



smarter, sustainable solutions

SUSTAINABILITY REVIEW

2012





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report 2012

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SUSTAINABILITY BUSINESS PRINCIPLES

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

Mpact is committed to sustainability principles, which underpin our business strategy and operations. We believe that our leading market position can only be maintained with business practices that are based on long-term sustainable development.

In this Review we attempt to describe how we practice and implement these principles where we have direct influence and impact on communities and environments.

We are currently drafting our Group Sustainability Policy, which will be finalised in 2013. In meeting our commitment to sustainable business practices, we base our policy on two pillars, namely social impact and environmental impact.

Managing our activities in accordance with the principles of sustainable development makes good business sense. We are committed to being open and transparent, and to listening to the views of others as we move forward. For this reason, we invite you to write to us (DLChapman@mpact.co.za) with any comments and suggestions you may have after reading this Review.

SOCIAL AND ETHICS COMMITTEE REPORT

The signed Social and Ethics Committee Report can be found on page 36 of the Integrated Report and is also available on Mpact's website: www.mpact.co.za

For a comprehensive understanding of Mpact's approach to and policy on sustainability, more detail is provided in this document.

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



EMPLOYEES



Mpact's employees are integral to the success of the Group and it is therefore important to ensure that each employee has the necessary skills to improve his/her performance. At Mpact we take pride in our Fair Employment and Promotions Philosophy. We believe that there is place for all people in Mpact and are sensitive to diversity based on race, gender and abilities. We therefore attract, recognise and reward the best talent in the industry. We firmly believe that we cannot implement and maintain serious sustainability principles without the commitment and buy-in of our employees.

At the end of December 2012, Mpact employed approximately 3,790 people across the Group.

TRANSFORMATION

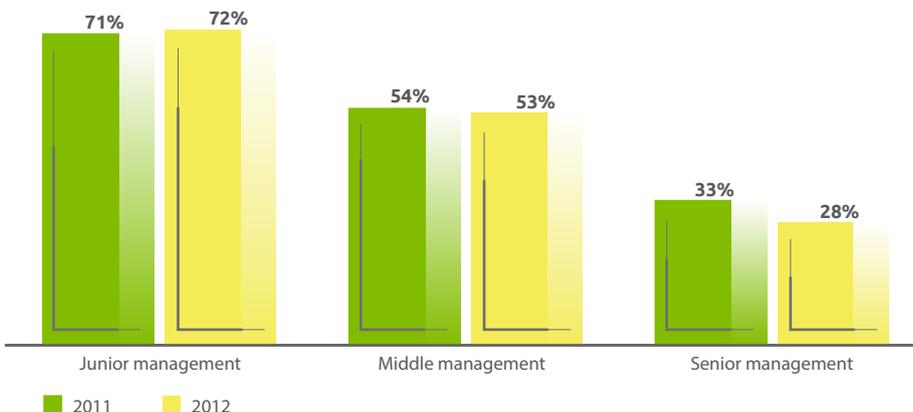
Mpact's core values, culture and people development approach are embedded in our Transformation Philosophy. Therein the Group commits to conducting its business in a socially

responsible and ethical manner, promoting performance and transformation interdependence and supporting the communities where the Group works through partnerships and capacity-building interventions. This is also echoed in our vision.

EMPLOYMENT EQUITY

The Group continues to work on its employment equity plan, which sets targets for the representation of previously disadvantaged persons at all levels of the Group, along with strategies for skills development, succession planning and retention. Transformation committees have been established at Group and operational level to encourage employees to discuss employment equity and training-related issues.

At 31 December 2012, the South African operations employed 3,565 people. The employees, classified as previously disadvantaged individuals (PDIs), filled the following positions:



EQUITY OWNERSHIP

As at 31 December 2011, the ownership of the company by black individuals was 18.6%, including ownership of 3.5% by black women. This translates into 11.8 points out of the B-BBEE target of 20 for black ownership.

The calculation of the B-BBEE ownership score will only be available in the second quarter of 2013 when the next B-BBEE audit takes place.

B-BBEE SCORECARD

Mpact's current B-BBEE rating as determined by Empowerdex, on the basis of the 2011 results and ownership structure, is Level 4 and is valid until July 2013. On 25 October 2012, Shanduka Packaging Proprietary Limited (Shanduka) notified Mpact that it had disposed all of its shareholding, being 17,150,154 Mpact ordinary shares representing 10.48% of the company's ordinary shares in issue. Shanduka acquired an interest in Mondi Packaging South Africa Proprietary Limited in 2005 as part of a B-BBEE transaction and received Mpact ordinary shares when Mpact was demerged from Mondi Limited in July 2011. According to Shanduka, the rationale for it disposing of its interest was that its private equity fund, Shanduka Value Partners 1, was reaching maturity and it had to settle the debt attributable to the fund. The sale of Shanduka's shares in no way reflected its view on the prospects of Mpact.

