mpact

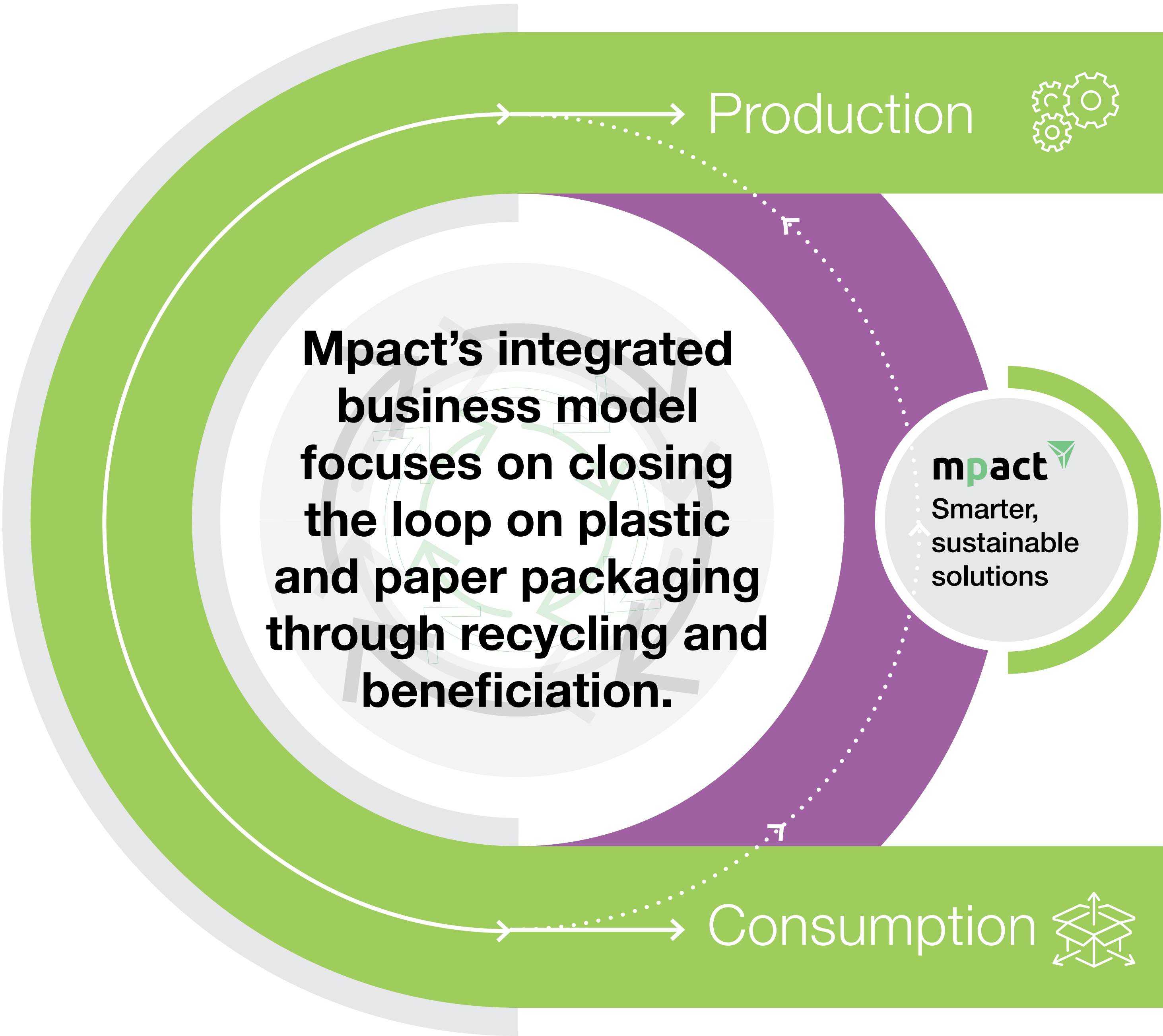
smarter, sustainable solutions

INTEGRATED REPORT

FOR THE YEAR ENDED 31 DECEMBER

2020

CIRCULAR THINKING IN ANY SHAPE



Mpact Recycling collects over 500,000 tonnes of recyclable paper, plastic, cans and glass every year from pre- and post-consumer streams, redirecting this material from landfill and providing an opportunity to earn a living to collectors who sell recyclable waste to Mpact's buyback centres.

Paper, fibre can be recycled up to seven times before it degrades. Each tonne of recovered paper saves $3m^3$ of landfill space. Around two-thirds of the cardboard and paper recovered by Mpact Recycling is used at Mpact Paper Mills to produce paper and board. The rest is sold to external customers.

Mpact Plastics uses recycled PET and other recycled material as required by customers, and the Bins and Crates division recycles the high-density polyethylene in its products at the end of their useful lives. Recyclable plastics collected by Mpact Recycling are sold to external customers for recycling.

Mpact promotes recycling through the 'Ronnie Recycler' schools programme that has reached over 500,000 children since 2013. More than 1,900 Mpact Paper Banks are in place at schools and communities across South Africa to make recycling easy and convenient.

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Focus on performance

REFERENCE

Refer to page

Available online on the Company's website: www.mpact.co.za

Mpact's 2020 reporting suite includes:
- Integrated report
- Sustainability Review
- GRI Index
- Annual Financial Statements
- Notice of Annual General Meeting
- Mpact King IV register

ABOUT THIS REPORT

This Integrated Annual Report provides an overview of the context, strategy, activities, performance and outlook for the Mpact Group for the financial year to 31 December 2020.

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While it is prepared primarily to address the information needs of long-term investors and providers of capital, this report includes information about our environmental and social performance, as well as our governance framework and actions, that are of interest to our broader stakeholder groupings. Material developments after financial year-end are included up to the date of the report's approval by the Board. The annual financial statements include financial information for all subsidiaries, associates and joint ventures, in line with IFRS. Non-financial information is included for all entities over which we have direct control. There have been no material restatements of comparative information disclosed in prior periods.

The information included in this report is determined by our most material matters, which include both financial and non-financial factors. Material matters are those that could have the biggest potential impact on the Group's ability to create value in the short-, medium- and long-term, and have been agreed on and approved by the Board and the Executive Committee. Mpact's most material matters and how these were derived are discussed in more detail on page 21.

Mpact's main activities and the role the Group plays in closing the loop on the circular economy are shown in our operating model on page 12. The strategic overview section that starts on page 18 discusses our approach to creating sustainable value for our stakeholders and the business model on page 14 analyses our inputs, activities, outputs, outcomes and the trade-offs between the six capitals that arise from our activities. Mpact's key stakeholders and significant engagements during the year are discussed on page 44.

GUIDELINES AND FRAMEWORKS

This report has been prepared in accordance with IFRS, the requirements of the Companies Act, the JSE Listings Requirements, the principles of the King Code of Governance Principles for South Africa (King IV™) and the International Integrated Reporting Council's (IIRC) Integrated Reporting <IR> Framework, as these apply to the Group. The sustainability information in Mpact's Sustainability Review is disclosed in accordance with the GRI Standards: Core option.

ASSURANCE

Mpact's combined assurance map provides oversight of the extent of coverage achieved by each assurance provider in terms of the third level of defence in the Combined Assurance Model. Mpact's annual financial statements and Summarised Consolidated Financial Statements were assured by the Group's external auditor, Deloitte & Touche, and a copy of their Independent Auditor's report on the Summarised Consolidated Financial Statements is available on page 112. The Sustainability Review as a whole was not independently assured, but certain information in the review was reviewed by the Group's internal control functions and by external assurance providers where this has been deemed relevant and necessary. The review is available on the Group's website.

DISCLAIMER

The Integrated Report contains certain forward-looking statements concerning the Group's environment, financial performance and conditions, strategy, outlook and growth expectations. Such views involve both known and unknown risks, assumptions, uncertainties and important factors that could materially influence the actual performance of the Group. No assurance can therefore be given that these will prove to be correct and no representation or warranty expressed or implied is given as to the accuracy or completeness of such views.

BOARD APPROVAL

The Board confirms its responsibility for the integrity of this Integrated Report. The content has been collectively assessed by the Board and in its opinion this report addresses the issues that have the potential to most materially impact the performance of the Group.

The Board has accordingly authorised the release of this Integrated Report.

AJ Phillips
Chairman

BW Strong
Chief Executive Officer

12 April 2021

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COMPANY OVERVIEW

KEY METRICS

Revenue of
R11.1bn*
(2019: R11.1 billion)*

Underlying operating profit of
R631m*
(2019: R724 million)*

Return on capital employed (ROCE) of
11.4%*
(2019: 11.8%)*

Share buy back returned
R345m
to shareholders (by end of Jan 2021)

Mpact Operations B-BBEE
Level 1
(2019: Level 1)

Scope 1 and 2 greenhouse gas emissions
0.893 $tCO_2e/t^{\#}$
(2019: 0.883 $tCO_2e/t^{\#}$)

Energy consumption
6.3GJ/t#
(2019: 6.2GJ/t#)

Recovered recyclables
523kt
(2019: 624kt)

Water consumption
5.3kℓ/t#
(2019: 4.9kℓ/t)

Solar PV installed to date
2.87 MWp

CSI spend
R3.7m
(2019: R3 million)

Serious injury frequency rate
0.26
per 200,000 man-hours
(2019: 0.44)

Donated
25,000
face shields to the Gauteng Department of Health and
6,000
to waste reclaimers

Training and skill
49,983
man-hours
(2019: 65,207 man-hours)

37
fully-funded university bursaries awarded through the Mpact Foundation Trust since inception
(2019: 29)

** Continuing operations # Per production tonne*

INNOVATION

Mpact's customer-focused strategy is built around creating innovative packaging solutions for our customers through premium quality products. Our deep understanding of our customers' businesses allows us to match their specific requirements with the latest technology and materials to create game-changing packaging solutions and new product classes.

Added value packaging not only builds long-term strategic relationships with our customers that help us to grow our business with them, but also secures business by providing products that are not easy to replicate.

Our comprehensive product innovation capabilities include the Stellenbosch R&D team, Plastics innovation hub, Plastic Containers design team and the paper converting (Corrugated and Detpak) design teams.

The structural and graphic design capabilities at these facilities provide advanced development functions to our customers, particularly those who do not have their own internal development capability for packaging, to create bespoke, high performing, quick-to-market solutions.

Our design process focuses on developing and producing high quality, environmentally responsible, lightweight packaging solutions that reduce total cost of ownership for our clients and improve sustainability.

The intellectual capital in these teams has created food-safe paper products that substitute for single-use plastics (such as shopping bags and single-use cups) as well as packaging and logistic solutions that have redefined the way fruit and other products are packaged, shipped and displayed nationally and internationally. These designs incorporate circular economy principles to continually improve recyclability, recycling collection and recycled content in our products to keep our customers on the forefront with sustainable packaging.

High-graphic printing capabilities at our facilities have been instrumental in developing Retail Ready Packaging (RRP) that carries customers' marketing, communication and branding from the factory to the shop floor. Well-designed RRP can be accommodated on automated packing lines without requiring modification and is easy to identify in warehouses with the artwork clearly displaying the contents and purpose of the product. Improved pack strength allows increased stacking of pallets in transit and ensures durability, reducing customers' losses due to product damaged in the logistics chain. Printed illustrated instructions and perforations, pull tabs and slide-off lids make it easy and safe for retailers to open, assemble, decant and shelve products, while lifelike graphics and full colour printing simplify product identification for consumers and support customer marketing and branding initiatives.

Detpak has traditionally focused on supplying paper bags for use in restaurants and other food-related industries, but has identified many non-food industries that are interested in moving away from plastic bags as a check-out packaging option, including florists, high-end jewellery stores, book stores and gift stores. The Detpak Grace Bag was developed for the non-food, luxury market with a sophisticated, beautiful and stylish generic paper bag option with a delicate, one colour floral design to fit any environment.

Detpak launched their online sales portal in August 2019 to attract and service the end market directly for micro-businesses that do not require the volumes supported through our existing distributor model. Customer interest has been strong and sales have grown well since launch.

INNOVATION AWARDS

AWARDS

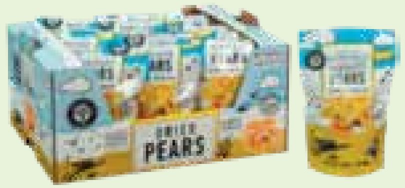
Mpact received six awards and three Covid-19 Special Awards for design excellence at the annual IPSA Gold Pack Awards in October 2020. The IPSA Gold Pack Awards honour excellence and innovation across the packaging industry, benchmarking the local industry and helping it keep pace with global technological developments. They recognise outstanding design, including construction, graphics, convenience, product protection and ecological impact.

Mpact Paper Converting received two Silver awards and one Bronze award while Mpact Plastics received one Silver, one Bronze and two Covid-19 Judges Special Awards Detpak took one Bronze award and one Covid-19 Special Award.

GOLD PACK AWARDS

Lactalis Collection Bin

Silver Award – Best in Paper Packaging – Paper Substrate Category



Costco Dried Fruit Export Display

Silver Award – Transit and Secondary Packaging Category

Fitch & Leedes Pursue Excellence Display Carton

Bronze Award – Transit and Secondary Packaging Category

Clere Body Lotion and Hand Sanitiser

Bronze Award – Health, Beauty, Medical and Pharmaceutical Packaging Category

Southern Classique Paper Grape Bag

Bronze Award – Food Packaging Category

Vital Vitamin Container and Closure

Silver Award – Health, Beauty, Medical and Pharmaceutical Packaging Category

2021 PETCO AWARDS

Award: Design for Circularity Category

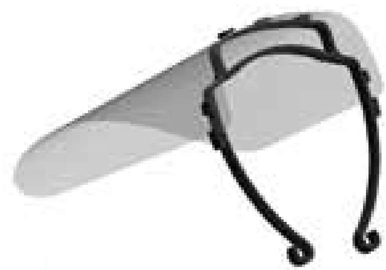
Mpact Versapak's thermoformed punnet is **South Africa's first food-approved punnet to be formulated completely from 100% post-consumer recycled PET** (rPET)

Covid-19 JUDGES SPECIAL AWARDS

GOLD PACK Awards 2020 THE INSTITUTE OF PACKAGING SA

Clere Hand Sanitiser

Detpak Closure Bag



Versapak Face Shield

CORPORATE PROFILE

Mpact is the largest paper and plastics packaging and recycling business in Southern Africa. Our integrated business model is uniquely focused on closing the loop in plastic and paper packaging through recycling and beneficiation of recyclables. Our strategy is to use our close relationships with our customers, deep understanding of their industries and commitment to innovation to create structural and graphic solutions, and value-added services that anticipate those customers' needs. Mpact's footprint of 39 operating sites in South Africa, Namibia and Mozambique, leading market positions and proximity to customers contribute to faster response times, reduce transport costs and create economies of scale.

We are South Africa's largest collector of recyclable packaging and in 2020, we collected over 500,000 tonnes of paper and plastic recyclables from pre- and post-consumer sources. In closing the loop on paper and plastic, we reduce the amount of material going to landfill, promote local beneficiation of raw materials and support the development of more than 50 small businesses.

Our liquid packaging recycling plant can recycle 24,000 tonnes of used liquid cartons a year, saving 65,240m^3 of landfill space.

In 2020, we had 5,053 employees and generated revenue of R11.1 billion.

PAPER DIVISION

Recycling
Collects recyclable paper, plastics and liquid cartons to recycle these to provide feedstock for the paper division, and for sale to external customers.

Paper manufacturing
Makes recycled-based packaging, industrial paper grades (such as containerboard and cartonboard), and other converted paper products. These are used in the paper converting business and sold to external customers.

Paper converting
Makes printed and unprinted converted corrugated products, including board used to manufacture corrugated packaging, corrugated boxes, cases, trays, point-of-sale displays, cups, lids, bags and trays.

Customers
Packaging converters (containerboard and cartonboard), agricultural producers, FMCG companies, quick service restaurants, other consumer and industrial packaging companies.

See page 32 for more information on our Paper Business.

PLASTICS DIVISION

Plastic converting
Makes rigid plastic packaging, including polyethylene terephthalate (PET) preforms, trays and film, and plastic jumbo bins and crates. Also recycles used bins and crates.

Customers
Companies in the food, beverage, personal care, home care, pharmaceutical, agricultural and retail markets.

See page 36 for more information on our Plastics Business.

MPACT'S FOOTPRINT

Mpact's footprint in the three Southern African countries and proximity to its customers contributes to faster response times and reduced transport costs.

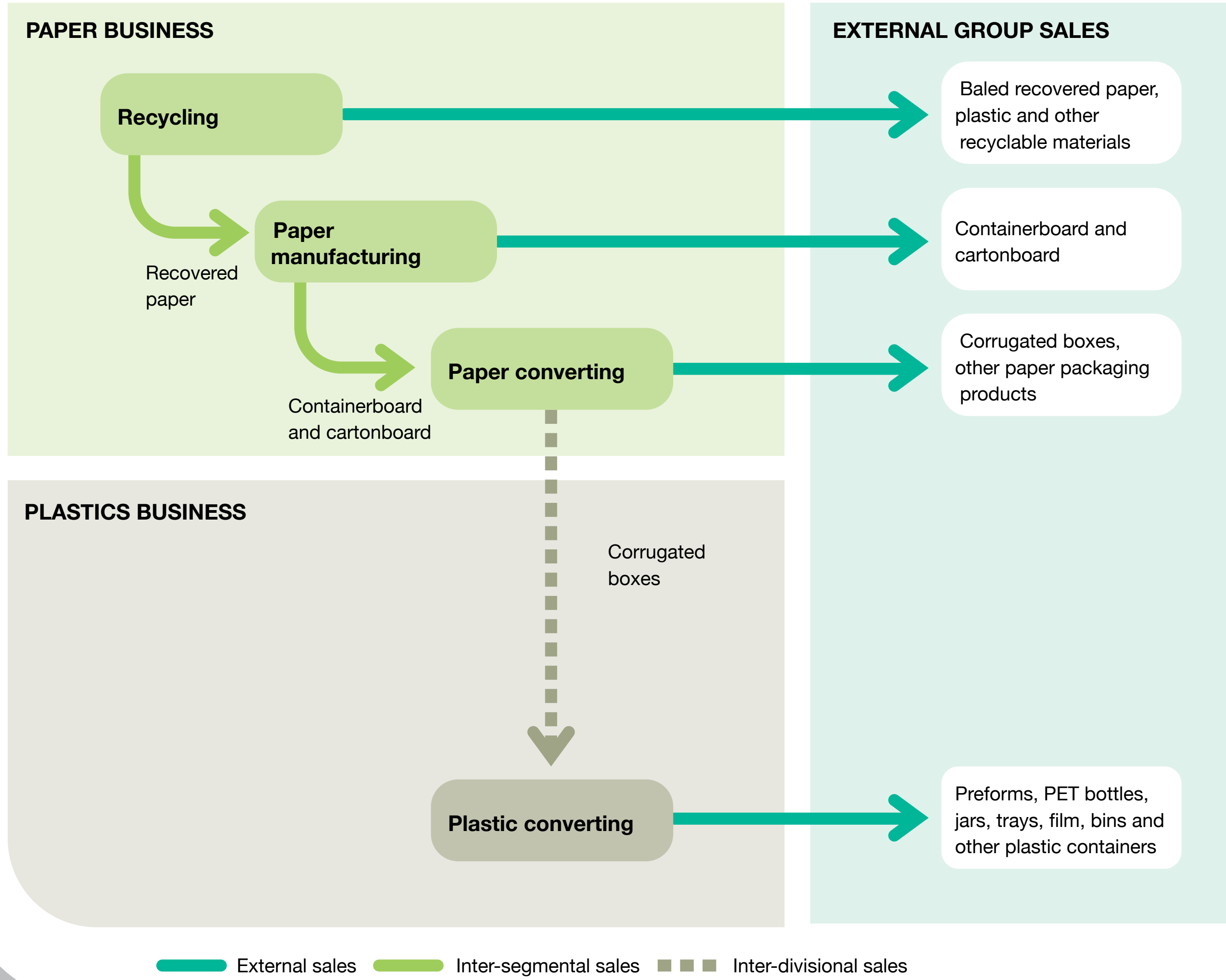
5,053 employees

39 operating sites

Level 1 B-BBEE

3 countries

MPACT GROUP



OUR VISION AND VALUES

VISION

Mpact's vision is to be a leading packaging business with the highest ethical standards, delivering exceptional value for customers, employees, communities and shareholders.

BUILDING A SUSTAINABLE BUSINESS AND CONTRIBUTING TO SOCIETY THROUGH INNOVATION

Mpact is committed to:

- Acting as a **responsible employer** and **corporate citizen** and managing natural resources with care, sensitivity and expertise.
- Meeting and exceeding customers' requirements for product and service **quality, innovation** as well as **cost competitiveness.**
- Providing a **safe and secure** working environment in which employees can fulfil their ambitions and aspire to continually improve their circumstances.
- Achieving **sustainable, profitable growth** through a focus on **business excellence** and **strategic expansion** in chosen markets.

OUR VALUES

At Mpact we are differentiated by our people who are:

TRUSTWORTHY

- Ethical
- Transparent
- Honouring commitments

RESOLUTE

- Setting and achieving challenging targets
- Continuously identifying innovative ways to do things
- Accountable, especially in the face of adversity

RESPONSIBLE

- Taking care of their safety, health and personal development as well as that of their colleagues
- Striving to meet or exceed our customers' requirements (internal and external) for product quality, excellent service and cost competitiveness
- Treating our natural resources with care and sensitivity
- Doing what it takes to ethically deliver competitive sustainable returns to our shareholders

OUR OPERATING MODEL

As the leading paper and plastics recycler in South Africa, Mpact gives effect to a true circular economy and hope for future generations. Through state-of-the-art investments in recycling and packaging technologies, Mpact converts pre- and post-consumer recyclable materials into innovative plastic and paper packaging products.

DECENTRALISED CUSTOMER-FOCUSED STRUCTURE

PLASTIC LOOP

Step 1

Collect and recycle

Mpact Recycling collects over **500,000 tonnes of paper and plastic recycling** from pre- and post-consumer streams. We sort and bale recyclables and put this through our circular value-chain – which operates within a decentralised customer-focused structure. Our Paper and Plastics businesses add value to the recycled materials and other inputs before these are sold for customer and consumer use.

MPACT VALUE CHAIN

Step 2

Prepare for reuse

MPACT PAPER MILLS
produce recycled-based packaging paper grades such as containerboard and cartonboard.

69% of recovered paper is used internally

Recovered paper as raw material

31% of recovered paper is sold to external customers including paper mills

PAPER LOOP

MPACT PLASTICS
manufactures a range of plastic packaging products including plastic trays and clear plastic film, large injection moulded plastic Jumbo Bins, wheelie bins, plastic pallets, closures, PET preforms, bottles, jars and containers.

Business Units
- Trays and Films
- Bins and Crates
- Preforms and Closures
- FMCG

Pre-consumer recyclables

Post-consumer recyclables

MPACT VALUE CHAIN

Step 3 Convert to product

Step 4 Customer use

Step 5 Consumer use

MPACT PAPER CONVERTING
manufactures premium-quality packaging products, provides high-graphic printing capabilities and other converted paper products.

33% of products sold internally for conversion

Rolls and sheets of paper and cartonboard

Corrugated and other paper products

67% of products sold to external customers including packaging converters (containerboard and cartonboard)

Pre-consumer recyclables

Post-consumer recyclables

BUSINESS MODEL

INPUTS

Financial capital

Funds available to the business, including in the form of retained earnings, debt and cash generated from operations.

Manufactured capital

39 operating sites across South Africa, Mozambique and Namibia including manufacturing facilities, offices, machinery and equipment.

Human capital

5 053 employees.
49,983 man-hours invested in training.
91% PDI learners and apprentices.

Intellectual capital

The experience and in-depth understanding of the packaging industry built up in our management team and employees.

Research and development centre and creative assets create innovative customer-focused product offerings.

Social and relationship capital

Our strong relationships with our customers and other key stakeholders, and commitment to community development.

Natural capital

Pulp, eucalyptus logs, pine chips, water 6.3GJ/tonnes of energy consumed. 5.3kl/tonnes of water used.

CAPITAL TRADE-OFFS DURING 2020

Mpact postponed payment of the 2019 final dividend from March to September 2020 and no dividend was declared at interim due to the ongoing uncertainty regarding the duration and impact of the Covid-19 pandemic. This trade-off helped to conserve cash and bolster the Group's liquidity. Once there was more certainty regarding the outlook for the Group and its liquidity position, the Board approved a share repurchase scheme to return capital to shareholders. The share repurchase programme concluded on 27 January 2021, having returned R345 million to shareholders.

As part of the Covid-19-related cash conservation measures, Executive Committee members agreed to salary reductions that helped Mpact to trade through the crisis so that no jobs were lost. This preservation of financial capital came at the cost to our employees.

The Covid-19 pandemic had a severe impact on waste pickers and the recycled fibre supply chain. Mpact Recycling provided direct support to waste pickers in the form of food, vouchers and face masks. Mpact took a strategic decision to produce rolled pulp at our Felixton Mill that was sold into the export market during the second quarter at low margins, but which created demand for recycled fibre and supported the supply chain through the worst of the crisis.

Mpact Recycling's initiatives to improve wastepaper collection, increase awareness about recycling and the Mpact brand, build social and relationship capital, while reducing the impact of waste on the environment.

Mpact's ongoing programme to install rooftop solar PV electricity generation continued during the year with a further installation at our Brits operation. To date, the Group has installed 2.87 MWp of rooftop solar PV and has plans for a further 11.57 MWp. This investment of financial capital reduces our reliance on electricity from fossil fuel and decreases our environmental footprint.

Mpact's empowerment partnership with Dalisu is developing intellectual capital around the conversion of a by-product from the paper manufacturing business into saleable products. This can be sold to increase financial capital, while reducing our environmental impact by improving effluent quality and supporting social and relationship capital through the partnership's transformation aspect.

ACTIVITIES

- Collecting, sorting and baling of recyclable materials.
- Manufacturing industrial paper grades, other converted paper products, printed and unprinted converted corrugated products, and a range of plastic products.
- Recycling liquid packaging and bins and crates.
- Research and development regarding the latest manufacturing and packaging developments.
- Designing innovative packaging solutions.

OUTPUTS

- 420,730 tonnes of paper.
- 406 million m² of saleable corrugated packaging.
- 90,711 tonnes of plastics converted.
- 0,893 tCO_2e/t of Scope 1 and Scope 2 carbon emissions.
- 89,000 tonnes of waste generated.

OUTCOMES

Financial capital

Group revenue of R11.1 billion.
Underlying operating profit of R631 million.
ROCE of 11.4%.
R72 million distributed to shareholders as dividends and R88 million through the share buyback programme in 31 December 2020.

Manufactured capital

Capital expenditure of R518 million invested to improve manufacturing equipment and acquire properties.
R444 million depreciation as a proxy for the decrease in value of tangible and intangible assets.

Human capital

R1,876 million distributed to employees as remuneration and benefits.
R16.5 million invested in skills development.
Serious injury frequency rate (SIFR) improved to 0.26.

Intellectual capital

Increased skills and know-how.
R28.2 million invested in research and development.
Six Gold Pack awards, three Covid-19 Judges Special awards and one PETCO award.

Social and relationship capital

R3.7 million invested in communities through the CSI programme.
R78 million paid to government as taxes.
Level 1 B-BBEE (Mpact Operations).

Natural capital

29,697 tonnes of plastic waste diverted from landfill for recycling.
347,541 tonnes of waste paper recycled.

CASE STUDY

WOMEN EMPOWERMENT THROUGH FRESHPACT PAPER TRAYS

THE GOAL

To prove that the Freshpact range of glued and stamped trays is a viable alternative.

THE SOLUTION

Mpact Overboard developed a range of glued and stamped trays for the Woolworths Exotic tomato range. Woolworths partnered with Mpact to implement these smarter and more sustainable paper-based solutions to replace plastic-based packaging.

The new product ranges required sophisticated new tray erectors and stamping machines and the management team at Overboard decided to use the new product range as an initiative to empower women and provide them with skills and training so they could handle all of the production requirements.

THE RESULTS

The national Woolworths implementation of 14 new product lines to all packhouses took place on time and to plan. Mpact Overboard had a very successful first grape season in 2019. The annual Woolworths volume target was reached a month before the expected date and the Freshpact tray range has grown to reach new customers such as Detpak and ZZ2.

After only a few weeks of training in technical processes, production timing and crisis management, the all-women production team works unsupervised, implementing more shifts in times of peak demand.

Using production-flow design and efficient ergonomics principles we were able to design a machine-person layout to facilitate economical operations. This design meant that a smaller number of people were able to produce larger quantities of product.

Though the learning curves were steep, the team took on the routine of orders, production planning, managing internal due dates, directly communicating with the farms packing for Woolworths and being personally involved with the Woolworths account. The objective now is to produce ten times the volume within the next three years.

The current and expected growth in volumes is proof that Freshpact punnets are innovative, economically viable, job-creating alternative to single-use plastics.

03

STRATEGIC OVERVIEW

STRATEGY AND OBJECTIVES

Mpact's strategy comprises three core pillars supported by key principles that aim to create value for stakeholders over the long term.

THE CORE PILLARS OF OUR STRATEGY ARE:

LEADING MARKET POSITIONS

We aim to develop and selectively grow our leading market positions in rigid plastics, paper-based packaging and packaging paper in sub-Saharan Africa. We will grow by extracting value through business and operational management expertise as well as product application, design and market knowledge.

CUSTOMER-FOCUSED

We will further develop our established manufacturing and service footprint to deliver superior solutions to our customers, underpinned by:

- A decentralised structure reflecting management depth and experience at all levels.
- Innovative customer-focused product offerings.
- Leading market positions that enable us to achieve sustainable cost-effectiveness through economies of scale.

FOCUS ON PERFORMANCE

We will focus on performance through effective business excellence programmes and sound asset management, enabling us to sustainably:

- Provide our customers with quality products and services worth their price.
- Retain a motivated and skilled workforce.
- Deliver good returns to our shareholders.

The key principles underlying each strategy pillar are expanded upon in the following table:

LEADING MARKET POSITIONS

Scale

- Maintain leading market positions in chosen geographies with scale to enable competitiveness at a decentralised level
- May consider entry below leading market position but always considering sectors where there is potential to lead in future

Capability

- Invest in sectors where Mpact has sustainable competitive advantages or at least has the prospect of developing them

Products and geographies

- Rigid plastics and paper-based packaging in sub-Saharan Africa

CUSTOMER-FOCUSED

Decentralised structure

- Customer-centric
- Responsive
- Accountable
- Flexible
- Effectively execute differing strategies or even hybrids across business units

Innovation and capability

- Applied to products and processes internally and externally
- Use of own R&D capabilities where feasible
- Investing to meet new and emerging demands of customers with good returns

Intimate understanding of the Value Chain

- Engage customers and other stakeholders to improve supply chain efficiency and anticipate changing requirements
- Product specification bodies, marketing and branding people, key distribution networks
- Make partnerships work

FOCUS ON PERFORMANCE

Financial returns

- ROCE and profitable growth
- Disciplined capital allocation and spending
- Re-investment and capital allocation based on track record
- Stringent and continuous cost management
- Long-term view of investments
- Effective risk management and governance

Skilled and motivated people

- Invest in support of management with a track record
- Reward performance and results and appreciate effort
- Commit resources to proactive training and development of staff
- Safety

Sustainable practices

- Responsible environmental management
- Contributing to social upliftment in the areas in which we operate
- Rigorously pursuing the highest ethical standards in governance

FIVE-YEAR PERFORMANCE HISTORY

		2020	2019 Restated*	2018	2017	2016
Profit performance						
Revenue	R'm	**11,097**	**11,076**	10,543	10,120	10,099
Underlying operating profit	R'm	**631**	**724**	751	457	784
Underlying profit before tax	R'm	**471**	**494**	571	274	617
Underlying earnings	R'm	**340**	**328**	421	283	420
Financial position						
Total assets	R'm	**8,028**	**8,425**	9,879	9,182	8,712
Total equity	R'm	**3,913**	**3,747**	4,529	4,243	4,021
Total liabilities	R'm	**4,116**	**4,678**	5,350	4,939	4,691
Total operating assets	R'm	**7,175**	**7,658**	8,770	8,420	7,996
Cash flow information						
Net cash from operations before working capital	R'm	**1,204**	**1,344**	1,218	1,019	1,275
Working capital inflows/(outflows)	R'm	**665**	**(357)**	(235)	6	(289)
Capital expenditure	R'm	**(518)**	**(592)**	(534)	(856)	(836)
Ratio and statistics						
Underlying operating profit margin	%	**5.7**	**6.5**	7.1	4.5	7.8
Basic EPS (loss)	cents	**188.6**	**(443.7)**	224.8	162.1	234.6
Underlying EPS	cents	**200.6**	**191.8**	247.7	166.3	252.7
Basic HEPS	cents	**196.1**	**185.8**	235.3	164.5	242.0
Total dividend per share	cents	**–**	**60**	70	55	95
Net asset value per share	cents	**2,377**	**2,162**	2,613	2,474.5	2,386.3
ROCE	%	**11.4**	**11.8**	11.9	7.7	14.2
Current ratio	times	**2.1**	**2.4**	1.3	1.3	1.4
Interest cover (underlying EBIT)	times	**3.7**	**3.0**	3.6	2.3	4.1
Gearing	%	**26.6**	**38.2**	27.9	34.8	33.6
Stock Exchange statistics						
Market value per share						
– at year-end	cents	**1,385**	**1,490**	2,101	2,440	2,825
– Highest (year to 31 December)	cents	**1,900**	**2,940**	2,910	3,500	5,499
– Lowest (year to 31 December)	cents	**111**	**1,101**	1,930	1,720	2,200
Closing PE ratio	times	**7.1**	**8.0**	8.9	14.8	11.7
Market capitalisation – close	R'm	**2,280**	**2,552**	3,641	4,184	4,760
Volume traded (year to 31 December)	'000	**122,473**	**66,490**	59,660	83,250	84,386
Weighted number of shares	'000	**169,322**	**171,030**	170,785	169,746	166,735
Issued shares at 31 December	'000	**164,639**	**173,305**	173,305	171,462	168,485

* Restated to exclude Mpact Polymers, which ceased trading in 2019.

MATERIAL MATTERS SUMMARY

BEING A RESPONSIBLE EMPLOYER

- Labour relations
- Health and safety
- Diversity
- Training and development
- Covid-19

SUSTAINING PROFITABLE GROWTH

- Operating environment
- Regulatory environment
- Capital funding and allocation

BEING A RESPONSIBLE CORPORATE CITIZEN

- Communities
- Governance
- Environmental responsibility

COST COMPETITIVENESS AND ANTICIPATING AND MEETING CUSTOMER NEEDS

- Managing input cost and availability
- Innovation
- Customer focus
- Driving efficiencies
- Implementing capital projects

BEING A RESPONSIBLE EMPLOYER

Delivering on our strategy and our values require us to invest in the skills, health, safety and development of our human capital.

