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CHIEF EXECUTIVE OFFICER'S REPORT



Bruce Strong

OUR VALUES

At Mpact we are differentiated by our people, who are Trustworthy, Resolute and Responsible

Mpact delivered a solid performance in a challenging year. The effective response to Covid-19 at all our operations was exceptional, demonstrating the depth of good management, the effectiveness of our safety systems, and the support of our customers, suppliers and employees.

By implementing our proven strategy of securing leading market positions and focussing on customers and performance we also delivered a strong financial performance with record cash flows from operations of R1.9 billion and a reduction in net debt to R1.4 billion. Underlying earnings per share for the year increased 4.6% to 201 cents while the successful repurchase of 14.5% of the Company's issued shares returned R345 million to shareholders.

Innovation remains a cornerstone of our business. In 2020, we continued to develop new ways to meet our customers' packaging needs with award-winning innovations that help improve their offerings while contributing to the circular economy.

The impact of Covid-19 and the lockdowns on the country have been severe and the strength and speed of recovery is likely to be challenging given the underlying weakness of the economy. Mpact's operations were designated as essential service providers in recognition of the important role we play as one of the critical supply chain links in the South African economy, producing paper and packaging for food, pharmaceuticals and other essential products.

Decreased economic activity led to reduced demand, especially in operations serving quick service restaurants (QSR), the hospitality industry and sectors affected by extended closures such as the liquor and tobacco industries. Activity increased in the second half of the year, particularly in

fast moving consumer goods (FMCG) and paper volumes benefitted from a change of approach.

DEMONSTRATING OUR COMMITMENT TO OUR VALUES

We had to react quickly and with a great deal of agility as the situation evolved. I strongly believe that our response to the numerous challenges we faced during the year demonstrates Mpact's commitment to our values.

As a responsible business, our first priority was and remains to provide and maintain a safe and healthy work environment for all employees. Our staff trusted us to provide safe working conditions and we implemented a comprehensive plan of action with stringent safety and hygiene practices to mitigate the risks associated with the pandemic across all operations in addition to the strict pre-existing health and safety measures. Many of our sites provided employees with family packs that included sanitisers, soap and vitamins to help protect them and their families. Sadly, six employees died after contracting Covid-19 by the end of the year and we extend our sincere condolences to their families and colleagues.

We were resolute in finding ways to circumvent the many obstacles we experienced and in our commitment to ethical and responsible business practices. The protocols we put in place to continue to operate safely rewarded our customers' trust in us and enabled us to deliver on our commitments to them.

Our responsibilities include ensuring that our short-term tactical responses support the Group's resilience and ability to create long-term value for our stakeholders. We focused on securing the liquidity of the Company,

delaying payment of the 2019 final dividend and not declaring a 2020 interim dividend. Cost reduction and cash preservation measures included negotiating reduced rentals, reviewing non-essential contracts and temporarily closing production lines where necessary. The Group was supported in these efforts by its management employees voluntarily agreeing to salary reductions, a material sacrifice for which we are most grateful. Cash reserves were closely managed through, inter alia, monitoring available banking facilities, debtors' payments, inventory levels and postponing non-essential capital expenditure. The emphasis on working capital management and cash generation resulted in cash flow from operations nearly doubling and net debt decreased by R900 million at the end of the year.

Once we had more clarity on the operating context and the strength of our balance sheet allowed it, the 2019 dividend was paid and the Board approved a share buyback programme to return capital to shareholders. We also made some strategic investments, including acquiring the properties housing our operation in Port Elizabeth and Detpak, and continue to roll out solar power installations.

We did not lose sight of our obligation to the needs of others during these difficult times. Mpact Plastics' designed face shields that have been in demand across all sectors to reduce the spread of Covid-19. We donated 25 000 of these to healthcare workers through the government, 6 000 to waste-pickers and provided them to all employees at our operations. We also developed a face shield specifically for children in-time for the re-opening of schools. We provided additional support to waste pickers and our corporate social investment projects and employee volunteering programmes promoted socioeconomic development in the communities around our operations, where many of our employees live.

FINANCIAL OVERVIEW

Group revenue from continuing operations was similar to 2019 at R11.1 billion (2019: R11.08 billion) with a 3.5% increase in the Plastics business offset by a slight decline in the Paper business. Underlying operating profit was R631 million (2019: R724 million)

and underlying earnings per share increased by 4.6% to 201 cents (2019: 192 cents).

Our focus on cash preservation and cash generation resulted in strong cash flow from operations of R1.9 billion (December 2019: R986 million). As a result, net debt decreased to R1.4 billion at 31 December 2020 (December 2019: R2.3 billion) and gearing declined to 26.6% compared to 38.2% at 31 December 2019.

Return on capital employed (ROCE) was 11.4% (2019: 11.8%). The CFO report on page 102 provides more detail on the Group's financial results for the year.

OPERATIONAL PERFORMANCE

Revenue in the Paper business declined by 0.8% to R8.7 billion, with external sales volumes decreasing by 3.3%.

External sales volumes of containerboard and cartonboard increased by 12.8% with lower domestic sales volumes offset by increased exports and rolled pulp sales. Domestic demand improved notably from the fourth quarter of the year.

The Springs paper mill lost more than 50 production days due to the catastrophic failure of a municipal sub-station in Ekurhuleni, which resulted in a loss of gross profit for the Group of approximately R91 million and other related direct costs of R9 million. An insurance claim was submitted and an interim settlement of R35m was approved by the insurers by year end, of which the net proceeds of R25 million are included in the results as sundry income. The balance of the claim has not yet been settled or accounted for.

