



smarter, sustainable solutions



Sustainability Review

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Introduction

ABOUT THIS REPORT

This Sustainability Review supplements the Mpact Integrated Annual Report 2017 and provides additional information for stakeholders regarding the material sustainability issues facing the Company and its performance in these areas for the year ended 31 December 2017. The information disclosed in this report covers the activities of the Mpact Group, including Mpact Limited, its subsidiaries and associates.

The Integrated Report provides information of primary interest to providers of financial capital. This Sustainability Review provides additional information regarding the inputs and outcomes of the other capitals defined in the International Integrated Reporting Councils (IIRC) Integrated Reporting <IR> Framework, primarily human capital, environmental capital and social and relationship capital.

Additional information on risk management is available in the Group's Risk Management Review at www.mpact.co.za.

The contents of this report are structured around Mpact's most material issues, which include both financial and non-financial aspects. These issues are those that could most substantially impact the Group's ability to create value and have been agreed on and approved by the Board and the Executive Committee.

The sustainability information in this Sustainability Review is disclosed in accordance with the GRI Standards: Core. The Sustainability Review, as a whole, has not been independently assured although certain information has been scrutinised by the Group's own internal control functions, as well as by external assurance providers where this has been deemed relevant and necessary.

The Integrated Report and Annual Financial Statements are also available on the Mpact 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 email to us at the following address:

nhunt@mpact.co.za

Documents available on the website www.mpact.co.za 

- Integrated Annual Report
- Mpact King IV register
- GRI Standards: "In accordance"
- Annual Financial Statements
- Risk Management Review



Vision and values

BUILDING A SUSTAINABLE, BUSINESS AND CONTRIBUTING TO SOCIETY

As one of southern Africa's leading paper and packaging producers, Mpact is committed to:

- acting as a responsible employer and corporate citizen in the communities where it operates, and managing natural resources with care, sensitivity and expertise;
- meeting and exceeding customer's requirements for product and service quality, innovation as well as cost competitiveness;
- providing a safe and secure working environment in which employees can fulfil their ambitions and aspire to continually improve their circumstances; and
- achieving sustainable, profitable growth through a focus on business excellence and strategic expansion in chosen markets.

VALUES

At Mpact we are differentiated by our people who are:

Trustworthy

- Ethical
- Transparent
- Honouring commitments

Resolute

- Setting and achieving challenging targets
- Continuously identifying innovative ways to do things
- Accountable, especially in the face of adversity

Responsible

- Taking care of their safety, health and personal development as well as that of their colleagues
- Striving to meet or exceed our customer's requirements (internal and external) for product quality, excellent service and cost competitiveness
- Treating our natural resources with care and sensitivity
- Doing what it takes to ethically good sustainable returns to our shareholders

VISION

Mpact's vision is to be a leading packaging business with the highest ethical standards, delivering exceptional value for customers, employees, communities and shareholders.

Key metrics

Revenue of
R10.1 billion
(2016: R10.1 billion)

Underlying operating profit of
R457 million
(2016: R784 million)

Total gross dividend per share of
55 cents
(2016: 95 cents)

Return on capital employed (ROCE) of
7.7%
(2016: 14.2%)

Serious injury frequency rate
0.60
(2016: 0.63)

Recovered recyclables
661,797 tonnes
(2016: 607,840 tonnes)

CSI spend
R4.9 million
(2016: R5.5 million)

Water consumption
5.68kℓ/tonne
(2016: 5.98 kℓ/tonne)

Energy consumption
6.59GJ/tonne
(2016: 6.84GJ/tonne)

B-BBEE maintained
Level 3
(2016: Level 3)

Scope 1 and 2 greenhouse gas emissions
1.032 tCO₂e
(2016: 1.011 tCO₂e)

Training and skills development
70,257 man-hours
(2016: 88,838 man-hours)

22 fully-funded university bursaries awarded through the Mpact Foundation Trust

Corporate profile

Mpact is one of the leading paper and plastics packaging businesses in southern Africa. The Company has a paper division and a plastics division, supported by shared services for finance, human resources administration and ICT.

Mpact is South Africa's largest recycler of recovered paper and plastic collections. In 2017, we collected over 661,797 tonnes (2016: 607,840 tonnes) of paper and plastic recyclables from pre- and post-consumer sources, reducing the corresponding need for a recovered material to landfill.

We have a decentralised customer-focused operating structure that prioritises the creation of innovative solutions for customers. Our close relationships with customers allow us to adapt quickly to their needs and develop products tailored to specific requirements. Mpact's national footprint places our operations close to our customers, reducing response times and transport costs.

Innovation centres research and design structural and graphic solutions, and value-added services. A plastics design studio creates new designs and prototype forms for the development of new plastic containers. Production and technical support for sales teams is provided from the Stellenbosch-based R&D centre, which also collaborates with customers on paper and plastic product developments.

PAPER DIVISION

Paper manufacturing: produces recycled-based packaging and industrial paper grades such as containerboard and cartonboard, as well as other converted paper products.

Paper converting: produces printed and unprinted converted corrugated products, including board used to manufacture corrugated packaging, corrugated boxes, die-cut cases, folded glued cases, trays and point-of-sale displays.

Recycling: Collects recyclable paper and plastics and recycles these to provide feedstock for the paper and plastics divisions, and for sale to external customers.

Customers: packaging converters (containerboard and cartonboard), fruit producers, FMCG companies, quick service restaurants, other consumer and industrial packaging companies.

 See page 32 for more information on our Paper Business.

PLASTICS DIVISION

Plastic converting: Rigid plastic packaging, including polyethylene terephthalate (PET) preforms, recycled-based PET (rPET), trays and film, and plastic jumbo bins.

Mpact Polymers: A bottle-to-bottle rPET manufacturing operation.

Customers: Companies in the food, beverage, personal care, home care, pharmaceutical, agricultural and retail markets.

 See page 38 for more information on our Plastics Business.

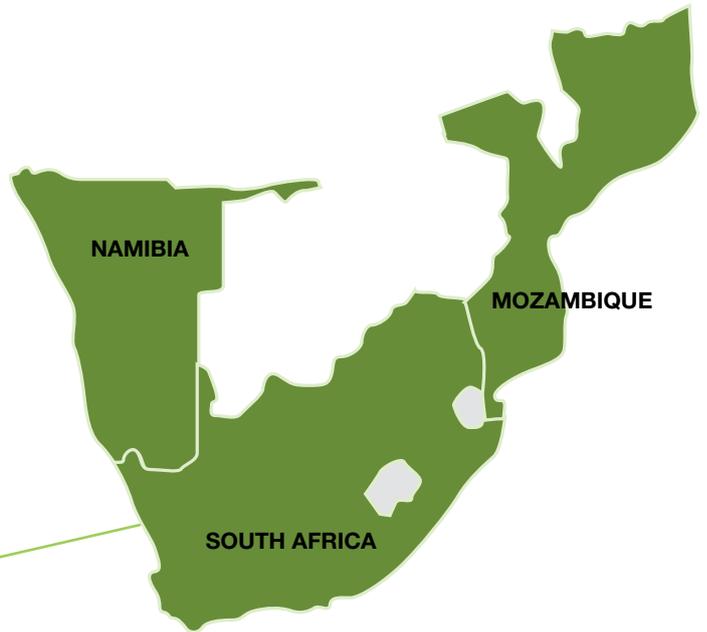
MPACT'S FOOTPRINT

Mpact's national footprint, leading market positions and proximity to customers contribute to faster response times, reduced transport costs and economies of scale.