See our Abridged Sustainability Review on page 42, the report of our Social and Ethics Committee on page 46 and our Sustainability Review on the Company's website.

SUSTAINING PROFITABLE GROWTH

Mpact's strategy aims to deliver profitable and sustainable long-term growth for the benefit of all our stakeholders.

See page 26 for our CEO's report and page 102 for our CFO's report.

BEING A RESPONSIBLE CORPORATE CITIZEN

We are committed to maintaining high standards of corporate governance and demonstrating honest and responsible conduct.

See page 60 for our Corporate Governance report, our Abridged Sustainability Review on page 42, the report of our Social and Ethics Committee on page 46 and our Sustainability Review on the Company's website.

COST COMPETITIVENESS AND ANTICIPATING AND MEETING CUSTOMER NEEDS

Our customer-focused business model is built on business excellence in quality and service as well as operational, safety and environmental performance.

See page 26 for our CEO's report and page 102 for our CFO's report.

CHAIRMAN'S REPORT

Tony Phillips

The South African economy was already in a poor state at the start of the year. The country was in recession, load shedding continued to disrupt production, policy clarity in key areas remained in short supply and the parlous condition of state-owned enterprises represents a further drag on the economy.

The devastating impact of Covid-19 is by now clear to everyone. Outside of the shock to Mpact's employees and the revised working protocols required to ensure their health and safety, the impact on consumers and our customers was significant. This was evident in low levels of local and international demand for the paper and packaging we produce, and seen in declining prices for paper and recycled fibre.

ENABLING THE CIRCULAR ECONOMY

Covid-19 has challenged us all to do things differently, from engaging with each other in new ways to increasing safety awareness in the workplace, collaborating with our customers to overcome new obstacles and working with other stakeholders to provide relief to the most vulnerable. During lockdown, images circulated of nature returning in unexpected ways as a result of the almost complete stop in economic activity. As the world recovers, it is critical that we retain an awareness of the vulnerability of the ecosystems around us and ensure that we play our part in minimising our environmental impact.

Mpact's integrated business model plays a significant role in this regard. Mpact Recycling's buy-back centres provide an opportunity for small and micro-enterprises to earn an income and create jobs by collecting recyclable waste. Recyclable waste paper and plastic that would otherwise be lost to landfill provide feedstock to our paper mills, liquid carton recycling operation and bins and crates business. Where we do not recycle the waste ourselves, we sell it to other recyclers, giving effect to the circular economy, reducing waste to landfill and supporting the global drive to reduce plastic waste.

The Extended Producer Responsibility (EPR) regulations currently being drafted are a welcome development that drive a more responsible approach to paper and packaging that will promote waste recovery, reuse and recycling. Packaging can be made from a range of materials, some of which have high recyclability, such as paper, cardboard, certain plastics and PET. Combining recyclable materials with innovative design can create a balance between product protection, consumer safety, logistical considerations and environmental responsibility. We hope that the new EPR regulations will catalyse a deeper commitment from South African business to recyclable and environmentally responsible packaging over cheaper single use alternatives.

GOVERNANCE AND VALUE CREATION

Management's sensible, conservative and disciplined approach was the reason that the Group weathered the crisis as well as it did. As an essential service in the supply chain, Mpact operations largely continued to trade through lockdown, with effective protocols in place to protect our employees. Despite the extremely difficult conditions, the focus on cash preservation and maximising cash flows led to the Group halving its net debt position by year end while retaining jobs and returning value to our shareholders through dividends and a share buyback programme.

The Board's role was to oversee the Group's response to Covid-19 to ensure that it was effective in protecting both the safety and wellbeing of Mpact's employees and the future of the business. During lockdown, the Board was invited to attend the weekly executive management meetings to ensure that we were kept appraised of the latest developments and required responses.

The Board also spent a considerable amount of time considering the impairments recognised in various areas of the business, which flow from our conservative approach.

The principles of effective governance and ethical behaviour are well entrenched in Mpact's governance framework and operational processes. These ensure that the Company conducts its activities in accordance with the Group's values and Code of Ethics. The Board interacts regularly with the executive and receives regular reports from the internal audit function and the whistle-blower facility. We monitor issues raised through these channels along with regular updates regarding insurable or non-insurable incidents as further sources of insight into the Company to further strengthen effective oversight.

Mpact is committed to transformation and the Board recognises and appreciates the value of diversity both in the body of Directors and in the Company. The composition of our Board aligns with our diversity targets and we are pleased that Mpact Operations retained its Level 1 B-BBEE rating for the year.

Mpact's Social and Ethics Committee does an excellent job of overseeing the Company's environmental and social contributions. The Group continues to provide support to vulnerable parts of the society through the corporate social investment and employee volunteering initiatives in the communities around our operations. At a Group level, the bursaries available to the qualifying dependants of Mpact employees through the Mpact Foundation Trust make an important contribution to the lives and aspirations of the bursars.

DIVIDEND

As a result of the extreme uncertainty in the middle of the year and our responsibility to secure the liquidity of the Company, payment of the 2019 final dividend was postponed and no interim dividend was declared. The 2019 dividend was settled in September and a share buyback programme was initiated to return value to shareholders as the Group's cash position and outlook became more favourable. As at the date of this report a total of R345 million in shares has been bought by the Company.

The Board reviews capital allocation for the Group on an ongoing basis. Given the discount of Mpact's share price to intrinsic value and the strong support received for the share buyback programme at the special general meeting in December 2020, the Board's view is that the substantial share repurchase programme enhances value creation for shareholders over a cash dividend. The Board has therefore resolved not to declare a dividend for the financial year ended 31 December 2020.

OUTLOOK

The short- to medium-term outlook is decidedly uncertain and difficult to forecast. While further waves of Covid-19 seem likely, it appears that society is becoming used to the new way of functioning.

However, the deep underlying weakness in the South African economy will make recovery a slow and extended process. As a critical part in the country's supply chain, Mpact is linked to the state of the general economy. Our focus will remain on best meeting our customers' packaging needs while ensuring that our balance sheet reflects the resilience of the Company. At an operational level, we continue to emphasise efficiency improvements, cost reductions and the profitability of operations.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to acknowledge the incredible efforts of Mpact's management team and employees during an unprecedentedly challenging year and thank them for their commitment and contribution.

I thank my fellow Board members for their contribution and diligence in applying their diverse experience and points of view to lead the Company. We thank our customers for their support during the year and look forward to developing better and more innovative solutions that support the circular economy.

The Board also notes the recent activity in the share register and we welcome our new shareholders.

I would like to close by recognising the critical role played by the waste pickers who make a living from collecting recyclable material that would otherwise go to landfill. These are often among the most vulnerable members of our society and without them the circular economy couldn't happen.

Tony Phillips
Chairman

12 April 2021

CASE STUDY

INNOVATIVE PACKAGING

Packaging that's designed to come back to us.

THE GOAL

To design a range of packaging that leads the way to a circular economy.

THE SOLUTION

Mpact's innovative packaging products are a radical departure from traditional linear thinking. Based on the concept that manufacturers, suppliers, retailers and consumers all share in end-of-life product management, these new products are designed with recycling in mind, to reduce waste and divert recyclables from landfill.

THE RESULTS

72% of our product gets recovered and makes its way back to our paper mills.

In South Africa, total consumer waste amounts to at least 800 million tonnes every year. This is unsustainable and, in fact, should be unthinkable when considering that much of our waste can be collected and recycled or composted at home.

Our solution to this challenge is rooted in the circular economy, which lies at the heart of our innovative packaging. Contrary to the world's overwhelming "take, make, dispose" mentality, we recognise the significant environmental and social impacts of these unsustainable practices and have designed our packaging range for recycling.

After many years of refining and perfecting, we have created a first-to-market solution for packaging that is fully recyclable, saving resources and creating income opportunities in its collection.

It also demonstrates the integrated way in which Mpact works, harnessing the synergies across the many segments in our Group. We use Mpact paper from our Felixton Mill for our paper-based punnets, Mpact Versapak creates recyclable rPET lids and Mpact Recycling captures recyclable material post-consumer use.

We offer two approaches to design and innovation. The first sees us pre-develop solutions based on macro trends and the consumer landscape. The second takes a specific brief from one of our customers and we conceptualise a sustainable solution from that brief. Irrespective of approach, our final products are tested for durability and fit for purpose.

04

OPERATIONAL OVERVIEW

CHIEF EXECUTIVE OFFICER'S REPORT

Bruce Strong

OUR VALUES

At Mpact we are differentiated by our people, who are Trustworthy, Resolute and Responsible

Mpact delivered a solid performance in a challenging year. The effective response to Covid-19 at all our operations was exceptional, demonstrating the depth of good management, the effectiveness of our safety systems, and the support of our customers, suppliers and employees.

By implementing our proven strategy of securing leading market positions and focussing on customers and performance we also delivered a strong financial performance with record cash flows from operations of R1.9 billion and a reduction in net debt to R1.4 billion. Underlying earnings per share for the year increased 4.6% to 201 cents while the successful repurchase of 14.5% of the Company's issued shares returned R345 million to shareholders.

Innovation remains a cornerstone of our business. In 2020, we continued to develop new ways to meet our customers' packaging needs with award-winning innovations that help improve their offerings while contributing to the circular economy.

The impact of Covid-19 and the lockdowns on the country have been severe and the strength and speed of recovery is likely to be challenging given the underlying weakness of the economy. Mpact's operations were designated as essential service providers in recognition of the important role we play as one of the critical supply chain links in the South African economy, producing paper and packaging for food, pharmaceuticals and other essential products.

Decreased economic activity led to reduced demand, especially in operations serving quick service restaurants (QSR), the hospitality industry and sectors affected by extended closures such as the liquor and tobacco industries. Activity increased in the second half of the year, particularly in fast moving consumer goods (FMCG) and paper volumes benefitted from a change of approach.

DEMONSTRATING OUR COMMITMENT TO OUR VALUES

We had to react quickly and with a great deal of agility as the situation evolved. I strongly believe that our response to the numerous challenges we faced during the year demonstrates Mpact's commitment to our values.

As a responsible business, our first priority was and remains to provide and maintain a safe and healthy work environment for all employees. Our staff trusted us to provide safe working conditions and we implemented a comprehensive plan of action with stringent safety and hygiene practices to mitigate the risks associated with the pandemic across all operations in addition to the strict pre-existing health and safety measures. Many of our sites provided employees with family packs that included sanitisers, soap and vitamins to help protect them and their families. Sadly, six employees died after contracting Covid-19 by the end of the year and we extend our sincere condolences to their families and colleagues.

We were resolute in finding ways to circumvent the many obstacles we experienced and in our commitment to ethical and responsible business practices. The protocols we put in place to continue to operate safely rewarded our customers' trust in us and enabled us to deliver on our commitments to them.

Our responsibilities include ensuring that our short-term tactical responses support the Group's resilience and ability to create long-term value for our stakeholders. We focused on securing the liquidity of the Company, delaying payment of the 2019 final dividend and not declaring a 2020 interim dividend. Cost reduction and cash preservation measures included negotiating reduced rentals, reviewing non-essential contracts and temporarily closing production lines where necessary. The Group was supported in these efforts by its management employees voluntarily agreeing to salary reductions, a material sacrifice for which we are most grateful. Cash reserves were closely managed through, inter alia, monitoring available banking facilities, debtors' payments, inventory levels and postponing non-essential capital expenditure. The emphasis on working capital management and cash generation resulted in cash flow from operations nearly doubling and net debt decreased by R900 million at the end of the year.

Once we had more clarity on the operating context and the strength of our balance sheet allowed it, the 2019 dividend was paid and the Board approved a share buyback programme to return capital to shareholders. We also made some strategic investments, including acquiring the properties housing our operation in Port Elizabeth and Detpak, and continue to roll out solar power installations.

We did not lose sight of our obligation to the needs of others during these difficult times. Mpact Plastics' designed face shields that have been in demand across all sectors to reduce the spread of Covid-19. We donated 25 000 of these to healthcare workers through the government, 6 000 to waste-pickers and provided them to all employees at our operations. We also developed a face shield specifically for children in-time for the re-opening of schools. We provided additional support to waste pickers and our corporate social investment projects and employee volunteering programmes promoted socioeconomic development in the communities around our operations, where many of our employees live.

FINANCIAL OVERVIEW

Group revenue from continuing operations was similar to 2019 at R11.1 billion (2019: R11.08 billion) with a 3.5% increase in the Plastics business offset by a slight decline in the Paper business. Underlying operating profit was R631 million (2019: R724 million) and underlying earnings per share increased by 4.6% to 201 cents (2019: 192 cents).

Our focus on cash preservation and cash generation resulted in strong cash flow from operations of R1.9 billion (December 2019: R986 million). As a result, net debt decreased to R1.4 billion at 31 December 2020 (December 2019: R2.3 billion) and gearing declined to 26.6% compared to 38.2% at 31 December 2019.

Return on capital employed (ROCE) was 11.4% (2019: 11.8%). The CFO report on page 102 provides more detail on the Group's financial results for the year.

OPERATIONAL PERFORMANCE

Revenue in the Paper business declined by 0.8% to R8.7 billion, with external sales volumes decreasing by 3.3%.

External sales volumes of containerboard and cartonboard increased by 12.8% with lower domestic sales volumes offset by increased exports and rolled pulp sales. Domestic demand improved notably from the fourth quarter of the year.

The Springs paper mill lost more than 50 production days due to the catastrophic failure of a municipal sub-station in Ekurhuleni, which resulted in a loss of gross profit for the Group of approximately R91 million and other related direct costs of R9 million. An insurance claim was submitted and an interim settlement of R35m was approved by the insurers by year end, of which the net proceeds of R25 million are included in the results as sundry income. The balance of the claim has not yet been settled or accounted for.

The gross profit margin in the Paper business decreased primarily as a result of lower average recycled containerboard prices during the first half of the year due to a higher proportion of export and rolled pulp sales. The gross margin improved in the second half on increased demand for containerboard in the domestic market and some recovery in businesses that were affected by strict lockdown levels during the first half.

External recycling sales volumes decreased by 29% due to reduced demand for recycled plastics and glass. This did not have a material impact on the profitability of the business.

Paper Converting sales volumes decreased by 5.8% with good growth in the fruit sector offset by declines in quick service restaurants (QSR), beverage, tobacco and other industrial sectors. Detpak was hard hit in the first half given its exposure to restaurants and fast food, but recovered well in the second half.

Underlying operating profit in the Paper business decreased to R578 million (2019: R716 million) due primarily to lower containerboard margins in the first half, the Springs paper mill shut and the effects of the nationwide lockdown.

Revenue in the Plastics business of R2.5 billion was 3.5% higher than the prior year due to good growth in the Bins and Crates, and FMCG units. Sales volumes decreased by 2.7% while average selling prices increased by 6.2% due primarily to a change in product mix.

Bins and Crates sales benefitted from robust demand in the fruit and bottling segments while the FMCG business saw growth in the pharmaceutical, food, personal care and home care segments. Sales of preforms and closures decreased significantly, reflecting sectoral declines in smaller pack sizes for carbonated soft drinks as consumers stayed home. Although tray and film volumes declined on the prior year they were up on plan and reflected a more profitable mix, in-line with the successful restructuring of the business during 2019.

The Plastics business underlying operating profit increased by 44% to R119 million (2019: R83 million). Included in the result is a non-recurring inventory write-off of R29 million.

RESPONSIBLE PACKAGING AND THE CIRCULAR ECONOMY

The independent waste collectors that source recyclable material and sell it to our waste buy-back centres play a critical role in our integrated business model and the circular economy. These centres also contribute to job creation in local communities with each buyback centre estimated to create three direct jobs on average and provide an income for several other people every day selling recyclable materials to these centres. Waste that is not usable by our operations, such as other plastics, glass and cans, is sold to other recyclers, closing the loop and ensuring the long-term sustainability of the buy-back centres.

At the start of lockdown, the waste collectors were unable to work and suffered hardship. Mpact Recycling stepped in with other stakeholders to deliver meals, vouchers and other supplies to the most vulnerable. With minimal local demand for recycled fibre, the resilience of our business model enabled us to shift production of linerboard to Piet Retief Mill so that we could use the newer and more efficient facilities at Felixton Mill to produce rolled pulp for export. While margins on rolled pulp are extremely thin, this allowed us to support our supply chain of recycled fibre and provided ongoing support for waste collectors.

Mpact welcomes the progress in Extended Producer Responsibility (EPR) regulations that close the loop on plastics and packaging to reduce waste and improve recycling. We are working with regulators to provide our perspective on how the regulations can best achieve their objectives. Mpact remains one of the few businesses that collects nearly every product category we produce for recycling and, in many cases, we recycle these ourselves, supporting the circular economy in plastic and paper packaging. EPR will bring all producers of plastic and paper packaging together, including importers, to apply a similarly rigorous and responsible approach.

As public opinion shifts against single use plastic packaging and its effect on the environment, we remain of the view that plastic packaging that is recycled and recyclable will prove to be a sustainable, and in some cases the preferred, means of protecting and promoting goods and minimising food waste. Mpact's proactive stance towards recycling and beneficiation positions us well to benefit from the longer-term trend away from single-use, non-recycled packaging of any substrate, which many major brand owners have made public commitments to eliminate.

INNOVATION IN PACKAGING DESIGN

Innovation remains a cornerstone of our strategy, which includes finding new ways to meet our customers' packaging needs, helping to improve their operations and contributing to the circular economy. This year, we designed a 100% recyclable wheel for our wheelie bins and Mpact Plastics developed a composter that supports the drive to divert organic waste from landfill by making it easy to turn organic waste into compost. We produce refuse bins that have embedded RFID chips to help municipalities track how much waste they are collecting and offer new revenue generating opportunities. Similar chips in bins for fresh produce can help farmers, wholesalers and retailers to improve their processes.

We launched a social media campaign illustrating the innovative ways Mpact closes the loop on the circular economy that has been very well received. And we were once again very gratified when some of our packaging designs were recognised at the 2020 IPSA Gold Pack Awards where Mpact received six product design awards and three special Covid-19 awards (see page 6).

DEVELOPING OUR HUMAN CAPITAL AND STAKEHOLDER RELATIONSHIPS

Our ongoing emphasis on the safety of our workforce as a critical indicator of operational performance demonstrates our care for each other. Covid-19 seems to have created greater awareness in our workforce that contributed to an improvement in our safety performance with the lost-time injury frequency rate improving to 0.21 per 200 000 manhours (2019: 0.33). Our safety focus in 2020 was on implementing a programme to enhance Mpact's safety culture and performance through enhanced safety training, further developing leadership skills among managers and supervisors, and refining our safety standards.

Our CEO Imbizos are an important way for senior management to engage with employees at the operations. This year we held a combination of virtual and in-person *Imbizos* for the different operating sites where topics covered included health and wellness during Covid-19, safety, Group financial performance, current economic conditions as well as skills and development opportunities.

Mpact is committed to transformation and we are extremely pleased that Mpact Operations retained its Level 1 B-BBEE contributor status during the year. We made a number of senior appointments that further develop our diversity at management level.

Qualifying dependants of our employees can apply for support from the Mpact Foundation Trust Bursary Scheme for their tertiary studies to help them realise their full potential and inspire those around them. An additional five students were offered bursaries during 2020, bringing the total supported through the scheme to 37 students to date, of which 13 have already graduated. While we are very proud of the success rate of our students and the relatively low drop-out rate of less than 10%, we are concerned at the lack of job opportunities available to our students once they graduate.

> ***Completion of Dalisu's facility for manufacturing sodium sulphate was delayed due to Covid-19 but the plant was commissioned early in 2021. Dalisu is a black empowerment partner of Mpact that is developing processes that convert a by-product from the paper manufacturing business into commercial products, including a dust suppression product.***

Rising unemployment and deteriorating socioeconomic conditions are contributing to increasing community expectations for jobs and benefits from companies. This is affecting certain Mpact operations directly and indirectly, where unrest at surrounding companies also affects our facilities. Operations are provided with the necessary training and resources to engage effectively and address community priorities where possible.

OUTLOOK FOR 2021

Mpact has had a positive start to the 2021 financial year and is well positioned despite a weak economy. There are indications of a good fruit crop and a gradual recovery in the FMCG and quick service restaurant sectors. Mpact is also expected to benefit from an improved global outlook for containerboard and cartonboard.

Working capital management will remain a key focus area, but it is anticipated that working capital levels will increase in the current period to ensure continuity of supply.

Mpact's integrated business model continues to be uniquely focused on closing the loop in paper and plastic packaging, contributing to the circular economy, and benefiting all stakeholders. The Group's focus on innovation and sustainability provides our customers with packaging solutions that ensure product quality while reducing the environmental impact.

The Group has a robust strategy and substantial financial capacity, as well as an experienced management team to navigate and prosper in the current volatile trading environment.

Bruce William Strong
Chief Executive Officer

12 April 2021

MANAGEMENT TEAM

Executive Committee
Management
Executive Directors

BRUCE WILLIAM STRONG (52)

CEO
Executive Director

BSc (Eng) (Summa cum laude) (University of KwaZulu-Natal), BCom (Hons) (University of South Africa) AMP (Harvard Business School)

Bruce has been the CEO of Mpact since 2009. Prior to being appointed CEO, he held various management positions in Mondi, both in South Africa and Europe. Bruce has over 25 years' experience in the paper and packaging industry. He also currently serves as Chairman of both the Paper Manufacturers Association of South Africa and Packaging SA and is a past Chairman of the South African Manufacturing Circle.

BRETT DAVID VAUGHAN CLARK (56)

CFO
Executive Director

BCom, Post-Graduate Diploma in Accounting (University of Port Elizabeth), CA(SA), CIMA, AMP (Harvard Business School)

Brett joined Mpact as the CFO in June 2012. He is a Qualified Chartered Accountant and was previously a Principal at Absa Capital Private Equity, an Executive Director of Brait Private Equity and CFO of Clover Industries Limited and Unihold Limited, respectively. Brett has also worked for Nampak Limited in various positions in South Africa and the United Kingdom.

JOHN WILLIAM HUNT (57)

MD: Recycling
Executive Committee

BSc (Eng), MSc (Eng) (University of KwaZulu-Natal)

John has held the position of Managing Director of the Recycling division since May 2011. His previous role was as the Business Manager for Technology Optimisation in the Group. He has served as the Executive Director of the Paper Manufacturers Association of South Africa and has more than 25 years' experience in the paper industry.

NEELIN NAIDOO (57)

MD: Plastics
Executive Committee

MBA (Herriot Watt University, United Kingdom), FCIS, FCMA

Neelin joined Mpact as the Managing Director of Mpact Plastics on 1 November 2013. Neelin was the CEO of MCG Industries and has over 30 years' experience in the packaging industry. He is a Director of Polyco and PETCO and Chairman of the Polystyrene Association.

HUGH MICHAEL THOMPSON (55)

MD: Paper Manufacturing
Executive Committee

BCompt (Hons) (University of South Africa), CTA (University of South Africa), CA (SA), AMP Harvard Business School)

Hugh has been the Managing Director of the Paper Manufacturing division since October 2009. He fulfilled the role of CFO of Mpact until March 2007 and then the role of Managing Director of the Plastics division until September 2009. He has more than 15 years' experience in the packaging sector. He was previously Senior Vice President (Corporate Finance) for Anglo American South Africa Limited.

CHRISTOFF BOTHA (47)

MD: Paper Converting
Executive Committee

B. Com (Honours) University of the Free State

Christoff joined Mpact as the Managing Director of Mpact Paper Converting on 1 May 2020. He has held various leadership positions in the last 12 years in Novus Holdings including Divisional MD, Group Executive and Executive Director in the Heatset, Labels and Flexibles Division. He has over 18 years of experience in the print and packaging industry.

DONNA MAREE DICKSON (40)

Group Company Secretary
Management Committee

BCom Law, Professional Post Grad: Governance and Secretarial (CSSA), FCIS, Post Grad: General Management, MBA (GIBS, University of Pretoria)

Donna was appointed as the Group Company Secretary at Mpact on 1 May 2020. She has more than 10 years' experience in the company secretarial and governance field, most recently as Group Company Secretary for MultiChoice Group Limited. Other previous roles include heading the company secretarial and legal departments at Advtech Group Ltd and Clinix Health Group Ltd as well as holding various governance and legal roles at Telkom SA SOC Ltd.

GEORGINA SARAH ROBINSON (37)

Group Legal Counsel and HR
Management Committee

BA LLB, LLM (Taxation), LLM (Commercial Law) (University of Cape Town)

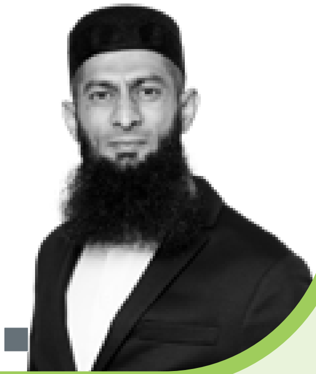
Gina has held the position of Group Legal Counsel since May 2015. She was previously employed by ENS Africa in its corporate commercial department.

PENELOPE NTULI (42)

Group Communications Manager
Management Committee

Masters: Communications (Tshwane University of Technology)

Penny joined Mpact as Group Communications Manager in November 2018. She was previously a Communications Director (SA) and Public Affairs Director (GMEA) at Tetra Pak for five years. She has served in various organisations including Multichoice, Tiger Brands, Sentech and Government Communication and Information Systems. Penny holds various qualifications from UJ, PRISA, Wits Business School and the Institute for the Advancement of Journalism.



ZIYAAD CARRIM (40)

Head: ICT
Management Committee

Ziyaad has held the position of Head of ICT since August 2013, and has over 15 years' ICT experience within the Mpact Group. His previous role was as the Infrastructure Manager of the Group.

PAPER BUSINESS

MPACT RECYCLING

OUR RECYCLING PARTNERS

- Schools, community centres and offices
- Industrial and commercial suppliers
- Collectors
- Buy-back centres and country dealers

COLLECT
SORT
BALE

RECYCLING SITES

PRE-CONSUMER RECYCLABLES

69% of recovered paper is used internally

31% of recovered paper is sold to external customers

Leftover trim and cuttings returned to Mpact Recycling

MPACT PAPER MILLS

ACTIVITY: Produce different types of paper and board made from a combination of recycled paper and virgin fibres.

OUTPUT: Rolls and sheets, containerboard and cartonboard.

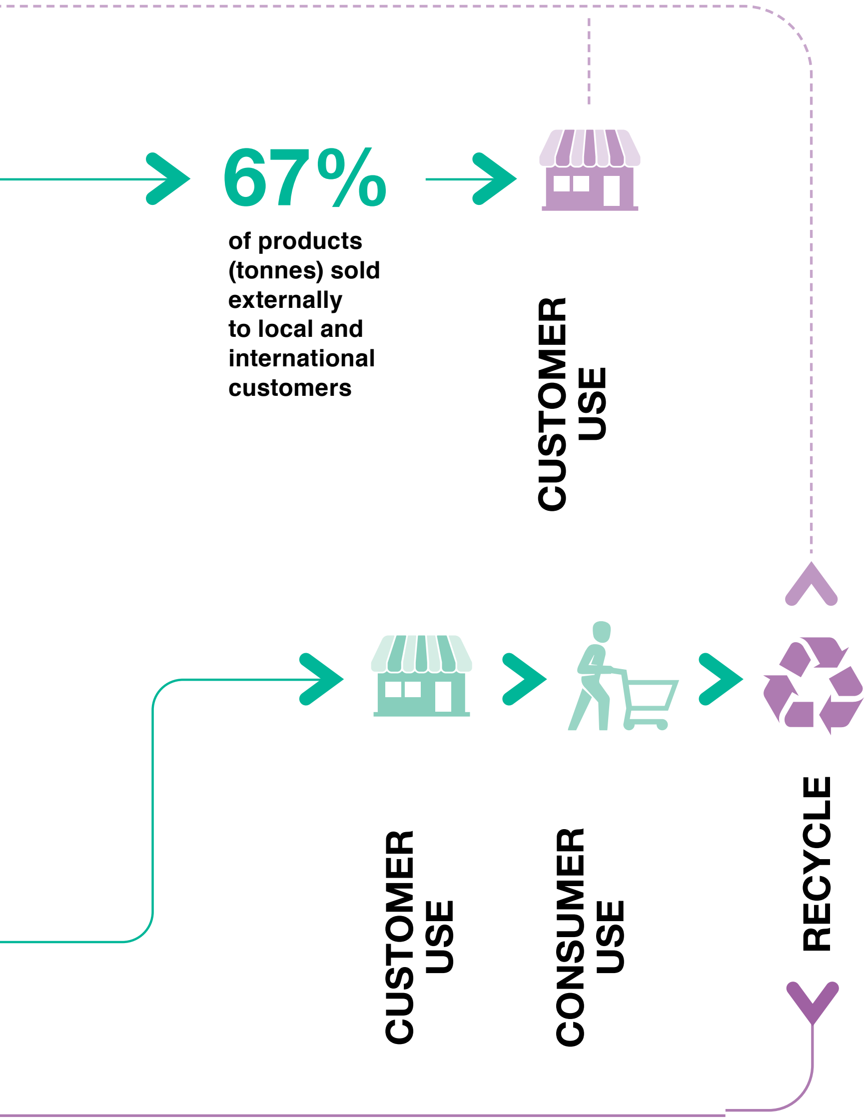
33% of products (tonnes) sold internally to Mpact's Paper Converting factories and subsidiaries

MPACT PAPER CONVERTING

ACTIVITY: Convert board into different types of corrugated and other paper packaging products.

OUTPUT: Corrugated paper packing products. High-quality graphic printing services and other converted paper products primarily for the QSR sector.

POST-CONSUMER RECYCLABLES



STRATEGY AND OBJECTIVES

Mpact's integrated business model is uniquely focused on closing the loop in plastic and paper packaging through recycling and beneficiation of recyclables.

MPACT RECYCLING

17 recycling operations around South Africa

Mpact Recycling sources recovered recyclable materials including paper, cardboard, cans, glass and plastics through pre- and post-consumer programmes.

Our primary goal is to provide Mpact's paper mills and operations with the right quantity of material to support their production goals at prices and quality to maintain their competitiveness.

PAPER MILLS

Three mills in Springs (Gauteng), Felixton (KwaZulu-Natal) and Piet Retief (Mpumalanga)

Mpact's paper mills manufacture recovered fibre-based packaging and industrial paper grades such as containerboard and cartonboard.

External customers include corrugated board producers, box producers and other containerboard converters. The top 10 external paper manufacturing customers represented approximately 55% of paper manufacturing external sales. Around 34% of products produced were exported, mainly to other African countries.

Our goal is to optimise production facilities to meet market demand at competitive prices.

PAPER CONVERTING

Ten converting plants in South Africa, one in Mozambique and two in Namibia.

Mpact Paper Converting uses paper from Mpact's mills to manufacture a broad range of premium quality innovative packaging solutions. These products are custom-made to specific customer needs and range from standard boxes to die-cut self-locking trays. High-graphic print capabilities at our facilities add customer branding and designs to the packaging that attract attention and support marketing initiatives.

Customers include fresh produce farmers, businesses and manufacturers who primarily use our products to protect their goods during transport and for point-of-sale display. Around 40% of our converted paper product customers are in the agriculture industry with 60% operating in the fast-moving consumer goods (FMCG) and industrial sectors.

We aim to provide innovative packaging solutions that protect our customers' goods in transit and support their marketing initiatives with eye-catching graphics.

Detpak (Aeroton – Gauteng)

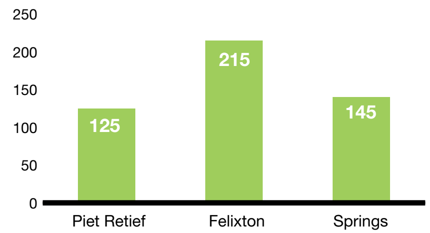
Manufactures an extensive range of paper and board packaging solutions including cups, lids, cartons, bags, trays and clam shells for the quick service restaurants (QSR) and retail sectors.

Mpact has distribution rights to sell Mondi ProVantage Baywhite™ (a premium quality white top kraftliner) and Mondi ProVantage BayKraft™ (a premium quality kraftliner) in sub-Saharan Africa.

PAPER MILLS	MAIN PRODUCTS
Piet Retief	Linerboard and semi-chemical fluting
Felixton	Fully recycled linerboard and fluting
Springs	Cartonboard and specialities

Mpact also distributes all containerboard products of Mondi Group's Richards Bay Mill, selling mainly into South Africa and selected markets in sub-Saharan Africa and Indian Ocean Islands

Production capacity (tkpa)



OPERATIONAL PERFORMANCE

The weak global and local demand for paper towards the end of 2019 and ongoing load shedding carried over into the early part of 2020. The paper mills took some commercial downtime at the start of the year. In the first quarter of the year there was a surplus of recycled fibre in South Africa and Felixton Mill manufactured rolled recovered pulp for export to support the recycling value chain.

While all Mpact divisions were designated as essential service providers and most remained operational through lockdown, not all of the packaging we manufacture is used for essential products and reduced activity in those areas decreased volumes produced, particularly packaging used for quick service restaurants (QSR), tobacco and alcohol. Waste pickers could not work during lockdown and once they were allowed to start working again, many of the sites they collect from remained closed, reducing supply of recycled fibre collected by Mpact Recycling. Many of the waste pickers were severely affected and Mpact stepped in to provide support (see page 40). The minimal economic activity in South Africa in the second quarter led to significantly reduced supply of recycled fibre. Demand from China for pulp increased as their economy reopened and, with shipping lines severely affected by Covid-19, recycled fibre shifted into short supply.

Volumes in Paper Converting were supported by strong but highly competitive agricultural markets, but this was offset by reduced volumes among our industrial customers linked to the lockdown and generally weak economic conditions.

Demand for containerboard and corrugated packaging in the domestic market picked up in the second half of the year as economic activity recovered.

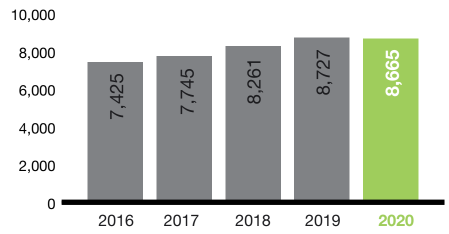
The Springs paper mill lost more than 50 production days due to the catastrophic failure of a municipal sub-station in Ekurhuleni, which resulted in a loss of gross profit for the Group of approximately R91 million and other related direct costs of R9 million.

Mpact's business model proved to be resilient through the Covid-19 crisis. The assistance we provided to waste pickers through lockdown as well as the production of rolled recycled pulp for export to support demand when recycled fibre was in surplus protected our supply chain and ensured that we could source fibre when activity recovered, demonstrating the value of owning our own recycling operation in Mpact Recycling. Our highly efficient Felixton mill was able to manufacture rolled pulp at a profit, despite low export margins, while production of linerboard and fluting was shifted to Piet Retief Mill to meet demand in the local market.

