

05

SUSTAINABILITY

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ABRIDGED SUSTAINABILITY REVIEW

Mpact's values and focus on business excellence inform our commitment to the principles of good corporate governance as well as responsible business practices in our approach to environmental impacts, safety and social sustainability. These concepts are integrated into our strategy and approach to doing business, and ensure the long-term sustainability of the organisation. Our slogan – “Smarter, Sustainable Solutions” – recognises the importance of innovation, sustainable business practices and finding creative ways to meet our customers' needs to our ability to create value over the long term.

APPROACH TO SUSTAINABILITY

The Board is responsible for Mpact's performance as a good and responsible corporate citizen and has delegated the monitoring and oversight of sustainability to the Social and Ethics Committee.

The Code of Ethics and the relevant policies and procedures establish the framework within which Mpact manages its business and provides guidance for employees, suppliers and partners to ensure a co-operative, co-ordinated approach. These policies and procedures address issues such as safety, health, environment and energy, transformation, procurement, human resources, financial management and maintenance.

Sustainable development in the Group is coordinated by the Group Risk and Sustainability Manager (GRSM), who drives continual improvement across the operations in industrial safety, health and environmental (SHE) standards and risk management. Safety and environmental targets are set for the operations in discussion with the Executive Committee and Board, including five-year management plans for energy (including CO₂e emission management), water and waste.

The GRSM monitors SHE performance and reports back to the Executive Committee every month and to the SHE Management Committee and the Social and Ethics Committee every quarter.

The SHE reporting system is regularly enhanced to improve data accuracy, relevance, ease of use and comprehensiveness of reporting. The GRSM conducts annual site visits to the operations to interact with management and SHE officers on site, review SHE performance and plans, and to communicate strategic initiatives in SHE management.

As part of the Group's optimisation strategy focus on efficient operational performance and asset management, business excellence programmes have been established that include Centres of Excellence for human resources, safety, energy and environmental functions. The Centres of Excellence hold meetings twice yearly to discuss the latest developments in their fields with representatives from the operations to share learnings and ensure operations are aligned.

The Group's sustainability approach and performance for the year are discussed in more detail in the Sustainability Review available online at www.mpact.co.za.

SAFETY AND HEALTH

Mpact places a high priority on the safety of its employees and contractors. Our approach to safety comprises three levels of safety intervention:

- Primary Safety that applies physical interventions to provide a safe working environment;
- Secondary Safety through systems that control the way people interact with work hazards; and
- Tertiary Safety that focuses on creating an effective safety culture.

Our current focus is on further developing the safety culture as the primary and secondary safety standards are embedded. A healthy safety culture moves an organisation beyond reliance on systems to creating an environment where every employee and contractor is equipped and empowered to make decisions affecting their own safety and the safety of those around them.

A set of Safety Leading Indicators has been developed that has been a key contributor to the improved safety performance since 2018, along with a “Safety at Mpact” presentation to operational management that aims to shift attitudes away from a “systems and rules” focus to a person-centric view to embed the concept that “safety is about people, not systems”. Covid-19 interventions appear to have greatly increased employees' awareness of self and others in the workplace, which has also supported an improvement in safety performance in 2020.

The Life EHS Employee Wellness Programme is a fundamental part of our safety drive through the health, psychosocial, legal and financial support it provides to our employees and their families, as well as the help it offers to management in dealing with workers who are suffering from various challenges.

The programme is a call centre based initiative that is sponsored by Mpact and also offers face-to-face counselling and trauma counselling at sites where traumatic events may occur.

The feedback from the safety culture survey conducted by an external safety specialist in 2019 has been incorporated into a Safety Culture Renewal programme that includes safety practitioner competency assessment and training, safety leadership training and a programme to simplify and standardise safety systems across Mpact.

Mpact implemented a range of interventions at the start of Covid-19 in line with the relevant legislation to protect the workforce and stop the spread of the virus. These included education and awareness programmes, social distancing, improved personal hygiene and housekeeping, allowing only essential visitors to sites, limiting travel in line with the evolving regulations and quarantining of sick employees. The Life EHS Employee Wellness Programme provided ongoing support to employees and regular updates of the latest medical information. Sadly, nine employees who had tested positive for Covid-19 passed away in the period ending March 2021.

PEOPLE DEVELOPMENT AND DIVERSITY

Mpact's human capital is a critical asset of the Company and our ability to create value for our stakeholders depends on being able to continue to attract, develop and retain talent and experience. We aim to be an employer of choice by offering a competitive employee value proposition.

The Group Transformation Philosophy details our commitment to transformation and our transformation goals reflect our vision, core values, culture and approach to people development at all levels in the business. Our Fair Employment and Promotions Philosophy emphasises that there is a place for all people in Mpact and entrenches merit-based employment equity to address diversity throughout the organisation, especially regarding race, gender and disabilities.

The Mpact Foundation Trust (page 54) serves both as a vehicle for B-BBEE ownership and to channel the benefits of empowerment to selected beneficiaries.

