



Sappi North America

2014 Sustainability Report

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Sappi North America

Sappi North America has been publicly reporting progress on sustainability initiatives since 2008 as part of a global sustainability report issued annually by Sappi Limited at financial year-end. This is the third consecutive year that each regional division will issue its own sustainability report, with consolidated global sustainability performance included in the annual report to shareholders. Sappi Limited will continue to publish a separate online report in conformance with the Global Reporting Initiative's G3.1 framework and disclosing compliance with the United Nations Global Compact (UNGC), to which we are a signatory.

This reporting structure maintains our commitment to transparency at the global level while allowing a deeper regional focus that reflects

local markets and issues. Covering fiscal year 2014 (1 October 2013 to 30 September 2014), this report includes environmental performance data for Sappi's three US manufacturing operations in Skowhegan, Maine, where our Somerset Mill is located, Westbrook, Maine, and Cloquet, Minnesota. Social responsibility and prosperity metrics are reported for the full region, including our corporate facilities and sales offices.

Copies of reports produced by Sappi Limited can be accessed at www.sappi.com/investors, along with online access to sustainability reports from Sappi's regional divisions in Europe and South Africa.





“Since taking over as CEO, I have been constantly impressed by the depth of talent within Sappi and the commitment of all our people to putting us back on the road to profitability without compromising our values. Having the right people executing a clear strategy is key to our ongoing sustainability. Although North America faced market challenges in all three of its businesses in 2014 that negatively impacted financial results, the NA team achieved so many milestones they should take pride in: among the lowest injury severity rate in their history, record coated market share and record machine efficiencies at Somerset. In addition, the Specialised Cellulose business at Cloquet is already delivering growth in a critical and expanding category and the release business continues to roll out innovative patterns and products to meet customer demand. I want to thank the North American team for all of their contributions this past year, which have created positive momentum heading into 2015.”

Steve Binnie

CEO, Sappi Limited

Letter from Mark Gardner

As I look back on the past year, I am gratified to see that the investments we have made in our mills are already paying dividends. These investments have enabled us to expand our product lines and capabilities across all of our businesses—whether through the rebuild of PM 3 at Somerset, the coater at Westbrook, or the series of investments at Cloquet—all while reducing costs and driving productivity. We can now more effectively respond to changing customer needs and have created the platform for building a more diverse, sustainable business.

Our continuing investments in our people have been instrumental to this success, with our focus on safety, training, and job development at the core of everything we do. We believe that no business can win in the marketplace without motivated, engaged and well trained people making it happen every day; on the mill floor or with customers, solving business problems collaboratively and creatively. In this year's report, we highlight our world class employees and the value they create, for it is our people that will enable Sappi North America to rise to the challenges faced by our industry.

Growth Strategy

This past November, we successfully completed the final phase of a natural gas pipeline project at our Somerset Mill. This major capital project has an estimated three year return on investment and helps secure Somerset as a globally competitive mill, able to grow profitably in the most attractive direct mail, publishing and packaging markets for generations to come. Using natural gas instead of fuel oil has the added benefit of reducing our greenhouse gas emissions. We have also maintained the flexibility to use oil as needed if spot prices of natural gas exceed the price of oil which has historically occurred in winter months. Investments such as this are just one example how we manage our business to respond to the industry's evolving landscape and needs.

In 2014, we refreshed our plans for growth in our coated, release and specialized cellulose businesses and are pleased to see momentum building. We also announced the formation of our new Specialty Packaging business unit. We are excited about the prospects for growth in packaging, and have recently launched LusterCote, a coated one-side paper for labeling and converting applications. Looking ahead, new product development is a cornerstone to growth in all four businesses units.

Our Customers and Products

Sappi recognizes that understanding customer needs is paramount to achieving sustained business success. Each year, we endeavor to learn as much as we can about the ever-changing needs of our customers, and then to develop concrete actions to respond. By understanding the needs of our customers we are able to align our business practices, our product offerings and the production of those products to satisfy and meet their needs.

This is no more evident than in our move to chemical cellulose at our Cloquet Mill over the last two years. We approached this change with the mindset that we would make the very best product for our international customer base—a product consistently high in quality each and every time it is produced. As we move forward into 2015, we will continue to enact business practices that will allow us to become a more dependable supplier across each of our business segments, including our coated paper and release product lines.



Safety Performance

One constant in our business strategy is our commitment to safety and risk management. In 2014 we continued to have strong performance as measured by lost time and injury severity metrics. Our Lost Time Injury Frequency Rate (LTIFR) was second only to the outstanding record achieved in 2013 and our injury severity rate remains among the lowest in company history. This strong performance is a reflection of our continued vigilance and safety-focused culture.

Our commitment to safety excellence and strict standards of risk management has been acknowledged by our peers. We were winners in two categories of the paper industry's prestigious 2014 Pulp & Paper International (PPI) Awards—Managing Risk and Safety and Mill Manager of the Year. These awards serve as reminders of our dedication to building a safe, sustainable work environment with a strong culture of committed, highly skilled employees. We continue to devote ourselves to maintain our leadership standing in safety performance for the next generation of employees.

Our Employees

As always, the continued investment in our employees remains at the forefront of our business. As thought leaders in the industry, it is imperative that we continue to collaborate with academic institutions in order to help shape the incoming workforce. We provide our employees at all levels with opportunities to actively participate on school committees and engage with local community colleges and trade schools to make sure the training of the world's future manufacturers and engineers is current and meets the needs of future employers in these fields. Similarly, we are proud to say that we support lifelong learning among our current employees.

Investing in the Next Generation

We believe that integrating sustainability practices into our business strategy is critical. Improving the environment where we live and work, demonstrating personal commitment to local communities and enhancing profitability to insure our sustained future are the goals we strive for everyday. We know with hard work and determination, we will continue to meet and even exceed the goals we have established for our company. That is the promise we make to our employees, our customers, our investors, our communities and the future generation.

A handwritten signature in blue ink that reads "Mark Gardner".

Mark Gardner
President & CEO
Sappi North America

Overview of Sappi North America



Sappi North America, known for innovation and quality, is a pre-eminent North American producer of coated fine paper, release papers, kraft pulp and dissolving pulp headquartered in Boston, Massachusetts.

Sappi Limited

Sappi North America is a subsidiary of Sappi Limited, a global company headquartered in Johannesburg, South Africa, with manufacturing operations in seven countries on three continents, sales offices in 35 countries and customers in over 100 countries around the world.

Release Papers

The company is also the world's leading supplier of release papers for the automotive, fashion and engineered films industries, including the globally recognized Ultracast brand. Sappi North America's release papers provide the surface aesthetics for synthetic fabrics used in footwear, clothing, upholstery and accessories, as well as the textures for decorative laminates found in kitchens, baths, flooring and other decorative surfaces.

Pulp

Sappi North America is an integrated pulp and paper producer with state-of-the-art pulp mills. Sappi North America produces both kraft pulp (Somerset Synergy) and dissolving pulp (Specialised Cellulose) for sale to other manufacturers. With the 2013 conversion of the pulp mill at Cloquet, the mill is capable of producing 330,000 metric tons of dissolving pulp, bringing Sappi's global Specialised Cellulose capacity to over 1.3 million metric tons per year.

Packaging

In 2014, Sappi North America established a separate business unit to focus on packaging and technical specialty papers. Building on the strong market performance of our grease-resistant LusterPrint® paper, this year we developed LusterCote™, a coated one-side (C1S) paper designed for labeling and other converting applications.

Coated Papers

Our coated fine papers, with highly recognized brand names such as McCoy, Opus, Somerset and Flo, are used in premium magazines, catalogs, books and high-end print advertising.



Sappi North America Locations

- **Headquarters**
- **Sites** (3 Mills, 1 Sheeting Facility, 1 Service Center, Westbrook Technology Center)
- **Sales Areas** (17)
- **Regional Distribution Centers** (3)

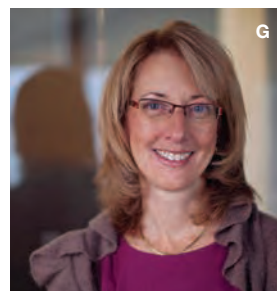
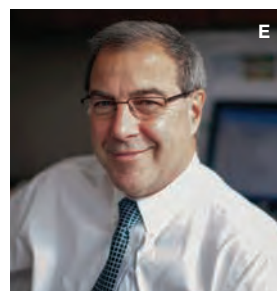
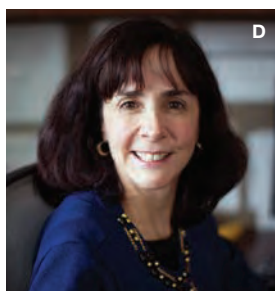
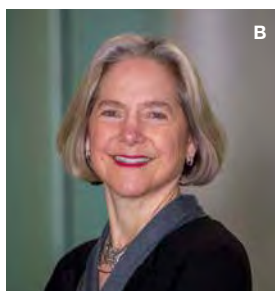
Corporate Governance

Sustainability is not just a business philosophy at Sappi North America. It permeates our corporate structure with formal responsibilities, defined goals and accountability demanded from each of our four business units and every part of our operations.

Sustainability Steering Committee

Mark Gardner, President and Chief Executive Officer of Sappi North America, chairs the Sustainability Steering Committee made up of senior-level executives in all four business units and several key functions. The Committee, which meets monthly, is responsible for setting long-term goals, conducting progress reviews of these goals and ensuring that adequate organizational resources are dedicated to achieving sustainability initiatives. Jennifer Miller, Executive Vice President of the Coated Business and Chief Sustainability Officer, is responsible for ensuring that Sappi's sustainability strategy is consistent with overall business goals and objectives, including capital plans and compliance with stated corporate governance standards.

- A – Mark Gardner, President and CEO
- B – Jennifer Miller, EVP, Coated Business and Chief Sustainability Officer
- C – Tom Collins, VP and General Manager, Specialties Business
- D – Sarah Manchester, VP, Human Resources and General Counsel
- E – John Donahue, VP, Manufacturing
- F – Deece Hannigan, VP, Procurement and Fiber Resources
- G – Annette Luchene, VP and Chief Financial Officer



Sustainability Customer Council

The Sustainability Customer Council is made up of Sappi customers, representing multiple customer segments of the coated papers and release papers business, including merchants, printers, publishers, corporate paper buyers and graphic designers. In semiannual meetings, the Council provides valuable input on emerging issues. Kathy Fernstrom, Key Accounts Manager in our Publishing Sales Group, chairs the Council.

Council Members: Craig DeRusha, Hearst Enterprises; Keith Dunlap, Quad/Graphics; Nan Faessler, Veritiv Corporation; William Gates, Macy's; Charles David Mathieu-Poulin, TC Transcontinental; Ralph O'Connor, Graphic Communications; Steve Ryan, VSA Partners; Larry Westlake, Sandy Alexander; and Mandy Hulke, 3M Commercial Solutions

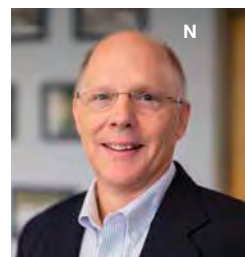
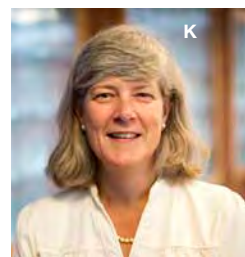
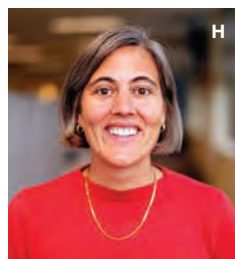


Katherine Fernstrom, Chair

Sustainability Council

Laura M. Thompson, PhD, Director of Technical Marketing and Sustainable Development, chairs this Council comprising representatives from all of Sappi North America's business segments, manufacturing facilities and corporate functions. The Council meets twice monthly to review progress against goals and strategic objectives. Dr. Thompson also represents the North American region on Sappi's Global Sustainability Council, which meets regularly to share best practices and maintain the global charter.

H – Laura Thompson, Director, Technical Marketing and Sustainable Development
I – Dee Dee Baum, Director, Customer Care
J – Kevin McCarthy, Senior Manager, Certification
K – Micki Meggison, Director, Technical Service and Process Improvement
L – Chuck Qualey, Senior Engineer
M – Rob Schilling, Environmental Manager
N – Dale Wibberly, Human Resources Manager



Sustainability Ambassadors

The Sappi North America Sustainability Ambassadors are chartered with supporting communications, training and community outreach events centered on environmental activities. The grassroots work that the Ambassadors do on a local level is critical to the success of Sappi's sustainability commitment. In 2013, we appointed Dee Dee Baum, a Sustainability Council member, to act as the chair of the Ambassador program. Ambassadors meet annually at a company-wide assembly focused on sharing best practices and planning for the upcoming year. Workshops and routine meetings are held throughout the year.

Lead Ambassadors: Laura Brosius, Publishing Sales; Mary Buckelew, Supply Chain and Shared Services; Nikki Carlson, Cloquet Pulp and Paper Mill; Gordon Lane, Westbrook Mill; Lee Marshall, Somerset Pulp and Paper Mill; Duncan McFarland, Headquarters; Lynne Palmer, Technology Center; and Mark Wagner, Allentown Sheeting Facility

Q&A

Jennifer Miller, EVP—Coated Business, has served as Chief Sustainability Officer since 2009 and is the company officer responsible for aligning sustainability strategy and goals with business plans across the company's business units. She discussed highlights of 2014 performance and what Sappi North America is doing to insure a sustainable future across all four of its businesses.

1. Global market conditions were challenging for Sappi Fine Paper North America in 2014, impacting all of its businesses. Could you share what the Company learned from navigating these markets and your outlook for the year ahead?

We learned that you do need to keep your focus on long term opportunities, and not get overly distracted by the current environment. For us, that meant refreshing our thinking about how to grow, not just in core markets, but in newer markets now accessible through recent capital investments. Having a clear vision on what you must do to grow your presence and influence with targeted customers, which in turn leads to increased profitability and the prospect of further investment and growth, is critical. It provides the framework for deciding what to continue to spend time and money on—and what to eliminate. A clear growth vision also leads to more engaged, committed employees who do a better job in short term execution in tumultuous markets. It really is a win-win.

2. Could you elaborate on some of the Company's newer growth strategies?

We are very excited about our plans to enter the specialty packaging market in a much bigger way. We launched LusterPrint, a grease resistant FDA compliant food packaging product way back in 1993, and have seen steady growth in the business over the last several years. We realized that we had the coating technology, asset base, and internal know-how to do much more. In August we announced our intent to establish a separate business unit with a dedicated team of professionals in sales, customer service, technical support and new product development. I am pleased to report that this business is up and running. We have hired two new sales managers who are fully engaged in tapping into new market opportunities and we recently announced the launch of LusterCote, a coated one-side (C1S) label grade that provides a great alternative to what is available now. We are looking at further extensions of our packaging

line through active product exploration with our R&D, mill and technical service teams. Growth in specialty packaging has the added benefit of allowing us to be more selective in targeting customers in our coated paper business—providing improved product mix opportunities there.

Our release paper business is another area where we are looking at exciting new product opportunities and growth. Release papers that are used to impart a pattern to a wide range of substrates used in the automotive, apparel and shoe industries, all where we see demand growing. We are able to bring new patterns to market faster than ever, responding to new fashion or consumer trends in the season. We bring a different level of product differentiation in release papers that makes it a real potential engine for growth.

In 2013 we completed a major investment at our Cloquet mill that enables the mill to produce dissolving pulp to serve as a feedstock to textile and consumer goods. Global trade dynamics have resulted in lower than expected prices for this product in the short term. But in the longer term, when market conditions strengthen, we are well positioned for growth having achieved in the first year of full production the ability to make consistently high quality dissolving wood pulp for the most demanding viscose customer with very good production efficiencies. In the meantime, our ability to swing the mill back to production of kraft paper pulp for our own consumption demonstrates the importance of building flexibility into our long-term growth strategy.

3. The coated paper market this year saw consolidation continuing across producer, merchant and printer sectors. Where does Sappi fit in, how are you going about creating relevance for your coated brands?

We believe in the continued relevance of high quality printing papers in high end communications and advertising. Market research continues to reinforce the unique power of print's tactility in building brands and making emotional connections. We are well positioned in those healthier sectors where print has strong relevance. Therefore consolidation, to the extent it portends commoditization, doesn't worry us. We must stay true to our DNA and keep doing what we are



known for doing. We know that our distinct voice and the full range of what we bring to the market—including what we do to promote print, educate our customers, collaborate with the design community, advocate for sustainable business practices, launch innovative new products, even troubleshoot problems at our printers well after our sale is made—is what will set us apart and insure our success.

4. What is Sappi's role in the Paper and Packaging Board's consumer campaign?

By way of background, in March 2014 the United States Department of Agriculture approved a “commodity check-off” program for the paper and paper-based packaging industries. Under this program paper and packaging manufacturers and importers will fund a broad based consumer campaign to spur demand. Well known commodity check off campaigns include the “Got Milk” and the “Incredible Edible Egg” campaigns. Sappi is an investor in the campaign and I serve as a member of the Paper and Packaging Board for the Northeast region.

Campaign-funded market research indicates that there are significant opportunities to change consumer behavior and educate purchasing decision makers. Messages highlighting that our products are reusable, recyclable, and come from trees that are sustainably harvested, for example, resulted in meaningful improvements in overall industry perceptions. Tapping into the positive emotional connections that consumers experience when responsibly using paper will also be an important element of the campaign. Visit <http://www.paperandpackaging.org/resources> to learn more.

