

MANAGEMENT'S APPROACH TO SUSTAINABILITY

The economic, social and environmental implications of business are more important than ever. In a world where populations are growing, natural resources are under pressure, communities are forced to do more with less and our consumers' expectations are changing, we understand that sustainability is core to our business continuity and how we create long-term value.

At Mpact, one of the fundamental tenets of the business is that of being a responsible corporate citizen manifesting in the creation of long-term value for stakeholders. This commitment is outlined in our vision and values, set out in our 2012 Integrated Report.

Sustainability results from the integration of corporate governance with the sound management of the commercial, economic, social and environmental dimensions of the business. It is integral that factors other than commercial viability are considered and managed.

Our Sustainability Policy will provide a blueprint for our employees and our suppliers and partners. We believe the only way of achieving our strategy and reaching our targets is ensuring that we follow sustainable business practices.

PREFERENTIAL PROCUREMENT

Mpact strives to support the South African economy through the procurement of locally produced goods and services as much as is possible. The Group is also focused on increasing its support for small to medium enterprises (SMEs) and black woman-owned suppliers. The success of these initiatives was reflected in Mpact's achievement of a 19.92 score out of 20 points for preferential procurement on its B-BBEE certificate.

SUSTAINABILITY CHALLENGES

On analysis, the following issues are considered material in terms of the sustainability of the business:

Sustainability issue	Status and management response
Environmental concerns include compliance with ever more stringent legislation	Ever more stringent environmental regulations and standards have the potential to increase our administered costs. Such legislation includes: <ul style="list-style-type: none"> • National Environmental Management Act • Air Quality Control Act In addition, planned legislation which could negatively impact the cost base includes the imposition of a Carbon Tax. Mpact will engage with the authorities through the relevant industry bodies and other forums to provide meaningful inputs into discussions around this legislation.
Reliability of energy supply and the cost of energy (electricity, gas and coal)	The Group requires significant energy, particularly at the mills, and the threat of electricity supply interruptions is a concern. Allied to this is the increasing cost of energy, which has risen substantially over the past few years. This presents a problem where competitors' costs, particularly those of overseas paper suppliers, have not increased commensurately. Approaches have been made to the South African National Energy Regulator (Nersa) by the Manufacturing Circle* to contain and possibly reduce the cost of electricity in South Africa. Internally, the Group has taken action to reduce its energy consumption and is investigating implementing initiatives to become more self-sufficient at certain operations.
Management of talent and development and retention of skills	Attracting and retaining the skills relevant to the business are essential to Mpact's success. For several years Mpact has invested in the development of skills through learnership programmes and the Mpact Academy. Allied to this, skills upliftment enables the transformation of the Group in line with the demographics of the country.
Safety and health of employees and that of contractor employees	Mpact has implemented programmes throughout the business to ensure vigilance and adherence to established standards related to health and safety. These include programmes to promote education and awareness around the prevention and treatment of HIV/AIDS.
Transformation – in line with regulations	Mpact's current B-BBEE rating as determined by Empowerdex on the basis of its 2011 results and ownership structure is Level 4. Refer to the B-BBEE Scorecard section on page 5 of the Review for further information. The Group will endeavour to align its B-BBEE initiatives with the various interested stakeholders once certainty and clarity on the parameters of the new B-BBEE Codes have been obtained.

* Formed in 2008, the Manufacturing Circle interacts with Government and other stakeholders in order to review, debate and help formulate policies which have an impact on South Africa's manufacturing base. Membership of the Manufacturing Circle includes several of South Africa's leading medium to large manufacturing companies from a wide range of industries