

# CORPORATE GOVERNANCE REPORT

## COMMITMENT AND APPROACH TO CORPORATE GOVERNANCE

The Board endorses and accepts full responsibility for the application of corporate governance principles. In discharging this responsibility, the Board ensures that effective corporate governance is practiced consistently throughout the Group by complying with the requirements of King III, the JSE Listings Requirements and the Companies Act, in both letter and spirit.

The International Integrated Reporting Framework has been taken into consideration when preparing this Integrated Report. This International Integrated Reporting Framework has been adopted across the world and focuses on the Company providing relevant, reliable, comparable and comprehensive information pertaining to the business operations and capital employed in the Group throughout the Integrated Report.

## INTEGRATED REPORTING

Mpact has adopted integrated reporting in line with the recommendations of King III and the JSE Listings Requirements. The content of this Integrated Report is, where relevant and possible, in line with the GRI-G4-guidelines, which is available on Mpact's website.

## ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP

The Board has set values to which the Group adheres and these are incorporated into the Group's Code of Ethics. Within the Code of Ethics, we have articulated our ethical values and our behavioural standards. The Group's standards of integrity and ethics in dealing with suppliers, customers, business partners, stakeholders, government and society at large is outlined in the Code of Ethics and every employee is expected to subscribe to the Code of Ethics.

The Code of Ethics is reviewed and endorsed by the Board and management on an annual basis to ensure that the Company remains


differentiated by people who are resolute, trustworthy and responsible.

## KING CODE, COMPANIES ACT AND JSE LISTINGS REQUIREMENTS

In terms of paragraph 8.63(a) of the JSE Listings Requirements, the Group has published its application of King III on its website. During the period under review, the Group has considered the principles of King IV and has commenced the process of assessing the disclosures and aligning the level of application of King IV principles to the existing King III in order to identify the gaps and intended governance outcome as recommended by King IV.

There are no material changes to the content of this Integrated Report compared to the 2015 Integrated Report, other than a greater emphasis on providing additional supplementary information on the Group's strategic direction, risk and sustainability initiatives.

## Snapshot of King III application

The remainder of the report provides more detail regarding the Group's application of good governance principles and its application is outlined in the Mpact King III Application Register, available on website. 

## Stakeholders

Mpact promotes an inclusive approach to governance and takes account of the impact of the Company's operations on internal and external stakeholders. Mpact's approach to corporate governance strives to include all these Groupings, is based on good communication and integrated into every aspect of the business.

Mpact's primary stakeholders have been identified and the details pertaining to stakeholder engagement are set out on pages 59 and 60 of this Integrated Report.

## SUMMARY REPORT (current review)



## SCORING KEY

- AAA Highest application
- BB Noteable application
- C Application to be improved
- AA High application
- B Moderate application
- L Low application

## OVERALL SCORE

# AAA



## COMPLETENESS METER

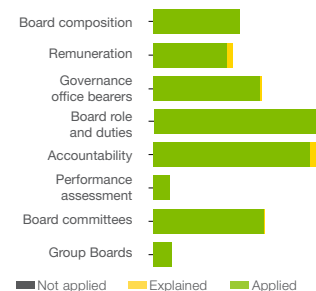
# 100%

## APPLICATION METER

STATUS CATEGORY	SCORE
● Board composition	AAA
● Remuneration	AAA
● Governance office bearers	AAA
● Board role and duties	AAA
● Accountability	AAA
● Performance assessment	AAA
● Board committees	AAA
● Group Boards	AAA



## WEIGHTING GRAPHIC



## Sustainability

The Group's approach to sustainability and assessing its influence and impact on the environment and the communities in which it operates are foremost in mind when conducting business and considering making investments.

Managing a sustainable business requires the integration of the Material Capitals, as set out in the International Framework. Mpac's business model, together with the inputs and outputs of each of the Material Capitals, are illustrated on pages 8 and 9 of this Integrated Report.

Mpac's CSI strategy is aligned with the Group's strategy (as discussed on page 11). It takes into account potential risks (refer to pages 13 to 15) and considers the requirements and needs of its stakeholders (Mpac's stakeholder engagement is set out on pages 59 and 60). The Group endeavours to uphold the principles of sustainability, corporate governance and social responsibility and has also made efforts to improve sustainability reporting this year in line with recommendations made by the Integrated Reporting and Assurance Services (IRAS) in its Sustainability Data Transparency Index (SDTI): A 2016 Review of Environmental, Social and Governance Reporting in South Africa.

