**Mondi Group**
Integrated report and
financial statements 2022

# Delivering SUSTAINABLE SOLUTIONS

**Scope**

Mondi's Integrated report and financial statements 2022 is our primary report to shareholders, providing an overview of the performance of the Group for the year ended 31 December 2022.

The report is prepared in accordance with the requirements of the Disclosure Guidance and Transparency and Listing Rules of the United Kingdom Listing Authority and the Listings Requirements of the JSE Limited where applicable.

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

The report 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.

**Russian operations reporting considerations**

The Group's Russian operations have been classified as held for sale and since June 2022, reported as discontinued operations. Unless otherwise mentioned, 2021 figures have been restated and 2022 figures and performance are based on the Group's continuing operations (which exclude the Russian operations). Please refer to pages 209-212 for further information. For sustainability metrics, 2020 and 2021 figures have been restated to reflect the Group's continuing operations and enable a year-on-year performance comparison to our 2020 baseline, except GHG emissions which include the Group's Russian operations in line with our Net-Zero targets. Selected sustainability KPIs for the Group including its Russian operations is available in the consolidated sustainability performance data which forms part of our full 2022 suite of reports, available at the link shown at the bottom of this page.

**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 242-248.

**TCFD disclosure**

In line with the UK Listing Rules, this report is consistent with the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) recommendations and recommended disclosures relating to the impact of climate change on governance, strategy, risk management and metrics and targets. Further information can be found on pages 48-57.

SASB

This report is prepared in accordance with the Sustainability Accounting Standards Board (SASB): Containers & Packaging Industry Standard. Relevant disclosures are highlighted by the icon above and further disclosures can be found in our Sustainable Development report and in our GRI & SASB Index available online as part of our 2022 suite of reports.

**Sustainable Development report**

We prepare a detailed, externally assured Sustainable Development report in accordance with the Global Reporting Initiative (GRI) Universal Standards (2021) and SASB. Our Sustainable Development report, consolidated performance data and supporting index reports can be found online as part of our 2022 suite of reports.




**Visit our website for Mondi's complete 2022 Integrated and Sustainable Development reporting suite**
www.mondigroup.com

# How is Mondi delivering SUSTAINABLE SOLUTIONS?

Mondi is a global leader in sustainable packaging and paper. Our integrated value chain, cross-sector partnerships, extensive technical expertise and broad portfolio of solutions help our customers to make more sustainable choices.

We are investing to expand our capacity, improve efficiency, eliminate waste and tackle emissions. By building on our leading positions, we are amplifying and accelerating the value that our solutions deliver to all of our stakeholders.

## Q&A

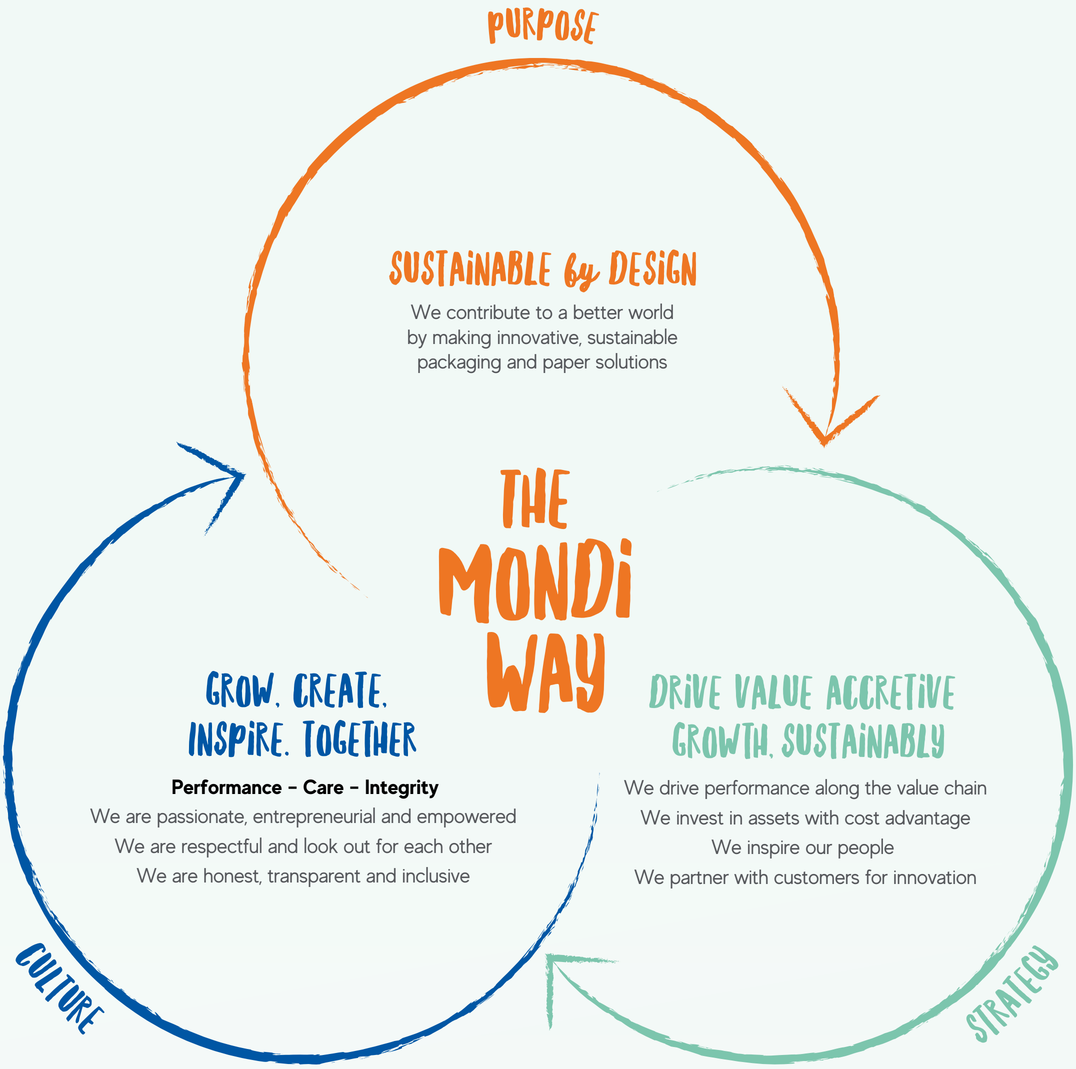
Throughout this report, we have highlighted the key questions that our stakeholders ask us.

The answers capture the initiatives and commitments that make Mondi sustainable by design.

## Our customer proposition

# Uniquely positioned to deliver sustainable solutions

The Mondi Way connects our 22,000 people across the world through a shared purpose, consistent long-term strategy and strong values. It enables us to nurture an environment in which high performance, collaboration and innovation thrives.




# How does the MONDi WAY deliver for customers?

## Leading the way in structurally growing markets

Our leading market positions and purpose-driven focus on sustainability make us the partner of choice for meeting customer demand in our structurally growing packaging markets, underpinned by demand for eCommerce and sustainable solutions.

**Market context**
Page 18–19

## Investing with a long-term focus

Our consistent strategy and disciplined investment programme provide us with a competitive advantage through the cycle and deliver security of supply for our customers. Through our investments, we can increase capacity, drive innovation and minimise our environmental footprint.

**Chief Executive Officer's strategic review**
Page 22–29

## Innovating through a culture of collaboration

Our solutions-oriented customer partnerships and significant cross-industry collaborations amplify our capability to tackle key challenges like food waste, climate change, biodiversity loss and unsustainable packaging.

**Empowered People**
Page 41–43

### Our award-winning products

Mondi won eight WorldStar Packaging Awards in 2023. The annual competition rewards the greatest achievements in packaging innovation and technologies worldwide, with a focus on both sustainability and end-user convenience.

**Visit our website for all our award-winning products**
www.mondigroup.com

# 2022 at a glance

# Delivering on our strategy

## Strong financial performance from continuing operations[1]

**Group revenue**

**€8,902m**

↑28% on 2021

**Underlying EBITDA**

**€1,848m**

↑60% on 2021

**Return on capital employed**

**23.7%**

↑980bps on 2021

**Cash generated from operations**

**€1,292m**

↑29% on 2021

**Profit before tax**

**€1,560m**

↑119% on 2021

**Basic underlying earnings per share**

**195.6 euro cents**

↑78% on 2021

**Dividend per share**

**70.0 euro cents**

↑8% on 2021

**Leverage (net debt to underlying EBITDA)**

**0.5 times**

1.5 times in 2021

**€1 billion expansionary capital investment pipeline on track to deliver growth across our packaging businesses**

**Completed sale of the Personal Care Components business, delivering greater focus**


1 Performance based on continuing operations (which excludes the Group's Russian operations). Refer to note 26 in the consolidated financial statements for further information on the Group's Russian discontinued operations.

## Delivering innovative solutions and keeping materials in circulation

Circular Driven Solutions
Page 38-40

**82%**

of our revenue is from packaging and paper products that are reusable, recyclable or compostable

**4%**

reduction of absolute waste to landfill from our manufacturing processes compared to our 2020 baseline


## Engaging, developing and safeguarding our people

Empowered People
Page 41-43

**8%**

improvement in Total Recordable Case Rate compared to 2020 baseline

## Transitioning to a low carbon, circular economy

Taking Action on Climate
Page 44-57

**Net-Zero**

science-based GHG reduction targets approved for Scopes 1, 2 & 3, aligned to a 1.5°C scenario

**17%**

reduction of our absolute Scope 1 and 2 GHG emissions against our 2019 baseline

**100%**

responsibly sourced fibre

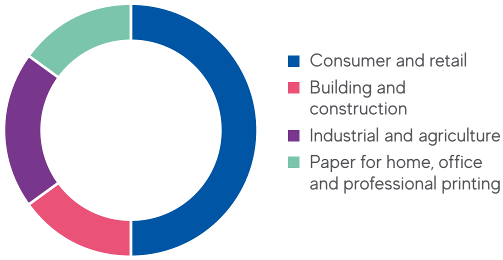
(75% FSC™ or PEFC certified, with the balance controlled wood)

# Our businesses

## Packaging and paper that is sustainable by design

We offer our customers a wide range of packaging solutions based on our principle of paper where possible, plastic when useful. We are also a leading manufacturer of printing papers used at home, in the office and for professional applications.

**Markets served based on Group revenue**




## Examples of our product portfolio

### Consumer and retail

**FlexiBag Recyclable**
A fully recyclable, mono-material bag with convenient features and barrier properties suited for dry food and pet food


**MailerBAG**
A patented, fully recyclable paper bag for eCommerce shipments that is easy to open and reclose and convenient to return

**ProVantage KraftTop LinerX**
A recyclable, lightweight and high-strength containerboard solution with a wide range of end-uses, from food and beverage to luxury packaging


**TrapezeBox**
An appealing, fully recyclable corrugated packaging solution that replaces rigid plastic and is sustainable by design


### Building and construction

**ONE bag**
A recyclable, lightweight and efficient solution for high-speed filling of powdered goods made from only one ply of paper


### Industrial and agriculture

**Protector Bag**
Flexible, recyclable paper packaging that ensures high product protection for bulky, sensitive or irregularly shaped goods

**Pak-(k)it**
A recyclable, easy to assemble corrugated solution for transporting bulk or large items

### Paper for home, office and professional printing

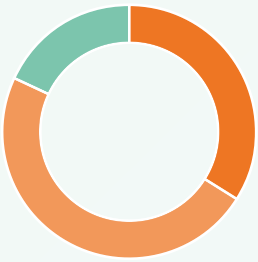
**Pergraphica®**
Full-spectrum premium printing papers for creative communications, design, publishing and luxury packaging

**Color Copy**
Office and professional printing paper for digital colour printing

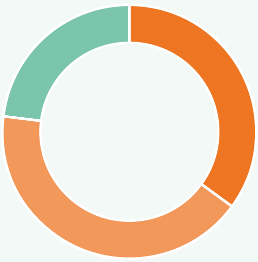

**For our full product list, see our website**
www.mondigroup.com/en/products-and-solutions

# Our business units

**Segment revenue**



**Underlying EBITDA**



- Corrugated Packaging
- Flexible Packaging
- Uncoated Fine Paper

## Packaging

**We serve our customers with a range of consumer, retail, industrial and specialised applications. Our integrated asset base is well-invested and cost-advantaged to capture opportunities in our structurally growing packaging markets. Our packaging is innovative and sustainable by design, focusing on quality and service.**

### Corrugated Packaging

We produce containerboard and a broad range of converted corrugated solutions designed to protect, transport and display our customers' products along the value chain until they reach the end consumer.

Corrugated packaging's strength, printability, recyclability and customisation potential makes it an ideal solution for fast-moving consumer goods, eCommerce, heavy industrial and other specialised applications.

**Corrugated Packaging**
Page 66

**Leading market positions**

- **#1** virgin containerboard producer in Europe
- **#1** containerboard producer in emerging Europe
- **#1** corrugated solutions producer in emerging Europe

### Flexible Packaging

We are a global flexible packaging producer with a unique portfolio of paper, flexible-plastic and hybrid-based solutions. Our kraft papers are converted into strong, lightweight paper-based packaging such as paper bags, while our functional paper and films protect adhesive surfaces or provide protective barriers to papers for packaging and other applications.

We also make a range of plastic-based flexible packaging solutions which provide functionality and product protection. Our broad range of products are used in a range of consumer, retail, construction and industrial applications.

**Flexible Packaging**
Page 66

**Leading market positions**

- **#1** kraft paper producer globally
- **#1** paper bags producer in Europe and a global leader
- **#3** consumer flexible packaging producer in Europe
- Leader in coating applications in Europe

### Uncoated Fine Paper

Our Uncoated Fine Paper business produces a wide range of home, office, converting and professional printing papers, tailored to the latest digital and offset print technologies. We also produce pulp which is sold to customers around the world.

**Uncoated Fine Paper**
Page 67

**Leading market positions**

- **#2** uncoated fine paper producer in Europe
- **#1** uncoated fine paper producer in South Africa

The above is based on the Group's continuing operations (which exclude the Group's Russian operations).

# Where we operate

## Global network delivering for our customers

Mondi employs 22,000 people across 100 production sites in more than 30 countries, with key operations located in Europe, North America and Africa.

In addition to those countries represented graphically on these pages, Flexible Packaging operates four production sites in South East Asia.

### Production sites per business unit

| | |
|---|---|
| **Corrugated Packaging** | ▲ Mill (6)<br>● Converting plant (19) |
| **Flexible Packaging** | ▲ Mill (5)<br>● Converting plant (66) |
| **Uncoated Fine Paper** | ▲ Mill (5) |

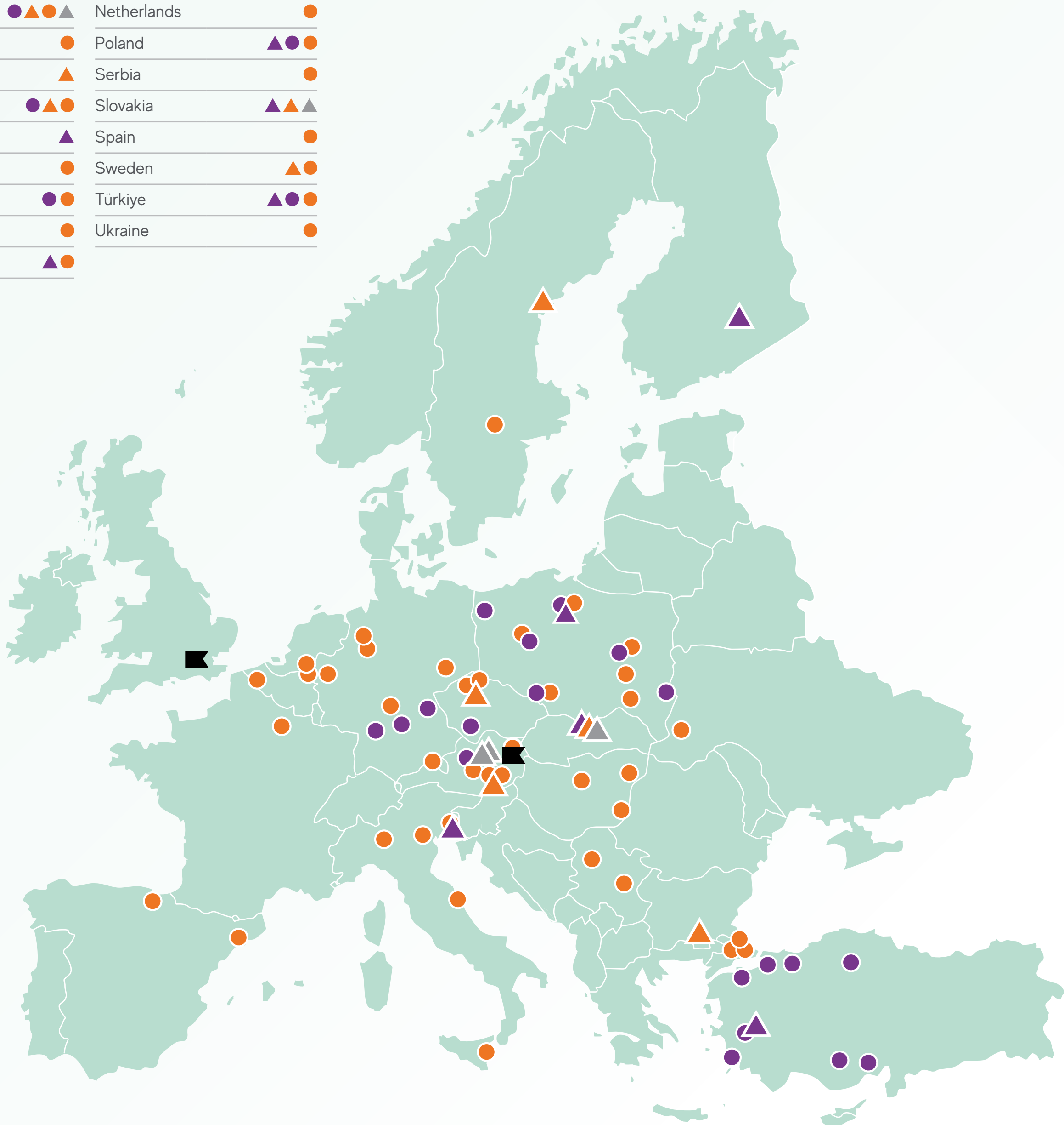
### Group offices

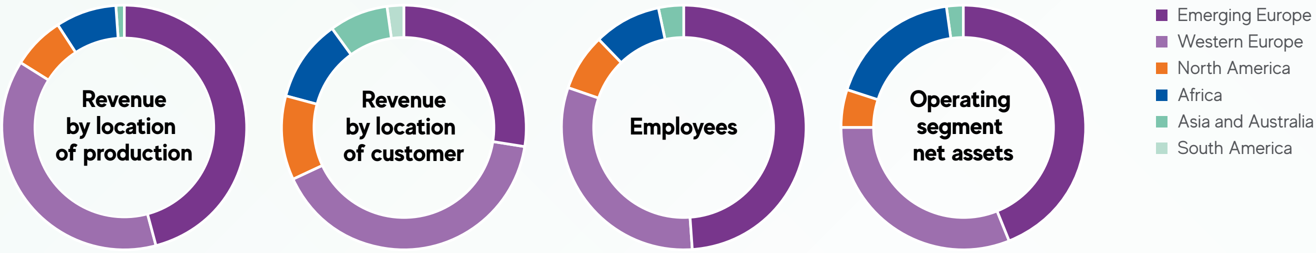
| | |
|---|---|
| **London, Vienna** | ⚑ |

# Europe

### Production sites

| | |
|---|---|
| Austria | ● ▲ ● ▲ |
| Belgium | ● |
| Bulgaria | ▲ |
| Czech Republic | ● ▲ ● |
| Finland | ▲ |
| France | ● |
| Germany | ● ● |
| Hungary | ● |
| Italy | ▲ ● |
| Netherlands | ● |
| Poland | ▲ ● ● |
| Serbia | ● |
| Slovakia | ▲ ▲ ▲ |
| Spain | ● |
| Sweden | ▲ ● |
| Türkiye | ▲ ● ● |
| Ukraine | ● |






# North and South America

**Production sites**

| | |
|---|---|
| Colombia | |
| Mexico | |
| USA | |

# Africa and Middle East

**Production sites**

| | |
|---|---|
| Côte d'Ivoire | |
| Egypt | |
| Iraq | |
| Jordan | |
| Lebanon | |
| Morocco | |
| Oman | |
| South Africa | |

# Letter from the Chair

## How is MONDI supporting a sustainable FUTURE while showing characteristic RESILIENCE?

**Philip Yea**
Chair

**Welcome to Mondi's Integrated report for 2022. The year has been marked by very significant external challenges, not least the devastating conflict in Ukraine, the consequential increase in energy costs, the broader inflationary pressures and the uncertain economic environment the world still faces. However, I am pleased to report that Mondi has demonstrated exceptional resilience through the relevance of our products, our integrated low-cost business model and the financial flexibility afforded by our strong balance sheet.**

**Our teams at all levels have responded well to the challenges and opportunities this new environment has thrown up. Moreover, our strong relationships with customers and communities have stood us in good stead as we continue to pursue our plans to support a sustainable future.**

### Focusing on our opportunities

Mondi delivered strongly on all key performance metrics during the year. Our continuing operations (which exclude any contribution from our Russian businesses) generated underlying EBITDA of €1,848 million (up 60% on 2021) and ROCE of 23.7% (2021: 13.9%).

Through our integrated value chain, low-cost position and long-term investments to drive energy self-sufficiency, we are well positioned to navigate the challenges and opportunities of recent turbulence. In 2022, we both mitigated the impact of significantly higher input costs and benefited from expanded margins.

We continue to prioritise the growth of our packaging businesses to satisfy increases in demand for sustainable products and eCommerce solutions. As Andrew discusses in detail on pages 24-25, Mondi offers a unique customer proposition in this space. With a broad product portfolio, deep technical expertise and an integrated value chain, we can help customers to make the best material choices and make progress with us on the journey towards a circular economy. I draw your attention to the many product innovations and partnerships illustrated in case studies throughout this report.

### Our evolving business

Beyond the devastating humanitarian tragedy which it unleashed, the geopolitical ramifications of the conflict in Ukraine are profound. After careful consideration the Board concluded that a divestiture of our Russian businesses to acceptable parties would be the right way forward. In August 2022 we announced an agreement to sell our operations at Syktyvkar to Augment Investments Limited, a disposal which will be subject to shareholder approval due to its size. In December 2022 we followed this announcement with an agreement to divest the Group's converting plants in the region which will complete our planned exit from Russia once finalised. It is planned that the net proceeds from both disposals will be returned to shareholders as soon as reasonably practicable following receipt.

The necessary steps continue to be taken with the relevant authorities towards finalising the approval of these divestitures, but complex and evolving regulatory considerations mean that there can be no certainty on when this may be completed. Andrew discusses more about the impact of the divestiture on page 25.

In June we completed the sale of the Group's Personal Care Components business for €615 million enabling the Group to simplify its portfolio and focus on our strategic priority to grow in sustainable packaging.

The Board is pleased with the progress made during the year on our significant capital investment programme, which will support volume growth, lower our cost base and reduce our environmental footprint. We have acquired the Duino mill near Trieste, Italy, and plan to invest there to produce around 420,000 tonnes per annum of high-quality recycled containerboard which will further strengthen the backward integration of our Corrugated Packaging business.

**Chief Executive Officer's strategic review**
Page 22-29

## Delivering sustainably

At the end of another year in which the urgency of the climate crisis grows more apparent around the world, I am encouraged by the unwavering focus of our colleagues in pursuing the Group's ambitious sustainability commitments. These are captured in our Mondi Action Plan 2030 (MAP2030) sustainability framework which sets out how circular driven solutions, created by empowered people, taking action on climate will be crucial for the prosperity of the people, places and ecosystems that matter so much to our business and stakeholders.

On climate action, we are proud to be one of the first companies in our sector to achieve the validation of our Net-Zero greenhouse gas (GHG) emissions reduction target by the Science Based Targets initiative. We are committed to reducing our GHG emissions across our value chain and investing in the capital expenditure projects and other initiatives that are required to achieve our objectives while strengthening competitiveness and enhancing efficiency.

We have made clear progress towards our target to make all our packaging and paper products reusable, recyclable or compostable by 2025, achieving 82% in 2022 based on revenue. Our Path to Circularity Scorecard defines whether a product is classified as reusable, recyclable or compostable and consolidates our comprehensive know-how with industry circularity guidelines.

Our research and development teams are collaborating with partners across the value chain to develop sustainable alternatives where not yet available, and our commercial teams are working closely with customers to drive adoption of them. The Group continues to contribute expertise to the debate on how best to promote sustainable forestry and eliminate unsustainable packaging. Our aim is to provide practical insight into the considerations involved in creating a regulatory framework that works in practice to drive the meaningful progress we are all seeking.

**MAP2030**
Page 36-65

## Prioritising people

I am delighted to have seen the energy and dedication shared by colleagues around the business in building new pathways for sustainable growth. From ground-breaking innovation and knowledge-sharing to proactively driving our customers' adoption of more sustainable solutions, our people continue to make a meaningful difference to our business, our industry and beyond. It was a privilege for me to join Mondi's senior leaders at their Leadership Forum 2022 and to witness first-hand the depth of their expertise in a culture of open debate, while celebrating some of the great work across the Group through the Mondi Diamond Awards which recognise excellence and innovation.

Nurturing a diverse and inclusive workplace is key to unlocking the creativity that enables Mondi's innovation. Our target of ensuring that 30% of our workforce comprises women by 2030 is innately challenging within the context of a manufacturing industry, so we continue to work hard to identify those actionable steps across the business which will support the delivery of this commitment.

Safety remains an absolute focus across the Group. Our approach centres on the behaviours of each and every individual who works for or in partnership with Mondi by promoting a 24-hour safety mindset that addresses the Social Psychology of Risk. The Board was deeply saddened by the fatality of a contractor at our Frantschach mill in Austria during the second half of the year. Although no systemic failures or management actions were identified that could have prevented the incident, it is a reminder that we can never be complacent in prioritising safety.

**Empowered People**
Page 41-43

## Board developments

The Group is committed to the highest levels of corporate governance, and this is supported by the effective combination of skills, experience and judgement of our directors.

In May, the Board was pleased to welcome Saki Macozoma to the Board as an independent non-executive director. We benefit from his long track record across a range of different industries and his extensive insight into the South African business environment.

Tanya Fratto retired from the Board at the conclusion of the 2022 Annual General Meeting with our thanks for her contribution over the past six years, latterly in her role as Chair of the Remuneration Committee, where her successor is Dame Angela Strank. As part of the long-term planning of the Board's composition we also undertook a search to strengthen the Audit Committee. I am pleased to confirm that as a result of this search, Anke Groth will join the Board in April 2023.

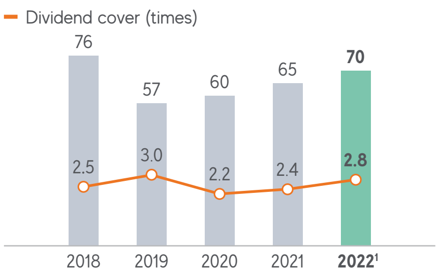
## Looking ahead

The resilience of Mondi has stood us in good stead this past year despite the significant challenges, both event-driven and cyclical. Although there are clear signs that the economic environment for 2023 will be less favourable than the past 12 months, the attractiveness of our products and solutions remains compelling. We have the people, technologies and financial resources to deliver on opportunities through and beyond the current cycle. I remain excited about our ability to deliver attractive returns in 2023 and sustainably thereafter.

**Philip Yea**
Chair

**Dividend per share**
(euro cents)

**70.0** euro cents




1 Based on proposed final dividend of 48.33 euro cents per share

# How is MONDI CONTRIBUTING to the circular economy?

## Strategic report



The Strategic report was approved by the Board on 22 February 2023 and is signed on its behalf by:

**Andrew King**
Group CEO

**Mike Powell**
Group CFO

## EXPERTISE

### Collaborating with customers

Paper and plastic have specific properties that make them fit for different purposes, such as the use of renewable materials or recycled content, recyclability or barrier functionality that prevents food waste. We partner with our customers to understand and navigate critical trade-offs on their path to more sustainable packaging solutions and the achievement of their sustainability goals.

# VISION

## Designing for sustainability

Up to 80% of a product's environmental impact is influenced at the design phase. That's why we introduced our Sustainable Products Criteria in 2017 to underscore the parameters that define a sustainable solution. In 2022, we updated this with our Sustainable Product Principles (SPP). These are aligned with our Path to Circularity Scorecard and consider all aspects of product design, from responsible sourcing to recyclability, reuse, compostability and material efficiency.


# INNOVATION

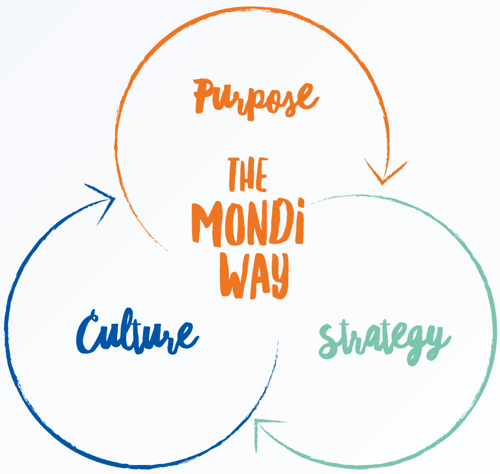
## Reducing waste

We recently developed a fully recyclable, plastic-free packaging solution, Hug&Hold, to replace the shrink film for PET bottle bundle packs. The kraft paper sleeve using Mondi's unique Advantage SpringPack Plus combined with a lightweight Mondi corrugated carrier provide high pack stability and convenience.

# Our business model

## Creating value through the Mondi Way

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




Our purpose is to contribute to a better world by making innovative packaging and paper solutions that are sustainable by design. We do this through the execution of our strategy by delivering value accretive growth in a sustainable way for all our key stakeholders. Our strategy builds on the competitive advantages we enjoy today and sets a clear roadmap embedding sustainability into operational and investment decisions into the future.

Our strategy
Page 20-29

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

Empowered People
Page 41-43

## What we rely on

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

### Long-standing relationships

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

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

### Responsible use of resources

We are determined to protect and safeguard biodiversity and ecosystems. In order to do this, we procure raw materials and use natural resources responsibly.

We have a disciplined capital allocation framework, ensuring we can invest in our portfolio through the cycle and take advantage of value accretive opportunities when they arise.

MAP2030
Page 36-65

Financial review
Page 68-71

## What makes us different

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

### Unique platform

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

### Leading market positions

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

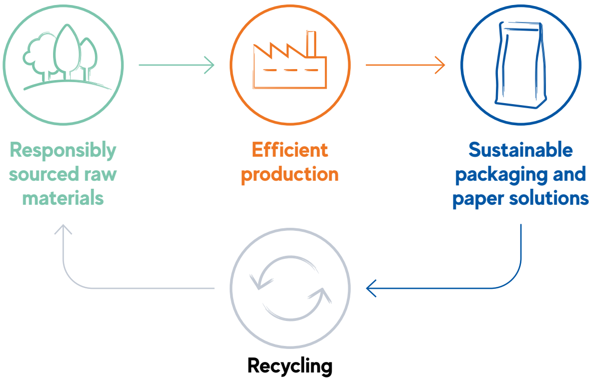
### Cost-advantaged assets

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

## What we do

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

Integrated value chain
Page 16–17




## Managing our risks

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

Principal risks
Page 72–81

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

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

**Strong financial position**
Our robust financial position and strong cash generation provide us with strategic flexibility

**Sustainable by design**
Sustainability is embedded in everything we do, making us a strong partner and employer of choice

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

## The value we create

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

### Examples of our value creation in 2022

**Employees**

**443,000**
employee and contractor training hours

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

**Suppliers and contractors**

**78%**
of supplier sites screened since 2019 (based on total spend)

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

**Customers**

**82%**
of revenue is from packaging and paper products that are reusable, recyclable or compostable

We deliver innovative sustainable packaging and paper solutions to our customers, with a continuous drive to improve overall customer satisfaction

**Investors**

**70.0 euro cents**
total recommended dividend per share

Our dividend policy reflects our disciplined strategy of value creation and aims to offer shareholders long-term dividend growth in line with our cover policy

**Communities**

**€196 million**
direct taxes paid

In addition to taxes paid, we invest in local community initiatives supporting health, environment protection, education, local enterprise and infrastructure

**Partners and industry associations**

**Strategic**
partnerships and initiatives

Our global collaborations support us to find sustainable solutions to the collective challenges we face and bring about meaningful change

# Our business model
## Integrated value chain

As a global packaging and paper solutions provider, we operate across a number of regions, servicing our customers with a broad range of sustainable solutions. The integrated nature of our business means that we engage with key stakeholders through long-standing relationships and partnerships to ensure that our sourcing practices are responsible, our production processes are efficient, that we improve our environmental performance, and the products we produce are fit-for-purpose and contribute to a circular economy.

**Stakeholder engagement** Page 32-33

**Environmental performance** Page 58-59

**Procurement** Page 62-63

### Responsibly sourced raw materials

**As part of our manufacturing processes, we require raw materials such as wood, paper for recycling, chemicals, resins and access to natural resources, most notably water and energy.**

**Based on revenue, over 80% of our packaging and paper solutions are fibre-based for which wood is the primary raw material. We procure wood from responsible sources and our South African sustainably managed plantations, with around 90% of our wood sourced domestically in the countries where our mills are located. In addition, we source paper for recycling from waste collection companies or directly from retailers.**

**Key relationships and partnerships:**
- Engagement across our global supply chain which spans 12,000 suppliers in 67 countries
- Fibre certification schemes such as FSC and PEFC
- Wood supply organisations
- Partnerships with scientific organisations such as the IUFRO-Mondi partnership to promote climate-fit and resilient forests
- NGOs, including the Endangered Wildlife Trust
- Waste collection companies
- Retail business partners

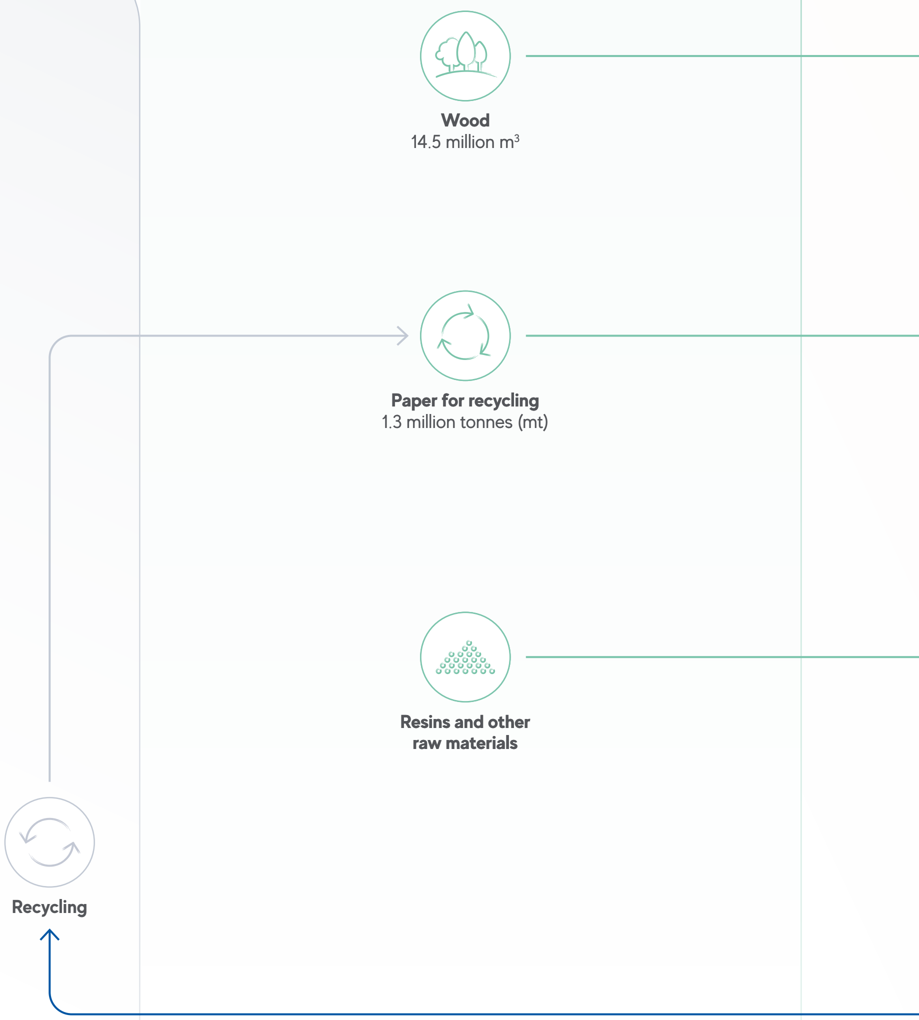
### End-of-life and recycling

**We are committed to supporting the transition to a circular economy and preventing waste. Our focus is on creating high-quality, innovative packaging and paper solutions that are designed for a sustainable end-of-life through recycling or composting.**

**Our paper-based solutions already contribute to the circular economy. We aim to include an increasing proportion of recycled content in our plastic-based packaging solutions and monitor our progress in the use of renewable and recycled content across our portfolio.**

**Our collaboration with stakeholders along the value chain helps to eliminate unsustainable packaging, support cross-industry initiatives to improve recycling practices and identify new opportunities to use waste as a secondary raw material.**

**Key relationships and partnerships:**
- Cross-industry organisations to drive the elimination of waste and development of circular solutions, such as 4evergreen, CEFLEX and the Ellen MacArthur Foundation
- Industry partners for secondary raw materials, including in the cement industry where ash from our production process can be used as an input material in the production of bricks, or in the agricultural sector, where our sludge residues can be used for soil enhancement
- Professional recycling organisations




Based on 2022 statistics

SASB

## Efficient production

**The Group's integrated pulp and paper mills, located in Europe and South Africa, are cost advantaged, producing pulp, packaging papers and uncoated fine paper. In addition, most of our mills are able to generate the majority of their energy needs internally, with 80% from renewable fuels.**

**Our broad range of containerboard and kraft paper packaging grades are used by our converting operations and sold to other customers. Our converting operations use packaging paper (sourced internally and externally) and other raw materials to produce corrugated solutions and flexible packaging products (paper, plastic or hybrid-based) across our global network.**

### Key relationships and partnerships:

- Employees across our production sites and corporate offices
- Contractors, mainly during annual maintenance and project-related shuts
- Industry associations and other organisations developing design for circularity guidelines, such as Cepi and CEFLEX
- Service providers for machinery and other technologies to drive operational excellence, including energy efficiency and reduced emissions
- Communities surrounding our operations focusing on our impact on local or nearby areas

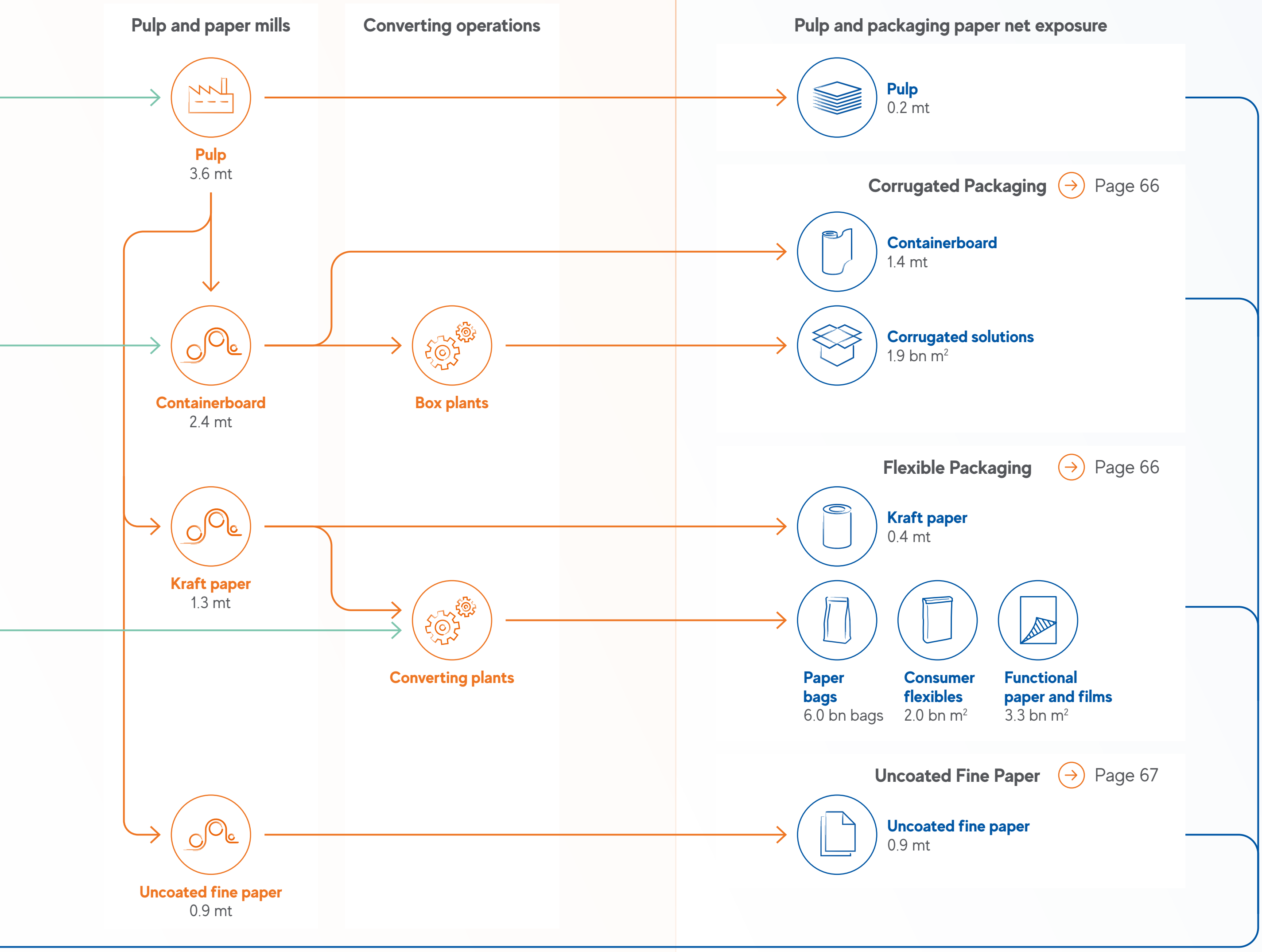
## Sustainable solutions

**We produce a broad range of packaging and paper solutions to meet our customers' needs for consumer and industrial end-uses. Partnering with customers provides an opportunity to innovate and create fit-for-purpose solutions that contribute to a circular economy.**

**Our converted corrugated solutions and flexible packaging products are predominately delivered to customers regionally while our pulp and packaging papers are sold globally. Engagement with logistic partners ensures our products arrive at the right location, on time and according to expected quality standards.**

### Key relationships and partnerships:

- Employees (sales and supply chain teams)
- Partnering with and delivering on our customers' needs across a range of end-uses including food and beverage, pet food, eCommerce, home and personal care, industrial, chemicals, transport, agriculture and office and professional printing
- Logistics providers
- Multi-stakeholder initiatives to drive more sustainable consumption and engage on product-related legislative developments, such as Cepi, the Ellen MacArthur Foundation and 4evergreen



# Market context

## Opportunities and challenges in our packaging markets

**Global packaging demand is estimated at around $1 trillion per annum, roughly half of which is accounted for by Europe and North America. From a materials perspective, paper-based packaging comprises about 40% of the global market, while plastic-based packaging represents another 40%. Metal and glass make up most of the remaining portion.**

**We are building on our market leading position in the structurally growing packaging markets in which we operate, underpinned by demand for eCommerce and sustainable solutions.**

Packaging is used in a wide range of end-uses to protect, preserve, provide key information and promote the packaged product. Around 60% of the global packaging market serves consumer end-uses (including food, drink, healthcare and cosmetics), while the remaining 40% comprises industrial, transport and other applications.

With an integrated business model and key operations located in Europe, North America and Africa, we are well positioned to meet demand for sustainable solutions across the globe. Our packaging businesses offer customers a broad portfolio of corrugated (paper-based) and flexible (paper, plastic and hybrid-based) solutions, tailored to their specific needs.

**Our businesses**
Page 6-7

Market sources: Smithers – The Future of Sustainable Packaging: Long-term Strategic Forecasts to 2032

## Consumer demand for sustainable solutions

**The opportunities and challenges we face**

- Population growth and economic development are increasing consumption, adding pressure on scarce natural resources and emphasising the need for renewable, low carbon and recyclable products in line with a circular economy
- Growing awareness among consumers about the impact of the products and services they consume is driving demand for more sustainable solutions, creating a platform for innovation and new business opportunities, while challenging major FMCGs, retailers and packaging players to actively drive positive change
- Consumers are looking for brands that care for people and the environment, and are willing to pay a premium for products and packaging with superior sustainability credentials

**Product substitution risk**
Page 76

**Recent developments and implications**

- Legislation – such as the Single-Use Plastics Directive, the Packaging and Packaging Waste Regulation and the Ecodesign for Sustainable Products Regulation – is helping to drive the transition to more sustainable solutions and aims to make sustainable products the norm in the European Union
- Increasing demand for packaging that is fit-for-purpose, convenient and functional – considering properties such as recyclability, durability and the use of renewable materials – is reinforcing demand for innovative new solutions such as functional barrier papers and recyclable mono-material plastic solutions
- Brands and retailers increasingly recognise their commitments to sustainability as a potential source of competitive advantage and differentiation

**How we are responding**

- Collaborating with our customers to help them achieve their sustainability goals, leveraging our platform of fit-for-purpose packaging solutions
- Working to achieve our commitment of 100% reusable, recyclable or compostable packaging and paper solutions by 2025
- Partnering with industry associations and participating in other cross-value chain initiatives to eliminate unsustainable packaging, drive innovation and promote circular solutions at scale
- Leveraging our R&D centres, cross-functional packaging development expertise and strong customer relationships to be the go-to supplier for sustainable packaging
- Investing in our asset base to grow capacity, create new business opportunities and enhance quality for our customers

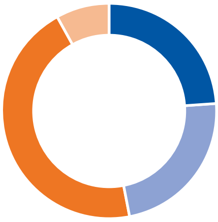
**Circular Driven Solutions**
Page 38-40

### Paper-based dishwasher tablet packaging with 75% less plastic

**Together with Reckitt we have developed a new paper-based packaging solution for the company's market-leading Finish dishwasher tablets.**

The solution significantly reduces plastic use while still providing the necessary product protection by combining responsibly sourced paper with the barrier protection provided by the remaining plastic layer. In addition to reducing plastic waste, the product is also expected to lower GHG emissions across its life cycle, helping Reckitt deliver on its sustainability goals.

### Global packaging by region
(%)



| | |
|---|---|
| Europe | 24 |
| North America | 23 |
| Asia-Pacific | 45 |
| Rest of world | 8 |

### Global packaging by material
(%)

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

## eCommerce and digitalisation

**The opportunities and challenges we face**

- Digitalisation continues to shape the world around us, connecting billions of people with information at unprecedented speed and scale. It creates opportunities to change behaviours, challenge convention and make processes more precise and efficient through automation and data analytics
- Online retail channels are disrupting traditional alternatives as they enable more purchasing flexibility and faster deliveries, adding complexity to supply chain requirements for high efficiency and transparency
- Well-informed, time-pressed and price-savvy consumers increasingly expect value and convenience from their online purchases

**Recent developments and implications**

- eCommerce retail continues to increase its penetration, driven by the ongoing rise in online shopping as digital access and product availability increase globally
- Demand for eCommerce packaging that is sustainable and provides a positive 'unboxing' experience (relating to design, ease of opening, recycling or reuse) is increasing, supporting brand loyalty and inspiring repeat purchases
- Product protection continues to be a key consideration for our customers and their eCommerce packaging decisions, impacting product design and materials used
- Increasing reliance on technology and exposure to cyber security risks as the adoption of remote and flexible working models continue for our customers and employees

**Cyber security risk**
Page 81

**How we are responding**

- Developing innovative and sustainable packaging solutions for eCommerce applications, building on our broad and unique portfolio encompassing corrugated and flexible packaging products, optimising material usage, enabling the reuse of solutions for returns and delivering on service and quality
- 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
- Increasing capacity and eCommerce capabilities by investing across our production network
- Protecting our systems and enhancing cyber security through investment in our technical infrastructure and targeted internal communication
- Collaborating with machine suppliers to drive innovation, creating faster and more efficient production processes for our customers

**Our strategy**
Page 20-29

### Automating for eCommerce with eComPack

**Along with German machine producer Heiber + Schröder, we have developed a high-speed, automated packaging machine for EnvelopeMailers.**

Leveraging Mondi's broad range of eCommerce solutions, the EnvelopeMailer is a renewable, recyclable and highly protective paper-based corrugated mailer, making it ideal for eCommerce packaging. Together with the eComPack machine, it enables eCommerce companies to automate and optimise their packing operations with increased output in fulfilment centres handling high volumes.

# Our strategy
## Strategic framework

Our strategy is to deliver value accretive growth, sustainably, by prioritising growth in our packaging businesses and leveraging our four strategic value drivers. With sustainability at the centre of our strategy, our approach builds on the competitive advantages we have today and guides our investment and operational decisions so that we can continue creating value in a sustainable way.

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

**Chief Executive Officer's strategic review**
Page 22-29


### We drive value accretive growth, sustainably

Our structurally growing packaging markets offer significant opportunities for value accretive growth, leveraging our unique product portfolio, leading market positions, innovation capabilities and high-quality asset base.

Sustainability lies at the centre of our purpose, culture and strategy. We have a solid history of setting and achieving credible sustainability targets and reporting on our performance, as we contribute to finding solutions to sustainability challenges and play our part to deliver on the UN Sustainable Development Goals (SDGs).

We work together with our stakeholders to address risks, seize opportunities and empower decision-making. It is only through this collaborative spirit that we will achieve the impact, innovation and scale necessary to bring about positive change beyond our own boundaries.

#### Mondi Action Plan 2030

MAP2030, our sustainability roadmap to 2030, builds on our strong progress made to date and sets out the actions we need to take over the next decade to achieve our ambitious goals. MAP2030 has three action areas, each with three high-level commitments supported by more detailed targets, built on a foundation of responsible business practices.

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

**Created by empowered people**
An empowered and inclusive team that contributes to a better world

**Taking action on climate**
Climate resilience through our forests and operations for the future of the planet

**Built on responsible business practices**
Spanning environmental performance, human rights, communities and procurement

**MAP2030**
Page 36-65

## Drive performance along the value chain

Continuous improvement initiatives, commercial excellence, lean processes, rigorous quality management and operational excellence programmes enhance our productivity and efficiency, and prevent waste.

We collaborate across the Group to tackle challenges and create opportunities. Rigorous benchmarking enables us to share best practice, leverage insights across the business and identify emerging issues to optimise productivity and performance throughout the organisation. Centralised functions, such as procurement, technical, sustainable development, treasury and tax, improve coordination and control and reduce costs.

Digital technology supports our drive to accelerate performance, reduce costs and deliver productivity and efficiency gains. By combining technology, data science and the talents of our people, we continue to build on our digital capabilities, creating opportunities to refine processes, improve our offering to our customers and generate value for our business.

We regularly review our portfolio and take decisive actions where appropriate to optimise our network, manage our cost base and maintain operational efficiency.

## Invest in assets with cost advantage

We invest in our asset base through the cycle to drive organic growth, strengthen cost competitiveness, improve environmental performance, and enhance our product offering, quality and service to customers.

Across our vertically integrated pulp and paper operations, we are focused on leveraging our cost advantages as relative cost competitiveness is a key value driver. In our converting plants, we focus on enhancing our capabilities to better serve our customers with innovative solutions that are sustainable by design.

Operating in structurally growing packaging markets, our growth priorities and value-enhancing expansionary capital investments are directed towards our packaging businesses, which today account for around 80% of the Group's underlying EBITDA.

In addition, and where appropriate, we look to acquire businesses that produce high-quality products with sustainable competitive advantage and the potential to achieve world-class operating standards. This enables us to generate synergies through integration and enhance our customer offering.

## Inspire our people

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

The safety, health and mental wellbeing of our people is a priority for us. We embed clearly defined methodologies, procedures and robust controls to ensure they, and other people who have reason to be on Mondi sites, stay safe. We promote a 24-hour safety mindset with initiatives to address peoples' conscious and unconscious behaviours, elevating safety to the front of peoples' minds and actions.

Creating an inclusive environment that fosters and respects diversity is vital to our success and builds competitive advantage. Our aim is to create equal opportunities where all employees can grow and make a contribution based on individual backgrounds, experience and ideas.

Enhancing the skills of our people through training and personal development initiatives is a key part of developing an agile and motivated workforce that is capable of delivering our strategy and driving success in a sustainable way.

## Partner with customers for innovation

We collaborate with our customers and other partners along the value chain to develop high-quality, innovative, sustainable packaging and paper solutions. This helps us to eliminate unsustainable packaging, lead the transition to a circular economy, prevent waste and grow our customer base of forward-thinking brands.

Our customer-centric approach helps to find the optimal solution following our principle of paper where possible, plastic when useful. We prioritise the use of paper-based solutions as a renewable and widely recycled resource to replace unnecessary plastic packaging. However, when functional barriers are required, lightweight plastic-based flexible packaging can be the most sustainable choice if designed and manufactured for recycling and disposed of appropriately.

Our innovation capabilities, supported by our R&D centres, product and technical know-how, and strong customer relationships, are critical in meeting increasingly sophisticated and bespoke customer needs by delivering packaging solutions that maximise resource efficiency and minimise waste.

# Chief Executive Officer's strategic review

## How is MONDI delivering SUSTAINABLE value accretive growth?

**Andrew King**
Group CEO

In this Q&A, our Group CEO Andrew King reflects on 2022, his thoughts for the year ahead and why he believes Mondi's unique customer proposition and long-term opportunities will continue to deliver value accretive growth, sustainably.

### Q1. How would you summarise Mondi's performance in 2022?

Mondi delivered a strong financial and operational performance in 2022 thanks to our distinct competitive advantages and the resolve of our teams across the business. We made good progress across our MAP2030 commitments and we continue to develop fit-for-purpose solutions, set apart by our broad product offering and innovation capabilities. My sincere thanks go to all colleagues for their professionalism, agility and commitment in another year of strong progress.

### Q2. How are you driving growth across the Group?

We have an ambitious organic growth programme involving a €1 billion pipeline of expansionary capital investment projects where we continue to make encouraging progress. Among the highlights, I am delighted that the Board approved our €400 million investment in a new paper machine at our Štětí mill (Czech Republic), which supports further growth in our sustainable packaging offering. Significant projects like this reflect the confidence we have to invest in our structurally growing packaging markets through the cycle. Importantly, our organic investment programme impacts a number of different growth markets, both geographical and product, providing the diversity that brings real resilience to our portfolio. You can read more about our expansionary capital investment pipeline in the table on the next page.

During the year, we also successfully completed the disposal of our Personal Care Components business, allowing us to focus on the growth in our core packaging businesses.

| | |
|---|---|
| **Group revenue** €8,902m ↑28% on 2021 | **Underlying EBITDA** €1,848m ↑60% on 2021 |
| **Underlying EBITDA margin** 20.8% ↑420bps on 2021 | **Operating profit** €1,685m ↑114% on 2021 |
| **ROCE** 23.7% ↑980bps on 2021 | **Cash generated from operations** €1,292m ↑29% on 2021 |

This section includes Alternative Performance Measures which are defined on pages 242-248. Unless other specified, all figures presented and commentary provided is based on the Group's continuing operations (which exclude the Group's Russian operations).

# INVESTING

Our capital investment programme is focused on meeting our customers' growing demand for sustainable packaging and paper solutions. Our investments enhance our product offering, quality and service to customers; strengthen our cost competitiveness; improve our environmental footprint; and deliver growth. We seek to invest through the cycle given our confidence in the long-term growth of the markets we operate in and our leading positions within them.

We continue to make good progress in executing on our previously announced €1 billion pipeline of expansionary capital projects. These investments, which are outlined to the right, are diversified across the value chain and also in terms of product and geography.

Adding to this pipeline of capital investment projects, in January 2023 we completed the acquisition of the Duino mill near Trieste (Italy) for a total consideration of €40 million. We plan to convert the existing paper machine into a high-quality, cost-competitive recycled containerboard machine with an annual capacity of around 420,000 tonnes for an estimated capital investment cost of €200 million. The mill is ideally located to source paper for recycling, supply the Group's Corrugated Solutions plants in central Europe and Türkiye as well as to serve the growing local Italian market. The converted machine is expected to start-up in 2025.

We continue to actively evaluate further growth opportunities in the packaging markets in which we operate, leveraging the structural growth drivers, our leading market positions and high-quality, cost-advantaged asset base.

## Corrugated Packaging

### Pulp and paper mills

**€220 million**

- Kuopio (Finland) mill modernisation including increasing semi-chemical fluting capacity by 55,000 tonnes (€125 million)

Estimated start-up date: **Q4 2023**

- Debottlenecking kraftliner production at Świecie (Poland) by 55,000 tonnes (€95 million)

Estimated start-up date: **2024**

### Converting operations

**€185 million**

- Investments across our central and eastern European plant network:
  - Strengthening our leading market positions
  - Supporting growth in eCommerce
  - Enhancing product and service offering

## Flexible Packaging

### Pulp and paper mills

**€400 million**

- New 210,000 tonne per annum kraft paper machine at Štětí (Czech Republic)
- Meeting growing demand for sustainable paper-based flexible packaging and helping us to better serve our customers as well as improve productivity and energy efficiency
- Full production ramp-up expected by 2027

Estimated start-up date: **2025**

### Converting operations

**€190 million**

- Expanding our paper bags business's global reach through greenfield plant investments in Colombia and Morocco
- Investing across our plant network:
  - Upgrading paper bag capabilities
  - Consolidating our leading market position in European pet food packaging (€65 million)
  - Enhancing coating capabilities with sustainable paper-based solutions with barrier properties (€50 million)

# Chief Executive Officer's strategic review continued

## Q3. How is Mondi taking advantage of the structural growth drivers in its packaging markets?

It's clear that the long-term structural growth drivers around sustainable packaging, eCommerce and brand value are here to stay, and we continue to see good momentum across our markets.

We are uniquely positioned to support our customers because we offer a full range of solutions, from pure paper-based solutions through to flexible plastic-based products and a growing selection of hybrid solutions. This means we can objectively consider what is the best and most sustainable solution for each application. It also drives the development of innovative corrugated and flexible packaging in partnership with our customers as we transition to a circular economy.

**Market context**
Page 18–19

We continue to invest in our packaging businesses to meet our customers' growing demand. Over the past five years, capital expenditure in our packaging businesses was around €0.8 billion above depreciation (or 161% of depreciation), with a further €0.5 billion spent on bolt-on packaging acquisitions. Today, our packaging businesses account for around 80% of the Group's underlying EBITDA.

### Our strategic priority for each business unit

**Corrugated Packaging**

Grow

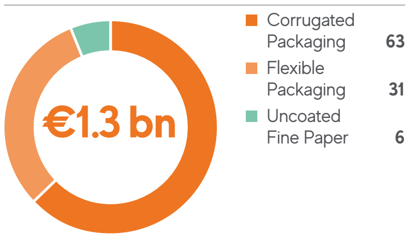
**Flexible Packaging**


Grow

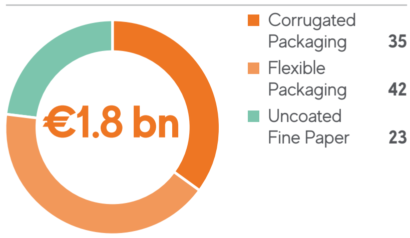
**Uncoated Fine Paper**


Optimise

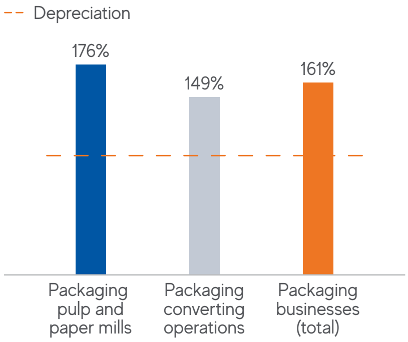
**Five-year net investment[1]**
2018–2022 (%)



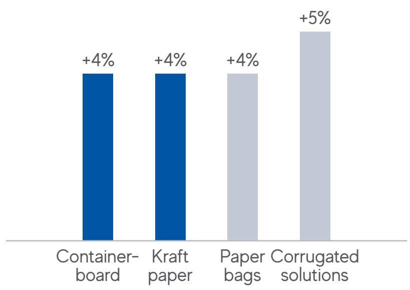

**Underlying EBITDA[2]**
2022 (%)




**Capital expenditure as a percentage of depreciation (packaging businesses)**
2018–2022 (five-year average)




**Five-year production volume CAGR[3]**
2018–2022 (excluding disposals)




1 Net investment is calculated as capex plus acquisitions less depreciation and disposals, and excludes the Group's discontinued operations and the divested Personal Care Components business
2 Underlying EBITDA split excludes corporate costs
3 Consumer flexibles and functional paper and films production volume CAGRs were negligible due to plant network optimisation

### Q4. What are you doing to make the most of Mondi's uniquely broad product portfolio?

Mondi's extensive range of solutions means we can offer insightful advice to our customers and design packaging that maximises functionality while minimising the environmental impact. Collaboration between our Consumer Flexibles and Paper Bags businesses is a good example. Historically, paper bags have largely been used in industrial applications, but we're seeing increasing crossover, with customers eager to switch to paper-based packaging wherever it makes sense for consumer end-uses. Similarly, we're driving the development of functional barrier papers, where we have the capability to add barrier layers to our paper-based solutions while still ensuring they are fully recyclable. We have made organisational changes within our Flexible Packaging business unit to nurture this increasing integration and provide the best proposition to customers.

### Q5. How has the Group responded to higher input costs in recent times?

Most of our pulp and paper mills generate the majority of their energy needs internally, with around 80% of the fuels used in this process from biomass sources, and only around 10% of our fuel sourced from natural gas. This is the result of the significant investments we have made over a number of years in making our facilities more energy efficient and increasing backward integration, primarily into biomass-based energy generation.

Our customers value the security of supply, service, quality and innovation that we provide, and this has supported the price increases required in response to rising input costs. Furthermore, our ongoing focus on operational performance continues to mitigate inflationary effects.

### Q6. Does the decision to divest its Russian operations impact Mondi's growth prospects?

In August 2022, we announced that we had agreed the sale of Syktyvkar to Augment Investments Limited, and in December 2022, we announced the sale of our Russian packaging converting operations to the Gotek Group. Both transactions are subject to regulatory approvals.

The Group's most significant facility in Russia is the integrated mill located in Syktyvkar (Komi Republic). It primarily serves two markets: uncoated fine paper, which is largely a domestic business, and containerboard, which historically served both domestic and international markets. In 2022, these volumes were redirected into the domestic market. At the same time, we ramped up production at our new 300,000 tonne per annum containerboard machine at Ružomberok (Slovakia), which produces a similar product, enabling us to continue to serve customers outside Russia.

Given Mondi's strong financial position, and the domestic market focus of the Russian operations, the divestment of these assets will have minimal effect on the future growth prospects of the Group outside Russia. Importantly, our expansionary capital investment programme, which was first formulated before the war in Ukraine, is unaffected by the decision to divest from Russia.

## PARTNERING

**Paper-based Protector Bags for bike handlebars**

Our close customer collaboration provides an opportunity to develop fit-for-purpose packaging solutions with our customers. For example, German bike manufacturer Diamant has replaced the plastic bubble wrap around its bike handlebars with our paper-based solution of premade Protector Bags.

As well as providing robust protection to the bikes during transport, this will reduce Diamant's plastic packaging by around 85% per year.



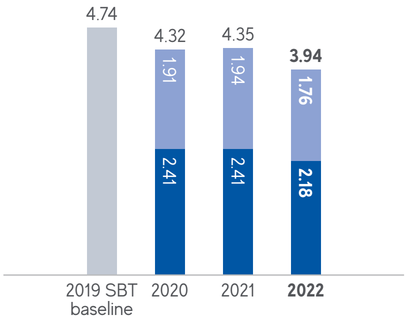
**Mono-material recyclable packaging for bacon**

Together with the Austrian food company Handl Tyrol, we have developed a high-barrier, mono-material polypropylene packaging solution for bacon. The fresh food packaging solution effectively protects the product to prevent food spoilage and can be recycled in existing streams for mixed polyolefins.

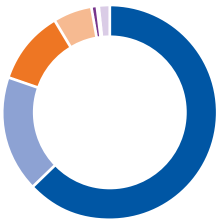
# Chief Executive Officer's strategic review continued

**Total Scope 1 and 2 GHG emissions**
(million tonnes)

■ Group excluding Russian operations
■ Russian operations




**Scope 3 emissions**
(thousand tonnes $CO_2e$)



| | |
|---|---|
| Purchased goods and services | 2,160 |
| Fuel and energy-related activities | 593 |
| Upstream transportation and distribution | 380 |
| Downstream transportation and distribution | 203 |
| Employee commuting | 29 |
| Business travel | 3 |
| Other | 55 |

## Q7. Have you made progress on your MAP2030 sustainability ambitions?

I have always believed that you can only make meaningful progress if sustainability is truly embedded in the organisation. Our sustainability journey started a long time ago and the launch of our MAP2030 sustainability framework in early 2021 reflects our ongoing commitment to contribute to a better world by focusing on the areas where we can have the most positive impact. It has been wonderful to see how colleagues across the Group have embraced our latest commitments and this collective determination is driving our progress, with a clear acknowledgement that we still have a lot of work to do.

A key pillar of our sustainability framework is around climate change. Here we have accelerated our climate ambition by committing to Net-Zero in line with a 1.5°C scenario, and I am particularly pleased that Mondi is among the first packaging and paper companies with Net-Zero targets validated by the Science Based Targets initiative (SBTi), committing us to reducing GHG emissions across Scopes 1, 2 and 3.

Read more about our actions taken on climate and other aspects of MAP2030 in the respective MAP2030 sections.

**Taking Action on Climate**
Page 44-57

## Q8. How is the Group inspiring employees to deliver Mondi's strategy?

The talent, commitment and energy of our people stands out every time I visit our operations. Our track record of success is a direct outcome of our shared purpose and culture that empowers people to make a difference. My priority is to ensure that we provide a safe, supportive and inclusive environment in which we can all be at our best.

We continue to invest in our people through training and development programmes that support their growth. This includes the Mondi Academy – our global learning hub – and other upskilling initiatives that help to develop a strong talent pipeline.

During the year, we completed a series of employee pulse surveys across a number of our operations. Together with our upcoming Group-wide employee survey planned for 2023, these activities provide insight and opportunities to engage with our global workforce.

We increased the proportion of the Group's annual bonus targets that are linked to sustainability KPIs. We believe that this will help focus our actions, further embed sustainability into our activities and contribute to meeting our MAP2030 targets. These metrics, now comprising 20% of the total annual bonus score, cover safety, greenhouse gas emissions and waste to landfill targets and are applicable to around 3,400 colleagues across the Group, including the executive directors and Executive Committee members.

**Remuneration report**
Page 124-151

# RECOGNISING

### Celebrating excellence

**Since 2008, the Mondi Diamond Awards have recognised our colleagues' innovative spirit and achievements across a number of categories.**

Over the years, the awards have become a unique platform for sharing knowledge, experiences and insights that can be scaled across the Group. This year, we celebrated a record number of entries, demonstrating our employees' passion for excellence and entrepreneurial culture.

The winning projects ranged from digitalisation of the production environment and safety risk management to young talent development and sustainable packaging solutions. The Mondi Diamond Awards help us to inspire our people, challenge each other to foster greater innovation and further cultivate our values of Performance, Care and Integrity.

**Total Recordable Case Rate**
**(per 200,000 hours worked)**

**0.63**

**8%** improvement on 2020 baseline

We promote a 24-hour safety mindset across the Group with initiatives to address people's conscious and unconscious behaviours, elevating safety to the front of their minds and actions. We regretfully experienced a fatality of a contractor at our Frantschach mill (Austria) in the year and two life-altering injuries at our operations. All incidents are investigated and actions taken where necessary to prevent reoccurrences. As part of our MAP2030 commitments, we are committed to reduce our Total Recordable Case Rate (TRCR) by 15% against a 2020 baseline, along with targets for zero fatalities and life-altering injuries. In 2022, our TRCR was 0.63, representing an 8% improvement on our 2020 baseline.

You can find out more about our many initiatives to safeguard, develop and inspire our people in our MAP2030 section.

**Empowered People**
Page 41-43

## Q9. Mondi's purpose is to contribute to a better world by making innovative packaging and paper solutions that are sustainable by design. How does the Group's strategy support this?

Packaging plays a vital role in getting products safely from where they are produced to where they are needed. We make it possible to do this in the most efficient way while preventing loss or damage and minimising environmental impacts. For our business, it means making packaging that is fit-for-purpose and contributes to a circular economy. This helps us to play our part in tackling some of the world's biggest sustainability challenges – from food loss to plastic pollution, nature loss and climate change – by delivering packaging solutions that are designed at the outset with sustainability in mind.

We are making progress towards our commitment to make 100% of our packaging and paper products reusable, recyclable or compostable by 2030, with 82% meeting the criteria in 2022, up from 77% in 2021.

I see real value in multi-stakeholder initiatives and partnerships to drive positive change at scale. These include the WBCSD Forest Solutions Group, the Ellen MacArthur Foundation, 4evergreen alliance and the International Union of Forest Research Organizations, among others. We also work with organisations such as the United Nations World Food Programme to help eliminate food waste by developing fit-for-purpose packaging solutions. Our MAP2030 section outlines our partnerships and provides further detail on the progress we have made against our ambitious targets.

**Circular Driven Solutions**
Page 38-40

## Q10. How does Mondi's resilient business model create opportunities for the Group?

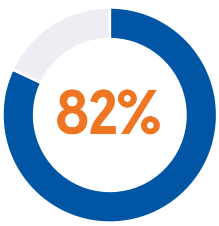
One of our strategic value drivers is to invest in our high-quality assets. This has been a fundamental principle under which we have operated and, as a consequence, we enjoy very strong cost positions in the markets that we serve. This is supported by our enduring focus on operational excellence, encompassing the systematic drive for productivity and efficiency gains, supported by rigorous benchmarking, knowledge sharing, digitalisation, automation and other initiatives. This enables us to reliably supply our customers with quality products, even in challenging times, and puts us in a great position to work together to deliver circular driven solutions.

**Our business model**
Page 14-17

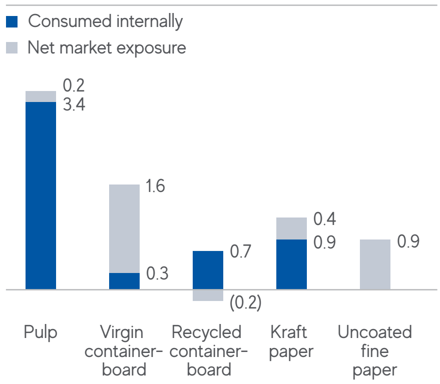
## Q11. What is Mondi's near-term outlook?

As we enter 2023, significant geopolitical and macro-economic uncertainties remain. Whilst a number of input costs are starting to decline, we continue to see an environment of softer demand and pricing, with destocking expected to continue through the first quarter. Notwithstanding these challenges, we remain confident of our compelling product portfolio and resilient business model. Our cash generation and strong balance sheet provide strategic flexibility, enabling us to meet growing customer demand for sustainable products and continue to invest to strengthen our leading market positions. We remain well positioned to deliver attractive returns and sustainable value accretive growth.

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




**Vertical integration**
(production in million tonnes)



# Chief Executive Officer's strategic review continued

## Strategic performance summary

### Drive value accretive growth, sustainably

**Progress in 2022**

- Strong operational and financial delivery across the Group, delivering returns well in excess of our cost of capital
- Completed the sale of the Personal Care Components business
- Validated our science-based Net-Zero GHG emissions reduction targets by the SBTi, aligned to a 1.5°C scenario
- Progressed against our ambitious MAP2030 commitments, including the reduction of our absolute Scope 1 and 2 greenhouse gas emissions by 17% against our 2019 baseline
- Engaged in multi-stakeholder partnerships, for example with the WBCSD Forest Solutions Group, the Ellen MacArthur Foundation, 4evergreen alliance and the International Union of Forest Research Organizations

**Medium-term priorities**

- Continue to innovate and collaborate along the value chain with key stakeholders to further develop our sustainable packaging and paper portfolio
- Build on our climate resilience by reducing GHG emissions across our value chain in line with our science-based Net-Zero targets
- Work on delivering our MAP2030 commitments by actively engaging with our people and other stakeholders

**Related risks and mitigation**

Pandemic risk
1

Strategic risks
3 5 6

Financial risks
7 8 9

Operational risks
10 11 12 13 14 15 16

Compliance risk
17

**Further detail in Chief Executive Officer's strategic review**
Q1, Q2, Q3, Q7, Q9, Q10

### Drive performance along the value chain

**Progress in 2022**

- Strong operational performance in the face of tight supply chains and rising costs, including annual production records at two pulp and paper mills
- Reorganised business units by moving Functional Paper and Films into Flexible Packaging to strengthen integration along the kraft paper value chain
- Optimisation of converting plant network including consolidating corrugated solutions' production in Adana (Türkiye) into one production site
- Progressed on a number of digitalisation initiatives to drive productivity gains, including the adoption of predictive maintenance techniques based on real-time data analysis and advanced wood chip analysis to optimise pulp quality

**Medium-term priorities**

- Continue to evaluate, invest in and roll out focused digital platforms and initiatives across our network to drive productivity and efficiency gains
- Continuous improvement initiatives across our business to reduce costs and waste, maintain quality standards and enhance operational performance

**Related risks and mitigation**

Pandemic risk
1

Strategic risks
2 4 6

Financial risks
7 8 9

Operational risks
10 11 12 16

**Further detail in Chief Executive Officer's strategic review**
Q1, Q4, Q5, Q10

## Invest in assets with cost advantage

### Progress in 2022

- Realised financial and sustainability benefits from recently completed major capital projects
- Progressed on our €1 billion expansionary capital investment pipeline that will drive value accretive growth, including the approval of a new kraft paper machine at Štětí
- Acquired the Duino mill in early 2023 with plans to convert the paper machine to a cost-competitive recycled containerboard machine
- Continued to invest in our asset base to drive growth, strengthen cost competitiveness, enhance our offering and improve our environmental footprint

### Medium-term priorities

- On-time and on-budget execution of capital investment programme to enhance our offering and deliver to our customers
- Convert the existing paper machine at our Duino mill into a cost competitive recycled containerboard machine
- Continue to evaluate further organic and selective inorganic investment opportunities

### Related risks and mitigation

Pandemic risk
1

Strategic risks
2 3 4 5 6

Financial risks
7 8 9

Operational risks
11 12 16

Compliance risk
17

**Further detail in Chief Executive Officer's strategic review**
Q2, Q3, Q5, Q6, Q10

## Inspire our people

### Progress in 2022

- Developed and enhanced our people's skills through training programmes and upskilling initiatives
- Engaged with colleagues across the organisation to provide insight and foster a collaborative team spirit including the completion of a number of employee pulse surveys to develop a more diverse and inclusive workplace
- Continued care for the physical and mental health of our people, for example the expanded Employee Assistance Programme which provides counselling support to Mondi employees and their families
- Maintained strong focus on safety with an 8% improvement in Total Recordable Case Rate compared to our 2020 baseline

### Medium-term priorities

- Focus on talent attraction, retention and diversity and inclusion (D&I) initiatives to provide purposeful employment for all our employees
- Continue to engage with our employees, including the 2023 Group-wide employee survey to create an inspiring and inclusive work environment
- Continuous focus on improving our safety performance and embedding a behaviour-based safety mindset

### Related risks and mitigation

Pandemic risk
1

Operational risks
14 15 16

Compliance risk
17

**Further detail in Chief Executive Officer's strategic review**
Q1, Q7, Q8

## Partner with customers for innovation

### Progress in 2022

- Increased the proportion of our product portfolio that is reusable, recyclable or compostable, achieving 82% in the year
- Ongoing focus on developing innovative and sustainable packaging and paper solutions, leveraging our unique platform, and continuing to be externally recognised with award-winning products, including eight 2023 WorldStar Packaging Awards
- Improved our overall quality performance with a 26% reduction in total customer complaints over the last 2 years

### Medium-term priorities

- Continue to partner with our customers to develop innovative and sustainable packaging solutions
- Increase the proportion of products that are reusable, recyclable or compostable, aiming to reach 100% by 2025
- Ongoing engagement with customers to improve quality standards and overall customer satisfaction

### Related risks and mitigation

Pandemic risk
1

Strategic risks
3 4 6

Operational risk
16

Compliance risk
17

**Further detail in Chief Executive Officer's strategic review**
Q3, Q4, Q5, Q6, Q9, Q10

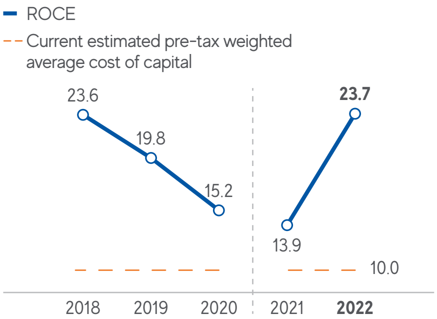
# Key performance indicators
## Tracking our performance

Our Key performance indicators (KPIs) provide a broad measure of the Group's performance. We set individual targets for each of our business units in support of these Group KPIs.

**Russian operations KPI considerations**

The KPIs shown below are based on the Group's continuing operations (which exclude the Russian operations) for 2022, 2021 and for sustainability metrics, 2020. All other prior period amounts include the Group's Russian operations. The different presentation basis is represented by the vertical dotted line.

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




**Why this is a KPI**

ROCE provides a measure of the efficient and effective use of capital in our operations.

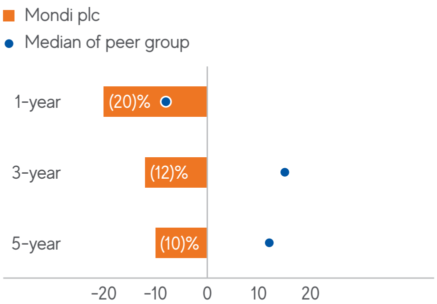
We compare ROCE to our current estimated Group pre-tax weighted average cost of capital to measure the value we create.

**2022 performance**

The Group achieved a ROCE of 23.7%.

**Link to strategic framework**

### Total Shareholder Return (TSR)
% (vs FTSE All Share Index)




**Why this is a KPI**

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

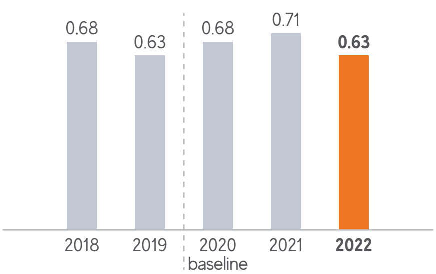
TSR measures the total return to Mondi's shareholders, including both share price movement and dividends paid.

**2022 performance**

While the recommended total dividend per share for the year represents an 8% increase on 2021, the share price performance in the year was negatively impacted by the Russian invasion of Ukraine given the Group's significant exposure to Russia (around 20% of total EBITDA over the previous three years).

**Link to strategic framework**

### Total Recordable Case Rate (TRCR)
(per 200,000 hours worked)




**Why this is a KPI**

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

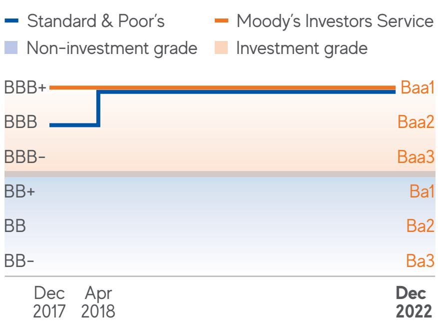
**2022 performance**

In 2022, our TRCR was 0.63, representing an 8% improvement on our 2020 baseline.

We regretfully experienced one fatality at our Frantschach mill (Austria) in the year and two life-altering injuries at our operations.

**Link to strategic framework**

### Investment grade credit rating




**Why this is a KPI**

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

**2022 performance**

Our investment grade credit ratings were reaffirmed during the year – Standard & Poor's BBB+ (stable outlook) and Moody's Investors Service Baa1 (stable outlook).

**Link to strategic framework**

## Using KPIs to measure the success of our strategy

Our strategy is to deliver value accretive growth, sustainably. This is underpinned by four strategic value drivers which build on the competitive advantages we enjoy today and set a clear roadmap for investment and operational decisions into the future. We use KPIs to provide a measure of Mondi's strategic performance and value creation.

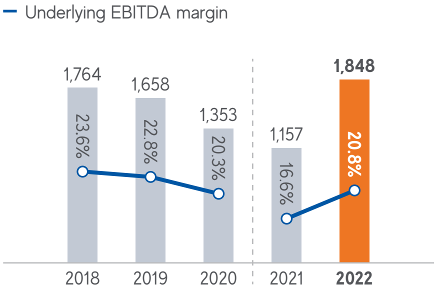
**Our strategy**
Page 20-29

## Aligning KPIs to remuneration

Our executive directors are set specific targets relating to TSR and ROCE for the Long-Term Incentive Plan while the Group's annual bonus (which covers around 3,400 employees including the Group CEO and Group CFO) covers ROCE, underlying EBITDA and sustainability metrics encompassing safety, GHG emissions and waste to landfill targets.

**Remuneration report**
Page 124-151

### Underlying EBITDA
(€ million)




### Why this is a KPI

Underlying EBITDA provides a measure of the cash generating ability of the Group that is comparable from year to year.

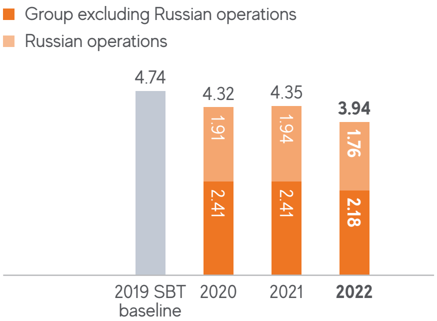
Tracking our cash generation is one of the components we measure when we assess our value creation through the cycle.

### 2022 performance

Underlying EBITDA of €1,848 million represents a 60% year-on-year increase. The Group's underlying EBITDA margin was 20.8%.

### Link to strategic framework

### Total Scope 1 and 2 GHG emissions
(million tonnes)




### Why this is a KPI

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

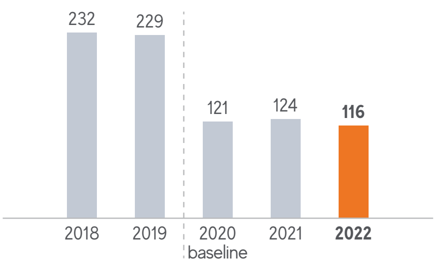
### 2022 performance

We were among the first companies in our sector to have our science-based Net-Zero targets validated by the Science Based Targets initiative in 2022.

We reduced our absolute Scope 1 and 2 GHG emissions by 17% compared to our 2019 baseline and remain on track to meet our targets.

### Link to strategic framework

### Waste to landfill
(thousand tonnes)




### Why this is a KPI

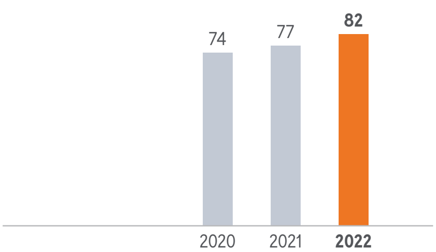
Our goal is to keep materials in circulation. We are focused on reducing our waste and reusing or recycling unavoidable waste generated in our production processes instead of disposing of it to landfill.

### 2022 performance

We continue to make progress against our target of zero waste and have successfully reduced our absolute waste to landfill from our manufacturing processes by 4% compared to our 2020 baseline.

### Link to strategic framework

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




### Why this is a KPI

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

### 2022 performance

We estimate that 82% of our revenue in 2022 was generated from products that were reusable, recyclable or compostable. We are working towards our ambitious target of reaching 100% by 2025.

### Link to strategic framework

# Section 172 statement

# Stakeholder engagement

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

## Our employees

**Key issues raised in 2022 and our response**

Themes highlighted in 2022 centred around feedback and recognition, personal development opportunities, collaboration, diversity and inclusion and mental health. To support building our talent pipeline, the International Graduate Programme was initiated with graduates and interns taking part in the 'Grow with Mondi' event.

In 2022, around 31% of all employees took part in the online Performance and Development Review process. Around 2,600 employees shared their views in the pulse surveys. To support our culture of development and inclusion, we established the "Curious Community", a new online community to exchange ideas on diversity and inclusion.

We also extended the reach of the Employee Assistance Programme to include Thailand, with 94% of our employees worldwide now able to rely on its support. The newly developed Mental Wellbeing Index for our employee survey was tested in various locations. Making a Difference Day (MADD) took place across most of Mondi's locations with a focus on inclusive behaviour, mental health, safety and climate action. Local MADD initiatives included webinars and management talks.

## Our customers

**Key issues raised in 2022 and our response**

Our customers continued to focus on topics including security of supply, product quality, the circular economy and related legislative initiatives, sustainable packaging solutions, competitive advantage and carbon emissions. In 2022, to meet customer requests for transparency on the climate and water impacts of our products, we conducted 234 Product Impact Assessments and 336 Product Carbon Footprint assessments.

We continued our engagement with Graz University to work on process improvements on the material and energy efficiency of our pulping process.

In 2022, we continued our customer collaboration to develop solutions to meet their sustainability goals and maintained our ongoing collaborations with multi-stakeholder initiatives, such as CEFLEX and 4evergreen, as well as the Ellen MacArthur Foundation.

## Our suppliers and contractors

**Key issues raised in 2022 and our response**

Local sourcing, secure contracts and capacity building are key topics for suppliers. There is also increasing attention from our stakeholders on the environmental and social performance of our suppliers and contractors. In 2022, we risk-screened 369 supplier sites using our Responsible Procurement process. We conducted workshops with some of our key global suppliers to collect primary carbon data and engage with them on their GHG reduction targets to support our Scope 3 engagement.

Safety was a key priority for contractors, particularly during annual maintenance and project-based shuts. During the Richards Bay (South Africa) rebuild project, we continuously discussed learnings and identified improvement opportunities.

Annual maintenance shuts in 2022 saw over 9,600 contractors working on our sites. Overall, we achieved a good shut performance with zero life-altering injuries during more than 1.2 million hours worked.

We support smallholders in South Africa via our corporate social projects and provide them with sustainability training opportunities. In 2022, Mondi sourced 157,040 tonnes of wood from rural smallholdings (1-10 hectares each). Mondi Zimele also distributed 1.2 million seedlings and provided training, mill visits and knowledge-sharing field days to eligible small growers.


## Our communities

### Key issues raised in 2022 and our response

We invested €8.9 million in social initiatives supporting health, environmental protection, education, local enterprise and infrastructure. Our mills continued to serve local communities with power supply, wastewater treatment and waste disposal services. Mondi Group and many of our local operations supported people in need in Ukraine through aid campaigns, including a donation of €2 million to the World Food Programme for humanitarian assistance. In South Africa, Mondi Zimele focused on income generating projects and self-help groups to support livelihoods. Our nine mobile health clinics provided healthcare and support for forestry contractor employees and their families and provided Early Childhood Development services and support sessions.

In 2022, we conducted two Socio-Economic Assessment Toolbox (SEAT) processes in our paper mills at Mondi Štětí (Czech Republic) and Mondi Corrugated Turkey Tire paper mill (Türkiye). The SEAT reports will be published on Mondi's website, capturing the process and all outcomes. We received and addressed 167 complaints from communities, including 153 odour-related and 13 noise-related complaints. We continue to invest in the latest technologies to reduce our impacts on communities.

## Our investors

### Key issues raised in 2022 and our response

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

During the year, the Group's interests in Russia were regularly discussed during investor engagement activities following Russia's invasion of Ukraine in February, the Board's assessment of the Group's interests in Russia and the decision in May to divest the operations. Discussions focused on the implications for the Group's strategy, business model and value creation. During the second half of the year, the Group entered into agreements to sell its Russian businesses in line with the decision taken in May.

The Board recommended a final 2022 dividend of 48.33 euro cents per share. This final dividend, together with the interim dividend, amount to a total dividend for the year of 70.00 euro cents per share, an increase of 8% on the 2021 total dividend.

## Partners and industry associations

### Key issues raised in 2022 and our response

Our partnerships aim to find solutions to societal challenges such as climate change, biodiversity and water stewardship, responsible sourcing, circular economy and food waste.

We maintained our membership of the WBCSD's Forest Solutions Group and actively supported the development of the Nature-Positive Roadmap for our sector. We continued to engage with IUFRO to identify ways to improve forests' resilience to climate change.

In South Africa, we worked with Endangered Wildlife Trust to support our biodiversity status review of our plantation forestry operations and launched a partnership to explore biodiversity accounting approaches in plantation forestry.

We continued supporting the Mondi Ecological Networks Programme of the University of Stellenbosch. WWF-Mondi Water Stewardship Partnership in South Africa also progressed well.

We collaborated with CEFLEX and 4evergreen to drive progress across the value chain with development of tools, such as design guidelines. With Cepi, we engaged in discussions related to the GHG Protocol Mirror Group and the Packaging and Packaging Waste Regulation for example.

We also engaged with SBTi to validate our new Net-Zero GHG emissions reduction targets.

**Stakeholder Engagement Index**

In this index, we offer further insights into how we have engaged with different stakeholder groups, the topics raised and our response.

**Visit our website to download**
www.mondigroup.com

# Section 172 statement

# How stakeholder considerations shape decision-making

Mondi's strategic decision-making framework focuses on delivering sustainable value for key stakeholders, and relies on the quality of the relationships it has with them. The Board's deliberations take into account the long-term interests of our stakeholders, along with the impact of our business and the balance of actions required to deliver sustainable growth.

## Our approach

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

### 1. Local and personal engagement

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

### 2. Informed decision-making

The Board seeks to understand the material issues relevant to stakeholders as they evolve. In addition to the regular feedback it receives from stakeholders and colleagues, the Group carries out an established materiality assessment, which is conducted every three years or more often if needed.

### 3. Long-term horizons

To grow and protect value, the Board maintains a long-term view that stretches beyond the projected tenure of the directors and considers impacts far into the future. This can be seen with the longer-term focus of our MAP2030 framework.

### 4. Two-way dialogue

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

#### Local and personal engagement

**One way in which the Board gains insights from local and personal engagement is from Mondi's Socio-Economic Assessment Toolbox (SEAT) process. SEATs are arranged as an open dialogue with a variety of stakeholders facilitated by an independent third party. The conclusions of each assessment are shared with the local management team as well as Mondi's senior leadership, including the Sustainable Development Committee.**

www.mondigroup.com/SEATs

In May 2022 a SEAT was carried out at our Štětí mill in the Czech Republic. The mill employs around 1,000 people and is the largest producer of pulp and packaging paper in the country. The SEAT process included around 21 meetings and involved conversations with a range of stakeholders such as employees, customers and community representatives.

The stakeholders interviewed identified Mondi Štětí as a:

- Strong and reliable business partner
- Responsible manufacturer who cares about good working conditions
- Modern, supportive and reliable partner to local communities in the region
- Mill with high environmental standards

In terms of areas for improvement, three overarching issues were of most concern to stakeholders:

- Vehicle traffic
- Odour emissions
- A perception of overly stringent safety rules

The local management team reviewed all the findings and responded formally with their feedback in the publication of a SEAT report. This included steps on where improvements can be made for the future, of which some, such as traffic alleviation measures, have already been implemented.

Further details of the Štětí SEAT and outcomes can be found on pages 74 of the 2022 Sustainable Development report.

Pages 32-35 of this report aim to provide a snapshot of how this approach works and, in doing so, serve as a statement summarising how Mondi's directors have fulfilled their Section 172 duty in 2022. This includes a summary of who our key stakeholders are, how we engage with them and how we respond to their interests.

**Corporate governance report – Stakeholder engagement**
Page 93-98

## Ambitious investment at Mondi Štětí

### What did the Board's decision entail?

**In October 2022 the Board approved a €400 million investment in a new kraft paper machine at our Štětí mill in the Czech Republic. The investment forms part of the Group's €1 billion expansionary capital investment programme to accelerate growth in sustainable packaging and will further strengthen Mondi's leading position in the market.**

### What was the context for the decision?

- The investment and associated production optimisation will provide Mondi with the opportunity to develop new paper-based products that help customers in their efforts to achieve their sustainability targets.
- Demand for packaging that is fit-for-purpose and sustainable remains high. Regulations, such as the EU Packaging and Packaging Waste Regulation, are accelerating requirements around waste reduction and promoting the use of renewable and recyclable products.

### How did the decision account for stakeholder interests?

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

- **Customers:** The additional capacity will meet growing customer demand for sustainable paper-based flexible packaging and provide an opportunity to optimise production and develop new products across Mondi's kraft paper operations. Customers will also benefit from new, on-site product development and innovation capabilities.
- **Employees:** The investment will provide colleagues and potential new hires with long-term career development and training opportunities and renewed confidence in the future of the mill. It will also strengthen the mill's reputation as an attractive employer and motivate colleagues.
- **Investors:** Our disciplined approach to investigating and executing capital projects is a key strength at Mondi. Successful completion will further lower our cost base, deliver volume growth and contribute to the Group's overall performance.
- **Communities:** The investment contributes to the sustainable future of the mill and will stimulate local economic activity and employment.
- **Environment:** Kraft paper has sound sustainability credentials, is made from certified fibre and is fully recyclable. The investment will also increase the mill's energy efficiency and reduce the mill's specific greenhouse gas emissions.

### What were the trade-offs?

- The Board reviews numerous capital investments across multiple locations, taking into consideration various financial and non-financial benefits to stakeholders. Ultimately, the Board directs capital to those projects with the strongest long-term return on investment in alignment with our sustainability goals and stakeholder responsibilities.
- Medium-term demand and supply market dynamics and consideration of the sustained competitiveness of the machine in the European sack kraft paper market.
- The additional workload for employees and resources available to execute the project as a result of such a large investment.
- Increased raw material consumption, most notably wood and energy, to supply our expanded production as well as reallocating market pulp for kraft paper production.

### What was the outcome of the decision?

The Board approved the investment in a new kraft paper machine. By deciding to invest, the Board demonstrated its continuing support for the Group's strategy and prioritisation of sustainable packaging as the means to sustaining long-term value creation for all stakeholders. By extension, the decision demonstrates the Board's stewardship – and the Group's progress – in achieving its purpose: to contribute to a better world by making innovative, sustainable packaging and paper solutions that are sustainable by design.

Strategic framework
Page 20
The Mondi Way
Page 14

# Mondi Action Plan 2030

## In 2022, we entered our second year of the delivery against our Mondi Action Plan (MAP2030), our sustainability framework built on our purpose to contribute to a better world by making innovative packaging and paper solutions that are sustainable by design.

Our three MAP2030 action areas – Circular Driven Solutions, Created by Empowered People, Taking Action on Climate – are supported by a set of responsible business practices covering human rights, communities, responsible procurement and environmental performance. Each of these areas have commitments and targets for 2030, with some milestones set for 2025 or earlier.

