

I am **connected** to you

We are all bound together by the very nature of our being. Our 'oneness' is a thread that connects us all, from the lowliest creature to the mightiest, from the highest mountain top to the deepest levels of the ocean. This thread is strong, but it is not unbreakable. We need to nurture it and treasure it. And we need to do so together, sharing and delighting in our collective humanity and in the planet we all inhabit.

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Message from our CEO

These investments will create jobs, promote economic development and enable Sappi to remain globally competitive as we move forward into the next decade.

Dear Stakeholders

As a proudly South African company, we are proud of the significant investments we have announced over the last two years in our four mills. These investments will create jobs, promote economic development and enable Sappi to remain globally competitive as we move forward into the next decade.

They will also enable us to continue to entrench our longstanding track record of responsible corporate citizenship throughout our operations.

Whether it's delivering solutions to customers who recognise dissolving pulp and paper packaging as the responsible and sustainable options, or providing people with opportunities to improve their circumstances, our focus is on leveraging our corporate assets to create value for society, our people and our communities in an environmentally responsible manner.

We are doing so in alignment with the 2030 Sustainable Development Goals (SDGs) established by the United Nations to drive social, economic and environmental progress. While we have identified certain specific goals on which we are focusing, our integrated approach to responsible corporate citizenship means our actions underpin all 17 SDGs.

Our 2019 report will give you an overview of our strategic approach, as well as our current and planned actions to invest in and enhance our commitment to balancing the needs of Prosperity, People and Planet across our business.

Alex Thiel

Chief Executive Officer of Sappi Southern Africa

Our accolades in 2019

- Sappi was awarded the **Shoprite Supplier of the Year** title in the general merchandise division which includes sustainability.
- Sappi was a finalist in the **2019 Makro Most Sustainable Supplier of the Year** award and received a special recommendation for being nominated every year since inception.
- The Sappi Trails Programme earned an **IABC Golden Quill Award of Excellence** for Communication in Community Relations.
- Our Sappi ReFibre division was a runner-up in three categories in the Absa Business Day Supplier Development Awards – the **Nation Builder, Impact and Overall Winner** award.¹
- The African Honey Bee project was honoured with Community Chest Impumelelo Social Innovation Award in the Community Development category, winning the **Innovation Income Generation** section.¹
- Winner of the Large Exporter category of the **2019 KZN Exporter of the Year** awards, and a finalist in the **Africa and Manufacturing** categories.¹

¹ Shortly after year-end

Aligning with the SDGs

South Africa's progress in terms of this goal¹

The share of the population living below the national poverty line fell from 51% in 2006 to a still-high 40% in 2015, and poverty levels are particularly high among some groups.

The educational system continues to suffer from inequities in the quality of education, low enrolment rates in upper secondary and tertiary schooling, and limited access to training.

The share of the population with safely managed drinking water rose from 60% in 1996 to 75% in 2016. However, 84% of urban dwellers had access compared to only 60% of rural residents.

About 95.27% of the population had access to electricity in 2017, up from 58% in 1996. Access is somewhat lower in rural areas, where 80% of the population had electricity. South Africa remains heavily dependent on coal for energy.

South Africa faces prolonged slow growth and high levels of unemployment (particularly among women and youth). The burden of unemployment is highest among the black and coloured population.

Established by the United Nations, the Sustainable Development Goals (SDGs) are the blueprint for corporate citizenship and set out a way to achieve a better and more sustainable future for all. They address the global challenges we face, including those related to poverty, inequality, climate change, environmental degradation, peace and justice. The 17 Goals are all interconnected, and in order to leave no one behind, it is important that we achieve them all by 2030.

Sappi has identified nine priority SDGs. In 2020, we will be formulating our 2025 strategy and strategic goals which will underpin our actions and strategies to progress our priority SDGs.

Sappi's priority SDGs

Sappi's actions to progress the SDGs



We are promoting socio-economic development through our focused enterprise supplier development programme (see page 20), our Abashintshi initiative and support of Poverty Stoplight (see page 25).



We support the entire education value chain, all the way through from early childhood development (ECD) to tertiary education. Including our Ulwazi and Skills Centres (see page 31). We spent approximately ZAR19.6 million on external education and training initiatives in FY2019.

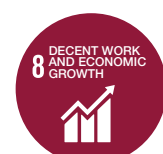
COUNTRY
PRIORITY GOAL²



- We return approximately 95% of the water we extract to the environment.
- We have a 2020 specific process water usage (m³/adt) to achieve a 10% reduction in total specific process water usage (m³/adt) from 2014 (the base year). In 2019, compared to the base year, we achieved a reduction of 23.08%.
- We are planning a water stewardship project in the uMKhomazi catchment area with WWF South Africa.



- We are 43.74% energy self-sufficient, mainly through our use of own black liquor which is a biofuel.
- Project Vulindlela, our expansion project at Saiccor Mill, will increase energy efficiency by 10% and the use of renewable energy by 20%. (See page 14 for further details.)
- Our 2020 target aims to reduce specific purchased fossil energy (GJ/adt) by 10% from 2014 as a base year. In 2019, compared with the base, we achieved a reduction of 9.81%.



COUNTRY
PRIORITY GOAL

- In South Africa, we employ 5,340 people. Our forestry contractors employ approximately 9,250 people, many in rural areas where economic activity is limited. We facilitate social and economic wellbeing by using labour drawn from local communities, and the services of small and medium enterprises situated in the areas around our plantations and production facilities.
- In November 2019, we announced our intention to make investments totalling up to ZAR14 billion over the next six years in our South African operations.
- Our 2020 goal is for our combined employee (own) and contractor Lost Time Injury Frequency Rate (LTIFR) to be better than the best ever achieved on a continuous 12-month basis and for the Lost Time Injury Severity Rate (LTISR) to be below 25. Disappointingly, we did not achieve this due to four tragic fatalities in 2019.
- In 2020, we will be launching 2025 gender parity targets.

South Africa's progress in terms of this goal¹

The share of municipal waste that is recycled rose from 1.3% in 2015 to 7.5% in 2017. Food waste generation (the edible portion) equals approximately 30% of local production.

The average temperature has increased in South Africa in each of the last eight decades, and in 2017 it was predicted that the average temperature would increase twice as fast as temperatures in the rest of the world. The climatic zones across the country are shifting, ecosystems and landscapes are being degraded, and our terrestrial and marine systems are overstressed. Recurring heatwaves and droughts are evidences of the daunting challenges of climate change.

Although there are policies and laws to promote the sustainable use of land resources, a substantial share of land is degraded, and forest cover appears to be declining. South Africa's 2018 report to the United Nations Convention to Combat Desertification shows that 10.71% of the country's land is degraded.

South Africa supports the view that financial flows for the implementation of the SDGs must be underpinned by an expanded and strengthened global partnership for development.

Sappi's priority SDGs



- We have rolled out a Supplier Code of Conduct which calls on our suppliers to commit to ethical behaviour, human rights, health and safety, diversity and equal opportunity and environmental responsibility.
- 81.10% of woodfibre supplied to our mills is certified.
- 60.3% of the waste we generate in SSA is beneficiated.