The gross profit margin in the Paper business decreased primarily as a result of lower average recycled containerboard prices during the first half of the year due to a higher proportion of export and rolled pulp sales. The gross margin improved in the second half on increased demand for containerboard in the domestic market and some recovery in businesses that were affected by strict lockdown levels during the first half.

External recycling sales volumes decreased by 29% due to reduced demand for recycled plastics and glass. This did not have a material impact on the profitability of the business.

Paper Converting sales volumes decreased by 5.8% with good growth in the fruit sector offset by declines in quick service restaurants (QSR), beverage, tobacco and other industrial sectors. Detpak was hard hit in the first half given its exposure to restaurants and fast food, but recovered well in the second half.

Underlying operating profit in the Paper business decreased to R578 million (2019: R716 million) due primarily to lower containerboard margins in the first half, the Springs paper mill shut and the effects of the nationwide lockdown.

Revenue in the Plastics business of R2.5 billion was 3.5% higher than the prior year due to good growth in the Bins and Crates, and FMCG units. Sales volumes decreased by 2.7% while average selling prices increased by 6.2% due primarily to a change in product mix.

Bins and Crates sales benefitted from robust demand in the fruit and bottling segments while the FMCG business saw growth in the pharmaceutical, food, personal care and home care segments. Sales of preforms and closures decreased significantly, reflecting sectoral declines in smaller pack sizes for carbonated soft drinks as consumers stayed home. Although tray and film volumes declined on the prior year they were up on plan and reflected a more profitable mix, in-line with the successful restructuring of the business during 2019.

The Plastics business underlying operating profit increased by 44% to R119 million (2019: R83 million). Included in the result is a non-recurring inventory write-off of R29 million.

RESPONSIBLE PACKAGING AND THE CIRCULAR ECONOMY

The independent waste collectors that source recyclable material and sell it to our waste buy-back centres play a critical role in our integrated business model and the circular economy. These centres also contribute to job creation in local communities with each buyback centre estimated to create three direct jobs on average and provide an income for several other people every day selling recyclable materials to these centres. Waste that is not usable by our operations, such as other plastics, glass and cans, is sold to other recyclers, closing the loop and ensuring the long-term sustainability of the buy-back centres.

At the start of lockdown, the waste collectors were unable to work and suffered hardship. Mpact Recycling stepped in with other stakeholders to deliver meals, vouchers and other supplies to the most vulnerable. With minimal local demand for recycled fibre, the resilience of our business model enabled us to shift production of linerboard to Piet Retief Mill so that we could use the newer and more efficient facilities at Felixton Mill to produce rolled pulp for export. While margins on rolled pulp are extremely thin, this allowed us to support our supply chain of recycled fibre and provided ongoing support for waste collectors.

Mpact welcomes the progress in Extended Producer Responsibility (EPR) regulations that close the loop on plastics and packaging to reduce waste and improve recycling. We are working with regulators to provide our perspective on how the regulations can best achieve their objectives. Mpact remains one of the few businesses that collects nearly every product category we produce for recycling and, in many cases, we recycle these ourselves, supporting the circular economy in plastic and paper packaging. EPR will bring all producers of plastic and paper packaging together, including importers, to apply a similarly rigorous and responsible approach.

As public opinion shifts against single use plastic packaging and its effect on the environment, we remain of the view that plastic packaging that is recycled and recyclable will prove to be a sustainable, and in some cases the preferred, means of protecting and promoting goods and minimising food waste.

Mpact's proactive stance towards recycling and beneficiation positions us well to benefit from the longer-term trend away from single-use, non-recycled packaging of any substrate, which many major brand owners have made public commitments to eliminate.

INNOVATION IN PACKAGING DESIGN

Innovation remains a cornerstone of our strategy, which includes finding new ways to meet our customers' packaging needs, helping to improve their operations and contributing to the circular economy. This year, we designed a 100% recyclable wheel for our wheelie bins and Mpact Plastics developed a composter that supports the drive to divert organic waste from landfill by making it easy to turn organic waste into compost. We produce refuse bins that have embedded RFID chips to help municipalities track how much waste they are collecting and offer new revenue generating opportunities. Similar chips in bins for fresh produce can help farmers, wholesalers and retailers to improve their processes.

We launched a social media campaign illustrating the innovative ways Mpact closes the loop on the circular economy that has been very well received. And we were once again very gratified when some of our packaging designs were recognised at the 2020 IPSA Gold Pack Awards where Mpact received six product design awards and three special Covid-19 awards (see page 6).

DEVELOPING OUR HUMAN CAPITAL AND STAKEHOLDER RELATIONSHIPS

Our ongoing emphasis on the safety of our workforce as a critical indicator of operational performance demonstrates our care for each other. Covid-19 seems to have created greater awareness in our workforce that contributed to an improvement in our safety performance with the lost-time injury frequency rate improving to 0.21 per 200 000 manhours (2019: 0.33). Our safety focus in 2020 was on implementing a programme to enhance Mpact's safety culture and performance through enhanced safety training, further developing leadership skills among managers and supervisors, and refining our safety standards.

Our CEO Imbizos are an important way for senior management to engage with employees at the operations. This year we held a combination of virtual and in-person *Imbizos* for the different operating sites where topics covered included health and wellness during Covid-19, safety, Group financial performance, current economic conditions as well as skills and development opportunities.

Mpact is committed to transformation and we are extremely pleased that Mpact Operations retained its Level 1 B-BBEE contributor status during the year. We made a number of senior appointments that further develop our diversity at management level.

Qualifying dependants of our employees can apply for support from the Mpact Foundation Trust Bursary Scheme for their tertiary studies to help them realise their full potential and inspire those around them. An additional five students were offered bursaries during 2020, bringing the total supported through the scheme to 37 students to date, of which 13 have already graduated. While we are very proud of the success rate of our students and the relatively low drop-out rate of less than 10%, we are concerned at the lack of job opportunities available to our students once they graduate.

