014
Mondi SCP a.s.	49	49	36	23	239	223
Individually immaterial subsidiaries with non-controlling interests			9	3	43	43
<b>Total</b>			<b>45</b>	26	<b>282</b>	266

# Notes to the combined and consolidated financial statements for the year ended 31 December 2015

## 32 Group companies continued

Summarised financial information of the Group's material non-controlling interest is as follows:

### Mondi SCP a.s.

€ million	2015	2014
<b>Statement of financial position</b>		
Non-current assets	448	469
Current assets	185	127
Current liabilities	(90)	(84)
Non-current liabilities	(46)	(48)
<b>Net assets</b>	<b>497</b>	464
Equity attributable to owners of the company	258	241
Equity attributable to non-controlling interests	239	223
<b>Income statement and statement of comprehensive income</b>		
Revenue	489	453
Operating costs (including taxation)	(416)	(405)
<b>Profit for the year</b>	<b>73</b>	48
Attributable to owners of the company	37	25
Attributable to non-controlling interests	36	23
<b>Profit and total comprehensive income for the year</b>	<b>73</b>	48
<b>Dividends paid to non-controlling interests</b>	<b>20</b>	10
<b>Statement of cash flows</b>		
Net cash inflow from operating activities	145	80
Net cash outflow from investing activities	(34)	(93)
Net cash outflow from financing activities	(40)	(18)
<b>Net cash inflow/(outflow)</b>	<b>71</b>	(31)

The summarised financial information represents amounts before intra-group eliminations.

## 33 Events occurring after 31 December 2015

With the exception of the proposed final dividend for 2015, included in note 9, there have been no material reportable events since 31 December 2015.

## 34 Accounting policies

### Basis of consolidation

The combined and consolidated financial statements incorporate the assets, liabilities, equity, revenues, expenses and cash flows of Mondi Limited and Mondi plc, and of their respective subsidiaries drawn up to 31 December each year. All intra-group balances, transactions, income and expenses 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 combined and consolidated income statement from the effective date of acquiring control or up to the effective date of disposal, as appropriate.

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 for and the fair value of the consideration paid or received is recognised directly in equity and attributed to the shareholders.

## **Foreign currency transactions and translation**

### **Foreign currency transactions**

Foreign currency transactions are recorded in their functional currencies at 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 combined and consolidated income statement and are classified as either operating or financing depending on the nature of the monetary item giving rise to them.

### **Translation of overseas operations**

The Group's results are presented in euro, the currency in which most of its business is conducted. On consolidation, the assets and liabilities of the Group's overseas operations are translated into the presentation currency of the Group at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the year where these approximate the rates on the dates of the underlying transactions. Exchange differences arising, if any, are recognised directly in other comprehensive income, and accumulated in equity. Such translation differences are reclassified to profit and loss only on disposal or partial disposal of the overseas operation.

## **Revenue recognition**

### **Sale of goods (note 2)**

Revenue is derived principally from the sale of goods and is measured at the fair value of the consideration received or receivable, after deducting discounts, volume rebates, value added tax and other sales taxes. A sale is recognised when the significant risks and rewards of ownership have been transferred to the customer. This is when title and insurance risk have passed to the customer, and the goods have been delivered to a contractually agreed location.

### **Sale of green energy and CO<sub>2</sub>e credits (note 14)**

Revenues generated from the sale of green energy and CO<sub>2</sub>e credits issued under international trading schemes are recorded as income within other net operating expenses in the combined and consolidated income statement when ownership rights pass to the buyer.

### **Investment income (note 6)**

Interest income, which is derived from cash and cash equivalents, available-for-sale investments, and loans and receivables, is accrued on a time proportion basis, by reference to the principal outstanding and at the applicable effective interest rate.

## **Segmental reporting (note 2)**

The Group's operating segments are reported in a manner consistent with the internal reporting provided to the DLC executive committee, the chief operating decision-making body.

### **Measurement of operating segment revenues, profit and loss, assets and non-current non-financial assets**

The operating segment measures disclosed adhere to the recognition and measurement criteria presented in the Group's accounting policies. The Group has presented certain non-IFRS measures by segment to supplement the user's understanding. All intra-group transactions are conducted on an arm's length basis.

The Group's measure of net segment assets includes the allocation of net retirement benefits assets and liabilities. The measure of segment results exclude, however, the financing effects of the Group's defined benefit retirement plans. In addition, the Group's measure of net segment assets does not include an allocation for derivative assets and liabilities, non-operating receivables and payables and assets held for sale and associated liabilities. The measure of segment results includes the effects of certain movements in these unallocated balances.

The Group's geographic analysis is presented on the following level:

- continental; or
- sub-continental; or
- by individual country (if greater than 10% of the Group total).

There has been no change in the basis of measurement of segment profit and loss in the financial year.

# Notes to the combined and consolidated financial statements for the year ended 31 December 2015

## 34 Accounting policies continued

### Tax (note 7)

The tax expense represents the sum of the current tax charge and the movement in deferred tax.

#### 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.

#### Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the Group's combined and consolidated financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill or from the initial recognition, other than in a business combination, of other assets and liabilities in a transaction that affects neither the tax profit nor accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date. The carrying amount is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered within a reasonable period of time. Similarly, it is increased to the extent that it is probable that sufficient taxable profit will be available in the future for all or part of the deferred tax asset to be recovered within a reasonable period of time.

Deferred tax is calculated at the tax rates that 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 combined and consolidated income statement, except when it relates to items charged or credited directly to other comprehensive income and accumulated in equity, in which case the deferred tax is also taken directly to other comprehensive income and accumulated in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same tax authority and the Group intends to settle its current tax assets and liabilities on a net basis.

### Non-current non-financial assets excluding goodwill, deferred tax and net retirement benefits asset

#### Property, plant and equipment (note 10)

Property, plant and equipment comprise land and buildings, plant and equipment and assets in the course of construction.

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Assets in the course of construction are carried at cost less any 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 not capitalised.

Depreciation is charged to the combined and consolidated income statement so as to write off the cost of assets, other than land and assets in the course of construction, over their estimated useful lives to their estimated residual values. Residual values and useful lives are reviewed at least annually. Depreciation commences when the assets are ready for their intended use. Buildings and plant and equipment are depreciated to their residual values at varying rates, on a straight-line basis over their estimated useful lives. Estimated useful lives range from three years to 20 years for items of plant and equipment and to a maximum of 50 years for buildings.

#### Intangible assets and research and development expenditure (note 12)

Intangible assets are measured initially at purchase consideration and are amortised on a straight-line basis over their estimated useful lives. Estimated useful lives vary between three years and 10 years and are reviewed at least annually.

Research expenditure is written off 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 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 in order to determine the extent of the impairment. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount of the asset, or cash-generating unit, is the higher of its fair value less costs of disposal 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 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. If the recoverable amount of an asset, or cash-generating unit, is estimated to be less than its carrying amount, the carrying amount of the asset, or cash-generating unit, is reduced to its recoverable amount and an impairment recognised as an expense. Where the underlying circumstances change such that a previously recognised impairment subsequently reverses, the carrying amount of the asset, or cash-generating unit, is increased to the revised estimate of its recoverable amount. Such a reversal is limited to the carrying amount that would have been determined had no impairment been recognised for the asset, or cash-generating unit, in prior years. A reversal of an impairment is recognised in the combined and consolidated income statement.

### **Agriculture – owned forestry assets (note 13)**

Owned forestry assets are measured at fair value, 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 estimated volume of timber on hand is determined based on the maturity profile of the area under afforestation, the species, the geographic location and other environmental considerations and excludes future growth. The product of these is then adjusted to present value by applying a market related pre tax discount rate.

Changes in fair value are recognised in the combined and consolidated income statement within other net operating expenses. At point of felling, the carrying value of forestry assets is transferred to inventory.

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.

### **Business combinations (note 23)**

#### **Identifiable net assets**

At the date of acquisition the identifiable assets, liabilities and contingent liabilities of a subsidiary, associate or a joint venture are recorded at their fair values on 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.

#### **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.

#### **Goodwill (note 11)**

Any excess of the cost 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 accumulated impairment losses.

#### **Impairment of goodwill**

Goodwill arising on business combinations is allocated to the group of cash-generating units (CGU) 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. The recoverable amount of the CGU to which goodwill has been allocated is tested for impairment annually on a consistent date during each financial year, or when events or changes in circumstances indicate that it may be impaired.

The recoverable amount of a CGU is determined based on value-in-use calculations. Value-in-use calculations use cash flow projections based on financial budgets covering a three-year period that are based on the latest forecasts for revenue and costs as approved by the Boards. Projected revenues and costs are determined taking into consideration relevant industry forecasts for individual product lines; management's projections; and historical performance and announced industry capacity changes.

Cash flow projections beyond three years are based on internal management forecasts. Growth rates in the countries in which the Group operates are determined with reference to published growth domestic product information.

# Notes to the combined and consolidated financial statements for the year ended 31 December 2015

## 34 Accounting policies continued

The discount rate is determined as the Group's weighted average cost of capital using published market data and published borrowing rates and adjusted for country risk and tax.