5. Last year you shared how Sappi approached the issue of smart consumption. Is there anything new on this front?

Absolutely. First we have continued to make strides in driving out internal waste as measured by our 5 year sustainability goals: By 2014, we had reduced the amount of fiber and papermaking raw material waste in our paper-making operations by 14 percent over the 2011 baseline, two years in advance of our 2016 target date. Just as those

accomplishments underscore our commitment to avoid waste of materials, we encourage our customers to efficiently use paper. With sophisticated list management marketers can be more targeted in their direct mail campaigns. We applaud these strategies; they eliminate waste, improve customer perceptions of direct mail, and finally, over time improve the ROI of print campaigns as measured by brand marketers, insuring print's role as an effective communications platform for decades to come.

6. In closing, can you highlight what you see as the most critical issues for your business, and where you see Sappi headed across each of the three pillars of sustainability?

For long-term prosperity we must continue to control costs and drive out waste across our operations. We must react to changes in market conditions effectively and here the flexibility built into our capital strategies are key. The ability to swing from dissolving pulp to kraft pulp at Cloquet, and from natural gas to other fuels at Somerset are two good examples of operational flexibility.

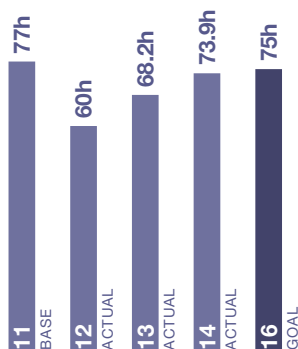
But most importantly we must focus on growth and driving demand for our products. Growth in the most attractive and resilient sectors committed to print advertising. Growth in packaging applications, as we launch new products and enter new markets. Growth in release papers, as customers in fashion, automotive, aerospace and other industries continue to appreciate the high fidelity and uniqueness of our patterns. And, finally, with the ability to make high quality dissolving pulp out of our world class Cloquet mill, growth in those markets as well.

Attracting, training, and retaining dedicated employees to our industry and our company is critical to achieving this growth vision. The talent and fresh insights they provide will help redefine our business strategies and position us for a sustainable future.

Five-Year Goals

Sappi North America’s five-year goals are a key element in our work to continually improve our economic, social and environmental performance—the three pillars for operating sustainably. Our management teams create projects and programs to achieve the targets and, with the Sustainability Steering Committee, track progress at regular intervals annually.

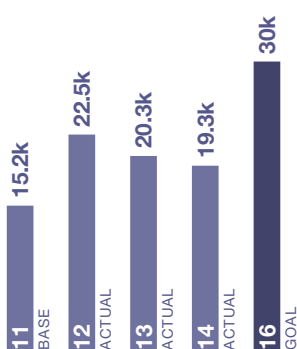
People



75h

Offer Training at an Average of 75 Hours per Employee per Year to Enhance Job Performance and Managerial Skills

Our manufacturing and business systems are complex, and it is our highly skilled workforce and safety-focused culture that gives us a competitive edge. Performance against this goal is measured in terms of total training hours divided by total number of employees, recognizing that some positions require higher levels of training. In 2014, we increased training by nearly six hours over 2013, reaching an average of 73.9 hours per employee. Our manufacturing sites focused on training programs for production employees to be prepared for the next two job levels from their current responsibilities. Sappi’s Organizational Development group continues to provide management skills training, including best practices for project management, enhanced self-awareness, communication and coaching skills. Operators receive training associated with capital projects such as the modifications necessary for burning natural gas at the Somerset Mill. And, our entire workforce participates in a wide variety of safety-focused training sessions annually, with mandatory safety training modules completed monthly.

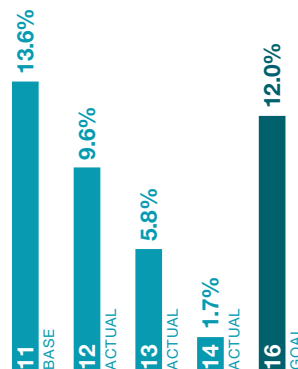


30k

Increase Training and Consulting Offered to Customers through the Sappi etc. Program to 30,000 Hours by 2016

Sappi etc. (Education, Training and Consulting) is a multi-faceted program that connects customers to educational and technical services provided by Sappi employees from functions such as Sales, Customer Care, Technical Service, Marketing and Manufacturing. The goal of this program is to support customers in ways that make meaningful differences to their businesses, ultimately building a strong connection to foster customer loyalty and sustained business relationships. In 2014, we achieved a 28 percent increase over our 2011 baseline by completing over 19,000 hours of training with customers but fell short of our target for the year.

Prosperity



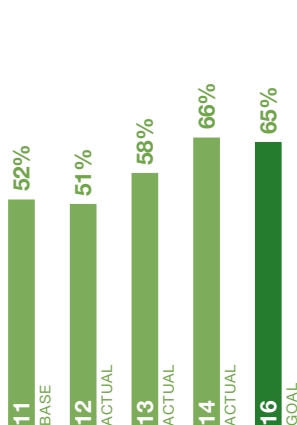
12%

Achieve or Exceed an Annual 12 Percent Return on Net Operating Assets (RONOA) for Sappi North America

Earning the cost of capital is a fundamental economic measure of a company, and a higher return on net operating assets (RONOA) means that a company is using its assets efficiently and effectively. We completed major capital investments in all three business units in 2013, with strategic diversification into specialised cellulose being a major focus. While our investments are providing increased flexibility and our manufacturing personnel continue to achieve reductions in energy consumption and waste generation, soft market conditions and higher material costs across our three businesses negatively affected our performance against our FY14 RONOA goal. Tighter markets for coated paper, internal cost control programs and further planned diversification will drive improved profitability in 2015.

FY11–FY13 restated to reflect adoption of IAS19 in FY14

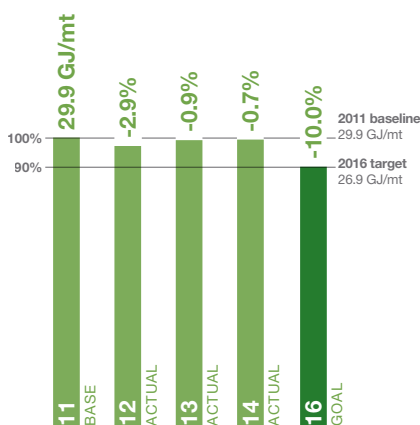
Planet



65%

Increase the Level of Certified Fiber Across All Operations to 65 Percent

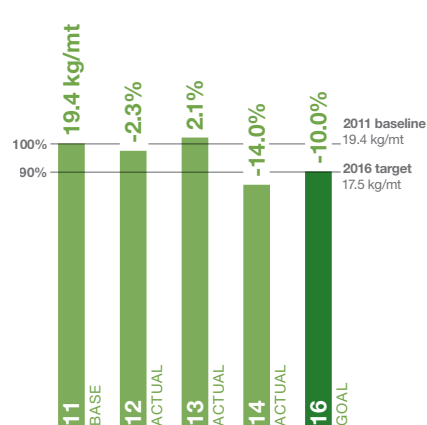
We remain committed to sourcing 100 percent of our wood fiber from well-managed forests. Our performance against this goal is measured as a percentage of certified fiber (from both the pulp we produce and that which we buy) in all our products across all three manufacturing sites and all three business units. We made significant gains in our procurement of certified fiber and reached our goal of 65 percent one year ahead of schedule. Much of the improvement in 2014 was due to an increase in certified fiber use on the paper machines at our Cloquet, Minnesota mill. We continue to support and recognize the efforts of multiple, third-party certification programs, including the Forest Stewardship Council® (FSC®), the Sustainable Forestry Initiative® (SFI®) and the Programme for the Endorsement of Forest Certification (PEFC). We strive to increase supply relationships with certified loggers, and our foresters work with landowners in Minnesota and Maine to improve forest management and harvesting practices.



10%

Reduce the Amount of Total Energy Expended in Making Each Ton of Product by 10 Percent

Energy is our third-largest operating cost, behind wood fiber and other raw materials needed to produce pulp and paper. While we provide nearly 80 percent of our energy needs from renewable fuels and only purchase a small percentage of our total energy from local power grids, reducing overall energy consumption continues to be a high priority. Across all sites, energy intensity decreased by 0.7 percent compared to the baseline year. In FY14, mill personnel conducted extensive energy usage studies to identify additional energy savings projects, and we have established a plan to achieve our total energy reduction goal by 2016. Note: In accordance with industry standard methodology for tracking this goal, energy from purchased electricity is calculated in terms of fuel inputs to account for efficiency losses in generating and transmitting power.



10%

Reduce Fiber and Papermaking Raw Material Waste by 10 Percent

The intent of this goal is to drive more efficient use of all raw materials, a cornerstone of smart consumption, which results in front-end cost savings as well as reduced environmental impact and costs associated with waste handling. We track these process losses by measuring the amount of waste (primarily fiber and pigments from fillers and coatings) in both pulp and paper mill sewers before these streams enter our on-site treatment facilities. In FY13, we discovered a problem with the sampling points in our pulp mill complexes that resulted in historically over-reporting losses from the pulp mill sewers. In FY14, we changed our sampling locations and collected data throughout the year to establish a new baseline for pulp mill losses. As a result of our new sampling points and data tracking in FY14, we've established a new baseline of 11.6 kg/mt and will report results of reduction efforts in our pulp mills in FY15. We remain committed to achieving a 10 percent reduction in pulp mill losses by 2016. We have achieved a 14 percent reduction compared to the paper mill—only 2011 baseline, an all-time low that exceeds our goal of a 10 percent waste reduction.

Economic Responsibility

In 2014 Sappi added specialty packaging as a fourth business unit within North America. Combined with recent investments in our other three business units—coated papers, release papers and pulp—we have increased the diversity of products we manufacture and are well positioned to retain our competitive advantage and increase profitability despite difficult market conditions.

14

Diversification



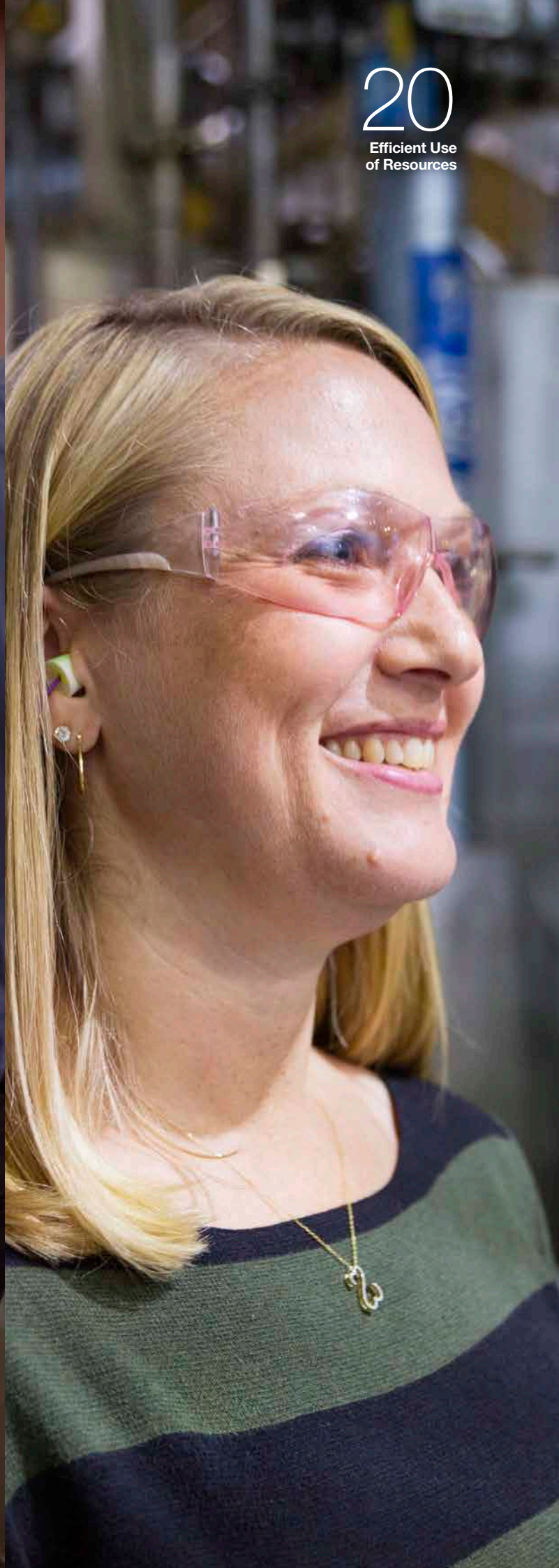
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World-Class
Assets



20

Efficient Use
of Resources



Diversification

In order to thrive in an ever-changing world, companies must constantly review their business strategies. By adapting to change more nimbly than the competition, market leaders can succeed even in challenging times. By building on strategic investments in our core business units coupled with diversifying our product offerings, we are well positioned to prosper in the years ahead.

Coated Graphic Papers

With 1.2 million tons per year of papermaking capacity, coated graphic papers have long been the core of Sappi's business. In 2014 we faced extremely challenging market conditions, including a merger of the two largest merchants in our supply chain as well as the announced acquisition of our two largest domestic competitors, Verso and New Page, which remained unsettled at the end of the fiscal year. Meanwhile, the overall consumption of coated freesheet fell by 3 percent percent as compared to the prior year. Against this backdrop, the strength of our brands combined with excellent sales execution enabled us to gain market share and keep our machines running to full capacity throughout the year.

While online advertising continues to evolve, marketers still rely on direct mail to reach customers. Print advertising has been proven to deliver a high return on investment and is known to be especially effective for strengthening brands and driving consumer behaviors. The expanded cover capacity allows us to take advantage of this growth segment for years to come.

A \$27 million investment at our Cloquet and Somerset mills enabled us to increase our capacity for higher basis weight cover grades to meet a growing direct mail demand (see p. 21). A new trio of Somerset 7pt covers was launched in 2014 to serve the growing direct mail market. The new lineup of Somerset Web Gloss, Satin and Matte provides competitive advantages in stiffness, smoothness and printability in addition to excellent performance on press. These products have received high marks from all customer segments for providing high-quality solutions at an affordable price.

This past year, we also expanded our Opus product portfolio with the introduction of Opus DX, a cross-platform digital cut sheet engineered for both dry and liquid toner digital production color presses. This dual-purpose sheet allows stocking merchants to reduce working capital by having just one digital cut sheet on their floor.

Packaging

Originally launched in 1993, LusterPrint is a grease-resistant paper with an outstanding print surface. FDA compliant for packaging in contact with aqueous, fatty and dry foods and engineered with high-strength characteristics, LusterPrint has become the market leader in multi-wall bags used for pet food. In 2014 we announced the formation of a new Specialty Packaging business unit within Sappi North America. In the coming years, we will leverage our R&D capabilities in both North America and Europe to develop new products and extend our range of packaging grades. This past year the group focused on commercialization of LusterCote, a coated one-side product developed for label and other converting applications. Armed with a dedicated sales team and backed by our excellent technical service team, we look forward to serving customer needs in the growing North American packaging sector.





Release Papers

Sappi is the world's leading supplier of textured release papers for the automotive, fashion and engineered films industries, including the globally recognized Ultracast brand. Our high-fidelity release papers provide the surface aesthetics for synthetic fabrics used in footwear, clothing, upholstery and accessories, as well as the textures for decorative laminates found in kitchens, baths, flooring and other decorative surfaces.

With a focus on fashion trends, the business constantly introduces new textures to the market. In 2014 the Release Papers division launched a new "Lace" pattern within the Ultracast line of offerings. Our Lace texture was launched just as the trend began building momentum in fashion globally. Our success with Lace strengthens our belief in the importance of trend forecasting as a key tool in bringing the right patterns to market at the right time.

Sappi Warren Release papers continue to revolutionize the quality and availability of texture for the coated fabric and decorative laminate markets, and Sappi remains the largest supplier of release papers globally.



Market Pulp

Our Somerset, Maine, and Cloquet, Minnesota, papermaking operations are both co-located with kraft pulp mills. The Somerset mill utilizes a unique co-pulping process to manufacture a blend of hardwood and softwood fibers. Marketed as Somerset Synergy®, the pulp provides both strength and smoothness required for high-end graphic papers or strength and softness desired in tissue.

