

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Sustainability-Linked Bond Framework

Mondi plc
15 June 2023

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none">▪ Sustainability-Linked Bonds
Relevant standard(s)	<ul style="list-style-type: none">▪ Sustainability-Linked Bond Principles, as administered by the ICMA (as of June 2020)
Scope of verification	<ul style="list-style-type: none">▪ Mondi 's Sustainability-Linked Bond Framework (as of June 9, 2023)
Lifecycle	<ul style="list-style-type: none">▪ Pre-issuance verification
Validity	<ul style="list-style-type: none">▪ As long as Mondi 's Sustainability-Linked Bond Framework and benchmarks for the Sustainability Performance target(s) remain unchanged.

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SCOPE OF WORK

Mondi plc (“Mondi” or “the Issuer” or “the Company”) commissioned ISS Corporate Solutions (ICS) to assist with its Sustainability-Linked Bonds by assessing three core elements to determine the sustainability quality of the instruments:

1. Mondi’s Sustainability-Linked Bond Framework (as of June 9, 2023) and structural components of the Sustainability-Linked Bond instruments– benchmarked against the Sustainability-Linked Bond Principles (SLBP), as administered by the International Capital Market Association (ICMA)
2. The sustainability credibility of the Key Performance Indicators (KPI) selected and Sustainability Performance Targets (SPT) calibrated – whether the KPIs selected are core, relevant and material to the Issuer’s business model and industry, and whether the associated targets are ambitious.
3. Linking the Sustainability-Linked Bond instruments to Mondi’s overall ESG profile – drawing on Mondi’s sustainability objectives.

MONDI BUSINESS OVERVIEW

Mondi engages in the manufacture and sale of packaging and paper products in Africa, Western Europe, Emerging Europe, North America, South America, Asia, and Australia. It operates in Corrugated Packaging, Flexible Packaging and Uncoated Fine Paper segments. The company produces containerboard and corrugated solutions, kraft paper, paper bags, functional paper and films and home, office, converting and professional printing papers. It serves customers in the consumer and retail, building and construction, industrial and agriculture and paper for home, office and professional printing markets. Mondi was founded in 1967 and is based in Weybridge, the United Kingdom.

It is classified in the Forest and Paper Products industry, as per ISS ESG’s sector classification.

SPO ASSESSMENT SUMMARY

EVALUATION SUMMARY ¹		
Alignment with the SLBP	The framework is in line with the Sustainability-Linked Bond Principles (SLBP) administered by the ICMA.	
KPI Selection	KPI 1. Reduction of absolute Scope 1 and 2 GHG emissions	KPI 2. Reduction of absolute Scope 3 GHG emissions
Relevant	Relevant	Relevant
Core	Core	Core
Material	Material	Material
Assessment	Best Practice	Best Practice
SPT Calibration	SPT 1. Reducing absolute Scope 1 and 2 emissions by 46.2% by 2030 compared to 2019	SPT 2. Reducing absolute Scope 3 emissions by 27.5% by 2030 compared to 2019
Against borrower's past performance	Ambitious	Ambitious
Against borrower's industry peer group	Ambitious	Ambitious
Against international targets	Ambitious	Ambitious
Level of ambition	Robust²	Robust³
Linking the transaction(s) to Mondi's overall ESG profile	Consistent with the Issuer's sustainability strategy The KPIs selected by the Issuer are related to climate change. One of the three pillars of the company's sustainability strategy focuses on Mondi's environmental impact and includes several goals on GHG emissions, biodiversity, deforestation and water use. KPI 1 and 2 focuses on GHG emissions and links to the Issuer's ambition to create a lower-carbon portfolio.	

¹ The evaluation is based on the engagement conducted between April – June 2023, on the Issuer's Sustainability-Linked Bond Framework (as of June 9, 2023).

² The SPT is ambitious against the three dimensions.

³ The SPT is ambitious against the three dimensions.

