

# 1 OVERVIEW OF MPACT

Corporate profile	6
Mpact's business model	8
Building a sustainable, strategic business through innovation	10
Vision and values	10
Strategy and objectives	11
Material risks affecting our strategy	12
Opportunities	16
How do we measure Mpact's strategic objectives?	16
Investment proposition	17
Product innovation	18
Message from the Chairman	20



# CORPORATE PROFILE

## INTRODUCTION

Mpact is one of the leading paper and plastics businesses in southern Africa, listed on the JSE's Main Board in the Industrial – Paper and Packaging sector.

The Group has leading market positions in southern Africa in recovered paper and plastic collections, corrugated packaging, recycled-based cartonboard and containerboard, polyethylene terephthalate (PET) preforms, recycled-based PET (rPET), styrene trays and plastic jumbo bins.

Mpact's Paper division manufactures recycled-based packaging and industrial paper grades such as containerboard and cartonboard while the corrugated division makes and sells a comprehensive range of printed and unprinted converted corrugated products, including board, which is used to manufacture corrugated packaging, corrugated boxes, die-cut cases, folded glued cases, trays and point-of-sale displays.

The Plastics converting business manufactures rigid plastic packaging for the food, beverage, personal care, home care, pharmaceutical, agricultural and retail markets. The Mpact Polymer's business, which is part of the Plastics business, is a bottle-to-bottle rPET manufacturing operation.

Sustainable development is inherent in Mpact. The Group's sustainability in terms of its impact on the environment and the communities in which it operates are priority considerations in conducting business and making investments.

Mpact is South Africa's largest recycler of recovered paper for recycling, collecting over 623,000 tonnes (2015: 527,000) of paper fibre and plastic for the year ended 2016.

Mpact employed 4,998 people (2015: 4,467 people) across its 42 (2015: 33) operations in South Africa, Botswana, Namibia and Mozambique.

For more detail on Mpact's business model and operations, refer to page 8 and 9 as well as 30 to 35, respectively, of this Integrated Report.

Mpact's B-BBEE status is a Level 3 B-BBEE Contributor, as determined by Siyandisa Verification Solutions. Mpact remains steadfast to improving its B-BBEE status to maintain a competitive rating that is in line with Government regulations and requirements.

## CENTRES OF EXCELLENCE

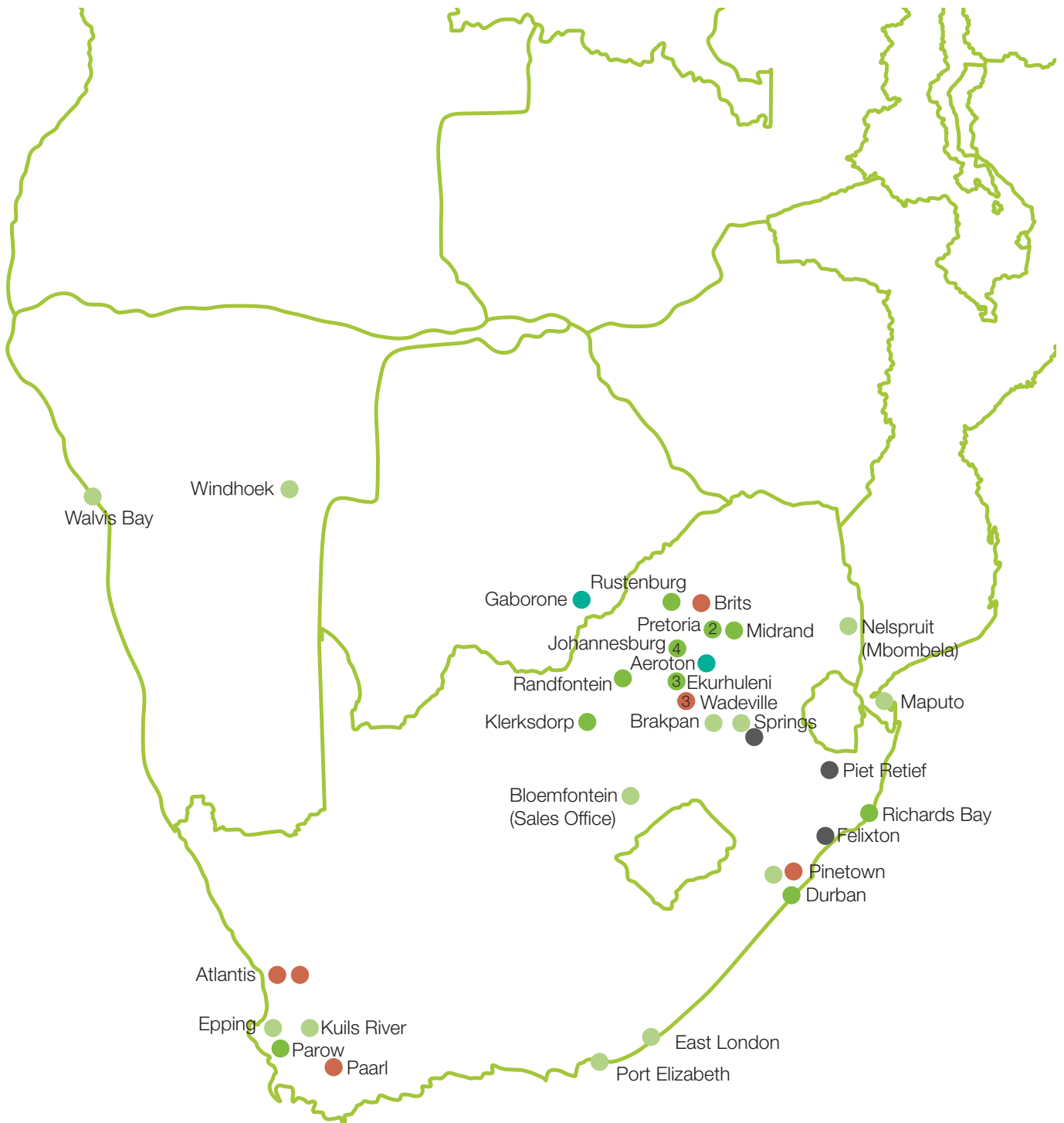
The Group has Centres of Excellence for human resources, safety and health and environmental functions, and enjoys the benefits of shared services for finance, human resources administration and information communication and technology (ICT).

