

SUSTAINABILITY REPORT

for the year ended 31 December

2016



SUSTAINABILITY REVIEW 2016

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

- Sustainability Review
- Mpact King III register
- GRI 4 – Content: “In accordance”
- Annual Financial Statements
- Risk Management Review

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

CORPORATE PROFILE

Mpact is one of the leading paper and plastics packaging 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, 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 to 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 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 30 to 35 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.

ABOUT OUR SUSTAINABILITY REVIEW

This Sustainability Review reports on Mpact's activities in addressing material sustainability issues as determined by the Group Executive Management and Board of Mpact for the year ended 31 December 2016, as well as the sustainability performance thereof. The Group upholds the principles of sustainability, corporate governance and social responsibility. This document aims to provide a balanced, comprehensible, and complete view of the Group's sustainability performance, which also considers interactions with stakeholders. Additionally, we have made efforts to improve sustainability reporting

incorporating recommendations made by the Integrated Reporting and Assurance Services (IRAS) in its *Sustainability Data Transparency Index (SDTI): A 2016 Review of Environmental, Social and Governance Reporting in South Africa*.

Supplementary information on determining materiality, material risks and risk management, opportunities and assurance is available in the Integrated Report 2016 and in Risk Management Review, both available on the Group's website. 

INTRODUCTION

SUSTAINABILITY THROUGH BUSINESS EXCELLENCE

Sustainable development is inherent to Mpack and a key tenet of our vision to be a leading packaging business with the highest ethical standards, delivering exceptional value for customers, employees, communities, and shareholders. We adhere to the highest industry health and safety standards and have a zero tolerance policy on safety incidents. We are committed to responsible sourcing of raw materials, conserving the natural resources we depend on, and ensuring efficient supply chains.

To this end, we engage with our various stakeholders on critical sustainability issues such as workplace safety, future resource constraints, employment practices, transformation, diversity, regulatory environment and broader social issues affecting the country. As such, our Group sustainability activities, which are aligned to Mpack's three strategic pillars, reflect this engagement, the integration of our business model, and consider highly the impact of these activities on the environment, our people, our investors, and the communities in which we operate. Mpack's three key pillars of the business strategy, namely, Mpack's leading market position, a customer-focused operating structure and performance are on pages 11 of the Integrated Report. 

Refer to pages 5 and 6 of this document for Mpack's business model.

KEY INDICATORS

SUSTAINABILITY HIGHLIGHTS

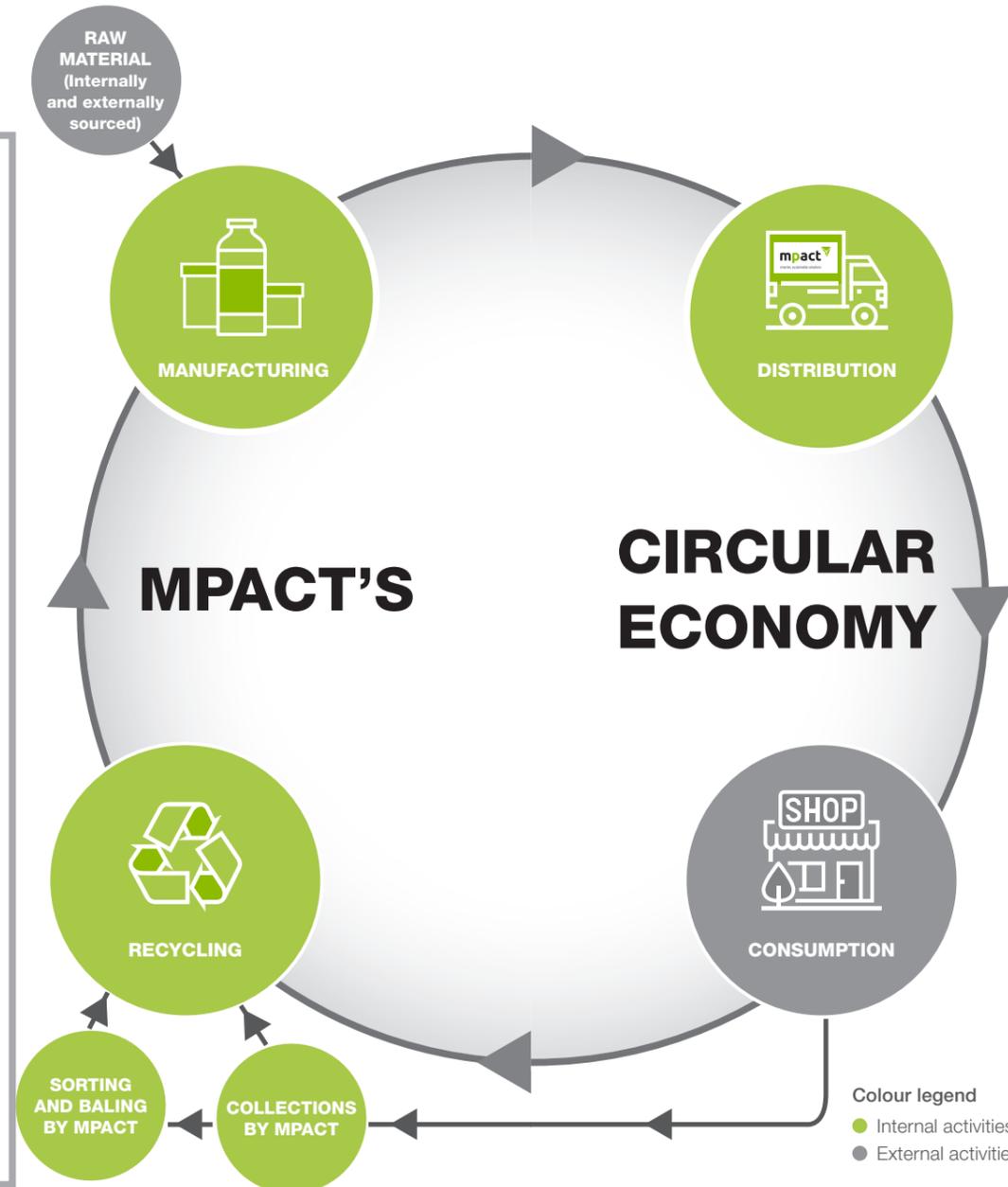
| | | | |
|--|--|---|---|
| B-BBEE Contributor Status Level 3 maintained  | | TRAINED 58 UNEMPLOYED DISABLED YOUTH | |
| SAFETY LTIFR 0.33 (2015: 0.22) Including Remade: 0.44 SIFR 0.51 (2015: 0.54) Including Remade: 0.63 RWC 12 (2015: 22) Including Remade: 13 | SKILLS DEVELOPMENT PROGRAMMES offered to 3,884 employees (2015: 3,364 employees) | SUPPORTED 279 individuals (2015: 206 individuals) on apprentice and learnership programmes, of whom 89% (2015: 91%) were from PREVIOUSLY DISADVANTAGED BACKGROUNDS | TRAINING AND SKILLS DEVELOPMENT 88,838 man-hours (2015: 67,412 man-hours) |
| MPACT FOUNDATION TRUST AWARDED 15 bursaries | | CSI SPEND WAS R5.5 million (2015: R6.3 million) | |
| GREENHOUSE GAS EMISSIONS SCOPE 1 CO₂e 0.455 t/tonne (2015: 0.498 t/tonne) | WATER CONSUMPTION 5.98 Kl/tonne (2015: 6.44 Kl/tonne) | ENERGY CONSUMPTION FOR MANUFACTURING OPERATIONS 6.84 GJ/tonne (2015: 7.16 GJ/tonne) | RECOVERED RECYCLABLES 623,000 tonnes (2015: 527,000 tonnes) |