4,889
employees



3 countries

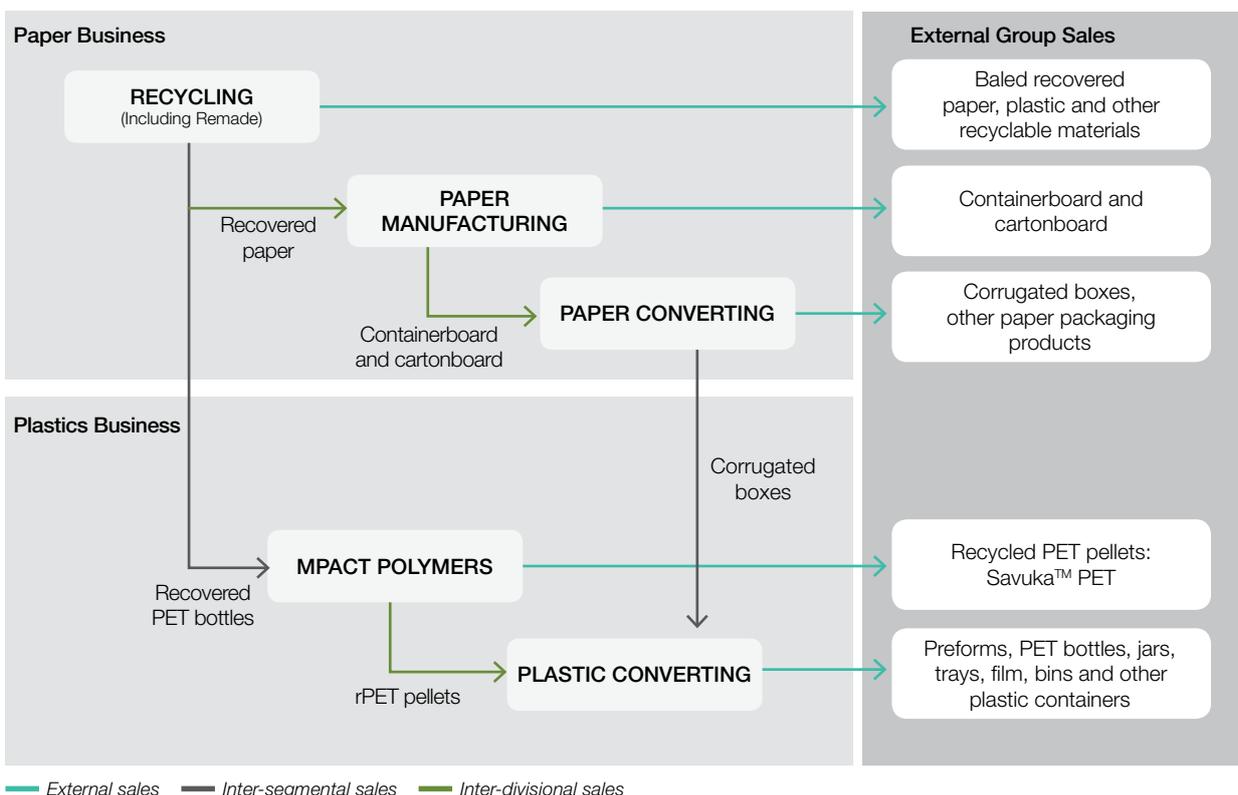


Level 3 ☆☆☆
B-BBEE Contributor

41
operations across South Africa,
Namibia and Mozambique



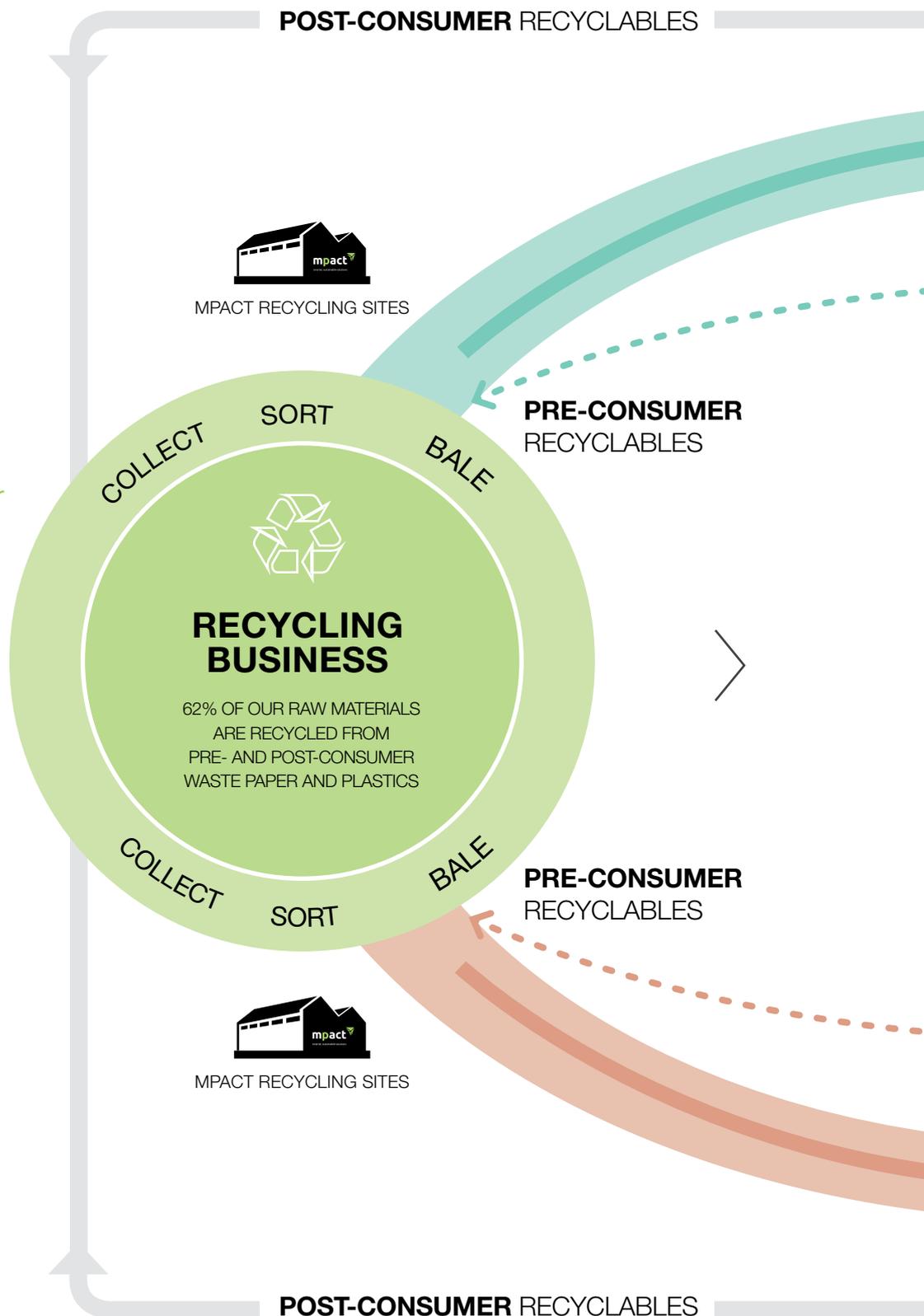
MPACT GROUP



Our operating model

Mpact's business model epitomises the circular economy, creating value beyond our immediate operations.

Our closed-loop system, includes the collection of pre-consumer and post-consumer recyclable materials which are used to create quality packaging products.



PAPER BUSINESS

See page 32



PAPER PACKAGING

Containerboard and cartonboard, corrugated products and other converted paper products



MANUFACTURE



DISTRIBUTE



CUSTOMER USE



CONSUMER USE



PLASTIC PACKAGING

PET preforms, bottles, jars, closures, jumbo bins, pallets, wheelie bins, crates, PET trays, fast food containers, clear plastic films, rPET pellets



PLASTIC BUSINESS

See page 38

Strategy and objectives

Mpact's strategy aims to create value for stakeholders over the long term.

The core pillars of the strategy are:



LEADING MARKET POSITIONS

We aim to develop and selectively grow our leading market positions in rigid plastics, paper-based packaging and packaging paper in sub-Saharan Africa. We will grow by extracting value through business and operational management expertise as well as product application, design and market knowledge.



CUSTOMER-FOCUSED

We will further develop our established manufacturing and service footprint to deliver superior solutions to our customers, underpinned by:

- a decentralised structure reflecting management depth and experience at all levels.
- innovative customer-focused product offerings.
- leading market positions that enable us to achieve sustainable cost effectiveness through economies of scale.



FOCUS ON PERFORMANCE

We will focus on performance through effective business excellence programmes and sound asset management, enabling us to sustainably:

- provide our customers with quality products and services worth their price.
- retain a motivated and skilled workforce.
- deliver good returns to our shareholders.

The key principles underlying each strategy pillar are expanded upon in the following table.



Leading market positions

Scale

- Maintain leading market positions in chosen geographies with scale to enable competitiveness at a decentralised level
- May consider entry below leading market position but always considering sectors where there is potential to lead in future

Capability

- Invest in sectors where Mpact has sustainable competitive advantages or at least has the prospect of developing them

Products and geographies

- Rigid plastics and paper-based packaging in sub-Saharan Africa



Customer-focused operating structure

Decentralised structure

- Customer-centric
- Responsive
- Accountable
- Flexible
- Leverage parenting advantage wherever possible
- Effectively execute differing strategies or even hybrids across business units

Innovation and capability

- Applied to products and processes internally and externally
- Use of own R&D capabilities where feasible
- Investing to meet new and emerging demands of customers with good returns

Intimate understanding of the Value Chain

- Engage customers and other stakeholders to improve supply chain efficiency and anticipate changing requirements
- Product specification bodies, marketing and branding people, key distribution networks
- Make partnerships work



Focus on performance

Financial returns

- ROCE and profitable growth
- Disciplined capital allocation and spending
- Reinvestment and capital allocation based on track record
- Stringent and continuous cost management
- Long-term view of investments
- Effective risk management and governance

Skilled and motivated people

- Invest in support of management with a track record
- Reward performance and results and appreciate effort
- Commit resources to proactive training and development of staff
- Safety

Sustainable practices

- Responsible environmental management
- Contributing to social upliftment in the areas in which we operate
- Rigorously pursuing the highest ethical standards in governance

Specific strategic goals have been developed for the businesses and these are set out in detail in the respective operational reviews.

Management approach to sustainability

Mpact's commitment to business excellence includes a commitment to responsible business practices as these relate to environmental and social sustainability, as well as to the principles of good corporate governance. These concepts are included in our slogan "Smarter, Sustainable Solutions" and integrated into our strategy and business activities.

Business excellence includes adhering to the highest industry health and safety standards and a zero-tolerance policy on safety incidents. We are committed to responsible sourcing of raw materials, managing our impact on the environment and ensuring efficient supply chains.

The Social and Ethics Committee assists the Board in monitoring Mpact's performance as a good and responsible corporate citizen. The Social and Ethics Committee Report on page 40 of the Integrated Report [insert icon] provides more information on the role, responsibilities and activities of the committee during the year.

The Group Risk and Sustainability Manager (GRSM) coordinates sustainable development, and drives continual improvement across the operations in industrial safety, health and environmental (SHE) standards. To this end:

- SHE Centre of Excellence meetings are held bi-annually where representatives of all Mpact sites are invited to participate in discussions and receive direction on how safety, health and environmental management is conducted in Mpact.
- Challenging safety and environmental targets are set, in discussion with the Executive Committee and Board and are communicated to the sites and in the annual Sustainability Review.
- SHE performance is monitored and reported to the Executive Committee monthly via a General Management Report.
- The SHE reporting system is being continually enhanced to improve data accuracy, relevance, ease of use and comprehensiveness of reporting.

- The GRSM reports on SHE performance to, and discusses SHE strategy development with, the SHE Management Committee (consisting of the Mpact Executive Committee and other invited attendees) and the Social and Ethics Committee of the Board every quarter.
- The GRSM visits operational sites annually to interact with management and SHE officers on site SHE performance and plans, and to communicate strategic initiatives in SHE management.

Policies and procedures are in place to guide sustainable development in the Group cover areas including safety, health, environment and energy, 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.

The Group's optimisation strategy established business excellence programmes to focus on efficient operational performance and asset management, and these include Centres of Excellence for human resources, and the safety and environmental functions.

Stakeholder engagement is a fundamental aspect of our approach to sustainability that guides our efforts, objective setting and ability to achieve measurable results on our performance. We engage with various stakeholders on critical sustainability issues such as workplace safety, future resource constraints, employment practices, transformation, diversity, the regulatory environment and broader social issues affecting the country. Our approach to stakeholder engagement is discussed in more detail on page 12, including a summary of our key stakeholder groups and examples of key engagements during the year.

