

SOCIAL SUSTAINABILITY

Our purpose goes beyond making packaging products and extends to conducting business in a socially responsible and ethical manner. We aim to create sustainable-shared value for all our stakeholders and actively pursue the advancement of the communities in which we operate.

EMPLOYEES

Mpact's employees are critical in creating sustainable value for the Group and its stakeholders. We continually aim to create a work environment that is safe, stimulates engagement and is well governed, with a focus on diversity inclusion and skills development. We believe that a skilled and dedicated workforce will help us deliver distinctive results. We therefore aim to strengthen our competitive advantage through attracting and retaining talent, building capability in strategic areas and ensuring we can deploy talent quickly and effectively in line with the changing needs and growth requirements of the business.

We are proud of our Fair Employment and Promotions Philosophy that emphasises workplace diversity to ensure that we foster a culture of diversity in the belief that this creates business advantage.

Headcount

For the year ended 31 December 2016, Mpact employed 4,998 (2015: 4,467) people. The number of South African employees was 4 768, with the remainder 230 employed in operations in the rest of sub-Saharan Africa. The headcount takes into account the employees of Remade Holdings, which Mpact acquired in May 2016, and of the closure of the plastic manufacturing operation in Zimbabwe. Additionally, it includes full-time and part-time permanent employees on Mpact's payroll. It excludes temporary workers and contractors paid by a third party provider.

The distribution of employees by geography, gender and division is shown in the graph and table below. Details of the representation by ethnic groups is available on page 18.

| Headcount by: | | | |
|------------------|--------------|----------------------------|--------------|
| | South Africa | Rest of sub-Saharan Africa | Total |
| Geography | 4 768 | 230 | 4 998 |
| | 95% | 5% | |
| Gender | Male | Female | Total |
| | 3 853 | 1 145 | 4 998 |
| | 77% | 23% | |
| Division | Paper | Plastics | Total |
| | 3 536 | 1 462 | 4 998 |
| | 71% | 29% | |

Employment practices

Mpact's Fair Employment and Promotions Philosophy states that: "There is place for all people in Mpact and cognisance must be taken of merit-based employment equity to address the issue of diversity throughout the organisation, especially regarding race, gender and disabilities".

Underpinning this philosophy is the practice of attracting the best talent through transparent selection processes. Mpact endeavours to understand the key drivers of staff retention in order to give us clear sight of what we need to do in order to make Mpact an employer of choice.

Benefits provided to employees include membership of retirement funds, access to medical aid schemes and primary healthcare, study assistance and incentive bonuses.

Mpact has an anonymous tip-off service, allowing employees the opportunity to report issues relating to fraud, corruption and workplace misconduct. This service is administered by Deloitte and is independent of the Group.

Transformation

Addressing historical social imbalances

The Group Transformation Philosophy echoes our commitment to the country's transformation agenda. Our transformation goals reflect our vision as well our core values, culture and approach to people development at all levels in the business. We interact with communities to identify and address their needs and participate in partnerships and capacity-building interventions.

Our transformation activities must add value and translate into true empowerment. They must contribute to the sustainable future of our organisation and our society. To this end, we are forging ahead and sharpening our objectives for economic transformation with a focus on higher education, achieving this through the Mpact Foundation Trust, which awarded its first 15 bursaries in 2016 discussed in more detail in the Mpact Foundation Trust Report on page 63. 

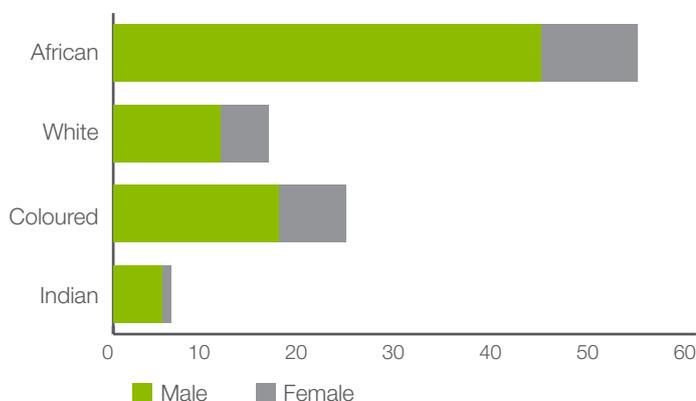
Employment equity

Like many other manufacturers in South Africa, Mpact faces a shortage of highly qualified skills, which negatively affects our ability to find and place suitable candidates in either specialist or management roles. Notwithstanding this reality, we remain committed to our employment equity plan to create a workforce that reflects the country's demographics and entrenches fair employment practices. The cornerstone of our employment equity plan is our Fair Employment and Promotions Philosophy, which states that recruitment and promotion of people is merit-based and seeks to address the issue of diversity throughout the organisation, especially regarding race, gender and disabilities. The targets we have set ourselves in the employment equity plan are a concerted effort to align closely with the Employment Equity Act. Progress is closely monitored by the Human Resource Steering Committee, which gives regular feedback to the Social and Ethics Committee.

