

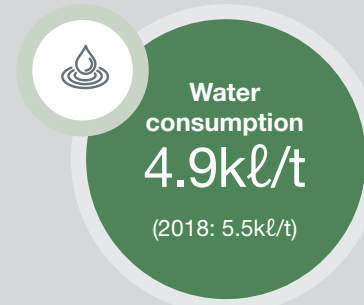
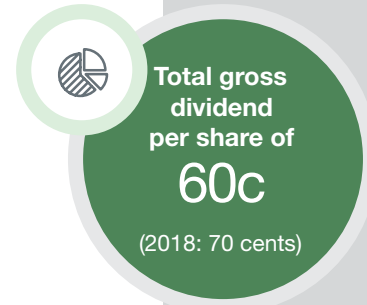
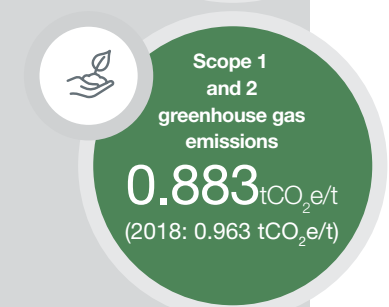
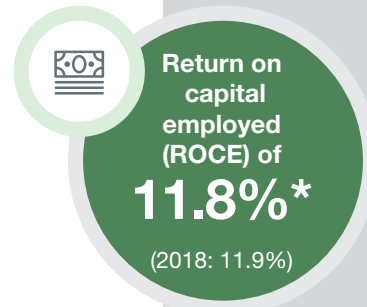
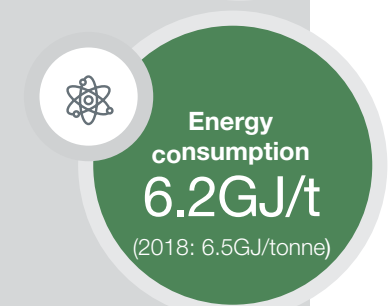
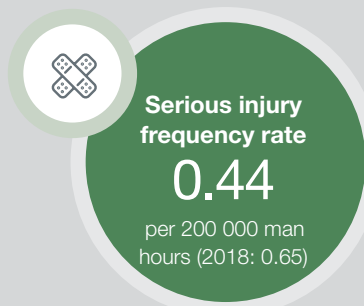
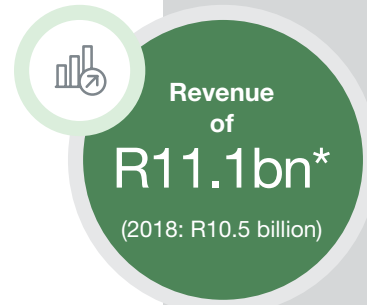


# Company overview

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# Key metrics

29 fully-funded university bursaries awarded through the Mpact Foundation Trust since inception.



\* From continuing operations

## Anticipating customer needs

Mpact's customer-focused strategy is built around premium quality products that deliver innovative solutions to our customers. Our company slogan challenges us to create Smarter, Sustainable Solutions and we work closely with our customers to understand and define their specific requirements, and then match these with the latest technology and materials. This allows us to create packaging that leapfrogs incremental improvements in existing design to deliver game-changing solutions and new product classes.

Two key drivers in the design process are reducing total cost of ownership for our clients and improving sustainability. A recent example is the design of foldable containers for the agricultural industry that provide protection to exported product and then collapse to reduce return logistics and storage costs. The crate is reusable, saves money and reduces environmental impact.

Developing strong long-term relationships with our customers helps us to better understand their businesses so that we can anticipate their needs to develop and test products tailored to their specific requirements. Mpact's intellectual property and technology networks provide us with unique capabilities in niche areas that enable us to offer bespoke, high performing, quick-to-market solutions.

During the year, Mpact's focus on innovative packaging solutions was recognised with four awards at the Gold Pack 2019 awards and two Fta SA Flexographic Print Excellence Awards.

## Innovation Awards



### 2019 Gold Pack Awards

- **Gold** (Sustainability Category) and **Silver** (Food Packaging Category) for our stamped corrugated paper trays. The trays substitute single-use plastic trays and are stamped by an ingeniously simple, energy-efficient process using food-safe papers derived from sustainable fibre sources.
- **Gold** (Transit and Secondary Packaging Category) for the Mars/Royco conversion to corrugated automation. Mpact collaborated with the client to design retail-ready wraparound cartons for the product that resulted in a cost-saving conversion from cartonboard to corrugated.
- **Bronze** (Transit and Secondary Packaging Category) for the Imana 100% rPET jar. This jar exemplifies the circular economy concept of packaging that can be produced, recycled and reproduced into a similar form without adding cost to the value chain. The design of the jar embraces the colour of the rPET to promote the benefits of its use.