The Group remains committed to sustainable development in each of its businesses by adopting leading industry health and safety standards; obtaining responsibly-sourced raw materials; and ensuring the businesses constantly seek to reduce their environmental impact. Specific strategic goals have been developed for the Plastics and Paper businesses and these strategic goals are set out in detail in the respective operational reviews.

The full details are set out in the Sustainability Review, which is on the Mpac website. 

## Fraud and illegal acts

The Group does not tolerate fraudulent behaviour and illegal acts. An anonymous whistle-blowing facility administered by Deloitte is in place. The Audit and Risk Committee records, monitors and investigates incidents reported on the facility. The Code of Ethics, as well as the Supplier Code of Conduct, outline Company norms and expected behaviours when dealing with fraud and illegal acts.

## BOARD OF DIRECTORS

### Board practices

The Board is ultimately responsible for the Group's business, approval of the strategy and key policies and is the focal point and custodian

of corporate governance at Mpac. It is also responsible for approving the Group's strategy, financial objectives and targets. The roles of the Chairman and CEO are separate. The Board is led by the Chairman, who is elected by the Board annually, while operational management of the Group is the responsibility of the CEO. No business of the Group is or will be managed by a third party.

The Board recognises the necessity for directors to occasionally seek independent professional advice at the Group's expense, in this regard the Board has adopted a Board Policy on procedure for taking professional advice.

A minimum of four Board meetings are scheduled per financial year, while additional meetings may be convened when necessary. Well-structured Board agendas and comprehensive papers are circulated electronically to Board members on a timely basis, ensuring that they are well informed and that debate and decisions are constructive and robust.

### Composition of the Board

The Board comprises eight directors, two of whom are executive directors, the CEO and CFO. The remaining six directors, three of whom are women, are all independent non-executive directors, including the Board Chairman.

### Appointments to the Board

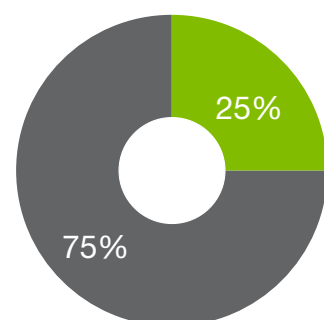
The appointment of new directors is approved by the Board as a whole on the recommendation of the Remuneration and Nomination Committee. Directors are appointed through a formal and transparent process, which includes the identification of suitable members and performance and background checks prior to nominations. Director appointments are formalised through an agreed contract of service between the Company and the director.

Directors are nominated based on their calibre, knowledge, experience and the impact they are expected to have, as well as the time and attention they can devote to their roles. New directors are taken through a formal induction programme and are provided with all the necessary background and information to familiarise them with issues affecting the Board.

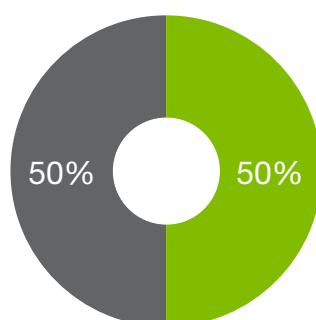
### Board diversity

The Board recognises the benefits arising from diversifying including a broader pool of high-quality directors and accessing different perspectives and ideas from all available talent. In accordance

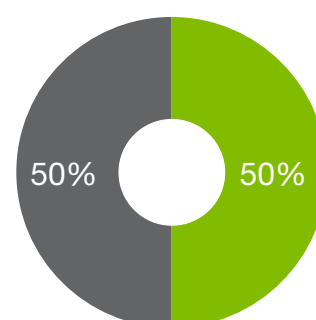
### Composition of the Board



- EXECUTIVE
- NON-EXECUTIVE



- FEMALE NON-EXECUTIVE
- MALE NON-EXECUTIVE



- BLACK NON-EXECUTIVE
- WHITE NON-EXECUTIVE

# CORPORATE GOVERNANCE REPORT CONTINUED

with the JSE Listings Requirements, the Board approved a gender diversity policy during the period under review and has set measurable objectives.

The Board is pleased to announce that it has achieved its set objectives of 35% women on the Board by 2020 ahead of schedule by appointing Maya Makanjee to the Board on 5 September 2016. The Board has confirmed its satisfaction with its composition and the Board committees.