SOCIAL AND RELATIONSHIP INITIATIVES

Mpact is committed to embracing and creating value for the communities in which we operate, and recognises that community engagement is a critical aspect of sustainable investment. The CSI strategy provides financial support for social upliftment projects with the goal of building partnerships with host communities and encouraging employee volunteerism.

MPACT AND THE ENVIRONMENT

As the largest paper and plastics packaging and recycling company in Southern Africa, Mpact has a key role in closing the loop on the circular economy. Responsible environmental management is therefore both a core value for the business and an important aspect of our strategy to create value.

We focus on responsible sourcing of raw materials and most of the fibre used in our paper mills is supplied by the Recycling division. The additional virgin pulp used comes from responsible sources and the paper mills and corrugated plants are certified to the Forest Stewardship Council standards. An increasing percent of the high-density polyethylene used in the manufacture of crates and wheelie bins comes from recycled sources in the Bins and Crates unit as the operations increase their recycling capabilities.

We aim to optimise water use, particularly at our paper mills, which are very dependent on water. However, two of the three paper mills have reached the point where the degree of water recovery is impacting on paper quality and further savings will require application of innovative water management systems. Total water consumption for 2020 increased by 3% to 4,023 megalitres (2019: 3,893 megalitres) compared to a 3% decrease in total production. Specific water use for manufacturing sites increased by 7% from 4.94 kilolitres per tonne of production to 5.3 kl/t.

Mpact's Group Energy Manager analyses the energy usage profiles of our manufacturing plants, develops programmes to monitor and report usage, and assists with projects to reduce energy use

and generate alternative energy where possible. Initiatives are in place to reduce all of our energy use, our environmental footprint in terms of greenhouse gas and other atmospheric emissions, our fossil fuel use and ash generation. The Group is in the process of finalising five-year water, energy and waste savings targets to 2025.

Online metering systems are in place at our manufacturing sites to ensure accurate reporting and availability of real-time and routine energy reporting data. Energy savings are evaluated at every site each month against the 2014 baseline consumption.

A new rooftop solar PV installation was installed at Mpact's Brits operation, bringing the Group's total installed solar PV capacity to 2.87 MWp. Plans for a further 11.57 MWp are being evaluated and the roofs at Corrugated Springs and Detpak are being prepared for installations in 2021.

Environmental legislation in South Africa continues to evolve and become increasingly complex and onerous. Ensuring compliance with all relevant legislation that applies to Mpact is a priority. The Group Risk and Sustainability Manager, Group Energy Manager and Environmental Manager sit on the Paper Manufacturers Association of South Africa (PAMSA) Environmental Committee and participate in interactions with government regarding new legislation.

SUSTAINABILITY TARGETS

The Group set targets for 2020 against the 2012 baseline year for water, energy and carbon emissions per tonne of manufactured product. Good progress was made up to 2019, but the abnormal operating conditions experienced in 2020 due to the Covid-19 lockdown and electricity supply interruptions set us back a little. Mpact exceeded the water target achieving a 23% reduction (28% in 2019) against a target of 20%. Energy consumption savings were 13.7% (15.6% in 2019) against a target of 15%. An ambitious target of a 20% reduction in Scope 1 and 2 CO₂e emissions was set and the Group achieved an 11.1% reduction (12.1% in 2019) despite achieving Scope 1 savings of 20% in 2019.

SUSTAINABILITY METRICS

B-BBEE Contributor Status on the new Codes at the operating company level	Level 1
Greenhouse gas emissions for manufacturing operations per tonne of production	0.893 tCO₂e/t (2019: 0.883 tCO ₂ e/t)
Water consumption for manufacturing operations per tonne of production	5.3 kℓ/t (2019: 4.9 kℓ/t)
Energy consumption for manufacturing operations per tonne of production	6.3 GJ/t (2019: 6.2 GJ/t)
Recovered recyclables	522,565 tonnes (2019: 624,000 tonnes)
Mpact Foundation Trust awarded to dependants of Black Mpact employees.	17 fully-funded bursaries in 2020
CSI spend	R3.7 million (2019: R3.0 million)
Serious injury frequency rate (SIFR)	0.26 (2019: 0.44)
Skills development programmes	Total trained 3 608 (2019: 4,018 employees)
Supported 215 individuals (2019: 163) on apprentice and learnership programmes, of whom 91% (2019: 95%) are from previously disadvantaged backgrounds.	
Training and skills development	49,983 man-hours (2019: 65,207 man-hours)
Training	75 Black unemployed disabled youth (2019: 50)