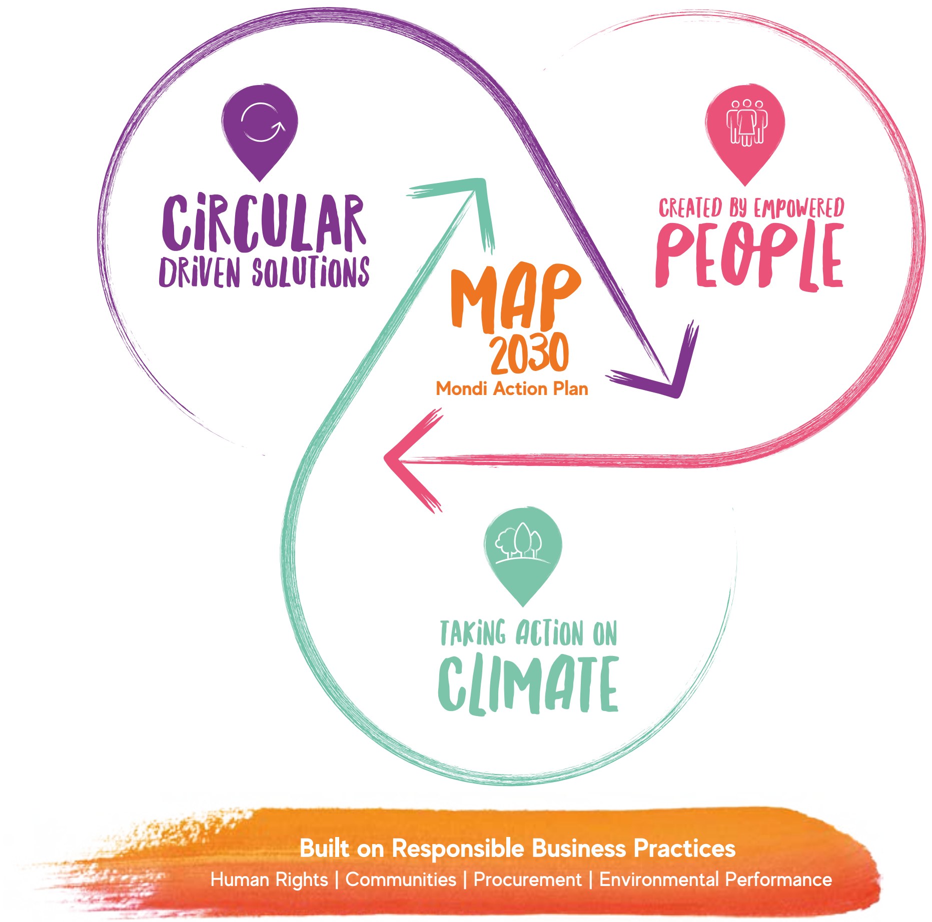
The Board and the Sustainable Development (SD) Committee form core parts of our sustainability governance framework and review the progress towards our MAP2030 commitments, providing valuable leadership and guidance along the way.

### Changes in 2022

In May 2022, the Board announced the decision to divest the Group's Russian operations. As a result, some MAP2030 targets were revised to reflect our continuing operations. Figures presented and commentary provided in this section (unless otherwise mentioned) are based on the Group's continuing operations (which exclude the Group's Russian operations). The MAP2030 framework remains unchanged and there is positive momentum and progress towards meeting our commitments.

We have also removed the 'Business Ethics & Governance' focus area from our Responsible Business Practices in recognition that this is an integral part of our approach rather than a term specific target to be achieved.

**Sustainable Development report 2022**
www.mondigroup.com/sd22




### Remuneration

The strategic importance of our sustainability agenda is reflected in the remuneration structure across the Group.

In 2022, we introduced sustainability KPIs into our annual bonus to embed sustainability goals more deeply throughout the business, with KPIs from all three MAP2030 action areas covered, representing 20% of the Group's annual bonus.

**Remuneration report**
Page 124–151

### Stakeholders

Listening to and engaging with our diverse stakeholders drives progress, trust and transparency. It helps us to understand external developments and market expectations; supports our identification of opportunities and risks; and offers further insight on our MAP2030 progress.

In 2022, we engaged with a range of external and internal stakeholders, including employees, customers, suppliers, communities, partners, industry associations and regulators.

**Stakeholder engagement**
Page 32–33

### Materiality

Our materiality assessment process enables us to explore what matters most to our business and our stakeholders. Our latest materiality assessment was carried out in 2021 with third party support, taking both impact and financial materiality into account.

Among internal audiences, the material sustainability topics that have increased in significance include nature and biodiversity, and Diversity & Inclusion (D&I). Eight of the top ten issues considered to be critically important were environmental and the other two were employee safety, health and wellbeing and product safety and quality.

Among external stakeholders, climate change was the top priority across all stakeholder groups. Forest-related issues, along with nature positive and biodiversity, were a priority for customers and NGOs. A summary of our materiality assessment and its outcomes can be found in our 2022 Sustainable Development report.

**Sustainable Development report 2022**
www.mondigroup.com/sd22
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## CIRCULAR DRIVEN SOLUTIONS

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

**2022 performance**

### Make our packaging and paper solutions reusable, recyclable or compostable

- 100% of our packaging and paper products are reusable, recyclable or compostable by 2025 — On track

### Avoid waste by keeping materials in circulation

- Eliminate waste to landfill from our manufacturing process — On track

### Work with others to eliminate unsustainable packaging

- Progress made through our partnerships and stakeholder engagement activities every year — On track

Circular Driven Solutions
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## CREATED BY EMPOWERED PEOPLE

**An empowered and inclusive team that contributes to a better world**

**2022 performance**

### Build skills that support long-term employability

- Enable our employees to participate in upskilling programmes — On track

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

- Achieve 90% Purpose Satisfaction score in our employee survey — On track
- Achieve 90% Inclusiveness score in our employee survey — On track
- Employ 30% women across Mondi — Slightly behind target

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

- Zero fatalities — Not on track
- Zero life-altering injuries — Not on track
- 15% reduction of Total Recordable Case Rate — On track
- Support our employees in pursuit of a work-life experience that enhances their wellbeing — On track
- Our operations drive awareness of and take measures to improve health and mental wellbeing — On track

Empowered People
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## TAKING ACTION ON CLIMATE

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

**2022 performance**

### Reduce our greenhouse gas emissions in line with science-based Net-Zero targets

- Reduce Scope 1 and 2 emissions by 46.2% by 2030 from a 2019 baseline* — On track
- Reduce Scope 3 emissions by 27.5% by 2030 from a 2019 baseline* — On track
- Reduce Scope 1, 2 and 3 GHG emissions by 90% by 2050 from a 2019 baseline* — On track

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

- Maintain 100% FSC™ certification in our own forest landholdings — On track
- 100% responsibly sourced fibre with 75% FSC™-/PEFC-certified fibre procured by 2025 and the remainder meeting the FSC™ Controlled Wood standard — On track
- Implement leading forestry measures to ensure productive and resilient forests — On track

### Safeguard biodiversity and water resources in our operations and beyond

- Conduct water stewardship assessments at our mills and forestry operations by 2025, and implement required actions to address the findings by 2030 — On track
- Conduct biodiversity assessments at our mills and forestry operations, introducing biodiversity action plans where necessary by 2025 — On track

Taking Action on Climate
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* Updated in 2022

**Key** Completed | On track | Slightly behind target | Not on track | In development

# Mondi Action Plan 2030

## CIRCULAR DRIVEN SOLUTIONS

We consider the environmental impacts of our products at each stage of the value chain, from sourcing raw materials to product design and end-of-life, to drive progress towards a circular economy and eliminate unsustainable packaging.


**Commitment:** Make our packaging and paper solutions reusable, recyclable or compostable

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| Target | Performance 2021 | Performance 2022 | This year at a glance |
|---|---|---|---|
| 100% of our packaging and paper products are reusable, recyclable or compostable by 2025 | ● | ● | The percentage of reusable, recyclable or compostable products based on revenue has increased to 82% (77% in 2021) |

### Consumer demand and regulatory developments continue to play an important role in accelerating the elimination of unsustainable packaging.

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Our approach is to help our customers make more sustainable choices at all stages of the design process by using paper where possible and plastic when useful. In particular, our innovation and R&D teams develop paper-based, flexible plastic mono-material or hybrid solutions with a sustainable end-of-life. These solutions strike a balance between the features that are critical for protecting packaging contents and thereby prevent (food) waste, while using resources efficiently and avoiding plastic pollution.

In 2022, the European Union published amendments and regulations under the 'European Green Deal' action plan that are relevant to our sector, including the Packaging and Packaging Waste Regulation and the Eco-Design for Sustainable Products Regulation. This legislation aims to make sustainable goods, services and business models the norm. We are encouraged by this drive to standardise systems across the EU, from sorting and labelling to verifiable sustainability credentials.

**Key initiatives and progress in 2022**

- We continue to invest in R&D and opened a recycling laboratory for fibre-based products and pulp at Mondi Frantschach (Austria). We also invested in a new R&D centre in Mondi Steinfeld (Germany), including pilot lines for both plastic- and paper-based solutions.
- Up to 80% of a product's environmental impact is influenced at the design phase.[1] We aim to optimise this phase of production through our Sustainable Products Principles (SPP), the most recent update to our Sustainable Products Criteria which promotes seven principles of sustainable design including recyclability, reuse, and compostability.
- Our business units started implementing their Circular Driven Solutions roadmaps to achieve our target, applying the Path to Circularity Scorecard criteria, which classifies products as reusable, recyclable or compostable according to harmonised criteria and thresholds. In 2022, the percentage of reusable, recyclable or compostable products based on revenue increased to 82% (77% in 2021). Read more about our Scorecard on page 23 of our 2022 Sustainable Development report.
- We see an increasing demand from customers to use life cycle-based assessments to compare and identify more sustainable solutions. In 2022, 234 products were assessed in our PIA tool, and 336 product carbon footprints were calculated.
- To further build capacity and understanding of sustainability topics across our business, our employees completed 2,122 hours of sustainability training. Topics ranged from the recyclability of paper and plastic, to human rights and our Net-Zero journey.

1 https://wrap.org.uk/resources/guide/embedding-environmental-sustainability-product-design

## Commitment: Avoid waste by keeping materials in circulation

| Target | Performance 2021 | Performance 2022 | This year at a glance |
|---|---|---|---|
| Eliminate waste to landfill from our manufacturing process | ● | ● | Reduced our total waste to landfill by around 8,500 tonnes in 2022, which is a reduction of more than 4% since 2020 |

**We view waste disposed to landfills as a lost resource. We work to avoid waste, starting with product design and the selection of raw materials through to our manufacturing processes and increasing the use of by-products as secondary raw materials for other industries.**

We explore alternatives for the disposal of waste to landfill, such as using ashes to manufacture bricks. In this way, we find economically feasible solutions to reuse and recycle these highly valuable resources. This not only reduces our waste to landfill, it also avoids greenhouse gas (GHG) emissions.

Our first priority is to minimise waste in our production processes through our efficiency initiatives. Where possible, we provide secondary raw materials for other industries, to avoid waste to landfill.

**Key initiatives and progress in 2022**

- We reuse recovered fibre from the wastewater treatment plant of our mill in Richards Bay (South Africa).
- In our Ružomberok (Slovakia) mill we found an alternative use for waste lime mud, previously landfilled, as a resource in the cement production process.
- Biomass-based chemicals, such as tall oil, a by-product from the wood pulp manufacturing process, is used to produce biodiesel for energy generation, substituting fossil fuels.
- The ash from our bark boilers is used in the production of cement and bricks.
- We are researching the use of fly ash as feedstock for speciality materials.

**Environmental performance**
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## Closing the loop in eCommerce

In 2022, we worked with a large European fashion e-retailer, MODIVO, to create a range of packaging solutions tailored to eCommerce needs.

We supported MODIVO to switch from the standard rigid packaging, used in the distribution of the e-retailer's collection of shoes, bags and clothing, to Mondi's MailerBAGS. These bags are reusable and recyclable, and designed to reduce waste and protect products and to reduce the space requirements and overall packaging costs.

# Mondi Action Plan 2030
## Circular Driven Solutions continued

### Commitment: Work with others to eliminate unsustainable packaging

| Target | Performance 2021 | Performance 2022 | This year at a glance |
|---|---|---|---|
| Progress made through our partnerships and stakeholder engagement activities every year | ● | ● | We continue to engage in cross-value chain initiatives such as CEFLEX and 4evergreen, contributing to the development of industry-wide guidelines for recycling and design for circularity |

**Collaboration is needed to drive progress towards a circular economy that eliminates unsustainable packaging. We work with customers and others across the value chain to support the transition to sustainable packaging solutions.**

The elimination of food waste is key to this commitment. We can play a vital role by developing suitable packaging which boosts food shelf-life without compromising packaging recyclability. The lack of harmonisation of collection, sorting and recycling at a country and at a European level remains a fundamental challenge.


**Key initiatives and progress in 2022**

- Our partnership with the World Food Programme (WFP) entered its second year in 2022, offering expertise to help eliminate food waste due to defective packaging. Sustainable and effective packaging plays a critical role in a humanitarian context, maintaining food safety and nutrition when it reaches those in need.
- We participated with WFP at a United States Agency for International Development (USAID) Joint Initiative webinar to share learning among humanitarian organisations about packaging waste management and sustainable packaging.
- In 2022, we joined the Business Coalition for a Global Plastics Treaty. This new Coalition led by the Ellen MacArthur Foundation and WWF endorses a common vision for an international legally binding instrument to end plastic pollution, by providing a clear voice in the treaty negotiations.
- We renewed our membership with the Ellen MacArthur Foundation. Mondi is a signatory of the Global Commitment, working to eliminate plastic pollution and creating 100% reusable, recyclable or compostable plastic packaging by 2025. Under The Global Commitment we reported 31% (2021: 28%) of our plastic packaging (based on weight) as designed for recycling, based on the CEFLEX guideline and in line with our Path to Circularity Scorecard criteria.
- We continued our active engagement with CEFLEX, a pan-European multi-stakeholder consortium working to make all flexible packaging in Europe circular by 2025. We were involved in the near infrared (NIR) sortability tests, and testing of the web-based Design for Circular Economy (D4ACE) tool.
- We provided technical expertise to support the workstreams of 4evergreen, an alliance to boost the recycling rate of fibre-based packaging in Europe to 90% by 2030. Mondi representatives actively engaged in the development of three guidance documents in 2022: the 'Circularity by Design' guideline, the 'Guidance on the Improved Collection and Sorting', and the 'Recyclability Evaluation Protocol'.

### What's next in Circular Driven Solutions?

- Support customers to transition to more sustainable solutions, where identified and available in our portfolio
- Prioritise developing innovative alternatives to products that are not recyclable or compostable today
- Continue to work with cross-value chain collaborators, our industry associations and other key partners to support the development of harmonised and improved collection, sorting and recycling infrastructure to promote sustainable packaging and eliminate plastic leakage to the environment

# CREATED BY EMPOWERED PEOPLE

Mondi employs 22,000 people working in more than 30 countries. Our goal is to be an employer of choice by engaging and developing our people to realise their potential. This leads to long-term employability and supports the stability and longevity of our business.

## Commitment: Build skills that support long-term employability

| Target | Performance 2021 | Performance 2022 | This year at a glance |
|---|---|---|---|
| Enable our employees to participate in upskilling programmes | ● | ● | Continued with multiple people development initiatives, including the Mondi Academy, Talent and Graduate programmes, Performance and Development Reviews, and Individual Development Plans |

**Our tools, processes and initiatives are designed to support each employee's growth and career journey. We anticipate and respond to shifts in society by creating upskilling programmes and continuous learning that support the growth of every Mondi employee.**

The Mondi Academy is our global learning hub and drives collaboration across our business through expert communities, functional academies and a pool of internal trainers. Employees have access to tailored digital learning tools.

A culture of feedback and proactive exchange on an individual's strengths and areas for improvement supports each employee's personal development. Performance and Development Reviews (PDRs) and 360° feedback mean employees and their managers can reflect on individual performance and set goals.

Individual Development Plans (IDP) are a tool for employees to reach their short- and long-term goals by setting a development path according to individual needs. This offers the specific skills required to grow in their career. Many employees also participate in performance-related pay schemes that reward employees for meeting business objectives. We also have long service and recognition awards.

We use other formal and informal processes to communicate and engage with employees. This includes an intranet, local sessions on safety, operational objectives and the Mondi Way, and a Group-wide employee survey that is conducted approximately every two years. There are a number of performance-related pay schemes that reward employees for the pursuit and achievement of business objectives, in which the majority of our employees participate.

**The Mondi Way**
Page 14

**Stakeholder engagement**
Page 32-33

**Key initiatives and progress in 2022**

- We have a strong talent pipeline, with initiatives such as NEXGEN, job shadowing, mentoring and coaching helping people to gain experience in preparation for future positions.
- The International Graduate Programme started in 2022 and develops future leaders by offering them experience across different locations and departments.
- Our Customer Experience Academy was piloted this year for employees in customer-facing roles. It helps them to understand the customer life cycle – from creating business, to growing business and solving problems.
- The Mondi Diamond Awards recognise excellence across our operations. A record number of 118 teams submitted entries in 2022.
- All employees are encouraged to participate in upskilling programmes offered by the Mondi Academy and local operations. In 2022, new methods of learning made available for employees included e-learning modules, e-books, audio learning and language apps. In total, employees and contractors across Mondi completed 443,000 training hours (2021: 425,000), including 49% of hours dedicated to safety training.

# Mondi Action Plan 2030

## Created by Empowered People continued

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

| Target | Performance 2021 | Performance 2022 | This year at a glance |
|---|---|---|---|
| Achieve 90% Purpose Satisfaction score in our employee survey | ● | ● | Around 2,600 employees had the opportunity to share their views on topics relevant to their local context in pulse surveys in 2022<br>Group-wide survey will be conducted in 2023 |
| Achieve 90% Inclusiveness score in our employee survey | ● | ● | |
| Employ 30% women across Mondi | ● | ● | Women employed increased to 22% (2021: 21%)<br>We focus on inclusive recruiting initiatives to attract a diverse range of talents |

We support our employees to realise their individual purpose and contribution to Mondi's purpose by promoting a diverse and inclusive work culture. A diverse workforce is responsive to local contexts, changing environments and different customer needs. Inclusive workplaces foster belonging among employees.

At Mondi, a diverse and inclusive workplace means understanding, accepting and valuing differences between people including those of different races, ethnicities, genders, ages, religions, disabilities, and sexual orientations, with differences in education, personalities, skill sets and levels of experience. We consider all applications for employment in a fair and balanced way, based on capabilities, skills and experience.

We are committed to offering consistent and fair training, career development and promotion, including for people with disabilities, as outlined in our Labour and Human Rights Policy. At our Group office in Vienna, we have partnered with MyAbility, a social business which brings together companies and people with disabilities to foster a more inclusive workplace. If an employee suffers a life-altering injury at work, we facilitate appropriate medical treatment and ongoing rehabilitation, and support their continued employment by finding alternative equivalent jobs for them, where required.

The shift across Mondi towards creating a diverse workforce and inclusive culture involves everyone, at every level. Three members of Mondi's Executive Committee are on the D&I Steering Committee along with the Group Communication Director, with one Business Unit CEO as the Steering Committee Chair. The Committee serves as a sounding board and advisory panel, providing management attention, buy-in and support for global D&I initiatives.

### Key initiatives and progress in 2022

- In 2022, our Group-wide employee survey was redesigned to better listen to employee views and new questions included for a Mental Wellbeing Index. The redesigned employee listening journey was kicked-off with pulse surveys in some locations, with around 2,600 employees invited to provide their views on topics addressing purpose satisfaction, inclusiveness and wellbeing.
- In 2022, 22% of Mondi employees were female (2021: 21%). To achieve our goals from a 2020 baseline, four out of every 10 new hires will need to be women. The rate of female hires in 2022, totalling 31%, signals that we need to keep working on becoming an attractive employer for women.
- Mondi has been named as a top Diversity Leader 2023 in Europe by the Financial Times and Statista.
- The female representation on our Executive Committee is 25% (2021: 33%), with female direct reports to the Executive Committee of 25% (2021: 30%) and three (33%) female directors (2021: 44%) on the Mondi Board.

Nominations Committee
Page 107-111

### Gender diversity 2022

| | Male | % | Female | % |
|---|---|---|---|---|
| Directors | 6 | 67% | 3 | 33% |
| Senior managers* | 238 | 76% | 75 | 24% |
| Employees | 17,142 | 78% | 4,848 | 22% |

* As at 31 December 2022. Senior managers as defined by Mondi and including directors of all subsidiaries in accordance with the definition set out in Section 414C of the UK Companies Act 2006

## Attracting female candidates

Mondi Dynäs (Sweden) filled 36% of open positions with women in 2022, and attracted female applicants to 85% of the jobs advertised through an inclusive recruiting project seeking to address the under-representation of women working in our plants.

The almost triple increase in female applicants compared to 2021 was achieved by modernising every step of the recruitment process and job requirements to have a broader appeal to women.

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

| Target | Performance 2021 | Performance 2022 | This year at a glance |
|---|---|---|---|
| Zero fatalities | 🟢 | 🔴 | Tragically, a contractor was fatally injured at our Frantschach mill (Austria) in August during manual handling work |
| Zero life-altering injuries | 🟡 | 🔴 | In January, a contractor suffered life-altering injuries at our Warszawa (Poland) Corrugated Solutions plant through contact with rotating equipment. In April, an employee suffered a life-altering injury while setting up a winder in Mondi Štětí (Czech Republic) |
| 15% reduction of Total Recordable Case Rate[1] | 🟢 | 🟢 | 7.8% reduction of our Total Recordable Case Rate compared with our 2020 baseline, and a 11.8% reduction since last year |
| Support our employees in pursuit of a work-life experience that enhances their wellbeing | 🟢 | 🟢 | Professional counselling accessible for 94% of our employees<br>Ongoing work regarding flexible working in various locations |
| Our operations drive awareness of and take measures to improve health and mental wellbeing | 🟢 | 🟢 | A new Mental Wellbeing Index for our 2023 global employee survey was developed. The index was tested in pulse surveys in various locations |

**Our MAP2030 commitments and core values of performance, care and integrity hold us accountable for creating a working environment that values safety, health and mental wellbeing.**

Our people-centric safety approach promotes a 24-hour safety mindset, reinforcing an interdependent culture where everyone looks after their own safety as well as that of others. We are shifting our focus from traditional safety (focusing mainly on controls and physical elements) to addressing Social Psychology of Risk (psychological and cultural), to drive continuous improvement in our safety performance and culture. We use the lead and lag indicators to monitor and improve our safety performance and to address risks before an incident occurs. Performance against these indicators forms part of our senior managers' bonus scheme and they are revised annually based on the previous year's performance.

Our aim is to build the best possible working environment, processes and structures to enhance people safety and wellbeing. We are developing flexible working models and offering employees access to assistance programmes and support, with a strong focus on mental wellbeing.

After the fatality in our Frantschach mill this past year, a full investigation into the event and underlying causes was launched. Although no systemic failures or management actions were identified that could have prevented the incident, it is a reminder that we can never be complacent in prioritising safety.

### Key initiatives and progress in 2022

- We have targeted a 15% reduction in Total Recordable Case Rate (TRCR) against our 2020 baseline. We achieved a TRCR decrease of 11.8% compared to 2021, equivalent to a 7.8% decrease against our 2020 baseline.[1]
- Continued roll out of our Social Psychology of Risk approach and tools.
- Implementation of a contractor safety campaign, 'Your Reason To Be Safe', to maintain a good safety performance and prevent fatalities in Uncoated Fine Paper.
- Zero life-altering incidents during our large capital expenditure projects and annual shutdowns.
- Achievement of our Group safety lead indicators.
- Our flexible work framework allows more flexible working models for all colleagues. A model was tested and proven successful by Mondi Ružomberok (Slovakia) to allow flexible start and end times to a working shift, while fulfilling standard working hours. Over 1,000 employees participated with successful results.
- We continued to provide specialist support through the Employee Assistance Programme (EAP), with a focus on awareness-raising campaigns on issues such as stress, anxiety, fears, lost motivation and sleeping problems.

### What's next in Empowered People?

- Roll out the updated employee survey to our global Group-wide employees
- Encourage a more inclusive leadership approach, with leaders as allies for diversity and inclusion advocating for change
- Roll out further tools, initiatives and training programmes to embed Social Psychology of Risk into the business. This will include safety training for safety, health and environment (SHE) professionals and the development and roll out of training covering the revised MICE methodology
- Revise Practice Notes to address our high risk activities and processes that have been identified through risk assessments
- Focus on technical safety-related issues, including capital expenditure project assistance programmes, and develop a technical safety handbook and standards

1 The TRCR baseline for 2020 has been revised to 0.68, to reflect our continuing operations. Our target of achieving a 15% improvement by 2030 remains, and therefore the objective for 2030 is revised to 0.58. To reflect our continuing operations, our TRCR milestone for 2022 was also revised from 0.60 to 0.66

# Mondi Action Plan 2030

## TAKING ACTION ON CLIMATE

By investing in our energy-intensive operations, driving more responsible and sustainable practices, and setting ambitious targets, we continue to reduce our emissions and impacts on nature.

TCFD
Page 48-57

### Commitment: Reduce our greenhouse gas emissions in line with science-based Net-Zero targets

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| Target | Performance 2021 | Performance 2022 | This year at a glance |
|---|---|---|---|
| Reduce our Scope 1 and 2 emissions by 46.2% by 2030 from a 2019 baseline* | ● | ● | Absolute Scope 1 and 2 emissions decreased by 16.9% compared with our 2019 baseline, and 9.4% since last year |
| Reduce Scope 3 emissions by 27.5% by 2030 from a 2019 baseline* | ● | ● | Absolute Scope 3 emissions decreased by 12.6% compared with our 2019 baseline, and 5.1% since last year |
| Reduce Scope 1, 2 and 3 emissions by 90% by 2050 from a 2019 baseline* | ● | ● | Absolute Scope 1, 2 and 3 emissions decreased by 15.0% compared with our 2019 baseline, and 7.4% since last year |

* Updated in 2022

SASB

**We aim to reduce our GHG emissions to play our part in tackling the climate crisis. Our near- and long-term science-based Net-Zero targets have been validated by the Science Based Targets initiative (SBTi) in 2022 and are in line with a 1.5°C scenario.**

Our new Net-Zero targets accelerate our existing ambitions to reduce our operational GHG emissions across Scope 1 and 2, replacing our science-based targets set in 2019. The new Scope 1 and Scope 2 GHG emissions reduction target is measured as a reduction in absolute emissions, replacing our previous separate Scope 1 and Scope 2 emission reduction targets which were emission intensity reduction targets (per tonne of saleable production). We have also set a Scope 3 target to tackle GHG emissions across our value chain and are working with suppliers, particularly for raw materials and fuels, to reduce our Scope 3 GHG emissions.

Our Scope 1 primary carbon impact occurs through the combustion of fuels to generate the energy required for our manufacturing. Our Scope 2 emissions are related to energy purchases. Our Scope 3 indirect GHG emissions occur throughout the value chain, predominantly from the purchase of raw materials and fuels, and transportation of supplies and products.

**Actions to drive progress within our operations across Scope 1 and 2 are:**

- Continue to modernise our operations and invest in energy and process efficiency projects
- Increase share of renewables used for energy generation
- Purchase electricity generated from green energy providers

**Actions to drive progress across our value chain for Scope 3 are:**

- Engage with strategic suppliers on their reduction targets and transition plans and collaborate with them in projects to reduce their GHG emissions
- Replace carbon-intensive raw materials
- Improve the quality of our GHG emissions data by obtaining primary data from suppliers

**Key initiatives and progress in 2022**

The following actions were taken during 2022 to meet our climate commitments:

- Approval of our new science-based Net-Zero GHG reduction targets by the SBTi in line with a 1.5°C scenario.
- Continued investment in our energy plants to reduce GHG emissions (Scope 1), increase self-sufficiency and improve energy efficiency. This includes investing €400 million in a new paper machine at our Štětí mill (Czech Republic). This investment in the modernisation of our manufacturing facilities will reduce the mill's specific GHG emissions by more than 10%.

- Long-term power purchase agreements (PPAs) with renewable electricity providers can further increase our future renewable electricity supply. We also invest in our mills' electricity self-sufficiency using renewable sources, where feasible, to reduce our Scope 2 emissions. The share of renewable fuels used in our energy plants increased to 80% (2021: 79%) and our electricity self-sufficiency increased to 81% (2021: 78%).
- In 2022, we decreased our total Group's Scope 2 emissions by 25.7% by securing renewable electricity at our mills in Dynäs (Sweden), Ružomberok (Slovakia), Frantschach (Austria), Stambolijski (Bulgaria) and Kuopio (Finland).
- We developed a roadmap for reducing Scope 3 emissions including improved data quality with actions particularly focused on raw materials, fuel suppliers and service providers.

In 2022, our performance included:

- GHG emission reduction of Scope 1 by 0.25 million tonnes and Scope 2 by 0.16 million tonnes compared to 2021. This is a 9.4% decrease in absolute Scope 1 and Scope 2 emissions and a 16.9% reduction since a 2019 baseline. Since 2004, we have reduced our absolute Scope 1 and Scope 2 GHG emissions by 3.0 million t $CO_2e$, a 43.5% reduction.
- We reduced the Group's Scope 3 emissions by around 183,000 tonnes $CO_2e$, which is a reduction of 5.1% against last year and a 12.6% reduction against the 2019 baseline of our short-term Net-Zero target.

We participate in working groups and partnerships to support our climate ambitions. These include:

- **UN Business Ambition for 1.5°C:** The world's largest and fastest-growing group of companies committed to taking urgent climate action aligned with a 1.5°C scenario and Net-Zero by 2050.
- **World Business Council for Sustainable Development (WBCSD):** As a member of the Forest Solutions Group, we participated in the WBCSD/World Resources Institute technical working group and advisory committee to develop the new GHG Protocol Land Sector and Removals Guidance.

SASB

**GHG emissions of our pulp and paper mills**

| | 2021 | 2022 | % change 2021-2022 |
|---|---|---|---|
| Absolute Scope 1 emissions (million tonnes $CO_2e$) | 3.6 | 3.3 | -6.9% |
| Absolute Scope 2 emissions (million tonnes $CO_2e$) | 0.45 | 0.33 | -27.0% |
| Specific GHG emissions (tonnes $CO_2e$ per tonne of saleable production)* | 0.63 | 0.58 | -7.5% |
| Specific Scope 1 emissions (tonnes $CO_2e$ per tonne of saleable production) | 0.56 | 0.53 | -5.2% |
| Specific Scope 2 emissions (tonnes $CO_2e$ per tonne of saleable production) | 0.07 | 0.05 | -25.6% |

We report our GHG emissions according to the Greenhouse Gas Protocol, published by the WBCSD and the WRI, and have reported our Scope 1 and 2 GHG data in compliance with ISO 14064:1-2006. ERM CVS has assured, to a reasonable level of assurance, our 2022 absolute Scope 1 and absolute Scope 2 GHG emissions data, in accordance with ISO 14064-3.

* The specific GHG emissions of our mills per tonne of saleable production includes GHG emissions related to manufacturing (0.45 t/t) and to energy sales (0.13 t/t)

**Energy consumption of our pulp and paper mills**

| | 2021 | 2022 | % change 2021-2022 |
|---|---|---|---|
| Energy consumed by pulp and paper core processes in the form of heat and electricity at our operations (billion kWh) | 19.7 | 19.7 | 0.2% |
| Energy purchased by our mills from external sources (billion kWh) | 1.2 | 1.2 | -7.8% |
| Total electricity requirements for producing pulp and paper (billion kWh) | 4.1 | 4.2 | 2.7% |
| Total heat requirements for producing pulp and paper (billion kWh) | 15.5 | 15.5 | -0.4% |
| Energy sold to the local grids (billion kWh) | 0.5 | 0.5 | -1.3% |
| Total energy sales including green fuel sales (billion kWh) | 0.8 | 0.8 | 6.2% |
| Our mills' electricity self-sufficiency** | 78% | 81% | 2.4% |

** Including energy generated for sale

**Energy consumption of Group (including converting plants and discontinued operations)‡**

| | 2021 | | 2022 | |
|---|---|---|---|---|
| | Mondi Group | UK operations† | Mondi Group | UK operations† |
| Total energy use (million kWh) | 41,589 | – | 40,913 | – |
| Energy purchased (million kWh) | 1,852 | – | 1,701 | – |
| Scope 1 emissions (t $CO_2e$) | 3,715,327 | – | 3,469,849 | – |
| Scope 2 emissions (t $CO_2e$) | 630,254 | – | 468,036 | – |

† No UK production sites were operated in 2021 and 2022

‡ This table fulfils the Group's Streamlined Energy and Carbon Reporting (SECR) disclosure requirements

# Mondi Action Plan 2030

## Taking Action on Climate continued

### Commitment: Maintain zero deforestation in our wood supply, sourcing from resilient forests

| Target | Performance 2021 | Performance 2022 | This year at a glance |
|---|---|---|---|
| Maintain 100% FSC certification in our own forest landholdings | ● | ● | In 2022, FSC certification in our South African forestry landholdings maintained and PEFC certification implemented |
| 100% responsibly sourced fibre with 75% FSC™-/PEFC-certified fibre procured by 2025 and the remainder meeting the FSC™ Controlled Wood standard | ● | ● | The share of certified wood procured for all mills was 75.4% |
| Implement leading forestry measures to ensure productive and resilient forests | ● | ● | Continued implementation of best management practices in our South African plantation forestry, supporting improved growth and reducing disturbances |

Sustainable working forests have a critical role in addressing the climate crisis and in securing long-term benefits for society and landowners. They are central to our business to produce sustainable paper and packaging solutions.

We have an opportunity to lead in our South African forestry operations by developing best practice to promote forest growth and resilience. In central Europe, where we source the majority of our wood fibre, we work with partners to catalyse change at scale.

Our sustainable forest management practices and the development of resilient forest landscapes are enabled by:

- Collaborating with scientific and other partners
- Engaging with suppliers and forest owners
- Scaling up and developing forest certification

In 2022, we completed the Forest Risk Map for Central and Eastern European coniferous forests to support strategic forest management planning. The study highlights regions which might be more susceptible to climate change impacts.

Our partnership with the International Union of Forest Research Organizations (IUFRO) aims to improve understanding of climate change impacts and challenges for forests. In 2022, we organized two events engaging with representatives from the forest value chain, focusing on the roles of forest management, policy, industry and science, to address future and diverse demands on forests.

We believe FSC and PEFC certification play an important role in supporting sustainable fibre sourcing in the long term, and we work with these organisations to continue to improve their effectiveness.

**Key initiatives and progress in 2022** SASB

- In South Africa, we successfully maintained FSC and ISO 14001 certifications and introduced PEFC certification of the forestry and environmental management systems at over 250,000 hectares of our landholdings.
- Since 2020 the proportion of certified wood has increased by 2% in the context of an overall increase of wood supply volumes by 5%. In 2022, we procured 14.5 million $m^3$ of wood fibre of which 100% was responsibly sourced, with 75% FSC- or PEFC-certified and the remaining meeting the FSC Controlled Wood standard.
- Forest fires are the main threat to forests in our landholdings in South Africa. We have a tree improvement programme and silviculture techniques to maintain healthy, resilient and productive tree plantations, along with a robust fire management system.
- We are a member and co-chair of the WBCSD Forest Solutions Group (FSG) and supported the development of a Forest Sector Nature-Positive Roadmap, to define 'nature positive' for the forest sector.

Procurement
Page 62-63

## Commitment: Safeguard biodiversity and water resources in our operations and beyond

| Target | Performance 2021 | Performance 2022 | This year at a glance |
|---|---|---|---|
| Conduct water stewardship assessments at our mills and forestry operations by 2025, and implement required actions to address the findings by 2030 | ● | ● | To date assessments have been completed for 38% of our mills and forestry operations |
| Conduct biodiversity assessments at our mills and forestry operations, introducing biodiversity action plans where necessary by 2025 | ● | ● | All assessments were finalised in 2021. To date action plans have been developed for 46% of our mills and forestry operations |

Water and biodiversity are fundamental to ecosystem resilience. In the forest sector, the most significant biodiversity and water impacts occur in forestry landscapes and primary processing facilities.

We are committed to conducting biodiversity and water stewardship assessments for our forestry operations and mills, so that we can manage our impacts and dependencies on nature and support healthy ecosystems around our manufacturing sites and at a landscape level. Our approach includes the implementation of biodiversity action plans and water impact assessments, and we have enhanced our collaboration with local environmental NGOs and scientific institutions to support these actions.

Water stewardship is a priority, particularly in water-stressed and water-scarce regions. Our approach includes assessing and managing our own water-related risks and conducting basin- and production-related water stewardship assessments.

We manage our water impacts by reducing water use and increasing water recycling and reuse. This includes modernising our wastewater treatment facilities at our mills, to treat and return our waste water without negatively impacting water quality and water recycling.

**Key initiatives and progress in 2022**

- We successfully started a project to install an additional anaerobic wastewater treatment plant at our Ružomberok mill (Slovakia).
- We conducted water stewardship assessments against our Group Water Stewardship Standard for the mills in Ružomberok (Slovakia), Štětí (Czech Republic) and Świecie (Poland) and developed action plans for water stewardship. To date, we have assessed 38% of our mills and forestry operations.
- We conducted an assessment to identify water reduction opportunities at our mill in Richards Bay (South Africa) and established water reduction projects, such as increasing water reuse in the mill.
- We assessed and developed biodiversity action plans for three mills, located in Frantschach (Austria), Richards Bay (South Africa) and Kuopio (Finland). To date, we have assessed 46% of our mills and forestry operations.
- Mondi South Africa's forestry operations initiated the first phase of the biodiversity action plan that was agreed in 2021.

**GRI Biodiversity download**
www.mondigroup.com/en/sustainability

- We continued to work in partnership with the Endangered Wildlife Trust's National Biodiversity and Business Network to further improve our biodiversity management system and to pilot the Biological Diversity Protocol.

### What's next in Taking Action on Climate?

- Continue to develop and implement our biodiversity action plans and water stewardship assessments across our operations
- Continue to develop metrics to measure our impacts on biodiversity and ecosystems
- Invest in projects that help to achieve our science-based Net-Zero GHG reduction targets and improve our sustainability performance
- Scale up our engagement with our suppliers and service providers, such as logistics companies, to drive progress on Scope 3 emissions

# Mondi Action Plan 2030

# Taking Action on Climate: TCFD

**We are committed to reducing our carbon emissions and have been taking action across our operations for nearly two decades.**

## Our TCFD journey

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

We recognise that the impact of climate change gives rise to physical and transition risks. We also recognise clear opportunities for our business to drive value accretive growth with sustainability at the centre of our strategy.

The Intergovernmental Panel on Climate Change (IPCC) has made it clear that the world has reached 'Code Red'[1] when it comes to global warming. Every business has a role to play in reducing greenhouse gas (GHG) emissions. At Mondi, we are striving to reduce our emissions in line with a 1.5°C scenario by committing to achieve Net-Zero GHG emissions reduction targets by 2050. In 2022, the Science Based Targets initiative (SBTi) assessed and validated our targets as science-based Net-Zero targets.

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

The timeline below shows how we have integrated the TCFD recommendations into our journey of taking action on climate, and how we have reduced our emissions since setting our first Group-wide GHG reduction target in 2005 against a 2004 baseline.

We strive to build on our assessment of the Group's climate change-related risks and opportunities, enhance the quality of our scenario modelling and develop our risk management and mitigation approach throughout the Group.

1 UN Secretary-General's statement on the IPCC Working Group 1 Report on the Physical Science Basis of the Sixth Assessment, 2021


### Consistency statement

In line with the UK Listing Rules, we confirm that the disclosures included in the Integrated report and financial statements 2022 are consistent with the four TCFD Recommendations and 11 Recommended Disclosures and All Sector Guidance. The table on the following page contains the relevant disclosure locations.

| TCFD Recommendations and Recommended Disclosures | Disclosure location | Further information |
|---|---|---|
| **Governance** | | |
| a) Describe the Board's oversight of climate-related risks and opportunities | Page 50 | **Corporate governance report** Page 92-123 |
| b) Describe management's role in assessing and managing climate-related risks and opportunities | Page 50 | **Taking Action on Climate** Page 44-57 |
| **Strategy** | | |
| a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term | Page 52-55 | **Principal risks** Page 72-81 |
| b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning | Page 51-52 | **Our strategy** Page 20-29<br>**Taking Action on Climate** Page 44-57 |
| c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario | Page 51-52 | **Taking Action on Climate** Page 44-57<br>**Our strategy** Page 20-29 |
| **Risk management** | | |
| a) Describe the organisation's processes for identifying and assessing climate-related risks | Page 56 | **Principal risks** Page 72-81 |
| b) Describe the organisation's processes for managing climate-related risks | Page 56 | **Principal risks** Page 72-81 |
| c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management | Page 56 | **Principal risks** Page 72-81 |
| **Metrics & Targets** | | |
| a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process | Page 56 | **Key performance indicators** Page 30-31<br>**Taking Action on Climate** Page 44-57<br>**Environmental Performance** Page 58-59 |
| b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions, and the related risks | Page 45 | **Taking Action on Climate** Page 44-57 |
| c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets | Page 44 | **Taking Action on Climate** Page 44-57<br>**Remuneration report** Page 124-151 |

# Mondi Action Plan 2030
# Taking Action on Climate: TCFD continued

## Governance

While the Board as a whole has responsibility for overseeing our approach to sustainability, the Sustainable Development Committee, on behalf of the Board, oversees and monitors our sustainable development policies, practices and progress against our sustainability commitments and targets. It provides guidance in relation to sustainability matters, including climate change-related issues, reviewing and updating the Group's framework of sustainability policies and strategies, ensuring they are aligned with global best practice.

The Sustainable Development Committee met seven times during 2022, with climate change-related matters discussed by the committee at the majority of these meetings. Every Board member attends each meeting of the Sustainable Development Committee, even if they are not a member of the committee, providing context for Board discussions.

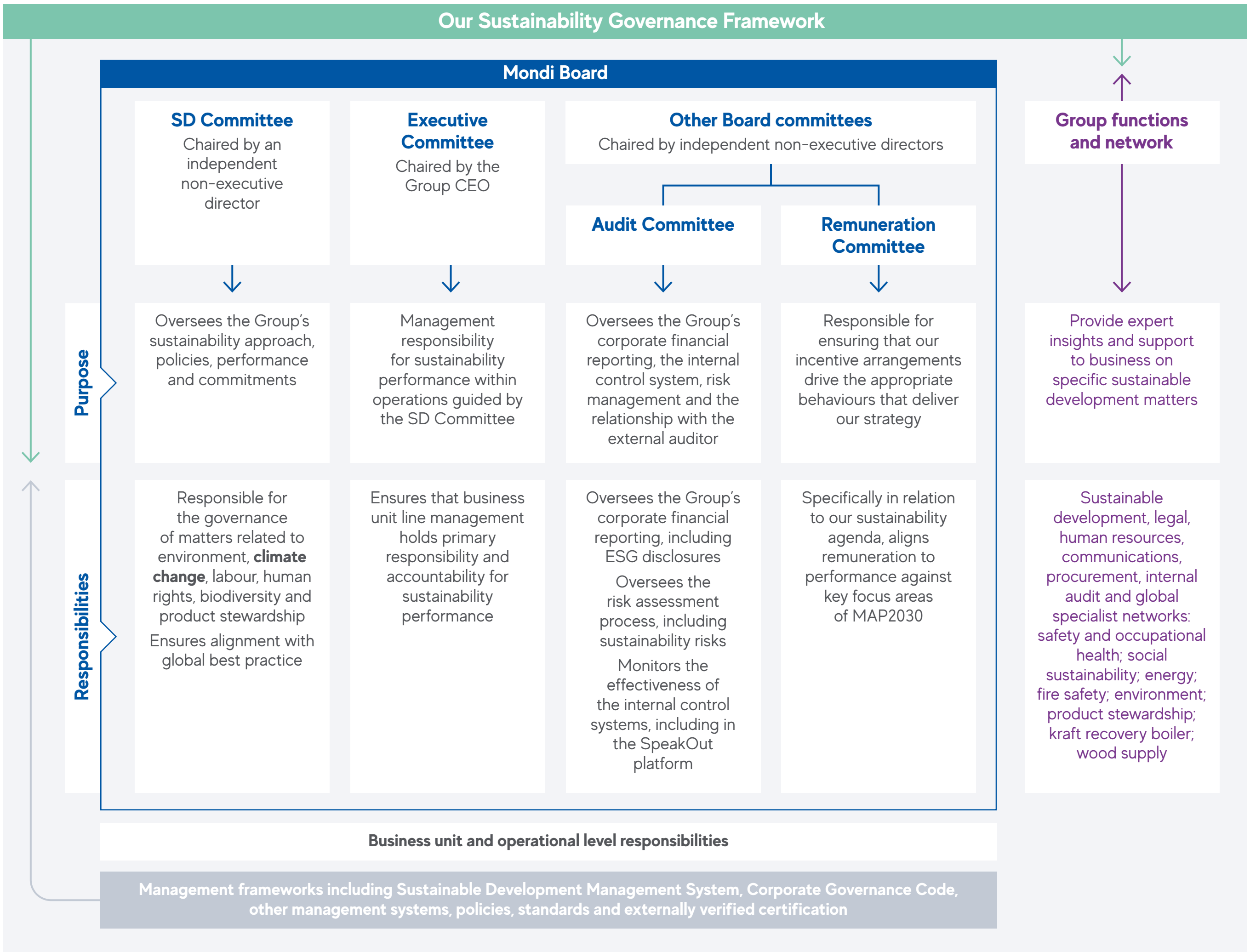
The Chair of the Sustainable Development Committee also reports back to the Board after every meeting. Further details on the experience of our Sustainable Development Committee members can be found on pages 88-89.

Progress against our sustainability commitments and targets, articulated through MAP2030, was an integral part of the Sustainable Development Committee's agenda throughout the year, with each of the key action areas reviewed and focus given not only to the current status of each commitment, but also to the actions being taken towards achieving these commitments. Further details of our performance in this regard can be found on pages 44-47.

Alongside this, the Sustainable Development Committee also spent time considering the climate change-related risks and opportunities facing the Group in the context of the recommendations of the TCFD. Read our Board members, biographies for more information on the sustainability experience.

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

During 2022, the Sustainable Development Committee also addressed a number of other key matters including safety performance and serious incidents, sustainable development governance and risks, environmental performance and climate change, forestry, stakeholder relationships, product stewardship, responsible procurement and people development and diversity. Further details on the key matters considered by the Sustainable Development Committee during the year can be found on page 123.



Additional governance oversight is provided by the Audit Committee and Remuneration Committee. The Audit Committee oversees the Group's corporate financial reporting and annual planning process, which include sustainability-related metrics, and the Group's risk assessment process, which includes climate change risks. Details on the key matters considered by the Audit Committee during the year can be found on page 113. The Remuneration Committee is responsible for ensuring that our incentive arrangements drive the appropriate behaviours that deliver our strategy, including the alignment of remuneration to performance against our MAP2030 key focus areas. Details on the key matters considered by the Remuneration Committee during the year can be found on page 128.

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

The Group Technical & Sustainability Director and the Group Head of Sustainable Development are responsible for coordinating actions related to the Group's climate change-related risks and opportunities and providing reports to the Executive Committee to enable it to discharge its responsibility.

## Strategy

Sustainability is at the core of Mondi's strategy and we have a long-standing focus on becoming less carbon intensive. Since 2004, the baseline year for our first Group-wide GHG target, we have reduced our absolute GHG emissions by 3.0 million tonnes $CO_2e$, which is a 43.5% reduction. This has been achieved through targeted investments to reduce our reliance on fossil fuels and a focus on improving energy efficiency across our operations.

We believe that we have the right strategy, including our climate transition plan to Net-Zero by 2050, to address the challenges and opportunities arising from climate change.

We recognised that there are many uncertainties around the potential impacts of climate change and continue to enhance the quality of our scenario modelling to further understand these impacts. We consider that based on our current understanding, our strategy is resilient.

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

The impact of climate change is considered in the estimates of future cash flows used in the impairment assessment of goodwill, as detailed on page 191-192. Climate change is, as detailed on page 193-194, included as a factor that impacts the conversion factor used in the assumptions for valuation of the Group's forestry assets and as a factor incorporated into the risk premium applied to mature and immature timber. Climate change was considered in the assessment of fair value of assets and liabilities acquired in business combinations, as detailed on page 208.

The Group accounting policies reflect the impact of climate change considerations in relation to the assessment of the residual values and estimated useful economic lives of property, plant and equipment, as detailed on page 225, and in relation to the accounting policy applied for the valuation of forestry assets and the assessment of goodwill for impairment.

The Group's €750 million five-year revolving multi-currency credit facility agreement (RCF), entered into in 2021, incorporates key sustainability targets linked to MAP2030, classifying the facility as a Sustainability Linked Loan. Linking our access to capital to our sustainability targets reflects our commitment to meeting our strategic sustainability targets.

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

Our investments aim to optimise energy and process efficiency and replace fossil fuel-based energy with renewable sources. Since 2015, we have invested around €650 million in energy efficiency, including the rebuild of a recovery boiler at our Richards Bay site (South Africa) and installation of energy-efficient back-up boilers at our mill in Świecie (Poland). These projects evidence our continuous drive to improve our environmental performance and operate sustainably by investing through the cycle in our production network.

### Enhancing our understanding of scenario modelling

In 2022, we participated in a project lead by the World Business Council for Sustainable Development (WBCSD) to develop a scenario analysis tool, referencing commonly agreed scenarios for the Food, Agriculture and Forestry sectors.

Going forward, we plan to utilise this tool, launched in late 2022, to support us to evolve our understanding of climate change-related impacts on our business and consider the impact of climate scenarios on our risks and opportunities. We support this type of initiative, which provides the opportunity to engage and collaborate with peers in our industry to address challenges relating to climate change modelling, and support the formation of best practices and enhanced comparability.

# Mondi Action Plan 2030

## Taking Action on Climate: TCFD continued

### Strategy continued

We identified seven climate change-related risks and three climate change-related opportunities that we have assessed as material to our business. Materiality considers both financial impacts and other considerations such as the importance of key climate change-related topics to internal and external stakeholders. Further details on our approach to materiality are detailed on page 36. For additional information, please visit our Sustainable Development report.

We evaluate and report on our short- (up to 3 years), medium- (3-7 years) and long-term (more than 7 years) climate-related transition and physical risks and opportunities, and their financial implications.

Transition risks may occur when moving towards a less polluting, low carbon economy. Such transitions could mean that some sectors of the economy face big shifts in asset values or higher costs of doing business. Climate change means we may face more frequent or severe weather events like flooding, droughts and storms. These events bring physical risks that impact our business and society directly and have the potential to affect the economy.

The TCFD recommends applying widely used reference scenarios that are publicly available and peer reviewed. For 2022, our assessment of the financial implications of our climate change-related risks and opportunities was prepared considering 1.5°C, 2°C and business-as-usual (BAU) scenarios.[1, 2] We have added the additional 1.5°C scenario in order to align our climate change-related risks and opportunities assessment with our Net-Zero commitment.

Physical risks and opportunities are considered more severe under the BAU scenario, as under this scenario, physical climate change-related events will be more frequent and severe with an increased likelihood of impact on our business. Under the 1.5°C and 2°C scenarios we still observe some impacts of physical climate risks. Our mitigation measures are designed to reduce the impact of these risks under the three presented scenarios.

In contrast to physical risks, transition risks and opportunities increase in likelihood under the 2°C scenario compared with BAU, with earlier policy action and a more aggressive transition, and are further amplified under the 1.5°C scenario. This is driven by an increase in stricter regulations around carbon and energy as well as the increased scrutiny of target achievements through increased market and customer pressure.

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

During the year, we assessed our climate change-related risks and opportunities and have specified the estimated financial impact, outlining a potential reduction in operating profit for risks and a potential increase in operating profit for opportunities, as disclosed in the tables below and on pages 53-55, taking into consideration mitigation measures implemented by the Group. These risks and opportunities only reflect our climate change-related risks and opportunities and reflect an update of the risks and opportunities presented in our 2021 Integrated report and our 2022 CDP submission. For an overview of all our Group principal risks, please refer to page 74.

1 The International Energy Agency's 2°C scenario is based on limiting global temperature rise to below 2°C above pre-industrial levels under an emissions trajectory that allows $CO_2$ emissions to be reduced by almost 60% by 2050 compared with 2013. Under this scenario emissions are projected to decline from 2020 and they continue their decline after 2050 to reach carbon neutrality

2 The Representative Concentration Pathway's 8.5 (RCP8.5) scenario is a business-as-usual (BAU) scenario, which projects the global mean temperature to rise by 2.6 to 4.8°C and the global mean sea level to rise by 0.45 to 0.82 metres by the late-21st century

### Climate change-related risks and opportunities

| Climate change-related risks | | Estimated financial impact (€m) | Timeframe: Short | Medium | Long | Scenario sensitivity: 1.5°C | 2°C | BAU |
|---|---|---|---|---|---|---|---|---|
| Physical risks | 1. South African plantation yield loss | 15-20 | ▬ | ▬ ● | ▬ | ● | ●● | ●●● |
| | 2. Chronic changes in precipitation | 10-15 | | ▬ | ▬ ● | ● | ●● | ●●● |
| | 3. Higher wood procurement costs | 100-200 | ▬ | ▬ | ▬ ● | ●● | ●●● | ●●●● |
| | 4. Risk of flooding | 15-85 | | ▬ | ▬ ● | ● | ●● | ●●●● |
| Transition risks | 5. GHG emissions regulatory changes (net impact) | 35-110 | ▬ | ▬ ● | ▬ | ●●●●● | ●●●● | ●●● |
| | 6. Energy supply costs | 90-200 | ▬ | ▬ ● | ▬ | ●●●●● | ●●●● | ●● |
| | 7. Asset impairment risk | 10-30 | | ▬ | ▬ ● | ●●●● | ●●● | ● |
| Total climate change-related risks | | 275-660 | | | | | | |
| **Climate change-related opportunities** | | | | | | | | |
| 1. Sale of by-products | | 10-15 | ● ▬ | ▬ | ▬ | ●●●●● | ●●●● | ● |
| 2. Reduced operating costs through energy efficiency | | 15-25 | ▬ | ▬ ● | ▬ | ●●●●● | ●●●● | ●● |
| 3. Changing customer behaviour | | 120-240 | ▬ | ▬ | ▬ ● | ●●●●● | ●●●● | ●● |
| Total climate change-related opportunities | | 145-280 | | | | | | |

▬ Anticipated onset of risk or opportunity

● Estimated full impact of risk or opportunity

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

## Climate change-related risks: Physical risks

| Risk | Risk description | How we manage and mitigate this risk | Estimated financial impact (€m) |
|---|---|---|---|
| **1. South African plantation yield loss**<br><br>**Timeframe:** Medium-term | Increased severity and frequency of extreme weather events may result in disruptions and decreased harvesting capacity of our managed plantation forests in South Africa. Extreme weather conditions may impact plantations through sustained higher temperatures, which can lead to stronger winds and increased windfalls. Plantations may be vulnerable to changes in rainfall patterns and erosion. Higher temperatures may increase vulnerability of trees to pests and diseases. Fire remains a challenge for our South African plantations, exacerbated in years when drought conditions occur. | Our tree improvement programme aims to produce stronger, more robust trees that can resist disturbances such as drought, pests and diseases. We mitigate fire risks with naturally vegetated open corridors acting as fire-breaks between forest plantations, investment in a firefighting fleet and efficient logging site management.<br>We have improved pre- and post-burning assessments at harvesting sites. These aim to mitigate the risks of erosion and nutrient loss after prescribed burning to ensure healthy soils, which are critical for productive plantation forests. | 15–20 |
| **2. Chronic changes in precipitation**<br><br>**Timeframe:** Long-term | Water is a key natural resource used in our production process. Extended water shortages are a concern as they could disrupt production at our operations. This is especially relevant in water scarce regions and locations dependent on small catchment areas. Water supply is identified as a risk at our Richards Bay (South Africa), Frantschach (Austria) and Stambolijski (Bulgaria) mills. Our risk quantification considers mitigation measures in place at the mills and is based on lower production at the mills as a result of water shortages. | We conduct water stewardship assessments and develop methods to significantly reduce water use by implementing closed loops and recycling water used in our processes. We continue to investigate cost-effective improvements to local water management systems. We work with local authorities and other industries to identify solutions to enhance water stewardship around our mills. | 10–15 |
| **3. Higher wood procurement costs**<br><br>**Timeframe:** Long-term | Temperature increase, changes in rainfall patterns and windstorms can result in large-scale forest damage. In Europe, at lower altitudes, fibre losses from pests (e.g. bark beetles) and diseases are expected to continue unless precipitation increases.<br>A reduction in the cutting capacity of the sawmilling industry due to a lack of spruce saw logs could lead to a change in the mix of available pulpwood and sawmill chips.<br>Increasing competition for wood is being driven by demand for renewable raw materials and timber for green energy generation to achieve EU GHG reduction and Net-Zero targets. At the same time, there is a call to increase forest areas set aside for conservation. | In mountainous regions, we expect an increase in yearly forest growth due to rising temperatures. At lower altitudes, spruce will be mainly replaced with other softwood species. We are investigating alternatives to support flexibility in species mix for our future pulp production.<br>We invest in research and development projects and are building strategic partnerships with forest owners and industries, NGOs and scientific institutions to foster sustainable forest management.<br>This is supported by the sustainable working forest model and fit-for-purpose certification concepts, which we developed and promote with our partners. We have started to explore approaches to climate-fit forestry to enhance forest ecosystems' resilience.<br>We also promote the cascading use of wood nationally and via Cepi on a European level. | 100–200 |
| **4. Risk of flooding**<br><br>**Timeframe:** Long-term | Our mills are often located close to rivers which provide the water needed for our operations.<br>Climate change may increase the frequency and extent of flooding events through surface water flooding (e.g. after extreme rainfall or rapid snow melting) or flooding of low-lying coastal regions (due to sea level rise) which may cause damage to our operations.<br>While taking into account the investments we have made at our operations to mitigate the potential impact of flooding, our risk quantification has been updated to consider mill downtime due to wider local infrastructure damage in the event of a significant flooding event. The update has been informed following the significant flooding in Durban (South Africa) in April 2022 which impacted our Merebank mill. | Our operations regularly review their flood prevention plans, collaborate with governments and hydropower energy providers in the regions where we operate and invest in flood protection solutions where necessary.<br>Our current flooding assessments show the measures implemented are generally sufficient to mitigate this risk to an acceptable level, with only a few additional measures required such as the elevation of motors and vulnerable equipment, additional pumps and water-level sensors.<br>Our geographic diversification enables operational flexibility to meet customer orders if flooding were to occur at a mill. | 15–85 |

# Mondi Action Plan 2030

# Taking Action on Climate: TCFD continued

## Strategy continued

### Climate change-related risks: Transition risks

| Risk | Risk description | How we manage and mitigate this risk | Estimated financial impact (€m) |
|---|---|---|---|
| **5. GHG regulatory changes (net impact)**<br>**Timeframe:** Medium-term<br>SASB | Including the recently acquired Duino mill in Italy, ten of Mondi's 13 pulp and paper mills fall under the EU Emissions Trading Scheme (EU ETS). Some of our mills have sufficient EU ETS allowances, while there is potential that five will face a deficit in the medium term, and three could be excluded from receiving EU ETS allowances due to exceeding a 95% renewable energy generation share, resulting in the potential for the Group to be in a net deficit position. There is a South African carbon tax on emissions from fossil fuels, which includes fossil fuel combustion at our Richards Bay and Merebank operations; however, this is currently offset by our forestry-related sequestration allowance. Our risk quantification considered an EU ETS carbon price range of €50 to €150 per tonne $CO_2$. | We collect detailed information on GHG emissions from our mills and consider the cost of carbon when making investment decisions.<br>Our ongoing investments reduce our reliance on fossil fuels, improve energy efficiency and help to mitigate the risk of insufficient $CO_2$ allowances for our EU-based operations, and reduce $CO_2$ emissions for our South African operations. | 35-110 |
| **6. Energy supply costs**<br>**Timeframe:** Medium-term | Due to increasing regulation on fossil-based energy sources, increased demand for renewable energy and the shifting energy supply mix, the Group estimates that our total energy costs could increase sharply in the medium term, estimated by up to 10-20%.<br>In the medium- to long-term, the energy supply mix transition in Europe includes the closing of coal-fired power plants, selective closure of nuclear power capacity and increased reliance on renewable sources of energy such as onshore and offshore wind, solar and biomass. Wind and solar energy supply can be inconsistent due to weather patterns leading to reliance on fossil fuels during the energy transition period.<br>The energy supply cost risk does not consider fluctuations in energy prices due to geopolitical or other non-climate related factors. | We continue to focus on energy efficiency and to deliver incremental improvements through operational enhancements and our ongoing capital investment programme. Biomass accounts for around 80% of our mills' fuel needs, with only around 10% of our fuel sourced from natural gas. This has been made possible through significant investments over a number of years in making our facilities more energy efficient and increasing backward integration, primarily into biomass-based energy generation. Investment in improvements to our energy profile and increased electricity self-sufficiency, including the use of renewable energy sources, strengthens the energy efficiency of our operations while reducing operating costs. Where we generate electricity surplus to our own requirements, we may sell such surplus. | 90-200 |
| **7. Asset impairment risk**<br>**Timeframe:** Long-term | Driven by evolving regulation, there is a risk that certain of the Group's assets may be susceptible to impairment if regulations require fossil-based energy plants to be decommissioned by a certain date.<br>Our risk quantification considers the estimated carrying value of fossil fuel-based energy plants in our mills based within the EU at 2030 and their potential impairment. An impairment is a one-off write-down of an asset. The mill's remaining carrying value is excluded from our quantification as our medium- to long-term capital investment programme aims to replace fossil fuel-based energy with renewable sources. | The Group aims to keep abreast of new and evolving regulation and takes actions to mitigate the impact of changes either in our own operations or through participation in cross-value chain partnerships. We also have the resources and capacity to accelerate low-carbon energy-related investments to achieve base load capacity in the instance of regulatory and/or other required changes. | 10-30 |
| **Total estimated financial impact of climate change-related risks** | | | **275-660** |

## Climate change-related opportunities

| Opportunity | Opportunity description | How we realise this opportunity | Estimated financial impact (€m) |
|---|---|---|---|
| **1. Sale of by-products**<br><br>**Timeframe:** Short-term | By-products of the kraft pulping process include turpentine and tall oil. These renewable by-products are highly valued as substitutes for fossil fuel-based materials. They can be used internally for energy generation or extracted, purified and sold as higher value secondary raw materials.<br>We are investigating additional opportunities to use other by-products (e.g. lignin from black liquor and eucalyptol extraction) to create additional revenue streams in the future. | The extraction and sale of renewable by-products from the kraft pulping process is part of our circular economy approach. We continue to invest in our mills to realise this opportunity, which is dependent on the existing infrastructure. | 10-15 |
| **2. Reduced operating costs through energy efficiency**<br><br>**Timeframe:** Medium-term | The production of pulp, paper and packaging is energy-intensive and energy generation is the major source of our GHG emissions. By improving the efficiency of our energy plants and manufacturing operations, we have the opportunity to realise cost savings. | Investing in optimising energy and process efficiencies in our operations has been a long-standing focus.<br>Since 2015, we have commissioned capital investment projects of around €650 million in energy efficiency measures and in increasing biomass-based energy in our mills.<br>Further investment projects are planned to meet our science-based Net-Zero GHG emission reduction targets over the coming years, which is also expected to reduce our specific energy costs and improve energy efficiency. | 15-25 |
| **3. Changing customer behaviour**<br><br>**Timeframe:** Short- to long-term | The growing demand for sustainable packaging is driving investment, collaboration and innovation to meet evolving customer needs. Paper-based packaging is renewable and generally recyclable making it an ideal alternative to less sustainable solutions. Where certain barriers are required, flexible plastic packaging can be an ideal solution when manufactured, used and disposed of appropriately. Leveraging our unique platform of paper where possible, plastic when useful, we see an opportunity to meet the demand for more sustainable products, using our leading corrugated packaging and flexible packaging footprint and increasing the focus on recyclability and the amount of recycled content used within our solutions.<br>While we continue to enhance our understanding around this opportunity, our estimated quantification is based on revenue growth of 1-2% per annum for our packaging businesses in the long term. | As a leading packaging producer, Mondi is uniquely positioned to leverage the Group's innovation capabilities, leading market positions and strong customer base to deliver sustainable packaging solutions to our customers.<br>We actively collaborate with customers using our customer-centric approach to develop innovative solutions that are sustainable by design.<br>We are also investing in our asset base to increase our cost-advantaged packaging capacity to meet growing demand.<br>We are leveraging strong partnerships to bring about positive change and drive the transition to a circular economy. | 120-240 |
| **Total estimated financial impact of climate change-related opportunities** | | | **145-280** |

# Mondi Action Plan 2030

# Taking Action on Climate: TCFD continued

## Risk management

Climate change was specifically identified as a standalone Group principal risk in 2019 and remains a principal risk, as detailed on page 77. Climate change risks, and the related mitigating actions, are reviewed and updated annually using the input of the content reviewed by the Sustainable Development Committee and presented to the Audit Committee along with all Group principal risks. Read about the Group's risk management framework on pages 72-73.

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

Climate change-related risks and opportunities are managed and where possible mitigated by our operational management team and through our capital investment programme. The climate change-related risks and opportunities are considered in the preparation of, and integrated in, the Group's three-year 2023-2025 plan ("budget period").

## Metrics and targets

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

The targets covering GHG emissions from Mondi's operations and value chain (Scope 1, 2 and 3) are consistent with a reduction required to keep global warming to 1.5°C by 2050 and prevent the most damaging effects of climate change according to the latest climate science.

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

In 2022, our ambitious science-based Net-Zero targets, which include both short-term and long-term GHG emissions reduction targets, including Scope 3, were approved by the SBTi. Our efforts to reduce our Scope 1 and 2 emissions have provided a firm foundation on which we were able to revise our existing Scope 1 and 2 science-based targets to be more ambitious and add a Scope 3 target, in line with a 1.5°C scenario. We remain committed to zero deforestation in our wood fibre supply chains and to maintaining carbon sinks in forestry through implementation of best forest management and silviculture practices.

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We report our GHG emissions according to the Greenhouse Gas Protocol, published by the WBCSD and the WRI, and have reported our Scope 1, 2 and 3 GHG data in compliance with ISO 14064:1-2006. ERM CVS has assured, to a reasonable level of assurance, our 2022 absolute Scope 1 and absolute Scope 2 GHG emissions data, in accordance with ISO 14064-3, and limited level of assurance on our Scope 3 GHG data.

Given the strategic importance of sustainability, the Group's executive directors remuneration is linked to their contribution to the overall success of MAP2030, including our GHG reduction targets. 20% of the annual bonus awarded to members of the Executive Committee, which includes the Group CEO and the Group CFO, and approximately 3,400 employees across the Group, is linked to sustainability objectives.

**Remuneration report**
Page 124-151

We are developing our climate-related metrics in accordance with the revised guidance provided by the TCFD in October 2021. The table below describes these metrics in more detail.

| Cross-industry, climate-related metric category | Our approach | Climate-related risk/opportunity | Further information |
|---|---|---|---|
| **GHG emissions** | We report our performance against Scope 1, 2 and 3 emissions | **Risk 5** | Page 45 |
| **Transition risks** | We report the potential financial impact for three transition risks, as well as the mitigation measures in place | **Risks 5, 6, 7** | Page 54 |
| **Physical risks** | We report the potential financial impact for four physical risks, as well as the mitigation measures in place | **Risks 1, 2, 3, 4** | Page 53 |
| **Climate-related opportunities** | We report the potential financial impact for three opportunities arising from climate change, including the impact on demand for our products | **Opportunities 1, 2, 3** | Page 55 |
| **Capital deployment** | We discuss our capital investment strategy deployed to mitigate the impact of climate change | **Risks 4, 5, 6, 7** | Page 51-54 |
| **Internal carbon prices** | We consider the impact and cost of the Group's GHG emissions when evaluating our capital investment projects | **Risk 5** | Page 54 |
| **Remuneration** | Annual bonus incentives include a proportion associated with GHG emissions | | Page 56 |

## Reducing Scope 3 emissions

Engaging with suppliers, particularly for raw materials and fuels, is key to reducing our Scope 3 GHG emissions. We have evaluated our Scope 3 emissions related to the raw materials we use and defined potential steps for reducing these emissions.

We conducted three pilot tests in 2022 with key suppliers to collect primary GHG data and engage with them on their GHG reduction targets. Actions such as improving logistics of raw materials or increasing the share of renewable raw materials were also considered.

Transport of our finished products to our customers contributes to Scope 3 emissions for both Mondi and our customers. Our products are mainly transported by third-party logistics partners. We reported 203,000 tonnes of downstream transport-related emissions in 2022.

We are working closely with our downstream logistics partners to identify and implement improvement projects in transportation. For example, to reduce transport-related emissions of our products we can increase the proportion of transport by train, thereby reducing our use of trucks and improving specific loading capacities. In 2021, we conducted a successful pilot project with a logistics partner to reduce maritime transport-related GHG emissions through the use of biofuel.

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# Mondi Action Plan 2030

## BUILT ON RESPONSIBLE BUSINESS PRACTICES

MAP2030 is built on a foundation of responsible business practices comprising environmental performance, human rights, communities and procurement. Each area has its own commitments and targets to guide our actions.

- Resource efficiency is fundamental to many of our material issues. We work with partners across our value chain to continuously improve the environmental performance of our operations.
- We respect human rights and proactively identify and manage potential risks across our own operations and across our value chain.
- Healthy, prosperous and dynamic communities help the success of our businesses. We align our community development programmes and social investments with local needs.
- Supply chain transparency is fundamental to our responsible procurement processes.

## ENVIRONMENTAL PERFORMANCE

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

| Target | Performance 2021 | Performance 2022 | This year at a glance |
|---|---|---|---|
| Reduce specific contact water consumption by 10% by 2030 from a 2020 baseline* | 🟡 | 🟢 | Specific contact water consumption decreased by 3.2% compared with our 2020 baseline. We reported a slight 0.4% increase against 2021 |
| Reduce specific effluent load to the environment (measure COD) by 15% by 2030 from a 2020 baseline* | 🟢 | 🟢 | Specific COD emissions decreased by 7.7% compared with our 2020 baseline, and increased by 4.1% since last year, mainly due to process instabilities in Świecie's wastewater treatment plant after the annual shut |
| Reduce specific NOx emissions from our pulp and paper mills by 10% by 2030 from a 2020 baseline* | 🟢 | 🟢 | Our specific NOx emissions were 6.1% lower compared with our 2020 baseline, and 2.6% lower than last year |
| Reduce specific waste to landfill by 30% by 2030 from a 2020 baseline* | 🟢 | 🟢 | Specific waste to landfill decreased by 7.8% compared with our 2020 baseline, and 6.5% compared to last year, primarily due to process improvements in Štětí and turning sludge into a soil improvement product in Kuopio (Finland) |
| 100% of our operations will be certified according to globally accepted environmental standards equivalent to ISO 14001 by 2025 | 🟢 | 🟢 | 100% of our pulp and paper mills and 70% of our converting operations are ISO 14001 certified. This is an increase from 71% in 2021 to 74% across the Group |

* Updated in 2022

# Environmental performance continued

**We work with partners across our value chain to use resources wisely, reverse environmental degradation and develop circular solutions, to mitigate any environmental impact from our manufacturing processes.**

Most of the energy we use for our processes is generated from our pulp and paper mills. This comes from biomass-based by-products of the pulp process and from fossil fuels. We are also committed to managing and reducing our water use and finding alternative solutions for waste that involves recycling and reuse to support a circular economy. The modernisation of our energy and manufacturing facilities helps us to reduce our emissions, run resource-efficient operations, avoid disturbances and protect the rights of our neighbours and other stakeholders.

## Environmental management systems

Our Group Sustainable Development Management System (SDMS) supports our operations to meet environmental protection standards, minimise their environmental impacts, comply with legislation, and improve reporting and transparency.

We also carry out environmental and energy audits. These highlight opportunities to reduce our environmental impacts and deliver cost savings in resource, waste and energy management.

## Water

Water is vital to our production processes. We monitor a number of parameters related to water emissions, including chemical oxygen demand (COD) and adsorbable organic halogen (AOX) compounds, as well as phosphorous and nitrogen compounds.

We achieved the 2025 specific COD reduction target and have set a new 2030 target to reduce the specific COD load of our operations by 15% by 2030 against a 2020 baseline.

In 2022, we continued implementing our Group-wide Water Stewardship Standard to reduce our freshwater impact, with a particular focus on regions with higher water risks. Our approach to managing water impacts includes assessing and managing risk, reducing water consumption, investing in water recycling and treating waste water.

We have updated our water consumption target to reduce specific contact water consumption by 10% by 2030 compared with a 2020 baseline. Contact water consumption has decreased by 3.2% compared with our 2020 baseline due to water optimisation projects in Štětí and Ružomberok. In 2022, specific contact water consumption of our pulp and paper mills in water-stressed areas slightly increased by 0.2% compared with the 2020 baseline.

We reduced the Group's total water input by 2.6% against 2021. We used 215 million $m^3$ of water in our operations as contact and non-contact water and discharged 92% back to the aquatic environment.

## Air emissions

We innovate and invest in modernising our operations to minimise the impacts of our air emissions, such as using low NOx burners and implementing flue-gas abatement techniques. Our main source of air emissions is on-site energy generation and the by-product from the combustion process in our energy plants, nitrous oxide ($N_2O$), is a significant greenhouse gas.

In 2022, our specific NOx emissions were 6.1% lower than the 2020 baseline. The 2025 specific NOx reduction target was also achieved in 2022. A new 2030 target has been set to reduce the specific NOx of our operations by 10% by 2030 from a 2020 baseline.

Total reduced sulphur emissions increased by 11.2% since last year mainly from our Richards Bay mill, due to problems in the burning zone for non-condensable gases. $SO_2$ increased by 15.5% mainly due to a higher sulphur content in coal used at Merebank.

Ozone depleting substances have increased due to replacing old ODS from cooling devices. Particulate emissions decreased by 7.4% due to modernisation programs conducted in Richards Bay and Ružomberok.

## Waste

We actively engage with external stakeholders to reduce our environmental impact. This includes finding alternative solutions for waste involving recycling and reuse and innovating to support a circular economy.

We focus on reducing the quantity of waste that is landfilled and manage the disposal of our waste streams to improve the circularity of our material flows. We are engaging with external waste treatment companies and companies interested in the use of secondary raw materials. In 2022, we reduced our specific waste to landfill by 7.8% since 2020 and 6.5% compared with the previous year.

Only a small portion of our total waste streams are hazardous waste. In total, around 5,000 tonnes of hazardous waste was sent to landfill in 2022 – approximately 4.4% of our total waste to landfill.

**Air emissions**

| | 2022 performance | 2021 performance | % change 2021–2022 |
|---|---|---|---|
| Specific NOx emissions | 1.19 tonne | 1.22 tonne | -2.6% |
| Total reduced sulphur (TRS) | 35.0 tonnes | 31.5 tonnes | 11.2% |
| Total $SO_2$ | 1,399 tonnes | 1,212 tonnes | 15.5% |
| Total particulate | 687 tonnes | 742 tonnes | -7.4% |
| Total ozone depleting substances (ODS) | 4.1 tonnes | 3.1 tonnes | 30.5% |

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

## What's next?

- Continue to address the topics identified in our ISO14001 gap analysis to implement ISO 14001 across all of our operations by 2025
- Continue to focus on environmental audits of converting operations

# Mondi Action Plan 2030

## Built on responsible business practices continued

# HUMAN RIGHTS

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

| Target | Performance 2021 | Performance 2022 | This year at a glance |
|---|---|---|---|
| Develop the due diligence and risk assessment methodology and guidance with the support of Danish Institute for Human Rights (DIHR) by end of 2021 | ✓ | ✓ | The methodology and guidance, developed in 2021, were refined after pilot-testing this year, with training on both rolled out in 2022 |
| 100% of operations with a completed human rights due diligence & risk assessment, and action plan in place to address findings by 2025 | ○ | ● | Completed pilots for the Human Rights Due Diligence (HRDD) approach in two operations and identified human rights focus topics for the Group as a baseline for continuing with a risk-based approach for the due diligence roadmap |
| 100% of operations to have addressed their human rights impacts (investigate, prevent future occurrences and remedy adverse impacts) by 2030 | ○ | ● | Operations where the HRDD pilots were completed have developed action plans as part of their due diligence and work on the implementation of these plans has commenced |

We are committed to respecting human rights in our operations and across our supply chain. We are proactively working to identify and manage potential risks and are rolling out a Human Rights Due Diligence (HRDD) approach across the business.

Our human rights approach is embedded in our relevant practices and policies, including our Code of Conduct for Suppliers and Business Integrity Policy. The UN Guiding Principles on Business and Human Rights offer a comprehensive guidance framework to monitor and report on potential human rights risks.

Our management tools and policies include:

- HRDD process to integrate human rights considerations into our procedures to identify and assess risks and define action plans and appropriate management controls.
- Robust internal processes and tools to facilitate the reporting, investigation and resolution of grievances. The formal grievance mechanism, SpeakOut, is the Group's anonymous channel available to the public and operated by an independent third party.

**Sustainability governance**
Page 64

- We respect, protect and fulfil people's right to 'just and favourable conditions' of work, including a fair wage, a decent living, safe and healthy working conditions, no discrimination, fair remuneration and reasonable limitation of working hours.
- We do not tolerate any inhumane treatment of employees, any form of forced labour, modern slavery, human trafficking, physical punishment or other abuse. Our Human Trafficking and Modern Slavery Statement complies with the UK Modern Slavery Act.

**Modern Slavery Statement**
www.mondigroup.com/en/investors/governance/regulatory-reports/uk-modern-slavery-act/

## Piloting the Human Rights Due Diligence (HRDD) toolkit

We conducted two HRDD pilots at our operations in Mexico and Türkiye, to test the methodology and guidance. The local assessment teams sought to understand areas of risk and vulnerable groups within their operations through dialogues with individual rights holders, groups and representatives.

No violations of human rights were found but areas of improvement were identified, relating to working hours, safety improvements and equality. The operations have clearly defined action plans in place and are working on the identified measures.

## Human rights continued

**Key actions in 2022**

- In 2022, we confirmed our priority human rights risk areas, based on the topics most significant for our operations. These are fair working conditions, freedom of association and collective bargaining, indigenous and land rights, modern slavery, child labour, and safeguarding our environment.
- We have established a risk-based approach and a risk identification process that takes into account the local context, prior incidents as well as established practices. This baseline of risk areas and processes sets the foundation for assessing priorities and developing our action plan and roadmap for the HRDD within our operations.
- We introduced training on the HRDD and risk assessment methodology and conducted two HRDD pilots with local teams.
- We had a total of 47 incidents, 45 from SpeakOut and 2 further cases through other channels (2021: 39 individual incidents aggregated from a total of 61 gross cases reported, 34 incidents from SpeakOut and 5 from other channels). Overall, topics encompassed allegations concerning work-related harassment and unfair treatment, labour rights and safety and health matters. All SpeakOut messages are addressed and treated with utmost discretion and may involve the respective Mondi management team where relevant, in accordance with standard procedures. Appropriate responses and corrective actions were taken on all issues (further details of cases are not disclosed due to confidentiality).
- Incidents with potential human rights impact related to privacy or unfair treatment at the workplace were immediately addressed.

### What's next?

- Conduct risk-identification exercises across all operations. The findings will be evaluated and consolidated, to help us to better understand our overall risk areas and next steps. These will form the baseline for the roadmap for all operations
- Conduct further training and awareness-raising to improve our understanding of how Mondi's business activities and relationships potentially impact human rights
- Integrate all human rights-related learnings and findings into our continuous management processes, so that they are considered in all our actions and decisions

# COMMUNITIES

**Commitment: Maintain social investments in our communities to support sustainable development aligned with local needs**

| Target | Performance 2021 | Performance 2022 | This year at a glance |
|---|---|---|---|
| Report on our total social investment annually | ● | ● | Mondi Group and our Mondi operations around the world have spent over €8.9 million on social investments, including a €2 million donation to the World Food Programme to support people in need in Ukraine |

**We support sustainable development in the areas where we operate and engage with communities around our operations to build trust and collaboration, while seeking to understand the impact of our operations.**

Our stakeholder engagement tools help us to understand the needs of local communities and our impacts on them, including:

- Stakeholder and Community Engagement Plans that detail the stakeholders, topics and engagement activities to be conducted by our operations.
- Socio-Economic Assessment Toolbox (SEAT) process where open dialogues with a variety of local key stakeholders are facilitated by an independent third party.
- Feedback and grievance mechanisms available to employees and the public to make us aware of issues and respond promptly.

The various stakeholder engagements help us align our community development programmes and social investments with local needs. We apply principles of sustainable development to social investments, such as those reflected in the UN Sustainable Development Goals national and local development priorities.

### Social investments

Our social investments focus on areas where we can make the greatest difference and support the key drivers of development in these communities. Our voluntary investments include monetary contributions and skills sharing by employees.

We target initiatives with a Science, Technology, Engineering and Mathematics (STEM) education focus, environmental protection, enterprise support and job creation. We also support community health provision and infrastructure development, and in recent years included the investment areas of COVID-19 and Ukraine support.

In 2022, we had social investments of €8.9 million (2021: €5.4 million) across areas such as education, enterprise support, environmental protection, infrastructure development, Ukraine support and COVID-19 response. Further details about these investments can be found on page 75 of our 2022 Sustainable Development report.

# Mondi Action Plan 2030

## Built on responsible business practices continued

### Communities continued

### SEATs in Štětí and Tire

In 2022, we conducted two SEAT processes in our operations in Mondi Štětí (Czech Republic) and Mondi Corrugated Turkey. Dialogues took place with various stakeholders to understand our impact and relationships with the community.

Feedback was positive, with stakeholders appreciating Mondi's role as an employer and supporter of local initiatives. Challenges include traffic and sporadic odour issues in Štětí, water use and preserving the company's heritage in Tire (Türkiye). The local management teams reviewed the findings and prepared a SEAT report that includes steps on how to improve across areas of concerns.

#### What's next?

- Engage with local stakeholders via our SEAT process at two Mondi mills in 2023
- Continue to implement stakeholder and community engagement plans that detail how we support communities, aligned to needs of the local communities
- We will review our social investment strategies, including areas of focus, to evaluate potential partnerships to enable meaningful collaboration at a local and global level

## PROCUREMENT

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

| Target | Performance 2021 | Performance 2022 | This year at a glance |
|---|---|---|---|
| We will minimise the supplier risk ratio* year-on-year | 🟢 | 🟡 | Risk assessment focused mainly on newly onboarded and reactivated suppliers. One supplier production site (0.3% of 369 screened) remained residual high-risk |

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

| Target | Performance 2021 | Performance 2022 | This year at a glance |
|---|---|---|---|
| Maintain 100% of wood fibre compliant with credible standards (FSC, PEFC, or Controlled Wood) | 🟢 | 🟢 | Achieved in 2022 |
| For high-risk countries, maintain 100% FSC-certified fibre sourcing or implement additional risk mitigation measures | 🟢 | 🟢 | A small volume of wood from high-risk countries was FSC Controlled Wood (with additional third-party verification) rather than FSC-certified. This was due to wood supply disruptions in Europe in 2022 |
| 100% PEFC or FSC certified market pulp | 🟢 | 🟢 | Achieved in 2022 |
| 100% PEFC or FSC Chain-of-Custody certification for our pulp and paper mills | 🟢 | 🟢 | Achieved in 2022 |
| We will continue to work with certification bodies to ensure credibility of the certification and Controlled Wood systems | 🟢 | 🟢 | Mondi participated in the PEFC and FSC General Assemblies in 2022 and contributed to issue-specific working groups |

* Total number of residual high-risk suppliers divided by the total number of suppliers screened

# Procurement continued

## A sustainable supply chain and transparently managing supply chain risks requires responsible procurement processes, tools, governance, reporting and supplier engagement.

In 2022, our global supply chain included around 12,000 suppliers* in 67 countries. We procured €7.0 billion worth of goods and services from these suppliers (2021: €5.5 billion), with 58% sourced locally (2021: 57%).

We use two methods within Mondi to manage procurement: the Due Diligence Management System (DDMS), which is relevant to procurement of wood and pulp, and the Responsible Procurement Process, which is used for all other materials and services.

Our Responsible Procurement Process evaluates and monitors suppliers globally, based on their sustainability risk and performance. It applies a risk-based approach to assess suppliers against our Code of Conduct for Suppliers. An initial screening highlights potential high-risk suppliers in one or more of three areas: labour and human rights, environment and climate change, biodiversity and water security. We identify inherent risks in our supply chain, assess the supplier performance and work on corrective actions, where needed.

Since the launch of our Responsible Procurement Process in 2019, we assessed over 7,000 supplier sites, representing approximately 78% of our total spend. In 2022, 369 supplier sites were screened, with 40 supplier sites considered potential high-risk and consequently requested to complete a questionnaire. The questionnaire from potential high-risk suppliers was assessed and follow-up evaluations conducted. Following these efforts, one supplier site (0.3%) remained classified as potential high-risk (2021: 0.1%) and one supplier site (0.3%) did not complete the questionnaire (2021: 2.3%). Escalation procedures are being carried out with these suppliers.

* Direct active suppliers to continuing operations grouped into single entities, excluding Personal Care Components suppliers

## Supplier engagement

We undertake supplier risk management, quality management, evaluations, audits and collaborate with suppliers as part of our efforts to meet our quality and sustainability requirements. We have a number of processes and policies in place to support this work, including a supplier audit programme.

Our approach to responsible procurement and managing supply chain risk is governed by our Group-wide Supply Chain and Responsible Procurement Policy, Business Integrity Policy, General Supplier Quality Requirements, and Code of Conduct for Suppliers.

## Supplier Code of Conduct

Our companies and business units worldwide, including joint ventures in which we have a controlling interest, are required to apply the Code of Conduct for Suppliers as a minimum standard. It defines the minimum standards for our suppliers for environmental, social and governance topics, and other legal and ethical issues.

## Due Diligence Management System

Our DDMS stipulates that all our wood fibre (round wood, wood chips and market pulp) is purchased from responsible sources and in line with our commitment to zero deforestation. We use FSC and PEFC certification as an important risk mitigation tool with the FSC Controlled Wood standard as the minimum assurance level.

We have defined specific requirements for certification in cases where there are context-specific or supply chain complexities. For example, we require 100% of market pulp to be certified, because of its complex supply chains. Or, we mitigate risks in high-risk countries by requiring FSC certification or by targeted third-party verification audits when FSC is not available there.

**Sustainable Development report 2022**
www.mondigroup.com/sd22
Page 78-82

**Key Actions in 2022**

- Completed a 'Sustainability in Procurement' project, with external experts, to integrate the MAP2030 targets into the procurement strategy and support our Net-Zero commitment. We identified potential improvements to our Responsible Procurement process to create a longer-term, scalable approach for risk assessments among our supplier base.
- Initial supplier engagement workshops on climate action to define a path to reduce Mondi's Scope 3 emissions.
- Extended our DDMS for wood fibre, focusing on challenges posed by disruptions in the European wood markets. Collaboration with third-party verification bodies to adequately address high or uncertain risks in sourcing countries.

## What's next?

- Implement a sustainability risk assessment and rating tool to improve transparency in our supply chain and mitigate risks
- Continue to actively engage suppliers to improve their sustainability performance and take action, together, to drive down GHG emissions across the supply chain
- Build supply chain resilience by developing robust solutions for addressing risks, particularly in existing and new wood sourcing countries

**Taking Action on Climate**
Page 44-57

# Mondi Action Plan 2030

## Built on responsible business practices continued

## SUSTAINABILITY GOVERNANCE

**Strong governance is fundamental to building a resilient and successful organisation with sustainability embedded at all levels. Robust policies, standards and management systems guide our operations.**

### Policies, standards and due diligence processes

The Board and its committees provide leadership to implement the principles of good corporate governance across the Group, ensuring all decisions and actions are based on integrity, responsibility, accountability, fairness and transparency. The Board reviews the performance approach and outcomes. Our Board members are diverse in origin, gender, race, education and experience. At the end of 2022, we had one director of colour and three female directors (representing 33% of the composition of the Board).

Sustainability was covered at seven meetings during the year, with aspects of sustainability that are material to our business being reviewed. The Board is updated on sustainability matters and external stakeholder views by the Group's Head of Sustainable Development. They also receive information on external environmental, social and governance (ESG) rating assessments and activities with external organisations and partners.

The Board is ultimately responsible for sustainability governance and delegates different areas of responsibility to specific committees. Accountability for sustainable development policies, systems, practices, commitments and the effectiveness of our approach towards managing all aspects of sustainability are monitored at four levels:

- The Sustainable Development Committee chaired by an independent non-executive director
- The Executive Committee chaired by the Group CEO
- Other committees of the Board, such as the Audit Committee and Remuneration Committee, chaired by independent non-executive directors
- The operational management team consisting of senior executives from across Group operations

Eight global specialist network groups provide expert insight and support to the business on specific sustainable development matters.

We consistently apply our Sustainable Development Governance Policy across the Group, supported by policies for:

- Safety and Occupational Health
- Labour and Human Rights
- Sustainable Forestry
- Energy and Climate Change
- Environment
- Supply Chain and Responsible Procurement
- Product Stewardship
- Communities

In 2022, our Governance Policy was updated to include reference to the Sustainability Accounting Standards Board (SASB). A reference to our concept of Social Psychology of Risk as a key safety and health focus area was added to the Safety & Occupational Health Policy.

### Sustainability risks and opportunities

Sustainable development risks are addressed in our Group-wide risk management framework, which is designed to address strategic, financial, operational and compliance risks that could undermine our ability to achieve our business objectives. We exercise due diligence prior to introducing new operations, practices, processes and products.

### Code of Business Ethics

Our Code of Business Ethics supports high ethical standards across our organisation based on five principles: legal compliance; honesty and integrity; human rights; stakeholders; and sustainability. The code is applied in Mondi's policies and procedures, including the Business Integrity Policy on anticorruption.

The reporting of violations includes notifying the Group CEO, Group CFO and Group Head of Internal Audit in all instances.

### Anti-corruption policies and procedures

The Business Integrity Policy outlines Mondi's zero tolerance of bribery and corruption. It forms part of the annual Group risk assessment process and outcomes are reviewed by the Audit Committee and the Board. It is available to employees and business partners and all relevant employees must complete a mandatory business integrity training each year, which also covers anti-corruption topics. In 2022, the number of relevant employees to complete the online business integrity training was 3,593 with 3,406 (94%) of those employees completing the training online.

Our process for reporting violations includes notifying the Group CEO, Group CFO and Group Head of Internal Audit in all instances.

### SpeakOut

SpeakOut is an anonymous grievance platform for employees, customers, partners, and other stakeholders to raise any concerns relating to potential bribery, discrimination, fraud, corruption, environmental pollution, major safety and health violations, harassment or other significant topics. Access to SpeakOut incident information is restricted to named responsibles, and coordination of the cases is handled by Group Internal Audit.

The internal audit function is responsible for monitoring the SpeakOut process, overseen by the Board. The Audit Committee informs management of reported issues, where appropriate, and makes sure related risks are adequately addressed.

### Sustainability in investment decision-making

Positive and negative impacts on environmental parameters and sustainability targets must be reported as part of the capital investment decision-making process for all investments over €500,000. Future environmental costs are factored into our investment decision-making process, such as internal region-specific carbon prices.

**TCFD**
Page 48-57

**Sustainable Development Committee**
Page 121-123

# REPORTING ON OUR SUSTAINABILITY PERFORMANCE

Comprehensive and transparent disclosure underpins the trust we share with our stakeholders and supports our progress through accountability. Pages 32-35 summarise our established approach and how our directors have fulfilled their duties under Section 172 of the Companies Act 2006 in 2022.

## External assurance

Our Sustainable Development (SD) report provides a comprehensive view of our approach to sustainable development and our performance in 2022. The consolidated performance data file (excel and pdf) show our sustainability key performance indicators in line with MAP2030 for the period 2018 to 2022 (unless otherwise indicated).

ERM CVS has been engaged to provide assurance on selected information and KPIs as well as check that the SD report is in accordance with the Global Reporting Initiative (GRI) Universal Standards (2021) and the SASB: Containers & Packaging Industry Standard, and that information included in our Integrated report is consistent and comparable.

We have also prepared an index mapping our GRI and SASB disclosures. The signed ERM CVS Independent Assurance Statement is included in our Sustainable Development Report.

**Sustainable Development Report 2022**
www.mondigroup.com/sd22

**GRI & SASB Index**
www.mondigroup.com/en/sustainability

### Non-financial information statement

In accordance with Sections 414CA and 414CB of the UK Companies Act 2006, the required non-financial information disclosures can be found integrated throughout the Strategic report.

A summary of key areas of disclosure is set out below:

| Reporting requirement | Further information |
|---|---|
| Business model | Page 14-16 |
| Information relating to environmental matters | Page 44-59 |
| Information relating to employees | Page 41-43 |
| Information relating to social matters | Page 61-62 |
| Information relating to respect for human rights | Page 60-61 |
| Information relating to anti-corruption and anti-bribery matters | Page 64 |
| Principal risks | Page 72-81 |
| Non-financial key performance indicators | Page 30-32, 36-65 |

### External recognition

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

**CDP A-list**
CDP Double 'A' score for forests and water security and an 'A-' score for climate change

**'AAA' rating**
MSCI ESG rating top 'AAA' score for strong resilience to environmental, social and governance risks

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

**Ranked #1 in Paper & Forestry Industry**
Sustainalytics top score out of 78 companies ranked in Paper & Forestry Industry (Sep 2022)

**Top 10 Companies**
Ranked No. 6 overall and No. 1 among container and packaging peers in 2022 Nature Benchmark by the World Benchmarking Alliance

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

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

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

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

**Industry-leading sustainability reporting**
For four consecutive years, ranked as a Top 10 sustainability reporter in the global annual member ranking of Reporting Matters by WBCSD and Radley Yeldar

# Business unit trading review

## Corrugated Packaging

**Underlying EBITDA** (€ million)

**€662m**
(2021: €543m)

**ROCE** (%)

**25.3%**

Corrugated Packaging delivered strongly in the year driven by significantly higher average selling prices which more than offset materially higher input costs. We grew underlying EBITDA in the first half of the year by implementing selling price increases to compensate for rising costs. In the second half, continued inflationary cost pressures, alongside softer demand, led to downward pressure on margins, although still at good levels.

Containerboard sales volumes were marginally up on the prior year supported by our broad, high-quality product portfolio, sharp focus on customer service and investment in the business. In Corrugated Solutions, industry demand was softer compared to the strong volume growth delivered in the prior year. Our box volumes were down 3% on the prior year.

We implemented price increases across all containerboard grades during 2022, leading to significantly higher average selling prices year-on-year, with the magnitude of the increases varying by grade. Average benchmark European selling prices for unbleached kraftliner and recycled containerboard were up around 30% while average benchmark white top kraftliner and semi-chemical fluting prices, which are typically more stable over time, were up around 20%. On the back of reduced cost support and destocking, containerboard prices declined towards the end of the year and are today lower than 2022 averages.

Corrugated Solutions was successful in passing on higher input paper and other costs through box price increases over the course of the year.

With the exception of paper for recycling, input costs were significantly higher year-on-year, in particular energy, wood, transport and chemical costs. Average benchmark European paper for recycling prices were flat on 2021 averages with prices higher in the first half offset by declines in the second half. We mitigated the impact of higher European energy costs on our business by leveraging our broad geographic footprint, integration and high-level of energy self-generation. Wood costs remain elevated while we are currently seeing softer input costs across most other categories. Fixed costs were well managed although increased due to inflationary effects.

We remain confident in our expansionary investment pipeline, encompassing both our containerboard and corrugated solutions network, together with our plans to convert the paper machine at the recently acquired Duino mill in Italy. These projects will leverage our integrated platform and deliver volume growth, enhance our product and service offering, drive cost competitiveness and strengthen our environmental performance.

This section includes Alternative Performance Measures which are defined on pages 242-248. Unless other specified, all figures presented and commentary provided is based on the Group's continuing operations (which exclude the Group's Russian operations).

## Flexible Packaging

**Underlying EBITDA** (€ million)

**€797m**
(2021: €567m)

**ROCE** (%)

**20.9%**

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

Volume growth was supported by our innovative and sustainable packaging portfolio. Kraft paper sales volumes were up 4% on the prior year, benefiting from the increasing demand from customers for sustainable paper-based flexible packaging and recently completed capital investments. Paper bags and consumer flexibles' volumes were stable supported by resilient customer demand. Our Functional Paper and Films business continues to leverage its coating capabilities to integrate barrier properties into paper-based solutions.

We continue to see good demand from customers across our broad range of sustainable packaging solutions, as we leverage our unique product portfolio and in-depth technical expertise to drive product development initiatives with our customers in support of a circular economy.

Prices in the kraft paper value chain increased significantly in the first half and into the third quarter, and stabilised thereafter. Following demand growth in the first half of 2022 and industry supply disruptions, which supported meaningful price increases, slowing economic activity and destocking, particularly in Europe, dampened demand in the second half and into the first quarter of 2023.