R&D activity covers innovation centres for structural and graphic design, value-added services and a plastics design studio where new designs are created and prototype forms for the development of new plastic containers are made. The Stellenbosch-based R&D centre provides production and technical support for sales teams and collaborates with customers on paper and plastic product developments.

The decentralised customer-focused operating structure focuses on providing innovative solutions to customers. This structure includes operations managers who are responsible for customer relationship management as well as financial performance.

The Group maintains close customer relationships, adapting quickly to customer needs, and develops products tailored to specific requirements. Mpact's national footprint, and therefore proximity to its customers, contributes to faster response times and reduced transport costs.

GEOGRAPHIC FOOTPRINT






OPERATING SITES

- RECYCLING OPERATING SITES
- CORRUGATED OPERATING SITES
- MANUFACTURING PAPER MILLS
- PLASTICS OPERATING SITES
- CONVERTED PAPER PRODUCTS OPERATING SITES

<b>42</b>	<b>4,998</b>
OPERATING SITES	EMPLOYEES
	

# MPACT'S BUSINESS MODEL

Mpact's business model is well integrated across its Paper and Plastics operations.

INPUTS			2016	2015
<b>FINANCIAL CAPITAL</b>				
	Total equity	Rbn	4.0	3.7
	Net debt	Rbn	2.0	1.6
<b>OUR NATURAL ENVIRONMENT</b>				
	Raw material	tonnes	1,204,940	1,106,792
	Energy consumption	Gj/tonne	6.84	7.16
	Water consumption	Kl/tonne	5.98	6.44
<b>OUR PEOPLE</b>				
	Employees	number	4,998	4,467
	Man-hours spent on training	hrs	88,838	67,412
	Learners and apprentices	number	279	206
	PDI learners and apprentices*	%	89	91

*\*% of the combined total of learners and apprentices*



## RECYCLING (including collections, sorting and baling)

Mpact Recycling is South Africa's largest collector of recovered paper and plastic. As at 31 December 2016, Mpact Recycling had recovered 600,000 tonnes of paper and plastic recyclables from pre- and post-consumer sources, diverting this recovered fibre from landfills.

Refer to pages 30 to 35 for a comprehensive overview of the Paper and Plastics business.

## RAW MATERIAL

### Paper Mills:

#### Externally sourced

- Bagasse
- Bought-in pulp
- Eucalyptus logs
- Pine chips

#### Internally sourced

- Recycled paper

### Paper Converting:

- Containerboard and cartonboard from Mpact mills
- Bought-in containerboard and other paper

### Plastics Converting and Polymers:

- Plastic polymers
- Recycled PET pellets and flakes
- Post-consumer PET plastic waste

# CIRCULAR ECONOMY



**Colour legend**

- Internal activities
- External activities

## OUTPUTS AND OUTCOMES

		2016	2015
<b>EMPLOYMENT OF CAPITAL</b>			
Revenue	R'bn	10.1	9.5
Underlying EPS	cps	252.7	366.9
Total dividend	cps	95.0	110.0
ROCE	%	14.2	18.9
<b>MANUFACTURING</b>			
Paper business – Saleable production of corrugated packaging	million m <sup>2</sup>	434	437
Plastics business converted			
– Plastics	tonnes	105,117	99,366
– Preforms, PET bottles and jars	tonnes	1.4 bn	1.4 bn
<b>OUR NATURAL ENVIRONMENT</b>			
Energy saving per tonne of product since 2012	%	7.0	2.6
Water saving per tonne of product since 2012	%	13.0	6.0
CO <sub>2</sub> e reduction per tonne of product since 2012	%	4.6	4.8
<b>OUR PEOPLE</b>			
Safety: LTI	cases	22	13
Safety: RWC	cases	12	22
Safety: LTIFR	cases	0.33	0.22
Wellness: VCT rate	%	41	56
Wellness: Annual medicals rate	%	88	94
Staff costs	R'bn	1.6	1.5
<b>OUR COMMUNITIES</b>			
Mpact Bursary Scheme (bursaries awarded)	number	15	0
Employee study assistance	R'm	1.5	1.4
Employees trained	number	3,884	3,364
Corporate Social Investment	R'm	5.5	6.3
Black ownership	%	16.7	16.7
Black women ownership	%	10.0	16.7

### MANUFACTURING

Mpact is the leading manufacturer of:

**Paper products:**

- Containerboard and cartonboard
- Corrugated products
- Other converted paper products

**Plastics products:**

- PET preforms, bottles, jars and closures
- Jumbo bins, pallets, wheelie bins and crates
- Bottles, jars and tubs with in mould labelling
- Styrene and PET trays, fast food containers and clear plastic films
- rPET pellets

### DISTRIBUTION

Mpact places emphasis on a customer-focused operating structure to adapt quickly to customer needs. As such, the Group's national footprint and proximity to its customers, contributes to the tightly managed distribution network, resulting in faster response times and reduced transport costs.