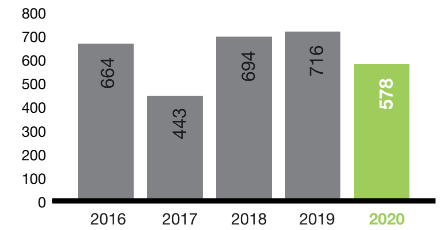
Segment revenue decreased by 0.7% to R8.7 billion. External sales volumes, excluding Recycling, increased by 6.0% with lower sales volumes of containerboard and corrugated packaging. Underlying operating profit decreased by 19.3% to R578 million as a result of lower volumes and increased exports.

Total tonnes of recyclables, including paper, plastic, glass and cans, recovered by Mpact Recycling decreased by 101,435 tonnes to 522,565 tonnes. Most of the paper collected was internally recycled into over 420,000 tonnes of paper products at the three paper mills, which included 20,805 tonnes of rolled pulp produced for export at Felixton Mill. Combined sales of recycled containerboard and cartonboard increased to 444,535 tonnes for the year-ended 31 December 2020

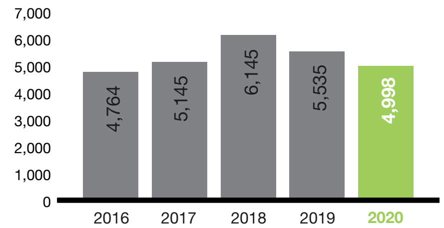
Segment revenue (R'm)



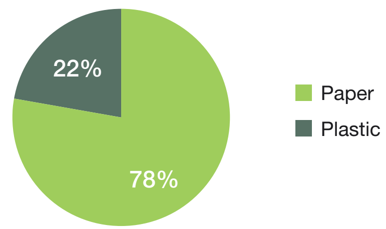
Underlying operating profit (R'm)



Operating assets (R'm)



Group revenue contribution (%)



(2019: 392,725 tonnes).

Volumes of corrugated and converted paper products decreased by 5.8%. Saleable production of 406 million m² of corrugated packaging was achieved in 2020 (2019: 433 million m²).

Detpak was hit hard by the shutdown of most of the QSR market in the second quarter, but recovered well in the second half of the year.

Mpact is committed to managing our environmental impact responsibly, with a particular emphasis on water efficiency, energy efficiency and the responsible management of raw materials throughout the product life cycle of our products. The unavoidable disruptions from Covid-19 and the electricity outage at the Springs Mill affected efficiencies across all metrics in 2020.

Our process optimisation initiatives and the design of new or upgraded plant includes a focus on improving water use efficiency. Total water consumption per tonne of product increased by 6% from 5.47kℓ per tonne of product in 2019 to 5.78kℓ per tonne of product in 2020.

Total energy usage per tonne of product from the Paper business manufacturing sites increased by 2% to 6.45GJ per tonne of product in 2020 from 6.34GJ per tonne of product in 2019. Combined Scope 1 and Scope 2 greenhouse gas (CO_2e) emissions increased from 0.835 tonne CO_2e per tonne of product in 2019 to 0.842 tCO_2e/tonne in 2020.

While most non-essential capital investments were deferred in line with the Group's focus on cash preservation and debt reduction, we nevertheless made certain strategic investments, including acquiring the properties housing our operation in Port Elizabeth and Detpak in Aeroton, Johannesburg.

MATERIAL RISKS AND OPPORTUNITIES

Mpact's risks and opportunities are managed on a continuous basis and the Group's key risks and opportunities are discussed on pages 68 to 72. The most significant risks and opportunities that apply to the Paper business are shown in the table below.

MATERIAL RISKS	MANAGEMENT OF THESE RISKS
Power supply outages resulting in lost working hours and supply shortages	• Ongoing communication with Eskom and local municipalities. • Implement planned load shedding arrangements. • Shift planning to minimise impact
Economic and competitive influences on sectors and consumers outside of Mpact's control	• Consistently delivering smarter, sustainable solutions to customers to meet their objectives and strategy. • Innovation in production processes and products to deliver exceptional value to customers.
Imported product as well as competitor expansion and customer backward-integrated strategies creating over-capacity in the local market	• Proactive management and investment to drive production efficiencies and cost containment through rationalisation, streamlining and automation to maintain margins and retain cost competitiveness. • Provide superior product offerings. • Ongoing development of product innovations, quality and sustainability management, and exceptional customer relations.
Drought and water supply restrictions	• Manage water consumption continuously and interact with relevant authorities. • Drive to decrease water consumption at all the manufacturing plants. • Interact with agricultural customers to understand the impact of drought and recovery cycles on their crops.

OPPORTUNITIES IDENTIFIED INCLUDE:

- Optimising and expanding operations with upgraded plant and equipment.
- Continuing to educate consumers and municipalities regarding the creation of value through recycling and the concept of the "circular economy".
- Aligning capital spend with growth industries in existing regions.
- Export opportunities into the rest of Africa and other regions.

PLASTICS BUSINESS

PRE-CONSUMER RECYCLABLES

MPACT RECYCLING

OUR RECYCLING PARTNERS

- Industrial and commercial suppliers
- Schools, community centres and offices
- Collectors
- Buy-back centres and country dealers

RECYCLING SITES

COLLECT
SORT
BALE

7,325

tonnes of plastic bottles collected by Mpact recyclers

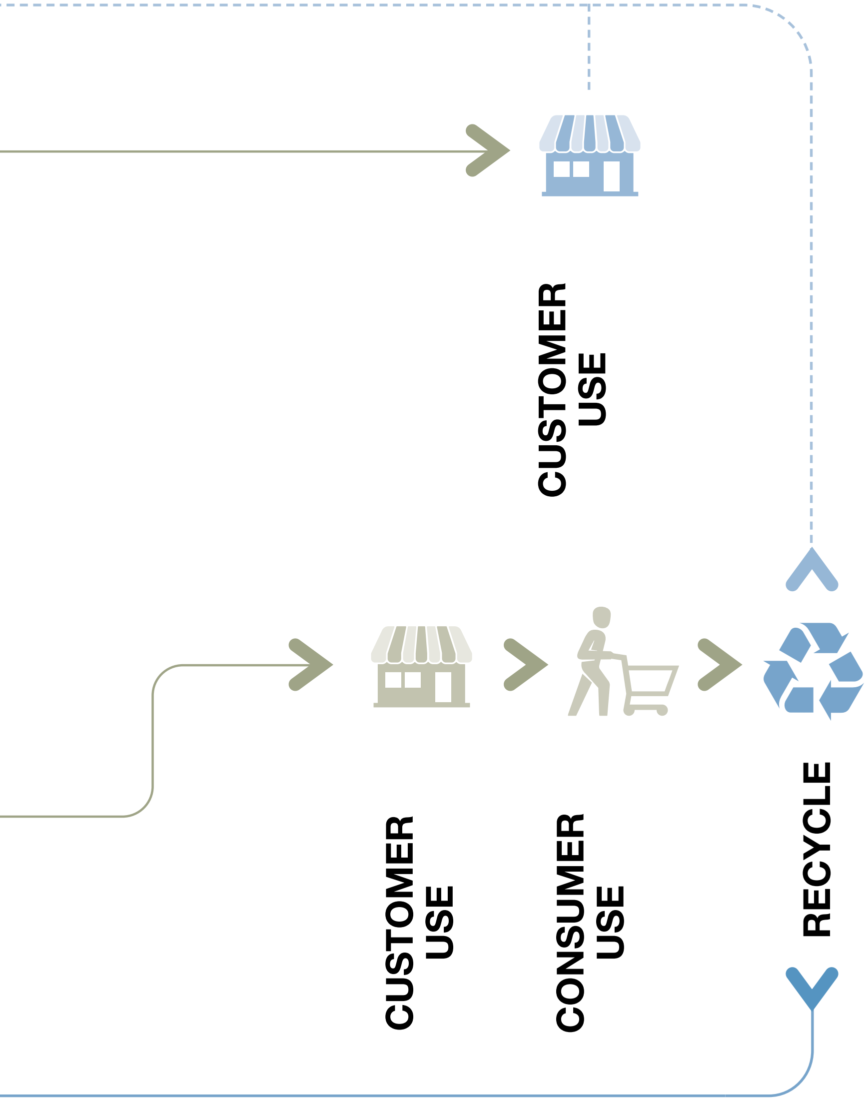
(2019: 10,885)

MPACT PLASTICS

ACTIVITY: Manufactures rigid plastic packaging and vinyl cling film in Southern Africa

OUTPUT: A range of plastic packaging products for the food, beverage, personal care, homecare, pharmaceutical, agricultural and retail markets.

POST-CONSUMER RECYCLABLES



STRATEGY AND OBJECTIVES

Mpact Plastics produces an extensive range of plastic products used in a wide range of applications. Wherever possible we use closed loop systems for plastic waste to reuse scrap and also sell waste to plastic recyclers to get it back into the system. Where practical and in line with customer specifications, we use recycled material and a recovery programme for wheelie bins and crates has been developed at our container plants to reduce the demand for virgin polymer. Mpact is an active participant in plastics industry bodies such as PETCO, POLYCO, the Polystyrene Association and the South African Vinyls Association that promote the responsible use and recycling of plastic products.

Our strategy focuses on growth through innovation, the substitution of alternative packaging materials with rigid plastics, and organic expansion through optimisation and growth projects.

TRAYS AND FILMS	BINS AND CRATES	PREFORMS AND CLOSURES	FAST MOVING CONSUMER GOODS (FMCG)
Paarl (Western Cape) Wadeville (Gauteng)	Atlantis (Western Cape) Brits (North West)	Two sites in Wadeville (Gauteng)	Pinetown (KwaZulu-Natal) Atlantis (Western Cape)
Produces plastic trays and clear plastic film.	Manufactures large injection moulded plastic jumbo bins for the agricultural market, environmental wheelie bins, plastic pallets and crates. Recycles used or damaged crates and bins.	Manufactures closures, PET preforms, bottles and jars for the food, beverage, personal care and homecare industries.	Manufactures injection moulded, extrusion blow-moulded, injection stretch blow-moulded bottles, jars, containers and closures for the food, beverage, personal care, homecare and pharmaceutical industries.

OPERATIONAL PERFORMANCE

Revenue in the Plastics business was up 3.5% to R2.5 billion due to good growth in the Bins and Crates, and FMCG units. Overall, sales volumes decreased 2.7% while average selling prices increased by 6.2%, due primarily to product mix.

Bins and Crates benefited from robust demand in the fruit and bottling segments while the FMCG business saw good growth in the pharmaceutical, food, personal care and home care segments.

Sales of preforms and closures decreased significantly, reflecting sectoral declines in smaller pack sizes for carbonated soft drinks as consumers stayed home.

Although volumes declined on the prior year in trays and films, they were up on plan and reflected a more profitable mix, in line with the successful restructuring of the business during 2019.

The Plastics converting business converted 90,711 tonnes (2019: 93,168 tonnes) of plastics into packaging products in 2020.

Underlying operating profit increased by 44% to R119 million, with all businesses other than preforms and closures reporting good improvements, especially in the second half of the year. The improved operating profit was a result of improved sales through FMCG and Bins and Crates partly offset by provisions for inventory and bad debt write-downs of R29 million and R2.9 million respectively, and a sharp contraction in sales of preforms and closures during the second quarter. The restructuring of the Trays and Films business has been completed with the inventory provisions detracting from an otherwise good year-on-year improvement in EBITDA, despite lower volumes. The sale of face shields, a development that was completed in record time in order to assist in the fight against the virus, also contributed positively.

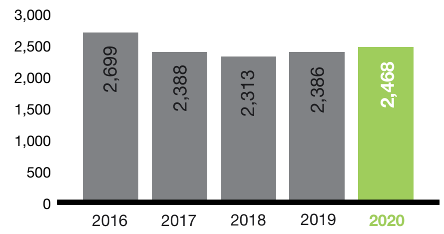
Load shedding impacted our plants throughout the year and our Brits operation was affected by the failure of a substation. Most machines take several hours to reheat before production can recommence even with relatively short electricity supply interruptions. These production interruptions and the disruptions caused by Covid-19 affected efficiencies across all metrics in 2020.

However, a decrease in the Eskom CO_2e emissions factor led to a decrease in the overall scope 1 and 2 CO_2e emissions of 0.9% to 1.31 tonnes CO_2e per production tonne (2019: 1.32 tonnes CO_2e/tonne).

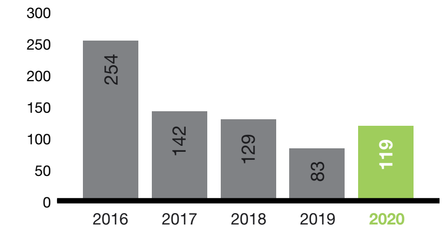
Production disruptions due to loadshedding and the Covid-19 lockdown regulations resulted in a 5% increase in energy consumption per production tonne to 5.02GJ in 2020 from 4.75GJ in 2019.

Water consumption per tonne of production decreased by 1% to 1.37kℓ per tonne of product from 1.38kℓ per tonne in 2019 due to the closure of Mpact Polymers in 2019.

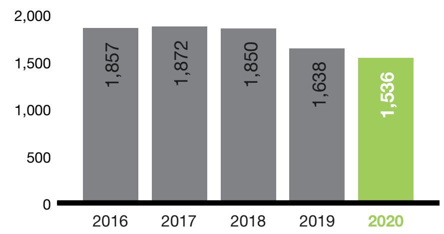
Segment revenue (R'm)



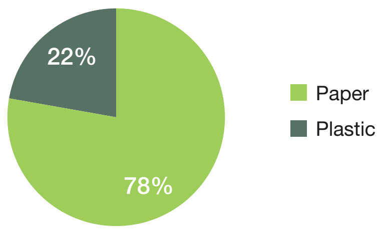
Underlying operating profit (R'm)



Operating assets (R'm)



Group revenue contribution (%)



MATERIAL RISKS AND OPPORTUNITIES

Group risks are discussed on pages 68 to 72 and the most significant risks that could specifically influence the Plastics business (which are managed on a continuous basis) are set out in the table below.

MATERIAL RISKS	MANAGEMENT OF THESE RISKS
Power supply outages resulting in lost working hours and supply shortages.	• Ongoing communication with Eskom and municipalities. • Install generation capacity to limit the impact of load shedding at some of the plants. • Work additional shifts to manage capacity.
PET industry volume decline on the back of consumer spending pressure.	• Process and product innovation to enhance competitiveness. • Explore alternative product offerings. • Investigate cross-border opportunities.
Volatility of raw material prices and lags in pricing recovery.	• Maintain strong and diverse supplier relationships. • Continuous market monitoring and proactive pricing.
New international and local plastic manufacturers entering the market.	• Provide innovative products to a rapidly changing market. • A focus on exceptional customer service.
Drought and water supply restrictions	• Discussions with customers and water authorities to understand the impact on agriculture and industry and how best to position ourselves to meet customer needs.

OPPORTUNITIES IDENTIFIED FOR OUR PLASTICS OPERATION INCLUDE:

- Acquisition and other expansion opportunities.
- Product innovation through advanced design technologies.
- Additional exports into the rest of Africa.
- Exporting jumbo bins into Europe.
- Offer recycling opportunities in the crates and bins business.

CASE STUDY

MPACT'S COVID-19 RESPONSE

Staying safe and staying sustainable.

THE GOAL

Provide immediate relief due to and protection from the Coronavirus pandemic to impact positively on as many people and their families as possible during a time that threatened both lives and livelihoods in South Africa.

THE SOLUTION

When the National Lockdown hit, we directed our operations to help in every way we could.

- We operated as an essential service allowing us to keep waste recovery volumes up and service the food and pharmaceutical industries with useful packaging.
- We rapidly developed and then donated 25,000 protective facemasks to frontline healthcare workers.
- We were directly involved with an e-voucher programme to initially supply almost 4,000 recipients in outlying areas with food.
- In June, we sponsored more food parcels, face masks and reading books to the balance of our buy-back centres and their communities.
- We continued to purchase recyclables from all these sites throughout 2020

THE RESULTS

We persevered through a challenging year, strengthening our relationships in communities hardest hit as we continued to support them while they continued to help supply us with materials for recycling.

2020 was a year that required a new kind of strength and support in everyone. Right from the start of the National Lockdown we identified that our commitment to the various individuals and communities who supply us with recyclables for collection was an important priority. The Coronavirus pandemic especially affected these self-employed collectors leading to their loss of income and not being able to feed their families.

Mpact Recycling's efforts were centred around assisting these communities across different branches, regions and communities, including buy-back centres, an orphanage and a home for the aged. We donated food parcels, cardboard boxes for packaging the food parcels and cold drinks. Mpact Recycling was also directly involved with the e-voucher programme put together by PackagingSA and the Department of Environment, Forestry and Fisheries, contributing R100,000 of the R785,000 raised to supply nearly 4,000 recipients with food vouchers. These people were all located in outlying areas such as Richards Bay, Eastern Cape, Northern Cape and the Northwest province.

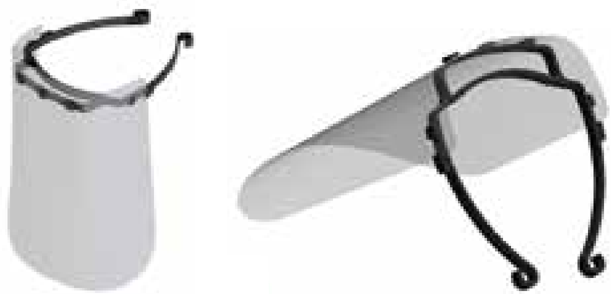
Mpact Versapak worked in record time to develop and produce face shields for market, of which 25,000 were donated to frontline healthcare workers and 6,000 to waste collectors. Through this public-private partnership, we were able to add to the government's efforts to keep our nation safe and healthy. Versapak also specifically designed face shields for children in preparation for schools re-opening. The hygiene and safety factor of these shields helped other businesses protect their workforces too.

In June, Mpact Recycling continued their efforts by delivering more food parcels to the balance of our buy-back centres and the communities we operate in, as well as by distributing face masks and reading books for children (sponsored by PAMSA). In total, 1,630 food parcels, 4,520 face masks and 3,000 reading books were donated for the duration of the campaign.

Okuhle Waste Management supplies us with paper on a daily basis and we distributed over 80 food parcels at their branch in downtown Joburg and at their site in Denver. Their owner, Maxwell, assisted in distributing these food parcels, helping to make a remarkable difference on the day.

Mpact Recycling's communication role was critical during this challenging time to ensure consumers continued to deposit recyclables at our collection branches.

Our circular approach to business has always motivated us to develop practical, economically viable and environmentally sustainable solutions. The uncertain times in 2020 showed that we can be supportive, resilient and sustainable whatever comes our way.



05
SUSTAINABILITY

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 CO_2e 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 CO_2e 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 tCO_2e/t** (2019: 0.883 tCO_2e/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)

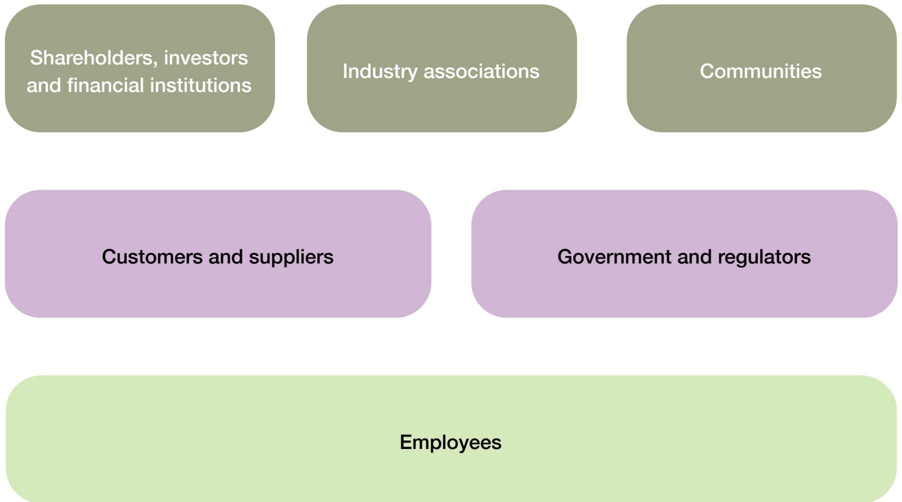
The process of developing five-year water, waste, energy and carbon emission reduction plans leading to the new targets for the 2021 to 2025 cycle is progressing well but government is still working on new regulations to define the reporting of Pollution Prevention Plans and Carbon Budgets. Once the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

Mpact 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 Mpact's key stakeholders and engagements during 2020 are available on page 44.

TRANSFORMATION

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

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

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

Mpact'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 Mpact'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 Mpact'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 Mpact 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.

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

• Energy cost and availability	CEO report page 26, Risk management page 68, Operations reports pages 32 to 39
• Water cost, availability and quality	Operations reports pages 32 to 39 Risk management page 68
• Labour cost	Value added statement page 53
Innovation	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 **Driving efficiencies**	Innovation page 5, Corporate profile page 8, Chairman's report page 22, CEO report page 26, Case study page 24
• Production efficiency	Operations reports pages 32 to 39
• Skills	CEO report page 26, Abridged sustainability review page 42
Implementing capital projects	CFO report page 102

Being a responsible employer

In line with Mpact'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. Mpact's first priority was and is to provide and maintain a safe and healthy work environment for all of its employees.

	REFER TO THESE SECTIONS AND RESOURCES FOR MORE INFORMATION
Labour relations	Stakeholder management page 44, Risk management page 68
Health and safety	CEO report page 26, Abridged sustainability review page 42, Social and Ethics Committee report page 46, Risk management page 68
Diversity	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	Abridged sustainability review page 42, Case study page 16
Covid-19	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. Mpact 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	Chairman's report page 22, SR report
Governance	
• Ethics and human rights	Social and Ethics Committee report page 46, Corporate Governance report page 60, Governance (SR)
• Compliance	Corporate Governance report page 60, Risk management page 68, Governance (SR)
• Customer health and safety	Social and Ethics Committee report page 46
• Security (physical and ICT)	Corporate Governance report page 60, Risk management page 68
Environmental responsibility	
• Climate change	Operations reports page 32 to 39, Abridged sustainability review page 42, Social and Ethics Committee report page 46, Environmental responsibility (SR)
• Water	Operations reports page 32 to 39, Abridged sustainability review page 42, Social and Ethics Committee report page 46, Environmental responsibility (SR)
• Emissions	Operations reports page 32 to 39, Abridged sustainability review page 42, Social and Ethics Committee report page 46, Environmental responsibility (SR)
• Waste	Environmental responsibility (SR)
• Recycling	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 240m^3 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.

FOUNDATION TRUSTEES

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.

PROGRESS DURING 2020

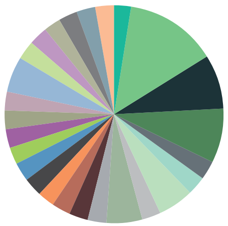
Covid-19 had a significant impact on the Higher Education sector in South Africa. The pandemic led to the closure of campuses, and challenges arose around remote learning that led to the 2020 academic year being extended into the early part of 2021 to enable students to catch up once they returned to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

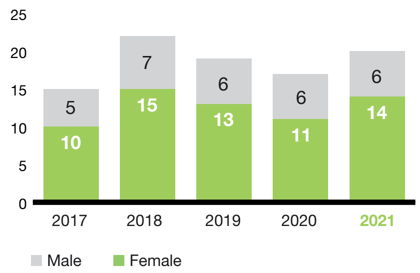
The Trust held its first annual general meeting as a virtual event with the bursars attending online. We shared the financial statements of the Trust, communicated the objectives of the scheme and provided guidelines of expected behaviours. An external speaker presented on proactive steps students and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

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

06 GOVERNANCE

BOARD OF DIRECTORS

Our Board has a unique skill set that enables our business to be nimble in a volatile environment.

Member of the Nomination Committee*
Member of the Remuneration Committee*
Member of the Audit and Risk Committee
Member of the Social and Ethics Committee
Trustee of the Mpact Foundation Trust
C Indicates Chairman

EXECUTIVE DIRECTORS

BRUCE WILLIAM STRONG (52)

CEO

BSc (Eng) (Summa cum laude) (University of KwaZulu-Natal), BCom (Hons) (University of South Africa) AMP (Harvard Business School)

Bruce has been the CEO of Mpact since 2009. Prior to being appointed CEO, he held various management positions in Mondi, both in South Africa and Europe. Bruce has over 25 years' experience in the paper and packaging industry. He also currently serves as Chairman of both the Paper Manufacturers Association of South Africa and Packaging SA and is a past Chairman of the South African Manufacturing Circle.

BRETT DAVID VAUGHAN CLARK (56)

CFO

BCom, Post-Graduate Diploma in Accounting (University of Port Elizabeth), CA(SA), CIMA, AMP (Harvard Business School)

Brett joined Mpact as the CFO in June 2012. He is a Qualified Chartered Accountant and was previously a Principal at Absa Capital Private Equity, an Executive Director of Brait Private Equity and CFO of Clover Industries Limited and Unihold Limited, respectively. Brett has also worked for Nampak Limited in various positions in South Africa and the United Kingdom.

NON-EXECUTIVE DIRECTORS

ANTHONY JOHN PHILLIPS (TONY) (74)

Chairman

BSc (Eng) (University of KwaZulu-Natal)

Tony joined Mpact as an Independent Non-executive Director in April 2011. He is the Chairman of the Board, Chairman of the Nomination Committee and a member of the Remuneration Committee. Tony was appointed MD of Barlows Equipment Co in 1988, and MD of Finanzauto SA, Spain in 1992. He was appointed a Director of Barloworld Limited in 1996 and was CEO from 1998 until 2006. From 2005 until 2007 Tony was the Chairman of Pretoria Portland Cement Company Limited. Tony is currently Vice Chairman of Kansai Plascon Africa Ltd.

NOMALIZO BERYL LANGA-ROYDS (NTOMBI) (59)

BA (Law), LLB (National University of Lesotho)

Ntombi joined Mpact as an Independent Non-executive Director in April 2011. She is the Chairman of the Social and Ethics Committee, the Chairman of the Remuneration Committee and a member of the Nomination Committee. She is also a Trustee of the Mpact Share Incentive Scheme, a Trustee of the Mpact Foundation and a member of the King Commission Sub-Committee on Remuneration. She has over 30 years of experience in Human Resources. Ntombi is a Non-executive Director of Murray and Roberts Holdings Limited, Redefine Properties Limited, Kumba Resources Limited and Europe Assistance SA.

TIMOTHY DACRE AIRD ROSS (TIM) (76)

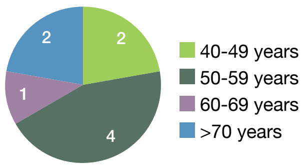
CTA (University of KwaZulu-Natal), CA(SA)

Tim joined Mpact as an Independent Non-executive Director in April 2011. He is the Chairman of the Audit and Risk Committee, a member of the Remuneration and Nomination Committee and a Trustee of the Mpact Share Incentive Scheme. He previously (for 37 years) was a Partner at Deloitte & Touche, and was the Head of Johannesburg Audit, Head of Client Services and a member of the Deloitte & Touche Executive Committee and Board. Tim served on the boards of listed companies Liberty, Eqstra, PPC and Adcorp as an independent Non-executive Director serving mostly as Chairman of the Audit Committees.

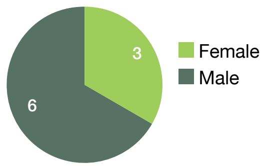
* *The Remuneration and Nomination Committee operates as a combined committee chaired by Ms Langa-Royds for remuneration matters and by Mr Phillips for nominations.*

DEMOGRAPHICS

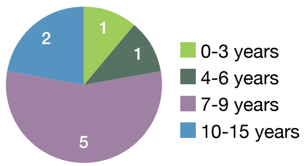
AGE



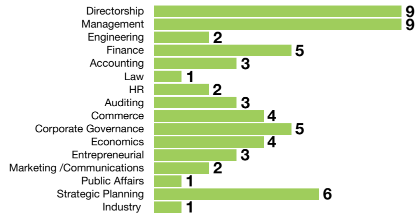
GENDER



TENURE



SKILLS



NEO PHAKAMA DONGWANA (48)

BCom, Post-Graduate Diploma in Accounting, BCom (Hons) (University of Cape Town), CA(SA), MCom (University of the Witwatersrand)

Neo joined Mpact as an Independent Non-executive Director in April 2011. She is the Chairman of the Mpact Foundation Trust. She is a member of the Audit and Risk Committee and Social and Ethics Committee. She was a Partner at Deloitte & Touche for nine years and before that spent time as an equities analyst at Gensec Asset Management. Neo is a Non-executive Director of Nedbank Limited. She is the Chairman of the Takeover Regulation Panel (TRP) and serves as a member of the Financial Services Tribunal. She is also the former Chairman of Barloworld Limited.

MAYA MAKANJEE (59)

BA Fine Arts (University of Mumbai), BCom (University of KwaZulu-Natal), MBL (cum laude) (University of South Africa)

Maya joined Mpact as an Independent Non-executive Director in September 2016. She is a member of the Social and Ethics Committee and the Remuneration and Nomination Committees, and a trustee on the Mpact Foundation Trust. Maya is a Non-executive Director of Tiger Brands Limited, Truworths International Limited, Datatec Limited, and a trustee on the Board of the Nelson Mandela Foundation.

PENUELL CORNWELL SIBUSISO LUTHULI (47)

BCom (University of Zululand), Post Graduate Diploma in Accountancy (University of Durban Westville), CA(SA)

Sibusiso joined Mpact as an Independent Non-executive Director in December 2018. He is a member of the Audit and Risk Committee and the Remuneration and Nomination Committees. He is the founder and Chief Executive Officer of Mpande Property Fund Manager, a fund that invests in the unlisted property sector. He is the former Chief Executive and Principal Officer of the Eskom Pension and Provident Fund and one of the founding members and former Deputy Chairman of Batseta, a pension fund industry body. He previously served as Chief Executive Officer of Ithala Bank Limited and Chairman of Cipla Medpro Pharmaceuticals Limited. He currently serves as a Non-executive Director of Telkom SA Limited and is also a former Non-executive Director and Chairman of the Finance, Risk and Compliance Committee of BCX Limited.

ANDREW MURRAY THOMPSON (63)

BSc (Eng) (University of the Witwatersrand), MBA (Finance) (University of Pennsylvania, Wharton)

Andrew joined Mpact as an Independent Non-executive Director in October 2004. He is a member of the Audit and Risk Committee and Social and Ethics Committee. He previously served as the CEO of Mondi Limited as well as an Executive Director of Anglo American South Africa Limited.

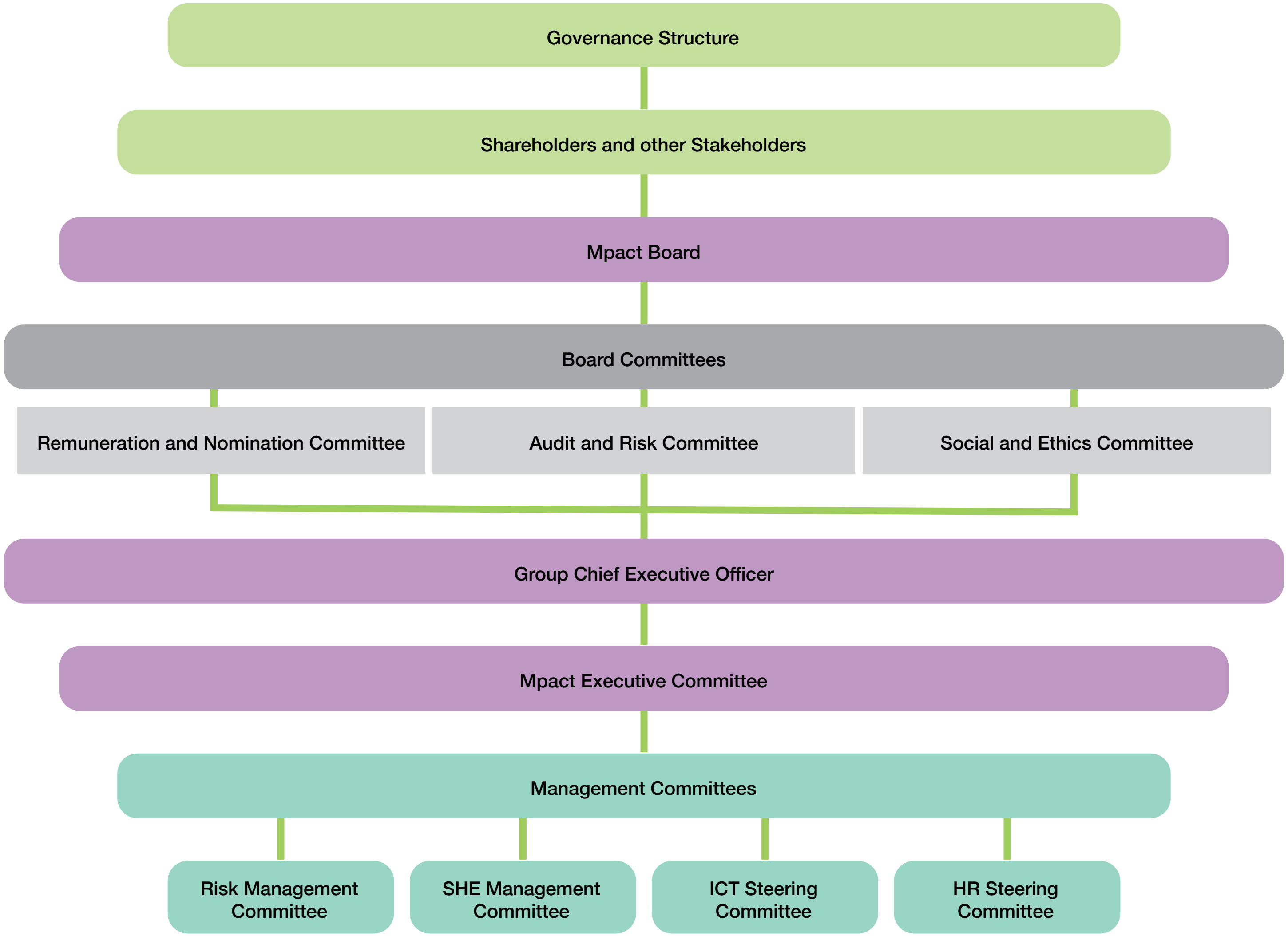
DONNA MAREE DICKSON (40)

GROUP COMPANY SECRETARY

BCom Law, Professional Post Grad: Governance and Secretarial (CSSA), FCIS, Post Grad: General Management, MBA (GIBS, University of Pretoria)

Donna was appointed as the Group Company Secretary at Mpact on 1 May 2020. She has more than 10 years' experience in the company secretarial and governance field, most recently as Group Company Secretary for MultiChoice Group Limited. Other previous roles include heading the company secretarial and legal departments at Advtech Group Ltd and Clinix Health Group Ltd as well as holding various governance and legal roles at Telkom SA SOC Ltd.

