

# 4 SUSTAINABILITY

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# 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 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 from 42 to 54 regular suppliers.

	2014 January to December	2015 January to December	2016 January to October
Total tonnages	635	4,203	<b>5,815</b>

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 (LDV) and has since grown to 21 full time employees with three LDVs. 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 purchase 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 benefiting the communities of Northern KwaZulu-Natal.



# SOCIAL AND ETHICS COMMITTEE REPORT



Ntombi Langa-Royds

## INTRODUCTION

The Social and Ethics Committee assists the Board in monitoring Mpact's performance as a good and responsible corporate citizen and performs its duties in terms of the Companies Act. The Social and Ethics Committee regularly reviews and updates the terms of reference, where necessary, with regard to any relevant legislation, other legal requirements or prevailing codes of best practice. The terms of reference are set out in the committee charter. The committee executes its duties in accordance with these terms.

## COMPOSITION


The Social and Ethics Committee comprises Ntombi Langa-Royds (Chairperson), Neo Dongwana, Maya Makanjee and Andrew Thompson as the members. All the members are independent non-executive directors. Biographical details of the committee members are provided on pages 38 and 39 and the fees paid to the committee members are outlined on page 53.

## MEETINGS

The Social and Ethics Committee held four meetings during the year. Other than Maja Makanjee who joined the Board in September 2016, all other members attended all meetings of the committee during the year, as per page 43 of this report.

## ROLE AND FUNCTION

The committee draws matters within its mandate to the attention of the Board and reports to the shareholders at the Annual General Meeting on the relevant matters.

Mpact's approach to sustainability is documented in the Abridged Sustainability Review on page 64 and a detailed Sustainability Review is available on Mpact's website. 

## Ethical conduct

The committee is responsible for developing and reviewing the Group's policies with regard to the commitment to, governance of and reporting on Mpact's sustainable development performance. These policies are recommended to the Board for approval to be implemented across the Group.

## Social and economic development

The Committee monitored the social and economic development of the Group. In line with the Group's transformation policies and objectives, the committee monitored progress against Employment Equity Plan to assess management initiatives to have a representative workforce. An annual review of the Group's standing in terms of the goals and purpose set out in the 10 Principles of the United Nation Global Compact was also undertaken.

## Good corporate citizenship

The Committee monitored the promotion of equality, the prevention of unfair discrimination and reduction of corruption. In line with its mandate, the Committee further reviewed Mpact's charitable giving, donations and sponsorships. Details of the Group activities are included in the Sustainability Review.

During 2015, the Group established the Mpact Foundation Trust through its B-BBEE transaction. Refer to the Message from the Chairman of the Trust on page 63 of this Integrated Report.

# SOCIAL AND ETHICS COMMITTEE REPORT CONTINUED

## Environment, health and safety

The Group is committed to providing a safe and healthy working environment for all employees, as well as contractors and service providers. The principle of “Zero harm” is entrenched at each of Mpact’s operation. The Committee regularly reviews the safety and health initiatives of the Group.

In pursuit of excellence, Mpact subscribes to various internal and international standards, and where applicable, its operations are certificated. Fundamental to the principles of Mpact and these standards is compliance with national legislation. To this end, Mpact subscribes to Environmental and Safety Legal Registers that also keeps it abreast of changes in legislation.

The Group supports the Government initiatives to reduce carbon emissions by changing the behaviour of producers and consumers. The Committee reviews quarterly reports on the Group emissions. In this regard, Mpact has established an Energy Centre of Excellence and appointed a Group Energy Manager to develop an energy strategy and further exploit opportunities across the Group, optimising energy usage and considering energy generation technologies.


## Stakeholder engagement

Mpact undertakes stakeholder engagement, which is encouraged by King III and the Companies Act. Transparent and open communication with stakeholders is regarded as critical to the Company’s long-term success. The Committee reviews identified stakeholders to ensure that those reflects the key groupings with which Mpact interacts. For detail on Mpact’s stakeholder engagement, refer to pages 59 to 61 of this report.

During the year, a comprehensive report was reviewed by the Committee, which provided an update on stakeholder activities.