Any impairment is recognised in the combined and consolidated income statement. Impairments of goodwill are not subsequently reversed.

### Current non-financial assets

#### Inventory (note 14)

Inventory is 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 of disposal.

#### Assets held for sale (note 25)

Assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. Assets classified as held for sale are measured at the lower of carrying amount and fair value less costs of disposal from the date on which these conditions are met.

Any resulting impairment is reported in the combined and consolidated income statement. On classification as held for sale, the assets are no longer depreciated or amortised. Comparative amounts are not adjusted.

### Provisions (note 17)

Provisions are recognised when the Group has a present obligation as a result of a past event, which 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 where the effect of discounting is material.

### Share-based payments (note 21)

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-vesting conditions where applicable. 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 combined and consolidated income statement, with a corresponding adjustment to equity.

### Retirement benefits (note 22)

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 combined and 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 AA 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 combined and consolidated statement of financial position represents the present value of the defined benefit liability as reduced by the fair value of plan assets, if any. Any net retirement benefits asset resulting from this calculation is limited to an asset ceiling which is the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the relevant Group plans.

Any increase in the present value of plan liabilities expected to arise from employee service during the year is charged to operating profit as service costs. Past service costs resulting from plan amendments or curtailments and gains or losses on settlements are charged to operating profit. 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 combined and consolidated income statement within net finance costs.

Remeasurements comprising actuarial gains and losses, the effect of the asset ceiling and the return on plan assets (after recognising the net finance charge) are recognised in the combined and consolidated statement of financial position with a charge or credit to 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 profit and loss, but those amounts recognised in other comprehensive income may be transferred within equity.

### **Leases (note 29)**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The Group has no material finance lease arrangements.

Rental costs under operating leases are charged to the combined and consolidated income statement in equal annual amounts over the lease term unless another systematic basis is more representative of the pattern of use.

### **Financial instruments (note 30)**

Financial assets and financial liabilities are recognised in the Group's combined and 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, as appropriate, 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 profit or loss.

#### **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 combined and consolidated statement of financial position. Cash and cash equivalents in the combined and consolidated statement of cash flows and in the presentation of net debt are reflected net of overdrafts.

#### **Trade receivables and payables (notes 15 and 16)**

Trade receivables and payables are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest rate method. Trade receivables are reduced by an allowance for impairment.

#### **Borrowings (note 19)**

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 combined and 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 or sale. 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 combined and consolidated income statement in the period in which they are incurred.

### **Derivative financial instruments and hedge accounting (note 30d)**

The Group enters into forward, option and swap contracts in order to hedge its exposure to foreign exchange, interest rate and commodity price risks. The Group does not use derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and subsequently held at fair value in the combined and consolidated statement of financial position within derivative financial instruments, and are classified as current or non-current depending on the maturity of the derivative.

# Notes to the combined and consolidated financial statements for the year ended 31 December 2015

## 34 Accounting policies continued

Changes in the fair value of derivative instruments that are not formally designated in hedge relationships are recognised immediately in the combined and consolidated income statement and are classified within operating profit or net finance costs, depending on the type of risk to which the derivative relates.

### Cash flow hedges

The effective portion of changes in the fair value of derivative financial instruments that are designated as hedges of future cash flows are recognised directly in other comprehensive income and accumulated in equity. The gain or loss relating to the ineffective portion is recognised immediately in the combined and consolidated income statement. If the cash flow hedge of a forecast transaction results in the recognition of a non-financial asset or a non-financial liability then, at the time the asset or liability 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 or liability. For hedges that do not result in the recognition of a non-financial asset or a non-financial liability, amounts deferred in the Group's cash flow hedge reserve in equity are recognised in the combined and consolidated income statement in the same period in which the hedged item affects profit and loss on a proportionate basis.

### Fair value hedges

For an effective hedge of an exposure to changes in fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in the combined and consolidated income statement. Gains or losses from remeasuring the associated derivative are also recognised in the combined and consolidated income statement.

### Ineffective, expired, sold, terminated or exercised hedging instruments

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 combined and 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 combined and consolidated income statement.

## Equity instruments

### Treasury shares (note 20)

The purchase by any Group entity of either Mondi Limited's or Mondi plc's equity instruments results in the recognition of treasury shares. The consideration paid is deducted from equity. Where treasury shares are subsequently sold, reissued or otherwise disposed of, any consideration received is included in equity attributable to the shareholders of either Mondi Limited or Mondi plc, net of any directly attributable incremental transaction costs and the related tax effects.

### Dividend payments (note 9)

Dividend distributions to Mondi Limited's and Mondi plc's ordinary shareholders are recognised as a liability in the period in which the dividends are declared and approved. Final dividends are accrued when approved by both Mondi Limited's and Mondi plc's ordinary shareholders at their respective Annual General Meetings and interim dividends are recognised when approved by the Boards.

### Earnings per share (EPS) (note 8)

#### Basic EPS

Basic EPS is calculated by dividing net profit attributable to ordinary shareholders by the weighted average number of the sum of ordinary Mondi Limited and Mondi plc shares in issue during the year, net of treasury shares.

#### Diluted EPS

For diluted EPS, the weighted average number of the sum of Mondi Limited and Mondi plc ordinary shares in issue, net of treasury shares, is adjusted to assume conversion of all dilutive potential ordinary shares. At present these only include share awards granted to employees. Potential or contingent share issuances are treated as dilutive when their conversion to shares would decrease EPS.

#### Underlying and headline EPS

Underlying EPS excludes the impact of special items and is a non-IFRS measure. It is included to provide an additional basis on which to measure the Group's earnings performance. The presentation of headline EPS is mandated under the Listings Requirements of the JSE Limited and is calculated in accordance with Circular 2/2015, 'Headline Earnings', as issued by the South African Institute of Chartered Accountants.

## New accounting policies, early adoption and future requirements

### Amendments to published Standards adopted early by the Group

Amendments to IAS 1, 'Disclosure initiative' have been adopted early by the Group for the year ended 31 December 2015.

The effect of the adopted amendments is that materiality considerations have been applied to all aspects of the financial statements.

These amendments have resulted in immaterial notes and disclosures being excluded from the current year's financial statements.

### Amendments to published Standards effective during 2015

The following amendments to published Standards are effective from 1 January 2015 and have been adopted by the Group.

The amended standards are:

- IFRS 2 – Share-based Payment
- IFRS 3 – Business Combinations
- IFRS 8 – Operating Segments
- IFRS 13 – Fair Value Measurement
- IAS 19 – Employee Benefits

None of these amendments had any significant impact on the Group's results.

### Standards and amendments to published Standards that are not yet effective and have not been adopted early by the Group

The following amendments to published Standards are not expected to have a significant impact on the Group's results, and will become effective for the annual reporting period beginning on 1 January 2016:

- IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations
- IFRS 7 – Financial Instruments: Disclosures
- IAS 16 – Property, Plant and Equipment
- IAS 19 – Employee Benefits
- IAS 34 – Interim Financial Reporting
- IAS 38 – Intangible Assets

The amendments to published Standard IAS 12 – Income Taxes which will become effective for the annual reporting period beginning on 1 January 2017 are not expected to have a significant impact on the Group's results.

The Group has completed a review of the potential impact of the following Standards which will become effective and be adopted for the financial year beginning on 1 January 2018:

- IFRS 15 – Revenue from Contracts with Customers – no material impact is expected on Group revenue, but additional disclosures will be required
- IFRS 9 – Financial Instruments – the revised financial instrument categories will result in changes in classification, but no impact is expected to the measurement of financial instruments. Additional disclosures and changes to current disclosure and presentation will be required

The Group is in the process of assessing the impact of IFRS 16 – Leases, released in January 2016, which will become effective and be adopted for the financial year beginning on 1 January 2019.

# **Independent auditor's report on the summary financial statements to the shareholders of Mondi Limited**

The accompanying summary financial statements of Mondi Limited, which comprise the statement of financial position as at 31 December 2015 and selected notes, are derived from the audited annual financial statements of Mondi Limited for the year ended 31 December 2015. We expressed an unmodified audit opinion on those annual financial statements in our report dated 24 February 2016.

The summary financial statements do not contain all the disclosures required by the International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa 2008 as applicable to annual financial statements. Reading the summary financial statements, therefore, is not a substitute for reading the audited annual financial statements of Mondi Limited.

## **Directors' responsibility for the summary financial statements**

The directors are responsible for the preparation of the summary financial statements in accordance with framework concepts and the measurement and recognition requirements of IFRS and the requirements of the Companies Act of South Africa 2008 and for such internal control as the directors determine is necessary to enable the preparation of the summary financial statements that are free from material misstatement, whether due to fraud or error.

## **Auditor's responsibility**

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing 810, 'Engagements to Report on Summary Financial Statements'.

## **Opinion**

In our opinion, the summary financial statements derived from the audited annual financial statements of Mondi Limited for the year ended 31 December 2015 are consistent, in all material respects, with those annual financial statements, in accordance with the framework concepts and the measurement and recognition requirements of IFRS and the requirements of the Companies Act of South Africa 2008 as applicable to summary financial statements.

We expressed an unmodified audit opinion on those financial statements in our report dated 24 February 2016. That report also includes the communication of other key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period.