### CONSUMPTION

**Paper products:**

- Packaging converters (containerboard and cartonboard)
- Agricultural producers
- FMCG companies
- Quick service restaurants
- Other consumer and industrial packaging companies

**Plastics products:**

- FMCG companies (carbonated soft drinks, personal care, pharmaceuticals, food producers)
- Quick service restaurants
- Agricultural producers
- Retail chains
- Municipalities

# BUILDING A SUSTAINABLE, STRATEGIC BUSINESS THROUGH INNOVATION

## 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.

## 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.

## VALUES

At Mpact we are differentiated by our people who are:

### RESOLUTE

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

### TRUSTWORTHY

- Honouring commitments
- Transparent

### 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 deliver good sustainable returns to our shareholders



# STRATEGY AND OBJECTIVES

The Group's strategy and objectives according to the three strategic pillars:

 <p><b>Leading market positions</b></p>	 <p><b>Customer-focused operating structure</b></p>	 <p><b>Focus on performance</b></p>
<p><b>Scale</b></p> <ul style="list-style-type: none"> <li>Maintain leading market positions in chosen geographies with scale to enable competitiveness at a decentralised level</li> <li>May consider entry below leading market position but, always considering sectors where there is potential to lead in future</li> </ul> <p><b>Capability</b></p> <ul style="list-style-type: none"> <li>Invest in sectors where Mpact has sustainable competitive advantages or at least has the prospect of developing them</li> </ul> <p><b>Products and geographies</b></p> <ul style="list-style-type: none"> <li>Rigid plastics and paper-based packaging in sub-Saharan Africa</li> </ul>	<p><b>Decentralised structure</b></p> <ul style="list-style-type: none"> <li>Customer-centric</li> <li>Responsive</li> <li>Accountable</li> <li>Flexible</li> <li>Leverage parenting advantage wherever possible</li> <li>Effectively execute differing strategies or even hybrids across business units</li> </ul> <p><b>Innovation and capability</b></p> <ul style="list-style-type: none"> <li>Applied to products and processes – internal and external</li> <li>Use of own R&amp;D capabilities where feasible</li> <li>Investing to meet new and emerging demands of customers with good returns</li> </ul> <p><b>Intimate understanding of the Value Chain</b></p> <ul style="list-style-type: none"> <li>Engage customers and other stakeholders to improve supply chain efficiency and anticipate changing requirements</li> <li>Product specification bodies, marketing and branding people, key distribution networks</li> <li>Make partnerships work</li> </ul>	<p><b>Financial returns</b></p> <ul style="list-style-type: none"> <li>ROCE and profitable growth</li> <li>Disciplined capital allocation and spending</li> <li>Reinvestment and capital allocation based on track record</li> <li>Stringent and continuous cost management</li> <li>Long-term view of investments</li> <li>Effective risk management and governance</li> </ul> <p><b>Skilled and motivated people</b></p> <ul style="list-style-type: none"> <li>Invest behind management with track record</li> <li>Reward performance and results and appreciate effort</li> <li>Commit resources to proactive training and development of staff</li> <li>Safety</li> </ul> <p><b>Sustainable practices</b></p> <ul style="list-style-type: none"> <li>Environment</li> <li>Social</li> <li>Governance</li> </ul>

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


# MATERIAL RISKS AFFECTING OUR STRATEGY

## RISK MANAGEMENT

Mpact has a formal process to identify and manage material risks within the business, which could potentially hamper the achievement of Mpact’s strategic objectives. It is a structured, systematic process integrated into existing management responsibilities.

Mpact has a systematic approach to risk which evaluates each risk against risk appetite and tolerance levels approved by the Board. Assessing the level of risk is an inherent part of Mpact’s decision-making process and in line with the Group’s approach to improving upon and managing a sustainable business.

