



Together we  
make Mondi...  
**SUSTAINABLE**  
**by DESIGN**

**Mondi Group**  
Integrated report and  
financial statements 2020



## Scope

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

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

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

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

## Alternative Performance Measures

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

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

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

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

## Materiality

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

The material focus areas were determined considering the following:

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

## TCFD disclosure

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

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# Together we are...

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

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



## Creating this year's report

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

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



# ...SUSTAINABLE by DESIGN

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

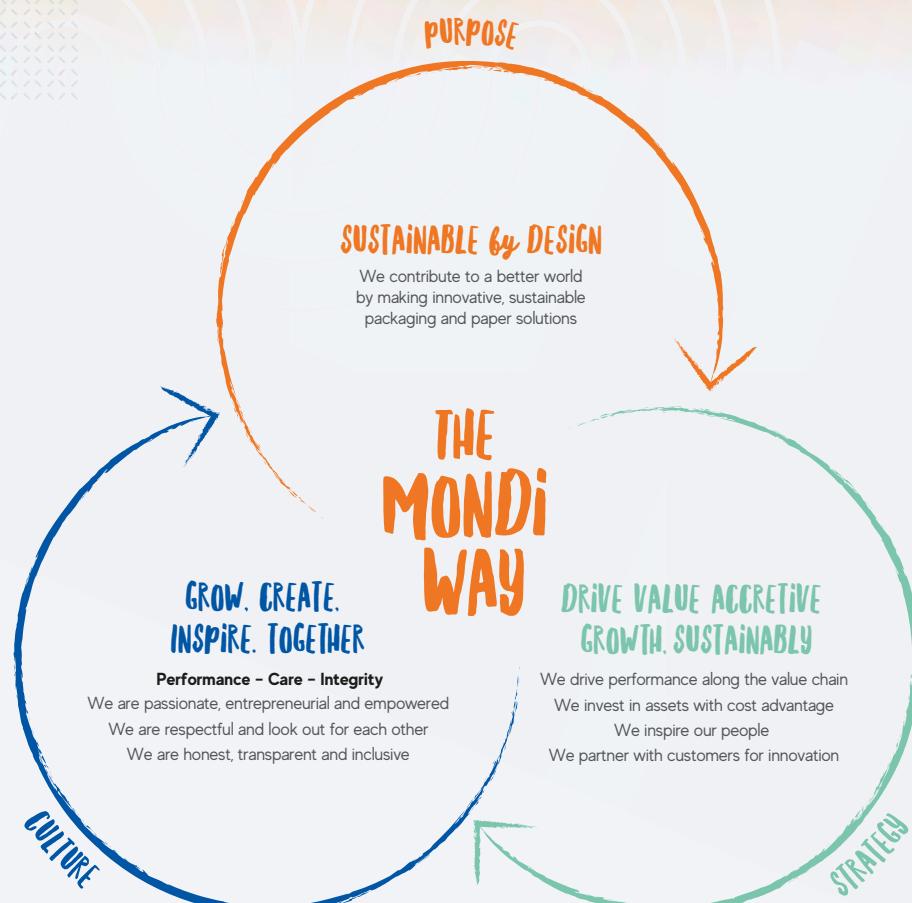
## The Mondi Way...

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

 Strategic framework  
Page 22-23

 Managing our relationships and resources  
Page 38-65

 Our business model  
Page 18-21



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

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

 Our EcoSolutions approach  
Page 34

 Our Green Range  
Page 52



## ...helping customers to achieve their goals

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

 Managing our relationships and resources – Customers  
Page 51-52

### EnvelopeMailer

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



### PerFORMing

Formable paper-based food tray that reduces CO<sub>2</sub> emissions and is recyclable in certain paper streams



### Thermoforming

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



### FloralBox

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



### SupremeBox

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



### BrakeBooster

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



### BrightBox

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



### OnePiece

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



<sup>1</sup> Announced December 2020  
Two awards won in partnership with a customer

## 2020 at a glance

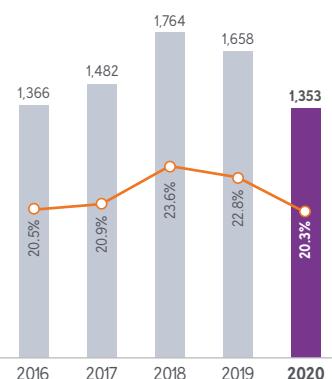
# A resilient business strongly positioned for growth