## **Deloitte & Touche**

Registered Auditor  
Per Shelly Nelson  
Partner  
Sandton

24 February 2016

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Republic of South Africa

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Republic of South Africa

National Executive: \*LL Bam Chief Executive \*AE Swiegers Chief Operating Officer \*GM Pinnock Audit \*N Singh Risk Advisory \*NB Kader Tax TP Pillay Consulting  
S Gwala BPaaS \*K Black Clients & Industries \*JK Mazzocco Talent & Transformation \*MJ Jarvis Finance \*M Jordan Strategy \*MJ Comber Reputation & Risk  
\*TJ Brown Chairman of the Board

A full list of partners and directors is available on request  
B-BBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code  
Associate of Deloitte Africa, a member of Deloitte Touche Tohmatsu Limited

\* Partner and Registered Auditor

# Mondi Limited parent company statement of financial position as at 31 December 2015

ZAR million	Notes	2015	2014
Property, plant and equipment		5,300	5,008
Forestry assets		2,908	2,647
Investment in and loans to subsidiaries	2	99	84
Investment in associate		24	24
<b>Total non-current assets</b>		<b>8,331</b>	7,763
Inventories		637	624
Trade and other receivables		1,763	1,563
Investment in and loans to subsidiaries	2	114	117
Current tax asset		27	—
Financial asset investments		207	128
Financial instruments		16	10
Cash and cash equivalents		11	21
Assets held for sale		7	172
<b>Total current assets</b>		<b>2,782</b>	2,635
<b>Total assets</b>		<b>11,113</b>	10,398
Short-term borrowings		(841)	(913)
Trade and other payables		(1,122)	(1,018)
Current tax liability		—	(28)
Provisions		(83)	(76)
<b>Total current liabilities</b>		<b>(2,046)</b>	(2,035)
Net retirement benefits liability		(794)	(811)
Deferred tax liabilities		(1,474)	(1,437)
Provisions		(28)	(28)
<b>Total non-current liabilities</b>		<b>(2,296)</b>	(2,276)
<b>Total liabilities</b>		<b>(4,342)</b>	(4,311)
<b>Net assets</b>		<b>6,771</b>	6,087
<b>Equity</b>			
Stated capital	3	4,188	4,188
Retained earnings and other reserves		2,583	1,899
<b>Total equity</b>		<b>6,771</b>	6,087

The statement of financial position and statement of changes in equity of Mondi Limited and related notes were approved by the board and authorised for issue on 24 February 2016 and were signed on its behalf by:

**David Hathorn**

Director

**Andrew King**

Director

Mondi Limited company registration number: 1967/013038/06

# Mondi Limited parent company statement of changes in equity for the year ended 31 December 2015

ZAR million	Stated capital	Retained earnings	Other reserves	Total equity
At 1 January 2014	4,188	1,631	38	5,857
Total comprehensive income/(expense) for the year	—	965	(29)	936
Dividends paid	—	(683)	—	(683)
Shares vested from Mondi Incentive Schemes Trust	—	(42)	—	(42)
Mondi share schemes' charge	—	—	21	21
Issue of shares under employee share schemes	—	20	(21)	(1)
Share options exercised – Anglo American share scheme	—	(1)	—	(1)
At 31 December 2014	4,188	1,890	9	6,087
Total comprehensive income for the year	—	1,318	67	<b>1,385</b>
Dividends paid	—	(686)	—	<b>(686)</b>
Shares vested from Mondi Incentive Schemes Trust	—	(42)	—	<b>(42)</b>
Mondi share schemes' charge	—	—	24	<b>24</b>
Issue of shares under employee share schemes	—	20	(17)	<b>3</b>
<b>At 31 December 2015</b>	<b>4,188</b>	<b>2,500</b>	<b>83</b>	<b>6,771</b>

# Notes to the Mondi Limited parent company summary financial statements for the year ended 31 December 2015

## 1 Accounting policies

### Basis of preparation

The statement of financial position and selected notes of Mondi Limited have been prepared in accordance with applicable International Financial Reporting Standards (IFRS) under the historical cost convention.

### Principal accounting policies

The principal accounting policies applied by Mondi Limited are the same as those presented in notes 1 and 34 to the combined and consolidated Group financial statements, to the extent that the Group's transactions and balances are applicable to a set of the company financial statements. Principally, the accounting policies which are not directly relevant to Mondi Limited parent company financial statements are those relating to consolidation accounting and the recognition and subsequent measurement of goodwill.

The accounting policy, which is additional to those applied by the Group, is stated as follows:

#### Investments

Investments in subsidiaries and associates are reflected at cost less amounts written off and provisions for any impairments.

### Accounting estimates and critical judgements

The accounting estimates and critical judgements applied by the key management of Mondi Limited are discussed in the Group's combined and consolidated financial statements (see note 1).

## 2 Investment in and loans to subsidiaries

ZAR million	2015	2014
<b>Unlisted</b>		
Shares at cost	3	5
Loans advanced	210	196
<b>Total investments in subsidiaries</b>	<b>213</b>	201
Repayable within one year classified as a current asset	(114)	(117)
<b>Total long-term investments in subsidiaries</b>	<b>99</b>	84

## 3 Stated capital

Full disclosure of the stated capital of Mondi Limited is set out in note 20 of the Group's combined and consolidated financial statements.

## 4 Contingent liabilities

Contingent liabilities for Mondi Limited comprise aggregate amounts at 31 December 2015 of ZAR76 million (2014: ZAR77 million), in respect of loans and guarantees given to banks and other third parties.

## 5 Events occurring after 31 December 2015

With the exception of the proposed final dividend for 2015, included in note 9 of the Group's combined and consolidated financial statements, there have been no material reportable events since 31 December 2015.

# Notes to the Mondi Limited parent company summary financial statements for the year ended 31 December 2015

## 6 List of subsidiary and associated undertakings and other significant holdings as at 31 December 2015

All shares are held directly except where noted. Except where stated, the shares held are ordinary shares. All companies are incorporated in South Africa.

Company	% of shares held by Group
Bongani Development CC	100.00
Mbulwa Estate Proprietary Limited <sup>1</sup>	50.00
Mondi Africa Holdings Proprietary Limited	100.00
Mondi Forestry Partners Programme Proprietary Limited <sup>1</sup>	100.00
Mondi Sacherie Moderne Holdings Proprietary Limited	100.00
Mondi Shanduka Newsprint Proprietary Limited	54.00
Mondi Timber (Wood Products) Proprietary Limited	100.00
Mondi Timber Limited <sup>2</sup>	100.00
Mondi Zimele Job Funds Proprietary Limited <sup>1</sup>	100.00
Mondi Zimele Proprietary Limited	100.00
Mpact Recycling Proprietary Limited	25.10
MZ Business Services Proprietary Limited <sup>1</sup>	100.00
MZ Technical Services Proprietary Limited <sup>1</sup>	100.00
Professional Starch Proprietary Limited <sup>1</sup>	100.00
Siyaqhubeka Forests Proprietary Limited <sup>1</sup>	51.00
Zimshelf Eight Investment Holdings Proprietary Limited	100.00

Notes:

<sup>1</sup> These companies are held indirectly.

<sup>2</sup> The company has ordinary and cumulative preference shares.

# Mondi plc parent company balance sheet as at 31 December 2015

€ million	Notes	2015	2014
<b>Fixed asset investments</b>	5	<b>2,938</b>	2,938
Debtors: due within one year		4	3
Cash and cash equivalents		107	290
<b>Total current assets</b>		<b>111</b>	293
<b>Total assets</b>		<b>3,049</b>	3,231
Total creditors: amounts falling due within one year		(13)	(16)
Total provisions: amounts falling due after more than one year		(1)	(1)
<b>Total liabilities</b>		<b>(14)</b>	(17)
<b>Net assets</b>		<b>3,035</b>	3,214
<b>Capital and reserves</b>			
Share capital	6	103	103
Profit or loss account		2,916	3,097
Share-based payments reserve		16	14
<b>Total shareholders' funds</b>		<b>3,035</b>	3,214

The balance sheet and statement of changes in equity of Mondi plc and related notes were approved by the board and authorised for issue on 24 February 2016 and were signed on its behalf by:

**David Hathorn**  
Director

**Andrew King**  
Director

Mondi plc company registered number: 6209386

## Mondi plc parent company statement of changes in equity for the year ended 31 December 2015

€ million	Share capital	Profit or loss account	Share-based payments reserve	Total equity
At 1 January 2014	103	3,254	13	3,370
Total comprehensive expense for the year	—	(2)	—	(2)
Dividends paid	—	(145)	—	(145)
Issue of shares under employee share schemes	—	8	(8)	—
Purchases of treasury shares	—	(18)	—	(18)
Mondi share schemes' charge	—	—	9	9
At 31 December 2014	103	3,097	14	3,214
Total comprehensive expense for the year	—	(5)	—	(5)
Dividends paid	—	(159)	—	(159)
Issue of shares under employee share schemes	—	8	(8)	—
Purchases of treasury shares	—	(25)	—	(25)
Mondi share schemes' charge	—	—	10	10
<b>At 31 December 2015</b>	<b>103</b>	<b>2,916</b>	<b>16</b>	<b>3,035</b>

# **Notes to the Mondi plc parent company financial statements for the year ended 31 December 2015**

## **1 Accounting policies**

### **Basis of accounting**

Mondi plc meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council. Accordingly, the financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) as issued by the Financial Reporting Council.