MPACT'S BUSINESS MODEL

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

| INPUTS | | 2016 | 2015 |
|--------------------------------|----------|-----------|-----------|
| FINANCIAL CAPITAL | | | |
| Total equity | Rbn | 4.0 | 3.7 |
| Net debt | Rbn | 2.0 | 1.6 |
| OUR NATURAL ENVIRONMENT | | | |
| 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 |
| OUR PEOPLE | | | |
| 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



MPACT'S BUSINESS MODEL CONTINUED

| OUTPUTS AND OUTCOMES | | 2016 | 2015 |
|--|------------------------|---------|--------|
| EMPLOYMENT OF CAPITAL | | | |
| 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 |
| MANUFACTURING | | | |
| Paper business – Saleable production of corrugated packaging | million m ² | 434 | 437 |
| Plastics business converted | | | |
| – Plastics | tonnes | 105,117 | 99,366 |
| – Preforms, PET bottles and jars | tonnes | 1.4 bn | 1.4 bn |
| OUR NATURAL ENVIRONMENT | | | |
| 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 ₂ e reduction per tonne of product since 2012 | % | 4.6 | 4.8 |
| OUR PEOPLE | | | |
| 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 |
| OUR COMMUNITIES | | | |
| 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 |

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

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

MANAGEMENT'S APPROACH TO SUSTAINABILITY

TARGETING CONTINUOUS IMPROVEMENTS

Mpact has a systematic sustainability reporting process that entails setting of targets and recording of performance against key indicators such as safety and environmental targets. As pressure on natural resources grows due to population growth and industrial expansion it is crucial that we measure, understand and manage our impact on the environment.

A growing focus on economic, social and environmental issues as they impact on business has shaped our approach to sustainability. Our approach has been to integrate these fundamental business practices alongside our three strategic pillars as explained on page 11 of the Integrated Report , while creating long-term value for our stakeholders.

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

Mpact's commitment to sustainability is thus embedded in the way we work by adopting leading industry health and safety standards; obtaining responsibly sourced raw materials; and ensuring the business constantly seeks to reduce its environmental impact. Specific targets for the Paper and Plastic business are available and explained in more detail on pages 32 and 35 of the Integrated Report, available on Group's website. 

Stakeholder engagement is also a fundamental tenet of our approach to sustainability, guiding our efforts, objective setting and ability to achieve measurable results on our performance. Our stakeholder engagement and value-added statement are set out on pages 59 to 61 of the Integrated Report. 

POLICIES AND PROCEDURES

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

These policies set the framework within which Mpact manages its business and, together with its Code of Ethics, provide a blueprint for employees, suppliers and partners to ensure a co-operative, co-ordinated approach. This commitment is outlined in the Vision and Values set out in the 2016 Integrated Report. The Social and Ethics Committee Report on pages 57 – 59 of the Integrated Report. 

There is also an open channel for those wishing to express their views by emailing Mpact at info@mpact.co.za with comments and suggestions.

CODE OF ETHICS

Mpact's Code of Ethics defines the Group's ethical values and behavioural standards. 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 applies to all employees, and 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 & 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

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.
- German Federal Institute for Risk Assessment (BfR) Recommendation XXXVI: Food contact safety standard for packaging papers.
- ISO 2200:2005: Food packaging safety standard applicable to plastics and corrugated containers used for the packaging of food.
- British Retail Consortium (BRC): Ensures plastic containers meet customers' food safety needs.

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 |
|--|--|
| Finance | Deloitte and KPMG |
| Insurance Underwriting Audits, Maximum Possible Loss (MPL) and Estimated Maximum Loss (EML) calculations | Marsh Risk Consulting |
| Mpact Risk Control Standards | Marsh Risk Consulting |
| Fire Protection Systems and Infrared surveys | Marsh Risk Consulting |
| ISO 9001, ISO 14001, ISO 22000 | SABS, BVQI, i-Cert, SGS |
| FSC | SGS |
| Food Safety (paper products) | PIRA (UK) and ISEGA (Germany) |
| British Retail Consortium (food safety) | SABS |
| Safety Legal Compliance | Legal Consulting Services |
| Environmental Performance | Legal Consulting Services |
| Environmental Legal Audits | Greengain Consulting, Environmental Law Consultancy, Mark Dittke |
| B-BBEE Scorecard | Siyandisa Verification Solutions |

MATERIAL RISKS AND OPPORTUNITIES PERTAINING TO SUSTAINABILITY

RISK MANAGEMENT

In line with the Group's approach to improving upon and managing a sustainable business, the risk assessment process follows a "bottom-up" approach. Each division maintains registers of strategic risks relevant to their business. These risks are aggregated into a Group Risk Register that is reviewed quarterly 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

Compliance with national legislation is fundamental to the principles of Mpac and the standards to which the Group subscribes. To this end, Mpac subscribes to Environmental and Safety Legal Registers that keep the business abreast of changes in legislation. In 2014, Mpac commissioned the compilation of a management booklet summarising all legislation pertinent to its operations.

The Group has identified the material risks that it faces and whether actions to mitigate these risks are sufficient and appropriate.

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>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"> • National Environmental Management Act and the affiliated Water and Waste Acts • Waste levies • Carbon tax, Carbon Budgets, and Pollution Prevention Plan Regulations • Competition compliance • BEE and EE regulations • Tax regulations • Labour Act and regulations • OHSAct • Sugar Tax | <ul style="list-style-type: none"> • Mpac addresses these concerns by retaining full time experts in relevant disciplines such as law and tax who assist in maintaining vigilance and compliance. • In addition to existing safety and environmental legal registers, a management booklet on laws pertinent to the Group has been compiled. • A rigorous schedule of internal and external audits and statutory inspections across all disciplines monitors compliance. • The Group also contributes to the development of legislation by engaging with Government via industry bodies. • Mpac 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. • 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. • Launched the Mpac Foundation Trust. • Management are engaging with a Competition Commission investigation initiated in 2016 that implicated Mpac . |
| <p>Unreliable supply and deteriorating quality of water could lead to a loss of production and disease outbreak among workers.</p> <p>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.</p> | <ul style="list-style-type: none"> • Reduction in water consumption is a key performance indicator and investment driver, particularly in the paper mills and at Mpac Polymers. • All operations keep abreast of water supply and quality issues in their areas. • Felixton mill was subject to water restrictions in 2016 but managed to meet these without loss of production. • The drought in the Western Cape is a concern and the effects are being monitored. |
| <p>Prolonged shortages of key raw materials, such as virgin and recycled fibre, containerboard, and polymers, could lead to loss of production, alteration of product offerings, or higher costs.</p> | <ul style="list-style-type: none"> • 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. • Ongoing Investment in Mpac Polymers recycled PET will contribute to increased material supply security. • Mpac participates in active industry wide lobbying to influence government legislation to enable the recycling industry. • Working with local government to secure access to recyclable paper and plastic. • The purchase of Remade in 2016 has greatly increased Mpac's access to recyclables. • Retain market position as leading paper recycler in South Africa and preferred buyer of recovered paper. |