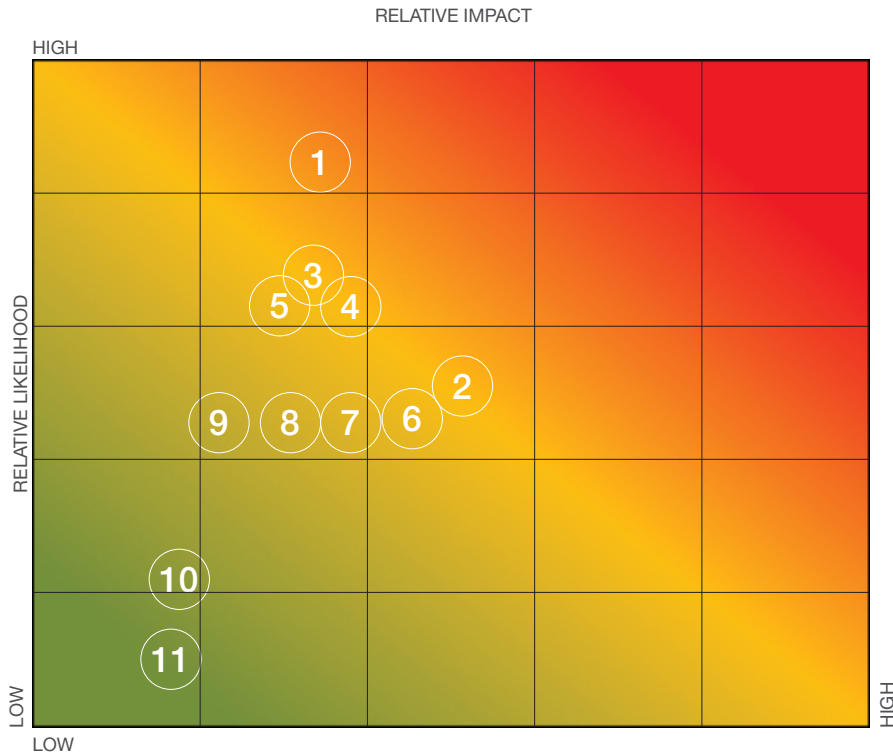
Through the Risk Management Committee, management regularly enhances the Group’s risk identification, evaluation, monitoring and control processes. Risk management, aligned with Mpact’s strategy, is integral to the Group’s objective of consistently adding value to the business.

Mpact’s Risk and Sustainability Manager, Neil Hunt, has overall responsibility for overseeing the risk management process. The risk assessment process follows a “bottom-up” approach, with the input by each operation assessed by the Risk Management Committee, and then in turn by the Audit and Risk Committee. The full Risk Management Review for the year ended 31 December 2016 is set out in detail on the Group’s website. 



## MATERIAL RESIDUAL RISKS

The material risks identified correlate with the Group’s materiality determination and stakeholder engagement processes. The material principal risks identified and attended to by Mpact are set out in the table below. These risks were approved by the Board on 1 March 2017.

## RESIDUAL RISK HEAT MAP








2016 Residual risk ranking	2015 Residual risk ranking	Underlying risk and its potential impact	Mitigation actions taken to limit impacts
1		<p><b>1. Trading environment</b></p> <p>Mpact operates in an uncertain and highly competitive trading environment where subdued economic growth, excess capacity in the market, new entrants and changing ownership within the sector, imports, product substitution, and changes to customer supply agreements could lead to reduced sales and profits for both the Paper and Plastics businesses.</p>	<ul style="list-style-type: none"> <li>• Maintaining our leading market position.</li> <li>• Innovation through research, product design, product diversification and market development.</li> <li>• Long-term supply agreements with key customers.</li> <li>• Commitment to active customer service and communication.</li> <li>• Proactive management of costs.</li> <li>• Continued focus on quality with manufacturing sites certificated to the ISO 9001 standard.</li> <li>• Leveraging the integration in the Paper business.</li> <li>• Continuous improvement of and investment in equipment, processes and operational method at all manufacturing sites. Current investment in the Felixton mill and Mpact Polymers rPET plant highlight this commitment.</li> <li>• Close monitoring of market conditions, nationally and internationally.</li> </ul>
2		<p><b>2. Legislation</b></p> <p>More stringent and changing 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"> <li>• National Environmental Management Act and the affiliated Water and Waste Acts</li> <li>• Waste levies</li> <li>• Carbon tax, Carbon Budgets, and Pollution Prevention Plan Regulations</li> <li>• Carbon tax, Carbon Budgets, and Pollution Prevention Plan Regulations</li> <li>• Competition regulations</li> <li>• B-BBEE and EE regulations</li> <li>• Tax regulations</li> <li>• Labour Act and regulations</li> <li>• OHS Act</li> <li>• Sugar Tax</li> </ul>	<ul style="list-style-type: none"> <li>• Mpact addresses these concerns by retaining experts in relevant disciplines such as law and tax who assist in maintaining vigilance and compliance.</li> <li>• In addition to existing safety and environmental legal registers, a management booklet on laws pertinent to the Group has been compiled.</li> <li>• A rigorous schedule of internal and external audits and statutory inspections across all disciplines monitors compliance.</li> <li>• The Group also contributes to the development of legislation by engaging with Government via industry bodies.</li> <li>• Mpact continues to actively engage with Government on emerging environmental legislation such as carbon tax and packaging waste levies, water pricing strategy and waste regulations which are currently being considered.</li> <li>• The Group is also actively working on initiatives to reduce the potential costs of environmental legislation through improved energy and water efficiency as well as through expanding its recycling programmes.</li> <li>• Mpact launched the Mpact Foundation Trust.</li> <li>• Management is co-engaging with the Competition Commission pertaining to the investigation initiated in 2016 that implicated Mpact.</li> </ul>