In our converting operations, we were successful in achieving price increases during the year to pass through the higher input costs, supported by our broad product offering and pricing discipline.

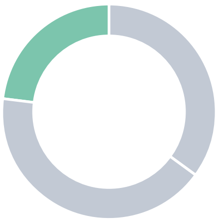
Input costs were materially up year-on-year, with higher wood, energy, plastic resin, chemical and transport costs. Moving into 2023, input costs are generally softer except for wood costs which remain elevated. Fixed costs were well controlled although increased due to higher maintenance costs, additional personnel to serve growing customer demand, and inflationary effects.

We continue to invest across our platform. We approved the investment in a new kraft paper machine at Štětí (Czech Republic) which will meet the growing demand for sustainable paper-based flexible packaging. In addition, our investments in our converting operations are diversified across our global network and will drive organic growth underpinned by the structural growth drivers in our markets.

# Uncoated Fine Paper

**Underlying EBITDA**
(€ million)

**€427m**
(2021: €55m)



**ROCE**
(%)

**34.7%**

Uncoated Fine Paper successfully implemented price increases which more than offset materially higher input costs. We recorded a higher non-cash forestry fair value gain and benefited from shorter planned project-related maintenance shuts. Our business remains well placed, continuing to benefit from our cost competitiveness, broad product portfolio and excellent customer service.

Uncoated fine paper sales volumes were lower in the year due to softening European demand towards the end of the year, temporary tightness in European wood availability and the impact from flooding in Durban (South Africa) which affected production at the Merebank mill for most of the second quarter. Pulp sales volumes were up in the year following the start-up of the rebuilt recovery boiler at Richards Bay (South Africa) in the first quarter and successful ramp-up during the year.

On the back of increasing costs, we implemented price increases during the year. Average benchmark European uncoated fine paper selling prices and average benchmark European bleached hardwood pulp prices were both up more than 40% year-on-year. While Southern African uncoated fine paper prices have remained broadly flat in early 2023, European uncoated fine paper and pulp prices have come under downward pressure.

Input costs were up with significantly higher energy, wood and chemical costs. While wood prices remain elevated, most other input costs are declining as we enter 2023. Fixed costs were stable, with strong cost control and shorter maintenance shuts mitigating inflationary cost pressures.

We recorded a higher non-cash forestry fair value gain in the year of €169 million (2021: loss of €7 million) reflecting materially higher market prices for timber.

## VinoBox

Portfolio of corrugated wine shipping solutions that is fully recyclable and offers our customers a range of single, modular and premium designs to meet their needs


## Advantage StretchWrap

Recyclable lightweight paper with outstanding stretch and high tensile strength for wrapping pallets and reducing reliance on plastic for transport

## Pergraphica®

Our premium brand for creative, design, publishing and luxury applications – now Cradle to Cradle Certified® Bronze

# Financial review

## How is MONDI'S strong financial position DELIVERING for shareholders?

**Mike Powell**
Group CFO

### Financial performance (continuing operations)

| € million | 2022 | 2021 | % change |
|---|---|---|---|
| **Group revenue** | **8,902** | **6,974** | **28%** |
| **Underlying EBITDA** | **1,848** | **1,157** | **60%** |
| *% margin* | *20.8%* | *16.6%* | |
| Depreciation, amortisation and impairments (underlying) | (405) | (375) | |
| **Underlying operating profit** | **1,443** | **782** | **85%** |
| Special items | 242 | 7 | |
| **Operating profit** | **1,685** | **789** | **114%** |
| | | | |
| **Underlying operating profit** | **1,443** | **782** | **85%** |
| Net profit from joint ventures | 1 | 6 | |
| Net monetary gain arising from hyperinflationary economies | 17 | – | |
| Net finance costs | (143) | (83) | |
| **Underlying profit before tax** | **1,318** | **705** | **87%** |
| Underlying tax charge | (296) | (154) | |
| *Effective tax rate* | *22%* | *22%* | |
| Non-controlling interests | (73) | (17) | |
| **Underlying earnings** | **949** | **534** | **78%** |
| **Basic earnings per share (euro cents)** | **244.5** | **112.0** | **118%** |
| **Basic underlying earnings per share (euro cents)** | **195.6** | **110.1** | **78%** |
| **ROCE (%)** | **23.7%** | **13.9%** | |

### Our financial position

| € million | 2022 | 2021 |
|---|---|---|
| Property, plant and equipment | 4,167 | 4,870 |
| Goodwill | 769 | 926 |
| Working capital | 1,282 | 988 |
| Other assets (including assets held for sale at 31 December 2022) | 2,034 | 558 |
| Other liabilities (including liabilities directly associated with assets held for sale at 31 December 2022) | (987) | (690) |
| **Net assets excluding net debt** | **7,265** | **6,652** |
| Equity | 5,794 | 4,498 |
| Non-controlling interests in equity | 460 | 391 |
| Net debt | 1,011 | 1,763 |
| **Capital employed** | **7,265** | **6,652** |

This section includes Alternative Performance Measures which are defined on pages 242-248. Unless otherwise specified, all figures presented and commentary provided is based on the Group's continuing operations (which exclude the Group's Russian operations).

Mondi delivered a strong financial and operational performance across all key metrics. Underlying EBITDA was €1,848 million, up 60%, and ROCE increased to 23.7%. Our businesses achieved higher average selling prices which offset materially higher input costs. Corrugated Packaging increased underlying EBITDA by 22% to €662 million (2021: €543 million) and Flexible Packaging grew underlying EBITDA 41% to €797 million (2021: €567 million). Uncoated Fine Paper significantly improved underlying EBITDA, delivering €427 million in the year (2021: €55 million), in part due to a higher non-cash forestry fair value gain of €169 million (2021: loss of €7 million).

Group revenue of €8,902 million was up 28% on the prior year. We saw volume growth in containerboard, kraft paper and pulp sales following continued investment across our portfolio, with lower volumes in corrugated solutions and uncoated fine paper. Selling price increases were achieved in all businesses in response to tight market conditions and inflationary pressures.

Input costs increased materially year-on-year. Energy costs increased sharply during the year, driven predominantly by higher European gas and electricity prices. We were able to mitigate the impact of these higher costs as most of our pulp and paper mills generate the majority of their energy needs internally, with around 80% of the fuels used in this process from biomass sources, and only around 10% of our fuel sourced from natural gas. Following record European energy prices in the third quarter of 2022, these fell sharply in the fourth quarter but were, on average, sequentially higher in the second half of the year. European energy prices are currently lower than 2022 averages.

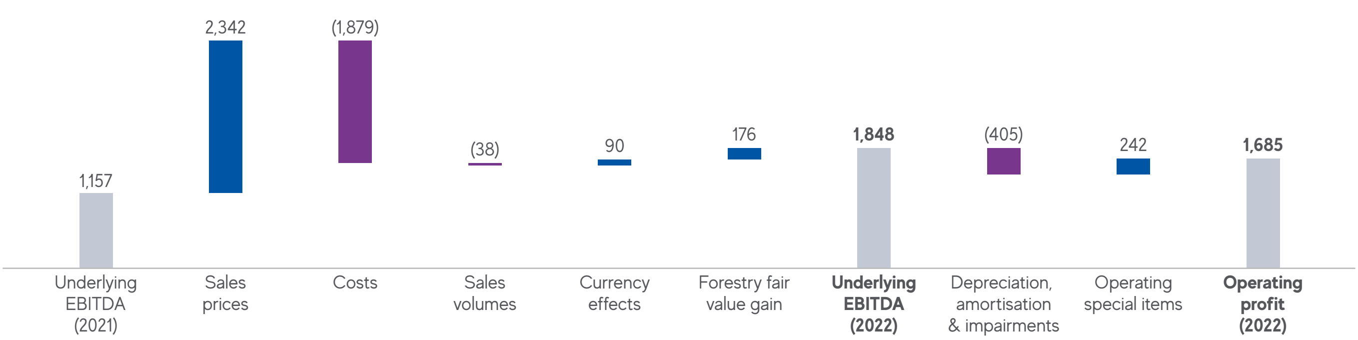
Wood costs in central and eastern Europe were also materially higher on the comparable prior year period. Increasing demand for firewood as an alternative energy source to fossil fuels, coupled with reduced supply due to less calamity wood on the market, and the impact of sanctions on the availability of Russian and Belarusian timber contributed to the market tightness impacting both cost and availability. Wood prices remain at elevated levels but are expected to soften as the year progresses.

Fixed costs, excluding a higher non-cash forestry fair value gain of €169 million (2021: loss of €7 million), were well controlled although increased year-on-year. The impact of planned maintenance shuts on underlying EBITDA in 2022 was around €90 million (2021: €140 million), which is lower than prior year due to the prolonged project-related shut at Richards Bay (South Africa) in the fourth quarter of 2021. Based on prevailing market conditions, we estimate that the impact of planned maintenance shuts in 2023 will be similar to 2022.

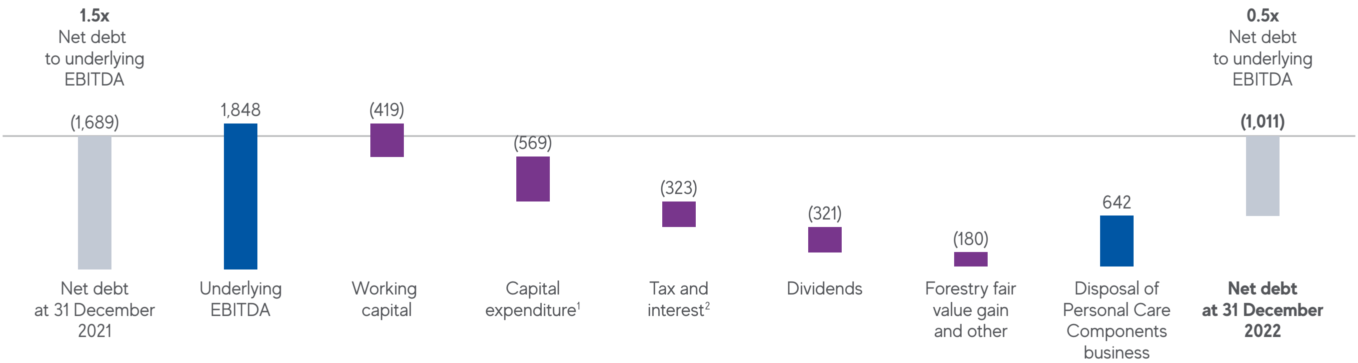
Depreciation, amortisation and impairment underlying charges of €405 million (2021: €375 million) were higher year-on-year mainly due to our capital investment programme.

Underlying operating profit of €1,443 million was up 85% on 2021. After special items, relating to the gain on disposal of the Personal Care Components business, operating profit was €1,685 million, up 114%. Basic earnings per share of 244.5 euro cents were up 118% compared to 2021.

**Underlying EBITDA development**
(€ million)




**Movement in continuing operations' net debt**
(€ million)




1 Includes forestry assets and intangible assets capital expenditure
2 Including payment of derivative interest

# Financial review

## Strong cash flow generation

Cash generated from continuing operations was €1,292 million (2021: €1,001 million), reflecting the Group's continued strong cash generating capability. Working capital at 31 December 2022 was 14% (2021: 14%) of revenue, giving rise to an investment in working capital of €419 million for the year (2021: €195 million).

Capital expenditure was €508 million (2021: €481 million) as we continue to pursue value accretive growth by investing in our asset base. On the back of our investment programme, our capital expenditure in 2023 and 2024 is expected to be around €800-850 million per annum.

We also completed the disposal of the Personal Care Components business for an enterprise value of €615 million.

Tax paid was €196 million (2021: €138 million) and interest paid, including derivative interest, was €127 million (2021: €78 million). We are pleased to have paid dividends to shareholders of €321 million (2021: €298 million) in the year.

## Russian operations (discontinued operations)

### Divestiture of Russian operations

In May 2022, the Board decided to divest the Group's Russian assets. Given progress with the divestment process, the Board subsequently concluded, in June 2022, that the Russian operations satisfied the criteria to be classified as held for sale and that they should also be classified as discontinued operations.

In August 2022, the Group entered into an agreement to sell its most significant facility in Russia, Joint Stock Company Mondi Syktyvkar, together with two affiliated entities (together 'Syktyvkar') to Augment Investments Limited for a consideration of RUB 95 billion (€1.2 billion, at an exchange rate of 78.43 Russian rouble versus euro as at 31 December 2022), payable in cash on completion. The disposal excludes a cash balance of RUB 16 billion (€204 million, at an exchange rate of 78.43 Russian rouble versus euro as at 31 December 2022) which is planned to be distributed by form of dividend to Mondi before completion. Remittance of this dividend requires the approval of the Ministry of Finance of the Russian Federation. The agreement with Augment Investments Limited has a long stop date of 12 May 2023 after which either party can terminate the agreement without recourse.

In addition, in December 2022, the Group confirmed it had entered into an agreement to sell its three Russian packaging converting operations to the Gotek Group for a consideration of RUB 1.6 billion (€20 million, at an exchange rate of 78.43 Russian rouble versus euro as at 31 December 2022), payable in cash on completion.

The disposals are conditional on the buyers' receiving approval from the Russian Federation's Government Sub-Commission for the Control of Foreign Investments and customary antitrust approvals. The Syktyvkar disposal is also subject to the approval of Mondi's shareholders at a General Meeting. These approval processes remain ongoing. As the disposals are being undertaken in an evolving political and regulatory environment, there can be no certainty as to when they will be completed.

As previously announced, it is intended that the net proceeds from the disposals and the above mentioned dividend will be distributed to Mondi's shareholders as soon as reasonably practicable following receipt.

Refer to note 26 in the consolidated financial statements for further information on the divestiture of Russian operations.

### Trading review

The Russian operations generated a profit after tax of €266 million for the year (2021: €213 million).

The operations benefited from higher selling prices which mitigated the impact of higher input costs and inflationary impacts. Sales volumes were lower driven predominantly by the cessation of containerboard exports to Europe which were partly redirected to the local market.

As previously announced, all significant capital expenditure projects at the Group's Russian operations were suspended.

## Strategic financial priorities and returns to shareholders

We believe that a strong and stable financial position, supported by an investment grade credit rating, increases our flexibility and provides access to capital markets through the business cycle. This in turn allows us to invest through the cycle and take advantage of strategic opportunities when they arise. To deliver on our strategy, we maintain an appropriate capital structure with a balance between equity and net debt. The primary sources of our debt include our €2.5 billion Guaranteed Euro Medium Term Note Programme and a €750 million Sustainability Linked Revolving Credit Facility as detailed below.

We are focused on undertaking selective organic capital investment opportunities in our packaging businesses and supporting the ordinary dividend. To the extent we have capacity beyond these requirements, we are able to consider acquisitions and/or additional shareholder distributions. We remain focused on allocating capital while maintaining solid investment grade credit metrics.

### Dividend

We have a disciplined capital allocation policy ensuring we can invest in the business through the cycle for long-term growth and deliver attractive returns, while supporting the ordinary dividend within a targeted dividend cover range of two to three times over the cycle.

With our strong financial position and confidence in the future of the business, the Board has recommended an increase in the final 2022 dividend to 48.33 euro cents per share. The final dividend, together with the interim dividend, amount to a total dividend for the year of 70.00 euro cents per share, an increase of 8% on the 2021 total dividend.

The final dividend is subject to the approval of the shareholders of Mondi plc at the Annual General Meeting scheduled for 4 May 2023 and, if approved, is payable on 12 May 2023 to shareholders on the register on 31 March 2023.

### Net debt and interest (continuing operations)

| € million | 2022 | 2021 |
|---|---|---|
| Net debt | 1,011 | 1,689 |
| Net finance costs | 143 | 83 |
| Committed facilities | 2,635 | 2,760 |
| of which undrawn | 757 | 803 |
| Net debt to underlying EBITDA (times) | 0.5 | 1.5 |

## Managing our financial risks

### Our capital structure

Capital employed is managed on a basis that enables the Group to continue trading as a going concern, while delivering acceptable returns to shareholders. We maintain an appropriate capital structure, with a balance between equity and net debt, in order to sustain our investment grade credit rating.

Our capital employed is used to fund the growth of the business and to finance our liquidity needs. We have diverse sources of funding with various debt maturities.

Our short-term liquidity needs are met through our €750 million Sustainability Linked Revolving Credit Facility and available cash. We aim to maintain sufficient headroom under this facility for the potential needs of the Group.

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

At 31 December 2022, Mondi had a strong liquidity position of €1,818 million, comprising €757 million of undrawn committed debt facilities and cash and cash equivalents held by continuing operations of €1,061 million. The weighted average maturity of our committed debt facilities was 3.8 years. The Group's financing agreements do not contain financial covenants.

Mondi retains a strong financial position. Continuing operations' net debt at 31 December 2022 was €1,011 million, reduced from €1,689 million at 31 December 2021, reflecting the Group's strong cash generation and proceeds from the disposal of the Personal Care Components business. Net debt to underlying EBITDA ended the year at 0.5 times (31 December 2021: 1.5 times).

As expected, net finance costs of €143 million were higher than the prior year driven by higher interest rates, in particular in the Czech Republic, Poland and South Africa, and currency mix effects.

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

**Currencies**

Our global presence results in exposure to foreign exchange risk in the ordinary course of business. Currency exposures arise from commercial transactions denominated in foreign currencies, financial assets and liabilities denominated in foreign currencies and translational exposure on our net investments in foreign operations.

Our policy is to fund subsidiaries in their local functional currency wherever practical. External funding is obtained in a range of currencies and, where required, converted into the subsidiaries' functional currencies through the swap market.

We hedge material net balance sheet exposures and forecast future capital expenditure. We do not hedge our exposures to projected future sales or purchases. We do not take speculative positions with derivative contracts.

Currency movements had a net positive impact on underlying EBITDA of around €90 million versus the prior year, due to the effect of the stronger US dollar relative to the euro on our export-oriented businesses.

**Tax**

We aim to manage our tax affairs in accordance with national legislative provisions and within the guidelines set down by the Organisation for Economic Cooperation and Development (OECD). Our objective is to structure our operations tax efficiently and take advantage of available incentives and exemptions provided by governments for eligible capital investments, R&D and similar expenditure. We do not enter into any artificial arrangements and tax decisions are made in response to business transactions and activities.

Our approach to tax is formalised in our publicly available tax strategy, which the Board reviews and approves each year.

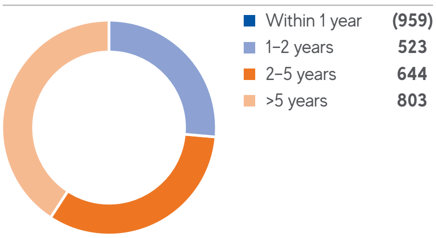
While ultimate responsibility for the tax affairs of the Group rests with the Board, the Executive Committee ensures that the tax governance framework is aligned with the principles of financial management applied throughout the Group. At both Board and Executive Committee level, the Group CFO is accountable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

We have dedicated internal tax resources throughout the organisation, supported by a centralised Group tax function that takes day-to-day responsibility for management of the Group's tax affairs. We maintain a detailed set of operational guidelines aimed at ensuring a robust tax control environment. In addition, we seek regular professional advice to ensure that we remain up to date with changes in tax legislation, disclosure requirements and best practice.

Tax risks are monitored on a continuous basis and are more formally reviewed on a half-yearly basis by the Audit Committee as part of our half-yearly reporting process. The Board formally reviews tax management activities on an annual basis. As Mondi operates in a number of countries, each with a different tax system, the Group is regularly subject to routine tax audits and tax authority reviews which may take a considerable period of time to conclude. We maintain a constructive dialogue with tax authorities, working in a transparent manner to resolve disputes. Where necessary, provision is made for known issues and the expected outcomes of any negotiations or settlements.

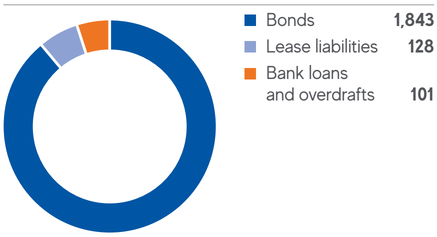
The underlying tax charge from continuing operations for the year was €296 million (2021: €154 million) giving an effective tax rate of 22% (2021: 22%), in line with our expectation.

**Maturity profile of net debt**
(€ million)

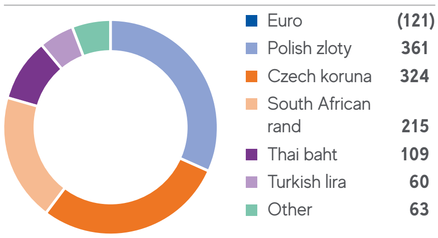



The graph excludes net cash of €959 million (maturity within 1 year)

**Composition of debt**
(€ million)




**Currency split of net debt**
(€ million)




The graph excludes net euro cash of €121 million

# Principal risks
## Managing our risks

### Our Group risk management framework and internal control environment is designed to address the risks that could undermine our business model and ability to execute our strategy into the future.

Risk management is by its nature a dynamic and ongoing process. Risk management is of key importance given the diversity of the Group's locations, markets and production processes.

In combination with the Audit Committee, the Board has conducted a robust assessment of the Group's principal and emerging risks and is satisfied that the Group has effective systems and controls in place to manage these risks within the risk appetite levels established.

### Our risk management framework

The Board has overall responsibility for setting the Group's strategy and is responsible for monitoring and maintaining the effectiveness of the Group's risk management activities and internal control processes. The Board has put in place procedures for identifying, evaluating, and managing the risks faced by the Group.

The Board has determined the Group's residual risk exposure and related risk appetite, using a risk rating matrix which takes into consideration both the likelihood of the risk event occurring and the magnitude of the impact in the event that the risk event occurs. The risk rating matrix is based on the residual risk that the Group faces after taking into consideration the internal control environment and related mitigating actions and controls. The Board has established specific appetite levels for each principal risk, ensuring that our risk exposure remains appropriate at all times. The Board considers changes in principal risks and reviews emerging risks during the year.

The Audit Committee performs an annual review of the Group's principal risks and related mitigation, including consideration of acceptable risk appetite levels for the Group. Each of the Group's principal and emerging risks is reviewed in detail by either the Board, the Audit Committee or the Sustainable Development Committee through the course of the year, considering the detailed risk description, the controls and mitigating actions in place, the level of internal and external assurance obtained, and the resultant residual risk exposure.

Business units are required to conduct an annual, detailed review of their risks and compile a risk register which is reviewed and approved by the business unit operating committees. The risk management process ensures that the various business unit operating committees review the principal and emerging risks in their respective businesses and identify the actions and controls to mitigate these risks. Management assurance is provided on both a formal and informal basis. Risk management is embedded in all decision-making processes and captured in our policies, procedures and delegated authorities, with ongoing review by the Board and risk assessments forming part of all investment decisions.

### Our internal control environment

Our internal controls aim to provide reasonable assurance as to the accuracy, reliability and integrity of our financial information, non-financial disclosures and the Group's compliance with applicable laws, regulations and internal policies, as well as the effectiveness of internal processes.

Through our structured approach, the control environment is subject to regular oversight and review to reduce the likelihood of any significant deficiencies arising, control weaknesses are identified and addressed, and new or emerging risks are identified early and monitored regularly.

The Group's internal control systems have been in place for the year under review and up to the date of approval of the Integrated report and financial statements 2022 and are in accordance with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued by the Financial Reporting Council. No significant failings or weaknesses were identified in the internal control systems for the year under review.

The Board and its committees have approved the Group's financial, business conduct, operating, and administrative policies, including those relating to delegation of signing authorities and information security. The policies provide a framework for the Group's internal control environment and outline required standards of behaviour. Business units are required to ensure that they adhere to approved Group policies and that they have implemented their own supporting policies where appropriate. In line with the approved delegation of authorities, specific matters are reserved for Executive Committee or Board approval, including the approval of major capital investments, acquisitions, and disposals.

Management is responsible for regularly reviewing the Group's financial performance, and it is the responsibility of management at all operational levels to ensure that risks are appropriately managed and a proper internal control environment is in place to anticipate and respond to risks. The Group's financial reporting process includes the monthly results and management reports, an annual three-year plan ("budget period"), and three updates to the first budget year during the course of that budget year. Detailed monthly management reports and variance analyses comparing actual with planned results are prepared. In-depth reviews of business units and market developments are performed regularly, and are designed to ensure ongoing monitoring of financial and sustainability performance and early identification of potential issues and/or emerging risks. In addition, the Board reviews the Integrated report and financial statements to ensure it is fair, balanced and understandable, and the Audit Committee reviews and approves the accounting policies for each financial year.

## Our risk management framework and internal control environment

### External audit

External assurance is provided through external audit which is designed to detect material errors and material irregularities that impact the financial statements

### Board

Overall responsibility for the Group's strategy and risk management

Determines risk appetite in line with Group strategy, and approves the Group's risk management framework

Approves the annual three-year plan

### Sustainable Development Committee

Monitors and reviews material safety, health, environmental and other sustainable development risks, including climate change risks and opportunities

### Audit Committee

Reviews and monitors the adequacy and effectiveness of the Group's internal control and risk management processes

Ongoing review of the principal risks through the course of the year

Approves the annual internal audit plan

### Executive Committee

Formulates risk management policies in terms of the approved risk management framework to ensure risks are managed within accepted tolerance levels

Assesses and monitors risks on an ongoing basis

### Business units

Hold the ownership, responsibility and accountability for assessing and mitigating risks as well as implementing risk management policies and procedures

### Group functions

Responsible for oversight of adherence to the Group's policies, procedures and controls; facilitation of the implementation of risk management practices; and management of specific risk areas that benefit from central coordination (e.g. tax, treasury, controlling, legal, procurement, information management, sustainable development, safety and health)

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

### Internal audit

The Group has a centrally coordinated internal audit function that reports directly to the Audit Committee and is mandated to perform Group-wide reviews of key processes, projects and systems, based on the Group's strategy and principal risks.

## The three levels of assurance in our internal control environment

### Operational management

- Key policies and procedures covering all main areas of business conduct are approved by the Board and each business unit and Group function is required to adhere to these overall Group policies.
- Management is responsible for regularly reviewing its entity's operating, financial and sustainability performance and for preparing and reviewing monthly management accounts and business reports as appropriate.
- Twice a year, all financial managers are required to complete an internal control assessment and provide written confirmation of compliance with Group policies and procedures. This formal confirmation highlights any control weaknesses or deficiencies identified.

### Management review and assurance

- Management is responsible for regularly reviewing the Group's operating, financial and sustainability performance, including monthly management accounts, and the progress of significant capital investment projects.
- Management at Group level and, in more depth, at business unit level is responsible for a detailed assessment of current market conditions.
- The Group functions (information management, controlling, sustainable development, safety and health, treasury and tax) each have Board-approved policies in place against which conduct is regularly assessed.

### Independent assurance

- Internal and external audit.
- Regular reviews and vetting by external regulatory and non-regulatory parties, as required and as part of our operational management, including ISO certification, annual insurance assessments, sustainable development report assurance and information security programmes.
- The Group sustainable development key performance indicators are externally verified.

**Sustainable Development report**
www.mondigroup.com/sd22

# Principal risks

## Principal risks in 2022

Over the course of the past year, the Board and the Audit Committee have reviewed the Group's principal and emerging risks. In evaluating the Group's risk management and internal control processes, the Audit Committee has considered both internal and external audit reports and received confirmation from the finance directors of the business units that the Group's control frameworks have operated satisfactorily. The sustainable development risks considered throughout our business have been reviewed by the Sustainable Development Committee during the year. Sustainable development risks that are considered to be principal risks are reviewed by the Audit Committee as part of the annual review process.

### Key changes in the year

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

During the year, we improved our internal risk management processes. A revised risk assessment approach was used to update our principal risks, providing further detail and clearer articulation of risk within the Group.

An enhanced risk assurance map was developed and used to present our principal risks to the Board, Audit Committee and Sustainable Development Committee, facilitating detailed discussions on risk. The Group remains committed to the continuous improvement of risk assessment, risk management and risk reporting.

Our Group risk map was updated to present an improved visual representation of the Group's risks. The updated risk map presents our principal risks based on a risk exposure score which assigns a higher weighting to the impact of a risk event than to the perceived likelihood. This emphasises the prioritisation and escalation of risks that could have the greatest impact to our business. The principal risks reflected on the risk map are based on the updated methodology, with the movement of risks reflecting changes to principal risks during the year.

During the year, the risk to energy security and related input costs was increased. As the transition to cleaner energy sources accelerates, accompanied by increased regulation, the energy supply portfolio in the regions in which we operate is undergoing profound long-term changes (e.g. higher demand for external biomass), which increases the risk of more volatility in pricing and major energy interruptions. Additionally, the impact of the war in Ukraine on global and specifically European energy markets is acute and has driven significant increases in pricing and raised the risk of access to critical energy supplies.

Climate change continues to drive long-term structural changes to pricing and availability of wood. The impact of the war in Ukraine and related sanctions has restricted the movement of raw materials, including Russian and Belarusian wood.

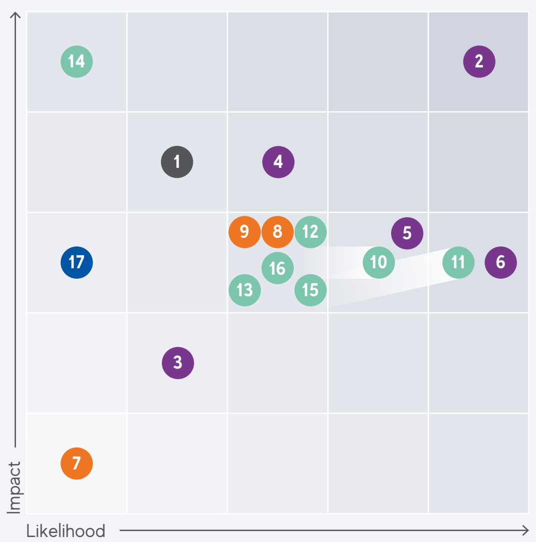
In addition, the European energy supply balance has been disrupted, resulting in increasing demand for wood for heating purposes. Consequently, the cost and availability of raw materials risk was updated to reflect an increase in the anticipated likelihood of occurrence of the risk.

Given the Group's commitment to divest its Russian assets and the subsequent agreements entered into to divest these assets, the principal risks have been prepared and presented excluding our Russian operations. The exclusion of Russia from our risk assessment has not significantly impacted the risk exposure scores presented on the risk map.

### Emerging risks

The Board has highlighted the execution of major capital expenditure projects as a continued emerging risk. The emerging risk is managed through mitigating activities, such that the residual risk exposure is not considered significant.

All capital expenditure projects are planned in detail with contingency plans in place in order to avoid cost overruns and design and building defects, and to ensure employee and contractor safety. Post-investment reviews are conducted on major capital expenditure projects to evaluate the project execution against the original plan and identify lessons learnt. We will continue to monitor potential risks relating to executing major capital expenditure projects in the year ahead.




Risk movement in the year: 10 11

**Pandemic**
1. Pandemic risk

**Strategic**
2. Industry productive capacity
3. Product substitution
4. Fluctuations and variability in selling prices or gross margins
5. Country risk
6. Climate change risks

**Financial**
7. Capital structure
8. Currency risk
9. Tax risk

**Operational**
10. Cost and availability of raw materials
11. Energy security and related input costs
12. Technical integrity of our operating assets
13. Environmental impact
14. Employee and contractor health and safety
15. Attraction and retention of key skills and talent
16. Cyber security risk

**Compliance**
17. Reputational risk

## Our principal risks

| | | | Risk owner | Link to Strategy | | | | |
|---|---|---|---|---|---|---|---|---|
| **Pandemic** | 1 | Pandemic risk | Executive Committee (oversight CEO) | ● | ● | ● | ● | ● |
| **Strategic** | 2 | Industry productive capacity | Executive Committee (oversight CEO) | | ● | ● | | |
| | 3 | Product substitution | | ● | | ● | | ● |
| | 4 | Fluctuations and variability in selling prices or gross margins | | | ● | ● | | ● |
| | 5 | Country risk | | ● | | ● | | |
| | 6 | Climate change risks | SD Committee (oversight Group Head of Sustainable Development) | ● | ● | ● | | ● |
| **Financial** | 7 | Capital structure | Group CFO | ● | ● | ● | | |
| | 8 | Currency risk | Group Treasurer | ● | ● | ● | | |
| | 9 | Tax risk | Group Head of Tax | ● | ● | ● | | |
| **Operational** | 10 | Cost and availability of raw materials | Executive Committee (oversight CEO) | ● | ● | | | |
| | 11 | Energy security and related input costs | Group Head of Operations | ● | ● | ● | | |
| | 12 | Technical integrity of our operating assets | | ● | ● | ● | | |
| | 13 | Environmental impact | SD Committee (oversight Group Technical Director & Group Head of Sustainable Development) | ● | | | | |
| | 14 | Employment and contractor health and safety | Group Head of Safety & Health | ● | | | ● | |
| | 15 | Attraction and retention of key skills and talent | Group HR Director | ● | | | ● | |
| | 16 | Cyber security risk | Chief Information Officer | ● | ● | ● | ● | ● |
| **Compliance** | 17 | Reputational risk | Executive Committee (oversight CEO) | ● | | ● | ● | ● |

Our principal risks, independently or in combination, may impact the Group's ability to deliver on its strategy. The above table indicates the components of our strategy that are most likely to be impacted as a result of each principal risk and are defined below:

- Drive value accretive growth, sustainably
- Drive performance along the value chain
- Invest in assets with cost advantage
- Inspire our people
- Partner with customers for innovation

# Principal risks

## Pandemic risk

### 1 Pandemic risk

#### Potential impact

- A pandemic may cause the Group to experience material labour shortages, supply chain or operational interruptions, higher input costs or increased cyber security attacks that, if experienced in the Group's major facilities or on a widespread basis, could have a material adverse effect on the Group's business.
- A pandemic could potentially impact the technical integrity of our assets, as contractors, suppliers and employees' restricted availability on our sites limits maintenance and capital works.
- Increased safety risk to employees and contractors due to changes in shift patterns and less interaction by leaders on the mill or plant floor; general physical and mental health risks are heightened by a pandemic.
- A pandemic and related lockdowns can have a severe economic impact, driving changes in consumer behaviour, demand for some of our products, and increased risk of additional taxes being levied by governments.
- A pandemic could increase the Group's reputational risk, as communities may become more vulnerable to loss of livelihoods and more dependent on major local businesses to secure jobs, safeguard employee and community health, and support local organisations.

#### Mitigation

- Closely monitor latest developments, assess risks, provide guidance, and implement preventative policies in line with local regulations and recommendations.
- Respond with actions to safeguard employee and community health, secure jobs directly and indirectly, support and fund local clinics and hospitals and produce goods and services needed for everyday life.
- Continuous monitoring of the impact on business operations with prompt interventions when necessary. Implement cost controls such as temporarily ceasing discretionary spend and postponing non-essential capital expenditure.
- Personal protection measures implemented at all of our sites, with intensified hygiene and social distancing protocols that meet or exceed local and international guidelines and, where possible, flexible working for employees.
- Implement cost controls such as temporarily ceasing discretionary spend and postponing non-essential capital expenditure.
- Digital collaboration tools enable effective communication for employees with their colleagues, customers and suppliers; we raise employee awareness to cyber security risks and implement additional security measures related to remote working, including additional monitoring and testing of our network and all relevant systems on a regular basis.
- Maintain a strong balance sheet, sufficient liquidity, investment grade credit metrics and good relationships with a broad range of banks.
- For any new critical infectious diseases flagged as likely to develop into a pandemic, the Group will employ its internal monitoring and mitigating activities in line with the safety protocols and government regulations developed during the COVID-19 pandemic.

## Strategic risks

### 2 Industry productive capacity

#### Potential impact

- Market supply/demand balance is impacted by large incremental new capacity additions.
- Unless market growth exceeds capacity additions, excess capacity may lead to lower selling prices.
- Plant utilisation levels are the main driver of profitability in paper mills.
- Investments in newer technology may lower operating costs and provide increased product functionality, particularly relevant in the converting businesses, which can increase competition and impact margins.

#### Mitigation

- Monitor industry developments in terms of changes in capacity and utilisation levels both short and long-term, as well as market trends and trade flows in our product markets, enabling us to establish target capacity utilisation levels in the short term and to evaluate capital investment projects in the long-term.
- Strategic focus on owning cost-advantaged assets, with consistent investment to secure our competitiveness, coupled with increasing our exposure to structurally growing packaging markets.
- Partnering with our customers for innovation, developing sustainable and responsibly produced products.
- Continuous focus on operational performance, quality, customer relationships and service, including developing and applying digital platforms to drive performance in our operations and improve customer reach.
- Maintaining strong relationships with machine suppliers to identify current market developments and technologies, coupled with a routine review of our asset portfolio and capacity utilisation levels to identify underperforming assets and take decisive action to drive performance.

### 3 Product substitution

#### Potential impact

- Changes in consumer preferences and socio-economic and demographic trends can affect the demand for packaging and paper products in general, and demand for specific grades of our products in particular.
- Substitution can be to a different packaging or paper substrate or to a different solution meeting the same need.
- With increased public awareness of sustainability challenges and our customers' focus on sustainable packaging on balance, our business faces more opportunities than risks, underpinned by the transition to more sustainable solutions, although there could be pressures on certain areas of our portfolio.
- Product substitution trends, many of which benefit Mondi are, for example, replacing plastic-based with paper-based packaging, moving to mono-material recyclable plastic packaging solutions, reducing the weight of products, increasing the recycled content in packaging, demand for certified and responsibly produced materials and the impact of digital media on uncoated fine paper demand.
- The increased public and stakeholder focus on the impact of plastic waste on marine and terrestrial ecosystems has led to changes in legislation which can be complex and unclear, and lack harmonisation which could pose substitution or related challenges.
- New and evolving legislation such as the Packaging and Packaging Waste Regulation or Extended Producer Responsibility schemes may negatively impact demand for some of our products.

#### Mitigation

- A wide portfolio of paper-based and flexible plastic-based solutions, providing protection from the effects of substitution between the substrates.
- Engagement with customers and consumers to help understand and drive a more sustainable approach to their packaging requirements.
- Development of sustainable, competitive and cost-effective products.
- Continuous focus on products enjoying positive substitution dynamics and growing regional markets.
- Regular monitoring of trends and new developments in our product markets; conducting customer surveys to get better insight and response to our customers' needs.
- Organisational collaboration to find solutions to our customers' sustainability challenges by leveraging our customer-centric approach.
- Continued collaboration with stakeholders across the value chain such as the Ellen MacArthur Foundation, CEFLEX and 4evergreen.
- Providing product impact and life cycle analysis insights to customers through our Product Impact Assessment (PIA tool), product carbon footprints, Paper Profiles[1] and other expert analysis on trade-offs.

1 Paper Profile is a uniform environmental product declaration offered by around 19 European pulp and paper companies

## 4 Fluctuations and variability in selling prices or gross margins

### Potential impact

- Price fluctuations in our key paper products can have material profit and cash flow implications.
- Selling prices are determined by changes in capacity and demand for our products, which are, in turn, influenced by macroeconomic conditions, competitive behaviour, consumer spending preferences and inventory levels maintained by our customers.
- Changes in prices differ between products and geographic regions, and the timing and magnitude of such changes have varied significantly over time.
- Gross margins in our converting operations are impacted by fluctuations in key input costs, such as paper, which cannot be passed on to customers in all cases.

### Mitigation

- Strategic focus on higher growth markets and products where we enjoy a competitive advantage through innovation, proximity or production cost.
- Continued investment in our high-quality, cost-advantaged asset base, ensuring we maintain our competitive cost position while developing businesses in higher growth markets with better long-term fundamentals.
- Exposure to price volatility of key input costs is reduced by our high levels of vertical integration.
- Financial policies and contract structures take the inherent price volatility of the markets in which we operate into consideration.
- Ongoing monitoring of current market fundamentals, market demand trends and market prices, enabling evaluation of price expectations in the short-term and increased understanding of long-term trends.
- Continuous monitoring of our order intake to identify changing trends and developments in our own product markets.
- Frequent review of gross margin development in order to monitor price pass through to customers.

## 5 Country risk

### Potential impact

- The Group has operations across more than 30 countries with differing political, economic and legal systems. In some countries, such systems are less predictable than in countries with more developed institutional structures. Political or economic upheaval, inflation, changes in laws, nationalisation, or expropriation of assets may have a material effect on our operations in those countries.
- The current macroeconomic environment is impacted by a number of uncertainties, including the effects of increased protectionism, use of trade tariffs and economic sanctions.
- In South Africa, the Group is subject to land claims and could face adverse land claim rulings.
- Sustained higher inflation is emerging in many developed economies. Türkiye is experiencing a hyperinflationary economic environment.

### Mitigation

- Our geographic diversity and decentralised management structure, utilising local resources in countries in which we operate, reduce our exposure to any specific jurisdiction. Our operational management teams have strong localised operational experience.
- Capital and debt is structured in each country based on assessed risks and exposures in order to mitigate the effect of country specific risks.
- Regular review of our sales strategies to ensure compliance with trade restrictions and sanctions and to mitigate export risk in countries with less predictable environments and, where possible, obtaining credit insurance.
- Country specific risk premiums are approved by the Board to be added to the required returns on investment projects in those countries where risks are deemed to be higher; new investments are subject to rigorous strategic and commercial evaluation.
- Maintain a permanent internal audit presence and operate asset protection units in large operations in higher risk locations.
- In South Africa, we continue to engage with government on land matters and monitor how the expropriation bill will be implemented. The Group has settled a number of land claims structured as sale and leaseback arrangements, which provide a framework for settling future land claims.
- Regular formal and informal interaction with government officials, local communities, and business partners helps us to remain abreast of changes and new developments.

## 6 Climate change risks

### Potential impact

- Climate change risks will likely impact our business in the medium- and long-term.
- Our manufacturing operations are energy-intensive resulting in Scope 1 and Scope 2 greenhouse gas (GHG) emissions.
- Fibre is the main raw material for our products and forests are an important carbon store, with sustainably managed forests supporting a circular bioeconomy.
- Customers and consumers are increasingly concerned about the consequences of climate change and are looking for solutions produced from renewable materials and reduced carbon footprints. Investors are increasingly focused on the climate impact of their portfolios.
- Our climate change risks include transition and physical risks. Transition risks include regulatory risks, for example GHG emissions regulatory changes and energy supply cost volatility due to changes in future energy supply mix. Physical risks include the impact of water shortages due to drought or changing precipitation patterns and increased costs driven by a shortage of wood supply in the long-term due to physical impacts such as droughts, pests and diseases.

### Mitigation

- Reducing our GHG emissions through a combination of capital investment and ongoing efficiency programmes to improve our energy efficiency, optimise the use of biomass-based fuels and decrease carbon-intensive energy sources.
- Sourcing our wood from diverse regions and forest types, mitigates the potential impacts of climate change on our wood fibre raw material, particularly in Europe. In South Africa, we continue to investigate and select trees which require less water and are more resistant to pests and disease.
- Monitoring and measuring our impact on climate change, reporting and having our GHG emissions and energy usage independently assured.
- Committing to transition to Net-Zero in line with a 1.5°C scenario by 2050 and working on reducing our emissions in line with our approved SBTi targets across Scope 1, 2 and 3 emissions.
- Through our participation in organisations such as the We Mean Business Coalition, which aims to catalyse business action, we support policy ambition to accelerate the transition to a low-carbon economy.
- Continuing to investigate the financial implication of our short-, medium- and long-term climate change risks and opportunities.
- Investigating and reporting on climate change risks and opportunities in adherence to internationally accepted recommendations, such as those published by the FSB's TCFD.

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# Principal risks

## Financial risks

### 7 Capital structure

#### Potential impact

- A strong and stable financial position enables strategic flexibility and provides the ability to take advantage of opportunities as they arise.
- Our ability to raise debt and/or equity financing is significantly influenced by general economic conditions, developments in credit markets, equity market volatility, and our credit rating.
- Failure to obtain financing at reasonable rates could prevent us from realising our strategy and have a negative impact on our competitive position.

#### Mitigation

- Maintaining strong investment grade credit metrics provides access to global debt capital markets.
- Our central treasury function operates under a Board-approved treasury policy, targeting investment grade credit ratings and with access to diverse sources of funding with varying maturities.
- The majority of our external debt is issued centrally.
- Regular reporting to the Board on our treasury management policies.
- Our central treasury function monitors compliance with treasury policies at operating level and we engage external advisors to review the treasury function at regular intervals.

### 8 Currency risk

#### Potential impact

- As a multinational group, operating globally, we are exposed to the effect of changes in foreign currency rates; the impact of currency fluctuations affects us because of mismatches between the currencies in which our operating costs are incurred and those in which revenues are received.
- Key operating cost currencies that are not fully offset by local currency denominated revenues include the South African rand, Polish zloty and Czech koruna; while the fluctuations in the US dollar, British pound and Turkish lira can also have a material impact as our revenues in these currencies are greater than operating costs incurred.
- Appreciation of the euro compared with the currencies of the other key paper-producing regions or paper pricing currencies, notably the US dollar, reduces the competitiveness of Mondi products in Europe compared with imports from such key paper-producing regions, which can result in lower revenues and earnings.

#### Mitigation

- Hedging is utilised for balance sheet exposures and material forecasted capital expenditures upon identification.
- Diversification of the Group's currency exposure creates natural hedges, as such we do not hedge our exposure to projected future sales or operating costs and our businesses respond to adverse currency fluctuations by increasing selling prices or increasing exports where competitiveness improves as operating currencies weaken; entities also borrow in their local currencies to minimise translation risk.
- Continuous monitoring of exchange rate movements and sensitivities, and evaluation of the impact of exchange variances on our results.
- Regular review of our prices and monitoring of import and export trade flows.

### 9 Tax risk

#### Potential impact

- We operate in a number of countries, all with different tax systems, and an international tax environment which is becoming more onerous, requiring increasing transparency and reporting and in-depth scrutiny of the tax affairs of multinational companies, such as the Global Reporting Initiative's Tax reporting standard.
- We make significant intragroup charges, the basis for which is subject to review during tax audits.

#### Mitigation

- A Board-approved Group tax strategy is reviewed annually.
- Appropriate and attentive management of our affairs, with operations structured tax efficiently to benefit from available incentives and exemptions.
- Dedicated tax resources throughout the Group supported by a centralised Group tax team.
- Arm's length principles are applied in the pricing of all intragroup transactions in accordance with Organisation for Economic Cooperation and Development (OECD) guidelines.
- External advisory opinions are obtained where relevant, including for all major projects with potential tax consequences such as acquisitions and restructuring activities, with external benchmarks used where possible.
- Regular engagement with external advisors to stay up-to-date with changes in tax legislation and tax practice.

# Operational risks

## 10 Cost and availability of raw materials

### Potential impact

- We use significant amounts of wood, pulp, paper for recycling, polymers and chemicals in our production processes, meaning access to these raw materials is essential to our operations.
- The prices for many of these raw materials generally fluctuate in correlation with global commodity cycles.
- Wood prices and availability may be adversely affected by reduced quantities of available suitable wood supply due to increased frequency of severe weather events, changes in rainfall, increased pest and disease outbreaks, increasing use of wood as biofuel, alternate use of wood for heating and changes in demand for wood as a building material.
- Climate change is expected to create long-term structural changes to the pricing and availability of wood, with temperature and precipitation changes resulting in a geographic shift of optimal forest growth areas, and an impact from forest-related legislative policies mainly driven by environmental conservation and $CO_2e$ emission reduction targets, particularly in the EU.
- Where raw materials are sourced in areas of weaker governance, we may face potential social and environmental risks, poor safety and labour practices and human rights issues.
- Force majeure events can influence raw material supply and pricing, directly affecting the market production and supply balance.
- The war in Ukraine has resulted in sanctions on the export of Russian and Belarusian wood and created an imbalance in European energy markets, increasing the use of wood as an energy source. These factors have tightened the wood market in Europe, impacting both the price and availability of wood.

### Mitigation

- Where possible, indexation clauses in revenue contracts allow the pass-through of major raw material price movements.
- We are committed to acquiring our raw materials from responsible sources and avoiding the use of any controversial or illegal supply.
- Multi-stakeholder processes address challenges in meeting demand for sustainable fibre; we encourage legislation for the local collection of recycled materials.
- Sustainable management of our forestry operations is key in managing our social and environmental impact, helping to protect worker and community rights and develop resilient landscapes and ecosystems.
- Our operations use multiple suppliers and our centralised procurement teams work closely with our operations in actively pursuing longer-term agreements with strategic suppliers; in Europe, we source our wood from diverse regions and forest types to mitigate the potential supply impacts of unforeseen events. We source wood from our own managed forests in South Africa.
- Strategic partnerships with suppliers of critical raw materials enable higher volume allocation in times of shortages, and a safety stock programme facilitates exchange of raw materials within our plant network.
- Our responsible procurement process helps us to assess and evaluate the performance of our suppliers and their adherence to our policies.
- Wood and pulp suppliers are assessed as part of our Due Diligence Management System which addresses the main legal and sustainability risks.
- In South Africa, we have tree improvement programmes to produce stronger trees; fire prevention and firefighting capacity are integrated into a fire management system with local Fire Protection Associations and neighbouring operations.

## 11 Energy security and related input costs

### Potential impact

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

### Mitigation

- Investment in improvements to our energy profile and increased electricity self-sufficiency, including the use of renewable energy sources, strengthens the energy efficiency of our operations while reducing ongoing operating costs and carbon emission levels.
- Where we generate electricity surplus to our own requirements, we may sell such surplus externally; we also generate income from the sale of green energy credits in certain of our operations at prices determined in the open market.
- Our focus on optimising the use of biomass-based fuels enables reduced use of fossil-based energy sources, such as carbon-intensive coal.
- Energy costs are closely monitored and benchmarked against external sources and we monitor our electricity usage, carbon emission levels and use of renewable energy; most of our larger operations have high levels of electricity self-sufficiency.
- We actively monitor the renewable energy market fundamentals and changes in legislation and maintain contact with local energy regulators.
- We have undertaken detailed compliance assessments regarding Industry Emissions and Energy Efficiency Directives to determine future investment requirements.

# Principal risks

## Operational risks continued

### 12 Technical integrity of our operating assets

#### Potential impact

- We have four major mills, Świecie (Poland), Štětí (Czech Republic), Ružomberok (Slovakia) and Richards Bay (South Africa), which account for approximately 70% of our total pulp and paper production capacity. If operations at any of these key facilities are interrupted for any significant length of time, it could have a material effect on our financial position or performance. Our converting operations are spread over a considerably larger number of plants, providing risk diversification.
- Incidents such as fires, explosions or large machinery breakdowns, or the inability of our assets to perform the required function effectively and efficiently while protecting our people, the business, the environment and stakeholders, could result in property damage, loss of production, reputational damage, and/or safety and environmental incidents.
- Regular maintenance and project-related shuts can experience delays in start-up and ramp-up due to reliance on external suppliers and contractors for engineering services and equipment supplies.

#### Mitigation

- Our capital investment programme supports the replacement of older equipment to improve both reliability and integrity, and our proactive repair and maintenance approach is designed to improve production reliability and minimise breakdown risks.
- We conduct detailed risk assessments of our high-priority equipment and have specific processes and procedures in place for the ongoing management and maintenance of such equipment.
- We continue to develop our asset management system to ensure best practices for maintenance procedures and we have a maintenance training programme for our employees.
- Benchmarking activities enable us to optimise our production throughout the organisation by learning from our best performing operations and to identify any emerging issues early.
- Digital initiatives utilising advanced analytics, machine sensors and process automation enable improved operational efficiency and asset utilisation; a digital predictive maintenance approach is in development to support our robust condition monitoring programme in our mills.
- We actively monitor all incidents and have a formal process which allows us to share lessons learned across our operations, identify emerging issues, conduct benchmarking, and evaluate the effectiveness of our risk reduction activities.
- External experts perform technical integrity assessments at our major sites and enhance our engineering and loss prevention competencies and capabilities.
- Our Fire Protection programme is supported by external experts and independent loss prevention audits and we take out property insurance cover for key risks.

### 13 Environmental impact

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#### Potential impact

- Our operations are water, carbon and energy intensive and generate emissions to air, water and land. We are subject to a wide range of environmental laws and regulations, as well as the requirements of our customers and expectations of our broader stakeholders. Costs to meet compliance requirements, such as Best Available Techniques (BAT), potential restoration and soil and groundwater clean-up activities, and increasing costs from the effects of emissions could have an adverse impact on our profitability.
- The availability of water in water scarce and stressed areas could pose a risk to continuing to operate our production facilities to their full potential.
- As we purchase significant amounts of wood and fibre on the market and manage plantation forestry landholdings in South Africa, a decline in ecosystem functions and loss of biodiversity could impact the natural resources that we rely on.

#### Mitigation

- We ensure compliance with all applicable environmental requirements where we operate; our own policies and procedures, at or above local policy requirements, are embedded in all our operations and are supported by externally accredited environmental management systems.
- Our focus, as captured by our MAP2030 targets and commitments, is on a cleaner production philosophy to address the impact from emissions, discharge, and waste; we manage our water resources responsibly to address risks related to water scarcity, and promote equitable use of water resources among local stakeholders wherever we operate.
- We promote the responsible management of forests and associated ecosystems, protect high conservation value areas and implement measures to protect biodiversity.
- We participate in international associations and engage with universities, NGOs and other organisations, such as Cepi, WWF, Alliance for Water Stewardship and the World Business Council for Sustainable Development's Forest Solutions Group.
- We organise specialist internal networks sharing best practice and comprehensively report and investigate major environmental incidents to avoid reoccurrence.
- We monitor our environmental performance indicators and report our progress against our targets, with our Scopes 1 and 2 GHG emissions independently assured to a reasonable assurance level and Scope 3 receiving limited assurance.
- We monitor regulatory developments to ensure compliance with existing operating permits and perform water impact assessments to better understand our local environmental footprint.
- External verification and assurance of our sustainability reporting is obtained, including social, safety, forestry, environmental and product stewardship KPIs.
- We conduct biodiversity assessments at our manufacturing and forestry operations to evaluate our impact on biodiversity and ecosystems, and develop action plans to manage impacts.

### 14 Employee and contractor health and safety

#### Potential impact

- Accidents, incidents and exposure to occupational health hazards, such as noise and stress, may cause injury or harm to employees and contractors, property damage, lost production time, and/or harm to our reputation.
- Risks include fatalities, serious injuries, occupational diseases, substance abuse and instances of violent crime in some jurisdictions.
- General health and mental health risks were heightened by the pandemic.

#### Mitigation

- Continuous improvement of safety standards through monitoring incidents, major close calls and recordable case rates to transfer learnings across our operations with the goal of sending everybody home safely every day.
- Embedded safety management systems including, among others, risk assessments, safety procedures and controls.
- We have a goal of zero harm and aim to advance our 24-hour safety mindset and develop the desired safety culture as well as focusing on the Social Psychology of Risk.
- An employee assistance programme and wellness initiatives are offered across the countries in which the Group operates in order to help employees with general health and mental health concerns.
- We continue to engineer out the most significant risks in our operations, supported by robust controls and procedures for operating those assets and conducting related tasks.
- Our Permit to Work methodology across the Group supports us to achieve our safety targets.
- Extensive training to ensure that performance standards and practice notes are communicated and understood and our incentives are impacted by the non-achievement of safety milestones (lag indicators) as well as achievement of lead indicators.
- Our Task Risk Management Methodology provides a practical approach to conducting pre-task risk assessments, and our focus is on better understanding the high risk tasks in our operations.
- We apply externally accredited safety management systems, with continuous benchmarking against global safety standards, and conduct regular audits of our operations to ensure our facilities remain fit-for-purpose.

## 15 Attraction and retention of key skills and talent

### Potential impact

- Access to the right skills, particularly management and technical skills, is critical to support the performance and growth of our business.
- Operations in remote locations or highly competitive markets make attracting and retaining skilled employees challenging.
- Losing skills or failing to attract new talent to our business has the potential to undermine our ability to drive performance and deliver on our strategic objectives.
- The economies of Western Europe and the United States are seeing an ageing workforce which could present challenges in the future. Socio-political issues in South Africa result in skilled workers looking to emigrate.

### Mitigation

- Our culture and values play a key role in empowering and inspiring our people, highlighted by programmes and collaboration initiatives to inspire our people throughout our operations.
- We have a zero tolerance policy towards discrimination and we provide equal opportunities for all employees.
- The setting of ambitious sustainability commitments in our MAP2030 framework supports our reputation as a Group that places significant importance on sustainability issues, which assists in attracting and retaining our people.
- We are investing in employer branding, engaging in fair and transparent recruitment practices and have diversity and inclusion, labour and human rights policies in place.
- Competitive compensation levels through benchmarking and continue to support and invest in Group-wide as well as local training programmes.
- Implemented measures to monitor and manage succession planning, staff turnover, internal placements and training.
- Performed 360° feedback at a management level and regularly conduct performance and development reviews at a local level.
- In addition to a Group-wide employee survey approximately every two years, regular pulse surveys provide focused fast employee engagement and feedback.
- Through a confidential reporting platform, SpeakOut, employees and external stakeholders can raise concerns about conduct that may be contrary to our values.

## 16 Cyber security risk

### Potential impact

- The Group could experience targeted and untargeted cyber-attacks as cybercrime continues to increase and attempts are increasingly sophisticated.
- More employees are working remotely, placing pressure and further reliance on our IT systems, increasing data processing requirements and providing new channels for cyber-attacks.
- The consequences of successful attacks include compromised data, financial fraud, and system shutdowns.

### Mitigation

- We have a comprehensive IT Security Policy approved by the Board.
- Extensive training and awareness programmes are provided for all our users.
- Our IT infrastructure is regularly tested and our systems are based on well-proven products.
- We conduct regular threat assessments and utilise external providers.
- The Group's core IT services are ISO 27001 certified.
- Established incident response and business contingency plans are in place.

# Compliance risk

## 17 Reputational risk

### Potential impact

- Non-compliance with the legal and governance requirements and globally established responsible business conduct in any of the jurisdictions in which we operate and within our supply chain could expose us to significant risk if not actively managed.
- Failure to successfully manage relationships with our stakeholders could disrupt our operations and adversely impact the Group's reputation.
- Fines imposed by authorities for non-compliance are severe and, in some cases, legislation can result in criminal sanction for entities and individuals found guilty.
- Areas of weaker governance present the challenge of addressing potential human rights issues in our operations and supply chain; human rights legislation, such as the UK Modern Slavery Act 2015, further highlights the need to identify and address potential risks of child labour, forced or bonded labour, modern slavery, human trafficking and other human rights risks in our supply chain.

### Mitigation

- We operate a comprehensive training and compliance programme, supported by self-certification and reporting, with personal sanction for failure to comply with Group policies.
- We engage with our local stakeholders through formal and informal processes such as our Socio-Economic Assessment Toolbox (SEAT), community engagement, and social investments.
- We perform screening of our suppliers for sustainability risk in accordance with our Code of Conduct for Suppliers to better align with our risk criteria and to enable us to more effectively enforce the Code.
- We continue to assess our governance of human rights issues and any potential risks in our operations and supply chain, assisted by the development of a human rights due diligence mechanism for our operations.
- Compliance committees are established at a Group level to monitor the risk relating to trade controls, data protection, competition compliance and business integrity – chaired by the Group CFO with representatives from across the business. Our legal and governance compliance is supported by a centralised legal compliance team and is subject to regular internal audit review.
- We have a confidential reporting platform (SpeakOut), enabling employees, customers, suppliers, communities and other stakeholders to raise concerns about misconduct and irregularities.

# Viability statement

## As part of the approval of this Integrated report, the Board has assessed the Group's prospects and viability.

**Factors in assessing long-term prospects**

The Group's business model and strategic framework are described in detail on pages 14-17 and 20-21 respectively. Our strategy is to deliver value accretive growth sustainably by focusing on our four strategic value drivers. These value drivers build on the competitive advantages we enjoy today, setting a clear roadmap for investment and operational decisions into the future. Our performance against our strategic objectives is discussed in more detail on pages 22-31.

Mondi's geographical spread with 100 production sites across more than 30 countries and broad product portfolio help mitigate potential risks of customer or supplier liquidity issues. By combining our integrated value chain, strong relationships, responsible resource management, and leveraging our competitive advantages, we create value for our stakeholders in line with the Mondi Way.

The Group's financial position, cash flows, liquidity position and borrowing facilities are described in the financial statements. At 31 December 2022, the Group's continuing operations had €757 million of undrawn, committed debt facilities. The weighted average maturity of the Group's committed debt facilities of continuing operations was 3.8 years. The principal loan arrangements are disclosed in note 20 of the financial statements. In addition, the Group had €1,061 million of cash and cash equivalents available, excluding cash of €320 million classified as assets held for sale which is held by the discontinued operations, to fund its short-term needs.

**Assessment of viability**

The Board believes that the three years to December 2025 is an appropriate period over which a reasonable expectation of the Group's longer-term viability can be evaluated. In coming to this view, the Board has considered the inherent volatility in selling prices, input costs and exchange rates, the time taken for new investments in pulp and paper production capacity to be introduced into the market, typical new product development cycles, and the Group's capital structure. Given our principal risks, the Board believes that the ability to assess the Group's longer-term viability beyond this period becomes increasingly reduced. For these reasons, three years also represents the period of the Group's formal planning horizon.

The assessment of viability has been based on the Group's continuing operations. Any impact from the discontinued operations or expected proceeds from disposal are fully excluded from the assessment.

The Board has considered the Group's current financial position, strategy and plans for the next three years.

The Group's principal risks identified on pages 76-81 have been assessed for potential impact as part of the risk assessment. Opportunities and challenges shaping the future of packaging are described in detail on pages 18-19.

The Group's three-year 2023-2025 plan ("budget period") has been tested for severe but plausible downside scenarios. These are summarised in the table at the bottom of this page.

While linked to the Group's principal risks, the scenarios detailed in the table below are hypothetical and designed to test the ability of the Group to withstand such severe outcomes. In an event that a scenario partly or fully takes place, the Group has various options available to maintain liquidity and continue operations. The scenarios modelled are linked to those risks which are most likely to occur and have the most significant impact.

The sales volume compression scenario (Scenario 1) was calculated with assumed reductions of up to 5% depending on the relevant product compared with the assumptions in each year of the budget period.

The margin compression scenario (Scenario 2) was calculated with assumed reductions of up to 5% depending on the relevant product compared with the assumptions in each year of the budget period.

Both margin and volume sensitivities have been modelled considering current and potential future market developments.

Due to the current volatile and unpredictable situation on the energy markets, gas and electricity prices in our major European operations have been tested in Scenario 3 for price increases and for the risk of unavailability of gas in certain periods, based on internal management assumptions. The impact of higher input costs, which are usually passed on through higher sale prices in the converting operations, have been excluded from the downside sensitivities, similar to prior years.

## Scenario testing

| Scenario modelled | | Link to principal risks |
|---|---|---|
| **Scenario 1** | **Volume compression**<br>Sales volume reduction across pulp and paper mills and converting operations | 2 Industry productive capacity<br>3 Product substitution<br>12 Technical integrity of our operating assets |
| **Scenario 2** | **Margin compression**<br>Sales prices reduction in pulp and paper mills and gross margin reduction in converting operations | 4 Fluctuations and variability in selling prices or gross margin |
| **Scenario 3** | **Input costs inflation**<br>Increase in materials, energy, consumables used and variable selling expenses | 10 Costs and availability of raw materials<br>11 Energy security and related input costs |
| **Scenario 4** | **Currency risk**<br>Volatility in foreign exchange rates | 8 Currency risk |

Furthermore, in Scenario 4 the currency risk was tested as the wide geographic spread exposes the Group to the potential impact of exchange rate fluctuations. We have evaluated the impact of a weaker US dollar and Turkish lira exchange rates, and stronger other emerging market currencies including the South African rand, relative to the euro. These currencies were chosen as the Group has a significant exposure in them. A 10% weakening and a 10% strengthening of the respective currencies against the euro was applied, based on historical exchange rate developments.

While the assumptions we have applied in all four scenarios are possible, they do not represent our view of the likely outcome. Testing was performed for Scenarios 1 and 2 individually and in combination for a duration of three years as these two scenarios are the ones most likely to happen in combination.

We have assessed the impact of these assumptions on the Group's key financial metrics over the assessment period, including profitability, net debt and net debt to underlying EBITDA.

Based on the results of these scenarios individually and in combination for Scenarios 1 and 2, the Board is satisfied that the Group would be able to respond to such circumstances through various means which could include a reduction and deferral of capital expenditure and further rationalisation and/or restructuring of operations, to ensure that the Group continues to meet its ongoing obligations.

The Group meets its funding requirements from a variety of sources as more fully described in the financial statements in note 20. The Board is satisfied that the Group will have sufficient liquidity to meet its needs over the planning horizon. Testing the compliance with a covenant is no longer needed as none of the loan agreements has a financial covenant.

The scenario testing is carried out against Mondi's current committed debt facilities, with the assumption that the Group's €500 million Eurobond maturing in April 2024 will not be refinanced. However, the Group has a track record of successfully accessing both the bank and debt capital markets for funding and is expecting to be able to refinance the facilities if needed.

The Board believes that the strong and stable financial position of the Group, supported by a continued strong investment grade credit rating from both Moody's Investors Service (Baa1, outlook stable) and Standard & Poor's (BBB+, outlook stable), ensures the Group has access to funding through the business cycle.

Taking into account the Group's strategy, principal risks and the results of the downside scenario assessments, the directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of the assessment.

**Going concern**

The directors have reviewed the Group's budget and considered the assumptions contained in the budget, including consideration of the principal risks which may impact the Group's performance in the 18 months following the balance sheet date and considerations of the period immediately thereafter. The going concern assessment has been based on the Group's continuing operations. Any impact from the discontinued operations or expected proceeds from disposal are fully excluded from the assessment.

The Group has a strong balance sheet. Continuing operations' net debt at 31 December 2022 was €1,011 million, reduced from €1,689 million at 31 December 2021, reflecting the Group's strong cash generation and proceeds from the disposal of the Personal Care Components business. At 31 December 2022, the Group had a strong liquidity position of €1,818 million, comprising €757 million of undrawn committed debt facilities and cash and cash equivalents held by continuing operations of €1,061 million. The weighted average maturity of our committed debt facilities was 3.8 years.

The current and possible future impact from the macroeconomic environment on the Group's activities and performance has been considered by the Board in preparing its going concern assessment. The base case forecasts for the Group's continuing operations were sensitised to reflect a severe but plausible downside scenario on Group performance. The scenario testing assumed severe but plausible volume and margin reductions happening in combination and was carried out against Mondi's current committed debt facilities, with the assumption that the Group's €500 million Eurobond maturing in April 2024 will not be refinanced. However, the Group has a track record of successfully accessing both the bank and debt capital markets for funding and is expecting to be able to refinance the facilities if needed.

In the severe but plausible downside scenario, the Group has sufficient liquidity headroom through the whole period covered.

In addition to its modelled downside going concern scenario, the Board has reverse stress tested the model to determine the extent of downturn which would result in no liquidity headroom. A decline of 84% to the planned underlying EBITDA in the period until 30 June 2024, well in excess of that contemplated in the plausible downside scenario, would need to persist throughout the observed period to result in no liquidity headroom, which is considered very unlikely. This reverse stress test also does not incorporate mitigating actions like reductions and deferrals of capital and operational expenditure or cash preservation responses, which the Group would implement in the event of a severe and extended revenue decline.

Following its assessment, the directors have formed a judgement, at the time of approving the Integrated report and consolidated financial statements, that there are no material uncertainties that cast doubt on the Group's going concern status and that it is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Group continues to adopt the going concern basis in preparing the Integrated report and financial statements 2022.

# How is MONDI TAKING ACTION on climate?

## Governance



## COMMIT

### Sourcing certified wood

We are committed to zero deforestation and responsible wood sourcing. During 2022, the increase in demand for wood as an energy source as well as the impact of sanctions on Russian and Belarusian timber, contributed to tightness in Central European wood markets. Despite these headwinds, we continued to follow our consistent approach following the principles of cascading wood use as we remain committed and on track to meet our MAP2030 targets.

# REDUCE

## Setting bold emissions targets

At Mondi, we are committed to play our part in tackling the climate crisis and limiting global warming to 1.5°C. We have a long-standing focus on reducing GHG emissions in our operations and improving energy and process efficiencies. Since our first baseline year for emission reduction targets in 2004, we have reduced our absolute Scope 1 and 2 GHG emissions by 43.5%. Looking ahead, our new science-based Net-Zero targets have been validated by the Science Based Targets initiative (SBTi) to accelerate climate change mitigation.

# SECURE

## Increasing energy efficiency and self-sufficiency

Improving energy efficiency has always been an integral part of our roadmap to minimise the environmental impact of our operations. Our pulp and paper mills generate most of their energy needs internally using biomass and by-products from the pulp manufacturing process. This secures our energy supply and allows us to mitigate the impact of external fuel cost fluctuations while staying on track to achieve our Net-Zero targets.

# Chair's introduction

## How has our governance framework SUPPORTED our progress in 2022?

**Philip Yea**
Chair

### Dear fellow shareholder

**This report provides you with a more detailed look at our approach to governance, how it facilitates the achievement of our purpose and strategy, and the Board's key focus areas during the year.**

During a year of considerable macroeconomic uncertainty, and wide-ranging impacts of the war in Ukraine, Mondi's well-established governance framework continued to provide the foundation for a strong, effective and engaged Board, enabling it to lead the Group with integrity, and with the long-term sustainability of the business and the interests of our stakeholders at the forefront of all decision-making.

I am pleased that, following the impact of COVID-19, we were able to resume face-to-face meetings this year, with every Board and committee meeting held predominantly, if not entirely, in-person. While the culture of transparency, openness and respect among Board members and senior managers supported effective virtual meetings, and the flexibility they offer can be valuable, it is clear that the relationships that develop and strengthen during in-person meetings support the long-term success of the business.

### Board composition

At the Annual General Meeting in May, we said goodbye to Tanya Fratto who retired from the Board after almost six years as a non-executive director, five of which were spent as chair of the Remuneration Committee. We thank Tanya for her contribution and wish her all the best for the future.

As outlined in last year's report, in August 2021, Enoch Godongwana left the Board at short notice to become South Africa's Finance Minister, and so the Nominations Committee's focus towards the end of 2021 and into early 2022 was on the recruitment of a successor. I am pleased to confirm that the search successfully concluded with the appointment of Saki Macozoma as an independent non-executive director in May 2022, bringing significant executive and non-executive experience, and further strengthening the Board. You can find Saki's biography on page 89.

In light of Tanya's retirement, we also initiated a search for a new non-executive director. While we are confident that appointments made over recent years have given us a diverse Board with integrity and depth of experience, looking ahead, we believe there is benefit in further broadening the range of skills on the Board.

### How we comply with the UK Corporate Governance Code

Mondi aims to comply with the principles and provisions of the July 2018 edition of the UK Corporate Governance Code issued by the Financial Reporting Council (available at www.frc.org.uk).

It is the view of the Board that Mondi has applied the principles, and complied with the provisions, of the UK Corporate Governance Code throughout the year.

The Governance report is structured according to the sections of the UK Corporate Governance Code 2018 in order to clearly demonstrate how we have applied the principles.

The focus was on identifying someone with financial experience to strengthen the Audit Committee, while at the same time ensuring we have the broad range of competencies necessary to achieve our purpose and strategy, and that any new appointment supports our commitment to further increasing the level of diversity on the Board. I am pleased to confirm that we have successfully concluded the search, and that Anke Groth will join the Board on 1 April 2023. We look forward to her joining us. Anke's biography can be found on page 109.

**Our people**

The safety and health of our workforce continues to be a priority for the Board and is always high on the agenda at every meeting. While Mondi's strong safety culture is deeply embedded across the organisation, we were deeply saddened by the fatality of a contractor at our Frantschach mill (Austria) during the second half of the year. Our thoughts go out to their family, friends and work colleagues. Every effort is made to understand the circumstances, identify root causes and implement actions to minimise the risk of a reoccurrence of such tragic incidents. We also look to ensure that all the necessary support is provided following any serious safety incident, whether that be support to the families and work colleagues of those affected, or to enable those injured to return to work.

More information regarding the actions we are taking to improve safety can be found on page 43.

Safety was also a key focus of the meetings Sue Clark undertook with a cross-section of employees during the year in her role as the non-executive director responsible for understanding the views of employees. It was raised at every plant and mill visited by Sue, underlining the prominence given to safe behaviour across the business. Besides safety, employees used the opportunity to discuss a wide range of issues with Sue, including culture, recruitment and retention, diversity and pay and performance. More information relating to her work, and the Board's wider efforts to understand the views of Mondi's employees, can be found on pages 94-96.

Details of our engagement with our key stakeholders more broadly, and how we consider their interests during decision-making, recognising the responsibility we have as a Board in this respect, can be found on pages 32-35 in our Section 172 statement. During 2022, the views and interests of our stakeholders were brought into sharp focus during the discussions and decision-making required in respect of the war in Ukraine and the implications for Mondi's operations in Russia. While the Board was unanimous in its decisions in this regard, it was a clear example of the constant need to balance competing views, and our culture of allowing open and honest debate in the boardroom was crucial.

**Long-term sustainability**

The impacts of our business, and the actions we can take to mitigate these impacts, are subject to increasing scrutiny, and rightly so. During the year, the Sustainable Development Committee, on behalf of the Board, considered a wide range of issues, from climate-related risks and opportunities and our progress towards science-based greenhouse gas emissions reduction targets, to product stewardship and our responsible procurement process.

The work being undertaken across the organisation aimed at managing these impacts is extensive, and a thorough understanding of this at Board level is central to decision-making.

The deliberations of the Sustainable Development Committee, the meetings of which are normally attended by every Board member, provide the Board with valuable insight, and ensure the Board is in the best position possible to take decisions that may affect our broad range of stakeholders.

Further information on the work of the Sustainable Development Committee can be found on pages 121-123.

**Looking forward**

Despite the economic challenges that face us going into 2023, and the increasing necessity to limit our impact on the environment in which we operate, I remain confident that Mondi has the right governance framework and culture in place to support the achievement of our strategy and purpose, to enable our stakeholders to achieve their ambitions, and to secure the long-term sustainable success of the business.

I would like to thank everyone across the organisation for their work during 2022, and I look forward to discussions and engagement with our stakeholders during 2023.

**Philip Yea**
Chair

## SpeakOut

**The Group has an anonymous grievance system called 'SpeakOut', operated by an independent third party.**

SpeakOut, monitored by the Internal Audit function and overseen by the Board and Audit Committee, is a simple, accessible and confidential platform through which our employees, customers, suppliers, and other stakeholders can raise concerns about any unethical practices and conduct contrary to Mondi's values. The service is fundamental to ensuring the confidence of our employees and other stakeholders in our culture and values.

Any type of concern can be raised via SpeakOut. The Board and Audit Committee receive regular reports of SpeakOut messages received and ensure that appropriate investigation into each message has been undertaken and responses given, with actions taken where any allegation proves to have some foundation.

The reports allow the Board to identify any particular trends and common issues, with messages classified into categories including HR-related concerns, business integrity issues and environmental and safety topics, and to consider whether any changes to Mondi's risk management processes are required as a result.

The effectiveness of the SpeakOut platform is kept under regular review. More information about SpeakOut and Mondi's approach to anti-bribery and corruption in particular can be found on page 64.

# Board of directors

## Philip Yea
Chair

**Appointed to the Board**
April 2020 and as Chair in May 2020

**Independent**
Yes (on appointment)

**Committee memberships**
Nominations (Chair), Remuneration

**Qualifications**
Graduated with an MA in Modern Languages from Oxford University, Fellow of the Chartered Institute of Management Accountants (UK)

**Skills and experience**
Philip has extensive listed company experience, both as an executive and non-executive director, across a range of sectors. His broad industry background and knowledge of operating within large, international corporates, as well as his significant leadership experience, bring invaluable insight to the Board and are key to the future growth and development of Mondi. Philip's experience and knowledge of UK listed companies underpins the Board's commitment to delivering best practice corporate governance.

Philip started his career as a graduate trainee at Perkins Engines before holding a range of finance roles at companies including Mars Ltd and Guinness plc, becoming Group Finance Director of Diageo plc on its creation in 1997. He was a managing director at Investcorp from 1999 to 2004, leaving to become CEO of 3i Group plc, a role he held until 2009.

He has held a number of non-executive roles, including Chair at Equiniti Group plc, Greene King plc and bwin.party digital entertainment plc; Senior Independent Director at Vodafone Group plc, Manchester United plc and Computacenter plc; and non-executive director at Marshall of Cambridge (Holdings) Ltd, Aberdeen Standard Asia Focus plc, Rocket Internet SE and HBOS plc.

**Current external appointments**
None.

## Andrew King
Group CEO

**Appointed to the Board**
October 2008 and as Group CEO in April 2020

**Independent**
No

**Committee memberships**
Executive (Chair), Sustainable Development

**Qualifications**
Graduated in Commerce from the University of Cape Town, Chartered Accountant (South Africa)

**Skills and experience**
Andrew has more than 20 years' experience with Mondi in various strategy, business development and leadership roles, giving him a detailed understanding of Mondi's strategy, capital allocation priorities, financial structure and the environment in which the Group operates. He has played a key role in defining the Group's strategic direction and re-shaping the capital structure since listing. Andrew's long and varied experience with Mondi brings extensive knowledge of the markets and conditions in which the Group operates, providing a key contribution in developing and executing Mondi's strategy to enhance competitiveness and deliver sustainably into the future.

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 its corporate finance department in 1998. He worked on a number of group M&A activities before being appointed a vice president of Anglo American Corporate Finance in 1999.

He was appointed Mondi's Vice President of Business Development in 2002 and Corporate Development Director in 2004. He served as CFO of Mondi from June 2005 to May 2006. He was then appointed as Group Strategy and Business Development Director before becoming the CFO of the Mondi Group in 2008.

Andrew was appointed CEO of the Mondi Group on 1 April 2020.

**Current external appointments**
None.

## Mike Powell
Group CFO

**Appointed to the Board**
November 2020

**Independent**
No

**Committee membership**
Executive

**Qualifications**
Graduated in Computer Science & Accounting from the University of Manchester, member of the Chartered Institute of Management Accountants (UK)

**Skills and experience**
Mike has significant financial and strategic experience and extensive experience leading finance teams, having been chief financial officer and an executive director of a number of large international listed companies. He brings a clear operational focus, strong leadership experience and knowledge of operating in large industrial groups across a variety of geographies. The strategic financial insight Mike brings drives Mondi's strong financial performance and culture of continuous improvement.

Mike started his career at Pilkington plc, spending 15 years in a variety of finance and operational roles. He went on to become Chief Financial Officer at Nippon Sheet Glass and then AZ Electronic Materials plc.

He was subsequently appointed Group Finance Director at BBA Aviation plc, before being appointed Group Chief Financial Officer at Ferguson plc, a multinational distributor of plumbing and heating products. Mike also served as a non-executive director of Low & Bonar from December 2016 to May 2020.

Mike joined Mondi as Group CFO in November 2020.

**Current external appointments**
None.

## Stephen Young
Senior Independent Director

**Appointed to the Board**
May 2018

**Independent**
Yes

**Committee memberships**
Audit (Chair), Nominations, Sustainable Development

**Qualifications**
Graduated in Mathematics from Southampton University, member of the Chartered Institute of Management Accountants (UK)

**Skills and experience**
Stephen brings a strong financial and general management background to the Board with experience gained internationally across a variety of sectors, including industrial and engineering. Stephen's experience brings crucial insight to maintaining and developing Mondi's robust risk management system and allows him to act as an experienced sounding board for executive management.

He spent his early career in commercial accounting and finance roles at companies including Ford Motor Company, Mars, Inc and Grand Metropolitan plc (now Diageo plc). He was Group Finance Director of the Automobile Association until its acquisition by Centrica in 2000 before becoming Group Finance Director at Thistle Hotels plc.

In 2004 Stephen was appointed Group Finance Director at Meggitt plc, an international engineering business specialising in aerospace equipment. He held this role for nine years, before being appointed CEO in 2013. Stephen stepped down from the board of Meggitt plc on 31 December 2017. He was also a non-executive director of Derwent London plc from 2010 until May 2019.

Stephen was appointed as Senior Independent Director of Mondi plc on 6 May 2021. To support Mondi's compliance with new diversity requirements in the UK Listing Rules, Stephen will relinquish this role at the conclusion of the 2023 Annual General Meeting, with Dominique Reiniche taking over. Stephen's position as Chair of the Audit Committee will not change.

**Current external appointments**
Non-executive director and Audit Committee Chair at Weir Group plc.

## Svein Richard Brandtzaeg
Non-Executive Director

**Appointed to the Board**
April 2021

**Independent**
Yes

**Committee memberships**
Audit, Nominations, Sustainable Development

**Qualifications**
PhD in Chemical Engineering from the Norwegian University of Science and Technology

**Skills and experience**
Svein Richard has a strong commercial and strategic background as a former chief executive of Norsk Hydro ASA and more recently as a non-executive director on a number of boards. His experience of leading a global industrial group brings valuable insight to the Board's strategic planning and driving growth in key geographies. His leadership experience in developing business synergies and harnessing sustainable opportunities are a valuable addition to Board discussions.

He started his career at Ardal og Sunndal Verk AS, the Norwegian state-owned aluminium business before it merged with Norsk Hydro ASA. Svein Richard went on to hold a variety of management roles at Norsk Hydro, leading a number of its businesses, before being appointed chief executive in 2009, a position he held until retiring in 2019. Svein Richard was also Chair of Veidekke ASA from 2019 until stepping down in May 2022, and a non-executive director of Eramet Norway until October 2022.

**Current external appointments**
Vice Chair of Den Norske Bank ASA and Dormakaba Holding AG, and a non-executive director of Swiss Steel Holding AG.

## Sue Clark
Non-Executive Director

**Appointed to the Board**
April 2021

**Independent**
Yes

**Committee memberships**
Audit, Nominations, Remuneration

**Qualifications**
BSc in Biological Sciences from the University of Manchester and an MBA from Heriot Watt University

**Skills and experience**
Sue brings to the Board significant commercial and strategic experience gained across a range of industries, with exposure to a broad range of stakeholders in both an executive and non-executive capacity. Sue has significant experience in the consumer goods sector and understands the challenges of changing customer and consumer preferences and the need to build and protect the company's reputation with all its stakeholders.

Sue started her career with the Central Electricity Generating Board before holding a variety of communication roles at National Power plc. She went on to join Scottish Power plc, where she became Director of Corporate Affairs. In 2000, Sue joined Railtrack Group plc, before moving to SABMiller plc in 2003, where she was a member of the executive management team, and Director of Corporate Affairs until 2012 and then Managing Director, Europe, until the business was acquired in 2016.

Sue was a non-executive director of Bakkavor Group plc until 2020 and Tulchan Communications LLP until 2023, and a member of the Supervisory Board of AkzoNobel NV until April 2021.

**Current external appointments**
Senior Independent Director at Imperial Brands plc, and a non-executive director of Britvic plc. Sue will also be appointed as a non-executive director of easyJet plc on 1 March 2023.

## Saki Macozoma
Non-Executive Director

**Appointed to the Board**
May 2022

**Independent**
Yes

**Committee memberships**
Audit, Nominations

**Qualifications**
BA in Economics and Politics from the University of South Africa

**Skills and experience**
Saki has a strong track record as a chair and non-executive director across a number of listed and private entities and brings to the Board significant experience from a range of industries. He also brings extensive insight into the South African business environment, including into key regulatory and sustainability considerations for Mondi's operations in South Africa.

From 1993 to 1994, Saki worked for South African Breweries as Business Development Manager, before being elected a member of South African parliament in 1994, a position he held until 1996. Saki went on to be appointed a managing director at Transnet Limited, the company responsible at that time for South Africa's rail network, harbours and South African Airways.

In 2001, he joined New African Investments Limited, a publicly listed investment company, as Chief Executive Officer, a role he held until 2004. He was also previously chair of MTN Group Limited and a non-executive director of Standard Bank Group Limited, Liberty Holdings and Murray and Roberts Holdings Limited.

**Current external appointments**
Chair of Vodacom Group Limited, Safika Holdings (Pty) Ltd, Tshipi é Ntle Manganese Mining (Pty) Ltd and Ntsimbintle Mining (Pty) Ltd.

## Dominique Reiniche
Non-Executive Director

**Appointed to the Board**
October 2015

**Independent**
Yes

**Committee memberships**
Nominations, Remuneration, Sustainable Development (Chair)

**Qualifications**
MBA from ESSEC Business School in Paris

**Skills and experience**
Dominique's extensive experience in senior business leadership positions in Europe, as well as in international strategic consumer marketing and innovation, provides valuable insight to the Board. Her global leadership exposure brings rounded insight to Mondi's sustainability goals and drives progress to meet the Group's ambitious targets.

Her career began with Procter & Gamble before moving to Kraft Jacobs Suchard as Director of Marketing and Strategy and a member of their executive committee. After helping Jacobs Suchard through its acquisition by Kraft-Mondelez, Dominique joined The Coca-Cola System in 1992 as Marketing and Sales Director and then held various roles of increasing responsibility up to General Manager France. From 2002 to early 2005, she was CEO Europe for Coca-Cola Enterprises and subsequently CEO Europe for the Coca-Cola Company, then Chair from 2013 until stepping down in 2014.

Dominique was a non-executive director of Peugeot-Citroen SA between 2012 and 2015, AXA SA between 2005 and 2017 and Severn Trent Plc between 2016 and 2021. She was also Chair of Eurostar International Limited from July 2019 until April 2022.

**Current external appointments**
Non-executive director and Chair of Chr. Hansen Holding A/S and a non-executive director of Deliveroo plc and PayPal (Europe).

## Dame Angela Strank
Non-Executive Director

**Appointed to the Board**
April 2021

**Independent**
Yes

**Committee memberships**
Nominations, Remuneration (Chair), Sustainable Development

**Qualifications**
BSc and PhD in Geology from the University of Manchester and a Chartered Engineer

**Skills and experience**
Angela has extensive experience of operating in large, international companies in both executive and non-executive roles, with expertise including operations, technology and sustainability. Her valuable knowledge of combining technology, sustainability and low-carbon energy brings key insight into innovation for circular driven solutions and business growth, and her international executive leadership in the UK-listed environment will prove valuable for guiding executive remuneration.

Angela started her career with the Institute of Geological Sciences before joining BP plc in 1982, where she held various international senior leadership and strategic technology/engineering-focused roles. She was appointed BP Chief Scientist and Head of Downstream Technology in 2014 and was appointed to the Group Executive Committee in 2018, a position she held until her retirement in 2020. Angela was honoured with a Damehood (DBE) in 2017, and is a Fellow of the Royal Society, the Royal Academy of Engineers and the Institute of Chemical Engineers, as well as an honorary Fellow of the UK Energy Institute. Angela holds honorary DSc degrees from Royal Holloway University and the University of Bradford, and is an honorary professor of the University of Manchester.

Angela was also a non-executive director of Severn Trent plc until she stepped down in March 2022.

**Current external appointments**
Non-executive director of SSE plc and Rolls-Royce Holdings plc.

# Executive Committee and Company Secretary

## Andrew King
Group CEO

Board of directors
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## Mike Powell
Group CFO

Board of directors
Page 88

## Markus Gärtner
CEO, Corrugated Packaging

**Appointed to the Executive Committee**
October 2018

**Qualifications**
Doctorate of Technical Sciences from ETH Zürich and a Master of Science in Electrical Engineering from Stanford University

**Skills and experience**
Markus has significant industrial and international business experience. He started his career at McKinsey & Company, working on numerous operational and strategic projects across a variety of industries.

Markus went on to join Novelis AG, a leading producer of rolled aluminium products, where he held various roles in strategy and sales with growing responsibility, until he eventually became the head of one of Novelis' three businesses as Vice President & General Manager Specialities.

In this capacity, he was responsible for a diverse range of applications, including consumer packaging solutions and industrial products.

Markus joined Mondi in September 2018 as CEO, Fibre Packaging/Paper and was appointed to the Executive Committee in October that year. He subsequently became CEO, Corrugated Packaging in October 2019.

**Current external appointments**
None.

## Michael Hakes
Group HR Director

**Appointed to the Executive Committee**
April 2018

**Qualifications**
Human Resources Management Degree from Chamber of Commerce and Industry of the Lower Rhine Region, member of the Advanced HR Executive Programme at the University of Michigan and the Global Leadership Programme at INSEAD

**Skills and experience**
Michael has more than 30 years of international HR experience gained across the automotive, manufacturing and industrial services sectors.

Michael began his career in various HR roles at companies across Europe, including the Mitsubishi Electric Group, Johnson Controls and Faurecia. In 2007 he was appointed Group Chief HR Officer at LM Wind Power, a Danish-based supplier of rotor blades to the wind industry.

Michael went on to become Group Senior Vice President Human Resources at Germanischer Lloyd until its merger with Det Norske Veritas in 2013. Following the merger, he was appointed Executive Vice President HR of the maritime division of the newly formed organisation DNV GL, an international ship and offshore classification society.

Michael joined Mondi in April 2018 as Group HR Director.

**Current external appointments**
None.

## Lars Mallasch
Group Technical & Sustainability Director

**Appointed to the Executive Committee**
September 2020

**Qualifications**
Graduated in Paper Technology from the University of Applied Science in Munich

**Skills and experience**
Lars has extensive experience in the pulp and paper industry, having worked in the industry for over 25 years.

Lars began his career with a paper making apprenticeship and then studied Paper Technology in Munich. He joined Voith, the global technology company, in 1997 as Commissioning Engineer for Capital Projects. Lars subsequently held a variety of management roles in Voith Paper's board and packaging division, gaining a wide range of experience and working internationally in a number of different countries.

After 14 years with Voith, Lars joined Mondi in 2011 as Group Head of Capital Expenditure, a role he held for six years.

Alongside this, he held the role of Technical Director Containerboard between 2012 and 2014 and Technical Director Packaging Paper from 2014 until 2018. He also held the role of Operations Director at Mondi's Štětí mill between 2017 and 2019.

In 2019, Lars was appointed as Mondi's Corrugated Packaging Technology and Capex Director and alongside this, was appointed as Director of Containerboard Operations at Mondi's Syktyvkar and Richards Bay mills in February 2020.

Lars was appointed to his current role, and as a member of the Executive Committee, in September 2020.

**Current external appointments**
None.

## Vivien McMenamin
CEO, South Africa

**Appointed to the Executive Committee**
October 2017

**Qualifications**
MSc in Economics from the University of London and Advanced High Performance Leadership Certificate from IMD Switzerland

**Skills and experience**
Viv has over 20 years' experience in the pulp and paper industry, having held executive responsibility in Mondi South Africa for marketing and sales, human resources, corporate affairs and transformation. Viv's roles have included Mondi Group Head of Sustainable Development and Director Land and Forestry, giving her significant sustainability experience and insight. In October 2017, she was appointed CEO of Mondi South Africa.

Viv was instrumental in the establishment of Mondi Zimele, Mondi's small business development organisation, and crafting Mondi's innovative approach to land reform.

Prior to Mondi, Viv worked in government and the anti-apartheid movement in South Africa, serving Nelson Mandela as a member of the President's Task Force on Local Economic Development and as a member of President Thabo Mbeki's Economic Advisory Panel.

Viv previously served on the boards of SiyaQhubeka Forests, South African Association for Marine Biological Research (SAAMBR) and Durban Girls College.

**Current external appointments**
Non-executive director of KAP Industrial Holdings Limited.

## Thomas Ott
CEO, Flexible Packaging

**Appointed to the Executive Committee**
January 2022

**Qualifications**
Graduated in business administration from the WU-Vienna business school

**Skills and experience**
Thomas has extensive experience in the industrial bags and consumer packaging industries, having held a variety of roles with Mondi for more than 25 years, building Mondi's Industrial Bags business and shaping Mondi's portfolio in Europe.

Thomas started his career with Deloitte & Touche in 1992, before joining Mondi in 1995 as a financial controller. He went on to hold a number of leadership roles within Mondi before becoming COO Industrial Bags in 2012, a role he held until 2019. During this time, he successfully restructured Western Europe and supported Mondi's growth in North America, the Middle East and Africa.

Thomas briefly moved to Amcor EMEA, focusing on consumer packaging as a member of the EMEA executive team in the role VP Food, Snacks and Confectionery, before returning to Mondi in March 2021 as COO Kraft Paper & Paper Bags.

In January 2022, he was appointed CEO of Mondi's Flexible Packaging business.

**Current external appointments**
None.

## Gunilla Saltin
CEO, Uncoated Fine Paper

**Appointed to the Executive Committee**
December 2019

**Qualifications**
MSc in Chemical Engineering from the Royal Institute of Technology in Stockholm, a PhD in Chemical Engineering from the University of Idaho in the US and an Executive MBA in General Management from the Stockholm School of Economics

**Skills and experience**
Gunilla has more than 21 years' experience in the pulp industry, having worked for Södra Cell, one of the largest pulp producers, from 2000 until joining Mondi in August 2019.

Gunilla started her career in R&D engineering, holding a number of roles in this field before joining Södra Cell as a process development manager. She went on to manage Södra's kraft paper mill in Värö in Sweden for three years, before being appointed Södra Cell's Executive Vice President in 2008, with responsibility for production, sales and marketing and leading the business through several investments including a significant mill extension project.

During this period, Gunilla was also Acting CEO of Södra Skogsägarna Ekonomisk Förening, a forestry cooperative with 52,000 forest owners.

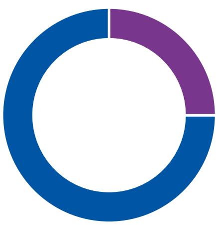
Gunilla was appointed Group Technical & Sustainability Director on 1 December 2019, a role she held until August 2020, and CEO, Uncoated Fine Paper in February 2020.

**Current external appointments**
Member of the Board of Luossavaara-Kiirunavaara Aktiebolag (LKAB).

## Jenny Hampshire
Company Secretary

**Skills and experience**
Jenny Hampshire, a fellow of the Chartered Governance Institute, joined Mondi in May 2007 and has held various roles in the company secretariat, including five years as Assistant Company Secretary. She was appointed Company Secretary of Mondi plc in December 2016. Prior to joining Mondi, Jenny worked for The BOC Group plc in its company secretariat.

### Diversity of the Executive Committee



| | |
|---|---|
| Female | 2 |
| Male | 6 |

### Nationalities represented on the Executive Committee

| | |
|---|---|
| German | 2 |
| South African | 2 |
| Austrian | 1 |
| British | 1 |
| Swedish | 1 |
| Swiss | 1 |

# Corporate governance report
# Board leadership and company purpose

## Promoting long-term sustainable success

The importance of the role businesses play in society is self-evident, with increased scrutiny of how they manage the impacts they have on the environment in which they operate and on wider stakeholders. Having an effective board in place, consisting of directors with the necessary skills, knowledge and integrity, is crucial in understanding and managing these impacts, and ensuring that Mondi operates both understanding and fulfilling its responsibility to society. The Board provides leadership to the Group, establishing its strategy with the aim of achieving long-term sustainable success for the Group, our shareholders and our other stakeholders. The biographies for Mondi's Board members, setting out the competencies we believe they bring to the Board and the skills and experience that allow them to contribute to the long-term success of Mondi, can be found on pages 88-89.

Mondi's purpose, strategy and culture define The Mondi Way and how we run our business. This is illustrated in our business model, set out on pages 14-17, which explains how we achieve our purpose and deliver value for stakeholders while ensuring sustainability is at the centre of everything we do. Strong, ethical leadership, supported by a robust corporate governance framework, is crucial to the achievement of our purpose and strategy in a way that balances the interests of our key stakeholders while creating long-term sustainable value.

Supported by its committees, the Board has responsibility for setting and overseeing the implementation of the Group's strategy, ensuring the implementation of an appropriate risk management framework and overseeing sustainable financial performance. Mondi's governance framework and our culture of transparency ensure that the Board has the information it needs to assess the risks and opportunities facing the Group and the sustainability of the business model.

The structure of the Board and its committees, the division of responsibilities and the policies and procedures in place to facilitate the effective operation of the Board are detailed on pages 99-101.

## How the Board monitors culture

Mondi's culture defines our behaviour and the way we do business, across the Group, within our operations and in the boardroom. It is critical to fulfilling our purpose and achieving long-term sustainable success. The Mondi Way sets out the key values that form the foundation of our culture, reinforced by our Code of Business Ethics which comprises the principles governing the way we behave and conduct business – legal compliance, behaving with honesty and integrity, respect for human rights, consideration of stakeholders and sustainability. The Board's responsibility for assessing and monitoring the culture of the Group is embedded in the Matters Reserved for the Board.