MATERIAL RISKS AND OPPORTUNITIES PERTAINING TO SUSTAINABILITY CONTINUED

| Underlying risk and its potential impact | Mitigation actions taken to limit impacts |
|---|---|
| <p>Unreliable supply and higher costs of energy could lead to a loss of production and increased costs.</p> <p>The situation improved in 2016 with no Eskom load shedding though some operations did suffer some power outages due to failure of distribution infrastructure.</p> | <ul style="list-style-type: none"> • Energy efficiency projects and demand planning strategies have been implemented where feasible across the Group • An Energy Manager has been appointed to lead energy management strategies across the Group • Ongoing communication with Eskom and municipalities. |

| Opportunities identified |
|---|
| Expansion of the Recycling division into the collection and recycling of plastic products |
| 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 SUSTAINABILITY

Mpact embraces the principle that it is our responsibility to care for the environment that sustains us as a people and as a business. This is reflected in our tagline “smarter, sustainable solutions”. As such Mpact gives much attention to environmental management issues such as water, waste, energy, air emissions and land use and aims at all times to comply with legislation and strives towards international best practice.

In 2016 substantial focus went into developing the foundations of an energy management policy, plan and strategy for Mpact. This will also translate into a GHG management framework. Added to this is the work done on both water and waste management across the business giving Mpact a solid base for addressing its natural capital and environmental sustainability

COMPLIANCE

Environmental legislation in South Africa has become extremely complex in recent years. Sites that have, or potentially have, notable environmental impacts maintain Environmental Management Systems

(EMS) in accordance with the ISO 14001 Standard. Environmental Legal audits are conducted for those sites to ensure compliance with the Standard. Additionally, an annual review of environmental management at all sites is conducted by Legal Consulting Services.

ENVIRONMENTAL EXCELLENCE

In recognition of the work done by Mpact’s operations, annual awards are given to sites that have done well with regard to their environmental programmes. These awards are given in Platinum, Gold, Silver and Bronze categories according to the degree of compliance with a set of internal standards aligned to ISO 14001. The top achiever is awarded the Scarab Award for Excellence in Environmental Management in deference to the humble scarab beetle that is nature’s prime example of recycling.

The 2016 recipient of the Scarab Award for Environmental Excellence was Felixton mill, while three operations achieved Platinum status, namely Felixton mill, Springs mill and Recycling Parow.



ENERGY

The Southern African region is heavily dependent on coal-based power in the form of on-site steam generation and electricity purchased from the national grid. Consideration of the impact of carbon dioxide equivalent (CO₂e) emissions on global warming has led to urgency in reducing energy consumption.

Against a baseline year of 2012, Mpact aims to reduce energy consumption per tonne of saleable product from its manufacturing operations by 15% by the year 2020. In 2016 manufacturing operations consumed 5,389 TJ (2015: 5,840 TJ) at a consumption rate of 6.84 GJ/t (2015: 7.16GJ/t). This represents a 7% saving per tonne of

product since 2012 (2015: 2.6%) Total energy consumption, including energy for non-manufacturing sites declined to 5,389 TJ (2015: 5,873 TJ). Energy savings have been due to improved process and operational efficiencies and investment in energy efficient equipment.

Mpact is investigating renewable energy solutions such as solar photovoltaic and waste-to-energy technologies at some of its operations to reduce energy consumption of fuels used on site and electricity purchased, thereby reducing greenhouse gas emissions.

AIR

Mpact embraces the global drive for reduced Greenhouse Gas (CO₂e) emissions. In our industry this is achieved through reduced energy consumption and dependence on fossil fuels as discussed above.

ENVIRONMENTAL SUSTAINABILITY CONTINUED

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

In 2016 Mpact's Scope 1 CO₂e emissions amounted to 355,217 (2015: 407,089t) and Scope 2 Emissions were 434,565t (2015:417,990t). Combined CO₂e emissions were therefore 789,782t in 2016 (2015:825,079t). The combined CO₂e per tonne of manufactured product in 2016 was 1.011tCO₂e (2015: 1.008 tCO₂e per tonne of product) which represents a reduction against the 2012 baseline of 4.6% (2015: 4.8%)

WATER

Water use has always been a priority consideration in our operations, as we acknowledge that we operate in a water scarce country. This is especially so in our paper mills which are highly dependent on reliable water supplies. Efforts to continually reduce our water use and wastewater discharge have meant that the current drought has not impacted negatively on our ability to operate. This is a demonstration of the strategic benefit of being efficient in the use of natural resources.

Mpact aims to achieve a 20% saving of water used per manufactured tonne of product by 2020 against the baseline year of 2012. In 2016, there was a 13% saving per tonne of product compared to 2012 (2015: 6.0%). Optimisation projects in a number of manufacturing operations and in particular the paper machine rebuild at Felixton to be completed in 2017, will go a long way to enabling Mpact to meet this target.

In 2016 the Group consumed 4,740MI of water (2015: 5,280MI). For the manufacturing operations this equated to 5.98 kl per tonne of product (2015: 6.45kl per tonne of product).

WASTEWATER

Wastewater discharge from the Group in 2016 was 3,454 MI (2015: 3,544MI). For manufacturing plants, specific wastewater discharge was 4.95 kl per tonne of product (2015: 4.61kl per tonne).

Efforts to reduce water use have a direct impact on the volumes of wastewater discharged.

MATERIALS

Much of Mpact's business is developed around recycling with most of our paper fibre and an increasing percentage of plastic polymers coming from recycled material collected by our Recycling division and through recycling practices in the business. Nonetheless virgin fibre and polymer are still required and there are some residual materials that are not yet recyclable and must be disposed of as waste.

i) Raw materials

In terms of virgin raw material for the paper mills:

- Mpact Felixton mill purchases bagasse, the fibrous residue of sugar cane, from the adjacent sugar mill. The current rebuild project at Felixton will however result in the mill using only recycled fibre and it will no longer purchase bagasse after the 2016 sugar season.
- 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.

