

STAKEHOLDER ENGAGEMENT

INTRODUCTION

Mpact recognises that proactive engagement with internal and external stakeholders across the business is critical to its long-term success and to strengthening its programmes, identifying opportunities and material issues as well as gaining insights.

The Group has embraced transparent and open communication with its stakeholders, particularly against a backdrop of growing social, economic and environmental challenges within the environment in which it operates.

Mpact's list of primary stakeholders is developed through a comprehensive process and is reviewed annually by the Social and Ethics Committee to ensure it reflects the key groupings with which Mpact interacts. The Group's Stakeholder Engagement Policy is also reviewed annually.

The main stakeholders identified by Mpact are:

- Employees
- Customers and suppliers
- Shareholders, the investment community, and financial institutions (including banks)
- Government institutions and regulatory authorities
- Communities
- Industry associations

During the year, a comprehensive report is tabled at Social and Ethics Committee meetings providing an update on stakeholder activities. This report outlines various communications relating to investor relations, media relations, employees, advertising and branding and other stakeholders, e.g. customers, communities and trade unions.

Employees have access to Tip-offs Anonymous, a whistle-blowing facility independently administered by Deloitte & Touche, to report fraud and other illegal acts.

INTERACTION WITH STAKEHOLDERS

Main stakeholders	How did we engage our stakeholders?	What were their expectations and concerns during 2016?	How did we address these concerns?
Employees	<ul style="list-style-type: none"> • Remuneration and performance appraisals • Imbizos • Skills development and training • Safe working practices • Transformation initiatives • Diversity drive • Succession planning programmes • General updates • Tip-offs Anonymous • Employee Effectiveness Survey • Recognition of work done – Mpact Awards 	<ul style="list-style-type: none"> • Fair work practices and transformation • Fair remuneration • Safe working environment • Clear and strong leadership • Skills development • Learnership programmes • Promotion 	<ul style="list-style-type: none"> • A salary-benchmarking survey was conducted • OHS-programmes and instructions throughout plants • Average personnel costs increased by 4.6% for the year, excluding the Remade acquisition and Mpact Polymers
Customers and suppliers	<ul style="list-style-type: none"> • Meetings re pricing, product quality and specifications, service, stockholding and security of supply • Customer innovation workshops • Site visits • Results presentations • General updates 	<ul style="list-style-type: none"> • Quality product and efficient service • Product innovation • Market trends – keeping abreast • Competitive prices • Impact of exchange rate 	<ul style="list-style-type: none"> • Procurement agreements • Long-term supply agreements • Price negotiations • R&D Centre of Mpact continuously looking at product innovation to ensure cost efficiencies and enhancing food safety

STAKEHOLDER ENGAGEMENT CONTINUED

Main stakeholders	How did we engage our stakeholders?	What were their expectations and concerns during 2016?	How did we address these concerns?
Shareholders, the investment community, and financial institutions (including banks)	<ul style="list-style-type: none"> • Results presentations road shows • Site visits • Trading updates • Market perception polls • In-house Communication Manager • Investor Relations consultant • One-on-one meetings with key investors, existing and potential 	<ul style="list-style-type: none"> • Comprehensive and detailed financial analysis and figures • A better understanding of the business and its operations • Major risks of the Group and how it is being addressed • Addressing concerns – Mpac Polymers slower than expected start up and increased competition in industry • Prospects of the Group • Strategy of the Group 	<ul style="list-style-type: none"> • Trading update • Comprehensive presentation incorporating concerns and how it is being addressed
Government institutions and regulatory authorities	<ul style="list-style-type: none"> • Meetings • Representation on Forums and Regulatory Bodies • Active engagement on key projects 	<ul style="list-style-type: none"> • Water licence applications • Environmental matters such as carbon tax, air emissions, waste management and electricity usage • Ensure understanding of industry issues • Funding and tax incentives 	
Communities	<ul style="list-style-type: none"> • Local community development projects • Education and training • Support local community initiatives 	<ul style="list-style-type: none"> • Continued commitment to the projects previously supported 	<ul style="list-style-type: none"> • CSI spend was R5.5 million • Various projects – set out in detail in the Sustainability Review on the Group's website
Industry associations	<ul style="list-style-type: none"> • Committee meetings with various industry associations • Bargaining Council meetings 	<ul style="list-style-type: none"> • To promote industry-wide issues on a regional and national basis • To negotiate wage increases with trade unions when required 	<ul style="list-style-type: none"> • To promote industry-wide issues on a regional and national basis • No trade union-supported strikes and no man-hours lost due to any labour unrest

VALUE-ADDED STATEMENT

	2016 R'm	2015 R'm
Value created		
Value created by operating activities	2,839.5	2,783.9
– Revenue	10,098.6	9,547.7
– Expenses	(7,259.1)	(6,763.8)
Finance income	18.4	8.7
Share of associate profit	16.2	13.0
	2,874.1	2,805.6
Value distributed	(1,984.4)	(1,795.3)
Staff costs	(1,581.2)	(1,464.7)
Payments to providers of finance		
– Finance costs	(209.4)	(140.7)
– Dividends	(76.5)	(75.8)
Payments to Government		
– Taxes	(117.3)	(114.1)
Value reinvested	(569.4)	(468.3)
Depreciation, amortisation and impairment	(504.0)	(410.0)
Deferred tax	(65.4)	(58.3)
Value retained		
Retained profits	(320.3)	(542.0)
	(2,874.1)	(2,805.6)