There are a number of ways in which the Board monitors and assesses culture, with the insight acquired used as context for discussions and decision-making, including:

### Site visits

The directors are encouraged to visit Mondi's key assets and operations so that they can get a more in-depth understanding of the business. Such visits offer directors the opportunity to see for themselves how our safety and sustainability culture is working in practice, to talk to local management and employees and to see how Mondi's values are communicated at a local level. During 2022, in addition to visits to sites by individual directors, the Board visited Mondi's mill in Štětí (Czech Republic) and the Group office in Vienna (Austria), more details of which can be found on page 96.

### SpeakOut

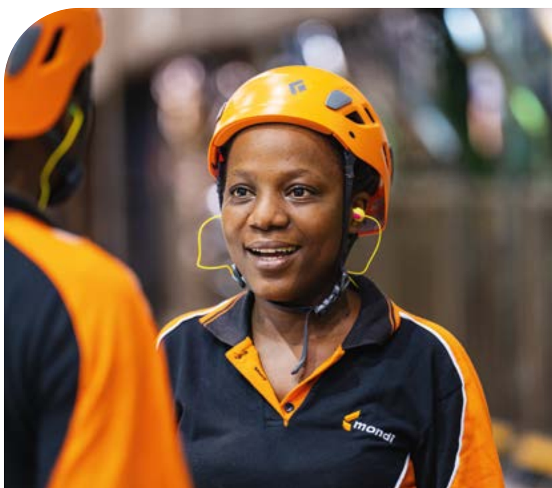
Mondi has an anonymous grievance system called 'SpeakOut' operated by an independent third party. Any type of concern can be raised via SpeakOut, and the Board and Audit Committee receive regular reports of the messages received. These reports provide insight into matters of concern to our employees and other stakeholders and draw out behaviour that is contrary to Mondi's values. More information relating to SpeakOut can be found on page 64.

### Board presentations

The Board has in place a rolling programme of presentations from members of the Executive Committee and other senior management. These presentations give the directors direct exposure to members of senior management beyond the executive directors, allowing directors the opportunity to ask questions and hear their views. The directors also gain valuable additional insight helpful to succession planning discussions. Presenters and members of local management are also invited to attend Board dinners, which offer a more informal setting for discussion. More information can be found on page 103.

### Employee survey results

The Board receives regular reports from the Group HR Director on the results of our employee surveys, the issues raised and the follow-up actions being taken, giving the Board an insight into how employees feel about the culture of the Group and particular areas that may need addressing. Results are classified into categories including acting with integrity, caring, being empowered and being transparent, allowing comparison of the results in each category against previous surveys. The last Group-wide survey, undertaken in 2020, was used to determine our first Inclusiveness score, combining a set of questions covering respect, fairness and trust. Mondi scores above external benchmarks in the individual questions, leading to an Inclusiveness score of 79% favourable answers in 2020. This sets the baseline for our ambitious target to reach 90% by 2030 and gives us a way of directly measuring and monitoring aspects of culture over time. The next Group-wide survey is due to take place in early 2023. More information about the way in which the views of employees are gathered and assessed can be found on page 32.



**Safety reports and statistics**
The Board reviews safety statistics and key safety focus areas at every meeting. Caring for our employees is fundamental to Mondi's culture and this includes ensuring safe behaviour. Reviewing the safety reports highlights to the Board any concerns around the approach to safety specifically or indications of wider leadership issues at particular plants or mills.

**Review of key policies**
The Board undertakes an annual review of Mondi's key policies. This gives the Board the opportunity to assess whether policies remain suitable for Mondi, reflect the appropriate values and approach to the way the business is run and support its long-term sustainable success. However, there were no material changes to Mondi's policies as a result of this review during 2022.

**Feedback from non-executive director responsible for understanding the views of employees**
During 2021, Sue Clark was appointed as the independent non-executive director responsible for understanding and feeding back to the Board the views and concerns of our employees. Sue's engagement with our employees provides the Board with valuable insight into how groups of our employees are feeling about Mondi and any matters of concern to them, giving the Board helpful information concerning how well the Group's culture is embedded across the organisation and any issues that might need greater attention. Information relating to the outcomes of this engagement during 2022 can be found on page 95.

## Stakeholder engagement

Understanding the impact of our business on our key stakeholders, and the environment in which we operate, is central to the Board's deliberations and decision-making. This is reflected in Mondi's Code of Business Ethics, recognising the fact that engagement and collaboration with our stakeholders is essential if we are to fulfil our purpose, deliver our strategy and create long-term, sustainable value for our shareholders in a manner that reflects our high standards of business conduct. Understanding what matters most to all our stakeholders, and what they hope to achieve, allows us to make balanced judgements.

While the Board undertakes a certain level of direct engagement, there is also a significant amount of indirect engagement that takes place across the Group. Through our delegation framework, the output from this engagement is relayed to the Board, through the Executive and other committees of the Board, members of senior management and those closest to the stakeholders in question. Details of our key stakeholders, engagement activities undertaken during the year and the outcome of these activities can be found in our Section 172 statement on pages 32-35. The information provided over the next few pages and in our Section 172 statement explains how the feedback from this engagement influences the Board's decision-making.

Information enabling the Board to assess and understand the views and priorities of our key stakeholders comes from a number of different sources. During 2022, these included:

- Presentations from the CEO of each business unit, and other members of senior management, highlighting those stakeholder issues that are of specific relevance to their business or area of responsibility, including the views of our customers and how these influence product development and key sustainability considerations (see page 103 for more information).
- Updates on the global initiatives Mondi participates in, primarily related to sustainability matters, and collaboration with external bodies.
- Regular environmental performance reviews, including metrics on our greenhouse gas emissions, given at meetings of the Sustainable Development Committee, which all Board members usually attend.
- Presentations from external advisers and other bodies in relation to matters impacting the environment in which we operate, including regulatory changes, market developments and other issues directly impacting our stakeholders. In particular, the President and CEO of the World Business Council for Sustainable Development joined the Board during the year for a discussion around sustainability focus areas for external stakeholders, emerging themes and issues for boards and the actions Mondi should be considering in response.

On the following pages, we focus more specifically on how we have engaged with employees and investors.

**How does the Board consider our stakeholders when taking decisions?**
Understanding the views and issues raised by our stakeholders through the engagement methods referred to opposite forms a key part of the Board's decision-making process. The regular flow of information to the Board provides context and ensures that the directors are made aware of the interests of our stakeholders and the key matters affecting them when directors consider the Group's strategy and take decisions.

To assist the Board, all papers requiring material decisions include clear explanation as to the expected impact on those stakeholders relevant to the decision, whether positive or negative. For capital expenditure decisions in particular, a more comprehensive review of the impact on our stakeholders is part of the established process we have for developing the necessary business case.

Examples of the ways in which stakeholder interests and views have influenced the Board's decision-making during the year can be found on pages 34-35.

# Corporate governance report

## Board leadership and company purpose continued

### How the Board has engaged with employees

Our employees are core to Mondi's long-term sustainable success, and as a global employer, employing around 22,000 people across more than 30 countries, we have a responsibility to provide a safe and healthy working environment, to operate with integrity and to instil a culture that supports our people in fulfilling their potential. Understanding the experiences and views of our employees, and the issues that matter most to them, is an area of focus for the Board, with this insight allowing the directors to assess the impact of their decisions on our workforce. Rather than use only one method to engage with employees, we use a combination of different methods. Some of our people are office-based but many work in our production facilities and so no single method is suitable. By using a range of methods, we aim to reach as many people as we can, engaging with them in the manner most suitable for them.

**Ongoing methods of engagement**

In 2021, the Board agreed that Sue Clark, an independent non-executive director, would be responsible for undertaking engagement with Mondi's employees on behalf of the Board and for understanding and feeding back their views and concerns. Sue's exposure to a broad range of stakeholders in both an executive and non-executive capacity and her previous communication-focused roles mean she is well positioned to take on this responsibility. The Inspire initiative, led by Sue in conjunction with the Group HR director, facilitates open discussions with a broad range of employees at differing levels of seniority across Mondi's plants and business units. The sessions enable employees to share their thoughts on a diverse range of topics, including culture, training, safety and wellbeing, diversity and remuneration.

Alongside this, Mondi has a European Communication Forum, a formally constituted body designed to facilitate communication between Mondi and its employees. At least once a year, employee representatives from plants across Europe attend the Forum, at which a number of presentations are given by senior management. The meetings offer employee representatives an opportunity to hear about developments across the business, while also providing an open forum for employees to ask questions and to express their views directly to members of senior management. The meetings are usually attended by the Group CEO, the Group HR Director and other Executive Committee members as appropriate.

The Board also uses the following mechanisms to ensure it has a broad view of the issues affecting our employees and their views on key matters:

- Twice yearly presentations from the Group HR Director, providing detailed updates on engagement activities undertaken, the views expressed by employees, their key concerns and issues and the actions being taken to address them.
- Feedback from the CEO and other Executive Committee members, who are in regular contact with a wide spectrum of employees from across the Group.
- Results of global and local employee surveys. These provide insight into the issues that matter most to our employees and how they feel about working for Mondi, guiding decisions that might impact employees and allowing the Board to identify areas for future focus. A number of the questions are also designed to test the culture in the organisation and to allow the Board to judge how well the desired culture is embedded.
- Site visits, giving the Board the opportunity to engage with local employees, as well as dinners involving members of local management, allowing for informal discussion (see page 96 for more information).
- Senior leadership forums, incorporating the Mondi Diamond Awards, usually attended by the Chair of the Board and held approximately every three years, providing the opportunity for engagement with a wider range of senior employees from across all areas of the business.
- SpeakOut reports, which are presented to the Audit Committee and Board at meetings throughout the year. The reports provide details of the messages received via our confidential reporting platform, SpeakOut, giving the Board insight into specific issues affecting our employees and allowing the Board to identify any trends. Further details on SpeakOut can be found on page 64.
- Review of usage rates for Mondi's Employee Assistance Programme which offers an anonymous counselling service for employees. The programme is available to approximately 94% of Mondi's workforce.

The Board continues to believe that this combination of methods remains appropriate and effective, providing insight into the views of a broad range of employees from across Mondi's locations and allowing for two-way engagement, with employees having direct access to members of the Board and senior management.

**Key events in 2022**

The annual meeting of the European Communication Forum was held in October 2022. The meeting was attended by representatives from across Mondi's European operations, as well as members of senior management, including the Group CEO, Group HR Director and Group Head of Safety & Health. Sue Clark also attended the meeting in her role as the non-executive director responsible for understanding the views of employees, further reinforcing the value of these meetings and providing employee representatives with a direct channel of communication to the non-executive members of the Board.

The meeting consisted of presentations relating to matters including financial performance, HR initiatives and safety and health, providing attendees with a wide range of information on the operation of the business. The formal presentations were followed by a question and answer session, allowing participants to openly engage and to raise questions and comments on a broad range of topics. Of particular focus for participants were the divestment of Mondi's Russian operations; flexible working arrangements, including part-time working; rising inflation and energy costs and the impact on cost of living for employees; and Mondi's SpeakOut platform. Matters raised during these meetings are subject to subsequent follow-up where appropriate, with further information provided to participants where required and regular meetings throughout the year between the Group HR Director and the chair of the European Communication Forum, ensuring continuous dialogue.

A dinner was also held for participants, allowing further opportunity for more informal engagement outside of the meeting.

Alongside this, as part of the Inspire initiative, Sue visited a selection of Mondi's sites during the year, including Romeoville (USA), Örebro (Sweden) and Świecie (Poland), meeting with a cross-section of employees and discussing a diverse range of topics. The meetings, which were also joined by the Group HR Director, were open sessions during which employees were encouraged to share their views and ask questions on any aspect of life at Mondi. Sue reported back to the Board on the matters raised and the themes emerging during these discussions, with focus areas including:

- Safety, with the clear message from employees being that safety is considered the top priority and that they feel empowered to cease production in the event of unsafe behaviour.
- Culture, with employees expressing confidence in their ability to speak up and express their views openly. The consistency of culture across the plants, despite the differing locations, style of production and product focus also came through.
- Challenges with recruiting and retaining talent, the increasing expectation from existing and prospective employees for flexible working arrangements, and methods and speed of training within the operations.
- Diversity, with broad discussion around leadership in this regard, potential initiatives and concerns around improving the diversity of the succession pipeline into senior operational roles.

In addition, pay and performance and wider remuneration at Mondi were discussed, more details of which can be found in the Remuneration report on page 127.

The level of engagement and open and honest dialogue during these meetings resulted in valuable feedback for the Board, and the topics discussed and views expressed provide important context for Board discussions and key decisions. The output reaffirmed the effectiveness of Mondi's approach to safety and that leadership and the desired culture in this regard is felt throughout the organisation. It is clear however that continued focus on succession planning, talent retention and improving diversity is critical, and these matters will continue to form part of the Board's, and its committees', agendas during the coming year.

In addition to the above, the Board undertook visits to Mondi's Štětí mill (Czech Republic) and the Group office in Vienna (Austria) during the year, more details of which can be found on page 96.

# Corporate governance report
# Board leadership and company purpose continued

## How the Board has engaged with employees continued

## Board site visits

The June 2022 Board programme was held at our Štětí mill (Czech Republic). The two-day visit incorporated the scheduled Board and committee meetings but also provided the opportunity for the Board to listen to presentations from the local management team and to tour the mill.

The visit provided valuable context for the decision subsequently taken in October 2022 to invest in a new 210,000 tonne per annum kraft paper machine at the mill. The impact of the investment on key stakeholders, including customers and employees, was a key factor in the decision and so having the opportunity to assess some of the impacts and to see first-hand the culture, safety approach, the drive to improve environmental performance and the dedication of the employees at the mill provided critical insight for the Board. A dinner with representatives from the mill was also held, offering the opportunity for direct and more informal engagement with Board members.

The directors were also able to visit the converting operations located adjacent to the mill.

In addition, the October 2022 Board programme was held at our Group office in Vienna (Austria), facilitating in-person engagement between the Board and members of senior management based in Vienna. In particular, an invitation to attend a Board dinner was extended to a wide group of people, with attendees ranging from function heads to HR business partners to key members of operational management. Such events offer valuable insight for the purposes of succession planning and monitoring and assessment of the organisational culture.

## How the Board has engaged with investors

Understanding the views of our investors is fundamental to the way we run the business, the development of our strategy and how we shape our priorities. These are taken into consideration with every decision the Board makes. The engagement we have with investors, both directly and indirectly, allows the Board to determine which issues are of most importance to them and to understand what long-term, sustainable value means from their perspective. While recognising that every investor has their own rationale for investing in Mondi and that their investment goals vary, ongoing engagement allows the Board to take fully informed decisions, with an understanding of how different groups of investors may be impacted.

**Ongoing methods of engagement**

While the Chair is responsible for ensuring effective communication with shareholders, day-to-day management of this engagement is delegated to the Group CEO and Group CFO. They undertake active engagement with investors on a regular basis, meeting with Mondi's largest shareholders, analysts and other fund managers. Meetings with the Chair are offered on a regular basis and the Senior Independent Director is available to meet with shareholders as required, should any issues arise that are not resolved through the more regular channels. The committee chairs are also available for engagement with investors and other stakeholders where appropriate.

In addition, the executive management and the Head of Investor Relations make themselves available to investors on an ongoing basis in order to maintain an open dialogue, resulting in a number of ad hoc meetings and calls taking place throughout the year.

The Company Secretary's office is the focus for private shareholder communications, responding to individual shareholder correspondence, and coordinating our engagement on corporate governance matters.

We also maintain ongoing contact with our debt providers, and the Group CFO and Group Treasurer hold regular meetings with the credit rating agencies, relationship banks and debt investors.

All directors are kept informed of the views raised and feedback from investors, particularly from the full and half-year investor roadshows, which are presented and discussed at Board meetings. Analyst reports are shared regularly with the Board and consideration given to any views, both positive and negative, regarding the Group's performance, future direction and the perceptions of the management team. These views provide context for, and feed into, the Board's discussions around strategy, capital allocation and succession planning.

Mondi's Annual General Meeting (AGM) also presents an opportunity for shareholders to question the directors about our activities, performance and prospects.

**Key events in 2022**

Details of the key investor events that have taken place during 2022 can be found on page 98. Feedback from these investor events, particularly the roadshow meetings, was provided to the Board, with the feedback covering investor views on Mondi's strategy, market developments and approach to sustainability. Mondi's brokers also joined one of the Board meetings during the year in order to provide insight into the views of investors on Mondi's presence in Russia and the long-term options available in this regard. These perspectives, which included a range of views, contributed to the Board's deliberations concerning whether to divest Mondi's Russian operations.

Alongside this, Philip Yea held meetings with a number of Mondi's major shareholders during the year. There was no specific agenda for these meetings, but instead they were designed to offer open discussion and engagement. Topics covered included capital allocation, the impact of the war in Ukraine, including on Mondi's Russian operations, culture and the strength of senior management. Philip also took the opportunity to assess views on new diversity targets and in particular the forthcoming Listing Rule requirement to have a female hold at least one of the four key board roles, being chair, CEO, CFO and senior independent director. It was important to understand the views of investors in this regard, in particular the speed at which the Board should look to achieve it. These views were fed into succession planning discussions and the decision was taken to appoint Dominique Reiniche as Senior Independent Director with effect from the conclusion of the 2023 AGM.

Engagement with investors was also undertaken in relation to the Directors' Remuneration Policy, which is being put forward to shareholders for approval at the 2023 AGM. Engagement in this regard was led by Dame Angela Strank as chair of the Remuneration Committee. Further details can be found on page 127.

# Corporate governance report

## Board leadership and company purpose continued

### How the Board has engaged with investors continued

The AGM continued to be a valuable opportunity for direct engagement between the Board and shareholders. The AGM in 2022 was our first as a fully hybrid meeting, with shareholders able to attend in person for the first time since the start of the COVID-19 pandemic.

Those shareholders joining virtually were able to see and hear the Board, ask questions both verbally and in written form and vote live during the meeting. To maximise engagement, shareholders were also able to submit their questions in advance of the meeting, with written answers provided in advance of the proxy voting deadline wherever possible. All resolutions were passed, with approximately 76% of the total Group shares voted, indicating high levels of engagement.

While we were pleased with the success of the AGM in 2022, and we intend to retain the hybrid format in 2023, given the cost and complexity involved, we continue to look for ways in which we can simplify the arrangements while continuing to maximise levels of engagement.

Full details of the arrangements for the 2023 AGM, and explanations of each resolution to be proposed at the AGM, can be found in the 2023 AGM notice which is contained in a separate circular to be made available to all shareholders in advance of the meeting.

### 2022 investor events

**March**

- Preliminary results announcement
- UK full year results roadshow, including Jefferies Paper & Packaging conference
- Johannesburg and Cape Town full-year results roadshow
- London investor roadshow
- Bank of America Sun City conference

**April**

- Discussions with investors and advisory bodies prior to Annual General Meeting

**May**

- Annual General Meeting and trading update
- UBS Pan European small and mid-cap conference
- US investor roadshow
- Exane Future of Packaging conference

**June**

- London investor roadshow

**August**

- Half-year results announcement
- Johannesburg and Cape Town half-year results roadshow

**September**

- London half-year results roadshow

**October**

- Trading update

# Division of responsibilities

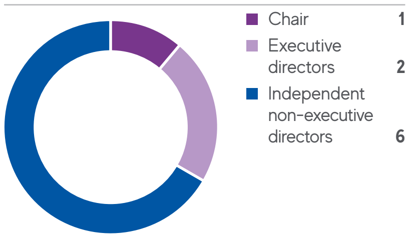
## Composition and independence of the Board

The directors holding office during the year ended 31 December 2022 are listed opposite, together with their attendance at Board meetings. Biographical details for those in office at the date of this report can be found on pages 88-89.

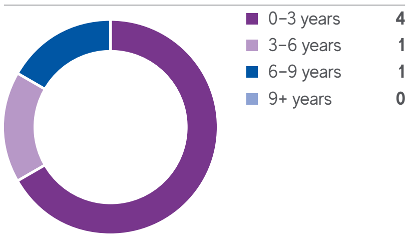
The size and composition of the Board and its committees are kept under review by the Nominations Committee. While we are of the view that collectively there is an appropriate balance of capabilities, business experience, independence and skills diversity on the Board to meet the Group's current business needs, we are constantly assessing the mix of competencies on the Board and its committees and considering succession planning requirements. A search focusing on the recruitment of a new independent non-executive director to strengthen the financial experience on the Audit Committee was initiated during the year, resulting in the decision to appoint Anke Groth. Further information can be found on page 109.

Meetings between the Chair and non-executive directors without management present are held prior to every Board meeting. Stephen Young as Senior Independent Director also met with the other directors without the Chair present to lead the review of the Chair's performance.

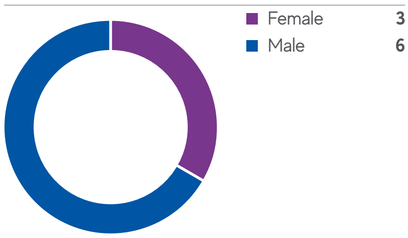
### Composition of the Board



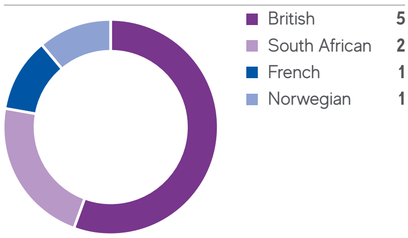

### Independent non-executive director tenure




### Diversity of the Board




### Nationalities represented on the Board




### Board attendance[1]

| Directors | |
|---|---|
| Philip Yea | 12/12 |
| Svein Richard Brandtzaeg | 12/12 |
| Sue Clark | 12/12 |
| Tanya Fratto[2] | 4/6 |
| Andrew King | 12/12 |
| Saki Macozoma[3] | 5/6 |
| Mike Powell | 12/12 |
| Dominique Reiniche | 12/12 |
| Dame Angela Strank | 12/12 |
| Stephen Young | 12/12 |

1 The maximum number of meetings held during the year that each director could attend is shown next to the number attended
2 Tanya Fratto stepped down from the Board on 5 May 2022. Tanya was unable to attend two meetings prior to the date of her retirement due to other commitments. One of the meetings was called at short notice
3 Saki Macozoma joined the Board on 6 May 2022. Saki missed one meeting following his appointment due to another commitment. The meeting was called at short notice and Saki provided his views ahead of the meeting

### Board policies and procedures

There are a number of policies in place designed to ensure that the Board can function effectively. These include:

**Professional advice**

A policy is in place pursuant to which each director may obtain independent professional advice at Mondi's expense in the furtherance of their duties as a director of Mondi plc. No requests were received during the year.

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

**Directors' & Officers' liability insurance**

Throughout the year to 31 December 2022, in line with market practice, Mondi maintained directors' and officers' liability insurance.

**Procedure for conflicts of interest**

Company law and the articles of association of Mondi plc allow directors to manage potential conflicts. A formal procedure is in place for the reporting and review of any potential conflicts of interest. This requires any potential conflicts to be reported to the Company Secretary so that the conflict can be discussed by the Board and authorised if appropriate. The Board may impose any restrictions on the authorisation that it thinks appropriate. Conflict authorisations are reviewed on an annual basis. Directors are also obliged to confirm their directorships annually as a matter of course for review by the Board.

**External directorships policy**

To ensure that our directors are able to dedicate sufficient time to Mondi, Mondi has a policy setting out the parameters regarding external appointments. Executive directors must notify and obtain agreement from the Nominations Committee before accepting external positions. They are permitted to retain any fee paid to them in respect of directorships external to Mondi. Neither of Mondi's executive directors currently holds a directorship external to Mondi.
The policy also covers non-executive directors who are required to notify the Chair of any proposed appointments, including the time commitment and any potential conflicts of interest, so that the Nominations Committee can consider and, if appropriate, agree to the appointment. During the year, it was agreed that Svein Richard Brandtzaeg could join the board of Dormakaba Holding AG and Sue Clark the board of easyJet plc as non-executive directors. After considering their other commitments, and their attendance records to date, as well as Svein Richard's decision to step down from Eramet Norway and Sue's retirement from Tulchan Communications LLP, it was determined that they would continue to have the necessary time to dedicate to Mondi.

# Corporate governance report
# Division of responsibilities continued

## Division of responsibilities

The division of responsibilities between the Chair and the Group CEO has been clearly defined and approved by the Board. The functions and duties of the Senior Independent Director are also set out in a separate statement.

### Chair
**Philip Yea**

- Leads and manages the Board, setting the agenda, providing direction and focus, ensuring effectiveness and open and transparent debate
- Undertakes regular engagement with the Group CEO in between meetings
- Ensures there is a constructive relationship between the executive and non-executive directors
- Ensures high standards of corporate governance and ethical behaviour and oversees the culture of the Group
- Oversees the induction, training and development of directors and the consideration of succession
- Ensures effective communication with shareholders and other stakeholders
- Ensures the Board receives accurate, timely and clear information to support discussion and decision-making

**Biography**
Page 88

### Group CEO
**Andrew King**

- Leads and manages the business with day-to-day responsibility for running the operations and, in particular, the execution of strategy within the delegated authority from the Board
- Ensures the communication of Mondi's values and goals throughout the organisation, leading by example
- Chairs the Executive Committee and leads and motivates the management team
- Ensures the Group has effective processes, controls and risk management systems
- Develops and implements Group policies, including with regard to safety and sustainability
- Together with the Group CFO, leads the relationship with institutional shareholders

**Biography**
Page 88

### Group CFO
**Mike Powell**

- Manages the day-to-day operations of the Group, in this case within his remit as Group CFO, in accordance with authority delegated by the Board
- Together with the Group CEO, leads the relationship with institutional shareholders

**Biography**
Page 88

### Senior Independent Director
**Stephen Young**

- Provides support to, and acts as a sounding board for, the Chair and the non-executive directors
- Acts as a point of contact for shareholders
- Available as a trusted intermediary for other directors, as necessary
- Manages chair succession

**Biography**
Page 88

### Independent non-executive directors
**Svein Richard Brandtzaeg, Sue Clark, Saki Macozoma, Dominique Reiniche, Dame Angela Strank**

- Provide independent oversight of the Group's activities
- Offer an external perspective to, and constructively challenge, management
- Provide to the Board a diversity of knowledge and experience
- Monitor management performance and the development of the organisational culture
- Review and agree strategic priorities and monitor the delivery of the Group's strategy
- Ensure the integrity of financial reporting and the effectiveness of internal controls and risk management
- Determine executive director remuneration

**Biographies and portraits**
Page 89

### Company Secretary
**Jenny Hampshire**

- Supports the Chair in the delivery of accurate and timely information ahead of each meeting
- Ensures compliance with Board and committee procedures
- Acts as a key point of contact for Chair and non-executive directors
- Provides support to the Board and committees, and advises on governance, statutory and regulatory requirements
- Provides advice on legal, governance and listing requirements, in particular relating to continuing obligations and directors' duties

**Biography**
Page 91

# Board leadership and governance

**The Board**

**Nominations Committee**
Oversees the composition of the Board and committees and considers succession planning and diversity, making recommendations to the Board

Read more
Page 107

**Audit Committee**
Oversees the Group's corporate financial reporting, the internal control system, risk management and the relationship with the external auditor

Read more
Page 112

**Remuneration Committee**
Responsible for recommending overall remuneration policy and the setting of executive and senior management remuneration

Read more
Page 124

**Sustainable Development Committee**
Oversees the Group's strategy, commitments, targets and performance relating to safety, the environment, climate-related matters and other sustainable development issues

Read more
Page 121

**CEO**

**Executive Committee**
Day-to-day management of the Group

**Disclosure Committee**
Responsible for classifying and overseeing the prompt disclosure of inside information and overseeing the creation of insider lists

The primary role of the Board, led by the Chair, is to ensure the long-term sustainable success of the Group, taking into consideration the views and interests of our key stakeholders. Our governance processes and procedures provide a framework to support the Board in the fulfilment of this role.

There is a clearly defined Schedule of Matters Reserved for the Board, setting out those key matters that require Board approval. The Board meets at least seven times a year and an annual rolling agenda is agreed with the Board to ensure that all key matters reserved for its consideration are covered in the annual cycle of meetings. The Board is supported by a number of committees, each of which has its own terms of reference and annual work programme. The Matters Reserved for the Board and the terms of reference are reviewed at least annually and are available on the Group's website.

The Chair, with support from the Company Secretary, ensures the distribution of appropriate, accurate and well-presented materials, with meeting packs being circulated electronically a week before each meeting. Each Board programme is usually held over two days, enabling the directors to spend more time together and form a greater understanding of each other, developing a culture of trust and openness in the boardroom.

Where appropriate, other senior executives and advisers are invited to attend and present at meetings, providing the non-executive directors with a broader perspective on matters under consideration and assisting the Board with monitoring performance and achieving its objectives (see page 103 for more information).

# Corporate governance report
# Division of responsibilities continued

## Board activity

The key matters considered by the Board during the year are set out below. While this is not an exhaustive list, it provides insight into the discussions of the Board and how it aims to promote the long-term success of the Group and achieve its key objectives. In addition to the matters set out, each meeting includes a report from the Group CEO providing an operational update; a report from the Group CFO on the Group's financial performance; an update on safety performance; and a report from the Company Secretary on recent governance and regulatory matters.

### Operational performance

- Received regular updates from the Group CEO and detailed reports from the CEOs of the business units, enabling the Board to monitor operational performance.
- Monitored the implementation of a number of large capital expenditure projects, including ongoing projects at our Kuopio mill (Finland) and our Świecie mill (Poland) (see page 23 for more information).
- Received presentations in relation to technology developments in the Paper Bags, Consumer Flexibles and Corrugated Solutions businesses, and detailed insights into research and development activities, improving the Board's knowledge and providing context for capital investment decisions.

### Strategy formulation and monitoring

- Concluded a strategy review session resulting in continued support for Mondi's strategic direction and confidence that Mondi's strategy is sustainable in the long-term (see below for more information).
- Considered the impact of the war in Ukraine and ultimately agreed to divest the Group's Russian assets (see page 70 for further information).
- Considered and approved the disposal of Mondi's Personal Care Components business for an enterprise value of €615 million, simplifying Mondi's portfolio and increasing the focus on Mondi's core packaging and paper businesses.
- Considered and approved the acquisition of the Duino mill in Italy for a total consideration of €40m, with the aim of building on Mondi's integrated platform.
- Considered and approved a number of capital expenditure projects, including a €400m investment in a new 210,000 tonne per annum kraft paper machine at our Štětí mill (Czech Republic), taking into account the sustainability impact of such investments and the interests of Mondi's key stakeholders (see page 23 for more information).

### Financial performance, funding and capital

- Reviewed and approved the full- and half-year results and trading updates.
- Reviewed and approved the Mondi Group Integrated report and financial statements, ensuring they are fair, balanced and understandable (see page 118 for more information).
- Considered and monitored the impact of the war in Ukraine on the Group's financial position, including in relation to liquidity and the Group's debt facilities.
- Considered dividend recommendations and declarations in light of the Group's stated dividend policy. This resulted in the decisions to pay a final dividend in May 2022 and an interim dividend in September 2022 (see page 70 for more information).
- Reviewed and approved the Group business plan for 2023–2025, including the budget for 2023, considering assumptions made and the reasonableness of the plan and focusing on the operational overviews, cash flow management and capital allocation.
- Annual reviews of the Group treasury and Group tax functions and performance, including funding, liquidity and insurance.

### Governance and stakeholders

- Reviewed the Group's corporate governance framework in light of governance and regulatory developments.
- Reviewed investor feedback following the full- and half-year results announcements (see pages 97-98 for more information).
- Reviewed the interests of key stakeholders, agreeing that the current stakeholder groups remain appropriate (see pages 32-35 for more information).
- Reviewed the output from the Board evaluation process and agreed an action plan (see page 106 for more information).

## Strategy review

**The Board's annual in-depth review of Mondi's strategy considered where Mondi is today, its strategic focus, options for future growth and detailed business unit strategic initiatives.**

The existing strategy was reviewed in the context of key demand drivers, including developing macroeconomic conditions, demand for sustainable packaging and eCommerce, and the principal risks facing the Group. Of particular focus were the growth opportunities available to the Group, including the Group's ambitious expansionary capital investment programme. In addition, there was a review of the current challenges faced in respect of wood sourcing, including supply chain disruptions and increasing costs, driven primarily by the war in Ukraine, and energy, with rising costs, energy self-sufficiency and measures to minimise reliance on gas discussed in detail. These topics were relevant to many of the Board's discussions throughout the year, and long-term plans and mitigation measures in this regard were core to the Board's determination of whether the strategic direction remained sustainable.

These discussions were set against the backdrop of the Board's decision to divest its Russian assets.

The Board ultimately confirmed its continued support for Mondi's strategic direction, confirming the need to ensure that sustainability continues to be at the core of Mondi's strategy.

More information on Mondi's strategy can be found on pages 20-21.

## Presentations from senior management

**During the year, members of Mondi's senior management presented to the Board on a variety of topics. These presentations not only provide insight into the business directly from those on the ground but also support the Board's focus on succession planning, allowing Board members to hear from, speak to and get to know potential future leaders.**

Each of the business unit CEOs provided updates on their areas of responsibility within Mondi, focusing on safety performance, market position and dynamics, financial performance and people development. The specific impacts on each business of developing trends and key strategic drivers were also reviewed, including sustainability, eCommerce and digitalisation. The other members of the Executive Committee also presented to the Board in relation to their areas of responsibility. These presentations included updates on technology developments in Mondi's core manufacturing processes from the Group Technical & Sustainability Director and employee engagement initiatives from the Group HR Director.

In addition, the Group Head of Fibre Sourcing presented Mondi's long-term wood sourcing strategy, the Group Head of Quality updated the Board on initiatives to improve quality for customers and the newly appointed Group Communication Director provided insight into the Group's communication strategy and key focus areas for both internal and external audiences. The Group Heads of Tax and Treasury also updated the Board on their current focus areas. These presentations provided insight into the priorities of a number of Mondi's key stakeholders and also current risk areas.

### Safety and sustainability

- Monitored safety performance across the Group, including the number, type and severity of incidents. In 2022, there was particular focus on understanding the events that tragically resulted in a fatality at Mondi's Frantschach mill (Austria).
- Held a discussion with the president and CEO of the World Business Council for Sustainable Development, advancing the knowledge of the Board and providing insight into sustainability focus areas for external stakeholders, emerging themes and issues for boards and the actions Mondi should be considering in response.
- Received updates on key sustainability regulatory and best practice developments from the Group Head of Sustainable Development through the Sustainable Development Committee, and via regular business unit reviews.
- Monitored the work of the Sustainable Development Committee, focusing in particular on progress against Mondi's MAP2030 sustainability commitments and the Group's most material sustainability risks and opportunities. A detailed explanation of the work of the Sustainable Development Committee can be found on pages 121-123.

### Risk management

- Reviewed the Group's risk management processes, plan and risk tolerance levels and internal controls, with consideration of risk monitoring, activities to ensure risk mitigation and independent assurance processes. This resulted in a number of changes based on the recommendations of the Audit Committee, including increased risk ratings for energy security and related input costs, and cost and availability of raw materials (see page 74 for more information).
- Received half-yearly presentations on IT risks and cyber security (see page 113 for more information).
- Reviewed the Group insurances, ensuring an appropriate balance of risk between the Group and our external insurers.

### People and culture

- Reviewed employee engagement matters, including views raised by employee representatives at the Employee Communication Forum meeting in October 2022 (see pages 94-96 for more information).
- Received updates from Sue Clark in her role as non-executive director responsible for understanding the views of employees, providing insight into the culture and key employee issues gained during site visits undertaken throughout the year (see page 95 for more information).
- Reviewed reports received via Mondi's anonymous grievance platform, SpeakOut (see page 64 for more information).
- Reviewed and approved the Group's human trafficking and modern slavery statement.

### Leadership

- Considered and approved the appointments of Saki Macozoma and Anke Groth as independent non-executive directors (see page 109 for more information).
- Noted the retirement of Tanya Fratto at the 2022 AGM and agreed the appointment of Dame Angela Strank as Chair of the Remuneration Committee with effect from the conclusion of the 2022 AGM.
- Agreed the appointment of Dominique Reiniche as Senior Independent Director with effect from the conclusion of the 2023 AGM in response to the new Listing Rule requirement to have a woman in one of the senior positions on the Board (see page 108 for more information).
- Monitored the work of the Nominations Committee in relation to succession and talent management plans, particularly in relation to the Group CEO and CFO.

# Corporate governance report
# Composition, succession and evaluation

## Induction, training and development

Training and development is important in ensuring the ongoing effectiveness of the Board and that we have the right combination of skills and knowledge. This begins with an induction for all new directors. While there is an outline induction programme in place, this is discussed with each new director and is tailored to meet any specific requirements. The aim is to familiarise a new director with the nature of the Group's business and operations, highlighting the key challenges and opportunities as well as the regulatory environment in which the Group operates, the key duties of the director, including in relation to Section 172 and stakeholder interests, and the culture and values of the Group. All directors are given access to an online director handbook containing documents including key policies and the terms of reference for each committee. Details of the induction programme for Saki Macozoma, who joined the Board in May 2022, are provided below.

We also aim to ensure that existing directors receive ongoing training and development opportunities. We offer the directors the opportunity to keep up to date with regulatory, governance and economic changes as well as developments in the markets and environments in which we operate. We do this through Board presentations, both from internal and external presenters, site visits, updates aimed at providing wider context to the Group's activities and position in the market, and regular reports from the Company Secretary highlighting developing trends and future changes in governance and regulation. In addition, we aim to hold at least one Board meeting a year at one of Mondi's sites, giving Board members the opportunity to refresh and develop their understanding of Mondi's operations. Given the international nature of Mondi's business, the travel restrictions imposed by COVID-19 have made site visits difficult in recent years but during 2022, the Board was able to resume visits. Further details can be found on page 96.

Each director can discuss any development needs with the Chair at any time, but the opportunity arises more formally during the annual review process, when discussions regarding individual performance are held. In addition, all directors are encouraged to strengthen and refresh their knowledge by attending any workshops, seminars and courses relevant to their respective roles, and details of the availability of these are provided regularly.

## Saki Macozoma's induction

Following Saki's appointment to the Board in May 2022, a number of meetings and briefings were organised in order to provide him with a detailed overview of the Group, and to give him the insight and knowledge required to make as full and effective a contribution as possible to the Board upon appointment.

Meetings were held with each of the Executive Committee members, allowing Saki the opportunity to gain an understanding of the Group's business units, culture, risk areas and priorities, and providing the context necessary for matters discussed at Board and committee meetings. Saki also met with the Company Secretary early on in the induction process, with the session covering matters including directors' duties, share dealing procedures, Mondi's approach to managing conflicts of interest and key policies.

Given the increasing focus on sustainability and the relevance of such matters to Board decisions, meetings were also arranged with the Group Heads of Sustainable Development and Safety & Health. Opportunities for Saki to meet with other members of senior management continue to be identified as part of his ongoing induction.

Site visits are also a crucial element of the induction process, and early on in his tenure, Saki was able to visit Mondi's Štětí mill (Czech Republic) as part of the wider Board visit in June 2022. Further information can be found on page 96. Along with a number of other Board members, Saki also visited the Richards Bay mill (South Africa) in February 2023. The visit included tours of the mill, nursery and harvesting operation. This was the first visit to the Richards Bay mill for a number of directors, representing a useful opportunity for them to further develop their understanding of Mondi's operations and to see the results of recent investment.

## 2021 Board evaluation process

In 2021, we conducted an internal Board evaluation. The process was supported by Lintstock, an independent governance advisory firm. Below are the key actions reported last year, and details of the progress we have made against those actions:

| Action agreed from 2021 evaluation | Progress achieved |
|---|---|
| To reinstate full physical attendance at Board meetings, as well as Board site visits, as soon as safe and practicable to do so in light of the continuing impact of COVID-19 | Board meetings throughout 2022 were held as full physical meetings. Site visits resumed, with the Board visiting Mondi's Štětí mill (Czech Republic) in June 2022 and the Group office in Vienna (Austria) in October 2022. Further information can be found on page 96. |
| To continue to develop succession planning at senior management level, focusing particularly on succession planning for the Group CEO and CFO | Succession plans for the Executive Committee and other key roles were reviewed and discussed by the Nominations Committee in detail during the year. Potential internal successors for the Group CEO and CFO in particular were assessed, with consideration given to their development needs. To assist the Nominations Committee with such planning, opportunities were provided wherever possible for Board members to meet senior management. Executive Committee members presented to the Board, in person, at regular intervals, and Board dinners were reinstated to allow more time for interaction and discussion. Other members of senior management were also invited to join Board meetings where appropriate. |
| To successfully conclude the recruitment of a new non-executive director to succeed Enoch Godongwana | In May 2022, Saki Macozoma was appointed to the Board as a new non-executive director, concluding the search for a successor to Enoch Godongwana. |
| To move oversight of the MAP2030 people-related commitments from the Nominations Committee to the Sustainable Development Committee, the committee responsible for overseeing progress against all other MAP2030 commitments, allowing the Sustainable Development Committee to have full oversight on behalf of the Board and the Nominations Committee to focus on senior-level succession planning | This was completed during the year, with the Sustainable Development Committee undertaking its first full review of progress against the MAP2030 people-related commitments in June 2022. The terms of reference for the committee were amended accordingly. |
| To continue the development of Mondi's strategy in light of the growing importance of sustainability and ensure sustainability matters are appropriately considered in all investment decisions | Sustainability considerations have continued to form a key part of strategy discussions and all decision-making. The sustainability implications of all major capital allocation decisions are evaluated using a standardised template. |

# Corporate governance report
## Composition, succession and evaluation continued

### 2022 Board evaluation process

In line with best practice, in 2022 we conducted an external Board evaluation, the last one having been in 2019. After considering potential providers, the Nominations Committee recommended that Lintstock be engaged to undertake the evaluation in light of the positive engagement with and valuable insight gained from Lintstock during recent internal evaluations. The Board agreed the recommendation. Lintstock has no other connection to Mondi beyond the provision of board evaluation services. Anonymity was ensured throughout the process to allow for the provision of candid and open feedback by participants. The evaluation process was led by Philip Yea in conjunction with the Nominations Committee and is set out below.

**Engagement**

Decision to engage Lintstock to conduct the evaluation

**Questionnaires completed**

Questionnaires relating to the Board, committees and individual performance completed by directors, the Company Secretary and other regular attendees at Board and committee meetings

**Interviews**

One-on-one interviews conducted by Lintstock with each director and the Company Secretary covering a range of matters, including the conduct of the Board, strategy and Mondi's approach to sustainability

**Report issued**

Detailed report issued and reviewed with the Chair

**Report considered**

Report presented by Lintstock at a meeting of the Nominations Committee

**Action plan recommended**

Action plan recommended by the Nominations Committee and agreed by the Board

As a result of the process, the Board concluded that it continues to operate in an effective manner, benefiting from positive dynamics, strong engagement and relationships with senior management and a boardroom culture that allows for open and constructive challenge. Each director continues to contribute effectively to the Board.

There was consensus around the priorities for the forthcoming year, and the key actions agreed by the Board as a result of the evaluation include the following:

- Expand the Board's regular reviews of the business units to include greater detail concerning consumer trends and their impact on Mondi's customers
- Expand the scope of the Board's review of the development of major competitors and their strategies
- Increase the Board's visibility and understanding of key regulatory developments, particularly in relation to sustainability
- Maintain the strong focus on diversity and inclusion, with the Board to review steps taken to operationalise the tools that have been developed across the business to support improvements in this regard
- Continue to give in-depth consideration to executive director succession

The Board considers that it continues to benefit from the annual review process, the results of which help guide the future focus of meeting agendas and behaviours.

# Corporate governance report
## Nominations Committee

The committee considered the future needs of the Board, considering both skills and diversity. As a result, the committee agreed that an additional non-executive director should be recruited. To strengthen the level of relevant financial experience on the Audit Committee, the committee agreed that recent financial experience was a key attribute for potential candidates.

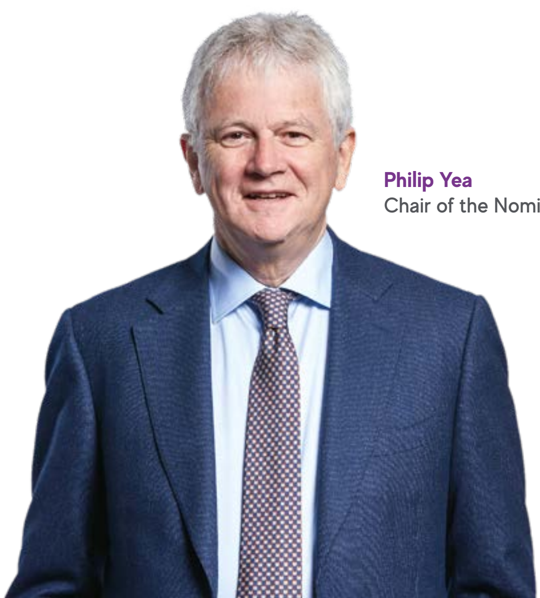
### Composition and attendance[1]

| Members throughout the year | Committee member since | Meeting attendance |
|---|---|---|
| Philip Yea, Chair | April 2020 | 7/7 |
| Svein Richard Brandtzaeg | April 2021 | 7/7 |
| Sue Clark | April 2021 | 7/7 |
| Tanya Fratto[2] | January 2017 | 3/3 |
| Saki Macozoma[3] | May 2022 | 4/4 |
| Dominique Reiniche | October 2015 | 7/7 |
| Dame Angela Strank | April 2021 | 7/7 |
| Stephen Young[4] | May 2018 | 6/7 |

1 The maximum number of meetings held during the year that each director could attend is shown next to the number attended
2 Tanya Fratto stepped down from the Board and the committee on 5 May 2022. Tanya attended all meetings up to the date of her retirement
3 Saki Macozoma joined the committee on 6 May 2022. Saki attended all meetings following his appointment
4 Stephen Young was unable to attend one meeting during the year due to an unavoidable commitment

### Other regular attendees

– Group CEO



**Philip Yea**
Chair of the Nominations Committee

### Dear Shareholder

I am pleased to present this report, which provides an overview of the areas of focus for the committee during the year, and those for the year ahead, as well as its key activities and the framework within which it operates.

**Composition**

To ensure the committee has access to as wide a range of knowledge and experience as possible, each non-executive director is a member. In line with this practice, Saki Macozoma joined the committee upon his appointment to the Board in May 2022.

Tanya Fratto stepped down from the committee in May 2022 following her retirement from the Board, and I would like to thank her for her contribution to the committee.

**Areas of focus**

The key focus of the committee is to ensure that the composition of the Board and its committees is appropriate and relevant to the Group, and that the Board continues to be in the best position to deliver the Group's strategy and to ensure that the business operates in line with Mondi's purpose, culture and values. This includes overseeing Board diversity and succession matters.

The Board believes diversity, in all its forms, is key to long-term sustainable success, and this continues to underpin the Board's succession and recruitment plans. During the year, we were pleased to welcome Saki to the Board. Saki brings significant business experience and his insight into the South African business environment is valuable given Mondi's origins and footprint. Following Saki's appointment, the Board meets the principles of the Parker Review in relation to ethnic diversity on boards.

Following Tanya's retirement, the committee considered the future needs of the Board, considering both skills and diversity. As a result, the committee agreed that an additional non-executive director should be recruited. To strengthen the level of relevant financial experience on the Audit Committee, the committee agreed that recent financial experience was a key attribute for potential candidates. An external search agency was engaged and I am pleased to confirm that Anke Groth will join the Board on 1 April 2023 as an independent non-executive director. Anke brings significant financial and commercial experience, and I look forward to her joining us.

# Corporate governance report

## Nominations Committee continued

From 2023, in line with the UK Listing Rules, companies will be required to report on the gender and ethnic diversity of their boards and executive management, as well as compliance with targets relating to the number of women on the board and in key roles. While these reporting requirements do not come into force until 2023, given our commitment to improving diversity across the organisation, we have made the decision to report early in this regard. As we do not currently meet all the targets, the decision has been made that at the 2023 Annual General Meeting (AGM), Stephen Young will relinquish his role as Senior Independent Director and Dominique Reiniche will take it on. Their other roles as Chairs of the Audit and Sustainable Development Committees respectively will not change. I should like to thank Stephen for his support as Senior Independent Director and his willingness to relinquish the role to support our compliance with the latest Listing Rule requirements.

In addition, following Anke's appointment in April 2023, we will have 40% female representation on the Board. The disclosures relating to the gender and ethnic diversity of the Board and executive management, in the form specified in the Listing Rules, can be found on page 111.

Alongside this, the committee continued to consider succession planning in relation to the Board and those in key management and operational roles. While the committee routinely reviews succession plans in this regard, last year's Board evaluation process identified this as an area requiring more focus, particularly in relation to the Group CEO and CFO. In response to this, the committee considered in detail succession plans for these roles. The committee was particularly focused on potential internal candidates, assessing their readiness for each role, their development needs and the support required from the Board and the organisation as a whole to prepare them as potential successors. This will remain a focus for the committee during 2023.

A more detailed overview of the key matters considered by the committee during the year can be found below.

### Committee effectiveness

The committee's performance and effectiveness were reviewed as part of the Board evaluation undertaken during the year, more details of which can be found on page 106. I am pleased to confirm that the committee is seen to be operating effectively and fulfilling the duties delegated to it by the Board.

**Philip Yea**
Chair, Nominations Committee

## Nominations Committee activity

Set out below are some of the key matters addressed by the committee.

### Board and committee composition

- Completed the search for a South African non-executive director to succeed Enoch Godongwana following his resignation, with the appointment of Saki Macozoma in May 2022.
- Following the retirement of Tanya Fratto from the Board in May 2022, recommended to the Board that Dame Angela Strank be appointed Chair of the Remuneration Committee.
- Considered the wider diversity of the Board and the committees, including in respect of gender, ethnicity and skills and experience, resulting in the decision to initiate a search for a non-executive director with financial experience. More details can be found on page 109.
- Reviewed the continued independence of each non-executive director, including consideration of their term in office and any potential conflicts of interest, concluding that each non-executive director remained independent.
- Reviewed the time commitment required of each non-executive director, concluding that all non-executive directors continued to devote appropriate time to fulfil their duties to Mondi.

### Succession planning

- Considered the Board's succession plans, in relation to existing directors, the requirements of the Board and committees in the longer term and the skills and experience required to support the Group's future growth strategy.
- Reviewed the succession plans in place for members of the Executive Committee and other key positions, both in the short and long term.
- Discussed the new Listing Rule requirement for boards to disclose whether they have met the target of having a female in the role of CEO, CFO, Chair or Senior Independent Director, with the committee considering the actions required to achieve this and the views of Mondi's major shareholders. This resulted in a recommendation to the Board that Dominique Reiniche be appointed as Senior Independent Director with effect from the conclusion of the 2023 AGM.

### Board evaluation

- Monitored progress against the agreed action plan from the prior year's evaluation process (see page 105 for more information).
- Considered and agreed the process for the 2022 evaluation of the Board, committees and individual directors, to be an externally facilitated evaluation (as required every three years) carried out by Lintstock (see page 106 for more information).

### Corporate governance and other matters

- Considered, and recommended to the Board, the election of Anke Groth and Saki Macozoma and the re-election of all other directors at the AGM.
- Reviewed the committee's terms of reference, performance and work programme for 2023.
- Considered, and agreed to, the committee's report for inclusion in the Group's Integrated report and financial statements.

## Board appointments

Mondi has a rigorous and transparent process in place for the recruitment and appointment of directors, led by the committee. This process was followed in relation to the appointments of Saki Macozoma and Anke Groth as independent non-executive directors and is set out below.

**Key requirements agreed and candidate specification drawn up**

taking into account succession planning requirements, gender, ethnic and other forms of diversity and the key skills and experience required to strengthen Board and committee capabilities and to ensure they have the competencies necessary to manage the impacts of the business

**External independent search agent engaged**

to assist with the selection process

**Search conducted and long list of potential candidates provided for consideration**

the long list to include male and female candidates from a variety of backgrounds

**Short list chosen from long list**

for interview by the Chair and at least one other appropriate director

**Short list reduced to an agreed number of candidates**

for interview by other executive and non-executive directors

**Nominations Committee considers the preferred candidates**

including ability to commit time to the role, confirmation that each individual would be deemed independent on appointment and the likely views of key stakeholders, including major shareholders and regulatory bodies and in relation to financial, sustainability, strategy and risk management experience. A recommendation is made to the Board

**Board considers the recommendation**

and whether to proceed with the appointment

Amrop Woodburn Mann, an external search agency based in Johannesburg, South Africa, with significant expertise in the South African market, was engaged to assist with the selection process leading to the appointment of Saki Macozoma. Saki's biography can be found on page 89 and details of his induction programme can be found on page 104.

In addition, Russell Reynolds Associates, an external search agency and signatory to the Voluntary Code of Conduct for Executive Search Firms, was engaged to assist with the recruitment of an additional independent non-executive director, following the retirement of Tanya Fratto in May 2022. This led to the appointment of Anke Groth with effect from 1 April 2023. Upon appointment to the Board, Anke will be appointed to the Audit and Nominations Committees. Anke's biography can be found below.

Neither Amrop Woodburn Mann nor Russell Reynolds Associates provide any services to the Mondi Group other than Board-level recruitment.

On appointment, each non-executive director receives a letter of appointment setting out, among other things, their term of appointment, the expected time commitment for their duties to Mondi and details of any committee memberships. Non-executive directors are initially appointed for a three-year term, subject to annual re-election by shareholders, after which a review is undertaken to consider renewal of the term for a further three years.

### Anke Groth's biography

Anke began her career in the energy industry, initially in business development and mergers and acquisitions in two regional energy companies, before working for E.ON SE from 2001 to 2018. Her roles at E.ON SE included Vice President of Mergers & Acquisitions; Chief Financial Officer, Spain; Senior Vice President Investor Relations and, from 2016 to 2018, Chief Financial Officer of E.ON UK plc. In 2018 Anke decided to join KION Group AG, active in the capital goods sector and publicly listed on the German stock exchange, as Group Chief Financial Officer & HR Director, a role she held until stepping down in 2022.

She is currently a member of the Supervisory Board at E.ON SE and the Administrative Board at DKV Mobility Group SE. Anke has a degree in Business Economics.

Anke's independence was reviewed and confirmed as part of the appointment process. At the date of this report, Anke does not hold any shares in Mondi plc. Anke has received a letter of appointment from Mondi plc, the terms of which provide for her appointment to be terminable on six months' notice. Her fees will be in accordance with the details set out on page 132 for non-executive directors.

# Corporate governance report

# Nominations Committee continued

## Diversity & Inclusion

Mondi has a well-established commitment to encouraging and promoting diversity and inclusion (D&I) in all its forms. This is reflected in our behaviour and in one of our strategic value drivers, Inspire our people.

As a global organisation operating in more than 30 countries, D&I is integral to how we do business. Diversity at Board and committee level and throughout the workforce provides a broad range of perspectives, supporting the achievement of our strategy and contributing to our success. We are committed to creating a diverse and inclusive working environment that is fair and non-discriminatory, from recruitment and people development to reward and our approach to talent management. We strive for an inclusive environment where differences are valued and embraced, where our people are empowered and developed to grow to their full potential, thereby developing and maintaining a competitive business advantage.

The Group's D&I Policy, which was approved by the Board, is intended to help us meet these goals and support the development of a diverse pipeline, throughout the organisation and up to the Executive Committee and the Board. It sets out guidelines for matters such as recruitment, the use of search firms, succession and annual reviews, both at Board level and for the wider workforce.

**The policy can be found on Mondi's website**
www.mondigroup.com/en/sustainability/governance-of-sustainability

Key elements of the policy include the following:

**At Board and Executive Committee level:**

- The Board supports the recommendations and targets outlined in the FTSE Women Leaders Review (previously the Hampton-Alexander Review) in relation to gender diversity on the Board and across the Executive Committee and in direct reports to the Executive Committee, and is committed to increasing levels of gender diversity.
- The Board supports the principles and targets outlined in the Parker Review in relation to ethnic diversity on boards.
- For Board appointments, Mondi will, wherever possible, engage executive search firms that have signed up to the Voluntary Code of Conduct for Executive Search Firms.
- Search firms will be requested to include a sufficient number of credible and suitably qualified female candidates and candidates from a variety of ethnic backgrounds.
- The Nominations Committee will review, at least annually, succession plans in relation to the Board, the Executive Committee and other senior managers in light of D&I levels across the Group and taking into account skills, experience and diversity requirements.
- Mondi commits to complying with the seven UN 'Women Empowerment Principles'.

**At employee level:**

- Recruitment activities are aligned with the aims of our D&I Policy and applicable employment/equality legislation in jurisdictions in which we operate, including to promote diversity of all types and to ensure fair and non-discriminatory working practices.
- We aim to ensure that a sufficient pipeline of candidates of diverse backgrounds is considered during succession planning.
- We aim to ensure that the nationalities of candidates at long- and shortlist stages are appropriately representative of our international footprint, subject to the availability of candidates with the necessary qualifications and experience.
- We will ensure fair and equal training and development opportunities.

While appointments at all levels will continue to be made based on skill and ability, it is clear that all forms of diversity are key to ensuring that we have the right mix of backgrounds, knowledge and experience to meet our future business needs and to manage the impacts of our business. D&I is therefore central to our succession planning discussions and is critical to the long-term sustainable success of our business. Additional information on the specific process followed for Board-level appointments can be found on page 109.

In 2022, we reported to the FTSE Women Leaders Review that as at 31 October 2022, we had 25% female representation on our Executive Committee and 25% in the direct reports to the Executive Committee, giving a combined total of 25%. As at 31 December 2022, our combined total remained at 25%. The percentage of women on the Executive Committee and in the direct reports to the Executive Committee has declined compared to 2021, when the combined total was 30%, due primarily to the retirement of Mondi's Group Communication & Marketing Director who was female. The majority of the direct reports to this role were also female. While this role was not directly replaced, we have a diverse pool of high-calibre employees within the Group who have been identified as having the potential to be appointed to Executive Committee roles in the future. Increasing diversity at this level of the organisation remains a key focus. We also reported that, following the retirement of Tanya Fratto from the Board in May 2022, we had three female directors representing 33% of the composition of the Board as at 31 October 2022. While this percentage remained the same at 31 December 2022, we are pleased to confirm that Anke Groth will join the Board in April 2023, increasing the percentage of women on the Board to 40%.

In addition, we announced in January 2023 that Dominique Reiniche will be appointed Senior Independent Director with effect from the conclusion of the 2023 Annual General Meeting, satisfying the new Listing Rule requirement for one of the senior positions on the Board to be held by a woman.

In 2021, following the resignation of Enoch Godongwana, Mondi reported that we did not meet the target of one director of colour on the Board (as defined by the Parker Review in relation to ethnic diversity on boards). During 2022, Mondi appointed Saki Macozoma and is now compliant with this target, as well as the new Listing Rule requirement for at least one board member to be of a minority ethnic background (as defined in the Listing Rules).

In line with new Listing Rule disclosure requirements, against which we have chosen to voluntarily report this year, more detailed information relating to the gender and ethnic diversity of Mondi's Board and Executive Committee members can be found in the tables opposite. The data is provided in the form specified under Listing Rule 9.8.6(R)(10) and was collected directly from the individuals concerned.

**Gender identity/sex of members of the Board and Executive Committee as at 31 Dec 2022**

| | Number of Board members | Percentage of the Board | Number of senior positions on the Board (CEO, CFO, SID and Chair) | Number in executive management | Percentage of executive management |
|---|---|---|---|---|---|
| Men | 6 | 67% | 4 | 6 | 75% |
| Women | 3 | 33% | 0 | 2 | 25% |
| Not specified/prefer not to say | 0 | 0% | 0 | 0 | 0% |

**Ethnic background of members of the Board and Executive Committee as at 31 Dec 2022**

| | Number of Board members | Percentage of the Board | Number of senior positions on the Board (CEO, CFO, SID and Chair) | Number in executive management | Percentage of executive management |
|---|---|---|---|---|---|
| White British or other white (including minority-white groups) | 7 | 78% | 4 | 8 | 100% |
| Mixed/multiple ethnic groups | 0 | 0% | 0 | 0 | 0% |
| Asian/Asian British | 0 | 0% | 0 | 0 | 0% |
| Black/African/Caribbean/ Black British | 1 | 11% | 0 | 0 | 0% |
| Other ethnic group, including Arab | 0 | 0% | 0 | 0 | 0% |
| Not specified/prefer not to say | 1 | 11% | 0 | 0 | 0% |

A D&I target is included in the Mondi Action Plan 2030 (MAP2030), released in 2020, and we have committed to providing purposeful employment for all, in a diverse and inclusive workplace. Progress is measured by the Purpose Satisfaction and Inclusiveness scores in our global employee survey (each to reach 90% by 2030, against a 2020 baseline of 78% and 79% respectively), and by the overall percentage of women that we employ across Mondi (to reach a minimum of 30% women globally by 2030, against a 2020 baseline of 21%). It is clear that while significant work is being undertaken in this regard, with initiatives ongoing throughout the organisation, meeting the target of 30% women across the organisation will be challenging. In many of the countries in which we operate, a cultural shift is required, with education and a change of mindset needed, as well as changes to underlying recruitment processes, to remove the barriers that discourage women from entering our workforce. The Board and the organisation as a whole are committed however to making the changes required. Read more about our MAP2030 commitments and our progress in this regard on pages 41-43.

The former D&I taskforce – a cross-business, cross-functional team – was extremely helpful in kicking off various D&I initiatives across the organisation. However, following the appointment of a new Senior Manager Diversity & Inclusion, a new governance framework around D&I was implemented. Operationally, the D&I function reports to the Group HR Director, while a D&I steering committee has been formed to provide policy oversight and facilitate the necessary stakeholder engagement to ensure D&I is firmly embedded across the organisation. Mondi's approach to D&I is focused on local community development, as well as creating cultures that are welcoming and foster belonging. In line with this, initiatives have been started, such as the Curious Community, a group consisting of more than 100 members from 13 different countries who span all levels of seniority, from Executive Committee members to those working in our plants. It provides a safe space for employees to connect, learn and find inspiration and ideas to implement at a local level. Key activities in 2022 included a highly interactive kick-off event with a panel discussion among community members on their personal experience of inclusion and exclusion, providing opportunities for participants to discuss and reflect, and ideas labs to identify barriers to hiring more women and find creative solutions.

In addition to the cultural aspects around D&I, structures are being implemented to drive delivery on our commitments, including the appointment of D&I champions in the business units, tasked with regular reporting, follow-up and best practice sharing.

In South Africa specifically, we are committed to making a positive contribution to the process of transformation. We have taken active steps to meet the requirements of Broad-Based Black Economic Empowerment (BBBEE), including establishing transformation forums in our South African operations to allow our employees to discuss equity and training-related issues and ideas.

**Our current BBBEE certificate can be found on Mondi's website**
www.mondigroup.com/en/corporate-governance/regulatory-reports/broad-based-black-economic-empowerment-act-annual-compliance-report

D&I is also an essential part of Mondi's leadership development programme. We offer training with a focus on female career strategies for higher management positions and training on career building for young female employees. In addition, employee exchanges, where individuals spend time working in different business units and locations around the Group, enable participants to gain experience of different working practices and skills as well as having exposure to different cultures. We have also recently collaborated with Female Factor, a global community striving to enhance female leader careers by boosting confidence, competence and connections. This provides an opportunity to offer a number of women across the Group access to mentoring, networking and knowledge sharing.

The Mondi cultural characteristics incorporate our aim to hire and work effectively with people from a variety of diverse backgrounds, ethnicity, race, gender, culture and age. We measure our progress through the use of tools such as our global employee surveys and 360° feedback.

While it is recognised that there are many challenges and there is more work to do, management and the Board are fully committed to our diversity journey and we believe that our ambitious goals will be achieved by working across the business and engaging our stakeholders on our 2030 commitments, sharing good practice, and collaborating both internally and externally.

# Corporate governance report
# Audit Committee

The accounting implications of the Board's decision to divest the Group's Russian assets were of particular interest to the committee. During the year, we were required to consider a number of critical accounting judgements, as well as the application of significant accounting estimates in the valuation of the Russian assets.

### Composition and attendance[1]

| Members throughout the year | Committee member since | Meeting attendance |
|---|---|---|
| Stephen Young, Chair[2] | May 2018 | 6/6 |
| Svein Richard Brandtzaeg | April 2021 | 6/6 |
| Sue Clark | April 2021 | 6/6 |
| Tanya Fratto[3] | May 2017 | 1/2 |
| Saki Macozoma[4] | May 2022 | 4/4 |

1 The maximum number of meetings held during the year that each director could attend is shown next to the number attended
2 Stephen Young satisfies the requirement for the committee to have a member with recent and relevant financial experience given his previous role as Group Finance Director at Meggitt plc and the other commercial accounting and finance roles he has held during his career. Stephen is a member of the Chartered Institute of Management Accountants
3 Tanya Fratto stepped down from the Board and the committee on 5 May 2022. Tanya was unable to attend one meeting prior to the date of her retirement due to another commitment
4 Saki Macozoma joined the committee on 6 May 2022. Saki attended all meetings following his appointment

### Other regular attendees

- Group CEO
- Group CFO
- Chair and non-executive directors who are not members of the committee
- Group Controller
- Group Head of Internal Audit
- Representatives from PricewaterhouseCoopers LLP as external auditor

**Stephen Young**
Chair of the Audit Committee

## Dear Shareholder

I am pleased to present this report, which provides an overview of the areas of focus for the committee during the year, as well as its key activities and the framework within which it operates.

### Composition

During 2022, Tanya Fratto stepped down from the committee following her retirement from the Board – I would like to thank Tanya for her contribution during her time on the committee. In May 2022, Saki Macozoma was appointed as a member of the committee. Saki has extensive experience in an executive and non-executive capacity, making him well placed to provide valuable knowledge and insight to the committee.

The Board remains comfortable that the committee members have the appropriate knowledge, skills and experience to fulfil the duties delegated to the committee. Each member has appropriate knowledge and understanding of financial matters and commercial expertise gained from industries with similar manufacturing, engineering and technology-focused international operations, to give the committee as a whole competence relevant to the sector in which the Group operates.

Despite this, we continue to look for opportunities to further strengthen the financial experience on the committee, and to ensure that in the long term, the committee continues to have the breadth of knowledge it requires. I am therefore pleased to confirm that Anke Groth will join the committee in April 2023. Further details can be found on page 109.

### Areas of focus

The committee's primary responsibility is to oversee the Group's corporate financial reporting, including the relationship with the external auditor, and to assist the Board with any judgements required. This remained the key focus of the committee during the year.

The accounting implications of the Board's decision to divest the Group's Russian assets were of particular interest to the committee. During the year, we were required to consider a number of critical accounting judgements, as well as the application of significant accounting estimates in the valuation of the Russian assets. Specifically, the committee was required to consider whether the Group should continue to consolidate its Russian businesses, if and when the businesses satisfied the requirements to be classified as held for sale, and whether the Russian businesses should be presented as discontinued operations.

After consideration of the detailed accounting rules, and with input from management and Mondi's external auditor, it was concluded that Mondi retained control of the Russian businesses, resulting in continued consolidation of the businesses, and that they should be classified as held for sale, and, as a separate major geography, also therefore presented as discontinued operations. The position remained unchanged at 31 December 2022. In addition, after consideration of the significant accounting estimates applied in the valuation of the Russian assets, the committee concluded that impairment was not required in the period to 30 June 2022. Subsequent to this, following the conclusion of an agreement to sell Mondi's three Russian packaging converting operations, the decision was taken to impair the related assets. Given the uncertainty and complexity involved, the accounting treatment applicable to the Russian businesses remains under close review. A more detailed explanation of the accounting treatment applied can be found on pages 209-212.

As context for these decisions, the committee received an overview of the sanctions imposed on Russia as a result of the war in Ukraine from Mondi's legal advisers. This enabled the committee to assess the impact of these sanctions on Mondi's Russian businesses, the actions being taken in response and the risks associated with operating in Russia.

The committee also spent time considering the accounting implications of the sale of the Personal Care Components business, and the impact of hyperinflation in Türkiye, details of which can be found on pages 213 and 230 respectively.

Cyber security remained a notable focus for the committee during the year, given the increasing number and sophistication of the methods being employed by cyber attackers. The Group continues to undertake significant work in this regard, and the committee was pleased to hear that external testing of Mondi's infrastructure, which is undertaken regularly, indicated that the measures we have in place remain effective and robust in this developing landscape. Progress with the separation of the Russian businesses from Mondi's IT infrastructure, a complex task being undertaken in a rapidly evolving environment, was also monitored closely by the committee. More information on Mondi's approach to cyber security can be found on page 81.

In addition, the Committee noted that the Financial Reporting Council had carried out a limited scope desktop review of the judgement and estimate disclosures in Mondi's 2021 Financial statements as part of its Judgements and Estimates thematic review. The committee was pleased that Mondi's disclosure was used as an example of best practice and that no questions were raised as a result of the review.

A more detailed overview of the key matters considered by the committee during the year can be found below.

**Committee effectiveness**

The committee's performance and effectiveness were reviewed as part of the Board evaluation undertaken during the year, more details of which can be found on page 106. I am pleased to confirm that the committee is seen to be operating effectively and fulfilling the duties delegated to it by the Board.

**Stephen Young**
Chair, Audit Committee

## Audit Committee activity

Set out below are some of the key matters addressed by this committee.

### Financial reporting

- Reviewed the integrity of all financial announcements with input provided by the Group CFO, Group Controller and PwC as appropriate.
- Reviewed the Mondi Group Integrated report and financial statements for tone and consistency, agreed the application of critical accounting policies and key judgements, and considered whether the report as a whole was fair, balanced and understandable (see page 118 for more information).
- Reviewed and discussed PwC's reports to the committee.
- Considered in detail the accounting implications of the decision to divest the Group's Russian operations, agreeing the approach to be taken (see pages 209-212 for more information).
- Considered the accounting implications of the sale of the Personal Care Components business, and the associated reorganisation of the business segments (see page 213 for more information).
- Considered the impact of hyperinflation in Türkiye (see page 230 for more information).
- Reviewed and agreed the accounting policies to be applied for the year ending 31 December 2022.
- Reviewed new accounting pronouncements and any impact for the Group's financial reporting.
- Reviewed the going concern basis of accounting and the longer-term viability statement (see pages 82-83 for more information).

### External audit matters

- Recommended to the Board that the appointment of PwC for the 2022 audit be put to shareholders at the Annual General Meeting.
- Reviewed the independence, objectivity and effectiveness of PwC (see page 119 for more information).
- Reviewed and approved the external audit plan, taking account of the scope, materiality and audit risks and agreeing the audit fees.
- Reviewed and agreed the engagement and representation letters.
- Held two meetings with PwC without management present; the committee Chair also engaged regularly with the lead audit partner.

### Risk management and internal controls

- Undertook a detailed review of the Group's risk management policy, plan and tolerance levels and process to assess the risks. This resulted in the recommendation of changes to the Board, including increased risk ratings for energy security and related input costs, and cost and availability of raw materials. Emerging risks were also considered, with a particular focus on the execution of major capital expenditure projects given Mondi's extensive capital expenditure programme. Further information can be found on page 74.
- Received a detailed overview of the sanctions imposed on Russia as a result of the war in Ukraine, allowing the committee to understand the impact on Mondi and the risks associated with Mondi's continued presence in Russia.
- Undertook a more in-depth review of a number of the most significant Group risks with presentations from relevant members of senior management considering the level of risk and the monitoring and mitigation measures in place.
- Received half-yearly presentations on IT risk management and cyber security, focusing in particular on key measures taken to continuously strengthen Mondi's protection against IT risk and cyber attacks and internal and external testing undertaken to assess the robustness of the IT infrastructure.

### Internal audit matters

- Reviewed and agreed the internal audit plan, confirming the focus on key risk areas and adequate cover of all material operations.
- Received reports from the Group Head of Internal Audit (see page 120 for more information).
- Undertook a review of the effectiveness of the Internal Audit function (see page 120 for more information).
- Reviewed summaries of messages and reporting from SpeakOut, providing insight into the culture of the Group and issues of particular concern to stakeholders.
- Held a meeting with the Group Head of Internal Audit without management present.

### Governance and other

- Monitored and reviewed the continued implementation of those elements of the Group's Code of Business Ethics reserved for review by the committee.
- Reviewed the legal and compliance risks faced by the Group.
- Reviewed Mondi's competition compliance programme.
- Reviewed the committee's terms of reference, performance and work programme.

# Corporate governance report
## Audit Committee continued

## Internal control

The Group's internal control and risk management framework, embedded in all key operations, is designed to address all the significant strategic, financial, operational and compliance risks that could undermine our ability to achieve our business objectives in the future and is managed within risk tolerance levels defined by the Board. In accordance with the provisions of the UK Corporate Governance Code, the Group has in place an internal control environment to protect the business from principal risks which have been identified. Management is responsible for establishing and maintaining adequate internal controls over financial reporting and we have responsibility for ensuring the effectiveness of these controls. Full details of Mondi's internal control and risk management framework can be found in the Strategic report on pages 72-73.

The committee has reviewed the risk management process and the Group's system of internal controls. The committee considers that the system of internal controls operated effectively throughout the financial year and up to the date on which the financial statements were signed.

### Significant issues related to the financial statements

The committee has considered each of the following items based on discussions with, and submissions by, management and satisfied itself as to the accounting treatment and presentation thereof. The most significant items were discussed with the external auditor during the planning stage and on completion of the audit.

The key considerations in relation to the 2022 financial statements were:

| Matter considered | Action |
|---|---|
| On 4 May 2022, the Board decided to divest its Syktyvkar mill and three converting plants in Russia. Given progress with the divestment process, the Board subsequently concluded, in June 2022, that the Russian operations satisfied the criteria to be classified as held for sale and that they should also be classified as discontinued operations.<br>In the context of an increased level of uncertainty, the Board has exercised critical judgements as to whether the Group continues to control its Russian subsidiaries, if and when the businesses in Russia satisfied the requirements to be classified as held for sale and whether they should be reported as discontinued operations.<br>**Syktyvkar mill**<br>On 12 August 2022, the Group entered into an agreement to sell its Syktyvkar mill, comprising OJSC Mondi Syktyvkar together with two affiliated entities, to Augment Investments Limited for a consideration of RUB 95 billion (€1.2 billion, at an exchange rate of 78.43 Russian rouble versus euro as at 31 December 2022), payable in cash on completion. The disposal is conditional on the approval of the Russian Federation's Government Sub-Commission for the Control of Foreign Investments and customary antitrust approvals and, as a Class 1 transaction under the UK Listing Rules, it is conditional upon the approval of Mondi's shareholders at a General Meeting. As the disposal is being undertaken in an evolving political and regulatory environment, there can be no certainty as to when the disposal will be completed.<br>**Packaging converting plants**<br>On 15 December 2022, the Group confirmed that it has entered into an agreement to sell its three Russian packaging converting operations to the Gotek Group for a consideration of RUB 1.6 billion (€20 million, at an exchange rate of 78.43 Russian rouble versus euro as at 31 December 2022), payable in cash on completion. The three packaging converting operations comprise a corrugated solutions plant, LLC Mondi Lebedyan, and two consumer flexibles plants, LLC Mondi Aramil and LLC Mondi Pereslavl. | The committee has:<br>– considered reports from management regarding the control assessment of the Russian subsidiaries due to the restrictions imposed by the Russian government or any other authority;<br>– considered reports from management describing the arguments behind the judgement of held for sale and discontinued operations treatment;<br>– satisfied itself that the Group has retained control through the year ended 31 December 2022 and the classification as held for sale and discontinued operations is appropriate and disclosed according to the Group's accounting policy;<br>– considered and satisfied itself with the report from management on, and the outcome of, the valuation of the Syktyvkar mill assets and the packaging converting plants-related impairment; and<br>– considered the disclosures on the divestment of the Russian operations as set out in note 26 of the financial statements. |

## Significant issues related to the financial statements continued

| Matter considered | Action |
|---|---|
| **Packaging converting plants** continued<br>Following the announcement, the related assets were impaired by €57 million.<br>The disposal is conditional on the approval of the Russian Federation's Government Sub-Commission for the Control of Foreign Investments and customary antitrust approvals. As the disposal is being undertaken in an evolving political and regulatory environment, there can be no certainty as to when the disposal will be completed.<br>Details of the Russian operations are included in note 26 of the financial statements. | |
| Special items are those financial items which the Group considers should be separately disclosed on the face of the income statement to assist in understanding the underlying financial performance achieved by the Group as special items affect year-on-year comparability. The classification of an item as special is based on materiality in the context of the current year's financial performance and generally must exceed €10 million. Subsequent adjustments to items previously reported as special items continue to be reflected as special items in future periods even if they do not exceed the quantitative reporting threshold.<br>The net special item income (before tax) for the year was €242 million (2021: €7 million), consisting of a gain on the sale of the Personal Care Components (PCC) business to Nitto Denko Corporation. Details of the special items are included in notes 3 and 27 of the financial statements. | The committee has:<br>– critically reviewed each item presented by management as being special to ensure that the items are in line with the Group's accounting policy;<br>– considered both the quantification and presentation of special items;<br>– reviewed the adequacy of the descriptions of the special items in the financial statements and the Strategic report; and<br>– considered whether any significant transactions that were not classified as special were appropriately classified in the financial statements and appropriately described in the Strategic report. |
| Effective from 30 June 2022 and following the completion of the sale of the PCC business, the Group's operating segments were reorganised. Functional Paper and Films, previously part of the Engineered Materials operating segment, was moved to Flexible Packaging to strengthen integration along the kraft paper value chain and further support the development of innovative functional papers with barrier properties, fulfilling customers' needs for sustainable packaging. The remaining part of the previously reported Engineered Materials operating segment, namely the disposed PCC business (see notes 3 and 27 of the financial statements), has been reported in the PCC (divested) operating segment up to the date of disposal.<br>Accordingly, the Group has restated the previously reported segment information to present the Group's operations under the new organisational structure.<br>Goodwill of €141 million previously allocated to the Engineered Materials group of cash-generating units (CGUs) was assigned to the divested PCC group of CGUs. The remaining goodwill of €73 million was moved to the Flexible Packaging group of CGUs, together with the retained Functional Paper and Films operations. The reorganisation has no impact on the overall Group result. | The committee has:<br>– considered a report from management in relation to the restated segmental information;<br>– assessed the definition of operating segments post the reorganisation; and<br>– discussed with management and satisfied itself that the restated segmental information was appropriate. |

# Corporate governance report

## Audit Committee continued

### Significant issues related to the financial statements continued

| Matter considered | Action |
|---|---|
| In addition to property, plant and equipment of €4,167 million, intangible assets of €64 million and goodwill of €769 million are included as assets in the statement of financial position.<br>As set out in the accounting policies, the goodwill is tested for impairment annually and property, plant and equipment and intangible assets whenever there is any indication that those assets are impaired.<br>Details of goodwill impairment tests and impairments of property, plant and equipment and intangible assets are included in notes 10, 12 and 13 of the financial statements. | The committee has:<br>– considered a report from management describing potential impairment indicators for tangible and intangible assets and the outcomes of related impairment tests where performed;<br>– considered a report from management on the outcomes of the annual goodwill impairment test;<br>– reviewed the underlying assumptions applied and compared them with the Group's three-year 2023-2025 plan (budget period) and the current macroeconomic environment;<br>– considered the sensitivities underlying the primary assumptions to determine the consequences that reasonably possible changes in such assumptions may have on the recoverable amount of the underlying assets; and<br>– satisfied itself that no impairments related to goodwill were required and impairments of property, plant and equipment and intangible assets were justified. |
| Effective from 1 January 2022, the Group has applied IAS 29, Financial Reporting in Hyperinflationary Economies, for its subsidiaries in Türkiye.<br>IAS 29 requires judgement to determine when to apply hyperinflationary accounting and which general price index to select and other approximations to be made in order to restate the financial statements of subsidiaries operating in a hyperinflationary economy.<br>For the year ended 31 December 2022, the adjustments from hyperinflationary accounting have resulted in an increase in total assets of €91 million, an increase in Group revenue of €125 million, a decrease in underlying EBITDA of €44 million and a net monetary gain of €17 million. | The committee has:<br>– considered reports from management; and<br>– satisfied itself that the judgements and adjustments applied are appropriate and considered according to the Group's accounting policy. |
| Significant estimation is required in determining the assumptions to be applied for the valuation of the Group's forestry assets and retirement benefit obligations. Such assumptions are based, as far as possible, on observable market data and, in the case of the retirement benefit obligations, on the input and advice of actuaries.<br>Details are included in the financial statements (forestry assets in note 14 and retirement benefits in note 24). | The committee has:<br>– considered reports from management;<br>– reviewed the assumptions applied in the valuation of the forestry assets and retirement benefits;<br>– considered the basis on which these assumptions were determined, and evaluated the assumptions by comparing them with prior years and considering market developments during 2022; and<br>– satisfied itself that the assumptions, and the changes to those assumptions when compared with the year ended 31 December 2021, were appropriate. |

## Significant issues related to the financial statements continued

| Matter considered | Action |
|---|---|
| The Group has operations in a number of countries each with a different tax system.<br>The Group is regularly subject to routine tax audits and provisions are made based on the tax laws in the relevant country and the expected outcomes of any negotiations or settlements.<br>The Group's recognition of deferred tax assets, relating to future utilisation of accumulated tax losses, is dependent on the future profitability and performance of the underlying businesses. | The committee has:<br>– received regular reports from management about new legislative developments that may impact the Group's tax positions;<br>– considered reports from management outlining the Group's most significant tax exposures, including ongoing tax audits and litigation, and has reviewed the related tax provisions recognised by management, satisfying itself these are appropriate and the risk of new unexpected exposures arising is low; and<br>– considered a report from management outlining the key assumptions relating to the recognition of deferred tax assets and satisfied itself that the assumptions made are reasonable and consistent from year to year. |
| Understanding of the Group's risks and implications related to climate change is continuously being enhanced. While the Group's assessments still reflect that these may not be severe in the short term, it is believed that climate change risks are likely to have a medium- and long-term impact on business.<br>The financial statement disclosures consider the impact of climate change, notably in the estimates used to calculate the fair value of our forestry assets. The Group continues to assess accounting policies, judgements and estimates to consider the impact of climate change. | The committee has:<br>– participated in overseeing the Group's approach to sustainability;<br>– received regular reports from management about climate change and related legislative developments that may impact the Group's disclosure;<br>– reviewed the Integrated report (including the TCFD section) and the financial statements for consistency with respect to climate change risks;<br>– reviewed the assumptions applied in the valuation of the forestry assets;<br>– considered accounting policies, judgements and estimates on the basis of expected climate change impacts; and<br>– satisfied itself that the assumptions, and the changes to those assumptions when compared with the year ended 31 December 2021, were appropriate. |

# Corporate governance report
## Audit Committee continued

### Fair, balanced and understandable

In line with the committee's responsibility for ensuring there are robust financial reporting procedures and internal controls in place, and the UK Corporate Governance Code requirement for the committee to advise the Board in relation to the annual report and accounts, in particular whether, taken as a whole, it is fair, balanced and understandable, the committee undertook an assessment of the Integrated report and financial statements 2022. This incorporated the work undertaken by the committee throughout the year to monitor financial reporting. The process and outcome are set out opposite.

#### Oversight through the year

- Review of applicable accounting policies and pronouncements and their application
- Review of regular financial results and announcements
- Reports from the Group Controller and PwC
- Reports from Internal Audit

#### Review included

- Provision of an outline plan including content and structure, design concepts and timetable
- Consideration of regulatory and governance requirements for reporting
- Review of detailed reports from the Group Controller and PwC providing the opportunity for debate and challenge
- Summaries of areas where management judgements or significant accounting estimates had been made
- Consideration of going concern and longer-term viability
- Separate meetings with PwC without management present

#### Review confirmed

- Well documented planning and procedures for the preparation of the report
- Collaborative approach between all parties required to contribute to the report
- Basis of preparation consistent with financial reporting throughout the year
- All significant issues had been considered
- Messaging was consistent particularly the narrative reflecting the financials

#### Conclusion

- After completion of the detailed review, the committee was satisfied that:
  - taken as a whole, the Group's Integrated report and financial statements 2022, were fair, balanced and understandable;
  - the report accurately reflected the information shareholders would require in order to assess the Group's position and performance, business model and strategy; and
  - the use of alternative performance measures contained in the report assists in presenting a fair review of the Group's business.

#### Recommendation

- The committee reported its findings and conclusion to the Board

## External audit

PricewaterhouseCoopers LLP (PwC) was first appointed as auditor by shareholders at the Annual General Meeting in May 2017, replacing Deloitte LLP following a tender process. The 2022 audit was PwC's sixth for Mondi and Simon Morley's third as lead audit partner. Given Simon was previously a Key Partner Involved in the Engagement since 2017, his maximum tenure is a combined seven years, such that he will rotate off as lead audit partner after the 2023 audit. Work is therefore underway to identify a successor.

We are required to undertake a mandatory audit tender process after 10 years and the decision to undertake such a process will be taken by the committee. Following an assessment of the independence, objectivity and effectiveness of the external auditor, details of which can be found below, the committee has concluded that it remains satisfied with the effectiveness and quality of the audit work. The committee also remains satisfied with PwC's capabilities and the relationship with Mondi. In light of this, it is not currently anticipated that a tender process will be conducted before such a process is required, in 2027.

The committee confirms its compliance for the financial year ended 31 December 2022 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.

### External audit independence, objectivity and effectiveness

A formal framework for the assessment of the effectiveness of the external audit process and quality of the audit has been adopted by the committee, covering all aspects of the audit service provided by PwC. While part of the assessment is managed annually, it is treated as an ongoing review throughout the cycle.

#### Evaluation focus

- Robustness of audit process
- Audit quality, including quality controls
- Audit partners and team, including skills, character and knowledge
- Independence and objectivity
- Formal reporting

#### Key inputs

**Audit Committee**

- Continually monitored audit performance throughout the year
- Reviewed and agreed the audit plan
- Reviewed the quality of reporting to the committee, the level of challenge and professional scepticism and the understanding demonstrated by PwC of the business of the Group
- Reviewed the quality of the audit team, technical skills and experience and the allocation of resources during the audit
- Considered the interaction with management and the level of challenge
- Regular meetings held between the Chair of the committee and the audit engagement partner
- Reviewed feedback from committee members including views on how PwC has supported the work of the committee and communicated with the committee
- Considered the effectiveness of Mondi's policies and procedures for maintaining auditor independence
- Met with PwC twice during the year without executive management present

**Management**

- Feedback from engagement with the Group CFO, Group Controller and Group Head of Internal Audit
- Feedback from questionnaires issued at corporate and business unit levels to those personnel involved with the audit

**PwC**

- Provided the committee with confirmation that they operate in accordance with the ethical standards required of audit firms
- Confirmed the policies and procedures they have in place to maintain their independence

**Regulators**

- The UK Financial Reporting Council's (FRC) 2021/22 report on Audit Quality Inspections included a review of audits carried out by PwC

#### Key outputs

- The quality of the audit partners and team were confirmed, with no material issues raised in the feedback received
- The audit had been well planned and delivered, with work completed on schedule and management comfortable that any key findings had been raised appropriately, as well as active engagement on misstatements and appropriate judgements on materiality
- PwC demonstrated a good understanding of the Group and its internal control systems, and had identified and focused on the areas of greatest financial reporting risk
- PwC's reporting to the committee was clear, open and thorough, including explanations of the rationale for particular conclusions as appropriate
- It was confirmed that, through the review of management papers and analyses and the discussion of key matters with management and the auditor, there had been an appropriate level of challenge during the course of the audit, with the external auditor and the Audit Committee challenging management's judgements and assertions on matters including critical accounting judgements and key sources of estimation uncertainty; impairment of property, plant and equipment and goodwill; and assumptions underlying the going concern basis of accounting in preparing the financial statements and the viability statement

#### Conclusion

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

# Corporate governance report
## Audit Committee continued

### Non-audit services

A policy is in place that governs the provision of non-audit services provided by PwC to Mondi, setting out those services that are permissible and the process to be followed to obtain approval for such services. All such services must be approved – there are no pre-approvals in place. Authority is delegated by the committee to the Chair of the committee to approve such services. The policy was last updated in 2020 to reflect the changes introduced by the Revised Ethical Standard 2019.

For all non-audit services, the business must submit a formal request setting out the objectives, scope of work, likely fee level and the rationale for requiring the work to be carried out by the Group's external auditor.

The committee monitors compliance with the policy and the monetary cap on non-audit fees, receiving reports at each meeting detailing all approved non-audit services.

Total fees for non-audit services amounted to €1.1 million, representing 18% of the audit fee, with the vast majority of the non-audit fees incurred relating to the half-year review and other assurance services in relation to reporting obligations associated with the divestment of the Group's Russian operations.

### Internal audit

Mondi's Internal Audit function forms an integral part of Mondi's governance and risk management and internal control frameworks. The primary purpose of the Internal Audit function is to help the Board and executive management to protect the assets, reputation and sustainability of the organisation and to manage and mitigate its risks effectively. This includes assessing whether all significant risks are identified and appropriately reported by management to the Board and executive management, and whether they are adequately controlled.

The Audit Committee has primary responsibility for monitoring and reviewing the scope and effectiveness of the Group's Internal Audit function. The Group Head of Internal Audit has direct access and responsibility to the committee, as well as regular access to Mondi's executive management. During 2022, following the decision by the incumbent Group Head of Internal Audit to retire at the end of the year, the committee, in line with its terms of reference, approved the appointment of a successor. Having considered the knowledge, skills and experience required for the role, the committee is confident that the new appointee is well placed to lead and further develop the Internal Audit function.

An internal audit charter, approved by the committee, is in place. The charter sets out the purpose, remit and authority of the Internal Audit function. Each year, the committee considers and approves the internal audit plan, which is designed to focus on the Group's key risks to ensure that they are managed effectively within the context of our business objectives and that appropriate internal controls are in place.

The committee ensures that all material operations are covered and that there is an appropriate degree of financial and geographical coverage. Every Mondi operation is visited at least once every five years, with all major plants audited annually.

Reports are given at each committee meeting, providing an update on activities, resourcing levels, progress against plan, results from audits carried out and management's response to address any areas highlighted for improvement. The committee will consider deviations from plan as the need arises during the year, usually in response to a material acquisition or change in the Group's risk profile highlighted through audit reports and through matters raised via the anonymous grievance system, SpeakOut.

In 2020, an external review of the Internal Audit function was undertaken by Independent Audit, a consultancy firm specialising in board evaluations and effectiveness reviews, with a full report presented to the committee. The review concluded that the Internal Audit function is led by an experienced and independent Group Head of Internal Audit and supported by a professional team of well-qualified people. The report highlighted in particular a positive culture around the role and contribution of the Internal Audit function and comprehensive audit planning processes. The execution of audits is governed by an appropriate methodology supplemented by good practice guidance. Some recommendations were made, including to consider widening the scope of the internal audit plan and to include audits which consider the effectiveness of the overall control framework, to assess resourcing levels and to further customise reporting. The implementation of these recommendations is in process and expected to be concluded by the end of 2023. An internal review was undertaken in 2022. The committee has concluded following the review that the Internal Audit function remains effective in carrying out its remit.

# Corporate governance report
# Sustainable Development Committee

Mondi is determined to minimise the impact of our business on climate change with the right balance of robust governance and a rigorous approach to reducing greenhouse gas emissions across the value chain. This is supported by Mondi's progress towards producing packaging and paper solutions with a sustainable end-of-life, contributing to a circular economy.

### Composition and attendance[1]

| Members throughout the year | Committee member since | Meeting attendance |
|---|---|---|
| Dominique Reiniche, Chair | May 2017 | 7/7 |
| Svein Richard Brandtzaeg | April 2021 | 7/7 |
| Andrew King | May 2020 | 7/7 |
| Dame Angela Strank | April 2021 | 7/7 |
| Stephen Young[2] | May 2018 | 6/7 |

1 The maximum number of meetings held during the year that each director could attend is shown next to the number attended
2 Stephen Young was unable to attend one meeting of the committee during the year due to an unavoidable commitment

### Other regular attendees

- Group CFO
- Chair and non-executive directors who are not members of the committee
- Group Technical & Sustainability Director
- Group Head of Sustainable Development
- Group Head of Safety & Health

**Dominique Reiniche**
Chair of the Sustainable Development Committee

## Dear Shareholder

I am pleased to present this report, which provides an overview of the areas of focus for the committee during the year, as well as its key activities and the framework within which it operates.

While the Board as a whole has responsibility for overseeing Mondi's approach to sustainability, the committee, on behalf of the Board, oversees and monitors Mondi's sustainable development policies, practices and progress against our sustainability commitments and targets. It provides guidance in relation to sustainability matters, including climate change-related issues, reviewing and updating the Group's framework of sustainability policies and strategies, ensuring they are aligned with global best practice.

A summary report from the directors on the Group's sustainability practices is set out on pages 36-65.

**Areas of focus**

The committee is continuously focused on the safety of our employees and reviews safety performance at every meeting to ensure our high standards are maintained. We were deeply saddened by the fatality of a contractor at our Frantschach mill (Austria) in August. The committee considered it essential to fully investigate the incident and to spend time understanding the event and the underlying causes. While the investigation concluded that there was no systemic failure of risk control and no actions by management could have prevented the accident, the significant impact that an incident has on families, friends and colleagues is fully recognised and we look to take any lessons we can to minimise the risk of a reoccurrence.

# Corporate governance report
## Sustainable Development Committee continued

We work hard to continuously improve and ensure that we proactively embed our safety culture across the Group. Feedback from Sue Clark in this regard, in her role as the non-executive director responsible for understanding the views of employees, was encouraging, with the safety culture clearly evident during her site visits, and employees confirming that safety is a priority. During the year, the committee focused further on understanding the Social Psychology of Risk. This included reviewing new tools to promote engagement across our sites and to increase general personal awareness, with the aim of preventing unconscious actions that can pose a safety risk.

The committee also spent time reviewing sustainability risks and opportunities. Climate change in particular is a principal issue facing the business and climate change risks and opportunities were considered in detail. Further information, including Mondi's disclosures in line with the recommendations of the Task Force on Climate-related Financial Disclosure, can be found on pages 44-57. Mondi is determined to minimise the impact of our business on climate change with the right balance of robust governance and a rigorous approach to reducing greenhouse gas emissions across the value chain. This is supported by Mondi's progress towards producing packaging and paper solutions with a sustainable end-of-life, contributing to a circular economy. Product stewardship was discussed at length, reviewing the tools developed to assess the impact of Mondi's products and progress made to ensure a sustainable end-of-life supporting the transition to a circular economy.

A key area of focus for the committee was the progress made against the Mondi Action Plan 2030 (MAP2030) commitments and targets. Further information on our performance against these targets can be found on pages 36-65.

During 2022, the committee took over responsibility for the people-related targets from the Nominations Committee. Progress towards the agreed diversity targets was reviewed in detail. It is clear to the committee that while significant work is being undertaken in this regard, with initiatives ongoing throughout the organisation, meeting the target of 30% women across the organisation by 2030 will be challenging. In many of the countries in which we operate, a cultural shift is required, with education and a change of mindset needed, as well as changes to underlying recruitment processes, to remove the barriers that discourage women from entering our workforce. The Board, the committee and the organisation as a whole are committed however to making the changes required. Also considered by the committee was the development of a Human Rights Due Diligence process, including the decision-making, methodology and resources dedicated to the process, and the learnings taken from pilot tests undertaken in Mexico and Türkiye, designed to ensure the process focuses on the issues most material to Mondi.

The committee reviewed the Group's relationships and engagement with key stakeholders to deliver against the MAP2030 framework. A particular focus was on our partnerships that address global forestry-related challenges, such as the WBCSD's Forest Solutions Group. In addition, the committee also took a deeper dive into stakeholder engagement in South Africa. We recognise the importance of supporting our people and our local communities, and of building long-lasting relationships with our key stakeholders in the environments in which we operate. In South Africa specifically, these efforts have improved fibre security and generated a wider base of local, competitive, sustainable suppliers for our mills. The committee will continue to closely monitor Mondi's relationships with key stakeholders and engagement undertaken in this regard.