### A robust performance with excellent cash generation

#### Underlying EBITDA (€ million)

**€1,353m** ↓18% on 2019

— Underlying EBITDA margin

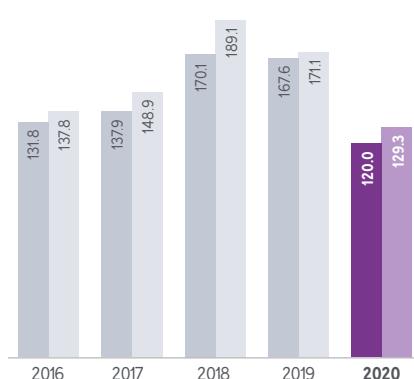


#### Earnings per share (EPS) (euro cents)

**129.3 euro cents** 120.0 euro cents

— Basic underlying EPS

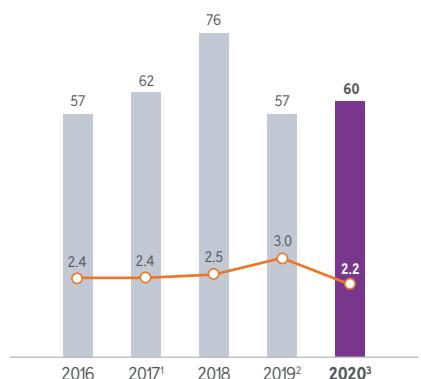
— Basic EPS



#### Dividends per share (euro cents)

**60.0 euro cents** ↑5% on 2019

— Dividend cover (times)



**€1,485m**

Cash generated from operations

**1.3x** net debt to underlying EBITDA

Strong balance sheet

### Decisive and effective COVID-19 response

Protecting our people during the pandemic by implementing strict safety protocols



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

### Community support

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

### Essential infrastructure services

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



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

## Delivering and building on our sustainability commitments

### Tackling climate change



## Science-based targets

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

**24%**

reduction in our mills' total specific CO<sub>2</sub>e emissions against the 2014 baseline

### Keeping our people safe



**23%**

reduction in total recordable case rate against our 2015 baseline

### Taking action for the decade ahead

**MAP2030**

Our ambitious sustainability commitments for the next 10 years



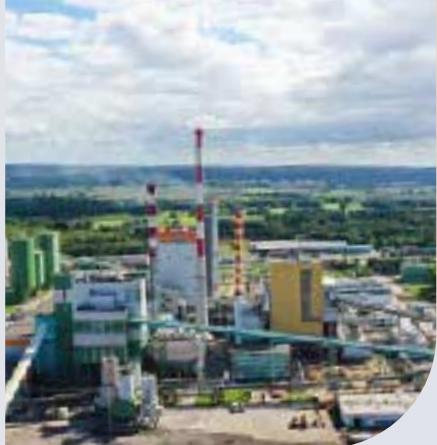
### Sourcing our fibre responsibly

**100%**

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

## Well positioned for growth

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



### Innovating for a circular economy

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



## Our businesses

# Packaging and paper that is sustainable by design

*Together we are...*

**meeting our customers' needs with a broad range of innovative, sustainable solutions**

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

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

## Consumer and retail

**Around 50% of Group revenue**

### MailerBAG

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



### EcoVantage

A sustainable and effective paper alternative to plastic bags



### CoralTray

Corrugated alternative to plastic fruit punnets and plastic film wrapping



### Functional Barrier Paper

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



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

## Building and construction

**Around 15% of Group revenue**

### SPLASHBAG

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



## Chemicals, industrial, agriculture, other

**Around 15% of Group revenue**

### stac-pac®

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



### Pasted open mouth bags

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



## Paper for home, office and professional printing

**Around 15% of Group revenue**

### Pergraphica®

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



### NAUTILUS® ProCycle

A 100% recycled fibre, CO<sub>2</sub> neutral high-white paper for professional applications



**Business units**

## Corrugated Packaging

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

 **Corrugated Packaging**  
See page 66

## Flexible Packaging

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

 **Flexible Packaging**  
See page 67

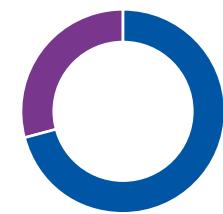
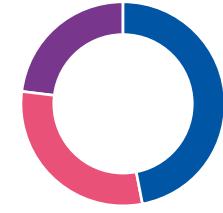
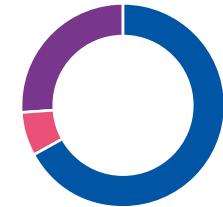
## Engineered Materials