As permitted by FRS 101, Mondi plc has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, 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 combined and consolidated Group financial statements, which are publicly available.

Mondi plc has made use of the exemption from presenting a profit and loss account, in accordance with Section 408 of the UK Companies Act 2006.

The financial statements have been prepared on the going concern basis. This is discussed in the Strategic report under Principal risks under the heading 'Going concern'.

The financial statements are prepared on the historical cost basis, except for the revaluation of certain financial instruments. 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 34 to the combined and consolidated Group financial statements, to the extent that the Group's transactions and balances are applicable to a set of the company financial statements. Principally, the accounting policies which are not directly relevant to Mondi plc parent company financial statements are those relating to consolidation accounting and the recognition and subsequent measurement of goodwill.

The accounting policy 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.

### **Accounting estimates and critical judgements**

The accounting estimates and critical judgements applied by the key management of Mondi plc are discussed in the Group's combined and consolidated financial statements (see note 1).

## **2 Auditor's remuneration**

Disclosure of the audit fees payable to the auditor for the audit of Mondi plc's financial statements is set out in note 4 of the Group's combined and consolidated financial statements.

## **3 Share-based payments**

The share schemes and the underlying assumptions used to estimate the associated fair value charge are set out in note 21 of the Group's combined and consolidated financial statements.

## **4 Deferred tax**

A deferred tax asset of €5 million (2014: €4 million) has not been recognised in relation to temporary differences regarding the share-based payment arrangements. A deferred tax asset has not been recognised in relation to tax losses brought forward of €25 million (2014: €27 million). The deferred tax assets have not been recognised due to the unpredictability of future income against which they could be utilised.

## 5 Fixed asset investments

€ million	2015	2014
<b>Unlisted</b>		
Shares at cost	<b>2,938</b>	2,938

The investment is in Mondi Investments Limited (incorporated in the UK), a wholly-owned subsidiary which acts as an investment holding company.

## 6 Share capital

Full disclosure of the share capital of Mondi plc is set out in note 20 of the Group's combined and consolidated financial statements.

## 7 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 (2014: €nil). The fair value of these issued financial guarantees is deemed to be immaterial.

€ million	2015	2014
Pension scheme guarantees	95	90
Guarantees of obligations of subsidiaries of Mondi plc		
– Incurred in the ordinary course of business	37	30
– In favour of banks and bondholders	2,139	2,057
<b>At 31 December</b>	<b>2,271</b>	2,177

## 8 Events occurring after 31 December 2015

With the exception of the proposed final dividend for 2015, included in note 9 of the Group's combined and consolidated financial statements, there have been no material reportable events since 31 December 2015.

## 9 List of subsidiary and associated undertakings and other significant holdings as at 31 December 2015

All shares are held indirectly through a subsidiary or associated undertaking except where noted. Except where stated, the shares held are ordinary shares.

Company	Country of incorporation	% of shares held by Group	Company	Country of incorporation	% of shares held by Group
Future Lignin & Pulp Processing Research Projekt GmbH	Austria	25.00	Mondi Services AG	Austria	100.00
Mondi AG	Austria	100.00	Mondi Styria GmbH	Austria	100.00
Mondi Bags Austria GmbH	Austria	100.00	Mondi Uncoated Fine & Kraft Paper GmbH	Austria	100.00
Mondi Coatings GmbH	Austria	100.00	Papierholz Austria GmbH	Austria	25.00
Mondi Coating Zeltweg GmbH	Austria	100.00	SAREC Papiersackrecycling Organisation GmbH	Austria	100.00
Mondi Consumer Packaging GmbH	Austria	100.00	Sulbit Handels GmbH	Austria	100.00
Mondi Corrugated Holding Österreich GmbH	Austria	100.00	Ybbstaler Zellstoff GmbH	Austria	100.00
Mondi Corrugated Services GmbH	Austria	100.00	Mondi Belcoat N.V.	Belgium	100.00
Mondi Frantschach GmbH	Austria	100.00	Mondi Poperinge N.V.	Belgium	100.00
Mondi Grünburg GmbH	Austria	100.00	Mondi Stambolijski E.A.D	Bulgaria	100.00
Mondi Holdings Austria GmbH	Austria	100.00	Mondi (China) Film Technology Co. Ltd.	China	100.00
Mondi Industrial Bags GmbH	Austria	100.00	Mondi Trading (Beijing) Co. Ltd.	China	100.00
Mondi Korneuburg GmbH	Austria	100.00	Mondi Valpovo d.o.o.	Croatia	100.00
Mondi Neusiedler GmbH	Austria	100.00	Neusiedler Middle East (Cyprus) Limited (in liquidation)	Cyprus	100.00
Mondi Oman Holding GmbH	Austria	70.00	EURO WASTE, a.s.	Czech Republic	33.33
Mondi Paper Sales GmbH	Austria	100.00	Lignocel s.r.o (in liquidation)	Czech Republic	20.00
Mondi Release Liner Austria GmbH	Austria	100.00			

# Notes to the Mondi plc parent company financial statements for the year ended 31 December 2015

## 9 List of subsidiary and associated undertakings and other significant holdings as at 31 December 2015 continued

<b>Company</b>	<b>Country of incorporation</b>	<b>% of shares held by Group</b>	<b>Company</b>	<b>Country of incorporation</b>	<b>% of shares held by Group</b>
Mondi Bags Štětí a.s.	Czech Republic	100.00	Mondi Silicart Srl.	Italy	100.00
Mondi Bupak s.r.o.	Czech Republic	100.00	Mondi Srl. (in liquidation)	Italy	100.00
Mondi Coating Štětí a.s.	Czech Republic	100.00	Mondi Tokyo KK	Japan	100.00
Mondi Štětí a.s.	Czech Republic	100.00	Jordan Paper Sacks Company Limited	Jordan	67.74
Mondi Štětí White Paper s.r.o	Czech Republic	100.00	Krauzen Co., Ltd.	Republic of Korea	100.00
Mondi Uncoated Fine Paper Czech Republic s.r.o.	Czech Republic	100.00	Mondi KSP Co., Ltd.	Republic of Korea	95.00
Roto a.s.	Czech Republic	100.00	Mondi Lebanon SAL	Lebanon	66.00
Wood & Paper a.s.	Czech Republic	46.50	Mondi German Investments S.A.	Luxembourg	100.00
Mondi Consumer Bags & Films Scandinavia A/S (in liquidation)	Denmark	100.00	Mondi Packaging S.à r.l.	Luxembourg	100.00
Suez Bags Company SAE	Egypt	29.89	Mondi Services S.à r.l.	Luxembourg	100.00
Mondi Lohja Oy	Finland	100.00	Mondi S.à r.l.	Luxembourg	100.00
Mondi Pietarsaari Oy	Finland	100.00	Mondi Kuala Lumpur Sdn. Bhd.	Malaysia	62.00
Mondi Gournay Sarl	France	100.00	Caja de Ahorro de Personal de Mondi Mexico Servicios A.C.	Mexico	100.00
Mondi Lembacel SAS	France	100.00	Mondi Mexico Holding, S. de R.L. de C.V.	Mexico	100.00
Mondi Paper Sales France Sarl	France	100.00	Mondi Mexico S. de R.L. de C.V.	Mexico	100.00
FIP GmbH	Germany	100.00	Mondi Mexico Servicios S. de R.L. de C.V.	Mexico	100.00
Mondi Ascania GmbH	Germany	100.00	Embal Sac Sarl	Morocco	80.64
Mondi Bad Rappenau GmbH	Germany	100.00	L'Ensayage Moderne Sarl	Morocco	80.64
Mondi Consumer Packaging International GmbH	Germany	100.00	Pap-Sac Maghreb SA	Morocco	80.64
Mondi Consumer Packaging Technologies GmbH	Germany	100.00	Mondi Coating B.V.	Netherlands	100.00
Mondi Eschenbach GmbH	Germany	100.00	Mondi Consumer Bags & Films Benelux B.V.	Netherlands	100.00
Mondi Gronau GmbH	Germany	100.00	Mondi Consumer Bags & Films B.V.	Netherlands	100.00
Mondi Halle GmbH	Germany	100.00	Mondi Corrugated B.V.	Netherlands	100.00
Mondi Hammelburg GmbH	Germany	100.00	Mondi Corrugated Poland B.V.	Netherlands	100.00
Mondi Holding Deutschland GmbH	Germany	100.00	Mondi Heerlen B.V.	Netherlands	100.00
Mondi Inncoat GmbH	Germany	100.00	Mondi Industrial Bags B.V.	Netherlands	100.00
Mondi Jülich GmbH	Germany	100.00	Mondi International Holdings B.V.	Netherlands	100.00
Mondi Lindlar GmbH	Germany	100.00	Mondi Maastricht N.V.	Netherlands	100.00
Mondi Paper Sales Deutschland GmbH	Germany	100.00	Mondi MENA B.V.	Netherlands	70.00
Mondi Sendenhorst GmbH	Germany	100.00	Mondi Packaging Paper B.V.	Netherlands	100.00
Mondi Trebsen GmbH	Germany	100.00	Mondi SCP Holdings B.V.	Netherlands	100.00
Mondi Wellpappe Ansbach GmbH	Germany	100.00	Mondi Paper Sales Netherlands B.V.	Netherlands	100.00
Mondi Thessaloniki A.E.	Greece	100.00	Neusiedler Holdings B.V.	Netherlands	100.00
Mondi Bags Hungária Kft.	Hungary	100.00	Mondi Moss AS	Norway	100.00
Mondi Békéscsaba Kft.	Hungary	100.00	Mondi Oman LLC	Oman	49.00
Mondi Szada Kft.	Hungary	100.00	Mondi Bags Mielec Sp. z o.o.	Poland	100.00
Mondi Uncoated Fine Paper Sales Hungary Kft. (in liquidation)	Hungary	100.00	Mondi Bags Świecie Sp. z o.o.	Poland	100.00
Mondi Kaso Iraq Industrial Bag Ltd.	Iraq	34.54	Mondi BZWP Sp. z o.o.	Poland	100.00
NATRO-TECH Srl.	Italy	100.00	Mondi Corrugated Świecie Sp. z o.o.	Poland	100.00
Mondi Gradišac Srl.	Italy	100.00	Mondi Dorohusk Sp. z o.o.	Poland	100.00
Mondi IPI Srl.	Italy	100.00	Mondi Kutno Sp. z o.o.	Poland	100.00
Mondi Italia Srl.	Italy	100.00	Mondi Poznań Sp. z o.o.	Poland	100.00
Mondi San Pietro in Gu Srl.	Italy	100.00	Mondi Świecie S.A.	Poland	100.00
Mondi Tolentino Srl.	Italy	100.00	Mondi Solec Sp. z o.o.	Poland	100.00
Mondi Paper Sales Italia Srl.	Italy	100.00	Mondi Szczecin Sp. z o.o.	Poland	100.00