A more detailed overview of the key matters considered by the committee during the year can be found opposite.

### Committee effectiveness

The committee's performance and effectiveness were reviewed as part of the Board evaluation undertaken during the year, more details of which can be found on page 106. I am pleased to confirm that the committee is seen to be operating effectively and fulfilling the duties delegated to it by the Board.

**Dominique Reiniche**
Chair, Sustainable Development Committee

## Sustainable Development Committee activity

Set out below are some of the key matters addressed by this committee.

### Safety performance and serious incidents

- Received a detailed report on the fatality at our Frantschach mill (Austria) and a follow-up report on the outcome of the investigation into the incident.
- Received regular reports on safety performance at Group and business unit level, including individual mill performance, classification of incidents and peer comparisons, giving the committee insight into the safety culture and specific sites that required further focus. There was a particular focus on safety during the annual maintenance shuts.
- Received a presentation on Social Psychology of Risk, with a focus on how to embed safety in unconscious behaviour and the ways in which culture can be adapted to promote safe behaviour in the workplace.
- Considered and agreed the safety milestones and leading and lagging indicators for the next reporting period.

### Sustainable development governance and risks

- Reviewed the material sustainability issues, risks and opportunities.
- Reviewed and approved the proposal for the annual sustainable development report.
- Reviewed and approved the Group's human trafficking and modern slavery statement, giving consideration to the actions being taken to minimise such risks in our organisation and supply chain.
- Reviewed the progress made in the roll out of the Human Rights Due Diligence process and the roadmap to 2025.
- Reviewed Group sustainable development policies and approved amendments to reflect best practice and align with Mondi's MAP2030 approach.
- Reviewed the committee's terms of reference and performance, concluding that the terms remain appropriate and that the committee has covered all matters required of it.
- Reviewed the performance against MAP2030 commitments and targets with key action areas identified.
- Considered and agreed the committee's annual work programme.

### Stakeholder relationships

- Reviewed the Group's relationships and engagement with key stakeholders, including governments and non-governmental organisations, focusing on the partnerships that will be required to support Mondi in achieving MAP2030 and the primary areas for engagement.
- Received an update on engagement initiatives being undertaken particularly in South Africa, looking at local stakeholders and creating an enabling environment.
- Reviewed the outcome of the Socio-Economic Assessment Toolbox (SEAT) undertaken at the Štětí mill (Czech Republic) in May 2022, a process involving 130 stakeholder conversations. The process confirmed that there are no significant areas of concern. Further information can be found on page 62.
- Reviewed Mondi's ESG ratings in order to understand which ratings are most important to our stakeholders, how we perform and where there is potential for improvement.

### Environmental performance and climate change

- Reviewed climate-related risks and opportunities and the potential impacts on the business in line with the TCFD recommendations (see pages 48-57 for more information).
- Reviewed performance against each of the environmental key performance indicators and commitments, including progress in reducing GHG emissions in line with science-based targets, water stewardship and actions taken to identify and mitigate impacts on biodiversity.
- Reviewed the Group's performance and current status to meet the MAP2030 milestones and key contributing factors.
- Reviewed the potential impact of excluding the Russian operations from the MAP2030 environmental performance targets.

### Forestry

- Received an update on forestry-related sustainability topics, focusing in particular on the MAP2030 forestry-related commitments and targets and progress to date.
- Considered the challenges facing the industry in respect of sustainable wood sourcing, particularly in light of climate change and increasing policy developments in this area and discussed the key partnerships developed by Mondi to further understand and address these challenges.

### Product stewardship

- Received an update on the Group's approach to product stewardship practices in the context of the MAP2030 circular driven solutions commitments, focusing on the 'Path to Circularity' scorecard developed to measure progress against the target for products to be reusable, recyclable or compostable as well as consideration of the tools to assess the impact of Mondi's products.

### Responsible procurement

- Reviewed the development of Mondi's Responsible Procurement process, including the continued roll out of a supplier screening process designed to identify and manage high-risk suppliers.
- Discussed trialling a third-party provider to undertake a sustainability risk rating to enable the Responsible Procurement process to be scaled up, across all Mondi's tier 1 suppliers.

### People development and diversity

- Received a presentation on the Group's approach to people management and diversity in the context of the MAP2030 empowered people commitments.
- Reviewed the performance against key KPIs and diversity statistics and initiatives for the Group, discussing in particular actions to make progress against the target of employing 30% women by 2030.
- Reviewed the approach to the next employee survey scheduled for 2023 and employee engagement activities.

# Remuneration report

## Statement from the Chair of the Remuneration Committee

During 2022, the committee conducted the triennial review of our Directors' Remuneration Policy. The focus was on simplicity, fairness, transparency and the relationship between the executive experience and that of shareholders, and the wider workforce at Mondi.

### Composition and attendance[1]

| Members throughout the year | Committee member since | Meeting attendance |
|---|---|---|
| Dame Angela Strank, Chair[2] | April 2021 | 5/5 |
| Sue Clark | April 2021 | 5/5 |
| Tanya Fratto[3] | January 2017 | 2/3 |
| Dominique Reiniche | October 2015 | 5/5 |
| Philip Yea | April 2020 | 5/5 |

1 The maximum number of meetings held during the year that each director could attend is shown next to the number attended
2 Dame Angela Strank was appointed as Chair of the committee following Tanya Fratto's retirement from the Board in May 2022
3 Tanya Fratto stepped down from the Board and the committee on 5 May 2022. Tanya was unable to attend one meeting of the committee prior to the date of her retirement due to another commitment. Dame Angela Strank chaired the meeting in her absence

### Other regular attendees

- Non-executive directors who are not members of the committee
- Group CEO
- Group HR Director
- Group Head of Reward
- Head of Executive Reward
- External remuneration consultant

**Dame Angela Strank**
Chair of the Remuneration Committee

### Dear Shareholder

It is with pleasure that I present this, my first report on directors' remuneration as Chair of the Remuneration Committee (the committee). I succeeded Tanya Fratto as Chair of the committee at the conclusion of the 2022 AGM.

**Compliance statement**

This report has been prepared on behalf of, and has been approved by, the Board. It complies with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended in 2018) (the "Regulations"), the UK Corporate Governance Code and the UK Listing Rules, and takes into account the Directors' Remuneration Reporting Guidance and the relevant policies of shareholder representative bodies.

In accordance with the UK Companies Act, shareholders will be asked to vote on two separate resolutions at the 2023 Annual General Meeting (AGM) as follows:

- the binding triennial vote on the proposed Directors' Remuneration Policy (DRP), as set out on pages 133-136. If approved, the DRP will become effective from the date of the 2023 AGM.
- an advisory vote on the Directors' Remuneration Report excluding the DRP, which provides details of the remuneration earned by directors for performance in the year ended 31 December 2022, and how the DRP will be implemented for 2023, if approved.

**Review of Directors' Remuneration Policy**

Over the course of 2022, the committee undertook an extensive review of our current DRP in advance of the triennial vote to be held at the 2023 AGM. The current policy was strongly supported by shareholders with 92.81% votes in favour at the 2020 AGM, and shareholders have remained strongly supportive, endorsing last year's remuneration report with over 97% of votes cast in favour. The current remuneration structure has contributed to our success, aligning reward to long-term sustainable performance. While we considered alternatives, our conclusion is that the current remuneration structure remains fit for purpose, underpinning our strategy and aligning to our KPIs, to drive the desired performance, focus and behaviours. However, we are taking the opportunity to make some minor best-practice adjustments to reflect better the UK Corporate Governance Code and the expectations of both our institutional investors and the proxy voting agencies.

The following changes are being proposed to the policy:

- in the annual bonus, payouts for on-target performance against non-financial metrics, will be reduced from 53% to 50% of the maximum opportunity. This is consistent with the approach already applied to the financial metrics. No changes to the annual bonus policy maximum are proposed, which will remain at 200% of base salary; and
- the post-employment shareholding requirement for executive directors will be 100% of the in-employment requirement (or the actual shareholding, if lower), for two years post-cessation. Previously this had tapered to 50% in the second year post-cessation.

While no changes are being proposed to the structure of the Long-Term Incentive Plan (LTIP) under the DRP, a number of adjustments are also being proposed to the operation of the LTIP:

- the inclusion of cumulative Earnings per Share (EPS) as an additional performance metric into the LTIP to include a growth measure and provide a more rounded assessment of company performance. For the 2023 LTIP grants, performance will be measured against ROCE (50%), relative TSR (25%) and EPS (25%); and
- the current TSR bespoke comparator group of packaging and paper companies will be expanded to include two additional companies: Klabin and Packaging Corporation of America (PCA), bringing the peer group to fifteen companies to make the group more robust.

Further details on the implementation of the proposed DRP are detailed on pages 131-132.

The committee will continue to focus on performance driven reward that aligns the remuneration of our executives to the interests of our shareholders. We are confident that the DRP and our approach to its implementation will support Mondi's success for the next three-year cycle, incentivising the management team to deliver long-term sustainable shareholder value.

## Alignment of the proposed DRP with the Code

When determining the proposed DRP, the committee considered clarity, simplicity, risk, predictability, proportionality and alignment to culture as set out in the UK Corporate Governance Code. The committee also took into account prevailing best practice. We operate simple variable pay arrangements, which are subject to clear performance measures aligned with the Group's strategy and interests of all stakeholders. The application of recovery provisions (malus and clawback) enables the committee to have appropriate regard to risk considerations. As part of our culture we want our employees within the Group to share in the success of the Group, with their interests aligned to shareholders. For example we operate a Share Incentive Plan for our UK employees, and around 3,400 colleagues participate in the Group annual bonus plan.

In 2022, all directors' salaries and fees were paid in pound sterling, as opposed to past years when some directors were paid in other currencies. Previously the remuneration and fees were disclosed in the remuneration report in euro. In order to reduce complexity and provide greater transparency to the remuneration received, all amounts shown in this remuneration report have been stated in pound sterling (unless stated otherwise), without adjustment for foreign exchange rates. Historical numbers relating to prior years have been restated from euro to pound sterling using the yearly average exchange rate relating to the relevant year.

## Performance in 2022

**Context of remuneration**

Mondi delivered a strong financial and operational performance over 2022, against the backdrop of considerable macroeconomic uncertainty, and wide-ranging impacts of the war in Ukraine. After careful assessment of all the options, the Board decided to divest the Group's Russian assets.

Mondi has continued to deliver strongly despite the difficult macro-economy and significant cost pressures. Underlying EBITDA from our continuing operations (excl. Russian operations) was up 60%. Despite the impact of the high energy costs, energy efficient investments in biomass sources in most of our pulp and paper mills has enabled us to generate the majority of our energy needs internally.

As a result we are in a strong position. We are focussed on operational efficiency and cost control, but remain ambitious, and continue to invest in our asset base to capture opportunities that will allow us to deliver sustainably into the future and meet the long-term needs of our customers.

The successful completion of the disposal of our Personal Care Components (PCC) business simplified the portfolio and enabled the Group to focus on the core packaging and paper businesses and enhance its ability to pursue growth in sustainable packaging.

Safety remains an absolute focus across the business. Our priority remains to eliminate all fatal accidents and continue to maintain our strong safety record. We apply high standards across the organisation which all our employees and contractors adhere to, whether they work in an office or our operations. Regrettably we had one fatality in the year and our sincere condolences go out to the family, friends and colleagues impacted. We can never be complacent and continue our focus on safety. In 2022, a Social Psychology of Risk approach continued to be applied across Mondi. Our 24-hour safety mindset, continues to shift the focus to drive continuous improvement in safety performance and culture.

Sustainability is at the core of the strategy and embedded into Mondi's actions and decisions. Clear and measurable progress was made during 2022 against the ambitious targets of the Mondi Action Plan 2030 (MAP2030). This included accelerating our climate plans, as we transition to Net-Zero by 2050, by committing to Net-Zero in line with a 1.5°C scenario. Our science-based Net-Zero target was approved by the Science Based Targets initiative (SBTi) in accordance with the SBTi Net-Zero Standard, committing us to reducing greenhouse gas (GHG) emissions across Scopes 1, 2 and 3. The strategic importance of our sustainability agenda is reflected in the remuneration structure. The introduction of sustainability KPIs into the Group annual bonus from 2022 has further embedded sustainability goals into the organisation and encouraged delivery against the MAP2030 targets.

# Remuneration report

## Statement from the Chair of the Remuneration Committee continued

Given our strong financial position and confidence in the future of the business, the Board recommended a final 2022 dividend of 48.33 euro cents per share. The final dividend, together with the interim dividend, amount to a total dividend for the year of 70.00 euro cents per share, an increase of 8% on the 2021 total dividend.

Further details on performance in 2022 are set out on page 4 and on page 5.

### Remuneration outcomes aligned to performance

**Annual bonus**

For the 2022 annual bonus, performance was assessed against financial (60%), safety (10%), GHG emissions (5%), Waste to Landfill (WtL) (5%) and personal (20%) targets.

In line with the Integrated report and financial statements which are being reported on a continuing operations basis (excl. Russian operations), the annual bonus targets for 2022 were restated. The outcomes for these components were determined by the performance on a continuing operations basis (excl. Russian operations). Had the targets and performance outcomes not been restated, the bonus outcomes would have been unchanged from those decided by the committee and disclosed in this report.

Performance outcomes are reflected in the remuneration received by directors. Annual bonuses of 96% and 97% of maximum have been awarded in respect of performance in 2022 for Andrew King and Mike Powell respectively. The outturn, as a percentage of the maximum opportunity, is a reflection of a strong performance against all components of the bonus scorecard.

- The strong financial performance of the Group, where both underlying EBITDA of €1,848 million and ROCE of 23.7% were above the stretching maximum targets set, resulting in the financial element of the bonus (60% of maximum) being received in full.
- The Group's annual bonus is linked to sustainability objectives, including GHG emissions & Waste to Landfill. Both the GHG emission and Waste to Landfill binary targets were achieved, resulting in the full 10% of this component of the bonus being received in full. There is positive momentum towards meeting the MAP2030 commitments.
- Lead and lag indicators are used to monitor and improve safety performance and to address risks before an incident occurs. A Total Recordable Case Rate (TRCR, the Lag indicator) of 0.63 was achieved, compared to a target of 0.66, and the Executive Committee individually and collectively achieved all of the lead indicators, aimed at preventing incidents. The incident that resulted in the fatality was independently reviewed by the Sustainable Development, and Remuneration Committees. The findings concluded there was no systemic failure of risk control and no actions by management that could have prevented the accident. Given the circumstances, and after careful deliberation, the Remuneration Committee determined not to adjust the bonus outturn. As such, the full safety component of the bonus (10% of maximum opportunity) will be received.
- The personal element of the bonus (20% of maximum) reflected specific operational and strategic objectives, set in the context of the exceptional challenges of 2022. This element resulted in 16% and 17% for Andrew King and Mike Powell respectively. Further details are set out on pages 142–145.

In accordance with the DRP, half of these annual bonus awards will be delivered in deferred shares which vest after three years.

**LTIP**

The performance period for the 2020 Long-Term Incentive Plan (LTIP) ended on 31 December 2022. Half of the award was based on average ROCE performance and half on relative TSR performance over the three-year performance period.

The ROCE performance range, originally determined by the committee in 2020, was set at 12% to 18%. This range has not been adjusted, following the decision to divest our Russian assets. In determining the outcome for the three-year average ROCE, we have used performance for 2020 and 2021 of operations including Russia, and for 2022, performance of continuing operations (excl. Russia). ROCE for the three-year performance period was 18.6%, exceeding stretch performance requirement of 18.0% and leading to vesting of 100% of this element.

The Group's TSR over the period was -8.6%, which was below the median TSR performance of the comparator group of 19.4%, resulting in zero vesting for this element. The share price performance was negatively impacted by the Russian invasion of Ukraine, given the Group's significant exposure to Russia, around 20% of the total EBITDA over the previous three years.

As a result, 50.0% of the overall LTIP award will vest in March 2023, and, for our executive directors, be subject to a two-year post-vesting holding period until 2025. Further details are set out on page 146.

The committee is mindful of the potential for windfall gains for the awards granted in 2020. The expected share price on vesting will be below the share price at grant. Further, in determining the vesting outcome for the LTIP, the wider performance of the business was taken into consideration.

The committee believes the bonus and LTIP outcomes are a fair reflection of the wider business performance over the 2022 financial year and over the longer term, and reflect the wider stakeholder experience. As a result, the committee determined that no discretionary adjustments to these outcomes would be required.

Further information about the levels of executive remuneration earned in 2022, including details of performance against the relevant targets for both bonus and LTIP are given on pages 141–146.

### Remuneration in 2023

**Base salary**

At Mondi we have high calibre employees and our philosophy has always been to pay a total remuneration package that attracts and retains the best people, with salaries intended to be fair and well positioned in the market. The underlying principles underpinning this year's salary review, were to recognise the continued hard work of our colleagues in a challenging economic environment, and the additional pressures this is putting on the cost of living. Our pay increases this year have been primarily targeted to support the wider workforce, with the UK workforce being awarded a 9% salary increase.

Acknowledging the approach taken for employees, the impact on total remuneration of salary increases, and the need for appropriate restraint for executive directors, Andrew King and Mike Powell's base salaries were increased by 6.0% to £1,073,500 and £684,500 respectively, effective from 1 January 2023. This is three percentage points below the average increase for Mondi's UK workforce of 9%. The committee also considered workforce increases in our other key markets and noted that increases in these geographies were also higher than the 6.0% increase for executive directors. The committee considers that the salaries for the executive directors are appropriate for a company of Mondi's size and complexity.

**Pension**

Executive director pensions were fully aligned to those of the local UK workforce in 2020. Both Andrew King and Mike Powell and the majority of the UK workforce, receive a pension allowance of 8% of base salary.

**Variable pay**

There are no proposed changes to the annual bonus and LTIP awards opportunities. For 2023, Andrew King will be eligible for a maximum bonus of 185% of base salary and an LTIP award of 230% of base salary. Mike Powell will be eligible for a maximum bonus of 170% of base salary and an LTIP award of 210% of base salary. Actual award levels for both the annual bonus and LTIP remain below the policy maxima.

**Annual bonus**

Given the strategic importance of sustainability, 20% of the total bonus opportunity is assessed against sustainability measures (see pages 36–64 of this report for further detail on our MAP2030 framework). Half of the sustainability metrics are assessed against safety measures. The scorecard also includes GHG emissions and elimination of Waste to Landfill, each with a weighting of 5% of maximum bonus opportunity. These metrics are based on robust, quantifiable targets. These scorecard metrics address the key focus area of MAP2030; namely circular driven solutions, created by empowered people, taking action on climate.
The sustainability metrics are included in the annual bonus rather than the LTIP, as the annual bonus extends deeper into the organisation, to approximately 3,400 colleagues who participate in the Group bonus plan. These metrics further align our executive directors' incentives to those of the Executive Committee.

These sustainability metrics, together with ROCE and underlying EBITDA, are at the core of Mondi's strategy. Details of the performance measures and weightings are on pages 131–132.

**LTIP**

For the 2023 LTIP grant, performance will be assessed against ROCE, relative TSR and an additional EPS metric. The inclusion of this growth metric, together with ROCE and relative TSR, will provide a more rounded assessment of performance.

The committee also reviewed the TSR peer group to ensure business performance is assessed against the most relevant peer group companies, which are subject to broadly the same market forces and trading environment as Mondi. As a result of this review, Klabin and PCA will be added to the bespoke packaging and paper peer group to make the group more robust. Details of the performance measures, weightings and targets are on pages 131-132.

When considering the above changes to the LTIP performance measures, the committee also discussed the possible inclusion of a sustainability measure in the LTIP, given its strategic importance to Mondi. Sustainability measures form 20% of the annual bonus in which approximately 3,400 employees participate. Only a small population of around 30 senior individuals participate in the LTIP and as such, the committee considered that measuring sustainability in the bonus was more meaningful given the plan's much wider reach within the workforce. The committee will keep its decision regarding the inclusion of sustainability in the LTIP under ongoing review.

We will continue to review the opportunity, performance measures and targets of our variable pay plans periodically, within the parameters of the prevailing approved DRP.

Further details on the implementation of the DRP for the 2023 financial year are detailed on page 131.

## Executive director pay and the broader workforce

The committee takes into account the discretionary pay increases for senior management and the wider workforce, and the collective bargaining agreements applicable to the majority (59%) of Mondi employees, when considering executive director pay increases. A detailed analysis of pay and incentives is presented to the committee annually, covering approximately 98% of the global workforce in all geographies and business units. Sue Clark, our non-executive director responsible for understanding the views of employees, participates in our Inspire initiative. As a consequence of COVID-19, in 2021 Inspire was virtual, however in 2022 Sue has been able to meet in person with employees across many Mondi locations and business units, and at different levels of seniority. Over the course of these Inspire visits, employees have shared their thoughts on a diverse range of topics including pay and performance and wider remuneration at Mondi.

Sue has reported back to the Board on the discussions of these sessions and the themes emerging from the Inspire meetings, and these views contribute to the wider remuneration discussions of the committee where relevant.
The Inspire initiative is not solely focused on remuneration but is intended to create a forum to understand better the broader employee experience, and the views of colleagues on culture, training, safety, wellbeing, diversity and any other areas that impact their working life at Mondi. These are open sessions where employees are encouraged to share their views and ask questions on any aspect of life at Mondi. For further details on wider employee engagement, see pages 94-96. We have made a good start in bringing the employee voice into the Boardroom and will continue to expand the breadth and depth of our Inspire initiative to support this endeavour.

Alongside Inspire Mondi has a European Communication Forum. At least once a year employee representatives from plants across Europe attend the Forum. The meetings are an opportunity to share developments across the business while providing an open forum for employees to ask questions and express their views directly to members of senior management including the CEO, Group HR Director and the non-executive director responsible for understanding the views of our employees.

## Shareholder engagement

In 2022, during the development of the DRP we engaged with a cross-section of shareholders and proxy agencies on developments and external expectations relating to executive pay. We also wrote to shareholders in late 2022, setting out our proposed changes to the DRP and its implementation, and inviting them to discuss their views. A number of follow up calls with investors were held. The feedback from those investors was positive and no material concerns were raised.

## Conclusion

I should like to thank you for the constructive feedback and strong support you have given our remuneration report in prior years. I very much hope that you will continue to give your support to the remuneration resolutions proposed at the 2023 AGM.

**Dame Angela Strank**
Chair of the Remuneration Committee

# Remuneration report
# Remuneration at a glance

## Summary of our proposed Directors' Remuneration Policy and implementation for 2023

**Implementation of DRP in 2023**

### Fixed pay

| | | | |
|---|---|---|---|
| **Base salary, pension and benefits** | **Salary**<br>Group CEO:<br>£1,073,500 (6.0% increase);<br>Group CFO:<br>£684,500 (6.0% increase)<br>Average increase for Mondi's UK workforce was 9%. | **Pension**<br>8% of salary, aligned to the majority of the UK workforce. | **Benefits**<br>Directors will continue to receive benefits in line with policy, which include car allowance, medical insurance, death and disability insurance and employment taxation advice. |

### Annual bonus

**Short-term variable remuneration**

Cash element → Half of any bonus earned is deferred in shares for three years

- To incentivise and reward the achievement of stretching annual performance targets.
- Maximum opportunity unchanged from prior year at 185% of base salary (Group CEO) and 170% of base salary (Group CFO).
- Performance measures for 2023 will be underlying EBITDA (35%), ROCE (25%), safety (10%), reduction in greenhouse gas emissions (5%), elimination of Waste to Landfill (5%) and personal objectives (20%).

### Long-Term Incentive Plan

**Long-term variable remuneration**

3-year performance period → 2-year holding period

- To incentivise and reward the delivery of the Group's long-term strategic objectives, and provide alignment with shareholders.
- Maximum opportunity unchanged from prior year at 230% of base salary (Group CEO) and 210% of base salary (Group CFO).
- Performance measures for 2023 will be ROCE (50%), relative TSR (25%) and cumulative EPS (25%).

### Share ownership policy

- To align the interests of executive directors with those of shareholders.
- Minimum shareholding requirement of 300% of base salary for the Group CEO and 250% of base salary for the Group CFO.
- A post-employment shareholding requirement applies – equal to the full in-employment shareholding requirement (or actual shareholding, if lower) for a period of two years.

## Key decisions made during the year

### Review of the Directors' Remuneration Policy

**Review of executive director salaries**

Andrew King and Mike Powell's base salaries increased by 6.0% on 1 January 2023, below the level of increases awarded to the UK workforce of 9%.

**Review of 2022 annual bonus outcomes**

The Group's Russian assets have been reported as discontinued operations since June 2022. The targets for the annual bonus were restated to reflect our continuing operations.

**Vesting of 2020 LTIP award**

The ROCE target range was not restated to reflect the continuing operations after planned divestment of our Russian assets. In addition, the committee considered the potential for windfall gains. The expected vesting share price will be below the share price at grant.

**2023 LTIP award performance measures and targets**

Klabin and PCA have been added to the bespoke TSR peer group to make the group more robust.

Cumulative EPS, as an additional growth measure, will be included for the 2023 LTIP grant. This will provide a more rounded assessment of financial performance, together with ROCE and relative TSR.

**Review of non-executive director fees**

The non-executive director base fees, the attendance fee for meetings outside country of residence (per meeting) and all supplemental fees were increased by 5%. An additional fee for the non-executive director responsible for understanding the views of employees was also introduced. These changes took effect from 1 January 2023.

**Engaging with our workforce on remuneration**

During 2022, as part of our Inspire initiative, Sue Clark, our non-executive director responsible for understanding the views of employees, was able to connect with a range of employees (covering various levels of seniority, location, business unit and gender), and fed back to the Board on findings.

## Linking our reward and strategy

**Our strategy:**

Drive value accretive growth, sustainably

**Underpinned by our four strategic value drivers:**

- Drive performance along the value chain
- Invest in assets with cost advantage
- Inspire our people
- Partner with customers for innovation

- At or above maximum
- Between threshold and maximum
- Below threshold

**Annual bonus**

| U. EBITDA | ROCE | Sustainability scorecard | Personal |
|---|---|---|---|
| 35% | 25% | 20% | 20% |
| Outturn 35% | Outturn 25% | Outturn 20% | Outturn 16% / 17% |

**LTIP**

| TSR | Average 3-yr ROCE |
|---|---|
| 50% | 50% |
| Outturn 0% | Outturn 50% |

## Remuneration outcomes

### Andrew King

**Base salary**

£1,012,700

**Annual bonus**

| U. EBITDA | ROCE | Sustainability scorecard | Personal |
|---|---|---|---|
| 35% | 25% | 20% | 20% |
| Outturn 35% | Outturn 25% | Outturn 20% | Outturn 16% |

96%
Total outturn
£1,798,556
50% deferred in shares

**LTIP**

| TSR | ROCE |
|---|---|
| 50% | 50% |
| Outturn 0% | Outturn 50% |

50%
Total outturn
£1,141,740
2-year holding period

**Benefits, pension contributions and other**

£290,681

Total remuneration 2022

£4,243,677

### Mike Powell

**Base salary**

£645,750

**Annual bonus**

| U. EBITDA | ROCE | Sustainability scorecard | Personal |
|---|---|---|---|
| 35% | 25% | 20% | 20% |
| Outturn 35% | Outturn 25% | Outturn 20% | Outturn 17% |

97%
Total outturn
£1,064,842
50% deferred in shares

**LTIP**

| TSR | ROCE |
|---|---|
| 50% | 50% |
| Outturn 0% | Outturn 50% |

50%
Total outturn
£311,222
2-year holding period

**Benefits, pension contributions and other**

£92,584

Total remuneration 2022

£2,114,398

**Annual bonus**
Pages 142-145

**Long-Term Incentive Plan (LTIP)**
Page 146

# Remuneration report

## Remuneration at a glance continued

### Fixed vs variable remuneration outcomes

**Andrew King** Group CEO

**Mike Powell** Group CFO


Salary, benefits, pension & other   Annual bonus   Performance shares (LTIPs)

1 Andrew King became Group CEO in 2020, prior to that he was Group CFO. Mike Powell became Group CFO in 2020

### Executive directors' shareholdings[2]

**Andrew King** Group CEO

Shares at 31.12.22: **209,005** → % base salary: **300%**

Read more
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**Mike Powell** Group CFO[3]

Shares at 31.12.22: **50,156** → % base salary: **113%**

Read more
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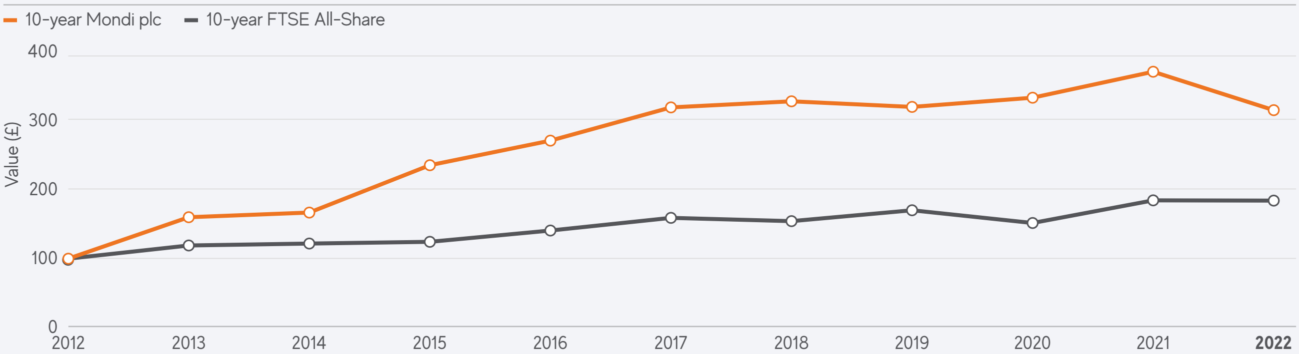
2 Including beneficial and non-beneficial share interests of connected persons and unvested BSP shares net of tax

3 Mike Powell joined the Board in November 2020. New appointees are required to meet the relevant shareholding requirements within five years from appointment

### Total Shareholder Return – Mondi vs FTSE All Share




This graph shows the value, by 31 December 2022 of £100 invested in Mondi plc on 31 December 2012, compared with the value of £100 invested in the FTSE All-Share Index on the same date. TSR has been calculated on a three-month average basis

Source: Thomson Datastream

# Remuneration report

## Statement of implementation of Directors' Remuneration Policy in 2023

Current salary levels, and increases awarded in January 2023, are as follows.

| Name | Base salary effective 1 Jan 2023 | Previous base salary | % change |
|---|---|---|---|
| Andrew King | £1,073,500 | £1,012,700 | 6.0% |
| Mike Powell | £684,500 | £645,750 | 6.0% |

Andrew King's and Mike Powell's base salaries were each increased by 6.0%. The average increase for Mondi's UK workforce was 9%.

**Bonus Share Plan (BSP) for 2023**

The bonus structure for 2023 is shown below. Andrew King's and Mike Powell's maximum bonus opportunities will be 185% of base salary and 170% of base salary respectively.

| Measure | Weighting (%) | Why chosen? | How targets are set |
|---|---|---|---|
| Underlying EBITDA | 35% | Underlying EBITDA provides a measure of the cash-generating ability of the business that is comparable from year to year. | Targets and ranges are set each year by the committee taking account of required progress towards strategic goals, and the prevailing market conditions. |
| ROCE | 25% | ROCE provides a measure of the efficient and effective use of capital in our operations. | |
| Sustainability scorecard | | Reflects the strategic importance of progress towards our MAP2030 framework. | Targets are set each year by the committee, based on the specific annual priorities in our MAP2030 framework.<br>The committee considers input from the Sustainable Development Committee, and sets appropriate standards and goals. |
| Safety | 10% | One of the key indicators of whether the business is meeting its sustainability goal of zero harm. | |
| Greenhouse gas emissions | 5% | One of our key environmental indicators in our MAP2030 framework. | |
| Waste to Landfill | 5% | One of our key circular driven solution indicators in our MAP2030 framework. | |
| Personal objectives | 20% | An indicator of the contribution each executive director is making to the overall success of the management team. | Targets are set each year by the committee, based on the specific priorities, and areas of responsibility, of the role. |

Targets for the annual bonus will be disclosed collectively in next year's report as the committee considers the financial targets to be commercially sensitive. Half of any bonus earned in respect of 2023 performance will be paid out in cash and the other half will be deferred into shares for three years as nil cost options.

**Long-Term Incentive Plan (LTIP) for 2023**

LTIP awards that are to be made in 2023 will be assessed against three performance measures; ROCE, TSR and EPS, weighted 50%, 25% and 25% respectively and measured over the three-year performance period commencing on 1 January 2023. The awards will be subject to a two-year holding period from the date of vesting. The committee's intention is to grant at the level of 230% of base salary and 210% of base salary for Andrew King and Mike Powell respectively. The committee continues to exercise restraint by granting awards below the policy maxima for the eighth consecutive year.

| Metric | Why chosen? | How targets are set |
|---|---|---|
| Average 3-year ROCE (50%) | A key indicator of the efficient and effective use of capital. | The committee sets threshold and stretch levels, aligned to the Group's strategic targets. ROCE targets for the LTIP are detailed below. |
| TSR, relative to a peer group of competitors (25%) | 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 bespoke peer group of packaging and paper sector companies is used. TSR targets with respect to the LTIP are detailed below. |
| EPS, measured on a 3-year cumulative basis (25%) | A key growth measure, that represents the bottom-line return and provides a balance to the ROCE and TSR metrics. | EPS targets are set in the context of the long-term financial plan, reflecting underlying EPS. The EPS figures for each year in the performance period are added together to form a cumulative 3-year target. |

# Remuneration report

## Statement of implementation of Directors' Remuneration Policy in 2023 continued

The targets for the 2023 LTIP awards are as follows:

| Measure | Weighting (%) | Threshold (25% vesting) | Maximum (100% vesting) |
|---|---|---|---|
| ROCE (average) | 50% | 12% | 18% |
| Mondi's TSR relative to bespoke peer group | 25% | Median | Upper quartile |
| Cumulative EPS (euro cents) | 25% | 443 | 541 |

Between threshold and maximum, the LTIP awards will vest on a straight-line basis.

Both the TSR and ROCE targets have remained the same since the 2020 LTIP award; no adjustments are being made in light of the planned divestment of the Russian assets. The Russian business typically achieved ROCE well above the Group average. The committee considers these targets remain appropriately stretching.

The committee reviewed the TSR peer group, with a focus on peers who are subject to broadly the same market forces and trading environment as Mondi. This review concluded in Klabin and PCA being added to the TSR peer group. The TSR peer group for the 2023 LTIP awards consists of the following companies:

| | | | | |
|---|---|---|---|---|
| BillerudKorsnäs | Huhtamaki | Mayr-Melnhof | Sappi | The Navigator Company |
| DS Smith | International Paper | Metsä Board | Smurfit Kappa | UPM |
| Holmen | Klabin | PCA | Stora Enso | WestRock |

The committee has discretion to amend the vesting outturn should any formulaic output be inappropriate (e.g. unreflective of underlying performance). Where the provision is utilised, the committee will explain clearly the basis for this decision.

### Non-executive directors' remuneration

Fee levels for 2023 are as set out in the table below. The Chair fee, non-executive director base fee, the attendance fee for meetings outside the country of residence (per meeting) and all supplemental fees have been increased by 5%, effective from 1 January 2023. A supplementary fee for the non-executive director responsible for understanding the views of employees was introduced.

| Role | Fees from 1 January 2023 | Fees from 1 January 2022 |
|---|---|---|
| Board Chair fee | £484,313 | £461,250 |
| Non-executive base fee | £81,870 | £77,972 |
| Additional fees: | | |
| Supplement for Senior Independent Director | £21,000 | £20,000 |
| Supplement for Audit Committee Chair | £22,000 | £21,000 |
| Supplement for Remuneration Committee Chair | £21,000 | £20,000 |
| Supplement for Sustainable Development Committee Chair | £21,000 | £20,000 |
| Supplement for the non-executive director responsible for understanding the views of employees | £11,000 | – |
| Attendance fee for meetings outside country of residence (per meeting) | £2,680 | £2,552 |

# Remuneration report
## Directors' Remuneration Policy

This part of the Directors' Remuneration Report sets out the Directors' Remuneration Policy ('DRP') for the Group and has been prepared in accordance with The Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended). The policy is submitted for approval by a binding shareholder vote at the 2023 Annual General Meeting ('AGM').

The following changes to the DRP are being proposed:

– payouts for on-target performance against non-financial metrics, will be reduced from 53% to 50% of the maximum opportunity. This is consistent with the approach already applied for the financial metrics. No changes to the annual bonus policy maximum are proposed, which will remain at 200% of base salary; and
– the post-employment shareholding requirement for executive directors will be 100% of the in-employment requirement (or the actual shareholding, if lower), for two years post-cessation. Previously this had tapered to 50% in the second year post-cessation.

When reviewing the DRP, the committee considered a number of alternative approaches, which were discussed at a number of meetings before a decision was reached. The committee received input from management and its independent advisers to ensure that various perspectives were considered. To avoid any conflicts of interest, no directors were involved in conversations relating to their own pay.

The committee engaged in a consultation with major shareholders at the end of 2022 and early 2023 on the above change. Feedback received was supportive of the proposed changes.

### Remuneration Policy principles

Mondi's approach is that remuneration should underpin the Group's strategy. The remuneration is intended to attract, incentivise and retain high calibre individuals.

The committee considers the principles set out in Provision 40 of the UK Corporate Governance Code when determining the design, implementation and assessment of remuneration.

| | |
|---|---|
| Simplicity | We operate a simple remuneration structure of fixed pay + short-term incentive + long-term incentive, avoiding undue complexity or the potential to deliver unintended outcomes. |
| Clarity | The committee is committed to transparency regarding the components of the remuneration structure, the potential outcome and the rationale for the quantum of awards made. The choice of metrics and the targets set for the assessment of performance under our variable pay plans underpin the overall strategy. |
| Risk | The remuneration structure and the variable pay plans reflect the risk appetite set by the Board. The performance measures, and the targets set, do not encourage inappropriate behaviours or excessive risk-taking. Holding periods are in place for the LTIP. Mitigation is provided through the application of market practice aligned recovery provisions (both malus and clawback). The committee also retains discretion to override formulaic vesting outcomes, where pay outcomes do not reflect the wider business performance. The post-employment MSR has been extended such that 100% of the in-employment shareholding guideline must be held for two years post-employment, further promoting the delivery of sustainable share price performance. |
| Predictability | The committee is confident that the remuneration structure and its operation are well understood by participants, including potential outcomes driven by performance levels achieved. |
| Proportionality | The potential outcomes under the remuneration structure at threshold, target and maximum performance levels have been assessed and are understood. The committee carefully considers the targets set for the variable pay elements to ensure reward is appropriately linked to performance and to minimise the risk of excessive outturns. The annual bonus and LTIP outturns are at the discretion of the committee. |
| Alignment to Culture | The committee considers that the remuneration strategy supports the wider strategy. The approach to pay positioning, pension contribution levels and variable pay participation is applied consistently and underpins the Mondi Group values. |

#### Remuneration policy for executive directors compared to other employees

Mondi's remuneration practices across the wider Group are aligned to those of the executive directors. Salaries are paid fairly in relation to the market value of the role, recognising local markets and collective bargaining agreements. Executive salary increases are made in line with, or below those of the wider workforce. Pensions and benefits are offered to employees across the Group according to the country, and the seniority of the role. The senior management participate in an annual cash bonus on similar terms to the executive directors in terms of structure and metrics. Almost all (95%) of senior management participate in the BSP or a deferred cash plan. 71% of the wider workforce participate in an annual bonus programme.

The main difference between the structure of reward for executive directors and employees in general is the proportion of the total remuneration that is at risk and subject to performance. Executive directors and other senior executives participate in the LTIP, in addition to the annual bonus.

# Remuneration report
## Directors' Remuneration Policy continued

### Executive directors' remuneration policy table

The tables below set out the DRP for executive directors and non-executive directors to be approved by shareholders at the 2023 AGM. If approved, the policy will be effective from the date of the 2023 AGM, with those changes to the parts of the policy applicable to the annual bonus applying for the full 2023 financial year. Awards made prior to the approval of the policy remain subject to the prevailing approved policy at grant.

| Base salary | |
|---|---|
| **Purpose and link to strategy** | To recruit and reward executives of a suitable calibre for the role and duties required. |
| **Operation** | Ordinarily reviewed annually by the committee, taking account of a number of factors including (but not limited to) Group and individual performance, the skills and experience of the individual and changes in role scope and responsibilities. The committee also takes into consideration the levels of increase for the broader employee population.<br>Reference is also made to remuneration levels in companies of similar size and complexity to Mondi.<br>The committee considers the impact of any base salary increase on the total remuneration package.<br>Salaries (and other elements of the remuneration package) may be paid in different currencies as appropriate to reflect their geographic location. |
| **Performance measures** | Whilst no formal performance conditions apply, an individual's performance in role is taken into account when determining any salary increase. |
| **Maximum opportunity** | There is no prescribed maximum base salary or annual increase.<br>However, increases will normally not exceed the general level of increase awarded in the UK or the location in which the executive is based (in percentage of salary terms). On occasion a higher increase may be awarded in appropriate circumstances, for example:<br>– on promotion or development in role or change in responsibilities of the individual;<br>– where an individual has been appointed to the Board at lower than typical market salary to allow for growth in the role, in which case larger increases may be awarded to move salary positioning to a typical market level as the individual gains experience;<br>– change in size and/or complexity of the Group; and/or<br>– significant market movement. |

| Benefits | |
|---|---|
| **Purpose and link to strategy** | To provide market competitive benefits. |
| **Operation** | The Group typically provides:<br>– car allowance or company car;<br>– medical insurance;<br>– death and disability insurance;<br>– limited and specific personal taxation and financial advice; and<br>– other ancillary benefits based on individual circumstances, including relocation and assistance with expatriate expenses.<br>Other benefits may be introduced from time to time to ensure the benefits package is appropriately competitive and reflects the circumstances of the individual director. |
| **Performance measures** | Not applicable. |
| **Maximum opportunity** | While the committee has not set an absolute maximum on the level of benefits executive directors may receive, the value is set at a level which the committee considers to be appropriately positioned taking into account relevant market levels based on the nature and location of the role, and individual circumstances. |

| Pension | |
|---|---|
| **Purpose and link to strategy** | To provide market competitive pension contributions or allowances. |
| **Operation** | Defined contribution to pension, or cash allowance of equivalent value. Only base salary is pensionable. |
| **Performance measure** | Not applicable. |
| **Maximum opportunity** | Executive directors receive a company contribution and/or equivalent cash allowance not exceeding the contribution available to the majority of the workforce in the relevant country (currently 8% of salary for the UK workforce).<br>Benefits under any non-UK pension arrangement may be provided in accordance with the terms of the applicable scheme. |

| Bonus Share Plan (BSP) | |
|---|---|
| **Purpose and link to strategy** | To provide incentive and reward for annual performance achievements. To also provide sustained alignment with shareholders through a deferred component. |
| **Operation** | Awards are based on annual performance against stretching financial and non-financial targets. Targets are reviewed annually and any pay-out is determined by the committee after the year end based on targets set for the financial period. For 2023, the tables on pages 131–132 provide details of performance metrics, weightings, the rationale and how targets are set.<br>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.<br>The committee has discretion to amend the pay-out should any formulaic output not reflect the committee's assessment of overall business performance, or if the committee considers the formulaic outturn is not appropriate in the context of other factors considered by the committee to be relevant.<br>Ordinarily, half of the award is delivered in cash and half is deferred into a conditional share award or a nil (or nominal) cost option which normally vests following a three-year service period. Any dividend equivalents accruing on shares between the date when the award was granted and when it vests, will be delivered in shares.<br>Malus and clawback provisions apply (see page 136). |
| **Performance measures** | Performance is normally assessed against a balanced scorecard of metrics as determined by the committee from time to time, such as underlying EBITDA, ROCE and sustainability. Individual performance may also be assessed against suitable objectives aligned to the delivery of Mondi's strategy. The majority of the bonus is assessed against quantifiable financial and science-based sustainability measures, with over 50% assessed against financial targets.<br>The on-target bonus, as a percentage of maximum, has been reduced from 53% to 50% for non-financial targets, aligned to the approach for financial targets for performance awards made in, and after, 2023. Subject to the committee's discretion to override formulaic outturns, for financial measures and non-financial measures, no more than 25% of maximum is earned for threshold performance, 50% of maximum is earned for on-target performance and 100% of maximum is earned for maximum performance. |
| **Maximum opportunity** | The maximum annual bonus opportunity for executive directors is 200% of base salary.<br>The committee retains discretion to set the actual maximum below the policy maximum. |

| Long-Term Incentive Plan (LTIP) | |
|---|---|
| **Purpose and link to strategy** | 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. |
| **Operation** | The committee may grant awards annually as conditional shares or as nil (or nominal) cost options.<br>Awards will usually vest to the extent that performance conditions are met, typically measured over three years. A two-year post-vesting holding period normally applies to LTIP shares that vest (net of tax). The two-year holding requirement will normally continue if the director leaves employment during the holding period or is permitted to retain any part of the award as a good leaver. The shares held will count towards the executive director's normal shareholding requirement. For 2023, the tables on pages 131–132 provide details of performance metrics, weightings, the rationale and how targets are set.<br>The committee has discretion to vary the formulaic vesting outturn if it considers that the outturn does not reflect the committee's assessment of performance or is not appropriate in the context of other factors considered by the committee to be relevant.<br>Dividend equivalents will accrue to the first date shares can be acquired and will be delivered in shares, based on the proportion of the award that vests.<br>Under the plan rules, in exceptional circumstances, the committee has the ability to cash-settle awards, if necessary. There is no current intention for awards for the executive directors to be delivered in this way.<br>Malus and clawback provisions apply (see page 136). |
| **Performance measures** | Performance measures and targets are set each year by the committee, before the grant. The committee annually reviews the performance measures, and in line with the rules of the LTIP, reserves the right to change the measures and/or set different targets for future grants to ensure they remain appropriately challenging in the prevailing economic environment.<br>Performance measures under the LTIP will be based on financial measures (which may include, but not be limited to, Total Shareholder Return, return on capital employed, and earnings per share) and may include non-financial measures (such as ESG measures). For awards granted in 2023, metrics comprise ROCE (50% weighting), relative TSR (25% weighting) and cumulative EPS (25% weighting).<br>Subject to the committee's discretion to override formulaic outturns, no more than 25% of the awards will vest at threshold performance, increasing to 100% for maximum performance. |
| **Maximum opportunity** | The maximum award level under the LTIP in respect of any financial year is 250% of base salary. |

# Remuneration report
## Directors' Remuneration Policy continued

| Share ownership policy | |
|---|---|
| Purpose and link to strategy | To further align the interests of executive directors with those of shareholders. |
| Operation | The Minimum Shareholding Requirement (MSR) for the CEO is 300% of base salary and 250% for the CFO. On appointment, an executive director is normally required to meet the MSR within five years from the date of appointment.<br>While the executive director is building to the required shareholding level, deferred bonus awards under the BSP, net of the expected tax liability, will count towards the requirement. Once the required shareholding has been met, such shares will not count unless the committee, at its sole discretion, determines that a number of deferred shares may count towards the holding requirement of a director.<br>Unvested LTIP awards (i.e. those awards where performance targets and/or a service requirement must still be met for awards to vest) will not count towards the holding requirement. LTIP shares that have vested and on which tax has been paid and that are within the two-year post-vesting holding period will count towards the holding requirement.<br>Previously compliant directors who do not meet the minimum requirement on annual assessment are normally expected to achieve compliance by 31 December of the same year. The executive directors are entitled to participate in all employee share plans on the same basis as all other employees.<br>**Post-employment MSR:**<br>A post-employment shareholding requirement applies. Under the policy, executive directors will be expected to retain a shareholding for two-years post-employment.<br>For both years post-employment, the full in-employment MSR level applies. New executive directors who have not achieved the necessary in-employment MSR level at date of exit, will be required to retain the actual level of shares held at date of exit.<br>In order to allow the committee to deal with unexpected circumstances, the committee retains discretion on how to operate the policy and may make exceptions and allowances as it sees fit. |

### Recovery provisions (Malus and Clawback)
The committee may operate malus and clawback (i) for a period of three years from the payment of the BSP cash award or (ii) until the date of release for BSP share awards, and for a period of three years following the vesting date of LTIP awards.

The malus and clawback provisions for the BSP and LTIP are set out in the rules for each plan, but in summary may be applied in the event of:

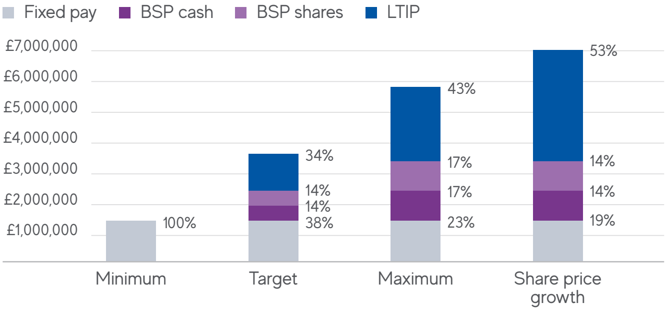
- misstatement of financial results;
- error or misstatement of performance;
- gross or serious misconduct;
- corporate failure;
- severe downturn in financial or operational performance; or
- severe reputational damage.

### Committee discretion
The committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of the DRP. These include (but are not limited to) the following:

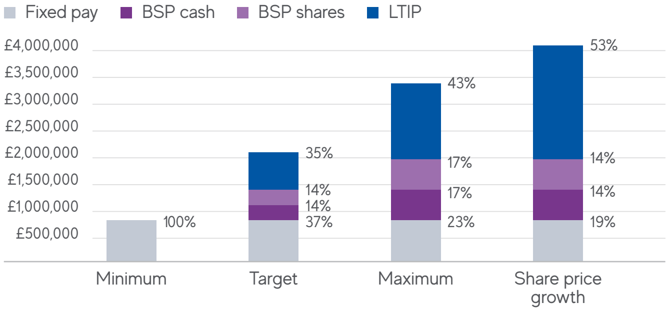
- who participates in the incentive plans;
- the timing of award grants and/or payments;
- the size of an award and/or a payment (within the limits set out in the DRP table on pages 133–136);
- the choice and weighting of performance metrics (in accordance with the statements made in the DRP table on pages 133–136);
- in exceptional circumstances, determining that any share-based award (or any dividend equivalent) shall be settled (in full or in part) in cash;
- discretion relating to the measurement of performance and pro-rating for time for LTIP awards in the event of a change of control or restructuring;
- determination of a good leaver (in addition to any specified categories) for incentive plan purposes based on the rules of each plan and the appropriate treatment in such circumstances;
- determining the extent of payment or vesting of an award based on the assessment of any performance conditions, including discretion as to the basis on which performance is to be measured if an award vests in advance of normal timetable (on cessation of employment as a good leaver or on the occurrence of a corporate event) and whether (and to what extent) pro-ration shall apply in such circumstances;
- whether (and to what extent) malus and/or clawback shall apply to any award;
- adjustments required in certain circumstances (e.g. rights issues, corporate restructuring, on a change of control and special dividends); and
- the ability to adjust existing performance conditions for exceptional events so that they can still fulfil their original purpose whilst being no less stretching.

## Remuneration scenarios at different performance levels

### CEO – Andrew King




### CFO – Mike Powell




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

Assumptions:
Minimum = fixed pay only (salary + benefits + pension)
Target = 50% vesting of the annual bonus and LTIP awards
Maximum = 100% vesting of the annual bonus and LTIP awards
Share price growth – impact of 50% share price growth for LTIP shares between award and vesting
Salary levels (on which other elements of the package are calculated) are based on those applying on 1 January 2023

## Remuneration policy for non-executive directors

| Element | Non-executive board chair fee | Other non-executive fees |
|---|---|---|
| **Purpose and link to strategy** | To attract and retain a high-calibre Chair and non-executives, with the necessary experience and skills.<br>To provide fees which take account of the time commitment and responsibilities of the role. | |
| **Operation** | The Chair receives an all-inclusive fee. The Chair's fee is reviewed periodically by the committee. | The non-executives are paid a basic fee.<br>Attendance fees are also paid to reflect the requirement for non-executive directors to attend meetings in various international locations.<br>Additional fees may be paid to reflect the extra responsibilities and time commitments, including but not limited to chairing main Board committees, the role of the Senior Independent Director and the non-executive director responsible for understanding the views of employees. Non-executive directors' fees are reviewed periodically by the Chair and executive directors. |
| | Non-executive directors are not eligible to participate in any of the Group's share schemes, incentive schemes or pension schemes.<br>The Group may reimburse the reasonable expenses of Board directors that relate to their duties on behalf of Mondi (including tax thereon if applicable). The Group may also provide advice and assistance with Board directors' tax returns where these are impacted by the duties they undertake on behalf of Mondi. | |
| **Maximum opportunity** | 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. | |

## Remuneration policy for executive directors compared to the wider workforce

The remuneration policy for executive directors reflects the different levels of responsibility and market practices. The key difference to the remuneration of the wider workforce is the proportion of remuneration that is 'at risk'. For senior roles, a higher proportion of the remuneration package comprises of variable pay which drives an increased emphasis on pay for performance. Only a small number of the most senior colleagues participate in the LTIP and the BSP. Participation in these plans is focused on those individuals who have the greatest accountability for the performance of the Group.

# Remuneration report
## Directors' Remuneration Policy continued

### Directors' contracts and notice periods

**Executive Directors**

Andrew King's and Mike Powell's service contracts provide for termination on one year's notice by either party. The Group may elect to make a payment in lieu of notice and, if it does so, to apply mitigation. Payment in lieu of notice would comprise base salary, benefits and pension contributions for the notice period (or, if applicable, the balance of the notice period).

The notice periods for the executive directors who served during the period under review are as follows:

| Executive director | Unexpired term/notice period |
|---|---|
| Andrew King | Terminable on 12 months' notice |
| Mike Powell | |

A director's service contract may be terminated without notice and without any further payment or compensation, except for sums accrued up to the date of termination, on the occurrence of certain events such as gross misconduct.

**Non-executive directors**

All non-executive directors have letters of appointment with Mondi plc for an initial period of three years. In accordance with best practice, non-executive directors are subject to annual re-election at the Annual General Meeting. Appointments may be terminated by either party with six months' notice. No compensation is payable on termination, other than accrued fees and expenses.

**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.

The committee would take account of the remuneration and contract features that the executive may be forgoing or relinquishing in order to join Mondi, in comparison with the overall remuneration package that Mondi is able to offer.

The committee may consider compensating a newly-appointed executive director for other relevant contractual rights forfeited when leaving their previous employer and/or remuneration forgone as a result of leaving their previous employer.

### Approach to remuneration on recruitment

The appointment of high calibre executives to the Board, whether by internal promotion or external recruitment is important for the success of the Group. The remuneration package for a newly appointed executive director would be set in accordance with the prevailing approved remuneration policy at the time of appointment. Base salary would be set at an appropriate level taking into consideration the skills and experiences of the individual, the complexity of the role and the individual's current remuneration. The variable pay would be considered consistent with that of existing executive directors and would be subject to the maximum limits of the policy. Certain relocation expenses may be met, as appropriate.

For an internal appointment, any existing pay components awarded in respect of the prior role would be allowed to pay out in accordance with the terms of the award.

For external appointments, the committee may offer additional cash and/or share-based payments to replace any variable pay awards an individual may have forgone to join Mondi, if it considers these to be in the best interests of the Group and its shareholders. This includes awards made under Section 9.4.2 of the UK Listing Rules. Any such payments would take account of the remuneration forgone including the nature of the award, the time horizons and any performance conditions attached to the award. The key terms and an explanation of the rationale for such a component would be disclosed in the remuneration report for the relevant year.

Depending on the timing of the appointment, the committee may consider it appropriate to set different annual performance conditions for the first performance year of appointment. An LTIP award may be made shortly after appointment, or as soon as practical following a closed period.

## Policy on loss of office

Notice periods will not normally exceed 12 months. The Group may elect to make a payment in lieu of notice as determined by the respective contract of employment, taking account of local employment law, and, if it does, to apply mitigation. The committee reserves the right to make any other payments in connection with an executive director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement of any claim arising in connection with the cessation of a director's office or employment. Any such payments may include but are not limited to paying any fees for outplacement assistance and/or the director's legal and/or professional advice fees in connection with their cessation of office or employment.

The Group would seek to apply the principles of mitigation to any payment in lieu of notice 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. An executive director's eligibility for bonus on cessation of employment will be determined by the committee in accordance with the relevant plan rules, taking into account the reason for their departure and prevailing local legislation. Where eligible, the departing director's bonus would typically be determined in the normal way after the relevant year end, i.e. based on the applicable performance conditions, pro-rated for the period worked in that year, save that no portion would be required to be deferred into a BSP award. However, the committee has the discretion to apply different treatment. 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 is accelerated to as soon as practical after employment termination (as they are not subject to performance conditions). Typically, 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 apply different treatment (including 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. Post-vesting holding periods will normally continue to apply, notwithstanding any cessation of employment.

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

The Directors' Remuneration Policy, and the remuneration of senior colleagues is set taking into appropriate account the pay and employment conditions of the wider workforce. The committee receives a report of a detailed annual review of management and pay practices across the Group. The review includes salary levels and market positioning, gender pay, remuneration trends, collective bargaining and bonus participation.

Proposed salary increases for the executive directors are considered in the context of those being adopted across the Group. The committee receives an additional report, detailing the approach management is taking across all geographies, to support their decision making.

The key difference in the remuneration of executive directors and employees in general is the proportion of the remuneration package that is performance related and delivered under the short and long-term incentive plans. The percentage of variable pay in the remuneration package is greater for the executive, particularly the long-term incentive.

The Group does not consult formally with employees on the Directors' Remuneration Policy, however employees are encouraged to provide feedback on a wide spectrum of topics, including remuneration, through a number of channels. In some countries, this is through consultations with employee representatives. The Group also conducts periodic employee surveys to understand the engagement of employees and identify actions. The Board has also designated a non-executive director to understand the views of employees through the Inspire meetings. The Board receives feedback from all of these channels.

## Statement of consideration of shareholder views

The committee takes into account the views of shareholders in the formulation of the Directors' Remuneration Policy. As part of the review of the policy, a consultation was undertaken with the major shareholders. Feedback received from shareholders at the Annual General Meeting is also considered.

In the event that either the remuneration policy or implementation resolutions receive a significant proportion of votes against, the committee will seek to engage further with shareholders to understand better the reasons for their voting decision.

## Legacy arrangements

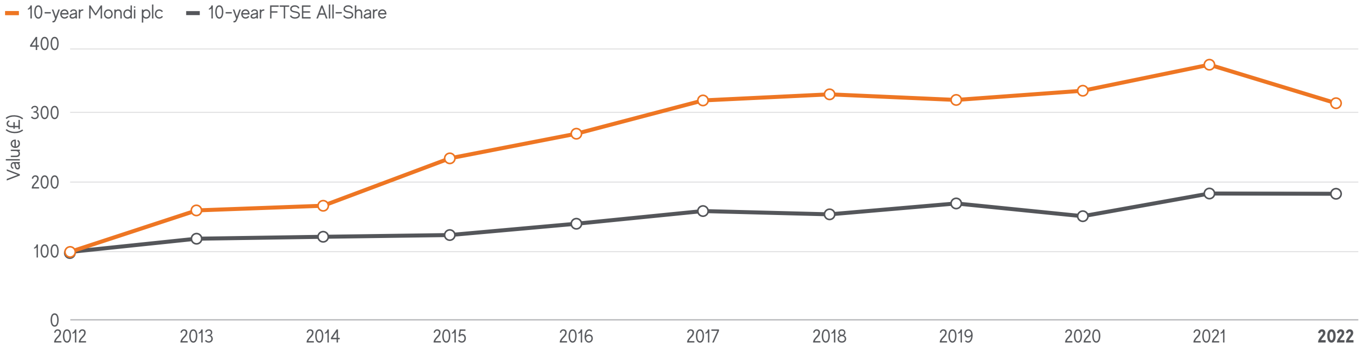
For the avoidance of doubt, in approving this policy report, authority is given to the Group to honour any commitments entered into with current or former directors that have been disclosed to shareholders in previous remuneration reports. Details of any payments to former directors will be set out in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

# Remuneration report
# Annual report on remuneration

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

The following graph sets out the comparative TSR of Mondi plc relative to the FTSE All-Share Index, for the period between 31 December 2012 and 31 December 2022. This index was chosen because it is the broad equity market index of Mondi plc.

This graph shows the value, by 31 December 2022 of £100 invested in Mondi plc on 31 December 2012, compared with the value of £100 invested in the FTSE All-Share Index on the same date. TSR has been calculated on a three-month average basis.




Source: Thomson Datastream

## Historical CEO remuneration

| Year | CEO | Total remuneration | % of maximum bonus earned | % of LTI vested |
|---|---|---|---|---|
| 2022 | Andrew King | £4,243,677 | 96% | 50.0% |
| 2021[1] | Andrew King | £3,497,506 | 97% | 45.6% |
| 2020[2] | Andrew King / Peter Oswald | £3,559,580 | 42% | 50.0% |
| 2019 | Peter Oswald | £3,322,216 | 44% | 67.2% |
| 2018 | Peter Oswald | £3,906,849 | 88% | 76.6% |
| 2017[3] | Peter Oswald / David Hathorn | £3,354,544 | 63% | 72.5% |
| 2016 | David Hathorn | £4,867,142 | 69% | 92.5% |
| 2015 | David Hathorn | £5,255,561 | 90% | 100.0% |
| 2014 | David Hathorn | £5,859,585 | 92% | 100.0% |
| 2013 | David Hathorn | £4,966,152 | 73% | 100.0% |

1 The three-year performance cycle of the 2019 LTIP award ended on 31 December 2021. The award value shown in the 2021 Remuneration report was calculated using the average share price, being £18.07. The actual share price on vesting was £14.07. The award values for 2021 have been restated on this basis

2 Andrew King's and Peter Oswald's 2020 total remuneration is in respect of their tenure as Group CEO. Their salary and bonus has been subject to a pro-rata time reduction. The bonus earned and LTIP vested is based on their remuneration in the role as Group CEO. Peter's bonus earned was 41% of maximum bonus opportunity

3 For 2017 the CEO remuneration reflects David Hathorn's remuneration up to his retirement from the Boards on 11 May 2017, including the pro rata CEO annual bonus, and Peter Oswald's base salary, pension, benefits and pro rata CEO annual bonus, as well as the 2015 LTIP vesting amount, with effect from 11 May 2017

## 2022 remuneration of directors (audited)

The remuneration policy operated as intended in 2022. The table below sets out the total remuneration for each person who served as a director in the years ended 31 December 2022 and 31 December 2021. A full breakdown of fixed pay and pay for performance in 2022 is detailed below.

## Executive directors

| | Fixed pay | | | | Pay for performance | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Base salary | Benefits[1] | Pension contribution | Total Fixed Remuneration | Annual bonus including grant value of BSP award[2] | Value of LTIP vesting in respect of the performance period ended in the year[3 4] | Value of LTIP vesting at date of grant | Share price gain on vesting LTIP award between grant and vest dates | Other[1] | Total Variable Remuneration | Total |
| **2022** | | | | | | | | | | | |
| Andrew King | £1,012,700 | £207,865 | £81,016 | £1,301,581 | £1,798,556 | £1,141,740 | £1,115,507 | – | £1,800 | £2,942,096 | £4,243,677 |
| Mike Powell | £645,750 | £39,124 | £51,660 | £736,534 | £1,064,842 | £311,222 | £273,630 | £17,743 | £1,800 | £1,377,864 | £2,114,398 |
| **2021** | | | | | | | | | | | |
| Andrew King | £988,000 | £133,813 | £79,040 | £1,200,853 | £1,772,966 | £490,962 | £474,419 | – | £32,725 | £2,296,653 | £3,497,506 |
| Mike Powell | £630,000 | £24,503 | £50,400 | £704,903 | £1,028,160 | £456,771 | £438,067 | £6,135 | – | £1,484,931 | £2,189,834 |

## Non-executive directors

| | Year ended 31 December 2022 | | | Year ended 31 December 2021 | | |
|---|---|---|---|---|---|---|
| | Fees | Other[5] | Total | Fees | Other[5] | Total |
| Philip Yea | £461,250 | – | £461,250 | £450,000 | – | £450,000 |
| Svein Richard Brandtzaeg[8] | £95,836 | £3,456 | £99,292 | £55,426 | £2,160 | £57,586 |
| Sue Clark[8] | £83,076 | – | £83,076 | £52,936 | – | £52,936 |
| Tanya Fratto[6] | £33,552 | – | £33,552 | £96,070 | – | £96,070 |
| Saki Macozoma[7] | £61,477 | £3,672 | £65,149 | – | – | – |
| Dominique Reiniche | £108,180 | £2,971 | £111,151 | £101,050 | £10,256 | £111,306 |
| Dame Angela Strank[8] | £96,281 | – | £96,281 | £52,936 | – | £52,936 |
| Stephen Young | £124,076 | – | £124,076 | £110,221 | – | £110,221 |

1 Included in this column are accommodation costs, car allowance, life and health cover. For Andrew King, this figure also includes gross Vienna accommodation costs for his business travel of £43,052, a total of £53,984 for UK, South African and Austrian tax advice benefit, and a total tax equalisation and other benefit gross-ups of £83,506. The column 'Other' shows matching SIP shares

2 This is the total annual bonus amount awarded in respect of the financial year 2022, and includes both the upfront cash element and the deferred share award. For further details, see pages 142–145

3 For 2022, the three-year performance cycle of the 2020 LTIP ended on 31 December 2022 and the awards will vest in March 2023. The award value (including equivalent dividends on LTIP shares due to vest in March 2023 set out on page 146) shown is based on the average share price over the last three months of the financial year ended 31 December 2022 of £14.78. For Andrew King, the 2020 LTIP awards were granted on 11 May 2020, when the share price was £15.85. This equated to a decrease in value of £1.07 per share. As disclosed in the 2020 remuneration report, Mike Powell's 2020 LTIP award was granted on 2 December 2020, with a grant share price of £13.88, in respect of incentives forgone as a result of leaving his former employer. This equated to an increase in value of £0.90 per share

4 For 2021 for Andrew King, this included cash amounts of equivalent value of dividends paid during the years 2021 and 2022 on the vesting of the 2018 and 2019 LTIP awards, to the values of £69,005 and £45,354 respectively. For 2021, for Mike Powell, this has included a dividend equivalent to the value of £12,569 on the first LTIP award granted in respect of incentives forgone as a result of leaving his former employer. In the 2021 remuneration report, the value of the 2019 LTIP awards vesting for which the three-year performance cycle ended on 31 December 2021 was calculated using the average share price for the three months ended 31 December 2021, being £18.07. The actual share price on vesting was £14.07. The award values for 2021 have been restated on this basis. The awards were granted on 29 March 2019, when the share price was £17.73. This equated to a decrease in value of £3.66 per share. As a consequence a zero gain is shown for Andrew King. Andrew's loss due to share price depreciation was £97,816

5 Svein Richard Brandtzaeg, Saki Macozoma and Dominique Reiniche received tax advice in the year, constituting taxable benefits to the gross values shown in this column

6 Tanya Fratto stepped down from the Board on 5 May 2022. The 2022 figures reflect her remuneration as a non-executive director from 1 January 2022 to 5 May 2022

7 Saki Macozoma was appointed as non-executive director on 6 May 2022. The 2022 figures reflect his remuneration as a non-executive director from 6 May 2022 to 31 December 2022

8 Appointed as non-executive directors on 22 April 2021. The 2021 figures reflect each individual's remuneration as a non-executive director from 22 April 2021 to 31 December 2021

9 None of the executive directors have entitlements under a defined benefit pension scheme

# Remuneration report
## Annual report on remuneration continued

### Annual bonus

#### 2022 bonus outcomes (audited)

For the annual bonus in respect of 2022 performance, the performance measures and achievement levels were:

| | BSP performance measures | | | | |
|---|---|---|---|---|---|
| | Underlying EBITDA | ROCE | Sustainability scorecard | Personal objectives | Total |
| Weight (% max) | 35 | 25 | 20 | 20 | 100 |
| Outcomes: | | | | | |
| Andrew King (% of max) | 35 | 25 | 20 | 16 | 96 |
| Mike Powell (% of max) | 35 | 25 | 20 | 17 | 97 |

1 The sustainability scorecard includes safety (10/20), reduction in GHG emissions (5/20) and elimination of waste to landfill (5/20) measures

#### Financial and sustainability elements of 2022 bonus (audited)

Financial performance was assessed against the underlying EBITDA and ROCE ranges that were set for 2022 that were restated to reflect the continuing operations (excl. Russian operations). The outcomes for these components were determined by performance on a continuing operations basis (excl. Russian operations). Had the targets and performance outcomes not been restated, the bonus outcomes would have been unchanged from those decided by the committee and disclosed in this report. The ranges and outcomes are shown on the next page.

A maximum of 10 points are awarded for safety.

Five points relate to the achievement of Lead indicators. This is a shared objective requiring individual involvement of all members of the Executive Committee. All the individual activities must be completed by the Executive Committee members to achieve the five points. If all the activities are not achieved, then these five points lapse for all.

A further five points relate to the achievement of an annually defined TRCR (Total Recordable Case Rate) that was restated to reflect the continuing operations (excl. Russia). Fatalities, which are part of the TRCR are discretionally assessed by the Remuneration Committee.

The Executive Committee achieved all of the Lead indicators for the 2022 performance year. The TRCR achieved for 2022 was 0.63 relative to a milestone of 0.66.

Prior to 2022, the impact of fatalities was formulaic. The approach for 2022 and going forward is that any fatality within the Group is assessed on a discretionary basis, which is more reflective of Mondi's values and proactive approach to safety. The Remuneration Committee proactively assesses any fatalities on a case-by-case basis and will utilise its discretion to adjust any payouts under the bonus, if appropriate. There was one fatality in 2022 at the Frantschach mill in Austria. The Remuneration and Sustainable Development Committees independently reviewed the detailed investigation report of the incident and agreed with the findings. After careful deliberation and discussion, including consideration of the year-on-year safety improvements of the Group, the Remuneration Committee concluded that there was no systemic failure of risk control. There were no direct actions from management that could have prevented the incident. Further, no changes to the safety procedures were identified. As a consequence, the Remuneration Committee determined there should be no discretionary adjustment to the bonus. In addition, the year-on-year Group safety performance improved.

A further five points each relate to binary GHG and WtL reduction targets. These have also been restated to reflect the continuing operations (excl. Russia).

| Performance measure | Threshold | Maximum | Outcome | % of bonus opportunity achieved |
|---|---|---|---|---|
| Underlying EBITDA | € 1,113m | €1,505m | €1,848m | 35% |
| ROCE | 12.9% | 17.5% | 23.7% | 25% |
| Sustainability Scorecard | | | | |
| Safety Lead indicators (SLI) | | Binary[1] | Achieved in full | 5% |
| Safety Lag (TRCR) | 0.73 | 0.66 | 0.63 | 5% |
| Greenhouse gas emissions (GHG) | | 0.39 t/t | 0.36 t/t | 5% |
| Waste to Landfill (WtL) | | 22.87 kg/t | 20.95 kg/t | 5% |

1 This is a shared objective requiring individual pro-active safety actions against key strategic tasks of all members of the Executive Committee

At or above maximum Between threshold and maximum Below threshold

**CEO**

Bonus outcome as percentage of maximum opportunity: 96%


Performance measure achieved Sustainability performance measure achieved Performance measure not achieved

**CFO**

Bonus outcome as percentage of maximum opportunity: 97%


Performance measure achieved Sustainability performance measure achieved Performance measure not achieved

# Remuneration report
## Annual report on remuneration continued

### Achievement against personal objectives of executives for 2022 bonus (audited)

**Key personal and sustainability objectives and achievements**

The executive directors share many key objectives and also have individual objectives that are specific to their roles. Key objectives, and achievements against these objectives during 2022, included:

**Planned divestment of Russian assets (these new objectives were set to respond to the war in Ukraine)**

The war in Ukraine created an immediate and critical objective for our executive directors in terms of how Mondi protected shareholder value whilst determining the appropriate options available.

- Assessed all options for the Group's interests in Russia, including any form of legal separation.
- Developed and proposed at speed an approach, which the Board approved, resulting in the decision to divest the Group's Russian assets.
- Delivered an extensive internal and external stakeholder communication.
- Subject to regulatory approval, agreed the sale of the Syktyvkar facility for a consideration of RUB 95 billion (around €1.2 billion at 31 December 2022 exchange rate) and the sale of the Group's three packaging converting operations in Russia for a consideration of RUB 1.6 billion (around €20 million as at 31 December 2022 exchange rate) payable in cash on completion.

**Strategy development and execution**

Drive value accretive growth, sustainably
Drive performance along the value chain
Invest in assets with cost advantage
Inspire our people
Partner with customers for innovation

- Enabling the Group to simplify its portfolio and focus on the strategic priority to grow in sustainable packaging by:
  - Continuing to foster the growth of eCommerce and sustainable packaging by developing fit-for-purpose solutions.
  - Completing the disposal of the PCC business ahead of schedule, allowing us to focus on growth in our core packaging business.
  - Product development and innovation activities, supporting customers transition to more sustainable packaging solutions. New sustainable solution innovations include:
    - Hug&Hold, a paper-based packaging solution, to replace the plastic shrink wraps for PET bottle bundle packs, combining a kraft paper sleeve and corrugated clip.
    - Mondi and Reckitt have developed a new paper-based packaging solution for the company's market-leading Finish dishwasher tablets.
    - Development of a high-speed, automated packaging machine for EnvelopeMailer, a renewable, recyclable and highly protective paper based mailer enabling eCommerce companies to automate and optimise their packing operations with increased output in fulfilment centres handling high volumes.
- Good progress made on MAP2030 sustainability targets and commitments, including:
  - In 2022, we reduced our Scope 1 emissions by 0.25 million tonnes and Scope 2 emissions by 0.16 million tonnes compared to 2021. This is a 9.4% decrease in absolute Scope 1 and Scope 2 emissions of the Group and a 16.9% reduction since the 2019 baseline. Our Scope 1, 2 and 3 absolute emissions were reduced by 0.59 million tonnes, which is a 7.4% reduction since last year (2021: 7.9 mt).
  - In 2022, our forestry landholdings in South Africa achieved PEFC certification in addition to FSC certification.
  - Validated our Net-Zero GHG emission reduction targets with the SBTi in alignment with the SBTi's new Net-Zero Standard.
  - Recognition for sustainability approach achieving the highest rating by a number of third parties (such as MSCI, Sustainalytics and EcoVadis) and successfully maintaining the Group's place on CDP's annual 'A list' having achieved an A- score for forestry and water security, and A- score in climate change.
  - External validation of our product innovations including being awarded eight of the prestigious global 2023 WorldStar Packaging Awards and a number of other national awards.
- Continued investment in our asset base to drive organic growth, enhance our product offering, quality and service to customers, strengthen our cost competitiveness and improve our environmental footprint including:
  - Progressed with €1 billion expansionary capital investment pipeline including approval of new 210,000 tonne kraft paper machine for €400 million at Štěti (Czech Republic) to meet the growing demand for sustainable paper-based flexible packaging and to serve our customers better.
  - Acquired Duino mill near Trieste (Italy) with the plan to convert the existing lightweight coated mechanical paper machine into a high-quality, cost-competitive recycled containerboard machine with an annual capacity of around 420,000 tonnes providing an opportunity to grow our packaging business, build on our integrated platform and broaden our geographic reach.
  - Actively evaluated further investment opportunities for growth in our packaging markets.

| | |
|---|---|
| **Operational and financial performance**<br>Drive value accretive growth, sustainably<br>Drive performance along the value chain<br>Inspire our people | – All financial KPIs (from continuing operations) over and above those assessed for the bonus performance exceeded budget and prior year, including underlying EBITDA of €1,848 million, up 60%, ROCE of 23.7%, up 980 basis points, and basic underlying earnings per share of 195.6 (euro cents), up 78%.<br>– Strong operational performance in the face of tight supply chains and rising costs including annual production records at two pulp and paper mills.<br>– Focus on continuous improvement initiatives to enhance productivity and efficiency, improve quality standards and reduce costs across the business, including the use of digital initiatives.<br>– Maintained high levels of interaction with colleagues including the Mondi Leadership Forum, bringing together the Group's senior leaders to share experiences and knowledge across the Group. |
| **Financial efficiency and financing**<br>Drive value accretive growth, sustainably<br>Drive performance along the value chain<br>Invest in assets with cost advantage | – Maintained strong liquidity and a robust financial position with net debt at 31 December 2022 from continuing operations of €1,011 million, down €678 million from 2021, resulting in a net debt to underlying EBITDA of 0.5 times.<br>– Investment grade credit ratings reconfirmed by Moody's (Baa1) and Standard & Poor's (BBB+). |
| **Organisational structure**<br>Drive value accretive growth, sustainably<br>Drive performance along the value chain<br>Invest in assets with cost advantage<br>Partner with customers for innovation | – Identified organisational opportunities that maximise our quality asset base, strengthen integration along the value chain and fulfil our customers' needs for sustainable packaging including:<br>  – Increased cross-value chain collaboration, supporting our customers to meet their sustainability goals by leveraging our unique portfolio following our principle of paper where possible and plastic when useful.<br>  – Reorganised the Group's operating segments following the completion of the sale of the PCC business by moving Functional Paper and Films to Flexible Packaging to strengthen integration along the value chain and further support the development of innovative functional papers with barrier properties. |
| The overall personal ratings of the executive directors were: | – Andrew King 16/20<br>– Mike Powell 17/20 |

**Detail of annual bonus awarded for the year (audited)**

| Name | Maximum bonus (% of salary) | Maximum bonus | % of maximum | Awarded in cash | Awarded in shares | Total |
|---|---|---|---|---|---|---|
| Andrew King | 185% of salary | £1,873,495 | 96 | £899,278 | £899,278 | £1,798,556 |
| Mike Powell | 170% of salary | £1,097,775 | 97 | £532,421 | £532,421 | £1,064,842 |

The committee reviewed performance against these performance measures and considered the underlying performance of the Group during the performance period. As part of the review, the committee also considered the outcomes that would have resulted had the targets not been restated for continuing operations, excl. Russian operations. The performance would have achieved stretch targets. The committee determined that restating the targets had not changed the outturns and concluded the overall bonus outcomes to be appropriate. No discretion was exercised by the committee in determining the Group bonus outcomes. The Group financial and sustainability performance of the annual bonus will equally be reflected in the bonus outcome of the 3,400 colleagues who participate in the Group bonus plan.

In accordance with our DRP, 50% of the bonuses earned are paid in cash, the remaining 50% is deferred into shares which are released after three years. No further conditions are attached to these shares, except for being in service at date of vesting.

## BSP Awards granted in 2022 (audited)

On 10 March 2022 the committee made the following awards under the Group's BSP to the following executive directors in relation to the 2021 bonus outcome.

| Name | Type of award | Relating to FY | Number of shares | Share price at grant[1] | Face value of shares |
|---|---|---|---|---|---|
| Andrew King | Nil-cost option | 2021 | 64,849 | £13.67 | £886,486 |
| Mike Powell | Nil-cost option | 2021 | 37,607 | £13.67 | £514,088 |

1 Being a three-day average share price commencing on the day of announcement of financial results

# Remuneration report
## Annual report on remuneration continued

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

**Vesting of the 2020 awards**

The LTIP awards that were granted in 2020, with a three-year performance period ending on 31 December 2022, will vest in March 2023 at 50.0% of maximum against the (equally weighted) relative TSR and ROCE performance conditions, as shown in the table below. The committee considered the level of payout is reflective of the overall performance of the Group. No discretion was exercised by the committee in determining the vesting outcomes.

| Measure | Weighting (%) | Threshold (25% vesting) | Maximum (100% vesting) | Actual | Actual vesting (% of max) |
|---|---|---|---|---|---|
| Mondi's TSR relative to bespoke peer group | 50% | Median | Upper quartile | Below median | – |
| ROCE (average) | 50% | 12% p.a. | 18% p.a. | 18.6% p.a.[1] | 100.0% |
| | | | | Total vesting (% max) | 50.0% |

1 The three-year ROCE that was achieved was 18.6% ( 15.2% in 2020, 16.9% in 2021 and 23.7% in 2022)

### TSR peer group ranking


Mondi plc achieved a TSR of -8.6%, over the performance period and Mondi's rank within the TSR peer group was 13th. The share price performance in 2022 was negatively impacted by the Russian invasion of Ukraine, given the Group's significant exposure to Russia, around 20% of total EBITDA over the previous three years. The TSR performance therefore was below the median position required for threshold vesting of 25% of the relevant shares. Therefore 0% of the maximum shares attributable to this element will vest.

### ROCE


**Details of 2020 LTIP vesting**

| Name | Number of awards granted | Vesting performance | Shares vesting | Dividend equivalents | Total number of shares vesting | Average share price | Total estimate value of award on vesting |
|---|---|---|---|---|---|---|---|
| Andrew King | 140,758 | 50.0% | 70,379 | 6,870 | 77,249 | £14.78 | £1,141,740 |
| Mike Powell[2] | 39,427 | 50.0% | 19,714 | 1,343 | 21,057 | £14.78 | £311,222 |

1 In accordance with the LTIP Plan Rules, the committee has discretion to allow LTIP participants to receive the benefit of any dividends paid on vesting shares between the grant date and the vesting date in the form of a cash award. Dividend equivalents will be delivered in shares
2 Mike Powell's share grant relates to a buyout of forfeited awards from his previous employer, as disclosed in the 2020 remuneration report
3 25% of the award would have vested for threshold performance for each of the two measures

In accordance with the DRP, vested awards are subject to a two-year holding period whereby the executive (including those who have left employment) must retain the number of vested shares net of tax for a minimum of two years from the point of vesting.

**Awards granted in 2022 (audited)**

On 10 March 2022, the committee made the following award under the Group's LTIP to the following executive directors:

| Name | Type of award | Basis of award | Number of shares | Share price at grant[1] | Face value of shares | Vesting at minimum performance | End of performance period |
|---|---|---|---|---|---|---|---|
| Andrew King | Nil-cost option | 230% of salary | 170,389 | £13.67 | £2,329,218 | 25.0% | 31/12/24 |
| Mike Powell | Nil-cost option | 210% of salary | 99,201 | £13.67 | £1,356,078 | 25.0% | 31/12/24 |

1 Being a three-day average share price commencing on the date of the announcement of the financial results

The performance conditions, as summarised in the table below, are based on two performance measures of equal weight – relative TSR and ROCE – measured over a three-year performance period ending on 31 December 2024. This combination of metrics provides an appropriate means of aligning the operation of the LTIP with shareholders' interests and the Group's strategy.

| Measure | Weighting (%) | Threshold (25% vesting) | Maximum (100% vesting) |
|---|---|---|---|
| Mondi's TSR relative to bespoke peer group | 50.0% | Median | Upper quartile |
| ROCE (average) | 50.0% | 12% p.a. | 18% p.a. |

Between threshold and maximum the LTIP awards will vest on a straight-line basis

The TSR performance condition is based on the Group's TSR relative to a group of competitor companies. The following companies were selected:

| | | | | |
|---|---|---|---|---|
| BillerudKorsnäs | Huhtamaki | Metsä Board | Stora Enso | WestRock |
| DS Smith | International Paper | Sappi | The Navigator Company | |
| Holmen | Mayr-Melnhof | Smurfit Kappa | UPM | |

The committee has discretion to amend the vesting outturn should any formulaic output be inappropriate (e.g. unreflective of underlying performance). Where the provision is utilised the committee will seek to explain clearly the basis for this decision.

## Payments to past directors (audited)

Payments made with regards to Peter Oswald, who stepped down as Group CEO on 31 March 2020, were disclosed in the 2020 and 2019 remuneration reports. In respect of the 2019 LTIP award, Peter received a value on vesting of £300,812 and a dividend equivalent bonus of £34,467. There were no other payments made to past directors during the period.

## Payments for loss of office (audited)

There were no payments for loss of office made to directors during the period.

## CEO pay ratio

Mondi is not required to report the CEO pay ratio, employing fewer than the threshold 250 people in the UK. However, in line with our commitment to fairness and transparency, a voluntary disclosure is being made.

The table below sets out the pay ratio of the Group CEO compared to the 25th, 50th (median) and 75th percentile employee, based on total remuneration of all permanent UK employees of the listed parent entity, for 2022. A snapshot date of 31 December 2022 was used. This group of employees represents less than 1% of our global workforce.

| Year | Method | 25th percentile pay ratio | Median pay ratio | 75th percentile pay ratio |
|---|---|---|---|---|
| 2022 | Option A | 51:1 | 35:1 | 20:1 |
| 2021 | Option A | 50:1 | 36:1 | 24:1 |

| 2022 | CEO | 25th percentile | Median pay ratio | 75th percentile |
|---|---|---|---|---|
| Salary | £1,012,700 | £62,093 | £83,834 | £119,053 |
| Total pay and benefits | £4,243,677 | £83,896 | £121,542 | £207,988 |

The Option A methodology, where the total annual pay for UK colleagues is calculated to identify the employee at the median, 25th and 75th percentile, has been applied. This calculation methodology was selected as being the most accurate way of identifying the respective percentiles. No element of remuneration was excluded for the purposes of calculating the CEO pay ratio. The total full-time equivalent remuneration for the relevant employees has been calculated based on the amount paid or receivable in respect of the financial year (unless stated otherwise). The bonus figures used for employees represent the bonuses received during the relevant financial year in relation to the previous year. Throughout the Group, pay is positioned to be fair and market competitive in the context of the talent market for the relevant role, reflecting local market data and other relevant benchmarks. The committee notes the limited comparability of pay ratios across companies and sectors, given the diverse range of business models and employee population profiles which exist across the market. A significant proportion of the CEO's total remuneration is delivered in variable remuneration, and particularly via long-term share awards, to drive alignment with shareholders. As a result, the pay ratio is strongly influenced largely by the LTIP outcome and may therefore fluctuate significantly on a year-to-year basis. The ratio has remained broadly static, largely as a consequence of CEO pay increases being no more than those of the wider workforce, pension levels being aligned, LTIP and bonus opportunity levels being held and LTIP vesting levels and bonus outturns between the two years being similar. The committee has confirmed that the ratio is consistent with the Group's wider policies on employee pay, reward and progression.

# Remuneration report

# Annual report on remuneration continued

## Percentage change in directors' remuneration

The table below shows the percentage change in each director's salary/fees, benefits and bonus between the year ended 31 December 2022 and the two preceding years, and the average percentage change in the same remuneration over the same period in respect of the employees of the listed parent entity and the Group on a full time equivalent basis.

The average employee change has been calculated by reference to the average of employee pay. Saki Macozoma was appointed to the Board during the year ended 31 December 2022 and Tanya Fratto stepped down from the Board during the year ended 31 December 2022. Accordingly, they both have been excluded from the table below.

| | | Average employee Mondi plc[1] | Average employee Mondi Group | Andrew King[2] | Mike Powell[3] | Philip Yea[4] | Svein Richard Brandtzaeg[5] | Sue Clark[5] | Dominique Reiniche | Dame Angela Strank[5] | Stephen Young[6] |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Salary/fees[7] | 2022 | -1.3% | 4.5% | 2.5% | 2.5% | 2.5% | 20.3% | 9.2% | 7.1% | 26.6% | 12.6% |
| | 2021 | 14.5% | 3.6% | 1.9% | 0.0% | 12.8% | – | – | 8.0% | – | 23.6% |
| | 2020 | -11.2% | 0.6% | 0.0% | – | – | – | – | -8.1% | – | -6.2% |
| Taxable benefits[2] | 2022 | 1.2% | N/A | 55.3% | 59.7% | – | 11.3% | – | -71.0% | – | – |
| | 2021 | 3.2% | N/A | -26.4% | -78.7% | – | – | – | 374.8% | – | – |
| | 2020 | -0.6% | N/A | 238.3% | – | – | – | – | 20.0% | – | – |
| Annual bonus | 2022 | 82.9% | 22.3% | 1.4% | 3.6% | – | – | – | – | – | – |
| | 2021 | -28.9% | 18.1% | 164.6% | 138.1% | – | – | – | – | – | – |
| | 2020 | -58.1% | 5.2% | -5.5% | – | – | – | – | – | – | – |

1 Executive directors, joiners and leavers in the respective years have been excluded. The number of employees of the listed parent company is substantially less than 1% of the Group and as a consequence any changes to the remuneration of an Executive Committee member or a particular single individual, a leaver or a new hire can have a marked effect on the year-on-year comparison. Consequently, the percentage changes are highly variable

2 Andrew King's salary as Group CEO from 1 April 2020 has been annualised

3 Mike Powell joined Mondi on 1 November 2020. Therefore, to provide a meaningful comparison his 2020 remuneration has been annualised. The 2021 reduction in taxable benefits for Mike Powell reflects the annualisation of his 2020 value being greater than his 2021 value. In most of the Group the majority of benefits are provided through social security. Additional benefits represent less than 5% of the salary bill

4 Philip Yea was appointed to the Board on 1 April 2020. To enable comparison and to provide meaningful reflection of the annual percentage change, his fees for the year ended 31 December 2020 have been annualised. The 2020 annualised figure includes a period as NED, prior to being appointed Chair. The 2021 figure represents a full year as Chair

5 Appointed as non-executive directors on 22 April 2021. To enable comparison and to provide meaningful reflection of the annual percentage change, the fees for the year ended 31 December 2021 have been annualised respectively. Svein Richard Brandtzaeg is not resident in the UK and therefore in 2022 attended all meetings outside of his country of residence. Dame Angela Strank was appointed as Chair of the committee in May 2022. Therefore, their aggregate NED fee for 2022 is higher in comparison to 2021

6 The increase for Stephen Young is a result of becoming SID in May 2021

7 The majority of the non-executive directors' increases result from an increase in fees for meetings held outside of the country of residence. Due to the COVID-19 pandemic, more meetings were held in person in 2022 relative to 2021 and 2021 relative to 2020. Additionally, the majority of the non-executive directors' increases 2021 relative to 2020 were a result of the supplemental fees for chairing committees, which had fallen significantly behind market levels, being market aligned in 2021 as part of the simplification of fees disclosed in the 2020 remuneration report

## Relative importance of spend on pay

The table below shows the total remuneration paid across the Group together with the total dividends in respect of 2022 and 2021. There have been no share buybacks during 2022 and 2021. The overall remuneration expenditure reflect our continuing operations (excl. Russia).

| € million | 2022 | 2021 | % change |
|---|---|---|---|
| Overall remuneration expenditure[1] | 1,077 | 1,025 | 5% |
| Dividends | 321 | 298 | 8% |

1 Remuneration expenditure for all Mondi Group employees

## Statement of directors' shareholdings and share interests (audited)

The CEO is required to achieve and maintain a Minimum Shareholding Requirement (MSR) equivalent to 300% of base salary, and other executive directors a minimum shareholding of 250% of base salary. New appointees are required to meet the relevant requirement within five years from appointment. Therefore, Andrew King and Mike Powell have until 31 March 2025 and 31 October 2025 to meet their respective shareholding requirements. Until the shareholding guidelines are met, the executive's deferred bonus awards under the BSP (after tax) will count towards the requirement. LTIP shares that have vested (after tax) and within the two-year post-vesting holding period will count towards the holding requirement. As at 31 December 2022, Andrew King is in compliance with the minimum shareholding requirement and Mike Powell, who joined Mondi in November 2020, is below the minimum shareholding requirement.

The beneficial and non-beneficial share interests of the directors and their connected persons as at 1 January 2022, and as at 31 December 2022 were as follows:

### Executive directors (audited)

| | Shares held outright at 1 Jan 2022 | Shares held outright at 31 Dec 2022 | Deferred BSP shares net of tax at 31 Dec 2022[2] | Total shareholding attributed to MSR | Total shareholding as multiple of base salary[1] (%) | Deferred LTIP shares outstanding at 31 Dec 2022[3] | Deferred LTIP shares as multiple of base salary[1] (%) |
|---|---|---|---|---|---|---|---|
| Andrew King | 132,515 | 156,734 | 52,271 | 209,005 | 300% | 439,822 | 632% |
| Mike Powell | 11,172 | 28,351 | 21,805 | 50,156 | 113% | 213,544 | 481% |

1 The one-month volume weighted average share price of £14.56 as at 31 December 2022 was used in calculating the percentage figures shown above divided by the executive's respective salary as at 31 December 2022. Total shareholding as multiple of base salary includes BSP shares net of estimated tax of 45%
2 BSP shares subject to service condition, net of estimated tax of 45%. All shares shown in this column were awarded as nil-cost options
3 LTIP shares subject to service and performance conditions. All shares shown in this column were awarded as nil-cost options

### Non-executive directors

| | Shareholding at 1 Jan 2022 (or, if later, on appointment) | Shareholding at 31 Dec 2022 (or, at the date of resignation, if earlier) |
|---|---|---|
| Philip Yea | 25,000 | 25,000 |
| Svein Richard Brandtzaeg | 1,250 | 1,250 |
| Sue Clark | 4,000 | 4,000 |
| Tanya Fratto[1] | 1,000 | 1,000 |
| Saki Macozoma[2] | 500 | 500 |
| Dominique Reiniche | 1,000 | 1,000 |
| Dame Angela Strank | 271 | 899 |
| Stephen Young | 2,026 | 2,026 |

1 Stepped down from the Board on 5 May 2022
2 Appointed to the Board on 6 May 2022

There has been no change in the interests of the directors and their connected persons between 31 December 2022 and the date of this report other than the amounts shown in the footnote to the 'SIP' table on page 150.

# Remuneration report
# Annual report on remuneration continued

## Share awards granted to executive directors (audited)

The following tables set out the share awards granted to the executive directors. All share awards are determined by the three-day average share price commencing the day Mondi announces its results, unless stated otherwise.

### Awards under BSP and LTIP

**Andrew King**

| Type of award | Awards held at beginning of year | Awards granted during year | Shares lapsed | Awards exercised during year | Dividend equivalents | Share price at the date of exercise | Date of award | Awards held as at 31 December 2022 | Release date | Status |
|---|---|---|---|---|---|---|---|---|---|---|
| BSP | 19,619 | – | – | 19,619 | – | £14.07 | Mar 2019 | 0 | Mar 2022 | Vested |
| BSP | 11,220 | – | – | – | – | – | Mar 2020 | 11,220 | Mar 2023 | Unvested |
| BSP | 18,970 | – | – | – | – | – | Mar 2021 | 18,970 | Mar 2024 | Unvested |
| BSP | – | 64,849 | – | – | – | – | Mar 2022 | 64,849 | Mar 2025 | Unvested |
| LTIP[1] | 58,679 | – | 31,921 | 26,758 | – | £14.07 | Mar 2019 | 0 | Mar 2022 | Vested |
| LTIP[2] | 140,758 | – | – | – | – | – | May 2020 | 140,758 | Mar 2023 | Unvested |
| LTIP[3] | 128,675 | – | – | – | – | – | Mar 2021 | 128,675 | Mar 2024 | Unvested |
| LTIP[4] | – | 170,389 | – | – | – | – | Mar 2022 | 170,389 | Mar 2025 | Unvested |

**Mike Powell**

| Type of award | Awards held at beginning of year | Awards granted during year | Shares lapsed | Awards exercised during year | Dividend equivalents | Share price at the date of exercise | Date of award | Awards held as at 31 December 2022 | Release date | Status |
|---|---|---|---|---|---|---|---|---|---|---|
| Buy-out LTIP[5] | 69,211 | – | 37,650 | 31,561 | 893 | £14.07 | Dec 2020 | 0 | Mar 2022 | Vested |
| Buy-out LTIP[5] | 39,427 | – | – | – | – | – | Dec 2020 | 39,427 | Mar 2023 | Unvested |
| BSP | 2,038 | – | – | – | – | – | Mar 2021 | 2,038 | Mar 2024 | Unvested |
| BSP | – | 37,607 | – | – | – | – | Mar 2022 | 37,607 | Mar 2025 | Unvested |
| LTIP | 74,916 | – | – | – | – | – | Mar 2021 | 74,916 | Mar 2024 | Unvested |
| LTIP | – | 99,201 | – | – | – | – | Mar 2022 | 99,201 | Mar 2025 | Unvested |

1 The performance conditions applying to the 2019 LTIP are set out on page 155 of the 2021 Integrated Report
2 The performance conditions applying to the 2020 LTIP are set out on page 146. These were awarded as nil-cost options
3 The performance conditions applying to the 2021 LTIP are set out on page 156 of the 2021 Integrated Report. These were awarded as nil-cost options
4 The performance conditions applying to the 2022 LTIP are set out on page 147. These were awarded as nil-cost options
5 Details of the buyout awards granted to Mike Powell are set out on page 142 of the 2020 Integrated Report. These were awarded as nil-cost options

## All-employee share plans (audited)

The Group currently operates one HM Revenue & Customs approved all-employee share plan in the UK (the SIP).

