

# Corporate Governance report

The Board is pleased to announce that it has achieved its objective of 35% women on the Board by 2020 ahead of schedule and has agreed to improve race representation of black people on the Board to 45% by 2020.

## COMMITMENT AND APPROACH TO CORPORATE GOVERNANCE

The Group under the stewardship of the Board endorses and accepts full responsibility for the application of best 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 by complying with the requirements of King IV, the JSE Listings Requirements and the Companies Act, in both letter and spirit.

## 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. 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 and management periodically to ensure that the company remains differentiated by people who are resolute, trustworthy and responsible.

## KING IV APPLICATION

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 2017 to apply material aspects of King IV.

In this regard, a detailed King IV Register is published on the Company's website. The purpose of this register is to provide an overview of the application by Mpact of the principles contained in the King IV. The register should be read in conjunction with the Mpact Integrated Report 2017.

## Governance framework

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

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

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



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

- Audit and Risk Committee: pages 93 to 96
- Social and Ethics Committee: pages 46 to 49
- Remuneration and Nomination Committee: pages 70 to 88

### Role and function of the Board

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

### Responsibilities of the Board

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

- Provides leadership based on an ethical foundation and ensures that the Group's ethics are effectively managed.
- Appreciates that strategy, risk, performance and sustainability are inseparable.
- Acts as the focal point for, and custodian of, corporate governance.
- Has a responsibility to all stakeholders, which 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.

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### Board practices

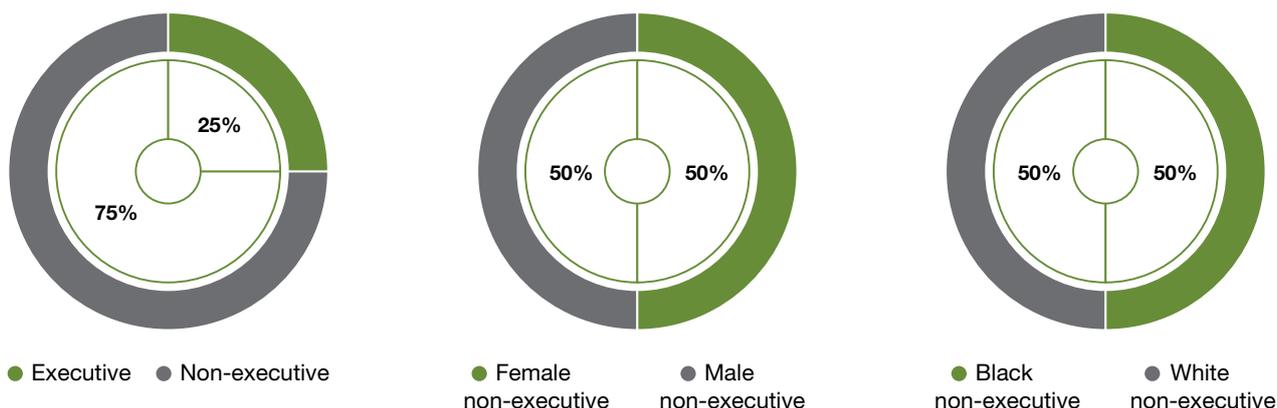
The Board is ultimately responsible for the Group's business, approval of the strategy and key policies and is the focal point and custodian of corporate governance at Mpact. It is also responsible for approving the Group's strategy, financial objectives and targets. The roles of the Chairman and CEO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

The Board recognises the necessity for directors to occasionally seek independent professional advice at the Group's expense. In this regard the Board has adopted a Board Policy on 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 they are well informed and that debate and decisions are constructive and robust.

### Composition of the Board

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



### Meeting attendance register

The table below indicates the attendance of Board members at scheduled meetings during the period March 2017 to March 2018:

Director	Board	Audit and Risk Committee	Remuneration and Nomination Committee	Social and Ethics Committee
AJ Phillips*	6/6	5/5 (invitee)	5/5	4/4 (invitee)
BW Strong	6/6	5/5 (invitee)	5/5 (invitee)	4/4 (invitee)
BDV Clark	6/6	5/5 (invitee)	N/A	N/A
NP Dongwana*	6/6	4/4	N/A	5/5
NB Langa-Royds*	6/6	N/A	4/5 <sup>#</sup>	4/5 <sup>#</sup>
M Makanjee*	6/6	N/A	5/5	5/5
TDA Ross*	6/6	5/5 <sup>#</sup>	5/5	N/A
AM Thompson*	6/6	5/5	N/A	5/5

\*Independent Non-Executive Directors

<sup>#</sup>Chairperson

N/A Not a member of the committee

## 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 and 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.

## 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 and further gives guidelines to race representation and diversity of the Board composition.