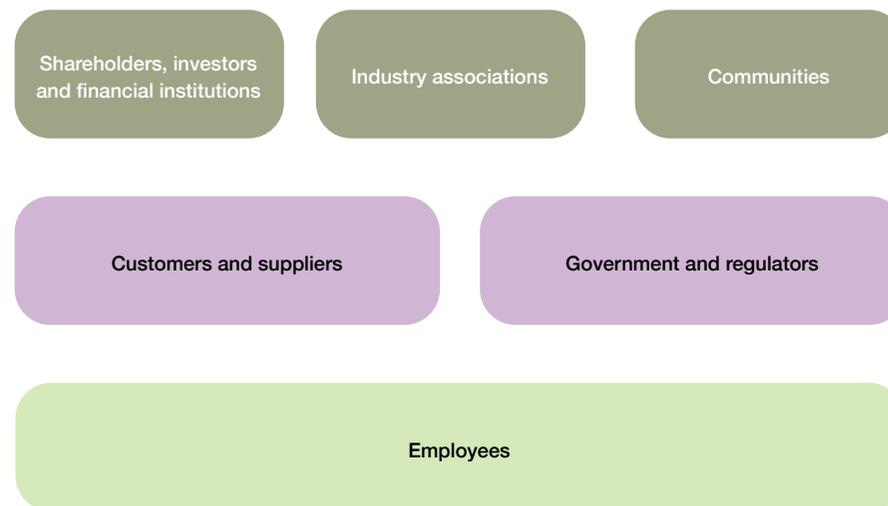
The process of developing five-year water, waste, energy and carbon emission reduction plans leading to the new targets for the 2021 to 2025 cycle is progressing well but government is still working on new regulations to define the reporting of Pollution Prevention Plans and Carbon Budgets. Once the new reporting requirements have been defined, Mpact will finalise targets that align with the regulations.

STAKEHOLDER MANAGEMENT

Mpact recognises that regular, transparent and open two-way communication with stakeholders is critical to its long-term success. We engage with stakeholders on an ongoing basis to understand their key concerns and identify ways to address the various social, economic and environmental challenges they and the Group face. The information we gather from these engagements informs our strategy discussions, strengthens our community programmes, identifies risks, opportunities and material issues, and ensures compliance with the Companies Act and King IV.

Engagements are guided by the Group's Stakeholder Engagement Policy, which is reviewed annually. The Social and Ethics Committee reviews quarterly reports on the Group's key engagements with stakeholders and reviews a list of its primary stakeholders annually to ensure it reflects the key groupings with which Mpact interacts.

Mpact's primary stakeholder groups are shown in the diagram below.



Key engagements conducted during 2020 include:

SHAREHOLDERS, POTENTIAL INVESTORS AND ANALYSTS

At Mpact's virtual annual general meeting in June 2020, more than 25% of Mpact's shareholders present in person or represented by proxy voted against the non-binding advisory votes for the remuneration policy and the remuneration implementation report. The Board invited dissenting shareholders to forward their concerns and questions on the remuneration policy and the remuneration implementation report to the Group Company Secretary and appropriate engagements were held to address these concerns and questions (see pages 76 and 77).

Mpact's in-house communications manager aims to provide clear communication of key information to the investment community on an ongoing basis, and is supported by an investor relations consultant. Senior management engages with analysts, shareholders, the broader investment community and other providers of financial capital, including through results presentations, investor roadshows, site visits and through our website. Where requested, management holds one-on-one meetings with key investors and potential investors.

ENGAGEMENTS WITH EMPLOYEES

Mpact's response to Covid-19 included a key focus on ensuring clear and effective communications with employees. Central Office provided guidance and information to the operations, which engaged directly with employees on a regular basis.

This decentralised model ensured that accurate and relevant information was disseminated quickly and widely. The CEO and other senior executives visited most operations during the year. However, due to Covid-19 restrictions, in-person CEO Imbizos were replaced by virtual engagements with smaller groups of managers and employees. Topics covered included business performance, safety, Covid-19 interventions and employee concerns.

GOVERNMENT AND INDUSTRY BODIES

The Group engaged with government at various levels both directly and through industry organisations during 2020. These engagements included interactions to ensure that Mpact implemented interventions required by Covid-19-related regulations, to facilitate TERS relief to employees and to coordinate Covid-19 relief efforts including the provision of facemasks (see page 14) and support for waste pickers (see page 40).

Mpact's participation in various industry organisations ensures that the Group's position on issues that affect our operations are well understood and communicated effectively to government and regulators. These organisations include PAMSA, the Packaging Council of South Africa, PETCO, POLYCO, the Polystyrene Packaging Council and the South African Vinyls Association. Mpact has been actively involved in the development of the Packaging South Africa Industry Waste Management Plan and the Extended Producer Responsibility regulations, and engaged with government, the Department of Environmental Affairs and other key stakeholders.



SOCIAL AND ETHICS COMMITTEE REPORT



Ntombi Langa-Royds

“The Mpact Code of Ethics translates our values into practical action and sets the standard of integrity and ethics in dealing with internal and external stakeholders.”