Residual risk barometer

-  UNSATISFACTORY
-  WEAK
-  SATISFACTORY
-  GOOD
-  VERY GOOD

-  RISK RATING DECREASES
-  RISK RATING UNCHANGED
-  RISK RATING INCREASES






# MATERIAL RISKS AFFECTING OUR STRATEGY CONTINUED

2016 Residual risk ranking	2015 Residual risk ranking	Underlying risk and its potential impact	Mitigation actions taken to limit impacts
3		<p><b>3. Water supply</b></p> <ul style="list-style-type: none"> <li>Unreliable supply and deteriorating quality of water could lead to a loss of production and disease outbreak among workers.</li> <li>The severe drought conditions that started in 2015 and prevailed in 2016 could lead to disruption of some Mpac operations due to lower quantities and quality of water.</li> </ul>	<ul style="list-style-type: none"> <li>Reduction in water consumption is a key performance indicator and investment driver, particularly in the paper mills and at Mpac Polymers.</li> <li>All operations keep abreast of water supply and quality issues in their areas.</li> <li>Felixton mill was subject to water restrictions in 2016 but managed to meet these without loss of production.</li> <li>The drought in the Western Cape is a concern and the effects are being monitored.</li> </ul>
4		<p><b>4. Workforce</b></p> <p>Labour-related matters such as strikes, unrest, loss of key skills and cost increases above inflation, could lead to loss of productivity and the ability to produce quality products competitively.</p>	<ul style="list-style-type: none"> <li>The business upholds fair labour practices, which go beyond minimum requirements.</li> <li>Regular interactions through formal and informal channels to resolve labour matters.</li> <li>Key skills are identified and training provided to carefully selected candidates ensuring a sustainable supply of skilled personnel.</li> <li>Bursaries and other study opportunities are offered to employees and school leavers.</li> <li>The Group has retention mechanisms to retain scarce skills and succession planning processes are in place.</li> <li>Commitment to the welfare of employees is demonstrated by adherence to health and safety standards that are a priority at all levels across the Group.</li> <li>The three-year cycle for wage negotiations in the Plastics business is due for renewal in 2017.</li> </ul>
5		<p><b>5. Raw materials</b></p> <ul style="list-style-type: none"> <li>Prolonged shortages of key raw materials, such as virgin and recovered fibre, containerboard and polymers could lead to loss of production, changes to product offerings and/or higher costs.</li> <li>Of particular concern is the supply constraints for recovered paper.</li> </ul>	<ul style="list-style-type: none"> <li>Long-term supply agreements; multiple suppliers; utilisation of alternative raw materials and collection of recyclables from a variety of sources are all strategies used where possible by Mpac.</li> <li>Ongoing investment in Mpac Polymers rPET will contribute to increased material supply security.</li> <li>Mpac participates in active industry-wide lobbying to influence Government legislation to enable the recycling industry.</li> <li>Working with local Government to secure access to recyclable paper and plastic.</li> <li>The purchase of Remade in 2016 has greatly increased Mpac's access to recyclables.</li> <li>Retain market position as leading paper recycler in South Africa and preferred buyer of recovered paper.</li> </ul>
6		<p><b>6. Electricity supply</b></p> <ul style="list-style-type: none"> <li>Unreliable supply and higher costs of energy could lead to a loss of production and increased costs.</li> <li>The situation improved in 2016 with no Eskom load shedding although some operations did suffer some power outages due to failure of distribution infrastructure.</li> </ul>	<ul style="list-style-type: none"> <li>Energy efficiency projects and demand planning strategies have been implemented where feasible across the Group.</li> <li>An Energy Manager has been appointed to lead energy management strategies across the Group.</li> <li>Ongoing communication with Eskom and municipalities.</li> </ul>

## Residual risk barometer

- UNSATISFACTORY
- WEAK
- SATISFACTORY
- GOOD
- VERY GOOD

- RISK PROBABILITY DECREASES
- RISK PROBABILITY REMAINS THE SAME
- RISK PROBABILITY INCREASES

2016 Residual risk ranking	2015 Residual risk ranking	Underlying risk and its potential impact	Mitigation actions taken to limit impacts
7		<p><b>7. System failures and risks</b></p> <p>Catastrophic systems failure, fires, floods, bad debts, ICT system failure and breaches of ICT security or plant perimeter security could lead to prolonged production and distribution interruptions, as well as increased costs of working and capital replacement costs.</p>	<ul style="list-style-type: none"> <li>The Mpac Risk Control Standards apply to all operations and provide guidelines on issues such as fire protection, security, emergency preparedness and environmental management. Operations are audited against these standards.</li> <li>ICT security has become a major focus and Mpac adopts the best appropriate security standards.</li> <li>Rigorous ICT system backup programs are maintained.</li> <li>Business continuity plans, aimed at minimising disruptions in the event of disasters, are in place at various levels across the Group.</li> <li>Debtors and bad debt provisions are managed and reviewed proactively.</li> </ul>
8		<p><b>8. Plastics: Capital projects</b></p> <p>Mpac Polymers rPET plant equipment.</p>	<ul style="list-style-type: none"> <li>Mpac Polymers has been constrained by equipment bottlenecks such as grinders, which are in the process of being replaced.</li> <li>Improvement in yields are being realised through better sourcing of PET bottles and plant optimisation.</li> </ul>
9		<p><b>9. Safety in the workplace</b></p> <p>Injuries from workplace accidents could lead to suffering of employees and contractors, loss of skills, reduced production, lower morale and to reputational damage.</p>	<ul style="list-style-type: none"> <li>Senior Management at Mpac demonstrate a primary focus on safety through the CEO's Safety Philosophy and SHE Policy.</li> <li>Operational management reinforce this by ensuring standards and procedures are in place.</li> <li>The Group drives safety through various interventions and systems including: <ul style="list-style-type: none"> <li>Fire and Safety Rules to live by;</li> <li>Annual Safety Plan;</li> <li>Hazard identification and Risk Assessment, and Safe Work Practices;</li> <li>A system of Behaviour Based Safety observations and interventions to remove identified barriers to safe behaviour.</li> <li>An innovative safety-culture training programme using internally developed cartoons.</li> <li>Induction and annual re-induction training.</li> </ul> </li> <li>Despite the level of safety focus in the business, our safety performance in 2016 was not satisfactory and the Group is considering new initiatives to increase safety awareness and compliance with safety standards.</li> </ul>
10		<p><b>10. Paper: Capital projects</b></p> <p>Felixton mill Phase 2 upgrade.</p>	<ul style="list-style-type: none"> <li>The Felixton mill upgrade project is progressing well with the final installation planned for June and July 2017.</li> <li>A capable project team is managing the project and there are no known barriers to a successful start-up in July 2017.</li> </ul>
11		<p><b>11. Critical plant equipment</b></p> <p>Major failure/breakdown of critical equipment could cause prolonged loss of production and increased costs.</p>	<ul style="list-style-type: none"> <li>Operations have formal planned maintenance programmes, which include regular equipment inspections, condition monitoring, statutory inspections and proactive maintenance programmes.</li> <li>Capital is allocated annually to proactively replace or upgrade plant and equipment.</li> <li>The Group also has machinery breakdown insurance cover on critical items of plant.</li> </ul>