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

 **Engineered Materials**  
See page 68

## Uncoated Fine Paper

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

 **Uncoated Fine Paper**  
See page 69
**Segment revenue****Underlying EBITDA****Markets served****Leading market positions****#1**virgin containerboard  
producer in Europe**#1**containerboard producer  
in emerging Europe**#3**corrugated solutions  
producer in emerging  
Europe**Leading market positions****#1**kraft paper  
producer globally**#1**paper bag producer in  
Europe and a global  
leader**#3**consumer flexible  
packaging producer  
in Europe**Leading market positions****#1**commercial release liner producer  
in Europe**#2**extrusion coatings producer  
in Europe**Leading market positions****#1**uncoated fine paper supplier in Europe  
(including Russia)**#1**uncoated fine paper producer  
in South Africa

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

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

### NORTH AMERICA

Revenue by location of Production Customer



Employees 1,700 Production sites 13

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

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



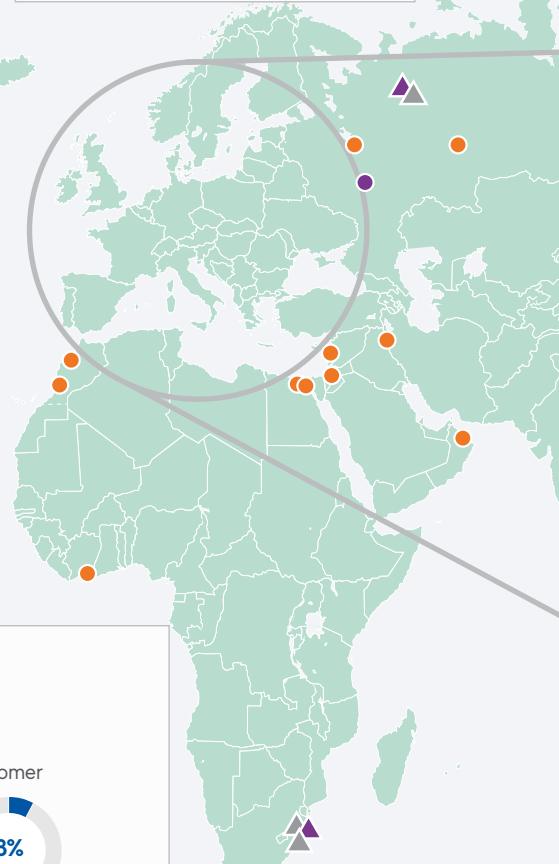
Our EcoSolutions approach  
Page 34

### WESTERN EUROPE

Revenue by location of Production Customer



Employees 7,100 Production sites 33



### AFRICA

Revenue by location of Production Customer



Employees 1,700 Production sites 7

Together we are...

applying digital  
technologies to accelerate  
our performance



Digital solutions  
Page 29

Overview

Strategic report

Governance

Financial statements

## EMERGING EUROPE

Revenue by location of  
Production Customer



Employees 9,200 Production sites 32

## RUSSIA

Revenue by location of  
Production Customer



Employees 5,300 Production sites 4

## ASIA & AUSTRALIA

Revenue by location of  
Production Customer



Employees 700 Production sites 10

### Production sites per business unit

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

### Group offices

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

### Production sites

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

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



**Philip Yea**  
Chair

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

## Sustainable by Design

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

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

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

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

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

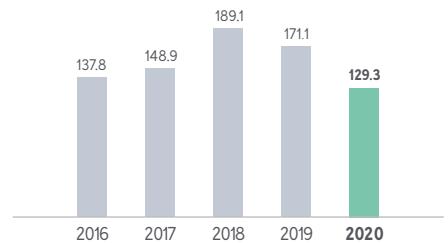
 **MAP2030**  
Page 26-27

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

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

## Basic underlying earnings per share (euro cents)

**129.3 euro cents**



## Our long-term strategic direction

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

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

## A sustained industry-leading performance

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

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

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

## Our Board

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

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

 **Corporate governance report**  
Page 96-110

## Recognition for our people

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

## Looking forward

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

**Philip Yea**  
Chair

## Dividend per share (euro cents)

**60.0 euro cents**

— Dividend cover (times)



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

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

<sup>3</sup> Based on proposed final dividend of 41.00 euro cents per share

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



**"Safety and health is our top priority – 24 hours a day, at home or at work. It is a mindset and a commitment that shapes our culture, informs our decisions and drives our long-term success."**