## Role and function of the Board

The Board is a unitary body that is effective in leading and controlling the Group. Its mission is to ensure Mpact's continued success and sustainability by collectively directing the Company's affairs with effective and responsible leadership within the industries and markets in which Mpact operates, while meeting the appropriate interests of its relevant stakeholders.

## Responsibilities of the Board

The Board charter is in line with King III and the Companies Act. The purpose of this charter is to set out the mission, duties and responsibilities of the Board, as well as the requirements for its composition and meeting procedures. A summary of the duties of the Board as outlined in the Board charter are:

- Provides leadership based on an ethical foundation and ensures that the Group's ethics are effectively managed.
- Appreciates that strategy, risk, performance and sustainability are inseparable.
- Acts as the focal point for, and custodian of, corporate governance.
- Has a responsibility to all stakeholders, which include present and potential beneficiaries of the Group's products and services, clients and employees, to achieve continuing prosperity for the Group.
- Reviews and approves financial objectives, plans and actions, including cost allocations and expenditures.
- Ensures that the Group is a responsible citizen by having regard to not only the financial aspects of the business, but also the impact that the business operations may have socially and environmentally.
- Ensures that the Group complies with applicable laws and considers adherence to non-binding rules and standards.
- Is responsible for the governance of risk, including information technology.

## Succession planning

The Remuneration and Nomination Committee reviewed the succession plan for the CEO, Chairman and senior management during the year under review and submitted its recommendations to the Board. The Board further reviews the status of the Board succession plan to ensure that it considers the challenges of a constantly changing business environment.

## Rotation of directors

In terms of the Memorandum of Incorporation, at least one third of the directors (other than the executive directors) retire by rotation and, if eligible, their names are submitted for re-election at the Annual General Meeting, accompanied by appropriate biographical details set out in the report to shareholders. Maya Makanjee and Andrew Thompson are required to retire by rotation in accordance with the Memorandum of Incorporation at the forthcoming Annual General Meeting.

The Board considers the performance of each director due for re-election at the Annual General Meeting and makes an appropriate recommendation to shareholders in this regard.

## Independent directors

The Remuneration and Nomination Committee reviewed the independence of all non-executive directors using the guidelines recommended by King III, JSE Listing Requirements and the Companies Act and further assessed the independence of the non-executive directors who have served on the Board for longer than nine years.

The Board considered the independence of Mr AM Thompson as a result of his years of service and is satisfied that he continued to perform his duties impartially and with the highest integrity.

Non-executive directors bring an independent view to the Board's decision-making. As a Group, they enjoy significant influence at meetings of the Board, ensuring an appropriate balance of power. This also ensures that no one director has unfettered decision-making powers.

## Board and Committee effectiveness evaluation

Mpact undertakes an annual Board evaluation, as recommended by King III. The Board evaluation includes an evaluation of the Board as a whole and of each Board sub-committee, as well as of each director to review their ability to add value. This is done through self-assessments and peer review processes. The process is completed by one-on-one sessions with the Chairman to identify training needs for directors.

The Remuneration and Nomination Committee reviewed the efficiency of the Chairman of the Board and Chairmen of the sub-committees and recommended to the Board the re-appointment of Tony Phillips as the Chairman of the Board for his leadership skills, experience and sound knowledge of the organisation's strategy and governance expertise.

## Strategic planning

The directors who are also members of the Executive Committee, namely Bruce Strong and Brett Clark, are involved in the day-to-day business activities of the Group. The Board defines the Group's level of authority, reserving powers for the Board while delegating others to management.

The Executive Committee formulates strategy, which is approved by the Board for implementation. The Board is responsible to the shareholders and other stakeholders for setting the strategic direction of the Group. The Board meets with management at least annually to debate and agree on the proposed strategy and to consider long-term issues facing the Group as well as the environment in which it operates.

## Conflict of interest

The Board, subsidiary directors and prescribed officers are required to disclose their personal financial interest and interests in contracts in terms of section 75(4) of the Companies Act. The Group ensures that directors and prescribed officers are free of any conflicts between the obligations they have to the Company and their private interests. Directors are required to disclose any potential conflict at quarterly meetings as and when necessary to the Company Secretary.

## Share dealings

The Group has adopted a share dealing policy requiring all directors, management and the Company Secretary to obtain prior written clearance from either the Chairman or the Company Secretary to deal in the Company's shares. The Chairman of the Board will in

turn require prior written clearance from the Chairman of the Audit and Risk Committee. Closed periods (as defined in the JSE Listings Requirements) are observed as required. During these periods, the directors, management and employees are not permitted to deal in the Company's securities. Additional closed periods are enforced when the Group commences with a corporate activity and where a cautionary announcement (as defined in the JSE Listings Requirements) is published.