COUNTRY
PRIORITY GOAL

- Through photosynthesis, a part of the carbon cycle, trees and other plants use water and sunlight to convert CO₂ into carbohydrates to provide energy and the building blocks for growth. The process releases oxygen as a by-product. The carbon removed from the atmosphere is effectively stored in plant material and wood. In other words, trees act as carbon sinks. In Sappi's plantations, harvesting is balanced with re-planting, thereby perpetuating the carbon cycle. The plantations annually lock up 3.5 million CO₂ tons from the atmosphere into timber. This is transformed into products that store carbon, thereby effectively removing more than 1.3 million CO₂ tons from the atmosphere annually.
- We have a 2020 target in place to reduce greenhouse gas emissions (GHGe) (CO₂ eq/adt) by 10% from a 2014 base. In 2019, we achieved a reduction of 11.37% against the base.



- 100% of land owned by Sappi Forests is Forest Stewardship Council™ (FSC™) certified (FSC N003159). This is important, because forest certification is a key tool for promoting sustainable consumption and production, and for combatting deforestation and illegal logging by providing proof of legality and responsible practices.
- Sappi worked extensively with other stakeholders to develop the South African Forest Assurance Scheme (SAFAS) for growers which has been fully endorsed by the Programme for the Endorsement of Forest Certification™ (PEFC™).
- 81.10% of fibre supplied to our mills is certified.
- We have six declared nature reserves on our land covering an area of 6,486 hectares.
- Through conservation planning, we have identified 166 important conservation areas (ICAs) on our land.
- We were involved in the development of Wet-Health, one of the first comprehensive wetland health assessment tools to be developed for assessing South African wetlands. The toolkit enables us to:
 - Evaluate wetland condition
 - Identify causes of wetland degradation
 - Prioritise rehabilitation initiatives
 - Measure the effectiveness of rehabilitation efforts
 - Evaluate possible impacts of land-use changes on wetland functioning.



COUNTRY
PRIORITY GOAL

SSA partners with industry and business bodies to provide input into issues and regulations that affect and are relevant to our businesses and industries. We also support and partner with industry initiatives aimed at promoting forest health. We signed the Paris Pledge for Action in 2015 and one of our longest standing relationships is with the United Nations Global Compact, to which we have been a signatory since 2008.

¹ As set out in the Voluntary National Review, July 2019, https://sustainabledevelopment.un.org/content/documents/23402RSA_Voluntary_National_Review_Report__9_July_2019.pdf.

² Country priority goals are those identified by South Africa as most important at a national level



I am growth, mindful of impact



Prosperity

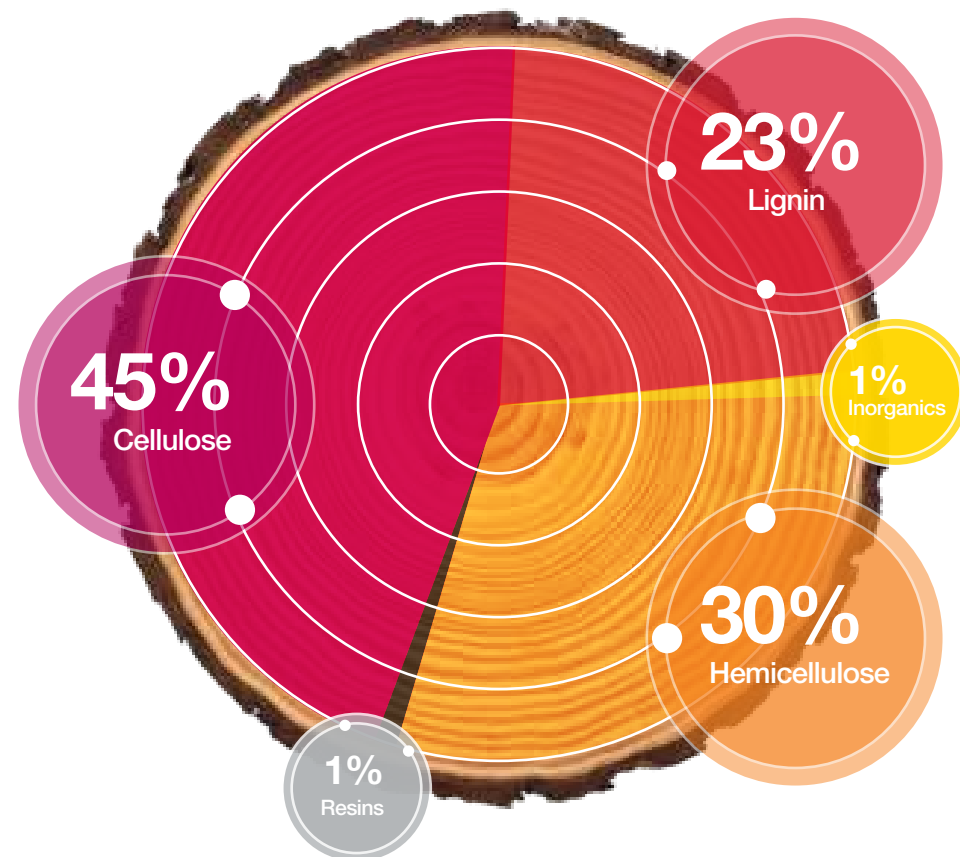
Growth is the path to a brighter future for all. We work together to unleash the power of growth and unlock our individual and collective potential. We do so by balancing our actions, driven by our passion to create a thriving world that is better tomorrow than today.

Unlocking the full potential of trees

What it's about

Sustainable businesses operate within the limits of a finite world, focus on resource efficiency and use raw materials that are fit for purpose, where useful life is maximised. We use woodfibre, sourced from sustainably managed forests and plantations in manufacturing processes focused on extracting the most value from this renewable resource, for economic and environmental sustainability.

Meeting market needs from our mills



Cellulose	<p>Verve Textiles Pharmaceuticals Cellophane</p> <p>Packaging papers and board</p> <p>Printing and writing papers, tissue</p>	
Lignin	<p>Dust control</p> <p>Concrete admixture</p> <p>Animal feed/pelletising</p> <p>Fertiliser</p> <p>Ceramics/refractory/clay bricks</p> <p>Resins</p>	
Hemicellulose	<p>Xylitol Low calorie sweetener Toothpaste</p> <p>Furfural Can be produced from sugars present in the liquors of Saccor and Ngodwana Mills</p> <p>Platform chemical for a variety of applications – mainly resins</p>	

Tree residuals used for **bio-energy**



Bark, leaves and branches used for **soil regeneration, essential oils, compost**

- We have established a programme to grow macadamia nut trees in our nurseries
- A biomass plant at Ngodwana Mill, in which we have a 30% stake, is under construction. The plant will use biomass from the surrounding plantations to generate power that will feed into the national grid
- In one of our mills we are testing hybrid fuel rods. They comprise a mixture of waste coal slurry (from discarded thermal-grade coal fines), biomass and lignosulphonates.



Balancing the 3Ps at Saiccor Mill



Prosperity

Project Vulindlela, our **ZAR2.7 billion** expansion project at Saiccor Mill, which was approximately 40% complete at year end, will boost the mill's dissolving wood pulp (DWP) capacity by 110,000 tpa (for global textile markets). A further **ZAR5 billion** has been allocated for upgrade projects to decrease production costs, introduce new technology, optimise processes, reduce environmental footprint and future-proof manufacturing systems at Saiccor Mill.