SPO ASSESSMENT

PART 1: ALIGNMENT WITH ICMA SUSTAINABILITY-LINKED BOND PRINCIPLES

This section describes our assessment of the alignment of Mondi's Sustainability-Linked Bond Framework (as of June 9, 2023) with the Sustainability-Linked Bond Principles (SLBP)

SLB PRINCIPLES	ASSESSMENT	OPINION
1. Selection of KPIs		A detailed analysis of the sustainability credibility of the KPI selection is available in Part 2 of this report.
2. Calibration of SPTs		A detailed analysis of the sustainability credibility of the SPT calibration is available in Part 2 of this report.
3. Bond Characteristics	✓	The description of the Sustainability-Linked Bond Characteristics provided by the Issuer is aligned with the SLBP. The financial characteristics of any security issued under this Framework, including a description of the selected KPIs, SPTs, step-up margin amount or the premium payment amount, as applicable, will be specified in the relevant documentation of the specific transaction.
4. Reporting	✓	The Reporting description provided by the Issuer is aligned with the SLBP. This will be made available annually to investors and include valuable information, such as up-to-date information on the performance of the KPIs, including the baseline where relevant, external verification outlining the performance of the KPIs against the SPT and any relevant information reasonably necessary to enable investors to monitor the level of ambition of the SPT.
5. External verification	✓	The Verification description provided by the Issuer is aligned with the SLBP. This report constitutes the SPO. The performance of the SPTs against the KPIs will be externally verified with at least limited assurance for KPI 1 and KPI 2, annually until maturity.

PART 2: KPI SELECTION & SPT CALIBRATION

Selection of KPI 1

KPI 1 is defined as reduction of absolute Scope 1 and 2 GHG emissions

Opinion	<i>The KPI is relevant, core and material to the Issuer’s overall business. It is appropriately measurable, quantifiable, externally verifiable, externally verified and benchmarkable. It covers Scope 1 and 2 GHG emissions, which represent 54% of the company’s total GHG emissions.</i>	
Assessment⁴	Not Aligned	Aligned
KPI 1 Characteristics and Features	KPI definition:	Absolute Scope 1 and 2 CO ₂ e emissions in Mt CO ₂ e
	Scope and perimeter:	The KPI scope and perimeter are transparently defined as it covers Scope 1 and 2 GHG emissions of all Mondi’s operations and locations. Scope 1 and 2 represent 54% of the company’s total GHG emissions.
	Quantifiable/Externally verifiable:	The KPI is quantifiable, since it is calculated as metric tonnes of CO ₂ e. It is externally verifiable, because absolute GHG emissions KPI is widely disclosed and standardized in the market. The Issuer is referring to key reporting and accounting protocols for GHG emissions such as the Greenhouse Gas Protocol (GHG Protocol).
	Externally verified:	The historical and baseline data for the KPI selected have been verified by a qualified third-party. The Issuer commits to having the future data annually verified by an external reviewer as well.
	Benchmarkable:	By referring to commonly acknowledged GHG accounting standards and protocol, the KPI is easily comparable with the data reported by other companies and with international targets such as the Paris Agreement. Benchmarking of the SPT in relation to this KPI has been analyzed below.
KPI 1 Analysis	The KPI is considered:	

Relevant to Mondi’s business as its industry is GHG-emitting and exposed to climate change mitigation solutions. Environmental impacts of wood processing extraction is considered a key ESG issue faced by the packaging industry according to key ESG standards⁵ for reporting and ISS ESG assessment. Companies in this sector are energy intensive in their production process and emit GHG emissions both through direct and indirect emissions.

Core to the Issuer’s business as Scope 1 and 2 GHG emission reduction measures affect key processes and operations that are core to the business model of the Issuer. The company will continue to modernize their operations and invest in energy efficiency projects. Other energy related investment

⁴ The KPI selection assessment is classified on a 3-level scale: ‘Not Aligned’, ‘Aligned’ or ‘Best Practice’. For further information on the ISS methodology related to the KPI assessment please refer to Annex 2 at page 20.