<b>Company</b>	<b>Country of incorporation</b>	<b>% of shares held by Group</b>	<b>Company</b>	<b>Country of incorporation</b>	<b>% of shares held by Group</b>
Mondi Warszawa Sp. z o.o.	Poland	100.00	Mondi İstanbul Ambalaj Ltd. Şti.	Turkey	100.00
Mondi Wierzbica Sp. z o.o.	Poland	100.00	Mondi Mersin Ambalaj Ltd. Şti.	Turkey	100.00
Świecie Recykling Sp. z o.o.	Poland	100.00	Mondi Tire Kutsan Kağıt Ve Ambalaj Sanayi A.Ş.	Turkey	72.58
Mondi Bucharest S.R.L.	Romania	100.00	Tasfiye Halinde Serveran Hurda Kağıt Kutu Ambalaj Sanayi ve Ticaret A.Ş. (in liquidation)	Turkey	72.58
LLC Mondi Pereslavl	Russia	100.00	Mondi Akrosil, LLC	USA	100.00
OJSC Mondi Syktyvkar <sup>1</sup>	Russia	100.00	Mondi Bags USA, LLC	USA	100.00
OOO Ezhvatrans <sup>1</sup>	Russia	100.00	Mondi Jackson, LLC	USA	100.00
OOO Mondi Sales CIS	Russia	100.00	Mondi Minneapolis, Inc.	USA	100.00
OOO Nordenia Samara	Russia	100.00	Mondi Pine Bluff, LLC	USA	100.00
OOO PozhGazServis <sup>1</sup>	Russia	100.00	Mondi Romeoville, Inc.	USA	100.00
OOO RMZ <sup>1</sup>	Russia	100.00	Tekkote Corporation	USA	100.00
OOO Syktyvkar PPZHT	Russia	100.00	Frantschach Holdings UK Limited	UK	100.00
Mondi Šabac d.o.o. Šabac	Serbia	100.00	Hypac Limited	UK	100.00
Mondi Paraćin d.o.o. Paraćin	Serbia	100.00	Medway Packaging Pension Trustee Limited	UK	100.00
Mondi Packaging Paper Sales Asia Pte. Limited	Singapore	100.00	Mondi Aberdeen Limited	UK	100.00
Mondi SCP a.s.	Slovakia	51.00	Mondi Finance plc	UK	100.00
Obaly Solo s.r.o	Slovakia	51.00	Mondi German Investments Limited	UK	100.00
SLOVWOOD Ružomberok a.s.	Slovakia	33.66	Mondi Glossop Limited	UK	100.00
Strážna Služba vla-sta s.r.o	Slovakia	51.00	Mondi Holcombe Limited	UK	100.00
Mondi Consumer Packaging Ibérica S.A.	Spain	100.00	Mondi Investments Limited <sup>2</sup>	UK	100.00
Mondi Ibersac S.L.	Spain	100.00	Mondi Packaging (Delta) Limited	UK	100.00
Mondi Bags Ibérica S.L.	Spain	100.00	Mondi Packaging Limited	UK	100.00
Mondi Paper Sales Ibérica S.L.	Spain	100.00	Mondi Packaging UK Holdings Limited	UK	100.00
Mondi Dynäs AB	Sweden	100.00	Mondi Pension Trustee Limited <sup>2</sup>	UK	100.00
Mondi Örebro AB	Sweden	100.00	Mondi Rochester Limited	UK	100.00
Mondi Sunne AB	Sweden	100.00	Mondi Services (UK) Limited	UK	100.00
ScandFibre Logistics AB	Sweden	20.00	Mondi Scunthorpe Limited <sup>1</sup>	UK	100.00
Dipeco AG	Switzerland	100.00	Rochette Packaging Limited	UK	100.00
Korean Special Packaging (Thailand) Co. Ltd.	Thailand	47.55	Mondi Packaging Bags Ukraine LLC	Ukraine	100.00
Mondi Coating (Thailand) Co. Ltd.	Thailand	100.00			
TCL Packaging Limited	Trinidad and Tobago	20.00			

Notes:

<sup>1</sup> These companies have ordinary and preference shares.<sup>2</sup> These companies are held directly.

# Group financial record

## Financial performance 2007–2015<sup>1</sup>

### Combined and consolidated income statement

€ million	2015	2014	2013	2012	2011	2010	2009	2008	2007
Group revenue	6,819	6,402	6,476	5,790	5,739	5,610	5,257	6,345	6,269
Underlying EBITDA	1,325	1,126	1,068	927	964	798	645	814	870
Underlying operating profit	957	767	699	574	622	458	294	441	502
Packaging Paper	391	342	308	236	300	181	25	139	189
Fibre Packaging	120	102	86	93	74	36	63	57	83
Consumer Packaging	108	96	79	23	32	36	17	12	15
Uncoated Fine Paper	212	148	164	186	205	178	146	126	99
South Africa Division	161	112	93	69	63	71	38	118	90
Corporate	(35)	(33)	(31)	(33)	(33)	(33)	(37)	(39)	(37)
Discontinued and disposed operations	—	—	—	—	(19)	(11)	42	28	63
Special items	(57)	(52)	(87)	(91)	(55)	(21)	(125)	(385)	6
Net finance costs (excluding financing special item)	(105)	(97)	(115)	(110)	(111)	(106)	(114)	(159)	(99)
Underlying earnings	647	519	460	334	340	206	95	172	241
Basic earnings	600	471	386	242	330	224	(33)	(211)	233
Basic underlying EPS (euro cents)	133.7	107.3	95.0	69.2	68.1	40.6	18.7	33.9	46.9
Basic EPS (euro cents)	124.0	97.4	79.8	50.1	57.5	37.8	(6.5)	(41.6)	45.4
Total dividend per share paid and proposed (euro cents)	52.0	42.0	36.0	28.0	26.0	20.0	9.5	12.7	23.0

### Significant ratios

	2015	2014	2013	2012	2011	2010	2009	2008	2007
EBITDA growth (%)	17.7	5.4	15.2	(3.8)	20.8	23.7	(20.8)	(6.4)	19.8
EBITDA margin (%)	19.4	17.6	16.5	16.0	16.8	14.2	12.3	12.8	13.9
Operating margin (%)	14.0	12.0	10.8	9.9	10.8	8.2	5.6	7.0	8.0
ROCE (%)	20.5	17.2	15.3	13.6	15.0	12.3	7.6	9.5	10.6
Net debt/EBITDA (times)	1.1	1.4	1.5	2.0	0.9	1.7	2.4	2.1	1.7
Dividend cover (times)	2.6	2.6	2.6	2.5	2.6	2.0	2.0	2.7	2.0
PE Ratio	13.5	12.6	13.2	11.9	8.0	14.8	20.2	6.3	12.3
Mondi plc – Share price at end of year (GBP cents per share)	1,334	1,050	1,046	670	455	514	335	204	425
Mondi Limited – Share price at end of year (ZAR per share)	307.27	188.74	179.70	92.16	57.30	51.42	40.14	32.31	61.65
Market capitalisation (€ million)	8,803	6,563	6,081	4,001	2,655	3,097	1,969	1,160	3,075