Completion of Dalisu's facility for manufacturing sodium sulphate was delayed due to Covid-19 but the plant was commissioned early in 2021. Dalisu is a black empowerment partner of Mpact that is developing processes that convert a by-product from the paper manufacturing business into commercial products, including a dust suppression product.

Rising unemployment and deteriorating socioeconomic conditions are contributing to increasing community expectations for jobs and benefits from companies. This is affecting certain Mpact operations directly and indirectly, where unrest at surrounding companies also affects our facilities. Operations are provided with the necessary training and resources to engage effectively and address community priorities where possible.



OUTLOOK FOR 2021

Mpact has had a positive start to the 2021 financial year and is well positioned despite a weak economy. There are indications of a good fruit crop and a gradual recovery in the FMCG and quick service restaurant sectors. Mpact is also expected to benefit from an improved global outlook for containerboard and cartonboard.

Working capital management will remain a key focus area, but it is anticipated that working capital levels will increase in the current period to ensure continuity of supply.

Mpact's integrated business model continues to be uniquely focused on closing the loop in paper and plastic packaging, contributing to the circular economy, and benefiting all stakeholders. The Group's focus on innovation and sustainability provides our customers with packaging solutions that ensure product quality while reducing the environmental impact.

The Group has a robust strategy and substantial financial capacity, as well as an experienced management team to navigate and prosper in the current volatile trading environment.

Bruce William Strong
Chief Executive Officer

12 April 2021



MANAGEMENT TEAM

■ Executive Committee
■ Management
■ Executive Directors



BRUCE WILLIAM STRONG (52)
CEO
 Executive Director

BSc (Eng) (Summa cum laude) (University of KwaZulu-Natal), BCom (Hons) (University of South Africa) AMP (Harvard Business School)

Bruce has been the CEO of Mpack since 2009. Prior to being appointed CEO, he held various management positions in Mondi, both in South Africa and Europe. Bruce has over 25 years' experience in the paper and packaging industry. He also currently serves as Chairman of both the Paper Manufacturers Association of South Africa and Packaging SA and is a past Chairman of the South African Manufacturing Circle.

BRETT DAVID VAUGHAN CLARK (56)
CFO
 Executive Director

BCom, Post-Graduate Diploma in Accounting (University of Port Elizabeth), CA(SA), CIMA, AMP (Harvard Business School)

Brett joined Mpack as the CFO in June 2012. He is a Qualified Chartered Accountant and was previously a Principal at Absa Capital Private Equity, an Executive Director of Brait Private Equity and CFO of Clover Industries Limited and Unihold Limited, respectively. Brett has also worked for Nampak Limited in various positions in South Africa and the United Kingdom.

JOHN WILLIAM HUNT (57)
MD: Recycling
 Executive Committee

BSc (Eng), MSc (Eng) (University of KwaZulu-Natal)

John has held the position of Managing Director of the Recycling division since May 2011. His previous role was as the Business Manager for Technology Optimisation in the Group. He has served as the Executive Director of the Paper Manufacturers Association of South Africa and has more than 25 years' experience in the paper industry.

NEELIN NAIDOO (57)
MD: Plastics
 Executive Committee

MBA (Herriot Watt University, United Kingdom), FCIS, FCMA

Neelin joined Mpack as the Managing Director of Mpack Plastics on 1 November 2013. Neelin was the CEO of MCG Industries and has over 30 years' experience in the packaging industry. He is a Director of Polyco and PETCO and Chairman of the Polystyrene Association.

HUGH MICHAEL THOMPSON (55)
MD: Paper Manufacturing
 Executive Committee

BCompt (Hons) (University of South Africa), CTA (University of South Africa), CA (SA), AMP (Harvard Business School)

Hugh has been the Managing Director of the Paper Manufacturing division since October 2009. He fulfilled the role of CFO of Mpack until March 2007 and then the role of Managing Director of the Plastics division until September 2009. He has more than 15 years' experience in the packaging sector. He was previously Senior Vice President (Corporate Finance) for Anglo American South Africa Limited.



CHRISTOFF BOTHA (47)

MD: Paper Converting
Executive Committee

B. Com (Honours) University of the Free State

Christoff joined Mpact as the Managing Director of Mpact Paper Converting on 1 May 2020. He has held various leadership positions in the last 12 years in Novus Holdings including Divisional MD, Group Executive and Executive Director in the Heatset, Labels and Flexibles Division. He has over 18 years of experience in the print and packaging industry.



DONNA MAREE DICKSON (40)

Group Company Secretary
Management Committee

BCom Law, Professional Post Grad: Governance and Secretarial (CSSA), FCIS, Post Grad: General Management, MBA (GIBS, University of Pretoria)

Donna was appointed as the Group Company Secretary at Mpact on 1 May 2020. She has more than 10 years' experience in the company secretarial and governance field, most recently as Group Company Secretary for MultiChoice Group Limited. Other previous roles include heading the company secretarial and legal departments at Advtech Group Ltd and Clinix Health Group Ltd as well as holding various governance and legal roles at Telkom SA SOC Ltd.



GEORGINA SARAH ROBINSON (37)

Group Legal Counsel and HR
Management Committee

BA LLB, LLM (Taxation), LLM (Commercial Law) (University of Cape Town)

Gina has held the position of Group Legal Counsel since May 2015. She was previously employed by ENS Africa in its corporate commercial department.



