

SAFETY, HEALTH AND ENVIRONMENT (SHE)

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SAFETY

Philosophy and principles

The Group is committed to providing a safe and healthy working environment for all employees, as well as contractors and service providers. The principle of "zero harm" is entrenched at each of Mpac's operations.

The CEO's Safety, Health and Environmental (SHE) Philosophy clearly states that all injuries, occupational illnesses, safety and environmental incidents and fires are preventable and that the target for them is zero.

There are three underlying principles that give effect to this philosophy:

- ▶ individuals are responsible for their own safety;
- ▶ adherence to the "Fire and Safety Rules To Live By" is the minimum standard throughout Mpac; and
- ▶ there is no differentiation in terms of the treatment and expectations of employees, contractors and service providers.

To achieve this, a number of safety and health interventions are in place and these are regularly monitored and enforced.

Mpac's commitment to safety

People commitment and a culture of safety are vitally important in creating a safe working environment. Compliance with rules and procedures alone cannot address or mitigate all hazards and risks. A culture which fosters improvements in safety performance is built on people who think for themselves about safety issues and who take ownership and accountability for creating a safe working environment.

Systems play a key role in influencing the work environment. The Group has set the task of building robust systems that are specific to safety and ensure that safety considerations are thoroughly integrated with other organisational systems.

The approach is to eliminate hazards where possible, and if they cannot be eliminated, to manage their risks. This requires

broader thinking about hazards and risk, which will result in building more robust defences to protect people from harm, based on technical, administrative and individual controls.

Safety and health is the responsibility of senior management, who are assisted by line managers at each operation, and who are held accountable for the well-being of employees under their leadership. In addition, there is a significant focus on the prevention of uncontrolled fires.

SHE systems and procedures are in place to ensure compliance with the relevant South African legislative requirements and the mitigation of safety and health risks to prevent injury or ill-health through hazard identification and risk assessment processes. Safety and health inductions, as well as numerous safety and health training courses, are conducted annually at each operation.

Reinforcing safety at Mpac

To assist with the management of safety and health and maintain a safe and healthy working environment, the Group has put a number of initiatives and programmes in place during the year. These include a SHE plan, which was developed at Group level at the beginning of the year. The plan was cascaded down to divisional level and thereafter to operational level.

The plan defines the actions required, how these will be addressed, who will be responsible, target dates and the progress made in order to achieve targets set for safety and health, both per division and per operation.

SAFETY, HEALTH AND ENVIRONMENT (continued)

Additional safety and health improvement initiatives

There are a number of additional initiatives in place, which include, among others:

- ▼ The Safety, Health and Environmental Policy, set out in accordance with section 7 of the Occupational Health and Safety (OHS) Act, 85 of 1993.
- ▼ Mpac's "Fire and Safety Rules To Live By", a set of rules and standards covering areas such as fire safety, entry into confined spaces, working at heights, energy and machinery isolation procedures, lifting and material handling, rotating and moving machinery, hazardous substances, and work permits for duties such as hot work and controls around mobile plant and equipment. A set of Sustainable Development Management Systems (SDMS) has been developed and entails safety standards and guidelines relating to a wide spectrum of safety- and health-related matters.
- ▼ A system of "Visibly Felt Leadership" (VFL), whereby management performs regular observations on safety and health on the operating floors of plants or mills and interact with employees on a one-on-one basis.
- ▼ The implementation of a "Behaviour-Based Safety" (BBS) programme to manage safety-related behaviour in the workplace.

During 2012, Marsh Risk Consulting, a division of Marsh South Africa that has been appointed to provide risk services to Mpac, conducted underwriting surveys for the Group for insurance renewal purposes at all three mills, as well as at the Wadeville and Verspak Plastics operations, Springs Corrugated and the Tulisa Park recycling operation.

A comprehensive report was produced for each operation covering fire and explosion risk, as well as the risk of business interruption as a result of critical machinery breakdown. Estimated Maximum Loss (EML) and Maximum Probable Loss (MPL) calculations were done for each of the operations.