STANDARDS AND PRODUCT RESPONSIBILITY

Mpact subscribes to various internal and international standards against which its operations and products are certificated. These include:

Internal standards

- **Enterprise Risk Management Guidelines:** Guidelines for managing business risks and insurance.
- **Risk Control Standards:** Guidelines for risk control, fire defence, safety and health, motor vehicles, 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 and corrugated plants.
- **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):** FSSC food safety certification and other customer-specific certification at some of the Plastics and corrugated plants as required by customers.

AUDITS AND EXTERNAL ASSURANCE

Compliance with standards and legislation across the Group is monitored through comprehensive internal and external audits of various management systems, some of which are detailed in the table below. Non-compliance issues and recommendations arising from audits are managed closely at operational level to ensure compliance.

System	External audits
External audit of financial information	Deloitte & Touche
Internal audit	KPMG
Insurance audits	Marsh
Safety legal and environmental management audit	Legal Consulting Services
Safety and environmental legal register	Standards and Legal
B-BBEE Scorecard	Siyandisa Verification Solutions
South African National Standards	SANS
ISO 90001 (Quality standard)	SABS, iCert, SGS, DQS, BV
ISO 14001 (Environmental management standard)	SABS, iCert, SGS
OHSAS 18001 (Occupational health and safety management standard)	SABS, DQS
Forest Stewardship Council	SGS
Fire defence	Marsh, ASIB, various others
Occupational health	Marsh, various others
Lifting equipment	Various
Environmental legal	Mark Ditke, CSES, etc
Safety legal	Mark Ditke
ISO 22001 (Food safety management standard)	SABS
BRC (Food safety)	Annalie Coetzee
Other food safety	DQS, FSSi
Other (PEFC)	SGS
Annual structural condition inspection	Synthesis Energy
Boiler GO (AIA)	KIS
Boiler annual inspection (AIA)	KIS
Pressure vessels (AIA)	SAIBA
LP gas certificate	Various

Stakeholder engagement

INVESTING IN SUSTAINABLE PARTNERSHIPS

Mpact regards transparent and open communication with stakeholders as critical to the company's long-term success.

Proactive engagement with internal and external stakeholders helps to strengthen our programmes and to identify opportunities and material issues. Our engagements with stakeholders seek to understand their key concerns and identify ways to address the various social, economic and environmental challenges the Group faces.

Our list of primary stakeholders is developed through a comprehensive process and is reviewed annually by the Social and Ethics Committee to ensure it reflects the key groupings with which Mpact interacts. Stakeholder activities reported to and monitored by the committee include various communications relating to investor relations, media relations, employees, advertising and branding as well as interactions with other stakeholders, for example customers, communities and trade unions.

The Group's Stakeholder Engagement Policy is also reviewed annually.

Our main stakeholder groups are shown in the diagram below



Mpact engages with stakeholders on an ongoing basis during the ordinary course of business. Key engagements during 2017 include those discussed below.

CEO Imbizos to build employee engagement

Every year, the CEO travels to each operation to conduct Imbizos, which are named from the isiZulu word for gatherings called by the leader. These Imbizos allow senior management the opportunity to meet with all levels of the workforce at the operations, present the results and current position of the business, and understand the key concerns of workers.

Concerns raised by employees at these meetings have increased our understanding of the socio-economic pressures on workers. We continue to assess how and to what extent the Company can support workers in addressing the impact of these factors. These issues include access to housing, education for their children, personal security, the cost of transport to and from work, and high levels of personal debt.

These pressures are evident in the levels of hypertension reported in the workforce. This year, employees with children on Mpact Foundation Trust bursaries had the opportunity to speak to their peers to raise awareness of how the Company is trying to address one of their key concerns. We are also rolling out initiatives to improve site clinic services and wellness programmes to help improve employee wellbeing.

Analysts, shareholders and potential investors

Mpact's senior management engage with analysts, shareholders, the broader investment community and other providers of financial capital on an ongoing basis. These interactions include results presentations, investor roadshows, site visits and through our website. The Company's in-house communications manager is supported by an investor relations consultant to ensure clear communication of key information to the investment community. Where requested, management holds one-on-one meetings with key investors and potential investors.

Customer engagements – agricultural site visits

Starting in 2016, Mpact has run workshops for leading agricultural producers and fruit exporters that showcase Mpact's world-class manufacturing facilities with a focus on our innovation capabilities and product testing facilities. The workshops provided an opportunity to demonstrate Mpact's ability to add value to our customers and strengthen key customer relationships. Attendees also had the opportunity to network with each other.

Feedback from the customers who attended the workshops has been extremely positive particularly regarding of the world-class facilities in place at Mpact's Corrugated and Paper operations. There has also been significant improvement in the cooperation between the two divisions as a result of the workshops.

Student site visits

In September, Mpact Piet Retief hosted 12 Health Department final year students for a tour of the paper mill in the tradition of opening the doors of our operations to community members that have an interest in our operations. The visit included a tour of the operations and interactions with the onsite occupational nursing sister to gain insight into occupational nursing as a career path.

Stakeholders who wish to engage with the Company can do so by emailing the Group Sustainability Manager at nhunt@mpact.co.za.

Stakeholder engagement (continued)

The table below provides an overview of the main stakeholder concerns and how we seek to address these.

How we engage	Main expectations and concerns	How we addressed these
Employees		
<ul style="list-style-type: none"> • Remuneration and performance appraisals • Imbizos (employee feedback sessions) • Skills development and training • Safe working practices • Transformation initiatives • Diversity drive • Succession planning programmes • General updates • Tip-offs Anonymous • Employee Effectiveness Survey • Recognition of work done through the Mpac Awards 	<ul style="list-style-type: none"> • Fair work practices and transformation • Fair remuneration • Safe working environment • Clear and strong leadership • Skills development • Learnership programmes • Promotion 	<ul style="list-style-type: none"> • A salary-benchmarking survey was conducted • OHS-programmes and instructions are in place at all plants. • The average mandated increase for employees was between 6% and 9%.
Customers and suppliers		
<ul style="list-style-type: none"> • Meetings to address pricing, product quality and specifications, service, stockholding and security of supply • Customer innovation workshops • Site visits • Results presentations • General updates 	<ul style="list-style-type: none"> • Quality product and efficient service • Product innovation • Keeping abreast of market trends • Competitive prices • Impact of exchange rate 	<ul style="list-style-type: none"> • Procurement agreements • Long-term supply agreements • Price negotiations • Mpac R&D Centre continuously innovates to ensure cost-efficiencies and enhanced food safety
Shareholders, the investment community and financial institutions (including banks)		
<ul style="list-style-type: none"> • Results presentations and road shows • Site visits • Trading updates • Market perception polls • In-house Communication Manager • Investor Relations consultant • One-on-one meetings with key investors, existing and potential 	<ul style="list-style-type: none"> • Comprehensive and detailed financial analysis and figures • A better understanding of the business and its operations • Major risks of the Group and how these are addressed • Addressing concerns – Mpac Polymers slower than expected start up and increased competition in the industry • Group prospects • Group strategy 	<ul style="list-style-type: none"> • Trading update • Comprehensive results presentations incorporating concerns and how these are being addressed
Government institutions and regulatory authorities		
<ul style="list-style-type: none"> • Meetings • Representation on Forums and Regulatory Bodies • Active engagement on key projects 	<ul style="list-style-type: none"> • B-BBEE status • Water licence applications • Environmental matters such as carbon tax, air emissions, waste management and electricity usage • Ensure understanding of industry issues • Funding and tax incentives 	<ul style="list-style-type: none"> • Commitment to regulatory compliance • Ongoing engagements with regulators to ensure compliance
Communities		
<ul style="list-style-type: none"> • Local community development projects • Education and training • Support for local community initiatives 	<ul style="list-style-type: none"> • Continued commitment to the ongoing projects supported 	<ul style="list-style-type: none"> • CSI spend was R4.9 million • Various projects – set out in detail in the Sustainability Review on the Group's website
Industry associations*		
<ul style="list-style-type: none"> • Committee meetings with various industry associations • Bargaining Council meetings 	<ul style="list-style-type: none"> • To promote industry-wide issues on a regional and national basis • To negotiate wage increases with trade unions when required 	<ul style="list-style-type: none"> • Ongoing engagements with industry peers, other industry representative bodies and government

* Industry associations Mpac participates in include:

- The Paper Recycling Association of South Africa (PRASA)
- The Paper Manufacturing Association of South Africa
- The Manufacturing Circle
- Packaging SA
- Printing South Africa – Statutory Council
- The Institute of Packaging
- The PET Recycling Company (PETCO)
- Plastics SA
- The Polyolefin Recycling Company (Polyco)
- The Polystyrene Packaging Council

Material matters

Mpact's most material matters are those issues that could most significantly affect the Group's ability to create long-term sustainable value for our stakeholders.

The Social and Ethics Committee is responsible for determining or annually revising the Group's material sustainability issues in conjunction with senior management. Various material matters have been identified arising from operational issues as well as from the main concerns expressed by key stakeholders in informal and formal interactions during the year. These matters were then assessed against risks and opportunities identified as part of the risk assessment process, which includes a review of economic, environmental and social impacts, risks and opportunities.

Other criteria used to assess the materiality of these issues included:

- developments in relevant legislation and regulation;
- sustainability and integrated reporting guidelines and best practice; and
- a media review and a gap analysis against local and international peer reporting.

