

Social sustainability

Stakeholder engagement

Stakeholder engagement, which is encouraged by King III and the Companies Act, requires a company to embrace engagement with its shareholders, employees, unions, suppliers, communities and consumers. Mpact supports this ethos, regarding transparent and open communication with these groups as critical to its long-term success.

Mpact's primary stakeholders were identified through a comprehensive identification process undertaken by management and guided by the Group's external advisors, Deloitte & Touche, in 2012.

The list of identified stakeholders is assessed annually by the Social and Ethics Committee to ensure that it reflects the key groupings that Mpact interacts with. Building on this the Group has also recently implemented a Stakeholder Engagement Policy to formalise this interaction.

During the year, a comprehensive report is tabled at Social and Ethics Committee meetings providing an update on stakeholder activities. This report outlines various communications relating to investor relations, media relations, employees, advertising and branding and other stakeholders e.g. customers, communities and trade unions.

The main stakeholders identified by Mpact are:

- Customers
- Employees

- Shareholders and the investment community
- Financial institutions and banks
- Suppliers
- Government institutions and regulatory authorities
- Community organisations
- Trade unions
- Industry associations

For more information on stakeholder engagement please refer to pages 10 and 11 of the Mpact Integrated Report 2013, also available online at www.mpact.co.za.

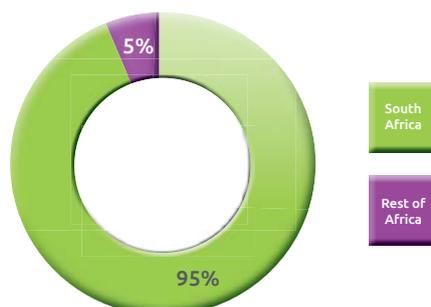
Employees

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 there is a place for a wide diversity of people and the Group is sensitive to race, gender and disability, and is committed to attracting, recognising and rewarding talent. The Group firmly believes that it cannot implement and maintain sustainability principles without the commitment and buy-in of its employees.

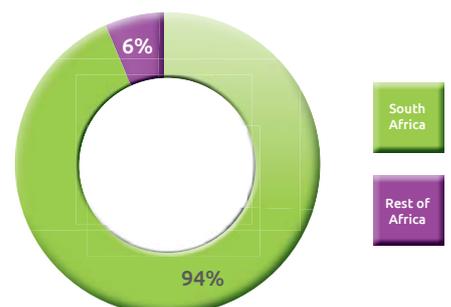
Headcount

For the year ended 31 December 2013, Mpact employed 3,998 (2012: 3,790) employees. Distribution of employees by geography, gender and division are shown in the table on page 6. Representation of ethnic groups is given on page 9.

Employees per geography – 2013



Employees per geography – 2012



Social sustainability (continued)

	South Africa	Sub-Sahara	Total
Geographical	3,784 95%	214 5%	3,998
	Male	Female	Total
Gender	3,174 79%	824 21%	3,998
	Paper (includes Recycling, Paper Manufacturing and Corrugated)	Plastics	Total
Business	2,802 70%	1196 30%	3,998

Code of Ethics

Mpact's Code of Ethics defines the Group's ethical values and behavioural standards. The Group's leadership team not only endorses the Code, but is committed to applying it in their decisions and actions, in mapping the Group's strategy, and in managing its operations. Mpact is also committed to transforming the Code into a living document by constantly reflecting on its implications, by communicating it, enforcing it, and monitoring its effectiveness.

The Code applies to all employees, and covers the foundation of the Group's ethical behaviour, including its vision and values, how to apply the Code, testing decisions, consulting on ethics and how to report misconduct. The Code also provides guidance on specific issues, including:

- Customers
- Health & Safety
- Human Rights
- Employment equity
- Use of company resources
- Confidential information
- Declaration of interest
- Gifts and entertainment
- Fraud
- Bribery and corruption
- Political participation and government interaction

- Our communities
- The environment

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 high-calibre 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.

Mpact has an anonymous tip-off service, allowing employees the opportunity to report issues relating to fraud, corruption and workplace misconduct. This service is administered by Deloitte & Touche and is independent of the Group.

Skills development

Mpact acknowledges that an integrated people development approach aimed at improving performance, skills upliftment and

the execution of the Group's workplace skills plan is fundamental to sustainable growth and competitiveness.