PENELOPE NTULI (42)

Group Communications Manager
Management Committee

Masters: Communications (Tshwane University of Technology)

Penny joined Mpact as Group Communications Manager in November 2018. She was previously a Communications Director (SA) and Public Affairs Director (GMEA) at Tetra Pak for five years. She has served in various organisations including Multichoice, Tiger Brands, Sentech and Government Communication and Information Systems. Penny holds various qualifications from UJ, PRISA, Wits Business School and the Institute for the Advancement of Journalism.



ZIYAAD CARRIM (40)

Head: ICT
Management Committee

Ziyaad has held the position of Head of ICT since August 2013, and has over 15 years' ICT experience within the Mpact Group. His previous role was as the Infrastructure Manager of the Group.

PAPER BUSINESS

MPACT RECYCLING

OUR RECYCLING PARTNERS

- Schools, community centres and offices
- Industrial and commercial suppliers
- Collectors
- Buy-back centres and country dealers



**COLLECT
SORT
BALE**

PRE-CONSUMER
RECYCLABLES

69%

of recovered paper is used internally

31%

of recovered paper is sold to external customers

Leftover trim and cuttings returned to Mpac Recycling

POST-CONSUMER
RECYCLABLES

MPACT PAPER MILLS

ACTIVITY: Produce different types of paper and board made from a combination of recycled paper and virgin fibres.

OUTPUT: Rolls and sheets, containerboard and cartonboard.

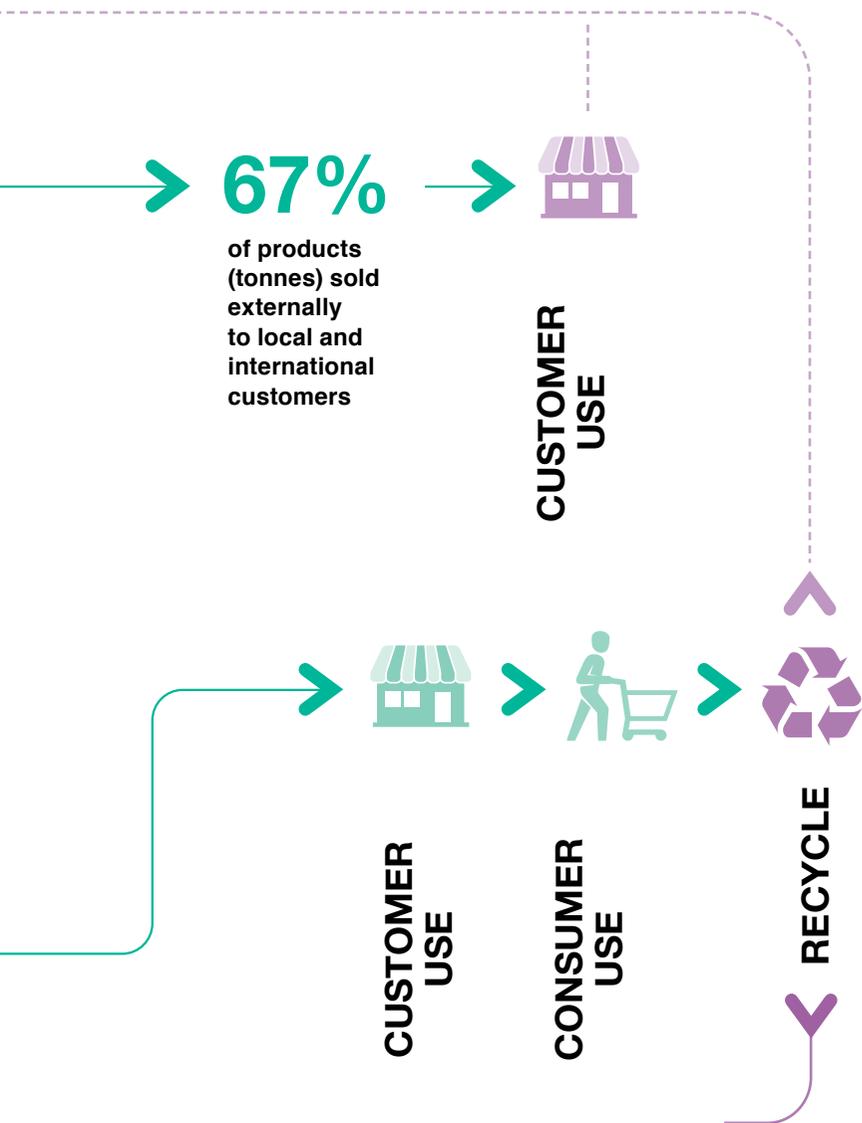
33%

of products (tonnes) sold internally to Mpac's Paper Converting factories and subsidiaries

MPACT PAPER CONVERTING

ACTIVITY: Convert board into different types of corrugated and other paper packaging products.

OUTPUT: Corrugated paper packing products. High-quality graphic printing services and other converted paper products primarily for the QSR sector.



STRATEGY AND OBJECTIVES

Mpact's integrated business model is uniquely focused on closing the loop in plastic and paper packaging through recycling and beneficiation of recyclables.

MPACT RECYCLING

17 recycling operations around South Africa

Mpact Recycling sources recovered recyclable materials including paper, cardboard, cans, glass and plastics through pre- and post-consumer programmes.

Our primary goal is to provide Mpact's paper mills and operations with the right quantity of material to support their production goals at prices and quality to maintain their competitiveness.

PAPER MILLS

Three mills in Springs (Gauteng), Felixton (KwaZulu-Natal) and Piet Retief (Mpumalanga)

Mpact's paper mills manufacture recovered fibre-based packaging and industrial paper grades such as containerboard and cartonboard.

External customers include corrugated board producers, box producers and other containerboard converters. The top 10 external paper manufacturing customers represented approximately 55% of paper manufacturing external sales. Around 34% of products produced were exported, mainly to other African countries.