## Material sustainability issues

The committee is responsible for annually revising or determining, in conjunction with senior management, the Group’s material sustainability issues. The Group has made efforts to improve sustainability reporting during the period under review. The external assurance on material sustainability issues has improved and will continue to remain an activity of the Committee with assistance of the Audit and Risk Committee in the forthcoming period.

The material issues have been reported on and are set out in the Sustainability Review available on the Group’s website. 


During the year, the committee reviewed, improved and achieved:

- The implementation of the Mpact Foundation Trust – comprehensive details on this trust is set out on page 63 of this report.
- The Mpact Talent Management Strategy, which covered the retention of critical skills and talent plan.
- The Excellence in Health and Safety awards, Behaviour-based Safety Programme and Mpact Safety Culture Awareness Programme.
- Aligned the Corporate Social Investment (CSI) Policy to the Group Strategy.
- Occupational Health and Safety Standards.
- Carbon Tax and Carbon Budget plans.
- Environmental targets for 2020.

## ASSURANCE

The Mpact Dashboard System has improved the capture of relevant sustainability data and the Social and Ethics Committee is satisfied that the disclosure is adequate and the information accurate. Various external assurances have been obtained and these are listed in detail in the Sustainability Review. Mpact has not obtained an independent overall assurance for its Sustainability Review.

The committee is satisfied with the Group’s progress in the different areas and with the Social and Ethics plan for the 2017 financial year. The committee is aware that its function will continue to evolve as it addresses all the responsibilities within its mandate.

Environmental and social sustainability of Mpact is important to the Group and a detailed Sustainability Review has been concluded, which reports in more detail on its employees, environmental and CSI. These issues are of significant importance to the Group in terms of its obligations to all of its stakeholders. The Sustainability Review can be found on the Group’s website. 

On behalf of the Social and Ethics Committee:

**Ntombi Langa-Royds**

*Social and Ethics Committee Chairperson*

1 March 2017

# STAKEHOLDER ENGAGEMENT

## INTRODUCTION

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

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

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.

Employees have access to Tip-offs Anonymous, a whistle-blowing facility independently administered by Deloitte & Touche, to report fraud and other illegal acts.

## INTERACTION WITH STAKEHOLDERS

Main stakeholders	How did we engage our stakeholders?	What were their expectations and concerns during 2016?	How did we address these concerns?
Employees	<ul style="list-style-type: none"> <li>• Remuneration and performance appraisals</li> <li>• Imbizos</li> <li>• Skills development and training</li> <li>• Safe working practices</li> <li>• Transformation initiatives</li> <li>• Diversity drive</li> <li>• Succession planning programmes</li> <li>• General updates</li> <li>• Tip-offs Anonymous</li> <li>• Employee Effectiveness Survey</li> <li>• Recognition of work done – Mpact Awards</li> </ul>	<ul style="list-style-type: none"> <li>• Fair work practices and transformation</li> <li>• Fair remuneration</li> <li>• Safe working environment</li> <li>• Clear and strong leadership</li> <li>• Skills development</li> <li>• Learnership programmes</li> <li>• Promotion</li> </ul>	<ul style="list-style-type: none"> <li>• A salary-benchmarking survey was conducted</li> <li>• OHS-programmes and instructions throughout plants</li> <li>• Average personnel costs increased by 4.6% for the year, excluding the Remade acquisition and Mpact Polymers</li> </ul>
Customers and suppliers	<ul style="list-style-type: none"> <li>• Meetings re pricing, product quality and specifications, service, stockholding and security of supply</li> <li>• Customer innovation workshops</li> <li>• Site visits</li> <li>• Results presentations</li> <li>• General updates</li> </ul>	<ul style="list-style-type: none"> <li>• Quality product and efficient service</li> <li>• Product innovation</li> <li>• Market trends – keeping abreast</li> <li>• Competitive prices</li> <li>• Impact of exchange rate</li> </ul>	<ul style="list-style-type: none"> <li>• Procurement agreements</li> <li>• Long-term supply agreements</li> <li>• Price negotiations</li> <li>• R&amp;D Centre of Mpact continuously looking at product innovation to ensure cost efficiencies and enhancing food safety</li> </ul>