The Board is pleased to announce that it has achieved its objective of 35% women on the Board by 2020 ahead of schedule and has agreed to improve race representation of black people on the Board to 45% by 2020.

## 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

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 and Neo Phakama Dongwana 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 re-election at the Annual General Meeting and makes an appropriate recommendation to shareholders in this regard.

## Independent directors

The Nomination Committee reviewed the independence of all non-executive directors using the guidelines recommended by the King IV Code, JSE Listings Requirements and the Companies Act and further assessed the independence of the non-executive directors who have served on the Board for a longer period. The Board has confirmed that it is satisfied with the status of its independent non-executive directors and that they continue to perform their duties impartially and with the highest integrity.

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

## Board and committee effectiveness evaluation

The Board and its committees undertook reviews of their performance during 2017 to identify strength and improvement needs. Directors were required to complete an online questionnaire compiled by the Company Secretary and the Chairman. The evaluation process covered an evaluation of the Board as a whole and of each Board sub-committee, as well as of each director to review their ability to add value. This is done through self-assessments and peer review processes. The process is completed by one-on-one sessions with the Chairman to identify training needs for directors.

The key components of the Board effectiveness review covered the impact and value add on critical issues and drivers of Board effectiveness:

- Impact and value add on critical issues which covers: strategy, risk management, managing Company performance, stakeholder communication, corporate social responsibility, executive performance and succession planning.
- Drivers of Board effectiveness which covers: Board composition, Board dynamics and culture, partnership with the CEO, Board chair effectiveness and efficiency of core board processes.
- Performance of Committees and the Company Secretary.

In general, the results of the effectiveness evaluation confirmed that the Mpack Board remains a high-performing Board. Areas of improvement highlighted by the directors include a need to focus more on directors' continuous training taking into consideration regulatory, compliance and best-practice requirements which are changing rapidly. This includes a particular focus on training directors in the changing fields of audit, risk and remuneration.

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### Strategic planning

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

The Executive Committee formulates strategy, which is 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 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 Company Secretary to obtain prior written clearance from either the Chairman or the Company Secretary to deal in the Company's shares. The Chairman of the Board will in turn require prior written clearance from the Chairman of the Audit and Risk Committee. Closed

periods (as defined in the JSE Listings Requirements) are observed as required. During these periods, the directors, management and employees are not permitted to deal in the Company's securities. Additional closed periods are enforced when the Group commences with a corporate activity and where a cautionary announcement (as defined in the JSE Listings Requirements) is published.

### Legal compliance

The Company Secretary, together with the internal audit function, the legal advisor and the risk management function, assist the Board in ensuring that there is an appropriate process in place with respect to legal compliance. 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 on a regular basis.

### Company Secretary

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

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

The Board conducted an evaluation of the Company Secretary's effectiveness, qualification and experience and confirmed that Noriah has the requisite knowledge and experience to fulfil her duties and responsibilities. Details of her qualification are set out on page 57 of this Integrated Report. Noriah is not a director of the Company and maintains an arm's-length relationship with the Board as she acts independently from it. The appointment and removal of the Company Secretary is a matter for the Board as a whole.

The Company Secretary's Certificate is set out on page 97 of the Integrated Report.

### Internal control systems

The Mpact 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 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 2017. This assessment was based on the internal audit work performed in terms of the approved 2017 financial year Internal

audit plan, coverage in terms of rotational risk-based internal audit plan, 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 2017 came to their attention that would suggest that internal controls and risk management at Mpact were not satisfactory.

The internal audit function is set out in the Audit and Risk Committee report on page 95 of this Integrated Report.

## Stakeholders

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

Mpact's primary stakeholders have been identified and the details pertaining to stakeholder engagement are set out on pages 47 and 48 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 pages 12 and 13 of this Integrated Report.

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

The full details are set out in the Sustainability review, which is available on the Mpact website [www.mpact.co.za](http://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 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.

## 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 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, the independent member 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 not limited to, expressing independent opinion on emerging technology trends and their rate of adoption and implementation by various business sectors.

## Annual general meeting

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