### Fta SA Flexographic Print Excellence Awards

- **Gold** (Corrugated – Coated (Process) Category) for the Rainbow Chicken Spice/Steak & Chops Spice/Spice it All/Barbeque Spice
- **Gold** (Corrugated – Coated (Line/Tone) Category) for the Heart of Africa/The Grape Grinder printed pack.

# Corporate profile

Mpact is the largest paper and plastics packaging and recycling business in Southern Africa. Our integrated business model is uniquely focused on closing the loop in plastic and paper packaging through recycling and beneficiation of recyclables. Innovation lies at the heart of our strategy and we use our close relationships with customers and our understanding of their industries to anticipate their needs and create structural and graphic solutions, as well as value-added services.

In 2019, we had 5,142 employees working at 41 operating sites in South Africa, Namibia and Mozambique, and generating revenue of R11.1 billion. Our footprint, leading market positions and proximity to customers contribute to faster response times, reduce transport costs and create economies of scale.

Mpact is South Africa's largest collector of recyclable packaging. We collected over 624,000 tonnes of paper and plastic recyclables from pre- and post-consumer sources. By closing the loop on paper and plastic, we reduce the amount of material going to landfill, promote local beneficiation of raw materials and support the development of more than 50 small businesses.

Our liquid packaging recycling plant can recycle 24,000 tonnes of used liquid cartons a year, saving 65,240m<sup>3</sup> of landfill space and approximately 11,400 tonnes of carbon emissions.

## Paper division

### RECYCLING

Collects recyclable paper, plastics and liquid cartons to recycle these to provide feedstock for the paper division, and for sale to external customers.

### PAPER MANUFACTURING

Makes recycled-based packaging, industrial paper grades (such as containerboard and cartonboard), and other converted paper products. These are used in the paper converting business and sold to external customers.

### CUSTOMERS

Packaging converters (containerboard and cartonboard), agricultural producers, FMCG companies, quick service restaurants, other consumer and industrial packaging companies.

### PAPER CONVERTING

Makes printed and unprinted converted corrugated products, including board used to manufacture corrugated packaging, corrugated boxes, cases, trays, point-of-sale displays, cups, lids, bags and trays.

See page 30 for more information on our Paper business.

## Plastics division

### PLASTIC CONVERTING

Makes rigid plastic packaging, including polyethylene terephthalate (PET) preforms, trays and film, and plastic jumbo bins and crates. Also recycles used or damaged crates and bins.

### CUSTOMERS

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

See page 34 for more information on our Plastics business.

## Mpact's footprint

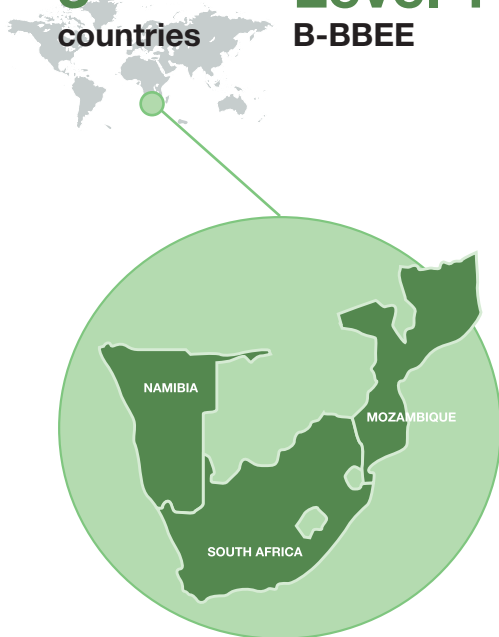
Mpact's footprint in the three Southern African countries and proximity to its customers contributes to faster response times and reduced transport costs.