# STAKEHOLDER ENGAGEMENT CONTINUED

Main stakeholders	How did we engage our stakeholders?	What were their expectations and concerns during 2016?	How did we address these concerns?
Shareholders, the investment community, and financial institutions (including banks)	<ul style="list-style-type: none"> <li>• Results presentations road shows</li> <li>• Site visits</li> <li>• Trading updates</li> <li>• Market perception polls</li> <li>• In-house Communication Manager</li> <li>• Investor Relations consultant</li> <li>• One-on-one meetings with key investors, existing and potential</li> </ul>	<ul style="list-style-type: none"> <li>• Comprehensive and detailed financial analysis and figures</li> <li>• A better understanding of the business and its operations</li> <li>• Major risks of the Group and how it is being addressed</li> <li>• Addressing concerns – Mpac Polymers slower than expected start up and increased competition in industry</li> <li>• Prospects of the Group</li> <li>• Strategy of the Group</li> </ul>	<ul style="list-style-type: none"> <li>• Trading update</li> <li>• Comprehensive presentation incorporating concerns and how it is being addressed</li> </ul>
Government institutions and regulatory authorities	<ul style="list-style-type: none"> <li>• Meetings</li> <li>• Representation on Forums and Regulatory Bodies</li> <li>• Active engagement on key projects</li> </ul>	<ul style="list-style-type: none"> <li>• Water licence applications</li> <li>• Environmental matters such as carbon tax, air emissions, waste management and electricity usage</li> <li>• Ensure understanding of industry issues</li> <li>• Funding and tax incentives</li> </ul>	
Communities	<ul style="list-style-type: none"> <li>• Local community development projects</li> <li>• Education and training</li> <li>• Support local community initiatives</li> </ul>	<ul style="list-style-type: none"> <li>• Continued commitment to the projects previously supported</li> </ul>	<ul style="list-style-type: none"> <li>• CSI spend was R5.5 million</li> <li>• Various projects – set out in detail in the Sustainability Review on the Group's website</li> </ul>
Industry associations	<ul style="list-style-type: none"> <li>• Committee meetings with various industry associations</li> <li>• Bargaining Council meetings</li> </ul>	<ul style="list-style-type: none"> <li>• To promote industry-wide issues on a regional and national basis</li> <li>• To negotiate wage increases with trade unions when required</li> </ul>	<ul style="list-style-type: none"> <li>• To promote industry-wide issues on a regional and national basis</li> <li>• No trade union-supported strikes and no man-hours lost due to any labour unrest</li> </ul>

## VALUE-ADDED STATEMENT

	2016 R'm	2015 R'm
<b>Value created</b>		
Value created by operating activities	2,839.5	2,783.9
– Revenue	10,098.6	9,547.7
– Expenses	(7,259.1)	(6,763.8)
Finance income	18.4	8.7
Share of associate profit	16.2	13.0
	<b>2,874.1</b>	<b>2,805.6</b>
<b>Value distributed</b>	<b>(1,984.4)</b>	<b>(1,795.3)</b>
Staff costs	(1,581.2)	(1,464.7)
Payments to providers of finance		
– Finance costs	(209.4)	(140.7)
– Dividends	(76.5)	(75.8)
Payments to Government		
– Taxes	(117.3)	(114.1)
Value reinvested	(569.4)	(468.3)
Depreciation, amortisation and impairment	(504.0)	(410.0)
Deferred tax	(65.4)	(58.3)
Value retained		
Retained profits	(320.3)	(542.0)
	<b>(2,874.1)</b>	<b>(2,805.6)</b>

# MPACT RECYCLING: FNB eWALLET PROJECT



Mpact Recycling's supplier base is partly made up of small businesses and individuals that rely on fast and consistent payments for their recyclables because cash availability sustains their livelihoods. As such, the objectives of the partnership between Mpact Recycling and FNB are as follows:

- To reduce the amount of cash being held at the branches.
- To enable quick payments to suppliers.
- To provide incentives to clients.

The project was rolled out in three phases:

**Phase 1:** Giving the cash offices co-branded eWallet cards to pay the suppliers

**Phase 2:** Communicating with our recovered waste suppliers regarding these changes and the partnership with FNB

**Phase 3:** Providing the necessary facilities

The cashless payment solution project provides Mpact Recycling with the opportunity to create loyalty within a very competitive market sector.