### 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 (Partnership Shares). Participants receive one matching Mondi plc ordinary share free of charge for each share purchased (Matching Shares). 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 remain in the trust for at least five years, they can be removed free of UK income tax and National Insurance contributions.

### SIP

| | Shares held at beginning of year | Partnership shares acquired during the year | Matching shares awarded during the year | Shares released during year | Total shares held as at 31 December 2022 |
|---|---|---|---|---|---|
| Andrew King[1] | 6,396 | 119 | 119 | – | 6,634 |
| Mike Powell[1] | 108 | 119 | 119 | – | 346 |

1 Since 1 January 2023 up to the date of this report Andrew King acquired 19 partnership shares and was awarded 19 matching shares and Mike Powell acquired 19 partnership shares and was awarded 19 matching shares

## Statement of voting at Annual General Meeting

The Annual General Meeting was held on 5 May 2022. All resolutions were passed. The voting result in respect of the remuneration report is given below. Overall in excess of 76% of the total Group shares were voted.

| Resolution | Votes for | % | Votes against | % | Votes total | % of ISC voted | Votes withheld |
|---|---|---|---|---|---|---|---|
| To approve the remuneration report (other than the DRP) | 359,360,235 | 97.20 | 10,334,340 | 2.80 | 369,694,575 | 76.14% | 909,348 |

The DRP was last approved at the AGM held on 7 May 2020, with a 92.81% vote for the resolution and 7.19% against, with 1,602,867 votes withheld.

## Remuneration Committee governance

### The Remuneration Committee

The Remuneration Committee is a formal committee of the Board (see composition of the Remuneration Committee on page 124). Its remit is set out in terms of reference adopted by the Board. A copy of the terms of reference is available on the Group's website at www.mondigroup.com. The committee's performance against these terms of reference is reviewed on an annual basis and the committee is satisfied that it has acted in accordance with its terms of reference during the year.

The primary purposes of the committee, as set out in its terms of reference, are:

- to make recommendations to the Board on the Group's framework of executive remuneration;
- to determine individual remuneration packages within that framework for the executive directors and certain senior executives;
- to determine the remuneration of the Board Chair; and
- to oversee the operation of the Group's share schemes.

The committee is authorised to seek information from any director and employee of the Group and to obtain external advice. The committee is solely responsible for the appointment of external remuneration advisers and for the approval of their fees and other terms. No director or other attendee takes part in any discussion regarding his or her personal remuneration.

Deloitte was appointed by the Remuneration Committee as their independent remuneration consultant with effect from 29 September 2020, following a competitive tender process. Total fees paid to Deloitte for providing remuneration advice to the committee were determined based on time and materials and amounted to £161,100 for the year ended 31 December 2022. Deloitte also provided other tax and human consulting services to the Mondi Group during the year. All advice to the Remuneration Committee, received from Deloitte, was objective and independent. Deloitte is a founder member of the Remuneration Consultants Group, and as such, voluntarily operates under the Code of Conduct in relation to executive remuneration consulting in the UK.

The committee reviews the appointment of its advisers annually and is satisfied that the advice it receives is objective and independent.

## Sums paid to third parties in respect of a director's services

No consideration was paid or became receivable by third parties for making available the services of any person as a director of Mondi plc ('the Company'), or while a director of the Company, as a director of any of the Company's subsidiary undertakings, or as a director of any other undertaking of which he/she was (while a director of the Company) a director by virtue of the Company's nomination, or otherwise in connection with the management of the Company or any undertaking during the year to 31 December 2022.

**Dame Angela Strank**
Chair of the Remuneration Committee

# Other statutory information

For the purposes of the Companies Act 2006, the disclosures below, including those incorporated by reference, together with the Corporate governance report set out on pages 84-123, form the Directors' report.

In addition, disclosures relating to the following items, which also form part of the Directors' report, have been included in the Strategic report which can be found on pages 12-83:

- Dividends page 70
- Financial risk management objectives and policies pages 70-71
- Principal risks pages 72-81
- Likely future developments in the business pages 18-19, 22-29, 66-67
- Research and development activities pages 21, 29, 38-40
- Greenhouse gas (GHG) emissions and energy consumption pages 44-45
- Employees pages 41-43

## 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 184. The information required under rules 9.8.4 (12) and (13) in relation to dividend waivers can be found on page 200. This information is incorporated by reference into this Directors' report.

Besides the above, the information required to be disclosed under rule 9.8.4 R is not applicable to Mondi plc, and therefore no disclosures have been made in this regard.

## Employee and stakeholder engagement

Information relating to engagement with employees and other stakeholders, including customers and suppliers, can be found in the Strategic report on pages 32-35 and in the Corporate governance report on pages 93-98.

## Share Capital

Full details of Mondi's share capital can be found in note 22 to the financial statements.

## Substantial interests

As at 31 December 2022, Mondi plc had received notifications from the following parties in the voting rights of Mondi plc. The number of voting rights and percentage interests shown are as disclosed at the date on which the holding was notified.

| Shareholder | Number of voting rights | %[1] |
|---|---|---|
| Public Investment Corporation Limited | 38,991,667 | 8.03 |
| BlackRock, Inc | 21,530,677 | 5.86 |
| Allan Gray Proprietary Limited | 24,336,231 | 5.01 |
| Ninety One UK Ltd (formerly known as Investec Asset Management Limited) | 23,972,407 | 4.94 |
| AXA S.A. | 17,210,471 | 4.69 |
| Standard Life Investments Limited | 16,476,021 | 4.49 |
| Old Mutual plc | 11,978,984 | 3.26 |
| Norges Bank | 14,721,885 | 3.03 |
| Sanlam Investment Management Proprietary Limited | 10,936,128 | 3.00 |

1 Percentage provided was correct at the date of notification. No further notifications have been received under DTR Rule 5 as at the date of this report

## Additional information for shareholders

The information for shareholders required pursuant to the Companies Act 2006 can be found on pages 249-250 of this report.

## Political donations

No political donations were made during 2022, and it is Mondi's policy not to make such donations.

## Auditor

Each of the directors of Mondi plc at the date when this report was approved confirms that:

- so far as each of the directors is aware, there is no relevant audit information of which the Group's auditor is unaware; and
- each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

PricewaterhouseCoopers LLP (PwC) has indicated its willingness to continue as auditor of Mondi plc. The Board has decided that a resolution to reappoint PwC will be proposed at the Annual General Meeting scheduled to be held on 4 May 2023.

The reappointment of PwC has the support of the Audit Committee, which will be responsible for determining its audit fee on behalf of the directors (see page 119 for more information).

Note 4 to the financial statements sets out the auditor's fees both for audit and non-audit work.

## Events occurring after 31 December 2022

Aside from the final dividend proposed for 2022, included in note 9 to the financial statements 2022, there has been the following material reportable event since 31 December 2022:

- on 12 January 2023, the Group completed the acquisition of the Duino mill near Trieste (Italy) from the Burgo Group for a total consideration of €40 million. The mill operated one paper machine producing lightweight coated mechanical paper. Mondi plans to convert this paper machine to produce around 420,000 tonnes per annum of high-quality recycled containerboard for an estimated investment of around €200 million.

## Annual General Meeting

The Annual General Meeting will be held at 10:30 (UK time) on Thursday 4 May 2023 at Mercedes-Benz World, Brooklands Drive, Weybridge, KT13 0SL, UK. The notice convening the meeting, which is sent separately to shareholders, provides further details including the business to be considered and explanatory notes for each resolution. The notice is available on the Mondi Group website at: www.mondigroup.com.

This Directors' report was approved by the Board on 22 February 2023 and is signed on its behalf.

**Jenny Hampshire**
Company Secretary
Mondi plc
Ground Floor, Building 5
The Heights
Brooklands
Weybridge
Surrey
KT13 0NY
Registered No. 6209386

22 February 2023

# How does MONDI NURTURE a culture of sustainability?

## Financial statements



## SUPPORT

### Promoting mental health and wellbeing

Commitment and collaboration relies on a healthy, resilient and motivated workforce. We promote this through a core focus on our colleagues' physical and mental wellbeing, delivered in part through Mondi's Employee Assistance Programme. This is a 100% confidential telephone hotline offering free support from qualified counsellors and advisers for employees and their families free of charge and around the clock.

## SKILLS

### Encouraging continuous learning in the workplace

We believe that all colleagues should have access to continuous learning. Our approach is spearheaded by the Mondi Academy, our global learning hub supported by local academies in Czech Republic, Poland, Slovakia, South Africa and the United States. We run programmes and initiatives to raise our colleagues' awareness of our sustainability challenges and strengthen the competencies required to address them.

## DIVERSITY

### Unlocking innovation

Diversity and inclusion (D&I) are critical for unlocking the creativity that inspires sustainable innovation. Diversity is a challenge for our industry, with key demographics still underrepresented in manufacturing. To help reach our ambitious D&I targets, including reaching 30% representation of women across our global workforce by 2030, among others, we have introduced the Curious Community initiative. This is an opportunity for colleagues to share their experiences, hear from experts and brainstorm ideas to accelerate change across our business.

# Financial statements

# Directors' responsibility statement

The directors are responsible for preparing the Integrated report and the financial statements 2022 in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with UK-adopted international accounting standards and the Mondi plc parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). In preparing the Group financial statements, the directors have also elected to comply with International Financial Reporting Standards issued by the International Accounting Standards Board (IFRSs issued by IASB).

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of the profit or loss of the Group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards and IFRSs issued by IASB have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the parent company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and parent company will continue in business.

The directors are also responsible for safeguarding the assets of the Group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent company and enable them to ensure that the financial statements and the Directors' Remuneration report comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Directors' confirmations

The directors consider that the Integrated report and financial statements 2022, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and parent company's position and performance, business model and strategy.

Each of the directors, whose names and functions are listed in the Governance section of the Integrated report confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with UK-adopted international accounting standards and IFRSs issued by IASB, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the parent company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities and financial position of the Mondi plc parent company; and
- the Strategic report includes a fair review of the development and performance of the business and the position of the Group and parent company, together with a description of the principal risks and uncertainties that it faces.

The Directors' responsibility statement was approved by the Board on 22 February 2023 and is signed on its behalf by:

**Andrew King**
Director

**Mike Powell**
Director

# Independent auditors' report to the members of Mondi plc

## Report on the audit of the financial statements

### Opinion

In our opinion:

- Mondi plc's Group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2022 and of the Group's profit and the Group's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Integrated report and financial statements 2022 (the "Integrated Report"), which comprise: the consolidated statement of financial position and the Mondi plc parent company balance sheet as at 31 December 2022; the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated and Mondi plc parent company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 4, we have provided no non-audit services to the parent company or its controlled undertakings in the period under audit.

# Our audit approach

## Overview

### Audit scope

- We identified three components (2021: three) as individually significant components, which required an audit of their complete financial information due to their financial significance to the Group, and a further five components (2021: two) where we have concluded that the component engagement leader is a Key Audit Partner (as defined under ISAs (UK)). These eight components (2021: five) are located in Austria, the Czech Republic, Poland, Russia, Slovakia, Sweden and South Africa (2021: Austria, the Czech Republic, Poland, Russia and South Africa). We obtained full scope audit reporting from an additional 19 components (2021: 24), including operating units and treasury operations. Audit of specific financial statement line items was performed at a further five components (2021: 14) and group level procedures on selected transactions or balances were performed at three components (2021: one).
- In aggregate, the locations subject to procedures represented 72% (2021: 80%) of the Group's revenue from continuing operations.

### Key audit matters

- Divestment of Russian operations (Group)
- Fair value of forestry assets (Group)
- Adoption of hyperinflation accounting related to subsidiaries in Turkey (Group)
- Disposal of Personal Care Components ("PCC") (Group)
- Carrying value assessment of the parent company investment in subsidiaries (parent company)

### Materiality

- Overall group materiality: €65 million (2021: €52 million) based on approximately 5% of profit before tax ("PBT") from continuing operations adjusted for special items (2021: based on approximately 5% of a three-year rolling-average of PBT adjusted for special items, rounded up based on our professional judgement to remain consistent with the prior year overall materiality).
- Overall parent company materiality: €40 million (2021: €39 million) based on approximately 1% of total assets.
- Performance materiality: €49 million (2021: €39 million) (Group) and €30 million (2021: €29 million) (parent company).

### The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

## Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Divestment of Russian operations, audit of the fair value of forestry assets, adoption of hyperinflation accounting related to subsidiaries in Turkey and disposal of PCC are new key audit matters this year. Impairment of goodwill and property, plant and equipment and taxation, which were key audit matters last year, are no longer included because of the lower audit risk associated with impairment due to the Group's financial performance and the disposal of goodwill balances allocated to PCC previously held within Engineered Materials and lower audit risk associated with the Group's tax position. The key audit matter in relation to the carrying value assessment of the parent company investment in subsidiaries is consistent with last year.

# Independent auditors' report to the members of Mondi plc continued

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Divestment of Russian operations (Group)** | |
| As described in note 26 of the financial statements, on 4 May 2022 the Board announced its decision to divest the Group's Russian operations, including its integrated pulp, packaging paper and uncoated fine paper mill located in Syktyvkar (Komi Republic). Subsequently, on 12 August 2022, the Group announced it had entered into an agreement to sell its Syktyvkar mill, and on 15 December 2022, the Group announced that it had entered into an agreement to sell its three Russian packaging converting operations.<br><br>As at 31 December 2022, the carrying value of the Russian operations was €1.1 billion at year-end exchange rates.<br><br>As described in note 1 and note 26 the Group has exercised a number of critical judgements in relation to the accounting for its Russian operations, in relation to the continued consolidation of the businesses, the classification of the assets as held for sale, and the classification of the businesses as discontinued operations. As also described in note 1, the valuation of the Russian assets as at 31 December 2022 represents a key source of estimation uncertainty.<br><br>We identified the presentation and disclosure associated with the Russian operations, including management's continued consolidation of the businesses and their presentation as assets held for sale and liabilities associated with assets held for sale, and as discontinued operations, as a significant audit risk given that the application of the requirements of both IFRS 10 'Consolidated Financial Statements' on consolidation and IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' on their classification as held for sale and discontinued operations is complex. We also determined that the valuation of the Russian operations as at 31 December 2022 was part of this significant audit risk, given the uncertainties associated with the ongoing sales process.<br><br>As this is an area which had a significant effect on our overall audit strategy and allocation of resources in the planning for, and completion of, our audit, this was determined to be a key audit matter.<br><br>Refer to notes 1, 26 and 35 of the Group financial statements, and the Audit Committee's views set out on page 114. | We evaluated whether the Group has retained control over its Russian operations throughout the year ended 31 December 2022 by review of Board minutes, review of internal reporting received by the Group, understanding changes in operating activities in the period, by discussion with Group management and the component auditors and assessing the Group's ability to declare dividends from the Russian operations.<br><br>We assessed the appropriateness of management's decision to classify the operations in Russia as held for sale at 31 December 2022 based on the criteria set out in IFRS 5, confirming the proposed transactions to the sale and purchase agreement and Board minutes, as well as discussing the current regulatory environment in Russia and the associated approvals required from the Russian authorities with both management and its advisors. We also considered management's conclusion that the planned divestment of the Russian operations satisfies the criteria to be recognised as discontinued operations on the basis that it represents a separate major geographical area of operations by analysing the historical contribution of the Russian operations to the Group's revenue and profits as a whole.<br><br>We evaluated management's assessment of fair value for the businesses, based on the requirements of IFRS 5 and IFRS 13 'Fair Value Measurement' and inspected the terms of the sale and purchase agreements to identify the assets and liabilities relating to the Russian operations. We issued separate instructions to, and obtained reporting from, a component audit team in Russia who audited the assets and liabilities of the Syktyvkar mill, performing oversight procedures (including a review, performed remotely, of certain working papers of the component audit team) to satisfy ourselves as to the nature, timing and extent of the audit procedures performed. We also discussed the risk of a change to the known fact pattern for each planned transaction in the future, including potential reductions to the agreed sales price as a result of ongoing approvals from the Russian authorities, with both management and its advisors.<br><br>We considered the adequacy of the Group's disclosures in respect of the Russian operations, in particular in relation to the critical judgements on control and classification as held for sale and as discontinued operations, and the key source of estimation uncertainty surrounding the valuation, which acknowledge that it is an evolving political and regulatory environment, meaning there can be no certainty as to when the disposals will be completed, or if the agreed terms could be amended for any unknown reason.<br><br>Based on the procedures performed, and recognising the key estimation uncertainty associated with the valuation of the Russian assets, we noted no material issues in management's accounting for, and disclosure of, the Russian operations. |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Fair value of forestry assets (Group)** | |
| The valuation of the Group's forestry assets, amounting to €485 million (2021: €348 million), is dependent upon various assumptions that are subject to significant estimation and the fair value gain recorded in the year is material.<br><br>The most significant assumptions included in the valuation model relate to the determination of the estimated net selling prices to be applied to the forestry assets, the conversion factor used to convert hectares of land under afforestation to tonnes of standing timber and the risk premium applied to immature timber, alongside any adjustments that are made outside the underlying model.<br><br>The fair value gain of €169 million (2021: €7 million loss) in the year ended 31 December 2022, which is recorded in the consolidated income statement, has been primarily driven by the increase in net selling prices, resulting from the significant rise in the market price of gum and pine.<br><br>Given the quantum of the gain, and the estimation inherent in the determination of fair value, this matter had a significant effect on our overall audit strategy and the allocation of resources in the planning for, and completion of, our audit, and was determined to be a key audit matter.<br><br>Refer to notes 14 and 35, and the Audit Committee's views set out on page 116. | We evaluated the valuation model used for calculating the fair value of the forestry assets against the criteria in IAS 41 'Agriculture' and IFRS 13 'Fair Value Measurement'.<br><br>In assessing the valuation of the forestry assets, our procedures (which were performed by our component team in South Africa, with oversight from the Group audit team in the UK) primarily consisted of substantive tests of detail, where we assessed the appropriateness of the inputs and the assumptions used in the valuation model taking into account supporting evidence, and analytical procedures, where we compared the inputs and assumptions in the 31 December 2021 valuation with the 31 December 2022 valuation. Our analytical procedures also focused on comparisons of the assumptions and inputs with industry averages. In addition, we also performed procedures over the mathematical accuracy of the valuation model.<br><br>We compared the estimated net selling prices used in the model to third party evidence and the inputs used in the conversion factor to convert hectares of land under afforestation to tonnes of standing timber with historical evidence, as well as benchmarking the conversion factor against industry data. Forestry assets were physically verified on a sample basis. We also assessed the risk premium applied in the valuation model to immature and mature timber by comparing the factors taken into account in the risk premium with historical experience, industry data and other evidence provided by management. We also assessed whether the climate change risks relevant to the valuation of the forestry assets were appropriately included within the model, by comparison with historical data and the climate risk assessments performed by Group management.<br><br>Adjustments to the underlying model have been tested through challenging assumptions made by management, independently reperforming the calculations and obtaining supporting evidence, on a sample basis.<br><br>We evaluated the directors' assessment of the sensitivity of the valuation to reasonably possible changes in assumptions and we considered the appropriateness of the related disclosures in note 14 and note 35 to the financial statements.<br><br>Based on the procedures performed, we noted no material issues from our work. |

# Independent auditors' report to the members of Mondi plc continued

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Adoption of hyperinflation accounting related to subsidiaries in Turkey (Group)** | |
| The IMF World Economic Outlook Report issued in April 2022 designated the Turkish economy as hyperinflationary, which requires entities with a Turkish Lira functional currency to apply IAS 29 'Financial Reporting in Hyperinflationary Economies' for reporting periods ending on or after 30 June 2022.<br><br>The application of IAS 29 required the financial information of the Group's Turkish subsidiaries to be restated for changes in the general purchasing power of the Turkish Lira, being the functional currency of those subsidiaries.<br><br>The effect of IAS 29 is pervasive to the consolidated income statement and applicable to all non-monetary assets and liabilities in the consolidated statement of financial position.<br><br>The adoption of IAS 29 has led to management increasing brought forward total equity by €41 million as at 1 January 2022. Prior year comparatives have not been restated. For the year ended 31 December 2022, the adjustments from hyperinflationary accounting have resulted in an increase in total assets of €91 million, an increase in Group revenue of €125 million, a decrease in underlying EBITDA of €44 million and a net monetary gain of €17 million.<br><br>IAS 29 requires judgement to determine which general price index to select and other approximations to be made in order to prepare the financial statements of affected subsidiaries and required complex calculations to determine the impact of IAS 29 on implementation. As this is a matter which had a significant effect on our overall audit strategy and allocation of resources in the planning for, and completion of, our audit, this was determined to be a key audit matter.<br><br>Refer to notes 1, 7, 10, 12, 13, 22, 28 and 35 of the Group financial statements, and the Audit Committee's views set out on page 116. | We assessed whether the initial adoption of IAS 29 was appropriate for the Turkish subsidiaries of the Group and considered management's selection of its accounting policy and the methodology applied in the calculation of the IAS 29 related adjustments, as well as the consistency of application to all affected subsidiaries.<br><br>We verified the appropriateness of the index used to calculate the IAS 29 impact to publicly available market data.<br><br>We assessed the changes made to the Group's consolidation system's configuration to validate that the income statement foreign currency translation rules for the Turkish subsidiaries satisfied the requirement to apply the year-end exchange rate. We also tested the exchange rates used by management to translate the Turkish Lira results into Euros, the Group's presentation currency, to publicly available information.<br><br>We tested a sample of items in the underlying data used in the calculations of the IAS 29 adjustments, as well as the accuracy of the calculations.<br><br>We also considered the appropriateness of the disclosures in the Group financial statements.<br><br>Based on the procedures performed, we noted no material issues from our work. |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Disposal of Personal Care Components ("PCC") (Group)** | |
| On 30 June 2022, the Group completed the sale of its PCC business to Nitto Denko Corporation, for cash consideration of €657 million.<br><br>As a result of the sale, a post-tax gain on disposal of €237 million arose, which has been treated as a special item in the consolidated income statement. The net assets disposed of included an allocation of goodwill of €141 million to PCC, which previously sat within the former Engineered Materials ("EM") Business Unit, with the balance of goodwill historically recorded in EM of €73 million allocated to Functional Paper and Films ("FPF").<br><br>Following the completion of the sale of the PCC business, the Group reorganised its operating segments, with FPF, previously part of the EM Business Unit, moved to Flexible Packaging ("FP"). Accordingly, the Group has restated the previously reported segment information to present the Group's operations under the new organisational structure.<br><br>Given the magnitude of the transaction, the associated judgement on the allocation of the goodwill balance and the impact of the associated reorganisation on the Group's operating segments, this is a matter which had a significant effect on our overall audit strategy and allocation of resources in the planning for, and completion of, our audit, and this was determined to be a key audit matter.<br><br>Refer to notes 1, 2, 3 and 27 of the Group financial statements, and the Audit Committee's views set out on page 115. | We tested the gain on disposal calculation by verifying the cash received to bank statements, reading the signed sale and purchase agreement ("SPA") and agreeing the carrying value of the PCC business to the underlying accounting records of the Group. We also tested the associated transaction costs and agreed the cumulative translation reserve that was recycled to the consolidated income statement on disposal to the underlying accounting records.<br><br>We assessed the methodology applied to determine the allocation of goodwill to PCC, based on the relative fair value of the disposed and retained elements of the former EM Business Unit at the disposal date, and recalculated the allocated amount of €141 million, testing key inputs of the calculation to supporting evidence.<br><br>We validated the alignment of the revised internal reporting to the Chief Operating Decision Maker ("CODM") as at 31 December 2022 to the operating segments identified following the reorganisation. We obtained evidence of the implementation of the segment reorganisation that led to the change in operating segments, including the change in internal reporting to the CODM from 30 June 2022 and related communications of the restructuring.<br><br>We considered the appropriateness of the restatement of the operating segments and related disclosures in note 2 of the Group financial statements.<br><br>Based on the procedures performed, we noted no material issues from our work. |

# Independent auditors' report to the members of Mondi plc continued

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Carrying value assessment of the parent company investment in subsidiaries (parent company)** | |
| The parent company holds an investment in Mondi South Africa (Pty) Ltd with a carrying amount of €666 million (2021: €666 million) with an accumulated impairment of €117 million recognised in the year ended 31 December 2020. No further impairment charges have been recorded since that date.<br><br>Management has considered various internal and external indicators of impairment in assessing whether the investment might be impaired in 2022. No indicator of impairment was identified based on consideration of the qualitative and quantitative factors outlined in IAS 36 'Impairment of Assets'.<br><br>Management has also considered whether an indicator of impairment reversal has arisen during 2022, given the performance in the year, but concluded that this was not the case.<br><br>Given the inherent judgement required and the quantum of the balances in the parent company's balance sheet, this matter had a significant effect on our overall audit strategy and allocation of resources in the planning for, and completion of, our audit, and this was determined to be a key audit matter.<br><br>Refer to notes 1 and 6 of the parent company financial statements. | We considered the adequacy of management's impairment and impairment reversal indicator analysis as at 31 December 2022 by assessing it against the requirements of IAS 36 'Impairment of Assets'. We also validated the accuracy of the data supporting the assessment.<br><br>We considered the appropriateness of the disclosures in the parent company financial statements.<br><br>Based on the procedures performed, we noted no material issues from our work. |

### How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the parent company, the accounting processes and controls, and the industry in which they operate.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at components by us, as the Group engagement team, or component auditors operating under our instruction.

We identified three components (2021: three) as significant components (as defined within ISAs (UK)) which, in our view, required an audit of their complete financial information, due to their financial significance to the Group. Outside of these components, we obtained full scope audit reporting from a further five components (2021: two), where we concluded that the component engagement leader is a Key Audit Partner (as defined under ISAs (UK)), and an additional 19 components where full scope audits were performed (2021: 24). Together, these components were in 11 countries (2021: 11), representing the Group's principal businesses, and accounted for 62% (2021: 66%) of the Group's revenue from continuing operations. The Group engagement team performed work at two of these components, with component auditors operating under our instruction performing the work on the other full scope components.

Audit of specific financial statement line items was performed at a further five (2021: 14) components, with the component auditors operating under our instruction. In addition the Group engagement team performed specified procedures at three components (2021: one) related to transactions or balances. Central testing was also performed on selected items, such as goodwill, primarily to ensure appropriate audit coverage. In aggregate, the locations subject to procedures represented 72% (2021: 80%) of the Group's revenue from continuing operations.

The components included within our scope of audit were determined based on the individual component's contribution to the Group's key financial statement line items (in particular revenue and profit before tax adjusted for special items), and considerations relating to aggregation risk within the Group.

Where work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude on whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

We issued formal written instructions to all component auditors setting out the audit work to be performed by each of them and maintained regular communication with them throughout the audit cycle. These interactions included attending certain component audit clearance meetings, including through the use of video conferencing technologies, as well as reviewing and assessing any matters reported. We also held a planning meeting with component auditors ahead of the year-end audit to agree on effective working arrangements.

We issued separate instructions and held separate meetings with the component team in Russia, which is no longer part of the PricewaterhouseCoopers network of firms, to ensure effective remote working arrangements given the travel restrictions in place.

We reviewed selected audit working papers for certain in-scope component teams, including all significant components and the further five components where we concluded that the component engagement leader is a Key Audit Partner.

In addition, senior members of the Group engagement team visited component teams in Austria, the Czech Republic, Poland, Slovakia, Sweden and Turkey. These visits included meetings with local management and with the component auditors, and typically involved operating site tours.

**The impact of climate risk on our audit**

In planning our work, including identifying areas of audit risk and determining an appropriate response, we were mindful of the increased focus on the impact of climate change risk on companies and their financial reporting, and also that the Group has identified climate change as a principal risk. Climate change risk is expected to have a significant impact on the Group's business as the operations and strategy of the Group evolve to address the potential physical and transition risks that could arise and the opportunities associated with climate change. Climate change initiatives and commitments impact the Group in a variety of ways, as described within the Integrated Report.

The Board has made commitments to achieve Net-Zero GHG emissions reduction targets by 2050. As part of our audit we made enquiries of management to understand the process management adopted to assess the extent of the potential impact of climate change risk on the Group's financial statements, including considering the Mondi Action Plan 2030 ("MAP2030") science-based targets as detailed within the Integrated Report.

We challenged the completeness of management's climate risk assessment by reading external reporting made by management, including the Sustainable Development Report and Carbon Disclosure Project submissions, and making management aware of any apparent internal inconsistencies there may be in its climate reporting.

We also considered the key financial statement line items and estimates that are most likely to be impacted by climate risks, as set out in note 1 of the Group financial statements. Given that the impact of climate change on the Group is likely, principally, to crystallise in the medium to long-term, we concluded that the risks of material misstatement in the financial statements associated with climate change related primarily to the valuation of forestry assets and estimates of future cash flows, which are used, for example, when testing assets for impairment. It has been noted that the estimated financial impact of certain climate risks has increased due to the current economic environment. Management considers that the impact of climate change does not give rise to a material financial statement impact.

We discussed with management the ways in which climate change disclosures should continue to evolve as the Group further develops its response to the impact of climate change. We also considered the consistency of the disclosures in relation to climate change (including the disclosures in the Task Force on Climate-related Financial Disclosures (TCFD) section) made in the other information within the Integrated Report with the financial statements and our knowledge from our audit. This included:

- Understanding which models management has used in the TCFD scenario analysis and considering whether the assumptions in the models are consistent with the assumptions used elsewhere in the financial statements; and
- Challenging the consistency of the disclosures given in the narrative reporting within the other information with the impact disclosed within the financial statements.

Where applicable, our audit response to climate change risk is included in relevant key audit matters above. Refer also to notes 1, 12, 14 and 35 of the Group financial statements for disclosures related to climate change. Our procedures did not identify any material impact in the context of our audit of the financial statements as a whole, or our key audit matters for the year ended 31 December 2022.

# Independent auditors' report to the members of Mondi plc continued

### Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | Financial statements – group | Financial statements – parent company |
|---|---|---|
| **Overall materiality** | €65 million (2021: €52 million). | €40 million (2021: €39 million). |
| **How we determined it** | Approximately 5% of profit before tax ("PBT") from continuing operations adjusted for special items (2021: based on approximately 5% of a three-year rolling-average of PBT adjusted for special items, rounded up based on our professional judgement to remain consistent with the prior year overall materiality). | Approximately 1% of total assets. |
| **Rationale for benchmark applied** | For overall group materiality, we chose profit before tax from continuing operations adjusted for special items as the benchmark. The adjusted profit before tax measure removes the impact of significant items which do not recur from year to year or otherwise significantly affect the underlying trend of performance from continuing operations. This is the metric against which the performance of the Group is most commonly assessed by management and reported to members. We chose 5%, which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector. | For overall Mondi plc parent company materiality, we determined the materiality based on total assets, which is more appropriate than a performance-related measure as the parent company is an investment holding company for the Group. Using professional judgement, we determined materiality for this year at €40 million (2021: €39 million), which equates to approximately 1% of the current year's total assets. |

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between €3.5 million and €52 million.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to €49 million (2021: €39 million) for the Group financial statements and €30 million (2021: €29 million) for the parent company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €3.5 million (Group audit) (2021: €2.5 million) and €3.5 million (parent company audit) (2021: €2.5 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

## Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group's and the parent company's ability to continue to adopt the going concern basis of accounting included:

- We assessed management's going concern cash flow projections, agreeing them to the latest Board approved forecasts;
- We evaluated management's future cash flows with reference to historical trading performance, market expectations from industry or economic reports and management capital investment plans;
- We tested the available committed debt facilities to our year end audit work, including checking that the key terms were applied appropriately in the going concern assessment related to the maturity dates of available committed debt facilities and satisfied ourselves that there are no financial covenants in these facilities;
- We considered the potential downside sensitivities that management had applied and considered their likelihood and whether more severe scenarios could arise and the associated impact on available liquidity;
- We assessed management's reverse stress test and considered the likelihood of events arising that could erode liquidity within the forecast period;
- We assessed the performance of the Group since year end and compared it with the Board approved cash flow forecast;
- We read the basis of preparation note to the financial statements and validated that it accurately described management's going concern considerations; and
- We tested the assumption that management's assessment is performed on the basis of continuing operations only, excluding any cash inflows from the divestment of the Russian operations.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the parent company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## Reporting on other information

The other information comprises all of the information in the Integrated Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information, which includes reporting based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

# Independent auditors' report to the members of Mondi plc continued

**Strategic report and Directors' Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

**Directors' Remuneration**

In our opinion, the part of the Remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

## Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the parent company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Integrated Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and parent company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the Group's and parent company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the parent company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the Group and parent company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and parent company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Integrated Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and parent company's position, performance, business model and strategy;
- The section of the Integrated Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Integrated Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the parent company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

## Responsibilities for the financial statements and the audit

**Responsibilities of the directors for the financial statements**

As explained more fully in the Directors' responsibility statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

**Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of environmental regulations, unethical and prohibited business practices and breaches of sanctions in relation to Russia, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and relevant tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue and management bias in accounting estimates and judgements. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Discussions with management, internal audit and the Group's internal legal counsel, including consideration of potential instances of non-compliance with laws and regulation and fraud and the Group's processes for addressing sanctions risk in Russia;
- Assessment of matters reported through the Group's whistleblowing helpline and the results of management's investigation of such matters;
- Testing controls in relation to certain IT systems within the Group, in part to identify if opportunities exist to carry out fraud through inappropriate access to systems and data;
- Testing a sample of journal entries posted to revenue based on specific risk criteria; and
- Challenging assumptions and judgements made by management in its accounting estimates or judgements as a whole and assessing whether there has been any management bias in aggregate.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

**Use of this report**

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

# Independent auditors' report to the members of Mondi plc continued

## Other required reporting

**Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the parent company financial statements and the part of the Remuneration report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

**Appointment**

Following the recommendation of the Audit Committee, we were appointed by the members on 11 May 2017 to audit the financial statements for the year ended 31 December 2017 and subsequent financial periods. The period of total uninterrupted engagement is six years, covering the years ended 31 December 2017 to 31 December 2022.

## Other matter

In due course, as required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements will form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report will be prepared using the single electronic format specified in the ESEF RTS.

**Simon Morley**
(Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

22 February 2023

# Consolidated income statement for the year ended 31 December 2022

| € million | Notes | 2022 Underlying | 2022 Special items (note 3) | 2022 Total | Restated 2021[1] Underlying | Restated 2021[1] Special items (note 3) | Restated 2021[1] Total |
|---|---|---|---|---|---|---|---|
| **From continuing operations** | | | | | | | |
| **Group revenue** | 2 | **8,902** | **–** | **8,902** | **6,974** | **–** | **6,974** |
| Materials, energy and consumables used | | (4,728) | – | (4,728) | (3,663) | – | (3,663) |
| Variable selling expenses | | (741) | – | (741) | (547) | – | (547) |
| Gross margin | | 3,433 | – | 3,433 | 2,764 | – | 2,764 |
| Maintenance and other indirect expenses | | (346) | – | (346) | (328) | – | (328) |
| Personnel costs | 5 | (1,077) | – | (1,077) | (1,025) | 5 | (1,020) |
| Other net operating expenses | | (162) | – | (162) | (254) | (2) | (256) |
| Gain on disposal of business, net of related transaction costs | 27 | – | 242 | 242 | – | – | – |
| **EBITDA** | | **1,848** | **242** | **2,090** | **1,157** | **3** | **1,160** |
| Depreciation, amortisation and impairments | | (405) | – | (405) | (375) | 4 | (371) |
| **Operating profit** | 2 | **1,443** | **242** | **1,685** | **782** | **7** | **789** |
| Net profit from joint ventures | 15 | 1 | – | 1 | 6 | – | 6 |
| Net monetary gain arising from hyperinflationary economies | 1 | 17 | – | 17 | – | – | – |
| Investment income | 6 | 6 | – | 6 | 5 | – | 5 |
| Foreign currency losses | 6 | (5) | – | (5) | (2) | – | (2) |
| Finance costs | 6 | (144) | – | (144) | (86) | – | (86) |
| Profit before tax | | 1,318 | 242 | 1,560 | 705 | 7 | 712 |
| Tax (charge)/credit | 7a | (296) | (5) | (301) | (154) | 2 | (152) |
| **Profit from continuing operations** | | **1,022** | **237** | **1,259** | **551** | **9** | **560** |
| **From discontinued operations** | | | | | | | |
| Profit from discontinued operations | 26 | | | 266 | | | 213 |
| **Profit for the year** | | | | **1,525** | | | **773** |
| Attributable to: | | | | | | | |
| Non-controlling interests | 33 | | | **73** | | | **17** |
| Shareholders | | | | **1,452** | | | **756** |

| **Earnings per share (EPS) attributable to shareholders** euro cents | Notes | 2022 | Restated 2021[1] |
|---|---|---|---|
| **From continuing operations** | | | |
| Basic EPS | 8 | **244.5** | **112.0** |
| Diluted EPS | 8 | **244.4** | **111.9** |
| Basic underlying EPS | 8 | **195.6** | **110.1** |
| Diluted underlying EPS | 8 | **195.6** | **110.0** |
| **From continuing and discontinued operations** | | | |
| Basic EPS | 8 | **299.3** | **155.9** |
| Diluted EPS | 8 | **299.2** | **155.8** |
| Basic total EPS (prior to special items) | 8 | **250.4** | **154.0** |
| Diluted total EPS (prior to special items) | 8 | **250.4** | **153.9** |

Note:
1 The Group's operations in Russia are presented as held for sale and classified as discontinued operations. Therefore, in accordance with IFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations', the comparative figures for the year ended 31 December 2021 were restated to separate the net profit and cash flows associated with the Russian operations. As required by IFRS 5, the comparatives in the consolidated statement of financial position were not restated. APMs, as defined on pages 242-248, were restated to exclude the effect of the Russian operations. Refer to notes 26 and 35 for further details

# Consolidated statement of comprehensive income for the year ended 31 December 2022

| | 2022 | | | Restated 2021 | | |
|---|---|---|---|---|---|---|
| € million | Before tax amount | Tax charge | Net of tax amount | Before tax amount | Tax charge | Net of tax amount |
| **Profit for the year** | | | **1,525** | | | **773** |
| **Items that may subsequently be or have been reclassified to the consolidated income statement** | | | | | | |
| Fair value gains/(losses) arising from cash flow hedges of continuing operations | 1 | – | 1 | (1) | – | (1) |
| Fair value gains arising from cash flow hedges of discontinued operations | 1 | – | 1 | – | – | – |
| Exchange differences on translation of continuing non-euro operations | 35 | – | 35 | (16) | – | (16) |
| Exchange differences on translation of discontinued non-euro operations | 72 | – | 72 | 42 | – | 42 |
| Reclassification of foreign currency translation reserve to the consolidated income statement on disposal of business | (4) | – | (4) | – | – | – |
| Share of other comprehensive income of joint ventures | – | – | – | 1 | – | 1 |
| **Items that will not subsequently be reclassified to the consolidated income statement** | | | | | | |
| Remeasurements of retirement benefits plans of continuing operations: | 8 | (3) | 5 | 11 | (4) | 7 |
| Return on plan assets | (43) | | | (5) | | |
| Actuarial gains arising from changes in demographic assumptions | 7 | | | – | | |
| Actuarial gains arising from changes in financial assumptions | 58 | | | 16 | | |
| Actuarial losses arising from experience adjustments | (14) | | | – | | |
| Remeasurements of retirement benefits plans of discontinued operations | 1 | – | 1 | 1 | – | 1 |
| **Other comprehensive income/(expense) for the year** | **114** | **(3)** | **111** | **38** | **(4)** | **34** |
| Other comprehensive income/(expense) attributable to: | | | | | | |
| Non-controlling interests | | | **6** | | | **(4)** |
| Shareholders | | | **105** | | | **38** |
| Total comprehensive income attributable to: | | | | | | |
| Non-controlling interests | | | **79** | | | **13** |
| Shareholders | | | **1,557** | | | **794** |
| Total comprehensive income attributable to shareholders arises from: | | | | | | |
| Continuing operations | | | **1,217** | | | **538** |
| Discontinued operations | | | **340** | | | **256** |
| **Total comprehensive income for the year** | | | **1,636** | | | **807** |

# Consolidated statement of financial position as at 31 December 2022

| € million | Notes | 2022 | 2021 |
|---|---|---|---|
| Property, plant and equipment | 10 | 4,167 | 4,870 |
| Goodwill | 12 | 769 | 926 |
| Intangible assets | 13 | 64 | 76 |
| Forestry assets | 14 | 485 | 348 |
| Investments in joint ventures | 15 | 18 | 17 |
| Financial instruments | | 25 | 33 |
| Deferred tax assets | 7b | 34 | 43 |
| Net retirement benefits asset | 24 | 8 | 26 |
| Other non-current assets | | 8 | 1 |
| **Total non-current assets** | | **5,578** | **6,340** |
| Inventories | 16 | 1,359 | 1,099 |
| Trade and other receivables | 17 | 1,448 | 1,333 |
| Current tax assets | | 9 | 12 |
| Financial instruments | | 4 | 4 |
| Cash and cash equivalents | 28b | 1,067 | 473 |
| | | 3,887 | 2,921 |
| Assets held for sale | 26 | 1,382 | – |
| **Total current assets** | | **5,269** | **2,921** |
| **Total assets** | | **10,847** | **9,261** |
| Short-term borrowings | 21 | (102) | (124) |
| Trade and other payables | 18 | (1,525) | (1,444) |
| Current tax liabilities | | (137) | (116) |
| Provisions | 19 | (22) | (33) |
| Financial instruments | | (10) | (18) |
| | | **(1,796)** | **(1,735)** |
| Liabilities directly associated with assets held for sale | 26 | (325) | – |
| **Total current liabilities** | | **(2,121)** | **(1,735)** |
| Medium- and long-term borrowings | 21 | (1,970) | (2,104) |
| Net retirement benefits liability | 24 | (155) | (197) |
| Deferred tax liabilities | 7b | (307) | (283) |
| Provisions | 19 | (27) | (35) |
| Other non-current liabilities | | (13) | (18) |
| **Total non-current liabilities** | | **(2,472)** | **(2,637)** |
| **Total liabilities** | | **(4,593)** | **(4,372)** |
| **Net assets** | | **6,254** | **4,889** |
| **Equity** | | | |
| Share capital | 22 | 97 | 97 |
| Own shares | | (16) | (18) |
| Retained earnings | | 5,895 | 4,760 |
| Other reserves | 22 | (182) | (341) |
| **Total attributable to shareholders** | | **5,794** | **4,498** |
| Non-controlling interests in equity | 33 | 460 | 391 |
| **Total equity** | | **6,254** | **4,889** |

The Group's consolidated financial statements, including related notes 1 to 35, were approved by the Board and authorised for issue on 22 February 2023 and were signed on its behalf by:

**Andrew King**
Director

**Mike Powell**
Director

# Consolidated statement of changes in equity for the year ended 31 December 2022

| € million | Share capital | Own shares | Retained earnings | Other reserves | Equity attributable to shareholders | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|
| At 1 January 2021 | 97 | (18) | 4,300 | (377) | **4,002** | 380 | **4,382** |
| Total comprehensive income for the year: | – | – | 756 | 38 | **794** | 13 | **807** |
| Profit for the year | – | – | 756 | – | **756** | 17 | **773** |
| Other comprehensive income/(expense) | – | – | – | 38 | **38** | (4) | **34** |
| **Transactions with shareholders in their capacity as shareholders** | | | | | | | |
| Dividends | – | – | (298) | – | **(298)** | (6) | **(304)** |
| Purchases of own shares | – | (7) | – | – | **(7)** | – | **(7)** |
| Distribution of own shares | – | 7 | (7) | – | **–** | – | **–** |
| Mondi share schemes' charge | – | – | – | 9 | **9** | – | **9** |
| Issue of shares under employee share schemes | – | – | 9 | (9) | **–** | – | **–** |
| Acquired through business combinations | – | – | – | – | **–** | 7 | **7** |
| Non-controlling interests bought out | – | – | – | – | **–** | (3) | **(3)** |
| Other movements | – | – | – | (2) | **(2)** | – | **(2)** |
| **At 31 December 2021** | **97** | **(18)** | **4,760** | **(341)** | **4,498** | **391** | **4,889** |
| Hyperinflation monetary adjustment (see note 1) | – | – | (11) | 57 | **46** | (5) | **41** |
| Restated balance at 1 January 2022 | 97 | (18) | 4,749 | (284) | **4,544** | 386 | **4,930** |
| Total comprehensive income for the year: | – | – | 1,452 | 105 | **1,557** | 79 | **1,636** |
| Profit for the year | – | – | 1,452 | – | **1,452** | 73 | **1,525** |
| Other comprehensive income | – | – | – | 105 | **105** | 6 | **111** |
| Hyperinflation monetary adjustment (see note 1) | – | – | 16 | – | **16** | 1 | **17** |
| **Transactions with shareholders in their capacity as shareholders** | | | | | | | |
| Dividends | – | – | (321) | – | **(321)** | (9) | **(330)** |
| Purchases of own shares | – | (7) | – | – | **(7)** | – | **(7)** |
| Distribution of own shares | – | 9 | (9) | – | **–** | – | **–** |
| Mondi share schemes' charge (see note 23) | – | – | – | 11 | **11** | – | **11** |
| Issue of shares under employee share schemes | – | – | 10 | (10) | **–** | – | **–** |
| Disposal of businesses (see note 27) | – | – | – | (4) | **(4)** | – | **(4)** |
| Other movements in non-controlling interests | – | – | (2) | – | **(2)** | 3 | **1** |
| **At 31 December 2022** | **97** | **(16)** | **5,895** | **(182)** | **5,794** | **460** | **6,254** |

# Consolidated statement of cash flows for the year ended 31 December 2022

| € million | Notes | 2022 | Restated 2021 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from continuing operations | 28a | 1,292 | 1,001 |
| Dividends received from other investments | | 2 | 1 |
| Income tax paid | | (196) | (138) |
| Net cash generated from operating activities of discontinued operations | 26 | 350 | 286 |
| **Net cash generated from operating activities** | | **1,448** | **1,150** |
| **Cash flows from investing activities** | | | |
| Investment in property, plant and equipment | | (508) | (481) |
| Investment in intangible assets | 13 | (12) | (16) |
| Investment in forestry assets | 14 | (49) | (45) |
| Investment in joint ventures | 15 | – | (1) |
| Proceeds from the disposal of property, plant and equipment | | 7 | 21 |
| Proceeds from the disposal of financial asset investments | | 5 | – |
| Acquisition of businesses, net of cash and cash equivalents | 25 | – | (63) |
| Proceeds from the disposal of business, net of cash and cash equivalents | 27 | 642 | – |
| Loans advanced to related and external parties | | – | (1) |
| Interest received | | 6 | 3 |
| Other investing activities | | 9 | 4 |
| Net cash used in investing activities of discontinued operations | 26 | (68) | (91) |
| **Net cash generated from/(used in) investing activities** | | **32** | **(670)** |
| **Cash flows from financing activities** | | | |
| Proceeds from other medium- and long-term borrowings | 28c | – | 59 |
| Repayment of other medium- and long-term borrowings | 28c | (53) | – |
| Net repayment of short-term borrowings | 28c | (9) | (4) |
| Repayment of lease liabilities | 28c | (21) | (21) |
| Interest paid | 28c | (60) | (67) |
| Dividends paid to shareholders | 9 | (321) | (298) |
| Dividends paid to non-controlling interests | | (9) | (6) |
| Purchases of own shares | | (7) | (7) |
| Non-controlling interests bought out | 25 | – | (3) |
| Net cash outflow from debt-related derivative financial instruments | 28c | (83) | (12) |
| Other financing activities | | 1 | – |
| Net cash used in financing activities of discontinued operations | 26 | (10) | (13) |
| **Net cash used in financing activities** | | **(572)** | **(372)** |
| **Net increase in cash and cash equivalents** | | **908** | **108** |
| Cash and cash equivalents at beginning of year | | 455 | 348 |
| Cash movement in the year | 28c | 908 | 108 |
| Effects of changes in foreign exchange rates | 28c | 18 | (1) |
| **Cash and cash equivalents at end of year** | 28b | **1,381** | **455** |

# Notes to the consolidated financial statements for the year ended 31 December 2022

## 1 Basis of preparation

These consolidated financial statements as at and for the year ended 31 December 2022 comprise Mondi plc and its subsidiaries (referred to as 'the Group'), and the Group's share of the results and net assets of its associates and joint ventures.

The Group's consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. The principal accounting policies adopted are set out in note 35 and were applied consistently throughout the year and preceding year.

The Group also applies IFRS as issued by the International Accounting Standards Board (IASB), and there are no differences with applying IFRS adopted for use in the UK which may significantly or materially affect the Group's accounting policies.

The consolidated financial statements have been prepared on a going concern basis. The directors have reviewed the Group's budget and considered the assumptions contained in the budget, including the principal and emerging risks which may impact the Group's performance in the near term. The Group has a strong balance sheet. Continuing operations' net debt at 31 December 2022 was €1,011 million, reduced from €1,689 million at 31 December 2021, reflecting the Group's strong cash generation and ongoing investment in the business. At 31 December 2022, the Group had a strong liquidity of €1,818 million, comprising €757 million of undrawn, committed debt facilities and cash and cash equivalents held by the continuing operations of €1,061 million. The weighted average maturity of the Group's committed debt facilities was 3.8 years. The assessment of going concern is further described in the Strategic report as part of the Viability statement under the heading Going concern on page 83, which is incorporated by reference into these financial statements. Based on this evaluation, the Board considered it appropriate to prepare the consolidated financial statements on the going concern basis.

The consolidated financial statements have been prepared under the historical cost basis of accounting, as modified by forestry assets, pension assets, certain financial assets and financial liabilities held at fair value through profit and loss and accounting in hyperinflationary economies.

The Group presents certain measures of financial performance, position or cash flows that are not defined or specified according to IFRS. These measures, referred to as Alternative Performance Measures (APMs), are defined on pages 242-248.

Since June 2022, the Group's operations in Russia have satisfied the criteria to be classified as held for sale and are reported as discontinued operations as at 31 December 2022 and for the year then ended (see note 26). For comparability purposes, the APMs based on amounts recognised in the consolidated statement of financial position exclude the proportion of assets and liabilities attributable to the Russian operations; however, as required by IFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations', no restatement of the IFRS consolidated statement of financial position has been made for such items as at 31 December 2021. APMs measuring the profitability and cash flows of the Group are presented for continuing operations (i.e. excluding the results from the Russian discontinued operations) and comparatives are presented on the same basis, consistent with the presentation of the IFRS consolidated income statement and IFRS consolidated statement of cash flows. Where these changes have impacted the APMs for comparative periods, as presented previously, these have been described as restated.

**Critical accounting judgements and significant accounting estimates**

The preparation of the Group's consolidated financial statements includes the use of estimates and assumptions. Although the estimates used are based on management's best information about current circumstances and future events and actions, actual results may differ from those estimates. The critical accounting judgements and significant accounting estimates with a significant risk of a material change to the carrying value of assets and liabilities within the next year in terms of IAS 1, 'Presentation of Financial Statements', are:

Critical accounting judgements

– Accounting and presentation of the Russian discontinued operations – refer to note 26

Significant accounting estimates

– Fair value of forestry assets – refer to note 14
– Actuarial valuations of retirement benefit obligations – refer to note 24
– Valuation of the Russian assets – refer to note 26

Other areas of judgement and accounting estimates

The consolidated financial statements include other areas of judgement and accounting estimates. While these areas do not meet the definition under IAS 1 of significant accounting estimates or critical accounting judgements, the recognition and measurement of certain material assets and liabilities are based on assumptions and/or are subject to longer-term uncertainties. The other areas of judgement and accounting estimates are:

– Taxation – refer to notes 7 and 35
– Residual values and useful economic lives of property, plant and equipment – refer to notes 10 and 35
– Hyperinflation accounting – refer to notes 1 and 35
– Accounting and presentation of the disposal of the Personal Care Components business – refer to note 27

**Climate change**

Management has considered the impact of climate change in preparing the consolidated financial statements, in particular in the context of the disclosures included in the Strategic report, including the Group's science-based Net-Zero GHG emission reduction targets as detailed in the Mondi Action Plan 2030 (MAP2030) Taking Action on Climate section on pages 44-57. These considerations, which are integral to the Group's strategy, did not have a material impact on the accounting estimates and judgements, including the following areas:

– The estimates of future cash flows used in the impairment assessment of goodwill – refer to note 12
– The assumptions used in the fair value measurement of forestry assets – refer to note 14
– The assessment of residual values and estimated useful economic lives of property, plant and equipment – refer to note 35
– The fair value of assets acquired and liabilities assumed in business combinations – refer to note 25

While these considerations did not have a material impact on the areas set out above, this may change in future periods as management evolves its understanding of climate change related impacts on the Group.

**Hyperinflation accounting (see note 35)**

Effective from 1 January 2022, the Group has applied IAS 29, 'Financial Reporting in Hyperinflationary Economies', for its subsidiaries in Türkiye, whose functional currencies have experienced a cumulative inflation rate of more than 100% over the past three years. Prior to translating the financial statements of the Turkish operations, the non-monetary assets and liabilities stated at historical cost are restated to account for changes in the general purchasing power of the local currencies based on the consumer price index (TÜFE, 2003=100) published by the Turkish Statistical Institute (TURKSTAT). The consumer price index for the year ended 31 December 2022 increased by 64% from 687 at 31 December 2021 to 1,128 at 31 December 2022. For the year ended 31 December 2022, the adjustments from hyperinflationary accounting have resulted in an increase in total assets of €91 million, an increase in Group revenue of €125 million, a decrease in underlying EBITDA of €44 million and a net monetary gain of €17 million. Comparative amounts presented in euro were not restated for subsequent changes in the price level or exchange rates.

IAS 29 requires judgement to determine when to apply hyperinflationary accounting and which general price index to select and other approximations to be made in order to restate the financial statements of subsidiaries operating in a hyperinflationary economy.

# Notes to the consolidated financial statements for the year ended 31 December 2022 continued

## 2 Operating segments

The Group generates revenue from the sale of manufactured products across the packaging and paper value chain. Revenue is generally recognised at a point in time, typically when the goods have been delivered to a contractually agreed location in line with the shipment terms agreed with customers. Customer payment terms vary within the Group due to its global operations and do not contain significant financing components.

The Group provides transport services after control of certain goods has passed to the customer. The Group generated transport revenue of €139 million (2021: €87 million) in the current financial year, which is recognised over time. The stage of completion is used to determine the amount of revenue recognised, which is based on the transportation days completed at the reporting date relative to the total expected delivery days.

The Group's operating segments are reported in a manner consistent with the internal reporting provided to the Executive Committee, the chief operating decision-making body. The operating segments are managed based on the nature of the underlying products produced by those businesses and comprise three (2021: four) distinct segments.

The Group's operations in Russia, comprising its high-margin, cost-competitive, integrated pulp, packaging paper and uncoated fine paper mill in Syktyvkar (Komi Republic) and three converting plants, are reported as discontinued operations. The discontinued operations' net profit and cash flows are presented separately in the consolidated income statement and consolidated statement of cash flows for all periods presented. Financial information relating to the discontinued operations is provided in note 26.

Effective from 30 June 2022 and following the completion of the sale of the Personal Care Components (PCC) business, the Group's operating segments were reorganised. Functional paper and films, previously part of the Engineered Materials operating segment, was moved to Flexible Packaging to strengthen integration along the kraft paper value chain and further support the development of innovative functional papers with barrier properties, fulfilling customers' needs for sustainable packaging. The remaining part of the previously reported Engineered Materials operating segment, namely the disposed PCC business (see note 27), has been reported in the Personal Care Components (divested) operating segment up to the date of disposal.

Accordingly, the Group has restated the previously reported segment information to present the Group's operations under the new organisational structure.

The material product types from which the Group's operating segments derive their internal and external revenues are as follows:

| Operating segments | Product types |
|---|---|
| Corrugated Packaging | Containerboard |
| | Corrugated solutions |
| Flexible Packaging | Kraft paper |
| | Paper bags |
| | Consumer flexibles |
| | Functional paper and films |
| | Pulp |
| Uncoated Fine Paper | Uncoated fine paper |
| | Pulp |
| Personal Care Components (divested) | Personal care components |

### Year ended 31 December 2022[1,2]

| € million, unless otherwise stated | Corrugated Packaging | Flexible Packaging | Uncoated Fine Paper | Corporate | Personal Care Components (divested) | Intersegment elimination | Total continuing operations | Discontinued operations | Intersegment elimination[3] | Total Group |
|---|---|---|---|---|---|---|---|---|---|---|
| Segment revenue | 2,991 | 4,299 | 1,613 | – | 181 | (143) | **8,941** | | (39) | **8,902** |
| Internal revenue | (51) | (51) | (68) | – | (12) | 143 | **(39)** | | 39 | **–** |
| External revenue | 2,940 | 4,248 | 1,545 | – | 169 | – | **8,902** | | – | **8,902** |
| Underlying EBITDA | 662 | 797 | 427 | (39) | 1 | – | **1,848** | | – | **1,848** |
| Depreciation and impairments[4] | (133) | (181) | (70) | (1) | (3) | – | **(388)** | | – | **(388)** |
| Amortisation | (7) | (8) | (2) | – | – | – | **(17)** | | – | **(17)** |
| Underlying operating profit/(loss) | 522 | 608 | 355 | (40) | (2) | – | **1,443** | | – | **1,443** |
| Special items before tax | – | – | – | – | 242 | – | **242** | | – | **242** |
| Profit from discontinued operations | | | | | | | | 266 | – | **266** |
| Capital employed[5] | 2,162 | 3,035 | 1,091 | (67) | – | – | **6,221** | 1,044 | – | **7,265** |
| Trailing 12-month average capital employed | 2,062 | 2,916 | 1,022 | (78) | 175 | – | **6,097** | 1,020 | – | **7,117** |
| Additions to non-current non-financial assets | 235 | 242 | 115 | – | 9 | – | **601** | | – | **601** |
| Capital expenditure cash payments | 212 | 223 | 64 | – | 9 | – | **508** | | – | **508** |
| *Underlying EBITDA margin (%)* | *22.1* | *18.5* | *26.5* | – | *0.6* | – | ***20.8*** | | – | ***20.8*** |
| *Return on capital employed (%)* | *25.3* | *20.9* | *34.7* | – | *(1.1)* | – | ***23.7*** | | – | ***26.0*** |
| Average number of employees (thousands)[6] | 6.4 | 11.5 | 2.9 | 0.1 | 0.5 | – | **21.4** | 5.3 | – | **26.7** |

### Year ended 31 December 2021 (restated)[1,2]

| € million, unless otherwise stated | Corrugated Packaging | Flexible Packaging | Uncoated Fine Paper | Corporate | Personal Care Components (divested) | Intersegment elimination | Total continuing operations | Discontinued operations | Intersegment elimination[3] | Total Group |
|---|---|---|---|---|---|---|---|---|---|---|
| Segment revenue | 2,349 | 3,292 | 1,194 | – | 335 | (133) | **7,037** | | (63) | **6,974** |
| Internal revenue | (56) | (53) | (59) | – | (28) | 133 | **(63)** | | 63 | **–** |
| External revenue | 2,293 | 3,239 | 1,135 | – | 307 | – | **6,974** | | – | **6,974** |
| Underlying EBITDA | 543 | 567 | 55 | (34) | 26 | – | **1,157** | | – | **1,157** |
| Depreciation and impairments[4] | (112) | (160) | (70) | (1) | (16) | – | **(359)** | | – | **(359)** |
| Amortisation | (5) | (8) | (2) | – | (1) | – | **(16)** | | – | **(16)** |
| Underlying operating profit/(loss) | 426 | 399 | (17) | (35) | 9 | – | **782** | | – | **782** |
| Special items before tax | – | 7 | – | – | – | – | **7** | | – | **7** |
| Profit from discontinued operations | | | | | | | | 213 | | **213** |
| Capital employed[5] | 1,907 | 2,745 | 965 | (97) | 372 | – | **5,892** | 760 | – | **6,652** |
| Trailing 12-month average capital employed | 1,754 | 2,667 | 983 | (91) | 359 | – | **5,672** | 677 | – | **6,349** |
| Additions to non-current non-financial assets | 258 | 174 | 133 | 6 | 24 | – | **595** | | – | **595** |
| Capital expenditure cash payments | 189 | 182 | 85 | 2 | 23 | – | **481** | | – | **481** |
| *Underlying EBITDA margin (%)* | *23.1* | *17.2* | *4.6* | – | *7.8* | – | ***16.6*** | | – | ***16.6*** |
| *Return on capital employed (%)* | *24.3* | *15.2* | *(1.7)* | – | *2.5* | – | ***13.9*** | | – | ***16.9*** |
| Average number of employees (thousands)[6] | 5.9 | 11.2 | 3.0 | 0.1 | 0.9 | – | **21.1** | 5.3 | – | **26.4** |

Notes:
1 The Group's operations in Russia are presented as held for sale and classified as discontinued operations. Therefore, in accordance with IFRS 5, the comparative figures for the year ended 31 December 2021 were restated to separate the net profit and cash flows associated with the Russian operations. The comparatives in the consolidated statement of financial position were not restated. Refer to notes 26 and 35 for further details
2 See pages 242-248 for definitions of APMs
3 Intersegment elimination of €39 million (2021: €63 million) relates to transactions with discontinued operations
4 Includes only impairments not classified as special items
5 Operating segment assets and operating segment net assets were replaced by capital employed in the table to further align the reporting of operating segments to be in a manner consistent with internal reporting to the chief operating decision-making body
6 Presented on a full-time employee equivalent basis

# Notes to the consolidated financial statements for the year ended 31 December 2022 continued

## 2 Operating segments continued

### External revenue by location of production and by location of customer[1]

| € million | External revenue by location of production | | External revenue by location of customer | |
|---|---|---|---|---|
| | 2022 | Restated 2021 | 2022 | Restated 2021 |
| Africa | | | | |
| South Africa | 667 | 451 | 498 | 394 |
| Rest of Africa | 74 | 56 | 436 | 272 |
| Africa total | 741 | 507 | 934 | 666 |
| Western Europe | | | | |
| Austria | 1,640 | 1,280 | 203 | 159 |
| Germany | 808 | 877 | 1,188 | 996 |
| UK | 3 | 3 | 230 | 191 |
| Rest of Western Europe | 888 | 699 | 1,988 | 1,511 |
| Western Europe total | 3,339 | 2,859 | 3,609 | 2,857 |
| Emerging Europe | | | | |
| Czech Republic | 820 | 602 | 286 | 223 |
| Poland | 1,587 | 1,242 | 851 | 707 |
| Türkiye[2] | 589 | 434 | 693 | 512 |
| Rest of emerging Europe[2] | 1,089 | 764 | 629 | 515 |
| Emerging Europe total | 4,085 | 3,042 | 2,459 | 1,957 |
| Russia[1,3] | – | – | 30 | 34 |
| North America | 634 | 480 | 1,000 | 804 |
| South America | 2 | – | 157 | 128 |
| Asia and Australia | 101 | 86 | 713 | 528 |
| **Group total** | **8,902** | **6,974** | **8,902** | **6,974** |

Notes:
1 Excludes external revenue of €1,178 million (2021: €749 million) generated by the discontinued operations (see note 26)
2 External revenue for Rest of emerging Europe by location of production and customer has been further analysed to what was presented previously to separately show revenue for Türkiye
3 External revenue to customers located in Russia is expected to cease in 2023

There were no external customers which account for more than 10% of the Group's total external revenue in either year.

There are no material contract assets or contract liabilities as at 31 December 2022 and 31 December 2021. No contract costs were capitalised in either year presented.

The Group does not disclose information about remaining performance obligations that have original expected durations of one year or less, as permitted under IFRS 15.

### Net assets by location

| € million | 2022 Non-current non-financial assets | 2022 Segment assets | 2022 Segment net assets | 2021 Non-current non-financial assets | 2021 Segment assets | 2021 Segment net assets |
|---|---|---|---|---|---|---|
| Africa | | | | | | |
| South Africa | 922 | 1,133 | 1,015 | 778 | 898 | 805 |
| Rest of Africa | 68 | 176 | 170 | 62 | 118 | 114 |
| Africa total | 990 | 1,309 | 1,185 | 840 | 1,016 | 919 |
| Western Europe | | | | | | |
| Austria | 470 | 1,070 | 797 | 471 | 937 | 665 |
| Germany | 347 | 571 | 488 | 657 | 943 | 806 |
| UK | 33 | 41 | 40 | 34 | 60 | 57 |
| Rest of Western Europe | 631 | 868 | 763 | 608 | 780 | 695 |
| Western Europe total | 1,481 | 2,550 | 2,088 | 1,770 | 2,720 | 2,223 |
| Emerging Europe | | | | | | |
| Czech Republic | 926 | 1,044 | 843 | 878 | 958 | 846 |
| Poland | 759 | 1,112 | 933 | 723 | 991 | 850 |
| Türkiye[1] | 182 | 420 | 320 | 76 | 301 | 191 |
| Rest of emerging Europe[1] | 873 | 1,087 | 847 | 913 | 1,081 | 876 |
| Emerging Europe total | 2,740 | 3,663 | 2,943 | 2,590 | 3,331 | 2,763 |
| Russia[2] | – | – | – | 753 | 921 | 814 |
| North America | 181 | 421 | 368 | 161 | 363 | 317 |
| South America | 13 | 19 | 19 | 7 | 10 | 10 |
| Asia and Australia | 87 | 170 | 157 | 100 | 164 | 150 |
| **Group total** | **5,492** | **8,132** | **6,760** | **6,221** | **8,525** | **7,196** |

Notes:
1 Non-current non-financial assets, segment assets and segment net assets for Rest of emerging Europe have been further analysed to show Türkiye separately
2 The Group's assets and liabilities in Russia are classified as held for sale as at 31 December 2022 and its operations are reported as discontinued operations for the year then ended and the comparatives for the year ended 31 December 2021. The comparatives in the consolidated statement of financial position have not been restated (see note 26)

### Reconciliation of operating segment assets

| € million | 2022 Segment assets | 2022 Segment net assets/ (liabilities) | 2021 Segment assets | 2021 Segment net assets/ (liabilities) |
|---|---|---|---|---|
| **Group total** | **8,132** | **6,760** | **8,525** | **7,196** |
| **Unallocated** | | | | |
| Assets held for sale and liabilities directly associated with assets held for sale (see note 26) | 1,382 | 1,057 | – | – |
| Investments in joint ventures | 18 | 18 | 17 | 17 |
| Deferred tax assets/(liabilities) | 34 | (273) | 43 | (240) |
| Other non-operating assets/(liabilities) | 212 | (297) | 201 | (321) |
| **Group capital employed** | **9,778** | **7,265** | **8,786** | **6,652** |
| Financial instruments/(net debt) | 1,069 | (1,011) | 475 | (1,763) |
| **Total assets/equity** | **10,847** | **6,254** | **9,261** | **4,889** |

Other non-operating assets/(liabilities) include non-current financial instruments and current tax assets/(liabilities) as presented in the consolidated statement of financial position, provisions for restructuring costs, employee-related and other provisions (see note 19), derivative financial instruments (see note 31d) and other non-operating receivables/(payables) of €175 million and €317 million, respectively, as at 31 December 2022 (2021: €152 million and €324 million).

# Notes to the consolidated financial statements for the year ended 31 December 2022 continued

## 2 Operating segments continued

**Average number of employees by principal location of employment[1]**

| thousands | 2022 | Restated 2021 |
|---|---|---|
| South Africa | 1.5 | 1.4 |
| Rest of Africa | 0.4 | 0.4 |
| Western Europe | 6.7 | 7.0 |
| Emerging Europe | 10.5 | 10.0 |
| North America | 1.6 | 1.6 |
| Asia and Australia | 0.7 | 0.7 |
| **Group total from continuing operations** | **21.4** | **21.1** |

Note:
1 Presented on a full-time employee equivalent basis

## 3 Special items

The Group separately discloses special items, an APM as defined on page 242, on the face of the consolidated income statement to assist its stakeholders in understanding the underlying financial performance achieved by the Group on a basis that is comparable from year to year.

| € million | 2022 | 2021 |
|---|---|---|
| **Operating special items** | | |
| Reversal of impairment of assets | – | 4 |
| Restructuring and closure costs: | | |
| Personnel costs | – | 5 |
| Other restructuring and closure costs | – | (2) |
| Gain on disposal of business, net of related transaction costs (see note 27) | 242 | – |
| **Total special items before tax** | **242** | **7** |
| Tax (charge)/credit (see note 7) | (5) | 2 |
| **Total special items** | **237** | **9** |

The operating special items resulted in a cash outflow from operating activities of €8 million for the year ended 31 December 2022 (2021: €15 million). The net cash received from the sale of the PCC business totalled €642 million and is presented within cash flows from investing activities.

**To 31 December 2022**

The special items during the year ended 31 December 2022 comprised:

- Personal Care Components (divested)
  - €242 million gain on the sale of the PCC business to Nitto Denko Corporation. Transaction costs of €6 million were also recognised in the prior year and were not treated as a special item. Further detail is provided in note 27.

**To 31 December 2021**

The special items during the year ended 31 December 2021 comprised:

- Flexible Packaging
  - Release of restructuring and closure provision of €2 million, partly offset by additional restructuring costs of €1 million, and reversal of impairment of assets of €1 million were recognised. All credit/(charges) related to special items from prior years.
  - Release of restructuring and closure provision of €2 million and partial reversal of impairment of assets of €3 million were recognised relating to the closure of a functional paper and films plant in the US. The credits are linked to a special item from prior years and were classified within the Engineered Materials operating segment before restructuring (see note 2). Total costs now amount to €9 million.

## 4 Auditors' remuneration

| € million | 2022 | Restated 2021 |
|---|---|---|
| Fees payable to the auditors for the audit of Mondi plc's annual financial statements | 1.9 | 1.7 |
| Fees payable to the auditors and their associates for the audit of Mondi plc's subsidiaries[1] | 4.1 | 3.7 |
| **Total audit fees** | **6.0** | **5.4** |
| Audit-related services[2] | 0.4 | 0.4 |
| Other assurance services[3] | 0.7 | – |
| Other services | – | – |
| **Total non-audit fees** | **1.1** | **0.4** |
| **Total fees** | **7.1** | **5.8** |

Notes:
1 Audit fees related to discontinued operations of €0.3 million (2021: €0.2 million) are not included in the table above. The fees were payable to an associate of the auditors in 2021
2 The fees for audit-related services primarily relate to the recurring half year review engagement
3 The fees for other assurance services relate to reporting obligations associated with the divestment of the Group's Russian operations

## 5 Personnel costs

| € million, unless otherwise stated | 2022 | Restated 2021 |
|---|---|---|
| **Within underlying operating costs** | | |
| Wages and salaries | 873 | 831 |
| Social security costs | 175 | 170 |
| Defined contribution retirement plan contributions (see note 24) | 14 | 13 |
| Defined benefit retirement plan service costs net of gain from settlement (see note 24) | 4 | 2 |
| Share-based payments (see note 23) | 11 | 9 |
| **Total within underlying operating costs** | **1,077** | **1,025** |
| **Within special items** | | |
| Personnel costs relating to restructuring (see note 3) | **–** | **(5)** |
| **Within net finance costs** | | |
| Retirement benefit medical plan net interest costs | 4 | 3 |
| Retirement benefit pension plan net interest costs | 2 | 2 |
| **Total within net finance costs (see note 6)** | **6** | **5** |
| **Group total from continuing operations** | **1,083** | **1,025** |
| | | |
| **Continuing operations' average number of employees (thousands)[1]** | **21.4** | **21.1** |

Note:
1 Presented on a full-time employee equivalent basis

# Notes to the consolidated financial statements for the year ended 31 December 2022 continued

## 6 Net finance costs

| € million | 2022 | Restated 2021 |
|---|---|---|
| **Investment income** | | |
| Investment income | **6** | **5** |
| **Net foreign currency losses** | | |
| Net foreign currency losses | **(5)** | **(2)** |
| **Finance costs** | | |
| Interest expense | | |
| Interest on bank overdrafts and loans | (133) | (75) |
| Interest on lease liabilities (see note 11) | (7) | (6) |
| Net interest expense on net retirement benefits liability (see note 24) | (6) | (5) |
| **Total interest expense** | **(146)** | **(86)** |
| Less: Interest capitalised | 2 | – |
| **Total finance costs** | **(144)** | **(86)** |
| **Net finance costs** | **(143)** | **(83)** |

The weighted average interest rate applicable to capitalised interest on general borrowings for the year ended 31 December 2022 was 6.7% (2021: 2.9%) and was mainly related to qualifying assets in Finland and Poland (2021: Finland and Germany).

## 7 Taxation

### (a) Analysis of tax charge for the year

The Group's effective rate of tax before special items for the year ended 31 December 2022 was 22% (2021: 22%).

| € million | 2022 | Restated 2021 |
|---|---|---|
| UK corporation tax at 19% (2021: 19%) | – | – |
| Overseas tax | 248 | 160 |
| Current tax in respect of prior years | (8) | 4 |
| **Current tax** | **240** | **164** |
| Deferred tax in respect of the current year | 64 | (6) |
| Deferred tax in respect of prior years | (4) | (4) |
| Deferred tax attributable to a change in the rate of domestic income tax | (4) | – |
| **Tax charge before special items** | **296** | **154** |
| Current tax on special items | 5 | (1) |
| Deferred tax on special items | – | (1) |
| **Tax charge/(credit) on special items (see note 3)** | **5** | **(2)** |
| **Tax charge for the year** | **301** | **152** |
| Current tax charge | 245 | 163 |
| Deferred tax charge/(credit) | 56 | (11) |

As the Group operates in a number of countries, each with different tax systems, a degree of tax risk is inevitable, as tax laws are complex and subject to changes in legislation and to differing interpretations. Consequently, provision has been made for such tax risk exposures within current tax liabilities of €41 million (2021: €63 million), mainly in relation to transfer pricing risks arising from cross border transactions. There is not expected to be any material change to the tax risk exposures or associated provisions within the next 12 months.

On 20 December 2021, the OECD released a framework for Pillar 2 Model Rules which will introduce a global minimum corporate tax rate of 15% applicable to multinational enterprise groups with global revenue over €750 million. On 20 July 2022, HM Treasury released draft UK legislation to implement the Pillar 2 rules. In the UK the Pillar 2 rules are expected to apply for accounting periods starting on or after 31 December 2023 (i.e. the year ending 31 December 2024 for the Group). Management is reviewing this draft legislation and monitoring the status of implementation outside of the UK to understand the potential impact on the Group's future tax position.

**Factors affecting tax charge for the year**

The Group's total tax charge for the year can be reconciled to the tax on the Group's profit before tax at the UK corporation tax rate of 19% (2021: 19%), as follows:

| € million | 2022 | Restated 2021 |
|---|---|---|
| **Profit before tax** | **1,560** | **712** |
| **Tax on profit before tax, calculated at the UK corporation tax rate of 19% (2021: 19%)** | **296** | **135** |
| **Tax effects of:** | | |
| **Income/expenses not taxable/deductible for tax purposes** | **(36)** | **4** |
| Special items not taxable | (43) | – |
| Other non-deductible expenses | 7 | 4 |
| **Temporary difference adjustments** | **(14)** | **(1)** |
| Fixed asset revaluation[1] | (16) | (4) |
| Changes in local tax rates[2] | (4) | – |
| Current year tax losses and other temporary differences not recognised | 10 | 7 |
| Prior year tax losses and other temporary differences not previously recognised | (4) | (4) |
| **Other adjustments** | **55** | **14** |
| Current tax prior year adjustments | (8) | 4 |
| Tax incentives[3] | (18) | (13) |
| Effect of differences between local rates and UK rate | 45 | 10 |
| Hyperinflation monetary adjustments[4] | 15 | – |
| Other adjustments | 21 | 13 |
| **Tax charge for the year** | **301** | **152** |

Notes:
1 There has been a revaluation of fixed assets in Türkiye which has resulted in a tax uplift
2 There have been changes in tax rates in South Africa, Türkiye and Austria
3 The tax incentives relate principally to capital investments in Slovakia and the Czech Republic (2021: the Czech Republic and Türkiye)
4 The Group has adopted hyperinflation accounting for its subsidiaries in Türkiye effective from 1 January 2022 (see notes 1 and 35). Their results have been restated for changes in the general purchasing power causing permanent tax differences

## (b) Deferred tax

| | Deferred tax assets | | Deferred tax liabilities | |
|---|---|---|---|---|
| € million | 2022 | 2021 | 2022 | 2021 |
| At 1 January | 43 | 39 | (283) | (278) |
| Hyperinflation monetary adjustment (see note 1) | – | – | (7) | – |
| Restated at 1 January | 43 | 39 | (290) | (278) |
| Credited/(charged) to the consolidated income statement | 5 | 4 | (61) | 5 |
| Charged to the consolidated statement of comprehensive income | (2) | – | (1) | (4) |
| Acquired through business combinations (see note 25) | – | – | – | (4) |
| Disposal of businesses (see note 27) | – | – | 8 | – |
| Reclassification to assets held for sale and liabilities directly associated with assets held for sale (see note 26) | – | – | 42 | – |
| Reclassification | (6) | – | 6 | – |
| Hyperinflation monetary adjustment (see note 1) | (4) | – | (1) | – |
| Currency movements | (2) | – | (10) | (2) |
| **At 31 December** | **34** | **43** | **(307)** | **(283)** |

# Notes to the consolidated financial statements for the year ended 31 December 2022 continued

## 7 Taxation continued

The amount of deferred tax (charged)/credited to the consolidated income statement comprises:

| € million | 2022 | Restated 2021 |
|---|---|---|
| Capital allowances in excess of depreciation | (16) | (22) |
| Fair value adjustments | (33) | 6 |
| Tax losses recognised | (25) | 1 |
| Other temporary differences | 18 | 26 |
| **Total** | **(56)** | **11** |

Deferred tax comprises:

| | Deferred tax assets | | Deferred tax liabilities | |
|---|---|---|---|---|
| € million | 2022 | 2021 | 2022 | 2021 |
| Capital allowances in excess of depreciation | (26) | (16) | (249) | (288) |
| Fair value adjustments | – | – | (127) | (93) |
| Tax losses[1] | 4 | 11 | 8 | 26 |
| Other temporary differences | 56 | 48 | 61 | 72 |
| **Total** | **34** | **43** | **(307)** | **(283)** |

Note:
1 Based on forecast data, the Group considers it probable that there will be sufficient future taxable profits available in the relevant jurisdictions to utilise these tax losses and other temporary differences

Deferred tax balances have been shown after offset when they relate to income taxes levied by the same tax authority and it is intended to settle current assets and liabilities on a net basis.

The current expectation regarding the maturity of deferred tax balances is:

| | Deferred tax assets | | Deferred tax liabilities | |
|---|---|---|---|---|
| € million | 2022 | 2021 | 2022 | 2021 |
| Recoverable/(payable) within 12 months | 23 | 29 | (1) | (5) |
| Recoverable/(payable) after 12 months | 11 | 14 | (306) | (278) |
| **Total** | **34** | **43** | **(307)** | **(283)** |

The Group has the following amounts in respect of which no deferred tax asset has been recognised, as it is not considered probable that there will be future profit streams or gains against which these could be utilised:

| € million | 2022 | 2021 |
|---|---|---|
| Tax losses – revenue | 1,443 | 1,448 |
| Tax losses – capital | 16 | 16 |
| Other temporary differences | 27 | 21 |
| **Total** | **1,486** | **1,485** |

Of the total of €1,486 million (2021: €1,485 million), €1,269 million (2021: €1,272 million) relates to tax losses (with no expiry date) and other timing differences not recognised in the UK and Luxembourg due to lack of future profit streams.

There were no significant changes during the year in the expected future profit streams or gains.

Included in unrecognised tax losses are losses that will expire as follows:

| € million | 2022 | 2021 |
|---|---|---|
| **Expiry date** | | |
| Within one year | 5 | – |
| One to five years | 22 | 22 |
| After five years | 48 | 45 |
| No expiry date | 1,384 | 1,397 |
| **Total** | **1,459** | **1,464** |

No deferred tax liability is recognised on gross temporary differences of €679 million (2021: €1,146 million) relating to the unremitted earnings of overseas subsidiaries, as the Group is able to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future. UK tax legislation largely exempts, from UK tax, overseas dividends received. As a result, the gross temporary differences at 31 December 2022 represent only the unremitted earnings of those overseas subsidiaries where remittance to the UK of those earnings would still result in a tax liability, principally as a result of dividend withholding taxes levied by the overseas tax jurisdictions in which these subsidiaries operate and non-UK corporate taxes on dividends.

## 8 Earnings per share (EPS)

| | EPS attributable to shareholders | |
|---|---|---|
| **euro cents** | **2022** | **Restated 2021** |
| **From continuing operations** | | |
| Basic EPS | 244.5 | 112.0 |
| Diluted EPS | 244.4 | 111.9 |
| Basic underlying EPS | 195.6 | 110.1 |
| Diluted underlying EPS | 195.6 | 110.0 |
| **From discontinued operations** | | |
| Basic EPS | 54.8 | 43.9 |
| Diluted EPS | 54.8 | 43.9 |
| **From continuing and discontinued operations** | | |
| Basic EPS | 299.3 | 155.9 |
| Diluted EPS | 299.2 | 155.8 |
| Basic total EPS (prior to special items) | 250.4 | 154.0 |
| Diluted total EPS (prior to special items) | 250.4 | 153.9 |
| Basic headline EPS | 264.3 | 155.3 |
| Diluted headline EPS | 264.2 | 155.2 |

# Notes to the consolidated financial statements for the year ended 31 December 2022 continued

## 8 Earnings per share (EPS) continued

The calculation of basic and diluted EPS, basic and diluted total EPS (prior to special items) and basic and diluted headline EPS is based on the following data:

| € million | Earnings 2022 | Earnings Restated 2021 |
|---|---|---|
| **Profit for the year attributable to shareholders** | **1,452** | **756** |
| Arises from: | | |
| Continuing operations | 1,186 | 543 |
| Discontinued operations[1] | 266 | 213 |
| Special items attributable to shareholders (see note 3) | (242) | (7) |
| Related tax (see note 3) | 5 | (2) |
| **Total earnings for the year (prior to special items)** | **1,215** | **747** |
| Arises from: | | |
| Continuing operations | 949 | 534 |
| Discontinued operations[1] | 266 | 213 |
| Special items attributable to shareholders not excluded from headline earnings | – | 3 |
| (Gain)/loss on disposal of property, plant and equipment | (2) | 1 |
| Impairments not included in special items (see note 10) | 11 | – |
| Impairments included in profit from discontinued operations (see note 26) | 57 | – |
| Related tax | 1 | 2 |
| **Headline earnings for the year** | **1,282** | **753** |

Note:
1 Profits from discontinued operations are wholly attributable to shareholders

| million | Weighted average number of shares 2022 | Weighted average number of shares 2021 |
|---|---|---|
| **Basic number of ordinary shares outstanding** | **485.1** | **485.0** |
| Effect of dilutive potential ordinary shares | 0.1 | 0.3 |
| **Diluted number of ordinary shares outstanding** | **485.2** | **485.3** |

## 9 Dividends

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | euro cents per share | € million | euro cents per share | € million |
| Final dividend paid in respect of the prior year | 45.00 | 218 | 41.00 | 201 |
| Interim dividend paid in respect of the current year | 21.67 | 103 | 20.00 | 97 |
| **Total dividends paid** | | **321** | | **298** |
| **Final dividend proposed to shareholders** | **48.33** | **234** | **45.00** | **218** |

The final dividend proposed in respect of the financial year ended 31 December 2022 has been recommended by the Board and is subject to the approval of the shareholders of Mondi plc at the Annual General Meeting scheduled for 4 May 2023.

## 10 Property, plant and equipment

| € million | Land and buildings[1] | Plant and equipment | Assets under construction | Other | Total |
|---|---|---|---|---|---|
| **Net carrying value** | | | | | |
| At 1 January 2021 | 1,256 | 2,621 | 621 | 143 | **4,641** |
| Acquired through business combinations | 37 | 18 | – | 2 | **57** |
| Additions | 72 | 212 | 237 | 43 | **564** |
| Disposal of assets | (18) | (5) | – | (2) | **(25)** |
| Depreciation charge for the year | (75) | (302) | – | (44) | **(421)** |
| Impairment losses reversed | 4 | – | – | – | **4** |
| Reclassification | 133 | 378 | (529) | 16 | **(2)** |
| Currency movements | 10 | 34 | 7 | 1 | **52** |
| **At 31 December 2021** | **1,419** | **2,956** | **336** | **159** | **4,870** |
| Cost | 2,405 | 7,824 | 353 | 471 | **11,053** |
| Accumulated depreciation and impairments | (986) | (4,868) | (17) | (312) | **(6,183)** |
| Hyperinflation monetary adjustment (see note 1) | 17 | 15 | 1 | 1 | **34** |
| Restated balance at 1 January | 1,436 | 2,971 | 337 | 160 | **4,904** |
| Additions | 43 | 100 | 393 | 39 | **575** |
| Disposal of assets | (4) | (2) | (3) | (2) | **(11)** |
| Disposal of businesses (see note 27) | (44) | (108) | (9) | (13) | **(174)** |
| Reclassification to assets held for sale (see note 26) | (323) | (496) | (75) | (47) | **(941)** |
| Depreciation charge for the year | (68) | (296) | – | (41) | **(405)** |
| Impairment losses recognised | (4) | (7) | – | – | **(11)** |
| Reclassification | 45 | 207 | (266) | 11 | **(3)** |
| Hyperinflation monetary adjustment (see note 1) | 26 | 20 | 2 | 2 | **50** |
| Currency movements | 60 | 94 | 19 | 10 | **183** |
| **At 31 December 2022** | **1,167** | **2,483** | **398** | **119** | **4,167** |
| Cost | 2,031 | 7,077 | 415 | 386 | **9,909** |
| Accumulated depreciation and impairments | (864) | (4,594) | (17) | (267) | **(5,742)** |

Note:
1 The land carrying value included in Land and buildings is €211 million (2021: €188 million)

Included in the additions above is €2 million (2021: €nil) of interest incurred on qualifying assets which has been capitalised during the year. The amount is 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.

The Group recognised income from insurance reimbursements relating to damages of property, plant and equipment of €7 million (2021: €2 million) in other net operating expenses within the consolidated income statement.

The recoverable amount of property, plant and equipment is determined based on the use of the asset within the current business plans. Any change in future intentions could result in an impairment of varying magnitude, depending on the assets affected.

# Notes to the consolidated financial statements for the year ended 31 December 2022 continued

## 11 Leases

The Group has entered into various lease agreements. Leases over land and buildings have a weighted average term of 35 years (2021: 40 years), plant and equipment a weighted average term of 12 years (2021: 13 years) and other assets a weighted average term of 5 years (2021: 4 years). The decrease in the weighted average term for leases over land and buildings is mainly driven by the Russian forestry leases, which have been reclassified to held for sale in June 2022.

The principal lease agreements in place include the following:

### South African land lease

The Group entered into a land lease agreement on 1 January 2001 for a total term of 70 years. The lease commitment and annual escalation rate is renegotiated every five years. The lease does not contain any clauses with regard to contingent rent or an option to purchase the land at the end of the lease term, and does not impose any significant restrictions on the Group as a lessee.

### Office building

The Group entered into an office building lease agreement in Vienna (Austria) for a total term of 20 years from October 2013. The lease may only be terminated by the Group, after six months' notice, in September 2023 and again in September 2028. Rent escalates on an annual basis by the consumer price index of the local jurisdiction. The lease does not contain any option to purchase the building at the end of the lease term, and does not impose any significant restrictions on the Group as a lessee. Variable lease payments are included in the lease liability and calculated at the consumer price index. The Group does not intend to exercise the termination options, as described above, and thus these were not considered in the calculation of the right-of-use asset.

### Right-of-use assets

| | Right-of-use assets | | Depreciation charge | |
|---|---|---|---|---|
| € million | 2022 | 2021 | 2022 | Restated 2021 |
| Land and buildings | 61 | 126 | (11) | (10) |
| Plant and equipment | 43 | 39 | (8) | (7) |
| Other | 15 | 12 | (6) | (5) |
| **Total** | **119** | **177** | **(25)** | **(22)** |

Additions to the right-of-use assets during 2022 were €36 million (2021: €37 million). The decrease in the right-of-use assets and lease liabilities is mainly driven by the Russian forestry leases, which have been reclassified to assets held for sale and liabilities directly associated with assets held for sale in June 2022.

### Lease liabilities

| € million | 2022 | 2021 |
|---|---|---|
| **Maturity analysis – contractual undiscounted cash flows** | | |
| Less than one year | 25 | 31 |
| One to two years | 22 | 27 |
| Two to five years | 47 | 63 |
| More than five years | 99 | 328 |
| **Total undiscounted cash flows** | **193** | **449** |
| **Total lease liabilities** | **128** | **204** |
| Current | 19 | 20 |
| Non-current | 109 | 184 |

The continuing operations' total cash outflow for leases during 2022 was €32 million (2021 (restated): €32 million).

### Amounts recognised in the consolidated income statement

| € million | 2022 | Restated 2021 |
|---|---|---|
| Depreciation charge | (25) | (22) |
| Interest on lease liabilities | (7) | (6) |
| Expenses relating to short-term leases | (3) | (2) |
| Expenses relating to leases of low-value assets | (1) | (2) |

## 12 Goodwill

### (a) Reconciliation

| € million | 2022 | 2021 |
|---|---|---|
| **Net carrying value** | | |
| At 1 January | 926 | 923 |
| Hyperinflation monetary adjustment (see note 1) | 10 | – |
| Restated balance at 1 January | 936 | 923 |
| Disposal of businesses (see note 27) | (141) | – |
| Reclassification to assets held for sale (see note 26) | (34) | – |
| Hyperinflation monetary adjustment (see note 1) | 11 | – |
| Currency movements | (3) | 3 |
| **At 31 December** | **769** | **926** |

### (b) Assumptions

Goodwill acquired through business combinations is allocated to the group of cash-generating units (CGUs) that are expected to benefit from the synergies of the combination and represents the lowest level at which goodwill is monitored for internal management purposes. As described further in the accounting policies in note 35, goodwill is assessed for impairment at least annually. In performing this impairment test, the recoverable amounts of these groups of CGUs are the higher of fair value less costs to dispose and value in use.

Goodwill is allocated to three groups of CGUs, as follows:

| 2022/€ million, unless otherwise stated | Weighted average pre-tax discount rate | Growth rate beyond year 3 | Carrying value |
|---|---|---|---|
| Corrugated Packaging | 9.9% | 3% | 329 |
| Flexible Packaging | 9.2% | 2% | 425 |
| Uncoated Fine Paper | 10.2% | 0% | 15 |
| **Total goodwill** | | | **769** |

As a result of the reorganisation of the Group's business units (see note 2), the Group has changed, based on the relative fair values in accordance with IAS 36, the allocation of goodwill to its respective groups of CGUs, with three groups of CGUs being identified as the lowest level at which goodwill is monitored for management purposes:

- Following the disposal of the PCC business in June 2022, €141 million of goodwill previously allocated to the Engineered Materials group of CGUs was assigned to the divested PCC group of CGUs. The remaining goodwill of €73 million was moved to the Flexible Packaging group of CGUs, together with the retained functional paper and films operations.
- Goodwill of €34 million previously allocated to the Corrugated Packaging, Flexible Packaging and Uncoated Fine Paper groups of CGUs was moved to the Russian discontinued operations, where it has been reported as held for sale as at 31 December 2022.

In 2021, prior to the reorganisation, goodwill was allocated to four groups of CGUs as follows:

| 2021/€ million, unless otherwise stated | Weighted average pre-tax discount rate | Growth rate beyond year 3 | Carrying value |
|---|---|---|---|
| Corrugated Packaging | 8.7% | 3% | 341 |
| Flexible Packaging | 8.7% | 2% | 341 |
| Engineered Materials | 7.9% | 2% | 214 |
| Uncoated Fine Paper | 10.7% | 0% | 30 |
| **Total goodwill** | | | **926** |

# Notes to the consolidated financial statements for the year ended 31 December 2022 continued

## 12 Goodwill continued

**Key assumptions for 2022**

The key assumptions in the value-in-use calculations are as follows:

- Cash flow forecasts are derived from the budget most recently approved by the Board covering the three-year period to 31 December 2025.
- Sales volumes, sales prices and input cost assumptions in the budget period are derived from a combination of economic forecasts for the regions in which the Group operates, industry forecasts for individual product lines, internal management projections, historical performance and announced and expected industry capacity changes.
- The impact of climate change such as regulatory risks on carbon pricing, yield losses on plantations or the effects of droughts as well as climate-change related opportunities in the budget period are considered in the cash flow forecasts. The Group's climate change risks and opportunities identified according to the TCFD recommendations are disclosed on pages 48-57 of this report.
- Cash flow projections in year four are based on internal management projections taking into consideration industry forecasts and growth rates in the regions in which the Group operates. Growth rates (as per the table above) are applied to the groups of CGUs for all years from year four onwards.
- Capital expenditure forecasts are based on historical experience and include expenditure necessary to maintain the assets in their current condition.

The pre-tax discount rate is derived from the Group's weighted average cost of capital. In determining the discount rate applicable to each group of CGUs, adjustments are made to reflect the impacts of country risk.

**Sensitivity analyses**

Expected future cash flows are inherently uncertain and could change materially over time. They are affected by a number of factors, including market and production estimates, together with economic factors such as prices, discount rates, currency exchange rates, estimates of production costs and future capital expenditure. Risks associated with increased operating costs such as carbon pricing mechanisms have also been considered.

Sensitivity analyses of reasonably possible changes in the underlying assumptions for each group of CGUs included:

- 100 bps increase in discount rate;
- 0% growth rate assumed for cash flow projections beyond three years in the Corrugated Packaging and Flexible Packaging groups of CGUs;
- 5% decrease in sales prices of paper and pulp in the Corrugated Packaging and Flexible Packaging groups of CGUs; and
- 3% decrease in sales prices of paper and 5% decrease in sales prices of pulp in the Uncoated Fine Paper group of CGUs.

None of these downside sensitivity analyses indicated the need for an impairment.

## 13 Intangible assets

| € million | 2022 | 2021 |
|---|---|---|
| **Net carrying value** | | |
| At 1 January | 76 | 70 |
| Hyperinflation monetary adjustment (see note 1) | 2 | – |
| Restated balance at 1 January | 78 | 70 |
| Acquired through business combinations | – | 6 |
| Additions | 12 | 17 |
| Disposal of businesses (see note 27) | (2) | – |
| Reclassification to assets held for sale (see note 26) | (7) | – |
| Impairment charge for the year | (2) | – |
| Amortisation charge for the year | (18) | (18) |
| Reclassification | 3 | 2 |
| Hyperinflation monetary adjustment (see note 1) | 3 | – |
| Currency movements | (3) | (1) |
| **At 31 December** | **64** | **76** |
| Cost | 235 | 259 |
| Accumulated amortisation and impairments | (171) | (183) |

The intangible assets comprise mainly software development costs.

R&D expenditure incurred by the Group and charged to the consolidated income statement during the year amounted to €22 million (2021 (restated): €22 million).

## 14 Forestry assets

| € million | 2022 | 2021 |
|---|---|---|
| At 1 January | 348 | 372 |
| Investment in forestry assets | 49 | 45 |
| Fair value gains/(losses) | 169 | (7) |
| Felling costs | (78) | (62) |
| Currency movements | (3) | – |
| **At 31 December** | **485** | **348** |
| Mature | 309 | 217 |
| Immature | 176 | 131 |

The Group has 252,857 hectares (2021: 253,680 hectares) of owned and leased land available for forestry activities, all of which is in South Africa. 80,227 hectares (2021: 80,854 hectares) are set aside for conservation activities and infrastructure needs. 1,045 hectares (2021: 1,044 hectares) relate to non-core activities. The balance of 171,585 hectares (2021: 171,782 hectares) are under afforestation, which forms the basis of the valuation set out above.

