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# Key metrics

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

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

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

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

Serious injury  
frequency rate  
**0.60**  
(2016: 0.63)

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

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

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

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

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

Scope 1 and 2  
greenhouse gas  
emissions  
**1.032 tCO<sub>2</sub>e**  
(2016: 1.011 tCO<sub>2</sub>e)

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

**22 fully-funded**  
university bursaries  
awarded through the Mpac Foundation Trust

# Corporate profile

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

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

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

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

## PAPER DIVISION

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

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

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

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

 See page 32 for more information on our Paper Business.

## PLASTICS DIVISION

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

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

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

 See page 38 for more information on our Plastics Business.

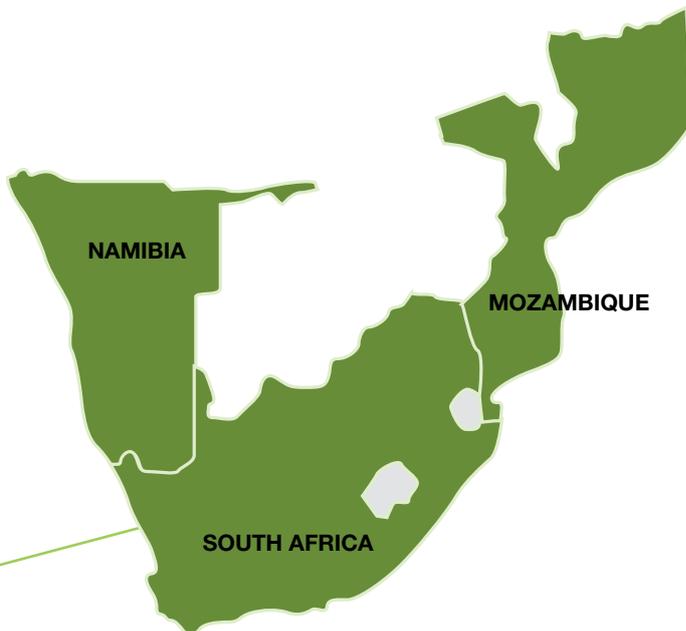
## MPACT'S FOOTPRINT

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

**4,889**  
employees



**3** countries

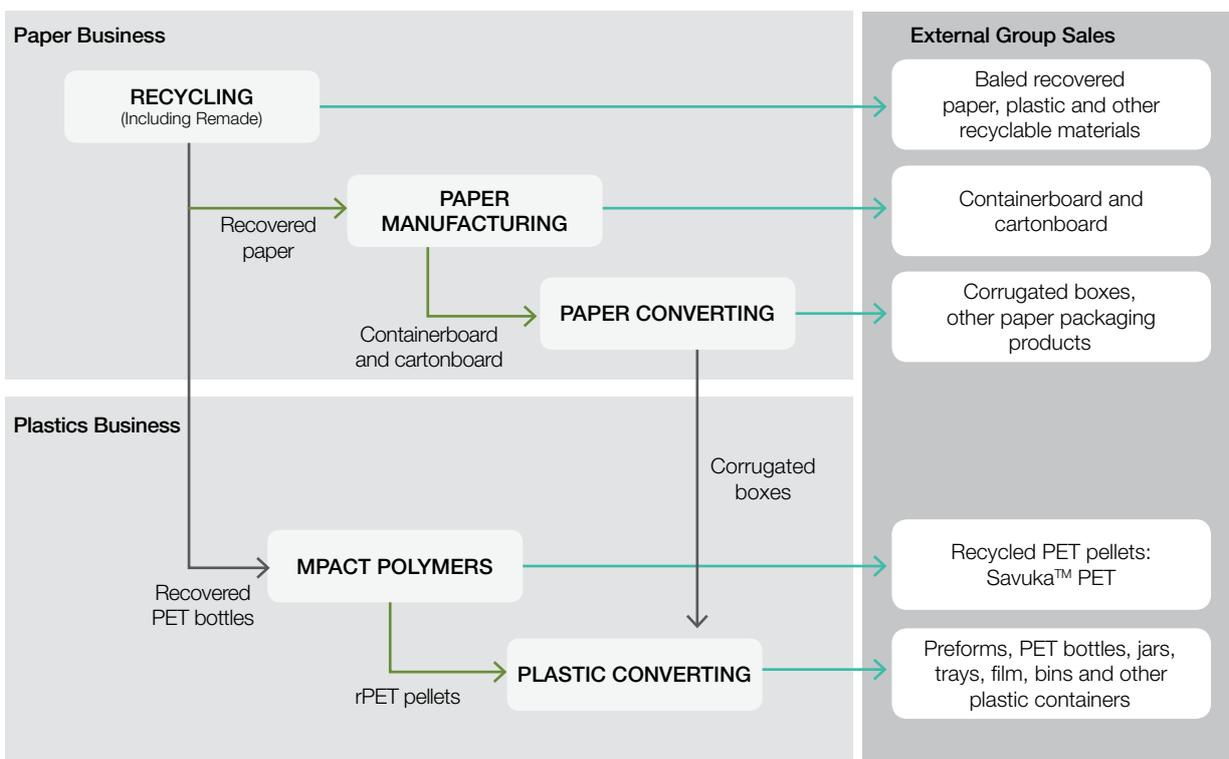


**Level 3** ☆☆☆  
B-BBEE Contributor

**41**  
operations across South Africa, Namibia and Mozambique



## MPACT GROUP



External sales Inter-segmental sales Inter-divisional sales

# Vision and values

## BUILDING A SUSTAINABLE BUSINESS AND CONTRIBUTING TO SOCIETY

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

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

## VALUES

At Mpact we are differentiated by our people who are:

### Trustworthy

- Ethical
- Transparent
- Honouring commitments

### Resolute

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

### Responsible

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

## VISION

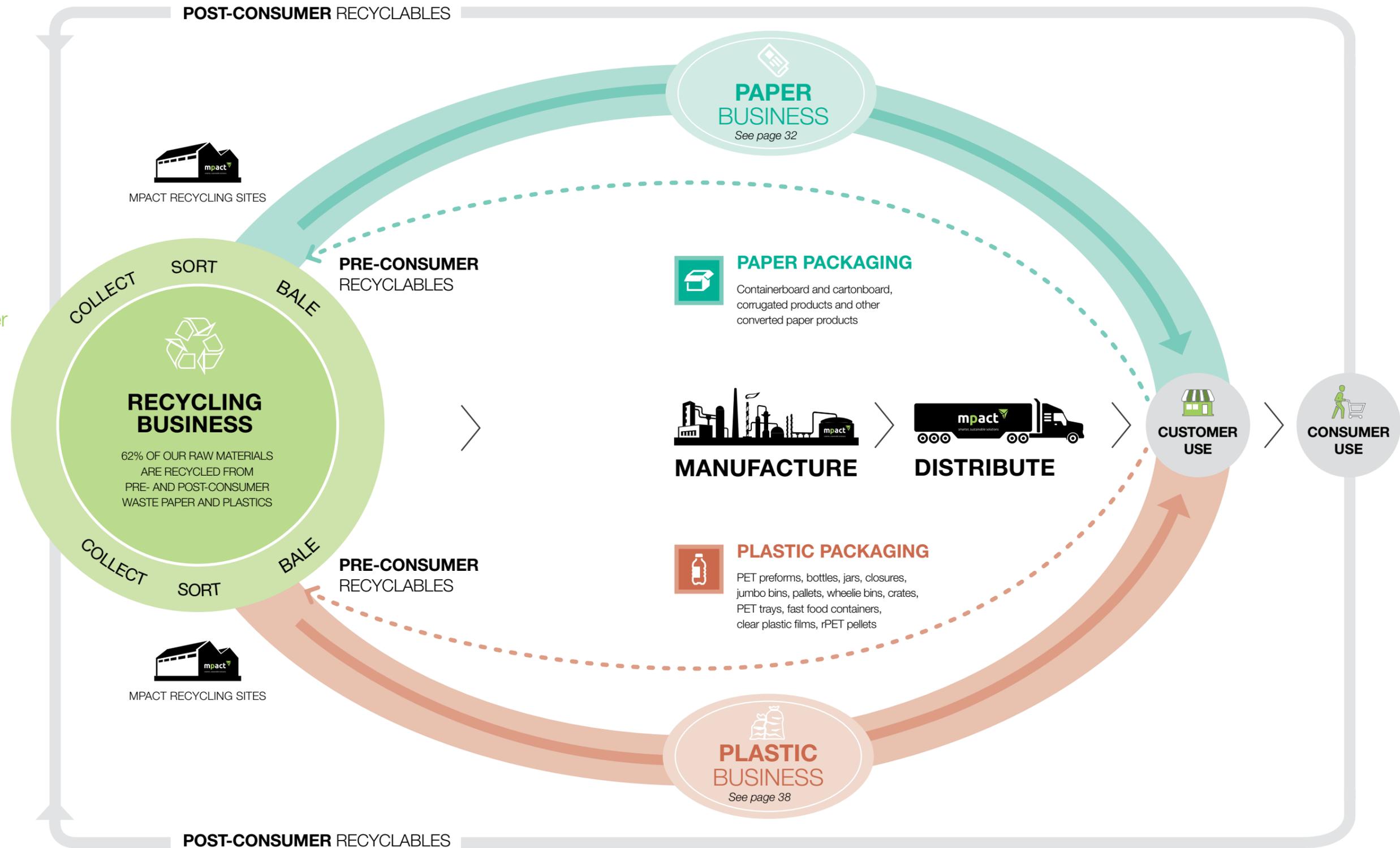
Mpact's vision is to be a leading packaging business with the highest ethical standards, delivering exceptional value for customers, employees, communities and shareholders.





# Our operating model

Mpact's business model epitomises the circular economy, creating value beyond our immediate operations. Our closed-loop system, includes the collection of pre-consumer and post-consumer recyclable materials which are used to create quality packaging products.