CORPORATE GOVERNANCE REPORT



COMMITMENT AND APPROACH TO CORPORATE GOVERNANCE

The Board embraces its responsibility for ensuring that the principles of sound corporate governance are observed and incorporated into the leadership and management of the Group. The Board is responsible for ensuring that the Group complies with all its statutory obligations as specified in the Company MOI, the Companies Act, the JSE Listings Requirements and all other regulatory requirements. The Group under the stewardship of the Board accepts responsibility for the application of good corporate practices to ensure that business is managed ethically and within acceptable risk parameters. In discharging this responsibility, the Group is guided by its charters and policies and further ensures that effective corporate governance is practised consistently throughout the Group.

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. This foundation remains the Board's platform to lead Mpact sincerely and honestly.

The Group's standards of integrity and ethics in dealing with its stakeholders at large is included in the Code of Ethics. Integrity is fundamental to how the Group conducts its business and is expressed in its values as well as interactions with key stakeholders. Every employee is expected to adhere to these principles and values in order to deliver exceptional value to our stakeholders by cultivating the habits of being resolute, trustworthy and responsible. This is not merely a matter of knowing the "rules", but of repeatedly exercising moral thinking and applying the guidelines outlined in the Company's Code of Ethics.

The Code of Ethics is reviewed by the Board periodically to ensure that the Company remains differentiated by people who are resolute, trustworthy and responsible.

The Social and Ethics Committee assists the Board to monitor the Group's corporate citizenship responsibilities. The committee monitors progress against transformation targets and the Group's employment equity plan, fair remuneration, health and safety, as well as the external verification of the Group's empowerment activities.

KING IV™ APPLICATION

The Board is committed to achieving the highest standards of governance, business integrity and ethical conduct across all its activities. The Group remains committed to managing its operations in accordance with the highest ethical standards. This is achieved by effective and ethical leadership through continuously reassessing the Group's internal controls, policies, Terms of Reference, procedures and processes, while considering the recommendations contained in King IV™ and making relevant changes when appropriate.

The Group performed a qualitative assessment of the level of application of King IV™ principles to fully achieve the four governance outcomes of:

- Ethical Culture;
- Good Performance;
- Effective Control; and
- Legitimacy.

The Board is satisfied that every effort has been made during 2020 to apply material aspects of King IV™.

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 Board sub committees and senior management.

The Board has several sub 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 reviewed annually to keep abreast of developments in law and best practice in governance. Recommendations and feedback reports are submitted to Board meetings, ensuring transparency and full disclosure of the committees' activities.

Mpact's King IV register is available on the Mpact website www.mpact.co.za.

The committees meet at least four times a year. The composition and responsibilities for each Board committee are further elaborated on in this report.

The Board has, through an approved delegation of authority, delegated the implementation and execution of the approved strategy to executive leadership via the Group CEO.

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.

ROLE AND FUNCTION OF THE EXECUTIVE COMMITTEE (EXCO)

The Exco is responsible for making recommendations to the Board regarding the Group's policies and strategies and for monitoring their implementation in accordance with the Board's directives. The Exco meets five times a year and is responsible for the Group's operational activities, developing strategy and policy proposals for consideration by the Board, and implementing the Board's directives. The committee has a properly constituted mandate and terms of reference.

Other responsibilities include:

- leading the executive, management and staff of the Group;
- developing the annual budget and business plans for approval by the Board;

- developing, implementing and monitoring policies and procedures, internal controls, governance, risk management, ethics and authority levels;
- monitoring and enforcing good corporate governance practices and the application of the Code of Ethics, as defined and adopted by the Board;
- guiding and controlling the overall direction and control of Mpact, and acting as a medium of communication between business units, subsidiaries and the Board;
- ensuring appropriate co-ordination between Mpact, its subsidiaries and the various business units; and
- ensuring the adequacy of the Group's reporting arrangements.

The Exco has specific key performance areas and targets which are set in line with the approved strategy and monitored by the Board with the assistance of the Remuneration and Nomination Committee.

RESPONSIBILITIES OF THE BOARD

The Board serves as the focal point and custodian of corporate governance in the organisation, and acknowledges its responsibility for ensuring that the principles of sound corporate governance are observed and incorporated into the leadership of the Group. Sound governance practices based on accountability, transparency, ethical management and fairness, are entrenched across the business. The Directors recognise that good governance, achieved through an ethical culture, competitive performance, effective control and legitimacy, can create sustainable value and enhance long-term equity performance.

The Directors, collectively and individually acknowledge their responsibilities in terms of King IV™ and the Companies Act. The Board charter requires each Director to regularly attend meetings of the Board and its committees. 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 includes 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.

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 Mpact. It is also responsible for approving the Group's strategy, financial objectives and targets. The roles of the Chairman and CEO are not held by the same person, and are separate. The Board is led by an Independent Non-executive Chairman, who is elected by the Board, while the 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 the 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 the members are well informed and that debate and decisions are constructive and robust.

BOARD COMPOSITION

The Board comprises of nine Directors, two of whom are Executive Directors, the CEO and CFO. The remaining seven Directors, three of whom are women, are all Independent Non-executive Directors, including the Board Chairman. The Non-executive Directors are not involved in the day to day management of the business and are not full-time salaried employees of the Company and/or any of its subsidiaries. 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. There is a clear balance of power and authority at Board level, to ensure that no one Director has unfettered powers of decision-making.

INDEPENDENT DIRECTORS

The independence of Directors is determined holistically, and on a substance over form basis in accordance with the indicators provided in Section 94(4)(a) and (b) of the Companies Act and the King Code.

The Nomination Committee reviews the independence of all Non-executive Directors using the guidelines recommended by the King Code, JSE Listings Requirements and the Companies Act and further undertake a vigorous process to assess the independence of the Non-executive Directors who have served on the Board for a period longer than nine years.

The Board remains satisfied that all Board members demonstrate independence of mind and that there are no interests, positions, associations or relationships which are likely to unduly influence or cause a bias in decision-making.

The Board is satisfied that all Directors continue to act in the best interest of the Company, and continue to perform their duties impartially and with the highest integrity.

BOARD MEETING ATTENDANCE

The Board met five times during the financial year. The table below sets out the attendance by the Directors since the release of the last Integrated Report.

Director	4 June 2020	4 August 2020	15 September 2020[2]	4 November 2020	22 December 2020	4 March 2021
AJ Phillips[1]	✓	✓	✓	✓	✓	✓
NP Dongwana[1]	✓	✓	✓	✓	✓	✓
NB Langa-Royds[1]	✓	✓	✓	✓	✓	✓
PCS Luthuli[1]	✓	✓	✓	✓	✓	✓
M Makanjee[1]	✓	✓	✓	✓	✓	✓
TDA Ross[1]	✓	✓	✓	✓	✓	✓
AM Thompson[1]	✓	✓	✓	✓	✓	✓
BW Strong	✓	✓	✓	✓	✓	✓
BDV Clark	✓	✓	✓	✓	✓	✓

[1] *Independent Non-executive Directors*
[2] *Strategy Session*

COMMITTEES

The Board has delegated some of its responsibilities to its committees to assist in the execution of its duties. The Board has established three committees to assist it in fulfilling its duties and responsibilities more effectively.

1. AUDIT AND RISK COMMITTEE

The Audit and Risk Committee consists of entirely Independent Non-executive Directors as envisaged in the Companies Act and the JSE Listings Requirements. The members of the Audit and Risk Committee are elected at each Annual General Meeting of the Company, in accordance with and subject to the requirements and criteria as set out in Section 94 (2). All the members of the Audit and Risk Committee have the prescribed academic qualifications and experience. The committee is adequately structured in accordance with these requirement as follows:

Audit and Risk Committee		
TDA Ross	Chair, Independent Non-executive Director	Chartered Accountant
NP Dongwana	Member, Independent Non-executive Director	Chartered Accountant
AM Thompson	Member, Independent Non-executive Director	Business
PCS Luthuli	Member, Independent Non-executive Director	Chartered Accountant

The Chairman of the Board is not a member of the committee and attends only via invitation.

The Audit and Risk Committee met four times during the financial year. The table below sets out the attendance by the Directors since the release of the last Integrated Report.

Director	1 June 2020	30 July 2020	3 November 2020	2 March 2021
TDA Ross	✓	✓	✓	✓
NP Dongwana	✓	✓	✓	✓
AM Thompson	✓	✓	✓	✓
PCS Luthuli	✓	✓	✓	✓

2. SOCIAL AND ETHICS COMMITTEE

The Social and Ethics Committee is a statutory committee of the Board appointed in terms of Section 72(4) of the Companies Act and comprise a mix of Independent Non-executive Directors and the Group CEO:

Social and Ethics Committee	
NB Langa-Royds	Chair, Independent Non-executive Director
NP Dongwana	Member, Independent Non-executive Director
AM Thompson	Member, Independent Non-executive Director
M Makanjee	Member, Independent Non-executive Director
B Strong	Member, Executive Director

The Social and Ethics Committee met four times during the financial year. The table below sets out the attendance by the Directors since the release of the last Integrated Report.

Director	1 June 2020	30 July 2020	3 November 2020	2 March 2021
NB Langa-Royds	✓	✓	✓	✓
NP Dongwana	✓	✓	✓	✓
AM Thompson	✓	✓	✓	✓
M Makanjee	✓	✓	✓	✓
B Strong	✓	✓	✓	✓

3. REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee consists of entirely Independent Non-executive Directors as follows:

Remuneration and Nomination Committee	
NB Langa-Royds	Chair, Independent Non-executive Director (Remuneration)
AJ Phillips	Chair, Independent Non-executive Director (Nomination)
M Makanjee	Member, Independent Non-executive Director
TDA Ross	Member, Independent Non-executive Director
PCS Luthuli*	Member, Independent Non-executive Director

** PCS Luthuli was appointed as a member in November 2020.*

The CEO, CFO and the Head of HR attend the meetings by invitation, but do not participate in any deliberations regarding their own remuneration.

The Remuneration and Nomination Committee met four times during the financial year. The table below sets out the attendance by the Directors since the release of the last Integrated Report.

Director	1 June 2020	30 July 2020	3 November 2020	2 March 2021
NB Langa-Royds	✓	✓	✓	✓
AJ Phillips	✓	✓	✓	✓
M Makanjee	✓	✓	✓	✓
TDA Ross	✓	✓	✓	✓
PCS Luthuli	n/a	n/a	n/a	✓

APPOINTMENTS TO THE BOARD

The appointment of new Directors is approved by the Board as a whole on the recommendation of the Nomination Committee. Directors are appointed through a formal and transparent process, which includes the identification of suitable members as well as performance and background checks prior to nomination. 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.

Non-executive Directors are required to dedicate sufficient time to Mpact Board matters. They may serve on other Boards, provided that such other appointments do not create a conflict of interest or interfere with their duties to the Mpact Board, but rather afford the ability to add value by bringing a broader perspective to Board deliberations. There were no new appointments to the Board since the release of the last Integrated Report.

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 with the JSE Listings Requirements, the Board approved a Diversity Policy which proclaims the Board's values and principles, specifically focusing on the promotion of the diversity attributes of gender, race, culture, age, field of knowledge, skills and experience. A breakdown of these diversity attributes are depicted on pages 58 and 59.

The Board is pleased to announce that it has maintained its objective of one third women on the Board by 2020 and maintained 44.4% race representation of black people on the Board against a target of 45% by 2020. The Board remains committed to promoting and maintaining diversity in its membership. The Social and Ethics Committee will continue to monitor performance in relation to this target and will recommend any changes to this target to the Board for approval.

SUCCESSION PLANNING

The Nomination Committee reviewed the succession plan for the CEO, Executive Committee and other senior managers 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

One-third of all Non-executive Directors retire by rotation annually, and Directors appointed by the Board, either to fill a casual vacancy or as an addition to the Board, are subject to election by the shareholders at the first AGM held after their initial appointment.

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. Anthony Phillips, Neo Phakama Dongwana and Penuell John Cornwell Sibusiso Luthuli are required to retire by rotation in accordance with the Memorandum of Incorporation at the forthcoming Annual General Meeting.

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

BOARD AND COMMITTEE EFFECTIVENESS EVALUATION

The Board appointed William Somerville Governance Services to perform an evaluation of the Board and its sub committees.

The key components of the Board evaluation and effectiveness review covered the impact and value-add on critical issues and drivers of Board effectiveness driven by increased shareholder and regulatory requirements, company performance, executive performance and succession planning.

Drivers of Board effectiveness including Board composition, Board dynamics and culture, Board Chair effectiveness and efficiency of core Board processes were assessed, as well as the performance of the Board Committees and the Group Company Secretary.

The results of the assessment indicated that the Board, its sub committees and the Group Company Secretary are performing their duties and responsibilities effectively. Any areas of improvement that required further consideration have been incorporated in the Board's and committees' annual plan for further review.

The Executive Directors' performance, in relation to key performance areas, are assessed annually in accordance with the Group's standard performance assessment.

STRATEGIC PLANNING

The Directors who are also members of the Executive Committee, namely Bruce William Strong and Brett David Vaughan 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 reviewed and approved by the Board. The Board monitors the implementation of the strategy and 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 changing 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 and as and when necessary to the Group Company Secretary. Directors do not vote on any matter in which they have an interest and they are recused from any meeting when such matters are discussed.

SHARE DEALINGS

The Group has adopted a share dealing policy requiring all Directors, management and the Group Company Secretary to obtain prior written clearance from either the Chairman or the Group 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 oversees compliance with its approved compliance framework and in accordance with good governance. The Audit and Risk Committee is responsible for continual monitoring of the regulatory environment and appropriate responses to changes and developments that impact on the Group and reporting on any significant changes to the Board.

The Group Company Secretary, together with the internal audit function, the Group 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. The Group subscribes to various legal registers which cover all essential components of applicable laws, adopted industry rules, codes and standard. A report on significant legal and corporate governance developments affecting Mpact is tabled and reviewed by the Audit and Risk Committee and the Board periodically.

There were no material or repeated regulatory penalties, sanctions or fines for contraventions of statutory obligations in the 2020 financial year.

GROUP COMPANY SECRETARY

The Directors have access to the professional advice and services of the Group Company Secretary, Donna Maree Dickson who was appointed on 1 May 2020 and whose appointment is in accordance with the Companies Act and JSE Listings Requirements. The Group Company Secretary provides the Directors of the Company, both collectively and individually, with guidance on their duties, responsibilities and powers, and provides guidance and advice to the Board on matters of ethics and good corporate governance.

The Group Company Secretary plays a pivotal role in ensuring that Board procedures are both followed and regularly reviewed, and ensures that, in accordance with pertinent laws, the proceedings and affairs of the Board and the Company are properly administered.

The Chairman and the Board look to the Group Company Secretary for guidance on what their responsibilities are under the rules and regulations to which they are subject, and how these responsibilities should be discharged.

The Group Company Secretary is independent and has unrestricted access to the Board. She is not a member of the Board but attends Board meetings to discharge her duties and maintains an arm's length relationship at all times.

The Board is satisfied that the Group Company Secretary is fit and proper, and has the necessary qualifications, skills and level of competence to effectively discharge her responsibilities.

INTERNAL CONTROL SYSTEMS

Mpact's internal controls encompass a set of rules, policies and procedures that are implemented to provide reliable financial and operational reports and to ensure that the Company's activities comply with applicable laws and regulations. The control environment sets the foundation and provides the discipline and structure upon which we operate.

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.

The Chief Audit 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 ending 31 December 2020. This assessment was based on the internal audit work performed in terms of the approved 2020 financial year internal audit plan, coverage in terms of the rotational risk-based internal audit plan, an assessment of Mpact'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 Mpact.

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 to the committee meetings during the course of 2020 came to their attention that would suggest that internal controls and risk management at Mpact were not satisfactory.

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 page 44 of this Integrated Report.

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 and making investments.

Managing a sustainable business requires the integration of the business capitals. Mpact's business model, together with the inputs and outputs of each of the capitals, are illustrated on page 14 of this Integrated Report.

The Group remains committed to sustainable development in each of its businesses and adopts leading industry health and safety standards; obtains responsibly-sourced raw materials; and ensures 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 the respective operational reviews.

Mpact's Sustainability Review is available on the Mpact website www.mpact.co.za.

FRAUD AND ILLEGAL ACTS

The Group does not tolerate fraudulent behaviour and illegal acts. An anonymous whistle-blowing facility administered by Deloitte & Touche 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.

INFORMATION AND TECHNOLOGY GOVERNANCE

The Board has an IT governance policy and ensures adherence to King IV's IT governance principles.

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

In response to the rapidly changing environment and the needs and expectations of our stakeholders, our strategy has evolved with an increased focus on digital innovations and technology change. Key actions in place to mitigate the risks include:

- Increased focus on information and technology risk management;
- Our Group technology division working closely alongside our business clusters to deliver on our technology journey;
- Strengthening our second line of defence oversight on IT risk and performing Group internal audits as a third line of defence;
- Performing reviews and monitoring to ensure appropriate frameworks, procedures, structures and governance are in place for the consolidation, monitoring, management and reporting of IT risks and exposures on a Group basis (e.g. cyberthreats, and other regulatory risks).

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, Chairmen of the committees and the external auditor are available to answer questions at the Annual General Meeting. The next Annual General meeting of the Company will be held on 3 June 2021.


Our circular business model protects more than just our margins.
mpact
smarter, sustainable solutions

RISK MANAGEMENT

Risk management is an essential part of Mpact's governance framework and supports the continued ability of the Group to create superior value and sustainable benefits for all stakeholders.

RISK MANAGEMENT

The Group has a Risk Management Framework and Enterprise Risk Management Guideline built on the ISO 31001 standard. The risk management process is managed by the Group Risk and Sustainability Manager who reports to the Executive Committee via the Risk Management Committee, and to the Board through the Audit and Risk Committee.

The Risk Management Committee identifies and evaluates strategic and operational risks against our ten business value drivers of:

- safe and healthy operating conditions;
- environmentally responsible operations;
- reputation (ethics, environment and customer safety) and CSI;
- motivated workforce;
- achieving Group strategy;
- achieving growth objectives;
- achieving operational, profitability and liquidity objectives;
- effective commercial stakeholder relations;
- compliance with legislation and contractual terms; and
- accurate and timely reporting.

The Board considers the material business risks in its fiduciary oversight of Mpact when approving Group strategy, capital expenditure and the budget.

The Group has policies and procedures in place to manage its governance, operations and information systems with regard to the:

- reliability, security and integrity of financial and operational information;
- effectiveness and efficiency of operations;
- safeguarding of people and assets;
- reducing of our environmental footprint; and
- compliance with laws, regulations and contracts

Risk assurance is considered at managerial (level 1), corporate function (level 2) and external (level 3) levels by both the Risk Management Committee and the Audit and Risk Committee for reporting to the Board. Risks are reviewed and updated on a regular basis. Mpact's top risks are shown in the table on pages 70 to 72.

ENTERPRISE RISK MANAGEMENT POLICY AND FRAMEWORK

The Board retains responsibility and accountability for the overall risk management process, setting risk appetite and tolerance limits. The Board has committed the Group to a process of risk management that aligns with the principles of King IV, as well as generally-accepted good risk management practices.

The Audit and Risk Committee assists the Board in the execution of its fiduciary duties regarding risk management. The Executive Committee (Exco), through the Risk Management Committee, reviews the output of the risk management process to ensure the appropriate management of risks. Management is accountable to the Audit and Risk Committee and works with the relevant staff within the businesses to ensure the implementation of the risk management process.

In line with Mpact's decentralised structures, risk assessment and management processes enable every business within the Group to take responsibility for the management of its own risks. This is done to encourage proactive action by the business units when faced with risks and opportunities.

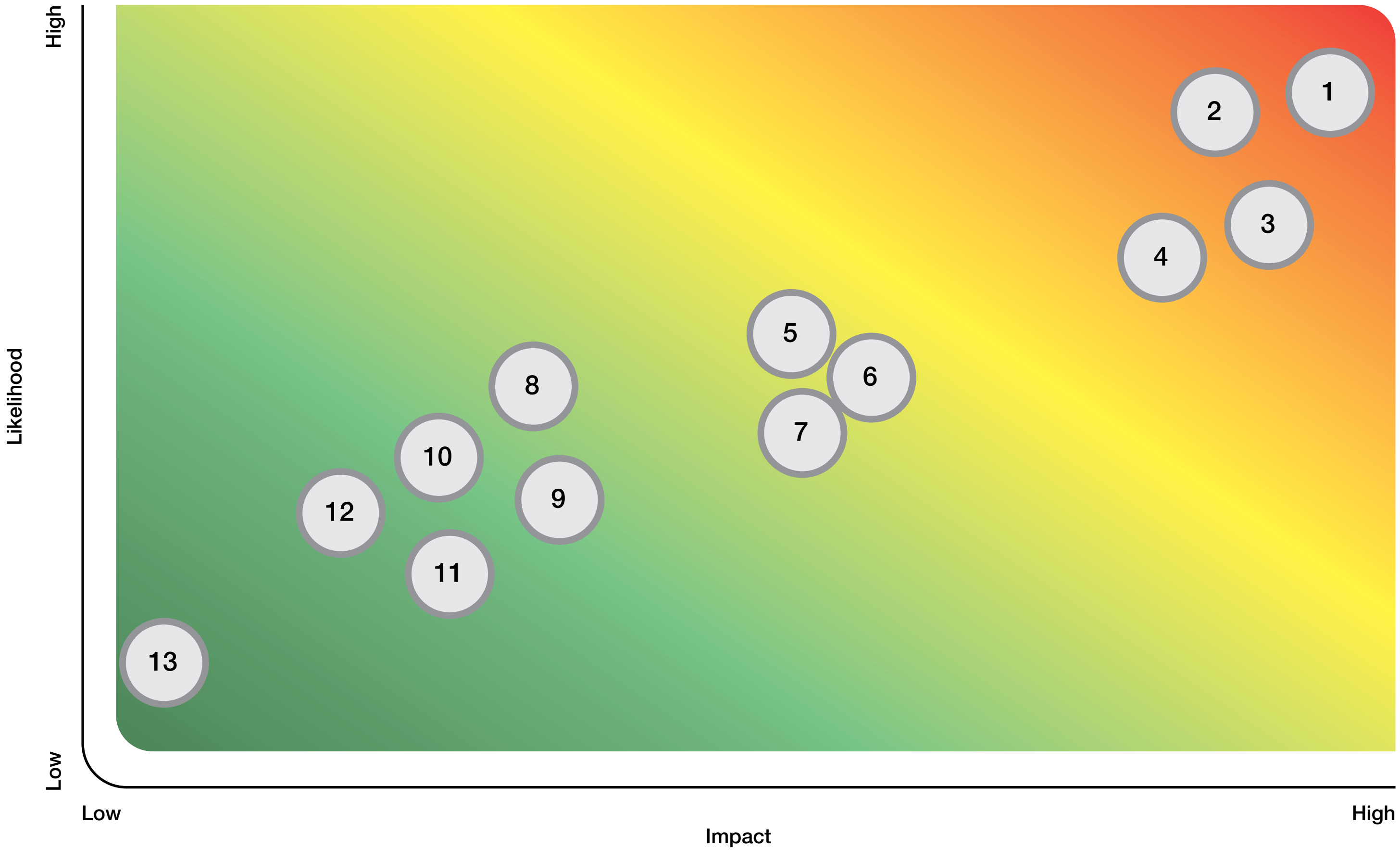
The Enterprise Risk Management Framework sets out the approach to be taken to address and improve risk management to achieve Mpact's objectives.

MATERIAL RISKS

MATERIAL RESIDUAL RISKS

The material risks identified correlate with the Group's materiality determination and stakeholder engagement processes. The material principal risks identified and attended to by Mpact are set out in the table on pages 70 to 72. These risks were approved by the Audit and Risk Committee on 2 March 2021.

RESIDUAL RISK HEAT MAP



Risk key

1. Electricity supply
2. Covid-19 and lockdown
3. Trading environment
4. Social polarity: wage gap, race and gender, social stress of the working class
5. Legislation
6. Workforce
7. Raw materials
8. Water supply
9. Public resistance to the use of plastics
10. System failures
11. Critical plant equipment
12. Reputational damage
13. Safety in the workplace

2019	2020	Underlying risk and its potential impact	Mitigation actions taken to limit impacts
		1. **Electricity supply** Unreliable supply and higher costs of energy could lead to a loss of production and increased costs. Increased load-shedding as well as Ekurhuleni municipal electricity supply infrastructure failures increased focus on this risk in 2020. Eskom will likely be authorised to apply price increases well above inflation for the foreseeable future.	• Group Energy Manager leads energy management strategies to improve energy efficiency and implement alternative energy supply such as solar PV. Mpact has installed 2.87 MWp of rooftop solar PV and is evaluating plans for a further 11.57 MWp. • Ongoing communication with Eskom and municipalities to keep abreast of electricity distribution issues.
	New Risk	2. **Covid-19 and lockdown** The Covid-19 pandemic and associated lockdown affected health and wellbeing of people and economies nationally and internationally. Covid-19 infection trends among Mpact employees and contractors followed national trends and sadly nine people, who had tested positive for the virus, passed away in the period up to March 2021. Most Mpact operations were registered as "essential services" supplying packaging to the food and pharmaceutical industries and were able to operate. However, the supply of packaging to non-essential industries was curtailed affecting the overall turnover of the business.	• Mpact's operations complied with Covid-19 lockdown regulations including appointment of Compliance Officers, screening, physical distancing (including work from home, shift system changes and shift splitting) hand washing and sanitising, and wearing of masks. • Mpact also manufactured and distributed over 1 million face shields, distributed R1,500,000 worth of support packs to families of employees and contractors, and distributed R200,000 worth of food packs to waste pickers and other affected communities.
		3. **Trading environment** Subdued economic growth and increasing competition mean that Mpact operates in an uncertain and highly competitive trading environment which could lead to reduced sales and profits for both the Paper and Plastics businesses.	Maintaining our leading market position by supplying quality products and service through: • Innovative research, product design, product diversification, vertical integration and market development. • Long-term agreements with key customers and suppliers supported by active customer service. • Proactive management of costs. • Product assurance, against international standards such as ISO, for quality, environment and food safety. • Continuous improvement of, and investment in, equipment and processes.
		4. **Social polarity: wage gap, race and gender, social stress of the working class.** High unemployment rates, socio-political and economic uncertainty, as well as service delivery protests that have led to high levels of stress and outbreaks of violence that pose a threat to the business both physically and economically.	• Mpact has implemented the Group Transformation Policy, Group Code of Ethics, Fair Employment Policy and Promotions Philosophy to ensure equitable employment practices. • Other activities include community engagement, corporate social investment programmes, small business and entrepreneurship development. • Mpact actively engages with unions and communities. • Proactive security measures are taken.

2019	2020	Underlying risk and its potential impact	Mitigation actions taken to limit impacts
		5. Legislation Evolving legislation has increased the costs of compliance and the risk of fines and penalties. Of particular concern are: • National Environmental Management Act and the affiliated Water and Waste Acts • Carbon Tax • Competition compliance • B-BBEE and EE regulations • Tax regulations • Labour Act • Sugar Tax	• Retaining experts in, and legal registers of, relevant disciplines supported by rigorous audits. • The Group contributes to the development of legislation by engaging with government via industry bodies. • Mpact Operations achieved Level 1 B-BBEE certification. • Management is engaging with the Competition Commission regarding an investigation initiated in 2016 that implicated Mpact. • The impact of Sugar Tax and Carbon Tax are understood and mitigations have been put in place.
		6. Workforce Labour-related matters such as strikes, unrest, loss of key skills and cost increases above inflation could lead to loss of productivity and the ability to produce quality products competitively.	• Mpact upholds fair labour practices for employment equity, recruitment, labour interactions, training, bursaries for employees and their children, skills retention and succession planning, as well as adherence to excellent health and safety standards.
		7. Raw materials Prolonged shortages of key raw materials could lead to loss of production, changes to product offerings and/or higher costs. Availability of recovered paper for recycling was negatively affected by the economic slowdown caused by the Covid-19 lockdown. Risks associated with importing raw materials were increased due to the impact of Covid-19 on supply chains internationally.	• Retain market position as the leading paper recycler in South Africa and preferred buyer of recovered paper. • Long-term supply agreements, multiple suppliers, use of alternative raw materials and collection of recyclables from a variety of sources. • Engage with national and local government to influence policy and secure access to recyclable paper and plastic.
		8. Water supply Unreliable supply and deteriorating quality of water could lead to a loss of production and disease outbreaks.	• Reduction in water consumption is a key performance indicator and investment driver in manufacturing operations. • Mpact exceeded the target of reducing water consumption by 20% by 2020 against the baseline year of 2012.
		9. Public resistance to the use of plastics Public concern related to food safety and plastics pollution, especially concern over plastics in oceans, is increasing. There is a particular focus on single-use plastics and the GHG implications of plastics originating from oil. There is an increasing move internationally to reduce the use of plastics or drive recycling. This poses a risk to our FMCG and beverage bottle businesses. However, internationally focus on this issue decreased in 2019 due to the intense focus on Covid-19.	• Mpact is well structured to demonstrate circular economy principles by recycling both paper and plastics materials. • Cooperation between the paper and plastics businesses enhances vertical and cross integration to find the best packaging solutions for customers and consumers. • Mpact is generating customer and public awareness of our circular economy capabilities and focus. • Our Detpak business manufactures paper bags to replace plastic shopping bags. • The corrugated business is making cardboard trays to replace polystyrene in dry applications.

2019	2020	Underlying risk and its potential impact	Mitigation actions taken to limit impacts
		10. System failures Catastrophic systems failure, fires, floods, bad debts, ICT system failure and breaches of ICT security or plant perimeter security could lead to prolonged production and distribution interruptions, as well as increased costs of working and capital replacement costs.	• The Mpact Risk Control Standards provide guidelines to all operations on fire protection, security, emergency preparedness and environmental management. • Mpact adopts the best appropriate ICT security standards guided by a cyber-security consultant. • Business continuity plans are in place at various levels across the Group. • Debtors and bad debt provisions are managed and reviewed proactively.
		11. Critical plant equipment Major failure/breakdown of critical equipment could cause prolonged loss of production and increased costs. During the Covid Lockdown, this risk was exacerbated by the restriction on international travel that could have impacted on Mpact's ability to bring in international expertise to assist with breakdowns.	• Operations have formal planned maintenance programmes. • The Group also has machinery breakdown insurance cover on critical items of plant. • A programme of plant and equipment upgrades has improved overall reliability of equipment. • Travel restrictions due to Covid-19 have increased the uncertainty of accessing critical parts and expertise from international equipment suppliers.
		12. Reputational damage Damage to Mpact's reputation could arise from public perceptions regarding certain products, false news, or ethical issues arising within the Group. Elements contributing to this risk were considered under other risk reported in previous years.	• Mpact monitors public opinion regarding its products, particularly plastics. • Mpact has focused on incorporating circular economy principles in its business model and is the largest recycler in South Africa. • A comprehensive Code of Ethics guides ethical standards in Mpact. • The Group responds with accurate information to "false news" reports. • Sites that supply food contact packaging are certificated to international food safety standards. Mpact also operates a highly skilled and equipped food safety research laboratory. • Mpact works closely with industry bodies in the paper, plastics and recycling industries to ensure development and alignment with best practice.
		13. Safety in the workplace Injuries from workplace accidents could affect the wellbeing of employees and contractors leading to a loss of skills, reduced production, lower morale and reputational damage.	• Senior management demonstrates a primary focus on safety through the CEO's Safety Philosophy and SHE Policy. • Operational management reinforces this by ensuring effective safety standards and procedures are in place. • The Group drives safety through various physical, procedural and behavioural interventions and programmes. • Mpact has engaged Life EHS to provide a 24/7 call centre and counselling service to assist employees dealing with high-stress factors in their lives.

Very Good	Good	Satisfactory	Weak	Unsatisfactory	Increasing risk	Stable risk	Decreasing risk

OPPORTUNITIES

The Group continuously identifies and pursues growth and expansion opportunities to unlock and create value for its stakeholders. We remain open to investment opportunities in Southern Africa and further afield, provided they meet the Group's risk assessment requirements.


Our circular business model goes beyond us and our clients
mpact
smarter, sustainable solutions

REMUNERATION REPORT

In accordance with the requirements of King IV, the Remuneration Report is divided into three parts consisting of:

PART 1: A BACKGROUND STATEMENT

This section provides insight around how remuneration decisions were influenced by the performance of the Company.

PART 2: THE REMUNERATION POLICY

This section is forward-looking, providing an overview of our remuneration philosophy and the remuneration policy that will be applicable for 2021.

PART 3: THE IMPLEMENTATION REPORT

This section is backward-looking, focusing on executive remuneration and performance outcomes based on the remuneration policy for 2020.

PART 1: BACKGROUND STATEMENT

Mpact's remuneration policy has a direct impact on operational expenditure, company culture, employee behaviour and ultimately, with correct strategic alignment, on the Company's sustainability. As such it is clearly defined, monitored and managed to ensure sustained validity and effectiveness. Remuneration is a business issue, not only a human resources issue. In addition, given the growth potential for our business, we also need to ensure our reward practices are aligned with the delivery of desired results and value creation over time.

Responsibility for the remuneration policy rests with the Remuneration and Nomination Committee appointed annually by the Mpact Board of Directors. The committee has a dual role chaired by two chairmen as defined below:

	Remuneration Committee	Nomination Committee
Chairman	Ntombi Langa-Royds	Anthony John Phillips (Tony)
Members	Sibusiso Luthuli, Tim Ross, Maya Makanjee and Tony Philips	Sibusiso Luthuli, Tim Ross, Maya Makanjee and Ntombi Langa-Royds
Invitees	Bruce Strong, Brett Clark and Gina Robinson	
Independence	All committee members are Independent Non-executive Directors	All committee members are Independent Non-executive Directors
Role and function	The Remuneration Committee considers the remuneration policy of the Group with the assistance and guidance of independent experts, if required, and makes recommendations to the Board on all aspects of remuneration. The committee further ensures that the Executive Committee and Senior Management are fairly rewarded for their individual contributions to the Group's overall performance. The committee also considers bonuses, which are discretionary and based upon general economic variables, the performance of the Group and the individual's performance, share options and certain other employee benefits and schemes. No remuneration of any nature shall be paid, increased or varied to any Director without the prior approval of the members of the committee.	The Nomination Committee is guided by the Board Policy and Procedure document that intends to guide the order, fairness and consistent conduct of the nomination and election process of members of the Board. The committee is also governed by a charter that further outlines its mandate in its role in assisting the Board and ensuring that the Board has the appropriate composition for it to execute its duties effectively.