**5,142**  
employees

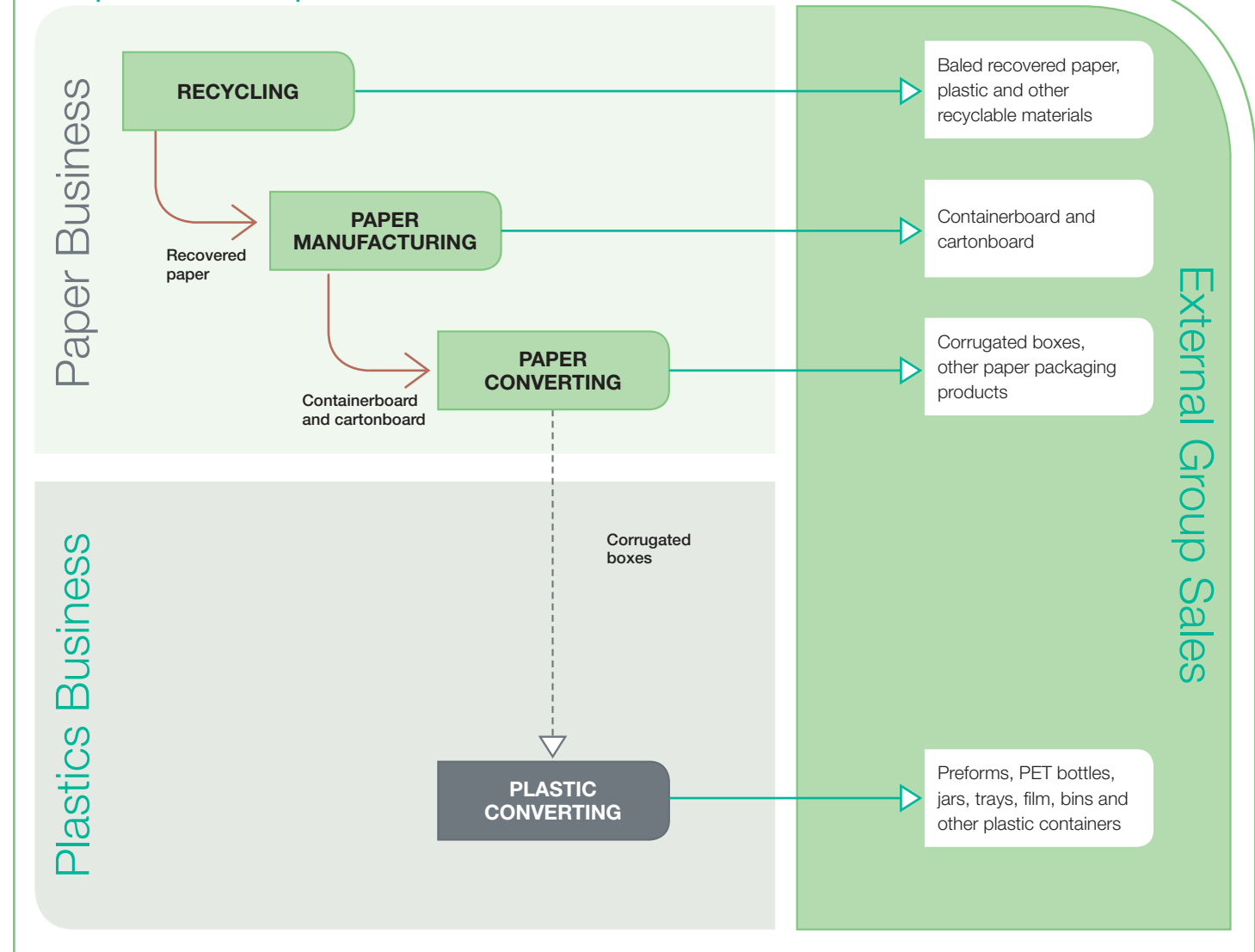
**41**  
operating sites

**3**  
countries

**Level 1**  
B-BBEE



## Mpact Group



— External sales    - - - - Inter-segmental sales    - - - - Inter-divisional sales

# Our vision and values

## 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.

Building a sustainable business and contributing to society through innovation

Southern Africa's largest recycler, paper and packaging producer, Mpact is committed to:

- Acting as a **responsible employer** and **corporate citizen** and managing natural resources with care, sensitivity and expertise
- Meeting and exceeding customers' 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
- 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