⁵ Key ESG Standards include SASB and TCFD, among others.

at Mondi's paper and pulp mills will be focused on optimizing energy efficiency and replacing fossil fuel-based energy with renewable sources. Mondi will also aim to increase the share of biofuels used for energy generation, whilst also purchasing electricity from renewable energy providers. Mondi has increased the amount of electricity purchased from renewable sources from 5% in 2020 to 60% in 2022. Besides, Mondi is investigating long-term power purchase agreements (PPAs) with providers of electricity generated from renewable sources (e.g. windfarms and photovoltaic energy providers) to further increase their future renewable electricity supply. Where no alternative renewable electricity is currently available (for example in South Africa), reduced Scope 2 GHG emissions may be achieved by investing in Mondi's mills' electricity self-sufficiency using renewable sources, where feasible. ISS ESG notes that PPAs are long-term contracts, which require negotiation and ensure that renewable energy will be supplied for longer time spans.

Material⁶ to Mondi's business model and sustainability profile from an ESG perspective:

- The KPI is material to the company's direct operations because the KPI focuses on Scope 1 and 2 GHG emissions covering the entirety of the company's operations worldwide. However, Scope 1 and 2 GHG emissions only represent 54% of total Scope 1, 2 and 3 GHG emissions of Mondi.
- It is worth noting that KPI 2 addresses Scope 3 GHG emissions throughout the value chain, which represents the remaining 46% of the company's total GHG emissions. Therefore, KPI 1 and 2 together would be considered fully material. Mondi has committed to issuing both of the KPIs for all transactions under this framework, making KPI 1 material.

⁶ ISS ESG bases this analysis on the Issuer's own emissions reporting and makes no comment on the quality or consistency of the Issuer's Scope 1, 2 or 3 emissions reporting, either in relation to GHG Protocol, or to established norms for the Issuer's sector. ISS ESG notes that Scope 3 reporting may be different between companies in the same sector and does not undertake any benchmarking of an issuer's reporting.

Calibration of SPT 1

SPT 1 is defined as reducing absolute Scope 1 and 2 emissions by 46.2% by 2030 compared to 2019

Opinion	<i>The SPT is (i) ambitious against the company's past performance, (ii) ambitious against industry peers, and (iii) it is ambitious against international targets. The target is set in a clear timeline and is supported by a strategy and action plan disclosed in the company's framework.</i>			
Level of Ambition⁷	No Evidence	Limited	Good	Robust
SPT 1	SPT definition:	Reduce absolute Scope 1 and 2 GHG emissions by 46.2% by 2030 from a 2019 base year		
Characteristics and Features	Baseline performance and year:	4.74 Mt CO ₂ e in 2019		
	Target performance and observation date:	2.55 Mt CO ₂ e in 2030		
	Trigger event:	The trigger events are to be specified in the bond documentation.		
	Long-term target:	Net Zero by 2050		
	Strategy and action plan to reach the target:	<p>To reduce its Scope 1 and 2 GHG emissions, Mondi is focusing its efforts on three key levers for action:</p> <ul style="list-style-type: none"> ▪ Modernising operations and investments in energy efficiency projects ▪ Increasing the share of renewables used for energy generation ▪ Purchasing electricity generated from renewable sources 		
	Key factors/risks beyond the Issuer's direct control that may affect the achievement of the SPTs:	<ul style="list-style-type: none"> ▪ Unforeseen circumstances that require reduction in capital expenditures related to emission reducing activities ▪ The possibility of business acquisitions and/or divestments, which could impact Mondi's plans and timelines ▪ Disruption in production ▪ Equipment failure, unexpected shuts and other operational factors ▪ Extreme events, such as pandemics, natural disasters and geopolitical crises ▪ Changes in regulations and standards 		
Recalculations or pro-forma adjustments of baselines	The legal documentation will include a recalculation policy.			

⁷ The SPT selection assessment is classified on a 4-level scale: 'No Evidence', 'Limited', 'Good' or 'Robust'. For further information on the ISS methodology related to the SPT assessment please refer to Annex 2 at page 21.