The Social and Ethics Committee (the committee) monitors Mpact’s sustainable development performance and application of the Group’s policies of best practice on behalf of the Board and performs the duties required in terms of regulation 43 of the Companies Act, No. 71 of 2008 (the Companies Act). The committee’s activities are informed by its terms of reference, which are reviewed annually and updated to ensure that they align with current and pending legislation, other legal requirements and codes of best practice. The committee reports its proceedings to the Board on a quarterly basis and reports to shareholders at the Annual General Meeting on relevant matters.

Mpact’s environmental and social performance are essential aspects of the Group’s long-term sustainability and demonstrate our commitment to our vision and values. Our ESG performance is also a key focus for our stakeholders and the Committee will be considering and adopting KPAs on ESG. More information on Mpact’s human capital, environmental initiatives and CSI projects is available in our detailed Sustainability Review, which is available on the Company’s website.

COMPOSITION AND MEETING PROCEDURES

The committee comprises four Independent Non-executive Directors and one Executive and is chaired by Ntombi Langa-Royds. Key senior managers attend meetings of the committee by invitation. The committee held four meetings during the year under review and attendance at these meetings is shown on page 63.

INTEGRITY AND ETHICS

The Group’s Code of Ethics sets out our standard of integrity and ethics in dealing with internal and external stakeholders.

These behavioural standards rest on the moral foundation that is provided by our vision – our end-goal – and our values, which are our “habits of action” that will ensure that we reach that goal. The Code is available on our website and translates the values into practical actions in terms of issues such as human rights, gifts and entertainment, fraud, bribery and corruption.

SOCIAL AND ETHICS COMMITTEE MEMBERS

- Ntombi Langa-Royds (Chair)
- Maya Makanjee
- Neo Dongwana
- Andrew Thompson
- Bruce Strong (Mpact CEO)

Employees are encouraged to report any improper conduct or unethical behaviour to their HR manager, supervisor or line manager, the Company Secretary or to use Mpac Tip-offs Anonymous, a whistle-blowing facility independently administered by Deloitte & Touche.

MATERIAL SUSTAINABILITY ISSUES

The committee is responsible for annually revising or determining, together with senior management, the Group's material sustainability issues. Mpac's most material matters are discussed on pages 50 and 42 and set out in the Sustainability Review.

ACTIVITIES OF THE COMMITTEE STAKEHOLDER MANAGEMENT

The committee reviews Mpac's engagement with key stakeholders at each meeting and reviews a list of its primary stakeholders annually to ensure it reflects the main groupings with which the Company interacts. The Group Stakeholder Engagement Policy is also reviewed periodically.

Mpac recognises that transparent and open communication with stakeholders is critical to our long-term success. We engage with stakeholders on an ongoing basis to understand their key concerns and identify ways to address the various social, economic and environmental challenges they and the Group face. These engagements provide input that helps to strengthen our programmes, identify risks, opportunities and material issues, and ensure compliance with the Companies Act and King IV™.

More information about Mpac's key stakeholders and engagements during 2020 are available on page 44.

TRANSFORMATION

Mpac is committed to transformation and views it as inextricably linked to the sustainability of the business. Transformation is managed and monitored in terms of:

- Mpac's Employment Equity Plan.
- Black ownership and management control.
- Skills development.
- Preferential procurement.
- Enterprise and supplier development.
- Socio-economic development.

Mpac Operations achieved a Level 1 B-BBEE rating in 2020.

Mpac's Diversity Policy focuses on promoting the diversity attributes of gender, race, culture, age, field of knowledge, skills and experience. Measurable objectives for achieving race representation and gender diversity that are appropriate for the Company are in place and measurable voluntary targets have been set.

The Social and Ethics Committee will regularly monitor the progress in relation to the agreed targets and report annually to the Board on progress.

HEALTH AND SAFETY

One of the main activities of the committee in 2020 was overseeing Mpac's response to Covid-19, particularly as it applied to the safety and wellbeing of the Company's employees. These protocols were over and above the strict pre-existing health and safety measures that are in place at all operations, in line with our commitment to providing a safe and healthy working environment for all employees, contractors and service providers. The principle of "Zero harm" and target of zero incidents is entrenched at each of Mpac's operations.

The committee receives regular updates on the Group's safety and health initiatives and monitors leading indicators to track conformance with the programmes, particularly the Behaviour-Based Safety and Safety Culture Programmes. Focus areas during the year that arose from the Safety Culture assessment conducted in late 2019 included simplification and standardisation of procedures, safety leadership education, and revised safety training at all levels in the organisation. Awareness around safety is created through Safety Days with Sam (our safety mascot) at

the operations. We were pleased with the decrease in lost-time injuries, which reduced from 24 in 2019 to 14 in 2020, and the consequent decrease in the lost-time injury frequency rate to 0.21 (2019: 0.33).

The Group's wellness programme provides employees with health, psychological, social and financial advice, as well as legal support. Employees were encouraged to use the facility during Covid-19, particularly those who were experiencing mental health challenges. We see the employee wellness programme as an important aspect of helping to improve our safety performance, by helping to reduce stress levels and increase focus at work. The committee and the Board note with concern the increasing incidence of hypertension in the workforce.