The material matters were grouped into four themes as shown in the table below:

Sustaining profitable growth	 Where addressed in the report	
Operating environment		
• Macro-economic environment	CEO report page 28 (IR)	
Regulatory environment	Chairman's message page 25 (IR) Risk management page 66 (IR)	
Capital sourcing and allocation	CFO review page 92 (IR)	
Cost competitiveness and anticipating and meeting customer needs		
Managing input cost and availability	CEO report	Operations reports/SR
• Raw material cost and availability	page 28 (IR)	pages 34 and 40 (IR), page 30
• Energy cost and availability		pages 35 and 41 (IR), pages 29 and 30
• Water cost, availability and quality	page 29 (IR)	pages 35 and 41 (IR), page 30
• Labour cost		Value added statement page 51 (IR), page 14
Innovation	Chairman's message page 24, page 28 (CEO report) (IR)	
Customer focus	Strategy and objectives pages 16 to 18	
Driving efficiencies	CEO report	Operations reports/SR
• Production efficiency		pages 36 and 41 (IR), page 17
• Skills	page 29 (IR)	pages 20 and 21
Implementing capital projects	page 28 (IR)	pages 35 and 41 (IR)
Being a responsible employer		
• Labour relations		pages 18 to 20
• Health and safety	page 29 (IR)	pages 21 to 23
• Diversity		pages 18 and 19
Being a responsible corporate citizen		
• Corporate social investment	Chairman's message page 25 (IR)	pages 24 to 26
Governance		
• Ethics and human rights	Governance page 27	
• Compliance	Governance page 29	
• Customer health and safety	Social and Ethics Report page 49	
• Security (physical and ICT)	Corporate Governance Report page 63 (IR), Risk management page 64 (IR)	
Environmental responsibility		
• Water	Environmental responsibility page 30	
• Emissions	Environmental responsibility page 30	
• Waste	Environmental responsibility page 31	
• Recycling	Environmental responsibility page 31	

Material theme: Sustaining profitable growth

Mpact's operations and its customers are affected by the challenging South African macroeconomic and socio-political context. Slow economic growth combined with low levels of consumer and investor confidence feed through into reduced demand for the paper, packaging and plastic containers that represent Mpact's core products.

The severe drought in the Eastern and Western Cape impacted the Company's customers, particularly in the agricultural sector, our operations and our employees in affected areas.

Volumes were also affected by intense competition in both our Paper and Plastics businesses, as well as difficulty in sourcing recovered fibre at reasonable prices.

The regulatory context in which we operate is constantly evolving and we continue to monitor and evaluate the impact of developments that will affect our operations, including the sugar tax, carbon tax, waste levies and the changing requirements of Broad-Based Black Economic Empowerment legislation.

Innovation is a key strategic focus to deepen long-term relationships with major customers by providing premium quality products that deliver on our slogan by creating 'Smarter, Sustainable Solutions'. Innovation centres research and design structural and graphic solutions, and value-added services. A plastics design studio creates new designs and prototype forms for the development of new plastic containers.

The Company's ability to source financial capital and allocate it into projects that make a positive contribution to return over time is a critical aspect of financial sustainability. We focus on return on capital employed (ROCE) as a key performance metric and it is included in the calculation of the long-term incentives for executive directors and prescribed officers. During the year, the Group successfully refinanced R950 million of committed interest-bearing borrowings maturing in December 2017, for an additional four years at a favourable rate.

These issues are discussed in detail throughout the Integrated Report.



Material theme: Cost competitiveness and anticipating and meeting customer needs

Our goal is to meet and exceed our customers' expectations for product quality, service and innovation in a cost-effective way. This requires that we manage the availability and cost of key inputs as far as possible, including PET, polymers, water, electricity and labour. Driving production and logistics efficiencies reduces unit costs and improves the efficiency of use of water and electricity in the production process. The Company's investment in skills development supports efficient production and our leading market positions create benefits from economies of scale.

A shortage of virgin PET resin during a peak production period negatively affected volumes in the plastics business and structural changes to the Chinese waste market impacted the price and availability of recovered paper in the South African market.

Rand volatility affects the cost of imported inputs including polymers for our plastics business and inks for our paper converting business.

In line with our customer-centric business model and commitment to business excellence, Mpact has over the last few years invested significant capital in modernisation and strategic acquisitions. While not all of these investments have yet achieved their full planned efficiencies, we believe that they are on track to do so and will position the Group well for improvements in economic conditions. The benefits of these projects include reduced capital, maintenance and waste, improved water and energy usage, labour productivity and quality of product. The rebuilt mill at Felixton is delivering savings of 20% in water use per tonne of paper produced and energy consumption has improved 15%.

Refer to the Integrated Report on the Company's website for more information on these issues.



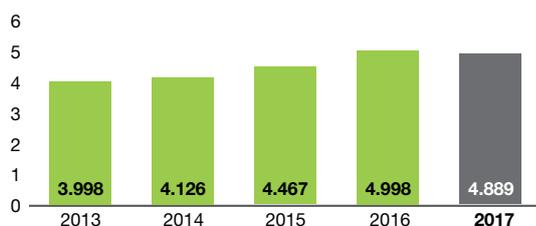
Material theme: Being a responsible employer

Mpact's human capital, our employees, is a critical resource and the success of the Group depends on attracting, developing and retaining the talent and experience required to deliver on the strategy. We have a Fair Employment and Promotions Philosophy that emphasises that there is a place for all people in Mpact and takes cognisance of merit-based employment equity to address diversity throughout the organisation, especially regarding race, gender and disabilities.

Mpact's employees are critical in creating sustainable value for the Group and its stakeholders. Our goal is to create a work environment that is safe, stimulates engagement and is well governed, with a focus on diversity inclusion and skills development. Our ability to attract and retain talent, build capability in strategic areas and deploy talent quickly and effectively in line with the changing needs and growth requirements of the business strengthens our competitive advantage.

At 31 December 2017, Mpact employed 4,889 (2016: 4,998) people. 4,790 of these were employed in South Africa (2016: 4,768) and 99 in Namibia and Mozambique (2016: 230 in the rest of sub-Saharan Africa). The decrease in total headcount is due to the closure of the operations in Botswana and Zimbabwe during 2017. The headcount figure includes full-time and part-time permanent employees on Mpact's payroll and excludes temporary workers and contractors paid by a third party provider.

Total employees



The distribution of employees by geography, gender and division is shown in the graph and table alongside. Details of the representation by ethnic groups is available in the Transformation section on page 19.



Headcount by:

	Rest of sub-Saharan		
	South Africa	Africa	Total
Geography	4,790	99	4,889
	98%	2%	
Gender	Male	Female	Total
	3,712	1,177	4,889
	76%	24%	
Division	Paper	Plastics	Total
	3,388	1,501	4,889
	69%	31%	

Employment practices

Mpact's Fair Employment and Promotions Philosophy promotes the practice of attracting the best talent through transparent selection processes. Improving our understanding of the key drivers of staff retention promotes our goal of ensuring that Mpact is an employer of choice.

Benefits provided to employees include membership of retirement funds, access to medical aid schemes and primary healthcare, study assistance and incentive bonuses.

We respect the dignity and worth of individuals, and we fully support the constitutional rights of the individual to freedom of association, the right to collective bargaining and the right to be a member of a union of choice.

Various unions represent approximately 52% (2016: 54%) of the workforce, with the majority belonging to the unions detailed below:

	2017	2016	2015
CEPPWAWU	23%	23%	27%
NUMSA	13%	12%	11%
CWAWU	7%	6%	6%
SATU	4%	4%	5%
Other unions	5%	8%	8%
Total	52%	54%	57%

In addition, Mpact is a member of and represented by a senior human resource manager on various bargaining councils including:

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

Transformation

We believe that transformation and the sustainability of the business are inextricably linked. Mpact's commitment to the country's transformation agenda is demonstrated in the Group Transformation Philosophy and our transformation goals, which reflect our vision, core values, culture and approach to people development at all levels in the business.

We require that our transformation activities add value, translate into true empowerment and contribute to the sustainable future of our organisation and our society. Our approach to economic transformation has a focus on higher education, which is delivered through the Mpact Foundation Trust. The Mpact Foundation Trust was established as a vehicle both for B-BBEE ownership and to channel the benefits of ownership to selected beneficiaries. By the end of 2017, the Trusts had awarded 22 fully funded bursaries to dependants of Mpact's employees. More information on the goals and activities of the Trust are available in the Mpact Foundation Trust Report on page 52 of the Integrated Report.

Mpact's transformation agenda is built on the premise of sustainability and inclusiveness, to ensure that most of our stakeholders benefit over the long term. Specific activities are managed and monitored under the following headings:

- Employment Equity Plan
- Black ownership and management control
- Skills development
- Preferential procurement
- Enterprise development
- Socio-economic development

We monitor our transformation progress against the dti Codes of Good Practice and our current B-BBEE rating as determined by Siyandisa Verification Solutions is Level 3 (2016: Level 3). Mpact's full B-BBEE certificate is available on our website.

Element	Score
Ownership	18.69
Management control	9.14
Employment equity	4.26
Skills development	9.45
Preferential procurement	18.82
Enterprise development	15.00
Socio-economic development	8.00
Overall B-BBEE Score	83.36
B-BBEE Status Level	3

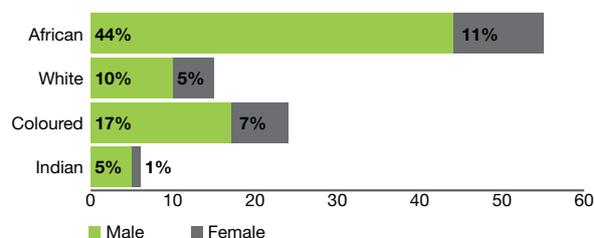
Mpact's B-BBEE Level under the new B-BBEE Forestry Sector codes is likely to be negatively affected as the targets set in these codes are considerably more demanding. We continue to implement initiatives to mitigate any decline in B-BBEE score. These initiatives include ranking of suppliers according to their B-BBEE level to drive improved B-BBEE compliance in our home.

Employment equity

Finding and retaining suitable equity candidates in specialist or management roles is challenging due to the shortage of highly qualified skills in South Africa, which is a common challenge across many sectors. We nevertheless remain committed to our employment equity plan to create a workforce that reflects the country's demographics and entrenches fair employment practices. Our employment equity plan aligns with our Fair Employment and Promotions Philosophy, which drives merit-based recruitment and promotion of appropriate candidates that address the issue of diversity throughout the organisation. The targets set in the employment equity plan align closely with the Employment Equity Act. Progress is monitored by the Human Resource Steering Committee, which gives regular feedback to the Social and Ethics Committee.

Transformation Committees at national, divisional and operational level drive transformation across the group and regularly report on these targets.