The reports also included risk improvement recommendations for purposes of risk exposure mitigation, and the status of the recommendations previously made by Global Risk Consultants, a previous service provider to Mondi Packaging South Africa (as Mpac was previously known).

In addition, operations compete annually for the Excellence in Health and Safety awards, an internal recognition for excellent performance in these areas. These awards are based on the health and safety statistics of operations for the year in which they are given out. Based on the audit results, operations are awarded Platinum, Gold or Silver status.

To be awarded Platinum status, an operation's safety record over a five-year progressive period has to meet the following requirements:

- ▼ No fatality over the five-year period.
- ▼ Lost time injury frequency rate (LTIFR) of less than 0.2.
- ▼ Non lost time injury frequency rate (NLTIFR) not greater than 2.0.

The Mongoose Trophy for Excellence in Health and Safety, the highest accolade an operation can win, is based on comprehensive health and safety audits, which are conducted annually by an independent auditor. In 2012, one operation achieved Platinum status, namely Corrugated Brakpan, while the Mongoose Trophy was awarded to the Felixton Mill.



Safety performance

Mpact is extremely thankful to report that no fatalities occurred at any of the operations during the year under review. In addition, three of the Group's operations, namely Corrugated Brakpan, Corrugated Epping and the Felixton Mill exceeded the five million accident-free man-hours target whilst nine operations completed one million man-hours without recording any lost time injuries. The Group continued to focus on maintaining safe working standards and providing safe working conditions for all.

Regretfully an increase in the number of lost time injuries occurred during 2012 in comparison with 2011, and as a result, the Group's LTIFR for 2012 was slightly higher. Most of these incidents were attributable to human negligence. Improving the LTIFR will be a focus for 2013. To this effect, programmes that focus on safety culture assessment and improvement will be implemented and Mpact will continue its focus on assessing and changing behaviour through its BBS programme.

During 2012 this programme was amended in order to be more accessible and comprehensible to those in less skilled positions. Moreover, Mpact will place an even greater focus on the training of its people, especially those in operational positions, as well as assessing regularly for competence.

To assist with the management of safety and health and maintain a safe and healthy working environment, the Group has put a number of initiatives and programmes in place

SAFETY, HEALTH AND ENVIRONMENT (continued)

Mpact's operations and sites provide wellness programmes and support to employees for primary healthcare and chronic illnesses, including HIV/AIDS

HEALTH

Ensuring the well-being of each employee is a strategic imperative. Occupational health and safety compliance is the responsibility of line management, and is a key indicator of business performance.

In line with the CEO's SHE Philosophy, all Mpact's operations and sites provide wellness programmes and support to employees for primary healthcare and chronic illnesses, including HIV/AIDS. The SHE committees, a joint management/worker health and safety forum at each site, monitor and provide guidance on occupational health and safety programmes. In addition to primary healthcare, site clinics and mobile medical facilities provided free annual medical assessments to employees during the year. Occupational health surveillance examinations take place when an employee joins the company, at periodic intervals during employment (depending on the risk and local regulatory requirements), on transfer from one operation to another and on retirement or resignation.

HIV/AIDS

Mpact recognises that HIV/AIDS is a serious threat to the wellbeing of its employees, the Group and the industry. While acknowledging that there is no simple way to counter this threat, Mpact's approach includes the following:

- ▶ actively driving awareness programmes at each operation;
- ▶ involving all stakeholders in a multi-faceted approach to educate employees and their dependants to prevent the incidence of HIV/AIDS;
- ▶ the development of wellness programmes for employees; and
- ▶ the provision of confidential, informed Voluntary Counselling and Testing (VCT), treatment and anti-retrovirals.

Approximately 3,256 employees undertook an annual medical test with approximately 2,452 employees opting for VCT during the year.

ENVIRONMENT

Mpact is a key member of the Paper Manufacturers Association of South Africa (PAMSA). PAMSA supports a chair at the University of Natal as well as the Durban University of Technology, which leads to degrees and diplomas focused on the Paper industry. PAMSA has an environmental committee that meets quarterly to review and comment on environmental developments and proposed new environmental legislation and regulations.