## Significant cash flows

€ million	2015	2014	2013	2012	2011	2010	2009	2008	2007
Cash generated from operations	1,279	1,033	1,036	849	917	778	867	795	957
Working capital cash flows	9	(87)	(27)	(83)	(68)	(121)	248	27	97
Tax paid	(160)	(106)	(126)	(109)	(85)	(47)	(32)	(71)	(93)
Capital expenditure cash outflows <sup>2</sup>	(595)	(562)	(405)	(294)	(263)	(394)	(517)	(693)	(406)
Finance costs paid	(93)	(125)	(124)	(92)	(106)	(117)	(163)	(169)	(139)
Dividends paid to shareholders	(209)	(193)	(138)	(128)	(126)	(54)	(39)	(118)	(38)

## Combined and consolidated statement of financial position

€ million	2015	2014	2013	2012	2011	2010	2009	2008	2007
Property, plant and equipment	3,554	3,432	3,428	3,709	3,377	3,976	3,847	3,611	3,731
Goodwill	590	545	550	561	202	274	269	283	482
Working capital	794	811	711	764	575	660	527	753	914
Other assets	422	434	429	503	408	466	419	424	405
Other liabilities	(675)	(715)	(653)	(789)	(696)	(788)	(721)	(685)	(689)
Net assets excluding net debt	4,685	4,507	4,465	4,748	3,866	4,588	4,341	4,386	4,843
Equity	2,905	2,628	2,591	2,572	2,586	2,763	2,399	2,323	2,963
Non-controlling interests in equity	282	266	255	301	449	461	425	373	373
Net debt <sup>3</sup>	1,498	1,613	1,619	1,875	831	1,364	1,517	1,690	1,507
Capital employed	4,685	4,507	4,465	4,748	3,866	4,588	4,341	4,386	4,843

Notes:

<sup>1</sup> The information presented for the years prior to 2010 includes the results of Mpact Limited, formerly Mondi Packaging South Africa Proprietary Limited, which was demerged from the Group on 11 July 2011 and thus classified as a discontinued operation from 1 January 2010.

<sup>2</sup> Excludes business combinations and investments in intangible assets.

<sup>3</sup> Net debt prior to 2012 does not include the effect of net-debt related derivatives.

## Production statistics

		2015	2014
<b>Packaging Paper</b>			
Containerboard	'000 tonnes	2,138	2,160
Kraft paper	'000 tonnes	1,162	1,130
Softwood pulp	'000 tonnes	2,108	2,085
Internal consumption	'000 tonnes	1,952	1,970
Market pulp	'000 tonnes	156	115
<b>Fibre Packaging</b>			
Corrugated board and boxes	million m <sup>2</sup>	1,350	1,343
Industrial bags	million units	4,925	4,446
Extrusion coatings	million m <sup>2</sup>	1,389	1,401
<b>Consumer Packaging</b>			
Consumer packaging <sup>1</sup>	million m <sup>2</sup>	6,594	6,501
<b>Uncoated Fine Paper</b>			
Uncoated fine paper	'000 tonnes	1,379	1,361
Hardwood pulp	'000 tonnes	1,161	1,127
Internal consumption	'000 tonnes	1,061	1,041
Market pulp	'000 tonnes	100	86
Newsprint	'000 tonnes	197	202
<b>South Africa Division</b>			
Containerboard	'000 tonnes	247	253
Uncoated fine paper	'000 tonnes	240	258
Hardwood pulp	'000 tonnes	619	649
Internal consumption	'000 tonnes	305	332
Market pulp	'000 tonnes	314	317
Newsprint	'000 tonnes	113	117
Softwood pulp – internal consumption	'000 tonnes	138	139

Note:

<sup>1</sup> 2014 figure restated.

## Exchange rates

versus euro	Average		Closing	
	2015	2014	2015	2014
South African rand	14.17	14.42	16.95	14.04
Czech koruna	27.28	27.53	27.02	27.74
Polish zloty	4.18	4.18	4.26	4.27
Pounds sterling	0.73	0.81	0.73	0.78
Russian rouble	68.04	50.73	80.67	72.34
Turkish lira	3.02	2.91	3.18	2.83
US dollar	1.11	1.33	1.09	1.21

# Additional information for Mondi plc shareholders

The disclosures below form part of the Directors' report on pages 132 and 133 of this report.

## Introduction

Set out below is a summary of certain provisions of Mondi plc's articles of association (Articles) and applicable English law concerning companies (the Companies Act). This is a summary only and the relevant provisions of the Articles or the Companies Act should be consulted if further information is required.

## Share capital

Mondi plc's issued share capital as at 31 December 2015 comprised 367,240,805 ordinary shares of 20 euro cents each (the Ordinary Shares) representing 71.4% of the total share capital, 118,312,975 PLC Special Converting Shares of 20 euro cents each representing 23.0% of the total share capital, 146,896,322 deferred shares of 4 euro cents each (the Deferred Shares) representing 5.5% of the total share capital, the PLC Special Rights Share of €1, the PLC Special Voting Share of €1, the UK DAN Share of €1 and the UK DAS Share of €1. Each of the PLC Special Rights Share, PLC Special Voting Share, UK DAN Share and UK DAS Share represent only a nominal percentage of the total share capital.

The shares are in registered form.

## Purchase of own shares

Subject to the provisions of the Articles and the Companies Act, Mondi plc 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.

## Ordinary Shares

### Dividends and distributions

Subject to the provisions of the Companies Act, Mondi plc 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 plc, 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 plc's shares from a person with a 0.25% or more interest in nominal value of the issued shares, if such a person has been served with a notice after failure to provide Mondi plc with information concerning interest in those shares required to be provided under the Companies Act.

## Voting rights

Subject to any special rights or restrictions attaching 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 his 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 he is 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, members are entitled to appoint a proxy, who need not be a member of Mondi plc, 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.

## Restrictions on voting

No member shall be entitled to vote either in person or by proxy at any general meeting or class meeting in respect of any shares held by him if any call or other sum then payable by him in respect of that share remains unpaid. In addition no member shall be entitled to vote if he has been served with a notice after failure to provide Mondi plc with information concerning interests in those shares required to be provided under the Companies Act.

# Additional information for Mondi plc shareholders

## Deadlines for exercising voting rights

Votes are exercisable at a general meeting of Mondi plc in respect of which the business being voted upon is being heard. Votes may be exercised in person, by proxy, or in relation to corporate members, by corporate representatives. 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, 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.

Where, under an employee share plan operated by Mondi plc, participants are the beneficial owners of the shares but not the registered owner, the voting rights are normally exercised by the registered owner at the direction of the participant.

## 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. Transfers of shares which are in uncertificated form are effected by means of the CREST system.

The directors may also 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 30 days after the date on which the letter of allotment or transfer was lodged with Mondi plc, send to the allottee or transferee a notice of the refusal.

The directors may decline to register any instrument of transfer unless: (i) the instrument of transfer is in respect of only one class of share, (ii) when submitted for registration is accompanied by the relevant share certificates and such other evidence as the directors may reasonably require and (iii) it is fully paid.

Subject to the Companies Act 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 plc, or of other shareholders of shares in Mondi plc, for a transfer of shares to take place.

Some of the Mondi plc employee share plans include restrictions on transfer of shares while the shares are subject to such plan.

## Deferred Shares

The rights and privileges attached to the Deferred Shares are as follows: no entitlement to receive any dividend or distribution declared, made or paid or any return of capital (save as described below) and does not entitle the holder to any further or other right of participation in the assets of Mondi plc.

On a return of capital on winding up, but not on a return of capital on any other class of shares of Mondi plc, otherwise than on a winding up of Mondi plc, the holders of the Deferred Shares shall be entitled to participate but such entitlement is limited to the repayment of the amount paid up or credited as paid up on such share and shall be paid only after the holders of any and all Ordinary Shares then in issue shall have received (i) payment in respect of such amount as is paid up or credited as paid up on those Ordinary Shares held by them at that time plus (ii) the payment in cash or *in specie* of £10,000,000 on each such Ordinary Share.

The holders of the Deferred Shares are not entitled to receive notice of, nor attend, speak or vote at, any general meeting of Mondi plc.

## **Shares required for the DLC structure**

Mondi SCS (UK) Limited, a UK trust company, specially formed for the purpose of the dual listed company (DLC) structure, holds the PLC Special Voting Share, the PLC Special Converting Shares, the PLC Special Rights Share, the UK DAN Share and the UK DAS Share. These shares can only be transferred to another UK trust company, in limited circumstances.

The PLC Special Voting Share is a specially created share so that shareholders of both Mondi plc and Mondi Limited effectively vote together as a single decision-making body on matters affecting shareholders of both companies in similar ways, as set out in the Articles.

Prior to a change of control, approval of termination of the sharing agreement (which regulates the DLC), liquidation or insolvency of Mondi plc, the PLC Special Converting Shares have no voting rights except in relation to a resolution proposing the (i) variation of the rights attaching to the shares or (ii) winding up, and they have no rights to dividends. The PLC Special Converting Shares are held on trust for the Mondi Limited ordinary shareholders.