Through the Mpact Academy, the Group offers both career and skills development programmes. These range from Adult Basic Education Training (ABET) to senior management development programmes. Mpact 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.

Mpact 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 2013, skills development programmes were offered to some 3,033 employees (2012: 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 2013, a total of 64,417 man-hours (2012: 45,557 man-hours) were devoted to training and skills development.

In addition, the Group supported 156 individuals (2012: 95 individuals) on apprenticeships and learnerships, of which 92% (2012: 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.

Social sustainability (continued)

Approximately 60% (2012: 60%) of the workforce is represented by various unions, such as CEPPWAWU, NUMSA, CWAU, SATU, Solidarity and UASA.

Furthermore, Mpact 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 and Engineering Industries Bargaining Council.

Safety Philosophy and principles

The safety and health of the people working across the business remains a key priority. To this end the Group has a comprehensive health and safety management system, which includes a behaviour-based safety programme aimed at identifying and eliminating barriers to safe work behaviour.

Mpact'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 Mpact

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

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.
- Mpact'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. The Group's Sustainable Development Management System (SDMS) has been developed and entails safety standards and guidelines relating to a wide spectrum of safety, health, fire protection and environmental management matters.

- A behaviour-based safety programme aimed at eliminating barriers to unsafe behaviours and comprising three levels of behaviour observation is in place. The observation methods are:
 - Visible felt leadership (VFL) – which is the engagement (not audits) of leaders with people carrying out tasks, in order to observe their actions, understand reasons for them deviating from safe work practices, and implement corrective action.
 - Planned job observations – which are scheduled observations of people performing their normal duties by others familiar with the related standard operating procedures. These are done to identify incorrect or unsafe behaviour and establish the reasons for such behaviour.
 - Anonymous reporting of unsafe acts observed – which entails the on-line logging of observations of unsafe behaviour, incidents or conditions by employees and contractors. This provides feedback to operating personnel which is used to identify barriers to safe work behaviour.

Social sustainability (continued)

- The “Hearts and Minds” programme, developed by Shell and the Energy Institute, has been rolled out throughout Mpact’s operations and aims to improve the safety culture by encouraging employees and contractors to be more thoughtful and take personal ownership of safety in their workplace.

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, Silver or Bronze status.

To be awarded the prestigious 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 be awarded, is based on comprehensive health and safety audits which are conducted annually by an independent auditor. In 2013 the trophy was awarded to Mpact’s plastic plant in Pinetown, KwaZulu-Natal, while three operations achieved Platinum status, namely Recycling Parow, Recycling Tulisa Park, Recycling Pretoria West.

Safety performance

Mpact deeply regrets the death of Mr Sarel Byleveldt, a long-serving colleague from its Piet Retief Mill, who was fatally injured in a work-related incident in January 2013. Mpact and its leadership team extends its heartfelt and deepest condolences to Mr Byleveldt’s family, friends and colleagues. Following a thorough investigation into the incident involving the relevant parties, all possible measures have been taken to prevent another incident of this nature.

During 2013 progress was made implementing the “Hearts and Minds” programme and other initiatives aimed at preventing accidents and unsafe incidents. Eight lost time injuries were recorded across the Group (2012: 13) for the reporting period, resulting in a lost time injury frequency rate (LTIFR) of 0.13 (2012: 0.22).

The safety programmes mentioned previously will be reinforced and will continue to drive improvement in safe working conditions and safety behaviour and culture. Moreover, Mpact will place an even greater focus on the training of its people, especially those in operational positions, as well as assessing them regularly for competence.

An indication of the successes of the Group’s programmes is that three of its operations, namely Corrugated Brakpan, Corrugated Epping and the Felixton Mill, exceeded five million accident-free man-hours whilst nine operations exceeded the one million accident-free man-hours benchmark.

The Group continues to focus on improving safe working standards and providing safe working conditions for all.

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 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), and treatment with anti-retroviral medication.

Approximately 3,177 employees (2012: 3,256 employees) undertook an annual medical test with approximately 2,415 employees (2012: 2,452 employees) opting for VCT during the year.

Transformation

Mpact’s core values, culture and people development approach are embedded in the Group’s Transformation Philosophy. This commits Mpact to conducting its business in a socially responsible and ethical manner, promoting the interdependence of performance and transformation, and supporting the communities in which the Group operates through partnerships and capacity-building interventions. This is also echoed in the Group’s 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.