While the Group's safety performance improved this year, we remain committed to implementing further initiatives that will help to achieve the target of zero harm.

ENVIRONMENT

The committee reviews quarterly reports on key environmental indicators, including Group emissions, energy use, water consumption and waste production. The Group recognises and supports the government initiatives to reduce carbon emissions and reduce waste to landfill by changing the behaviour of producers and consumers.

Energy usage gives rise to the majority of the Group's carbon emissions and the Group's energy strategy aims to optimise energy usage and identify alternative energy generation technologies. The Mpac Energy Centre of Excellence continues to make good progress with implementing the energy strategy. Online electricity meters at all manufacturing plants are calibrated to SABS standards and upload consumption figures in real time to the LiveWire database to enable ongoing monitoring of energy use and the effectiveness of energy efficiency initiatives.

South Africa is a water-scarce country and improving our efficiency of water use is a priority.

SOCIAL AND ETHICS COMMITTEE REPORT CONTINUED

Mpact has established and continuously updates environmental and safety legal registers that ensure that our policies and procedures align with the latest changes in legislation and a management booklet is in place that summarises all legislation that applies to our operations. There were no incidents of non-compliance with environmental and health and safety regulations reported during 2020.

INDEPENDENT ASSURANCE

Mpact uses a dashboard system to monitor and improve the capture of relevant sustainability data and the committee is satisfied regarding the range and accuracy of information. Comprehensive internal and external audits of the various management systems in place across the Group provide assurance regarding compliance with standards and legislation. Mpact adheres to a range of local and international standards, including in the areas of quality, environment, food safety, and worker safety and health. These are listed in detail in the Sustainability Review. However, Mpact has not received assurance for the Sustainability Review in its entirety.

The committee is satisfied with the Group's progress across its areas of responsibility and with its plan for the 2021 financial year.

On behalf of the Social and Ethics Committee, I would like to thank my fellow Social and Ethics Committee members for their support and contribution during the year and their continuing commitment to driving transformation in the Group through the committee's various portfolios.

Ntombi Langa-Royds

Social and Ethics Committee Chairman

12 April 2021





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MATERIAL MATTERS

Our material matters are those matters that have the highest potential impact on our ability to create value for our stakeholders in the short, medium and long-term.

These matters are identified from a range of sources, including:

Operational issues

Interviews with top management

A gap analysis against local and international peer reporting

Developments in relevant legislation and regulation

A media review

The main concerns expressed by key stakeholders in informal and formal interactions during the year

Governance, sustainability and integrated reporting guidelines and best practice

These matters are reviewed alongside the risks and opportunities identified as part of the risk assessment process, which includes a review of economic, environmental and social impacts, risks and opportunities. The Board and Executive Committee review and agree on the most material matters, which are then approved by the Board. Covid-19 was added as a stand-alone material matter for the 2020 financial year and affected the other matters identified in last year's report, which were reviewed and remain valid.

Our material matters are grouped into the four themes shown below.



Sustaining profitable growth

Mpact's strategy aims to deliver profitable and sustainable long-term growth to generate returns for our shareholders and providers of capital, and to create value for all our stakeholders. Our business is linked to activity in the South African economy and international recycled fibre, paper and polymer prices. Changes to legislation can affect our products and operations directly, or the activities of our customers. Capital sourcing and allocation are focus areas to ensure liquidity, access to capital for expansion and effective allocation within the business. Covid-19 affected the operating and regulatory environments during 2020, as well as our ability to raise capital during the year.

REFER TO THESE SECTIONS AND RESOURCES FOR MORE INFORMATION

Operating environment

- Macroeconomic environment

Chairman's report page 22, CEO report page 26, Risk management page 68

Regulatory environment

Chairman's report page 22, CEO report page 26, Risk management page 68, Social and Ethics Committee report page 46

Capital sourcing and allocation

CFO's report page 102



Cost competitiveness and anticipating and meeting customer needs

Manufacturing high quality products at competitive prices requires an ongoing focus on managing input costs and driving efficiencies in our operations. Where the supply of key inputs such as electricity and water are interrupted due to load shedding, deteriorating infrastructure or drought, production efficiencies are affected and manufacturing may be forced to stop. Our customer-focused business model is built on innovation and business excellence in quality, service, safety and environmental performance. Our investments in capital projects have been critical in driving improved efficiencies and ensuring that we can continue to anticipate and meet the needs of our customers. Covid-19 affected supply chains and the availability of certain inputs, the allocation of labour and the cost of required protocols and PPE to provide a safe and healthy work environment.