Verve, our umbrella brand for DWP, is used by converters to manufacture a wide range of products, but is especially widely used in the production of viscose staple fibre for the manufacture of clothing and textiles.



People

The **construction phase** of the project is expected to peak at about **2,200 employees**, 40% of whom will be sourced from local communities, 40% from KwaZulu-Natal, 15% from within South Africa and 5% as specialists from foreign countries. Once completed – anticipated in September 2020 – the plant will require **120 full-time employees** to maintain and operate equipment. (See page 30 for details of the Skills Centre at the mill.)



Planet

The project's significant environmental benefits include:

- **Coal consumption reducing** by more than 130,000 tpa, which means fossil carbon emissions will be halved
- **Gaseous emissions decreasing** by about 40%
- **Water consumption** being reduced by 5%
- **Water use efficiency** increasing by 17%
- **Energy efficiency** being improved by 10% and **renewable-energy use** increasing by 20%
- **Waste to landfill reducing** by about 50%.

Investing in a more prosperous future

In 2018, the South African President announced that the country was aiming to attract direct investments of US\$100 billion over the five-year period to 2023, which, using 2018 exchange rates, translates to investments worth ZAR1.2-trillion.

In November 2019, we announced our intention to make investments totalling up to **ZAR14 billion over the next six years** in our South African operations.



Our impact on the South African economy is positive and significant:

We contribute 1% of South Africa's total foreign revenue and supply the fruit export industry with most of its packaging requirements. The latter industry contributes around 4% to the country's foreign revenue.

"South Africa needs an economy that is more inclusive, more dynamic and in which the fruits of growth are shared equitably."

National Development Plan 2030

Shared value impact

- Cost savings attributable to Vulindlela are expected to be at least ZAR300 million a year, while foreign currency generated by Saiccor's increased capacity will initially be about ZAR1.3 billion a year and could

peak at ZAR1.8 billion. This will benefit South Africa to the amount of approximately ZAR1 billion yearly, with expenditure in KwaZulu-Natal accounting for 65% of this amount

- Skills development and employment
- Environmental benefits.

"Sappi is proudly South African, we have operations all over the world, in Europe and North America, but we are proud to be headquartered in South Africa and this is where we have great opportunities..."

Steve Binnie, Sappi Limited Chief Executive Officer, speaking at the 2nd South African Investment Conference, Johannesburg, November 2019

<https://www.youtube.com/watch?v=zWINabVUsAs>



I am connected to you



People

You feel my pain and my joy. You share in my growth. Because we are all connected. And we are only as strong, healthy, educated and diverse as our colleagues and the communities that surround us.

Making strategic community investments: our approach

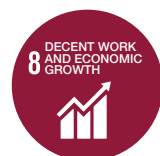
What it's about

We make strategic community investments in programmes that:

- Empower people to become self-sustainable, shifting the mindset to a 'can do' and 'will do' attitude
- Result in a broader positive impact to the community and not only individuals
- Result in a shared value approach, increase access and social mobility
- Educate and uplift our communities
- Are scalable and replicable
- Enhance our reputation.

Our rationale for investment in three key areas and how we plan to achieve this is set out below:

Economic development (see pages 14 - 15)



We want to:

1. Leverage spend to expand markets for transformed suppliers and communities
2. Address security of supply risk for materials and services necessary for our production processes
3. Empower communities in which we operate

Achieved by:

- Growing spend firstly within local communities and municipalities, then the province, then the country.
- Promoting local economic development has now become a key sustainability issue
- Local supply of goods (fibre, etc) and services addresses this need, as well as the need for lower carbon footprint
- Ensuring suppliers meet the minimum requirements as per Sappi's Supplier Policy
- Developing local small, medium and micro enterprises (SMMEs) through SMME hubs and incubation programmes
- Expanding Khulisa
- Creating an enabling environment for small businesses to do business with Sappi in line with economic and supplier development (ESD) strategy, policy and processes
- Partnering for greater impact

Skills development and employment (see page 30)



We want to:

1. Build and secure local skills pools in disciplines relevant to Sappi operations (recruitment and SMME training)
2. Set recruitment and skills development targets for local communities
3. Secure access to Sappi bursaries and graduate programmes for local communities

Achieved by:

- Building local skills through skills development programmes targeted at local youth and community members
- Providing Sappi skills development training in our mill and forestry communities
- Partnering with various learning institutions in the private and public sector
- Setting targets for training and recruitment of locals who qualify and present required competencies
- Partnering with Government to ensure broader impact in skills development 'beyond Sappi'

Local community members taking up available bursary and graduate opportunities within the operations subject to company processes.

Uplift communities (see pages 20 - 28)



We want to:

1. Work closely with communities close to our operations
2. Invest in programmes that have a positive social impact
3. Ensure scalability and longevity in all our programmes beyond Sappi investment

Achieved by:

- Working through the Integrated Community Forum to engage with communities in a structured platform.
 - Conducting asset mapping audits to identify gaps in communities and determine potential investment areas, thereby ensuring that SI programmes are targeted, tailored and relevant to each Sappi operations community — no blanket approach but in line with social impact policy
 - Invest in programmes that promote self-sustainability and create wealth — ABCD, Life Skills and Poverty Stoplight
 - Empower local communities with enhanced education experiences — Science, Technology, Engineering and Maths (STEM) and ECD
- Through the ABCD approach, finding partnerships within Government and the private sector, that will achieve a bigger and sustainable social impact beyond Sappi's investment or involvement.



Shared value impact

- Strengthens security of supply and services needed for our operations
- Enhances the skills pool available to Sappi
- Socio-economic upliftment creates greater demand for Sappi goods and services
- Expands licence to operate and thrive
- Promotes mutually beneficial community relations.



Making an impact by driving holistic Enterprise and Supplier Development (ESD)

What it's about

Around the world, particularly in developing countries, SMMEs are key drivers of inclusive economic growth and development.

Accordingly, we have developed a holistic Enterprise and Supplier Development (ESD) strategy. Our aim is to entrench our commitment to ESD and maximise our contribution to the local economy, thereby supporting the communities in which we operate, promoting transformation and fostering economic growth.

In practical terms, we are achieving this by:

- Identifying SMME procurement opportunities
- Providing capacity building programmes for SMMEs
- Establishing partnerships with development agencies and others
- Facilitating access to funding
- Enabling access to infrastructure and other necessary support services.

Key developments

- Established a **dedicated ESD department**. Its responsibilities are to identify procurement opportunities and oversee the capacity building of SMMEs through training and operations implementation support
- Signed a national memorandum of understanding (MoU) with the Small Enterprise Development Agency (SEDA) to **support SMMEs in Sappi's local communities**
- Established an **SMME hub at Saiccor Mill** to support the developmental needs of SMMEs for exposure and benefit in mill's ZAR7.7 billion Vulindlela expansion project
- A total of 129 SMMEs have been assessed and trained by our external partners and **28 SMMEs** have been **integrated into the value chain** across the business.