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

ii) Recycling

Mpact Recycling (including Remade) recovered 622,000 tonnes (2015: 527,000 tonnes) of recovered paper, plastics and other recyclable materials in 2016. Most of the recovered paper was sold to the three Mpact paper mills, for manufacture of containerboard and folding boxboard, and to Mondi Shanduka Newsprint, while the recovered PET bottles were sold to Mpact Polymers for the manufacture of recycled PET (rPET) and the rest to other recyclers. The rPET product produced by Mpact Polymers is sold primarily 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 wheellie bins, crates and baskets. Under these arrangements Mpact Plastic Containers cleans and grinds down the returned items. The ground material is excluded into pellets that are blended with virgin material to mould new products for sale to the same customers.

iii) Waste

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

Non-hazardous waste recycled was 79,446 tonne (2015: 73,471 tonne). For the manufacturing sites amounted to 100 kg per tonne of product (2015: 90kg per tonne of product).

Total non-hazardous waste disposed of by the Group amounted to 33,787 tonnes (2015: 37,872 tonnes) which for the manufacturing operations amounted to 37.2 kg per tonne of product (2015: 42.7 kg/tonne product).

Hazardous waste disposed of amounted to 1,111 tonnes (2015: 1,048 tonnes) or 1.4 kg per tonne product (2015: 1.29kg/tonne product), a large proportion of which 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 to recover as much of the recyclable material as possible. We also give attention to recycling alternatives such as waste-to-energy processes.

Waste targets for 2020 have not been set yet 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

Recovered paper sources include pre- and post-consumer material sourced from a multitude of paper collection programmes.

The Group's recycling businesses comprise of Mpact Recycling, which has seven (2015: seven) operating sites across the country and Remade which has nine operations primarily situated in Gauteng. Together, these businesses collect recovered paper and plastics for recycling from pre- and post-consumer sources, diverting recovered material from landfills.

The businesses 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. With regards to environmental stewardship, recycling produces lower greenhouse gas emissions than the production of virgin fibre and plastics, and prevents the landfilling or incineration of this recovered material.

Through major capital projects, namely the Mpact Polymers and Felixton mill, Mpact has created new job opportunities in the recycling industry, many of them in rural areas. The recovery rates for waste paper and used PET bottles should increase consequently.

Mpact's investment in processing equipment at its Springs mill to recycle liquid packaging containers creates the opportunity to divert more of these containers from landfill and create a new income stream for businesses in the collection of recyclables.

For more information, view Mpact Recycling's regional videos on Mpact's website. 

NORTHERN KWAZULU-NATAL RECYCLING PROJECT

Consumption of packaged goods in rural areas of South Africa is increasing as social grants are made available to more people. In the case of Northern KwaZulu-Natal, this represented an opportunity to collect additional packaging for recycling while also creating jobs and business opportunities for the local communities. In 2014, Mpact developed a community project to address the high costs of collecting and transporting the recycling material from widely dispersed locations to its branch in Richard Bay.

Objectives of the project were to:

- Enable recycling in Northern KwaZulu-Natal rural areas by empowering individuals in communities to start their own small and sustainable collection businesses either sorting recyclable fibre at the landfill sites or collecting waste from the shops before it goes to the landfill sites.
- Increase the supply of recyclable waste to the mills
- Benefit the communities and the environment by minimising waste being sent to landfill sites.

It was initially difficult to convince the collectors to deal with Mpact Recycling as previously they had been dealing with middle men who were purchasing materials from them and selling onto Mpact Recycling or its competitors. As such, they had been doing a lot of the hard work, but with little reward. By dealing directly with the collectors, Mpact Recycling has been able to make improve prices and regular collections and regular payments. The waste collectors were taken to the Mpact Recycling Richards Bay operation to see exactly how the materials are weighed, sorted and paid by grade – thus providing further education and support. The presence of an Mpact employee who could converse with the collectors also helped in gaining credibility, support and buy-in from the collectors.

Since January 2015, the initiative has grown such that Mpact Recycling has placed balers where there are large volumes of suppliers enabling the collection of both baled and loose fibre. The supplier base has increased to 54 regular suppliers.

| | 2014 January to December | 2015 January to December | 2016 January to December |
|----------------------|--------------------------------|--------------------------------|--------------------------------|
| Total tonnage | 635 | 4 203 | 5 815 |

Mpact Recycling covers the KwaZulu-Natal North Coast from Mandeni to Kosi Bay and inland from Tugela Ferry to Pongola. Our collection footprint is large – at least 210 jobs have been created through the collection and sorting of the materials; impacting on over 1,000 families – many of whom are now able to feed their children through their collections of the recyclables.

Mtima Recycling is a recycling business in Eshowe that started with six full time employees and one Light Duty Vehicle and has since grown to 21 full time employees with three Light Duty Vehicles. Babakababa Trading, based in Nongoma, was a family-run business operated by a mother, son and daughter. It now has eight full time employees and the enterprise purchased its own baler.

Mpact Recycling is proud to say that we have met and exceeded our objectives; and what started out as a small project has turned into a full scale recycling programme benefitting the communities of Northern KwaZulu-Natal.

SAFETY AND HEALTH

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” is entrenched at each of Mpact’s operations. The CEO’s Safety, Health and Environmental (SHE) Philosophy states that all injuries, occupational illnesses, safety and environmental incidents and fires are preventable and that the target for them is zero.

There are three underlying principles that give effect to this philosophy:

- Individuals are responsible for their own safety;
- Adherence to the “Fire and Safety Rules To Live By” is the minimum standard throughout Mpact; and
- There is no differentiation in the treatment and expectations of employees, contractors and service providers.

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

FOSTERING A SAFETY CULTURE

Effective safety systems are dependent on three levels of intervention.

At a primary level, physical interventions such as machine guarding, designated walkways, safety railings, equipment inspections, and personal proactive equipment (PPE) are fundamental to providing a safe working environment. These physical interventions are considered standard across the Group.

The secondary level is 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”, a set of 11 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 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.

- Induction programmes dealing with safety, health and environmental issues are compulsory for all new employees, contractors and visitors. This is followed by annual re-induction for all employees, permanent contractors and service providers. Additional safety training and awareness campaigns are also held.
- Mpact 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.

The third, and most important, level of safety intervention is to develop a safety culture in which every employee, contractor and visitor on Mpact sites embraces and takes ownership of safety. Driving the Mpact Safety Culture are the Behaviour Based Safety program and the Mpact Safety Culture cartoon series.