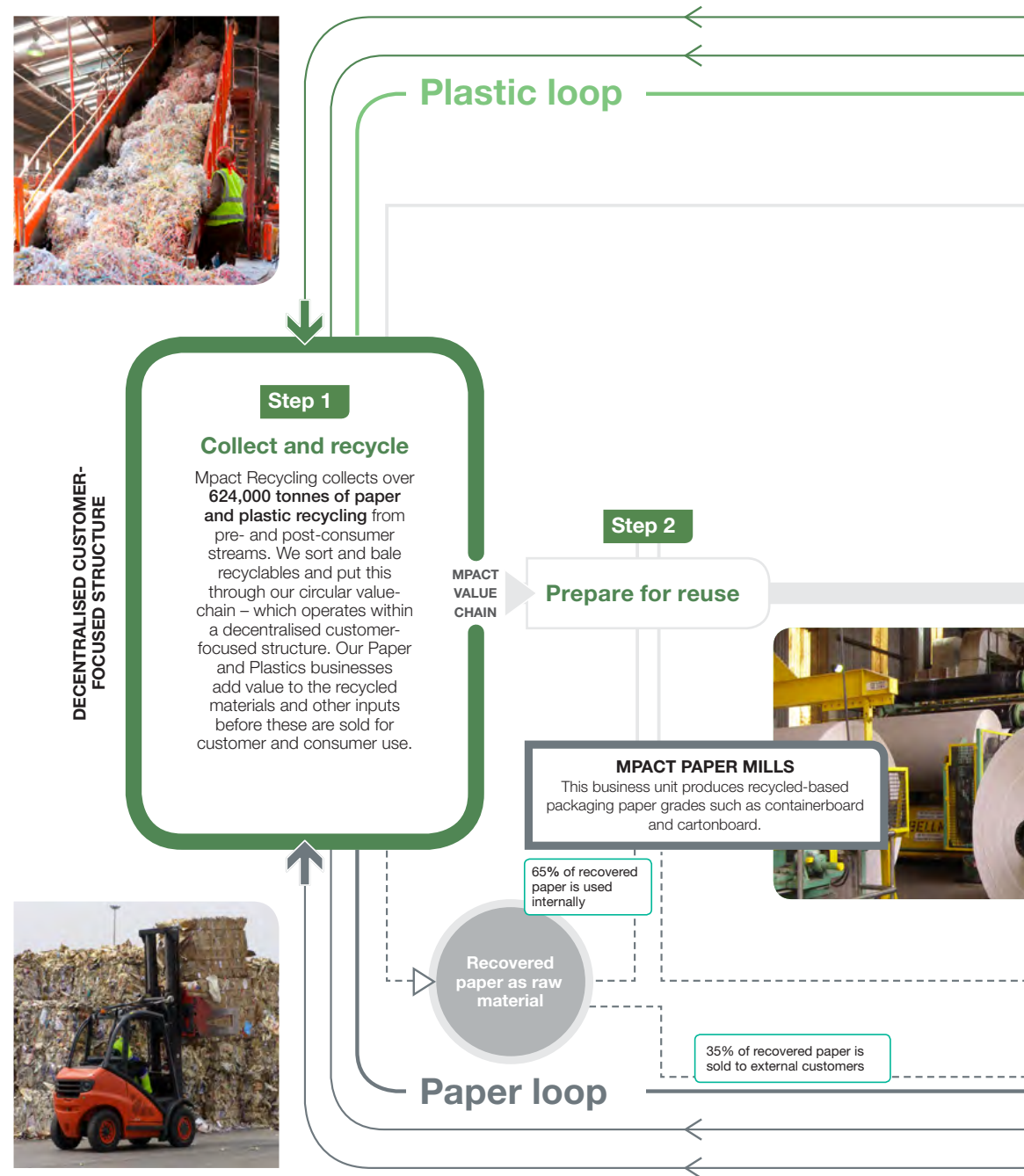
### Responsible

- Taking care of their safety, health and personal development as well as that of their colleagues
- Striving to meet or exceed our customers' 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