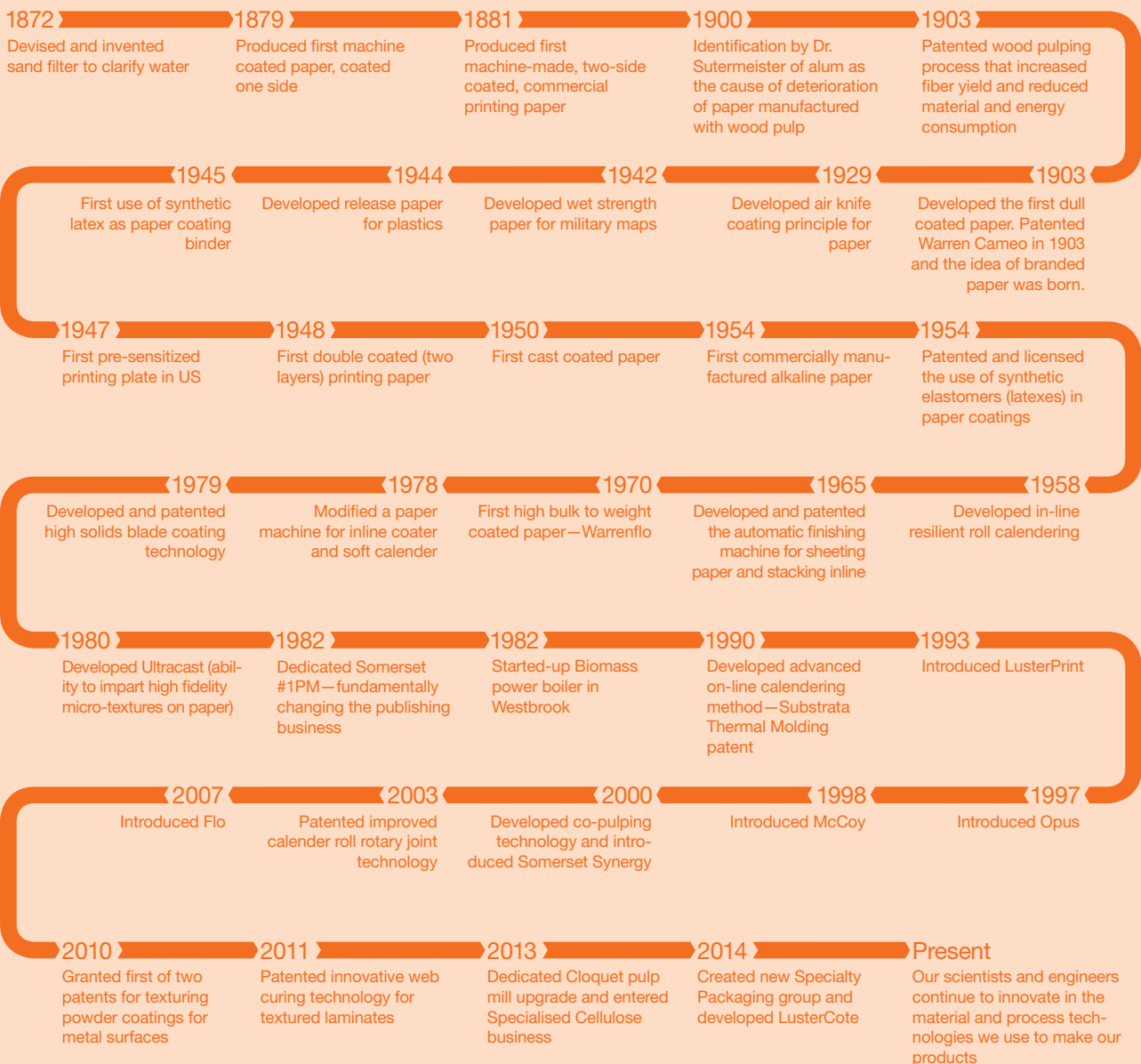
In 2013 we completed a \$150 million investment in the Cloquet Mill's wood yard and pulping operations. The modifications enable the mill to produce dissolving pulp, a unique product that serves as a feedstock to textile and consumer goods (non-woven materials).

While dissolving wood pulp productivity at Cloquet was outstanding, lower-than-projected prices impacted the financial performance. With depressed Chinese demand and prices not due to recover in the short term, we will take advantage of the mill's ability to swing its production and produce some kraft paper pulp for our own consumption so as to improve the financial performance of the mill in 2015. This strategy does not impact our delivery commitments to our dissolving pulp customers.

World-Class Assets

Making high-quality pulp and paper products in an efficient and effective way requires the creation and maintenance of world-class manufacturing systems. Sappi has a long history of industry firsts that have moved the company forward to our position as a leading producer in the United States of coated fine paper, pulp, release paper and dissolving wood pulp. Our mills and sheeting facility in Allentown, Pennsylvania, are managed, operated and maintained by highly skilled employees working together to maximize quality, productivity, efficiency and safety. We are purposefully forward-looking, constantly making assessments for strategic reinvestment in our mill assets so that we sustain competitive advantage, safety and profitability into the future.

Developments and Research Contributions





Somerset Mill

Located on 2,500 acres of land in central Maine, our Somerset Mill is an integrated pulping and papermaking operation where we manufacture coated freesheet papers, grease-proof packaging papers and bleached chemical pulp. The three paper machines use Sappi North America's patented online finishing technology, which set a new quality bar for publication grades upon its introduction and reaps productivity benefits from fully integrating paper forming, coating and finishing.

We've engineered Somerset's process to deliver papers that provide superior printing surfaces with optimal web strength, heft and stiffness—features that deliver efficiency on press to our printing customers. Somerset's publication papers, with their exceptional print gloss and uniform surfaces, are the premier choice for effective direct mail applications, corporate collateral and high-end magazines, books and catalogs, including titles for leading fashion and shelter magazines.

Standing out on the shelf is a real advantage for packaged food companies. LusterPrint Web is a unique packaging product that offers the superior printed surface that Somerset is known for, giving excellent "shelf appeal" to products in packages made with LusterPrint. Best-in-class grease resistance, high strength and great "glueability" (for bags) coupled with the remarkable sustainability position of the Somerset Mill all contribute to make LusterPrint successful in the marketplace.

Established Pulp mill: built 1976, expansion 1995, recovery cycle upgrade 2010
PM1: built 1982, rebuilt 2007
PM2: built 1986, rebuilt 2002
PM3: built 1991, rebuilt 2003 and 2012

Bleached Kraft Pulp 525,000 mt/yr

Coated Freesheet Papers 795,000 mt/yr

Paper Grades Publication: Opus, Somerset and Flo Web
Packaging: LusterPrint Web, LusterCote

Equipment Pulp mill: Continuous digester
Paper mill: 3 paper machines

Employees 725

Water Source Kennebec River

On-site PCC Plant Owned and operated by Imerys Pigments

Paper Machines	PM #1	PM #2	PM #3
TRIM	7.24 m	7.24 m	7.24 m
MACHINE SPEED	914 m/min	1,067 m/min	1,219 m/min
BASIS WEIGHT RANGE	88–190 g/m ²	59–89 g/m ²	66–118 g/m ²
ANNUAL CAPACITY	278,000 mt/yr	209,000 mt/yr	308,000 mt/yr



Cloquet Mill

Our integrated pulp and paper mill in Cloquet, Minnesota, was established on the banks of the St. Louis River in 1898. The Cloquet pulp mill is the most modern mill operating in the US. By utilizing SuperBatch displacement cooking, we are able to achieve extended delignification while maintaining high yield and strength properties. In 2013, we further modernized the pulp mill by adding two additional batch digesters as well as an acid pre-hydrolysis stage and an ozone bleaching stage. These changes, along with modifications to our wood yard and pulp dryer, enable the mill to make either dissolving wood pulp (for the textile market) or bleached kraft pulp used for papermaking. Today, Cloquet is home to the production of our premium publication grades, Galerie Art, Opus and McCoy, as well as our newest product, Sappi Specialised Cellulose, which entered the dissolving pulp market in 2013.



Established	Pulp mill: built 1915, rebuilt 1999, conversion to Specialised Cellulose 2013 Recovery cycle expansion 1973, 1998	
Pulp Mill	Kraft Pulp: 455,000 admt/yr or, Specialised Cellulose: 330,000 admt/yr	
Coated Freesheet Papers	330,000 mt/yr	
Specialised Cellulose	End uses: textiles, pharmaceutical, household products	
Paper Grades	McCoy, Opus, Flo, Galerie Art (End uses: annual reports, advertising brochures, fine-art books, direct mail)	
Equipment	Pulp mill: 10 batch digesters Paper mill: 2 paper machines, 1 off-machine coater, 2 off-machine calender stacks	
Employees	705	
Water Sources	Lake Superior and St. Louis River	
On-site PCC Plant	Owned and operated by Specialty Minerals, Inc.	
Paper Machines	PM #4	PM #12
TRIM	4.93 m	4.93 m
MACHINE SPEED	518 m/min	762 m/min
BASIS WEIGHT RANGE	150-357 g/m ²	89-190 g/m ²
ANNUAL CAPACITY	160,000 mt/y	170,000 mt/y

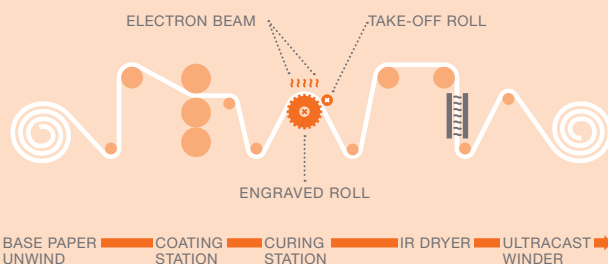


Westbrook Mill

Purchased in 1854 by Samuel Dennis Warren, Sappi's Westbrook Mill has a long history of papermaking, stewardship and innovation in the paper industry. This is where we make Warren Release Papers, including the Ultracast and Classics families of products. Ultracast papers are made using our patented electron beam technology that results in 100 percent replication of patterns when cast against these papers. Other embossing methods and casting papers experience less-than-perfect fidelity when transferring texture from paper or film to the textured product surfaces. Sappi makes the paper. Paper makes the texture, and texture makes the difference for a wide range of coated textiles and laminates.

Established	1854 Coater installations: 1976, 1981, 1986, 1989, 1998, 2000 Biomass Power Boiler: 1982
Annual Capacity	40,000 mt of coated specialty paper
Specialty Products	Warren Release Papers, including Ultracast, Adva, Versakote and Stripkote, and engineered films, Ultracast Stratum End uses: Casting surfaces for coated textiles and laminates
Equipment	1 paper machine, 5 off-machine coaters, on-site biomass boiler supplying steam and power to the Westbrook Mill, Technology Center and power sales to the local grid.
Employees	321
Water Source	Presumpscot River
Paper Machines	PM #9
TRIM	3.20 m
MACHINE SPEED	230 m/min
ANNUAL CAPACITY	40,000 mt/y

Sappi's Ultracast Process



Ultracast offers the ultimate in texture replication and is the only release paper with the ability to replicate 100 percent of the original surface technology.

Inside the Ultracast curing chamber, the liquid-coated paper is wrapped against a textured roll, enabling the coating to mold to every microscopic detail. The liquid coating is then instantly polymerized with the use of a high-energy electron beam, solidifying the coating while in contact with the textured roll. Unlike mechanical embossing, no heat or pressure is used to impart the desired texture in the release paper, and the against roll cure process ensures 100 percent replication of the intended design.

Efficient Use of Resources

Sustainable production and consumption depends on using materials and energy efficiently so that there are ample resources available for future generations. Consideration must be given to the full life cycle of a service or product to fully understand its impact. At Sappi, we take a holistic view of papermaking and understand that our sphere of influence extends beyond our mill gates from responsible sourcing through to the end of life of our products.

Our greatest ability to impact the life cycle of our products is by focusing on our production operations. At each mill we strive to do more with less—to make paper as efficiently as possible, maximizing the use of resources and minimizing waste.

Our sustainability goals reflect this overall strategy. While we have high levels of renewable, carbon-neutral energy, we strive to reduce our total energy intensity and set a goal of a 10 percent reduction over our 2011 baseline. Reducing energy results in significant cost savings and will also reduce greenhouse gas emissions. We also have a goal specifically targeting the efficient use of raw materials. We are aiming to control losses of both fiber and papermaking materials and set a goal to reduce losses by 10 percent in both the pulp mill and papermaking areas at each of our mills.

Success depends on a combination of efforts across each mill and in numerous operating areas. For example, in 2014 the Westbrook Mill reached a milestone by achieving a level of 1 million pounds of coating materials reclaimed (see story on p. 22). Prior to 2009, coating materials that were not consumed during a production run would be discharged to the sewer, putting organic load on our wastewater treatment plant and adding to the cost of manufacturing by wasting these materials. By developing a means to reclaim the materials and use them in subsequent runs, we eliminate the cost of replacement materials as well as reduce the environmental impact. Our Cloquet and Somerset mills also have coating reclaim units on each of the paper machines.

Return on Capital

Beyond energy and materials, successful businesses must also utilize capital employed to its greatest capability. At Sappi we focus on minimizing debt and work in process as well as managing our inventory of goods. This strategy extends to managing our working capital for machine clothing and parts. Because all three paper machines at the Somerset Mill are built to the same machine width, it is possible to share parts and minimize working capital.

Recent paper machine investments have been shown to yield long-term benefits. In addition to improvements in quality and expanded product offerings, the mills are realizing chemical and fiber savings as well as increased productivity. Our Somerset Mill has achieved record productivity with consistent performance across all three paper machines for two years in a row. Because of prior investments in the utilities and recovery area, we have also achieved record pulp productivity.



Investing to Meet the Direct Mail Demand

Heather Pelletier, Marketing Director at Sappi, spent her first 16 years at the company in manufacturing, starting as a process engineer and working her way up through operations. So when it came time to take advantage of capital investments to meet a growing demand for direct mail capacity, it's no surprise that data led the way.

"We clearly knew there was space for us to increase share, but we didn't have the capacity...the numbers have to do the talking. You have to make a business case for product development efforts. Sappi invested millions of dollars in paper machine upgrades. To make that pay off, you have to utilize the added capacity for high-margin products in markets that are growing."

Pelletier and her colleagues recognized the expanding segment of high-end brands that were increasing their reliance on direct mail as a key part of integrated marketing campaigns. "Customers tell us that

direct mail is very effective. You can tune out a pop-up ad and maybe you can DVR your show and skip the commercial, but everybody at least sorts the mail. So they get a few seconds of someone's attention, and it's also very easy for them to measure the results," she says.

Before the \$27 million capital investments at Cloquet and Somerset, Sappi was forced to turn away orders for thousands of tons of paper during the busiest direct mail season, according to Pelletier. Now the mills are able to manufacture as much cover weight as necessary, meeting a crucial need for direct marketers.

The depth of investment is critical to Sappi's future, Pelletier believes. "It's on the power side, it's on the paper mill side. It's on the pulp mill side, it's developing new products. Sappi Limited understands that you can't be viable in this industry without continued capital investment. You're not a sustainable company if you don't reinvest."



Inspired Thinking Saves \$3 Million and Counting

Sometimes the biggest ideas start small. A perfect case in point: the Ultracast coating reclaim initiative at the Westbrook Mill. In 2005, a group of employees saw a need to do something with the coating that was being disposed of with every grade change involving a different coating formulation at a cost of close to \$3 per pound. Their idea got off the ground with a \$3,000 investment, a pump, piping and a little bit of know-how. "It's rather a simple system, really," says Keith Albert, Ultracast Senior Process Engineer.

To ensure that the reclaimed coating didn't compromise the product or grade performance, they started with batch testing at the Technology Center before expanding to small tests in the field.

According to Brandi Couture, Superintendent of Coating Operations, product quality continues to come first when working through a cost-saving initiative. Due to potential incompatibility issues with the variety of specialty coatings used in Ultracast products, there is an extensive testing phase involved to ensure that the coating doesn't compromise

the product or grade performance before it is sent through the system. "This is all based on performance testing...making sure that we're getting the same results and that the proper amounts of recycled coating are added so we don't change the performance of the paper for our customers."

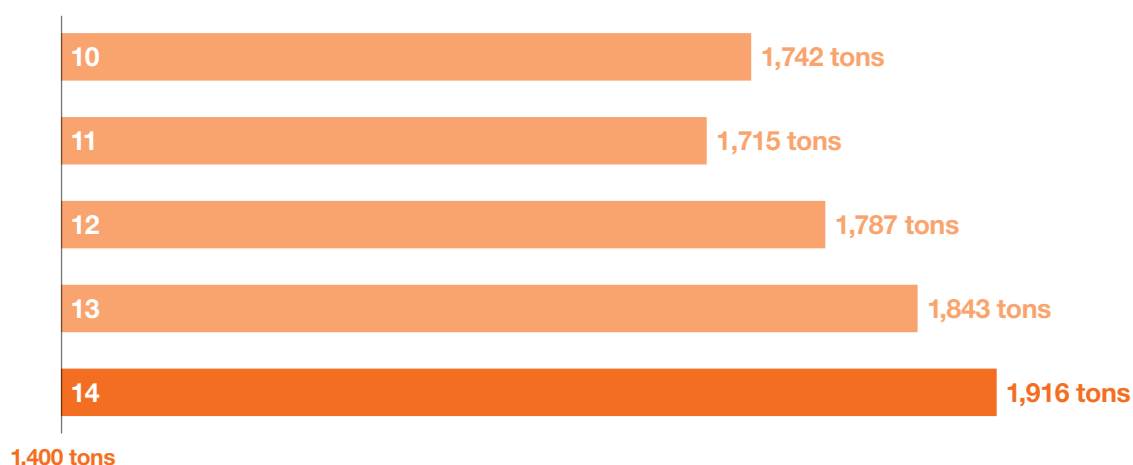
In 2005, Westbrook recycled a modest 12,000 lbs. By 2007, the coating reclaim was extended to all four coaters and was used in all universal casting grades and panel products. In 2014, Westbrook recycled its one millionth pound of coating and is approaching a whopping \$3M in total savings.

Couture sees no signs of slowing down anytime soon. "It's getting bigger every year," she says. "Due to the complexity of the business, we are generating more recycled coating because we're changing coatings more frequently...so we're trying to be creative and figure out ways to do more." That is good news for Sappi and for the environment.