While this change of shareholding may have an effect on its B-BBEE ownership, Mpact intends to continue working on all elements of the B-BBEE scorecard to ensure that a competitive rating is maintained. We are aware of the

revised B-BBEE Codes of Good Practice currently issued for public comment and will endeavour to align our B-BBEE initiatives with the new codes once they are finalised.

EMPLOYMENT PRACTICES

Mpact's Fair Employment and Promotions Philosophy states that: "There is place for all people in Mpact and cognisance must be taken of merit-based employment equity to address the issue of diversity throughout the organisation, especially regarding race, gender and disabilities". Underpinning this philosophy is the practice of attracting the best talent, recognising talent, and transparency in selection processes.

Benefits provided to full-time employees include membership of pension and provident funds, access to medical aid schemes and primary healthcare, study assistance and incentive bonuses.

In addition, Mpact implemented an anonymous tip-offs service during 2012, allowing employees the opportunity to report issues relating to fraud, corruption and workplace misconduct. This service is administered by Deloitte, and is independent of the company.

Transformation committees have been established at Group and operational level to encourage employees to discuss employment equity and training-related issues

EMPLOYEES (continued)



SKILLS DEVELOPMENT

Mpac acknowledges that an integrated people development approach aimed at improving performance, skills upliftment and the execution of our workplace skills plan is fundamental to the Group's sustainable growth and competitiveness.

Through the Mpac Academy, the Group offers both career and skills development programmes. These range from Adult Basic Education Training (ABET) to senior management development programmes. Mpac actively encourages employees to increase their formal education through the further studies assistance programme in which employee studies at external institutions are funded in return for a service commitment.

Mpac has also developed relationships with various tertiary educational institutions through in-service training opportunities. This in-service training initiative has led to a number of permanent placements within the Group.

To effectively deliver on skills development initiatives, annual training needs assessments are undertaken to form the workplace skills plan which, in turn, outlines the skills development targets.

During 2012, skills development programmes were offered to some 2,530 employees in the fields of legal compliance; safety, health and environment; pulp and paper technology; operational skills; leadership development; and computer training, among others.

In 2012, a total of 45,557 man-hours were devoted to training and skills development.

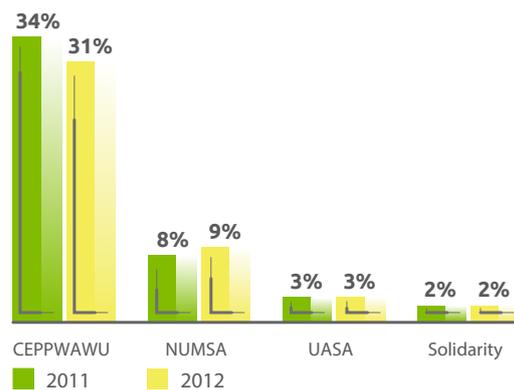
In addition the Group supported 95 individuals on apprentice and learnerships, of which 85% were from previously disadvantaged backgrounds.

HUMAN RIGHTS

The Group recognises the right of employees to freedom of association, and as such, promotes and supports the existence of the relevant structures and relationships.

Approximately 60% of the workforce is represented by various unions, with the majority belonging to the unions below.

UNION



Furthermore, Mpac is a member of various bargaining councils including:

- ▼ Statutory Council for the Paper Packaging Industries Bargaining Forum;
- ▼ Bargaining Council of the Wood and Paper Sector; as well as the
- ▼ Metal Industries Bargaining Council.

Three senior Mpac Human Resource (HR) managers are represented on these councils.

SAFETY, HEALTH AND ENVIRONMENT (SHE)

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

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.

CORPORATE SOCIAL INVESTMENT (CSI)

The Group's focus areas are education, health, entrepreneurial and enterprise development



Mpact aims to be a truly transformed company making a difference to the lives of the communities it touches. We recognise community engagement as a business imperative and the cornerstone of sustainable investment.

During 2012 the Group formalised its CSI strategy, which aims to support and partner on community development initiatives that seek to strengthen the Group's role as a responsible corporate citizen.