Our goal is to optimise production facilities to meet market demand at competitive prices.

Mpact has distribution rights to sell Mondi ProVantage Baywhite™ (a premium quality white top kraftliner) and Mondi ProVantage BayKraft™ (a premium quality kraftliner) in sub-Saharan Africa.

PAPER CONVERTING

Ten converting plants in South Africa, one in Mozambique and two in Namibia.

Mpact Paper Converting uses paper from Mpact's mills to manufacture a broad range of premium quality innovative packaging solutions. These products are custom-made to specific customer needs and range from standard boxes to die-cut self-locking trays. High-graphic print capabilities at our facilities add customer branding and designs to the packaging that attract attention and support marketing initiatives.

Customers include fresh produce farmers, businesses and manufacturers who primarily use our products to protect their goods during transport and for point-of-sale display. Around 40% of our converted paper product customers are in the agriculture industry with 60% operating in the fast-moving consumer goods (FMCG) and industrial sectors.

We aim to provide innovative packaging solutions that protect our customers' goods in transit and support their marketing initiatives with eye-catching graphics.

Detpak (Aeroton – Gauteng)

Manufactures an extensive range of paper and board packaging solutions including cups, lids, cartons, bags, trays and clam shells for the quick service restaurants (QSR) and retail sectors.

PAPER MILLS	MAIN PRODUCTS
Piet Retief	Linerboard and semi-chemical fluting
Felixton	Fully recycled linerboard and fluting
Springs	Cartonboard and specialities

Mpact also distributes all containerboard products of Mondi Group's Richards Bay Mill, selling mainly into South Africa and selected markets in sub-Saharan Africa and Indian Ocean Islands

Production capacity (tkpa)



OPERATIONAL PERFORMANCE

The weak global and local demand for paper towards the end of 2019 and ongoing load shedding carried over into the early part of 2020. The paper mills took some commercial downtime at the start of the year. In the first quarter of the year there was a surplus of recycled fibre in South Africa and Felixton Mill manufactured rolled recovered pulp for export to support the recycling value chain.

While all Mpact divisions were designated as essential service providers and most remained operational through lockdown, not all of the packaging we manufacture is used for essential products and reduced activity in those areas decreased volumes produced, particularly packaging used for quick service restaurants (QSR), tobacco and alcohol. Waste pickers could not work during lockdown and once they were allowed to start working again, many of the sites they collect from remained closed,

reducing supply of recycled fibre collected by Mpact Recycling. Many of the waste pickers were severely affected and Mpact stepped in to provide support (see page 40). The minimal economic activity in South Africa in the second quarter led to significantly reduced supply of recycled fibre. Demand from China for pulp increased as their economy reopened and, with shipping lines severely affected by Covid-19, recycled fibre shifted into short supply.

Volumes in Paper Converting were supported by strong but highly competitive agricultural markets, but this was offset by reduced volumes among our industrial customers linked to the lockdown and generally weak economic conditions.

Demand for containerboard and corrugated packaging in the domestic market picked up in the second half of the year as economic activity recovered.

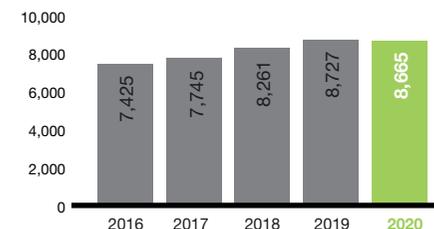
The Springs paper mill lost more than 50 production days due to the catastrophic failure of a municipal sub-station in Ekurhuleni, which resulted in a loss of gross profit for the Group of approximately R91 million and other related direct costs of R9 million.

Mpact's business model proved to be resilient through the Covid-19 crisis. The assistance we provided to waste pickers through lockdown as well as the production of rolled recycled pulp for export to support demand when recycled fibre was in surplus protected our supply chain and ensured that we could source fibre when activity recovered, demonstrating the value of owning our own recycling operation in Mpact Recycling. Our highly efficient Felixton mill was able to manufacture rolled pulp at a profit, despite low export margins, while production of linerboard and fluting was shifted to Piet Retief Mill to meet demand in the local market.

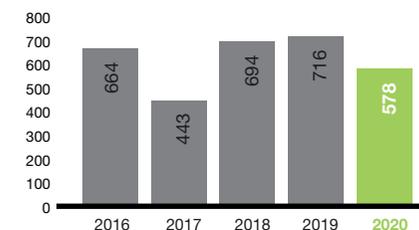
Segment revenue decreased by 0.7% to R8.7 billion. External sales volumes, excluding Recycling, increased by 6.0% with lower sales volumes of containerboard and corrugated packaging. Underlying operating profit decreased by 19.3% to R578 million as a result of lower volumes and increased exports.

Total tonnes of recyclables, including paper, plastic, glass and cans, recovered by Mpact Recycling decreased by 101,435 tonnes to 522,565 tonnes. Most of the paper collected was internally recycled into over 420,000 tonnes of paper products at the three paper mills, which included 20,805 tonnes of rolled pulp produced for export at Felixton Mill. Combined sales of recycled containerboard and cartonboard increased to 444,535 tonnes for the year-ended 31 December 2020

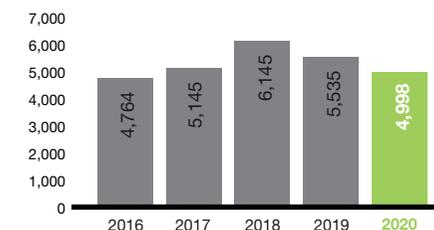
Segment revenue (R'm)



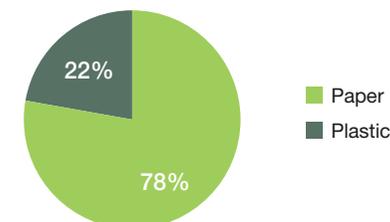
Underlying operating profit (R'm)



Operating assets (R'm)



Group revenue contribution (%)



(2019: 392,725 tonnes).