Mature forestry assets are those plantations that are harvestable, while immature forestry assets have not yet reached that stage of growth. Timber is harvested according to a rotation plan, once trees reach maturity. The maturity period ranges from 6.5 to 14.5 years, depending on species, climate and location.

The fair value of forestry assets is a level 3 measure in terms of the fair value measurement hierarchy, consistent with prior years.

# Notes to the consolidated financial statements for the year ended 31 December 2022 continued

## 14 Forestry assets continued

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 2022, the net selling price used ranged from the South African rand equivalent of €14 per tonne to €47 per tonne (2021: €14 per tonne to €44 per tonne), with a weighted average of €33 per tonne (2021: €24 per tonne).
- The conversion factor, which is used to convert hectares of land under afforestation to tonnes of standing timber, is dependent on the species, the maturity profile of the timber, the geographic location and a variety of other environmental factors, such as the anticipated impact of climate change on water scarcity and fire risks. In 2022, the conversion factors ranged from 7.9 to 23.9 (2021: 8.3 to 24.1).
- The risk premium on immature timber of 12.5% (2021: 12.9%) is based on an assessment of the risks associated with forestry assets in South Africa and is applied for the years the immature timber has left to reach maturity. A risk premium on mature timber of 4.0% (2021: 4.0%) was applied. The risk premium applied to immature and mature timber include factors for the anticipated impact of climate change on water scarcity and fire risks. An increase in the severity and frequency of extreme weather events, such as higher temperatures, changes in rainfall patterns and drought conditions, may result in higher timber losses in future years caused by stronger winds, erosion, fires, pests and diseases.

The valuation of the Group's forestry assets is determined in South African rand and converted to euro at the closing exchange rate on 31 December of each year.

Management has performed sensitivity analyses of reasonably possible changes in the significant assumptions and the EUR/ZAR exchange rate. The sensitivity table is based on historical experience; however, the estimates may vary by greater amounts. Therefore, the Board considers the forestry assets valuation to be a significant accounting estimate. The reported value of owned forestry assets would change as follows should there be a change in these underlying assumptions on the basis that all other factors remain unchanged:

| € million | 2022 | 2021 |
|---|---|---|
| Effect of €5/tonne increase in net selling price | 75 | 71 |
| Effect of 1% increase in conversion factor (hectares to tonnes) | 5 | 3 |
| Effect of 1% increase in risk premium | (7) | (5) |
| Effect of 10% increase in EUR/ZAR exchange rate | (44) | (32) |

## 15 Investments in joint ventures

| € million | 2022 | 2021 |
|---|---|---|
| At 1 January | 17 | 10 |
| Share of profit | 1 | 6 |
| Additions | – | 1 |
| **At 31 December** | **18** | **17** |

## 16 Inventories

| € million | 2022 | 2021 |
|---|---|---|
| **Valued using the first-in, first-out cost formula** | | |
| Raw materials and consumables | 18 | 20 |
| Work in progress | 7 | 4 |
| Finished products | 35 | 8 |
| **Total valued using the first-in, first-out cost formula** | **60** | **32** |
| **Valued using the weighted average cost formula** | | |
| Raw materials and consumables | 639 | 499 |
| Work in progress | 153 | 134 |
| Finished products | 507 | 434 |
| **Total valued using the weighted average cost formula** | **1,299** | **1,067** |
| **Total inventories** | **1,359** | **1,099** |
| | | |
| Of which, held at net realisable value | 174 | 165 |

**Consolidated income statement**

| € million | 2022 | Restated 2021 |
|---|---|---|
| **Within materials, energy and consumables used** | | |
| Cost of inventories recognised as an expense | (3,928) | (3,001) |
| Write-down of inventories to net realisable value | (65) | (42) |
| Aggregate reversal of previous write-downs of inventories | 40 | 30 |
| **Within other net operating expenses** | | |
| Green energy sales and disposal of emissions credits | 50 | 62 |

The reversal of previous write-downs of inventories relates to goods that had been written down to net realisable value and were subsequently sold above their carrying value.

## 17 Trade and other receivables

| € million | 2022 | 2021 |
|---|---|---|
| Trade receivables | 1,250 | 1,173 |
| Credit loss allowance | (26) | (29) |
| **Net trade receivables** | **1,224** | **1,144** |
| Other receivables | 20 | 23 |
| Tax and social security | 158 | 133 |
| Prepayments | 46 | 32 |
| Accrued income | – | 1 |
| **Total trade and other receivables** | **1,448** | **1,333** |

**Trade receivables: credit risk**

The Group has a large number of unrelated customers and does not have significant credit risk exposure to any particular customer. The Group considers that there is no significant geographical or customer concentration of credit risk.

Each business segment manages its own exposure to credit risk according to the economic circumstances and characteristics of the relevant markets that it serves. The Group considers that management of credit risk on a decentralised basis enables it to assess and manage credit risk more effectively. However, broad principles of credit risk management are observed across all business segments, such as the use of credit rating agencies, credit guarantee insurance, where appropriate, and the maintenance of a credit control function.

# Notes to the consolidated financial statements for the year ended 31 December 2022 continued

## 17 Trade and other receivables continued

| € million | 2022 | 2021 |
|---|---|---|
| **Credit risk exposure** | | |
| Gross trade receivables | 1,250 | 1,173 |
| Credit insurance | (995) | (968) |
| **Net exposure to credit risk** | **255** | **205** |

In addition, the Group is in possession of bank guarantees and letters of credit securing trade and other receivables to the value of €17 million (2021: €5 million).

Credit periods offered to customers vary according to the credit risk profiles of, and invoicing conventions established by, participants operating in the various markets in which the Group operates. Interest is charged at appropriate market rates on balances which are considered overdue in the relevant market.

To the extent that recoverable amounts are expected to be less than their associated carrying values, impairment charges have been recorded in the consolidated income statement and the carrying values have been written down to their expected recoverable amounts. The total gross carrying value of trade receivables that were subject to credit loss allowance during the year is €42 million (2021: €45 million).

Included within the Group's aggregate trade receivables balance are specific debtor balances, with customers totalling €173 million (2021: €112 million) which are past due where the Group considers that their credit quality remains intact.

The expected credit loss allowance for trade receivables was determined as follows:

| | | Past due by | | | | |
|---|---|---|---|---|---|---|
| **2022/€ million, unless otherwise stated** | **Within terms** | **<1 month** | **1-2 months** | **2-3 months** | **>3 months** | **Total** |
| Expected loss rate % | 1 | 2 | 6 | 14 | 67 | |
| Trade receivables | 1,059 | 135 | 31 | 7 | 18 | **1,250** |
| Credit loss allowance | (8) | (3) | (2) | (1) | (12) | **(26)** |

| | | Past due by | | | | |
|---|---|---|---|---|---|---|
| **2021/€ million, unless otherwise stated** | **Within terms** | **<1 month** | **1-2 months** | **2-3 months** | **>3 months** | **Total** |
| Expected loss rate % | 1 | 2 | 7 | 33 | 76 | |
| Trade receivables | 1,041 | 93 | 15 | 3 | 21 | **1,173** |
| Credit loss allowance | (9) | (2) | (1) | (1) | (16) | **(29)** |

### Movement in the credit loss allowance

| € million | 2022 | 2021 |
|---|---|---|
| At 1 January | 29 | 29 |
| Increase in allowance recognised in consolidated income statement | 10 | 11 |
| Amounts written off or recovered | (8) | (7) |
| Reclassification to assets held for sale (see note 26) | (2) | – |
| Currency movements | (3) | (4) |
| **At 31 December** | **26** | **29** |

## 18 Trade and other payables

| € million | 2022 | 2021 |
|---|---|---|
| Trade payables | 879 | 823 |
| Capital expenditure payables | 48 | 56 |
| Tax and social security | 68 | 71 |
| Other payables | 59 | 60 |
| Accruals | 454 | 419 |
| Deferred income | 17 | 15 |
| **Total trade and other payables** | **1,525** | **1,444** |

## 19 Provisions

| € million | Restructuring costs | Employee-related provisions | Environmental restoration | Other | Total |
|---|---|---|---|---|---|
| At 1 January 2022 | 9 | 30 | 4 | 25 | **68** |
| Charged to consolidated income statement | – | 8 | – | 14 | **22** |
| Released to consolidated income statement | – | (2) | – | (2) | **(4)** |
| Amounts used | (4) | (6) | – | (11) | **(21)** |
| Disposal of businesses (see note 27) | (2) | (1) | – | (1) | **(4)** |
| Reclassification to liabilities directly associated with assets held for sale (see note 26) | – | – | – | (14) | **(14)** |
| Currency movements | – | – | – | 2 | **2** |
| **At 31 December 2022** | **3** | **29** | **4** | **13** | **49** |
| Current | 3 | 8 | – | 11 | **22** |
| Non-current | – | 21 | 4 | 2 | **27** |

The provisions for restructuring costs are expected to be settled over the next year. Restructuring provisions include severance costs, when management has made a formal decision to eliminate certain positions and this has been communicated to the groups of employees affected, and other related costs that are typically expected to be incurred in the course of a restructuring programme.

Employee-related provisions comprise provisions for jubilee awards and other short-term benefits. Given the nature of jubilee provisions, the amounts are likely to be settled over many years.

The Group provides for the costs of environmental remediation that have been identified at the time of plant closure, as part of acquisition due diligence or in other circumstances where remediation by the Group is required and a probable outflow of economic resources is identified. Judgement and experience is used by management in determining the expected timing, closure and decommissioning methods, which can vary over time and between locations in response to the relevant legal requirements in each territory or the impact of applying new technologies. As of 31 December 2022, such provisions totalled €4 million (2021: €4 million).

The Group does not provide for any potential future environmental remediation or asset retirement obligations in respect of plants that the Group continues to own and operate into the foreseeable future based on the existing strategy of the Group, unless a legal or constructive obligation exists at the reporting date.

Provisions may be identified at a future date if a change in strategy results in planned plant closure or disposal and the Group identifies the need for future environmental remediation subject to the existence of a legal or constructive obligation.

Other provisions are mainly attributable to potential claims against the Group and onerous contracts, none of which is individually significant. The Group expects to settle the majority of the provisions over the next year.

All non-current provisions are discounted using a discount rate relevant in the local countries, based on a pre-tax yield on long-term bonds.

# Notes to the consolidated financial statements for the year ended 31 December 2022 continued

## 20 Capital management

The Group defines its capital employed as equity, as presented in the consolidated statement of financial position, plus net debt.

| € million | 2022 | 2021 |
|---|---|---|
| Equity attributable to shareholders | 5,794 | 4,498 |
| Equity attributable to non-controlling interests | 460 | 391 |
| **Total equity** | **6,254** | **4,889** |
| **Net debt (see note 28c)** | **1,011** | **1,763** |
| **Capital employed (see page 245)** | **7,265** | **6,652** |

Capital employed is managed on a basis that enables the Group to continue trading as a going concern, while delivering acceptable returns to shareholders. The Group is committed to managing its cost of capital by maintaining an appropriate capital structure, with a balance between equity and net debt.

The Group utilises its capital employed to fund the growth of the business and to finance its liquidity needs.

The primary sources of the Group's net debt include its €2.5 billion Guaranteed Euro Medium Term Note Programme, its €750 million Syndicated Revolving Credit Facility and financing from various banks and other credit agencies, thus providing the Group with access to diverse sources of debt financing.

The principal loan arrangements in place are the following:

| € million | Maturity | Interest rate % | 2022 | 2021 |
|---|---|---|---|---|
| **Financing facilities** | | | | |
| Syndicated Revolving Credit Facility | June 2027[1] | EURIBOR + margin | 750 | 750 |
| €500 million Eurobond | April 2024 | 1.500% | 500 | 500 |
| €600 million Eurobond | April 2026 | 1.625% | 600 | 600 |
| €750 million Eurobond | April 2028 | 2.375% | 750 | 750 |
| European Investment Bank Facility | June 2025 | EURIBOR + margin | – | 33 |
| Long Term Facility Agreement | December 2026 | EURIBOR + margin | 27 | 70 |
| Other | Various | Various | 8 | 57 |
| **Total committed facilities** | | | **2,635** | **2,760** |
| Drawn | | | (1,878) | (1,957) |
| **Total committed facilities available** | | | **757** | **803** |

Note:
1 The Group has opted for a one-year extension on the facility, which moved the maturity from June 2026 to June 2027

The Group's Eurobonds incur a fixed rate of interest. Swap agreements are utilised by the Group to raise non-euro-denominated currency to fund subsidiaries' liquidity needs, thereby exposing the Group to floating interest rates.

The €750 million 5-year revolving multi-currency credit facility agreement (RCF) incorporates key sustainability targets linked to MAP2030, classifying the facility as a Sustainability Linked Loan. Under the terms of the agreement, the margin will be adjusted according to the Group's performance against specified sustainability targets.

Short-term liquidity needs are met by cash and the RCF. As at 31 December 2022, the Group had no financial covenants in any of its financing facilities.

The Group reviews its capital employed on a regular basis and makes use of several indicative ratios which are appropriate to the nature of its operations and consistent with conventional industry measures. The principal ratios used include:

| | 2022 | Restated 2021 |
|---|---|---|
| Pre-tax weighted average cost of capital (%) | 10.0 | 10.0 |
| Gearing (%) (see page 247) | 16.3 | 28.7 |
| Net debt to underlying EBITDA (times) (see page 247) | 0.5 | 1.5 |
| Return on capital employed from continuing operations (%) (see page 246) | 23.7 | 13.9 |

In order to manage its cost of capital, maintain an appropriate capital structure and meet its ongoing cash flow needs, the Group may issue new debt instruments; adjust the level of dividends paid to shareholders; issue new shares to, or repurchase shares from, investors; or dispose of assets to reduce its net debt exposure.

## 21 Borrowings

| € million | 2022 Current | 2022 Non-current | 2022 Total | 2021 Current | 2021 Non-current | 2021 Total |
|---|---|---|---|---|---|---|
| **Secured** | | | | | | |
| Bank loans and overdrafts | 1 | – | 1 | 2 | 1 | 3 |
| Lease liabilities (see note 11) | 19 | 109 | 128 | 20 | 184 | 204 |
| **Total secured** | **20** | **109** | **129** | **22** | **185** | **207** |
| **Unsecured** | | | | | | |
| Bonds | – | 1,843 | 1,843 | – | 1,840 | 1,840 |
| Bank loans and overdrafts | 82 | 18 | 100 | 77 | 79 | 156 |
| Other loans | – | – | – | 25 | – | 25 |
| **Total unsecured** | **82** | **1,861** | **1,943** | **102** | **1,919** | **2,021** |
| **Total borrowings** | **102** | **1,970** | **2,072** | **124** | **2,104** | **2,228** |
| Committed facilities drawn | | | 1,878 | | | 1,957 |
| Uncommitted facilities drawn | | | 194 | | | 271 |

The Group's borrowings as at 31 December are analysed by nature and underlying currency as follows:

| 2022/€ million | Floating rate borrowings | Fixed rate borrowings | Total carrying value | Fair value |
|---|---|---|---|---|
| Euro | 30 | 1,906 | 1,936 | 1,820 |
| South African rand | – | 23 | 23 | 23 |
| Turkish lira | 33 | 41 | 74 | 74 |
| US dollar | – | 14 | 14 | 14 |
| Other currencies | 2 | 23 | 25 | 25 |
| **Carrying value** | **65** | **2,007** | **2,072** | |
| **Fair value** | **65** | **1,891** | | **1,956** |

| 2021/€ million | Floating rate borrowings | Fixed rate borrowings | Total carrying value | Fair value |
|---|---|---|---|---|
| Euro | 125 | 1,904 | 2,029 | 2,154 |
| Pounds sterling | – | 4 | 4 | 4 |
| South African rand | 15 | 23 | 38 | 38 |
| Turkish lira | 25 | 16 | 41 | 41 |
| US dollar | – | 9 | 9 | 9 |
| Russian rouble | – | 82 | 82 | 82 |
| Other currencies | 4 | 21 | 25 | 25 |
| **Carrying value** | **169** | **2,059** | **2,228** | |
| **Fair value** | **169** | **2,184** | | **2,353** |

The fair values of the Eurobonds are estimated with reference to the last price quoted in the secondary market. All other financial liabilities are estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

# Notes to the consolidated financial statements for the year ended 31 December 2022 continued

## 21 Borrowings continued

The maturity analysis of the Group's borrowings, presented net of interest, is as follows:

| 2022/€ million | <1 year | 1–2 years | 2–5 years | >5 years | Total[1] |
|---|---|---|---|---|---|
| Bonds | – | 499 | 598 | 746 | **1,843** |
| Bank loans and overdrafts | 83 | 7 | 11 | – | **101** |
| Lease liabilities (see note 11) | 19 | 17 | 35 | 57 | **128** |
| **Total borrowings** | **102** | **523** | **644** | **803** | **2,072** |
| Effective interest on borrowings net of amortised costs and discounts | 51 | 37 | 80 | 51 | **219** |
| **Total undiscounted cash flows** | **153** | **560** | **724** | **854** | **2,291** |

| 2021/€ million | <1 year | 1–2 years | 2–5 years | >5 years | Total[1] |
|---|---|---|---|---|---|
| Bonds | – | – | 1,096 | 744 | **1,840** |
| Bank loans and overdrafts | 79 | 25 | 55 | – | **159** |
| Lease liabilities | 20 | 16 | 33 | 135 | **204** |
| Other loans | 25 | – | – | – | **25** |
| **Total borrowings** | **124** | **41** | **1,184** | **879** | **2,228** |
| Effective interest on borrowings net of amortised costs and discounts | 51 | 46 | 111 | 221 | **429** |
| **Total undiscounted cash flows** | **175** | **87** | **1,295** | **1,100** | **2,657** |

Note:
1 It has been assumed that, where applicable, interest and foreign exchange rates prevailing at the reporting date will not vary over the time periods remaining for future cash outflows

In addition to the above, the Group swaps euro debt into other currencies through the foreign exchange market, as disclosed in note 31, which has the effect of exposing the Group to the floating interest rate of those currencies.

## 22 Share capital and other reserves

Mondi plc is not restricted in the number of shares that can be issued. Any issue of shares is subject to shareholder approval. Mondi plc ordinary shares issued on the London Stock Exchange and Johannesburg Stock Exchange have a nominal value of €0.20. All ordinary shares are called up, allotted and fully paid.

| 2022 & 2021 | Number of shares | Share capital in € million |
|---|---|---|
| Mondi plc €0.20 ordinary shares issued | 485,553,780 | 97 |

### Own shares

Own shares represent the cost of shares in Mondi plc purchased in the market to satisfy share awards under the Group's employee share schemes (see note 23). These costs are reflected in the consolidated statement of changes in equity.

| | Own shares held | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| at 31 December | Number of shares held | Average price per share | Number of shares held | Average price per share |
| Mondi Incentive Schemes Trust | 147,357 | ZAR206.88 | 186,760 | ZAR214.13 |
| Mondi Employee Share Trust | 401,802 | GBP14.69 | 426,230 | GBP16.87 |

Dividend waivers are in place in respect of the shares held by the Mondi Incentive Schemes Trust and the Mondi Employee Share Trust.

**Other reserves**

| € million | Cumulative translation adjustment reserve | Post-retirement benefits reserve | Share-based payment reserve | Cash flow hedge reserve | Merger reserve | Other sundry reserves | Total |
|---|---|---|---|---|---|---|---|
| At 1 January 2021 | (1,038) | (51) | 16 | – | 667 | 29 | **(377)** |
| Other comprehensive income/(expense) for the year | 31 | 8 | – | (1) | – | – | **38** |
| Mondi share schemes' charge | – | – | 9 | – | – | – | **9** |
| Issue of shares under employee share schemes | – | – | (9) | – | – | – | **(9)** |
| Other movements | – | – | – | – | – | (2) | **(2)** |
| **At 31 December 2021** | **(1,007)** | **(43)** | **16** | **(1)** | **667** | **27** | **(341)** |
| Hyperinflation monetary adjustment (see note 1) | 54 | 3 | – | – | – | – | **57** |
| Restated balance at 1 January 2022 | (953) | (40) | 16 | (1) | 667 | 27 | **(284)** |
| Other comprehensive income for the year | 98 | 5 | – | 2 | – | – | **105** |
| Mondi share schemes' charge (see note 23) | – | – | 11 | – | – | – | **11** |
| Issue of shares under employee share schemes | – | – | (10) | – | – | – | **(10)** |
| Disposal of businesses (see note 27) | (4) | – | – | – | – | – | **(4)** |
| **At 31 December 2022** | **(859)** | **(35)** | **17** | **1** | **667** | **27** | **(182)** |

Cumulative translation adjustment reserve

Exchange differences arising on the translation of the Group's non-euro operations into the presentation currency of the Group are recognised in other comprehensive income, as described in note 35, and accumulated in the cumulative translation adjustment reserve. The cumulative amount is reclassified to profit or loss only on disposal or partial disposal of the non-euro operation.

Post-retirement benefits reserve

Actuarial gains and losses and the return on plan assets arising from the Group's defined benefit pension and post-retirement medical plans are recognised in other comprehensive income, as described in note 35, and accumulated in the post-retirement benefits reserve. Remeasurements recorded in other comprehensive income are not recycled to the consolidated income statement, but those amounts recognised in other comprehensive income may be transferred to retained earnings within equity.

Share-based payment reserve

The share-based payment reserve is used to recognise the grant date fair value of options issued to employees but not exercised and the grant date fair value of shares awarded to employees but not yet vested, as described in note 35.

Cash flow hedge reserve

The cash flow hedge reserve is used to recognise the effective portion of changes in the fair value of derivative financial instruments that are designated as hedges of future cash flows, as described in note 35.

Merger reserve

The merger reserve was recognised in respect of the demerger from Anglo American plc in 2007 and the simplification of the dual-listed company structure in 2019.

Other sundry reserves

The other sundry reserves comprise various other reserves, which individually are not material and typically are not subject to material changes.

# Notes to the consolidated financial statements for the year ended 31 December 2022 continued

## 23 Share-based payments

### Mondi share awards

The Group has established its own share-based payment arrangements to incentivise employees. Full details of the Group's share schemes are set out in the Remuneration report.

The fair values of the share awards granted under the Mondi schemes are calculated with reference to the facts and assumptions presented below:

| | BSP 2022 | BSP 2021 | BSP 2020 |
|---|---|---|---|
| Date of grant | 10 March 2022 | 12 March 2021 | 26 March 2020 |
| Vesting period (years) | 3 | 3 | 3 |
| Expected leavers p.a. (%) | 5 | 5 | 5 |
| Grant date fair value per instrument (GBP) | 14.03 | 18.46 | 13.87 |
| Grant date fair value per instrument (ZAR) | 281.55 | 383.47 | 279.76 |
| Number of shares conditionally awarded | 541,730 | 234,516 | 205,633 |

| | LTIP 2022 | LTIP 2021 | LTIP 2020[1] |
|---|---|---|---|
| Date of grant | 10 March 2022 | 12 March 2021 | 26 March 2020 |
| Vesting period (years) | 3 | 3 | 3 |
| Expected leavers p.a. (%) | 5 | 5 | 5 |
| Grant date fair value per instrument (GBP) | | | |
| ROCE component | 14.03 | 18.46 | 14.42 |
| TSR component[2] | 3.51 | 4.62 | 3.60 |
| Grant date fair value per instrument (ZAR) | | | |
| ROCE component | 281.55 | 383.47 | 279.76 |
| TSR component[2] | 70.39 | 95.87 | 69.94 |
| Number of shares conditionally awarded | 614,253 | 506,519 | 534,276 |

Notes:

1 All participants, except the Group CEO and Group CFO, were granted an award on 26 March 2020. The Group CEO was granted an award on 11 May 2020 after the Remuneration policy approval at the Mondi plc AGM. The Group CFO was granted an LTIP 2020 and an LTIP 2019 award on 2 December 2020. The weighted average grant date fair value is reflected in the table. All performance requirements are identical for all 2020 LTIP awards

2 The base fair value has been adjusted for contractually determined market-based performance conditions

All of these scheme awards will be settled at the end of the vesting cycle in either the award of ordinary shares in Mondi plc or the award of nil-cost options to ordinary shares in Mondi plc. The 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 is paid to participants upon vesting.

The total fair value charge in respect of all the Mondi share awards for the year ended 31 December is made up as follows:

| € million | 2022 | 2021 |
|---|---|---|
| Bonus Share Plan | 5 | 4 |
| Long-Term Incentive Plan | 6 | 5 |
| **Total share-based payment expense** | **11** | **9** |

The weighted average share price of share awards that vested during the period is as follows:

| | 2022 | 2021 |
|---|---|---|
| Mondi plc – Johannesburg Stock Exchange | ZAR280.33 | ZAR377.46 |
| Mondi plc – London Stock Exchange | GBP14.36 | GBP17.97 |

A reconciliation of share award movements for the Mondi share schemes is shown below:

| number of shares | BSP | LTIP |
|---|---|---|
| At 1 January 2021 | 631,073 | 1,212,584 |
| Shares conditionally awarded | 234,516 | 506,519 |
| Shares vested | (223,228) | (157,767) |
| Shares lapsed | (20,827) | (233,729) |
| **At 31 December 2021** | **621,534** | **1,327,607** |
| Shares conditionally awarded | 541,730 | 614,253 |
| Shares vested | (257,041) | (186,227) |
| Shares lapsed | (27,140) | (257,295) |
| **At 31 December 2022** | **879,083** | **1,498,338** |

## 24 Retirement benefits

The Group operates post-retirement defined contribution, post-retirement defined benefit pension plans and post-retirement medical plans for many of its employees.

### Defined contribution plans

The assets of the defined contribution plans are held separately in independently administered funds. The charge in respect of these plans of €14 million (2021 (restated): €13 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 2023 are €15 million.

### Defined benefit pension plans and post-retirement medical plans

The Group operates in excess of 100 defined benefit retirement plans across its global operations. A large proportion of the Group's defined benefit plans are closed to new members.

The majority of these plans are unfunded and provide pensions and severance benefits to members of those plans.

The most significant unfunded defined benefit plans are operated in Austria and Germany, 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 interests of the plans and all relevant stakeholders of the plans (active employees, inactive employees, retirees and employers), and are responsible for the Investment policy with regard to the assets of the plans.

The post-retirement medical plans provide health benefits to retired employees and certain of their dependants. Eligibility for cover is dependent upon certain criteria. The South African plan is unfunded and has been closed to new participants since 1 January 1999.

Except for the actuarial risks set out below, the Group has not identified any additional specific risks in respect of these plans.

# Notes to the consolidated financial statements for the year ended 31 December 2022 continued

## 24 Retirement benefits continued

Defined benefit plans typically expose the Group to the following actuarial risks:

| | |
|---|---|
| Investment risk (Asset volatility) | The present value of the net retirement benefit liability/asset is calculated using a discount rate determined by reference to high-quality bond yields. If the return on plan assets is below this rate, it will create a plan deficit that needs to be funded/guaranteed by the employer. |
| Interest risk | A decrease in the bond interest rate will increase plan liabilities; however, this will be partially offset by an increase in the value of the plan's fixed rate debt instruments. |
| Longevity risk | The present value of the net retirement benefit liability/asset is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan liabilities. |
| Salary risk | The present value of the net retirement benefit liability/asset is calculated by reference to the expected future salaries of plan participants. An increase in the salary of the plan participants will increase the plan liabilities. |
| Medical cost inflation risk | The present value of the post-retirement medical plans is calculated by reference to expected future medical costs. An increase in medical cost inflation will increase the plan liabilities. |

Independent qualified actuaries carry out full valuations every year using the projected unit credit method.

### Actuarial assumptions

The weighted average principal assumptions used in the actuarial valuations are detailed below:

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| % | South Africa | Europe | Other regions | South Africa | Europe | Other regions |
| Discount rate | 11.3 | 4.1 | 10.1 | 10.3 | 1.3 | 10.2 |
| Rate of inflation | 6.6 | 2.5 | 8.3 | 6.2 | 2.5 | 6.7 |
| Rate of increase in salaries | 7.6 | 2.6 | 8.8 | 7.2 | 2.6 | 8.1 |
| Rate of increase of pensions in payment | – | 2.6 | – | – | 2.8 | 2.3 |
| Expected average increase of medical costs | 8.7 | – | – | 7.7 | – | – |

The assumption for the discount rate for plan liabilities is based on AA corporate bonds which are of a suitable duration and currency. In South Africa, the discount rate assumption has been based on the zero coupon government bond yield curve.

### Mortality assumptions

The assumed remaining life expectancies on retirement at age 65 are:

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| years | South Africa | Europe | Other regions | South Africa | Europe | Other regions |
| **Retiring today** | | | | | | |
| Males | 16.3 | 13.6–23.2 | 15.0–20.7 | 16.3 | 13.6–23.2 | 15.3–20.7 |
| Females | 20.4 | 17.5–25.5 | 17.0–25.3 | 20.4 | 17.5–25.5 | 17.7–25.3 |
| **Retiring in 20 years** | | | | | | |
| Males | 18.7 | 13.6–25.4 | 15.3–20.0 | 22.0 | 13.6–25.5 | 15.3–20.0 |
| Females | 23.0 | 17.5–26.1 | 17.7–25.3 | 26.1 | 17.5–27.8 | 17.7–25.3 |

The mortality assumptions have been based on published mortality tables in the relevant jurisdictions.

The amounts recognised in the consolidated statement of financial position are determined as follows:

| | 2022 | | | | 2021 | | | |
|---|---|---|---|---|---|---|---|---|
| € million | South Africa | Europe | Other regions | Total | South Africa | Europe | Other regions | Total |
| Present value of unfunded liabilities | (33) | (91) | (16) | **(140)** | (37) | (115) | (22) | **(174)** |
| Present value of funded liabilities | – | (80) | – | **(80)** | – | (128) | – | **(128)** |
| **Present value of plan liabilities** | **(33)** | **(171)** | **(16)** | **(220)** | **(37)** | **(243)** | **(22)** | **(302)** |
| Fair value of plan assets | – | 73 | – | **73** | – | 131 | – | **131** |
| **Plan liabilities net of plan assets** | **(33)** | **(98)** | **(16)** | **(147)** | **(37)** | **(112)** | **(22)** | **(171)** |
| **Amounts reported in consolidated statement of financial position** | | | | | | | | |
| Defined benefit pension plans | – | 8 | – | **8** | – | 26 | – | **26** |
| **Net retirement benefits asset** | **–** | **8** | **–** | **8** | **–** | **26** | **–** | **26** |
| Defined benefit pension plans | – | (106) | (16) | **(122)** | – | (138) | (22) | **(160)** |
| Post-retirement medical plans | (33) | – | – | **(33)** | (37) | – | – | **(37)** |
| **Net retirement benefits liability** | **(33)** | **(106)** | **(16)** | **(155)** | **(37)** | **(138)** | **(22)** | **(197)** |

The changes in the present value of defined benefit liabilities and fair value of plan assets are as follows:

| | Defined benefit liabilities | | Fair value of plan assets | | Net liability | |
|---|---|---|---|---|---|---|
| € million | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| At 1 January | (302) | (327) | 131 | 133 | (171) | (194) |
| Included in consolidated income statement | | | | | | |
| Current service cost | (4) | (5) | – | – | (4) | (5) |
| Past service cost | – | 3 | – | – | – | 3 |
| Gain from settlement | 6 | – | (6) | – | – | – |
| Interest | (8) | (7) | 2 | 2 | (6) | (5) |
| Included in consolidated statement of comprehensive income | | | | | | |
| Remeasurement gains | 51 | 17 | – | – | 51 | 17 |
| Return on plan assets | – | – | (43) | (5) | (43) | (5) |
| Acquired through business combinations | – | (2) | – | – | – | (2) |
| Disposal of businesses (see note 27) | – | – | – | – | – | – |
| Reclassification to assets held for sale and liabilities directly associated with assets held for sale (see note 26) | 14 | – | – | – | 14 | – |
| Contributions paid by employer | – | – | 1 | 4 | 1 | 4 |
| Benefits paid | 20 | 25 | (7) | (12) | 13 | 13 |
| Currency movements | 3 | (6) | (5) | 9 | (2) | 3 |
| **At 31 December** | **(220)** | **(302)** | **73** | **131** | **(147)** | **(171)** |

# Notes to the consolidated financial statements for the year ended 31 December 2022 continued

## 24 Retirement benefits continued

The expected maturity analysis of undiscounted retirement benefits is as follows:

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| € million | Defined benefit pension plans | Post-retirement medical plans | Total | Defined benefit pension plans | Post-retirement medical plans | Total |
| Less than a year | 9 | 4 | **13** | 10 | 4 | **14** |
| Between one and two years | 9 | 4 | **13** | 10 | 4 | **14** |
| Between two to five years | 25 | 13 | **38** | 28 | 12 | **40** |
| After five years | 138 | 182 | **320** | 205 | 102 | **307** |

The weighted average duration of the defined retirement benefits liability for South Africa is 7 years (2021: 8 years), Europe 10 years (2021: 13 years) and other regions 12 years (2021: 13 years).

It is expected that the Group's share of contributions will increase as the schemes' members age. The expected contributions to be paid to defined benefit pension plans and post-retirement medical plans during 2023 are €15 million.

The market values of the plan assets in these plans are detailed below:

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| € million | Quoted | Unquoted | Total | Quoted | Unquoted | Total |
| External equity | – | – | **–** | – | 2 | **2** |
| Bonds | – | 15 | **15** | – | 69 | **69** |
| Insurance contracts | – | 51 | **51** | – | 23 | **23** |
| Cash | 6 | – | **6** | 1 | – | **1** |
| Liability-driven investment (LDI) portfolio | – | 1 | **1** | – | 36 | **36** |
| **Fair value of plan assets** | **6** | **67** | **73** | **1** | **130** | **131** |

The majority of the Group's plan assets are located in three UK pension schemes. As these schemes are closed and have no active members, the long-term objective has been to improve the funding deficit and then transfer the liabilities to third parties and to eventually close the schemes. The asset/liability matching/investing strategy in the UK is that the trustees invest in a combination of insured annuity contracts, and gilts and bonds through pooled funds and insured annuities. In managing these schemes, trustees ensure that each plan can continue to meet its benefit payments without exposing either the plan or the Group to an undue level of risk.

On 5 May 2022, Medway Packaging Pension Scheme trustees, which is the largest UK scheme used by the Group, completed a buy-in of all its member liabilities with an insurance company. In this transaction, the scheme purchased an insurance policy that perfectly matches all future pension liabilities (and associated cash flows) in respect of the members included within the policy.

The defined benefit obligations for these members on IAS 19 assumptions is less than that paid to the insurance company on 5 May 2022. This difference of €10 million is recognised through other comprehensive income in this year's IAS 19 disclosures as an asset remeasurement loss.

There are no other financial instruments or property owned by the Group included in the fair value of plan assets.

The fair values of equity, bonds and insurance contracts are determined in accordance with IAS 19.

The actual return on plan assets in respect of defined benefit plans was a loss of €41 million (2021: loss of €3 million).

The market value of assets is used to determine the funding level of the plans and is sufficient to cover 91% (2021: 102%) of the benefits which have accrued to members, after allowing for expected increases in future earnings and pensions. Companies within the Group are paying contributions at rates agreed with the plans' trustees and in accordance with local independent actuarial advice and statutory provisions.

In certain jurisdictions, Group plans are subject to minimum funding requirements. At 31 December 2022, these minimum funding requirements did not give rise to the recognition of any additional liabilities.

### Sensitivity analyses

The sensitivity analyses below have been determined based on reasonably possible changes to the respective assumptions occurring at the end of the financial year, while holding all other assumptions constant.

The sensitivity analyses may not be representative of the actual changes in the net retirement benefits asset/(liability), as it is unlikely that the changes in assumptions would occur in isolation of one another and some of the assumptions may be inter-related. The projected unit credit method was used to calculate the sensitivity analyses below.

The sensitivity table is based on a 1% change by reference to the movement in actuarial assumptions in the tables above; however, the estimates may vary by greater amounts. Therefore, the Board considers the retirement benefit obligations a significant accounting estimate.

| € million | 1% increase | 1% decrease |
|---|---|---|
| **Discount rate** | | |
| (Decrease)/increase in current service cost | (1) | 1 |
| (Decrease)/increase in net retirement benefits liability | (20) | 24 |
| **Rate of inflation** | | |
| Increase/(decrease) in current service cost | – | (1) |
| Increase/(decrease) in net retirement benefits liability | 17 | (15) |
| **Rate of increase in salaries** | | |
| Increase/(decrease) in current service cost | – | (1) |
| Increase/(decrease) in net retirement benefits liability | 6 | (5) |
| **Rate of increase of pensions in payment** | | |
| Decrease in current service cost | – | – |
| Increase/(decrease) in net retirement benefits liability | 7 | (6) |
| **Medical cost trend rate** | | |
| Decrease in aggregate of the current service cost and interest cost | – | – |
| Increase/(decrease) in net retirement benefits liability | 2 | (2) |
| **Mortality rates** | **1-year increase** | |
| Decrease in current service cost | (1) | |
| Increase in net retirement benefits liability | 3 | |

# Notes to the consolidated financial statements for the year ended 31 December 2022 continued

## 25 Business combinations

**To 31 December 2022**

There were no business combinations during the year ended 31 December 2022.

No changes in the provisional amounts of the fair value of the assets acquired and liabilities assumed for the acquisition of Olmuksan International Paper Ambalaj Sanayi ve Ticaret A.Ş (Olmuksan) on 31 May 2021 have been recognised.

**To 31 December 2021**

On 31 May 2021, the Group acquired 90.38% of the outstanding shares in Olmuksan for a total consideration of €66 million, which implies an enterprise value of €88 million on a 100% basis. Olmuksan is a leading and well-established corrugated packaging producer in Türkiye, listed on the Istanbul stock exchange. Its network of five plants provides a diverse customer base with high-quality sustainable packaging for food, beverage, agriculture and industrial applications. On 26 July 2021, the Group completed a mandatory tender offer to acquire an additional 1.62% of the outstanding shares for a total consideration of €3 million, resulting in a total ownership interest in Olmuksan of 92.00%.

Property, plant and equipment has been measured at fair value using relevant valuation methods accepted under IFRS 13, with related deferred tax adjustments. The fair value uplift on intangible assets arises from long-lasting customer relationships.

Olmuksan's revenue for the year ended 31 December 2021 was €216 million, with a profit after tax of €18 million. Olmuksan's revenue of €132 million and profit after tax of €10 million since the date of acquisition to 31 December 2021 have been included in the consolidated income statement.

Details of the net assets acquired, as adjusted from book to fair value, are as follows:

| € million | Book value | Revaluation | Fair value |
|---|---|---|---|
| **Net assets acquired** | | | |
| Property, plant and equipment | 24 | 33 | 57 |
| Intangible assets | – | 6 | 6 |
| Inventories | 27 | – | 27 |
| Trade and other receivables | 62 | – | 62 |
| Cash and cash equivalents | 3 | – | 3 |
| **Total assets** | **116** | **39** | **155** |
| Trade and other payables | (54) | – | (54) |
| Income tax liabilities | (1) | – | (1) |
| Other current liabilities | (4) | – | (4) |
| Net retirement benefits liability | (2) | – | (2) |
| Deferred tax assets/(liabilities) | 3 | (7) | (4) |
| **Total liabilities (excluding debt)** | **(58)** | **(7)** | **(65)** |
| Short-term borrowings | (16) | – | (16) |
| Medium- and long-term borrowings | (1) | – | (1) |
| **Debt assumed** | **(17)** | **–** | **(17)** |
| **Net assets acquired** | **41** | **32** | **73** |
| Non-controlling interests in equity | | | (7) |
| Cash acquired net of overdrafts | | | (3) |
| **Net cash paid per consolidated statement of cash flows** | | | **63** |

Transaction costs of €4 million were charged to other net operating expenses into the consolidated income statement.

The fair values of assets acquired and liabilities assumed in business combinations are level 3 measures in terms of the fair value measurement hierarchy. Management has considered the impact of environmental and climate risks on Olmuksan's customers and the estimated fair values of property, plant and equipment. These considerations did not have a material impact.

In respect of trade and other receivables, the gross contractual amounts receivable less the best estimates at the acquisition dates of the contractual cash flows not expected to be collected approximate the book values as presented.

## 26 Russian operations (discontinued operations)

The Group has significant operations in Russia. The most significant facility is a wholly owned integrated pulp, packaging paper and uncoated fine paper mill located in Syktyvkar (Komi Republic). The Group also has three packaging converting plants in Russia. All these facilities serve primarily the domestic market and have continued to operate throughout the year ended 31 December 2022.

On 4 May 2022, the Board decided to divest the Group's Russian assets. Given progress with the divestment process, the Board subsequently concluded, in June 2022, that the Russian operations satisfied the criteria to be classified as held for sale and that they should also be classified as discontinued operations.

**Syktyvkar mill**

On 12 August 2022, the Group entered into an agreement denominated in Russian rouble to sell its Syktyvkar mill, comprising OJSC Mondi Syktyvkar together with two affiliated entities, to Augment Investments Limited for a consideration of RUB 95 billion (€1.2 billion, at an exchange rate of 78.43 Russian rouble versus euro as at 31 December 2022), payable in cash on completion.

The Syktyvkar assets to be transferred to Augment Investments Limited as part of the proposed disposal exclude a cash balance of RUB 16 billion (€204 million, at an exchange rate of 78.43 Russian rouble versus euro as at 31 December 2022) to be paid by form of dividend to Mondi before completion.

The disposal is conditional on the approval of the Russian Federation's Government Sub-Commission for the Control of Foreign Investments and customary antitrust approvals and, as a Class 1 transaction under the UK Listing rules, it is also conditional upon the approval of Mondi's shareholders at a General Meeting. The disposal is being undertaken in an evolving political and regulatory environment, there can be no certainty as to when the disposal will be completed. The agreement with Augment Investments Limited has a long stop date of 12 May 2023 after which either party can terminate the agreement without recourse.

On 16 November 2022, OJSC Mondi Syktyvkar declared a dividend of RUB 16 billion (€252 million, at an exchange rate of 62.67 Russian rouble versus euro) in favour of a Group subsidiary. RUB 4 billion (€63 million, at an exchange rate of 62.67 Russian rouble versus euro) was settled on the date of declaration by way of set-off of an intercompany loan, and the residual amount of RUB 12 billion (€148 million, at an exchange rate of 78.43 Russian rouble versus euro as at 31 December 2022) remained unpaid as at 31 December 2022, causing a foreign currency loss of €36 million, which was recognised in profit from discontinued operations in the consolidated income statement. The payment of the dividend outside Russia requires consent from the Ministry of Finance of the Russian Federation, and therefore the dividend continues to expose the Group to Russian rouble exchange rate risk until it is paid and converted into euro.

**Packaging converting plants**

On 15 December 2022, the Group confirmed that it entered into an agreement denominated in Russian rouble to sell its three Russian packaging converting operations to the Gotek Group for a consideration of RUB 1.6 billion (€20 million, at an exchange rate of 78.43 Russian rouble versus euro as at 31 December 2022), payable in cash on completion. The three packaging converting operations comprise a corrugated solutions plant, LLC Mondi Lebedyan, and two consumer flexibles plants, LLC Mondi Aramil and LLC Mondi Pereslavl.

The disposal is conditional on the approval of the Russian Federation's Government Sub-Commission for the Control of Foreign Investments and customary antitrust approvals. The disposal is being undertaken in an evolving political and regulatory environment, there can be no certainty as to when it will be completed.

Following the announcement, the related assets were impaired by €57 million to their estimated fair value less costs to sell. If the operations had been disposed of as at 31 December 2022, the Group would have recognised an additional loss of €20 million from the recycling of the foreign currency losses accumulated in the currency translation adjustment reserve in equity through the consolidated income statement. The foreign currency loss that is ultimately recognised on disposal may differ from the position as at 31 December 2022, as it is subject to future movement in the Russian rouble exchange rate.

**Critical accounting judgements and significant accounting estimates**

In the context of an increased level of uncertainty, the Board has exercised critical judgements in applying its accounting policies and has used estimates and assumptions, as further described below.

Control assessment

The Board has applied its judgement in regard to whether the Group continues to control its Russian subsidiaries due to the restrictions imposed by the Russian government or any other authority. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The Russian government has introduced various sanctions in recent months, including restrictions on the payment of dividends to shareholders domiciled in 'unfriendly states' that require consent from the Ministry of Finance of the Russian Federation. Since the Group continued to direct the operations and the Russian regulations currently do not prohibit the declaration and payment of dividends, the Board has taken the view that the Group has retained control through the year ended 31 December 2022. Were the Board to conclude that the Group no longer retains control, the Russian operations would be treated as if they had been disposed of, with the associated assets and liabilities derecognised.

# Notes to the consolidated financial statements for the year ended 31 December 2022 continued

## 26 Russian operations (discontinued operations) continued

### Held for sale and discontinued operations

The Board has exercised critical judgement in determining if and when the businesses satisfied the requirements to be classified as held for sale, and whether the Russian businesses should be presented as discontinued operations.

Assets are held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use, provided the assets are available for immediate sale in their present condition and a sale is highly probable. The divestment process is operationally and structurally complex and is being undertaken in an evolving political and regulatory environment. There is uncertainty as to when a transaction will be completed; however, the Board is committed to dispose of the Group's Russian operations, which is why the Board has determined that a sale is highly probable within the next 12 months and that, therefore, it is appropriate to adopt the held for sale presentation for the Group's assets and liabilities in Russia.

From the point at which this classification was first applied, in June 2022, depreciation on these Russian assets ceased. Notwithstanding that the Board has concluded that it considers a sale is highly probable, the evolving political and regulatory environment means that there can be no certainty as to whether a transaction will be concluded successfully. If the Board had concluded that a sale was not highly probable, the assets and liabilities would have continued to be consolidated on a line-by-line basis, as they had been historically, rather than being presented separately as assets held for sale and liabilities directly associated with assets held for sale.

As the assets and liabilities of the Russian operations have been classified as held for sale, the Board has to separately consider whether these businesses also represent a discontinued operation, being a component of an entity that either has been disposed of or is classified as held for sale, and which represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale. In 2021, prior to the decision to classify as discontinued operations, the Russian operations represented around 10% of the Group's revenue by location of production and generated around 23% of the Group's underlying EBITDA. Taking into account its financial significance, the Board views the Russian operations as a distinct major geographical area of operations that, therefore, qualify for classification as discontinued operations.

Hence, in accordance with IFRS 5, the Group has reported its Russian businesses as discontinued operations as at 31 December 2022 and for the year then ended, with the comparative income statement and cash flow statement periods represented. Had the Board concluded that the businesses were not discontinued operations, they would instead have continued to be reported as part of continuing operations.

**Valuation of Russian assets**

Effective 24 February 2022, when the war in Ukraine started, the Board performed an impairment trigger assessment in respect of its Russian operations. Given the temporary deterioration of the Russian rouble and the sharp increase in interest rates, together with the increased uncertainty relating to the operational and financial performance of its businesses due to sanctions imposed by international governments and countermeasures implemented by the Russian state, the Board concluded that an impairment trigger existed and tested its CGUs in Russia for impairment using value-in-use calculations in accordance with IAS 36, 'Impairment of Assets'.

The key assumptions reflected in the cash flow forecasts included sales volumes, sales prices and variable input cost assumptions derived from a combination of economic and industry forecasts for individual product lines and the latest internal management projections approved by the Board. The cash flow projections were prepared in Russian roubles and a post-tax discount rate of 15% (equivalent to a pre-tax rate of 18%) was used for impairment testing.

Due to the increased uncertainty, no growth rate was assumed for the terminal value. At this time (at 24 February 2022), the carrying value of the Russian CGUs totalled RUB 66 billion (€677 million, at an exchange rate of 97.47 Russian rouble versus euro). Due to the increased level of uncertainty resulting from the war in Ukraine, the Board determined the recoverable amount of the CGUs based on three probability-weighted scenarios. Aside from the base scenario derived from the then latest internal management projections, management included a more optimistic and a pessimistic scenario in the calculation of the recoverable amount to address the uncertainty associated with the cash flow forecasts. The impairment calculation is sensitive to changes in key assumptions, in particular in relation to cash flow forecasts and the probability-weighting of scenarios. Sensitivity analyses were performed by increasing the weighting of the pessimistic case and at the same time reducing the weighting of the optimistic case. At 24 February 2022, no impairment was identified.

Given, as described below, that in June the Board determined that the Russian assets satisfied the criteria to be classified as held for sale, a further impairment test had to be performed. At this time (June 2022), the carrying value of the Russian CGUs totalled RUB 66 billion (€1,079 million, at an exchange rate of 61.16 Russian rouble versus euro). This impairment test was again performed using three probability weighted scenarios under a value-in-use calculation based on similar assumptions as described above for the test performed effective 24 February 2022. No impairment was identified.

Upon classification as held for sale in June 2022, the Board also assessed the fair value less costs to sell of the businesses, as required by IFRS 5 with no impairment identified.

At 31 December 2022, the fair value less costs to sell was reassessed. The Board has used a number of assumptions to estimate the fair value less costs to sell as at 31 December 2022. While the Group agreed upon the sale of its Syktyvkar mill and its three Russian packaging converting plants (as described above), there can be no certainty in this evolving political and regulatory environment as to when the transaction will be completed.

In determining the fair value less costs to sell of the Russian CGUs, the Board has taken into account the sales prices agreed upon with the buyers, the current status of and recent developments around the agreed transactions, the probability of government approval and available market information. Despite the uncertainty inherent to the agreed sales, and in the absence of contrary correspondence from the buyers and any government body, the Board has taken the view that the agreements signed with the buyers serve as the best information to measure the fair value less costs to sell of the Syktyvkar mill and the packaging converting operations respectively. On that basis, the Board concluded that no impairment of the Syktyvkar mill's assets was required as at 31 December 2022 and that an impairment of €57 million was recognised in relation to the assets of the packaging converting operations.

If there was a change to the known fact pattern of the planned transactions in the future, the Board would need to reassess the recoverability of the carrying value of the assets classified as held for sale as at 31 December 2022 based on that new fact pattern, and if any impairment were subsequently identified it would be recognised in the consolidated income statement during the year ending 31 December 2023. The Board continues to actively monitor any actions or events that may impact the completion of the agreed transactions, and hence the valuation of the Group's Russian CGUs.

**Financial performance**

The financial performance of the discontinued operations is set out below:

| € million | 2022 | 2021[1] |
|---|---|---|
| Total revenue | 1,268 | 961 |
| Internal revenue | (90) | (212) |
| External revenue | 1,178 | 749 |
| Operating expenses | (688) | (403) |
| **EBITDA** | **490** | **346** |
| Depreciation, amortisation and impairments[2,3] | (86) | (64) |
| **Operating profit** | **404** | **282** |
| Net finance costs[4] | (46) | (11) |
| **Profit before tax** | **358** | **271** |
| Related tax charge | (92) | (58) |
| **Profit for the period from discontinued operations attributable to shareholders** | **266** | **213** |
| Fair value gains arising from cash flow hedges of discontinued operations | 1 | – |
| Exchange differences on translation of discontinued operations | 72 | 42 |
| Remeasurements of retirement benefits plans of discontinued operations | 1 | 1 |
| **Other comprehensive income from discontinued operations attributable to shareholders** | **74** | **43** |
| **Total comprehensive income from discontinued operations attributable to shareholders** | **340** | **256** |

Notes:

1 The Group's operations in Russia are presented as held for sale and classified as discontinued operations. Accordingly, the consolidated income statement and associated notes for the year ended 31 December 2021 were restated by the amounts included in this table, which are now classified as profit from discontinued operations in the consolidated income statement

2 On classification as held for sale, property, plant and equipment and intangible assets are no longer depreciated or amortised. Depreciation and amortisation for the year ended 31 December 2022 covers the period until the classification as held for sale in June 2022

3 Includes impairment of assets of €57 million (2021: €nil), as explained in the commentary above

4 Includes foreign exchange loss of €36 million relating to an unpaid dividend, as explained in the commentary above (2021: €nil)

# Notes to the consolidated financial statements for the year ended 31 December 2022 continued

## 26 Russian operations (discontinued operations) continued

| € million | 2022 | 2021 |
|---|---|---|
| Net cash generated from operating activities | 350 | 286 |
| Net cash used in investing activities | (68) | (91) |
| Net cash used in financing activities | (10) | (13) |
| **Net increase in cash and cash equivalents of discontinued operations** | **272** | **182** |

The assets and liabilities were reclassified as held for sale in June 2022. The table below shows the carrying values of these assets and liabilities as at 31 December 2022.

| € million | 2022 |
|---|---|
| Property, plant and equipment | 805 |
| Goodwill | 34 |
| Intangible assets | 4 |
| Deferred tax assets | 1 |
| Inventories | 131 |
| Trade and other receivables | 87 |
| Cash and cash equivalents | 320 |
| **Total assets held for sale** | **1,382** |
| Borrowings | (102) |
| Trade and other payables | (131) |
| Current tax liabilities | (14) |
| Provisions | (14) |
| Net retirement benefits liability | (12) |
| Deferred tax liabilities | (52) |
| **Total liabilities directly associated with assets classified as held for sale** | **(325)** |

The cumulative foreign exchange loss recognised in other comprehensive income in relation to the discontinued operations as at 31 December 2022 was €405 million and will be recycled through the consolidated income statement on the date of disposal.

## 27 Disposal of businesses

**To 31 December 2022**

On 30 June 2022, the Group sold its Personal Care Components business (PCC) to Nitto Denko Corporation for an enterprise value of €615 million. The sale enables the Group to simplify its portfolio and focus on its strategic priority to grow in sustainable packaging. PCC, previously part of the Group's Engineered Materials operating segment, manufactured a range of components for personal and home care products needed in everyday life such as diapers, feminine care, adult incontinence and wipes.

The Board has applied judgement as to whether the disposal of the PCC business needs to be reported as a discontinued operation in accordance with IFRS 5. The PCC business did not represent a major line of business of the Group due to its small size relative to the rest of the Group and its limited integration with the Group's packaging and paper value chain. The Board concluded that the PCC business was not a discontinued operation, and therefore it is reported as part of the continuing operations.

| € million | 2022 |
|---|---|
| Proceeds from the disposal of business per the consolidated statement of cash flows | 642 |
| Cash and cash equivalents disposed | 15 |
| **Consideration in cash** | **657** |
| Carrying amount of net assets disposed | (412) |
| Gain on reclassification of foreign currency translation reserve | 4 |
| Related transaction costs[1] | (7) |
| **Gain on disposal of business, net of related transaction costs** | **242** |
| Tax charge | (5) |
| **Gain on disposal of business, net of related tax** | **237** |

Note:
1 Excludes transaction costs of €6 million recognised in the prior year, which were not treated as a special item

The carrying amounts of assets and liabilities as at the date of sale (30 June 2022) were:

| € million | 2022 |
|---|---|
| Property, plant and equipment | 174 |
| Goodwill | 141 |
| Intangible assets | 2 |
| Inventories | 58 |
| Trade and other receivables | 88 |
| Cash and cash equivalents | 15 |
| **Total assets** | **478** |
| Trade and other payables | (49) |
| Provisions | (4) |
| Deferred tax liabilities | (8) |
| Other liabilities | (5) |
| **Total liabilities** | **(66)** |
| **Carrying amount of net assets disposed** | **412** |

The carrying amount of net assets disposed includes an appropriate allocation of the goodwill previously allocated to the Engineered Materials operating segment between the value of the PCC business that was disposed of and the retained functional paper and films business.

**To 31 December 2021**

There were no disposals during the year ended 31 December 2021.

# Notes to the consolidated financial statements for the year ended 31 December 2022 continued

## 28 Consolidated cash flow analysis

### (a) Reconciliation of profit before tax to cash generated from operations

| € million | 2022 | Restated 2021 |
|---|---|---|
| **Profit before tax from continuing operations** | **1,560** | **712** |
| Depreciation and amortisation | 394 | 375 |
| Impairment of property, plant and equipment (not included in special items) | 11 | – |
| Share-based payments | 11 | 9 |
| Net cash flow effect of current and prior year special items | (253) | (22) |
| Net finance costs | 143 | 83 |
| Net monetary gain arising from hyperinflationary economies | (17) | – |
| Net profit from joint ventures | (1) | (6) |
| Decrease in provisions | (1) | (7) |
| Decrease in net retirement benefits | (12) | (15) |
| Net movement in working capital | (419) | (195) |
| Increase in inventories | (254) | (232) |
| Increase in operating receivables | (472) | (310) |
| Increase in operating payables | 307 | 347 |
| Fair value (gains)/losses on forestry assets | (169) | 7 |
| Felling costs | 78 | 62 |
| Gain on disposal of property, plant and equipment | (2) | – |
| Proceeds from insurance reimbursements for property damages | (8) | – |
| Other adjustments | (23) | (2) |
| **Cash generated from continuing operations** | **1,292** | **1,001** |

### (b) Cash and cash equivalents

| € million | 2022 | 2021 |
|---|---|---|
| Cash and cash equivalents per consolidated statement of financial position | 1,067 | 473 |
| Bank overdrafts included in short-term borrowings | (6) | (18) |
| **Cash and cash equivalents held by continuing operations (see note 28c)** | **1,061** | **455** |
| Cash and cash equivalents classified as assets held for sale (see note 26) | 320 | – |
| **Cash and cash equivalents per consolidated statement of cash flows** | **1,381** | **455** |

The cash and cash equivalents of €1,067 million (2021: €473 million) include money market funds of €595 million (2021: €340 million) valued at fair value through profit and loss, with the remaining balance carried at amortised cost.

The fair value of cash and cash equivalents carried at amortised cost approximate their carrying values presented.

The Group operates in certain countries where the existence of exchange controls or access to hard currency may restrict the use of certain cash balances outside of those countries. In particular, the cash and cash equivalents classified as assets held for sale as per the table above are held by the Group's Russian discontinued operations and are subject to regulatory restrictions and, therefore, may not be available for general use by the other entities within the Group. These restrictions are not expected to have any material effect on the Group's ability to meet its ongoing obligations.

**(c) Movement in net debt**

The Group's net debt position is as follows:

| € million | Cash and cash equivalents | Current financial asset investments | Total assets | Debt due within 1 year[1] | Debt due after 1 year | Debt-related derivative financial instruments | Total debt | Total net debt |
|---|---|---|---|---|---|---|---|---|
| **At 1 January 2021** | 348 | 1 | **349** | (94) | (2,050) | 4 | **(2,140)** | **(1,791)** |
| Cash flow[2,3] | 108 | – | **108** | 27 | (59) | 12 | **(20)** | **88** |
| Additions to lease liabilities | – | – | **–** | (9) | (26) | – | **(35)** | **(35)** |
| Disposal of lease liabilities | – | – | **–** | 1 | 1 | – | **2** | **2** |
| Acquired through business combinations | – | – | **–** | (16) | (1) | – | **(17)** | **(17)** |
| Movement in unamortised loan costs | – | – | **–** | – | (2) | – | **(2)** | **(2)** |
| Net movement in fair value of derivative financial instruments | – | – | **–** | – | – | (25) | **(25)** | **(25)** |
| Reclassification | – | – | **–** | (39) | 39 | – | **–** | **–** |
| Currency movements | (1) | – | **(1)** | 24 | (6) | – | **18** | **17** |
| **At 31 December 2021** | **455** | **1** | **456** | **(106)** | **(2,104)** | **(9)** | **(2,219)** | **(1,763)** |
| Cash flow[2,3] | 908 | – | **908** | 32 | 53 | 82 | **167** | **1,075** |
| Additions to lease liabilities | – | – | **–** | (15) | (35) | – | **(50)** | **(50)** |
| Disposal of lease liabilities | – | – | **–** | 1 | 4 | – | **5** | **5** |
| Movement in unamortised loan costs | – | – | **–** | – | (2) | – | **(2)** | **(2)** |
| Net movement in fair value of derivative financial instruments | – | – | **–** | – | – | (80) | **(80)** | **(80)** |
| Reclassification | – | – | **–** | (21) | 21 | – | **–** | **–** |
| Currency movements | 18 | – | **18** | 10 | (6) | – | **4** | **22** |
| **At 31 December 2022** | **1,381** | **1** | **1,382** | **(99)** | **(2,069)** | **(7)** | **(2,175)** | **(793)** |
| Reclassification to assets held for sale and liabilities directly associated with assets held for sale (see note 26) | (320) | – | **(320)** | 3 | 99 | – | **102** | **(218)** |
| **Net debt as at 31 December 2022** | **1,061** | **1** | **1,062** | **(96)** | **(1,970)** | **(7)** | **(2,073)** | **(1,011)** |

Notes:

1 Excludes bank overdrafts of €6 million as at 31 December 2022 (31 December 2021: €18 million; 1 January 2021: €34 million), which are included in cash and cash equivalents (see note 28b)

2 Includes cash and cash equivalents acquired net of overdrafts through business combinations of €nil (2021: €3 million) (see note 25)

3 Includes cash and cash equivalents disposed of €15 million (2021: €nil) (see note 27)

The Group expensed interest of €140 million relating to its bank overdrafts, loans and lease liabilities (2021 (restated): €81 million). Included in this expense is €67 million (2021 (restated): €11 million) related to forward exchange rates on derivative contracts and interest paid on borrowings of €60 million (2021 (restated): €67 million). The settlement of debt-related derivatives shown as cash flow in the table above is recognised as net cash outflow from debt-related derivative financial instruments in the consolidated statement of cash flows.

# Notes to the consolidated financial statements for the year ended 31 December 2022 continued

## 29 Capital commitments

Capital expenditure contracted for at the end of the financial year but not recognised as liabilities is as follows:

| € million | 2022 | Restated 2021 |
|---|---|---|
| Intangible assets | 2 | 1 |
| Property, plant and equipment | 441 | 273 |
| **Total capital commitments** | **443** | **274** |

## 30 Contingent liabilities

Contingent liabilities comprise aggregate amounts as at 31 December 2022 of €11 million (2021: €8 million) in respect of loans and guarantees given to banks and other third parties. No acquired contingent liabilities have been recorded in the Group's consolidated statement of financial position for either year presented.

The Group is subject to certain legal proceedings, claims, complaints and investigations arising out of the ordinary course of business. Legal proceedings may include, but are not limited to, alleged breach of contract and alleged breach of environmental, competition, securities and safety and health laws. The Group may not be fully, or partly, insured in respect of such risks. The Group cannot predict the outcome of individual legal actions or claims or complaints or investigations. The Group may settle litigation or regulatory proceedings prior to a final judgment or determination of liability. The Group may do so to avoid the cost, management efforts or negative business, regulatory or reputational consequences of continuing to contest liability, even when it considers it has valid defences to liability. The Board considers that no material loss to the Group is expected to result from these legal proceedings, claims, complaints and investigations. Provision is made for all liabilities that are expected to materialise through legal and tax claims against the Group.

## 31 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 manages all of these financial risks in order to minimise their potential adverse impact on the Group's financial performance.

The principles, practices and procedures governing the Group-wide financial risk management process have been approved by the Board and are overseen by the Executive Committee. In turn, the Executive Committee delegates authority to a central treasury function (Group treasury) for the practical implementation of the financial risk management process across the Group and for ensuring that the Group's entities adhere to specified financial risk management policies. Group treasury continually reassesses and reports on the financial risk environment, identifying, evaluating and hedging financial risks by entering into derivative contracts with counterparties where appropriate. The Group does not take speculative positions on derivative contracts.

**(a) Financial instruments by category**

| 2022/€ million | Fair value hierarchy[1] | At amortised cost | At fair value through profit or loss | Total |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Trade and other receivables[2] | | 1,244 | – | **1,244** |
| Financial asset investments | Level 2 | 14 | 12 | **26** |
| Derivative financial instruments | Level 2 | – | 3 | **3** |
| Cash and cash equivalents | Level 1 | 472 | 595 | **1,067** |
| **Total** | | **1,730** | **610** | **2,340** |

| 2021/€ million | Fair value hierarchy[1] | At amortised cost | At fair value through profit or loss | Total |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Trade and other receivables[2] | | 1,168 | – | **1,168** |
| Financial asset investments | Level 2 | 14 | 19 | **33** |
| Derivative financial instruments | Level 2 | – | 4 | **4** |
| Cash and cash equivalents | Level 1 | 133 | 340 | **473** |
| **Total** | | **1,315** | **363** | **1,678** |

Notes:
1 Fair value hierarchy level is disclosed for assets measured at fair value
2 Excludes tax, social security and prepayments

The fair values of financial assets investments represent the published prices of the securities concerned.

| 2022/€ million | Fair value hierarchy[1] | At amortised cost | At fair value through profit or loss | At fair value through OCI | Total |
|---|---|---|---|---|---|
| **Financial liabilities** | | | | | |
| Borrowings – bonds | | (1,843) | – | – | **(1,843)** |
| Borrowings – loans and overdrafts | | (101) | – | – | **(101)** |
| Borrowings – lease liabilities[2] | | (128) | – | – | **(128)** |
| Trade and other payables[3] | | (1,440) | – | – | **(1,440)** |
| Derivative financial instruments | Level 2 | – | (10) | – | **(10)** |
| **Total** | | **(3,512)** | **(10)** | **–** | **(3,522)** |

| 2021/€ million | Fair value hierarchy[1] | At amortised cost | At fair value through profit or loss | At fair value through OCI | Total |
|---|---|---|---|---|---|
| **Financial liabilities** | | | | | |
| Borrowings – bonds | | (1,840) | – | – | **(1,840)** |
| Borrowings – loans and overdrafts | | (184) | – | – | **(184)** |
| Borrowings – lease liabilities[2] | | (204) | – | – | **(204)** |
| Trade and other payables[3] | | (1,358) | – | – | **(1,358)** |
| Derivative financial instruments | Level 2 | – | (17) | (1) | **(18)** |
| **Total** | | **(3,586)** | **(17)** | **(1)** | **(3,604)** |

Notes:
1 Fair value hierarchy level is disclosed for liabilities measured at fair value
2 Lease liabilities are financial instruments outside of scope of IFRS 9 and are accounted for under IFRS 16 (see note 35)
3 Excludes tax, social security and deferred income

**(b) Fair value measurement**

There have been no transfers of assets or liabilities between levels of the fair value hierarchy during the year.

Except as detailed below, the carrying values of financial instruments at amortised cost as presented in the consolidated financial statements approximate their fair values.

| € million | Carrying amount 2022 | Carrying amount 2021 | Fair value 2022 | Fair value 2021 |
|---|---|---|---|---|
| **Financial liabilities** | | | | |
| Borrowings | 2,072 | 2,228 | 1,956 | 2,353 |

The fair values of the Eurobonds represent level 1 fair values and are estimated with reference to the last price quoted in the secondary market. The fair values of all other borrowings represent level 3 fair values and are estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

**(c) Financial risk management**

**Market risk**

The Group's activities expose it primarily to foreign exchange and interest rate risk. Both risks are actively monitored on a regular basis and managed through the use of foreign exchange contracts and interest rate swaps as appropriate. Although the Group's cash flows are exposed to movements in key input and output prices, such movements represent the commercial rather than financial risks 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 non-euro operations.

# Notes to the consolidated financial statements for the year ended 31 December 2022 continued

## 31 Financial instruments continued

### Foreign exchange contracts

The Group's Treasury policy requires subsidiaries to actively manage foreign currency transactional exposures against their functional currencies by entering into foreign exchange contracts. For segmental reporting purposes, each subsidiary enters into, and accounts for, foreign exchange contracts with Group treasury or with counterparties that are external to the Group, whichever is more commercially appropriate.

Only material balance sheet exposures and highly probable forecast capital expenditure transactions are hedged.

### Foreign currency sensitivity analysis

Foreign exchange risk sensitivity analysis has been performed on the foreign currency exposures inherent in the Group's financial assets and financial liabilities at the reporting dates presented, net of related foreign exchange contracts. The sensitivity analysis provides an indication of the impact on the Group's reported earnings of reasonably possible changes in the currency exposures embedded within the functional currency environments that the Group operates in. In addition, an indication is provided of how reasonably possible changes in foreign exchange rates might impact on the Group's equity, as a result of fair value adjustments to foreign exchange contracts designated as cash flow hedges. Reasonably possible changes are based on an analysis of historical currency volatility, together with any relevant assumptions regarding near-term future volatility.

Net monetary foreign currency exposures by functional currency zone for continuing operations

| | Net monetary foreign currency exposures – assets/(liabilities)[1] | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| € million | EUR | Other | EUR | Other |
| **Functional currency zones**[2] | | | | |
| Euro[3] | – | 135 | – | (6) |
| South African rand | 1 | (6) | 12 | 2 |
| Egyptian pound | (56) | (4) | – | – |
| Czech koruna | (14) | (2) | 11 | – |
| Polish zloty | 2 | 2 | (13) | – |
| Russian rouble | – | – | (1) | (4) |
| Swedish krona | (3) | – | 5 | (1) |
| Turkish lira | – | 1 | (1) | (4) |
| Other | (28) | 7 | (46) | 5 |

Notes:
1 Presented in euro, the presentation currency of the Group
2 Net monetary exposures represent financial assets less financial liabilities denominated in currencies other than the applicable functional currency, adjusted for the effects of foreign exchange risk hedging, excluding cash flow hedging of non-monetary assets and liabilities
3 Included in the other net monetary exposure is €148 million worth of Russian rouble dividend receivable. See note 26 for the rouble dividend declared

### Functional to foreign currency net monetary exposure sensitivity

Functional to foreign currency net monetary exposure sensitivity is €1 million or less for each major currency assuming a 5% appreciation and/or depreciation of functional currency, with the exception of euro which has an exposure sensitivity of €7 million and Egyptian pound of €3 million.

### Interest rate risk

The Group holds cash and cash equivalents, which earn interest at a variable rate, and has variable and fixed rate debt in issue. Consequently, the Group is exposed to interest rate risk. Although the Group has fixed rate debt in issue, the Group's Accounting policy stipulates that all borrowings be held at amortised cost. As a result, the carrying value of fixed rate debt is not sensitive to changes in credit conditions in the relevant debt markets, and there is, therefore, no exposure to fair value interest rate risk.

### Management of cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with short-term highly liquid investments which have a maturity of three months or less from the date of acquisition. Centralised cash pooling arrangements are in place, which ensure that cash is utilised most efficiently for the ongoing working capital needs of the Group's operating units and, in addition, to ensure that the Group earns the most advantageous rates of interest available.

### Management of variable rate debt

The Group has multiple variable rate debt facilities, of which the most significant is the Syndicated Revolving Credit Facility (see note 20).

The Group's cash and cash equivalents act as a natural hedge to movements in the relevant interbank lending rates on its variable rate debt, subject to any interest rate differentials that exist between the Group's corporate saving and lending rates.

### Net variable rate debt sensitivity analysis

The net variable rate exposure represents variable rate debt less the future cash outflows swapped from variable to fixed via interest rate swap instruments and cash and cash equivalents. Reasonably possible changes in interest rates have been applied to the net variable rate exposure, denominated by currency, in order to provide an indication of the possible impact on the Group's consolidated income statement.

### Interest rate risk sensitivities on variable rate debt

| | Interest rate risk exposures | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | | 2021 | | |
| **€ million** | **EUR** | **Other** | **Total** | **EUR** | **Other** | **Total** |
| Total borrowings | 1,936 | 136 | **2,072** | 2,029 | 199 | **2,228** |
| Less: | | | | | | |
| Fixed rate borrowings | (1,842) | (37) | **(1,879)** | (1,838) | (17) | **(1,855)** |
| Lease liabilities | (64) | (64) | **(128)** | (66) | (138) | **(204)** |
| Cash and cash equivalents | (887) | (180) | **(1,067)** | (357) | (116) | **(473)** |
| **Net variable rate debt and exposure** | **(857)** | **(145)** | **(1,002)** | **(232)** | **(72)** | **(304)** |

Included in other is net variable exposure to various currencies, the most significant of which are Turkish lira and South African rand (2021: Turkish lira and Russian rouble).

The potential impact on the Group's consolidated equity resulting from the application of a 50 basis point increase to the variable interest rate exposure would be a profit of €5 million and vice versa for a 50 basis point reduction.

In addition to the above, the Group swaps euro debt into other currencies through the foreign exchange market using foreign exchange contracts, which has the effect of exposing the Group to the interest rates of these currencies. The currencies swapped into/(out of) and the amounts as at 31 December were as follows:

| **€ million** | **2022** | **2021** |
|---|---|---|
| **Short-dated contracts with tenures of less than 12 months** | | |
| South African rand | 191 | 154 |
| Czech koruna | 304 | 266 |
| Polish zloty | 303 | 202 |
| Russian rouble | – | (37) |
| Swedish krona | (18) | 64 |
| US dollar | 101 | 117 |
| Thai baht | 70 | 59 |
| Other | 148 | 141 |
| **Total swapped against the euro** | **1,099** | **966** |

### Credit risk

The Group's principal credit risk is the risk of customers defaulting on sales invoices raised. The Group's exposure to the credit risk inherent in its trade receivables and the associated risk management techniques that the Group deploys in order to mitigate this risk are discussed in note 17. Additionally, the Group has credit risk on the investment of cash with certain financial institutions. The Group treasury manages the risk on these investments within approved credit limits.

Several Group entities have also issued certain financial guarantees to external counterparties in order to achieve competitive funding rates for specific debt agreements entered into by other Group entities. None of these financial guarantees contractually obligates the Group to pay more than the recognised financial liabilities in the entities concerned. As a result, these financial guarantee contracts have no bearing on the credit risk profile of the Group as a whole.

# Notes to the consolidated financial statements for the year ended 31 December 2022 continued

## 31 Financial instruments continued

### Liquidity risk

Liquidity risk is the risk that the Group could experience difficulties in meeting its commitments to creditors as financial liabilities fall due for payment. The Group manages its liquidity risk by using reasonable and retrospectively assessed assumptions to forecast the future cash-generative capabilities and working capital requirements of the businesses it operates and by maintaining sufficient reserves, committed borrowing facilities and other credit lines as appropriate.

The following table shows the amounts available to draw down on the Group's committed loan facilities:

| € million | 2022 | 2021 |
|---|---|---|
| **Expiry date** | | |
| Within one year | 3 | 47 |
| One to two years | – | 6 |
| Two to five years | 750 | 750 |
| Above five years | 4 | – |
| **Total committed facilities available (see note 20)** | **757** | **803** |

Forecast liquidity represents the Group's expected cash inflows, generated principally from sales made to customers, less the Group's expected cash outflows, related principally 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 represented primarily by the Group's trade receivables and trade payables. The matching of the cash flows that result from trade receivables and trade payables typically takes place over a period of three to four months from recognition in the consolidated statement of financial position and is managed to ensure the ongoing operating liquidity of the Group.

Financing cash outflows may be longer-term in nature. The Group does not hold long-term financial assets to match against these commitments, but is significantly invested in long-term non-financial assets which generate the sustainable future cash inflows, net of future capital expenditure requirements, needed to service and repay the Group's borrowings.

### (d) Derivative financial instruments

At 31 December 2022, the Group recognised total derivative assets of €3 million (2021: €4 million) and derivative liabilities of €10 million (2021: €18 million). The net liability of €7 million (2021: net liability of €14 million) will mature within one year.

The notional amount of €1,710 million (2021: €1,619 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 €1,710 million (2021: €1,619 million) aggregate notional amount, €1,698 million (2021: €1,608 million) relates primarily to the economic hedging of foreign exchange exposures on short-term inter-company funding balances, which are fully eliminated on consolidation.

Derivative financial instruments are subject to International Swaps and Derivatives Association (ISDA) master netting agreements. The amounts are not offset in the consolidated statement of financial position. The amount subject to an enforceable master netting arrangement or similar agreement that is not netted off is €3 million (2021: €3 million).

### Hedging

Cash flow hedges

The Group designates certain derivative financial instruments as cash flow hedges. The fair value gains/(losses) are reclassified from the cash flow hedge reserve to the consolidated income statement in the period when the hedged transaction affects profit and loss. For non-current non-financial assets, these gains/(losses) are included in the carrying value of the asset and depreciated over the same useful life as the cost of the asset.

The Group designates both the spot and forward elements of forward foreign exchange contracts to hedge its currency risk and applies a hedge ratio of 1:1. The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows. The Group's policy is for critical terms of the forward exchange contracts to align with the hedged items and uses the same method to determine hedge ineffectiveness.

Fair value gains of €1 million (2021: gains of €2 million) were reclassified from the cash flow hedge reserve to property, plant and equipment during the current year. There were fair value losses of €4 million (2021: €nil) due to ineffectiveness recognised in the profit from discontinued operations in the consolidated income statement arising on cash flow hedges.

## 32 Related party transactions

The Group and its subsidiaries, in the ordinary course of business, enter into various sale, purchase and service transactions with associated undertakings in which the Group has a material interest. The related party transactions entered into by the Group have been contracted on an arm's-length basis.

Transactions between Mondi plc and its subsidiaries, which are related parties, and transactions between its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

| | Joint ventures | |
|---|---|---|
| **€ million** | **2022** | **2021** |
| Sales to related parties | 8 | 6 |
| Purchases from related parties | 715 | 238 |
| Trade and other receivables from related parties | 1 | 2 |
| Trade and other payables due to related parties | 112 | 50 |
| Loans receivable from related parties | 10 | 9 |

The increase in purchases from related parties and trade and other payables from related parties is mainly caused by wood purchases from a joint venture in Poland and wood price increases in 2022. None of the joint ventures are assessed as being individually material to the Group. For details of the aggregate amount of share of profit in joint ventures see note 15.

**Compensation for the Board and key management**

In accordance with IAS 24, 'Related Party Disclosures', key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, and includes directors (both executive and non-executive) of Mondi plc. The Board and those members of the Group Executive Committee who are not directors comprise the key management personnel of the Group. The remuneration of the directors is disclosed in the Remuneration report.

| **€ million** | **2022** | **2021** |
|---|---|---|
| Salaries and short-term employee benefits | 8.4 | 8.3 |
| Non-executive directors | 1.2 | 1.2 |
| Defined contribution plan payments | 0.6 | 0.6 |
| Social security costs | 1.1 | 0.8 |
| Share-based payments | 5.6 | 4.3 |
| **Total** | **16.9** | **15.2** |

Details of the transactions between the Group and its pension and post-retirement medical plans are disclosed in note 24.

# Notes to the consolidated financial statements for the year ended 31 December 2022 continued

## 33 Group companies

### Composition of the Group

The subsidiaries of the Group as at 31 December 2022 are set out in note 11 of the Mondi plc parent company financial statements. All of these interests are consolidated within the Group's financial statements.

The Group has no material joint ventures or associates.

Refer to Mondi's global footprint on pages 8-9 of the overview to the Integrated report for more information on the places of operation.

A list of subsidiaries taking advantage of an exemption from audit under Section 479A of the Companies Act 2006 is disclosed in note 9 of the Mondi plc parent company financial statements.

### Details of non-wholly-owned subsidiaries

| | Proportion of ownership interests and voting rights held by non-controlling interests (%) | | Profit attributable to non-controlling interests | | Equity attributable to non-controlling interests | |
|---|---|---|---|---|---|---|
| € million, unless otherwise stated | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Mondi SCP, a.s. and its subsidiaries | 49 | 49 | 41 | (1) | 349 | 306 |
| Individually immaterial subsidiaries with non-controlling interests | | | 32 | 18 | 111 | 85 |
| **Total** | | | **73** | **17** | **460** | **391** |

Summarised financial information on the Group's material non-wholly-owned subsidiaries is as follows:

### Mondi SCP, a.s. and its subsidiaries

| € million | 2022 | 2021 |
|---|---|---|
| **Statement of financial position** | | |
| Non-current assets | 753 | 788 |
| Current assets | 409 | 276 |
| Current liabilities | (313) | (264) |
| Non-current liabilities | (129) | (167) |
| **Net assets** | **720** | **633** |
| Equity attributable to owners of the company | 371 | 327 |
| Equity attributable to non-controlling interests | 349 | 306 |
| | | |
| **Income statement and statement of comprehensive income** | | |
| Revenue | 1,232 | 874 |
| Operating costs (including taxation) | (1,148) | (877) |
| **Profit/(loss) for the year** | **84** | **(3)** |
| Attributable to owners of the company | 43 | (2) |
| Attributable to non-controlling interests | 41 | (1) |
| **Total comprehensive income/(expense) for the year** | **87** | **(3)** |
| Attributable to owners of the company | 44 | (2) |
| Attributable to non-controlling interests | 43 | (1) |
| | | |
| **Statement of cash flows** | | |
| Net cash inflow from operating activities | 115 | 86 |
| Net cash outflow from investing activities | (31) | (79) |
| Net cash (outflow)/inflow from financing activities | (23) | 34 |
| **Net cash inflow** | **61** | **41** |

The summarised financial information represents amounts before intra-group eliminations. The subsidiary's registered office as set out in note 11 of the Mondi plc parent company financial statements is also its principal place of business.

## 34 Events occurring after 31 December 2022

Aside from the final dividend proposed for 2022 (see note 9), there has been the following material reportable event since 31 December 2022:

- On 12 January 2023, the Group completed the acquisition of the Duino mill near Trieste (Italy) from the Burgo Group for a total consideration of €40 million. The mill operated one paper machine producing lightweight coated mechanical paper. Mondi plans to convert this paper machine to produce around 420,000 tonnes per annum of high-quality recycled containerboard for an estimated investment of around €200 million.

## 35 Accounting policies

**Basis of consolidation**

The consolidated financial statements incorporate the revenues, expenses, assets, liabilities, equity and cash flows of Mondi plc and its subsidiaries (the Group), and the Group's share of associates and joint ventures drawn up to 31 December each year. All intra-group balances and transactions are eliminated.

A subsidiary is an entity over which the Group has control. Control is evident where the Group is exposed to, or has rights to, variable returns from its involvement with that entity and has the ability to affect those returns through its power over that entity.

The results of subsidiaries acquired or disposed of during the years presented are included in the consolidated income statement from the effective date of acquiring control or up to the effective date of disposal.

Non-controlling interests are measured, at initial recognition, as the non-controlling proportion of the fair values of the assets and liabilities recognised at acquisition.

After initial recognition, non-controlling interests are measured as the aggregate of the value at initial recognition and their subsequent proportionate share of profits and losses less any distributions made.

Changes in the Group's interests in subsidiaries that do not result in a change in control are accounted for as equity transactions. Any resulting difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration payable or receivable is recognised directly in equity and attributed to the shareholders.

**Foreign currency transactions and translation**

Foreign currency transactions

Foreign currency transactions are translated into the functional currency of the entity that has undertaken the transaction, using the exchange rates ruling on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the reporting date. Gains and losses arising on translation are included in the consolidated income statement and are classified as either operating or financing consistent with the nature of the monetary item giving rise to them.

Translation of non-euro 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 non-euro operations are translated into the presentation currency of the Group at exchange rates prevailing on the reporting date. Income and expense items, except those which arise in countries with hyperinflationary economies (see note 1), are translated at the average exchange rates for the month in which they occur, where these approximate the rates on the dates of the underlying transactions. Exchange differences, if any, are recognised directly in other comprehensive income, and accumulated in the Group's currency translation adjustment reserve in equity. Such translation differences are reclassified to profit or loss only on disposal or partial disposal of the non-euro operation.

**Fair value measurement**

Assets and liabilities that are measured at fair value, or where the fair value of financial instruments has been disclosed in notes to the consolidated financial statements, are based on the following fair value measurement hierarchy:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
- Level 3 – inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

The assets measured at fair value on level 3 of the fair value measurement hierarchy are the Group's forestry assets, as set out in note 14.

The fair values of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) are determined using generally accepted valuation techniques. These valuation techniques maximise the use of observable market data and rely as little as possible on Group-specific estimates.

# Notes to the consolidated financial statements for the year ended 31 December 2022 continued

## 35 Accounting policies continued

Specific valuation methodologies used to value financial instruments include the following:

- The fair values of foreign exchange contracts are calculated as the present value of expected future cash flows based on observable yield curves and exchange rates.
- The fair values of the Group's commodity price derivatives are calculated as the present value of expected future cash flows based on observable market data.
- Other techniques, including discounted cash flow analysis, are used to determine the fair values of other financial instruments.

**Segmental reporting (note 2)**

The Group's operating segments are reported in a manner consistent with the internal reporting provided to the Executive Committee, the chief operating decision-making body. The operating segments are managed based on the nature of the underlying products produced by those businesses and comprise three distinct segments. The number of reportable segments is the same as the number of identified operating segments.

Measurement of operating segment revenues, profit or loss, assets and non-current non-financial assets

Each of the operating segments derives its income from the sale of manufactured products.

The operating segment measures adhere to the recognition and measurement criteria presented in the Group's accounting policies and are presented on an underlying basis, excluding special items. The Group has presented certain non-IFRS measures (Alternative Performance Measures), as defined on pages 242-248, by segment to supplement the user's understanding. All intra-group transactions are conducted on an arm's-length basis.

**Revenue from contracts with customers (note 2)**

Sale of goods

Revenue is recognised from the sale of goods and is measured at the amount of the transaction price received in exchange for transferring goods. The transaction price is the expected consideration to be received, to the extent that it is highly probable that there will not be a significant reversal of revenue in future, after deducting discounts, volume rebates, value added tax and other sales taxes. When the period of time between delivery of goods and subsequent payment by the customer is less than one year, no adjustment for a financing component is made.

Control of the goods is passed when title and insurance risk have passed to the customer, which is typically when the goods have been delivered to a contractually agreed location.

The incremental costs of obtaining a contract are recognised as an expense when the period of amortisation over which the costs would have been recognised is one year or less. If not, these costs are capitalised and amortised on a basis consistent with the transfer of goods to the customer to which the asset relates.

Transport revenue

Transport revenue is considered distinct when the Group provides transport services after the point in time when control of goods has passed to the customer. Such revenue is recognised over time.

**Other income**

Sale of green energy and $CO_2e$ credits (note 16)

Income generated from the sale of green energy and $CO_2e$ credits issued under international trading schemes are accounted for as government grants and are measured at the consideration received in exchange for transferring such credits. The income is recorded within other net operating expenses in the consolidated income statement when ownership rights pass to the buyer. Any unsold green energy credits are recorded in inventory at cost, which is often at nil value.

Investment income (note 6)

Interest income, which is derived from cash and cash equivalents and other interest-bearing financial assets, is accrued on a time proportion basis, by reference to the principal outstanding and at the applicable effective interest rate.

**Taxation (note 7)**

The tax expense represents the sum of the current tax charge and the deferred tax charge.

Current tax

The current tax charge is based on taxable profit for the year. The Group's asset/liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date. The Group is regularly subject to routine tax audits. Provision is made based on the tax laws in the relevant country and the expected outcomes of any negotiations or settlements. Current tax is presented as a special item if the corresponding taxable income/expense is accounted for as a special item.

The Group is subject to corporate taxes in a number of jurisdictions and a degree of estimation and judgement is required in determining the appropriate tax provision for transactions where the tax treatment is uncertain. In these circumstances, the Group recognises provisions for taxes based on information available where the anticipated liability is both probable and estimable.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amount of assets and liabilities in the Group's consolidated financial statements and the corresponding tax bases used in the computation of taxable profits and is accounted for using the balance sheet liability method. Deferred tax is presented as a special item if the corresponding temporary difference arises from a special item.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill or from the initial recognition, other than in a business combination, of other assets and liabilities in a transaction that affects neither the tax profit nor accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date. In considering their recoverability, the Group assesses the likelihood of the assets being recoverable within a reasonably foreseeable timeframe, typically a three-year period consistent with the period applied to the Group's viability assessment. The carrying amount is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered. Similarly, it is increased to the extent that it becomes probable that sufficient taxable profit will be available in the future for all or part of the deferred tax asset to be recovered.

Deferred tax is calculated at the tax rates that have been enacted or substantively enacted and which are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited to the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same tax authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The Group applies the initial recognition exemption model to account for any investment tax credits. Deferred tax is not recognised for temporary differences relating to investment tax credits due to the availability of the initial recognition exemption.

**Earnings per share (EPS) (note 8)**

Basic EPS

The basic EPS is calculated by dividing net profit attributable to ordinary shareholders by the weighted average number of Mondi plc shares in issue during the year, net of own shares.

Diluted EPS

For diluted EPS, the weighted average number of Mondi plc ordinary shares in issue, net of own shares, is adjusted to assume conversion of all dilutive potential ordinary shares. At present these only include share awards granted to employees. Potential or contingent share issues are treated as dilutive when their conversion to shares would decrease EPS.

The weighted average number of ordinary shares in issue is the weighted number of shares in issue throughout the year and excludes own shares held by employee benefit trusts.

EPS, if relevant, are presented for both continuing and discontinued operations, on the face of the consolidated income statement.

**Non-current non-financial assets excluding goodwill, deferred tax and net retirement benefit assets**

Property, plant and equipment (note 10)

Property, plant and equipment principally comprise land and buildings, plant and equipment, assets under construction and other.

Property, plant and equipment is stated at cost less accumulated depreciation and impairment. Land and assets under construction are carried at cost less impairment. Cost includes site preparation, the purchase price of the equipment and directly attributable labour and installation costs. Borrowing costs are capitalised on qualifying assets. The capitalisation of costs ceases when the asset is in the location and condition necessary for it to be capable of commercial operation. Start-up and ongoing maintenance costs are recognised immediately as an expense.

Depreciation is charged to the consolidated income statement so as to write off the cost of assets, other than freehold land and assets under construction, over their estimated useful lives on a straight-line basis to their estimated residual values of nil or scrap value.

Residual values and useful lives are reviewed at least annually. Depreciation commences when the assets are ready for their intended use. An adjustment is made to the estimated useful lives of assets where climate change is anticipated to have a material impact. Estimated useful lives range from 3 years to 25 years for items of plant and equipment and other categories and up to a maximum of 40 years for buildings.

# Notes to the consolidated financial statements for the year ended 31 December 2022 continued

## 35 Accounting policies continued

### Leases (note 11)

To the extent that a right of control exists over an asset subject to a lease, a right-of-use asset, representing the Group's right to use the underlying leased asset, is recognised within property, plant and equipment in the consolidated statement of financial position. A corresponding lease liability, representing the Group's obligation to make lease payments, is recognised, depending on the maturity of the underlying lease payments, within short-term borrowings or medium- and long-term borrowings in the consolidated statement of financial position at the commencement of the lease.

The right-of-use asset is measured initially at cost and includes the amount of initial measurement of the lease liability, any initial direct costs incurred, including advance lease payments, and an estimate of the dismantling, removal and restoration costs required in terms of the lease. Depreciation is charged to the consolidated income statement so as to depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The lease term shall include the period of an extension option where it is reasonably certain that the option will be exercised. Where the lease contains a purchase option, the asset is written off over the useful life of the asset when it is reasonably certain that the purchase option will be exercised.

The lease liability is measured at the present value of the future lease payments, including variable lease payments that depend on an index and the exercise price of purchase options where it is reasonably certain that the option will be exercised, discounted using the interest rate implicit in the lease, if readily determinable. If the implicit interest rate cannot be readily determined, the lessee's incremental borrowing rate is used. Finance charges are recognised within finance costs in the consolidated income statement over the period of the lease.

Lease expenses for leases with a duration of one year or less and low-value assets are not recognised in the consolidated statement of financial position, and are charged to the consolidated income statement when incurred. Low-value assets are determined based on quantitative criteria.

### Intangible assets and R&D expenditure (note 13)

Intangible assets are measured initially at purchase consideration and are amortised on a straight-line basis over their estimated useful lives. Estimated useful lives vary between 3 years and 10 years and are reviewed at least annually.

Research expenditure is expensed in the year in which it is incurred. Development costs are capitalised when the completion of the asset is both commercially and technically feasible and are amortised on a systematic basis over the economic life of the related development. Development costs are recognised immediately as an expense if they do not qualify for capitalisation.

### Impairment of property, plant and equipment and intangible assets

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated. If the recoverable amount of an asset, or cash-generating unit (CGU) to which the asset relates, is less than its carrying amount, the carrying amount of the asset, or CGU, is reduced to its recoverable amount and an impairment recognised as an expense.

The recoverable amount of the asset, or CGU, is the higher of its fair value less costs to dispose and its value in use. In assessing value in use, the estimated future cash flows generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the smallest CGU to which the asset belongs.

Where the underlying circumstances change such that a previously recognised impairment subsequently reverses, the carrying amount of the asset, or CGU, is increased to the revised estimate of its recoverable amount. Such a reversal is limited to the carrying amount that would have been determined (taking into account depreciation or amortisation in the intervening period) had no impairment been recognised for the asset, or CGU, in prior years. A reversal of an impairment is recognised in the consolidated income statement.

### Agriculture – owned forestry assets (note 14)

Owned forestry assets are biological assets measured at fair value less costs to sell, calculated by applying the expected selling price, less costs to harvest and deliver, to the estimated volume of timber on hand at each reporting date. The fair value less costs to sell is determined using a market-based approach. The estimated volume of timber on hand is determined based on the maturity profile of the area under afforestation, the species, the geographic location, climate and other environmental considerations and excludes future growth. The product of these is then adjusted for risks associated with forestry assets.

Changes in fair value are recognised in the consolidated income statement within other net operating expenses. At point of harvest, the carrying value of forestry assets is transferred to inventory and recorded as a felling cost reduction to the fair value of forestry assets.

Directly attributable costs incurred during the year of biological growth and investments in standing timber are capitalised and presented within cash flows from investing activities.

### Investments in joint ventures (note 15)

A joint venture is an entity in which the Group holds a long-term interest with contractually agreed sharing of control over the strategic, financial and operating decisions with one or more other venturers. Typically, the Group owns between 20% and 50% of the voting equity of its joint ventures. Investments in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated statement of financial position.

Non-current assets held for sale and discontinued operations (note 26)

Non-current assets, and disposal groups, are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups), and its sale must be highly probable. Non-current assets, and disposal groups, classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell from the date on which these conditions are met. The deferred tax assets, assets arising from employee benefits and financial assets are specifically exempt from this requirement.

Any resulting impairment is reported through the consolidated income statement. From the time of classification as held for sale, the assets are no longer depreciated or amortised. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised. Comparative amounts in the consolidated statement of financial position are not adjusted.

Discontinued operations are either a separate major line of business or geographical area of operations that have been disposed of or are part of a single coordinated plan for disposal which satisfy the held for sale criteria. Once an operation has been identified as discontinued, its net profit or loss, other comprehensive income or expense and cash flows are presented separately in the consolidated income statement, the consolidated statement of comprehensive income and the consolidated statement of cash flows, including related notes to these statements, and comparative information is restated. Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the consolidated statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated statement of financial position. The Group's assets and liabilities related to comparative periods are not separated between continuing and discontinued operations in the consolidated statement of financial position.

**Business combinations (note 25)**

Identifiable net assets

The identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values on the acquisition date. Assets and liabilities which cannot be measured reliably are recorded at provisional fair values, which are finalised within 12 months of the acquisition date. Any non-controlling interest in the acquiree is recorded at the non-controlling interest's proportionate share of the acquired net assets.

Cost of a business combination

The cost of a business combination includes the fair value of assets provided, liabilities incurred or assumed and any equity instruments issued by a Group entity, in exchange for control of an acquiree. The directly attributable costs associated with a business combination are expensed as incurred and recognised within other net operating expenses into the consolidated income statement.

Goodwill (note 12)

Any excess of the consideration of the acquisition over the fair values of the identifiable net assets acquired is attributed to goodwill. Goodwill is subsequently measured at cost less any impairment.

Impairment of goodwill

Goodwill acquired through business combinations is allocated to the group of CGUs that is expected to benefit from the synergies of the combination and represents the lowest level at which goodwill is monitored for internal management purposes. The recoverable amount of the group of CGUs to which goodwill has been allocated is tested for impairment annually in the fourth quarter of each financial year and when events or changes in circumstances indicate that it may be impaired.

The recoverable amount of a group of CGUs is determined based on the higher of value in use or its fair value less costs of disposal. Value-in-use calculations use cash flow projections based on financial budgets covering a three-year period that are based on the latest forecasts for revenue and costs as approved by the Board. Projected revenues and costs are determined taking into consideration relevant industry forecasts for individual product lines, climate change, internal management projections, historical performance and announced industry capacity changes.

Cash flow projections beyond three years are based on internal management projections. Growth rates in the countries in which the Group operates are determined with reference to published gross domestic product information, and for specific product lines are determined with reference to published industry studies.

The discount rate is derived from the Group's weighted average cost of capital using published market data and published borrowing rates and adjusted for country risk and tax.

Any impairment is recognised in the consolidated income statement. Impairments of goodwill are not subsequently reversed.