### Legal compliance

The Board does not deem it necessary to appoint a Chief Compliance Officer. The Company Secretary, together with the Internal Audit function, the legal advisor and the risk management function, assist the Board in ensuring that there is an appropriate process in place with respect to legal compliance. Compliance with laws and regulations is reported to the Audit and Risk Committee and the Board regularly.

### Company Secretary

Noriah Sepuru is the Company Secretary. The Company Secretary plays a vital role in the corporate governance of the Group and has a holistic view of the governance framework. The Company Secretary has a key role to play in ensuring that Board procedures are both followed and regularly reviewed. The Chairman and the Board look to the Company Secretary for guidance on what their responsibilities are under the rules and regulations to which they are subject, and these responsibilities should be discharged. All directors have access to the advice and services of the Company Secretary.

The Company Secretary is also a central source of information and advice to the Board and the Company on matters of ethics and good corporate governance. She ensures that, in accordance with pertinent laws, the proceedings and affairs of the Board and the Company are properly administered.

### Meeting attendance register

The table below indicates the attendance of Board members at scheduled meetings during the period 2 March 2016 to 1 March 2017.

Director	Board	Audit and Risk Committee	Remuneration and Nomination Committee	Social and Ethics Committee
AJ Phillips*	7/7 <sup>#</sup>	5/5 (invitee)	5/5 <sup>#</sup>	5/5 (invitee)
BW Strong	7/7	5/5 (invitee)	5/5 (invitee)	5/5 (invitee)
BDV Clark	7/7	5/5 (invitee)	N/A	N/A
NP Dongwana*	7/7	5/5	N/A	5/5
NB Langa-Royds*	7/7	N/A	5/5 <sup>#</sup>	5/5 <sup>#</sup>
M Makanjee**	2/2	N/A	2/2	2/2
TDA Ross*	7/7	5/5 <sup>#</sup>	5/5	N/A
AM Thompson*	7/7	5/5	N/A	5/5

\* Independent non-executive directors

# Chairperson

N/A Not a member of the committee

\*\* Appointed with effect from 5 September 2016

The Board conducted an evaluation of the Company Secretary's effectiveness, qualifications and experience and confirmed that Noriah has the requisite knowledge and experience to fulfil her duties and responsibilities. Details of her qualifications are set out on page 29 of this Integrated Report. Noriah is not a director of the Company and maintains an arms-length relationship with the Board as she acts independently from it. The appointment and removal of the Company Secretary is a matter for the Board as a whole.

The Company Secretary's Certificate is set out on page 74 of the Integrated Report.

### Governance framework

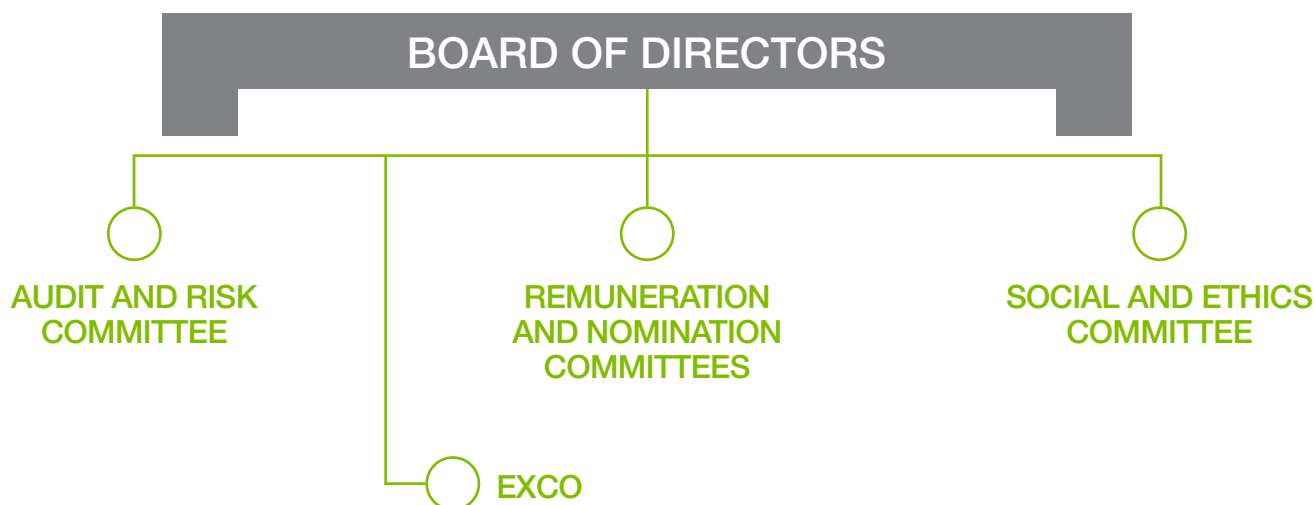
The power and authority to lead, control, manage and conduct business, including the power and authority to delegate, is vested with the Board to ensure that Mpact remains a sustainable and viable business. This responsibility is facilitated by a well-developed governance structure. In discharging its responsibilities, the Board is supported by senior management and Board committees.