REFER TO THESE SECTIONS AND RESOURCES FOR MORE INFORMATION

Managing input cost and availability

- Raw material cost and availability

CEO report page 26, Business model page 14, Operations reports pages 32 to 39, Risk management page 68



<ul style="list-style-type: none"> • Energy cost and availability 	<ul style="list-style-type: none"> 📄 CEO report page 26, Risk management page 68, Operations reports pages 32 to 39
<ul style="list-style-type: none"> • Water cost, availability and quality 	<ul style="list-style-type: none"> 📄 Operations reports pages 32 to 39 Risk management page 68
<ul style="list-style-type: none"> • Labour cost 	<ul style="list-style-type: none"> 📄 Value added statement page 53
Innovation	<ul style="list-style-type: none"> 📄 Chairman's report page 22, CEO report page 26, Innovation page 5, Business model page 14, Case study page 16, Case study page 24, Strategy and objectives pages 18 to 19
Customer focus	<ul style="list-style-type: none"> 📄 Innovation page 5, Corporate profile page 8, Chairman's report page 22, CEO report page 26, Case study page 24
Driving efficiencies	
<ul style="list-style-type: none"> • Production efficiency 	<ul style="list-style-type: none"> 📄 Operations reports pages 32 to 39
<ul style="list-style-type: none"> • Skills 	<ul style="list-style-type: none"> 📄 CEO report page 26, Abridged sustainability review page 42
Implementing capital projects	<ul style="list-style-type: none"> 📄 CFO report page 102



Being a responsible employer

In line with Mpac's values, we are committed to ensuring an ongoing focus on zero harm regarding safety in the workplace, supporting the health and wellbeing of our workforce and investing in their skills and development. This investment in our human capital is essential to deliver on our strategy and ensure the sustainability of the Company. We recognise the value of diversity and are committed to the principle of transformation. Engaging with unions supports our relationship with our employees and the sustainability of our businesses. The Covid-19 pandemic created a range of challenges for the Company and for society. Mpac's first priority was and is to provide and maintain a safe and healthy work environment for all of its employees.

	<p>REFER TO THESE SECTIONS AND RESOURCES FOR MORE INFORMATION</p>
Labour relations	<ul style="list-style-type: none"> 📄 Stakeholder management page 44, Risk management page 68
Health and safety	<ul style="list-style-type: none"> 📄 CEO report page 26, Abridged sustainability review page 42, Social and Ethics Committee report page 46, Risk management page 68
Diversity	<ul style="list-style-type: none"> 📄 Chairman's report page 22, Abridged sustainability review page 42, Social and Ethics Committee report page 46 Risk management page 68, Case study page 16, CEO report page 26
Training and development	<ul style="list-style-type: none"> 📄 Abridged sustainability review page 42, Case study page 16
Covid-19	<ul style="list-style-type: none"> 📄 Chairman's report page 22, Business model page 14, Case study page 40, Risk management page 68, CEO report page 26



Being a responsible corporate citizen

We are committed to maintaining high standards of corporate governance, demonstrating ethical behaviour and responsible conduct. Mpac manages its environmental impacts responsibly and our integrated business model gives effect to a circular economy that reduces waste and greenhouse gas emissions. Our corporate social investment programme empowers operations to identify and support initiatives in their local communities.

REFER TO THESE SECTIONS AND RESOURCES FOR MORE INFORMATION

Communities	<ul style="list-style-type: none"> 📄 Chairman's report page 22, SR report
Governance	
<ul style="list-style-type: none"> • Ethics and human rights 	<ul style="list-style-type: none"> 📄 Social and Ethics Committee report page 46, Corporate Governance report page 60, Governance (SR)
<ul style="list-style-type: none"> • Compliance 	<ul style="list-style-type: none"> 📄 Corporate Governance report page 60, Risk management page 68, Governance (SR)
<ul style="list-style-type: none"> • Customer health and safety 	<ul style="list-style-type: none"> 📄 Social and Ethics Committee report page 46
<ul style="list-style-type: none"> • Security (physical and ICT) 	<ul style="list-style-type: none"> 📄 Corporate Governance report page 60, Risk management page 68
Environmental responsibility	
<ul style="list-style-type: none"> • Climate change 	<ul style="list-style-type: none"> 📄 Operations reports page 32 to 39, Abridged sustainability review page 42, Social and Ethics Committee report page 46, Environmental responsibility (SR)
<ul style="list-style-type: none"> • Water 	<ul style="list-style-type: none"> 📄 Operations reports page 32 to 39, Abridged sustainability review page 42, Social and Ethics Committee report page 46, Environmental responsibility (SR)
<ul style="list-style-type: none"> • Emissions 	<ul style="list-style-type: none"> 📄 Operations reports page 32 to 39, Abridged sustainability review page 42, Social and Ethics Committee report page 46, Environmental responsibility (SR)
<ul style="list-style-type: none"> • Waste 	<ul style="list-style-type: none"> 📄 Environmental responsibility (SR)
<ul style="list-style-type: none"> • Recycling 	<ul style="list-style-type: none"> 📄 Operations reports page 32 to 39, Abridged sustainability review page 42, Social and Ethics Committee report page 46, Environmental responsibility (SR)

SR – Sustainability Review

MPACT'S CONTRIBUTION TO SOCIETY

Mpact's activities create value that benefits all of the Company's stakeholders. In 2020, the Group created R3.1 billion in value, with R1.9 billion distributed to staff through salaries, wages and benefits, R252 million to providers of finance as interest, dividends and shares repurchased, and dividends and R71 million was paid to government as taxes to support the provision of services.