The PLC Special Rights Share does not have any rights to vote or any right to receive any dividend or other distribution by Mondi plc, save in respect to capitalisation of reserves.

Mondi plc and Mondi Limited have established dividend access trust arrangements as part of the DLC. Mondi plc has issued two dividend access shares, the UK DAS Share and UK DAN Share, which enable Mondi plc to pay dividends to the shareholders of Mondi Limited. This facility may be used by the board to address imbalances in the distributable reserves of Mondi plc and Mondi Limited and/or to address the effects of South African exchange controls and/or if they otherwise consider it necessary or desirable.

## **Directors**

### **Appointment and replacement of 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 plc by way of qualification. Mondi plc may by special resolution increase or reduce the maximum or minimum number of directors.

At each Annual General Meeting held in each year at least one-third of the directors, including at least one-third of non-executive directors, or if their number is not a multiple of three then the number nearest to, but not less than, one-third, shall retire from office. Any further directors to retire shall be those of the other directors subject to retirement by rotation who have been longest in office since their last election or re-election or, if later, deemed election or re-election and so that as between persons who became or were last re-elected directors on the same day, those to retire shall, unless they otherwise agree among themselves, be determined by lot. In casting the lot, the provision that a director must also be a director of Mondi Limited and the corresponding provision of the Mondi Limited memorandum of incorporation shall be observed. 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 and shall then be eligible for re-election, but shall not be taken into account in determining the number of directors who are to retire by rotation at such meeting.

### **Powers of the directors**

Subject to the Articles, the Companies Act and any directions given by special resolution, the business of Mondi plc will be managed by the board who may exercise all the powers of Mondi plc.

The board may exercise all the powers of Mondi plc 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 plc or of any third party.

### **Significant agreements: change of control**

The Articles of Mondi plc and the memorandum of incorporation of Mondi Limited ensure that a person cannot make an offer for one company without having made an equivalent offer to the shareholders of both companies on equivalent terms.

Pursuant to the terms of the agreements establishing the DLC structure, if either Mondi plc or Mondi Limited serves written notice on the other at any time after either party becomes a subsidiary of the other party or after both Mondi plc and Mondi Limited become subsidiaries of a third party, the agreements establishing the DLC structure will terminate.

All of Mondi plc's 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.

### **Amendment of the Articles**

Any amendments to the Articles of Mondi plc may be made in accordance with the provisions of the Companies Act by way of special resolution.

# Shareholder information

Mondi has a dual listed company (DLC) structure comprising Mondi Limited, a company registered in South Africa and Mondi plc, a company registered in the UK. Mondi Limited has a primary listing on the JSE Limited while Mondi plc has a premium listing on the London Stock Exchange and a secondary listing on the JSE Limited.

Under the DLC structure any ordinary share held in either Mondi Limited or Mondi plc gives the holder an effective economic interest in the whole Mondi Group. The relationship between Mondi Limited and Mondi plc is underpinned by the DLC structure principles, which provide that:

- Mondi Limited and Mondi plc and their subsidiaries must operate as if they are a single corporate group; and
- the directors of Mondi Limited and Mondi plc will, in addition to their duties to the company concerned, have regard to the interests of the Mondi Limited shareholders and the Mondi plc shareholders as if the two companies were a single unified economic enterprise and for that purpose the directors of each company will take into account, in the exercise of their powers, the interests of the shareholders of the other.

## Financial calendar

12 May 2016	2016 Annual General Meetings
12 May 2016	Trading update
19 May 2016	Payment date for 2015 final dividend (see below)
4 August 2016	2016 half-yearly results announcement
September 2016	2016 interim dividend payment
13 October 2016	Trading update

## Analysis of shareholders

As at 31 December 2015 Mondi Limited had 118,312,975 ordinary shares in issue and Mondi plc had 367,240,805 ordinary shares in issue, of which 113,127,064 were held on the South African branch register.

### By size of holding

#### Mondi Limited

Number of shareholders	% of shareholders	Size of shareholding	Number of shares	% of shares
4,129	66.88	1 – 500	605,964	0.51
536	8.68	501 – 1,000	387,033	0.33
676	10.95	1,001 – 5,000	1,575,192	1.33
581	9.41	5,001 – 50,000	10,096,531	8.53
232	3.76	50,001 – 1,000,000	46,708,047	39.48
20	0.32	1,000,001 – highest	58,940,208	49.82
6,174	100.00		118,312,975	100.00

#### Mondi plc

Number of shareholders	% of shareholders	Size of shareholding	Number of shares	% of shares
2,238	54.91	1 – 500	471,841	0.13
537	13.17	501 – 1,000	392,885	0.11
594	14.57	1,001 – 5,000	1,308,221	0.36
370	9.08	5,001 – 50,000	6,623,533	1.80
287	7.04	50,001 – 1,000,000	68,217,089	18.57
50	1.23	1,000,001 – highest	290,227,236	79.03
4,076	100.00		367,240,805	100.00

## By type of holding

### Mondi Limited

	Number of holders	Number of shares	% of shares
Public <sup>1</sup>	6,172	117,635,533	99.43
Non-public	2	677,442	0.57
Directors of Mondi Limited/Mondi plc	1	208	0.00
Mondi staff share schemes <sup>2</sup>	1	677,234	0.57
<b>Total</b>	<b>6,174</b>	<b>118,312,975</b>	<b>100.00</b>

### Mondi plc

	Number of holders	Number of shares	% of shares
Public <sup>1</sup>	4,066	365,799,438	99.61
Non-public	10	1,441,367	0.39
Directors of Mondi Limited/Mondi plc	8	401,364	0.11
Mondi staff share schemes <sup>2</sup>	2	1,040,003	0.28
<b>Total</b>	<b>4,076</b>	<b>367,240,805</b>	<b>100.00</b>

<sup>1</sup> As per the Listings Requirements of the JSE Limited.

<sup>2</sup> Shares held for the purposes of Mondi staff share schemes are held in trust.

## Managing your shares

### Registrars

To manage your shares or if you have any queries, please contact the relevant Registrar:

	Mondi Limited shares and Mondi plc shares on the South African branch register	Mondi plc shares on the UK register
Registrar	Link Market Services South Africa Proprietary Limited (Link Market Services)	Capita Asset Services
Postal address	PO Box 4844 Johannesburg, 2000 South Africa	The Registry 34 Beckenham Road Beckenham Kent BR3 4TU UK
Helpline number	011 713 0800 (if calling from South Africa)  +27 11 713 0800 (if calling from outside South Africa)	0871 664 0300 (if calling from the UK; calls cost 12p per minute plus your phone company's access charge; lines are open Monday to Friday between 9.00am to 5.30pm excluding public holidays in England and Wales)  +44 208 639 3399 (if calling from outside the UK; calls will be charged at the applicable international rate)
Email	info@linkmarketservices.co.za	ssd@capitaregistrars.com
Online	Not available	www.capitashareportal.com

# Shareholder information

## Sign up to email communications

Many of our shareholders choose to receive shareholder information electronically rather than by post. Benefits include faster notification of shareholder information, reduced costs and being more environmentally friendly.

Mondi plc shareholders on the UK register can sign up to email communications via the Capita Share Portal or by contacting Capita Asset Services.

Mondi Limited shareholders and Mondi plc shareholders on the South African branch register can sign up to email communications by contacting Link Market Services or by emailing [corpactfax@linkmarketservices.co.za](mailto:corpactfax@linkmarketservices.co.za).

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](http://www.mondigroup.com).

## Manage your shares online

Mondi plc shareholders on the UK register can sign up to the Capita Share Portal, a free secure online site provided by Capita Asset 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 the Capita Share Portal just visit [www.capitashareportal.com](http://www.capitashareportal.com). All you need is your investor code which can be found on your share certificate, dividend tax voucher or proxy form.

## Dividends

A proposed final dividend for the year ended 31 December 2015 of 37.62 euro cents per ordinary share and an equivalent South African rand final dividend of 650.55664 rand cents per ordinary share will be paid to Mondi plc and Mondi Limited shareholders respectively in accordance with the below timetable. Payment is subject to the approval of the shareholders of Mondi plc and Mondi Limited at the respective Annual General Meetings scheduled for 12 May 2016.

	Mondi Limited	Mondi plc
<b>Last date to trade shares cum-dividend</b>		
JSE Limited	15 April 2016	15 April 2016
London Stock Exchange	Not applicable	20 April 2016
<b>Shares commence trading ex-dividend</b>		
JSE Limited	18 April 2016	18 April 2016
London Stock Exchange	Not applicable	21 April 2016
<b>Record date</b>		
JSE Limited	22 April 2016	22 April 2016
London Stock Exchange	Not applicable	22 April 2016
Last date for receipt of Dividend Reinvestment Plan (DRIP) elections by Central Securities Depository Participants	28 April 2016	28 April 2016
Last date for DRIP elections to UK Registrar and South African Transfer Secretaries by shareholders of Mondi Limited and Mondi plc	29 April 2016	24 April 2016 <sup>1</sup>
<b>Payment date</b>		
South African Register	19 May 2016	19 May 2016
UK Register	Not applicable	19 May 2016
DRIP purchase settlement dates (subject to the purchase of shares in the open market)	27 May 2016	23 May 2016 <sup>2</sup>
<b>Currency conversion dates</b>		
ZAR/euro	25 February 2016	25 February 2016
Euro/sterling	Not applicable	3 May 2016

<sup>1</sup> 29 April 2016 for Mondi plc South African branch register shareholders.