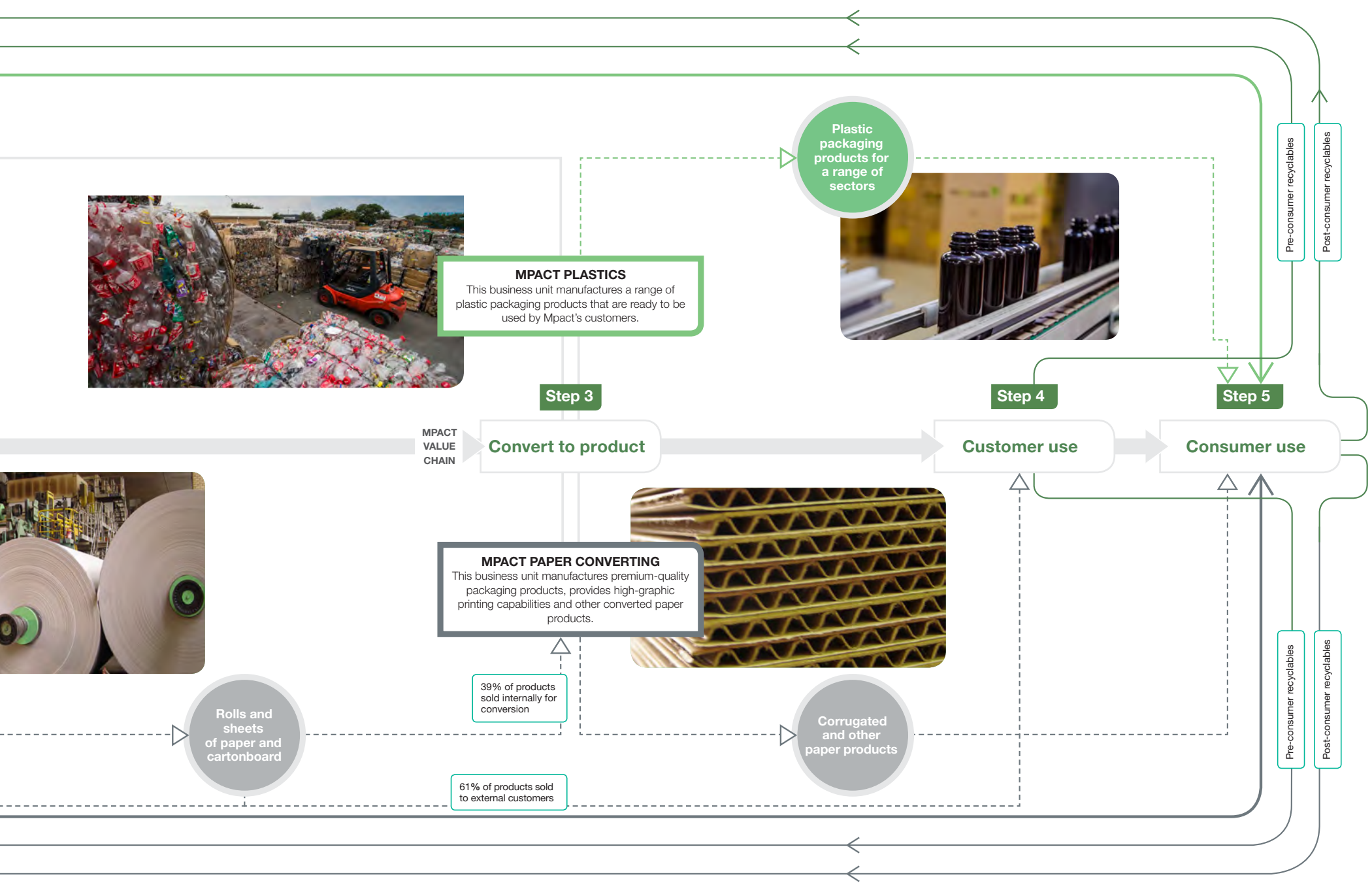


# Our operating model

As the leading paper and plastics recycler in South Africa, Mpact gives effect to a true circular economy and hope for future generations. Through state-of-the-art investments in recycling and packaging technologies, Mpact converts pre-consumer and post-consumer recyclable materials into innovative plastic and paper packaging products.







# Business model

## INPUTS



### Financial capital

Funds available to the business, including in the form of retained earnings and debt.  
Net debt – R2.3 billion.  
Equity – R3.7 billion.



### Manufactured capital

41 operating sites across South Africa, Mozambique and Namibia. Manufacturing operations, paper, plastic and recycling.



### Human capital

5,142 employees.  
65,207 man-hours spent training.  
95% PDI learners and apprentices.



### Intellectual capital

The accumulated 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.



### Social and relationship capital

Our strong relationships with our customers and other key stakeholders, and commitment to community development.



### Natural capital

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

## CAPITAL TRADE-OFFS DURING 2019

The focus in the challenging conditions during 2019 was on maximising the benefits of the recent capital investments in our manufacturing facilities. Weak demand for paper led to the paper mills taking commercial downtime to prevent stock build-up (manufactured capital).

The inability to secure prices for rPET from the PET recycling plant that were above the cost of production led to the operation being closed down. This decision represents a trade-off between preserving financial capital and a reduction in human capital and intellectual capital built up in the process.