The Transformation Committees established at national, divisional and operational level, also regularly report on these targets. We are proud of the work that is being done by the Transformation Committees, which encourage employees to discuss employment equity, training-related issues and to set their employment equity targets.

SOCIAL SUSTAINABILITY CONTINUED

Mpact employees by demographic (South Africa only)



Employees' positions within the Group are (South Africa only):

| Employment Equity | | | | | | | | | |
|-------------------|--------------|------------|------------|------------|------------|------------|------------|-----------|--------------|
| | African | | White | | Coloured | | Indian | | Total |
| | Male | Female | Male | Female | Male | Female | Male | Female | |
| Top Management | | | 2 | | | | | | 2 |
| Senior Management | 1 | 3 | 31 | 2 | | | 6 | 1 | 44 |
| Middle Management | 29 | 8 | 142 | 51 | 24 | 4 | 42 | 12 | 312 |
| Junior Management | 332 | 78 | 282 | 114 | 144 | 62 | 86 | 21 | 1 119 |
| Semi-Skilled | 1 221 | 152 | 44 | 70 | 470 | 92 | 68 | 21 | 2 138 |
| Unskilled | 520 | 239 | 5 | | 146 | 179 | 20 | 2 | 1 111 |
| Temp | 15 | 4 | 8 | 4 | 9 | | | 2 | 42 |
| | 2 118 | 484 | 514 | 241 | 793 | 337 | 222 | 59 | 4 768 |

South African employees that classified as previously disadvantaged individuals (PDIs) filled the following positions:

| Level | 2016 | 2015 | 2014 |
|-------------------|------|------|------|
| Junior Management | 75% | 74% | 73% |
| Middle Management | 54% | 54% | 53% |
| Senior Management | 30% | 30% | 27% |

Equity ownership

As at 31 December 2016, the ownership of the company by black individuals was unchanged at 16.67% (2015:16.67%, 2014:9.45%). There was an increase in the ownership by black women to 10.00% (2015: 6.67%, 2014: 2.28%).

B-BBEE scorecard

Mpact's current B-BBEE rating as determined by Siyandisa Verification Solutions is Level 3.

Skills development

Training and development in the company is an important aspect of our sustainability and transformation policy. The three methods used are: on-the-job learning, leadership development and formal skills development and delivered either by staff members or through partnerships with educational institutions.

We recognise that providing our employees with an environment conducive to learning and development is central to our competitiveness and sustainability. Our interventions are intended to attract, develop, retain and motivate our employees in to perform optimally and collectively.

The impact of the learning and development interventions is monitored using employees' individual development plans, performance targets and the Group's competencies applicable to each talent segment.

During 2016, Mpact spent R1.5 million on training 3,884 employees (2015: 3,364 employees) in the fields of legal compliance, safety, health and environment, pulp and paper technology, operational skills, leadership development, and computer training, among others. A total of 88,838 man-hours (2015: 67,412 man-hours) were devoted to training and skills development.

Mpact supports individuals on apprentice and learnership programmes and realises that this form of skills development is crucial in building a skills pool of better-equipped and motivated employees. In 2016, 279 individuals (2015: 206) were placed on apprentice and learnership programmes, of which 89% (2015: 91%) were from previously disadvantaged backgrounds.

In an effort to help the unemployed youth, Mpact started a learnership programme for 36 unemployed and disabled youth from previously disadvantaged backgrounds. This was done in partnership with the Skills Education Training Authorities (SETA) South Africa. The programme was a success, with all individuals graduating at the end of 2016.

Human rights

Mpact has adopted the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption. We respect the dignity and worth of individuals and we fully support employees' rights to freedom of association. We respect the constitutional rights of the individual to freedom of association, the right to collective bargaining and the right to be a member of a union of choice.

Various unions represent approximately 54% (2015: 57%) of the workforce, with the majority belonging to the unions detailed below.

| | CEPPWAWU | NUMSA | CWAWU | SATU | Other unions | Total |
|-------------|----------|-------|-------|------|--------------|-------|
| 2016 | 23% | 12% | 6% | 4% | 8% | 54% |
| 2015 | 27% | 11% | 6% | 5% | 8% | 57% |

In addition, Mpact is a member of various bargaining councils including:

- Statutory Council for the Paper Packaging Industries Bargaining Forum;
- Bargaining Council of the Wood and Paper Sector
- Metal Industries Bargaining Council.

A senior Mpact Human Resource (HR) manager is represented on these councils.

STAKEHOLDER ENGAGEMENT

Investing in sustainable partnerships

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

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

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.