The Group's activities also support a range of non-financial initiatives that aim to address some of South Africa's most significant challenges, including socio-economic upliftment in disadvantaged communities, unemployment, education and environmental sustainability. Mpact's positive contribution to society includes:

Promoting sustainability through recycling

Mpact is South Africa's largest collector of recovered paper for recycling. In 2020, we collected 522,565 tonnes of recyclable paper, glass, cans, plastic and liquid cartons (2019: 624 000 tonnes), diverting waste that would otherwise have ended up in landfill. Our liquid packaging recycling plant can recycle 24,000 tonnes of used liquid cartons a year, saving 65 240m³ of landfill space.

Enterprise development

Mpact Recycling's 14 sites around South Africa buy recyclable waste from over 1,000 buy-back centres and small enterprises, promoting local beneficiation of raw materials and supporting the development of more than 50 small business enterprises. Recycling in South Africa provides work opportunities through more than 100 000 indirect jobs in the recycling industry. Mpact also supported more than 50 small businesses through our enterprise development programme by assisting with preferential payment terms

Employment opportunities

Mpact provides jobs for 5 053 people at our operations. Over the last five years, the number of positions in the Group has increased by 1.1%.

Skills development

Investing to develop the skills of our employees enhances Mpact's human and intellectual capital. While many training initiatives were disrupted by Covid-19 in 2020, we invested R16.5 million in skills development, providing 49 983 man-hours of training for 3 608 employees. Staff are encouraged and supported to continue their further education in job-related fields. In 2020, 215 historically disadvantaged South Africans received opportunities through our apprentice and learnership programmes to improve the industry-relevant skills pool.

Covid-19 relief

Mpact and its operations provided relief for employees, communities, health workers, schools and waste pickers during the Covid-19 pandemic. Mpact Recycling repurposed some of its collection fleet during the initial lockdown stages to deliver meals, vouchers, face shields and other supplies to many waste reclaimers who were unable to work at that stage. Care packages were distributed to employees to support their health at many of our operations and Mpact Plastics developed, prototyped and produced new face shields for use by health care workers and others. 25 000 of these face shields were donated to the Gauteng Department of Health and 6 000 to waste reclaimers, and they were also provided to all Mpact employees.

Promoting diversity and representation of historically disadvantaged South Africans

Mpact is committed to transformation, including increasing the representation of historically disadvantaged South Africans in management. 91% of the people on our apprenticeship and learnership programmes are from previously disadvantaged backgrounds and 44% are black women.

Bursaries

The Mpact Foundation Trust Bursary Scheme provides fully-funded bursaries for tertiary studies to dependants of previously disadvantaged Mpact employees. The scheme currently supports 17 students.

Socio-economic development

Mpact's Corporate Social Investment (CSI) programme supports socio-economic development in local communities and during 2020 we invested R3.7 million (2019: R3 million) in these initiatives, with a strong focus on education. More information on our CSI initiatives can be found in the Sustainability Review available on the website.

VALUE ADDED STATEMENT

R'm	2020	2019
Value created		
Value created by operating activities	3,045.0	3,195.8
– Revenue	11,097.2	11,076.3
– Expenses	(8,052.2)	(7 880.5)
Finance income	10.8	19.4
Shares of associate profit	14.8	17.1
	3,070.6	3,232.3
Value distributed	(2,293.7)	(2,286.4)
Staff costs	(1,875.5)	(1,829.8)
Payments to providers of finance		
– Finance costs	(180.1)	(264.7)
– Dividends and shares repurchased	(160.0)	(125.2)
Payments to Government		
– Taxes	(78.1)	(66.7)
Value reinvested	(568.3)	(1,791.4)
Depreciation, amortisation and impairment	(568.0)	(1,942.0)
Deferred tax	(0.3)	150.6
Value retained	(208.6)	845.5
Retained profits	(3,070.6)	(3,232.3)



MPACT FOUNDATION TRUST REPORT



Neo Phakama Dongwana

The Mpact Foundation Trust was established in 2015 as a vehicle for B-BBEE ownership and a means to channel the benefits of empowerment to selected beneficiaries.

CHAIRMAN'S REPORT

Mpact Foundation Trust's bursary scheme is founded on our belief that education is empowerment and an effective way of breaking the cycle of poverty to build a better future. The Trust offers bursaries for tertiary studies in undergraduate degrees to qualifying dependants of Mpact's employees who demonstrate the ability to succeed academically. This support not only gives young students the chance to maximise their potential and transform their own lives, but also creates hope for a better future in the young lives and communities around them.

Students can study in any field and there is no expectation that they will have to work back or repay the bursary after qualification. Support covers full tuition and boarding fees, an allowance per semester as well as stationery and prescribed books. The bursaries are available for students from historically disadvantaged groups with an emphasis on women.