Volumes of corrugated and converted paper products decreased by 5.8%. Saleable production of 406 million m² of corrugated packaging was achieved in 2020 (2019: 433 million m²).

Detpak was hit hard by the shutdown of most of the QSR market in the second quarter, but recovered well in the second half of the year.

Mpact is committed to managing our environmental impact responsibly, with a particular emphasis on water efficiency, energy efficiency and the responsible management of raw materials throughout the product life cycle of our products. The unavoidable disruptions from Covid-19 and the electricity outage at the Springs Mill affected efficiencies across all metrics in 2020.

Our process optimisation initiatives and the design of new or upgraded plant includes a focus on improving water use efficiency. Total water consumption per tonne of product increased by 6% from 5.47kl per tonne of product in 2019 to 5.78kl per tonne of product in 2020.

Total energy usage per tonne of product from the Paper business manufacturing sites increased by 2% to 6.45GJ per tonne of product in 2020 from 6.34GJ per tonne of product in 2019. Combined Scope 1 and Scope 2 greenhouse gas (CO₂e) emissions increased from 0.835 tonne CO₂e per tonne of product in 2019 to 0.842 tCO₂e/tonne in 2020.

While most non-essential capital investments were deferred in line with the Group's focus on cash preservation and debt reduction, we nevertheless made certain strategic investments, including acquiring the properties housing our operation in Port Elizabeth and Detpak in Aeroton, Johannesburg.

MATERIAL RISKS AND OPPORTUNITIES

Mpact's risks and opportunities are managed on a continuous basis and the Group's key risks and opportunities are discussed on pages 68 to 72. The most significant risks and opportunities that apply to the Paper business are shown in the table below.

MATERIAL RISKS

Power supply outages resulting in lost working hours and supply shortages

Economic and competitive influences on sectors and consumers outside of Mpact's control

Imported product as well as competitor expansion and customer backward-integrated strategies creating over-capacity in the local market

Drought and water supply restrictions

MANAGEMENT OF THESE RISKS

- Ongoing communication with Eskom and local municipalities.
- Implement planned load shedding arrangements.
- Shift planning to minimise impact

- Consistently delivering smarter, sustainable solutions to customers to meet their objectives and strategy.
- Innovation in production processes and products to deliver exceptional value to customers.

- Proactive management and investment to drive production efficiencies and cost containment through rationalisation, streamlining and automation to maintain margins and retain cost competitiveness.
- Provide superior product offerings.
- Ongoing development of product innovations, quality and sustainability management, and exceptional customer relations.

- Manage water consumption continuously and interact with relevant authorities.
- Drive to decrease water consumption at all the manufacturing plants.
- Interact with agricultural customers to understand the impact of drought and recovery cycles on their crops.

OPPORTUNITIES IDENTIFIED INCLUDE:

- Optimising and expanding operations with upgraded plant and equipment.
- Continuing to educate consumers and municipalities regarding the creation of value through recycling and the concept of the "circular economy".
- Aligning capital spend with growth industries in existing regions.
- Export opportunities into the rest of Africa and other regions.

PLASTICS BUSINESS

MPACT RECYCLING

OUR RECYCLING PARTNERS

- Industrial and commercial suppliers
- Schools, community centres and offices
- Collectors
- Buy-back centres and country dealers



RECYCLING SITES

COLLECT
SORT
BALE

PRE-CONSUMER
RECYCLABLES

7,325

tonnes of plastic bottles collected by Mpact recyclers

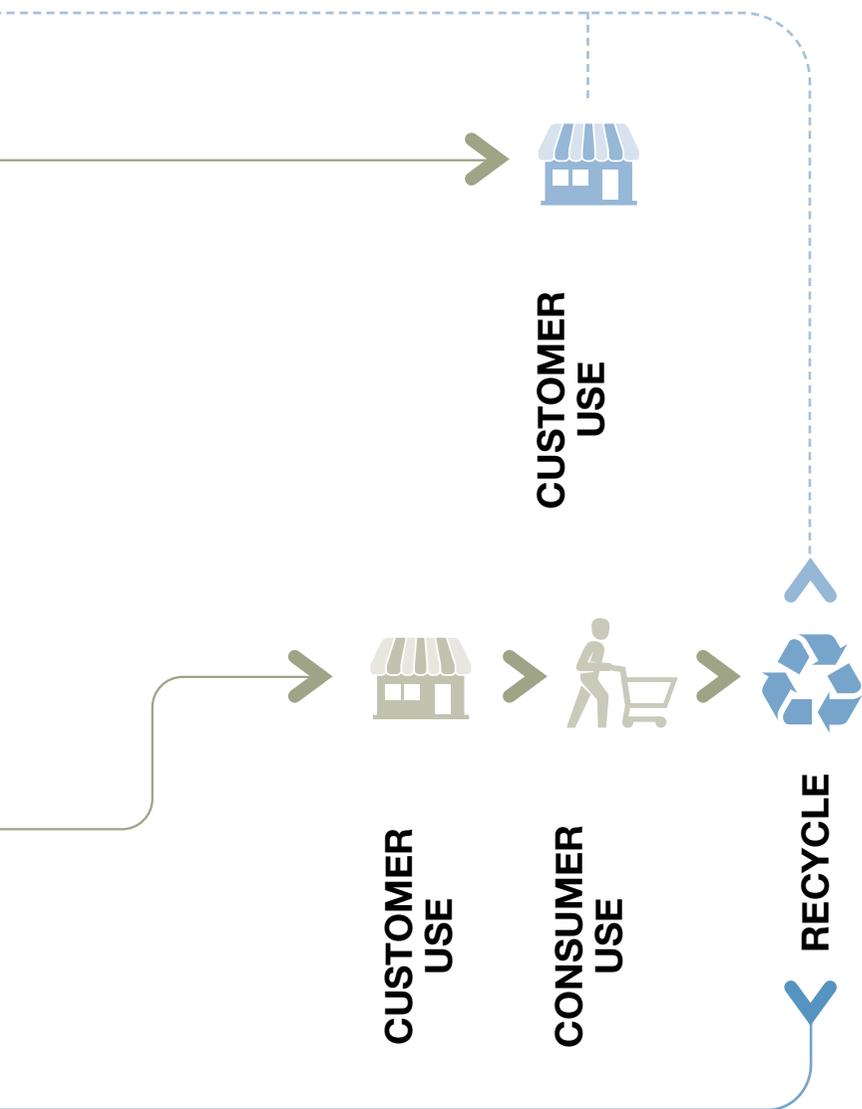
(2019: 10,885)