By offering FNB's incentives to the individuals who trade with Mpact Recycling, Mpact Recycling has created the opportunity for FNB to provide banking services to this particular market segment, while Mpact is seen as the preferred dealer in recyclable fibre and plastic.

Phase 2 and 3 of the project went live on the 1st November 2016.

The eWallet Project has a phased roll-out across the country, with all branches expected to complete training and successful implementation by the end of 2017.

This is part of Mpact Recycling's drive to deliver smarter, sustainable solutions to our suppliers.



# CHAIRPERSON'S REPORT: MPACT FOUNDATION TRUST

## BACKGROUND

In May 2015, Mpact concluded transactions to facilitate participation by a broad range of stakeholders in the future success of the Company. These transactions included the implementation of the Mpact Foundation Trust (Trust) as a vehicle both for B-BBEE ownership and to channel the benefits of ownership to selected beneficiaries.

The Trust has six Trustees: Neo Dongwana (Chairperson), Ntombi Langa-Royds and Andrew Thompson, all independent non-executive directors of Mpact; as well as Bruce Strong (Mpact CEO), Brett Clark (Mpact CFO) and Busi Mlotshwa (Mpact Paper Divisional HR Manager).

The objectives of the Trust are to pursue empowerment of previously disadvantaged stakeholders with a focus on broad-based groupings, create a sustainable funding structure, complement existing B-BBEE initiatives, and materially improve Mpact's B-BBEE ownership credentials.

The main beneficiaries of the Trust include Mpact employees and their families. Other beneficiaries will include emerging entrepreneurs, suppliers and customers directly or indirectly involved in the packaging and/or recycling sectors, primary, secondary and tertiary education initiatives and other individuals, groups of people or entities that operate within the communities.

## ACTIVITIES

2016 was a significant year for the Trust. Notably, the Trustees determined the immediate priorities of the Trust and also making good progress in executing them. As Trustees, we are committed on the journey towards making a meaningful impact in the lives of our communities, more specifically, beneficiaries of the Trust. We have chosen to do this through a deliberate focus on education, which we believe will enable families to be pulled out of poverty.

The old African Proverb *"If you want to go quickly, go alone. If you want to go far, go together"* summarises our focus on education.

We believe that in tackling the education crisis in our country and the affordability of education, we will be able to stimulate prospects of a broad-based social economic advancement.

It is against this background that in its year of inception, the Trust awarded its first fully funded bursaries to 15 deserving bursars, of which, nine are women and six are men. The bursaries were awarded to dependants of black Mpact employees for a tertiary education at a public and accredited higher education institution in South Africa.

The Mpact Bursary covers the following:

- Full tuition and boarding fees.
- A monthly allowance.
- Stationery and prescribed books.

We believe our contribution in education through the bursary scheme is one way of making a meaningful contribution to society and a socially responsible way of achieving measurable empowerment of previously disadvantaged communities. It was therefore important for us to fund the tertiary education of deserving students who demonstrated the potential to succeed academically, but were otherwise constrained by their ability to fund a tertiary education and the associated costs. Generally, education from a primary school level is important and is critical in any child's development. However, we have specifically chosen to fund students at a tertiary level, as we believe our interventions will be most impactful at this level. The myriad of benefits associated with a tertiary education include better opportunities for development, so that students can become productive and socially responsible members of society.

As the Trust grows, we will be in position to support more children through the bursary scheme, and the impact on the communities in which we operate will grow.

On occasion, the Trust's activities will dovetail with Mpact's Corporate Social Investment policy, by supporting initiatives and projects aligned to small business development and skills development.

## LOOKING AHEAD

The Trust will continue to tackle the socio-economic challenges faced by the country. For now, we will continue to do this through our focus on education, which is an enabler to improving the prospects of many young South Africans.

I thank the Trustees of the Trust for their support and enthusiasm in a shared vision towards transformation.

