

Social and Ethics Committee report



Ntombi Langa-Royds

Transparent and open communication with stakeholders is critical to the long-term success of the Company

“Mpact’s transformation agenda is built on the premise of sustainability and inclusiveness. This will ensure that our stakeholders benefit over the long term. To this end, Mpact is guided by its Transformation Policy.”

Introduction

The Social and Ethics Committee (the committee) assists the Board in monitoring Mpact’s performance as a good and responsible corporate citizen and performs its duties in terms of regulation 43 under the Companies Act, No. 71 of 2008 (the Companies Act). The Committee is further governed by its terms of reference which are reviewed annually and updated with relevant changes to legislation, other legal requirements and codes of best practice.

Composition and meeting procedures

The Committee comprises four independent Non-executive Directors and one Executive and is chaired by Ntombi Langa-Royds. Other members of the Committee are Maya Makanjee, Neo Dongwana, Andrew Thompson and Bruce

Strong. Bruce Strong was appointed on 21 December 2018. Key senior managers attended 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 65.

Biographical details of the Committee members are provided on pages on pages 60 and 62 and the fees paid to Committee members are outlined on page 91.

Integrity and ethics

Mpact’s standard of integrity and ethics in dealing with its internal and external stakeholders is outlined in the Group’s Code of Ethics available on our website . The Code translates Mpact’s values into practical action. The Committee is responsible for monitoring application of the Group’s policies of best practice with regard to the commitment to, governance of and reporting on Mpact’s sustainable development performance.

Employees also have access to Tip-offs Anonymous, a whistle-blowing facility independently administered by Deloitte & Touche, to report allegations of improper conduct.

Role and function

The Committee operates within its terms of reference and reports its proceedings to the Board on a quarterly basis. The

Committee further reports to shareholders at the Annual General Meeting on relevant matters.

The Committee monitors the Company’s activities, having regard to any relevant legislation, other legal requirements and prevailing codes of best practice with regard to matters relating to:

- social and economic development, including the Group’s standing in terms of the goals and purposes of:
 - the 10 principles set out in the United Nations Global Compact Principles;
 - the OECD recommendations regarding corruption;
 - the Employment Equity Act; and
 - the Broad-Based Black Economic Empowerment Act;
- good corporate citizenship, including the Company’s promotion of equality, prevention of unfair discrimination and elimination of corruption;
- contribution to the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed, including sponsorship, donations and charitable giving;
- the environment, health and public safety, including the impact of the Company’s activities and of its products and services;

- consumer relationships, including the Company's advertising, public relations and compliance with consumer protection laws; and
- labour and employment, including:
 - the Group's standing in terms of the International Labour Organisation Protocol on decent working conditions; and
 - the Group's employment relationships, and its contribution toward the educational development of its employees.

Material sustainability issues

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

The material matters are discussed on  page 52 and set out in the Sustainability review available on the Company's website .

Activities of the committee

Transformation

Mpact's transformation agenda is built on the premise of sustainability and inclusiveness, to ensure that our stakeholders benefit over the long term. Specific activities are managed and monitored under the following headings:

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

I believe that transformation and the sustainability of the business are inextricably linked. While we are concerned that the new B-BBEE Codes will impact negatively on our B-BBEE scorecard and undermine our efforts to date as the codes have become more onerous, we remain

committed to strengthening our efforts in driving empowerment.

Environment, health and safety

The Group is guided by the government initiatives to reduce carbon emissions by changing the behaviour of producers and consumers. The Committee reviews quarterly reports on the Group emissions. The Group has developed an energy strategy to optimise energy usage and to evaluate energy generation technologies.

The Mpact Energy Centre of Excellence continues to make good progress with implementing the Group's energy strategy. The Committee is pleased with the initiatives implemented to improve energy across the Group. The implementation of the solar PV systems increased from prior year with additional sites generating power from solar. All manufacturing plants have installed online electricity meters that are calibrated to SABS standards and upload consumption figures in real time to the LiveWire database.

Water use for manufacturing has declined considerably and notable savings have been achieved at Felixton Mill, Polymers, Corrugated East London, Corrugated Epping, Corrugated Kuils River, Corrugate PE, Plastics Containers Brits, Plastics Pinetown, Versapak Paarl, and Wadeville Closures. Despite recent rains, Western Cape sites continue their drive to reduce water consumption and particularly municipal water use.

The Group is committed 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 Mpact's operations. The Committee regularly reviews the safety and health initiatives of the Group.

2018 was a challenging year for safety at Mpact and a fatal accident took the life of Maans Swart at Paper Springs. It is with deep sadness that the Committee and the Board express our condolences to his family, friends and colleagues.

Monitoring safety initiatives remained a priority and quarterly feedback was reviewed on leading indicators to track

conformance with the programmes, particularly the Behaviour-Based Safety and Safety Culture Programmes. Similarly, Safety Days with Sam (our safety mascot) were observed by operations to generate increased awareness.

The Group continues to drive safety using these established programmes with emphasis on increasing usage of the wellness programme which has proven a success since its implementation. The implementation of the wellness programme was in line with the Committee strategy to address social issues identified to be part of the safety incidents by giving employees help with health, psychological, social, financial and legal support and thereby reduce their stress levels, increase focus at work reducing accidents and increasing productivity.