MPACT PLASTICS

ACTIVITY: Manufactures rigid plastic packaging and vinyl cling film in Southern Africa

OUTPUT: A range of plastic packaging products for the food, beverage, personal care, homecare, pharmaceutical, agricultural and retail markets.

POST-CONSUMER
RECYCLABLES



STRATEGY AND OBJECTIVES

Mpact Plastics produces an extensive range of plastic products used in a wide range of applications. Wherever possible we use closed loop systems for plastic waste to reuse scrap and also sell waste to plastic recyclers to get it back into the system. Where practical and in line with customer specifications, we use recycled material and a recovery programme for wheelie bins and crates has been developed at our container plants to reduce the demand for virgin polymer. Mpact is an active participant in plastics industry bodies such as PETCO, POLYCO, the Polystyrene Association and the South African Vinyls Association that promote the responsible use and recycling of plastic products.

Our strategy focuses on growth through innovation, the substitution of alternative packaging materials with rigid plastics, and organic expansion through optimisation and growth projects.

TRAYS AND FILMS	BINS AND CRATES	PREFORMS AND CLOSURES	FAST MOVING CONSUMER GOODS (FMCG)
Paarl (Western Cape) Wadeville (Gauteng)	Atlantis (Western Cape) Brits (North West)	Two sites in Wadeville (Gauteng)	Pinetown (KwaZulu-Natal) Atlantis (Western Cape)
Produces plastic trays and clear plastic film.	Manufactures large injection moulded plastic jumbo bins for the agricultural market, environmental wheelie bins, plastic pallets and crates. Recycles used or damaged crates and bins.	Manufactures closures, PET preforms, bottles and jars for the food, beverage, personal care and homecare industries.	Manufactures injection moulded, extrusion blow-moulded, injection stretch blow-moulded bottles, jars, containers and closures for the food, beverage, personal care, homecare and pharmaceutical industries.

OPERATIONAL PERFORMANCE

Revenue in the Plastics business was up 3.5% to R2.5 billion due to good growth in the Bins and Crates, and FMCG units. Overall, sales volumes decreased 2.7% while average selling prices increased by 6.2%, due primarily to product mix.

Bins and Crates benefited from robust demand in the fruit and bottling segments while the FMCG business saw good growth in the pharmaceutical, food, personal care and home care segments.

Sales of preforms and closures decreased significantly, reflecting sectoral declines in smaller pack sizes for carbonated soft drinks as consumers stayed home.

Although volumes declined on the prior year in trays and films, they were up on plan and reflected a more profitable mix, in line with the successful restructuring of the business during 2019.

The Plastics converting business converted 90,711 tonnes (2019: 93,168 tonnes) of plastics into packaging products in 2020.

Underlying operating profit increased by 44% to R119 million, with all businesses other than preforms and closures reporting good improvements, especially in the second half of the year. The improved operating profit was a result of improved sales through FMCG and Bins and Crates partly offset by provisions for inventory and bad debt write-downs of R29 million and R2.9 million respectively, and a sharp contraction in sales of preforms and closures during the second quarter. The restructuring of the Trays and Films business has been completed with the inventory provisions detracting from an otherwise good year-on-year improvement in EBITDA, despite lower volumes. The sale of face shields, a development that was completed in record time in order to assist in the fight against the virus, also contributed positively.

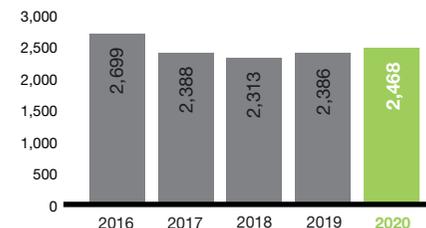
Load shedding impacted our plants throughout the year and our Brits operation was affected by the failure of a substation. Most machines take several hours to reheat before production can recommence even with relatively short electricity supply interruptions. These production interruptions and the disruptions caused by Covid-19 affected efficiencies across all metrics in 2020.

However, a decrease in the Eskom CO₂e emissions factor led to a decrease in the overall scope 1 and 2 CO₂e emissions of 0.9% to 1.31 tonnes CO₂e per production tonne (2019: 1.32 tonnes CO₂e/tonne).