On behalf of the Mpact Foundation Trust


**Neo Phakama Dongwana**  
Chairperson

1 March 2017



# ABRIDGED SUSTAINABILITY REVIEW

## SUSTAINABILITY HIGHLIGHTS

<b>B-BBEE Contributor Status Level 3 maintained</b> 		<b>TRAINED 58 UNEMPLOYED DISABLED YOUTH</b>	
<b>SAFETY</b> <b>LTIFR 0.33</b> (2015: 0.22) Including Remade: 0.44 <b>SIFR 0.51</b> (2015: 0.54) Including Remade: 0.63 <b>RWC 12</b> (2015: 22) Including Remade: 13	<b>SKILLS DEVELOPMENT PROGRAMMES offered to 3,884 employees</b> (2015: 3,364 employees)	<b>SUPPORTED 279 individuals</b> (2015: 206 individuals) on apprentice and learnership programmes, of whom <b>89%</b> (2015: 91%) were from <b>PREVIOUSLY DISADVANTAGED BACKGROUNDS</b>	<b>TRAINING AND SKILLS DEVELOPMENT 88,838 man-hours</b> (2015: 67,412 man-hours)
<b>MPACT FOUNDATION TRUST AWARDED 15 bursaries</b>		<b>CSI SPEND WAS R5.5 million</b> (2015: R6.3 million)	
<b>GREENHOUSE GAS EMISSIONS SCOPE 1 CO<sub>2</sub>e 0.455 t/tonne</b> (2015: 0.498 t/tonne)	<b>WATER CONSUMPTION 5.98 Kl/tonne</b> (2015: 6.44 Kl/tonne)	<b>ENERGY CONSUMPTION FOR MANUFACTURING OPERATIONS 6.84 GJ/tonne</b> (2015: 7.16 GJ/tonne)	<b>RECOVERED RECYCLABLES 623,000 tonnes</b> (2015: 527,000 tonnes)

## APPROACH TO SUSTAINABILITY

Mpact's commitment to sustainability is 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. The businesses have developed specific strategic goals, set out in the respective Operational Reviews.

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 (refer to page 11 of this report), while creating long-term value for our stakeholders. As such, stakeholder engagement is 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.

The Group upholds the principles of sustainability, corporate governance and social responsibility. Mpact has also 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*.

For the comprehensive Sustainability Review please refer to the website. 

## PEOPLE DEVELOPMENT


Mpact's employees are integral to the success of the Group and we therefore ensure that each one has the necessary skills to improve his/her performance. Mpact's Fair Employment and Promotions Philosophy states there is a 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. As such management in the Group stands by this philosophy to ensure that the best people for the job are employed or promoted and that talent is actively attracted and retained within the Group.

## BROAD-BASED BLACK ECONOMIC EMPOWERMENT

Refer to the Statement by the Chairperson of the Mpact Foundation Trust.

## SOCIAL AND RELATIONSHIP INITIATIVES

Mpact operates on 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 and the cornerstone of sustainable investment. The Group's CSI strategy aims to enable partnerships with communities through financial support as well as volunteer-based projects from our employees, thereby strengthening the Group's role as a responsible corporate citizen.

Mpact's CSI initiatives are set out in detail in the Sustainability Review available on the website. 

## MPACT AND THE ENVIRONMENT

Mpact's commitment to sustainability is illustrated in its slogan "smarter, sustainable solutions". Environmental sustainability is therefore a core value for the business as it embraces the reality that the environment sustains us. Much of Mpact's business is built on recycling with most of its fibre, and an increasing portion of PET for plastics being supplied by the Recycling division and recycling practices at operations.

Mpact is very dependent on water, especially at the paper mills, and much effort and investment has gone into optimising water use over many years in recognition of the fact the South Africa is a water-scarce country.

In recent years there has been increasing focus and effort in reducing the environmental footprint of our energy use in terms of greenhouse gas and other atmospheric emissions, fossil fuel use and ash generation. Environmental legislation in South Africa has also become very complex and maintaining compliance is a priority for Mpact. The environmental sustainability for each of the businesses are detailed in the Operational Review section of this Integrated Report.



OPERATIONAL  
REVIEW

GOVERNANCE

SUSTAINABILITY

SUMMARISED  
CONSOLIDATED  
FINANCIAL STATEMENTS

ADMINISTRATION