Figure 1: Annual Productivity per Employee at Somerset

Production per Employee—Tons



Made Efficiently in the USA

There is a growing trend in the US of “on-shoring” manufacturing. Instead of looking overseas for advantages in labor costs, major companies are bringing jobs back to the states. In addition to concerns about social and environmental performance as well as the ability to protect intellectual property, additional factors driving this trend include reduced energy costs, increased levels of automation, a highly skilled work force, volatile overseas transportation rates and stable infrastructure.

These factors have also influenced the success of our operations. By utilizing modern technology and because of our highly skilled workforce, we are making more paper per employee than ever before. Figure 1 depicts our productivity per employee at our Somerset Mill.

“The combined efforts of the entire Sappi Somerset Mill team made it possible to successfully implement a growth strategy for the increasingly challenging pulp and paper industry. This award recognizes the achievements of Sappi’s bold, ambitious plan for driving innovation in our Somerset Mill, while also taking into account our commitment to stringent environmental and safety factors.”

Mike Haws

Managing Director for Sappi’s Somerset Mill



Mike Haws and the Somerset Mill are honored with the 2014 PPI Mill Manager of the Year Award

As the recipient of the Mill Manager of the Year Award, Mike Haws, Managing Director of Sappi’s Somerset Mill in Maine, was recognized for the Somerset Mill’s outstanding performance and ability to show continuous innovation in the pulp and paper industry.

Environmental Responsibility

Sappi takes a holistic approach to protecting the environment. It starts with responsible procurement of wood that is grown and harvested sustainably and sourced only from well-managed forests. We are committed to reducing our use of traditional fossil fuels, lowering both our environmental footprint and energy costs. The efficient use and recovery of materials used in the manufacturing process minimizes waste. We promote recycling and the wise and purposeful use of paper.

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Responsible
Sourcing



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Energy and
Emissions



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Responsible Use
and Disposal



Responsible Sourcing

Responsible manufacturing begins with responsible procurement. For the wood products industry, it is paramount that our natural resources are used sustainably. Wood supplies the bulk of renewable energy that drives our mills, and cellulose fibers comprise the primary ingredient in our paper and pulp products, making healthy and abundant forests critical to the long-term viability of each of our core businesses.

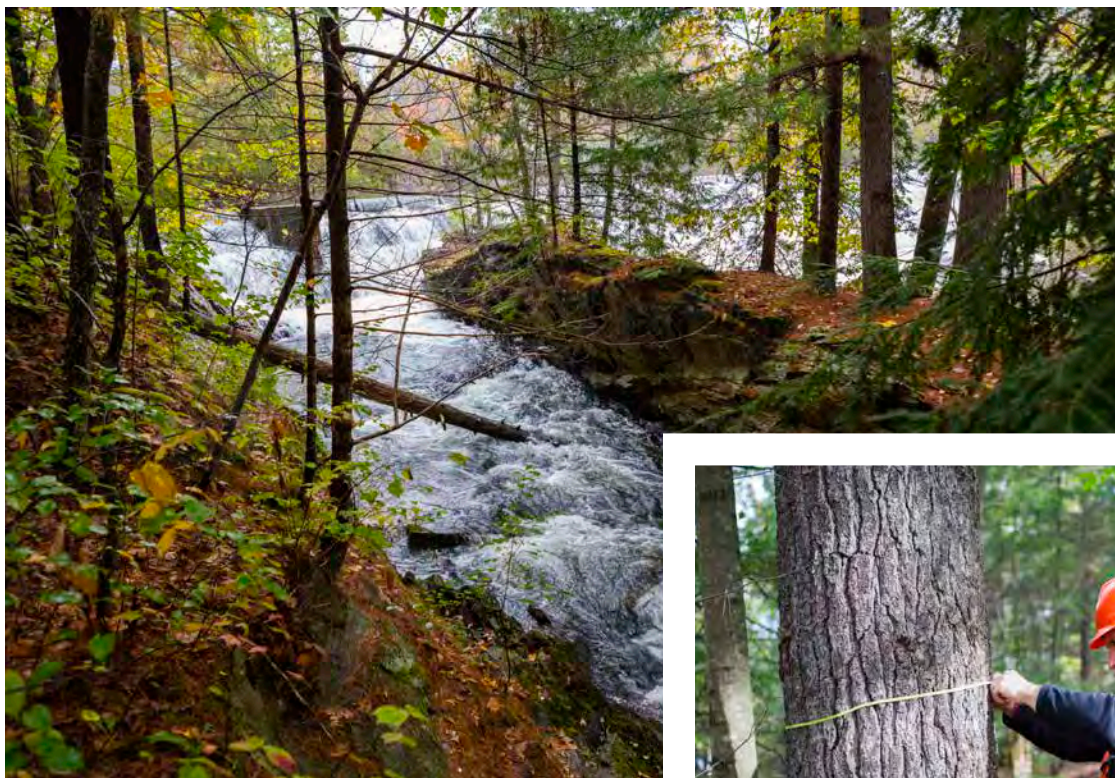
Strategic Procurement

Each year we spend hundreds of millions of dollars on energy and materials beyond wood fiber. Our Research and Development (R&D) team, located at Sappi North America's Technology Center in Westbrook, Maine, constantly evaluates new materials and suppliers. This work is done in part for the development of new products or improvement of existing products; however, by making sure we have multiple suppliers for any given material, we are also able to contain costs and minimize the risk of sole-source-supply agreements. We are also able to leverage Sappi's global reach with some suppliers that work with us in more than one region. By keeping actively engaged with our suppliers, we are able to remain on the forefront of material development.

Forest Legality

In the US, a strong legal framework has shaped and upheld responsible forestry practices for generations. State and federal governments have a multitude of laws in place that not only cover rightful ownership, but also work to protect threatened and endangered species, regulate chemical use and provide for safe harvesting and fair labor practices.

While originally enacted to protect wildlife, the US Lacey Act was amended in 2008 to cover interstate and foreign commerce of plants, including wood species. The law established a ban on the trade of illegally harvested timber and affects both manufacturers and importers of wood and paper products. In accordance with the law, members of the supply chain must enact due diligence systems to minimize the risk of illegal fiber. Similar laws, including the EU Timber Regulation and the Australian Illegal Logging Prohibition Act, have been since enacted in other regions of the world.



Local Forest Facts

At Sappi we operate integrated pulp and paper mills in Skowhegan, Maine, and Cloquet, Minnesota. The vast majority of our wood is procured within 125 miles of each mill. Hardwood and softwood fibers each have unique characteristics that provide strength and uniformity to our pulp and paper products.

With 17.7 million acres of forest land, Maine is roughly 90 percent forested—a higher percentage of forest coverage than any other state. Nearly 95 percent of the forest is privately owned, with over 35 percent owned by small, non-industrial landowners (those holding between 1–1000 acres). There are 39 commercial tree species, including aspen, birch, maple and oaks among the hardwoods, as well as softwood species such as pines, spruces, balsam firs and others. While growth of various species depends on local soil conditions and climate, generally speaking, hardwood species are more predominant in southern Maine, while softwood species are more prevalent in the northern part of the state. About 60 percent of the total forest is currently hardwood, which is a primary source of fiber at our Somerset mill in Skowhegan, Maine. Fifty-two percent of the forest in Maine is certified to one or more of the leading forest management standards.



The overall percentage of forest coverage is lower in Minnesota as compared to Maine, yet there are 17.4 million acres of forest in Minnesota, with 44 percent privately owned. There are over 50 native tree species, and aspen makes up about 30 percent of the Minnesota forest. Virtually all state land, the forest in many counties and large blocks of private land are certified in accordance with either (or in many cases both) the FSC® and SFI® forest management standards.

While Minnesota and Maine lead the nation in the amount of certified forest, the ownership patterns are vastly different, and not all certified land falls within our procurement zones. As such, Sappi foresters continuously work with local landowners and seek out sources of certified wood.

Forest Certification

We are members of both the Sustainable Forestry Initiative® (SFI®) and the Forest Stewardship Council (FSC®) and hold multiple certifications under these standards. We were the first pulp and paper company in North America to be granted a group forest management certificate by the FSC®. Through this certificate, small landowners who agree to enter as a member of our forest management group have their land certified in accordance with the FSC® standard.

One hundred percent of our wood and pulp is purchased in accordance with both the FSC® Controlled Wood standard and the SFI® Certified Sourcing standard. These standards are a critical element of our due diligence for Lacey Act compliance. However, compliance goes well beyond avoiding illegal and controversial sources; we also hold Chain of Custody certificates for FSC®, SFI® and the PEFC. All of our products are sold with a Chain of Custody claim, which passes along an assurance of sourcing from well-managed forests.

Sustainable Forestry

At a minimum, sustainable forestry practices must insure that more wood is grown than is harvested in any given year. World-class forest management programs go well beyond just managing for growth and help landowners balance multiple objectives, including soil and water quality, biodiversity, recreational use and aesthetics, as well as income from timber management.

“SFI® recognizes that playing a leading role in shaping the forests of tomorrow will require collaborating with a wide range of interests today. SFI® brings landowners and brand owners from across the supply chain together with communities, conservation groups and other key interests to tackle the issues that define forests today and will shape the future of forests.”

Source: Sustainable Forestry Initiative, “Future Forests: 2014 Progress Report”

Collaborative Efforts

At Sappi, we recognize and value the benefits of working with other businesses and organizations to achieve common goals and improve systems for the benefit of all interested.

This past year a great deal of effort went into preparing for the FSC® General Assembly (GA), which is held once every three years. Members of each of the chambers (environmental, social and economic) come together at the GA to vote on motions that shape the FSC® program. We participated in several multi-stakeholder meetings as well as internal sessions to make sure that our votes were cast in support of a wide range of issues that affect Sappi globally.

In 2014 we continued to support the student scholarship program at the SFI® Annual Conference and participated in mentoring two students from the University of Toronto. Sappi foresters and other employees are also involved in multiple activities ranging from local community outreach to participation in state and national advisory boards. And we have a strong commitment to research activities that are aimed at improving forest practices.



GreenBlue® is a non-profit organization whose goal is to empower business leadership to build a thriving, resilient material economy. As a founding member of GreenBlue’s Forest Products Working Group, Sappi is heavily involved in an Industry Leadership Committee working on forest certification issues. Utilizing a unique Value Innovation Process, the group is exploring the key elements of certification that provide value to various stakeholders. Efforts are under way to explore efficient and cost-effective models (including but not limited to certification) that would enable small private landowners in the US to provide brand owners the level of assurance they need that they are sourcing fiber from responsibly managed forest land.



Seeing the Forest and the Trees

Responsible forestry is an extremely familiar subject for Charles David Mathieu-Poulin, an Environmental Coordinator at TC Transcontinental Printing and member of Sappi's Sustainability Customer Council. In his role at TC Transcontinental, Mathieu-Poulin oversees sustainability purchasing and environmental compliance. His job duties include enforcing one of the strictest paper procurement policies in North America, which is designed to positively impact forest management practices.

As familiar as Mathieu-Poulin is with responsible forestry, he had not visited a logging site until he attended a Sappi Sustainability Council meeting at the Cloquet Mill in 2014. During a visit to the nearby woods, council members got an up-close view of forestry in action, and Mathieu-Poulin appreciated the perspective he gained. "Now I feel like when I'm talking about it, I can express it better because I saw how it's done...they really care about doing it the right way."

The biggest surprise of the trip was when the group visited a site that had been harvested only the year before. New trees, already

between three and four feet tall, were re-growing naturally from the roots left behind. "I think everybody from the council was kind of in awe at how quickly it grows and how good that little area looked," says Mathieu-Poulin. "When harvesting is done in the right way, it actually recreates the natural cycle."

After the forestry trip, the group went on a tour of the Cloquet Mill, giving them a deeper insight into the entire papermaking process. "It was very interesting to see every step, to see what's involved and to see the resources—not just the physical resources, but also the people...that was something that I'll remember and I'll use regularly in my job from now on."

For Mathieu-Poulin, the trip was an eye-opening experience. "We read about how it should be done...but when you see it, it really gives perspective on what we're working on."

Energy and Emissions

Climate change and greenhouse gas emissions remain top of mind for many stakeholder groups. In fact, the Sustainability Accounting Standards Board (SASB) identified climate change as the most common issue of materiality across all industries. Their research found that climate change is material in 50 of the 57 industries for which they have issued standards to date. The wood products industry is no exception.

Beyond environmental concerns, energy is a major cost driver in our industry, and excessive energy costs have been cited as a major factor in the recent closure of several US pulp and paper mills.

For years we have strategically focused on reducing our use of traditional fossil fuels by seeking out alternative energy sources, including reclaimed oil, construction and demolition wood and tire-derived fuel. Simultaneously, we have increased our usage of traditional biomass sources from woody biomass and black liquor. The cumulative effect results in higher levels of renewable energy, lower greenhouse gas emissions and reduced energy costs.

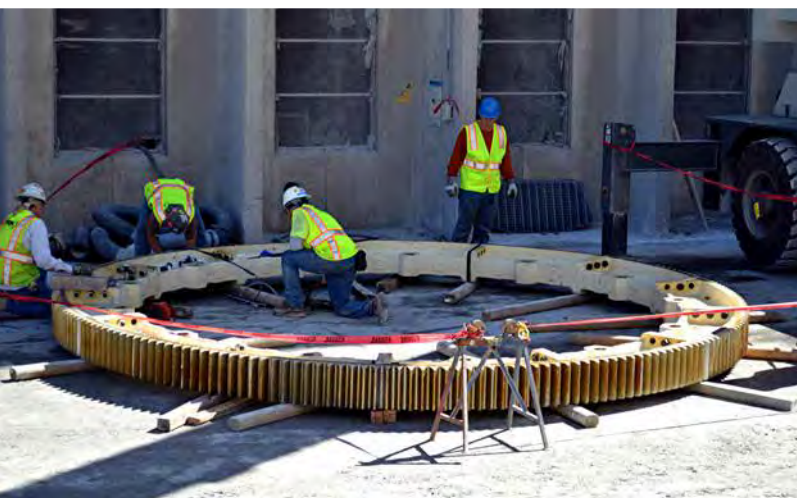
The Sustainability Accounting Standards Board

The Sustainability Accounting Standards Board (SASB) was established in 2011 to develop sustainability accounting standards that help public corporations disclose information to investors. Their standards are designed to focus on disclosure of material sustainability information in mandatory SEC filings. The forest and paper industry is part of the Renewable Resources & Alternative Energy sector. An international working group has been assembled to assist in drafting the standard and is scheduled to begin working in February 2015; the standard will be open to public comment in July 2015. For more information see www.sasb.org.

Access to Natural Gas

The state of Maine has long been underserved by natural-gas infrastructure. In fact, Maine is the most petroleum-dependent state for home heating, with the highest per capita consumption of heating oil. Regional pipeline capacity restrictions result in above-market natural-gas prices, which in turn drive excessive electricity prices during winter months. These costs affect both families and businesses in Maine as well as other New England states.

In 2012, we assessed a range of opportunities for our Somerset Mill to take advantage of emerging natural-gas pipeline projects. In 2013, we established an agreement with Summit Natural Gas to serve as the anchor for their pipeline, which now extends from Richmond, Maine, through the Kennebec Valley and into Skowhegan and Madison, Maine. We have since made a \$23 million capital investment in two major areas of the mill to take advantage of the access to natural gas.



“As an operator, I am provided with real-time information on each of our fuel costs and the sales price of electricity. We are able to switch fuels to reduce cost or sell electricity on to the grid to help maximize profitability for the mill.”

Steve Simpson

U-1 Operator, Utilities and Recovery, Somerset Mill

In June 2014, we modified a multi-fuel boiler—also known as a “hog fuel” boiler—which produces steam and electricity for the mill. In October 2014, the mill took an annual planned outage. At this time, in addition to performing routine maintenance, we modified the lime kiln, an integral part of our chemical recovery process. In addition to allowing the kiln to burn natural gas, these modifications make the kiln much more energy-efficient by capturing more waste heat through an improved product cooling section. The resulting changes are estimated to reduce the lime kiln operating expenses by at least 30 percent, and the project is anticipated to have a three- to five-year payback period. Additional fuel cost savings will be realized by burning natural gas in the hog fuel boiler.

In order to maximize operational flexibility, we maintained the ability to use fuel oil in both the lime kiln and hog fuel boiler. This allows us to switch fuels as necessary to optimize energy costs at the mill.

“It’s good to see the investment that Sappi has made in equipment like the lime kiln. We are armed with more tools and better control systems, like our new IR camera, which gives us better insight to the heat profile along the kiln. This allows us to operate more efficiently and to produce better-quality lime.”

Jody Therrien

U-1 Operator, Utilities and Recovery, Somerset Mill



Renewable Energy Generation and Consumption

The forest products industry is the largest producer of biomass energy in the country, and the renewable energy generated within this segment exceeds all of the US solar, wind and geothermal energy combined. At Sappi North America, we are well ahead of the wood products industry average, with nearly 80 percent of our energy generated from renewable sources.

Renewable Energy Certificates (RECs) are tradable environmental commodities that represent proof that one megawatt-hour (MWh) of electricity was generated using a renewable energy resource. In the US, REC markets exist under both regulatory compliance schemes and as voluntary programs.

In addition to generating renewable energy for our own consumption, Sappi's Westbrook and Skowhegan mills are qualified to sell RECs as Maine Class I RECs. These RECs help local utilities companies to meet Maine's Renewable Portfolio Standard, which requires that at least 40 percent of electricity be generated from renewable sources (Class I and Class II) by 2017. In 2013, over half of Maine's net electricity generation came from renewable energy resources, with about 29 percent from hydroelectricity, 25 percent from wood and 7 percent from wind.