# OPPORTUNITIES

Group opportunities identified are set out in detail in the Chief Executive Officer’s Report and the Operational Reviews of the Paper and Plastics businesses. Opportunities and initiatives include:

## BENEFICIATION PROJECTS

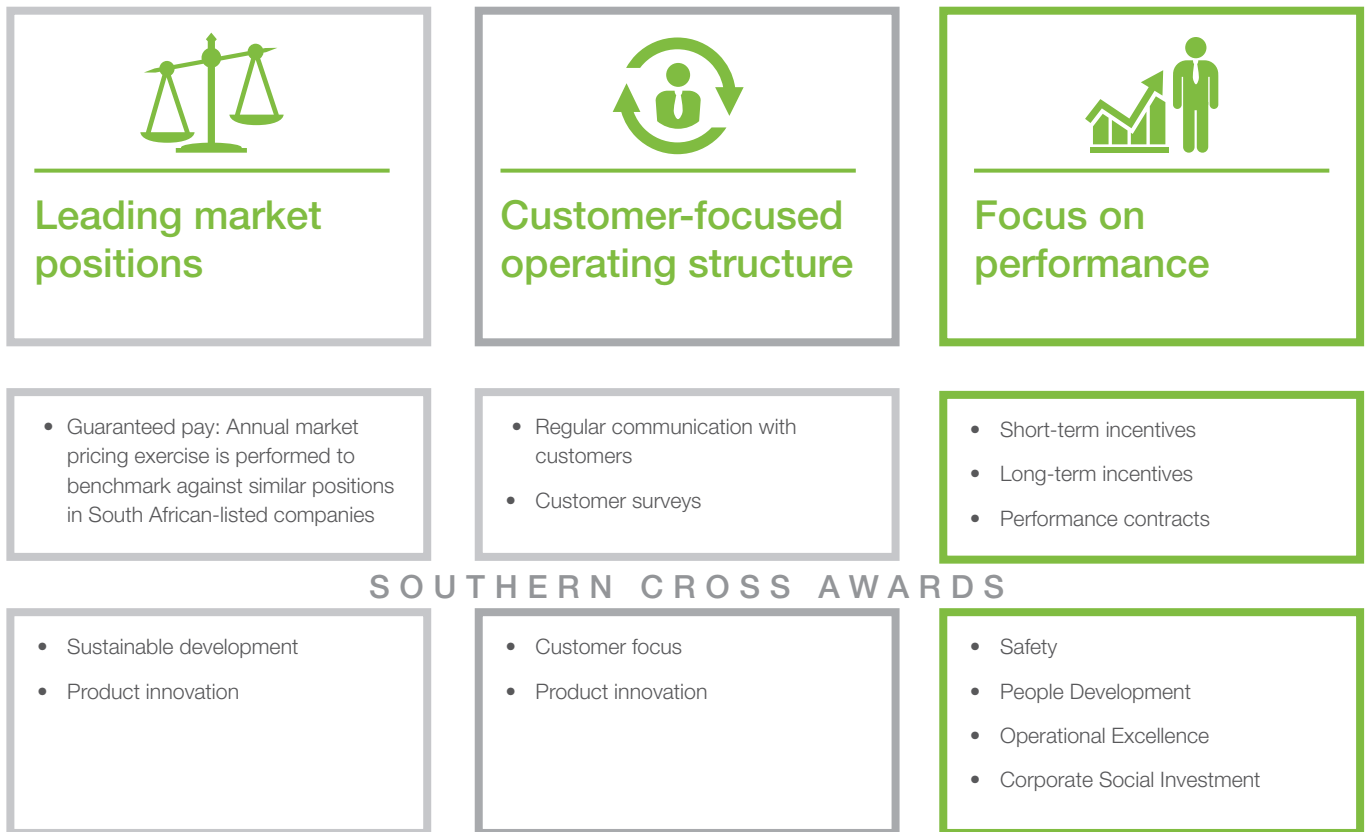
- Black liquor (Dalisu)
- Liquid packaging
- Bins and crates
- PET