	Remuneration Committee	Nomination Committee
Responsibilities	• Assisting the Board by setting and administering remuneration policies in the Group's long-term interests, and ensuring, through an ongoing review of the remuneration policy for both appropriateness and relevance, the Group remunerates fairly and responsibly. • Being especially concerned with and providing recommendations regarding the remuneration of both Executive and Non-executive Directors, and giving due regard to any relevant legal requirements. • Determining, within the terms of the agreed policy, the total individual remuneration package of the Executive Committee and Senior Management and any other executive whose total remuneration is comparable to, or higher than, that of an Executive Committee member. • Ensuring that individuals are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to Mpact's success. • Approving the design of and determining targets for any performance-related pay schemes in which the Executive Committee management and other members of the senior management population participate. • Determining the design of and targets for such schemes by taking into account all factors it deems necessary, including performance-related pay schemes, and regularly reviewing incentive schemes to ensure the continued contribution to shareholder value. • Reviewing the design of all executive and all employee share plans for approval by the Board and shareholders. • Being responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the committee. • Ensuring, in determining remuneration policy, specifically the contractual terms on termination of the Executive Committee, and any payments made, are fair to the individual and Mpact.	• Regularly reviewing the structure, size, skills, knowledge, experience and diversity required of the Board and making recommendations to the Board with regard to any changes that are appropriate. • Identifying and evaluating suitable potential candidates for appointment to the Board and recommending the same to the Board, which may then appoint such candidate in accordance with the MOI. • Giving full consideration to succession planning and management development for the Board and Executive Committee, taking into account the challenges and opportunities facing Mpact and the skills and expertise needed by Mpact in the future. • Recommending to the Board the re-appointment of any Non-executive Directors at the conclusion of their specified term of office, having given due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required.
Assurance	The committee is governed by a formal Terms of Reference. The committee has confirmed that they were diligent in exercising their duties of care and skill and they have taken reasonable steps to ensure that their duties were performed in accordance with their mandate.	

PART 1: BACKGROUND STATEMENT CONTINUED

ACTIVITIES UNDERTAKEN BY THE COMMITTEE DURING THE YEAR

During the year under review, the mandate for wage negotiations was recommended to the Board. The committee oversaw the activities of the Mpact Incentive Scheme Trust on behalf of the Board and reviewed the financial aspects of the Trust Financials to ensure Mpact governance standards were adhered to. The committee reviewed and recommended the 2020 share awards and vesting shares for the shares awarded in 2017 to the Board for all share participants.

BDO Corporate Finance Proprietary Limited was appointed to verify the number of shares vested in respect of the awards granted to the executives and senior management of the Company in 2017 in terms of Mpact's Bonus Share Plan (BSP) and Performance Share Plan (PSP). The results confirmed that the number of shares vested were in line with the Company records.

The appointment of a Lead Independent Director (LID) was considered and it was agreed that since the Chair was an Independent Non-executive, and the role of the CEO and the Chairperson were held separately, appointing a LID was not necessary.

The Executive Committee and senior management succession planning was reviewed during the period under review. The committee also reviewed the remuneration packages and structure of executives to ensure that they are competitive in the relevant market and are aligned with shareholders' interest as well as with the Group's strategy. The KPAs, as well as the bonus achievements for the Executive Committee were considered. The executive leadership development programme was reviewed which is set to empower executives with management expertise and cross functional perspective to drive performance across domains, industries and borders.

The committee reviewed and monitored progress on the Mpact talent management strategy making sure that it continues to achieve its objective of building a sustainable leadership pipeline and skills pool, ensuring that the right individuals with the right mix of technical and leadership skills are occupying key roles, ensuring that previously disadvantaged individuals were available to be employed at every level and ensuring the retention of critical skills and talent by recognising and rewarding individuals who perform consistently. Adequate training of employees was a continued focus area.

The committee considered the salary increases for the year under review, taking the economic conditions and Group performance into consideration.

The recommendations from shareholders received by the Board subsequent to the Annual General Meeting were considered by the committee. Those recommendations were reviewed and addressed accordingly by the Board at the recommendation of the committee. The remuneration policy and implementation report were tabled for a separate non-binding advisory votes by shareholders at the AGM, and the results are as outlined below.

The remuneration policy and the remuneration implementation report were voted against by more than 25% of Mpact's shareholders present at the AGM held on 4 June 2020 ("dissenting shareholders"). The results are indicated in the table below:

Percentage of "Yes" votes	4 June 2020	6 June 2019
Non-binding advisory vote on remuneration policy	72.41%	99.36%
Non-binding vote on implementation of remuneration policy	44.11%	99.94%

SHAREHOLDER CONSULTATIONS

The Board invited those dissenting shareholders to engage with the Company by forwarding their concerns/questions on the remuneration policy and the remuneration implementation report to the Company. Following the responses received from the dissenting shareholders, appropriate engagements were held with various shareholders as follows:

Shareholder	Method of engagement
• Aeon Investment Management	Meeting
• Afena Capital	Meeting
• Allan Gray	Meeting and email
• Bateleur Capital	Meeting
• Old Mutual Investment Group	Meeting
• Prudential Portfolio Managers	Meeting
• Visio Capital	Meeting
• Public Investment Corporation	Meeting

The concerns raised and the responses from Mpact were as follows:

Area	Issue	Response from Mpact
Malus and Clawback	• Mpact does not have malus and clawback provisions.	A malus and clawback policy has been implemented from 2021 and is included in the remuneration policy.
Short-term incentives (STI) and Long-term incentives (LTI)	• The relationship between STI and LTI targets and their respective weightings was not clearly articulated.	STI and LTI targets are now clearly articulated. Refer page 87.
	• The constituents of the peers used for the Total Shareholder Return (TSR) calculation was not provided and the packaging index is too narrow to be relevant. Growth in Headline Earnings Per Share (HEPS) was considered more appropriate.	For the 2020 and 2021 LTI awards, the performance criteria were changed to include HEPS growth instead of TSR.
	• More clarity is required on how the losses and write-downs from the Mpact Polymer project affected STI and LTI.	Losses in Mpact Polymers negatively affected STI targets achieved. As a result, financial targets achieved averaged 44% of maximum between 2016 and 2019. On average 13% of the value of 2015, 2016 and 2017 LTI vested. Losses and write-downs from the Mpact Polymers project were the primary reason for the low LTI vesting.
Governance	• No disclosure on how Remuneration Committee members and invitees recuse themselves when there is a conflict identified.	Declaration of conflict of interest is a standing item on the agendas of the Board and committee meetings, including the committee members, and invitees inform the Group Company Secretary on any conflicts before the meeting, and recuse themselves when there is a conflict identified at the meeting.
	• No information on how Non-executive Directors fees are benchmarked.	Non-executive Directors' fees are benchmarked against similar-sized companies listed on the Johannesburg Stock Exchange (JSE) using the IOD benchmarking recommended practices.

PART 1: BACKGROUND STATEMENT CONTINUED

KEY AREAS OF FOCUS FOR THE COMING YEAR

The committee has identified the following areas as a key focus for the coming year:

- Identify, develop and retain a skilled and knowledgeable work force.
- Attract the best new talent while addressing the Group's race and gender profile.
- Ensure that a logical pay scale with pay levels that ensure that the Company is able to remain competitive during the uncertainties of Covid-19, is well managed and maintained.
- Create an environment for all employees to develop themselves through structured development centres by measuring the achievement of set objectives in the talent management strategy.
- Relevant and meaningful internal and external development programmes.
- Engagement with employees at all levels.
- Succession planning for the Board and executives.
- Establish KPI's for ESG measurables.

PART 2: REMUNERATION POLICY

OBJECTIVES OF THE POLICY

The objectives of the remuneration policy are to enable the business to:

- Provide a framework to fairly and responsibly reward all employees based on their experience, skillset and company contribution;
- Within reasonable parameters and based on the Company's operational requirements:
  – retain competent employees who enhance business performance;
  – reward, recognise and confer appreciation for superior performance; and
  – recruit high-performing, skilled individuals from a shrinking pool of talent.
- Establish a remuneration philosophy that:
  – directs employees' energies and activities towards key business goals; and
  – achieves the most effective returns (employee productivity) for total employee spend.

To achieve this, Mpact rewards its employees in a way that reflects the dynamics of the market and the context in which it operates. All components of this remuneration policy, including the fixed pay and variable pay for performance, are aligned to the strategic direction of the business and business-specific value drivers.

The remuneration policy will be subject to a non-binding advisory vote by shareholders at the AGM on 3 June 2021.

KEY PRINCIPLES

The remuneration policy has been set with the objective of attracting, motivating and retaining experienced and high calibre directors, managers and employees in a manner that is consistent with best practice and aligned with the interests of Mpact's shareholders.

The remuneration policy for employees is framed around the following key principles:

- Remuneration packages should be set at levels that are competitive in the relevant market.
- The structure of remuneration packages and, in particular, the design of performance-based remuneration schemes, should be aligned with shareholders' interests and should support the achievement of our business strategy and the management of risk.
- A significant proportion of the remuneration of Executive Committee members should be performance-based.
- The performance-based element of remuneration should be appropriately balanced between the achievement of short-term objectives and longer-term objectives.
- The remuneration of Executive Committee members and senior management should be set taking appropriate account of remuneration and employment conditions elsewhere in the Group.

TOTAL REMUNERATION OF EXECUTIVE MANAGEMENT

The total remuneration of the executive management comprises the following:

- guaranteed pay; and
- variable pay for performance comprising:
  – short-term incentives (STI); and
  – long-term incentives (LTI).

The Company's targeted pay mix aims to align the incentives of employees with the interests of shareholders. The targeted pay mix is set out on page 84.

GUARANTEED PAY

Mpact aims to establish and maintain a logical pay scale with pay levels that ensure that the Company is able to remain competitive, while managing costs.

Guaranteed pay is expressed in terms of total guaranteed cost of employment (TGCOE) which consists of basic salary, travel allowance, medical scheme contributions and retirement funding contributions.

ANNUAL TGCOE REVIEW

The TGCOE for employees is reviewed annually, normally with effect from 1 January. Factors taken into consideration during the review include business performance and the individual's performance, contribution and experience in the role. General affordability and the Company's general financial position and operational requirements will play an important role in salary reviews.

In respect of senior management employees, the Company periodically benchmarks its remuneration practices and policy using reputable management reward surveys conducted independently. The benchmark used is the median total guaranteed cost of employment for similar positions in similarly sized listed companies.

MEDICAL AID

Medical aid benefits are offered through the Anglo Medical Scheme (AMS), administered by Discovery. AMS is a restricted medical scheme. The scheme offers three plans aimed at addressing the healthcare needs of its members. The plans include; Managed Care a top tier plan comprising comprehensive unlimited cover for hospitalisation and most non-discretionary healthcare services; Standard Care Plan a traditional medical plan with defined benefits; and Value Care Plan an option which provides primary healthcare through a national network of Prime Cure facilities and providers.

RETIREMENT FUND

Retirement and risk benefits are provided through the Mondi Mpact Group Fund (MMGF) which has both a Pension and Provident section. The employer contributes to the Provident Section and the employee contributes to either the Provident section or the Pension section. The MMGF has three investment categories, Moderate, Dynamic and Conservative Portfolios.

VARIABLE PAY

SHORT-TERM INCENTIVES (STI)

The annual STI award is based on a combination of financial and non-financial performance criteria for the year ended 31 December and is usually paid in full in March the following year.

The maximum potential for the STI, expressed as a percentage of TGCOE, and for each key performance indicator (KPI) for the 2021 financial year are indicated in the table below:

Short-term incentives	Maximum achievable as a % of TGCOE	
Key performance indicator	CEO and CFO	Other prescribed officers
Financial	48.0%	48.0%
ROCE[1]	20.0%	4.0%
EBITDA[2]	28.0%	28.0%
Trade working capital[3]		16.0%
Non-financial	32.0%	32.0%
Safety	8.0%	8.0%
Individual	24.0%	24.0%
Total	80.0%	80.0%

[1] *ROCE: actual underlying EBIT plus actual share of profit from associated companies divided by average actual capital employed.*
[2] *EBITDA: actual for the year before special items.*
[3] *Trade working capital: actual as a percentage of revenue, measured in June and December.*

LONG-TERM INCENTIVES (LTI)

In order to attract, retain, motivate and reward executives and senior managers who are able to influence the performance of the Group on a basis which aligns their interests with those of shareholders, the Company operates the Mpact share plan, which has been approved by shareholders.

The Mpact share plan provides for the inclusion of a number of performance conditions, designed to align the interests of the participants with those of shareholders, and to reward Group and individual performance.

Under the Mpact share plan eligible employees may be offered annually, in Mpact's sole discretion, an incentive which comprises of a weighted combination of:

- grants of bonus shares (BSP);
- awards of performance shares (PSP); and
- allocations of share appreciation rights (SARS). The Company has not allocated any SARS to employees since 2011.

The combined, weighted implementation of the above share plan elements allows Mpact to be competitive in annual and share based incentives, rewards long-term sustainable Company performance, acts as a retention tool, and ensures that Executive Committee members and senior managers share a significant level of personal risk with the Company's shareholders.

A description of each of the LTIs is set out below.

<table>
<tr><th>Plan</th><th>Description</th><th>Awards</th><th>Vesting period</th><th>Vesting criteria</th></tr>
<tr><td>Bonus share plan (BSP)</td><td>On an annual basis, eligible employees may receive a grant of bonus shares, the face value of which is proportionate to the STI accruing to the employee.

Participants in the bonus share plan do not receive dividends declared by the Group. A single cash payment is made after the three-year vesting period equivalent to the dividend payment forfeited during the holding period on the number of bonus shares granted.</td><td>The maximum face value of the grant is proportionate to the actual STI accruing to the employee in the previous year.
<table><tr><th>Level</th><th>Maximum face value of award as a % TGCOE</th></tr><tr><td>CEO</td><td>45%</td></tr><tr><td>CFO</td><td>45%</td></tr><tr><td>PO</td><td>45%</td></tr></table></td><td>All bonus shares will vest after three years conditional on continued employment for the three-year period.</td><td>Continued employment</td></tr>
</table>

Plan

Performance share plan (PSP)

Description

Annual conditional awards of performance shares may be made to Directors and prescribed officers. The award face value is proportionate to the employees' TGCOE. The award face value is proportionate to the employees' TGCOE. The Remuneration Committee determines the performance criteria for each award.

Awards

Level	Expected value of award as % of TGCOE	Face value of award as % of TGCOE
CEO	100%	133%
CFO	75%	100%
PO	75%	100%

Vesting period

Performance shares will vest on the third anniversary of their award, to the extent that the Company has met specified performance criteria over the three-year performance period. The reference period will be the financial year preceding the award date.

Any performance shares which do not vest at the end of the three-year period will lapse and employees will forfeit any rights to the performance shares.

Vesting criteria

For all awards made from the beginning of 2020 the following performance criteria apply:

Metric	Weight	Threshold 30% vesting	Maximum 100% vesting
HEPS growth	50%	Mpact HEPS for the final year of the performance period (Final HEPS) is equal to that of the reference period (Reference HEPS)	Mpact Final HEPS must be higher than the Reference HEPS by a factor of CPI plus GDP growth over the performance period plus 5%
ROCE	50%	10%	15%

If Final HEPS is below the 30% vesting threshold, then 0% will vest. If Final HEPS falls between the threshold and maximum vesting the actual vesting proportion will be determined using linear interpolation.

ROCE achievement is calculated using the average underlying EBIT and capital employed over the performance period.

The following performance criteria apply to PSP awards made in 2018 and 2019:

Metric	Weight	Threshold 30% vesting	Stretch 62.5% vesting	Maximum 100% vesting
TSR	50%	Mpact TSR equals 80% of TSR average of JSE packaging index	Mpact TSR equals 100% of TSR average of JSE packaging index	Mpact TSR equals 120% of TSR average of JSE packaging index
ROCE	50%	10%	12.3%	15%

The JSE packaging index comprise of the following companies:

Astrapak (de-listed on 15 December 2017); Bowler Metcalf, Nampak and Transpaco.

PART 2: REMUNERATION POLICY CONTINUED

Plan	Description	Awards	Vesting period	Vesting criteria
Share appreciation rights (SARS)	Annual allocations of share appreciation rights may be made to eligible employees.	The Company has not allocated any SARS to employees since 2011.	The share allocations may be available to be settled in equal thirds on the third, fourth and fifth anniversaries (alternatively all on the third anniversary) but need not be exercised until the sixth anniversary, at which time they must be exercised or they will lapse.	The Company has not allocated any SARS to employees since 2011.

Maximum achievable for STI and maximum face value of awards for BSP and PSP as %TGCOE

The following tables summarise the weighting of key performance indicators and maximum potential awards for STIs and LTIs.

Chief Executive Officer

	% TGCOE			
	Short-term incentive (STI)	Bonus shares (BSP)	Performance shares (PSP)	
Key performance indicator	Paid in cash annually	Vesting after three years subject to continued employment	Vesting after three years subject to performance criteria	Total
ROCE[1]	20.0%	11.2%		31.2%
ROCE[2]			66.5%	66.5%
HEPS growth[3]			66.5%	66.5%
EBITDA[4]	28.0%	15.8%		43.8%
Non-financial	32.0%	18.0%		50.0%
Safety	8.0%	4.0%		12.0%
Individual	24.0%	14.0%		38.0%
Total	80.0%	45.0%	133%	258%

Chief Financial Officer

Key performance indicator	% TGCOE: Short-term incentive (STI) – Paid in cash annually	Bonus shares (BSP) – Vesting after three years subject to continued employment	Performance shares (PSP) – Vesting after three years subject to performance criteria	Total
ROCE[1]	20.0%	11.2%		31.2%
ROCE[2]			50.0%	50.0%
HEPS growth[3]			50.0%	50.0%
EBITDA[4]	28.0%	15.8%		43.8%
Non-financial	32.0%	18.0%		50.0%
Safety	8.0%	4.0%		12.0%
Individual	24.0%	14.0%		38.0%
Total	80.0%	45.0%	100%	225%

[1] *ROCE: actual underlying EBIT plus actual share of profit from associated companies divided by average actual capital employed for the year.*
[2] *ROCE: three-year actual average return on capital employed.*
[3] *Mpact's HEPS for the final year of the performance period must be higher to that of the financial year preceding the award date by a factor of CPI growth plus GDP growth over the performance period plus 5%.*
[4] *EBITDA: actual for the year before special items.*

Prescribed officers

Key performance indicator	% TGCOE: Short-term incentive (STI) – Paid in cash annually	Bonus shares (BSP) – Vesting after three years subject to continued employment	Performance shares (PSP) – Vesting after three years subject to performance criteria	Total
ROCE[1]	4.0%	2.2%		6.2%
ROCE[2]			50.0%	50.0%
HEPS growth[3]			50.0%	50.0%
Trade working capital % revenue	16.0%	9.0%		25%
EBITDA[4]	28.0%	15.8%		43.8%
Non-financial	32.0%	18.0%		50.0%
Safety	8.0%	4.0%		12.0%
Individual	24.0%	14.0%		38.0%
Total	80.0%	45.0%	100%	225%

[1] *ROCE: actual underlying EBIT plus actual share of profit from associated companies divided by average actual capital employed for the year.*
[2] *ROCE: three-year actual average return on capital employed.*
[3] *Mpact's HEPS for the final year of the performance period must be higher to that of the financial year preceding the award date by a factor of CPI growth plus GDP growth over the performance period plus 5%.*
[4] *EBITDA: actual for the year before special items.*

PART 2: REMUNERATION POLICY CONTINUED

PAY MIX

Using the components of total remuneration described previously the following graphs and tables illustrate the potential outcomes between minimum and maximum for the CEO, CFO and prescribed officers.

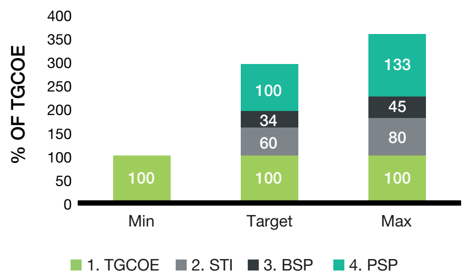
The face value of LTI awards is determined as a proportion of an employee's TGCOE. The number of shares conditionally awarded is based on the face value of the award divided by the volume weighted average share price (VWAP) of Mpact Limited for the 15 trading days following the release of Mpact's year-end results. The proportion of shares ultimately vesting is dependent on the level of achievement of the performance criteria over the vesting period which can range from 0% to 100%. The value at vesting will be the number of shares vested multiplied by the share price at vesting.

The pay-mix indicated in the charts on the right depicts the minimum, maximum and target remuneration expressed as a percentage of TGCOE.

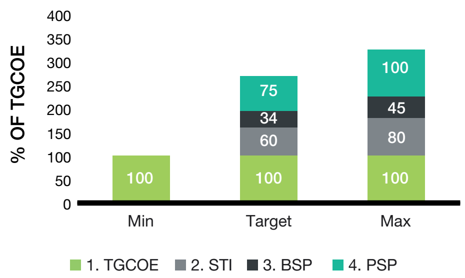
The charts show PSP and BSP awards separately. Dividends received on BSP are however not indicated since the actual dividends received vary based on actual dividend declarations in each year.

When comparing the pay-mix range shown to actual remuneration outcomes in the single figure reporting under Part 3, it should be noted that these figures are based on the face value at award whereas the single figure reporting includes actual value at vesting for the PSP and BSP awards which reflects the share price at that time.

CEO



CFO



EXECUTIVE DIRECTORS' AND PRESCRIBED OFFICERS' POLICY ON LOSS OF OFFICE AND EXISTING SERVICE CONTRACTS

SERVICE CONTRACTS FOR NEW APPOINTMENTS

Executive Directors' service contracts provide for a maximum of six months' notice by either party. Employment contracts for senior management provide for a maximum of three months' notice by either party. Service contracts for senior executives contain pay in lieu of notice provisions which may be invoked at the discretion of the committee if the Company terminates the service contract. No discretionary incentives are paid to any employees where such employees are at fault/bad leavers.

Where appropriate, new appointments will be required to sign restraint of trade agreements on engagement.

EXISTING SERVICE CONTRACTS

Notice periods for executive management who served during the period under review are indicated in the table below:

Role	Notice period
CEO	Twelve months
CFO	Three months
PO	Between three and six months

In the event of termination of employment, no executive managers have special termination benefits or balloon payment provisions in their employment contracts.

Upon termination of employment, the Company may elect to make payment in lieu of notice.

Where a member of executive management has acquired an unconditional contractual right to remuneration and/or a specific incentive, it will be paid out on termination of employment. The payment of discretionary benefits will be considered on a case-by-case basis, in Mpact's discretion and in accordance with the rules applicable to the incentive concerned. Furthermore, it is noted that no discretionary incentives are paid to any employees where such employees are at fault/bad leavers.

MALUS AND CLAWBACK

The Group has finalised a pre-vesting forfeiture (malus) and post vesting recovery (clawback) policy which will apply to all vested and unvested STI and LTI amounts relating to Executive Directors, prescribed officers and senior managers. The malus and clawback policy will apply to awards made on or after 1 March 2021.

The malus and clawback policy can be applied if there has been a material misstatement of the Company's financial results, as a result of material non-compliance with financial reporting requirements or there has been a contravention of laws, in each case, that had the effect that awards were larger than they would have been had such errors not been made. The policy is applicable to employees who acted negligently and/or fraudulently in causing the restatement or contravention to arise, as the case may be.

NON-EXECUTIVE DIRECTORS' FEES

The fee structure for Non-executive Directors was designed to ensure that we attract, retain and appropriately compensate a diverse and experienced Board of Non-executive Directors. Non-executive Directors' fees are benchmarked against companies listed on the JSE which have a similar size, complexity and scope to the Company. The fees are set exclusive of any VAT.

Due to the impact of Covid-19 on the business and the ongoing uncertainty, the Non-executive Directors will not receive an increase in fees for 2021.

FAIR AND RESPONSIBLE REMUNERATION

King IV™ emphasises executive remuneration which is fair and responsible "in context of the overall employee remuneration" and part of this responsibility is addressing the gap between the remuneration of executives and the employees at the lower end of the pay scale. The committee regards this as an important objective. Steps taken include:

- Lower mandated increase for executives compared to employees at the lower end of the pay scale.
- Ensuring total remuneration for executives comprises a higher variable pay based on performance.

VOTING STATEMENTS (NON-BINDING ADVISORY VOTE ON THE REMUNERATION POLICY)

This remuneration policy is subject to an advisory vote by shareholders at the AGM on 3 June 2021. Shareholders are requested to cast a non-binding advisory vote on Part 2 of this remuneration report, as it appears above.

PART 3: IMPLEMENTATION REPORT

IMPACT OF COVID-19 LOCKDOWN

In response to the uncertainty about the Company's financial position at the beginning of the Covid-19 lockdown, Mpact announced several measures to reduce costs, including a salary sacrifice by members of the Executive Committee. In this regard, members of the Executive Committee took sacrifices of between 10% and 50% per month for two months. In addition, each of the Executive Committee members took between 4 and 6 days' of solidarity annual leave during April and May 2020, despite still working.

In accordance with applicable regulations, Mpact successfully applied for Covid-19 Temporary Employer/Employee Relief Scheme (TERS) benefits for affected employees, which have been paid out accordingly. TERS benefits of R15.8 million were received and distributed to employees either by way of payments or annual leave credits, in line with TERS benefit guide. No TERS benefits were paid in respect of the Executive Committee members.

GUARANTEED PACKAGE APPROVED

The average approved annual TGCOE increase for the executive management was 5.0% effective 1 January 2021 (2019: 5.5%) compared to the mandated increase granted to other employees of between 5.5% and 6.0% on average (2019: between 5.5% and 6.5% on average).

TGOCE approved	2020	2019	% increase
Executive Directors			
BW Strong	**5,814,677**	5,537,788	5.0%
BDV Clark	**4,419,884**	4,209,413	5.0%
Prescribed officers			
HM Thompson	**4,774,901**	4,547,525	5.0%
JW Hunt[1]	**3,522,857**	3,136,291	12.3%
N Naidoo	**3,747,314**	3,568,870	5.0%
CM Botha[2]	**2,500,000**	–	–

[1] JW Hunt received an additional increase during 2019 due to additional business responsibilities. This has resulted in a higher increase of 12.3% when compared to the 2019 financial year.

[2] CM Botha was appointed Managing Director of the Paper Converting business with effect from 1 May 2020.

GUARANTEED PACKAGE PAID AFTER COVID-19 SALARY SACRIFICES

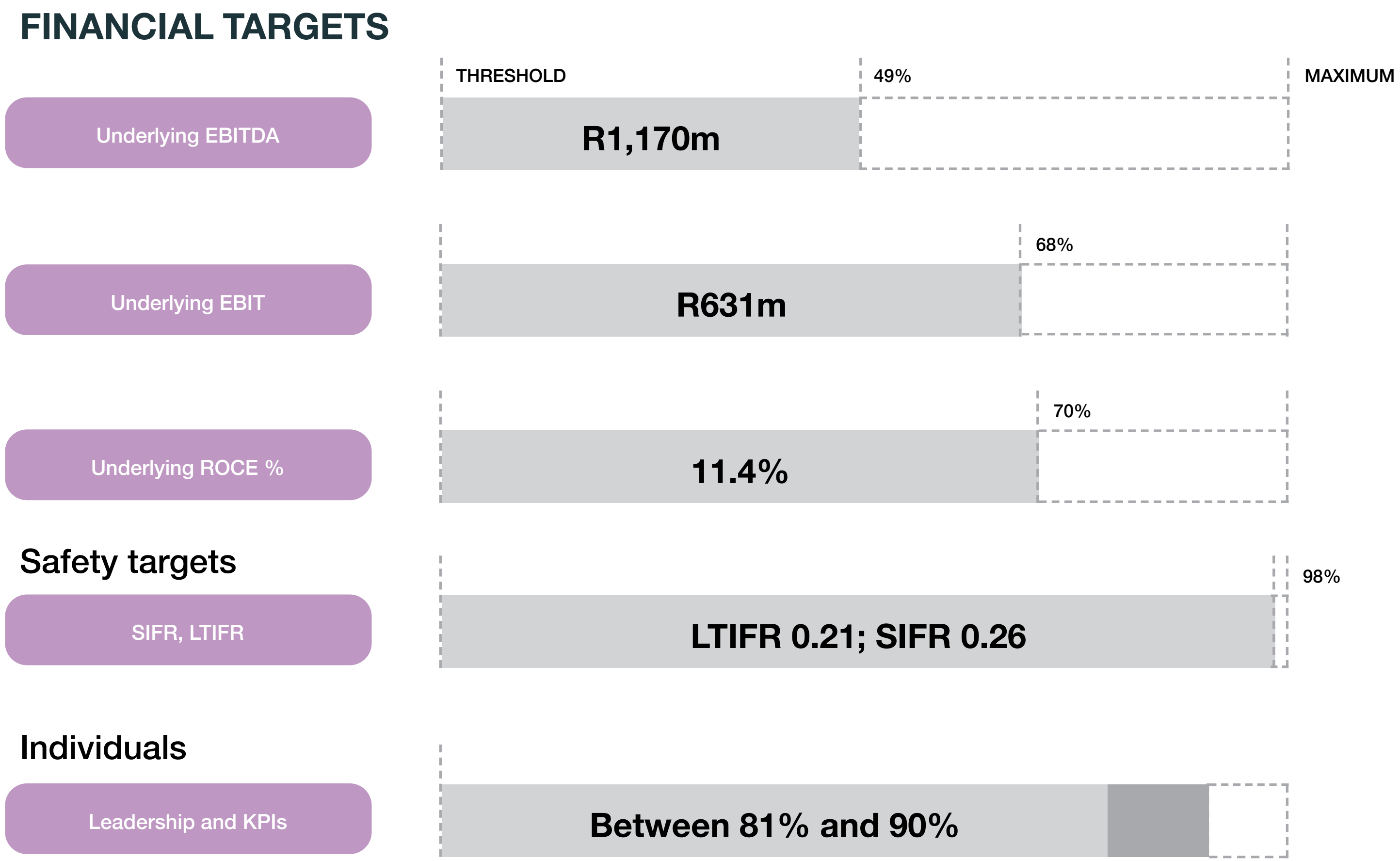
The table below sets out the TGCOE paid after taking into account the salary sacrifice.

TGCOE actual	2020	2019	% increase
Executive Directors			
BW Strong	**5,330,120**	5,537,788	(3.75%)
BDV Clark	**4,346,219**	4,209,413	3.25%
Prescribed officers			
HM Thompson	**4,695,319**	4,547,525	3.25%
JW Hunt	**3,341,354**	3,136,291	6.54%
N Naidoo	**3,684,859**	3,568,870	3.25%
CM Botha[2]	**2,437,500**	–	–
J Stumpf	**365,560**	4,177,834	–

[2] CM Botha was appointed Managing Director of the Paper Converting business with effect from 1 May 2020.

2020 SHORT-TERM INCENTIVE BONUS ACHIEVEMENTS

For the year ended 31 December 2020, the annual bonus performance outcome was as follows:



2020 LONG-TERM INCENTIVES ACHIEVEMENTS

BONUS SHARE PLAN

Bonus shares granted in 2017 were released to participants still employed by Mpact at the vesting date which was 31 March 2020.

PERFORMANCE SHARE PLAN

The level of achievement against the performance criteria for the performance shares awarded in 2017, based on three years' financial performance to the year ended 31 December 2020, was as follows:

PERFORMANCE CRITERIA ACHIEVEMENTS

TSR achievement during the performance period was measured against three companies in the JSE Packaging Index, namely Nampak, Bowler Metcalf and Transpaco, whose aggregated TSR was negative 10.6% compared to Mpact's TSR of negative 10.5%. Therefore, 64.2% of this performance condition was met.

Mpact's three-year average ROCE for the performance period was 12.3%.