PROGRESS DURING 2020

Covid-19 had a significant impact on the Higher Education sector in South Africa. The pandemic led to the closure of campuses, and challenges arose around remote learning that led to the 2020 academic year being extended into the early part of 2021 to enable students to catch up once they returned to campus.

The Trust supported our bursars from the start of lockdown and encouraged them to stay in their student accommodation rather than returning home, to ensure that they could continue to focus on their studies. We also engaged with students to ensure that they had the necessary hardware and connectivity to ensure that they could stay connected, to provide encouragement, and to make sure they had access to the necessary resources to support their mental health.

The programme includes vacation work in the July holidays to provide work experience for bursars and help to promote the bursary scheme at the operations. This year, vacation work was cancelled due to the changed working conditions as a result of Covid-19. Our annual site visit engagement with the students as a group was also cancelled.

The Trust held its first annual general meeting as a virtual event with the bursars attending online. We shared the financial statements of the Trust, communicated the objectives of the scheme and provided guidelines of expected behaviours. An external speaker presented on proactive steps students and graduates can take to gain work experience and improve their prospects of finding employment in the current extremely tight job market.

FOUNDATION TRUSTEES

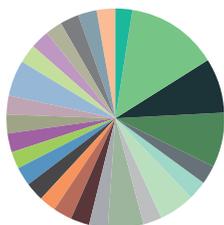
- Neo Phakama Dongwana* (Chair)
- Ntombi Beryl Langa-Royds*
- Maya Makanjee*
- Brett David Vaughan Clark (Mpact CFO)
- Busi Mlotshwa (Mpact Paper Divisional HR Manager)

**Independent Non-executive Directors of Mpact*

THE KEY OBJECTIVES OF THE MPACT FOUNDATION TRUST ARE TO:

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

2020 Bursaries (number)



B Sc Biological Science	1
MBChB	5
B Com Accounting	3
B Ed	3
B Social science	1
BSc Maths	1
N D Industrial engineering	2
ND IT	1
ND Logistics	2
BA Social dynamics	1
BH Environmental Health	1
B Com Finance	1
ND Accounting	1
BA Community Dev	1
BSc Maths Sc in AMP & Comp Sc	1
ND Hospitality	1
BA Social Work	1
B Sc Eng (Comp Eng)	1
BA Development Environmental	1
B Com General	2
ND Mechatronics Eng	1
B Comm Acc Sc	1
BA Health Sc & Social Services	1
BA Psychology	1
B Sports Sc	1
B Sc Applied Chemistry	1

Bursaries



The Trust provided bursaries for 17 students in 2020, with 13 students passing and two students graduating at the end of the year.

A further three bursaries were awarded (three females) for the 2021 academic year. Since inception, the bursary scheme has produced 17 graduates.

We continue to investigate ways to raise awareness of the bursary scheme and increase the number of applicants so that we can broaden the impact. The bursary scheme is communicated to staff on an ongoing basis, and bursars and graduates are featured in Pack-Age, the Company newsletter. The CEO Imbizos also raise awareness regarding the scheme.

We have been investigating career days to promote the scheme directly to high school learners who could apply for bursaries in future, but these could not be done this year due to Covid-19.

IMPROVING EMPLOYMENT OPPORTUNITIES FOR GRADUATES

In 2020 we noted that we had an “unemployed graduate problem” which is a widespread concern in South Africa. We conducted a survey to get a better understanding of the challenges faced by our bursars. The responses indicated a lack of “readiness/preparedness” for graduates, interns and organisational entrants. In addition to the changes and uncertainty brought about by Covid-19, they needed to navigate significant challenges as they move from school to tertiary education to the world of work. As part of the response, we will be running a life skills program in 2021 to upskill our learners. Some of the topics that will be covered are:

- Career strategies
- Emotional intelligence
- Financial literacy and wellness
- Understanding corporate culture
- Building your personal brand
- Understanding the world of work
- Exposure to current concepts and issues relating to career management

The goal of this bursar development plan is to equip our graduates with the skills they need to improve their employability.

LOOKING AHEAD

We had hoped that the 2021 academic year would be more of a return to normality for our bursars, but it seems that the year ahead will be similarly challenging for students. Our priorities remain to support our current bursars in their studies and to raise awareness regarding the scheme to build the pipeline of future bursars. We will monitor the outcomes of the bursar development plan to ensure that our bursars have the best opportunity to use their qualifications to achieve their full potential in the workplace.

We are extremely proud of all of our graduates and commend the 2020 bursars for their tenacity under difficult circumstances as well as for the generally excellent results they achieved. We wish the 2021 bursars good luck for the year ahead.

On behalf of the Mpact Foundation Trust:

Neo Phakama Dongwana
Mpact Foundation Trust *Chairman*

12 April 2021



MPACT FOUNDATION TRUST CHAIRPERSON, NP DONGWANA WITH SOME OF THE BURSARS