

MANAGEMENT'S APPROACH TO SUSTAINABILITY

Targeting continuous improvements

The three key pillars of the business strategy are Mpact's leading market positions, a customer-focused operating structure and a focus on performance. As part of the overall optimisation strategy, business excellence programmes have been established to focus specifically on operational performance and asset management targeting continuous operational improvements.

As pressure on natural resources grows due to population growth and industrial expansion it is crucial that businesses measure, understand and manage their impact on the environment. Mpact has a systematic sustainability reporting process that entails recording and setting of targets with respect to its environmental footprint. This report is the key platform for communicating sustainability performance and impacts – whether positive or negative.

Policies and procedures

Policies and procedures are in place to guide all significant aspects of the business including corporate vision and values; safety, health, environment and energy; ethics; transformation; procurement; human resources; financial management and maintenance.

These policies set the framework within which Mpact manages its business and, together with its Code of Ethics, provide a blueprint for employees, suppliers and partners to ensure a co-operative, co-ordinated approach. This commitment is outlined in the Vision and Values set out in the 2015 Integrated Report. The Social and Ethics Committee Report is on pages 53 and 54 of the Integrated Report and can be viewed 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 (2014: seven) sites across the country, which collected 526,937 tonnes of recovered paper and plastic in 2015. Recovered paper sources include pre- and post-consumer material sourced from a multitude of paper pickup 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 our cartonboard and containerboard, while the remaining portion is sold to external customers, the largest of which is Mondi Shanduka Newsprint. This considerably decreases the company's reliance on virgin fibre. The input of recovered paper also has a positive impact in terms of climate change, replacing virgin material and thus reducing greenhouse gas emissions linked to the production of virgin fibre, and preventing the landfilling or incineration of this recovered paper. Moreover, the recovery and recycling of paper in South Africa ensures local beneficiation of raw materials and the creation of jobs.

Mpact has embarked on the recycling of plastic products to integrate its Plastics business model further. Mpact established Mpact Polymers and commissioned a recycled PET (rPET) plant in 2015. The plant will process 29,000 tonnes of recovered PET bottles to generate 21,000 tonnes of rPET polymer annually. The rPET is sold to Mpact's Plastics business, where it is blended with virgin material for the manufacture of beverage bottles and other PET products, as well as to external customers. Benefits of this project include a reduction in raw material costs; reduction of waste PET disposed of to landfills; and a reduction in CO₂ emissions in the lifecycle of PET products by using recycled rather than virgin PET polymer.

With the carefully timed entry into PET plastic recycling in South Africa, Mpact will leverage its existing facilities, logistics and operations to collect waste PET plastic products and in so doing is creating jobs in the recycling industry.

Approximately 1,000 jobs will be created indirectly by the collection of used PET.

MATERIAL RISKS AND OPPORTUNITIES PERTAINING TO SUSTAINABILITY

In line with the Group's approach to improving upon and managing a sustainable business, the risk assessment process follows a "bottom-up" approach, with the input by each operation assessed by the Risk Management Committee established in 2013, and then in turn by the Audit and Risk Committee. The Group Risk and Sustainability Manager, Neil Hunt, has overall responsibility for overseeing this process.

In this way, the most critical underlying material risks that the Group faces are identified, as well as whether the mitigating actions to reduce these risks are sufficient and appropriate. As part of the Group's stakeholder engagement initiatives, the Board would like to draw shareholders' attention to these risks and the actions taken to mitigate them.