SPT 1

Analysis

The level of ambition of the SPT is assessed as follows:

(i) Against past performance:

The Issuer provided 8 years of relevant historical data, including for the baseline year of 2019. The data are shown in Table 1. Calculating the compound annual growth rate (CAGR) of the past performance shows that the Issuer has achieved an average yearly change of -4.94% between 2015 and 2022 for SPT 1.

TABLE 1⁸	2015	2016	2017	2018	2019 - BASELINE	2020	2021	2022	2030 – SPT 1
Metric Tonnes of CO₂E	5.61	5.13	4.89	4.80	4.74	4.32	4.34	3.94	2.55
CAGR 2015 – 2022								- 4.94 %	
CAGR 2022– 2030									-5.28%

Source: Mondi Framework

Mondi sets SPT 1 to achieve a reduction of Scope 1 and 2 emissions by 46.2% in 2030 compared to a 2019 baseline. Calculating the compound annual growth rate (CAGR) amounts to an average of -5.28% annual reduction between 2022 and 2030.

Since the projected average annual reductions to achieve SPT 1 is quantitatively larger than the historical data, we conclude that the SPT is quantitatively ambitious against past performance.

(ii) Against peers:

We conducted a benchmarking of the SPT set by Mondi against the Forest and Paper Products industry peer group of 265 listed companies (including the Issuer) as per the ISS ESG Universe.

Mondi is one of 12 companies to currently having set Scope 1 and 2 emissions reduction targets in its industry, versus 253 peers that have not set a target at all or have not been collected or disclosed. In terms of reduction in absolute Scope 1 and 2 emissions, in the subgroup of peers who have set targets, SPT 1 is in the top 4 or top 1.5% tier of the peer group.

Therefore, it can be concluded that SPT 1 set by the issuer is ambitious compared to peers in the industry.

⁸ CAGR calculation is based on data that has not been rounded, whilst the table displays the numbers in a two decimal place form, to ensure clarity.

(iii) Against international targets:

Paris Agreement

Mondi has a Science-Based Targets initiative (SBTi) approved emission reduction target of cutting Scope 1 and 2 emissions by 46.2% by 2030 from a 2019 base year. This target has been confirmed by the SBTi to be consistent with the reductions required to keep the global mean temperature aligned with 1.5°C scenario.

It can be concluded that SPT 1 is ambitious against the Paris Agreement, based on the SBTi validation of the 2030 target.

Selection of KPI 2

KPI 2 is defined as reduction of absolute Scope 3 GHG emissions

Opinion	<i>The KPI is relevant, core and material to the Issuer’s overall business. It is appropriately measurable, quantifiable, externally verifiable, externally verified and benchmarkable. It covers Scope 3 GHG emissions, which represent 46% of the company’s total GHG emissions.</i>
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Assessment⁹	Not Aligned	Aligned	Best Practice
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KPI 2 Characteristics and Features	KPI definition:	Absolute Scope 3 CO ₂ e emissions in Mt CO ₂ e
	Scope and perimeter:	The KPI scope and perimeter are transparently defined as it covers 90% of Scope 3 GHG emissions of all Mondi’s operations and locations. The KPI represents 46% of the company’s total GHG emissions.
	Quantifiable/Externally verifiable:	The KPI is quantifiable, since it is calculated as metric tonnes of CO ₂ e. It is externally verifiable, because absolute GHG emissions KPI is widely disclosed and standardized in the market. The Issuer refers to key reporting and accounting protocols for GHG emissions such as the Greenhouse Gas Protocol (GHG Protocol).
	Externally verified:	Starting in 2016, the historical and baseline data for the KPI selected have been verified by a qualified third-party. The Issuer commits to having the future data annually verified by an external reviewer as well.
	Benchmarkable:	By referring to commonly acknowledged GHG accounting standards and protocol, the KPI is easily comparable with the data reported by other companies and with international targets such as the Paris Agreement. Benchmarking of the SPT in relation to this KPI has been analyzed below.