The strategic objectives are to:

- ▶ support meaningful socio-economic initiatives that make a difference to the lives of the communities with whom we work;
- ▶ build the will for change amongst the communities with whom we work; and
- ▶ build the self-esteem and dignity of the people whom we touch.

To achieve this, Mpact will:

- ▶ focus on capacity building and ensure multi-stakeholder-based sustainable community development practices;
- ▶ support specific community needs that are aligned with its focus and limit "handouts"; and
- ▶ promote employees' involvement and a better understanding of the community's role in achieving its business goals.

Mpact's approach to CSI involves engaging with communities impacted by its operations, and working with those that are interested in sustainable development programmes. It also encourages participation and partnership on all projects by all stakeholders, including employees. The Group is keen to promote good governance principles such as transparency and accountability amongst all stakeholders involved. Where applicable, Mpact undertakes surveys and feasibility studies to ensure effective implementation and sustainability of projects and encourage sustainability through recycling initiatives.

The Group's focus areas are education, health, entrepreneurial and enterprise development.

EDUCATION

Mpact's focus is on promoting early childhood and youth development programmes; on building entrepreneurial skills development through the principle of lifelong learning; and on stimulating an interest in science and mathematics through facilitating access to quality tertiary education, particularly amongst learners in rural areas

Community learnership programme

In 2011 our Shared Services Centre started the "Certificate in Management Development" learnership programme for children with learning disabilities. Five Matriculants were selected from local schools on the basis of their aptitude as well as their ability to integrate into the Shared Services environment. The programme was run in conjunction with Maccaulei Learning Academy under the Services SETA accreditation body, and included an academic element as well as on-the-job mentoring from Mpact employees. All five students were successful in completing the NQF4 qualification in 2012 as a result of this programme.

Piet Retief Education Centre

This project, hosted in partnership with Mondi Limited's South Africa Division, Kangra Coal (Proprietary) Limited, the Mpumalanga Department of Education and the wider community of the Gert Sibande region, continues to grow from strength to strength. In 2012 a total of 23,187 learners, educators and community members visited and benefitted from the centre, which incorporates a career guidance centre, science centre and a Further Education and Training (FET) skills development centre.

CORPORATE SOCIAL INVESTMENT (continued)



Science workshops

Through the facilitation of Mpact and Mondi Limited's South Africa Division, the University of Zululand and the Mpumalanga Department of Education are able to continue the community development partnership focused on science as a subject.

Afrika Tikkun

Mpact continues to support the Phuthaditjaba Child and Youth Development Centre in Alexandra, Johannesburg in partnership with Afrika Tikkun. The Centre accommodates over 2,000 beneficiaries on a monthly basis.

Blue Mountains Primary School

Mpact assisted the Blue Mountains Primary School in Durbanville in the Western Cape to build a new classroom for its Grade 7 learners. The school is situated between Durbanville and Fisantekraal and provides education to the surrounding farm labourers' children and children living in the nearby settlement of Fisantekraal.

The Nokulunga J.P. School

The school, which is situated in the rural area of Mdantsane near East London in the Eastern Cape, provides an education for over 100 children led by six teachers, including the principal. During 2012, Mpact painted the school building and roof, and fitted new burglar bars in an effort to create a better and safer educational environment for both the learners and teachers.

HEALTH

Mpact aims to promote, support and participate in initiatives concerned with women, youth and HIV/AIDS. It also supports orphan care centres which serve as best practice resource centres to the community in promoting awareness and excellence in caring for children.

Isibindi project

This community-based project, run in conjunction with Mondi Limited, continues to provide training to community members with respect to child and youth care in Mkhondo, KwaZulu-Natal. In 2012 a substantial donation ensured the on-going provision of antiretroviral (AVR) drugs, HIV/AIDS support, as well as assistance with school work, budgeting, child protection, and the application for identification documents and state grants and foster care, which are all core elements of the programme. The project reaches 571 orphaned and vulnerable children in 46 villages within the remote areas of Mkhondo.

Thol'ulwazi – Thol'impilo mobile clinics

In partnership with Department of Health in the Province of North-Rhine-Westphalia in Germany, the Lutheran Church, private farmers in the Mkhondo area, Churches and Business Against HIV & AIDS, the Mpumalanga Department of Health and Mondi Limited's South Africa Division, Mpact supports this worthwhile project, also targeted at people in the rural areas of Mkhondo who are in need of primary health care, counselling, advice and HIV/AIDS-related services. To date, the two mobile clinics have made 4,065 visits in the Piet Retief area.