Sappi's mills in Cloquet, Minnesota, and Skowhegan, Maine, both generate electricity in compliance with the voluntary Green-e® certification program. These certified RECs are generated on-site and subsequently consumed by Sappi, allowing us to make product level claims that 100 percent of the electricity used to manufacture a selection of our products is certified Green-e® renewable electricity.

When RECs are sold to a third party, Sappi is no longer able to claim that portion of energy as part of our own renewable energy consumption. While we are generating more renewable energy than in prior years, because of REC sales, our consumption numbers have dropped slightly over the past two years. This drop in renewable energy consumption is reflected in our key performance indicators (see p. 59).

Carbon Accounting and Neutrality

Sappi North America conducts an annual greenhouse gas (GHG) inventory using the IFCPA/NCASI Spreadsheets for Calculating GHG Emissions from Pulp and Paper Manufacturing. We would like to acknowledge WRI, WBCSD, ICFPA and NCASI for their roles in developing these spreadsheets.

We report emissions in accordance with the Greenhouse Gas Protocol definitions where:

- Scope 1 represents direct emissions from a manufacturing facility
- Scope 2 represents emissions associated with purchased electricity

These numbers do not reflect emissions from biogenic sources. In other words, the emissions factor for biogenic sources is zero, which is consistent with guidelines published by the Intergovernmental Panel on Climate Change (IPPC).

In November 2014, the US Environmental Protection Agency (EPA) released its revised “Accounting Framework for Biogenic CO₂ Emissions from Stationary Sources” (commonly referred to as the Accounting Framework). While the framework is not binding regulation, the document indicates that use of “waste-derived feedstocks” and “*certain* forest-derived

industrial byproducts” are likely to have “minimal or no net atmospheric contributions of biogenic carbon dioxide (CO₂) emissions, or even reduce such impacts, when compared with the alternative fate of disposal.”

There remain several outstanding questions about the implementation of the framework; however, these preliminary findings seem to indicate that there will be no significant changes to our accounting methodology. We will continue to track this issue through our trade association, the American Forest and Paper Association (AF&PA).



Laura Thompson Wins Environmental Award

This past spring, our own Dr. Laura Thompson was selected to receive the 2013 William D. Schaeffer Environmental Award at the Printing Industries of America’s Spring Administrative Meetings. Laura was recognized for

guiding Sappi’s sustainable practices, from long-term strategies and goals to driving key initiatives and curating Sappi’s eQ brand. The award is a true reflection of her leadership as well as a credit to her willingness to share her time and expertise with her peers through numerous collaborative efforts, including the Sustainable Packaging Coalition’s Executive Committee, Two Sides North America Sustainability Committee and AF&PA’s task force on extended producer responsibility (EPR). With Laura at the helm of Sappi’s environmental operations, we look forward to continued dedication of time, resources and manpower to improving the quality of life for our employees and neighbors and to protecting our natural resources while running a business that is both profitable and sustainable.

References:

www.sasb.org/wp-content/uploads/2014/11/Responsible-Investor-One-Small-Step-for-SASB-One-Giant-Leap-for-the-Capital-Markets.pdf
www.maine.gov/energy/pdf/FASTENERGYFACTSJuly2014.pdf
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Responsible Use and Disposal

Paper products are often described as inherently sustainable—recyclable products made from renewable resources that are produced using renewable energy. At Sappi we are also committed to sustainable or “smart” consumption of paper, eliminating wasteful use. Only by using paper wisely and purposefully can we be assured of meeting growing demand for generations to come.

Smart Consumption

Direct marketers and catalogers have adopted practices such as maintaining good mailing list hygiene and using more targeted versions of catalogs with fewer pages rather than mass-mailing a single, larger version. We encourage our customers to be efficient with their use of paper. If a graphic designer opts for a heavier basis weight paper for tactile purposes, they will often modify the layout to create smaller page sizes. The best marketers realize that integrated, multi-platform marketing campaigns make effective use of print and online communications.

Beyond Coated Papers

In Sappi’s Release Papers business, our products are primarily used to impart texture on other decorative surfaces such as synthetic fabrics and laminates. Our paper is part of the production process, not the final product, and is designed for multiple re-use. Scientists at our Technology Center constantly look for ways to improve release paper products so that re-use is maximized, with many of our release grades providing customers dozens of re-use cycles.

Our new dissolving pulp business makes wood pulp that is converted into viscose staple fibers, which are spun into threads to make textiles. While fabrics are highly reusable, many consumers do not realize they are also recyclable. At Sappi we encourage stakeholders to seek out used clothing donation centers. Most facilities will put reusable clothing back in circulation while sending the rest to textile recycling facilities, where materials are sorted and processed to recapture the basic fibers for use as raw materials for making new products.



The Waste Management Hierarchy

We fully embrace a waste management hierarchy that focuses on source reduction first, followed by re-use and then recycling, all actions that prevent waste. In some cases for products that are difficult to recycle, incineration with energy recovery is the next best option. Ultimately, the primary goal is to keep paper products out of landfills, where they can decompose and form methane, a greenhouse gas with a global warming potential 25 times higher than carbon dioxide (CO₂).

Within our own operations, we strive to minimize the waste of our raw materials. One of our five-year goals is specifically focused on the reduction of both fiber and coating material losses in our pulp mills and papermaking areas (see p.11). Any form of internally generated waste paper is either returned to the paper machines as a furnish component we call “broke” or is sent to a recycling facility.

We also utilize alternative fuels such as construction and demolition wood, tire-derived fuel and reclaimed waste oil. Use of these resources results in cost savings for the mills, and by converting these waste streams to energy, less waste goes to landfill.

Designing for End of Life

Designers have significant influence on the overall environmental impact across a product’s life cycle. Choices made at the design stage range from material selection, type, size and quantity of materials used, efficiency in use and ultimately how easily a product can be re-used, recycled or disposed.

For example, within the realm of packaging, plastic shrink film labels are growing rapidly in use due to their ability to conform to unique shapes. However, for many municipalities, bottles covered with shrink film labels are not considered recyclable. Pressure-sensitive labels are recyclable, but users must find a means to dispose of the label’s release liner, which is typically coated with silicone and difficult to recycle. An alternative is the standard glue-applied “cut and stack” paper label, which eliminates the use of a release liner and can be easily removed for either re-use or recycling of a wide variety of bottle shapes and materials.

Once a material is selected, care should be given to identify suppliers that work to minimize the environmental impact of their manufacturing process. Tools such as GreenBlue’s Environmental Paper Assessment Tool can be utilized to make comparisons between suppliers of similar paper products. For more information visit www.greenblue.org/work/epat/.

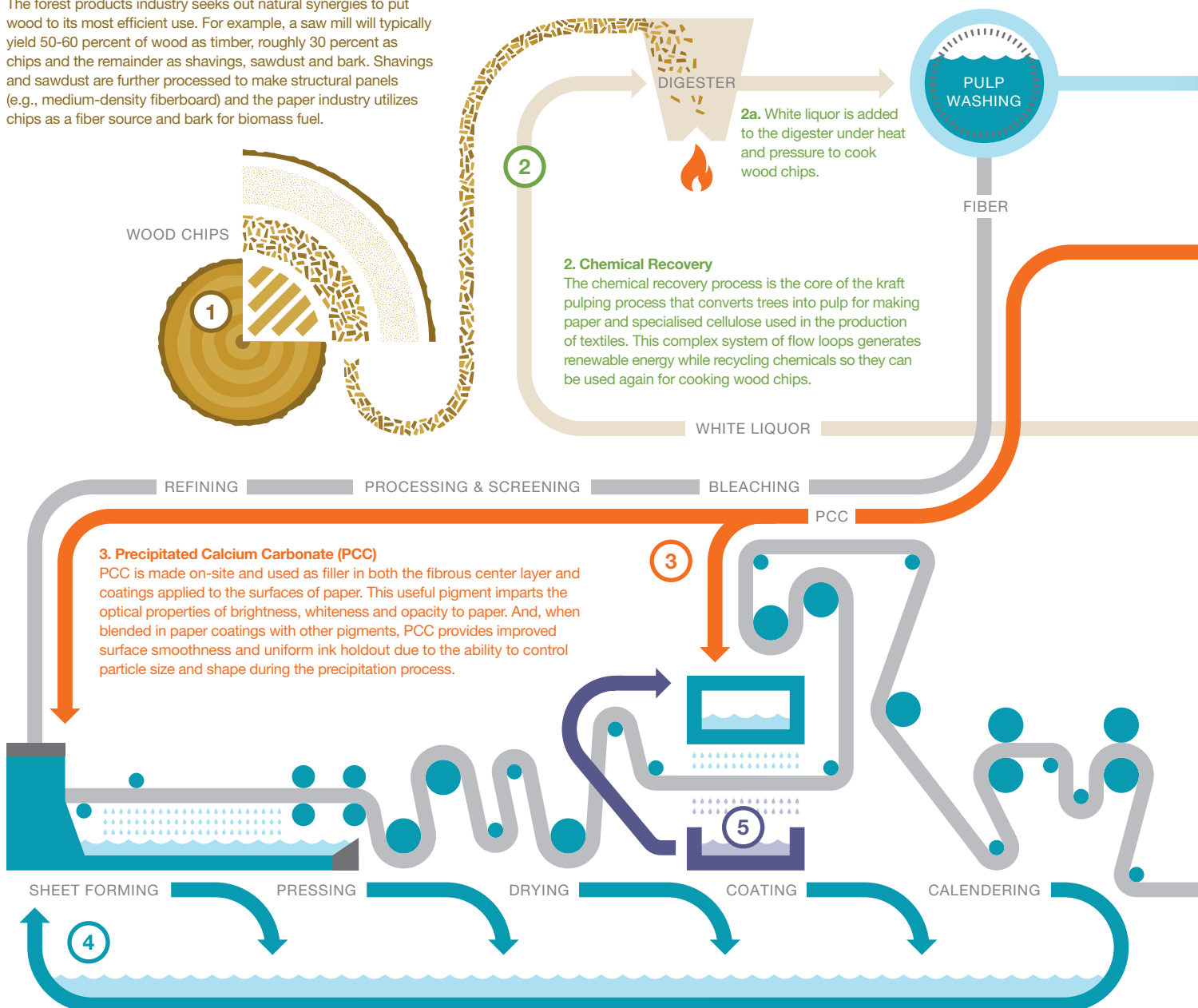
Efficient Use of Materials and Waste Minimization

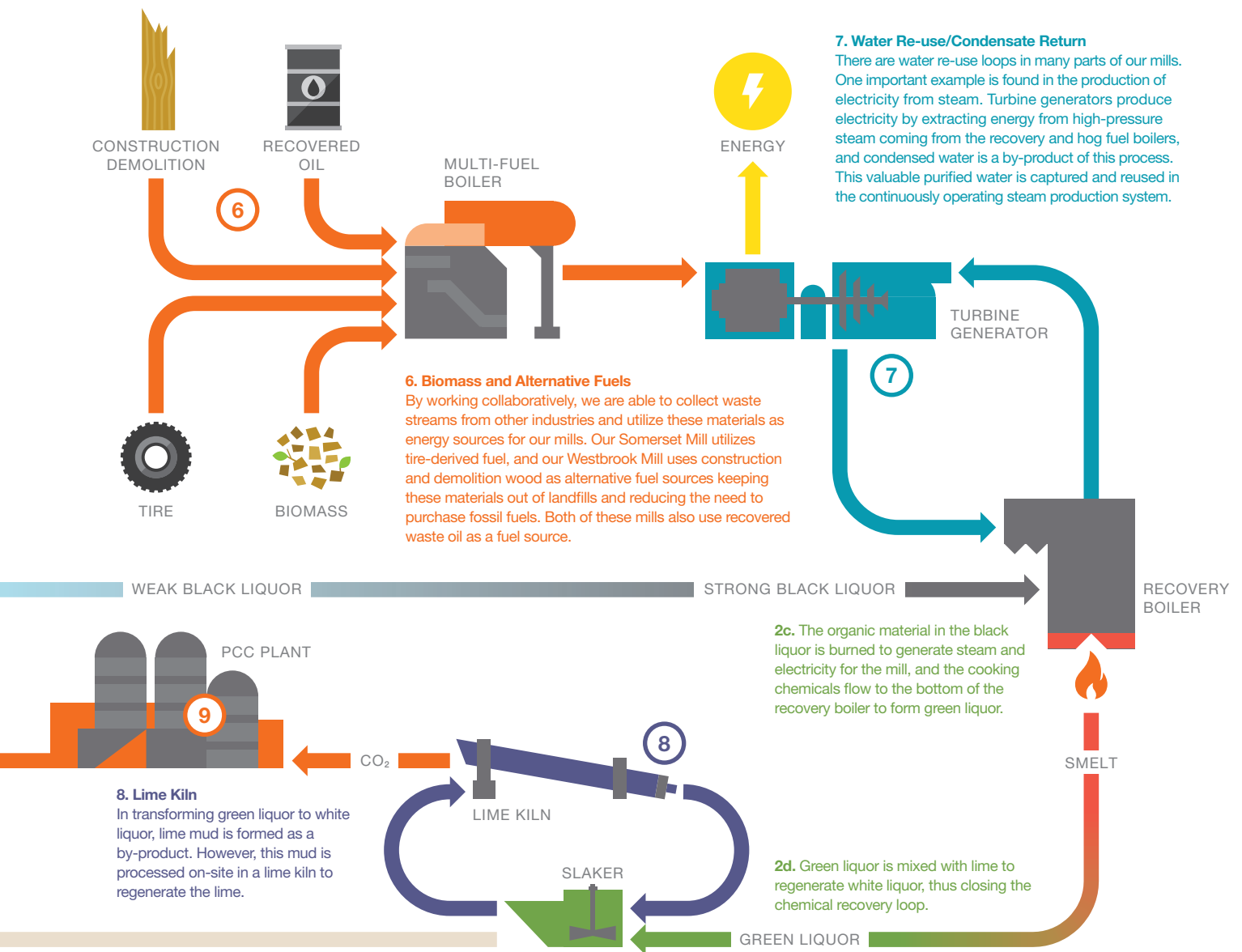
In manufacturing our products, we utilize each and every input to the greatest possible degree. By integrating flow loops into critical stages of the manufacturing process, we can capture and re-use excess material, and we further minimize waste to landfill by recycling anything we can't re-use.

1. Natural Synergies

The forest products industry seeks out natural synergies to put wood to its most efficient use. For example, a saw mill will typically yield 50-60 percent of wood as timber, roughly 30 percent as chips and the remainder as shavings, sawdust and bark. Shavings and sawdust are further processed to make structural panels (e.g., medium-density fiberboard) and the paper industry utilizes chips as a fiber source and bark for biomass fuel.

2b. The dissolved organic materials (lignin and hemicelluloses) are washed out of the pulp along with the cooking chemicals, creating black liquor.





10. Benefitting from our products
Our Cloquet and Somerset mills have identified local partners that can utilize some of our mill by-products as a soil amendment, providing nutrients and pH adjustment to their land. These materials are offered at no cost and provide significant benefit to local farmers while reducing our contribution to landfills. Dirt washed off logs at our Cloquet Mill is used as an underlayment for road building.





Out of the Fire

At the Cloquet Mill, burning paper and fiber-based waste made sense for many reasons. It was efficient, prevented disposal to landfill and provided a little bit of the heat that warmed the plant in Minnesota winters. However, when the Sappi War on Waste challenged employees to think differently, Justin Finke and a few colleagues at Cloquet started to see opportunity in everything that was being burned up.

After a few conversations with Minnesota Waste Wise, Finke forged a partnership with PHASE, a non-profit agency that provides recycling services and works with adults who have developmental disabilities, traumatic brain injuries and other mental issues. "They have some wonderful program participants," says Finke. "As I talked to PHASE, I realized that their biggest value stream was the paper and cardboard markets. Well, I've got all that you can possibly want. And that's where the partnership began."

Early returns have been dramatic. From the first shipment that went out in October 2013, the Cloquet Mill has sent over 893 tons of combustible drive fuel (CDF) waste to be recycled.

For PHASE, the relationship is a game changer. The waste from Cloquet has helped them double the amount they recycle, hire three additional full-time staff members and add more than 20 additional program participants.

As a result of the recycling efforts at Cloquet, Finke won the MN Waste Leadership Award in September 2014. However, he and his team are not resting. They're doubling down on CDF recycling, trying to get it to PHASE cleaner and more efficiently, which could lead up to a 40 percent increase in revenue for PHASE and help chip away at Cloquet's waste streams. "We've accomplished a lot, but there's still a lot left to do."





Recycling Policies

Sappi is a strong advocate for recycling outreach and education. We strongly promote the use of “please recycle” logos on all printed materials. Once paper has been sourced and used responsibly, consumers should be reminded to recycle. Otherwise, in some cases, allowing paper to end up in a landfill could be the biggest contributor of greenhouse gas emissions across the product’s life cycle.

Once paper is collected for recycling, it should be put to its best use. Policies that prescribe a “more is always better” approach for the use of recycled fiber can result in unintended consequences. Our own cradle-to-gate carbon footprint analysis has shown that adding 10 percent recycled fiber to products made at our Somerset Mill actually raises the carbon footprint by 16 percent.