Mpact also continues to participate in the sustainability initiatives driven by Plastics SA, and is a member of PETCO, which was established to promote and improve the waste management and recycling of post-consumer PET products, on behalf of all stakeholders in the PET industry in South Africa. A levy system has secured the buy-in of industry players. The PET recycling levy is collected at source by resin manufacturers as a charge per tonne of resin purchased. It is then paid over to PETCO every month.

143,000 tonnes of post-consumer PET bottles were collected and recycled in South Africa in 2011. This was 14% up from 2010, and represents 42% of beverage PET consumed locally (local market size of 145,000 tonnes). In 2012 the target for collection was 44%.*

In addition, Mpact has an internal competition to recognise excellence in environmental management. Known as the Scarab Trophy, the Excellence in Environmental Performance award is presented to the operation that best lives the principles of good environmental governance and progress in reducing environmental impact. The Brakpan and Epping Corrugated plants shared the Scarab Trophy in 2012.

Recycling

The volume of paper recovered for recycling in South Africa has increased by almost a third over the past decade and could be 63% of paper available that can be recycled by 2017, according to statistics from the Paper Recycling

* 2011 figures were not available from PETCO at the time this Review went to press.



Association of South Africa (PRASA). South Africa has seen paper recovery rates increase significantly, rising to 59% in 2011 from 38% in 2000. This puts the country just ahead of global recovery rates of 55.6% (2011 International Council of Forest and Paper Association).

As the leading South African paper recycler, Mpact collected approximately 457,000 tonnes of paper in 2012, about 45% of all paper recovered annually in the country.

A growing culture of recycling in homes, schools and small businesses, as well as across many industries nationwide, has led to the improvement over the past decade. However, while the largest source of recovered paper is from the paper converting industries such as printers and box manufacturers, as well as large businesses, industries and shopping centres, an increasing opportunity is recovering paper from schools, households and offices. Collections from these sources currently account for less than 10% of Mpact Recycling's total collection.

Mpact has put a variety of different mechanisms in place to recover paper from consumers and businesses, and Mpact Recycling is constantly looking for opportunities to improve the amount of paper recovered by educating the public on the benefits of recycling. It also actively supports initiatives such as National Recycling Day, an important opportunity to highlight the strides the country has made to embrace recycling and promoted awareness of recycling.

Mpact Recycling supplies the Group's three mills; 71% of the paper recovered in 2012 was used in the production of the Group's cartonboard and containerboard. This considerably decreases the Group's reliance on virgin fibre.

The input of recovered paper also has a positive impact in terms of climate change, replacing virgin material and therefore reducing greenhouse gas emissions linked to the production of virgin fibre. Recycling also lessens the impact on already pressured landfill sites since the need for landfilling is avoided.

Related to that is the drop in waste disposal costs.

Mpact's collection and recycling activities also have further environmental benefits, including the following:

- ▼ Recycling conserves scarce and valuable resource such as water and energy.
- ▼ According to PRASA for every tonne of paper recycled, 3m³ of landfill space is saved.
- ▼ In a report by the Waste and Resources Action Programme (WRAP), a waste action group based in the United Kingdom, on average, when comparing the manufacture of recycled paper versus virgin paper (paper made from trees), one tonne of recycled paper can save 1.32 tonnes of CO₂ equivalent. This considers the complete lifecycle.

In addition, the recycling industry creates opportunities for SMEs through its collection programmes and is a major contributor to job growth in this country. It is estimated that 100,000 people are employed in the recycling industry in South Africa, with around 30,000 of these involved in paper recycling alone (please refer to the Corporate Social Investment section of this Review for more information).

A further economic benefit linked to recycling is the fact that the recovered paper is beneficiated locally. The paper collected by Mpact Recycling is used as raw material by the Group's mills to make recycled-based paper which, in turn, processed by the Corrugated division into recycled-based containerboard and cartonboard, creating significant downstream employment opportunities.

Mpact successfully piloted a trial in 2012 at its Tulisa Park site to purchase recyclable plastic material from hawkers, who recover the plastic from households, businesses, wholesalers and retailers from the surrounding areas. The reaction was positive, with support from the hawkers increasing over the trial period.