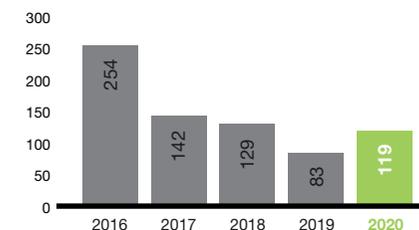
Production disruptions due to loadshedding and the Covid-19 lockdown regulations resulted in a 5% increase in energy consumption per production tonne to 5.02GJ in 2020 from 4.75GJ in 2019.

Water consumption per tonne of production decreased by 1% to 1.37kl per tonne of product from 1.38kl per tonne in 2019 due to the closure of Mpack Polymers in 2019.

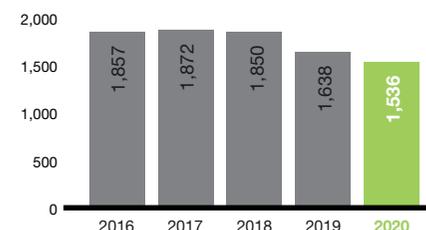
Segment revenue (R'm)



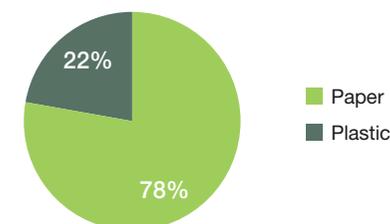
Underlying operating profit (R'm)



Operating assets (R'm)



Group revenue contribution (%)



MATERIAL RISKS AND OPPORTUNITIES

Group risks are discussed on pages 68 to 72 and the most significant risks that could specifically influence the Plastics business (which are managed on a continuous basis) are set out in the table below.

MATERIAL RISKS

Power supply outages resulting in lost working hours and supply shortages.

PET industry volume decline on the back of consumer spending pressure.

Volatility of raw material prices and lags in pricing recovery.

New international and local plastic manufacturers entering the market.

Drought and water supply restrictions

MANAGEMENT OF THESE RISKS

- Ongoing communication with Eskom and municipalities.
- Install generation capacity to limit the impact of load shedding at some of the plants.
- Work additional shifts to manage capacity.

- Process and product innovation to enhance competitiveness.
- Explore alternative product offerings.
- Investigate cross-border opportunities.

- Maintain strong and diverse supplier relationships.
- Continuous market monitoring and proactive pricing.

- Provide innovative products to a rapidly changing market.
- A focus on exceptional customer service.

- Discussions with customers and water authorities to understand the impact on agriculture and industry and how best to position ourselves to meet customer needs.

OPPORTUNITIES IDENTIFIED FOR OUR PLASTICS OPERATION INCLUDE:

- Acquisition and other expansion opportunities.
- Product innovation through advanced design technologies.
- Additional exports into the rest of Africa.
- Exporting jumbo bins into Europe.
- Offer recycling opportunities in the crates and bins business.



CASE STUDY

MPACT'S COVID-19 RESPONSE

Staying safe and staying sustainable.

THE GOAL

Provide immediate relief due to and protection from the Coronavirus pandemic to impact positively on as many people and their families as possible during a time that threatened both lives and livelihoods in South Africa.

THE SOLUTION

When the National Lockdown hit, we directed our operations to help in every way we could.

- We operated as an essential service allowing us to keep waste recovery volumes up and service the food and pharmaceutical industries with useful packaging.
- We rapidly developed and then donated 25,000 protective facemasks to frontline healthcare workers.
- We were directly involved with an e-voucher programme to initially supply almost 4,000 recipients in outlying areas with food.
- In June, we sponsored more food parcels, face masks and reading books to the balance of our buy-back centres and their communities.

- We continued to purchase recyclables from all these sites throughout 2020

THE RESULTS

We persevered through a challenging year, strengthening our relationships in communities hardest hit as we continued to support them while they continued to help supply us with materials for recycling.

2020 was a year that required a new kind of strength and support in everyone. Right from the start of the National Lockdown we identified that our commitment to the various individuals and communities who supply us with recyclables for collection was an important priority. The Coronavirus pandemic especially affected these self-employed collectors leading to their loss of income and not being able to feed their families.

Mpact Recycling's efforts were centred around assisting these communities across different branches, regions and communities, including buy-back centres, an orphanage and a home for the aged. We donated food parcels, cardboard boxes for packaging the food parcels and cold drinks. Mpact Recycling was also directly involved with the e-voucher programme put together by PackagingSA and the Department of Environment, Forestry and Fisheries, contributing R100,000 of the R785,000 raised to supply nearly 4,000 recipients with food vouchers. These people were all located in outlying areas such as Richards Bay, Eastern Cape, Northern Cape and the Northwest province.

Mpact Versapak worked in record time to develop and produce face shields for market, of which 25,000 were donated to frontline healthcare workers and 6,000 to waste collectors. Through this

public-private partnership, we were able to add to the government's efforts to keep our nation safe and healthy. Versapak also specifically designed face shields for children in preparation for schools re-opening. The hygiene and safety factor of these shields helped other businesses protect their workforces too.

In June, Mpact Recycling continued their efforts by delivering more food parcels to the balance of our buy-back centres and the communities we operate in, as well as by distributing face masks and reading books for children (sponsored by PAMSA). In total, 1,630 food parcels, 4,520 face masks and 3,000 reading books were donated for the duration of the campaign.

Okuhle Waste Management supplies us with paper on a daily basis and we distributed over 80 food parcels at their branch in downtown Joburg and at their site in Denver. Their owner, Maxwell, assisted in distributing these food parcels, helping to make a remarkable difference on the day.

Mpact Recycling's communication role was critical during this challenging time to ensure consumers continued to deposit recyclables at our collection branches.

Our circular approach to business has always motivated us to develop practical, economically viable and environmentally sustainable solutions. The uncertain times in 2020 showed that we can be supportive, resilient and sustainable whatever comes our way.