Recovered fiber markets are complex and are not well served by regulations or prescriptive approaches that specify the use of recycled fibers or dictate what type of recovered fiber should be used in products. As such, Sappi opposes recycled content mandates or policies that restrict trade flows of recovered paper.

There is a growing trend for material recovery facilities (MRF) to adopt single-stream collection of recyclable materials. By allowing households to place all recyclables in a single bin, the volume of recyclable material collected can be dramatically increased. Unfortunately, the co-mingling of materials has been shown to degrade the quality of post-consumer paper fiber. Regardless of this fact, we support the use of single-stream recovery as we believe it benefits material recovery of other materials such as metals and plastics, which currently have recovery rates significantly lower than the national recovery rate for paper.

Recently, some municipalities have taken single-stream recycling a step further, implementing “mixed-waste” or “dirty MRF” recovery facilities. These facilities collect household waste and recyclables in a single bin. Proponents argue that collection is streamlined by having only one vehicle pick-up from households. They suggest that this system guarantees

access to all recyclable materials and therefore will ultimately result in higher recycling rates. Conversely, many studies have found that true recycling rates from these facilities decrease dramatically, as much of the recyclable material is consumed as fuel rather than sorted and sold into the recovered materials markets. Material that is recycled is found to be even more contaminated than what is seen at single-stream facilities. There are several mixed-waste facilities in operation today across the US. We believe until these facilities are proven to truly increase recovery of materials for recycling, that policy makers and municipalities should cease the expansion of this practice. Separation technology is likely to evolve, but unless proven, we remain supportive of single stream as the preferred recovery method.

Social Responsibility

Our social responsibility platform spans three critical groups: local communities, customers and employees. At the local level, we work with leaders to understand the needs of the area and find opportunities to play a constructive role. We engage deeply with our customers in order to create relevant and innovative products. And in all of our operations, we focus on the safety, well-being and expertise of our employees. This unique, multi-faceted approach to social responsibility allows Sappi to thrive as a sustainable business.

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Employees



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Communities



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Customers



Employees

The safety, well-being and expertise of all employees is critical to the success of our company. Through our innovative safety culture, health and wellness programs and ongoing training, we are able to attract and retain highly skilled people and help them realize their fullest potential in the organization.

Health and Wellness

The continued health and happiness of our people is critical to our culture, recruitment efforts and the future of our company. That is why Sappi remains committed to exploring new ways to help employees improve their well-being. Moving forward into 2015, we are proud to say that we have made enhancements to our wellness incentive program, which enables all salaried employees to receive monetary rewards for the completion of a wide variety of healthy behaviors. Sappi has also continued working with Cigna's Mobile Learning Lab to bring wellness directly to the workplace. The travelling 18-wheeler truck allows our employees to participate in hands-on wellness stations in order to promote the importance of preventive health and positive lifestyles.

Our Common Purpose, Teamwork and Constant Safety Messages

Sappi's safety vision is simple: zero injuries. That's why our commitment extends far beyond legal and regulatory compliance to a culture of vigilance. Our unique approach combines pre-emptive risk identification, constant communication, teamwork and process refinement in order to protect employees and company property.

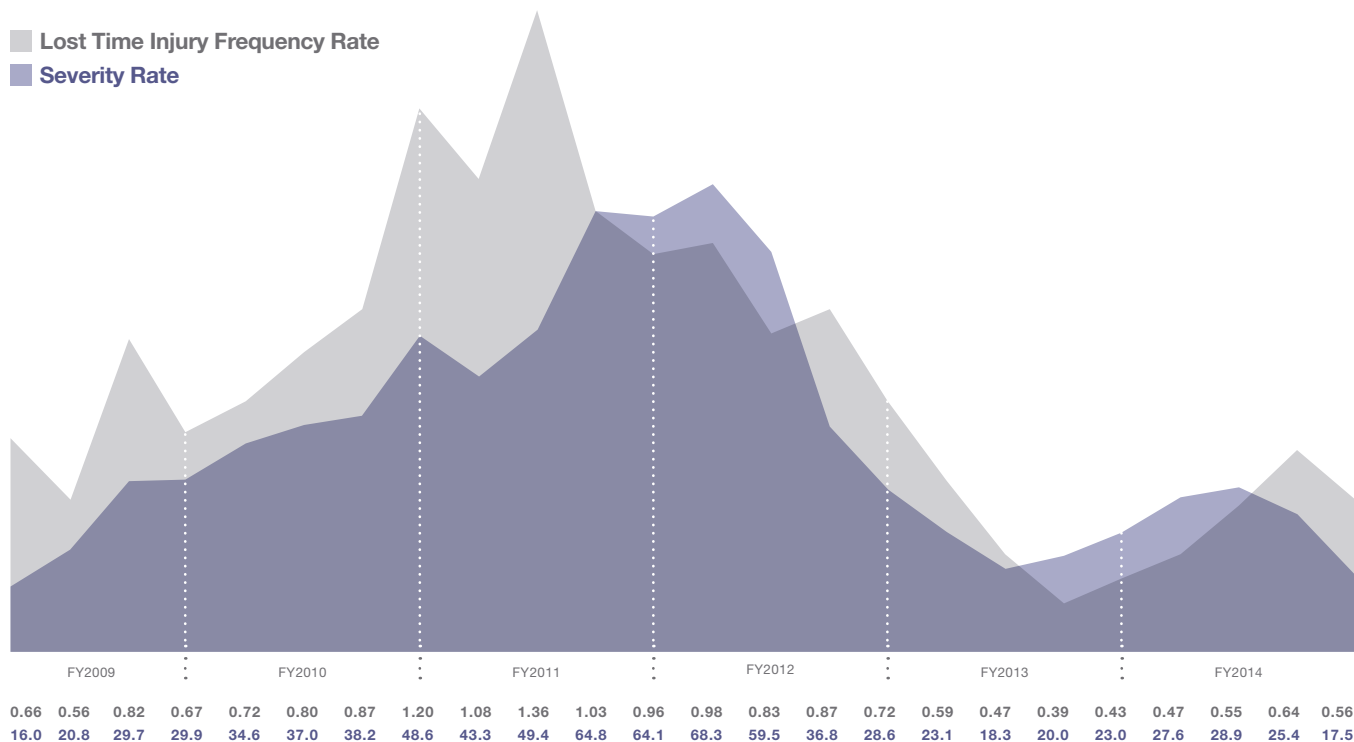
We keep safety at the top of employees' minds with relevant and actionable programs that challenge them to proactively identify potential hazards. Once potential hazards are identified, teams seek first to understand them and then control and minimize exposures within our operations. Clear and open lines of communication allow us to continually refine our processes. Our three North American paper mills are OHSAS 18001 certified, and our Allentown converting operation is an OSHA Voluntary Protection Program site.

At Sappi, safety is always at the forefront of everything we do.



Six-Year Safety Performance

At Sappi North America, safety is our top priority. The chart below looks at both Lost Time Injury Frequency Rate (LTIFR) and severity rate, important measurements for tracking work-related incidences resulting in injuries that reduce an employee's physical capability. Severity rate is an annual measurement of lost time and restricted days per 100 employees, per exposure hours worked. Severity rate indicates the length of time employees are out of work or are unable to perform their work due to physical restriction caused by work-related injuries. We focus our safety efforts on eliminating high hazard exposure to our employees and contractors, and we are proud that our performance in 2014 was among the best in company history using severity rate as a measure.



Each data point represents the 12-month rolling average.

Managing Risk and Safety Award



Safety isn't the kind of work that typically grabs headlines and fanfare. That is why it was so gratifying when Sappi was recognized with the 2014 Pulp and Paper International (PPI) award for managing risk and safety. "Being recognized by our peers as the best paper company for a risk-free environment with

dedicated employees is a fantastic honor," said Ken Fox, Corporate Manager of Safety and Health.

Safety is ingrained into all aspects of Sappi's business as we strive toward our goal of zero work-related injuries. Meetings often start with a safety topic. Reminder videos are posted on our safety news site. Best practices and safety alerts are regularly communicated to all employees. Root cause analysis is performed after any incident. The result of this company-wide effort is sustained excellence in safety and risk management; over the past three years, we have exceeded paper industry averages in lost-time injury frequency rate (LTIFR) and Occupational Safety and Health Administration (OSHA) incident rates. "Winning the Managing Risk and Safety award is a testament to what Sappi employees have collectively achieved through persistent teamwork as we strive to maintain our long history of leadership in safety performance," Fox says.

The Learning *EDGE*

Engaged. Focused. Special. Those are a few of the qualities that Karen Van Orman and some of her colleagues noticed about young Sappi employees. And that's what led them to create **EDGE** (Enhancing Development and Growth through Engagement). Van Orman and her team saw future Sappi leaders in this group and wanted to leverage their engagement and keep them in the organization by demonstrating that the company values them and wants to help them reach their potential.

According to Van Orman, the name **EDGE** was chosen very deliberately because "when you're just a little bit uncomfortable, that's when you're most able to take something in, apply it and be able to have it resonate with the work you're doing."

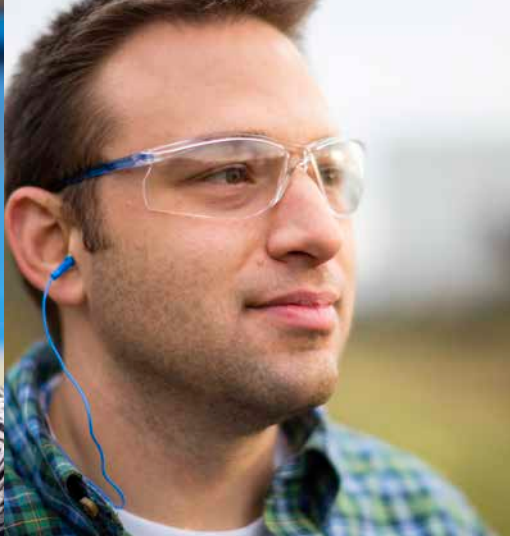
The program was held at the Babson College Executive Conference Center and drew employees under the age of 35 from around the company. Over 2½ days, the group focused on Personal Branding, Project Management, Peer Coaching and Power and Systems, which explored human and organizational dynamics. All of this was done to help them acclimate to working with different generations, improve everyday job skills and build camaraderie with their peers.

The facilitators were open to feedback and evolved their techniques to make sure participants were getting the most out of each session. Case in point: when they noticed that Martha Stewart and Steve Jobs weren't stimulating discussion around personal brands, they swapped in Miley Cyrus and Kanye West. That did the trick. But the education wasn't a one-way street, according to Van Orman. "We learned as much from them as they learned from us," she says.

After the sessions, the group was invited to participate in monthly peer coaching sessions. Even better, they had new contacts and friends throughout the organization. "They really appreciated having a few days to get to know other people in their age group that they could relate to and call if they had a question," says Van Orman.

Because of their extraordinary level of engagement and programs like **EDGE**, the next generation of Sappi leaders are off to a great start.





Communities

Wherever Sappi operates, we work closely with surrounding communities to align interests. Strong engagement with local institutions, organizations and partners creates a mutual advantage for our company and the areas where we live and work.

Education Matters

At Sappi, we believe education is the foundation for success. As such, our commitment to education and training extends beyond our employees and customers to include programs and institutions in communities where our mills are located. Mark Gardner, our President and CEO, serves on the University of Maine System Board of Trustees, and other employees served as adjunct faculty at Kennebec Community College, creating enduring online course resources. We support Science, Technology, Engineering and Math (STEM) education through scholarship programs at the University of Maine, the University of Southern Maine and the Fond du Lac Tribal Community College in Minnesota.

Financial assistance is only one way we support education. We also believe that on-the-job, experiential learning helps students at all levels. We have long-term relationships with intern and co-op programs and offer positions that give undergraduate and graduate students work experience at our mills and Technology Center. Recently, we had a Codman Academy high school student intern in our Boston office; held a two-day Career Academy where Codman students interacted with Sappi employees in Finance, Customer Service, Inside Sales, Research, Production, Information Technology and Human Resources; and hosted a camp where Somerset Mill employees introduced high school students to engineering roles.

Investing time and resources in educational programs benefits our communities and our business. Students gain valuable support and work experience, and we've identified talented individuals who have joined Sappi and work in a variety of manufacturing and corporate positions.

Sappi Cloquet Cleans Up at the Carlton County Fair

Since 1891, the Carlton County Fair has featured fun for the entire family with creative activities, animal exhibits, rides and delicious local food. Held in Barnum, Minnesota, this past August, volunteers from Sappi's Cloquet facility staged and emptied 40 recycling receptacles to help make the fair a safe, clean and fun experience for all!



Connor Eisner, Tech Service intern, represents Sappi's volunteer recycling team at the Carlton County Fair.



Sustainability Customer Council Explores the Woods

The Sustainability Customer Council is composed of Sappi customers who represent key segments from the coated and release papers business units. As part of Sappi's commitment to engaging with and understanding a variety of environmental and business perspectives, the Council meets semi-annually to discuss emerging industry issues and customer needs that impact Sappi North America's sustainability strategy.

This past fall, for the first time, the Council met at a Sappi manufacturing site and visited a working forest. Cloquet's forestry team—led by Gary Erickson, Regional Manager of Wood Fiber & Fuel Procurement, and Ross Korpela,



Senior Manager of Wood Procurement—hosted the visit and explained the process of cutting, clearing and managing the short- and long-term health of a forest.

One of the major highlights of the tour was a stop at an aspen stand to see a cut from one year ago alongside a cut that was twelve years old. "It was incredible to see that the fledgling aspens from the year-old cut were nearly as tall as we were; the regeneration of this species is remarkable," said Kathy Fernstrom, who chairs the Council. "The concept of sustainable forest management certainly isn't new to this group. In fact, it's pretty much top-of-mind. But our knowledge of the issue is nothing compared to having had this boots-on-the-ground experience, which provided us with a unique perspective and really brought home our understanding that a working forest is a healthy forest."

Sustainability Customer Council Members include:

Ralph O'Conner, Director of Environmental Affairs, Graphic Communications

Nan Faessler, Manager of Customer Sustainability, Veritiv Corporation

Charles David Mathieu-Poulin, Corporate Environmental Coordinator, TC Transcontinental

Larry Westlake, Executive Vice President, Sandy Alexander

William Gates, Sustainable Supply Chain Executive, Macy's

Mandy Hulke, Regulatory Supervisor, 3M Commercial Solutions

Steve Ryan, Partner, Design Discipline Lead, VSA Partners

Keith Dunlap, Marketing & Environmental—Paper Services & CoC Central Office Manager, Quad/Graphics

Craig DeRusha, Vice President, Magazine and Book Paper, Hearst Enterprises

Jennifer Miller, CSO, Executive Vice President, Coated Paper Business

Dr. Laura Thompson, Director of Sustainability and Technical Marketing

Kathy Fernstrom, Key Accounts Manager, Publishing Sales Group and Customer Council Chair



Sappi Volunteers Head Up the River with a Paddle

In recent years, invasive aquatic weeds—mainly water chestnuts and milfoil—have increasingly plagued the beautiful Charles River and many other waterways throughout New England. Water chestnuts and milfoil are stringy, rapidly growing plants that are native to parts of Asia and Europe and were accidentally introduced to New England more than a century ago. They grow so fast that they leave no room for other marine life and make it impossible to boat or paddle on the river. The situation has become especially evident in the Charles River Lakes District, which spans about 200 acres in parts of Newton, Waltham and Weston. Massachusetts had adequate funding to provide machine harvesters in the 1990s, and then again in 2006 and 2007. But, with budget cuts in 2008, money to battle the weeds disappeared and the plants grew out of control.



There are now funds in place for machine control; however, volunteers are still a critical part of the solution. “Sappi’s been participating in this effort for several years and our team is always astounded by how thick the growth is,” said Duncan McFarland, Lead Sustainability Ambassador at Sappi’s Boston office. “Machines can clear out most of the weeds, but they can’t get close to shore and into the nooks and crannies.” Although these weeds might always be part of the river, machine management and the support of volunteers like our team from Sappi go a long way in keeping them under control so that the Charles River can continue to be enjoyed by all.





Bringing Natural Gas to Sappi and the Community

900,000 barrels. That's how much oil the Somerset Mill in Skowhegan, Maine, burned each year, at significant cost to the business and the environment. The \$24 million project to add natural gas to the plant, one of a series of projects completed in the last five years, provided immediate benefits, including reducing Somerset's oil consumption to 50,000–70,000 barrels per year, along with a projected 30 percent annual savings.

The impact for Sappi is obvious and celebrated for good reason. Less known is the powerful impact for the community. Because of the partnership with Sappi and other large companies in the area, Summit Natural Gas of Maine has installed more than 130 miles of pipeline in the Kennebec Valley as well as Cumberland, Falmouth and Yarmouth, serving 17 communities in the region. For the first time, residents have the option to choose natural gas instead of oil.

Bruce Falconer, who lives in Waterville, Maine, was frustrated by the years of cost uncertainty with oil. "We just got tired of the price changing every time something happened in the Middle East," he says. When representatives from Summit knocked on their door, Falconer and his wife decided to make the switch. And they appreciate the role Sappi played in bringing natural gas to their community. "If it wasn't for Sappi, it wouldn't have been worthwhile for anyone to bring gas up here," Falconer says.

Although he's unsure exactly how much the change to natural gas will save him, Falconer is confident he did the right thing. "This country needs to be a little more energy independent," he says. "And one of the best ways to do it is to switch to a form of energy that we have in plentiful supply. Because of that, prices will be a little more stable and predictable."