Product responsibility

Mpact is committed to developing and delivering cost-effective, quality, innovative and environmentally responsible paper

SAFETY, HEALTH AND ENVIRONMENT (continued)

The Group undertakes regular safety, health, environmental and quality audits and maintains environmental management registers at all operations

and plastic packaging solutions for its customers and users. The Group is equally committed to sustainable development, managing all of its resources with care and expertise and ensuring that sustainability is taken into account in the manufacture of its products.

The Group undertakes regular safety, health, environmental and quality audits and maintains environmental management registers at all operations. Given that Mpack provides a wide range of packaging products to a variety of customers, across numerous industries, including the food and beverage industries, the products are subject to various voluntary and compulsory standard-testing procedures to ensure that a high level of health and safety is maintained.

Paper

Mpack established a Food Safety Centre of Excellence, based in Stellenbosch, to focus on monitoring the compliance of packaging materials to food safety requirements. The facility has been equipped with equipment such as a Thermo Scientific ISQ GC Single Quadrupole Mass Spectrometer and an Infinity HPLC system from Agilent Technologies to facilitate the separation and identification of potential contaminants in paper, board and other materials in line with the specifications from the German Federal Institute for Risk Assessment (BfR). In addition to this, state-of-the-art extraction and sample preparation equipment was acquired to facilitate the analysis of a high volume of samples, thus being able to render a reliable technical service to the industry.

All the manufacturing operations in the Paper business carry the ISO 14001 and ISO 9000 accreditations. The Springs Mill also carries the Forest Stewardship Council (FSC) Mixed or Recycled accreditation, while Piet Retief Mill and Felixton Mill are in the process of finalising FSC accreditation. This emphasises the responsible management of raw materials throughout the product lifecycle of the Group's products, ensuring the re-use of wood fibre raw materials and preventing waste paper from entering landfill sites. In line with this, virgin pulp used in Mpack's white-lined products is also sourced from FSC accredited mills.

The products manufactured for use in food packaging at the Felixton, Piet Retief and Springs mills are tested regularly for compliance to international standards for food packaging.

Products manufactured at Mpack's three mills meet the limits set out by international standards aimed at protecting the consumer against product contamination through the migration of hazardous chemicals. The Group's products can be safely used in various industrial packaging applications.

Plastics

Mpack is on a constant drive to reduce the packaging weight associated with its products, and the Plastics business in particular has been recognised for its efforts the light-weighting of packaging. Projects of this nature are developed in close collaboration with customers and suppliers of raw materials and equipment.

All Mpack's operations in the Plastics business are ISO 9001 compliant and accredited. The Versapak operation, which manufactures styrene products and PVC cling film for the food and agricultural sectors, is British Retail Consortium (BRC) certified.

Environmental performance

Mpack actively manages its environmental footprint and has had a SHE philosophy in place since 2004. This is updated regularly. The Group operates in an industry which is subject to comprehensive environmental regulation. Certain operations generate hazardous and non-hazardous waste as well as air and water emissions. As a result, Mpack manages its environmental obligations through regular safety, health, environmental and quality audits and maintain environmental management registers at an operational level. Water usage, waste water discharge and quality, waste management and disposal, energy consumption, and air emissions are managed in accordance with applicable environmental laws and standards.



Mpact's operations have environmental management systems in place, and all the manufacturing operations are ISO 14001 certified. Regular compliance audits (both internal and external) and reporting are undertaken at operational, divisional and Group level. Mpact has invested substantial capital resources in ensuring environmental compliance and in monitoring the Group's impact on the environment.

In August 2009, the Department of Environmental Affairs (DEA) conducted a compliance audit of the Piet Retief Mill and issued a related compliance report in December 2010. The report included a number of allegations of non-compliance with relevant environmental legislation in respect of which the Group was invited to provide responses and explanations. The alleged non-compliances included potential offences. A comprehensive response was submitted by Mpact on 15 April 2011 indicating factual inaccuracies, providing explanations and corrective plans where appropriate. On 17 July 2012, following several written communications between Mpact and the DEA, Mpact received a "Notice of Intention to issue a Compliance Notice and/or Directive in terms of the National Environmental Management Act, 1998 and the Environment Conservation Act, 1989" from the DEA. Subsequently, Mpact provided written reasons to the DEA during September 2012 as to why the Department should not exercise its discretion to issue the relevant compliance notice or directive. The matter is on-going and Mpact continues to actively engage with the DEA with the aim of resolving outstanding issues.