FAQ

Q: *How are we supporting ESD beneficiaries?*

- A:**
- Preferential payment terms
 - Set aside and ring-fencing of opportunities on procurement requirements
 - Funds budgeted annually and allocated for ESD initiatives
 - Mentorship and coaching to enhance operational efficiency
 - Technical and business skills training
 - Facilitate funding through financial institutions
 - Safety file compilation and safety training
 - Entry medicals
 - PPE first issue
 - Provide any other enabling support determined on a case-by-case basis.

A more sustainable society = A more sustainable business



Shared value impact

Transforming our supply chain translates into socio-economic growth for individuals and communities, strengthens security of supply for Sappi and also enhances Sappi's licence to operate.



Making an impact by driving shared value

Throughout the forestry value chain: **Sappi Khulisa**

sappi | khulisa

What it's about

Our tree grower enterprise development initiative, Sappi Khulisa, evolved from Project Grow a few years ago. Whereas Project Grow focused solely on the growers, Sappi Khulisa focuses on the whole **value chain including growers and the contractors who service them**.

The total area currently managed under this programme amounts to **34,139 hectares**. In 2019, under the programme **425,001 tons** (2018: 483,359 tons) worth approximately **ZAR382 million** (2018: ZAR387 million) was delivered to our operations. Since 1995, a total volume of **4,221,941 tons** to the value of **ZAR4.2 billion** has been purchased from small growers in terms of this programme.

Key developments

- **Training:** We have established Khulisa Ulwazi (Growing knowledge) training centres and developed training material in conjunction with the Institute of Natural Resources. Training is offered to all value chain participants, including land reform beneficiaries and covers all aspects of forestry, including core operational skills as well as safety, legal compliance and business management. Over **550 people were trained in FY2019**.
- **Diversification:** The Sappi team is partnering with other institutions such as Cedara Agricultural College, to provide the growers with the tools to expand their farming activities so that they can have **additional sources of income**. This is crucial for timber farmers who must wait seven or eight years between timber harvests for a return on their investment.
- **Streamlining interaction:** During 2019, Sappi Khulisa developed a **grower mobile app to assist Khulisa growers** in accessing their plantation information, financial statements and training material. Growers can also send Sappi requests or submit documents through the app.

The programme involves over 4,000 growers and approximately 137 SMMEs who are involved in silviculture, harvesting, loading, short- and long-haul activities.

Shared value impact

- Enhanced security of fibre supply to Sappi
- Skills development – forestry and entrepreneurial skills
- Income generation for growers.

Making an impact by driving shared value

Making the most of recovery: **Sappi ReFibre**

sappi | refibre

What it's about

Sappi uses recovered board and paper to supplement virgin fibre in the papermaking process, used in packaging paper grades at Tugela and Ngodwana Mills.

To meet this need, Sappi ReFibre, SSA's secondary fibre division, sources used paper products from an extensive network of agents across the Southern African region as well as from waste producers.

Key developments

In FY2019, ReFibre:

- **Sourced 126,995 tons of recovered cardboard boxes** to a value of R211 million from 70 individual recycling companies
- Continued with the shift in focus established in 2018 to **focus more intensively on SMME development**
- **Helped 11 SMME start-up recycling companies**, spending ZAR4.9 million on the acquisition of baling equipment.

Over the last two years we have supported a total of **23 100% black-owned recycling companies** in South Africa and have made a total capital investment of ZAR9.5 million into these companies

Supporting recycling businesses

Under our ESD programme, we are **supporting Eco Care Holdings**, a paper and plastic recycling business, in Ga-Rankuwa, north of Pretoria. We supplied a small baler in November 2017 and the business has grown. We have now invested in a bigger baler that has the potential to positively effect production growth. **Our investment in 2019 was ZAR1.3 million.**

Fast facts about Eco Care Holdings

- 100% black women owned
- In operation since 2013
- Total permanent staff complement of nine
- Assists many informal waste pickers and runs numerous buy back centres (estimated at 95) in the local community
- ZAR5 million capital investment from the Department of Environmental Affairs in 2018/2019
- Income generated out of sales to Sappi in FY2019 = ZAR1.02 million

- Identified as a Sappi ESD Tier 1 supplier and currently under a formal Sappi mentorship programme.



Shared value impact

- Sappi provides equipment, business support and a market for suppliers, who benefit economically
- In return, we have a steady supply of raw materials
- What's more, recovering paper and board is environmentally sound, because it reduces impact on landfill.



Making an impact by driving shared value

Changing for the better: the Abashintshi



What it's about

First established in KwaZulu-Natal in 2015, the Abashintshi (isiZulu for 'change agents') programme includes life skills training for the youth, the Ifa Lethu programme for the elderly (protecting cultural heritage), holiday programmes for school children and Asset Based Community Development (ABCD). The latter is based on the premise that communities can drive the development process themselves by identifying and mobilising existing, but often unrecognised, assets.

2014

- Baseline research through community audit
- 587 individuals participated in research

2015

- Pilot project
- 18 Abashintshi in nine communities
- 3,558 community members reached
- Follow-up audit conducted to determine the effectiveness of social mobilisation
- 60 ABCD projects

2016

- Abashintshi project implemented on an ongoing basis
- 36 Abashintshi in 16 communities
- 13,524 community members reached
- 234 ABCD projects

2017

- 88 Abashintshi in 43 communities
- 57,497 community members reached
- 270 ABCD projects
- Data from 459 families in Abashintshi communities captured by Poverty Stoplight

2018

- 116 Abashintshi in 55 communities
- 92,988 community members reached
- 502 ABCD projects
- Data from 459 families in Abashintshi communities re-audited by Poverty Stoplight

February – October 2019

- 126 Abashintshi in 63 communities
- 40,446 community members reached
- 117 ABCD projects
- Data from 448 families in Abashintshi communities re-audited by Poverty Stoplight