Further to these initiatives, it is envisioned that in 2019 the Group will run campaigns to drive focus in the following areas of safety management.

- Hazard identification and risk assessment (HIRA), Safe Work Procedures (SWP), and Planned Job Observations (PJO)
- Energy isolation, lock-out-tag-out
- Nip points
- Implementing learnings from other incidents
- Management and supervisory responsibility and liability

Our vision remains to be a leading packaging business with the highest ethical standards, delivering exceptional value for customers, employees, communities and shareholders. In this regard, the safety of employees is a priority. Notwithstanding our safety performance in 2018, we are encouraged that the interventions that have been put in place are helping us reach the target of zero harm and we need to ensure that this remains the case.

In pursuit of excellence, Mpact subscribes to various local and international standards, and where applicable, its operations are certificated. Among others, these standards deal with quality, environment, food safety, worker safety and health.

Mpact subscribes to environmental and safety legal registers that keep it abreast of changes in legislation.

Social and Ethics Committee report (continued)

Stakeholder engagement

Mpact engages 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. Transparent and open communication with stakeholders is critical to the long-term success of the Company. These engagements provide input that helps to strengthen our programmes, identify opportunities and material issues, and ensures compliance with the Companies Act and King IV.

The Committee reviews quarterly reports on Mpact's engagement with stakeholders and further reviews a list of its primary stakeholders annually to ensure it reflects the key groupings with which Mpact interacts. The Group's Stakeholder Engagement Policy is also reviewed annually.

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



Examples of key engagements conducted during 2018 include those discussed below.

Industry bodies

Mpact is active in a range of industry organisations to ensure that our stance on issues that affect our operations are well understood and communicated effectively to government and regulators. In 2018, we participated in the development of the Packaging South Africa Industry waste management plan which was submitted to the Department of Environmental Affairs in September 2018. The plan provides a consolidated multistream industry waste-management plan for the paper and packaging sector and has a five-year goal to increase recycled tonnage from 2.2 million tonnes (58.2%) to 2.7 million tonnes (66.9%) of total paper and packaging. It forms part of a bigger strategy to transition South Africa towards a circular economy. Mpact representatives engaged with government, the Department of Environmental Affairs and other key stakeholders as part of the process.

We were also active in various forums that participated in President Ramaphosa's growth agenda. Our participation in the organisations representing the plastics industry, including PETCO, POLYCO and the Polystyrene Packaging Council, during the year aimed to ensure that discussions around the future of plastic are supported by a broader factual and scientific understanding.

CEO Imbizos to build employee engagement

The annual CEO Imbizos that are held at the operations create an opportunity for senior management to meet with all levels of the workforce, engage with them around their key concerns and present the results and current position of the business.

The concerns employees raised with the CEO through these forums have improved our understanding of the socio-economic pressures on workers. These issues include access to housing, education for their children, personal security, the cost of transport and medical services, transformation, poor economic growth and high levels of personal debt. In 2018, we launched a wellness programme that aims to improve employee wellbeing by offering health, social, psychological, financial and legal support.

Analysts, shareholders and potential investors

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

Progress on key projects

We are pleased that the Committee enhanced its monitoring of activities across the Group and appreciate further progress made on the following projects undertaken:

- The Excellence in Health and Safety awards, Behaviour-Based Safety Programme and Mpact Safety Culture Awareness Programme.
- Improved the Health and Safety Standards by the implementation of the Mpact Safety Plan which covered the Mpact Safety Culture cartoon awareness series; monitoring of leading indicators and the Behaviour-Based Safety programme. Details of these are provided in the Sustainability review.
- Internal plans to proactively address developments in carbon legislation including the Carbon Tax, Carbon Budgets and the Greenhouse Gas Pollution Prevention Plan.
- Energy improvement initiatives which covered PV solar plants and installation of meters at all plants.
- Environmental targets for 2020.

Independent assurance

The Mpac Dashboard System has improved the capture of relevant sustainability data and the Committee is satisfied that the disclosure is adequate and the information accurate.

Various external assurances have been obtained and these are listed in detail in the Sustainability review. Mpac has not received assurance for the Sustainability review in its entirety. The Sustainability review can be found on the Company's website.

The Committee is satisfied with the Group's progress in the different areas and with its plan for the 2019 financial year. The Committee is well pleased with the Sustainability Award won by the Group at the National Business Awards. This prestigious award confirms that the Group continues to demonstrate strong adhesion to Environmental, Social and Corporate Governance (ESG) policies with evidence of achievements of set targets in these areas through its circular economy business model. This award further endorses the Group's active involvement in promoting ESG policies and, by doing so, setting an example for other corporations in South Africa to follow.

The environmental and social sustainability of Mpac is important to the Group and a detailed Sustainability review has been prepared, which reports in more detail on its employees, environmental impacts and CSI. These issues are of significant importance to the Group in terms of its obligations to all of its stakeholders. The Sustainability review can be found on the Company's website. 

On behalf of the Social and Ethics Committee:

Ntombi Langa-Royds

Social and Ethics Committee Chairperson

12 March 2019