### Board Committees

The Board has several committees in which non-executive directors play a pivotal role. The responsibilities delegated to the committees of the Board are formally documented in the terms of reference for each committee, which have been approved by the Board and are updated from time-to-time to keep abreast of developments in law and best practice in governance.

This assistance is rendered in the form of recommendations and reports submitted to the Board meetings, ensuring transparency and full disclosure of committees' activities.

# CORPORATE GOVERNANCE REPORT CONTINUED



The committees meet at least four times a year. The composition, role, functions and responsibilities for each Board committee are set out as follows:

- Audit and Risk Committee: pages 71 to 73
- Social and Ethics Committee: pages 57 and 58
- Remuneration and Nomination Committee: page 45 to 53
- Executive Committee: page 28

## INTERNAL CONTROL SYSTEMS

The Mpac internal controls encompass a set of rules, policies and procedures that are implemented to provide reliable financial and operational reports and to ensure that its activities comply with applicable laws and regulations. The control environment sets the foundation and provides discipline and structure upon which it operates.

These controls are designed to provide reasonable assurance that transactions are concluded in accordance with management's authority, the assets are adequately protected against material losses, unauthorised acquisitions, use or disposals, and that all transactions are properly recorded.

These systems demonstrate effective governance in terms of integrity and ethical behaviour, commitment to competence, Board of Directors and Audit and Risk Committee participation, management philosophy and operating style, organisation structure, assignment of authority and responsibility and human resources policies and procedures.

As required by King III, the Chief Executive of the Internal Audit function provided a written assessment on the system of internal control and risk management (negative assurance) for the financial year ended 31 December 2016.

The assessment was based on the Internal Audit work performed in terms of the approved 2016 financial year Internal Audit Plan, coverage in terms of the rotational risk-based Internal Audit plan, assessment of Mpac's internal control environment, management's self-assessment of the risk management processes and the performance of suitable, but not limited, sample testing on the existence and effectiveness of internal controls at Mpac.

Internal Audit reported that, based on the scope of their work, the results of the internal control testing and subject to the limitations of

sampling and reliance on the efficiency of the combined assurance framework, nothing other than the results reported at the Committee meetings during the course of 2016 came to their attention that would suggest that internal controls and risk management at Mpac were not satisfactory.

The Internal Audit function is set out in the Audit and Risk Committee Report on page 72 of this Integrated Report.

## IT GOVERNANCE

The Board has an IT governance policy and ensures adherence to King III's IT governance principles. The Board measures the implementation of the recommended principles against the detailed King III Application Register. The ICT Steering Committee assists the Board with IT governance-related matters. The committee is governed by an effective charter, which gives guidance to the ICT management team and ensures effective and efficient management of all IT resources.

The IT governance framework with all relevant structures, processes and mechanisms to enable IT to deliver value to the business and mitigate IT risks. IT risks have been identified and incorporated into the risk register.

An external independent person is appointed to provide the Board with an independent assurance on the effectiveness of IT internal controls including outsourced IT services. In addition, the independent member is required from time to time to join the ICT Steering Committee to give guidance on the ICT strategy alignment with business strategy. This includes, but is not limited to, expressing independent opinion on emerging technology trends and their rate of adoption and implementation by various business sectors.

## ANNUAL GENERAL MEETING

All the necessary information and facilities are made available to shareholders to enable them to attend the Annual General Meeting, submit forms of proxy and receive announcements and circulars in accordance with the JSE Listings Requirements. The Chairman of the Board, Chairpersons of the committees and the External Auditor are available to answer questions at the Annual General Meeting.