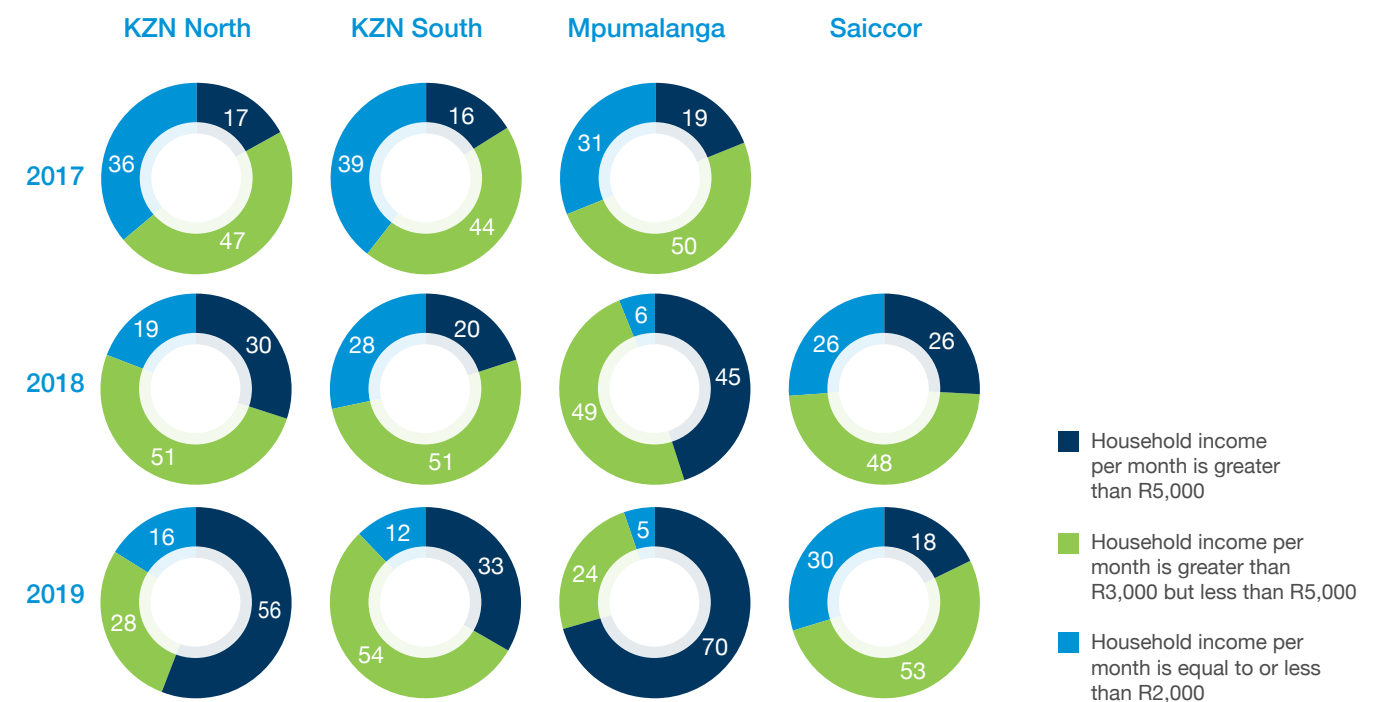
Assessing the impact of the Abashintshi

The Abashintshi programme has had significant social impact across multiple dimensions and indicators, in all regions.

The Poverty Stoplight evaluation tool highlights the fact that through the ABCD training, community members are changing various dimensions such as income and employment as well as education and culture by starting new employment for themselves, while using life skills to improve their spheres of health and environment through emphasis on cleanliness and physical health and the Ifa Lethu cultural training to keep in touch with their cultural legacy.

A total of 448 families have been assessed over three years, with the chart below showing that over this time period, families are gradually moving out of poverty.

Income/earnings above the poverty line



Poverty Stoplight evaluates 50 social impact indicators including access to drinking water and quality healthcare, nutrition, personal hygiene, garbage disposal, alcohol and drugs, electricity, means of transport, schooling, capacity to budget and plan, cultural traditions and heritage, grouped into 'buckets' as set out below.



Shared value impact

As people are lifted out of poverty in Sappi's surrounding communities, so community relations are improved, so there is less likely to be social tension and Sappi's licence to trade is enhanced.



Making an impact by driving shared value

Blazing a trail: the Sappi Trails programme

What it's about

The Sappi Trails programme was initiated in 2011, to formalise the relationship between Sappi and stakeholders who were using Sappi land for mountain biking, walking and running. The growth of the Sappi Trails programme has resulted in a world-class network of trails in the Karkloof and Howick area in KwaZulu-Natal. Extensive and exciting trail networks have also been established at both Mankele Bike Park and Tranquilas Adventure Farm in Mpumalanga.

Trail custodians (the clubs that build and maintain the trails on Sappi land) communicate with the general public who want to use the trails, which means that a safe and enjoyable trail experience has become a highly valuable feature in many areas.

Key developments

Tourism businesses around the trails have benefitted. Among these is **Nguni Trails**, a small black-owned business that is part of the Adventure Tourism Incubator, **a pilot project in which Sappi is a partner, aimed at creating an effective model for skills and enterprise development**. Nguni Trails performs fulltime trail building and maintenance of the Karkloof and Howick trail networks on Sappi land.

<https://www.ngunitrails.co.za/>

Phase 1 Risk management Event & recreational mountain biking

Risk management plan designed & implemented, against international standards with insurance policies in place

Phase 2 Marketing & branding Streamlining to Sappi business objective

Signage, media, sponsorship, branding, PR, monitoring, measurement and evaluation

Phase 3 Sustainability & LED Broadening social & economic impacts & benefits

Growth of trail running, shift to recreational trail systems over events, recognition of Sappi's role in this shift and growth

Phase 4 Creating shared value Legacy projects & independence of clubs

Sustainable Development Goals, the Circular Economy, Adventure Tourism Incubator, Club operational independence



Making an impact by driving shared value

Money from honey: the African Honey Bee project



What it's about

Sappi Khulisa growers needed an income while they waited for their trees to reach maturity – by not harvesting at four years and waiting until seven years to harvest, small-scale growers can increase their profitability by 40%¹. The African Honey Bee (AHB) initiative is a social enterprise project situated along the coast in KwaZulu-Natal (KZN), from Richards Bay to the Mozambican border that meets the need for interim income while expanding avenues of income and entrepreneurship.

Sappi's involvement in the project is twofold: we make certain plantations available for beekeeping and we sponsor training and equipment. The latter involves instruction in honey collection and beekeeping, as well as teaching participants how to catch wild swarms.

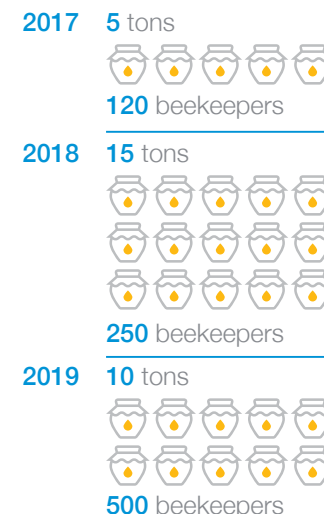
In 2017, African Honey Bee started teaching the beekeeper families to form groups at venues like churches or community halls, within walking distance from where they live. So far 60 groups have saved money that they then loaned to members to start beekeeping, chicken and vegetable income-generating activities. The loans were all paid back with interest, and the savings and interest were paid out after saving for a year. In conjunction with the savings, income-generating principles and 'businesses in a box' were taught to members.

Key developments

In 2017, 2018 and 2019, AHB trained 1,734 families in KZN. Assuming a family size of five, this means 8,670 people were indirectly impacted by the training. A total of 862 of these families are beekeeping from one or more hives, others are still hunting honey, but in ways that are more sustainable and do not cause uncontrolled fires.

In 2017, **African Honey Bee** purchased five tons of honey from 120 beekeepers; in 2018, 15 tons from 250 beekeepers, and in 2019, 10 tons from 500 beekeepers.

The beekeeper families earn **ZAR50 per kg** when they supply the honey. From the honey sold in 2019, they will also earn a share of the value chain profits which will be an additional ZAR7 per kg. The honey, once harvested by the local communities, is packaged and sold throughout South Africa in a fair trade agreement through www.peels.co.za as Sizana traceable honey.



Shared value impact

- Employment and skills development
- Reduced environmental impact.