1000 Hills Community Helpers

Mpact assists 1 000 Hills Community Helpers financially, allowing them to continue to feed, clothe and educate HIV/AIDS infected and affected children and adults. The Helpers provide over 1,000 meals a day to both children and the elderly, either at the Centre, or through home deliveries, in addition to other essential services and outreach programmes.

ENTREPRENEURIAL DEVELOPMENT PROGRAMMES

The Entrepreneurial Development Programmes promote the principle of equity and aim to stimulate economic growth amongst the community – especially amongst the poor and marginalised.



Through partnerships with NGOs and other socially responsible companies, voluntary employee participation is encouraged. Some of the main projects the Group supports on its own or in partnership with other companies and NGOs, include the following:

N2 Community Garden

The N2 community vegetable garden, established in 2011 by the Felixton Mill, is an initiative to help gardeners from informal settlements such as Eskihawini to generate income from planting crops and selling them to the local communities and Mpact employees. The community uses Mpact's land next to the N2 to plant crops and sell the produce at local taxi ranks and markets. Mpact is also involved in preparing the land and water supply to ensure uninterrupted income for the gardeners.

In 2012 the project became completely self-sustainable, following a donation of vegetable seedlings. Mpact is especially proud of this project as it has met expectations in that the local community can now maintain an uninterrupted potential income from selling the fruits of their labour to their own community.

Keasechaba Tunnel Farming Project

The Springs Mill provides assistance to the Kwa Themba community through a sustainable community farm initiative which uses tunnel farming techniques to grow cabbages, lettuce, spinach and carrots, which are sold locally.

Orion Organisation

The Orion Organisation is a therapeutic and training centre for people with disabilities based in Atlantis in the Western Cape. A registered NGO, its main goal is empowerment and skills development with a focus on ensuring that people with disabilities become fulfilled members of society. Mpact Plastic Containers outsources a significant amount of its assembly work to Orion, providing job creation opportunities. The two organisations have worked together for more than a decade.

Mpact Recycling: Small business initiatives

A significant source of paper remains small locally-based businesses that collect paper in their areas and then deliver it to Mpact Recycling. These businesses vary in size from well-established recycling businesses, to a one-person business with a 'bakkie', to street hawkers.

Mpact Recycling therefore offers many employment opportunities for entrepreneurs and for traders to deliver to its 42 buy-back centres, which it has helped to establish by

Mpact Recycling's broad national footprint includes community recycling and collection projects throughout South Africa – an essential element of enterprise development

providing equipment and financial help as well as fundamental business training.

Mpact Recycling also contributes to employment through a scheme that supports drivers with a vehicle and income to collect and transport recovered paper to Mpact's mills and buys paper from more than 90 independent dealers throughout the country.

Mpact Recycling's broad national footprint includes community recycling and collection projects throughout South Africa – an essential element of enterprise development.

▼ Small businesses

Small business entrepreneurs are encouraged to start paper and cardboard collection businesses, receiving advice, training and equipment. We also provide hawkers with paper barrows to make it easier for them to transport the cardboard and paper they collect.

▼ Buy-back centres

Buy-back centres are located centrally through small business entrepreneurs. Communities and hawkers can deliver directly to any of these centres and receive cash for recycled paper and cardboard.

Mpact Recycling: Community initiatives

Recycling within the community involves several post-consumer programmes such as kerbside collections and paper banks at schools, housing complexes, offices, community organisations as well as at small business buy-back centres with an extensive network of agents and dealers.

CORPORATE SOCIAL INVESTMENT (continued)

▼ Paper pick-up programme and paper banks

The school paper pick-up programme allows schools to raise funds by recycling paper while providing children with environmental awareness. Schools are given a paper bank for easy collection and storage of recycled paper. The general community can also support schools, organisations and charities by placing their paper into the igloo-shaped paper banks.

In 2012 Mpac Recycling partnered with Trudon (Yellow Pages) in a drive to encourage learners to recycle paper at an early age, thereby benefitting their respective school as a result of their collection efforts. R40,000 was set aside for the project at schools based in Roodepoort, Johannesburg, East Rand and Pretoria, with the school in each of these areas that collected the highest tonnage of old print directories and paper winning resources to the value of R10,000.

▼ Offices

The office paper pick-up programme provides office recyclers and white bags to offices as well as a confidential shredding service.

