

MANAGEMENT'S APPROACH TO SUSTAINABILITY

Targeting Continuous Improvement

A fundamental tenet 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 sustainable development in each of its businesses by adopting leading industry health and safety standards, obtaining responsibility-sourced raw materials and ensuring a reduction in its environmental impact.

There is a growing emphasis on the economic, social and environmental issues as they impact on business, placing increasing pressure as populations grow and as natural resources are strained and communities are forced to do more with less. Systematic sustainability reporting helps organisations measure these impacts, set goals and manage change. This report is the key platform for communicating sustainability performance and impacts – whether positive or negative.

Policies

Policies and procedures are in place to guide all significant aspects of the business including a corporate vision and values; safety, health and environment; ethics; transformation; procurement; human resources; financial management; and maintenance. These policies set the framework within which Mpact manages its business.

Mpact's Sustainability Policy, its Code of Ethics and the Supplier Code of Conduct provide a blueprint for employees, suppliers and partners to follow so that there is no ambiguity in expectations. This commitment is outlined in the Vision and Values set out in the 2014 Integrated Report. The Social and Ethics Committee Report is on pages 53 and 54 of the 2014 Integrated Report and is available on Mpact's website, www.mpact.co.za. There is also an open channel for those wishing to express their views by emailing Mpact at info@mpact.co.za with comments and suggestions.

RECYCLING DEVELOPMENTS

Local Beneficiation and Job Creation

The Recycling division has seven (2013: seven) sites across the country collecting approximately 450,000 tonnes per annum of recovered paper. Recovered paper sources include pre- and post-consumer material sourced from a multitude of paper pick-up programmes including commercial, kerbside, schools, churches, communities, housing complexes, offices and an extensive network of agents and dealers.

Around 70% of the paper recovered is used in the production of Mpact's own cartonboard and containerboard, while the remaining portion is sold to external customers, the largest of which is Mondi Shanduka Newsprint. 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

reduces greenhouse gas emissions linked to the production of virgin fibre, and the landfilling or incineration of this recycled paper is prevented. Moreover, the recovery and recycling of paper in South Africa ensures local beneficiation of raw materials and the creation of jobs.

Mpact stated in its Integrated Report for 2013 that it was investigating the recycling of plastic products and to have a solution by 2015 as it is an opportunity for Mpact to further integrate its Plastics business model. Mpact established Mpact Polymers during the year, and with the IDC as 21% shareholder in this business, will be commissioning a recycled PET plant in the second half of 2015.

As Mpact is the leading waste paper collector in South Africa, the same facilities and operations will be leveraged to collect waste PET products. Mpact will require 29,000 tonnes of waste PET to produce 21,000 tonnes of recycled PET annually, which will contribute to job creation in the recycling industry, reduce raw material costs to some degree and improve Mpact's, its customers' and the community's impact on the environment.

MATERIAL RISKS AND OPPORTUNITIES PERTAINING TO SUSTAINABILITY

In line with the Group's approach to improving upon and managing a sustainable business, Mpact appointed a Risk and Sustainability Manager, Neil Hunt. He has overall responsibility for overseeing the risk management process. The risk assessment process follows a "bottom-up" approach, with the input by each operation assessed by the Risk Management Committee, and then in turn by the Audit and Risk Committee. In this way, the most critical underlying material risks that the Group faces are identified, and the mitigating actions to reduce these risks are assessed.



The risks set out below pertain specifically to the sustainability of the Group. The full Risk Management Review for the year ended 31 December 2014 is set out on the company's website, www.mpact.co.za.

Material risks	Management of these risks
Source of recovered paper declining	Retain leading market position as the largest paper recycler in South Africa and preferred buyer of recovered paper
Imported product as well as competitor expansion creating over-capacity in the local market	Investing in Mpact's plants and equipment to improve the quality of products, flexibility and capabilities
Economic and competitive influences on sectors and consumers outside of Mpact's control	Consistently delivering smarter, sustainable solutions to its customers

The opportunities identified:
Expansion of the Recycling division into the collection and recycling of plastic products
Greater opportunities to export into SADC countries
Opportunities for optimisation and expansion with upgraded plant and equipment
Acquisition opportunities in converted paper products

Risk Management

Risks identified through the audit processes and other internal processes are monitored and managed as described in the Group's Enterprise Risk Management Guidelines. A Risk Management Committee comprising of the Mpact executive management team and invited contributors meets quarterly to review the Risk Register and progress made on mitigation of the risks.

Also discussed by the Risk Management Committee is the progress in management of risks identified through Underwriting Surveys and MPL Analysis Reports and progress in closeout of non-compliance findings against Risk Control Compliance Audits compiled by Marsh Risk Consulting at various sites through the course of the year. These findings to a large extent relate to fire protection standards. Recommendations from this committee are presented to the Audit and Risk Committee.

STANDARDS AND PRODUCT RESPONSIBILITY

In pursuit of excellence, Mpact subscribes to various internal and international standards to which its operations, where applicable, are certificated. These include:

Internal standards

- Enterprise Risk Management Guidelines: Guidelines for managing business risks and insurance.
- Risk Control Standards: Guidelines for fire, safety, health and environmental management.
- Mpact management systems consisting of policies, procedures and work instructions dealing with an array of management requirements throughout the business.

International standards

- ISO 9001: Quality management standards applicable to all Mpact manufacturing operations.
- ISO 14001: Environmental management standard applicable to the Group's Paper, Corrugated and Recycling operations.
- Forest Stewardship Council (FSC) standards applicable to the Group's paper mills.
- German Federal Institute for Risk Assessment (BfR) Recommendation XXXVI: Food contact safety standard for packaging papers.
- ISO 2200:2005: Food packaging safety standard applicable to plastics and corrugated containers used for the packaging of food.
- British Retail Consortium (BRC): Ensures plastic containers meet customers' food safety needs.

Fundamental to the principles of Mpact and to these standards is compliance with national legislation. To this end, Mpact subscribes to Environmental and Health Legal Registers that also keep the business abreast of changes in legislation. In 2014 Mpact commissioned the compilation of a management booklet summarising core legislation pertinent to its operations.