EXECUTIVE DIRECTORS' FIVE-YEAR REMUNERATION, STI AND LTI

Chief Executive Officer

R's			LTI – BSP			LTI – PSP		
Year	TGCOE	STI	Face value at grant date	Realised value at vesting date	Gain/(loss)	Face value at award date	Realised value at vesting date	Gain/(loss)
2016	4,738,727	1,480,757	925,473	251,873	(673,600)	4,264,854	463,726	(3,801,128)
2017	5,023,050	1,092,212	682,633	327,262	(355,371)	6,697,400	476,284	(6,221,116)
2018	5,249,088	3,493,793	1,965,258			6,998,608	2 ,120,795	(4,877,813)
2019	5,537,788	3,340,394	1,878,971			7,383,532		
2020	5,330,120	3,053,093	1,717,365			7,752,708		

Chief Financial Officer

R's			LTI – BSP			LTI – PSP		
Year	TGCOE	STI	Face value at grant date	Realised value at vesting date	Gain/(loss)	Face value at award date	Realised value at vesting date	Gain/(loss)
2016	3,602,026	1,148,902	718,064	195,425	(522,639)	1,945,094	211,493	(1,733,601)
2017	818,148	846,713	529,196	253,704	(275,491)	3,818,148	271,528	(3,546,620)
2018	3,989,965	2,662,104	1,497,434			3,989,965	1,209,091	(2,780,874)
2019	4,209,413	2,589,631	1,456,667			4,209,413		
2020	4,346,219	2,465,175	1,386,661			4,419,883		

PART 3: IMPLEMENTATION REPORT CONTINUED

REMUNERATION OF EXECUTIVE DIRECTORS AND PRESCRIBED OFFICERS

EXECUTIVE DIRECTORS AND PRESCRIBED OFFICERS

31 December 2020

R's	Guaranteed package (TGCOE)[1]	Short-term incentive bonus[2]	Other[3]	Cash-based remuneration	Grant value of bonus shares awarded[4]	Intrinsic value of performance shares vesting in March 2021[5]	Total remuneration
Executive Directors							
BW Strong	5,330,120	3,053,093	72,349	8,455,562	1,717,365	2,120,798	12,293,725
BDV Clark	4,346,219	2,465,175	50,307	6,861,701	1,386,661	1,209,087	9,457,449
Total	9,676,339	5,518,268	122,656	15,317,263	3,104,026	3,329,885	21,751,174
Prescribed officers							
HM Thompson	4,695,319	2,839,729	53,612	7,588,660	1,597,348	1,306,202	10,492,210
JW Hunt	3,341,354	1,991,447	35,715	5,368,516	1,120,189	837,998	7,326,703
N Naidoo	3,684,859	1,866,013	41,323	5,592,195	1,049,632	1,025,101	7,666,928
CM Botha[6]	2,437,501	1,419,601	–	3,857,102	798,525	–	4,655,627
J Stumpf[7]	365,560	–	–	365,560	–	–	365,560
Total	14,524,593	8,116,790	130,650	22,712,033	4,565,694	3,169,301	30,507,028

1 *Guaranteed package (TGCOE) paid for the 12 months of the financial year.*
2 *Short-term incentive (STI) earned on 2020 performance, to be paid in March 2021.*
3 *Other cash benefits include dividend equivalent bonus based on actual bonus shares that vested in March 2020 and other cash benefits.*
4 *Value of the bonus shares to be granted (56.25% of STI) on 1 April 2021 based on 2020 performance and vesting in March 2024.*
5 *Intrinsic value is calculated by taking the number of PSP shares expected to vest in March 2021 based on performance over the three-year period ended 31 December 2020, multiplied by the closing Mpact share price at 31 December 2020.*
6 *CM Botha was appointed Managing Director of the Paper Converting business with effect from 1 May 2020.*
7 *J Stumpf resigned on 31 January 2020.*

EXECUTIVE DIRECTORS AND PRESCRIBED OFFICERS

31 December 2019

R's	Guaranteed package (TGCOE)[1]	Short-term incentive bonus[2]	Other[3]	Cash-based remuneration	Grant value of bonus shares awarded[4]	Intrinsic value of performance shares vesting in March 2020[5]	Total remuneration
Executive Directors							
BW Strong	5,537,788	3,340,394	90,033	8,968,215	1,878,971	878,286	11,725,472
BDV Clark	4,209,413	2,589,631	67,620	6,866,664	1,456,667	500,707	8,824,038
Total	**9,747,201**	**5,930,025**	**157,653**	**15,834,879**	**3,335,638**	**1,378,993**	**20,549,510**
Prescribed officers							
RP von Veh[6]	1,525,243	-	1,018,918	2,544,161	-	544,278	3,088,439
HM Thompson	4,547,525	2,772,171	71,988	7,391,684	1,559,346	540,925	9,491,955
JW Hunt	3,136,291	1,891,811	56,523	5,084,625	1,064,144	347,032	6,495,801
N Naidoo	3,568,870	2,084,220	57,019	5,710,109	1,172,374	424,514	7,306,997
J Stumpf[7]	4,177,834	-	16,114	4,193,948	-	-	4,193,948
Total	**16,955,763**	**6,748,202**	**1,220,562**	**24,924,527**	**3,795,864**	**1,856,749**	**30,577,140**

1 *Guaranteed package (TGCOE) paid for the 12 months of the financial year.*
2 *Short-term incentive (STI) earned on 2019 performance, to be paid in March 2020.*
3 *Other cash benefits include dividend equivalent bonus based on actual bonus shares that vested in March 2019 and other cash benefits.*
4 *Value of the bonus shares to be granted (56.25% of STI) on 1 April 2020 based on 2019 performance and vesting in March 2023.*
5 *Intrinsic value is calculated by taking the number of PSP shares expected to vest in March 2020 based on performance over the three-year period ended 31 December 2019, multiplied by the closing Mpact share price at 31 December 2019.*
6 *RP von Veh resigned from Mpact on 20 April 2019.*
7 *J Stumpf resigned from Mpact on 31 January 2020.*

PART 3: IMPLEMENTATION REPORT CONTINUED

NUMBER AND MARKET VALUE OF SHARE AWARDS GRANTED TO EXECUTIVE DIRECTORS AND PRESCRIBED OFFICERS

The following tables set out the number and market value of share awards granted, exercised and lapsed to the Executive Directors and prescribed officers during the year:

2020 – EXECUTIVE DIRECTORS

BW Strong

Number of shares

Type of awards[1,2]	Date of award/grant	Release date	Number of shares awarded/granted in prior years	Number of shares awarded/granted during the year	Number of shares vested during the year	Number of shares lapsed or expected to lapse at vesting	Number of shares as at 31 December 2020
BSP	Apr 17	Mar 20	31,172	–	31,172	–	–
PSP	Apr 17	Mar 20	225,585	–	58,945	166,640	–
BSP	Apr 18	Mar 21	23,629	–	–	–	23,629
PSP	Apr 18	Mar 21	242,250	–	–	89,124	153,126
BSP	Apr 19	Mar 22	83,806	–	–	–	83,806
PSP	Apr 19	Mar 22	314,862	–	–	154,282	160,580
BSP	Apr 20	Mar 23	–	178,609	–	–	178,609
PSP	Apr 20	Mar 23	–	736,949	–	73,695	663,254
Total number of shares			921,304	915,558	90,117	483,741	1,263,004

Value of shares (R's)

Type of awards[1,2]	Date of award/grant	Award/grant price (cents)[9]	Face value of shares awarded/granted in prior years[3]	Face value of shares awarded/granted during year[4]	Cumulative effects of share price movement gain/(loss)[5]	Value of shares vested during year[6]	Value of shares lapsed or expected to lapse at vesting	Market value of shares at 31 December 2020[7]
BSP	Apr 17	2,969	925,497	–	(673,624)	251,873	–	–
PSP	Apr 17	2,969	6,697,619	–	(4,874,870)	476,281	1,346,468	–
BSP	Apr 18	2,889	682,642	–	(355,380)	–	–	327,262
PSP	Apr 18	2,889	6,998,603	–	(3,643,440)	–	1,234,364	2,120,799
BSP	Apr 19	2,345	1,965,251	–	(804,538)	–	–	1,160,713
PSP	Apr 19	2,345	7,383,514	–	(3,022,675)	–	2,136,811[8]	2,224,028
BSP	Apr 20	1,052		1,878,967	594,768	–	–	2,473,735
PSP	Apr 20	1,052		7,752,703	2,454,040	–	1,020,674[8]	9,186,069
Total market value of shares			24,653,126	9,631,670	(10,325,719)	728,154	5,738,317	17,492,606

2020 – EXECUTIVE DIRECTORS

BDV Clark

Number of shares

Type of awards[1,2]	Date of award/grant	Release date	Number of shares awarded/granted in prior years	Number of shares awarded/granted during the year	Number of shares vested during the year	Number of shares lapsed or expected to lapse at vesting	Number of shares as at 31 December 2020
BSP	Apr 17	Mar 20	24,186	–	24,186	–	–
PSP	Apr 17	Mar 20	128,605	–	33,604	95,001	–
BSP	Apr 18	Mar 21	18,318	–	–	–	18,318
PSP	Apr 18	Mar 21	138,109	–	–	50,810	87,299
BSP	Apr 19	Mar 22	63,856	–	–	–	63,856
PSP	Apr 19	Mar 22	179,505	–	–	87,957	91,548
BSP	Apr 20	Mar 23	–	138,466	–	–	138,466
PSP	Apr 20	Mar 23	–	420,140	–	42,014	378,126
Total number of shares			552,579	558,606	57,790	275,782	777,613

Value of shares (R's)

Type of awards[1,2]	Date of award/grant	Award/grant price (cents)[9]	Face value of shares awarded/granted in prior years[3]	Face value of shares awarded/granted during year[4]	Cumulative effects of share price movement gain/(loss)[5]	Value of shares vested during year[6]	Value of shares lapsed or expected to lapse at vesting	Market value of shares at 31 December 2020[7]
BSP	Apr 17	2,969	718,082	–	(522,657)	195,425	–	–
PSP	Apr 17	2,969	3,818,282	–	(2,779,140)	271,524	767,618	–
BSP	Apr 18	2,889	529,707	–	(275,503)	–	–	253,704
PSP	Apr 18	2,889	3,989,969	–	(2,077,159)	–	703,723	1,209,087
BSP	Apr 19	2,345	1,497,423	–	(613,018)	–	–	884,405
PSP	Apr 19	2,345	4,209,392	–	(1,723,248)	–	1,218,211[8]	1,267,933
BSP	Apr 20	1,052	–	1,456,662	461,092	–	–	1,917,754
PSP	Apr 20	1,052	–	4,419,873	1,399,066	–	581,894[8]	5,237,045
Total market value of shares			14,762,355	5,876,535	(6,130,567)	466,949	3,271,446	10,769,928

PART 3: IMPLEMENTATION REPORT CONTINUED

2020 – PRESCRIBED OFFICERS

HM Thompson

Number of shares

Type of awards[1,2]	Date of award/grant	Release date	Number of shares awarded/granted in prior years	Number of shares awarded/granted during the year	Number of shares vested during the year	Number of shares lapsed or expected to lapse at vesting	Number of shares as at 31 December 2020
BSP	Apr 17	Mar 20	25,775	–	25,775	–	–
PSP	Apr 17	Mar 20	138,935	–	36,304	102,631	–
BSP	Apr 18	Mar 21	19,275	–	–	–	19,275
PSP	Apr 18	Mar 21	149,202	–	–	54,891	94,311
BSP	Apr 19	Mar 22	69,399	–	–	–	69,399
PSP	Apr 19	Mar 22	193,924	–	–	95,023	98,901
BSP	Apr 20	Mar 23	–	148,226	–	–	148,226
PSP	Apr 20	Mar 23	–	453,887	–	45,389	408,498
Total number of shares			596,510	602,113	62,079	297,934	838,610

Value of shares (R's)

Type of awards[1,2]	Date of award/grant	Award/grant price (cents)[9]	Face value of shares awarded/granted in prior years[3]	Face value of shares awarded/granted during year[4]	Cumulative effects of share price movement gain/(loss)[5]	Value of shares vested during year[6]	Value of shares lapsed or expected to lapse at vesting	Market value of shares at 31 December 2020[7]
BSP	Apr 17	2,969	765,260	–	(556,995)	208,265	–	–
PSP	Apr 17	2,969	4,124,980	–	(3,002,371)	293,340	829,269	–
BSP	Apr 18	2,889	556,855	–	(289,896)	–	–	266,959
PSP	Apr 18	2,889	4,310,446	–	(2,243,998)	–	760,246	1,306,202
BSP	Apr 19	2,345	1,627,407	–	(666,230)	–	–	961,177
PSP	Apr 19	2,345	4,547,518	–	(1,861,670)	–	1,316,065[8]	1,369,783
BSP	Apr 20	1,052	–	1,559,338	493,593	–	–	2,052,931
PSP	Apr 20	1,052	–	4,774,891	1,511,444	–	628,633[8]	5,657,702
Total market value of shares			15,932,466	6,334,229	(6,616,123)	501,605	3,524,213	11,614,754

JW Hunt

Number of shares

Type of awards[1,2]	Date of award/grant	Release date	Number of shares awarded/granted in prior years	Number of shares awarded/granted during the year	Number of shares vested during the year	Number of shares lapsed or expected to lapse at vesting	Number of shares as at 31 December 2020
BSP	Apr 17	Mar 20	15,410	–	15,410	–	–
PSP	Apr 17	Mar 20	89,134	–	23,291	65,843	–
BSP	Apr 18	Mar 21	11,047	–	–	–	11,047
PSP	Apr 18	Mar 21	95,721	–	–	35,216	60,505
BSP	Apr 19	Mar 22	43,992	–	–	–	43,992
PSP	Apr 19	Mar 22	124,412	–	–	60,962	63,450
BSP	Apr 20	Mar 23	–	101,154	–	–	101,154
PSP	Apr 20	Mar 23	–	334,872	–	33,487	301,385
Total number of shares			379,716	436,026	38,701	195,508	581,533

Value of shares (R's)

Type of awards[1,2]	Date of award/grant	Award/grant price (cents)[9]	Face value of shares awarded/granted in prior years[3]	Face value of shares awarded/granted during year[4]	Cumulative effects of share price movement gain/(loss)[5]	Value of shares vested during year[6]	Value of shares lapsed or expected to lapse at vesting	Market value of shares at 31 December 2020[7]
BSP	Apr 17	2,969	457,523	–	(333,009)	124,514	–	–
PSP	Apr 17	2,969	2,646,388	–	(1,926,177)	188,194	532,017	–
BSP	Apr 18	2,889	319,148	–	(166,147)	–	–	153,001
PSP	Apr 18	2,889	2,765,380	–	(1,439,644)	–	487,738	837,998
BSP	Apr 19	2,345	1,031,612	–	(422,323)	–	–	609,289
PSP	Apr 19	2,345	2,917,461	–	(1,194,355)	–	844,322[8]	878,784
BSP	Apr 20	1,052	–	1,064,140	336,843	–	–	1,400,983
PSP	Apr 20	1,052	–	3,522,853	1,115,124	–	463,798[8]	4,174,179
Total market value of shares			10,137,512	4,586,993	(4,029,688)	312,708	2,327,875	8,054,236

PART 3: IMPLEMENTATION REPORT CONTINUED

2020 – PRESCRIBED OFFICERS

N Naidoo

Number of shares

Type of awards[1,2]	Date of award/grant	Release date	Number of shares awarded/granted in prior years	Number of shares awarded/granted during the year	Number of shares vested during the year	Number of shares lapsed or expected to lapse at vesting	Number of shares as at 31 December 2020
BSP	Apr 17	Mar 20	19,867	–	19,867	–	–
PSP	Apr 17	Mar 20	109,035	–	28,491	80,544	–
BSP	Apr 18	Mar 21	14,522	–	–	–	14,522
PSP	Apr 18	Mar 21	117,093	–	–	43,079	74,014
BSP	Apr 19	Mar 22	53,360	–	–	–	53,360
PSP	Apr 19	Mar 22	152,190	–	–	74,573	77,617
BSP	Apr 20	Mar 23	–	111,442	–	–	111,442
PSP	Apr 20	Mar 23	–	356,208	–	35,621	320,587
Total number of shares			466,067	467,650	48,358	233,817	651,542

Value of shares (R's)

Type of awards[1,2]	Date of award/grant	Award/grant price (cents)[9]	Face value of shares awarded/granted in prior years[3]	Face value of shares awarded/granted during year[4]	Cumulative effects of share price movement gain/(loss)[5]	Value of shares vested during year[6]	Value of shares lapsed or expected to lapse at vesting	Market value of shares at 31 December 2020[7]
BSP	Apr 17	2,969	589,851	–	(429,324)	160,527	–	–
PSP	Apr 17	2,969	3,237,249	–	(2,356,235)	230,210	650,804	–
BSP	Apr 18	2,889	419,541	–	(218,411)	–	–	201,130
PSP	Apr18	2,889	3,382,817	–	(1,761,079)	–	596,637	1,025,101
BSP	Apr 19	2,345	1,251,292	–	(512,256)	–	–	739,036
PSP	Apr 19	2,345	3,568,656	–	(1,461,024)	–	1,032,837[8]	1,074,995
BSP	Apr 20	1,052	–	1,172,370	371,102	–	–	1,543,472
PSP	Apr 20	1,052	–	3,747,308	1,186,173	–	493,348[8]	4,440,133
Total market value of shares			12,449,606	4,919,678	(5,181,054)	390,737	2,773,626	9,023,867

CM Botha

Number of shares

Type of awards[1,2]	Date of award/grants	Release date	Number of shares awarded/granted in prior years	Number of shares awarded/granted during the year	Number of shares vested during the year	Number of shares lapsed or expected to lapse at vesting	Number of shares as at 31 December 2020
PSP	Apr 20	Mar 23	–	316,896	–	31,690	285,206
Total number of shares			–	316,896	–	31,690	285,206

Value of shares (R's)

Type of awards[1,2]	Date of award/grant	Award/grant price (cents)[9]	Face value of shares awarded/granted in prior years[3]	Face value of shares awarded/granted during year[4]	Cumulative effects of share price movement gain/(loss)[5]	Value of shares vested during year[6]	Value of shares lapsed or expected to lapse at vesting	Market value of shares at 31 December 2020[7]
PSP	Apr 20	1,052	–	3,333,746	1,055,264	–	438,901	3,950,109
Total market value of shares			–	3,333,746	1,055,264	–	438,901	3,950,109

[1] *Bonus share plan (BSP).*
[2] *Performance share plan (PSP).*
[3] *Face value at award/grant date is the number of shares awarded /granted at the award/grant price.*
[4] *During the year, share grants and awards were made at R10.52 per share.*
[5] *Cumulative effects of share price gains and losses represent the difference between the face value at the award/grant date and the sum of the value at vesting, the value lapsed or expected to lapse and the market value at 31 December 2020.*
[6] *During the year, shares vested at a price of R8.08 per share.*
[7] *The closing share price at 31 December 2020 was R13.85 per share.*
[8] *Assumed a 51% achievement of PSP awarded in 2019, and 90% for awards made in 2020.*
[9] *Award/grant price is the VWAP of Mpact Limited for the fifteen days following the release of Mpact's year end results.*

NON-EXECUTIVE DIRECTORS' FEES[1]

At the AGM held on 4 June 2020, Mpact Limited shareholders approved an increase of 5% in Non-executive Directors' fees with effect from 1 July 2020. However, in support of the Company's response to Covid-19, Non-executive Directors agreed to voluntary fee reductions amounting to R183,886 during the year. The table below reflects fees for 2020 net of voluntary reductions.

	2020		2019	
	Fees paid as Non-executive Director	Fees paid as Trustee to the Mpact Foundation Trust	Fees paid as Non-executive Director	Fees paid as Trustee to the Mpact Foundation Trust
AJ Philips	1,080,826	–	1,027,452	–
AM Thompson	551,014	–	533,444	–
M Makanjee	549,457	71,135	501,660	48,227
NP Dongwana	593,359	147,091	563,801	142,166
NB Langa-Royds	702,808	65,589	689,537	71,084
S Luthuli	484,703	–	469,861	–
TDA Ross	672,745	–	721,881	–
Total	4,634,282	283,815	4,507,636	261,477

[1] *Excludes VAT.*

DIRECTORS' INTEREST IN SHARES

	2020		2019	
	Direct No. of shares	Indirect No. of shares	Direct No. of shares	Indirect No. of shares
Executive Director				
BW Strong	671,045	–	578,208	–
BDV Clark	–	252,521	–	153,883
Non-executive Directors				
AJ Phillips	8,914	1,516	8,914	1,516
Prescribed officers				
HM Thompson	416,395	–	382,408	–
JW Hunt	252,791	–	231,604	–
N Naidoo	26,474	–	–	–
Total	1,375,619	254,037	1,201,134	155,399

There are no associate interests for the above Directors and prescribed officers.

The implementation report will be subject to a non-binding advisory vote by shareholders at the AGM on 3 June 2021.

07

FINANCIAL STATEMENTS

CHIEF FINANCIAL OFFICER'S REPORT

Brett Clark

"Mpact reported a strong recovery in the second half of the financial year compared to the first half which was negatively impacted by the onset of the Covid-19 pandemic and related nationwide lockdown, as well as the oversupply of recycled containerboard"

FINANCIAL RESULTS

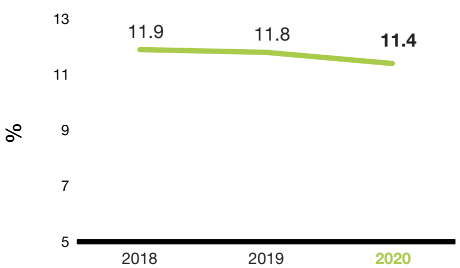
Mpact achieved record cash flow from operations of R1.9 billion, which resulted in net debt decreasing to R1.4 billion (December 2019: R2.3 billion) and the Group ended the year in a solid financial position. Underlying earnings per share for the year increased 4.6% to 201 cents and the successful share repurchase of 14.5% of the Company's issued shares returned R345 million to shareholders between September 2020 and the end of January 2021.

Mpact reported a strong recovery in the second half of the financial year compared to the first half which was negatively impacted by the onset of the Covid-19 pandemic and related nationwide lockdown, as well as the oversupply of recycled containerboard. EBITDA for the last quarter of the year was a record. Several capital projects were successfully completed during the year and the Group acquired two more properties that had previously been leased by Mpact's operations.

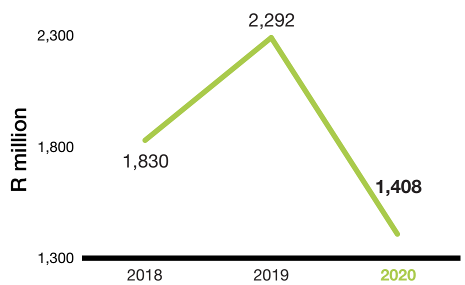
Group revenue from continuing operations of R11.1 billion was in line with the prior year, while gross profit decreased by 4.9% mainly due to lower average recycled containerboard prices during the first half of the year as a result of a higher proportion of export and rolled pulp sales.

Earnings before interest, tax, depreciation and amortisation (EBITDA) for the last quarter of the year was the highest on record, resulting in EBITDA for the full the year of R1,170 million (December 2019: R1,374 million). Underlying earnings before interest and tax (EBIT) was R631 million (December 2019: R724 million).

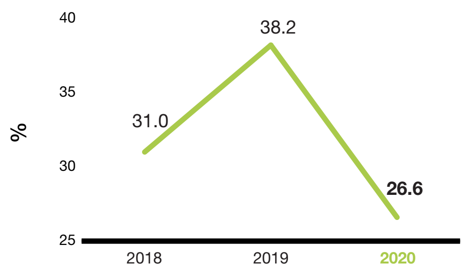
Return on Capital Employed (ROCE)



Net debt



Gearing



Underlying earnings per share increased 4.6% to 201 cents (2019: 192 cents) and ROCE at 31 December 2020 was 11.4% (2019: 11.8%).

The operational reviews on pages 32 and 36 discuss the results of the Paper and Plastics businesses in detail.

Net finance costs of R169.3 million (2019: R245.3 million) decreased by 31% when compared to the prior year mainly due to lower interest rates and lower average net debt.

The effective tax rate before special items was 18.4% (2019: 25.7%). The low effective tax rate was as a result of the S12I and S12L capital investment and energy efficiency incentives.

FINANCIAL POSITION

CAPITAL ASSETS

Non-current assets consist mainly of property, plant and equipment. During the year, Mpact spent R518 million in respect of capital expenditure (December 2019: R592 million), with R223 million invested in the Paper business, R81 million in the Plastics business and R214 million in respect of purchases of properties.

WORKING CAPITAL AND CASH FLOW

Working capital represented 16.6% of revenue (December 2019: 21.7%), with the decrease attributable mainly to lower stock holding of finished goods in all operations, particularly containerboard. Trade working capital at the end of December 2020 was R1.8 billion (December 2019: R2.4 billion). At year-end, cash and cash equivalents totalled R476 million (December 2019: R447 million). Mpact generated strong cash flow from operations of R1.9 billion (December 2019: R986 million), which resulted in net debt decreasing to R1.4 billion (December 2019: R2.3 billion).

FUNDING

Net debt at the end of the year from continuing operations was R1.4 billion (2019: R2.3 billion). Gearing declined to approximately 27% compared to 38% at 31 December 2019.

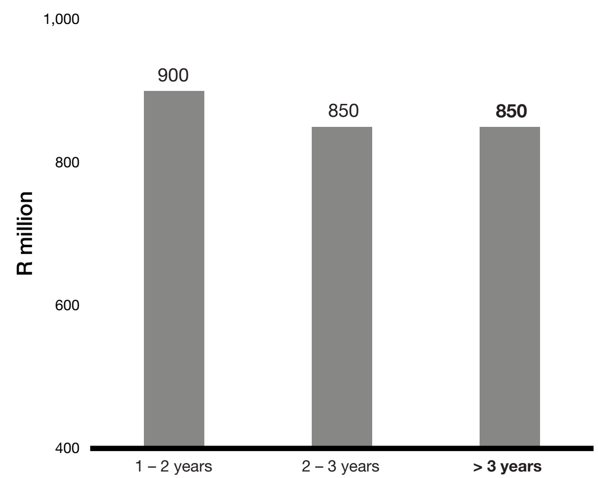
In July 2020, Mpact secured an additional R210 million general banking facility from Nedbank, bringing the Group's total borrowing facilities to approximately R2.8 billion. The Group met all of its debt covenants.

OUTLOOK FOR 2021

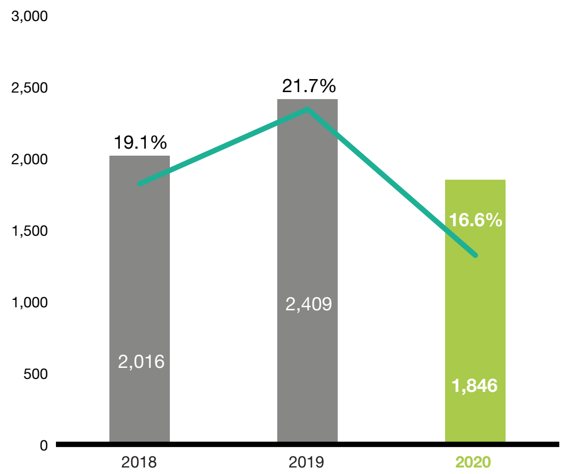
Mpact has had a positive start to the year and is well positioned despite a potentially weak economy. Looking ahead there are positive indicators such as good fruit crops and a gradual recovery in the FMCG and Quick Service Restaurant sectors. Mpact will also benefit from increased local demand coupled with an improved global outlook for containerboard and cartonboard.

Working capital management will remain a key focus area, however, it is anticipated that working capital levels will increase in the current period to ensure continuity of supply. The Group has a strong balance sheet, sufficient funding facilities as well as an experienced management team to navigate the volatile trading environment and prosper.

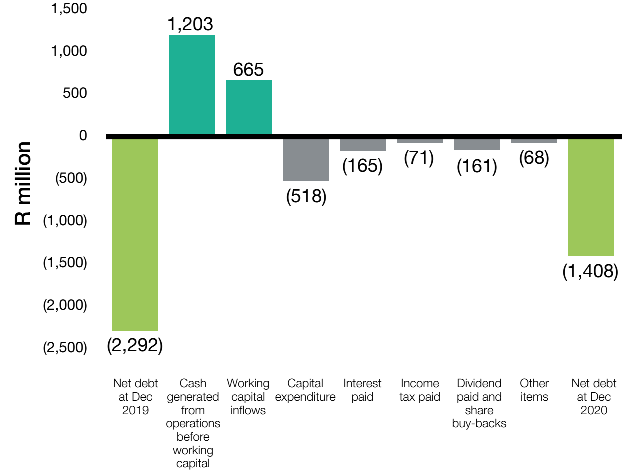
Debt maturity profile as at year-end



Trade working capital % of revenue



Movement in net debt from continuing operations



AUDIT AND RISK COMMITTEE REPORT

Tim Ross

"The committee supported management in charging the profit and loss statement with an impairment amount of R29.5 million for plant and equipment"

INTRODUCTION

The Audit and Risk Committee (committee) has pleasure in submitting its report for the year ended 31 December 2020 in compliance with section 94(7) of the Companies Act.

The committee acts for Mpact and all its subsidiaries, and is an independent body accountable to the Board. It operates within a documented charter and complies with all relevant legislation, regulation and governance codes and executes its duties in terms of the requirements of King IV.

The committee's terms of reference were approved by the Board during the current financial year and are reviewed annually.

COMPOSITION

The committee comprises of four Non-executive Directors, all of whom are independent. Tim Ross is the Chairman and Neo Dongwana, Sibusiso Luthuli and Andrew Thompson are members. The Chief Executive Officer, the Chief Financial Officer, the Head of Information and Communication Technology, the Group Risk and Sustainability Manager, a representative of KPMG, the independent internal auditor, and a representative of Deloitte & Touche, the independent external auditor, and other senior managers all attend meetings by invitation.

The committee members are appointed annually by the shareholders at the Annual General Meeting.

MEETINGS

The committee held four meetings during the year. The four members attended all meetings of the committee during the year.

COMMITTEE ACTIVITIES

The committee attended to the following during the year:

EXTERNAL AUDITORS

The committee reviewed the independence of Deloitte & Touche as Mpact's external auditor with SJ Nelson as the independent individual registered auditor who undertook Mpact's audit for the current year. The committee considered all information as required by Section 3.86 of the JSE Listings Requirements in assessing Deloitte & Touche's independence, registration as a Registered Auditor and the ability to perform a quality audit of Mpact. Deloitte & Touche has been the auditor of Mpact Limited for 16 years.

After considering the below factors and the auditor's tenure, the committee is satisfied that Deloitte & Touche is independent of Mpact.

The committee proposes the re-appointment of Deloitte & Touche as external auditor and SJ Nelson as the independent individual registered auditor for the 2021 financial year. Mpact's shareholders are requested to vote at the Annual General Meeting.

Independence of external auditors

This assessment was made after considering the following:

- confirmation from the external auditors that they, or their immediate family, do not hold any significant direct or indirect financial interest or have any material business relationship with Mpact. The external auditors also confirmed that they have internal monitoring procedures to ensure their independence;

- the auditors do not, other than in their capacity as external auditors or rendering permitted non-audit services, receive any remuneration or other benefits from Mpact;
- the auditor's independence was not impaired by the non-audit work performed having regard to the nature of the non-audit work undertaken and the quantum of the audit fees relative to the total fee base;
- the auditor's independence was not prejudiced as a result of any previous appointment as auditor. In addition, an audit partner rotation process is in place in accordance with the relevant legal and regulatory requirements;
- the criteria specified for independence by the Independent Regulatory Board for Auditors;
- information provided by the auditors in terms of the JSE Listings Requirements, Paragraph 22.15(h); and
- the audit firm and the designated auditor are accredited with the JSE.

The committee confirms that the external auditor has functioned in accordance with its terms of reference for the 2020 financial year.

External auditors' fees

The committee:

- approved, in consultation with management, the audit fee and engagement terms for the external auditors for the 2020 financial year;
- reviewed and approved the non-audit services fees for the year under review and ensured that the fees were in line with the non-audit service policy; and
- determined the nature and extent of allowable non-audit services and approved the contract terms for the provision of non-audit services through the Audit Committee charter.

External auditors' performance

The committee:

- reviewed and approved the external audit plan, ensuring that material risk areas were included and that coverage of the significant business processes was acceptable;
- monitored the effectiveness of the external auditors in terms of audit quality and expertise; and
- reviewed the external audit reports and management's response and considered their effect on the financial statements and internal financial control.

FINANCIAL STATEMENTS

The committee reviewed the interim results and year-end financial statements, including the public announcements of Mpact's financial results and made recommendations to the Board for their approval. In the course of its review, the committee:

- took appropriate steps to ensure that the financial statements were prepared in accordance with IFRS;
- considered the appropriateness of accounting policies and disclosures made;
- in accordance with the JSE Listings Requirements approved the Group financial reporting procedure;
- considered and approved accounting policy changes resulting from the application of new standards commencing 1 January 2020;
- completed a detailed review of the going concern assumption, confirming that it was appropriate in the preparation of the financial statements; and
- ensured that appropriate financial reporting procedures are established and operating for all entities included in the consolidated Group financial statements.

KEY AUDIT MATTERS

The figures disclosed in the annual financial statements in certain circumstances are arrived at using judgment. These are explained in detail in the accounting policies. The committee has considered the qualitative and quantitative aspects of the information presented in the statement of financial position and other items that require significant judgment and noted the following:

1. Valuation of goodwill

The impact of Covid-19 and the lockdown, amongst other factors has resulted in the deterioration of the South African economy. In addition Mpact's share price has been trading below its net asset value during the financial year. These are possible impairment factors.

The impairment assessments are based on recoverable amounts that are supported by estimations of future cash flows, discount rates, growth rates, margins and market share.

The committee assessed management's value-in-use calculations by considering, amongst others, the following:

- the reasonableness of management's assumptions used in determining future cash flows;
- the terminal value and discount rates applied in management's value-in-use calculations and the sensitivity of these assumptions to reasonably possible changes;
- obtain an understanding of the cash-generating units and how these were derived;
- the sensitivity analysis performed by management over the value-in-use calculation; and
- the adequacy of the disclosures made in notes to the financial statements.

On this basis the committee supported management in charging the profit and loss statement with an impairment amount of R29.5 million for plant and equipment.

INTERNAL AUDIT

The committee:

- reviewed and approved the existing internal audit charter, which ensures that Mpact's internal audit function is independent and has the necessary resources, standing and authority within the organisation to enable it to discharge its duties;

- satisfied itself of the credibility, independence and objectivity of the internal audit function;
- ensured that internal audit had direct access to the committee, primarily through the committee's Chairman;
- reviewed and approved the annual internal audit plan, ensuring that material risk areas were included and that the coverage of significant business processes was acceptable;
- reviewed the quarterly internal audit reports, covering the effectiveness of internal control, material fraud incidents and material non-compliance with Mpact's policies and procedures. The committee is advised of all internal control developments and advised of any material losses, with none being reported during the year;
- considered and reviewed with management and internal auditors, any significant findings and management responses thereto in relation to reliable financial reporting, corporate governance and effective internal control to ensure appropriate action is taken; and
- considered the assessment from the internal audit function regarding the effectiveness of Mpact's system of internal controls and confirmed that based on their results of work undertaken, they provided reasonable assurance regarding the adequacy and effectiveness of the systems of internal control.

The committee has reviewed the independence of KPMG and the audit executive of internal audit as Mpact's internal auditor and is satisfied with their independence.

INTERNAL FINANCIAL CONTROL AND COMPLIANCE

The committee:

- reviewed and approved the existing treasury policy and reviewed the quarterly treasury reports prepared by management;
- reviewed the quarterly legal and regulatory reports setting out the latest legislative and regulatory developments impacting Mpact;
- reviewed the quarterly report on taxation;
- reviewed IT reports; and
- considered and, where appropriate, made recommendations on internal financial controls.

Internal financial reporting controls

The committee reviewed the internal financial control statement made by the CEO and CFO in terms of paragraph 3.84(k) of the JSE Listings Requirements.

The committee assessed the CEO and CFO evaluation of controls which included:

- The identification and classification of risks including the determination of materiality;
- Testing the design and determining the implementation of controls addressing high and low risk areas;
- Utilising internal audit to test the operating effectiveness of controls addressing high risk areas; and
- Obtaining control declarations from divisional managers on the operating effectiveness of all controls on a quarterly basis.

During the current financial year management identified deficiencies in internal control which are considered to have a low to medium consequence over financial reporting. Business unit management will maintain oversight of these risks in term of responsibility and treatment.

The committee has discussed and documented the basis for its conclusion, which includes discussions with internal and external auditors as well as management.

The committee believes that Mpact's internal controls can be relied upon as a reasonable basis for the preparation of the Annual Financial Statements. Refer to the CEO and Financial Director Responsibility Statement in respect of compliance in terms of paragraph 3.84(k) of the JSE Listings Requirements.

RISK MANAGEMENT

Management is regularly developing and enhancing Mpact's risk and control procedures to improve the mechanisms for identifying, assessing and monitoring risks given that effective risk management is integral to Mpact's objective of consistently adding value to it's businesses. The Board approves strategies and budgets and monitors progress against the budget. It also considers the identified business risks.

Risk management is addressed in the areas of physical and operational risks, human resource risks, technology risks, business continuity and disaster recovery risks, credit and market risks and compliance risks.

Mpact has implemented several policies and procedures to manage its governance, operations and information systems with regard to the:

- reliability, security and integrity of financial and operational information;
- effectiveness and efficiency of operations;
- safeguarding of people and assets;
- reducing of our environmental footprint, and
- compliance with laws, regulations and contracts.