Water

As water is recognised as a scarce and precious resource, water consumption at all operations is monitored and reported. A number of programmes are in place to reduce water consumption and improve the efficient use of water.

Interventions included monitoring and awareness drives, equipment upgrades, process optimisation and water usage minimisation initiatives.

The total volume of water used in 2012 was 5,127 Ml. The major water users in the business are the paper mills.

Water use at the Felixton Mill has reduced by approximately 49% since 2004 while Total Suspended Solids (TSS) in wastewater per ton of paper produced reduced by approximately 61%. Springs Mill has reduced its water use per ton of paper produced by approximately 12% since 2009, while the effluent has been reduced by more than 17%. The reduction in the effluent discharged is due primarily to the reuse of water at the mill. The mill's effluent quality has also improved, with the average Chemical Oxygen Demand (COD) being reduced by more than 20%. The TSS ratio has remained relatively unchanged.

There has been no significant change in water usage at the Piet Retief Mill, where waste water is dispersed by means of drip irrigation process and holding dams. The footprint reduction programme continues as planned, with a further two holding dams closed during 2012.

Air emissions

The main source of atmospheric emissions is from boilers. All Mpact's operations, where required, have valid scheduled process certificates issued in terms of the Air Pollution Prevention Act, which authorise the emissions from the operations. These certificates are all in the process of being reviewed and converted into Atmospheric Emission licences in terms of the new Air Quality Act.

SAFETY, HEALTH AND ENVIRONMENT (continued)



Controls are in place to monitor emissions – sulphur dioxide (SO₂) particulates and carbon dioxide (CO₂) – from the Group processes and these are reported on regularly. The SO₂ emissions are generated by the combustion of coal. Measures to reduce SO₂ are controlled by managing sulphur levels in the coal and energy efficiency measures to reduce coal consumption.

Solid waste

Waste management plans are currently being reviewed to bring into effect the requirements of the new Waste Management Act, which focuses on reduction, reuse and recycling, as well as on energy and landfill hierarchy. During 2012 the Group reviewed its plant level waste management plans. However, they remain in draft form until the Industry Waste Management plan has been gazetted. There is still no planned date for its publication.

The Group has made significant progress in this regard with the Felixton and Springs mills recycling 84% and 70% respectively of their residual materials. This presents a combined recycling rate of approximately 77%. In both cases this was achieved by use of organic material for compost and ash for concrete block making.

Energy

Mpact's SDMS Manual has been completed and covers a wide range of Performance Requirements (PRs). The Group's energy policy is covered by PR100.08: Energy and Renewable Energy Consumption and Efficiency.

The main source of energy at Mpact is fossil fuel in the form of coal and electricity purchased from the national grid. Some heavy fuel oil and gas is used. The total energy used in 2012 was 9,153 TJ. This resulted in CO₂ emissions of 791,265 tonnes. Of this total 399,852 tonnes of CO₂ resulted from electricity

usage. Energy efficiency projects are pursued on an on-going basis and various interventions are in place for electrical energy reduction and boiler efficiency improvements.

The absolute energy consumption for 2012 increased by 8% due to the significant production outputs in the mills as well as the recommissioning of the second turbine at the Piet Retief Mill in October last year. While the mills's coal usage has increased, this has led to a reduction of 5% of imported power.

The Group successfully implemented a major project at Piet Retief during 2012 to improve the generation of electrical power from steam, making the mill less dependent on traditional electricity supplies. By upgrading the turbine system, the mill's capacity to generate electricity has been significantly enhanced; moreover, as a result of the project, the mill is participating in Eskom's Short Term Power Purchase Proposal (STPPP) Programme, selling power to the national grid.