KPI 2	The KPI is considered:
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⁹ The KPI selection assessment is classified on a 3-level scale: ‘Not Aligned’, ‘Aligned’ or ‘Best Practice’. For further information on the ISS methodology related to the KPI assessment please refer to Annex 2 at page 20.

Analysis

Relevant to Mondi's business as its industry is GHG-emitting and exposed to climate change mitigation solutions. Environmental impacts of wood processing are considered a key ESG issue faced by the packaging industry according to key ESG standards¹⁰ for reporting and ISS ESG assessment. Companies in this sector are energy intensive in their production process both through direct and indirect emissions.

Core to the Issuer's business as Scope 3 CO₂e emission reduction measures affect key processes and operations that are core to the business model of the Issuer. The company will engage with strategic suppliers on their reduction targets and transition plans and collaborate with them in projects to reduce their GHG emissions and will focus on replacing carbon intensive raw materials.¹¹ Mondi is working with its downstream logistics partners to identify and implement improvement projects in transportation and in 2021 they conducted a successful pilot project with a logistics partner to reduce maritime transport related GHG emissions through the use of biofuel.

Material¹² to Mondi's business model and sustainability profile from an ESG perspective:

- The KPI is material to the company's corporate value chain because the KPI focuses on 90% of Scope 3 GHG emissions covering the entirety of the company's operations worldwide. This was done in line with the SBT Net Zero guidance process, where only 90% of Scope 3 GHG emissions need to be reduced. Mondi covered more than needed, making it approach the issue with more materiality. However, Scope 3 GHG emissions only represents 46% of total Scope 1, 2 and 3 GHG emissions of Mondi.
- It is worth noting that KPI 1 addresses Scope 1 and 2 GHG emissions throughout the company's direct and purchased emissions, which represents the remaining 54% of the company's total GHG emissions, as combined the KPIs cover more than 99% of all Mondi's emissions. Therefore, KPI 1 and 2 together would be considered fully material if they are integrated into the same financial instrument and both linked to the bond characteristics. Mondi has committed to issuing both of the KPIs for all transactions under this framework, making KPI 2 material.

¹⁰ Key ESG Standards include SASB and TCFD, among others.

¹¹ A more specific action plan has been shared and reviewed in the context of this SPO, but will remain confidential at request of the Issuer.

¹² ISS ESG bases this analysis on the Issuer's own emissions reporting and makes no comment on the quality or consistency of the Issuer's Scope 1, 2 or 3 emissions reporting, either in relation to GHG Protocol, or to established norms for the Issuer's sector. ISS ESG notes that Scope 3 reporting may be different between companies in the same sector and does not undertake any benchmarking of an issuer's reporting.

Calibration of SPT 2

SPT 2 is defined as reducing absolute Scope 3 emissions by 27.5% by 2030 compared to 2019

Opinion	<i>The SPT is (i) ambitious against the company's past performance, (ii) ambitious against industry peers, and (iii) it is ambitious against international targets. The target is set in a clear timeline and is supported by a strategy and action plan disclosed in the company's framework.</i>
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Level of Ambition¹³	No Evidence	Limited	Good	Robust
SPT 2				
Characteristics and Features	SPT definition:	Reduce absolute Scope 3 GHG emissions by 27.5% by 2030 from a 2019 base year		
	Baseline performance and year:	3.91 Mt CO ₂ e in 2019		
	Target performance and observation date:	2.84 Mt CO ₂ e in 2030		
	Trigger event:	The trigger events are to be specified in the bond documentation.		
	Long-term target:	Net Zero by 2050		
	Strategy and action plan to reach the target:	To reduce its Scope 3 GHG emissions, Mondi is focusing its efforts on two key levers for action: <ul style="list-style-type: none"> ▪ Engaging with strategic suppliers on their reduction targets and transition plans and collaborating with them in projects to reduce their GHG emissions ▪ Replacing carbon intensive raw materials 		
	Key factors/risks beyond the Issuer's direct control that may affect the achievement of the SPTs:	<ul style="list-style-type: none"> ▪ Unforeseen circumstances that require reduction in capital expenditures related to emission reducing activities ▪ The possibility of business acquisitions and/or divestments, which could impact Mondi's plans and timelines ▪ Disruption in production ▪ Equipment failure, unexpected shuts and other operational factors ▪ Extreme events, such as pandemics, natural disasters and geopolitical crises ▪ Changes in regulations and standards 		
Recalculations or pro-forma adjustments of baselines	The legal documentation will include a recalculation policy.			