**Current non-financial assets**

Inventories (note 16)

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the first-in, first-out (FIFO) or weighted average cost basis, as appropriate. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value is defined as the selling price less any estimated costs to sell.

# Notes to the consolidated financial statements for the year ended 31 December 2022 continued

## 35 Accounting policies continued

**Equity instruments**

Own shares (note 22)

The purchase by any Group entity of Mondi plc's equity instruments results in the recognition of own shares. The consideration paid or payable is deducted from equity. Where own shares are subsequently sold, reissued or otherwise disposed of, any consideration received or receivable is included in equity attributable to the shareholders of Mondi plc, net of any directly attributable incremental transaction costs and the related tax effects.

Dividend payments (note 9)

The dividend distributions to Mondi plc's ordinary shareholders are recognised as a liability when the dividends are declared and approved. Final dividends are accrued when approved by Mondi plc's ordinary shareholders at its Annual General Meeting and interim dividends are recognised when paid.

Share-based payments (note 23)

The Group operates a number of equity-settled, share-based compensation schemes. The fair value of the employee services received in exchange for the grant of share awards is recognised concurrently as an expense and an adjustment to equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the share awards granted, as adjusted for market performance conditions and non-market vesting conditions. Vesting conditions are included in assumptions about the number of awards that are expected to vest. At each reporting date, the Group revises its estimates of the number of share awards that are expected to vest as a result of changes in non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

**Financial instruments (note 31)**

Financial assets and financial liabilities are recognised in the Group's consolidated statement of financial position when the Group becomes party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the consolidated income statement.

Cash and cash equivalents (note 28b)

Cash and cash equivalents comprise cash on hand, money market funds, demand deposits and 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. The money market funds are held at fair value through profit and loss, with the remaining balance of cash and cash equivalents carried at amortised cost. Bank overdrafts are shown within short-term borrowings in current liabilities in the consolidated statement of financial position. Cash and cash equivalents presented in the consolidated statement of cash flows are net of overdrafts and include cash and cash equivalents classified as assets held for sale.

Trade receivables (note 17)

Trade receivables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest rate method, less an allowance for impairment.

Impairment of trade receivables (note 17)

A simplified lifetime expected credit loss (ECL) model is used to assess trade receivables for impairment. ECL is the present value of all cash shortfalls over the expected life of a trade receivable. Expected credit losses are based on historical loss experience on trade receivables, adjusted to reflect information about current economic conditions and reasonable and supportable forecasts of future economic conditions. At the date of initial recognition, the credit losses expected to arise over the lifetime of a trade receivable are recognised as an impairment.

Trade payables (note 18)

Trade payables are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest rate method.

Borrowings (note 21)

Interest-bearing loans and overdrafts are initially recognised at fair value, net of direct transaction costs. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the consolidated income statement over the term of the borrowings using the effective interest rate method.

Borrowing costs (note 6)

Interest on borrowings directly relating to the acquisition, construction or production of qualifying assets is capitalised until such time as the assets are substantially ready for their intended use. Where funds have been borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the construction period.

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

**Derivative financial instruments and hedge accounting (note 31d)**

The Group enters into forward and swap contracts in order to hedge its exposure to foreign exchange, interest rate and commodity price risks.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and subsequently measured at fair value in the consolidated statement of financial position within financial instruments, and are classified as current or non-current depending on the maturity of the derivative.

Changes in the fair value of derivative financial instruments that are not formally designated in hedge relationships are recognised immediately in the consolidated income statement and are classified within operating profit or net finance costs, depending on the type of risk to which the derivative relates.

Cash flow hedges

The effective portion of changes in the fair value of derivative financial instruments that are designated as hedges of future cash flows are recognised directly in other comprehensive income and accumulated in equity. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement. If the cash flow hedge of a forecast transaction results in the recognition of a non-financial asset, then, at the time the asset is recognised, the associated gains or losses on the derivative that had previously been recognised in the Group's cash flow hedge reserve in equity are included in the initial measurement of the asset. For hedges that do not result in the recognition of a non-financial asset, amounts deferred in the Group's cash flow hedge reserve in equity are recognised in the consolidated income statement in the same period in which the hedged item affects profit or loss on a proportionate basis.

Hedge accounting is discontinued when the hedge relationship is revoked or the hedging instrument expires, is sold, terminated, exercised or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss deferred in equity remains in equity and is recognised in the consolidated income statement when the forecast transaction is ultimately recognised. If a hedge transaction is no longer expected to occur, the net cumulative gain or loss deferred in equity is included immediately in the consolidated income statement.

**Retirement benefits (note 24)**

The Group operates defined benefit pension plans and defined contribution pension plans for the majority of its employees as well as post-retirement medical plans.

Defined contribution plans

For defined contribution plans, the amount charged to the consolidated income statement is the contributions paid or payable during the financial year.

Defined benefit pension plans and post-retirement medical plans

For defined benefit pension and post-retirement medical plans, actuarial valuations are performed at each financial year end using the projected unit credit method. The average discount rate for the plans' liabilities is based on investment-grade-rated corporate bonds or similar government bonds of a suitable duration and currency. Plans' assets are measured using market values at the end of the financial year.

The net retirement benefits liability recognised in the consolidated statement of financial position represents the present value of the defined benefit liability as reduced by the fair value of any plan assets.

Any increase in the present value of plan liabilities expected to arise from employee service during the year is charged to personnel costs as service costs. Past service costs resulting from plan amendments or curtailments and gains or losses on settlements are charged to personnel costs. A net interest expense or net interest income is calculated by applying the discount rate, on a per plan basis, to the net defined benefit liability or asset and recognised in the consolidated income statement within finance costs.

Remeasurements comprising actuarial gains and losses and the return on plan assets (after recognising the net finance charge) are charged or credited to equity in other comprehensive income, net of deferred tax, in the financial year in which they occur. Remeasurements recorded in other comprehensive income are not recycled to the consolidated income statement, but those amounts recognised in other comprehensive income may be transferred within equity.

# Notes to the consolidated financial statements for the year ended 31 December 2022 continued

## 35 Accounting policies continued

**Provisions (note 19)**

Provisions are recognised when the Group has a present obligation as a result of a past event, which it is probable it will be required to settle. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value using country-specific discount rates for periods matching the duration of the underlying liability where the effect of discounting is material.

**Hyperinflation accounting (note 1)**

Effective from 1 January 2022, the Group has applied IAS 29, 'Financial Reporting in Hyperinflationary Economies', to its subsidiaries in Türkiye, whose functional currencies have experienced a cumulative inflation rate of more than 100% over the past three years. Assets, liabilities, the financial position and results of non-euro operations in hyperinflationary economies are translated to euro at the exchange rates prevailing on the reporting date. The exchange differences are recognised directly in other comprehensive income or expense, and accumulated in the Group's cumulative translation adjustment reserve in equity. Such translation differences are reclassified to profit or loss only on disposal or partial disposal of the non-euro operation.

Prior to translating the financial statements of the Turkish operations, the non-monetary assets and liabilities stated at historical cost are restated to account for changes in the general purchasing power of the local currencies based on the consumer price index (TÜFE, 2003=100) published by the Turkish Statistical Institute (TURKSTAT). On the date of first-time application, being 1 January 2022, the adjustment of the carrying amounts of non-monetary assets and liabilities of €41 million was determined at the closing exchange rate and allocated between retained earnings, other reserves and non-controlling interests in equity as presented in the consolidated statement of changes in equity. This included €54 million recognised in the cumulative translation adjustment reserve (see note 22), in addition to the remaining exchange differences arising on consolidation. The allocation of the opening balance adjustment is consistent with how the current period impacts are reported. The subsequent gains or losses resulting from the restatement of non-monetary assets and liabilities are recorded in the consolidated income statement as net monetary gain arising from hyperinflationary economies. Comparative amounts presented in euro are not restated for subsequent changes in the price level or exchange rates. The results of the Turkish operations are restated to the index level at the end of the period, with hyperinflationary gains and losses being reported in net monetary gain arising from hyperinflationary economies.

The Group also operates a paper bags plant in Lebanon, which became a hyperinflationary economy in September 2020. IAS 29 has not been applied to this subsidiary, as the impact from hyperinflation accounting is considered immaterial.

**New accounting policies, early adoption and future requirements**

Amendments to published Standards effective during 2022

The following amendments to Standards have been adopted for the financial year beginning on 1 January 2022, and have had no significant impact on the Group's results:

- Annual improvements to IFRS Standards 2018-2020 cycle
- Amendments to IAS 16 – Property, Plant and Equipment – Proceeds before Intended Use
- Amendments to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract
- Amendments to IFRS 3 – Business Combinations – References to the Conceptual Framework

Amendments to published Standards effective for the financial year beginning on 1 January 2023

The following amendments to Standards will be effective for the financial year beginning on 1 January 2023 and were adopted by the UK Endorsement Board in December 2022. The amendments are not expected to have a significant impact on the Group's results:

- Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates
- Amendments to IAS 1 – Presentation of Financial Statements and IFRS Practice Statement 2 – Disclosure of Accounting Policies
- Amendments to IAS 12 – Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

# Mondi plc parent company balance sheet as at 31 December 2022

| € million | Notes | 2022 | 2021 |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible assets | 5 | 3 | 4 |
| Shares in group undertakings | 6 | 3,604 | 3,604 |
| **Current assets** | | | |
| Debtors: due within one year | 7 | 606 | 371 |
| **Current liabilities** | | | |
| Creditors: amounts falling due within one year | | (10) | (9) |
| **Net current assets** | | **596** | **362** |
| **Total assets less current liabilities** | | **4,203** | **3,970** |
| Creditors: amounts falling due after more than one year | | (4) | (4) |
| Provisions for liabilities | | (1) | (1) |
| **Net assets** | | **4,198** | **3,965** |
| | | | |
| **Capital and reserves** | | | |
| Called-up share capital | 8 | 97 | 97 |
| Profit and loss account | | 3,421 | 3,189 |
| Merger reserve | 8 | 637 | 637 |
| Capital redemption reserve | | 29 | 29 |
| Share-based payments reserve | | 14 | 13 |
| **Total shareholders' funds** | | **4,198** | **3,965** |

Mondi plc reported a profit of €550 million (2021: profit of €710 million) for the year ended 31 December 2022. The balance sheet and statement of changes in equity of Mondi plc and related notes 1 to 11 were approved by the Board and authorised for issue on 22 February 2023 and were signed on its behalf by:

**Andrew King**
Director

**Mike Powell**
Director

Mondi plc company registered number: 6209386

# Mondi plc parent company statement of changes in equity for the year ended 31 December 2022

| € million | Called-up share capital | Profit and loss account | Merger reserve | Capital redemption reserve | Share-based payments reserve | Total equity |
|---|---|---|---|---|---|---|
| At 1 January 2021 | 97 | 2,775 | 637 | 29 | 13 | **3,551** |
| Total comprehensive income for the year | – | 710 | – | – | – | **710** |
| Dividends | – | (298) | – | – | – | **(298)** |
| Mondi share schemes' charge | – | – | – | – | 9 | **9** |
| Issue of shares under employee share schemes | – | 9 | – | – | (9) | **–** |
| Purchases of own shares | – | (7) | – | – | – | **(7)** |
| **At 31 December 2021** | **97** | **3,189** | **637** | **29** | **13** | **3,965** |
| Total comprehensive income for the year | – | 550 | – | – | – | **550** |
| Dividends | – | (321) | – | – | – | **(321)** |
| Mondi share schemes' charge | – | – | – | – | 11 | **11** |
| Issue of shares under employee share schemes | – | 10 | – | – | (10) | **–** |
| Purchases of own shares | – | (7) | – | – | – | **(7)** |
| **At 31 December 2022** | **97** | **3,421** | **637** | **29** | **14** | **4,198** |

# Notes to the Mondi plc parent company financial statements for the year ended 31 December 2022

## 1 Accounting policies

### Basis of preparation

Mondi plc meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council. Accordingly, the financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101), as issued by the Financial Reporting Council and the Companies Act 2006.

As permitted by FRS 101, Mondi plc has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain items, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions.

Where required, equivalent disclosures are given in the consolidated Group financial statements of Mondi plc, which are publicly available. The results, assets and liabilities of Mondi plc are included in the publicly available consolidated Group financial statements.

Mondi plc has made use of the exemption from presenting a profit and loss account, in accordance with Section 408 of the Companies Act 2006.

The financial statements have been prepared on a going concern basis. The assessment of going concern is disclosed in the Strategic report as part of the viability statement under the heading Going concern on page 83, which is incorporated by reference into these financial statements.

The financial statements are prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies adopted are described below. They have all been applied consistently throughout the year and the preceding year.

### Principal accounting policies

The principal accounting policies applied by Mondi plc are the same as those presented in notes 1 and 35 to the Group's consolidated financial statements, to the extent that the Group's transactions and balances are applicable to the company financial statements. Principally, the accounting policies which are not directly relevant to the Mondi plc parent company financial statements are those relating to consolidation accounting and the recognition and subsequent measurement of goodwill.

The accounting policy, which is additional to those applied by the Group, is stated as follows:

#### Shares in group undertakings

Shares in group undertakings are stated at cost, less, where appropriate, provisions for impairment.

Impairment reviews are performed when there is an indicator that the carrying value of the shares in group undertakings could exceed their recoverable amounts based on their value in use or fair value less costs to dispose. Value in use is calculated by discounting future expected cash flows. These calculations use cash flow projections based on Board-approved budgets and forecasts which reflect management's current experience and future expectations of the markets in which the Group undertaking operates.

Costs incremental and directly attributable to the acquisition of investments are capitalised.

#### Critical accounting judgements and significant accounting estimates

The preparation of the financial statements of Mondi plc includes the use of estimates and assumptions. Although the estimates used are based on management's best information about current circumstances and future events and actions, actual results may differ from those estimates. No critical accounting judgements or significant accounting estimates were identified.

## 2 Auditors' remuneration and employee information

Disclosure of the audit fees payable to the auditors for the audit of Mondi plc's financial statements is set out in note 4 of the Group's consolidated financial statements.

Mondi plc had 27 employees during the year (2021: 27).

## 3 Share-based payments

The share schemes and the underlying assumptions used to estimate the associated fair value charge are set out in note 23 of the Group's consolidated financial statements.

## 4 Deferred tax

No deferred tax asset is recognised on gross temporary differences of €15 million (2021: €17 million) relating to share-based payment arrangements. Mondi plc has tax losses of €198 million (2021: €176 million) in respect of which no deferred tax asset has been recognised due to the low probability of future taxable profit streams or gains against which these could be utilised. Although Mondi plc receives dividend income from its subsidiaries, this dividend income is exempt from corporation tax.

## 5 Tangible assets

Mondi plc entered into an office building lease agreement for a total term of 10 years from 2 August 2021 and recognised a right-of-use asset of €3 million (2021: €4 million) accordingly. The lease may only be terminated by Mondi plc after 5 years. Mondi plc does not intend to exercise the termination option, and thus it was not considered in the calculation of the right-of-use asset.

## 6 Shares in group undertakings

| € million | 2022 | 2021 |
|---|---|---|
| **Unlisted** | | |
| Shares at cost | 3,721 | 3,721 |
| Accumulated impairment | (117) | (117) |
| **Total shares in group undertakings** | **3,604** | **3,604** |

The shares in group undertakings are in Mondi Investments Limited (incorporated in the UK), a wholly owned subsidiary which acts as an investment holding company, and Mondi South Africa (Pty) Limited (incorporated in South Africa), a wholly owned subsidiary which manages forestry operations and manufactures pulp, uncoated fine paper and containerboard.

## 7 Debtors: due within one year

Amounts held on deposit in a cash pool facility with a subsidiary of €600 million (2021: €369 million) are included in debtors: due within one year. No provision on expected credit losses is recognised at 31 December 2022 (2021: €nil).

## 8 Capital and reserves

Full disclosure of the called-up share capital of Mondi plc is set out in note 22 of the Group's consolidated financial statements.

The merger reserve was recognised in respect of the simplification of the dual-listed company structure in 2019.

## 9 Financial guarantees

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 (2021: €nil). The fair value of these issued financial guarantees is deemed to be immaterial.

| € million | 2022 | 2021 |
|---|---|---|
| Pension scheme guarantees | 79 | 83 |
| Guarantees of obligations of subsidiaries of Mondi plc | | |
| Incurred in the ordinary course of business | 4 | 3 |
| In favour of banks and bondholders (restated)[1] | 3,037 | 3,130 |
| **At 31 December (restated)[1]** | **3,120** | **3,216** |

Note:
1 Guarantees of obligations of subsidiaries of Mondi plc in favour of banks and bondholders disclosed as at 31 December 2021 were restated from €2,998 million to €3,130 million due to an administrative error

The following subsidiaries have taken advantage of an exemption from audit under Section 479A of the Companies Act 2006. As the ultimate parent, Mondi plc has provided a statutory guarantee for any outstanding liabilities of those subsidiaries. All subsidiary undertakings have been included in the consolidation of the Group.

- Mondi Packaging Limited (registered number: 01846191)
- Mondi Packaging UK Holdings Limited (registered number: 03714255)
- Mondi Scunthorpe Limited (registered number: 01446927)

Mondi plc is subject to certain legal proceedings, claims, complaints and investigations arising out of the ordinary course of business. Legal proceedings may include, but are not limited to, alleged breach of contract and alleged breach of environmental, competition, securities and safety and health laws. Mondi plc may not be insured fully, or at all, in respect of such risks. Mondi plc cannot predict the outcome of individual legal actions or claims or complaints or investigations. Mondi plc may settle litigation or regulatory proceedings prior to a final judgment or determination of liability. Mondi plc may do so to avoid the cost, management efforts or negative business, regulatory or reputational consequences of continuing to contest liability, even when it considers it has valid defences to liability. The Board considers that no material loss to Mondi plc is expected to result from these legal proceedings, claims, complaints and investigations. Provision is made for all liabilities that are expected to materialise through legal and tax claims against Mondi plc.

## 10 Events occurring after 31 December 2022

Aside from the final dividend proposed for 2022, included in note 9 of the Group's consolidated financial statements, there have been no material reportable events since 31 December 2022.

# Notes to the Mondi plc parent company financial statements for the year ended 31 December 2022 continued

## 11 List of subsidiaries and associated undertakings and other significant holdings as at 31 December 2022

All shares are held indirectly through a subsidiary or associated undertaking except where noted. Except where stated, the shares held are ordinary shares.

| Company | Registered office | Principal activities | % of shares held by Group |
|---|---|---|---|
| **Austria** | | | |
| Mondi AG | Marxergasse 4A, 1030 Vienna | Holding, Corporate | 100.00 |
| Mondi Coating Zeltweg GmbH | Bahnhofstrasse 3, 8740 Zeltweg | Production, Flexible Packaging | 100.00 |
| Mondi Consumer Packaging GmbH | Marxergasse 4A, 1030 Vienna | Holding, Flexible Packaging | 100.00 |
| Mondi Corrugated Holding Österreich GmbH | Marxergasse 4A, 1030 Vienna | Holding, Corrugated Packaging | 100.00 |
| Mondi Corrugated Services GmbH | Marxergasse 4A, 1030 Vienna | Service, Corrugated Packaging | 100.00 |
| Mondi Engineered Materials GmbH | Marxergasse 4A, 1030 Vienna | Holding, Flexible Packaging | 100.00 |
| Mondi Finance Europe GmbH | Marxergasse 4A, 1030 Vienna | Service, Corporate | 100.00 |
| Mondi FlexPack Trading GmbH | Marxergasse 4A, 1030 Vienna | Distribution, Flexible Packaging | 100.00 |
| Mondi Frantschach GmbH | Frantschach 5, 9413 St. Gertraud | Production, Flexible Packaging | 100.00 |
| Mondi Grünburg GmbH | Steyrtalstrasse 5, 4594 Grünburg | Production, Corrugated Packaging | 100.00 |
| Mondi Holdings Austria GmbH | Marxergasse 4A, 1030 Vienna | Holding, Corporate | 100.00 |
| Mondi Industrial Bags GmbH | Marxergasse 4A, 1030 Vienna | Holding, Flexible Packaging | 100.00 |
| Mondi Korneuburg GmbH | Erwin Schrödinger Strasse 2, 2100, Korneuburg | Production, Flexible Packaging | 100.00 |
| Mondi Neusiedler GmbH | Theresienthalstrasse 50, 3363 Ulmerfeld-Hausmening | Production, Uncoated Fine Paper | 51.00 |
| Mondi Oman Holding GmbH | Marxergasse 4A, 1030 Vienna | Holding, Flexible Packaging | 70.00 |
| Mondi Paper Sack Zeltweg GmbH | Bahnhofstrasse 3, 8740 Zeltweg | Distribution, Flexible Packaging | 100.00 |
| Mondi Paper Sales GmbH | Marxergasse 4A, 1030 Vienna | Distribution, Corrugated Packaging, Flexible Packaging, Uncoated Fine Paper | 100.00 |
| Mondi Release Liner Austria GmbH | Waidhofnerstrasse 11, 3331 Hilm | Production, Flexible Packaging | 100.00 |
| Mondi Styria GmbH | Bahnhofstrasse 3, 8740 Zeltweg | Production, Flexible Packaging | 100.00 |
| Mondi Uncoated Fine & Kraft Paper GmbH | Marxergasse 4A, 1030 Vienna | Holding, Corrugated Packaging, Flexible Packaging, Uncoated Fine Paper | 100.00 |
| Papierholz Austria GmbH[1] | Frantschach 5, 9413 St. Gertraud | Service, Flexible Packaging | 25.00 |
| Ybbstaler Zellstoff GmbH | Theresienthalstrasse 50, 3363 Ulmerfeld-Hausmening | Production, Uncoated Fine Paper | 51.00 |
| **Belgium** | | | |
| Mondi Poperinge N.V. | Nijverheidslaan 11, 8970 Poperinge | Production, Flexible Packaging | 100.00 |

| Company | Registered office | Principal activities | % of shares held by Group |
|---|---|---|---|
| **Bulgaria** | | | |
| Mondi Stambolijski E.A.D | 1 Zavodska Street, Stambolijski 4210, Plovdiv Region | Production, Flexible Packaging | 100.00 |
| **Colombia** | | | |
| Mondi Cartagena SAS | LT No CA-4 Zona Franca la Candelaria, Sector Cospique, Zona Industrial Mamonal, Cartagena, Bolivar | Production, Flexible Packaging | 100.00 |
| **Côte d'Ivoire** | | | |
| Mondi Abidjan S.A. | Zone Industrielle de Yopougon 01, Abidjan, BP 5676 | Production, Flexible Packaging | 50.00 |
| **Czech Republic** | | | |
| EURO WASTE a.s. | Litoměřická 272, 41108 Štětí | Service, Flexible Packaging | 100.00 |
| Labe Wood s.r.o.[1] | Litoměřická 272, 41108 Štětí | Production, Flexible Packaging | 24.99 |
| Mondi Bags Štětí a.s. | Litoměřická 272, 41108 Štětí | Production, Flexible Packaging | 100.00 |
| Mondi Bupak s.r.o. | Papírenská 41, 37052 České Budějovice | Production, Corrugated Packaging | 100.00 |
| Mondi Coating Štětí a.s. | Litoměřická 272, 41108 Štětí | Production, Flexible Packaging | 100.00 |
| Mondi Štětí a.s. | Litoměřická 272, 41108 Štětí | Production, Flexible Packaging | 100.00 |
| Mondi Štětí White Paper s.r.o | Litoměřická 272, 41108 Štětí | Production, Flexible Packaging | 100.00 |
| Wood & Paper a.s.[1] | c.p. 138, 66491 Hlína | Service, Flexible Packaging | 46.50 |
| **Egypt** | | | |
| Mondi Cairo for Packaging Material S.A.E. | El-motawer El-turky (Polaris) Plots No. 7, 6th of October, Giza | Production, Flexible Packaging | 100.00 |
| Suez Bags Company (S.A.E.) | K30 Maadi, Ein Soukhna Road, 1002 Cairo | Production, Flexible Packaging | 98.30 |
| **Finland** | | | |
| Harvestia Oy | Selluntie 142, 70420 Kuopio | Service, Corrugated Packaging | 100.00 |
| Mondi Finland Services Oy | Selluntie 142, 70420 Kuopio | Holding, Corrugated Packaging | 100.00 |
| Mondi Powerflute Oy | Selluntie 142, 70420 Kuopio | Production, Corrugated Packaging | 100.00 |
| **France** | | | |
| Mondi Gournay Sarl | 5 rue Vernet, 75008 Paris | Service, Flexible Packaging | 100.00 |
| Mondi Lembacel SAS | 11 rue de Reims, 51490 Bétheniville | Production, Flexible Packaging | 100.00 |
| Mondi Paper Sales France Sarl | 22 Avenue Pierre 1er de Serbie, 75016 Paris | Distribution, Corrugated Packaging | 100.00 |

| Company | Registered office | Principal activities | % of shares held by Group |
|---|---|---|---|
| **Germany** | | | |
| Mondi Bad Rappenau GmbH | Wilhelm-Hauff-Strasse 41, 74906 Bad Rappenau | Production, Corrugated Packaging | 100.00 |
| Mondi Consumer Packaging International GmbH | Wielandstrasse 2, 33790 Halle | Holding, Flexible Packaging | 100.00 |
| Mondi Eschenbach GmbH | Am Stadtwald 14, 92676 Eschenbach | Production, Corrugated Packaging | 100.00 |
| Mondi Estonteco GmbH | Wielandstrasse 2, 33790 Halle | Dormant, Corrugated Packaging | 100.00 |
| Mondi Halle GmbH | Wielandstrasse 2, 33790 Halle | Production, Flexible Packaging | 100.00 |
| Mondi Hammelburg GmbH | Thüringenstrasse 1-3, 97762 Hammelburg | Production, Flexible Packaging | 100.00 |
| Mondi Holding Deutschland GmbH | Wielandstrasse 2, 33790 Halle | Holding, Corporate | 100.00 |
| Mondi Inncoat GmbH | Angererstrasse 25, 83064 Raubling | Production, Flexible Packaging | 100.00 |
| Mondi Jülich GmbH | Rathausstrasse 29, 52428 Jülich | Production, Flexible Packaging | 100.00 |
| Mondi Paper Sales Deutschland GmbH | Oberbaumbrücke 1, 20457 Hamburg | Distribution, Corrugated Packaging | 100.00 |
| Mondi Sendenhorst GmbH | Thüringenstrasse 1-3, 97762 Hammelburg | Distribution, Flexible Packaging | 100.00 |
| Mondi Trebsen GmbH | Erich-Hausmann-Strasse 1, 04687 Trebsen | Production, Flexible Packaging | 100.00 |
| Mondi Wellpappe Ansbach GmbH | Robert-Bosch-Strasse 3, 91522 Ansbach | Production, Corrugated Packaging | 100.00 |
| wood2M GmbH[1] | Hauptstrasse 16, 07366 Rosenthal am Rennsteig | Service, Corporate | 50.00 |
| **Greece** | | | |
| Mondi Thessaloniki A.E. | Sindos Industrial Zone – Block 18, 57022 Thessaloniki | Distribution, Flexible Packaging | 100.00 |
| **Hungary** | | | |
| Mondi Bags Hungária Kft. | Tünde u. 2, 4400 Nyíregyháza | Production, Flexible Packaging | 100.00 |
| Mondi Békéscsaba Kft. | Tevan Andor u. 2, 5600 Békéscsaba | Production, Flexible Packaging | 100.00 |
| Mondi Szada Kft. | Vasút u. 13, 2111 Szada | Production, Flexible Packaging | 100.00 |
| **Iraq** | | | |
| Mondi Kaso Iraq Industrial Bags Ltd. | Takya, Bazian, Sulaimaniyah | Production, Flexible Packaging | 34.55 |

| Company | Registered office | Principal activities | % of shares held by Group |
|---|---|---|---|
| **Italy** | | | |
| Mondi Gradisac S.r.l. | Via dell'Industria 11, 34072 Gradisca d'Isonzo, Gorizia | Production, Flexible Packaging | 100.00 |
| Mondi Italia S.r.l. | Via Balilla 32, 24058 Romano di Lombardia, Bergamo | Production, Flexible Packaging | 100.00 |
| Mondi Padova S.r.l. | Via Mazzini 21, 35010 San Pietro in Gu, Padua | Production, Flexible Packaging | 100.00 |
| Mondi Paper Sales Italia S.r.l. | Via A. Locatelli 2, 20124 Milano | Distribution, Corrugated Packaging, Flexible Packaging, Uncoated Fine Paper | 100.00 |
| Mondi Silicart S.r.l. | Via Mazzini 21, 35010 San Pietro in Gu, Padua | Dormant, Flexible Packaging | 100.00 |
| Mondi Tolentino S.r.l. | Via Giovanni Falcone 1, 62029 Tolentino, Macerata | Production, Flexible Packaging | 100.00 |
| NATRO TECH S.r.l. | Via Copernico snc, 24053 Brignano Gera d'Adda | Service, Flexible Packaging | 100.00 |
| Powerflute Italia S.r.l. in liquidazione | Via Giacomo Matteotti 2, 21013 Gallarate | Dormant, Corrugated Packaging | 100.00 |
| **Japan** | | | |
| Mondi Tokyo KK | 7th floor 14-5, Akasaka 2-chrome, Minato-ku, Tokyo | Service, Flexible Packaging | 100.00 |
| **Jordan** | | | |
| Jordan Paper Sacks Co. Ltd. | Al Salt, Industrial Area, P.O. Box 119, 19374, Ain Al Basha | Production, Flexible Packaging | 67.74 |
| **Republic of Korea** | | | |
| Krauzen Co., Ltd. | 48-29, 439 Hongandaero, Dongang-gu, Anyang-si, Gyunggi-do | Service, Flexible Packaging | 100.00 |
| Mondi KSP Co., Ltd. | 48-29, 439 Hongandaero, Dongang-gu, Anyang-si, Gyunggi-do | Distribution, Flexible Packaging | 95.00 |
| **Lebanon** | | | |
| Mondi Lebanon SAL | 7th Floor, Bloc C, Kassis Building, Antelias Highway, Antelias | Production, Flexible Packaging | 66.00 |
| **Luxembourg** | | | |
| Mondi Packaging S.à r.l. | 1, rue Hildegard von Bingen, 1282 | Holding, Corporate | 100.00 |
| Mondi S.à r.l. | 1, rue Hildegard von Bingen, 1282 | Holding, Corporate | 100.00 |
| Mondi Services S.à r.l. | 1, rue Hildegard von Bingen, 1282 | Holding, Corporate | 100.00 |
| **Malaysia** | | | |
| Mondi Kuala Lumpur Sdn. Bhd. | Lot Nos. PT 5034 & 5036, Jalan Teluk Datuk 28/40, 40000 Shah Alam, Selangor | Production, Flexible Packaging | 62.00 |

# Notes to the Mondi plc parent company financial statements for the year ended 31 December 2022 continued

## 11 List of subsidiaries and associated undertakings and other significant holdings as at 31 December 2022 continued

| Company | Registered office | Principal activities | % of shares held by Group |
|---|---|---|---|
| **Mexico** | | | |
| Caja de Ahorro de Personal de Mondi Mexico Servicios A.C. | Av. San Nicolás No. 249, Colonia Cuauhtémoc, San Nicolás de los Garza, Nuevo Léon, 66450 | Service, Flexible Packaging | 100.00 |
| Mondi Mexico S. de R.L. de C.V. | Av. San Nicolás No. 249, Colonia Cuauhtémoc, San Nicolás de los Garza, Nuevo Léon, 66450 | Production, Flexible Packaging | 100.00 |
| **Morocco** | | | |
| Ensachage Moderne Sarl | Km 16, Route d´El Jadida, Casablanca | Dormant, Flexible Packaging | 80.64 |
| Mondi Tanger S.A. | Lot N 28 Zone D'exploitation de la Zone Franche, D.Exploitation de Tanger Automobile Cite Dite Tac 2, Tanger, Jouamaa Province Fahsanjra | Production, Flexible Packaging | 100.00 |
| Pap Sac Maghreb SA | Km 16, Route d´El Jadida, Casablanca | Production, Flexible Packaging | 80.64 |
| **Netherlands** | | | |
| Mondi Coating B.V. | Fort Willemweg 1, 6219 PA Maastricht | Holding, Flexible Packaging | 100.00 |
| Mondi Consumer Bags & Films B.V. | Fort Willemweg 1, 6219 PA Maastricht | Holding, Flexible Packaging | 100.00 |
| Mondi Consumer Bags & Films Benelux B.V. | Fort Willemweg 1, 6219 PA Maastricht | Distribution, Flexible Packaging | 100.00 |
| Mondi Corrugated B.V. | Fort Willemweg 1, 6219 PA Maastricht | Holding, Corrugated Packaging | 100.00 |
| Mondi Corrugated Poland B.V. | Fort Willemweg 1, 6219 PA Maastricht | Holding, Corrugated Packaging | 100.00 |
| Mondi Heerlen B.V. | Imstenraderweg 15, 6422 PM Heerlen | Production, Flexible Packaging | 100.00 |
| Mondi Industrial Bags B.V. | Fort Willemweg 1, 6219 PA Maastricht | Holding, Flexible Packaging | 100.00 |
| Mondi International Holdings B.V. | Fort Willemweg 1, 6219 PA Maastricht | Holding, Corrugated Packaging | 100.00 |
| Mondi Maastricht N.V. | Fort Willemweg 1, 6219 PA Maastricht | Production, Flexible Packaging | 100.00 |
| Mondi MENA B.V. | Fort Willemweg 1, 6219 PA Maastricht | Holding, Flexible Packaging | 70.00 |
| Mondi Packaging Paper B.V. | Fort Willemweg 1, 6219 PA Maastricht | Holding, Flexible Packaging | 100.00 |
| Mondi Paper Sales Netherlands B.V. | Bruynvisweg 14, 1531 AZ Wormer | Distribution, Corrugated Packaging, Flexible Packaging, Uncoated Fine Paper | 100.00 |
| Mondi SCP Holdings B.V. | Fort Willemweg 1, 6219 PA Maastricht | Holding, Uncoated Fine Paper | 100.00 |
| **Norway** | | | |
| Mondi Moss AS | Rådmann Sirasvei 1, 1712 Grålum | Distribution, Flexible Packaging | 100.00 |
| **Oman** | | | |
| Mondi Oman LLC | Rusayl Industrial Estate, Road 20, P.O. Box 20, 124, Muscat Governorate, Rusayl | Production, Flexible Packaging | 49.00 |

| Company | Registered office | Principal activities | % of shares held by Group |
|---|---|---|---|
| **Poland** | | | |
| Agromasa Sp. z o.o. | ul. Bydgoska 1, 86-100 Świecie | Service, Corrugated Packaging | 100.00 |
| Fredonia Investments Sp. z o.o. | ul. Bydgoska 1, 86-100 Świecie | Service, Corrugated Packaging | 100.00 |
| Mondi Bags Mielec Sp. z o.o. | ul. Wojska Polskiego 12, 39-300 Mielec | Production, Flexible Packaging | 100.00 |
| Mondi Bags Świecie Sp. z o.o. | ul. Bydgoska 12, 86-100 Świecie | Production, Flexible Packaging | 100.00 |
| Mondi BZWP Sp. z o.o. | ul. Zamenhofa 36, 57-500 Bystrzyca Kłodzka | Production, Corrugated Packaging | 100.00 |
| Mondi Corrugated Świecie Sp. z o.o. | ul. Tucholska 9, 86-100 Świecie | Production, Corrugated Packaging | 100.00 |
| Mondi Dorohusk Sp. z o.o. | ul. Swierkowa 8, 22-174 Brzezno | Production, Corrugated Packaging | 100.00 |
| Mondi Krapkowice Sp. z o.o. | ul. Opolska 103, 47-300, Krapkowice | Production, Flexible Packaging | 100.00 |
| Mondi Poznań Sp. z o.o. | ul. Wyzwolenia 34/36, 62-070 Dopiewo | Production, Flexible Packaging | 100.00 |
| Mondi Recykling Polska Sp. z o.o. | ul. Bydgoska 1, 86-100 Świecie | Service, Corrugated Packaging | 100.00 |
| Mondi Simet Sp. z o.o. | Grabonóg 77, 63-820 Piaski | Production, Corrugated Packaging | 100.00 |
| Mondi Solec Sp. z o.o. | Solec 143, 05-532 Baniocha | Production, Flexible Packaging | 100.00 |
| Mondi Świecie S.A. | ul. Bydgoska 1, 86-100 Świecie | Production, Corrugated Packaging | 100.00 |
| Mondi Szczecin Sp. z o.o. | ul. Sloneczna 20, 72-123 Kliniska Wielkie | Production, Corrugated Packaging | 100.00 |
| Mondi Warszawa Sp. z o.o. | ul. Tarczyńska 98, 96-320 Mszczonów | Production, Corrugated Packaging | 100.00 |
| Mondi Wierzbica Sp. z o.o. | Kolonia Rzecków 76, 26-680 Wierzbica | Production, Flexible Packaging | 100.00 |
| PLWD Sp. z o.o.[1] | ul. Bydgoska 1, 86-100 Świecie | Service, Corrugated Packaging | 50.67 |
| Świecie Rail Sp. z o.o. | ul. Bydgoska 1, 86-100 Świecie | Service, Corrugated Packaging | 100.00 |
| Świecie Recykling Sp. z o.o. | ul. Bydgoska 1/417, 86-100 Świecie | Service, Corrugated Packaging | 100.00 |
| **Romania** | | | |
| Mondi Bucharest S.R.L. | Olympia Tower, 25-29, Decebal Blvd, 3rd Floor (Level 4), 030971 Bucharest | Distribution, Flexible Packaging | 100.00 |
| **Russia** | | | |
| LLC Mondi Aramil | 25 Klubnaya Street, 62400 Aramil, Sverdlovskii Region | Production, Discontinued operations | 100.00 |
| LLC Mondi Lebedyan | Lva Tolstogo, Building 80, Office 52, 399612 Lebedyan, Lipetsk Region | Production, Discontinued operations | 100.00 |
| LLC Mondi Pereslavl | Mendeleeva sq. 2, Building 55, 152025 Pereslavl-Zalesski | Production, Discontinued operations | 100.00 |
| LLC Mondi Sales CIS | 1st Tverskaya-Yamskaya, 21, 123047, Moscow | Distribution, Discontinued operations | 100.00 |
| LLC Mondi Syktyvkar Energy Company | pr. Bumazhnikov 2, 167026 Syktyvkar, Komi Republic | Service, Discontinued operations | 100.00 |
| OJSC Mondi Syktyvkar[2] | pr. Bumazhnikov 2, 167026 Syktyvkar, Komi Republic | Production, Discontinued operations | 100.00 |

| Company | Registered office | Principal activities | % of shares held by Group |
|---|---|---|---|
| **Serbia** | | | |
| Mondi Šabac d.o.o. Šabac | Severna 4 No.2, 15000 Šabac | Production, Flexible Packaging | 100.00 |
| **Singapore** | | | |
| Mondi Packaging Paper Sales Asia Pte. Ltd. | 77 Robinson Road, #13-00, Robinson 77, Singapore, 068896 | Distribution, Flexible Packaging | 100.00 |
| **Slovakia** | | | |
| East Paper, spol. s.r.o.[1] | Rastislavova 98, 04346 Kosice | Service, Corrugated Packaging | 26.01 |
| Mondi SCP, a.s. | Tatranská cesta 3, 03417 Ružomberok | Production, Corrugated Packaging, Flexible Packaging, Uncoated Fine Paper | 51.00 |
| Obaly SOLO, s.r.o | Tatranská cesta 3, 03417 Ružomberok | Production, Uncoated Fine Paper | 51.00 |
| RECOPAP, s.r.o.[1] | Bratislavska 18, 90051 Zohor | Service, Corrugated Packaging | 25.50 |
| Slovpaper Collection s.r.o. | Tatranská cesta 3, 03417 Ružomberok | Service, Corrugated Packaging | 51.00 |
| Slovpaper Recycling s.r.o. | Tatranská cesta 3, 03417 Ružomberok | Service, Corrugated Packaging | 51.00 |
| SLOVWOOD Ružomberok a.s. | Tatranská cesta 3, 03417 Ružomberok | Distribution, Uncoated Fine Paper | 33.66 |
| STRÁŽNA SLUŽBA VLA-STA s.r.o. | Tatranská cesta 3, 03417 Ružomberok | Service, Uncoated Fine Paper | 51.00 |
| **South Africa** | | | |
| Arctic Sun Trading 17 Proprietary Limited[3] | 380 Old Howick Road, Mondi House, Hilton, 3245 | Distribution, Uncoated Fine Paper | 50.00 |
| Bongani Development Close Corporation | Merebank Mill, Travencore Drive, Merebank, 4052 | Dormant, Uncoated Fine Paper | 100.00 |
| Mondi Forests Partners Programme Proprietary Limited | 380 Old Howick Road, Mondi House, Hilton, 3245 | Service, Uncoated Fine Paper | 100.00 |
| Mondi Sacherie Moderne Holdings Proprietary Limited | Merebank Mill, Travencore Drive, Merebank, 4052 | Holding, Uncoated Fine Paper | 100.00 |
| Mondi Senegal Holdings (Pty) Ltd | Merebank Mill, Travencore Drive, Merebank, 4052 | Holding, Corporate | 100.00 |
| Mondi South Africa (Pty) Limited[4] | Merebank Mill, Travencore Drive, Merebank, 4052 | Production, Corrugated Packaging, Uncoated Fine Paper | 100.00 |
| Mondi Timber (Wood Products) Proprietary Limited | Merebank Mill, Travencore Drive, Merebank, 4052 | Holding, Uncoated Fine Paper | 100.00 |
| Mondi Zimele Job Funds Proprietary Limited | 380 Old Howick Road, Mondi House, Hilton, 3245 | Service, Uncoated Fine Paper | 100.00 |
| Mondi Zimele Proprietary Limited | 380 Old Howick Road, Mondi House, Hilton, 3245 | Service, Uncoated Fine Paper | 100.00 |
| MZ Business Services Proprietary Limited | 380 Old Howick Road, Mondi House, Hilton, 3245 | In liquidation, Uncoated Fine Paper | 100.00 |
| MZ Technical Services Proprietary Limited | 380 Old Howick Road, Mondi House, Hilton, 3245 | In liquidation, Uncoated Fine Paper | 56.00 |
| Professional Starch Proprietary Limited | 380 Old Howick Road, Mondi House, Hilton, 3245 | In liquidation, Uncoated Fine Paper | 100.00 |
| Siyaqhubeka Forests Proprietary Limited | Merebank Mill, Travencore Drive, Merebank, 4052 | Service, Uncoated Fine Paper | 51.00 |
| Zimshelf Eight Investment Holdings Proprietary Limited | 4th Floor, No 3 Melrose Boulevard, Melrose Arch, 2196 | In liquidation, Uncoated Fine Paper | 100.00 |

| Company | Registered office | Principal activities | % of shares held by Group |
|---|---|---|---|
| **Spain** | | | |
| Mondi Bags Ibérica S.L.U. | Autovía A-2, Km 582, 08630 Abrera | Production, Flexible Packaging | 100.00 |
| Mondi Ibersac S.L.U. | Calle La Perenal 4, 48840 Güeñes, Bizcaia | Production, Flexible Packaging | 100.00 |
| Mondi Sales Ibérica S.L. | Calle Blasco Garay nº94 5D, 28003 Madrid | Distribution, Flexible Packaging | 100.00 |
| **Sweden** | | | |
| Mondi Dynäs AB | 87381 Väja | Production, Flexible Packaging | 100.00 |
| Mondi Örebro AB | Papersbruksallen 3A, Box 926, 70130 Örebro | Production, Flexible Packaging | 100.00 |
| **Switzerland** | | | |
| Dipeco AG | Bruehlstrasse 5, 4800 Zofingen | Distribution, Flexible Packaging | 100.00 |
| **Thailand** | | | |
| Mondi Bangkok Company, Limited | 789/10 Moo 9 Bang Pla Sub-District, Bang Phli District, Bangkok, Samut Prakan Province | Production, Flexible Packaging | 100.00 |
| Mondi Coating (Thailand) Co. Ltd. | Nr 888/100-101 Soi Yingcharoen Moo 19, Bangplee-Tamru Road, Bangpleeyai, Bangplee, Samutprakam 10540 | Service, Flexible Packaging | 100.00 |
| Mondi TSP Company Limited | 110, Moo 3, Nong Chumphon Nuea, Khao Yoi District, Petchaburi Province, 76140 | Production, Flexible Packaging | 97.55 |
| **Trinidad and Tobago** | | | |
| TCL Packaging Ltd.[3] | Southern Main Road, Claxton Bay | Dormant, Flexible Packaging | 20.00 |
| **Türkiye** | | | |
| Doğal Kağıt Hammaddeleri Sanayi ve Ticaret Limited Şirketi | Esentepe Mahallesi Harman 1 sk.Nida Kule Levent Ap. No:7/9/54 Şişli, İstanbul | Service, Corrugated Packaging | 84.65 |
| Mondi Istanbul Ambalaj Limited Şti. | No. 12A Türkgücü OSB Mah. Yilmaz Alpaslan Caddesi Corlu, Tekirdag, 59870 | Production, Flexible Packaging | 100.00 |
| Mondi Kale Nobel Ambalaj Sanayi Ve Ticaret A.Ş. | Sevketiye Cobancesme Kavsagi, A2 Blok, No. 229/230 Yeşilköy, Bakirköy/ Istanbul | Production, Flexible Packaging | 100.00 |
| Mondi Turkey Oluklu Mukavva Kağıt ve Ambalaj Sanayi Anonim Şirketi | Toki Mahallesi, Hasan Tahsin Caddesi, No. 28, Tire, Izmir 35900 | Production, Corrugated Packaging | 84.65 |
| **Ukraine** | | | |
| Mondi Packaging Bags Ukraine LLC | Fabrychna Street 20, Zhydachiv, Lviv Region, 81700 | Production, Flexible Packaging | 100.00 |

# Notes to the Mondi plc parent company financial statements for the year ended 31 December 2022 continued

## 11 List of subsidiaries and associated undertakings and other significant holdings as at 31 December 2022 continued

| Company | Registered office | Principal activities | % of shares held by Group |
|---|---|---|---|
| **UK** | | | |
| Frantschach Holdings UK Limited | Ground Floor, Building 5, The Heights, Brooklands, Weybridge, Surrey, KT13 0NY | Dormant, Flexible Packaging | 100.00 |
| Hypac Limited | Ground Floor, Building 5, The Heights, Brooklands, Weybridge, Surrey, KT13 0NY | Dormant, Corrugated Packaging | 100.00 |
| Medway Packaging Pension Trustee Limited | Ground Floor, Building 5, The Heights, Brooklands, Weybridge, Surrey, KT13 0NY | Service, Flexible Packaging | 100.00 |
| Mondi Aberdeen Limited | Ground Floor, Building 5, The Heights, Brooklands, Weybridge, Surrey, KT13 0NY | Distribution, Flexible Packaging | 100.00 |
| Mondi Consumer Goods Packaging UK Ltd | Ground Floor, Building 5, The Heights, Brooklands, Weybridge, Surrey, KT13 0NY | Dormant, Flexible Packaging | 100.00 |
| Mondi Finance plc | Ground Floor, Building 5, The Heights, Brooklands, Weybridge, Surrey, KT13 0NY | Service, Corporate | 100.00 |
| Mondi Holcombe Limited | Ground Floor, Building 5, The Heights, Brooklands, Weybridge, Surrey, KT13 0NY | Dormant, Corrugated Packaging | 100.00 |
| Mondi Investments Limited[4] | Ground Floor, Building 5, The Heights, Brooklands, Weybridge, Surrey, KT13 0NY | Holding, Corporate | 100.00 |
| Mondi Packaging (Delta) Limited | Ground Floor, Building 5, The Heights, Brooklands, Weybridge, Surrey, KT13 0NY | Dormant, Corrugated Packaging | 100.00 |
| Mondi Packaging Limited | Ground Floor, Building 5, The Heights, Brooklands, Weybridge, Surrey, KT13 0NY | Dormant, Corrugated Packaging | 100.00 |
| Mondi Packaging UK Holdings Limited | Ground Floor, Building 5, The Heights, Brooklands, Weybridge, Surrey, KT13 0NY | Dormant, Corrugated Packaging | 100.00 |
| Mondi Pension Trustee Limited[4] | Ground Floor, Building 5, The Heights, Brooklands, Weybridge, Surrey, KT13 0NY | Service, Corporate | 100.00 |
| Mondi Scunthorpe Limited[2] | Ground Floor, Building 5, The Heights, Brooklands, Weybridge, Surrey, KT13 0NY | Dormant, Flexible Packaging | 100.00 |
| Mondi Services (UK) Limited | Ground Floor, Building 5, The Heights, Brooklands, Weybridge, Surrey, KT13 0NY | Service, Corporate | 100.00 |
| Powerflute Group Holdings Limited | Ground Floor, Building 5, The Heights, Brooklands, Weybridge, Surrey, KT13 0NY | Dormant, Corrugated Packaging | 100.00 |

| Company | Registered office | Principal activities | % of shares held by Group |
|---|---|---|---|
| **USA** | | | |
| Mondi Bags USA, LLC | 251 Little Falls Drive, Wilmington DE 19808 | Production, Flexible Packaging | 100.00 |
| Mondi Jackson LLC | 251 Little Falls Drive, Wilmington DE 19808 | Production, Flexible Packaging | 100.00 |
| Mondi Minneapolis, Inc. | 220 South Sixth Street, Suite 2200, Minneapolis 55402 | Service, Flexible Packaging | 100.00 |
| Mondi Romeoville LLC | 251 Little Falls Drive, Wilmington DE 19808 | Production, Flexible Packaging | 100.00 |
| Mondi Tekkote LLC | 251 Little Falls Drive, Wilmington DE 19808 | Production, Flexible Packaging | 100.00 |
| Mondi U.S. Holdings LLC | 251 Little Falls Drive, Wilmington DE 19808 | Holding, Corporate | 100.00 |

Notes:
1 Joint venture
2 These companies have ordinary and preference shares
3 Associate
4 These companies are held directly

# Production statistics

| | | 2022 | Restated 2021 |
|---|---|---|---|
| **Continuing operations** | | | |
| Containerboard | 000 tonnes | 2,383 | 2,375 |
| Kraft paper | 000 tonnes | 1,309 | 1,253 |
| Uncoated fine paper | 000 tonnes | 913 | 1,068 |
| Pulp | 000 tonnes | 3,566 | 3,398 |
| Internal consumption | 000 tonnes | 3,103 | 3,007 |
| Market pulp | 000 tonnes | 463 | 391 |
| Corrugated solutions | million $m^2$ | 1,937 | 2,052 |
| Paper bags | million units | 5,994 | 5,928 |
| Consumer flexibles | million $m^2$ | 2,039 | 2,057 |
| Functional paper and films | million $m^2$ | 3,279 | 3,383 |

# Exchange rates

| | Average | | Closing | |
|---|---|---|---|---|
| **versus euro** | **2022** | **2021** | **2022** | **2021** |
| South African rand (ZAR) | 17.21 | 17.48 | 18.10 | 18.06 |
| Czech koruna (CZK) | 24.57 | 25.64 | 24.12 | 24.86 |
| Polish zloty (PLN) | 4.69 | 4.57 | 4.68 | 4.60 |
| Pound sterling (GBP) | 0.85 | 0.86 | 0.89 | 0.84 |
| Russian rouble (RUB) | 73.94 | 87.15 | 78.43 | 85.30 |
| Turkish lira (TRY)[1] | 17.41 | 10.51 | 19.96 | 15.23 |
| US dollar (USD) | 1.05 | 1.18 | 1.07 | 1.13 |

Note:
1 Hyperinflation accounting was adopted effective from 1 January 2022 to report the Group's operations in Türkiye (see notes 1 and 35)

# Group financial record

## Financial performance 2013–2022

Since June 2022, the Group's operations in Russia have satisfied the criteria to be classified as held for sale and are reported as discontinued operations as at 31 December 2022 and for the year then ended (see notes 26 and 35). Therefore, in accordance with IFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations', income, expenses and cash flows for the years ended 2022 and 2021 are presented on a continuing basis and exclude the results from the Russian discontinued operations. Profit and cash flow measures for the years ended 2013 to 2020 were not restated in the tables below. As required by IFRS 5, the comparatives in the consolidated statement of financial position were not restated.

### Consolidated income statement

| € million, unless otherwise stated | 2022 | Restated 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Group revenue** | **8,902** | **6,974** | **6,663** | **7,268** | **7,481** | **7,096** | **6,662** | **6,819** | **6,402** | **6,476** |
| **Underlying EBITDA** | **1,848** | **1,157** | **1,353** | **1,658** | **1,764** | **1,482** | **1,366** | **1,325** | **1,126** | **1,068** |
| Corrugated Packaging | 662 | 543 | 518 | 583 | 707 | 477 | 408 | 427 | 381 | 341 |
| Flexible Packaging (restated)[1] | 797 | 567 | 557 | 589 | 495 | 480 | 419 | 400 | 353 | 332 |
| Uncoated Fine Paper | 427 | 55 | 266 | 444 | 516 | 464 | 481 | 448 | 349 | 359 |
| Corporate | (39) | (34) | (30) | (34) | (32) | (37) | (34) | (34) | (32) | (30) |
| Personal Care Components (divested) (restated)[1] | 1 | 26 | 42 | 76 | 78 | 98 | 92 | 84 | 75 | 66 |
| **Underlying operating profit** | **1,443** | **782** | **925** | **1,223** | **1,318** | **1,029** | **981** | **957** | **767** | **699** |
| Special items before tax | 242 | 7 | (57) | (16) | (126) | (61) | (38) | (57) | (52) | (87) |
| Net finance costs (excluding financing special item) | (143) | (83) | (95) | (104) | (88) | (85) | (101) | (105) | (97) | (115) |
| **Underlying earnings** | **949** | **534** | **627** | **829** | **916** | **721** | **667** | **647** | **519** | **460** |
| Basic earnings | 1,186 | 543 | 582 | 812 | 824 | 668 | 638 | 600 | 471 | 386 |
| **Basic underlying EPS (euro cents)** | **195.6** | **110.1** | **129.3** | **171.1** | **189.1** | **148.9** | **137.8** | **133.7** | **107.3** | **95.0** |
| Basic EPS (euro cents) | 244.5 | 112.0 | 120.0 | 167.6 | 170.1 | 137.9 | 131.8 | 124.0 | 97.4 | 79.8 |
| **Total ordinary dividend per share paid and proposed (euro cents)[2]** | **70.00** | **65.00** | **60.00** | **57.03** | **76.00** | **62.00** | **57.00** | **52.00** | **42.00** | **36.00** |

Notes:
1 Following the completion of the sale of the PCC business, Flexible Packaging and Personal Care Components (divested) have been restated due to the reorganisation of the operating segments (see note 2)
2 A special dividend of 100 euro cents was paid in 2018 in addition to the 2017 ordinary dividend

### Significant ratios

| | 2022 | Restated 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| Underlying EBITDA growth/(decline) (%) | 59.7 | – | (18.4) | (6.0) | 19.0 | 8.5 | 3.1 | 17.7 | 5.4 | 15.2 |
| Underlying EBITDA margin (%) | 20.8 | 16.6 | 20.3 | 22.8 | 23.6 | 20.9 | 20.5 | 19.4 | 17.6 | 16.5 |
| Underlying operating profit margin (%) | 16.2 | 11.2 | 13.9 | 16.8 | 17.6 | 14.5 | 14.7 | 14.0 | 12.0 | 10.8 |
| ROCE (%) | 23.7 | 13.9 | 15.2 | 19.8 | 23.6 | 19.3 | 20.3 | 20.5 | 17.2 | 15.3 |
| Net debt to underlying EBITDA (times) | 0.5 | 1.5 | 1.3 | 1.3 | 1.3 | 1.0 | 1.0 | 1.1 | 1.4 | 1.5 |
| Dividend cover (times) | 2.8 | 2.4 | 2.2 | 3.0 | 2.5 | 2.4 | 2.4 | 2.6 | 2.6 | 2.6 |
| PE Ratio | 6.5 | 14.1 | 14.8 | 12.2 | 9.6 | 14.6 | 14.2 | 13.5 | 12.6 | 13.2 |
| Mondi plc (LSE) – Share price at end of year (GBP pence per share) | 1,410 | 1,826 | 1,720 | 1,773 | 1,634 | 1,931 | 1,666 | 1,334 | 1,050 | 1,046 |
| Mondi plc (JSE) – Share price at end of year (ZAR per share) | 291 | 395 | 343 | 326 | 304 | 319 | 279 | 309 | 190 | 181 |
| Market capitalisation (€ million) | 7,738 | 10,555 | 9,342 | 10,165 | 8,901 | 10,523 | 9,457 | 8,803 | 6,563 | 6,081 |

## Significant cash flows

| € million | 2022 | Restated 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Cash generated from continuing operations** | **1,292** | **1,001** | **1,485** | **1,635** | **1,654** | **1,363** | **1,401** | **1,279** | **1,033** | **1,036** |
| Working capital cash flows | (419) | (195) | 125 | 35 | (117) | (122) | 68 | 9 | (87) | (27) |
| Income tax paid | (196) | (138) | (168) | (248) | (248) | (151) | (173) | (160) | (106) | (126) |
| **Capital expenditure cash outflows** | **(508)** | **(481)** | **(630)** | **(757)** | **(709)** | **(611)** | **(465)** | **(595)** | **(562)** | **(405)** |
| Interest paid | (60) | (67) | (82) | (96) | (73) | (97) | (82) | (93) | (125) | (124) |
| **Ordinary dividends paid to shareholders[1]** | **(321)** | **(298)** | **(237)** | **(396)** | **(309)** | **(273)** | **(274)** | **(209)** | **(193)** | **(138)** |

Note:
1 A special dividend of €484 million was paid in 2018 in addition to the 2017 ordinary dividend

## Consolidated statement of financial position

| € million | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| Property, plant and equipment | 4,167 | 4,870 | 4,641 | 4,800 | 4,340 | 4,128 | 3,788 | 3,554 | 3,432 | 3,428 |
| Goodwill | 769 | 926 | 923 | 948 | 942 | 698 | 681 | 590 | 545 | 550 |
| Working capital | 1,282 | 988 | 739 | 952 | 972 | 899 | 799 | 794 | 811 | 711 |
| Other assets[1] | 2,034 | 558 | 557 | 620 | 540 | 530 | 532 | 422 | 434 | 429 |
| Other liabilities[2] | (987) | (690) | (687) | (728) | (749) | (716) | (721) | (675) | (715) | (653) |
| **Net assets excluding net debt** | **7,265** | **6,652** | **6,173** | **6,592** | **6,045** | **5,539** | **5,079** | **4,685** | **4,507** | **4,465** |
| Equity | 5,794 | 4,498 | 4,002 | 4,015 | 3,485 | 3,683 | 3,392 | 2,905 | 2,628 | 2,591 |
| Non-controlling interests in equity | 460 | 391 | 380 | 370 | 340 | 324 | 304 | 282 | 266 | 255 |
| Net debt[3] | 1,011 | 1,763 | 1,791 | 2,207 | 2,220 | 1,532 | 1,383 | 1,498 | 1,613 | 1,619 |
| **Capital employed** | **7,265** | **6,652** | **6,173** | **6,592** | **6,045** | **5,539** | **5,079** | **4,685** | **4,507** | **4,465** |

Notes:
1 Includes assets held for sale of €1,382 million (2021: €nil)
2 Includes liabilities directly associated with assets held for sale of €325 million (2021: €nil)
3 Excludes net cash from discontinued operations of €218 million (2021: €nil) classified as held for sale

# Alternative Performance Measures

The Group presents certain measures of financial performance, position or cash flows in the consolidated financial statements that are not defined or specified according to IFRS in order to provide additional performance-related measures to its stakeholders. These measures, referred to as Alternative Performance Measures (APMs), are prepared on a consistent basis for all periods presented in this report.

By their nature, the APMs used by the Group are not necessarily uniformly applied by peer companies and therefore may not be comparable with similarly defined measures and disclosures applied by other companies. Such measures should not be viewed in isolation or as a substitute to the equivalent IFRS measure.

Internally, the Group and its operating segments apply the same APMs in a consistent manner in planning and reporting on performance to management and the Board. Two of the Group's APMs, underlying EBITDA and ROCE of continuing operations, link to the Group's strategic framework, as described on pages 30-31, and form part of the executive directors and senior management remuneration targets.

Since June 2022, the Group's operations in Russia have satisfied the criteria to be classified as held for sale and are reported as discontinued operations as at 31 December 2022 and for the year then ended (see note 26). For comparability purposes, the APMs based on amounts recognised in the consolidated statement of financial position exclude the proportion of assets and liabilities attributable to the Russian operations; however, no restatement of the IFRS consolidated statement of financial position has been made for such items as at 31 December 2021. APMs measuring the profitability and cash flows of the Group are presented for continuing operations (i.e. excluding the results from the Russian discontinued operations) and comparatives are presented on the same basis, consistent with the presentation of the IFRS consolidated income statement and IFRS consolidated statement of cash flows. Where these changes have impacted the APMs for comparative periods, as presented previously, these have been described as restated.

The most significant APMs used by the Group are described below, together with a reconciliation to the equivalent IFRS measure based on Group figures. The reporting segment equivalent APMs are measured in a consistent manner.

| APM description and purpose | Financial statement reference | Closest IFRS equivalent measure |
|---|---|---|
| **Special items** | | |
| Special items are generally material, non-recurring items that exceed €10 million. The Audit Committee regularly assesses the monetary threshold of €10 million and considers the threshold in the context of both the Group as a whole and individual operating segment performance.<br><br>The Group separately discloses special items on the face of the consolidated income statement to assist its stakeholders in understanding the underlying financial performance achieved by the Group on a basis that is comparable from year to year.<br><br>Subsequent adjustments to items previously recognised as special items continue to be reflected as special items in future periods even if they do not exceed the quantitative reporting threshold. | Note 3 | None |
| **Underlying EBITDA** | | |
| Operating profit before special items, depreciation, amortisation and impairments not recorded as special items provides a measure of the cash-generating ability of the Group's continuing operations that is comparable from year to year. | Consolidated income statement | Operating profit |
| **Underlying EBITDA margin** | | |
| Underlying EBITDA expressed as a percentage of Group revenue (segment revenue for operating segments) provides a measure of the cash-generating ability relative to revenue. | | None |

**APM calculation:**

| € million, unless otherwise stated | 2022 | Restated 2021 |
|---|---|---|
| Underlying EBITDA (see consolidated income statement) | 1,848 | 1,157 |
| Group revenue from continuing operations (see consolidated income statement) | 8,902 | 6,974 |
| **Underlying EBITDA margin from continuing operations (%)** | **20.8** | **16.6** |

| APM description and purpose | Financial statement reference | Closest IFRS equivalent measure |
|---|---|---|
| **Total EBITDA (prior to special items)** | | |
| Operating profit before special items, depreciation, amortisation and impairments not recorded as special items provides a measure of the cash-generating ability of the business that is comparable from year to year.<br><br>Total EBITDA (prior to special items) is calculated to show the total from continuing and discontinued operations as if the EBITDA of the Russian operations was not separately disclosed as arising from discontinued operations. | | Operating profit |

**APM calculation:**

| € million, unless otherwise stated | 2022 | Restated 2021 |
|---|---|---|
| EBITDA from continuing operations (see consolidated income statement) | 2,090 | 1,160 |
| EBITDA from discontinued operations (see note 26) | 490 | 346 |
| Special items (see consolidated income statement) | (242) | (3) |
| **Total EBITDA (prior to special items)** | **2,338** | **1,503** |

| | | |
|---|---|---|
| **Underlying operating profit** | | |
| Operating profit from continuing operations before special items provides a measure of operating performance that is comparable from year to year. | Consolidated income statement | Operating profit |
| **Underlying operating profit margin from continuing operations** | | |
| Underlying operating profit expressed as a percentage of Group revenue (segment revenue for operating segments) provides a measure of the profitability of the operations relative to revenue. | | None |

**APM calculation:**

| € million, unless otherwise stated | 2022 | Restated 2021 |
|---|---|---|
| Underlying operating profit (see consolidated income statement) | 1,443 | 782 |
| Group revenue (see consolidated income statement) | 8,902 | 6,974 |
| **Underlying operating profit margin (%)** | **16.2** | **11.2** |

| | | |
|---|---|---|
| **Net interest expense** | | |
| Net interest expense comprises interest expense on bank overdrafts, loans and lease liabilities net of investment income.<br><br>Net interest expense provides an absolute measure of the net cost of borrowings. | | None |

**APM calculation:**

| € million | 2022 | Restated 2021 |
|---|---|---|
| Investment income (see note 6) | 6 | 5 |
| Interest on bank overdrafts and loans (see note 6) | (133) | (75) |
| Interest on lease liabilities (see note 6) | (7) | (6) |
| **Net interest expense** | **(134)** | **(76)** |

# **Alternative Performance Measures** continued

| APM description and purpose | Financial statement reference | Closest IFRS equivalent measure |
|---|---|---|
| **Underlying profit before tax** | | |
| Profit before tax and special items for continuing operations. Underlying profit before tax provides a measure of the Group's profitability before tax that is comparable from year to year. | Consolidated income statement | Profit before tax |
| **Effective tax rate** | | |
| Underlying tax charge expressed as a percentage of underlying profit before tax.<br><br>A measure of the Group's tax charge relative to its profit before tax expressed on an underlying basis. | | None |

**APM calculation:**

| € million, unless otherwise stated | 2022 | Restated 2021 |
|---|---|---|
| Tax charge before special items (see note 7a) | 296 | 154 |
| Underlying profit before tax (see consolidated income statement) | 1,318 | 705 |
| **Effective tax rate (%)** | **22** | **22** |

| APM description and purpose | Financial statement reference | Closest IFRS equivalent measure |
|---|---|---|
| **Underlying earnings (and per share measure)** | | |
| Net profit after tax attributable to shareholders from continuing operations, before special items.<br><br>Underlying earnings (and the related per share measure based on the basic, weighted average number of ordinary shares outstanding) provides a measure of the continuing operations' earnings. | Note 8 | Profit for the period attributable to shareholders (and per share measure) |
| **Total earnings (prior to special items) (and per share measure)** | | |
| Net profit after tax attributable to shareholders, before special items, from continuing operations and discontinued operations.<br><br>Total earnings (and the related per share measure based on the basic, weighted average number of ordinary shares outstanding), provides a measure of the Group's earnings. | Note 8 | Profit for the period attributable to shareholders (and per share measure) |

| APM description and purpose | Financial statement reference | Closest IFRS equivalent measure |
|---|---|---|
| **Headline earnings (and per share measure)** | | |
| The presentation of headline earnings (and the related per share measure based on the basic, weighted average number of ordinary shares outstanding) is mandated under the Listings Requirements of the JSE Limited and is calculated in accordance with Circular 1/2021, 'Headline Earnings', as issued by the South African Institute of Chartered Accountants. | Note 8 | Profit for the period attributable to shareholders (and per share measure) |
| **Dividend cover** | | |
| Basic underlying EPS from continuing operations divided by total ordinary dividend per share paid and proposed provides a measure of the Group's earnings relative to ordinary dividend payments.<br><br>The 2021 dividend cover is based on total EPS, as the dividend was paid prior to reclassifying the Russian assets as held for sale and reporting them as discontinued operations. | | None |

APM calculation:

| euro cents, unless otherwise stated | 2022 |
|---|---|
| Basic underlying EPS (see note 8) | 195.6 |
| Total ordinary dividend per share (see note 9) | 70.0 |
| **Dividend cover (times)** | **2.8** |

| euro cents, unless otherwise stated | 2021 |
|---|---|
| Basic total EPS (prior to special items) (see note 8) | 154.0 |
| Total ordinary dividend per share (see note 9) | 65.0 |
| **Dividend cover (times)** | **2.4** |

| APM description and purpose | Financial statement reference | Closest IFRS equivalent measure |
|---|---|---|
| **Capital employed (and related trailing 12-month average capital employed)** | | |
| Capital employed comprises total equity and net debt. Trailing 12-month average capital employed is the average monthly capital employed over the last 12 months adjusted for spend on major capital expenditure projects which are not yet in production.<br><br>These measures provide the level of invested capital in the business. Trailing 12-month average capital employed is used in the calculation of return on capital employed. | Note 20 | Total equity |

# **Alternative Performance Measures** continued

| APM description and purpose | Financial statement reference | Closest IFRS equivalent measure |
|---|---|---|
| **Return on capital employed (ROCE)** | | |
| Trailing 12-month underlying operating profit, including share of associates' and joint ventures' net profit/(loss), divided by trailing 12-month average capital employed. ROCE provides a measure of the efficient and effective use of capital in the business and is presented on the basis of continuing operations for comparability. | | None |

**APM calculation:**

| € million, unless otherwise stated | 2022 | Restated 2021 |
|---|---|---|
| Underlying operating profit (see consolidated income statement) | 1,443 | 782 |
| Underlying net profit from joint ventures (see consolidated income statement) | 1 | 6 |
| Underlying profit from continuing operations and joint ventures | 1,444 | 788 |
| Trailing 12-month average capital employed (see note 2) | 6,097 | 5,672 |
| **ROCE from continuing operations (%)** | **23.7** | **13.9** |

The ROCE from continuing operations and discontinued operations is calculated to show as if the net profit of the Russian operations was not separately disclosed as arising from discontinued operations.

**APM calculation:**

| € million, unless otherwise stated | 2022 | Restated 2021 |
|---|---|---|
| Underlying profit from continuing operations and joint ventures (see above) | 1,444 | 788 |
| Operating profit from discontinued operations (see note 26) | 404 | 282 |
| Profit from operations and joint ventures of the Group before special items (incl. discontinued operations) | 1,848 | 1,070 |
| Trailing 12-month average capital employed of the Group (incl. discontinued operations) (see note 2) | 7,117 | 6,349 |
| **ROCE from continuing and discontinued operations (%)** | **26.0** | **16.9** |

| APM description and purpose | Financial statement reference | Closest IFRS equivalent measure |
|---|---|---|
| **Net debt** | | |
| A measure comprising short-, medium- and long-term interest-bearing borrowings and the fair value of debt-related derivatives less cash and cash equivalents, net of overdrafts, and current financial asset investments. Trailing 12-month average net debt is the average monthly net debt over the last 12 months. Net debt of continuing operations and trailing 12-month average net debt has been adjusted for net debt of the discontinued operations for comparability. | Note 28c | None |

Net debt provides a measure of the Group's net indebtedness or overall leverage.

**APM calculation:**

| € million | 2022 | Restated 2021 |
|---|---|---|
| Net debt (see note 28c) | 1,011 | 1,763 |
| Net debt of discontinued operations | – | (74) |
| **Net debt of continuing operations** | **1,011** | **1,689** |

| APM description and purpose | Financial statement reference | Closest IFRS equivalent measure |
|---|---|---|
| **Net debt to underlying EBITDA** | | |
| Net debt divided by trailing 12-month underlying EBITDA. A measure of the Group's net indebtedness relative to its cash-generating ability. | | None |

**APM calculation:**

| € million, unless otherwise stated | 2022 | Restated 2021 |
|---|---|---|
| Net debt of continuing operations (see note 28c) | 1,011 | 1,689 |
| Underlying EBITDA (see consolidated income statement) | 1,848 | 1,157 |
| **Net debt to underlying EBITDA (times)** | **0.5** | **1.5** |

| | | |
|---|---|---|
| **Working capital as a percentage of revenue** | | |
| Working capital, defined as the sum of trade and other receivables and inventories less trade and other payables, expressed as a percentage of annualised Group revenue, which is calculated based on an extrapolation of average monthly year-to-date revenue. A measure of the Group's effective use of working capital relative to revenue. Working capital has been adjusted for working capital of the discontinued operations in comparative periods for comparability purposes. | | None |

**APM calculation:**

| € million, unless otherwise stated | 2022 | Restated 2021 |
|---|---|---|
| Inventories (see note 16) | 1,359 | 1,099 |
| Trade and other receivables (see note 17) | 1,448 | 1,333 |
| Trade and other payables (see note 18) | (1,525) | (1,444) |
| Working capital | 1,282 | 988 |
| Working capital of discontinued operations | – | (44) |
| Working capital of continuing operations | 1,282 | 944 |
| Group revenue (see consolidated income statement) | 8,902 | 6,974 |
| **Working capital as a percentage of revenue (%)** | **14** | **14** |

| | | |
|---|---|---|
| **Gearing** | | |
| Net debt expressed as a percentage of capital employed provides a measure of the financial leverage of the Group. Net debt and capital employed is adjusted for the discontinued operations for comparability. | | None |

**APM calculation:**

| € million, unless otherwise stated | 2022 | Restated 2021 |
|---|---|---|
| Net debt of continuing operations (see note 28c) | 1,011 | 1,689 |
| Capital employed of continuing operations | 6,221 | 5,892 |
| **Gearing (%)** | **16.3** | **28.7** |

# Alternative Performance Measures continued

| APM description and purpose | Financial statement reference | Closest IFRS equivalent measure |
|---|---|---|
| **Cash flow generation** | | |
| A measure of the Group's cash generation before considering deployment of cash towards investment in property, plant and equipment ('capex' or 'capital expenditure'), acquisitions and disposals of businesses, investment in associates and joint ventures, payment of dividends to shareholders, acquisition or sale of non-controlling interests in a subsidiary and proceeds from and repayment of borrowings. Cash flow generation is a measure of the Group's ability to generate cash through the cycle before considering deployment of such cash.<br><br>The cash flow generation is adjusted for the cash flows from the discontinued operations for comparability and has been re-presented for the effect from non-controlling interests bought out of €3 million for the year ended 31 December 2021. | | Net increase/ (decrease) in cash and cash equivalents |

**APM calculation:**

| € million | 2022 | Restated 2021 |
|---|---|---|
| **Net increase in cash and cash equivalents** | **908** | **108** |
| Net increase in cash and cash equivalents from discontinued operations | (272) | (182) |
| Investment in property, plant and equipment | 508 | 481 |
| Acquisition of businesses, net of cash and cash equivalents | – | 63 |
| Proceeds from the disposal of business, net of cash and cash equivalents | (642) | – |
| Investment in joint ventures | – | 1 |
| Dividends paid to shareholders | 321 | 298 |
| Non-controlling interests bought out | – | 3 |
| Net repayment/(proceeds) of borrowings | 83 | (34) |
| Proceeds from other medium- and long-term borrowings | – | (59) |
| Repayment of other medium- and long-term borrowings | 53 | – |
| Net repayment of short-term borrowings | 9 | 4 |
| Repayment of lease liabilities | 21 | 21 |
| **Cash flow generation** | **906** | **738** |

# Additional information for shareholders

The disclosures below form part of the Directors' report on pages 152-153 of this report.

## Introduction

Set out below is a summary of certain provisions of Mondi's articles of association (Articles) and applicable English law concerning companies (the Companies Act 2006). This is a summary only, and the relevant provisions of the Articles and/or the Companies Act 2006 should be consulted (as applicable) if further information is required.

## Share capital

Mondi's issued share capital as at 31 December 2022 comprised 485,553,780 ordinary shares of 20 euro cents each (the Ordinary Shares) representing 100% of the total share capital.

## Purchase of own shares

Subject to the provisions of the Articles and the Companies Act 2006, Mondi may purchase, or may enter into a contract under which it will or may purchase, any of its own shares of any class, including any redeemable shares. At the Annual General Meeting held on 5 May 2022, authority was given for Mondi to purchase, in the market, up to 24,277,689 Ordinary Shares. This authority will expire at the conclusion of the Annual General Meeting to be held in 2023 and, in accordance with usual practice, a resolution to renew such authority for the next year will be proposed.

## Ordinary Shares

### Dividends and distributions

Subject to the provisions of the Companies Act 2006, Mondi may, by ordinary resolution, from time to time declare dividends not exceeding the amount recommended by the Board. The Board may pay interim dividends whenever the financial position of Mondi, in the opinion of the Board, justifies such payment.

The Board may withhold payment of all, or any part of any dividends or other monies payable in respect of Mondi's shares, from a person with a 0.25% interest or more in nominal value of the issued shares, if such a person has been served with a notice after failure to provide Mondi with information concerning interest in those shares required to be provided under the Companies Act 2006.

### Voting rights and restrictions

Subject to the Articles generally and to any special rights or restrictions as to voting attached by or in accordance with the Articles to any class of shares, at a general meeting, every member present in person has, upon a show of hands, one vote. Every duly appointed proxy has, upon a show of hands, one vote unless the proxy is appointed by more than one member, in which case the proxy has one vote for and one vote against if (i) the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution or (ii) the proxy has been instructed by one or more members to vote either for or against the resolution and by one or more members to use their discretion as to how to vote. On a poll, every member who is present in person or by proxy has one vote for every fully paid share of which they are the holder.

In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the shares.

Under the Companies Act 2006, members are entitled to appoint a proxy, who need not be a member of Mondi, to exercise all or any of their rights to attend and to speak and vote on their behalf at a general meeting or class meeting.

A member may appoint more than one proxy in relation to a general meeting or class meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy is not entitled to delegate the proxy's authority to act on behalf of a member to another person. A member that is a corporation may appoint one or more individuals to act on its behalf at a general meeting or class meeting as a corporate representative. Where a shareholder appoints more than one corporate representative in respect of its shareholding, but in respect of different shares, those corporate representatives can act independently of each other, and validly vote in different ways.

No member shall be entitled to vote either in person or by proxy at any general meeting or class meeting, or to exercise any other right conferred by membership in relation to such meetings, in respect of any shares held by them, if any call or other sum then payable by them to Mondi in respect of that share remains unpaid. In addition, no member shall be entitled to vote if they have been served with a notice after failing to provide Mondi with information concerning interests in those shares required to be provided under the Companies Act 2006.

The Articles provide a deadline for submission of proxy forms of not less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting.

### Variation of rights

Subject to the Companies Act 2006, the Articles specify that rights attached to any class of shares may be varied with the written consent of the holders of not less than three-quarters in nominal value of the issued shares of that class, or with the sanction of a special resolution passed at a separate general meeting of the holders of those shares. At every such separate general meeting, the quorum shall be two persons holding, or representing by proxy, at least one-third in nominal value of the issued shares of the class (calculated excluding any shares held as treasury shares). The rights conferred upon the holders of any shares shall not, unless otherwise expressly provided in

# Additional information for shareholders continued

the rights attaching to those shares, be deemed to be varied by the creation or issue of further shares ranking pari passu with them. Notwithstanding this, the relevant plan rules provide that any shares held by the trustee of the Mondi Share Incentive Plan from time to time will not be voted.

### Transfer of shares

All transfers of shares which are in certificated form may be effected by transfer in writing in any usual or common form or in any other form acceptable to the directors. The instrument of transfer shall be signed by, or on behalf of, the transferor and (except in the case of fully-paid shares) by, or on behalf of, the transferee and shall specify the name of the transferor, the name of the transferee and the number of shares being transferred. The transferor shall remain the holder of the shares concerned until the name of the transferee is entered into the register of members in respect of those shares. Transfers of shares which are in uncertificated form are effected by means of the CREST system.

The directors may refuse to register an allotment or transfer of shares (whether fully paid or not) in favour of more than four persons jointly. If the directors refuse to register an allotment or transfer they shall, within two months after the date on which the letter of allotment or transfer was lodged with Mondi, send to the allottee or transferee a notice of the refusal.

The directors may decline to register any instrument of transfer unless the instrument of the transfer: (i) is in respect of only one class of share; (ii) is lodged at the transfer office (duly stamped if required), accompanied by the relevant share certificate(s) and such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer (and, if the instrument of transfer is executed by some other person on their behalf, the authority of that person to do so); and (iii) is fully paid.

Subject to the Companies Act 2006 and regulations and applicable CREST rules, the directors may determine that any class of shares may be held in uncertificated form and that title to such shares may be transferred by means of the CREST system, or that shares of any class should cease to be so held and transferred.

A shareholder does not need to obtain the approval of Mondi, or of other shareholders of Mondi, for a transfer of shares to take place.

Notwithstanding the above, some of the Mondi employee share plans include restrictions on transfer of shares while the shares are subject to such plan.

## Directors

Directors shall be no less than four and no more than 20 in number. A director is not required to hold any shares of Mondi by way of qualification. Mondi may by special resolution increase or reduce the maximum or minimum number of directors. Each director shall retire at the Annual General Meeting held in the third calendar year following the year in which the director was elected or last re-elected by Mondi, or at such earlier Annual General Meeting as the directors resolve. A retiring director shall be eligible for re-election.

The Board may appoint any person to be a director (so long as the total number of directors does not exceed the limit prescribed in the Articles). Any such director shall hold office only until the next Annual General Meeting (or if the notice of the next Annual General Meeting has already been sent at the time of such person's appointment, the Annual General Meeting following that one) and shall then be eligible for re-election.

Subject to the Articles, the Companies Act 2006 and any directions given by special resolution, the business of Mondi will be managed by the Board who may exercise all the powers of Mondi.

The Board may exercise all the powers of Mondi to borrow money and to mortgage or charge any of its undertaking, property and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of Mondi or of any third party.

## Indemnities

As at the date of this report, indemnities are in force under which Mondi has agreed to indemnify its directors, to the extent permitted by law and the Articles in respect of all losses arising out of, or in connection with, the execution of their powers, duties and responsibilities, as directors of Mondi or any of its subsidiaries.

## Significant agreements: change of control

All of Mondi's employee share plans contain provisions relating to a change of control. Outstanding awards and options would normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions at that time and under certain plans, time pro-rating. The Group also has in place certain borrowing facilities and banking arrangements, some of which could be cancelled, become immediately payable or subject to acceleration upon a change of control of Mondi. Of these arrangements, only one facility agreement is considered to be significant to the Group. There are no other significant agreements that would take effect, alter or terminate upon a change of control following a takeover bid.

## Amendment of the Articles

Any amendments to the Articles may be made in accordance with the provisions of the Companies Act 2006 by way of special resolution.

# Shareholder information

Mondi plc is a company registered in the UK. It has a premium listing on the London Stock Exchange and a secondary listing on the JSE Limited.

Any shareholders still in possession of an old Mondi Limited share certificate should contact JSE Investor Services using the details below.

### Financial calendar

| | |
|---|---|
| May 2023 | 2023 Annual General Meeting |
| May 2023 | Trading update |
| May 2023 | Payment date for 2022 final dividend |
| August 2023 | 2023 half-year results announcement |
| September 2023 | 2023 interim dividend payment |
| October 2023 | Trading update |

Please go to www.mondigroup.com for the most up-to-date calendar

## Analysis of shareholders

As at 31 December 2022, Mondi plc had 485,553,780 ordinary shares in issue, of which 197,462,290 were held on the South African branch register.

### By size of holding

| Number of shareholders | % of shareholders | Size of shareholding | Number of shares | % of shares |
|---|---|---|---|---|
| 1,726 | 51.95 | 1–500 | 338,864 | 0.07 |
| 362 | 10.90 | 501–1000 | 262,121 | 0.05 |
| 460 | 13.85 | 1,001–5,000 | 1,105,780 | 0.23 |
| 422 | 12.70 | 5,001–50,000 | 8,165,800 | 1.68 |
| 94 | 2.83 | 50,001–1,000,000 | 6,875,089 | 1.42 |
| 258 | 7.77 | 1,000,001– highest | 468,806,126 | 96.55 |
| 3,322 | 100.00 | | 485,553,780 | 100.00 |

## Managing your shares

### Registrars

To manage your shares or if you have any queries, please contact the relevant Registrar:

| | Shares held on the UK register | Shares held on the South African branch register |
|---|---|---|
| Registrar | Equiniti Limited | JSE Investor Services (Pty) Limited<br>(JSE Investor Services) |
| Postal address | Equiniti<br>Aspect House<br>Spencer Road<br>Lancing<br>West Sussex<br>BN99 6DA | PO Box 4844<br>Johannesburg, 2000<br>South Africa |
| Helpline number | +44 (0)371 384 2576 (Lines are open 08.30 to 17.30 (UK time), Monday to Friday (excluding public holidays in England and Wales)) | 011 713 0800<br>(if calling from South Africa)<br>+27 11 713 0800<br>(if calling from outside South Africa) |
| Email | customer@equiniti.com | info@jseinvestorservices.co.za |
| Online | www.shareview.co.uk | Not available |

# Shareholder information continued

### Sign up to email communications

Receiving shareholder information electronically is a faster way to stay informed and more environmentally friendly.

Shareholders on the UK register can sign up to email communications by contacting Equiniti or via their online portal, ShareView.

Shareholders on the South African branch register holding their shares in certificated form can sign up to email communications by contacting JSE Investor Services or by emailing ecomms@jseinvestorservices.co.za. Shareholders on the South African branch register with dematerialised shares should contact their Central Securities Depository Participant (CSDP) or broker.

You will be notified by email each time new financial reports, notices of shareholder meetings and other shareholder communications are published on our website at: www.mondigroup.com.

### Manage your shares online

Shareholders on the UK register can sign up to ShareView, a free secure online site provided by Equiniti, where you can manage your shareholding quickly and easily. You can do the following:

- 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 ShareView just visit www.shareview.co.uk. All you need is your shareholder reference number, which can be found on your latest dividend statement. Please note the shareholder reference number found on your share certificate may have been issued by the previous Registrar.

Shareholders on the South African branch register can sign up to ShareHub, the JSE's new platform designed to enhance shareholder experience. ShareHub will allow shareholders to access their dividend payment confirmations in real time and will enable you to view, download or print the document from the ShareHub box at your convenience. You will have the option to opt out if you wish to continue receiving dividend payment confirmations via normal post. As electronic post boxes will be opened for all certificated shareholders on the ShareHub platform, we would encourage you to use these existing post boxes to receive all future shareholder communications, including financial statements and meeting notices. For more information and to sign up, contact JSE Investor Services at sharehubqueries@jseinvestorservices.co.za.

## Dividends

A proposed final dividend for the year ended 31 December 2022 of 48.33 euro cents per ordinary share will be paid to shareholders in accordance with the below timetable.

Payment of the final dividend is subject to the approval of shareholders at the Annual General Meeting scheduled for 4 May 2023.

| | |
|---|---|
| **Last date to trade shares cum-dividend** | |
| JSE Limited | Tuesday 28 March |
| London Stock Exchange | Wednesday 29 March |
| **Shares commence trading ex-dividend** | |
| JSE Limited | Wednesday 29 March |
| London Stock Exchange | Thursday 30 March |
| Record date | Friday 31 March |
| Last date for receipt of Dividend Reinvestment Plan (DRIP) elections by Central Securities Depository Participants | Thursday 6 April |
| Last date for DRIP elections to South African Transfer Secretaries by shareholders | Tuesday 11 April |
| Last date for DRIP elections to UK Registrar by shareholders | Tuesday 18 April |
| Payment date | Friday 12 May |
| **DRIP purchase settlement dates (subject to the purchase of shares in the open market):** | |
| South African Register | Thursday 18 May |
| UK Register | Tuesday 16 May |
| **Currency conversion dates** | |
| ZAR/euro | Thursday 23 February |
| Euro/sterling | Thursday 20 April |

Share certificates on Mondi plc's South African register may not be dematerialised or rematerialised between Wednesday 29 March 2023 and Friday 31 March 2023, both dates inclusive, nor may transfers between the UK and South African registers take place between Wednesday 22 March 2023 and Friday 31 March 2023, both dates inclusive.

Dividend tax will be withheld from the amount of the gross final dividend paid to shareholders on the South African branch register at the rate of 20%, unless a shareholder qualifies for an exemption.

**Your dividend currency**

All dividends are declared in euro. Dividends are paid in euro with the following exceptions:

| | |
|---|---|
| UK residents | pound sterling |
| South African residents | South African rand |

Shareholders on the UK register resident in the UK may, however, elect to receive their dividends in euro, and shareholders on the UK register resident outside the UK may elect to receive their dividends in pound sterling.

Shareholders on the UK register wishing to elect to receive their dividends in an alternative currency should contact Equiniti using the details provided.

**Payment of your dividends**

Mondi encourages shareholders to have dividends paid directly into their bank accounts, meaning the payment will reach you more securely and on the payment date, without the inconvenience of depositing a cheque.

Shareholders on the UK register:

- Shareholders wishing to receive dividends in euro or sterling can elect to receive dividends directly into their bank account via ShareView or by contacting Equiniti.
- Shareholders wishing to receive another local currency may be able to take advantage of the Overseas Payment Service offered by Equiniti. Find out more via ShareView or by contacting Equiniti.

Shareholders on the South African branch register:

- The 2019 interim dividend was the last dividend to be paid by cheque. Shareholders who previously received cheques should contact JSE Investor Services, if they have not already done so, to provide their bank details and ensure they continue to receive their dividends.
- Shareholders without a South African bank account are encouraged to dematerialise their shares with a CSDP in South Africa, as a CSDP is often able to pay dividends into foreign bank accounts. Find out more by contacting JSE Investor Services or any CSDP.

**Reinvest your dividends**

The dividend reinvestment plans (DRIPs) provide an opportunity for shareholders to have their cash dividends reinvested in Mondi plc ordinary shares.

The plans are available to all ordinary shareholders (excluding those in certain restricted jurisdictions). Fees may apply.

If you wish to participate in the DRIPs, you can sign up via ShareView or by contacting either Equiniti in the UK or JSE Investor Services in South Africa as appropriate.

## South African dematerialisation

Mondi encourages shareholders on the South African branch register to consider dematerialising their shares. By surrendering your share certificate, you will hold your shares electronically with a CSDP in South Africa, helping to prevent share fraud, theft and loss of share certificates.

Find out more by contacting JSE Investor Services or any CSDP.

## Taxation

Mondi is unable to advise shareholders on taxation. Your tax obligations will vary depending on your jurisdiction and financial circumstances. With regard to your Mondi shareholding, we recommend all shareholders maintain records of dividend payments, share purchases and sales. A dividend confirmation will be sent with all dividend payments. For further assistance, please speak to an independent professional tax or financial adviser.

# Shareholder information continued

## Donating shares to charity

If you have a small number of shares which would cost you more to sell than they are worth, there is the option to donate these unwanted shares to charity free of charge. These shares are then aggregated, sold and the proceeds distributed to various charities. Donate your shares or find out more using the relevant contact details below:

| | Shares held on the UK register | Shares held on the South African branch register |
|---|---|---|
| | ShareGift | Strate Charity Shares |
| Postal address | PO Box 72253<br>London<br>SW1P 9LQ<br>UK | PO Box 78608<br>Sandton, 2146<br>South Africa |
| Helpline number | +44 (0)20 7930 3737 | 0800 202 363<br>(if calling from South Africa)<br>+27 11 870 8207<br>(if calling from outside South Africa) |
| Email | help@sharegift.org | charityshares@computershare.co.za |
| Online | www.sharegift.org | http://www.strate.co.za/wp-content/uploads/2020/11/strate_charity_shares_donation_form_2020-1.pdf |

## Fraud

Shareholders should be aware that they may be targeted by certain organisations offering unsolicited investment advice or the opportunity to buy or sell worthless or non-existent shares. Should you receive any unsolicited calls or documents to this effect, you are advised not to give out any personal details or to hand over any money without ensuring that the organisation is authorised by the UK Financial Conduct Authority (FCA) and doing further research.

If you are unsure or think you may have been targeted you should report the organisation to the FCA. For further information, please visit the FCA's website at www.fca.org.uk, email consumer.queries@fca.org.uk or call the FCA consumer helpline on 0800 111 6768 if calling from the UK or +44 20 7066 1000 if calling from outside the UK.

Shareholders can also contact Equiniti in the UK or JSE Investor Services in South Africa using the contact details found above, or Mondi's company secretarial department on +44 (0) 1932 826300.

## Account amalgamations

If you receive more than one copy of any documents sent out by Mondi or for any other reason you believe you may have more than one Mondi plc account, please contact the relevant Registrar who will be able to confirm and, if necessary, arrange for the accounts to be amalgamated into one.

## Alternative formats

If you would like to receive this report in an alternative format, such as in large print, Braille or in audio format, please contact Mondi's company secretarial department on +44 (0) 1932 826300.

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Registered in England and Wales
Registered No. 6209386

Website: www.mondigroup.com

# Glossary of sustainability-related terms

A full glossary of sustainability-related terms and partner organisations can be found in Mondi's Sustainable Development report 2022.

**Sustainable Development report**
www.mondigroup.com/sd22

**Certified wood**
Certified wood is produced from wood fibre which originates from sustainably managed forest lands. The most recognised forest certification schemes are:

**FSC™**
Forest Stewardship Council™ is an international not-for-profit, multi-stakeholder organisation established in 1993 to promote socially and environmentally responsible management of the world's forests by way of standard setting, third-party certification and labelling of forest products.

**PEFC**
Programme for the Endorsement of Forest Certification™ is an international not-for-profit non-government organisation, founded in 1999, dedicated to promoting sustainable forest management through independent third-party certification.

**Circular economy**
An industrial system that is restorative or regenerative by intention and design. It replaces the 'end-of-life' concept with restoration, shifts towards the use of renewable energy, eliminates the use of toxic chemicals which impair reuse and aims for the elimination of waste through the superior design of materials, products, systems, and within this, business models.

**Chain-of-Custody**
Chain-of-Custody is a tracking system that allows manufacturers and traders to demonstrate that wood comes from a forest that is responsibly managed in accordance with credible standards.

**$CO_2e$**
Other greenhouse gases (such as $CH_4$, CFCs or $N_2O$) can be converted into an equivalent amount of $CO_2$ according to their global warming potential. Total GHG emissions are the sum of the equivalent amount of $CO_2$ for each GHG, abbreviated as $CO_2e$.

**COD**
Chemical oxygen demand is a measure of the oxygen-consuming capacity of inorganic and organic matter present in waste water; it quantifies the amount of oxidisable pollutants in water and is measured in tonnes.

**Controlled Wood**
Controlled Wood is wood of known origin with a minimum risk that it is harvested in an unacceptable way. The Controlled Wood system defines the minimum standards for wood that can be mixed with FSC wood. Products made from such material can use the FSC Mix label.

**GHG**
Greenhouse gases (GHG) are gases that have the property of absorbing infrared radiation (net heat energy) emitted from Earth's surface and re-radiating it back to Earth's surface, thus contributing to the greenhouse effect. The GHGs that contribute to the greenhouse effect are listed in the Kyoto Protocol of the United Nations Framework Convention on Climate Change (UNFCCC)

**Human Rights Due Diligence (HRDD)**
The process through which companies identify, prevent, mitigate, and account for how they address their actual and potential adverse impacts on human rights, as an integral part of decision-making and risk management systems.

**Net-Zero target**
Net-Zero target setting supports the rapid decline of a company's value-chain emissions to limit global temperature rise to 1.5°C. Net-Zero covers the entire value chain, including Scope 1, Scope 2 and Scope 3 emissions.

**Science-based target**
A carbon emission target is defined as 'science-based' if it is in line with the scale of reductions required to keep global temperature rise to well-below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C.

**Scope 1 emissions**
Total direct GHG emissions from sources owned or controlled by Mondi and its subsidiaries. This includes $CO_2e$ from fossil fuels and processes, company leased/owned vehicles, waste and wastewater treatment, make-up chemicals and other GHGs.

**Scope 2 emissions**
Total indirect GHG emissions from sources that are related to generation of purchased energy outside the company boundaries.

**Scope 3 emissions**
Total indirect GHG emissions from the production of fuel and raw materials; business travel; raw materials; transport of products and raw materials; and employee commuting.

**Specific**
Measurement of emissions or consumption normalised to volume, measured in saleable production tonnes.

**SDGs**
The United Nations Sustainable Development Goals, a set of universal goals that meet the urgent environmental, political and economic challenges facing our world.

**TRCR**
Total recordable case rate is calculated as the number of total recordable cases (the sum of fatalities, lost-time injuries, restricted work cases and medical treatment cases), multiplied by 200,000 and divided by the total hours worked for the selected period.

**TRS**
Total reduced sulphur compounds are generated in the pulping process and are the sum of the reduced malodorous sulphur compounds. It is a metric for emissions to air and is measured in tonnes.

**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.

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This document includes market position estimates prepared by the Group based on industry publications and management estimates.
Main industry publication sources are: Fastmarkets RISI, Henry Poole Consulting, Eurosac, Freedonia, Alexander Watson Associates, PCI Wood Mackenzie, EMGE, EURO-GRAPH, and Pulp and Paper Products Council.

# Notes

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