The Behaviour Based Safety programme, aimed at identifying unsafe behaviours and eliminating barriers to safety, using three levels of behaviour observation:

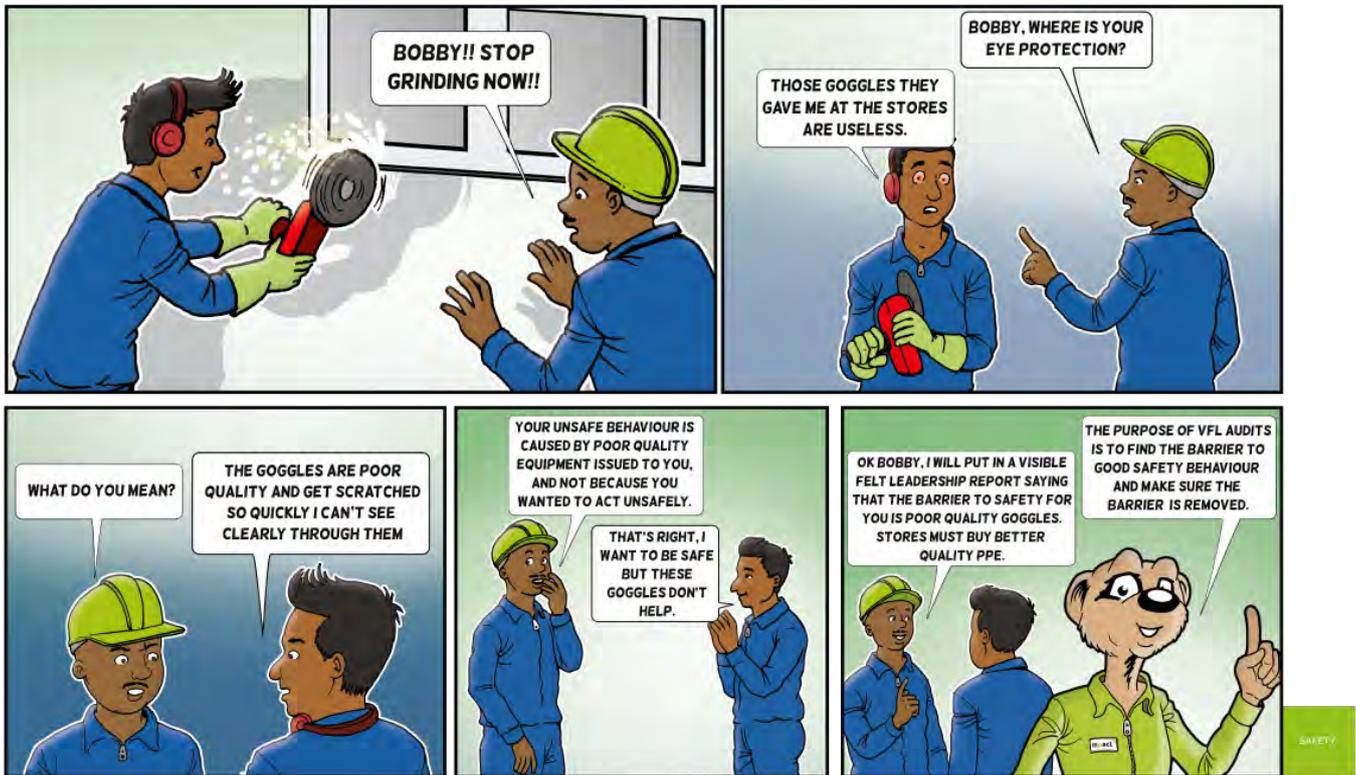
- Visible felt leadership (VFL) – which is the engagement (not audits) of leaders with people carrying out tasks, in order to observe their actions, understand reasons for them deviating from safe work practices, and implement corrective action.
- Planned job observations (PJO) – which are scheduled observations of people performing their normal duties by others familiar with the related standard operating procedures. These are done to identify incorrect or unsafe behaviour and establish the reasons for such behaviour.
- Peer observations (PO) – which entails the logging of observations of unsafe behaviour, incidents or conditions by employees and contractors as they observe their peers at work. This provides feedback to operating personnel that is then used to identify existing barriers to a safe work environment.

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.

Mpact has developed the Mpact Safety Culture cartoon series that aims to make safety awareness accessible to the entire workforce. Topics include Situational Awareness, Behaviour Based Safety, Hand Safety and Working Safely, and a set of 12 posters addressing the “Fire and Safety Rules to Live By” and Hand Safety. These are championed by the Mpact safety mascot, Sam.

Behaviour Based Safety.



In 2015, a safety legal expert conducted training of managers and supervisors appointed to safety accountability roles across the Group in accordance with the OHS Act. Further training at supervisory level was conducted in 2016. This training was well received and increased awareness of safety responsibility and accountability at Mpack's operations.

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

In addition, 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. Deserving operations are awarded Platinum, Gold, Silver or Bronze status.

To be awarded the prestigious Platinum Award for Safety, an operation's safety record over a five-year progressive period has to meet the following requirements:

- No fatalities
- Serious injury frequency rate (SIFR) of less than 0.2
- Medical Treatment Case frequency rate (MTCFR) not greater than 0.6.

Mpack has adopted what we call the Serious Injury Frequency Rate (SIFR) which is calculated in the same way as LTIFR but includes the number of fatalities and restricted workcases (RWC) as well as LTIs. We believe this index more accurately reflects the impact of safety incidents on the lives of our people as RWCs by their nature also affect the injured persons wellbeing and ability to carry on with the normal activities of life.

The Mongoose Trophy for Excellence in Health and Safety, the highest accolade an operation can be awarded, is based on comprehensive health and safety audits, which are conducted annually by an independent auditor. In 2016 the trophy was awarded to Plastics Pinetown, while three operations achieved Platinum status, namely Recycling Midrand, Recycling Richards Bay and Recycling Pretoria West.

Notably, the Recycling Richards Bay operation has not had any fatalities or LTIs for over 20 years while the Corrugated Epping and Corrugated Port Elizabeth plants have not had fatalities or LTIs for over 10 years.

SAFETY AND HEALTH CONTINUED



SAFETY PERFORMANCE

Mpact is pleased to announce that there were no fatalities suffered in its operations in 2016. However, the number of Lost Time Injuries increased to 22 (2015:13) increasing the Lost Time injury Frequency Rate (LTIFR) to 0.33 (2015: 0.22). Including Remade, which Mpact acquired in May 2016, the combined LTIFR for the Group increased to 0.44

In the 2015, Mpact's safety performance surpassed that of JSE listed companies and the General Industry, in terms of the LTFIR. Mpact's LTFIR was well below these averages of 0.75 and 1.35 respectively. Other companies in the paper and packaging sector scored between 0.48 and 3.5 with Mpact well below these at 0.22.*

**Data obtained from the 2016 Sustainability Data Transparency Index (SDTI) published by IRAS.*

Encouragingly, RWC's decreased to 12 (2015: 22) bringing the SIFR for the Group, excluding Remade, down to 0.51 (2015:0.54). Including Remade, the SIFR for 2016 was 0.63. Medical treatment and first aid cases also declined notably resulting in a decrease in the total injury frequency (TIFR) rate to 3.6 (2015: 4.7).

In the year prior to the acquisition of Remade by Mpact, Remade suffered 38 LTIs and had a LTIFR of 4.61. Since the acquisition, LTI's and the LTIFR have both decreased to 11 and 1.39 respectively, with the improvements bearing testament that the ongoing safety initiatives are making a positive difference across all our operations.

The Mpact Safety Culture campaign has been successful since its inception in 2015. We will continue with the programme, as well as introduce a set of leading indicators that will serve to monitor each operation's proactive compliance with the Group's safety standards as detailed above.