Customers

Sappi's investments extend far beyond operations and infrastructure. In 2014, we invested significant resources in customer communications in order to increase brand awareness and drive sustainable performance for our business.



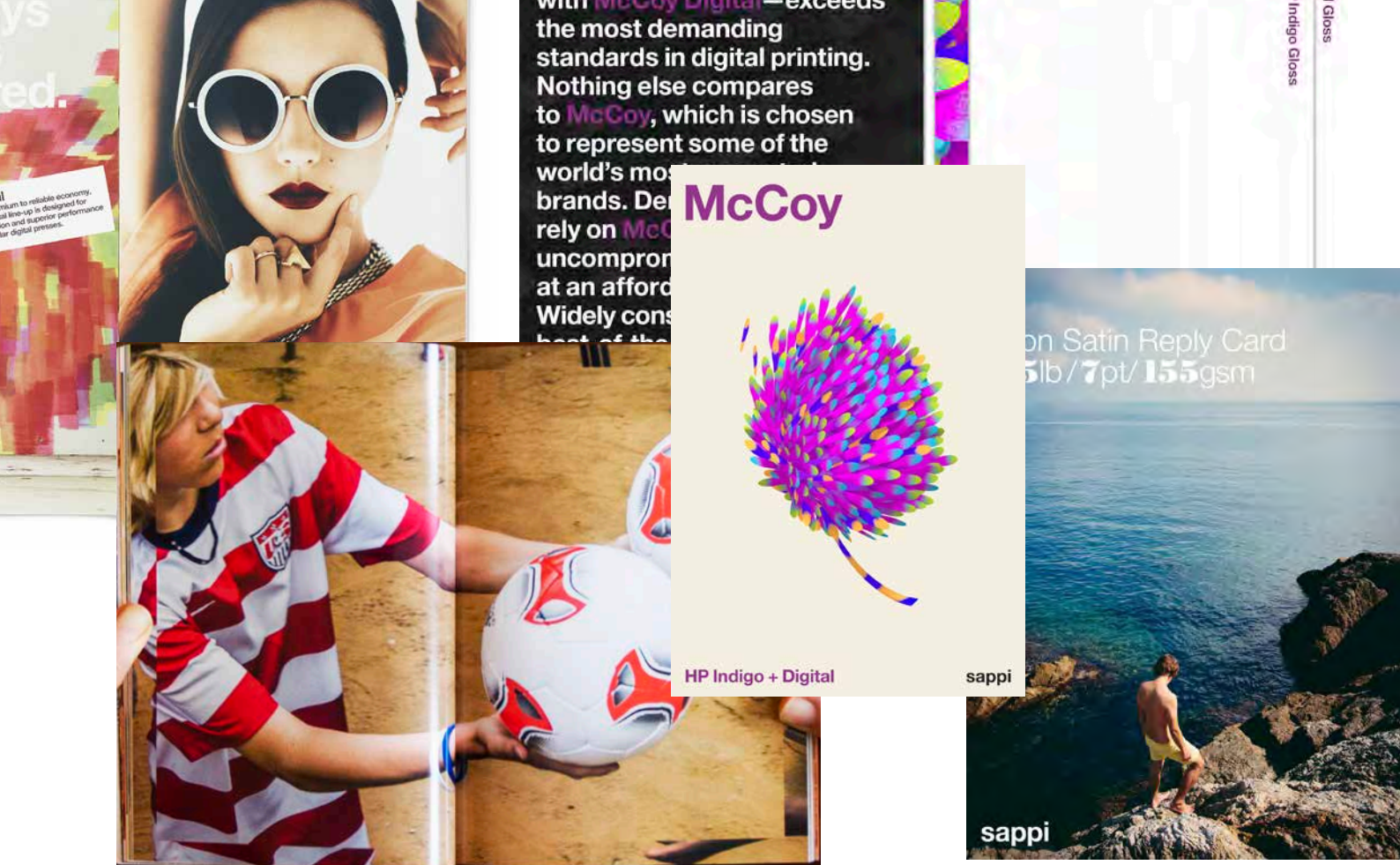
Uncover All the Ways Sappi Has You Covered

In 2014, Sappi made upgrades to our manufacturing process, providing more cover stock availability and ending our volume restrictions. As a result, numerous cover weight varieties are now available across our lines. This promotion provides information on each brand and a cover weight specification guide helps customers pinpoint the grade and items that meet their technical needs. Now, more than ever, Sappi has the perfect cover weight paper for any project.

The Power of Play and Giving Back

Ethan King founded Charity Ball in 2010 at the age of 10, shortly after he visited Mozambique with his father. Ethan played soccer with the village kids and decided to give his soccer ball away, quickly discovering the power of generosity. After returning to the United States, he decided that he wanted to do more; since 2010, Charity Ball has raised funds to make soccer balls accessible for thousands of kids in poverty-stricken communities around the world.

Sappi helped Charity Ball produce a promotional publication to share the story of "Pass the Ball." The piece is printed on Somerset 90lb and includes information about the Somerset brand. This is just one more example of how Sappi supports projects that make a difference with paper that makes a difference. To learn more about Ethan's work, watch the documentary short sponsored by Sappi at charityball.org.



Discover Sappi Digital Papers

In today's printing market, most customers use both offset and digital. Sappi's new swatchbooks feature a complete digital solution. From premium experiences to practical quality, our expansive digital line-up is engineered for superior performance on the most popular digital presses. McCoy offers guaranteed photobook quality and exceeds the most demanding standards in premium digital printing. Opus DX is a cross-platform sheet that works on both dry and liquid toner digital presses—an advantage for printers that use multiple kinds of equipment. Flo Digital provides maximum output and minimum impact to the budget without sacrificing quality and performance.

Somerset Cover Comparison

One of the best ways to demonstrate the quality of Sappi products is through printed comparisons. To highlight the benefits of Somerset Cover, we created a printed comparison of Somerset Cover weights versus its major competition. The shrink-wrapped package contains seven double gate-folded samples printed on comparable basis weights with similar finishes, allowing potential customers to review the products side-by-side. The result? People recognize that Somerset consistently delivers better heft and smoother surfaces than the competition.



Printer of the Year

Throughout our history, Sappi has celebrated the power and versatility of printing. We continue this deep commitment with the Printer of the Year Program, which showcases the precision and skill of printing. Printers are judged on innovation, meticulous craftsmanship and thoughtful technique. The 2014 competition celebrated one printer for producing smart, beautiful work with enormous impact. In addition to the Printer of the Year award, we recognize ten Gold and five Silver winners across a number of categories. Sappi features these winners on our website: www.sappi.com/na/poy.

Building a House Sheet—Sappi Flo

Building a house from the ground up is a complicated process. It takes expert planning, careful selection of materials and skilled craftsmanship to get it right. Similarly, printers need to consider performance characteristics, user requirements and end goals when selecting a house sheet. Our Building a House Sheet promotion supports the sales teams' efforts to help printers do just that and consider the benefits of selecting Flo.

The Collected Works

This postcard series, sent to Sappi customers at the corporate, design and printer levels, promotes the Sappi etc. site. This free website provides access to more than a century of rare historical documents, detailed case studies and expert technical advice. Visitors can search by keyword for instant results or browse by topic for unexpected inspiration. This is another way Sappi provides information and inspiration to our customers in a smart, fast and effective way.

Broadening Our Visibility in China

Release paper customers can see all 200+ Sappi textures and experiment with color in the palm of their hand. Sappi's powerful texture app uses high-resolution, artful images to inspire users. In 2014 the release business improved access to the breadth of our patterns for our Chinese customers. We did so by insuring our latest version of the texture app was made available for the first time in Mandarin Chinese and was accessible for Android devices (not just iPhones). This was an important step, as 85 percent of our Chinese customers do not read English, and many use Android devices. This broadens our reach in China, one of our most important markets.



An Idea That Really Matters

Each year, Sappi awards Ideas that Matter grants to designers who work with charitable programs so they can use design to help make a difference in the world. And over the years, Naomi Usher of Studio Usher uses the Ideas that Matter grant as a way to reach out to non-profit organizations that are addressing social concerns through innovative and interesting activities.

When she heard about EducationSuperHighway, a non-profit that is working to modernize the Internet infrastructure in US public schools, she thought it would be a perfect client and a great match for her skills. In 2013, Studio Usher was awarded an Ideas that Matter grant to help EducationSuperHighway garner support from the White House, Congress and FCC commissioners. An animated piece and microsite followed to reinforce and extend the message. But Usher believes it was the broadsheet, printed on 70lb/104gsm Sappi stock, that set the tone for the campaign. "It printed really beautifully...and there's

something about having a print piece that makes you commit to your message. With digital, you can tweak whenever, but once something's in print, it's out there for all to see. Because of the print deadline, there was a big push to perfect the story and visuals. Fine-tuning these elements was an invaluable aspect of the grant."

When President Obama tweeted his support for the initiative, Usher realized the message was being heard. To date, the FCC has announced a \$5 billion initial upgrade in funding, and the Obama administration promised to connect 20 million kids to Gigabit broadband within two years. EducationSuperHighway also secured \$9 million from Mark Zuckerberg's education foundation and the Bill & Melinda Gates Foundation. And Usher appreciates the critical role that Sappi played, enabling "us to transform a white paper, something that is typically dry, and visually predictable, into an effective call to action."

Photographer: Jonathan Nesteruk

Key Performance Indicators

Our pulp and paper products are derived from renewable resources, made with high levels of renewable energy and designed to be re-used or recycled. While it is difficult to imagine a more sustainable industry than forest products, not all paper companies perform equally when it comes to operating safely and sustainably. In the following pages, we offer readers a deeper look at our environmental performance data and social indicators. We track key metrics for fiber, emissions, energy usage and the impact of our operations on air, water and solid waste. We use this data when setting improvement goals related either to our operations or our interactions with our key stakeholder groups—employees, customers and our local communities. We remain committed to uphold the principles of the Universal Declaration of Human Rights.





Fiber

100 percent of our fiber is procured in accordance with the SFI® Fiber Sourcing standard as well as the FSC® Controlled Wood standard. These third-party certification programs provide assurance that wood-based products have been procured from well-managed forests and are legally harvested. In 2014, we purchased more kraft fiber than historic levels to support the papermaking operations in Cloquet after the 2013 conversion of that pulp mill to dissolving wood pulp. All of our purchased pulp was certified by one or more standards, which is reflected in the higher percentage of “triple certified” fiber and in part responsible for us reaching

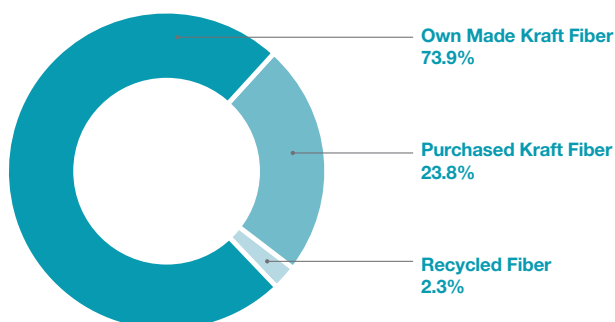
our five-year goal one year ahead of schedule. The Point of Harvest certified fiber refers to wood fiber harvested from lands not otherwise certified by one of the forest management standards but by logging professionals who are trained and certified in practices designed to conserve forestland. Our recycled fiber is derived from post-consumer sources and is also FSC® Certified. We do not have a de-inking facility in any of our operations. All recycled fiber is purchased within North America and is processed chlorine free (PCF). All kraft pulp is elemental chlorine free (ECF) and is either made on-site or purchased within North America.

2014 Total Fiber Sourcing

100% of our fiber is procured in accordance with the SFI® Fiber Sourcing standard as well as the FSC® Controlled Wood standard.



2014 Fiber Types

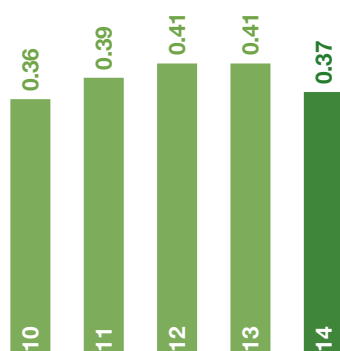


Emissions

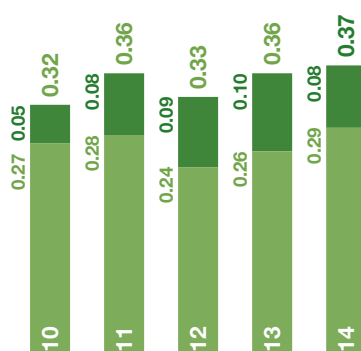
For several years, we have had a major focus on the reduction of fossil fuels and the emissions associated with combustion. Intensity is a term that describes the usage of resources for, or output from, the manufacture of a set unit of product. We exceeded an aggressive five-year goal of a 40 percent reduction in greenhouse gas (GHG) intensity in just three years and are now working to reduce energy intensity. Overall, our performance in 2014 against these key emissions metrics was in line with 2013. A markedly colder winter impacted fuel consumption, slightly increasing our sulfur dioxide (SO₂) emissions, but we remain significantly below the industry average as reported by AF&PA. Sappi's boilers currently meet most limits specified under the Industrial Boiler MACT

rules due to prior capital investments and optimization of fuel mix and combustion conditions. Equipment needed for further emissions control at each of our three mills is included in our capital plans as part of our annual maintenance spending. In 2014, Summit Natural Gas of Maine completed construction of a natural gas pipeline that services the Somerset Mill and provides access to natural gas to 17 communities that the pipeline passes through. A power boiler in our on-site utilities complex that generates steam and power at Somerset was converted and can now burn natural gas, allowing us to further reduce the amount of oil we burn in our fuel mix.

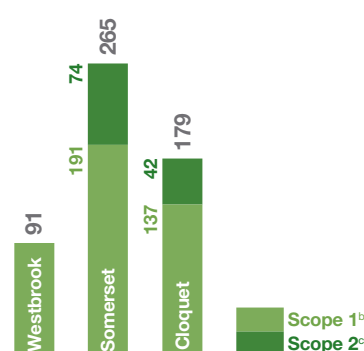
Particulate Emissions
(kg/admt^a)



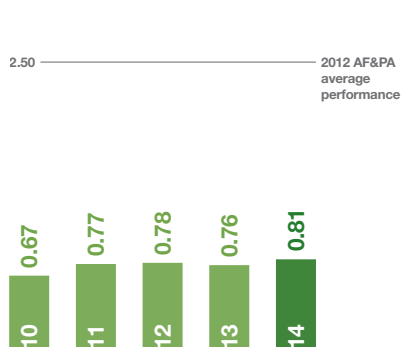
GHG Emissions
(tonne CO₂/admt^a)



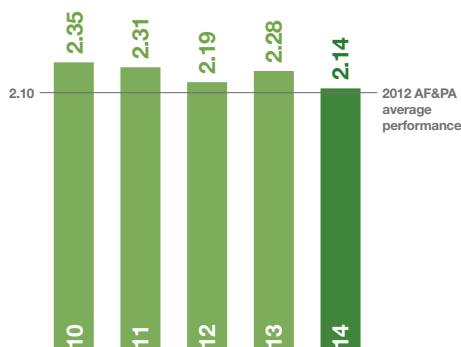
2013 GHG Emissions by Mill
(1K tonne CO₂)



SO₂ Emissions
(kg/admt^a)



NO_x Emissions
(kg/admt^a)



a Intensity metrics reflect the impact per air-dried metric ton of saleable product (including market pulp).

b Direct GHG emissions—emissions from sources that the company owns or controls.

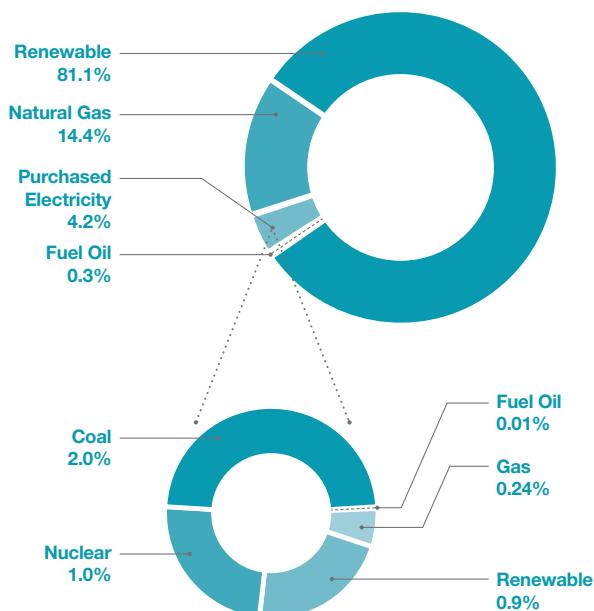
c Indirect GHG emissions from purchased electricity, steam, or heat—emissions associated with the generation of electricity, steam or heat.