SPT 2	
Analysis	The level of ambition of the SPT is assessed as follows:

¹³ The SPT selection assessment is classified on a 4-level scale: 'No Evidence', 'Limited', 'Good' or 'Robust'. For further information on the ISS methodology related to the SPT assessment please refer to Annex 2 at page 21.

(i) Against past performance:

The Issuer provided 8 years of relevant historical data, including for the baseline year of 2019. The data are shown in Table 1. Calculating the compound annual growth rate (CAGR) of the past performance shows that the Issuer has observed an average yearly increase of 2.46% between 2015 and 2022 for SPT 2.

TABLE 2¹⁴	2015	2016	2017	2018	2019 - BASEL INE	2020	2021	2022	2030 – SPT 1
Metric Tonnes of CO₂E	2.89	2.98	3.01	3.24	3.91	3.31	3.60	3.42	2.84
CAGR 2015 – 2022								2.46%	
CAGR 2022– 2030									-2.31%

Source: Mondi Framework

Mondi sets SPT 2 to achieve a reduction of Scope 3 emissions by 27.5% in 2030 compared to a 2019 baseline. Calculating the compound annual growth rate (CAGR) amounts to an average yearly reduction of 2.31% between 2022 and 2030.

It is noted that there was a significant rise in Scope 3 emission between 2020 and 2021. This was due to two main factors: the increase in mills production volume which cause a 4% increase in Scope 3 emissions during that time. These emissions were attributed to Mondi’s raw material suppliers. Secondly, Mondi improved their data quality of their Scope 3 factors, which in some cases caused an increase. The qualitative reasoning justifies the assessment.

On this basis, and because the projected average annual reductions to achieve SPT 2 are more significant than what was observed in the past, we conclude that the SPT is quantitatively ambitious against past performance.

(ii) Against peers:

We conducted a benchmarking of the SPT set by Mondi against the Forest and Paper Products industry peer group of 265 listed companies (including the Issuer) as per the ISS ESG Universe. Mondi is one of 3 companies currently having set Scope 3 emissions reduction targets in its industry, versus 262 peers that have not set a target at all or have not been collected or disclosed. In terms of reduction in absolute Scope 3 emissions, in the subgroup of peers who have set targets, SPT 2 is in the top 2, or top 0.7% tier of the peer group.

¹⁴ CAGR calculation is based on data that has not been rounded, whilst the table displays the numbers in a two decimal place form, to ensure clarity.

Therefore, it can be concluded that SPT 2 set by the Issuer is ambitious compared to peers in the industry.

(iii) Against international targets:

Paris Agreement

Mondi has a Science-Based Targets initiative (SBTi) approved emission reduction target of cutting Scope 3 emissions by 27.5% by 2030 from a 2019 base year. This target has been confirmed by the SBTi to be consistent with the reductions required to keep the global mean temperature aligned with the well-below 2°C scenario. On the long term, Mondi's target by 2050 aligns with a 1.5°C scenario.

It can be concluded that SPT 2 is ambitious against the Paris Agreement, based on the SBTi validation of the 2030 target.

PART 3: LINKING THE TRANSACTION(S) TO MONDI'S ESG PROFILE

A. CONSISTENCY OF SUSTAINABILITY-LINKED BONDS WITH MONDI'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the Issuer

Mondi states that circular driven solutions, empowerment of employees, and taking action on climate are key sustainability objectives, especially as it aims to play a role supporting the world to achieve 1.5°C scenario. Mondi has set science based targets for their GHG emissions reduction.