HEALTH

Ensuring the well-being of employees is a strategic imperative. Occupational health and safety compliance is the responsibility of line management, and is a key indicator of business performance.

In addition to primary healthcare, site clinics and mobile medical facilities provided free annual medical assessments to employees during the year. Occupational health examinations take place when an employee joins the company, at periodic intervals during employment (depending on the risk and local regulatory requirements), on transfer from one operation to another and on retirement or resignation.

Management has intensified monitoring of employee key chronic diseases, including HIV/AIDS, hypertension and diabetes, as well as the management thereof. More focus will be given to addressing these and other debilitating conditions affecting Mpact's employees and contractors in line with Mpact's aim for improvement in employee wellness.

HIV/AIDS

Mpact continues its long history of providing support and treatment for employees living with HIV/AIDS. This includes offering voluntary counselling and testing (VCT) to all employees and contractors, ongoing HIV awareness campaigns, and free anti-retroviral treatment.

During 2016 3,594 employees (2015: 3,304 employees) undertook workplace medicals with 2,046 employees (2015: 2,516 employees) opting for VCT during the year. It is encouraging to note that the decrease in the VCT at onsite at Mpact's facilities is attributable to improved state run medical sites, which offer good quality HIV/Aids testing and treatment.

SOCIAL SUSTAINABILITY

Our purpose goes beyond making packaging products and extends to conducting business in a socially responsible and ethical manner. We aim to create sustainable-shared value for all our stakeholders and actively pursue the advancement of the communities in which we operate.

EMPLOYEES

Mpact's employees are critical in creating sustainable value for the Group and its stakeholders. We continually aim to create a work environment that is safe, stimulates engagement and is well governed, with a focus on diversity inclusion and skills development. We believe that a skilled and dedicated workforce will help us deliver distinctive results. We therefore aim to strengthen our competitive advantage through attracting and retaining talent, building capability in strategic areas and ensuring we can deploy talent quickly and effectively in line with the changing needs and growth requirements of the business.

We are proud of our Fair Employment and Promotions Philosophy that emphasises workplace diversity to ensure that we foster a culture of diversity in the belief that this creates business advantage.

Headcount

For the year ended 31 December 2016, Mpact employed 4,998 (2015: 4,467) people. The number of South African employees was 4 768, with the remainder 230 employed in operations in the rest of sub-Saharan Africa. The headcount takes into account the employees of Remade Holdings, which Mpact acquired in May 2016, and of the closure of the plastic manufacturing operation in Zimbabwe. Additionally, it includes full-time and part-time permanent employees on Mpact's payroll. It excludes temporary workers and contractors paid by a third party provider.

The distribution of employees by geography, gender and division is shown in the graph and table below. Details of the representation by ethnic groups is available on page 18.

| Headcount by: | | | |
|------------------|--------------|----------------------------|--------------|
| | South Africa | Rest of sub-Saharan Africa | Total |
| Geography | 4 768 | 230 | 4 998 |
| | 95% | 5% | |
| Gender | Male | Female | Total |
| | 3 853 | 1 145 | 4 998 |
| | 77% | 23% | |
| Division | Paper | Plastics | Total |
| | 3 536 | 1 462 | 4 998 |
| | 71% | 29% | |

Employment practices

Mpact's Fair Employment and Promotions Philosophy states that: "There is place for all people in Mpact and cognisance must be taken of merit-based employment equity to address the issue of diversity throughout the organisation, especially regarding race, gender and disabilities".

Underpinning this philosophy is the practice of attracting the best talent through transparent selection processes. Mpact endeavours to understand the key drivers of staff retention in order to give us clear sight of what we need to do in order to make Mpact 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.

Mpact has an anonymous tip-off service, allowing employees the opportunity to report issues relating to fraud, corruption and workplace misconduct. This service is administered by Deloitte and is independent of the Group.

Transformation

Addressing historical social imbalances

The Group Transformation Philosophy echoes our commitment to the country's transformation agenda. Our transformation goals reflect our vision as well our core values, culture and approach to people development at all levels in the business. We interact with communities to identify and address their needs and participate in partnerships and capacity-building interventions.

Our transformation activities must add value and translate into true empowerment. They must contribute to the sustainable future of our organisation and our society. To this end, we are forging ahead and sharpening our objectives for economic transformation with a focus on higher education, achieving this through the Mpact Foundation Trust, which awarded its first 15 bursaries in 2016 discussed in more detail in the Mpact Foundation Trust Report on page 63. 

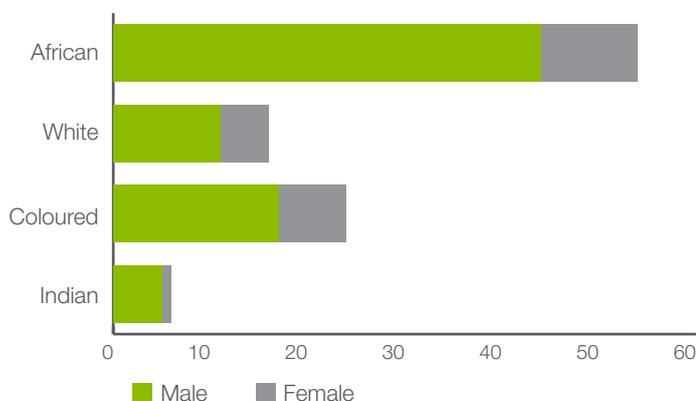
Employment equity

Like many other manufacturers in South Africa, Mpact faces a shortage of highly qualified skills, which negatively affects our ability to find and place suitable candidates in either specialist or management roles. Notwithstanding this reality, we remain committed to our employment equity plan to create a workforce that reflects the country's demographics and entrenches fair employment practices. The cornerstone of our employment equity plan is our Fair Employment and Promotions Philosophy, which states that recruitment and promotion of people is merit-based and seeks to address the issue of diversity throughout the organisation, especially regarding race, gender and disabilities. The targets we have set ourselves in the employment equity plan are a concerted effort to align closely with the Employment Equity Act. Progress is closely monitored by the Human Resource Steering Committee, which gives regular feedback to the Social and Ethics Committee.

The Transformation Committees established at national, divisional and operational level, also regularly report on these targets. We are proud of the work that is being done by the Transformation Committees, which encourage employees to discuss employment equity, training-related issues and to set their employment equity targets.