Making an impact by driving shared value

Weeding out poverty: the **Abanakekeli**



What it's about

Recognising that weeds are one of the biggest threats to South Africa's biodiversity, we implemented an alien plant removal programme on the properties adjacent to Saiccor, Tugela and Stanger Mills in KwaZulu-Natal, given the high levels of poverty and unemployment in the province, the programme empowers local youth by training them in alien plant removal, thereby capacitating them to establish their own businesses.

The programme, which began in August 2016, was conducted in partnership with WESSA (the Wildlife and Environment Society of South Africa), based in KZN. In the first phase, WESSA scoped the areas surrounding the mills to determine the extent of spread of the alien plants and recruited young people from the communities neighbouring the mills. WESSA then trained the recruits in the correct methods to identify and eliminate alien species; first aid administration and the handling of herbicides; as well as ways to ensure personal safety – for example, how to react when encountering snakes.

Key developments

To date, over 300 hectares have been cleared, and 48 jobs have been created. The project is now moving into the next phase, whereby selected beneficiaries will fall under Sappi's newly established enterprise and supplier development incubation programme for SMMEs.



Looking after employee and community health

What it's about

Sappi Forests has strategically placed three occupational and primary health care clinics for the use of its employees and contractor employees at the sites with the highest volume of employees. Clinics are open daily and are staffed by four occupational health nursing practitioners and two nursing assistants.

In KwaZulu-Natal, the clinics are situated at Highflats plantation and Clan nursery. In Mpumalanga, the clinic is based at Ngodwana nursery with staff making regular visits to Escarpment nursery. In addition, to increase accessibility, and provide a service to our widely spread staff complement, satellite clinic services are provided to various sites throughout both provinces. On average, the **clinics treat 570 people a month**.

Employees and contractor employees are provided with **health care through initiatives driven in collaboration with private and state institutions**. These include HIV and TB testing, as well as dental, vision and mental assessments, together with pap-smears, vaccinations and circumcision campaigns which are run from worksites. This approach increases the uptake of testing, and improves long-term management of conditions which require ongoing monitoring and care. The collaborative service with government institutions has reduced Sappi's cost for the provision of HIV medication to employees. However, Sappi covers the cost of pathology testing.

In addition to wellness programmes, Sappi also offers employees financial management support programmes.

For more information about our management of HIV/AIDS in Sappi, please refer to our HIV/AIDS FAQ available on www.sappi.com.



Shared value impact

- Employment and skills development
- Reduced environmental impact.



Investing in community skills

Early Childhood Development (ECD)

Early Childhood Development (ECD): In Mpumalanga, we have developed an ECD Centre of Excellence at the Sappi Elandshoek community through Penreach, the largest teacher development programme in Africa. Sappi sponsored the training of the principal and five primary school teachers from a local primary school in ECD-related topics. In 2018, a total of 22 ECD practitioners graduated from the ECD programme in KwaZulu-Natal with an NQF4 qualification, implemented under the auspices of Training & Resources in Early Education (TREE), and a further 36 will complete their training at the end of 2019. Of these, 18 will have an NQF4 certification which they will administer in their crèches, while the other 18 have been trained to run playgroups in their areas, where previously no ECD facilities existed.

PROTEC

PROTEC (Programme for Technological Careers) was established in 1982 with the aim of upgrading science, technology and maths (STEM) education for Grade 10, 11 and 12 learners in South Africa's previously disadvantaged communities. Sappi is PROTEC's longest-standing supporter and has been involved with the organisation since 1995. We support five branches in Sappi communities: Stanger, Mandeni, Umkomaas, Nelspruit and Pietermaritzburg.

Sappi KwaDukuza Resource Centre

Sappi KwaDukuza Resource-Centre: Established in KwaZulu-Natal in 2000, the main objective of the centre is to provide learner and school support, support for community members looking for work and support for students undergoing tertiary education. The aim is also to enable all community members to enter the economic mainstream. Resources and facilities at the centre include a digital village, a technolab, a reference library, a televideo centre, a conference centre, a teacher and learner resource centre, a print room and an administration centre.

Khulisa Ulwazi

Khulisa Ulwazi ('Growing knowledge') **training centres** in Eston and KwaMbonambi provide training to all Khulisa growers and land reform beneficiaries. Training covers all aspects of forestry, including the core operational skills as well as safety, legal compliance and running a business. In addition to these one-day courses, Sappi organises a number of accredited training courses from chainsaw training to safety and first aid training right up to the one-year Supervisor Development Programme which is equivalent to NQF Level 4. Since 2016 the centres have provided training for over 2,200 people.

Skills Centres

Skills Centres at Ngodwana and Saiccor Mills: The aim is to provide and elevate technical vocational skills to Sappi employees and members of the local community. Trainees are unemployed youth (aged 18 to 35), living in local communities around our factories and forestry operations.



Focusing on transformation within our operations

What it's about

Broad-based black economic empowerment (BBBEE) is a key requirement for sustainable growth and social development in South Africa. We integrate BBBEE into our everyday business activities by monitoring our employee diversity profile on a quarterly basis and discussing it monthly at every business unit's Equity Forum.

Each human resources manager and hiring manager is required to recruit in accordance with the employment equity plan in place at their site. An online diversity awareness training module is available on the internal Learning Management System. Management control and employment equity continue to be focus areas with targets being set for management linked to the performance bonus scheme. Our BBBEE governance structure is set out below:



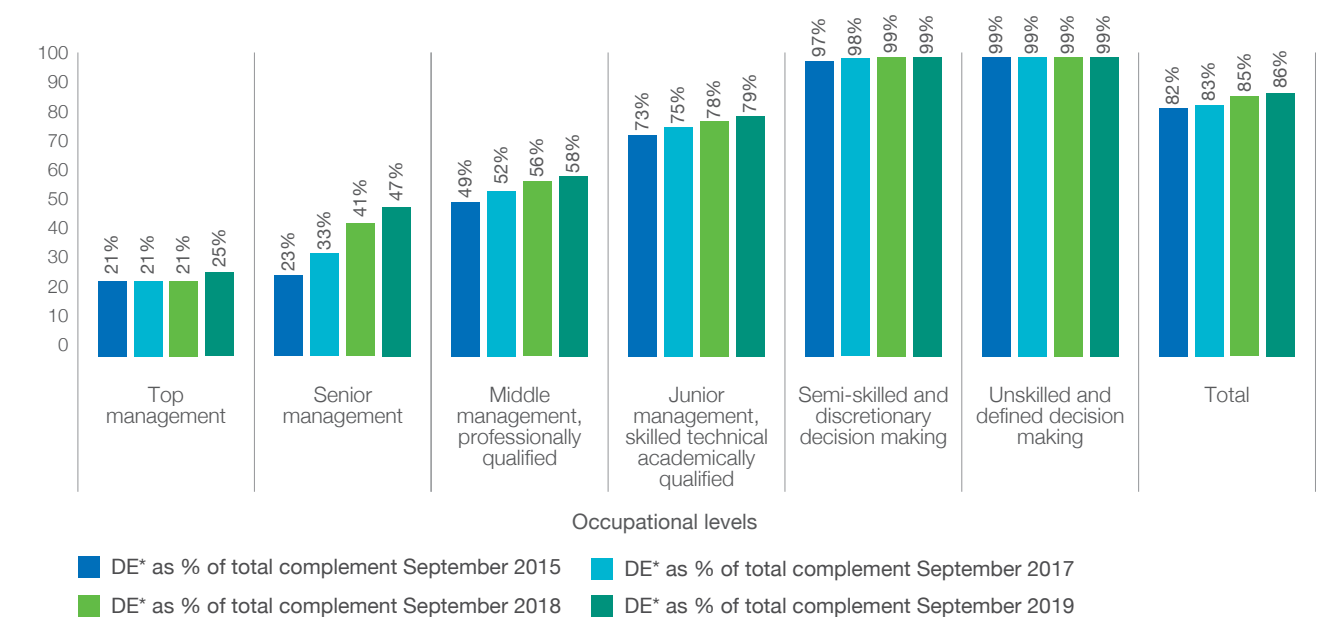
As at year-end (30 September 2019), we held a level two BBBEE contributor rating.