▼ Kerbside house-to-house collection service

This is a weekly paper service collecting unwanted magazines, newspapers and cardboard directly from homes. People are encouraged to put their unwanted paper and board in the highly recognisable 'Ronnie Bag' ready for collection on their kerbside.

▼ Joint venture with the eThekweni Municipality

The eThekweni kerbside programme, a joint venture between Mpac Recycling and Durban Solid Waste (DSW), continues to provide residents with a convenient and hassle-free recycling collection service at no cost to the households. This project started in 2007 and has since expanded to include the entire eThekweni area, covering approximately 400,000 homes.

ENTERPRISE DEVELOPMENT

Mpac believes that it has an important role to play in ensuring that economic opportunities are provided to small businesses owned by previously disadvantaged members of society. With continued support it is hoped that these businesses will not only be sustainable, but will also grow and create job opportunities. Mpac assists such businesses by providing them with preferential payment terms, thereby improving their cash flow. There are currently more than 50 businesses supported in this way.

OTHER COMMUNITY INITIATIVES

▼ Keep Springs Clean project, Springs, Gauteng

Mpac continues to partner with local companies to maintain the gardens and verges in Springs. This project provides jobs to local community members to sustain the overall cleanliness of the Springs area, and employs 12 permanent staff members and two casual workers.

▼ Norah's Educare Centre, Benoni, Gauteng

Norah's Educare Centre, on the outskirts of Benoni, provides day-care to over 350 children (200 children at the Centre and another 150 in satellite locations). The Centre provides meals, education and clothing, as well as food parcels for the families of the children. In 2012, Mpac donated building materials to renovate the roof of the main centre, which provides shelter for over 200 children.

▼ Phinduvuye Community Project, Pinetown, KwaZulu-Natal

Mpac contributes to a childcare and education scheme for children ranging from nine months to six years of age, as well as a feeding programme for children up to the age of 18, by donating groceries and basic classroom equipment. We also provide basic eating utensils and hygiene products on a monthly basis, and perform basic maintenance on the premises.

▼ Elizabeth Donkin Hospital, Port Elizabeth, Eastern Cape

The company donated single-bed mattresses to this Government hospital, allowing for the additional accommodation of over 30 patients a day.

▼ Ikhohwa House, Wadeville, Gauteng

Ikhohwa House cares for abandoned and orphaned children who have been infected or affected by HIV/AIDS through various initiatives. Mpac donated stationary and school bags during 2012 and will continue to support the home on an on-going basis.

▼ Khanya Family Centre, Katsiwha, Gauteng

During 2012, Mpac started an initiative with the Khanya Family Centre, based in Katsiwha on the East Rand. The Centre is a non-profit organisation that provides accessible psychosocial services for children, youth and families from previously disadvantaged communities in Katsiwha, Ekurhuleni. Mpac employees donated food, toiletries, clothing and toys to the Centre, with the company matching these contributions.



The Group is also focused on increasing its support for small to medium enterprises (SMEs) and black woman-owned suppliers

▼ Thuthukani and Cathuza Stimulation Centres, Piet Retief, Mpumalanga

The objective of this project is to provide support and day-care services to children with disabilities between the ages of 0 and 18 years. The Cathuza Centre has 28 disabled children, while the Thuthukani Centre takes care of 36 children. The centres support children with autism, cerebral palsy and other physical disabilities, including deaf and mentally challenged children. The day-care facilities operate five days a week, providing two meals a day. The Piet Retief Mill donates a set amount each month to each centre to purchase groceries with.

▼ Kids Haven, Benoni, Gauteng

Mpact made a donation to Kids Haven, which serves homeless children and children in crisis in the Ekurhuleni region and from Johannesburg. The main centre is located in Benoni with community teams addressing the needs of children throughout the region. From the time that children enter the Centre, they are included in education programmes to suit their ability, aimed at reintegrating them into the regular community again.

THE FUTURE

While Mpact has developed a strong corporate culture of sustainable business practice, we are not complacent regarding our current performance and responsibility. We are dedicated to continuous improvement in sustainability.

Finalising the Group's Sustainability Policy

Much of our efforts in 2013 will be on finalising the Group's Sustainability Policy. From this we expect new initiatives to be born and are excited to see what the future holds. We look forward to realising our vision of being a leading business with the highest ethical standards, delivering exceptional value for our customers, employees, communities and shareholders.

Other documents and resources

The Integrated Report and Annual Financial Statements are also available on our website, www.mpact.co.za. Should you wish to receive a copy of any of these or have any questions or comments arising from reading this Sustainability Review, please write to us at the following address:

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