**Lars Mallasch**  
Group Technical & Sustainability Director





# Together we are... safeguarding our employees

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

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

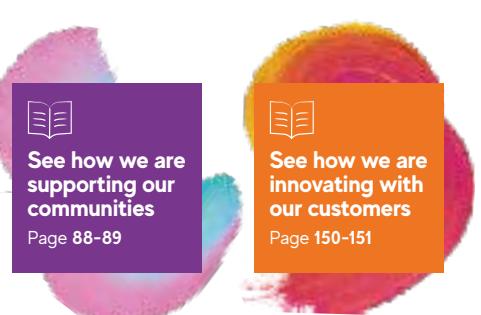
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The Strategic report was approved by the Board on 24 February 2021 and is signed on its behalf by:

**Andrew King**  
Group CEO

**Mike Powell**  
Group CFO



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



**Andrew King**  
Group CEO

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



## Q5 Sustainability is a key topic for stakeholders.

### What makes Mondi an industry leader in this space?

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

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

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

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

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

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

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

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

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

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

## External context

# Key themes shaping the future of packaging

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

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

 Strategic framework and performance  
Page 22-35

 Business unit trading review  
Page 66-69



## 2020 developments

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

## How we are responding

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

 Managing our relationships and resources  
Page 38-65

 Sustainable Development report  
[www.mondigroup.com/sd20](http://www.mondigroup.com/sd20)



## The challenges and opportunities we face

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

# DIGITALISATION AND E-COMMERCE



## The challenges and opportunities we face

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

## 2020 developments

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

## How we are responding

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

 **Digital solutions**  
Page 29

# CUSTOMER BRAND VALUE



## The challenges and opportunities we face

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

## 2020 developments

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

## How we are responding

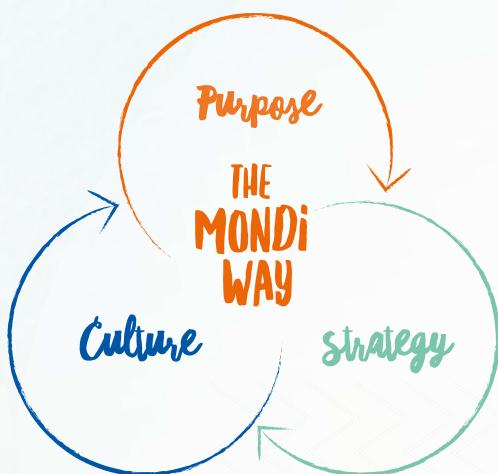
- Creating innovative fit-for-purpose packaging solutions that portray our customers' brand values particularly around sustainability, helping them stand out from the crowd, remain competitive and create a seamless consumer experience across channels
- Leveraging our six R&D centres, unique cross-functional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

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

 **Our EcoSolutions approach**  
Page 34

# How we create and protect value

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



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

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

 Strategic framework and performance  
Page 22-35

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

 Sustainable by Design  
Page 2-3

## What we rely on

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

### Relationships

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

### Resources

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

### Financial

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

 Managing our relationships and resources  
Page 38-65       Financial review  
Page 70-73

## What makes us different

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

### Unique packaging producer

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

### Leading market positions

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

### Cost-advantaged assets

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

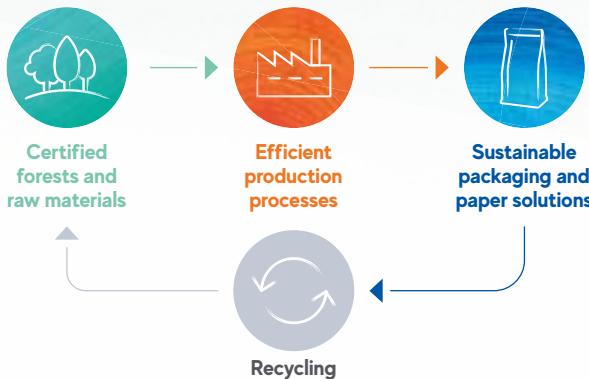
### Vertical integration

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

## What we do

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

 Our integrated value chain  
Page 20-21



## Managing our risks

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

 Principal risks  
Page 74-85

## Focus on continuous improvement

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

## Strong financial position

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

## Sustainable by Design

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

## Entrepreneurial culture

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

## Examples of the value we create

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

### Employees

**23%**

reduction in total recordable case rate (since 2015)

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

### Customers

**8**

WorldStar Packaging Awards (two with a customer)

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

### Communities

**€168 million**

direct taxes paid

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

### Suppliers and contractors

**2,000**

key suppliers

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

### Investors

**42%**

five-year total shareholder return

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

### Partners, industry associations and regulators

**Numerous**

strategic partnerships and initiatives

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