Our BBBEE scorecard

Element	Target	2018/2019 audited score
Ownership	25+2	27
Management control	19	10.60
– Management level	9	6.48
– Employment equity level	10	4.12
Skills development	20+5	12.63
Enterprise and supplier development	43+6	36.81
– Preferential procurement	23+2	16.05
– Supplier development	10+2	9.76
– Enterprise development	10+2	11.00
Socio-economic development	5+3	8.00
Total	112+26	95.04
Contributor level		2

Key developments

Our employment equity progress over four years



* Designated employees

Shared value impact

A diverse, transformed workplace is more successful. It makes sense: ask a team of individuals from the same ethnic group with similar backgrounds to solve a problem and more often than not, they're likely to come up with the same solution. Research shows that diverse teams are as much as 158% more likely to understand their targeted consumers when they have at least one member who represents their target's gender, race, age, sexual orientation, or culture.¹ When a workforce reflects the racial/ethnic diversity of its consumer base, employee productivity increases.² Research also shows that diversity of thinking enhances innovation by about 20%.³

Organisations with inclusive cultures are:⁴



2x
as likely to meet or exceed financial targets



3x
as likely to be high-performing



6x
more likely to be innovative and agile



8x
more likely to achieve better business outcomes

¹ Sylvia Ann Hewlett, Melinda Marshall, Laura Sherbin, and Tara Gonsalves, *Innovation, Diversity, and Market Growth* (Center for Talent Innovation, 2013).
² Derek R. Avery, Patrick F. McKay, Scott Tonidandel, Sabrina D. Volpone, and Mark A. Morris, "Is There a Method to the Madness? Examining How Racioethnic Matching Influences Retail Store Productivity," *Personnel Psychology*, vol. 65, no. 1 (2012): p. 167-199.
³ Bourke, Juliet, Which Two Heads Are Better Than One? How Diverse Teams Create Breakthrough Ideas and Make Smarter Decisions (Australian Institute of Company Directors, 2016)
⁴ As above



Focusing on
transformation within our operations

What it's about

A skilled workforce is essential in positioning us to keep up with the demands of an increasingly competitive global marketplace, particularly as we entrench our presence in South Africa over the next six years through our planned ZAR14 billion investment. (See page 15.)

Key developments

- In addition to the existing online Udemy system, SSA deployed a suite of 554 online pulp and paper industry specific online courses, thereby enabling a much shorter time to competence for new operators and maintenance personnel in our plants.
- Online content was sourced from an industry leader in plant reliability and maintenance and made available to all engineers.
- The Manager in Training (MIT) programme continued to help new and existing managers grow their managerial capability. A total of 71 people who started their programme in 2018 are due to complete it in November 2019, with a further 90 joining the programme in 2019.
- Our youth development initiatives are outlined in the table opposite.
- A new leadership development programme was launched in November 2019, shortly after year-end.

"It is a great stepping stone towards becoming a manager, I not only learnt a lot about myself, but also had the opportunity to be exposed to various other fields within Sappi."

Zelna Harman, the first graduate on the MIT programme

Youth development initiatives

Type of trainee	Total number	Number from previously disadvantaged groups
External bursars studying full time at university	43	30
Trainees with diplomas	27	25
Graduates in training	20	14
Sappi apprentices	118	93
Learners – post qualification or part of their qualifications	67	65
Work integrated learners – learners requiring work experience to earn their qualifications	37	35
Process trainees	46	46
Total	358	308

Shared value impact

From a business perspective, skills development leads to higher levels of employee engagement, productivity and profitability. From an individual point of view, skills development leads to enhanced employability and career prospects.



I am cherished earth



Planet

The environment is part of all of us. It is in us, not outside us. The trees are our lungs, the rivers and oceans our blood, sweat and tears. Our past, present and future lie in the nurturing soil, in the life-giving rain.



Enhancing positive impacts on our land

What it's about

All our owned plantations — an area covering approximately 390,000 hectares — are 100% Forest Stewardship Council™ “certified” which means they are managed and audited according to certain principles and criteria. **Responsible forest management is also about taking small steps, all the time, that enhance positive impacts on our land.** Here are a few examples:



Using the electro shocker to stun fish for identification

Protecting cycads

South Africa is an important hotspot for cycad diversity. Yet they are the most threatened plant group in South Africa, and one of the most threatened group of plants globally. Almost 70% of our cycad species are threatened with extinction, with four on the brink of extinction and seven which have fewer than 100 plants left in the wild. Illegal harvesting for landscaping purposes and also for the acquisition of particular species for private collections are the main threat to South Africa's cycads. These illegal activities have devastated wild cycad populations.

Accordingly, when a cycad was noted in the grounds of an abandoned homestead on one of Sappi's plantations, a site visit was arranged with members of the Lowveld Botanic Garden to dig up the cycad and relocate it to the cycad gene bank at the Lowveld Botanic Garden. The Sappi cycad has been catalogued for future curation by the Botanic Garden.

Monitoring water quality and fish stocks

We use the aquatic biomonitoring SASS (stream assessment scoring system) methodology to determine the quality of water in rivers on our landholdings, as well as river health. Accompanying the SASS water quality monitoring in 2019, we undertook **fish surveys** of rivers in both KwaZulu-Natal and Mpumalanga. Understanding what fish species occur within our smaller river systems helps us understand the importance value of aquatic ecosystems and where possible to implement corrective actions to reduce our impact on the natural environment.

The importance of this was highlighted by the Minister of Environment, Forestry and Fisheries, Barbara Creecy, when she recently launched the country's third National Biodiversity Assessment report: *“The most concerning of the report's findings relate to our freshwater ecosystems, rivers, wetlands, estuaries, and freshwater fish stocks. These are the most vulnerable of all species groups and the most threatened ecosystems in South Africa.”*

We continue to involve local schools in mini SASS monitoring programmes.

Greening the escarpment

Following the success of the ‘Turning Kruger Green’ project which Sappi sponsored to its closure in 2016, Sappi Forests was approached by representatives of Birdlife Lowveld for financial assistance towards the **‘Turning Escarpment Green Project’**. The objective of the project is to provide data for the national Second Southern African Bird Atlas Project (SABAP2). The project aims to map the distribution and relative abundance of birds in Southern Africa and includes: South Africa, Lesotho, Botswana, Namibia, Mozambique, eSwatini, Zimbabwe, and Zambia.