A Risk Management Committee identifies and evaluates strategic and operational risks against ten value drivers of:

- safe and healthy operating conditions;

- environmentally responsible operations;
- reputation (ethics, environment and customer safety) and CSI;
- motivated workforce;
- achieving Group strategy;
- achieving growth objectives;
- achieve operational, profitability and liquidity objectives;
- effective commercial stakeholder relations;
- compliance with legislation and contractual terms; and
- accurate and timely reporting

The committee assessed the effectiveness of the controls and determined how well management perceived the identified controls. The Likelihood rating tables and Potential Loss Impact Rating were reviewed and approved. The Risk Management Review is available on the website, www.mpact.co.za.

COMBINED ASSURANCE

A combined assurance map was developed by management in collaboration with internal audit and external audit. The mapping was compiled to help understand the level of coverage achieved by each assurance provider in terms of the third level of defence in the Combined Assurance Model. Although, the committee approved the Integrated Risk Assurance Framework it is noted that further improvements will be incorporated in the combined assurance map.

INTEGRATED REPORT

The committee fulfils an oversight role regarding the report and the reporting process. Accordingly, it has:

- considered the Integrated Report and has assessed the consistency with operational, financial and other information known to the Audit and Risk Committee members, and for consistency with the annual financial statements. The committee is satisfied that the Integrated Report is materially accurate, complete and reliable and consistent with the annual financial statements; and
- the committee has recommended the Integrated Report for the year ended 31 December 2020 to the Board for approval.

GOVERNANCE

The Board has assigned oversight of the risk management function to the committee, which has an oversight role with respect to financial reporting risks arising from internal financial controls, fraud and IT risks.

In line with the terms of the JSE Listings Requirements, the committee is satisfied that BDV Clark CA(SA) has the appropriate expertise and experience to meet the responsibilities of his appointed position as CFO as required by the JSE.

The committee is also satisfied:

- that the resources within the finance function are adequate to provide the necessary support to the CFO; and
- with the expertise and experience of the Group Financial Manager.

In making these assessments, the committee has obtained feedback from the external and internal auditors.

Based on the processes and assurances obtained, the committee believes that the accounting practices are effective.

IT GOVERNANCE

The Board has an IT governance policy and ensures adherence to King IV's IT governance principles. 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 are in place 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 has been appointed to provide the Board with independent assurance on the effectiveness of IT internal controls including outsourced IT services. In addition, the consultant is required from time to time to join the ICT Steering Committee to give guidance on the alignment of the ICT strategy with the business strategy. This includes but is not limited to, expressing an independent opinion on emerging technology trends and their rate of adoption and implementation by various business sectors.

The committee is also satisfied that the resources within the IT function are adequate to provide the necessary support to Mpact. In making these assessments, the committee has obtained feedback from the external and internal auditors.

ASSURANCE

The committee confirmed that they were prudent in exercising their duties of care and skill and they have taken reasonable steps to ensure that they performed their duties in accordance with the mandate.

On behalf of the Audit and Risk Committee

Tim Ross
Audit and Risk Committee Chairman

4 March 2021

Directors Responsibility Statement and Basis of Preparation

The Directors are responsible for preparing the summarised consolidated financial statements in accordance with applicable laws and regulations. These summarised consolidated financial statements have been prepared using accounting policies compliant with International Financial Reporting Standards ("IFRS") and are prepared in accordance with IAS 34: Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and are in compliance with the Companies Act, 2008 of South Africa. The Directors take full responsibility for the preparation of the summarised consolidated financial statements and the financial information has been correctly extracted from the underlying consolidated annual financial statements.

Approval of the Summarised Consolidated Financial Statements

The Directors confirm, that to the best of their knowledge, the summarised consolidated financial statements are prepared in accordance with IAS 34: Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, and the requirements of the Companies Act of South Africa, fairly present the assets, liabilities, financial position and profit of the Group and the undertakings included in the consolidation taken as a whole. The Directors believe that the Group has adequate resources to continue in operation for the foreseeable future and the summarised consolidated financial statements have therefore been prepared on a going concern basis. The summarised consolidated financial statements and related notes, which appear on pages 113 to 126 were approved by the Board of Directors and authorised for issue on 4 March 2021 and were signed on its behalf by:

AJ Phillips	**BW Strong**
Chairman	*Chief Executive Officer*

Certificate by the Company Secretary

In terms of section 88(2)(e) of the Companies Act, I certify that Mpact Limited Group has lodged with the Companies and Intellectual Property Commission all such returns, as are required of a Company in terms of the Act and, that such returns are true, correct and up to date.

DM Dickson
Group Company Secretary

4 March 2021

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their report on the summarised consolidated financial statements of Mpact for the year ended 31 December 2020.

NATURE OF BUSINESS

Mpact is the largest paper and plastics packaging and recycling business in Southern Africa with customers that include packaging converters, fruit producers and FMCG companies. Mpact's integrated business model is uniquely focused on closing the loop in plastic and paper packaging through recycling and beneficiation of recyclables. The principal activities of Mpact remain unchanged from the previous year.

Mpact Limited is incorporated in the Republic of South Africa and is listed on the JSE.

FINANCIAL RESULTS

Mpact's profit for the year ended 31 December 2020 was R363.4 million (2019: loss of R884.5 million). Full details of the financial position and results are set out in the accompanying summarised consolidated financial statements.

IMPACT OF COVID-19

The impact of Covid-19 can be found in note 2 of the summarised consolidated financial statements.

STATED CAPITAL

The authorised share capital is 217,500,000 ordinary shares of no par value.

On 31 December 2020, the issued share capital of Mpact was 164,639,292 ordinary shares of no par value. (2019: 173,304,517 ordinary shares of no par value).

During September 2020 and October 2020, Mpact re-purchased 8,665,225 of its issued share capital shares at an average purchase price of R8.4708 for a total consideration of R73.6 million. The purchase represented 5% of Mpact's issued share capital in terms of the general authority granted by shareholders at Mpact's annual general meeting held on 4 June 2020. These shares were cancelled and delisted.

At the general meeting held on 11 December 2020, shareholders approved for Mpact to re-purchase 10% of its share capital. Following this approval, Mpact re-purchased 1,050,777 of its issued share capital shares for a consideration of R14.1 million during December 2020. These are included in treasury shares at year end. A further 15,413,152 of its issued share capital shares were re-purchased for a consideration of R257.0 million in January 2021.

On 27 January 2021, the JSE approved the cancellation and delisting of 1,975,834 shares and the further cancellation and delisting of 14,488,095 shares on 2 February 2021.

Mpact owns 1,935,763 treasury shares which are held by the Mpact Incentive Scheme Trust to satisfy share awards under the Group's share incentive scheme.

DIVIDENDS

The Board resolved not to declare a dividend for the current financial year (2019: 42c was declared in March 2020).

SEGMENT ANALYSIS

An analysis of results by each operating segment can be found in note 4 of the summarised consolidated financial statements.

REGISTER OF SHAREHOLDERS

The register of shareholders of Mpact is open for inspection to members and the public, during normal office hours, at the office of Mpact's transfer secretaries, Computershare Investor Services Proprietary Limited ("Computershare").

Computershare replaced Link Market Services South Africa Proprietary Limited as transfer secretaries with effect from 1 December 2020.

PROPERTY, PLANT AND EQUIPMENT

Certain of Mpact properties are the subject of land claims which are still under discussions with the Land Claims Commissioner and await the outcome of claims referred to the Land Claims Court. The claims, if successful, are not expected to have a material impact on Mpact's operations.

At 31 December 2020 the net investment in property, plant and equipment amounted to R2,877.4 million (2019: R2,828.6 million). Capital commitments at year-end amounted to R812.4 million (2019: R753.2 million), details of which are set out in note 17 to the summarised consolidated financial statements. There has been no change in the nature of the property, plant and equipment or to the policy relating to the use thereof during the year.

BORROWINGS

In terms of the Memorandum of Incorporation, the Directors are permitted to borrow or raise for the purposes of Mpact such amount as they deem fit for the operation of the business. At the close of business on 31 December 2020, the total borrowings (including lease liabilities) less cash resources were R1,407.6 million (2019: R2,291.8 million). At 31 December 2020, Mpact had approved facilities of R2,820 million (2019: R2,960 million). In the current financial year Mpact obtained an additional R210 million general banking facility with Nedbank. Refer to note 12.

DIRECTORS

The following Directors have held office during the year ended 31 December 2020 and to the date of this report:

AJ Phillips (Chairman)	Independent Non-executive
NP Dongwana	Independent Non-executive
NB Langa-Royds	Independent Non-executive
PCS Luthuli	Independent Non-executive
M Makanjee	Independent Non-executive
TDA Ross	Independent Non-executive
AM Thompson	Independent Non-executive
BW Strong (Chief Executive Officer)	Executive
BDV Clark (Chief Financial Officer)	Executive

GROUP COMPANY SECRETARY

DM Dickson had been appointed as Group Company Secretary with effect from 1 May 2020 and had replaced CorpStat Governance Services Proprietary Limited, represented by Karen Waldeck, which acted as Interim Group Company Secretary.

Registered Office	Postal address
4th Floor 3 Melrose Boulevard Melrose Arch, 2196	Postnet Suite #179 Private Bag X1 Melrose Arch, 2076

SPONSOR

Mpact appointed The Standard Bank of South Africa Limited as JSE Limited Sponsor to Mpact, with effect from 1 October 2020 replacing Rand Merchant Bank.

AUDITOR

Deloitte & Touche is the appointed auditor to Mpact, with SJ Nelson the designated auditor.

SPECIAL RESOLUTIONS PASSED BY SUBSIDIARY COMPANIES

Notwithstanding the title of section 45 of the Companies Act, 71 of 2008, being "Loans or Other Financial Assistance to Directors" and an interpretation thereof, the body of the section also applies to financial assistance provided by Mpact to any related or inter-related company or corporation and a member of a related or inter-related corporation.

On 3 March 2020, all the subsidiaries of Mpact passed special resolutions to authorise the companies to provide any direct or indirect financial assistance, including by way of lending money, guaranteeing a loan, or other obligations as it may be required or otherwise to any of its present or future related or inter-related companies or corporations for such amounts and such terms and conditions as the Board/s may determine.

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee ("the committee") operates on a Group-wide basis. The committee, in terms of the Companies Act of South Africa, and King IV™, has the responsibility, among other things, for monitoring the integrity of Mpact's financial statements. It also has the responsibility for reviewing the effectiveness of Mpact's system of internal controls and risk management systems. An internal audit function has been established which is responsible for advising the Board of Directors on the effectiveness of Mpact's risk management process.

The committee oversees the relationship with the external auditors; is responsible for their appointment and remuneration; reviews the effectiveness of the external audit process; and ensures that the objectivity and independence of the external auditors is maintained.

In collaboration with the internal and external auditors, a combined assurance map was developed.

The committee has concluded that it is satisfied that auditor independence and objectivity has been maintained. The comprehensive report of the committee is included on pages 104 to 107.

GOING CONCERN

The Directors consider that Mpact has adequate resources to continue operating for the foreseeable future and that it is, therefore, appropriate to adopt the going concern basis in preparing the summarised consolidated financial statements. The Directors have satisfied themselves that Mpact is in a sound financial position, and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. Refer to note 3 of the summarised consolidated financial statements.

INTEREST OF DIRECTORS AND PRESCRIBED OFFICERS IN SHARE CAPITAL

The aggregate beneficial holdings as at 31 December 2020 and 31 December 2019 of the Directors and prescribed officers of Mpact in the issued ordinary shares of Mpact are detailed below. There have been no material changes in these shareholdings between 31 December 2020 and 4 March 2021, the date of approval.

	2020 Direct No. of shares	2020 Indirect No. of shares	2019 Direct No. of shares	2019 Indirect No. of shares
Executive Director				
BW Strong	671,045	–	578,208	–
BDV Clark	–	252,521	–	153,883
Non-executive Directors				
AJ Phillips	8,914	1,516	8,914	1,516
Prescribed officers				
HM Thompson	416,395	–	382,408	–
JW Hunt	252,791	–	231,604	–
N Naidoo	26,474	–	–	–
Total	1,375,619	254,037	1,201,134	155,399

There are no associate interests for the above Directors and prescribed officers.

INTEREST OF MAJOR SHAREHOLDERS IN SHARE CAPITAL

Major shareholders
(5% and more of the shares in issue)

	2020 No. of shares	2020 % of total issued share capital
Caxton and CTP Publishers and Printers Limited	43,551,845	26.45
Old Mutual Group	11,418,745	6.94
CitiGroup	10,293,606	6.25
Allan Gray	9,701,714	5.89

	2019 No. of shares	2019 % of total issued share capital
Allan Gray	41,722,125	24.07
Prudential Investment Managers	23,612,360	13.62
Public Investment Corporation	17,486,961	10.09
Coronation Fund Managers	10,280,042	5.93
Bateleur Capital	10,280,505	5.93

2020 Shareholder Type	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Non-Public Shareholders	12	0.27	48,168,041	29.26
Caxton and CTP Publishers and Printers Limited	2	0.05	43,551,845	26.45
Share Schemes	1	0.02	1,935,763	1.18
Director: Direct Shareholdings	5	0.11	1,375,619	0.84
Treasury	1	0.02	1,050,777	0.64
Director: Indirect Shareholdings	3	0.07	254,037	0.15
Public Shareholders	4,404	99.73	116,471,251	70.74
Total	4,416	100.00	164,639,292	100.00

EVENTS OCCURRING AFTER THE REPORTING DATE

Mpact re-purchased some of its issued share capital after the reporting date, refer to the stated capital section of the report from the Directors.

There were no other significant or material subsequent events which would require adjustment to or disclosure in the summarised consolidated financial statements.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT ON SUMMARISED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF MPACT LIMITED

Opinion

The summarised consolidated financial statements of Mpact Limited, which comprise the summarised consolidated statement of financial position as at 31 December 2020, the summarised consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Mpact Limited for the year ended 31 December 2020.

In our opinion, the accompanying summarised consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements of Mpact Limited, in accordance with IAS 34: Interim Financial Reporting and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Other Matters

We have not audited future financial performance and expectations by management included in the accompanying summarised consolidated financial statements and accordingly do not express any opinion thereon.

Summarised Consolidated Financial Statements

The summarised consolidated financial statements do not contain all the disclosures required by the International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to financial statements. Reading the summarised consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon. The summarised financial statements and the audited consolidated financial statements do not reflect the effects of events that occurred subsequent to the date of our report on those consolidated financial statements.

The Audited Consolidated Financial Statements and our Report Thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 04 March 2021. That report also includes the communication of key audit matters as reported in the auditor's report of the audited financial statements.

Directors' Responsibility for the Summarised Consolidated Financial Statements

The directors are responsible for the preparation of the summarised consolidated financial statements in accordance with IAS 34: Interim Financial Reporting and the requirements of the Companies Act of South Africa and for such internal control as the directors determine is necessary to enable the preparation of the summarised consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summarised consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing 810 (Revised), *Engagements to Report on Summary Financial Statements*.

Deloitte & Touche
Registered Auditor
Per: SJ Nelson
Partner
4 March 2021

MAKING AN IMPACT THAT MATTERS since 1845

SUMMARISED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2020

	Notes	2020 R'm	2019 R'm
CONTINUING OPERATIONS			
Revenue from contracts with customers	4a	11,097.2	11,076.3
Material, energy and fixed overhead recovery		(6,204.8)	(6,007.5)
Variable selling expenses		(884.7)	(869.3)
Administration and other operating expenses		(2,838.2)	(2,833.5)
Depreciation, amortisation and impairment		(568.0)	(1,942.0)
Operating profit/(loss)	5	601.5	(576.0)
Share of profit from equity accounted investees		14.8	17.1
Write-off of non-current financial asset		(5.2)	–
Gain on acquisition of subsidiary		–	1.3
Net loss on sale of associates		–	(3.0)
Profit/(loss) from operations and equity accounted investees		611.1	(560.6)
Net finance costs	6	(169.3)	(245.3)
Investment income		10.8	19.4
Finance costs		(180.1)	(264.7)
Profit/(loss) before tax		441.8	(805.9)
Tax (expense)/income	7	(78.4)	83.9
Profit/(loss) for the year from continuing operations		363.4	(722.0)
DISCONTINUED OPERATION			
Loss for the year from discontinued operation	18	–	(162.5)
Profit/(loss) for the year		363.4	(884.5)

	Notes	2020 R'm	2019 R'm
Other comprehensive (loss)/income			
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains on post-retirement benefit scheme		3.9	1.3
Tax effect		(1.1)	(0.4)
Items that may be reclassified subsequently to profit or loss			
Effects of cash flow hedge		(57.6)	2.1
Tax effect		16.1	(0.6)
Reclassification of cash flow hedge reserve to profit and loss		–	2.3
Tax effect		–	(0.6)
Exchange differences on translation of foreign operations		(0.2)	–
Other comprehensive (loss)/income		(38.9)	4.1
Total comprehensive income/(loss) for the year		324.5	(880.4)
Profit/(loss) attributable to:			
Equity holders of Mpact		319.4	(822.3)
Non-controlling interests		44.0	(62.2)
Profit/(loss) for the year		363.4	(884.5)
Total comprehensive income/(loss) attributable to:			
Equity holders of Mpact		280.5	(818.2)
Non-controlling interests		44.0	(62.2)
Total comprehensive income/(loss) for the year		324.5	(880.4)
Earnings/(loss) per share (EPS) for profit attributable to equity holders of Mpact:			
Basic EPS (cps) from continuing operations	8	188.6	(443.7)
Diluted EPS (cps) from continuing operations	8	188.2	(443.2)
Basic EPS (cps) from discontinued operation	8	–	(37.1)
Diluted EPS (cps) from discontinued operation	8	–	(37.0)

[1] *Administrative and other operating expenses include an expected credit loss on trade receivables of R23.0 million (2019: R45.6 million).*

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2020

	Notes	2020 R'm	2019 R'm
ASSETS			
Goodwill and other intangible assets		556.2	568.6
Property, plant and equipment		2,877.4	2,828.6
Right-of-use assets		271.4	270.7
Investments in equity accounted investees		48.1	41.4
Financial assets		83.3	97.0
Derivative financial instruments	16	–	0.5
Finance lease receivable		3.8	–
Deferred tax assets		11.7	10.8
Non-current assets		3,851.9	3,817.6
Inventories	10	1,403.1	1,885.3
Trade and other receivables		2,163.0	2,236.3
Financial assets		16.4	17.3
Cash and cash equivalents		576.0	447.1
Derivative financial instruments		0.5	2.7
Current tax receivables		17.4	18.9
Current assets		4,176.4	4,607.6
Total assets		8,028.3	8,425.2
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	11	2,595.6	2,669.2
Retained earnings		1,045.9	788.0
Reserves		(13.6)	33.5
Total attributable to equity holders of Mpact		3,627.9	3,490.7
Non-controlling interests in subsidiaries		284.9	256.1
Total equity		3,912.8	3,746.8
Interest and non-interest bearing borrowings	12	1,634.5	2,382.3
Lease liabilities		256.2	249.1
Retirement benefits obligation		36.9	39.9
Deferred tax liabilities		87.3	95.7
Deferred income		6.9	12.5
Provisions	15	6.8	–
Derivative financial instruments	16	57.1	–
Non-current liabilities		2,085.7	2,779.5
Short-term portion of borrowings	13	22.7	35.5
Lease liabilities		70.2	72.0
Trade and other payables	14	1,886.5	1,766.7
Provisions	15	22.7	9.5
Deferred income		5.5	5.5
Derivative financial instruments		12.8	4.1
Current tax liabilities		9.4	5.6
Current liabilities		2,029.8	1,898.9
Total liabilities		4,115.5	4,678.4
Total equity and liabilities		8,028.3	8,425.2

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2020

	Notes	2020 R'm	2019 R'm
Cash flows from operating activities			
Operating cash flows before movements in working capital		1,203.8	1,343.6
Net decrease/(increase) in working capital		665.0	(357.2)
Cash generated from operations	20	1,868.8	986.4
Dividends received from equity accounted investees		8.1	9.3
Taxation paid		(71.4)	(64.7)
Net cash inflows from operating activities		1,805.5	931.0
Cash flows from investing activities			
Net cash inflow from acquisition of subsidiary		–	0.2
Additions to property, plant and equipment and other intangibles	4c	(518.3)	(592.4)
Proceeds from the disposal of property, plant and equipment		5.8	3.8
Cash disposed of on loss of control in subsidiary		–	(12.5)
Loan advances to associates		(4.3)	(28.5)
Loan repayments from external parties		15.3	35.4
Loan advances to external parties		(3.6)	(3.0)
Interest received		11.9	24.8
Net cash outflows from investing activities		(493.2)	(572.2)
Cash flows from financing activities			
Proceeds from borrowings raised		2,025.1	2,585.0
Repayment of borrowings		(2,777.0)	(2,706.1)
Repayments of lease liabilities[1]		(71.1)	(77.9)
Finance costs paid[1]		(176.5)	(295.8)
Payment for shares re-purchased and cancelled	11	(73.6)	–
Dividends paid to non-controlling interests		(15.2)	(10.6)
Dividends paid to equity holders of Mpact Limited		(72.1)	(125.2)
Subscription of preference shares by non-controlling interest		–	15.5
Purchase of treasury shares		(14.2)	(7.8)
Net cash outflows from financing activities		(1,174.6)	(622.9)
Net increase/(decrease) in cash and cash equivalents		137.7	(264.1)
Net cash and cash equivalents at beginning of year		430.6	694.7
Net cash and cash equivalents at end of year		568.3	430.6

[1] *The total cash outflow for leases recognised under IFRS 16 is R101.7 million (2019: R115.6 million). Finance costs paid includes R30.6 million (2019:R37.7 million) from lease liabilities.*

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

	Stated capital R'm	Share-based payment reserve R'm	Cash flow hedge reserve R'm	Post-retirement benefit reserve R'm	Other reserves[1] R'm	Treasury shares[2] R'm	Retained earnings R'm	Total attributable to equity holders of Mpact Limited R'm	Non-controlling interest R'm	Total equity R'm
Balance at 31 December 2018	2,669.2	50.9	(2.9)	26.5	10.3	(58.2)	1,722.3	4,418.1	110.8	4,528.9
Total comprehensive loss for the year	–	–	3.2	0.9	–	–	(822.3)	(818.2)	(62.2)	(880.4)
Dividends paid[3]	–	–	–	–	–	–	(125.2)	(125.2)	–	(125.2)
Purchase of treasury shares[2]	–	–	–	–	–	(7.8)	–	(7.8)	–	(7.8)
Share plan charges for the year	–	28.6	–	–	–	–	–	28.6	–	28.6
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(10.6)	(10.6)
Issue/exercise of shares under employee share scheme	–	(28.7)	–	–	–	10.7	13.2	(4.8)	–	(4.8)
Purchase of preference shares by non-controlling interest[4]	–	–	–	–	–	–	–	–	15.5	15.5
Acquisition of subsidiaries with non-controlling interest	–	–	–	–	–	–	–	–	38.2	38.2
De-consolidation of subsidiary[5]	–	–	–	–	–	–	–	–	164.4	164.4
Balance at 31 December 2019	**2,669.2**	**50.8**	**0.3**	**27.4**	**10.3**	**(55.3)**	**788.0**	**3,490.7**	**256.1**	**3,746.8**
Total comprehensive income for the year	–	–	(41.5)	2.8	(0.2)	–	319.4	280.5	44.0	324.5
Dividends paid[3]	–	–	–	–	–	–	(72.1)	(72.1)	–	(72.1)
Purchase of treasury shares[6]	–	–	–	–	–	(14.2)	–	(14.2)	–	(14.2)
Share plan charges for the year	–	20.6	–	–	–	–	–	20.6	–	20.6
Shares re-purchased (refer to note 11)	(73.6)	–	–	–	–	–	–	(73.6)	–	(73.6)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(15.2)	(15.2)
Issue/exercise of shares under employee share scheme	–	(28.2)	–	–	–	13.6	10.6	(4.0)	–	(4.0)
Balance at 31 December 2020	**2,595.6**	**43.2**	**(41.2)**	**30.2**	**10.1**	**(55.9)**	**1,045.9**	**3,627.9**	**284.9**	**3,912.8**

[1] *Other reserves consist of foreign currency translation reserve and fair value adjustments to equity investments.*
[2] *Treasury shares purchased represent the cost of shares in Mpact Limited purchased in the market and held by the Mpact Incentive Scheme Trust to satisfy share awards under Mpact's share incentive scheme. As at 31 December 2020, there are 1,935,763 (2019: 2,449,704) treasury shares on hand.*
[3] *Dividends paid amounted to R72.1 million (2019: R125.2 million). The dividend paid per share for the year was 42 cents per share (2019: 73 cents per share).*
[4] *The non-controlling shareholder of Mpact Polymers Proprietary Limited subscribed for the preference shares.*
[5] *As a result of Mpact losing control of Mpact Polymers Proprietary Limited R164.4 million was de-recognised from non-controlling interest. Refer to note 18.*
[6] *Mpact re-purchased 1,050,777 of its issued share capital at an average price of R13.50 in December 2020.*

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020

1. ACCOUNTING POLICIES

Basis of preparation

These preliminary summarised consolidated financial statements have been prepared in accordance with the framework concepts and measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council and the Companies Act of South Africa and contains at a minimum the information required by IAS 34: Interim Financial Reporting.

These summarised consolidated financial statements for the year ended 31 December 2020 have been audited by Deloitte & Touche, who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the consolidated financial statements from which these summarised consolidated financial statements were derived. A copy of the auditor's report on the summarised consolidated financial statements is available for inspection at the Company's registered office. The auditor's report does not necessarily report on all of the information contained in this announcement.

The auditor's report (with Key Audit Matters) issued on the Consolidated Annual Financial Statements ("AFS") and the actual Consolidated Annual Financial Statements can be accessed at https://www.mpact.co.za/investor-relations/financial-results/2021/AFSFY2020.pdf

Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of that report together with the accompanying financial information from the registered office of Mpact. Any reference to future financial performance included in this announcement has not been reviewed or reported by Mpact's auditors.

The preparation of these summarised consolidated financial statements was supervised by the Chief Financial Officer, BDV Clark CA(SA).

The Directors take full responsibility for the preparation of the summarised consolidated financial statements and the financial information has been correctly extracted from the underlying consolidated annual financial statements.

Accounting policies

The accounting policies and methods of computation used are consistent with the prior year, except for new and revised standards adopted.

Mpact has adopted the following amendments to published Standards during the current year:

- **Definition of a Business (Amendments to IFRS 3)**

  The amendment clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output.

- **Definition of Material (Amendments to IAS 1 and IAS 8)**

  The amendments provide a new definition of material that states, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions of users of financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements.

- **Amendments to IFRS 16 Covid-19 Related Rent Concessions**

  The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

  These amendments did not have a significant impact on the financial statements on adoption.

2. IMPACT OF COVID-19

Management has taken into consideration the impact of Covid-19 in respect of Mpact's accounting policies. These included assessing the impact of the impairment of non-current non-financial assets. As required by IAS 36, 'Impairment of Assets', impairment tests of goodwill were performed at year-end and of property, plant and equipment when indicators of impairment were identified.

The loss in gross profit directly attributable to the nation-wide lockdowns is estimated to be R70 million for the full year. This was mainly at customers in the quick-service restaurants (QSR) and the beverage sector. Furthermore, no material adjustments have been made in relation to these estimates in the year ended 31 December 2020.

Inventory valuations were assessed at June 2020 and in December 2020, and there were no material write-downs relating to the impact of Covid-19. Inventory balances decreased during the current financial year when compared to the prior year due to higher demand in the second half of 2020 as well as steps taken to manage inventory levels.

2. IMPACT OF COVID-19 continued

Mpact reassessed its expected loss rates for trade receivables at 31 December 2020, following the financial uncertainty arising from Covid-19. There has been no material change in customer's credit risk that required an additional increase in the expected loss rates. Allowance for credit loss decreased to R58.7 million from R121.1 million in the prior year largely as a result of the write-off of debtors which were previously provided for and were confirmed to be irrecoverable in the current year. The credit risk associated with the balance of the debtor's book has been assessed in detail and the expected credit loss rates are considered reasonable.

In determining the value in use of Mpact's cash-generating units, the impact of Covid-19 and its consequential impact on the economy was built into future cash flows as considered appropriate.

3. GOING CONCERN

As part of the Directors' consideration of the appropriateness of adopting the going concern basis in preparing the consolidated annual financial statements for the year ended 31 December 2020, liquidity and solvency tests were performed based on Mpact's budgets for the next 12 months. The assumptions used in the forecast were based on the estimated potential impact of Covid-19 restrictions and regulations. The forecasts assumed no structural changes to the business.

Mpact's net debt as at 31 December 2020 was approximately R1.4 billion. In July 2020, Mpact secured an additional R210 million general banking facility from Nedbank, bringing total borrowing facilities to approximately R2.8 billion.

Mpact met its two bank covenants based on a rolling 12-month period ended 30 June 2020 and for the measurement period ended 31 December 2020.

A comprehensive plan of action with stringent safety and hygiene practices to mitigate the risks associated with Covid-19 has been implemented across all operations in addition to strict pre-existing health and safety measures. No external customer accounts for more than 10% of total revenue.

The Directors consider it appropriate that the annual financial statements are prepared on a going-concern basis.

4. OPERATING SEGMENTS

4(a) Reportable segment revenue

	2020			2019		
	Segment revenue R'm	Inter-segment revenue R'm	Revenue from contracts with customers R'm	Segment revenue R'm	Inter-segment revenue R'm	Revenue from contracts with customers R'm
Paper	8,664.9	(35.8)	8,629.1	8,726.9	(36.2)	8,690.7
Plastics	2,468.2	(0.1)	2,468.1	2,385.8	(0.2)	2,385.6
	11,133.1	(35.9)	11,097.2	11,112.7	(36.4)	11,076.3

	2020 R'm	2019 R'm
External revenue by product type		
Recycled containerboard, cartonboard and other materials	3,708.9	3,640.5
Corrugated packaging, bags and sacks	4,920.2	5,050.2
Plastic packaging solutions	2,468.1	2,385.6
Total	11,097.2	11,076.3
External revenue by location of customer		
South Africa (country of domicile)	9,612.8	9,931.0
Rest of Africa	1,267.7	1,057.5
Rest of World	216.7	87.8
Total	11,097.2	11,076.3

4(b) Reportable segment underlying operating profit/(loss)

	2020 R'm	2019 R'm
Paper	577.7	716.2
Plastics	119.3	82.8
Corporate	(57.9)	(75.3)
Inter-segment elimination	(8.1)	–
Segments total before special items	631.0	723.7
Write-off of non-current financial asset	(5.2)	–
Special items[1]	(29.5)	(1,299.7)
Share of profit from equity accounted investees	14.8	17.1
Gain on acquisition of subsidiary	–	1.3
Net finance costs	(169.3)	(245.3)
Net loss on sale of associates, joint arrangements and subsidiaries	–	(3.0)
Profit/(loss) before tax	441.8	(805.9)

[1] *Special items include impairment on property, plant and equipment of R29.5 million (2019: R742.4 million). The prior year special items include impairment of goodwill and intangible assets of R549.3 million and restructure costs of R8.0 million. Refer to note 9 for the impairment of goodwill, plant and equipment.*

for the year ended 31 December 2020

	2020 R'm	2019 R'm
Significant components of operating profit		
Depreciation and amortisation		
Paper[2]	314.1	409.0
Plastics[2]	174.7	198.7
Corporate	49.7	42.6
Total	538.5	650.3
Impairment of plant and equipment, goodwill and intangible asset		
Paper	16.4	846.6
Plastics	13.1	445.1
Total	29.5	1,291.7
Total depreciation, amortisation and impairment	568.0	1,942.0

2 Excludes inter-group depreciation relating to right-of-use asset of R53.3 million (2019: R42.7 million) for the paper segment and R6.7 million (2019: R5.9 million) for the plastics segment.

4(c) Reportable segment assets

	2020 R'm	2019 R'm
Segment assets[3]		
Paper[4]	4,997.5	5,535.2
Plastics[4]	1,536.1	1,638.3
Corporate	649.8	491.0
Inter-segment elimination	(8.3)	(6.4)
Segment total[5]	7,175.1	7,658.1
Unallocated:		
Investments in equity accounted investees	48.1	41.4
Deferred tax assets	11.7	10.8
Other non-operating assets[6]	117.7	153.5
Trading assets	7,352.6	7,863.8
Financial assets	99.7	114.3
Cash and cash equivalents	576.0	447.1
Total assets	8,028.3	8,425.2
Non-current non-financial assets[7]		
South Africa (country of domicile)	3,416.0	3,377.2
Rest of Africa	17.6	20.0
Total	3,433.6	3,397.2
Additions to non-current non-financial assets[8]		
Paper	223.4	264.4
Plastics	80.8	197.7
Corporate	214.1	130.3
Segments total	518.3	592.4

3 Segment assets are operating assets and as at 31 December 2020 consists of property, plant and equipment of R2,877.4 million (2019: R2,828.6 million), goodwill and other intangible assets of R556.2 million (2019: R568.6 million), right of use assets of R271.4 million (2019: R270.7 million), finance lease receivables of R7.9 million (2019: Rnil million), inventories of R1,403.1 million (2019: R1,885.3 million) and operating receivables of R2,059.1 million (2019: R2,104.9 million).

4 Excludes inter-group right of use assets of R159.4 million (2019: R143.1 million) for the paper segment and R 16.9 million (2019: R23.6 million) for the plastics segment.

5 Goodwill has been disclosed in the appropriate reportable segment in which it was acquired.

6 Other non-operating assets consist of derivative assets of R0.5 million (2019: R2.7 million), other non-operating receivables of R99.8 million (2019: R131.4 million) and current tax receivable of R17.4 million (2019: R18.9 million).

7 Non-current non-financial assets consist of property, plant and equipment and goodwill and other intangible assets, but excludes deferred tax assets, non-current financial assets and right of use assets.

8 Additions to non-current non-financial assets reflect cash payments and accruals in respect of additions to property, plant and equipment and intangible assets. Additions to non-current non-financial assets, however, exclude additions to deferred tax assets and non-current financial assets and right of use assets.

Special items to determine underlying operating profit

Special items are those items of financial performance that are separately disclosed to assist in the understanding of the underlying financial performance achieved. Such items are material by nature or amount to the financial year's results. These items include impairment charges on tangible and intangible assets, impairment related to equity accounted investees, impairment to financial asset investments and impairment of foreign cash balances or reversals of any such items. Restructure costs associated with the closure of a plant, where such cost would typically be included in earnings before interest, tax, depreciation and amortisation (EBITDA), will also be included in special items.