<sup>2</sup> 27 May 2016 for Mondi plc South African branch register shareholders.

Share certificates on the South African registers of Mondi Limited and Mondi plc may not be dematerialised or rematerialised between 18 April 2016 and 24 April 2016, both dates inclusive, nor may transfers between the UK and South African registers of Mondi plc take place between 13 April 2016 and 24 April 2016, both dates inclusive.

Dividend tax will be withheld from the amount of the gross final dividend paid to Mondi Limited shareholders and Mondi plc shareholders on the South African branch register at the rate of 15%, unless a shareholder qualifies for an exemption.

### Your dividend currency

All dividends are declared in euro but are paid in the following currencies:

Mondi Limited	South African rand
Mondi plc	euro
Mondi plc (UK residents)	pounds sterling
Mondi plc (South African residents)	South African rand

- Mondi plc shareholders on the UK register resident in the UK may elect to receive their dividends in euro
- Mondi plc shareholders on the UK register resident outside the UK may elect to receive their dividends in pounds sterling

Mondi plc shareholders on the UK register wishing to elect to receive their dividends in an alternative currency should contact Capita Asset 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.

Mondi Limited shareholders and Mondi plc shareholders on the South African branch register

- Shareholders with a South African bank account can elect to receive dividends directly into their bank account by contacting Link Market Services.
- Shareholders without a South African bank account may consider dematerialising their shares with a Central Securities Depository Participant (CSDP) in South Africa as a CSDP is often able to pay dividends into foreign bank accounts. Find out more by contacting Link Market Services or any CSDP.

Mondi plc shareholders on the UK register

- Shareholders with a UK bank account can elect to receive dividends directly into their bank account via the Capita Share Portal or by contacting Capita Asset Services.
- Shareholders without a UK bank account may be able to take advantage of the International Payment Service offered by Capita Asset Services. Find out more via the Capita Share Portal or by contacting Capita Asset Services.

### Reinvest your dividends

The dividend reinvestment plans (DRIPs) provide an opportunity for shareholders to have their Mondi Limited and Mondi plc cash dividends reinvested in Mondi Limited and Mondi plc ordinary shares respectively.

The plans are available to all Mondi Limited and Mondi plc ordinary shareholders (excluding those in certain restricted jurisdictions). Fees may apply.

If you wish to participate in the DRIPs you can sign up via the Capita Share Portal or by contacting either Link Market Services or Capita Asset Services as appropriate.

### South African dematerialisation

Mondi encourages Mondi Limited shareholders and Mondi plc 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. Once dematerialised, your dividends can be paid directly into a bank account and your shares will be easier to sell.

Find out more by contacting Link Market Services or any CSDP.

# Shareholder information

## 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. Tax vouchers 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:

	<b>Mondi Limited shares or Mondi plc shares on the South African branch register</b>	<b>Mondi plc shares on the UK register</b>
	Strate Charity Shares	ShareGift
Postal address	PO Box 78608 Sandton, 2146 South Africa	PO Box 72253 London SW1P 9LQ UK
Helpline number	0800 202 363 (if calling from South Africa)  +27 11 870 8207 (if calling from outside South Africa)	+44 (0)20 7930 3737
Email	info@strate.co.za	help@sharegift.org
Online	www.strate.co.za/ people-culture-community/strate-charity-shares	www.sharegift.org

## 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](http://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 Capita Asset Services, Link Market Services 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 Limited or 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 Limited**

Registered and head office  
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No. 3 Melrose Boulevard  
Melrose Arch 2196  
Gauteng  
Republic of South Africa  
Tel. +27 (0)11 994 5400  
Fax. +27 (0)86 520 4688  
Registered in South Africa  
Registration No. 1967/013038/06

### **Mondi plc**

Registered office  
Building 1, 1<sup>st</sup> Floor  
Aviator Park  
Station Road  
Addlestone, Surrey KT15 2PG  
UK  
Tel. +44 (0)1932 826300  
Fax. +44 (0)1932 826350  
Registered in England and Wales  
Registered No. 6209386  
Website: [www.mondigroup.com](http://www.mondigroup.com)

# Glossary of terms

This report contains a number of terms which are explained below:

## **CoC**

Chain-of-Custody (CoC) 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.

## **FSC®**

Forest Stewardship Council® (FSC®) is an international not-for-profit, multi-stakeholder organisation established in 1993 to promote socially and environmentally responsible management of the world's forests by way of standard setting, third-party certification and labelling of forest products.

## **GHG**

Greenhouse gases (GHGs) are gases listed in the Kyoto Protocol of the United Nations – Framework Convention on Climate Change (UN-FCCC) that contribute to the greenhouse effect and are regulated by the Kyoto Protocol.

## **GRI**

The Global Reporting Initiative (GRI) is a not-for-profit organisation that produces one of the world's most prevalent frameworks for sustainability reporting.

## **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 and current financial asset investments.

## **Return on capital employed (ROCE)**

Trailing 12-month underlying operating profit, including share of associates' net profit, divided by trailing 12-month average capital employed and for segments has been extracted from management reports. Capital employed is adjusted for impairments in the year and spend on those strategic projects which are not yet in production.

## **Special items**

Those non-recurring financial items which the Group believes should be separately disclosed on the face of the combined and consolidated income statement to assist in understanding the underlying financial performance achieved by the Group.

## **TRCR**

Total recordable case rate (TRCR) is calculated as the number of total recordable cases (the sum of fatalities, lost-time injuries, restricted work cases, medical treatment cases and compensated occupational illnesses) divided by the number of hours worked per 200,000 man hours.

## **TRS**

Total reduced sulphur compounds, generated in the pulping process, and a source of emissions to air.

## **Underlying EBITDA**

Operating profit before special items, depreciation and amortisation.

## **Underlying operating profit**

Operating profit before special items.

## **Underlying profit before tax**

Reported profit before tax and special items.

## **Underlying earnings**

Net profit after tax before special items attributable to shareholders.

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## **Forward-looking statements**

This document includes forward-looking statements. All statements other than statements of historical facts included herein, including, without limitation, those regarding Mondi's financial position, business strategy, market growth and developments, expectations of growth and profitability and plans and objectives of management for future operations, are forward-looking statements. Forward-looking statements are sometimes identified by the use of forward-looking terminology such as 'believe', 'expects', 'may', 'will', 'could', 'should', 'shall', 'risk', 'intends', 'estimates', 'aims', 'plans', 'predicts', 'continues', 'assumes', 'positioned' or 'anticipates' or the negative thereof, other variations thereon or comparable terminology. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Mondi, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements and other statements contained in this document regarding matters that are not historical facts involve predictions and are based on numerous assumptions regarding Mondi's present and future business strategies and the environment in which Mondi will operate in the future. These forward-looking statements speak only as of the date on which they are made.

No assurance can be given that such future results will be achieved; various factors could cause actual future results, performance or events to differ materially from those described in these statements.

Such factors include in particular but without any limitation: (1) operating factors, such as continued success of manufacturing activities and the achievement of efficiencies therein, continued success of product development plans and targets, changes in the degree of protection created by Mondi's patents and other intellectual property rights and the availability of capital on acceptable terms; (2) industry conditions, such as strength of product demand, intensity of competition, prevailing and future global market prices for Mondi's products and raw materials and the pricing pressures thereto, financial condition of the customers, suppliers and the competitors of Mondi and potential introduction of competing products and technologies by competitors; and (3) general economic conditions, such as rates of economic growth in Mondi's principal geographical markets or fluctuations of exchange rates and interest rates.

Mondi expressly disclaims a) any warranty or liability as to accuracy or completeness of the information provided herein; and b) any obligation or undertaking to review or confirm analysts' expectations or estimates or to update any forward-looking statements to reflect any change in Mondi's expectations or any events that occur or circumstances that arise after the date of making any forward-looking statements, unless required to do so by applicable law or any regulatory body applicable to Mondi, including the JSE Limited and the LSE.

## Mondi investor relations

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## Our 2015 suite of reports

Please visit our online reporting hub where copies of our reports can be downloaded:  
[www.mondigroup.com/reports15](http://www.mondigroup.com/reports15)



### Integrated report and financial statements 2015

A balanced overview of Mondi's performance in 2015 and insight into how our approach to strategy, governance, people and performance combine to generate value in a sustainable way.  
Also available online at [www.mondigroup.com/ir15](http://www.mondigroup.com/ir15)



### Looking back, moving forward: Sustainable development 2015

A printed publication reflecting on the progress made over the last five years since the launch of our second set of sustainable development commitments.  
Also available as a downloadable pdf at [www.mondigroup.com/sdpublication15](http://www.mondigroup.com/sdpublication15)



### Online Sustainable development report 2015

A comprehensive view of our approach to sustainable development and our performance in 2015, prepared in accordance with the GRI G4 core guidelines.  
Available online as an interactive pdf at [www.mondigroup.com/sd15](http://www.mondigroup.com/sd15)



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