Mpact Recycling's initiatives to improve wastepaper collection include the annual schools competition and a competition that challenges the Top 100 Mrs South Africa semi-finalists to work alongside Mpact Recycling on community projects with the aim of promoting recycling awareness, supporting fundraising initiatives and increasing recycling volumes. By sponsoring these initiatives, Mpact increases awareness about recycling and the Mpact brand, building social and relationship capital, while reducing the impact of waste on the environment.

Mpact's empowerment partnership with Dalisu develops intellectual capital around converting a by-product from the paper manufacturing business into saleable products. This can be sold to increase financial capital, while reducing our environmental impact by improving effluent quality and supporting social and relationship capital through the partnership's transformation aspect.

Improved energy and water use efficiencies have been realised from the financial investments in our manufacturing facilities. Mpact has installed 1,700kWp of rooftop Solar PV and has plans for a further 7.3MWp.

## OUTPUTS



### Manufactured capital

433 million m<sup>2</sup> of saleable corrugated packaging.  
411,867 tonnes of paper.  
87,050 tonnes of plastics converted.



### Natural capital

Scope 1 and Scope 2 carbon emissions of  
696,258 tCO<sub>2</sub>e  
35,048 tonnes of waste generated



### Financial capital

Group revenue of R11 billion\*  
Underlying operating profit of R724 million\*  
Underlying earnings per share of 192 cents  
ROCE of 11.8%\*

\* From continuing operations



## OUTCOMES



### Financial capital

R3 billion in value created for stakeholders  
R125 million distributed to shareholders as dividends  
R265 million distributed to providers of capital



### Manufactured capital

Capital expenditure of R592 million invested to improve manufacturing equipment  
R543 million depreciation as a proxy for the decrease in value of tangible and intangible assets



### Human capital

R1,830 million distributed to employees as remuneration and benefits  
R15,5 million invested in skills development  
SIFR improved to 0.44



### Intellectual capital

Increased skills and know-how  
R28,9 million invested in research and development  
Four Gold Pack awards and two Fta SA Flexographic awards



### Social and relationships capital

R3 million invested in communities through the CSI programme  
R66,7 million distributed to government as taxes  
Level 1 B-BBEE



### Natural capital

42 000 tonnes of plastic waste diverted from landfill for recycling  
516 000 tonnes of waste paper recycled

Mpact has designed and successfully implemented a first-to-market range of 100% recyclable corrugated paper trays that provide a sustainable alternative to plastic trays traditionally used to package and display fruit and vegetables.

# Case study

## Mpact's pioneering paper-based fruit and vegetable trays

Mpact has designed and successfully implemented a market first range of 100% recyclable corrugated paper trays that provide a sustainable alternative to plastic trays traditionally used to package and display fruit and vegetables.

Mpact's **glued punnets** offer an alternative to applications where rigid plastics like PET are traditionally used. The lightweight, yet durable corrugated board used in the glued trays is produced from approximately 65% recovered fibre. This makes them an excellent choice for environmentally conscious retailers and consumers, and demonstrates the benefits of the circular economy. Fibre for the five sizes of glued trays are food safe and originate from Forest Stewardship Council (FSC) certified sustainable sources.

Since we first introduced this unique product to the market in the last quarter of 2019, we have produced close to five million trays. The success of the rollout across one of the biggest retailers in the country led to another leading fresh produce company changing over their main lines to our corrugated glued punnets.

Mpact also pioneered and perfected the art of **stamped corrugated board** trays for fresh produce, which substitute for shallow expanded polystyrene (EPS) trays. We started manufacturing these trays in 2018 and now produce a further three new sizes. These stamped trays were awarded a Gold Medal for Sustainability at the 2019 Gold Pack awards and a Silver Medal in the highly competitive "Food Packaging" category, proving their merit as an alternative to single use EPS plastics.



To date Mpact has manufactured in excess of one million stamped trays and has design protection locally and in several foreign territories, with the option of licensing in these jurisdictions.

**Corrugated grape punnets** are another market first from Mpact that are showing excellent uptake in the agricultural market, particularly with major clients Southern Fruit Growers (SFG) and The Grape Company (TGC). The current grape season provides a large-scale validation trial with the majority of punnets exported to German and Dutch supermarkets where they have been very well received. The Mpact corrugated grape punnet is protected by design registration and is unique due to the option of sealing by heat-shrink, flow-wrap, or with two different heights of clip-in lids. Mpact Versapak manufactures these lightweight lids from 100% recycled PET using 100% food safe materials.

We are currently developing window hinge-lid and heat-seal options for the next grape season and expect sales volumes to continue to rise.