## ENVIRONMENTAL STEWARDSHIP

- Rehabilitation of dams (Piet Retief mill)
- Water saving initiatives
- Reducing carbon footprint
- Sustainability targets align with customers’ sustainability targets

# HOW DO WE MEASURE MPACT’S STRATEGIC OBJECTIVES?

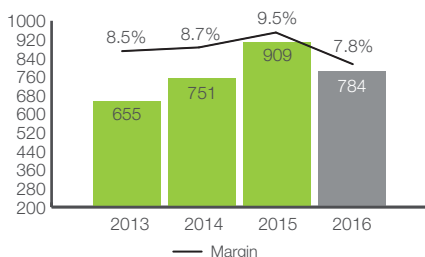
Mpact rewards its executives and managers in a way that reflects the dynamics of the market and the context in which it operates.



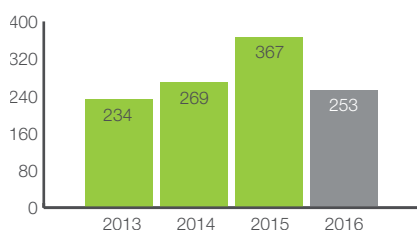
The remuneration policy of the Company is detailed on pages 45 to 47.

# INVESTMENT PROPOSITION

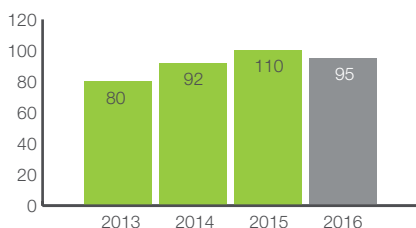
## Underlying operating profit (R'million)



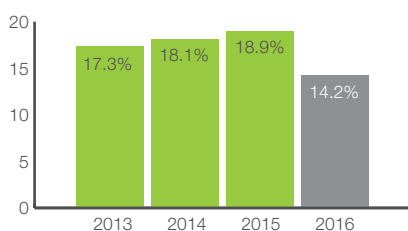
## Underlying EPS (cents)



## Dividend (cents per share)



## ROCE (cents)



Leading paper and plastics packaging manufacturer in southern Africa with an integrated paper and PET packaging value chain



Strong financial position to exploit growth opportunities



Proven track record of profitable growth with an experienced management team



Customer-focused operating structure, with the ability to identify and implement organic growth projects and acquisitions



# PRODUCT INNOVATION

## STEAMING TOWER OF PIZZA IS A HIT

The Yum Group in partnership with Mpact, developed Pizza Hut's Triple Treat box when the chain decided to roll out a triple pack to the South African market, following success with a similar concept in Australia and the US.

Rather than copy a quite basic design launched into that market, Mpact decided to go its own route, producing a home-grown innovation that's more sophisticated and sports pioneering features unmatched by its international counterparts.

The box holds two 23cm savoury pizzas of the consumer's choice, with a smaller chocolate dessert pizza in the bottom tray, along with savoury snacks such as cheese twists and French fries. Wouter Heunis, technical representative of Mpact Operations, explains that the trays are angled and tapered to eliminate the need for a "ledge" that a conventional 90° angled tray would require to prevent the structures from slipping into one another. "For stackability, the tray is marginally smaller at the top than at the base," he says. "This design is also more cost-effective and easier to load than a tray with a ledge that restricts top access." Flaps on the front of each tray serve two purposes, he continues. "They retain the heat, which ensures pizzas reach the consumer's home piping hot, just the way freshly-prepared pizza should be."

Secondly, they prevent contamination during transit. "The bottom tray has a divider that separates the dessert pizza from the snacks and protects the contents in the unlikely event that the tray come into contact with the one above. Once loaded, a locking device clicks into place top and bottom, so the three trays cannot slide out. A finger hole at the rear of the carton allows the consumer to push out the top tray; and allows excess steam to escape, improving carton performance and food presentation.

The E-flute pack is thin yet robust. "The fluting is vertical rather than horizontal, which provides added stacking strength," says Wouter. "The material used is food safe to prevent migration of flavour from the board to the product. Non-volatile water-based inks are used in the two-colour flexographic printing."

Simple yet striking aesthetics. The agency did a good job on the design, comments Mpact graphic designer Marlaine Peenz. "Aesthetically, it's simple yet striking, even though only two colours are used," she says. "Often, artwork from agencies is a challenge, as they're unaware of the limitations of flexographic printing on corrugated cardboard, and our experienced DTP operators have to suggest workable solutions. It's ground-breaking, trendsetting and the subject of much consumer clamour. There's certainly nothing leaning about Pizza Hut's three-storey pizza tower: just a sturdy structure that takes pizza from oven to plate in a robust corrugated pack."

Source: [www.packagingmag.co.za](http://www.packagingmag.co.za) May 2016





## MESSAGE FROM THE CHAIRMAN

# RESPONSIBLE

REMADE ACQUISITION FORMS PART OF MPACT'S LONG-TERM STRATEGY OF SOURCING RECOVERED PAPER AND PET BOTTLES TO SUPPLY INCREASED DEMAND.

TONY PHILLIPS



The past year has been an eventful one for Mpact, from officially opening its state-of-the-art Mpact Polymers rPET plant on 10 May 2016, to facing some of its most challenging market and trading conditions since listing in 2011. The focus of the Board has been to ensure that the Group's strategy was robust enough to address the various risks and issues identified by management. The differentiating factor that mitigated some of the risks and issues was, and continues to be, Mpact's focus on innovation.