To gather data, volunteers select a geographical ‘pentad’ on a map and record all the bird species seen within a set time frame. This information is uploaded to the SABAP2 database and is used for research and analysis by several different agencies, including the South African National Biodiversity Institute, BirdLife South Africa, as well as academics and students at various universities.

As of July 2019, SABAP2 volunteers had **collected more than 17 million records across all protocols.**

This valuable dataset is key to determining the conservation status of bird species, correctly assigning red-list status and establishing Important Bird and Biodiversity Areas, as well as forming the basis for informing environmental impact assessments. To gather valuable and useful data, atlas coverage needs to be as thorough as possible. Ideally, each pentad should have a baseline of at least four comprehensive checklists (‘cards’), over several years and seasons. On the coverage maps this will mean a pentad turns ‘green’.

Sappi identified several benefits in being involved in a project of this nature. We have several plantations located within the study area, and by mapping the bird diversity along the escarpment and relating to bird population change indicators, valuable information on biodiversity trends would be obtained. Also, the collection of up-to-date reliable bird sightings provides an opportunity to compare bird populations listed from Sappi properties and those outside the planted landscape, on other land uses.

The escarpment atlas project began in July 2016 with a total of 111 groups of five cells (pentads) falling within Sappi forestry estates. Of this number, 70 were existing ‘green’ pentads. **By May 2019, 99 of the 11 pentads had been turned ‘green’ and 12 pentads need 16 cards to be completed, to turn all plantations green.**



The Cape Batis was one of the species commonly reported in the grassland pentad



The Spotted Eagle Owl is a common bird in the plantation landscape



Getting the green light: Paper pots and solar heating at Ngodwana nursery

Greening the way we grow plants

How it works

The cylindrical containers we use in our nurseries are paper pots composed of non-woven biodegradable paper surrounding composted growing medium. These paper pots are automatically inserted into reusable plastic trays for plant growth in the nursery. Once the plant is established in the paper pot, it can then be planted directly into the plantation soil, where the paper gradually biodegrades.

The benefits

- More balanced and robust root system
- Easier sorting and grading of plants in the nursery
- No plug extraction required = less root damage and faster planting
- Paper biodegrades over time
- Faster pit capture and better survival on harsh sites.



A hot idea: solar heating

Reducing our carbon footprint

We are working to reduce our carbon footprint by making process changes, installing Best Available Technology (BAT) which is more energy efficient, reducing purchased energy (electricity and fossil fuel) by increasing our use of renewable energy – an approach that ultimately results in a reduction in carbon dioxide (CO₂) emissions. Our new solar heating system at Ngodwana nursery is just one example of this approach.

Why it's necessary

Heating at the nursery is required for root initiation, faster rooting and improved hedge growth during winter months. During the scoping process of the rebuild of Ngodwana nursery we investigated alternative green solutions to using fossil fuel energy to generate heat.

The solution

We eventually settled on solar thermal heating which is 100% green and which will be fully installed in 2020. The solar system is designed as a standalone 'plug-in' to the nursery heating reticulation network. The system designed is expected to deliver an average of 4,000 kWh per day during winter months – a total of 488,000 kWh over winter months with a solar radiation average of 4.8 kWh/m²/day.

How it works

The heat will be collected during the daylight hours by 216 solar evacuated tube systems and stored in an insulated 300 m³ water storage tank for the reticulation to the nursery's hot ring main pipe. The solar thermal collectors consist of solar evacuated tubes that collect solar radiation from the sun, combined with a manifold on a steel frame. Water temperatures of 70 °C will be achieved and stored for circulation through the three rooting and two mother plant (hedge) structures.

The benefits

- Low operating costs
- Carbon neutral (100% green energy)
- Year-round heating, as and when required
- The blueprint for this system can also be rolled out to Sappi's other commercial nurseries and is already in place in our Forestry Research Centre.



Making the most of mulching

Background

Plantation residue – bark, foliage, branches – is generated during the harvesting process. Burning of post-harvest residue (slash) is a common practice, as it reduces fuel load and the risk of wildfire. It also facilitates pre-planting, planting and post-planting activities. However, burning reduces the content of soil organic matter (SOM). Burning can also increase the risk of soil erosion. Studies on nutrition of trees have shown that nutrient loss during burning followed by wind erosion is a concern with sensitive soils.

Although we still practice burning, because of the benefits we have observed, mulching is being rolled out to more of our plantations each year.

Why is SOM important?

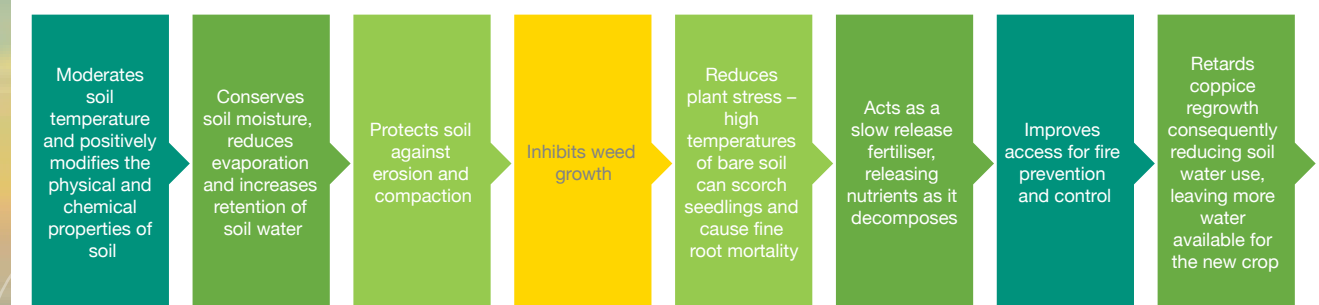
- Improves the water holding capacity of the soil
- Plays an important role in improving soil texture and maintaining soil fertility
- Regulates soil temperature, facilitates water penetration and serves as a habitat for soil organisms.

What is mulching?

Mechanical mulching of the post-harvest residue is a costlier alternative to burning. Because warmer temperatures brought on by climate change will lead to drier soils, mulching helps to mitigate the impact of climate change.

What are the benefits of mulching?

- Increased survival and growth of trees
- More environmentally sound practice
- Value of the estimated additional timber produced exceeds the current mulching cost.



Summing up

The benefits of mulching compared with burning have been demonstrated in various research trials, with improved growth, survival and uniformity recorded across all sites to varying extent.

Further research is under way using paired plots to quantify the benefit operationally. This study aims to directly measure the impact of different residue treatment options on the temporarily unplanted period and understand the mechanisms behind the improved growth response associated with mulching by recoding soil temperature, soil moisture, and nutrition.

FAQ

Q: Sappi has a 30% share in a biomass plant at Ngodwana Mill that uses biomass residue from the surrounding plantations. Won't this impact the soil?

A: While biomass is being collected, the foliage and fine branches, which contain most of the nutrients, are being left behind, so the impact on soil fertility is minimal.

B: Biomass will not be removed from areas with sensitive soils.