Mpact employees by demographic (South Africa only)



Material theme: Being a responsible employer (continued)

Workforce diversity profile (South Africa only)

	African		White		Coloured		Indian		Total
	Male	Female	Male	Female	Male	Female	Male	Female	
Top management			2						2
Senior management		3	30	2			7	1	43
Middle management	27	10	135	46	25	8	47	13	311
Junior management	339	83	274	113	144	61	81	24	1,119
Semi-skilled	1,223	168	38	60	463	86	70	20	2,128
Unskilled	529	253	4		158	187	18	2	1,151
Temporary	12	6	3	3	4	3	2	3	36
Total	2,130	523	486	224	794	345	225	63	4,790

Representation of previously disadvantaged individuals (PDIs) (South Africa only)

Level	2017	2016	2015	2014
Junior management	76%	75%	74%	73%
Middle management	57%	54%	54%	53%
Senior management	30%	30%	30%	27%

Equity ownership

At 31 December 2017, the ownership of the company by black individuals was unchanged at 15.63% (2016:16.67%). There was an increase in the ownership by black women to 9.46% (2016: 10.0%). This translates into 17.84 (2016: 19.67) points out of the B-BBEE target of 25 for black ownership.

Skills development

Creating a working environment that is conducive to learning and development is central to our competitiveness and sustainability. Our skills development interventions aim to attract, develop, retain and motivate our employees to perform optimally and collectively. Training includes on-the-job learning, leadership development and formal skills development that is delivered either by staff members or through partnerships with educational institutions.

The impact of the learning and development interventions is monitored using employees' individual development plans, performance targets and the Group's competencies applicable to each talent segment. Our training and skills development initiatives align with our transformation goals.

	2017	2016	2015
Employees trained	3,982	3,884	3,364
Hours of training	70,257	88,838	67,412
Learners and apprentices	224	279	206

Our training initiatives include legal compliance, safety, health and environment, pulp and paper technology, operational skills, leadership development and computer training. During 2017 Mpact provided R2 million of financial assistance to employees

for part-time tertiary education which is encouraged across all levels of the Group.

Mpact's apprentice and learnership programmes aims to build a skills pool of better-equipped and motivated employees. In 2017, the Company supported 224 individuals on apprentice and learnership programmes (2016: 279), of whom 95% (2016: 89%) were from previously disadvantaged backgrounds.

There are various skills development programmes in place at each of the operations. These include the initiatives discussed below.

NQF4 Setters Learnership

Mpact Plastics, Atlantis

Six female candidates from Atlantis and surrounding areas were brought onto a learnership programme to build skills in the local community, address the shortage of skilled setters available to the operation and support succession planning. The candidates, who started the programme with little or no qualifications, underwent various internal and formal assessments through the Plastics Federation, which they successfully completed.

Manufacturing Assembly Operations Supervision Learnerships

Versapak, Paarl

This programme focuses on high-performing team leaders to build skills in the organisation and motivate candidates to grow further within the organisation. It provides the necessary knowledge, skills and proficiencies to succeed as a manager in the working environment and includes practical on-the-job exposure and experience. The programme includes cross departmental training to ensure that candidates are well equipped with a broad skill-set and are well-qualified for opportunities as they arise.

Production Technology Learnerships

Versapak, Paarl

This learnership prepares promising operators for the next occupational level by providing a solid foundation in the operation of process equipment, maintenance activities, shop floor problem solving, production planning and scheduling and quality control. Candidates also receive cross departmental training.

Apprenticeships and internships

Mpact Plastics, Pinetown

Mpact Plastics, Pinetown has seven millwright apprentices and an electrician apprentice, four of whom will complete their trade test during 2018. In addition, two learners completed their Plastics Production Learnership level 4 during 2017 and two senior staff enrolled in the Plastics Operations level 5 RPL programme.

Two interns – an industrial engineer and an HR administrator – have joined the operation to gain practical experience and are making a strong contribution in term of projects and culture changes. Both are African females which also helps to address the Equity Plan.

Learnership and apprenticeship programmes

Mpact Plastics, Wadeville

This NQF level 4 Supervisory Learnership Programme trains supervisors and shift technicians in the knowledge, skills and proficiencies necessary to succeed as managers in the working environment. The programmes include practical on-the-job exposure and experience. There are also three apprentices in the maintenance department who have been assigned to different departments assisting in maintenance and operation of machines. These apprentices will be writing their trade test in June 2018.

Unemployed youth learnerships

Mpact Central Office

Mpact head office supports skills development in unemployed youth through a partnership with the Skills Education Training Authorities (SETA) South Africa. Starting in 2016, Mpact sponsored 25 unemployed black disabled learners through the Johannesburg Council for the Disabled (JOCOD) in Lenasia. The learners participated in a Fibre Processing and Manufacturing (FP&M) SETA-accredited course: Clothing Manufacturing Processes – NQF level 1. All 25 learners completed the learnership in 2017 and Mpact progressed them to NQF level 2.

Due to the success of the project, we expanded this programme to Soweto. In December 2017, a further 25 unemployed black disabled learners started the NQF level 1 learnership at the Self Help Association of Paraplegics (SHAP) in Soweto.

The majority of these students are black African females. Mpact covers the cost of the training and provides a monthly stipend for each student. Once the learners complete all three years of study in the course they will be trained and skilled in making complex items of clothing.

SAFETY

Zero harm principle

The Group is committed to providing a safe and healthy working environment for all employees, contractors and service providers. The principle of “Zero harm” and target of zero incidents 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.

Three underlying principles 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.
- There is no differentiation in the treatment and expectations of employees, contractors and service providers.

There are a number of safety, health and environmental interventions in place to support these principles and these are regularly monitored and enforced.

Fostering a safety culture

Safety, health, environment and fire defence systems are the responsibility of senior management, assisted by line managers at each operation who are accountable for the well-being of employees.

Effective safety systems are dependent on three levels of intervention.

Primary interventions include physical interventions such as machine guarding, designated walkways, safety railings, equipment inspections, and personal protective equipment that are fundamental to providing a safe working environment. These physical interventions are considered standard across the Group.

Secondary interventions include safety systems that control the way people interact with work hazards. These are based on and include:

- The CEO’s SHE Philosophy.
- 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’ are 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.
- Hazard Identification Risk Assessments (HIRAs) leading to the development of Safe Work Procedures (SWPs) are done for work processes in operational sites.
- The Mpact Risk Control Standards entail standards and guidelines relating to a wide spectrum of safety, health, fire protection, security, emergency preparedness, vehicle control, and environmental management. Marsh Risk Consulting routinely audits an annually selected set of sites against these standards.
- Compulsory induction programmes covering safety, health and environmental issues for all new employees, contractors and visitors. These are followed by annual re-induction for all employees, permanent contractors and service providers. Additional safety training and awareness campaigns are also held.

Material theme: Being a responsible employer (continued)

- Mpac has a comprehensive contractor safety management programme that ensures all contractors on our sites are afforded the same high standard of safety care as employees.

These primary and secondary interventions are guided by, and comply with, the Occupational Health and Safety Act.

Tertiary interventions are the most important safety intervention, requiring the development of a safety culture in which every employee, contractor and visitor on Mpac sites embraces and takes ownership of safety. Mpac's Safety Culture is driven through the Behaviour-Based Safety programme and the Mpac Safety Culture cartoon series.

The Behaviour-Based Safety programme aims to identify unsafe behaviours and eliminate barriers to safety by using three levels of behaviour observation:

- **Visible felt leadership (VFL)** are discussions (not audits) between leaders and people carrying out tasks, to observe their actions and understand barriers to them working safely.
- **Peer observations** are the reporting by shop floor employees and contractors of barriers to safe working behaviour that could be due to conditions, equipment or worker attitudes.
- **Planned job observations** are the review of work done against Safe Work Procedures (SWP or SOP) for the task to identify the safest and most efficient procedure for the task.

Safety committees at each operation work to remove barriers to safe work behaviour, identified in the above observations, wherever possible.

Safety incident reporting is taken very seriously. In the case of serious injuries (restricted work cases, lost-time injuries and fatalities), reports that identify the root cause of the incident are required from the relevant operation. These learnings are distributed throughout the Group.

The Mpac Safety Culture cartoon series aims to make safety awareness accessible to the entire workforce. Sam the safety mascot champions all communications on safety and is the personification of the Mongoose safety award. Topics in the cartoon series include: Situational Awareness; Behaviour-Based Safety; Hand Safety and Working Safety; General Safety; and Health. A set of 12 posters addressing the 'Fire and Safety Rules to Live By' and Hand Safety have been distributed to all sites.

Mpac has introduced a metric for safety leading indicators that measure and incentivise management through the safety element of their performance bonus against their roll-out of the Mpac safety programme at their site. This metric considers Behaviour-Based Safety; Mpac Safety Culture series, legal safety audits, and Mpac Risk Control standards audit results.



Operations compete annually for the Excellence in Health and Safety Awards, an internal award for excellent performance in these areas. The awards are based on the audited health and safety statistics of operations for the year and operations can win 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:

- Zero fatalities.
- A serious injury frequency rate (SIFR) of less than 0.2.
- A medical treatment case frequency rate (MTCFR) of not greater than 0.6.

The Mongoose Trophy for Excellence in Health and Safety, the highest accolade an operation can be awarded, is based on comprehensive health and safety legal compliance audits, which are conducted annually by an independent auditor. In 2017 the trophy was awarded to Corrugated Brakpan, while three operations achieved Platinum status, namely Recycling Pretoria West, Recycling Richards Bay and Plastics Pinetown.



Left to right: Andre Harmse GM of Corrugated Brakpan, Neo Dongwana (chairperson of the Mpac Foundation Trust), Bruce Strong (Mpac CEO)

Safety performance

There were no fatalities suffered at Mpac operations in 2016 or 2017. Total lost-time injuries (LTIs) decreased to 26 (2016: 33) and the lost-time injury frequency rate (LTIFR) per 200 000 man hours improved to 0.37 (2016 0.44). The LTIFR for the Paper business was 0.40 in 2017 and for the Plastics Business 0.32.

The LTIFR includes employees, contractors and service providers in accordance with the CEO's SHE philosophy. In 2016, we introduced the serious injury frequency rate (SIFR), which adds restricted work cases (RWC) to LTIs and fatalities. We believe this index more accurately reflects the impact of safety incidents on the lives of our people as RWCs, by their nature, affect wellbeing and the ability to carry on with the normal activities of life. The SIFR decreased in 2017 to 0.60 (2016: 0.63).

General safety

6. Safe stacking



Health

Supporting the health and wellbeing of employees is an important strategic imperative to improve quality of life, morale and productivity. Occupational health and safety compliance is the responsibility of line management, and is a key indicator of business performance. Site clinics and mobile medical facilities provide primary healthcare services and free annual medical assessments to employees. Occupational health examinations are conducted when an employee joins the Company, at periodic intervals during employment (based on the risk and local regulatory requirements), on transfer from one operation to another and on retirement or resignation.

