

AUDITS AND EXTERNAL ASSURANCE

Compliance with standards and legislation across the Group is monitored through comprehensive internal and external audits of various management systems. External assurance is received from the external auditors with some listed in the following table:

System	External audits
Finance	Deloitte & Touche and KPMG
Insurance Underwriting Audits, Maximum Possible Loss (MPL) and Estimated Maximum Loss (EML) calculations	Marsh
Risk Control Standards	Marsh Risk Consulting
Fire Protection Systems and Infrared Surveys	Marsh Risk Consulting
ISO 9001, ISO 14001, ISO 22000	SABS, BVQI, i-Cert, SGS
FSC	SGS
Food Safety (paper products)	ISEGA (Germany)
British Retail Consortium (food safety)	SABS
Safety Legal Compliance	Legal Consulting Services
Environmental Performance	Legal Consulting Services
Environmental Legal Audits	Greengain Consulting, Environmental Law Consultancy
B-BBEE Scorecard	Symphony

Non-compliance issues and recommendations arising from audits are managed closely to ensure compliance is achieved and maintained through management interventions.

MANAGEMENT'S COMMITMENT TO VALUE

Mpact commits to delivering exceptional value to all its stakeholders – shareholders, employees, contractors, customers and its communities, among others. The Group seeks to pursue excellence in all that it does to ensure that operational performance is optimised and profitability increased at all times, while ensuring that the highest ethical standards are upheld.

Mpact believes that this is achieved by employing high-calibre people and procuring high-quality equipment, raw materials and services to ensure optimum operational performance so that products can be reliably offered at competitive value.

SAFETY AND HEALTH

Zero Harm Principle

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 Mpact’s operations.

The CEO’s Safety, Health and Environmental (SHE) Philosophy 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 Mpact; and
- there is no differentiation in the treatment and expectations of employees, contractors and service providers.

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

Fostering a Safety Culture

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

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:

- The CEO's SHE Philosophy as mentioned previously.
- A Safety Plan, which is reviewed at Group level at the beginning of each year. The plan is cascaded down the operations which develop their own roll out plan to satisfy the Safety Plan.
- 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.
- Hazard Identification Risk Assessments (HIRAs) leading to development of Safe Work Procedures (SWPs) are done for all processes in manufacturing operations.
- Mpact Risk Control Standards have been developed and entail safety standards and guidelines relating to a wide spectrum of safety, health, fire protection, security, emergency preparedness and environmental management matters. A selection of sites is audited by Marsh against these standards annually.
- A Behaviour-Based Safety programme, aimed at identifying unsafe behaviours and eliminating barriers to safety, 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.

- Peer observations of unsafe acts observed – which entails the 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.
- 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.
- Mpact has a comprehensive contractor safety management programme that ensures all contractors on its sites are afforded the same high standard of safety care as employees.

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 award for Safety, an operation's safety record over a five-year progressive period has to meet the following requirements:

- No fatality over the five-year period.
- Serious injury frequency rate (SIFR*) of less than 0.2.
- Medical Treatment Case Frequency Rate (MTCFR**) not greater than 0.6.

* SIFR = Serious Injury Frequency Rate where serious injuries include Fatalities, Lost Time Injuries, and Restricted Work Cases

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 2014 the trophy was awarded to the Felixton Mill, while three operations achieved Platinum status, namely Recycling Midrand, Recycling Richards Bay and Recycling Pretoria West.

Safety Performance

Mpact suffered no fatalities in 2014 so that the Fatality Injury Frequency Rate dropped to zero (2013: 0.016).

Although the number of lost time injuries suffered in 2014 increased to 13 (2013: 8) the number of restricted work cases dropped to 9 (2013: 17). The LTIFR increased to 0.21 (2013: 0.13) but the SIFR (Serious Injury Frequency Rate – inclusive of fatalities, LTIs and RWCs) decreased to 0.36 (2013: 0.43).

The Total Injury Frequency Rate (TIFR) dropped to 4.3 (2013: 4.4) and Total Recordable Injury Frequency Rate increased to 1.71 (2013: 1.52) due to an increase in Medical Treatment Cases to