Mondi is also a members of UN Business Ambition for 1.5°C, a campaign that was launched in 2019 in the lead up to the 2019 Climate Action Summit. The campaign successfully helped bring on many signatories to the Science-Based Targets initiative (SBTi) and will effectively merge into the SDG Action Campaign that will be launched during the UN High-Level Political Forum in mid-July 2023.

Mondi launched its Mondi Action Plan 2030 (MAP2030) in 2021. MAP2030 envisages a programme based upon three main pillars, circular driven solutions, empowerment of employees, taking action on climate and underpinned by responsible business practices.

The Mondi Action Plan 2030 defines a series of commitments:

- Make packaging and paper solutions reusable, recyclable or compostable
- Avoid waste by keeping materials in circulation
- Work with others to eliminate unsustainable packaging
- Build skills that support long-term employability
- Provide purposeful employment for all our employees in a diverse and inclusive workplace
- Create an environment that enables a positive work-life experience, valuing safety, health and mental wellbeing
- Reduce greenhouse gas (GHG) emissions in line with science-based targets
- Maintain zero deforestation in wood supply, sourcing from resilient forests
- Safeguard biodiversity and water resources in operations and beyond
- Strengthen governance systems to prevent human rights violations and remedy any adverse impacts

Consistency with KPIs

KPI 1: Mondi has set decarbonization as one of its priority long-term goals. KPI 1 focuses on reducing the company's Scope 1 and 2 emissions, and is therefore consistent with its decarbonization objective.

KPI 2: Mondi has set decarbonization as one of its priority long-term goals. KPI 2 focuses on reducing the company's Scope 3 emissions, and is therefore consistent with its decarbonization objective.

B. MONDI'S BUSINESS EXPOSURE TO ESG RISKS

This section aims to provide an overall level of information on the ESG risks to which the Issuer is exposed through its business activities, providing additional context to the issuance assessed in the present report.

ESG risks associated with the Issuer's industry

The Issuer is classified in the Forest and Paper Products industry as per ISS ESG's sector classification. Key challenges faced by companies in terms of sustainability management in this industry are displayed in the table below. Please note that this is not a company specific assessment but areas that are of particular relevance for companies within that industry.

ESG KEY ISSUES IN THE INDUSTRY
Worker safety and accident prevention
Protection of human rights and livelihoods
Environmental impacts of wood processing
Sustainable wood/ fibre sourcing
Sustainable management of forests and plantations



ESG performance of the Issuer

Leveraging ISS ESG's Corporate Rating research, further information about the Issuer's ESG performance can be found on ISS ESG Gateway at: <https://www.issgovernance.com/esg/iss-esg-gateway/>.


Please note that the consistency between the issuance subject to this report and the Issuer's sustainability strategy is further detailed in Part 3.A of this report.

Sustainability impact of products and services portfolio

Leveraging ISS ESG's Sustainability Solutions Assessment methodology, ISS ESG assessed the contribution of the Issuer's current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs). This analysis is limited to the evaluation of final product characteristics and does not include practices along the Issuer's production process.

PRODUCT/SERVICES PORTFOLIO	ASSOCIATED PERCENTAGE OF REVENUE ¹⁵	DIRECTION OF IMPACT	UN SDGS
Products from relevant certified sustainable forestry	70%	CONTRIBUTION	 

¹⁵ Percentages presented in this table are not cumulative.

Products made from recycled materials	5%	CONTRIBUTION	
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Breaches of international norms and ESG controversies

At Issuer level

At the date of publication, ISS ESG has not identified any controversy in which the Issuer would be involved.

At industry level

Based on a review of controversies over a 2-year period, the top three issues that have been reported against companies within the Forest and Paper Products industry are as follows: Failure to respect the right to safe and healthy working conditions, failure to prevent water pollution and failure to respect the right to just and favourable conditions of work.

Please note, that this is not a company specific assessment but areas that can be of particular relevance for companies within that industry.