**One of the highlights** this year was obtaining The Coca-Cola Company approvals for the Mpact Polymers rPET plant, following stringent technology and extensive facility audits. Although this process was not without its challenges, Mpact has made commendable progress with producing its Savuka™ PET, the first bottle-to-bottle Coca-Cola approved rPET in South Africa, with strong support from Government, the Industrial Development Corporation (IDC), Amalgamated Beverage Industries (ABI), now Coca-Cola Bottling Company of Southern Africa, The Coca-Cola Company and SABMiller (part of AB InBev).

Another highlight was **the acquisition of Remade**, a waste management company (refer to page 30). The business has been integrated in our existing business and its contribution has been very successful, given the shortage of waste paper experienced during 2016.

The year will be remembered for its political and economic surprises. It started with both local and international fund managers selling off investments following the successive changes in Treasury in December 2015, the surprising vote in the United Kingdom for Brexit in June 2016, our local Municipal Election on 3 August 2016, the student protest actions against tertiary education that paralysed most universities across the country and the election of Donald Trump as US President on 8 November 2016. The volatility of the Rand against the major currencies attests to the impact these events had. South Africa's neighbouring countries have not fared much better and as a result of the woes, in





particular, faced by Zimbabwe, Mpact regrettably decided to close down its operations in that country (see the Chief Executive Officer's Report).

**Mpact's performance** reflects both the macro-economic state of affairs and influences as well as the impact of the significant change in market dynamics during 2016 in the local paper sector. Various capital investments in both our Paper and Plastics businesses have been made to support our business strategy of improving our cost-competitiveness and expanding output capacity whilst complying with environmental legislation. The Remade acquisition aligns with this strategy and complements Mpact's existing recycling business.

A reliable supply of electricity and water is important for Mpact's manufacturing operations. In the year under review, South Africa experienced one of its most severe droughts in 60 years, and despite good rain across most parts of the country recently, dam water levels in some parts remain critically low. Associated **water** restrictions in several parts of the country have affected manufacturing operations. Mpact continued with its interventions in reducing water consumption through process optimisation, water treatment and recycling water. Additionally, the reduction of water consumption remained a key consideration when considering new investments such as plant upgrades.

**Electricity** supply to most of our operations was uninterrupted except at Mpact Polymers and Mpact Plastic Containers in Brits.

The ongoing success of Mpact is dependent on the **skills, health, safety and development** of its workforce. Mpact's competency framework, aligned with the Group's overall strategy, provides clarity and guides the recruitment process, performance management, and development of our employees. The identification, acknowledgement, and associated investment in talented employees further enhance our **succession planning and leadership development**. The succession of Ralph von Veh by Johan Stumpf as Managing Director of Paper's Corrugated business was successfully implemented at the beginning

of 2016. In collaboration with the Gordon Institute of Business Science (GIBS) and Henley Business School, 30 leaders participated in and benefited from Mpact's customised leadership development programmes during the year. The participation in **skills development programmes** and assistance to the employees wishing to improve their job-related skills and further their formal education, are strongly encouraged by Mpact.

Our safety performance was disappointing. This matter is set out in more detail in the Chief Executive Officer's Report and the Sustainability Review on the Group's website as Mpact is making changes to the way in which the Group measures and manages its safety performance.

Mpact remains committed to maintaining high standards of **corporate governance** and demonstrating honest and responsible conduct. This is encapsulated in the Group's Code of Ethics and managed through the risk management process and other internal control processes. Our principles and policies are set out in more detail in the Corporate Governance Report on page 40. Mpact's Code of Ethics can be viewed on Mpact's website.

On 26 May 2016, the Competition Commission notified the Company that it was investigating alleged contraventions of the Competition Act by Mpact. Mpact continues to engage with the Competition Commission on this matter.

Mpact is conscious of its impact on the **environment** and as the leading recycler of paper and plastic in South Africa, has projects to raise awareness of the benefits of recycling. Mpact also continues to invest in the communities in which it operates by supporting sustainable initiatives. During the financial year, we invested R5.5 million (2015: R6.3 million) on **CSI** initiatives. Details are in the Sustainability Review available on the website.

**The Mpact Foundation Trust**, established in 2015, benefits previously disadvantaged stakeholders and supports existing B-BBEE initiatives not only in our business, but also in the communities we operate in. (Refer to The Mpact Foundation Trust Chairperson's Report on page 63.)

We would like to welcome Ms. Maya Makanjee who was appointed to the Board on 5 September 2016. She is an independent non-executive director and a member of Mpact's Social and Ethics Committee and the Remuneration and Nomination Committee. We support **gender diversity** and as at 31 December 2016, the Board composition of females exceeded our target of 35%.

The **outlook for 2017** is uncertain, however, the Board and I are confident that Mpact's strategy addresses material risks and is geared towards creating innovative and sustainable growth over the long-term.

On behalf of the Board I would like to extend our **thanks** to Bruce Strong and his team for their diligence and hard work, during what has been a challenging year. An experienced and motivated management team ensures that the business remains a leader in its industries. Thank you to my fellow Board members for your continued support as well as time, energy and wise counsel.

**Tony Phillips**  
Chairman

1 March 2017