Energy

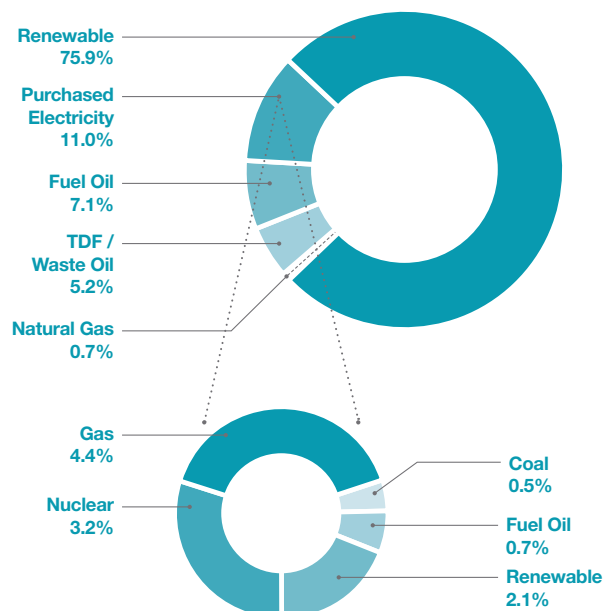
In our 2012 report, we adopted a calculation method used by the U.S. Department of Energy and the American Forest and Paper Association (AF&PA). In this method, energy consumption from purchased electricity is calculated in terms of fuel inputs to account for different fuel efficiencies during power generation and efficiency losses in power transmission. The equivalent energy value is represented in terms of sources as per power supplier-provided data. Our Westbrook Mill does not buy power, and the mill energy profile reflects sales of Renewable Energy Certificates (RECs). The 2013 conversion of the Cloquet pulp mill to

dissolving pulp, a higher-purity pulp requiring more energy to produce, increased the energy intensity of that site. At the same time, Cloquet achieved higher use of renewable fuels, reducing natural gas, purchased electricity and fuel oil. Somerset began using natural gas in 2014 after Summit Natural Gas of Maine completed construction of the pipeline, and capital improvements have been made to a hog fuel boiler as well as the lime kiln (see p. 30). The Somerset Mill energy profile also reflects REC sales. Plant engineers at each of the mills have developed plans to reach our goal of a 10 percent improvement in energy intensity by 2016.

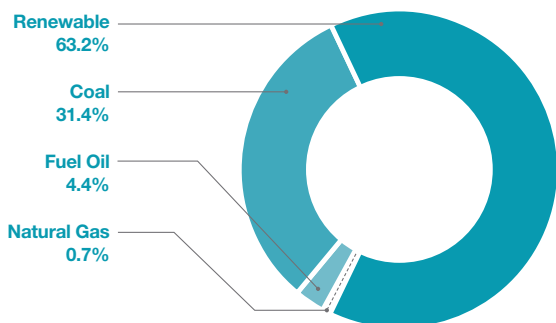
Total Energy/Cloquet Mill



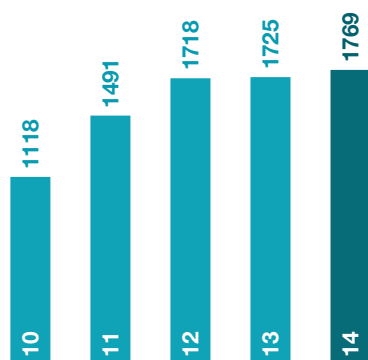
Total Energy/Somerset Mill



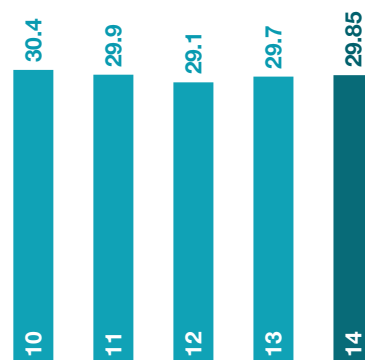
2014 Total Energy/Westbrook Mill



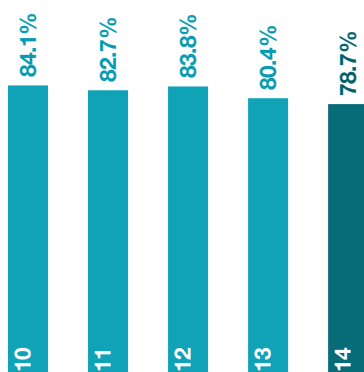
Consumption of Alternate Fuels (terajoules/yr)



Energy Intensity (GJ/admt^a)



% of Renewable Energy



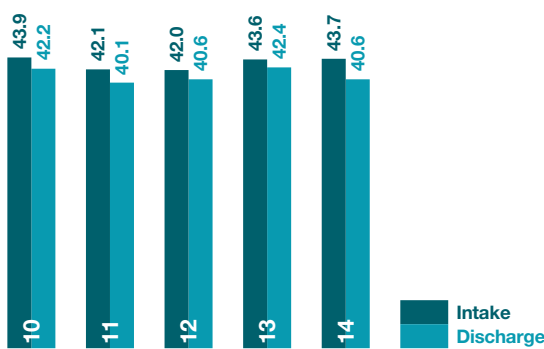
Water

All pulp and paper mills in North America use and treat water in accordance with comprehensive environmental permits. Our North American mills use only surface water sources (rivers and lakes) and return treated water to the same primary source. (At Cloquet, we return the water to a publicly owned treatment facility, where it goes through additional purification and is then returned to Lake Superior.)

We returned almost 93 percent of the water we used, creating a minimal water footprint. Water that is “consumed” in our operations is primarily made up of water lost to the environment due to evaporation during the paper drying process and a small amount of moisture contained in our finished products. While our water consumption was slightly higher in 2014, TSS improved and BOD was on par with last year.

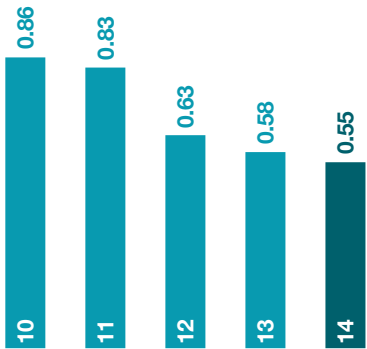
Water Intake/Water Discharge

(m³/admt^a)



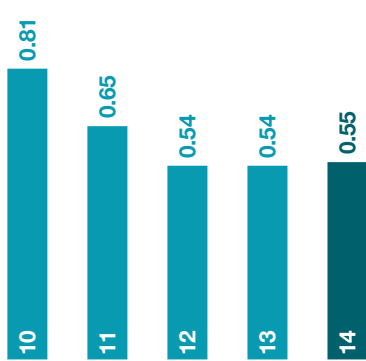
BOD

(kg/admt)



TSS

(kg/admt^a)



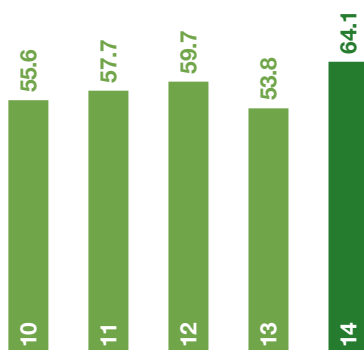
a Intensity metrics reflect the impact per air-dried metric ton of saleable product (including market pulp).

Solid Waste

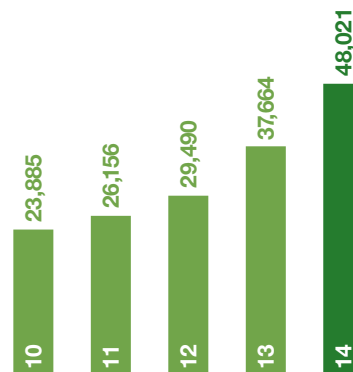
Managing our solid waste and finding ways to minimize it remains a focus at all of Sappi's North American mills. The conversion of the Cloquet pulp mill to manufacture dissolving pulp resulted in increased quantities of lime mud due to the cooking requirements of this higher-purity pulp. The impact of this change can be seen in both the total solid waste to landfill and the tonnes of solid waste processed through

the Cloquet Mill's beneficial use program with local farmers. Lime mud and boiler ash are used as a soil amendment to help farmers raise the soil pH, improving growing conditions for certain crops. Looking forward, our engineers in Cloquet are analyzing ways to expand the capacity of the lime kiln, which will increase internal recycling of lime mud and decrease overall chemical consumption and waste to landfill.

Total Solid Waste to Landfill
(kg/admt^a)



Beneficial Use of Solid Waste
(tonne/yr)



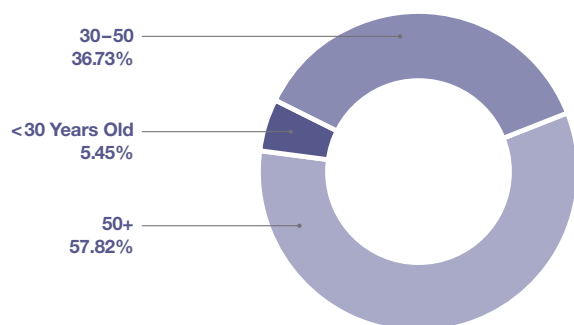
^a Intensity metrics reflect the impact per air-dried metric ton of saleable product (including market pulp).

Social Indicators

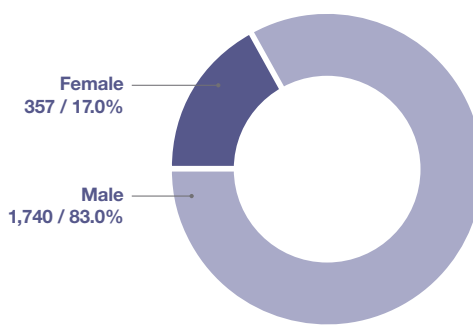
Sappi takes a very active approach to social responsibility, driving key initiatives in support of our three key stakeholder groups: our employees, our customers and the local communities in which we operate. One of the ways we improve the lives of people is by promoting freedom of association, nondiscrimination and the abolition of forced and child labor. We also uphold the principles of the Universal Declaration of Human Rights. Sappi Limited has been a signatory of the

United Nations Global Compact (UNGC) since 2008. We submit an annual communication on progress that describes our company's ongoing efforts to support the social and environmental principles of the UNGC. This report can be found at sappi.com under the "Group Sustainability" section. Set forth below are key social performance indicators relative to the North American region in fiscal 2014.

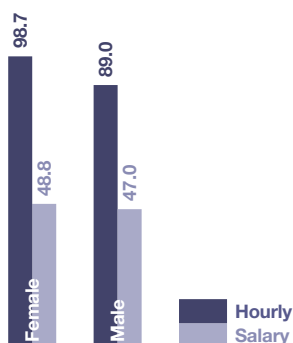
Age Demographic



Workforce by Gender



Average Hours of Training per Year per Employer by Employee Category



Total Number and Rate of Employee Turnover



The Ten Principles of The United Nations Global Compact:

HUMAN RIGHTS

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
 Principle 2: make sure that they are not complicit in human rights abuses.

LABOUR

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
 Principle 4: the elimination of all forms of forced and compulsory labour;
 Principle 5: the effective abolition of child labour; and
 Principle 6: the elimination of discrimination in respect of employment and occupation.

ENVIRONMENT

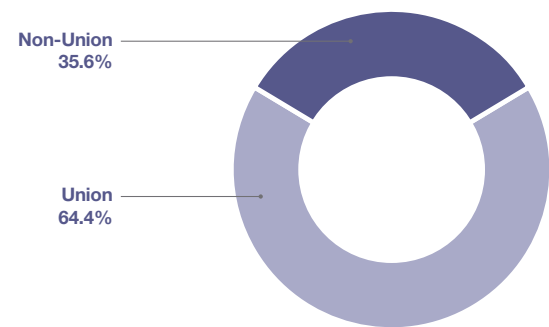
Principle 7: Businesses should support a precautionary approach to environmental challenges;
 Principle 8: undertake initiatives to promote greater environmental responsibility; and
 Principle 9: encourage the development and diffusion of environmentally friendly technologies.

ANTI-CORRUPTION

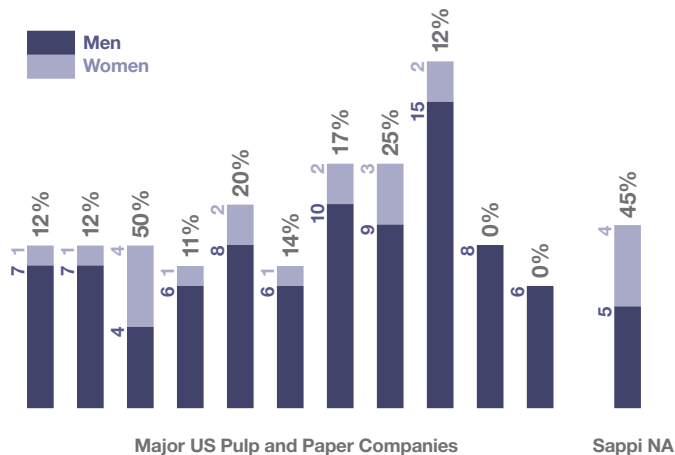
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

For more information, visit unglobalcompact.org.

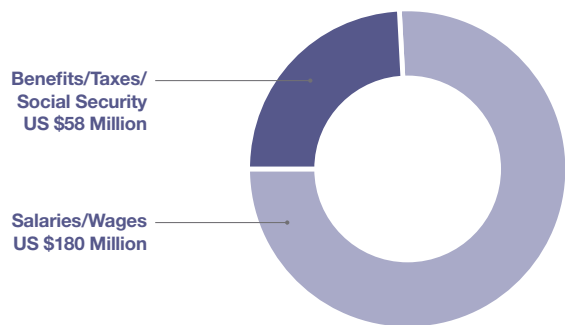
Percentage of Employees Covered by Collective Bargaining Agreements



Percentage of Women in Leadership of Leading North American Pulp and Paper Companies



Sappi Contributions



The forest products industry provides skilled jobs and makes substantial contributions to global, US and, especially, local economies, contributing almost 4 percent of the US manufacturing gross domestic product (GDP) in 2012 according to Census Bureau data. The forest products sector is among the top 10 manufacturing employers in 47 of the 50 states and includes jobs in pulp, paper, paper converting and wood products manufacturing plants. Wages at pulp and paper mills are 50 percent higher than the average private sector job. In addition, every 100 paper industry jobs supports 325 additional jobs in supplier industries and within local communities.

Source: 2014 AF&PA Sustainability Report



For Sappi North America, 2014 may long be remembered as a pivotal year of change. We saw a merger of two of the biggest merchants in our supply chain as well as our two largest competitors. Coated paper markets struggled, a global economic slowdown hurt the sales of release papers, and dissolving pulp prices took a sharp downward turn. While it certainly had its challenges, 2014 was also a critical year for foundation building and refinement to position Sappi for the next generation.

Sappi remains committed to coated graphic papers as the core of our business. We made significant investments in 2014 to better serve the growing direct mail segment and now have more capacity for heavy weight cover grades than ever before. In support of our global diversification strategy, we also announced the formation of a new Specialty Packaging business unit within North America. In my Technical Marketing role, I had the pleasure of working with R&D and our Somerset Mill to develop, test and launch our first new product from this business unit. LusterCote is a coated one-side (C1S) product specifically developed for label and other converting applications.

LusterCote is our first packaging offering since the introduction of LusterPrint, an FDA-compliant, grease-resistant C1S product, which launched in 1993. Perhaps our best-kept secret to many of our customers, LusterPrint is a market leader for the technically challenging demands of pet food packaging. We fully expect LusterCote to have a similar impact on its targeted markets. I look forward to working on additional new product development efforts in support of the Specialty Packaging Business.

In addition to investments in support of our product offerings, the Somerset Mill executed a \$23 million infrastructure project, which included an upgrade to the lime kiln, a critical process unit in the utility and chemical recovery area. The kiln is now equipped to burn natural gas and was also designed to improve energy efficiency. These changes are estimated to reduce the lime kiln's operating costs by at least 30 percent, while also reducing the mill's greenhouse gas emissions.

While we have experienced much change this past year, we have never wavered on our commitment to safety, and we were honored to be recognized with the 2014 PPI Award for Managing Risk and Safety. We know that our strong safety culture follows our employees home, making people more conscious of their actions whether on the road, enjoying recreational activities or working around the house. It is our hope that we will see the same cultural shift for sustainability. We believe that economic, social and environmental responsibility can be part of our daily lives as well as our work lives.

Our Sustainability Ambassadors have been chartered with driving this cultural change. We've made significant progress in recent years as the ambassadors have delivered against their roles to support training and education as well as host community outreach events. Whether conducting a classroom papermaking demonstration or hosting a recycling event at a local fair, Sappi employees are routinely recognized for their passion and excellence throughout our local communities.

The strength of our culture has long enabled us to maintain a talented and experienced workforce. In fact we have celebrated many Sappi employees who have served the company for more than 40 years. However, with an aging workforce, we feel it is critical to attract new talent to the Sappi team. We continue to execute against our long-term recruiting strategies, and we are committed to investing in the training and development of new employees. Ultimately, we hope that new employees will find Sappi a rewarding place to work and they too will enjoy lengthy careers with the company. Our dedication to our workforce is a vital component of our sustainability plan for the next generation.

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Twitter: [@eQLauraThompson](https://twitter.com/eQLauraThompson)

This young aspen stand is located near Barnum, Minnesota. Held under private ownership and managed to provide habitat for the golden-winged warbler, this area was harvested less than one year prior to this photo. Aspen is a pioneer species that grows rapidly and reaches maturity quickly. This stand will likely be ready for timber harvest again in about 40 years.



Sappi North America Sustainability Report 2014

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Production Notes

Cover

Opus Dull Cover 100lb/270gsm, 4-color process, match gray plus overall satin aqueous

Interior

Opus Dull Text 100lb/148gsm, 4-color process, match gray plus overall satin aqueous



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