DISCLAIMER

1. Validity of the Second Party Opinion (“SPO”): Valid as long as the cited Framework and benchmarks to the Sustainability Performance Targets remain unchanged.
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ANNEX 1: ISS ESG Corporate Rating

ISS ESG Corporate Rating provides relevant and forward-looking environmental, social, and governance (ESG) data and performance assessments.

For more information, please visit:

<https://www.issgovernance.com/file/publications/methodology/Corporate-Rating-Methodology.pdf>

ANNEX 2: Methodology

Alignment of the concept set for transactions against the Sustainability-Linked Bond Principles, as administered by ICMA

The Sustainability-Linked Bond Framework of Mondi, as well as the concept and processes for issuance have been reviewed against the Sustainability-Linked Bond Principles administered by the ICMA. Those principles are voluntary process guidelines that outline best practices for financial instruments to incorporate forward-looking ESG outcomes and promote integrity in the development of the Sustainability-Linked Bond market by clarifying the approach for issuance.

The alignment of the concept of the Mondi’s issuance has been reviewed against the mandatory and necessary requirements as per the Appendix II - SLB Disclosure Data Checklist of those principles, and against the encouraged practices as suggested by the core content of the Principles.

Analysis of the KPI selection and associated SPT

In line with the voluntary guidance provided by the Sustainability-Linked Bond Principles, an in-depth analysis of the sustainability credibility of the KPI selected and associated SPT has been conducted.

The analysis has determined whether the KPI selected is core, relevant and material to the Issuer’s business model and consistent with its sustainability strategy thanks to long-standing expertise in evaluating corporate sustainability performance and strategy. The analysis also reviewed whether the KPI is appropriately measurable by referring to key reporting standards and against acknowledged benchmarks. Based on the factors derived from the SLBP and using a proprietary methodology, the KPI selection assessment is classified on a 3-level scale:

Not Aligned	Aligned	Best Practice
The KPI is not aligned if one of the core requirement from the SLBP selection of KPIs section is not satisfied.	The KPI is aligned if all the core requirements from the SLBP selection of KPIs section are satisfied.	The KPI follows best practice if all the core requirements from the SLBP selection of KPIs section are satisfied and if the KPI is fully material and follows best-market practices in terms of benchmarkability.

The ambition of the SPT has been analyzed against the Issuer’s own past performance (according to Issuer’s reported data), against the Issuer’s industry peers (for example per ISS ESG Peer Universe data), and against international benchmarks such as the Paris agreement (based on data from the Transition Pathway Initiative or Science-Based Targets initiative). Finally, the measurability and

comparability of the SPT, and the supporting strategy and action plan of the Issuer have been evaluated.

Based on the factors derived from the SLBP and using a proprietary methodology, the SPT selection assessment is classified on a 4-level scale:

No Evidence	Limited	Good	Robust
If none of the three dimensions (past performance, industry peers and international benchmarks) are positively assessed.	If the SPT is ambitious against only one of the three dimensions.	If the SPT is ambitious against two of the three dimensions.	If the SPT is ambitious against all the dimensions.

ANNEX 3: Quality management processes

SCOPE

Mondi commissioned ICS to compile a Sustainability-Linked Bonds SPO. The Second Party Opinion process includes verifying whether the Sustainability-Linked Bond Framework aligns with the ICMA Sustainability-Linked Bond Principles and to assess the sustainability credentials of its Sustainability-Linked Bonds, as well as the Issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Sustainability-Linked Bond Principles

ISSUER'S RESPONSIBILITY

Mondi's responsibility was to provide information and documentation on:

- Framework

ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

This independent Second Party Opinion of the Sustainability-Linked Bonds to be issued by Mondi has been conducted based on a proprietary methodology and in line with the ICMA Sustainability-Linked Bond Principles.

The engagement with Mondi took place from April to June 2023.

ISS' BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behavior and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About the SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyze the sustainability quality of the assets and review the sustainability performance of the Issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

For information about SPO services, please contact: SPOsales@isscorporatesolutions.com

For information about this specific Sustainability-Linked Bond SPO, please contact: SPOOperations@iss-esg.com

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