5. OPERATING PROFIT/(LOSS)

	2020 R'm	2019 R'm
Operating profit/(loss) for the year has been arrived at after charging/(crediting):		
Depreciation, amortisation and impairments	568.0	1,942.0
Amortisation of intangibles	12.2	13.8
Depreciation of property, plant and equipment	444.2	543.1
Depreciation of right-of-use assets	82.1	93.4
Impairment of goodwill	–	548.7
Impairment of intangible assets	–	0.6
Impairment of property, plant and equipment	29.5	742.4
Increase in expected credit loss allowance	23.0	45.6
Net proceeds from insurance claim (refer to note 19)	(25.0)	–

6. NET FINANCE COSTS

	2020 R'm	2019 R'm
Investment income		
Bank deposits and loan receivables	6.3	16.0
Other	4.5	3.4
Total investment income	10.8	19.4
Finance costs		
Bank overdrafts and loans[1]	(145.7)	(220.8)
Lease liabilities	(30.6)	(37.7)
Loss on de-recognition of interest rate swap	–	(2.3)
Defined benefit arrangements	(3.8)	(3.9)
Total interest expense	(180.1)	(264.7)
Net finance costs	(169.3)	(245.3)

[1] Includes the effects of fixed and floating rates on the interest rate swap amounting to a net value of R13.9 million (2019: Rnil).

7. TAX (EXPENSE)/INCOME

	2020 R'm	2019 R'm
Current tax	(78.1)	(66.7)
Deferred tax	(0.3)	150.6
Total tax (expense)/income	(78.4)	83.9

Mpact has an effective tax rate of 17.7% for the current financial year (2019: negative effective tax rate of 10.4%). The increase in the deferred tax expense is mainly due to the impairment recognised in the prior year.

8. EARNINGS PER SHARE

The presentation of headline EPS is mandated under the JSE Listings Requirements and is calculated in accordance with Circular 1/2019, "Headline Earnings", as issued by the South African Institute of Chartered Accountants.

Underlying earnings is arrived at after adjusting profit attributable to equity holders of Mpact for special items, net of tax and is a non-IFRS measure. It is included to assist the users' understanding of the underlying earnings performance on a basis that is comparable from year to year. The underlying earnings calculation is the responsibility of Mpact's Directors.

	2020 Cents per share	2019 Cents per share
Continuing operations earnings/(loss) per share (EPS)		
Basic EPS	188.6	(443.7)
Diluted EPS	188.2	(443.2)
Basic headline EPS	196.1	185.8
Diluted headline EPS	195.6	185.6
Basic underlying EPS1	200.6	191.8
Diluted underlying EPS[1]	200.1	191.6
Discontinued operations loss per share (EPS)		
Basic EPS	–	(37.1)
Diluted EPS	–	(37.0)
Basic headline EPS	–	(36.7)
Diluted headline EPS	–	(36.7)
Total operations earnings/(loss) per share (EPS)		
Basic EPS	188.6	(480.8)
Diluted EPS	188.2	(480.2)
Basic headline EPS	196.1	149.1
Diluted headline EPS	195.6	148.9

[1] Underlying earnings is arrived at after adjusting profit attributable to equity holders of Mpact for special items, net of tax.

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The calculation of basic and diluted EPS and basic and diluted headline EPS is based on the following data:

	2020 R'm	2019 R'm
Continuing operations		
Profit/(loss) for the year	363.4	(722.0)
Less profit attributable to non-controlling interest	(44.0)	(36.9)
Profit/(loss) for the year attributable to equity holders of Mpact	319.4	(758.9)
Discontinued operation		
Loss for the year	–	(162.5)
Less loss attributable to non-controlling interest	–	99.1
Loss for the year attributable to equity holders of Mpact	–	(63.4)
Continuing operations		
Profit/(loss) for the financial year attributable to equity holders of Mpact	319.4	(758.9)
Impairment of plant and equipment (refer to note 5)	29.5	742.4
Impairment of goodwill and other intangible assets (refer to note 5)	–	549.3
Gain on acquisition of subsidiary	–	(1.3)
Loss on sale of associate, joint arrangements and subsidiaries	–	3.0
Gain on de-recognition of right-of-use assets and lease liabilities	(6.0)	(6.0)
Profit on disposal of tangible assets	(2.3)	(0.2)
Non-controlling interest portion of impairment of plant and equipment	(1.3)	(3.8)
Related tax	(7.3)	(206.8)
Headline earnings for the financial year	332.0	317.7
Profit/(loss) for the financial year attributable to equity holders of Mpact	319.4	(758.9)
Impairment of plant and equipment (refer to note 5)	29.5	742.4
Impairment of goodwill and other intangible assets (refer to note 5)	–	549.3
Restructure costs	–	8.0
Non-controlling interest portion of impairment of plant and equipment	(1.3)	(3.8)
Related tax	(7.9)	(209.0)
Underlying earnings for the financial year	339.7	328.0
Discontinued operation		
Loss for the financial year attributable to equity holders of Mpact	–	(63.4)
Impairment of right-of-use asset	–	13.8
Impairment of plant and equipment	–	218.1
Gain on the de-consolidation of the discontinued operation	–	(160.1)
Non-controlling interest portion of impairment of plant and equipment	–	(71.2)
Headline loss for the financial year	–	(62.8)

	2020 Weighted number of shares	2019 Weighted number of shares
Weighted average number of ordinary shares in issue[2]	169,322,144	171,030,378
Effect of dilutive potential ordinary shares[3]	418,994	187,040
Weighted average number of ordinary shares adjusted for the effect of dilution	169,741,138	171,217,418

[2] *The weighted average number of shares takes into account the weighted average effect of changes in treasury shares and the re-purchase of shares during the year.*
[3] *Diluted EPS is calculated by adjusting the weighted average number of ordinary shares in issue, on the assumption of conversion of all potentially dilutive ordinary shares.*

9. IMPAIRMENT OF GOODWILL AND PLANT AND EQUIPMENT

At each reporting date, Mpact reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, Mpact estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment is recognised as an expense in the statement of profit or loss. Where the underlying circumstances change such that a previously recognised impairment on property, plant and equipment subsequently reverses, the carrying amount of the asset, or cash-generating unit, is increased to the revised estimate of its recoverable amount. Such reversal is limited to the carrying amount that would have been determined had no impairment been recognised for the asset, or cash-generating unit, in prior years. A reversal of an impairment is recognised in the statement of profit or loss.

Impairment exists when the carrying value of an asset or cash-generating-unit exceeds its recoverable amount, which is the higher of its fair value less cost of disposal and its value in use.

Mpact assesses annually whether goodwill, tangible and intangible assets have suffered any impairment, in accordance with the stated accounting policy. The recoverable amounts of goodwill allocated to cash-generating units, tangible and intangible assets are determined based on value-in-use calculations, discounted cash flow models (DCF), which require the exercise of management's judgement across a range of input assumptions and estimates. The principal assumptions used relate to the time value of money and expected future cash flows. The recoverable amount is sensitive to the discount rate and terminal growth rate used in the DCF model.

9. IMPAIRMENT OF GOODWILL AND PLANT AND EQUIPMENT (continued)

Impairment testing and key assumptions

For the purpose of impairment testing, goodwill is tested at a CGU level as it was allocated to a CGU at initial recognition as well as property, plant and equipment is done at a CGU level.

The recoverable amount of the CGUs was determined based on a value-in-use calculation, discounting the future cash flows expected to be generated using weighted average cost of capital rates. The discount rates used in discounted cash flow models are calculated using the principles of the capital asset pricing model, taking into account current market conditions. The cash flow projections were based on the 2021 to 2023 budgeted results and a reasonable growth rate, 4.2% (2019: 5.1%), applied for a further two years based on market conditions and historic trends. A perpetuity growth rate was applied based on historical market trends and operating markets.

The key inputs used in the impairment testing calculation was a pre-tax discount rate of between 14.5% to 17.0% (2019: 15.0% to 20.0%) and a post-tax discount rate of 12.0% (2019: 12.9%). A terminal value growth rate of 4.2% (2019: 5.1%) was used.

Impairment of goodwill and plant and equipment are as follows:

	2020 R'm	2019 R'm
Impairment of goodwill in continuing operations		
Piet Retief Mill	–	159.8
Springs Mill	–	196.9
Trays & films	–	192.0
	–	548.7
Impairment of plant and equipment in continuing operations		
Piet Retief Mill	–	276.8
Springs Mill	16.4	202.5
Bins & crates	3.7	–
Trays & films	9.4	252.5
	29.5	731.8
Equipment within paper converting	–	10.6
	29.5	742.4

Sensitivity analysis on CGU that include goodwill not impaired

In performing the impairment test for goodwill in respect of the CGUs, Mpact considered the sensitivity of changes in assumptions around key value drivers. The key value drivers are discount rates and terminal value growth assumptions. A sensitivity analysis was performed to determine the discount rate and terminal value growth rate which will result in an impairment of each CGU.

CGU	Breakeven pre-tax discount rate %	Breakeven terminal growth rate %
Recycling	21.8	1.0
Felixton mill	22.3	<0
Corrugated operations	40.3	<0
FMCG	28.3	<0
Performs and closures	20.5	1.5

10. INVENTORIES

	2020 R'm	2019 R'm
Raw materials and consumables	828.0	1,025.0
Work in progress	41.8	45.3
Finished goods	533.3	815.0
Total inventories	**1,403.1**	**1,885.3**
Write-down of inventories during the year	26.8	59.5
Reversal of write-down of inventories during the year	(44.1)	(7.4)

The decrease in the inventories balance is as a result of lower stock holding levels.

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11. STATED CAPITAL

	2020 R'm	2019 R'm
Authorised share capital		
217,500,000 shares of no par value	–	–
Issued share capital		
Issue of shares of no par value	2,669.2	2,669.2
Share re-purchased	(73.6)	–
	2,595.6	2,669.2

	Number of shares	Number of shares
Reconciliation of the number of shares in issue:		
Shares in issue at beginning of year	173,304,517	173,304,517
Shares re-purchased	(8,665,225)	–
Shares in issue at end of year	164,639,292	173,304,517

The Directors were given the authority by the shareholders to buy back Mpact's own shares up to a limit of 15% of the current issued share capital.

During September 2020 and October 2020, Mpact re-purchased 8,665,225 of its issued share capital shares at an average purchase price of R8.4708 for a total consideration of R73.6 million. The purchase represented 5% of Mpact's issued share capital in terms of the general authority granted by shareholders at Mpact's annual general meeting held on 4 June 2020. These shares were cancelled and delisted.

At the general meeting held on 11 December 2020, shareholders approved for Mpact to re-purchase 10% of its share capital. Following this approval, Mpact re-purchased 1,050,777 of its issued share capital shares for a consideration of R14.1 million during December 2020. These are included in treasury shares at year-end. A further 15,413,152 of its issued share capital shares were re-purchased for a consideration of R257.0 million in January 2021.

On 27 January 2021, the JSE approved the cancellation and delisting of 1,975,834 shares and the further cancellation and delisting of 14,488,095 shares on 2 February 2021.

Included in other reserves are amounts paid by Mpact Limited to Mpact Limited Incentive Scheme Trust for the acquisition of Mpact shares to be utilised in terms of the Share Plans. As at 31 December 2020, The Trust held 1,935,763 (2019: 2,449,704) shares. During the year, the Trust bought 14,079 shares at an average price of R9.14.

12. INTEREST AND NON-INTEREST BEARING BORROWINGS

	2020 R'm	2019 R'm
Secured: Standard Bank, Rand Merchant Bank and Nedbank:		
– RCF A[1]	200.0	200.0
– RCF B[2]	850.0	850.0
– RCF C[3]	200.0	625.0
– RMB General Banking Facility[4]	380.0	700.0
	1,630.0	2,375.0
Secured instalment loan facilities	7.3	10.9
	1,637.3	2,385.9
Unsecured: Minority shareholder loans in subsidiary[5]	12.2	15.4
Total borrowings	1,649.5	2,401.3
***Less:* Current portion (refer to note 13)**	(15.0)	(19.0)
Minority shareholder loans	(12.2)	(15.4)
Instalment loan facilities	(2.8)	(3.6)
Non-current borrowings	1,634.5	2,382.3

[1] *Bears interest at three-month JIBAR plus 1.65%. The current facility is a revolving credit facility and expires in August 2022.*
[2] *R250 million bears interest at one month JIBAR plus 1.75% and R600 million bears interest at three month JIBAR plus 1.75%. The facility is a revolving credit facility and expires in August 2023.*
[3] *Facility C is a revolving credit facility, bears interest at one month JIBAR plus 1.85% and expires in August 2024.*
[4] *Bears interest at prime less 2.5% and expires in August 2022.*
[5] *The loan was granted as a shareholder loan which is non-interest bearing with no fixed date of repayment.*

The value of the security pledged in relation to the assets is limited to R2,600 million (2019: 2,600 million). Certain inter-company loans within Mpact Operations Proprietary Limited, Mpact Limited, Mpact Versapak Proprietary Limited and Recycling Consolidated Holdings Proprietary Limited have been subordinated in favour of the debt holders.

Mpact is entitled to receive all cash flows from these pledged assets. Further, there is no obligation to remit these cash flows to another entity.

13. SHORT-TERM BORROWINGS

	2020 R'm	2019 R'm
Minority shareholder loans	12.2	15.4
Bank overdrafts	7.7	16.5
Instalment loan facilities	2.8	3.6
Total short-term borrowings	22.7	35.5

The current portion of borrowings is expected to be repaid from operational cash flows and other existing facilities.

14. TRADE AND OTHER PAYABLES

	2020 R'm	2019 R'm
Trade payables	1,170.4	1,196.5
Amounts owed to related parties	12.9	8.2
Refund liabilities (rebates to customers)	213.7	166.6
Accruals	218.6	168.7
Other payables	270.9	226.7
Total trade and other payables	1,886.5	1,766.7

The fair values of trade and other payables are not materially different to the carrying values presented. Other payables consist mainly of staff costs.

15. PROVISIONS

	2020 R'm	2019 R'm
Non-current portion of restoration and environmental provision[1]	6.8	–
Total non-current provisions	6.8	–
Current portion of restoration and environmental[1]	18.3	5.5
Current portion of Dividend equivalent bonus[2]	4.4	4.0
Total current provisions	22.7	9.5

1 *The restoration and environmental provision represents the best estimate of the expenditure required to settle the obligation to rehabilitate environmental disturbances caused by production operations. A provision is recognised for the present value of such costs. In the current financial year, the provision increased by R19.6 million charged to the statement of profit or loss (2019: increase of R4.2 million).*

2 *Relates to Bonus Share Plan awards, where dividends earned over the holding period are paid as a single cash payment on vesting date. In the current financial year, the provision increased by a net R0.4 million which were recognised in the statement of profit or loss (2019: increase of R0.8 million).*

16. DERIVATIVE FINANCIAL INSTRUMENTS

	2020 R'm	2019 R'm
Non-current derivative		
Cash flow hedges		
Interest rate swaps (liability)/asset	(57.1)	0.5

In the prior year, Mpact had entered into an interest rate swap for R200 million which expires in August 2022 (3-year swap) and a R600 million interest rate swap which expires in August 2023 (4 year swap). The floating rate for both swaps was referenced to three-month JIBAR. The fixed interest rate on the 3-year swap is 6.59% and 6.74% on the 4-year swap. The cash flow hedge was assessed to be effective.

17. CAPITAL COMMITMENTS

Capital commitments are based on capital projects approved by the end of the financial year and the budget approved by the Board.

Capital expenditure contracted for at the reporting date in respect of plant and equipment, but not yet incurred is as follows:

	2020 R'm	2019 R'm
Contracted for	190.1	148.9
Approved, not yet contracted for	622.3	604.3
Total capital commitments	812.4	753.2

The capital commitments will be financed from existing cash resources and unutilised borrowing facilities.

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18. DISCONTINUED OPERATION AND LOSS OF CONTROL

Mpact Polymers

On 14 November 2019, the Board of Directors approved a decision to discontinue operations in Mpact Polymers Proprietary Limited (Polymers). The reason is that the current recycled PET selling price is below Polymers' cash cost of production and is expected to remain so for the foreseeable future. Polymers was classified as held for sale at this date.

On 10 December 2019, Polymers was placed into business rescue. Based on the powers and duties of the Business Rescue Practitioner, Mpact lost control of the Polymers business and de-consolidated the assets, liabilities and the non-controlling interest at this date.

	2019 R'm
Revenue from contracts with customers	77.6
Expenses	(155.9)
Impairment of right of use asset	(13.8)
Impairment of plant and equipment	(218.1)
Operating loss	(310.2)
Net finance costs	(12.4)
Gain on the de-consolidation of the discontinued operation	160.1
Loss for the year from discontinued operation	(162.5)
The major classes of assets and liabilities of Polymers that were derecognised are as follows:	
Assets	
Inventories	(0.8)
Trade and other receivables	(2.7)
Cash and cash equivalents	(12.5)
Assets de-recognised	(16.0)
Liabilities	
External borrowings	306.3
Lease liabilities	15.4
Trade and other payables	18.8
Liabilities de-recognised	340.5
Non-controlling interest de-recognised	(164.4)
Gain on the de-consolidation of the discontinued operation	160.1
The net cash flows incurred by Polymers are as follows:	
Operating activities	(10.6)
Investing activities	(34.5)
Financing activities	44.1
Net cash outflow	(1.0)

19. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

(a) Contingent liabilities for Mpact comprise aggregate amounts at 31 December 2020 of R2.0 million (2019: R1.7 million) in respect of loans and guarantees given to banks and other third parties.

(b) A Group mill is the subject of a land claim, which should not have a material impact on the financial position of Mpact.

(c) There is a contingent asset for the insurance claim due to a catastrophic failure of a municipal sub-station in Ekurhuleni. There were no significant contingent assets for the year ended 31 December 2019.

(d) As advised to the shareholders on 26 May 2016, the Company is subject to a Competition Commission investigation. On 15 April 2019 the Competition Commission referred a complaint against the Company to the Competition Tribunal which will be adjudicated in due course. The Commission is not seeking the imposition of a penalty against Mpact.

20. CONSOLIDATED CASH FLOW ANALYSIS

	2020 R'm	2019 R'm
Reconciliation of profit/(loss) before taxation to cash generated from operations		
The prior year notes to the consolidated statement of cash flows include cash flows for discontinued operations. This differs to the notes to the consolidated statement of profit or loss which excludes amounts for the discontinued operations.		
Profit/(loss) before taxation from total operations	441.8	(968.4)
Profit/(loss) before taxation from continuing operations	441.8	(805.9)
Loss from discontinued operations	–	(162.5)
Adjusted for:		
Depreciation, amortisation and impairments	568.0	2,199.0
Impairment of non-current financial asset	5.2	–
Profit on the de-consolidation of the discontinued operation	–	(160.1)
Gain on acquisition of subsidiary	–	(1.3)
Share-based payments	20.6	28.6
Net finance costs	169.3	257.8
Share of equity accounted investee profit	(14.8)	(17.1)
Impairment of inventory of the discontinued operation	–	10.6
Increase in provisions	17.2	1.6
Decrease/(increase) in inventories	461.5	(122.2)
Decrease in receivables	81.4	195.5
Increase/(decrease) in payables	122.0	(430.5)
Profit on disposal of tangible assets	(2.3)	(0.2)
Fair value change on transactions not qualifying as hedges	10.9	1.6
Amortisation of government grant	(5.5)	(5.5)
Loss on sale of joint arrangements and subsidiaries	–	3.0
Profit on disposal of right of use assets and lease liabilities	(6.0)	(6.0)
Other non-cash items	(0.5)	–
Cash generated from operations	**1,868.8**	**986.4**

21. FINANCIAL RISK MANAGEMENT

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) are determined using standard valuation techniques. These valuation techniques maximise the use of observable market data were available and rely as little as possible on Mpact specific estimates.

The significant inputs required to fair value all of Mpact's financial instruments are observable.

Specific valuation methodologies used to value financial instruments include:

- the fair values of interest rate swaps and foreign exchange contracts are calculated as the present value of expected future cash flows based on observable yield curves and exchange rates; and
- other techniques, including discounted cash flow analysis, are used to determine the fair values of other financial instruments.

Financial assets	Fair value hierarchy	At amortised cost R'm	At fair value through profit or loss R'm	At fair value through OCI R'm	Total R'm
2020					
Trade and other receivables[1]		2,125.3	–	–	2,125.3
Loans receivable	Level 2	99.1	–	–	99.1
Equity investment	Level 3	–	–	0.6	0.6
Derivative financial instruments	Level 2	–	0.5	–	0.5
Cash and cash equivalents[1]		576.0	–	–	576.0
Total		**2,800.4**	**0.5**	**0.6**	**2,801.5**
2019					
Trade and other receivables[1]		2,196.7	–	–	2,196.7
Loans receivable	Level 2	113.7	–	–	113.7
Equity investment	Level 3	–	–	0.6	0.6
Derivative financial instruments	Level 2	–	2.7	–	2.7
Cash and cash equivalents[1]		447.1	–	–	447.1
Total		2,757.5	2.7	0.6	2,760.8

[1] *The carrying value reasonably approximates the fair value. Trade and other receivables excludes prepayments and accrued income.*

for the year ended 31 December 2020

Financial liabilities	Fair value hierarchy R'm	At fair value through profit or loss R'm	At amortised cost R'm	Total R'm
2020				
Borrowings	Level 2	–	(1,657.2)	(1,657.2)
Trade and other payables[1]		–	(1,886.5)	(1,886.5)
Derivative financial instrument	Level 2	(69.9)	–	(69.9)
Total		(69.9)	(3,543.7)	(3,613.6)
2019				
Borrowings	Level 2	–	(2,417.8)	(2,417.8)
Trade and other payables[1]		–	(1,766.7)	(1,766.7)
Derivative financial instrument	Level 2	(4.1)	–	(4.1)
Total		(4.1)	(4,184.5)	(4,188.6)

[1] *The carrying value reasonably approximates the fair value.*

22. RELATED PARTY TRANSACTIONS

Mpact has a related party relationship with its subsidiaries, its associates, joint arrangement and Directors. Mpact, in the ordinary course of business, enters into various sales, purchase and services transactions with its joint arrangement and associates and others in which Mpact has a material interest. These transactions are under terms that are no less favourable than those arranged with third parties.

Details of transactions and balances between Mpact and related parties are disclosed below:

	2020 R'm	2019 R'm
Sales to joint arrangement[1]	6.1	2.4
Sales to associates	238.3	202.8
Purchases from associates	0.7	–
Loan to joint arrangement	59.2	57.0
Receivables due from joint arrangement	5.4	0.4
Receivables due from associates	53.9	24.2
Payables due to associates	12.9	8.2

[1] *In the current financial year Dalisu Proprietary Limited was re-assessed to be a joint arrangement. Prior year sales to associates amounting to R2.4 million and receivables due from associates amounting to R0.4 million have been disclosed as sales to joint arrangement and receivables due from joint arrangement respectively.*

23. EVENTS OCCURRING AFTER THE REPORTING DATE

Mpact re-purchased 15,413,152 of its issued share capital shares at an average price of R16.68 during January 2021 for a total consideration of R257.0 million. On 27 January 2021, the JSE approved the cancellation and delisting of 1,975,834 shares and the further cancellation and delisting of 14,488,095 shares on 2 February 2021.

There were no other significant or material subsequent events which would require adjustment to or disclosure in the consolidated financial statements.

SHAREHOLDERS' DIARY

1. Shareholder Diary for IR:

Financial year-end	31 December
Annual General Meeting	3 June 2021
Final dividend declared	NO DIVIDEND
Details of final dividend declared	n/a
Last date of trade to receive a dividend	n/a
Shares commence trade ex-dividend	n/a
Record date	n/a
Payment date	n/a
Share certificates may not be dematerialised or re-materialised between	Wednesday, 31 March 2021 and Friday, 2 April 2021, both days inclusive.

2. Shareholder Diary for AGM:

Financial year-end	31 December
Record date to receive notice of AGM:	Friday,23 April 2021
Last date to trade to be eligible to attend and vote at the AGM:	Tuesday, 25 May 2021
Record date to be eligible to vote:	Friday, 28 May 2021
Lodgement of electronic participation forms:	Monday, 31 May 2021
Annual General Meeting:	Thursday, 3 June 2021

SHAREHOLDERS' ANALYSIS

Analysis of Ordinary Shareholders as at 31 December 2020

Shareholder spread	Number of Share-holdings	% of total share-holdings	Number of Shares	% of issued capital
1 – 1,000	3,117	70.58%	619,878	0.38%
1,001 – 10,000	839	19.00%	2,600,826	1.58%
10,001 – 100,000	297	6.73%	10,584,353	6.43%
100,001 – 1,000,000	138	3.13%	38,173,177	23.19%
Over 1,000,000	25	0.57%	112,661,058	68.43%
Total	**4,416**	**100.00%**	**164,639,292**	**100.00%**

Distribution of Shareholders	Number of Share-holdings	% of total share-holdings	Number of Shares	% of issued capital
Assurance Companies	22	0.50%	1,042,098	0.63%
Close Corporations	30	0.68%	204,648	0.12%
Collective Investment Schemes	106	2.40%	54,774,583	33.27%
Control Accounts	5	0.11%	737	0.00%
Custodians	96	2.17%	19,923,550	12.10%
Foundations & Charitable Funds	39	0.88%	840,089	0.51%
Hedge Funds	8	0.18%	894,937	0.54%
Insurance Companies	5	0.11%	751,606	0.46%
Investment Partnerships	20	0.45%	464,685	0.28%
Managed Funds	9	0.20%	247,767	0.15%
Medical Aid Funds	15	0.34%	962,356	0.58%
Organs of State	4	0.09%	5,876,282	3.57%
Private Companies	104	2.36%	673,128	0.41%
Public Companies	10	0.23%	44,493,143	27.02%
Public Entities	2	0.05%	65,469	0.04%
Retail Shareholders	3,439	77.88%	6,313,273	3.83%
Retirement Benefit Funds	210	4.76%	22,414,387	13.61%
Scrip Lending	5	0.11%	200,481	0.12%
Share Schemes	1	0.02%	1,935,763	1.18%
Stockbrokers & Nominees	35	0.79%	600,071	0.36%
Treasury	1	0.02%	1,050,777	0.64%
Trusts	238	5.39%	901,820	0.55%
Unclaimed Scrip	12	0.27%	7,642	0.00%
Total	**4,416**	**100.00%**	**164,639,292**	**100.00%**

Shareholder type	Number of share-holdings	% of total share-holdings	Number of shares	% of issued capital
Non-Public Shareholders	**12**	**0.27%**	**48,168,041**	**29.26%**
Directors & Prescribed Officers – Direct Shareholdings	5	0.11%	1,375,619	0.84%
Directors & Prescribed Officers – Indirect Shareholdings	3	0.07%	254,037	0.15%
Treasury	1	0.02%	1,050,777	0.64%
Share Schemes	1	0.02%	1,935,763	1.18%
Major shareholders > 10%: Caxton and CTP Publishers and Printers Ltd and Associates	2	0.05%	43,551,845	26.45%
Public Shareholders	**4,404**	**99.73%**	**116,471,251**	**70.74%**
Total	**4,416**	**100.00%**	**164,639,292**	**100.00%**

Beneficial Shareholders With A Holding Greater Than 5% Of The Issued Shares	Number of Shares	% of issued capital
Caxton and CTP Publishers and Printers Limited	43,551,845	26.45%
Old Mutual Group	11,418,745	6.94%
CitiGroup (Custodian)	10,293,606	6.25%
Allan Gray	9,701,714	5.89%
Total	**74,965,910**	**45.53%**

Total number of shareholdings	**4 416**
Total number of shares in issue	**164 639 292**

Share price performance

Opening Price 02 January 2020	R15,10
Closing Price 31 December 2020	R13,85
Closing High for period	R16,98
Closing Low for period	R1,11
Number of shares in issue	164,639,292
Volume traded during period	122,477,215
Ratio of volume traded to shares issued	74,39%
Rand value traded during the period	R1,332,366,843
Price/earnings ratio as at 31 December 2020	11,69
Earnings yield as at 31 December 2020	8,56
Dividend yield as at 31 December 2020	2,43
Market capitalisation at 31 December 2020	R2,280,254,194

Non-public breakdown	31 December 2020
– Non-Public Breakdown	**164 639 292**

Beneficial Holders > 10%	Count	Holding	%
CAXTON & CTP PUBLISHERS & PRINTERS	1	43,131,067	26.20%
Moolman & Coburn Partnership	1	420,778	0.26%
	2	43,551,845	26.45%

Treasury	Count	Holding	%
Mpact Limited	1	1,050,777	0.64%
	1	**1,050,777**	**0.64%**

Share Schemes	Count	Holding	%
Mpact Ltd Incentive Schemes Trust	1	1,935,763	1.18%
	1	**1,935,763**	**1.18%**

Directors	Count	Direct holding	Indirect holding	Total	%
Bruce Strong (Strong Bruce William Mr)	1	671,045	–	671,045	0.41%
Hugh Thompson (Thompson Hugh Michael Mr)	1	416,395	–	416,395	0.25%
John Hunt (Hunt John William Mr)	1	252,791	–	252,791	0.15%
Brett Clark (Brett Clark Family Trust & Mrs Monica Luise Clark)	2	–	252,521	252,521	0.15%
AJ Phillips (Phillips Anthony John Mr & A Phillips Family Trust)	2	8,914	1,516	10,430	0.01%
Naidoo Neelin Mr	1	26,474	–	26,474	0.02%
	8	**1,375,619**	**254,037**	**1,629,656**	**0.99%**

Non-public breakdown	31 December 2019
– Directors of the Company or any of its subsidiaries	173,304,517

Beneficial holders > 10%	Count	Holding	%
	0	0	0.00%

Share Schemes	Count	Holding	%
Mpact Ltd Incentive Schemes Trust	1	2,449,704	1.41%
	1	**2,449,704**	**1.41%**

Directors and Prescribed Officers	Count	Direct holding	Indirect holding	Total	%
Bruce Strong (Strong Bruce William Mr)	1	578,208	–	578,208	0.33%
Hugh Thompson (Thompson Hugh Michael Mr)	1	382,408	–	382,408	0.22%
John Hunt (Hunt John William Mr)	1	231,604	–	231,604	0.13%
Brett Clark (Brett Clark Family Trust & Mrs Monica Luise Clark)	3	–	153,883	153,883	0.09%
Ralph von Veh (Von Veh Ralph Peter Mr)	1	61,603	–	61,603	0.04%
AJ Phillips (Phillips Anthony John Mr & A Phillips Family Trust)	2	8,914	1,516	10,430	0.01%
	9	**1,262,737**	**155,399**	**1,418,136**	**0.82%**

GLOSSARY OF TERMS

The following acronyms and terms are used throughout the Integrated Report.

AGM	Annual General Meeting
Basic EPS	Earnings for the year attributable to equity holders of Mpact divided by the weighted average number of ordinary shares in issue during the year
B-BBEE	Broad-Based Black Economic Empowerment
BEE	Black Economic Empowerment
BSP	Bonus Share Plan
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGU	Cash-generating unit
Closing PE ratio	Market value per share at 31 December divided by HEPS
Companies Act	Companies Act No 71 of 2008
CSI	Corporate Social Investment
EBIT	Earnings before interest and taxation
EBITDA	Earnings before interest, tax, depreciation and amortisation
EE	Employment Equity
EHS	Life Employee Health Solutions
EPS	Earnings per share
ESG	Environmental, social and governance
Exco	The Executive Committee
FMCG	Fast Moving Consumer Goods
FSC	Forest Stewardship Council
GHG	Greenhouse gas
GJ	Gigajoules
GRI	Global Reporting Initiative
GRSM	Group Risk and Sustainability Manager
HEPS	Headline earnings per share – headline earnings divided by the weighted average number of ordinary shares in issue during the year
HR	Human resources
IAS	International Accounting Standards
IFC	Inside front cover
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
IPSA	Intellectual property
IT/ICT	Information Technology/Information Communication and Technology
JSE	Johannesburg Stock Exchange Limited
King IV	King Report on Corporate Governance for South Africa 2016
KPA	Key Performance Area
KPI	Key Performance Indicators
KZN	KwaZulu-Natal
Listings Requirements	Listings Requirements of the JSE
LTI	Lost Time Injury
LTIP	Long-Term Incentive Plan
MD	Managing Director
MOI	Memorandum of Incorporation
Mpact or the Group	Mpact Limited and its subsidiaries
Net asset value per share	The net asset value of the Company divided by the number of shares in issue
OCC	Old Corrugated Containers
Operating profit margin	EBIT as a percentage of revenue
PAMSA	Paper Manufacturing Association of South Africa
PDIs	Previously Disadvantaged Individuals
PE	Price earnings, market value per share divided by HEPS
PET	Polyethylene terephthalate
PETCO	The PET Recycling Company
PO	Public Officer
POLYCO	Polyolefin Responsibility Organisation
PSP	Performance Share Plan
PV	Photovoltaic
QSR	Quick Services Restaurant
ROCE	Return on Capital Employed
rPET	Recycled PET
SABS	South African Bureau of Standards
SAICA	South African Institute of Chartered Accountants
SHE	Safety, Health and Environmental
SIFR	Serious Injury Frequency Rate
SR	Sustainability Review
STI	Short-term incentives
TGCOE	Total Guaranteed Cost of Employment
the Board	The Board of Directors of Mpact
the Company	Mpact Limited
the current year	The financial year ended 31 December 2020
the next year	The financial year ending 31 December 2021
the previous year	The financial year ended 31 December 2019
TSR	Total Shareholder Return
underlying earnings	Net profit after tax and before special items attributable to equity holders of the Company
underlying EBIT	Earnings before interest and taxes and before special items
underlying operating profit margin	Operating profit including subsidiaries and joint ventures before special items as a percentage of revenue
WCPT	West Coast Paper Traders – a subsidiary company

CORPORATE INFORMATION AND ADVISERS

Mpact Limited
(Registration number 2004/025229/06)

Mpact Registered Address
4th Floor, 3 Melrose Arch Boulevard Johannesburg, 2196
South Africa

Postal Address
Postnet Suit #179, Private Bag X1
Melrose Arch, Johannesburg, 2196
Date and place of incorporation:
07 September 2004, South Africa

Group Company Secretary
Donna Maree Dickson
ddickson@mpact.co.za

Sponsor
The Standard Bank of South Africa Limited
(Registration number 1962/000738/06)
30 Baker Street
Rosebank
Johannesburg, 2196
(PO Box 61344, Marshalltown, 2107)

Directors:
Independent Non-executive Directors
Anthony John Phillips *(Chair)*
Nomalizo Beryl Langa-Royds
Timothy Dacre Aird Ross
Neo Phakama Dongwana
Maya Makanjee
Penuell Cornwell Sibusiso Luthuli
Andrew Murray Thompson

Executive Directors
Bruce William Strong *(Chief Executive Officer)*
Brett David Vaughan Clark *(Chief Financial Officer)*

Transfer Secretaries
Computershare Investor Services
Proprietary Limited
(Registration number: 2004/003647/07)
Rosebank Towers
15 Biermann Avenue, Rosebank, 2196
(Private Bag X9000, Saxonwold, 2132)

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