SOCIAL SUSTAINABILITY CONTINUED

Mpact employees by demographic (South Africa only)



Employees' positions within the Group are (South Africa only):

| Employment Equity | | | | | | | | | |
|-------------------|--------------|------------|------------|------------|------------|------------|------------|-----------|--------------|
| | African | | White | | Coloured | | Indian | | Total |
| | Male | Female | Male | Female | Male | Female | Male | Female | |
| Top Management | | | 2 | | | | | | 2 |
| Senior Management | 1 | 3 | 31 | 2 | | | 6 | 1 | 44 |
| Middle Management | 29 | 8 | 142 | 51 | 24 | 4 | 42 | 12 | 312 |
| Junior Management | 332 | 78 | 282 | 114 | 144 | 62 | 86 | 21 | 1 119 |
| Semi-Skilled | 1 221 | 152 | 44 | 70 | 470 | 92 | 68 | 21 | 2 138 |
| Unskilled | 520 | 239 | 5 | | 146 | 179 | 20 | 2 | 1 111 |
| Temp | 15 | 4 | 8 | 4 | 9 | | | 2 | 42 |
| | 2 118 | 484 | 514 | 241 | 793 | 337 | 222 | 59 | 4 768 |

South African employees that classified as previously disadvantaged individuals (PDIs) filled the following positions:

| Level | 2016 | 2015 | 2014 |
|-------------------|------|------|------|
| Junior Management | 75% | 74% | 73% |
| Middle Management | 54% | 54% | 53% |
| Senior Management | 30% | 30% | 27% |

Equity ownership

As at 31 December 2016, the ownership of the company by black individuals was unchanged at 16.67% (2015:16.67%, 2014:9.45%). There was an increase in the ownership by black women to 10.00% (2015: 6.67%, 2014: 2.28%).

B-BBEE scorecard

Mpact's current B-BBEE rating as determined by Siyandisa Verification Solutions is Level 3.

Skills development

Training and development in the company is an important aspect of our sustainability and transformation policy. The three methods used are: on-the-job learning, leadership development and formal skills development and delivered either by staff members or through partnerships with educational institutions.

We recognise that providing our employees with an environment conducive to learning and development is central to our competitiveness and sustainability. Our interventions are intended to attract, develop, retain and motivate our employees in to perform optimally and collectively.

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.

During 2016, Mpact spent R1.5 million on training 3,884 employees (2015: 3,364 employees) in the fields of legal compliance, safety, health and environment, pulp and paper technology, operational skills, leadership development, and computer training, among others. A total of 88,838 man-hours (2015: 67,412 man-hours) were devoted to training and skills development.

Mpact supports individuals on apprentice and learnership programmes and realises that this form of skills development is crucial in building a skills pool of better-equipped and motivated employees. In 2016, 279 individuals (2015: 206) were placed on apprentice and learnership programmes, of which 89% (2015: 91%) were from previously disadvantaged backgrounds.

In an effort to help the unemployed youth, Mpact started a learnership programme for 36 unemployed and disabled youth from previously disadvantaged backgrounds. This was done in partnership with the Skills Education Training Authorities (SETA) South Africa. The programme was a success, with all individuals graduating at the end of 2016.

Human rights

Mpact has adopted the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption. We respect the dignity and worth of individuals and we fully support employees' rights to freedom of association. We respect 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 54% (2015: 57%) of the workforce, with the majority belonging to the unions detailed below.

| | CEPPWAWU | NUMSA | CWAWU | SATU | Other unions | Total |
|-------------|----------|-------|-------|------|--------------|-------|
| 2016 | 23% | 12% | 6% | 4% | 8% | 54% |
| 2015 | 27% | 11% | 6% | 5% | 8% | 57% |

In addition, Mpact is a member of various bargaining councils including:

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

A senior Mpact Human Resource (HR) manager is represented on these councils.

STAKEHOLDER ENGAGEMENT

Investing in sustainable partnerships

Mpact recognises that proactive engagement with internal and external stakeholders across the business is critical to its long-term success and in strengthening its programmes, identifying opportunities and material issues as well as gaining insights to the business.

The Group has embraced transparent and open communication with its stakeholders, particularly against a backdrop of growing social, economic and environmental challenges within its operating environment.

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

The main stakeholders identified by Mpact are:

- Employees
- Customers and suppliers
- Shareholders, the investment community, and financial institutions (including banks)
- Government institutions and regulatory authorities
- Communities
- Industry associations

During the year, a comprehensive report is tabled at Social and Ethics Committee meetings providing an update on stakeholder activities. This report outlines various communications relating to investor relations, media relations, employees, advertising and branding and other stakeholders e.g. customers, communities and trade unions.

CORPORATE SOCIAL INVESTMENT (CSI)



Mpact operates with the conviction that in doing business we must embrace and create value for the communities in which we operate, recognising community engagement as a business imperative. We achieve this through a partnership-based Group CSI strategy, which includes, although not limited to, financial support as well as volunteer-based projects run by our employees

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 among the communities with whom we work; and
- build the self-esteem and dignity of the people in local communities.

To achieve this, Mpact will:

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

The Group is committed to good governance principles such as transparency and accountability in its interactions with stakeholders. Mpact undertakes surveys and feasibility studies to ensure effective implementation and sustainability of projects.

To maximise our impact, we focus our community engagement initiatives on education, health, entrepreneurial and enterprise development.

Expenditure on CSI amounted to R5.5 million in 2016 (2015: R6.3 million), exceeding the minimum CSI budget for the Company (determined at 1% of the Group's Net Profit After Tax). Budget revisions are done quarterly in March, June and September, at which point the CSI budget is also revised. Actual CSI expenditure is monitored on a monthly basis.

- CSI expenditure for 2016 was allocated as follows:
 - o 40.6% (2015: 36.5%) to Education
 - o 28.0% (2015: 28.7%) to Community Facilities
 - o 19.1% (2015: 20.4%) to Health Care
 - o 12.4% (2015: 14.4%) to Other (Cultural, Environmental, etc.)

EDUCATION

Mpact's education focus is on promoting early childhood and youth development programmes; on building entrepreneurial skills development through the principle of lifelong learning; and on stimulating an interest in Science and Mathematics through facilitating access to quality tertiary education, particularly amongst learners in rural areas.

Ihlumelo and Paarl Girls' High Accounting/Mathematics project Mpact Verspak site

The matric class of Ihlumelo Senior Secondary in Mbekweni needed urgent help with their Accounting and Mathematics as only 50% of the class were passing their exams. Paarl Girls' High offered to tutor the pupils but did not have the budget for stationery and other materials. Mpact stepped in to supply files, paper and other stationery, as well as memory sticks.

As a result of the joint intervention by Paarl Girls' High and Mpact the pass rate in these subjects improved from 50% to 90%

Phulong Junior Achievement Project Mpact Springs mill

The inability of many school leavers to find a job after completing their secondary education is a significant problem in our country.

Mpact sponsored a practical Entrepreneurship programme at Phulong Secondary School, in partnership with Junior Achievers. The programme is aimed at Grade 11 learners and equips learners with the skills required to start and run a business.

Assistance with the construction of the Funindlela Primary School Hall Corrugated Nelspruit

Funindlela is a rural no-fee school near Kaapmaiden in the Mbombela Municipality with an enrolment of 1 148 students. Until recently, the school did not have a hall/shelter area for the pupils. After consultation with the school Mpact Nelspruit offered to build the foundation and steelwork phase of the project.