We have intensified the focus on addressing the impacts and improving the management of the key chronic diseases affecting our employees, which include HIV/Aids, hypertension and diabetes. We accordingly set out a tender in 2017 for more comprehensive clinic services and a wellness programme in line with our aim to improve employee wellness.

The clinic service element of the tender aims to improve uniformity of medical surveillance and enhanced diagnosis of chronic and primary diseases. Reporting and statistical analysis of these and development of a systematic approach to addressing significant health concerns will be key performance requirements.

The wellness programme will provide a 24-hour call-in facility for employees and their families providing support for psychosocial, health, lifestyle, financial and legal issues as well as offering face-to-face interventions with psychologists and social workers. Group trauma counselling will also be provided in the event of traumatic events that affect the workplace. This initiative will be launched in 2018.

Wellness days were held at most operations during the year, which included counselling, various voluntary health tests, cancer awareness, assistance with financial advice, eye tests, situational safety awareness role plays and awareness drives for relevant health challenges such as hearing loss.

HIV/Aids

Mpact provides comprehensive support and treatment for employees living with HIV/Aids, including voluntary counselling and testing (VCT) for all employees and contractors, ongoing HIV awareness campaigns including events commemorating World Aids Day, and free antiretroviral treatment.

During 2017, 3,874 employees (2016: 3,594 employees) undertook workplace medicals with 2,402 employees (2016: 2,046 employees) opting for VCT during the year.

Material theme: Being a responsible corporate citizen

Corporate social responsibility

Mpact recognises community engagement as a business imperative and a cornerstone of sustainable investment. We believe that in doing business we must embrace and create value for the communities in which we operate. We interact with communities to identify and address their needs and participate in partnerships and capacity-building interventions.

Mpact commits a minimum of 1% of Group net profit after tax to CSI initiatives. The CSI budget reviewed periodically while the actual CSI expenditure is monitored on a monthly basis.

We are committed to good governance principles such as transparency and accountability in our interactions with stakeholders and we conduct surveys and feasibility studies to ensure effective implementation and sustainability of projects.

The Group's corporate social investment (CSI) strategy includes financial support and volunteer-based projects run by our employees to demonstrate the Group's role as a responsible corporate citizen.

Our strategic objectives are to:

- support meaningful socio-economic initiatives that make a difference in the communities with which we work;
- build the will for change in the communities with which we work; and
- build the self-esteem and dignity of the people in local communities.

To achieve this, Mpact:

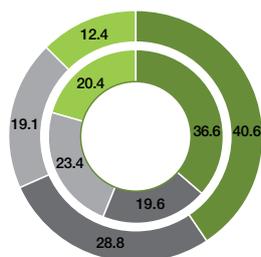
- focuses on capacity building and multi-stakeholder-based sustainable community development practices;
- supports specific community needs that are aligned with its focus; and
- promotes employees' involvement and a better understanding of the community's role in achieving Mpact's business goals.

The divisional CSI budget is allocated from head office and divisions decide which projects to support. CSI initiatives focus on those areas we believe maximise our impact in communities – education, health, entrepreneurship and enterprise development.

Expenditure on CSI in 2017 amounted to R4.9 million in 2017 (2016: R5.5 million), representing 1.7% of net profit after tax (2016: 1.4%).



CSI allocation as a percentage of CSI spend (%)



● Education ● Community facilities
● Health care ● Others*

2016- Outer ring
2017- Inner ring

* Other includes environmental and cultural initiatives

CSI Spend (R'm)



Mpact operations supported various CSI initiatives during the year, including, although not limited to, those discussed below:

Silindokuhle Crèche

Mpact Corrugated, Port Elizabeth

The Silindokuhle Crèche operates in the Joe Slovo Township, which hosts some of the poorest people in the Eastern Cape. Mpact donated baled recyclables that were then mixed with cement and used to build walls for the crèche. A discarded blanket from the board machine was used as carpeting for the floors. Cores were used to strengthen walls and support timber frames. Thousand-litre containers were used to capture rain water to flush toilets. This innovative use of waste materials bears testimony to the saying “Where there is a will there is a way”.

Fisantekraal High School Grade 8 Language Programme: From Good to Great

Mpact Corrugated, Kuils River

Mpact Kuils River has been working with Fisantekraal High School for the past four years. Fisantekraal is a ‘no fees school’ with approximately 1 200 pupils and a teacher to pupil ratio of over 50 children per teacher, which makes effective teaching very difficult. The focus for the first two years was to implement interventions to assist those children who could not read. The programme raised awareness with the Department of Education, which allocated two Learner Support teachers to the school to assist these learners. The strategy session with the school at the end of 2016 identified the need to provide additional support to average and above-average learners to equip them to qualify for University/Technikon admission.

Approximately 60 learners were selected from baseline assessments and seven volunteer teachers were brought on board. The programme is held on Saturday mornings during the year at the school and pupils are served a light lunch afterwards. A prize giving was held at the end of the year to celebrate academic excellence as well as excellence in other categories including spelling, attendance and most improved in spelling.

The Department of Education baseline assessments at the end of the year recorded a 20% to 35% improvement in the marks of 20% of the learners with an overall improvement mark of 12%. We will continue to support the programme in 2018.

Hope@Atlantis

Mpact Plastics, Atlantis

Mpact Plastics participates in the Hope@Atlantis initiative with the University of Stellenbosch and stakeholders from Atlantis industries. The project offers tutoring and coaching on challenging subjects such as maths and science, improves opportunities for pupils from the community to gain access to universities and colleges as well as improving skills in the community in which we work and thereby the potential future workforce.



Material theme: Being a responsible corporate citizen (continued)

Ihlumelo and Paarl Girls' High Accounting/Mathematics project

Mpact Versapak, Paarl

Mpact supported an initiative by Paarl Girl's High to improve matric accounting and mathematics performance at Ihlumelo Senior Secondary in Mbekweni. Paarl Girls' High offered tutoring to pupils and Mpact provided files, paper and other stationery, and memory sticks. The joint intervention saw the matric pass rate in these subjects improve from 50% to 90%.



1000 Hills Community Helpers

Mpact Plastics, Pinetown

Mpact Pinetown supports the 1000 Hills Community Helpers, which offers education and meals to approximately 350 children who are either affected by or infected with HIV.

Mpact employees donate used clothes and toys to the centre and the Company contributes a monthly amount towards the efficient running of the centre. In addition, Mpact hosts an annual Christmas Party for the children, which includes an opportunity for Mpact employees and management to play games and sing with the children, as well as prizes, gifts and a meal.

Grip Trauma Centre

Mpact Piet Retief mill

The Grip Trauma Centre provides humanitarian assistance, rehabilitation and empowerment to victims of sexual assault and domestic violence as well as to those infected by HIV/Aids as a result of sexual assault. Piet Retief mill contributes toward the running costs of two trauma centres located at the Piet Retief State Hospital and the Piet Retief Police Station.

Corporate Food Packaging on Mandela Day

Mpact Corrugated, Epping and Pinetown

Mpact Corrugated Epping donated 12,181 cartons and Mpact Pinetown donated 830 cartons for the more than 36,000 meals that were packed in Johannesburg and Durban during the programme. Mpact staff members also volunteered to participate in the packing.

Other initiatives supported include:

- **Mpact Recycling** held a soup day in Midrand and participated in outreach at Troyeville Primary on Mandela Day.
- **Mpact Piet Retief** supported Maphapheni Crèche with gift bags, stationery and sports goods.
- **Mpact Corrugated Epping** ran their fifth annual Street Clean-Up in which staff volunteered to clean up the streets around the operation. Litter collected was sorted for recycling.
- **Mpact Plastic Containers, Atlantis** sponsored age-appropriate maths and science programmes for Grade R and Grade 1 children at the Ulwazi Centre crèche.
- **Felixon Paper mill** donated stationery to the Musa we Nkosi Orphanage.
- **Mpact Springs mill** participated in a Food Packing competition in which the participating teams managed to pack 36,864 meals in five and a half hours. The food was distributed to children from child-headed households at schools in the greater Springs area in partnership with Springs Care.
- **Mpact Piet Retief mill** launched a needlework programme in 2014 to equip selected adults and children with skills that can be used to generate income by sewing items for sale. Their business – 'Delicious Sewing' – sells clothing items such as bags, hats, traditional wear and other items from various locations. The first group of women successfully completed the three-year course during 2017.
- **Mpact East London** supported uThixo uLungile Ministries, which offers various services to a local community, including a crèche and daily soup kitchen. Mpact donated a training gazebo and clothing for distribution to the community.
- **Mpact Corrugated Walvis Bay** launched a Grade 10 maths tutoring programme at Flamingo School in Walvis Bay to improve maths pass rates. The operation also partnered with the Municipalities of Walvis Bay and Swakopmund to sponsor the My Trash – My Treasure Schools Recycling Competition in September 2017. A total of 31 schools entered the competition, which encouraged the youth to look after the environment by showing their innovation in creating fun and meaningful items out of trash that is normally thrown away. Mpact Corrugated sponsored the wooden recycling stands to the winning schools.

GOVERNANCE

Mpact endorses and accepts full responsibility for the application of best corporate practices to ensure that our business is managed ethically and within acceptable risk parameters. In discharging this responsibility, the Group is guided by its charters and policies and further ensures that effective corporate governance is practised consistently throughout the Group by complying with the requirements of King IV, the JSE Listings Requirements and the Companies Act, in both letter and spirit.

For more information on Mpact's corporate governance structures and activities, please refer to the full Corporate Governance Report in the 2017 Integrated Report.

Ethics

The Board has set values for the Group and these are incorporated into the Group's Code of Ethics, which articulates our ethical values and our behavioural standards. The Code translates Mpact's values into practical action and provides the platform from which the Board leads Mpact sincerely and honestly. The Group's leadership team not only endorses the Code, but is also committed to applying it to their decisions and actions in mapping the Group's strategy and in managing its operations.