# Business model



## INPUTS



### Financial capital

Funds available to the business, including in the form of retained earnings and debt.  
Net debt – R2.2 billion.  
Equity – R4.2 billion.



### Manufacturing capacity

41 operating sites across South Africa, Mozambique and Namibia.



### People

4,889 employees.  
70,257 man-hours spent training.  
95% PDI learners and apprentices.



### Innovation

The accumulative experience and in-depth understanding of the packaging industry in our management team and employees. Research and development centre and creative assets create innovative customer-focused product offerings.



### Communities

Our strong relationships with our key stakeholders.



### Natural environment

Pulp, eucalyptus logs, pine chips, water.  
7.14GJ/tonne of energy consumed.  
5.68kl/tonne of water used.

## OUTPUTS



### Financial capital

Group revenue of R10.1 billion.  
Underlying operating profit of R457 million.  
Underlying earnings per share of 166.3 cents.  
ROCE of 7.7%.



### Manufacturing

428 million m<sup>3</sup> of saleable corrugated packaging.  
396,448 million tonnes of paper.  
93,801 tonnes of plastics converted.  
53,714 tonnes of preforms, PET bottles and jars.



### Natural environment

Scope 1 and Scope 2 carbon emissions of 1,032 tCO<sub>2</sub>e.

## OUTCOMES



### Financial capital

R2,655.2 million in value created for stakeholders.  
R45.9 million distributed to shareholders as dividends.  
R214.0 million distributed to providers of capital.  
R241.0 million reinvested in the Group.



### Manufacturing

Capital expenditure of R856.4 million invested to improve manufacturing equipment.  
R555.5 million depreciation, amortisation and impairment as a proxy for the decrease in the value for tangible and intangible assets.  
Successfully implemented significant capital projects during 2017.



### People

R1,624.6 million distributed to employees as remuneration and benefits.  
R7.8 million invested in skills development.  
SIFR improved to 0.6.



### Innovation

Increased skills and know-how.  
Nine Gold Pack awards, including the IPSA Gold Pack Trophy and seven Fta SA Flexographic awards.



### Our communities

R4.9 million invested in communities through the CSI programme.  
22 fully-funded university bursaries awarded through the Mpack Foundation Trust.  
R104.6 million distributed to Government as taxes.  
Level 3 B-BBEE.



### Natural environment

661,797 tonnes of recyclable material recovered.  
4.25kl/tonne of waste water generated.

# Case Study

## Buy-back centres contribute to the growth of recycling

“Owners like Maxwell Ndlovu are complete entrepreneurs in their business, seeking out opportunities from all around them. They have an excellent grasp of marketing and are also highly safety-conscious, which is a critical consideration in this industry.”

**Desmond Moloisi**

Mpact small business manager

Mpact Recycling supports small business entrepreneurs by opening buy-back centres that collect and process waste brought in by hawkers. In 2017, Mpact opened eight new buy-back centres including Soweto, Tembisa and other areas, bringing the total of these centres to 45. Together these centres process more than 2,000 tonnes of recyclables every month.

The buy-back centres create informal employment for hawkers in local communities and, according to PRASA, recycling provides jobs for around 100,000 people in South Africa. Many of these people are entrepreneurs and small business owners that rely on sustained volumes of recycled material to earn a living.

Materials collected include paper and paper-based packaging, plastic PET bottles, and milk and juice cartons, all of which are used to provide feedstock for Mpact's Paper and Plastics businesses. Waste that is not usable by our operations, such as other plastics and cans, is sold to other recyclers, closing the loop and ensuring the long-term sustainability of the buy-back centres.

Mpact Recycling provides equipment such as scales, trolleys, bags, bins, and cages to increase volumes at these buy-back centres, and can assist with identifying suitable properties. By working closely with these centres, schools, communities, trolleypreneurs and suppliers, Mpact has been able to strengthen recycling initiatives on the ground.

Maxwell Ndlovu is the owner of Ouhle Waste Management, which runs the Denver buy-back centre in Johannesburg. Maxwell started working as a security guard at Turffontein Race Course, went on to operate his own shuttle service and now runs and operates two very successful buy-back centres. Starting in 2011 with only a scale, a temporary hut and two bins in a small passageway, he has grown his business to the point that it now formally employs 21 people, including drivers, administration assistants, balers, sorters and cashiers at two sites. Every day as many as 200 hawkers bring waste to his buy-back centres and in 2017, his two sites brought in 300 tonnes a month.

When Maxwell was struggling with the electricity supply to his one centre, Mpact supported him to install a diesel baling machine that works off a generator. This baler is mostly used to bale PET material waste due to its volume and light weight.

Maxwell runs a low-margin, high-volume business model and has an excellent understanding of his target market. His affiliation with Mpact has opened doors for him with the likes of Pikitup (in a cleaning project assisting the City of Johannesburg), PETCO (who awarded him the PETpreneur award in 2017) and more recently, a trial with a local fast-food franchise to sort recyclables for processing and keep the sites free of waste.