CORPORATE SOCIAL INVESTMENT (CSI) CONTINUED

Mpact Versapak supports “Classrooms on Wheels”

Mpact Versapak

Mpact Versapak partnered with Khula, a local development agency, to embark on a project called “Classrooms on wheels”. The need was identified by co-founders, Daleen & Erns Labuschagne who had a vision to prevent children from dropping out of the school system. Mpact provided duffel bags filled with tools and educational material used by Khula’s facilitators to assist the children with the in-school-support program. The main focus of the program is to help stimulate the children of all ages in Primary schools.

We do not want them to drop out of school. Children who are absent for more than two days, Khula go and look for children and the absenteeism is due to family/personal problems the children experience within their home life.

Mpact work together with the schools to ensure they have the educational equipment to stimulate these children from disadvantaged areas.

Through this project, Mpact made it possible for 60 children to go back into school.

HEALTH AND COMMUNITY

Blouputs and Augrabies Primary Healthcare Clinics

Mpact Corrugated Epping

The Northern Cape fruit growing area along the Orange River is an important part of the customer base for Mpact Corrugated Epping. A significant part of our business is the supply of cartons for the export and domestic markets for packaging of citrus, grapes and raisins. The farms in the area have a small complement of permanent staff, and employ seasonal workers to assist during the harvest. Both the permanent and seasonal workers depend on state facilities for primary healthcare, which is inadequate, and are poorly equipped to cater for the needs of the population. A group of farmers in the area have concluded a partnership agreement with the provincial Department of Health in terms of which they will receive medication from the DOH in return for providing clinic facilities on the farms and basic medical supplies (consumables). Many farms have subsequently allocated space for a clinic or built facilities specifically to be used as clinics.

Following a request from the co-ordinator for the Blouputs/Augrabies area, who is also one of our customers, Mpact Corrugated Epping donated medical supplies consisting of latex gloves, dressings, bandages, swabs and gauze in order to assist with the initial stock-up the clinics.

The donation has enabled the various clinics to initiate the provision of primary healthcare services to the permanent employees, and once the harvesting season starts, also to the seasonal employees and their families, totalling an estimated 1,740 people.

Lethukukhanya Care Centre Is a non-profit organisation that relies on sponsorship and donations from the public and community.

Mpact Corrugated Brakpan and Springs

Mpact received a letter from the Centre to assist in maintaining, repairing and upgrading the centre to accommodate 40 children who are from abused and orphaned families.

Mpact has installed a palisade fence for the safety of the children, equipment and the property. The Company donated a Nissan Juke motor vehicle. The Care Centre traded the vehicle in and bought a combi to transport the children to and from school.

Mpact has spent approximately R300,000 on the project since its inception in 2015.

Springs police station trauma room

Mpact Corrugated Springs

Mpact was approached by the police station representative (Sheila Ramlal) with a request to renovate the trauma room. The room is used to temporarily accommodate victims of rape, domestic abuse, etc. which are mainly women and children. The purpose of the renovation was to make the room more welcoming and child friendly to enable the victims to be comfortable and relaxed.

Mpact painted the rooms, repaired the heater, shower, installed a bathroom door, printed and framed pictures for the walls and bought a washing machine and bunk bed.

R15 000 was spent on this project.

Thuthukani and Cathuza Stimulation Centres

Mpact Piet Retief mill

The objective of this project is to provide support and day-care services to children with disabilities between the ages of 0 and 18 years.

The Cathuza Centre has 28 disabled children, while the Thuthukani Centre takes care of 36 children. The Centres support children with autism, cerebral palsy and other physical disabilities, including deaf and mentally challenged children. The day-care facilities operate five days a week, providing two meals a day. The Piet Retief Mill continues to fund a set amount each month for the purchase of groceries.

Maphepheni Sports Facility

Mpact Piet Retief mill

Mpact supported the neighbouring community of Maphepheni with a CSI project by developing recreational facilities for the community. This includes a soccer field surrounded by an athletics track.

Mpact spent R507,000 on this project in 2016.

Grip Trauma Center

Mpact Piet Retief mill

The Grip Trauma Center provides humanitarian assistance, rehabilitation and empowerment to victims of sexual assault and domestic violence as well as to those affected and infected by HIV and AIDS as a result of sexual assault.

Piet Retief mill contributes toward the running cost of two trauma centres located at the Piet Retief state hospital and the Piet Retief Police station.

The cost for the maintenance of these centres is R324 000 per year.

Uzwelo orphan care and Khanya group for disabled needlework program,

Mpact Piet Retief mill

Mpact Piet Retief has launched a needlework program, to equip learners with skills that can be used to generate income by sewing items and selling them.

We are actively involved in assisting them with the startup of their business and they have successfully registered the business "Delicious Sewing" and are currently manufacturing bags to resell.

The cost of this project was R98 945 in 2016

ENTERPRISE DEVELOPMENT

Mpact believes that it has an important role to play in ensuring that economic opportunities are provided to small businesses owned by previously disadvantaged members of society. The continued support from Mpact should enable these small enterprises to grow into sustainable businesses and create jobs. Mpact assists such businesses by providing them with preferential payment terms, thereby improving their cash flow. There are currently more than 50 businesses supported in this way.

Other community initiatives

Springs Clean

Mpact Springs mill

Maintenance of the kerbs and sides of our main roads is neglected by the municipality. This is a safety risk as it is difficult for motorists to see on-coming traffic at intersections and provides a place for criminals to hide and ambush motorists when they are stationary. Unemployment in Springs is also very high.

Together with a number of other companies in the Eastern Gauteng Chamber of Commerce, a company was formed where unemployed individuals were hired to maintain the kerbs and sides of the main roads in Springs.

Mpact sponsored the project.

Approximate cost in funds and time. R204 000.00

Making an Impact with Mpact 947 Cycle Challenge

SpringsCare is a NPO addressing social needs in the greater Springs area. A significant problem in the greater area is that of child headed households. In these households, the oldest child is forced out of school to earn a living to provide food for the other children. This leads to problems as the eldest child forgoes their education and often has to resort to demeaning work to provide for their siblings.

Mpact challenged employees to ride the 947 Cycle Challenge and to gain sponsorships for riding the race. The moneybrought in by the cyclists was then trebled to a maximum contribution of R250 000.00.

The money raised by Mpact is primarily used to support children from child-headed households. Without the meal they receive from SpringsCare, most of the beneficiaries would not receive a daily meal at all. Research has also linked nutrition to concentration. Providing these children with a meal therefore enables them to learn, and by supporting this initiative we not only feed children but enable them to gain an education too.

Project cost R250 000 from Mpact and approximately R23 000 in employee time.

Camp I Am School Holiday Programme

Mpact Recycling and Mpact Ltd.

During the school holiday children in grades 4-10 who live in under-resourced communities have little or no activity during school holidays, which leaves them at high risk of abuse and sexual experimentation. Camp I Am holds an educational and recreational holiday camp in Orange Farm and Finetown. One highlight is preparing for the Gauteng provincial spelling bee.

Mpact sponsored the annual camps, with part of our contribution was used to print the first iteration of the Camp I Am 2016 spelling bee learner workbook.

A total of 400 Children attended the school holiday programmes in Orange Farm and Finetown.

Mpact contribution R150 000



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