The Code details the Group's standards of integrity and ethics in dealing with its stakeholders at large. Every employee is expected to adhere to these principles and values in order to deliver exceptional value to our stakeholders by cultivating the habits of being resolute, trustworthy and responsible. This is not merely a matter of knowing the "rules", but of repeatedly exercising moral thinking and applying the guidelines outlined in the Code of Ethics.

The Social and Ethics Committee is responsible for monitoring application of the Group's policies of best practice with regard to the commitment to, governance of and reporting on Mpact's sustainable development performance.

The Code 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 provides guidance on specific issues, including:

- Customers
- Health and 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

The Code of Conduct is available on our website at www.mpact.co.za/governance/mpact-code-of-ethics.

Mpact's anonymous tip-off service allows 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.

Human rights

Mpact has adopted the Ten Principles of the United Nations Global Compact (UNGC) and our Code of Conduct commits the Group to respecting and promoting human rights through the employment practices in all our operations. This includes a commitment to create a work environment that is free from harassment and unfair discrimination, and provides the opportunity for employees to build esteem, fulfil ambitions and improve their circumstances. The Code specifically addresses our zero-tolerance approach to unfair discrimination, coercion, intimidation, harassment, forced labour, child labour and other human rights abuses. It also promotes respect for the cultures of fellow workers, suppliers and customers, fair remuneration scales, the right of employees and fellow workers to free association and collective bargaining and broad-based skills development and economic empowerment.

Employees are invited to report any human rights violations to their supervisor or manager, human resources, the Company Secretary or through Mpact Tip-Offs.

Mpact's Supplier Code of Conduct requires suppliers to commit to complying with the 10 principles of the UNGC, including support for human rights, freedom of association, elimination of forced and compulsory labour, child labour, and unfair discrimination.

Risk management

Mpact's risk assessment process follows a 'bottom-up' approach in line with the Group's approach to improving upon and managing a sustainable business. Divisions maintain registers of the specific strategic risks relevant to their business that are aggregated into a Group Risk Register. The Group Risk Register is reviewed every quarter by the Risk Management Committee and the Audit and Risk Committee. Key risks are also reported to the Social and Ethics Committee of the Board. The Group Risk and Sustainability Manager, Neil Hunt, has overall responsibility for overseeing this process. External audits of these processes also take place routinely as noted below.

Operational risks faced by the business include financial, material supply, customer satisfaction, product quality, safety, health, environmental, food safety, fire and security.

Ensuring compliance with the relevant legislation that applies to the Group and its activities is fundamental to our principles and the standards to which Mpact subscribes. Mpact subscribes to Environmental and Safety Legal Registers to stay abreast of changes in legislation and a management booklet is in place that summarises all legislation pertinent to our operations.

Material theme: Being a responsible corporate citizen (continued)

The risk assessment process identifies the material risks the Company faces and assesses whether actions to mitigate these risks are sufficient and appropriate.

For more information on Mpact's approach to risk management and key risks, please refer to the Risk Management Review available on our website.

The main risks pertaining to sustainability and corresponding mitigating actions are highlighted in the table below:

Underlying risk and its potential impact	Mitigation actions taken to limit impacts
<p>Evolving legislation has the potential to increase costs of compliance and risk of fines and penalties. Of particular concern are:</p> <ul style="list-style-type: none"> • The National Environmental Management Act and the affiliated Water and Waste Acts • Waste levies • Various carbon regulations • Competition compliance • B-BBEE and EE regulations • Tax regulations • Labour Act and regulations • Occupational Health and Safety Act • Sugar tax • Protection of Personal Information (POPI) Act 	<ul style="list-style-type: none"> • Retaining experts in relevant disciplines such as law and tax. • Mpact subscribes to a comprehensive legal register that updates the business on all relevant South African laws. • A rigorous schedule of internal and external audits and statutory inspections across all disciplines. • The Group also contributes to the development of legislation by engaging with government via industry bodies. • Mpact launched the Mpact Foundation Trust to assist our employees. This also contributes to our BEE rating. • Management is engaging with the Competition Commission regarding an investigation initiated in 2016 that implicated Mpact.
<p>Unreliable supply and deteriorating quality of water could lead to a loss of production and disease outbreak among workers.</p> <p>This has been exacerbated by the severe drought conditions that started in 2015 and prevailed in 2017 particularly in KwaZulu-Natal and the Eastern and Western Cape.</p>	<ul style="list-style-type: none"> • Reduction in water consumption is a key performance indicator and investment driver at manufacturing sites. • Felixton mill was subject to water restrictions in 2016 and 2017 but managed to meet these without loss of production. • Western Cape operations have been subject to water restrictions and have been active in reducing consumption and seeking alternative sources of water.
<p>Prolonged shortages of key raw materials, could lead to loss of production, changes to product offerings and/or higher costs.</p>	<ul style="list-style-type: none"> • Retain market position as the leading paper recycler in South Africa and preferred buyer of recovered paper. • Long-term supply agreements, multiple suppliers, use of alternative raw materials and collection of recyclables from a variety of sources. • Mpact participates in active industry-wide lobbying to influence government legislation to enable the recycling industry and working with local government to secure access to recyclable paper and plastic. • The purchase of Remade in 2016 has greatly increased Mpact's access to recyclables.
<p>Unreliable supply and higher costs of energy could lead to a loss of production and increased costs.</p>	<ul style="list-style-type: none"> • Energy efficiency projects and demand planning strategies continue to be implemented across the Group. • A Group Energy Manager leads energy management strategies. • Mpact installed a 750kWp solar PV plant at Versapak Paarl and is developing a Group-wide solar PV roll out programme. • Extensive work is being done to find cost effective alternative energy supply concepts such as combined heat and power plants and waste-to-energy solutions.

Material theme: Being a responsible corporate citizen (continued)

Opportunities identified

Amalgamation and expansion of the Recycling Division and Remade to enhance collection of recyclable paper and plastic.

New opportunities for local beneficiation of raw materials, namely black liquor and liquid packaging material.

Greater opportunities to export into SADC countries.

Opportunities for optimisation and expansion with upgraded plant and equipment.

Opportunities to procure green energy technologies.

Acquisition opportunities in converted paper products.

ENVIRONMENTAL RESPONSIBILITY

Environmental sustainability is a core value for the business that derives from the reality that the environment sustains us. We view environmental responsibility as a key aspect of our focus on business excellence.

Our manufacturing operations consume energy, water, pulp, logs, pine chips and plastic polymers as inputs and in the manufacturing process also produce atmospheric emissions including carbon emissions, as well as waste. It is our responsibility to manage the efficient use of scarce inputs, minimise harmful emissions and reduce waste in order to limit our environmental impact. These considerations are important factors in capital decisions to increase production efficiencies.

At the same time, our business model provides a valuable environmental service to the country through the collection of waste paper and plastics that reduce waste to landfill and create jobs.

Compliance

Maintaining compliance with the increasingly complex and onerous South African environmental regulatory framework is both a challenge and a priority for Mpact.

Environmental Management Systems are in place at sites that have, or could potentially have, significant environmental impacts. These systems align with ISO 14001 and regular environmental legal audits are conducted to ensure compliance with the standard. An annual review of environmental management at all sites is conducted by Legal Consulting Services.

The Group Risk and Sustainability Manager sits on the Environmental Committee of the Paper Manufacturers Association of South Africa (PAMSA) and participates in interactions with government and other business associations in commenting on emerging environmental legislation.

Environmental excellence

Annual awards foster healthy competition in environmental performance and recognise environmental excellence at Mpact operations. Operations are recognised with Platinum, Gold, Silver and Bronze awards according to the extent of compliance with a set of internally audited standards aligned to ISO 14001. The Scarab Award is given to the top achiever for Excellence in Environmental Management and is named after the scarab beetle – nature's prime example of recycling.

Springs mill was the winner of the 2017 Scarab Award for Environmental Excellence and three operations achieved Platinum status, namely Springs mill, Corrugated Epping, and Plastics Brits,



Left to right: Howard Emmett GM of Paper Springs, Neo Dongwana (chairperson of the Mpact Foundation Trust), Bruce Strong (Mpact CEO)

Energy

The Group's energy management strategy aims to optimise energy usage and evaluate energy generation technologies. An energy manager analyses energy usage profiles of our manufacturing plants, develops programmes to monitor and report usage, and assists with projects to reduce energy use and generate alternative energy where possible.

Material theme: Being a responsible corporate citizen (continued)

Progress on implementing our energy strategy in 2017 included:

- Establishing energy baselines for manufacturing sites based on 2014 numbers. Monthly savings are evaluated against these baselines for each site.
- Installing online metering at our manufacturing sites to ensure accurate reporting and availability of real-time and routine energy reporting data.
- Installing a 750kW rooftop solar PV facility at our Plastics Versapak Paarl plant. Further solar PV installations are being negotiated for other Mpac sites.
- Rejuvenation of the Energy Centre of Excellence.
- Conceptual development of a combined heat and power gas turbine and waste-to-energy solutions for the paper mills.

The energy management strategy was also translated into a greenhouse gas (GHG) management framework that was presented to government as a GHG Pollution Prevention Plan as required by legislation.

Mpac targets a 15% reduction in energy consumption per tonne of saleable product from its manufacturing operations by 2020, off a baseline year of 2012. In 2017, manufacturing operations consumed 5,005 TJ (2016: 5,328 TJ) at a consumption rate of 6.94 GJ/t (2016: 6.84 GJ/t). This represents a 3% saving per tonne of product since 2012. Group total energy consumption, including energy for non-manufacturing sites, decreased to 5,097 TJ (2016: 5,389 TJ).

Air

Mpac embraces the global drive to reduce GHG (CO₂e) emissions. Our operations rely heavily on coal-based power for on-site steam generation and in the form of electricity purchased from the national grid, which together are the largest contributors to our Scope 1 and 2 carbon emissions.

Our goal is to reduce combined Scope 1 and Scope 2 CO₂e emissions per tonne of manufactured saleable product by 20% by the year 2020, against a 2012 baseline.

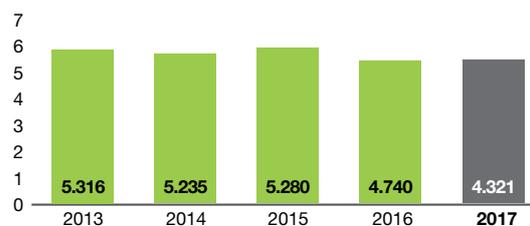
Mpac's 2017 Scope 1 CO₂e emissions amounted to 330,441 tCO₂e (2016: 355,217 tCO₂e) and Scope 2 emissions were 424,888 tCO₂e (2016: 435,565 tCO₂e). Combined carbon emissions were therefore 755,329 tCO₂e in 2017 (2016: 789,782 tCO₂e). Combined carbon emissions per tonne of manufactured product in 2017 totalled 0.987 tCO₂e/t (2016: 1.011 tCO₂e/t) which represents a reduction against the 2012 baseline of 0.9%.

Water

Water use has always been a priority consideration in our operations, as we acknowledge that we operate in a water scarce country. Our paper mills are highly dependent on reliable water supplies. Our ongoing efforts to optimise our water use and wastewater discharge have meant that the current drought has not significantly affected our ability to operate. This is a demonstration of the strategic benefit of being efficient in the use of natural resources.

Total water consumption for 2017 was 4,340 megalitres which represents a 8.4% reduction on the 2016 usage of 4,740 megalitres. Due to the severe drought in the Western Cape our six operations in that province were a particular concern. These sites responded encouragingly to the call and by the fourth quarter of 2017 the combined savings in water per tonne of product was 22% relative to 2016 consumption rates. By December 2017, the Versapak Paarl plant reduced water consumption by 67% and with a regulated water savings target of 45%. Actions being planned across these manufacturing sites aim to reduce water purchased from the municipal supply by 80%, relative to 2015 consumption figures, in 2018.

Water consumption (Mℓ)



Our long-term water savings target is for a 20% saving of water used per manufactured tonne of product by 2020 against the baseline year of 2012. In 2017, the manufacturing operations used 5.68 kilolitres per tonne of product (2016: 5.98 kl/t), a 17.0% saving per tonne against 2012 (2016: 13%). This was achieved through optimisations at many of the Mpac manufacturing sites, but particularly at the three paper mills, Plastics Versapak and Plastics Wadeville Closures.

Wastewater

Wastewater discharge from the Group in 2017 totalled 3,245 megalitres (2016: 3,517 Mℓ). For manufacturing plants, specific wastewater discharge was 4.27kl per tonne of product (2016: 4.95kl per tonne). Efforts to reduce water use have a direct impact on the volumes of wastewater discharged.

Materials

Most of the paper fibre used in Group operations and an increasing percentage of plastic polymers come from recycled material collected by our Recycling division and through recycling practices in the business. Our operations do still use virgin fibre and polymer and certain residual materials are not yet recyclable and must be disposed of as waste.

Raw materials

Virgin raw material required for the paper mills includes:

- Piet Retief Paper mill purchases sawdust, offcuts and logs from local sawmills and plantations.
- Springs mill purchases white virgin pulp from local suppliers for the outer white layers of its folding boxboard products.

- The rebuild project at Felixton mill eliminated the use of bagasse, the fibrous residue of sugar cane and the mill now uses only recycled fibre.

Polymers for the plastics businesses are purchased from local suppliers whenever possible

Recycling

Mpact Recycling recovered 661,979 tonnes (2016: 607,480 tonnes) of recovered paper, plastics and other recyclable materials in 2017. Most of the recovered paper was sold to the three Mpact paper mills for manufacture of containerboard and cartonboard, and to other external customers. The recovered PET bottles were sold to Mpact Polymers for the manufacture of recycled PET (rPET) and to other customers.

The rPET from Mpact Polymers is sold to Mpact Plastics manufacturing operations and other external customers.

Mpact Plastics containers have entered into arrangements with municipalities and retail outlets to recycle old and damaged wheelie bins, crates and baskets. Under these arrangements Mpact Plastic Containers cleans and grinds down the returned items. The ground material is extruded into pellets that is blended with virgin material to mould new products for sale to the same customers.

Waste

Residual materials that cannot be recycled, or are spoiled, are disposed of through registered waste service providers or municipalities, according to their waste categories.

Non-hazardous waste recycled in 2017 totalled 57,821 tonnes (2016: 79,446 tonne). For the manufacturing sites this amounted to 76kg per tonne of product (2016: 100kg per tonne of product). The decrease in recycled material is due to the Felixton mill stopping the use of bagasse (sugar cane fibre) due to the rebuild. Bagasse processing contributed the majority of the mill's recyclable material in prior years as it was given back to cane farmers to use as a soil conditioner.

Total non-hazardous waste disposed by the Group amounted to 36,323 tonnes (2016: 33,787 tonnes) which for the manufacturing operations amounted to 44kg per tonne of product (2016: 37.2kg per tonne product). Volumes of disposable waste continued to increase in 2017 as Recycling increased collections of post-consumer papers that tend to have greater volumes of contaminants than pre-consumer papers. These contaminants are removed during processing and must be disposed of to landfill. Mpact is actively looking for recycling and waste-to-energy alternatives.

Hazardous waste disposed of amounted to 965 tonnes (2016: 1,111 tonnes) or 1.3kg per tonne product (2016: 1.4kg per tonne product). A large proportion of hazardous waste was used oil that was sold to oil recycling companies. Recent legislation requiring sale of fluorescent tubes to recyclers has been complied with.

Most of the Mpact manufacturing sites are active in driving recycling initiatives through careful segregation and sorting of waste materials generated on site to recover as much of the recyclable material as possible.

Waste targets for 2020 have not yet been set as the target will be greatly impacted by the viability of waste-to-energy technologies that are still in the feasibility stage of development.

RECYCLING DEVELOPMENTS

Mpact Recycling has sixteen operating sites across the country: one in the Western Cape, two in KwaZulu-Natal, two in the Northwest Province and eleven in Gauteng. These businesses collect recovered paper and plastics for recycling from pre- and post-consumer sources, diverting recovered material from landfills. They are an essential source of quality raw material into the Group's manufacturing operations and considerably decrease reliance on virgin fibre and plastic.

The benefits of the Group's recycling activities include local beneficiation of raw materials, job creation and small enterprise development. Recycling also supports environmental stewardship by reducing greenhouse gas emissions and preventing landfilling or incineration of this recovered material.

Through several major capital projects, including the acquisition of Mpact Polymers in 2016, the Felixton paper mill upgrade, and the Liquid Packaging Plant at the Mpact Springs mill; approximately 2,000 new job opportunities will be created through the increased collection of waste paper, liquid packaging and PET bottles. As a result, the recovery rates for recovered paper and used PET bottles should also increase.

The R46 million investment in processing equipment at the Springs mill to recycle liquid packaging containers, such as long-life milk and juice cartons, creates the opportunity to divert more cartons from landfill and establishes a new income stream for businesses in the collection of recyclables.

For more information, view Mpact Recycling's regional videos [insert icon and link to regional video on Mpact Recycling website] <http://www.mpactrecycling.co.za/media-office/videos>

Case Study

NORTHERN KWAZULU-NATAL RECYCLING PROJECT

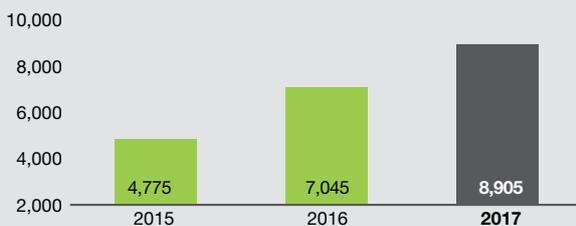
Northern KwaZulu-Natal extends from Richards Bay along the North Coast of KwaZulu-Natal and inland into the rural heart of KwaZulu-Natal as far as Pongola. Customer focus is a key aspect of Mpact Recycling Richards Bay's success to date. Each individual, co-operative, SMME, industry, school and buy-back centre is treated not only as a potential supplier to Mpact Recycling, but as a stepping stone for further involvement in their communities.

The Mpact Recycling community initiative aims to create awareness among individuals in rural communities and facilitate the creation of recycling enterprises in these communities.

Once the investigation of the potential of the area was completed it was evident that these communities could contribute to increasing the collection of recyclable materials at Mpact Recycling's Richards Bay branch. In 2014, we focussed on developing a round-trip collection method for materials from numerous communities in the area. Once the basic systems were in place, the strategy shifted towards visiting the municipalities to determine their commitment, involvement and support for recycling initiatives.

The project has seen good growth since 2014, doubling the number of suppliers it services in just over four years to 118 and bringing in an average of 742 tonnes per month (2015: 398 tonnes per month).

Northern KwaZulu-Natal Recycling Project tonnage



We are proud to say that what began as a project has turned into a full scale recycling programme benefiting the communities of Northern KwaZulu-Natal. Two such examples are the Uthungulu Landfill site and Uthando Solutions:

Uthungulu Landfill site

Uthungulu District Landfill Site (based in Empangeni) receives waste from various districts in the Northern KwaZulu-Natal region. Mpact Recycling identified the potential to collect large quantities of recyclables from a handful of informal waste collectors on-site, who wanted to sell to someone who would collect and pay them on a regular basis.

After consultation with the landfill site manager, Mpact was able to arrange a formal meeting with the waste collectors to offer mentorship, training and assistance. The landfill project has grown since it began in 2015, with over 40 waste collectors on-site now supplying Mpact Recycling with various grades of recyclable material. Their initial volumes of 15 tonnes per month have now reached an average of 100 tonnes per month and continue to improve. This was achieved through training (two workshops were arranged by uMhlatuze Municipality in partnership with Mpact Recycling), the supply of large recycling bags and regular collections of recyclables from these suppliers. Frequent visits and maintaining a hands-on relationship with each waste collector also played a vital part in their success and their long-term sustainability.

Uthando Solutions (Buy-Back Centre)

Nokobongo, a married mother of three children, was looking for a way to earn additional income on a consistent basis. Mpact Recycling encouraged her to become a regular supplier of recyclable material and to start her very own buy-back centre in Ngwelezane. The local municipality has supported Uthando Solutions by granting Nokobongo land at the Uthungulu landfill site from which to operate her buy-back centre. This has helped her business immensely and she has built up a regular client base and various collection points of her own.

Mpact Recycling Richards Bay collects from Uthungulu Landfill site twice weekly, loading an average of approximately 180 large recycling bags onto three eight-tonne trucks.

