

Transformation (BBBEE) – Redressing the imbalances of the past

Sustainability FAQs

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What is Sappi's view on broad-based black economic empowerment (BBBEE)?

Headquartered in South Africa, with significant assets and people, BBBEE is an important component of our reputation and licence to trade. We recognise BBBEE not only as a moral imperative, but a pragmatic growth strategy aimed at realising the country's economic potential while helping the black majority access the economic mainstream. Our BBBEE focus aims to make a meaningful difference.

Fast facts

- In FY2022, in alignment with our priority goals SDG1 *No Poverty* and SDG4 *Quality Education*, our target was to maintain Level 1 BBBEE compliance for Sappi Southern Africa (Sappi SA). Pleasingly, we achieved our target.
- The black ownership percentage for Sappi SA is 65.32%, with the black women ownership percentage standing at 32.16%.
- Employment Equity plans are in place.
- We are actively working with the Department of Land Affairs to resolve land claims lodged against our property.
- Sappi Khulisa is our primary enterprise development initiative.

Who takes responsibility for BBBEE at Sappi?

The structures below set out the accountability process for BBBEE at Sappi. They aim to ensure sound governance and robust engagement with all stakeholders.

Social, Ethics, Transformation and Sustainability (SETS) Committee of the Sappi Limited Board

- The **SETS Committee** is ultimately responsible for all transformation issues.

Transformation Steering Committee/Executive Committee of South Africa

- Defines and translates the Social, Ethics and Transformation Committee's objectives.
- Ensures compliance with the Employment Equity Act and the BBBEE Act.
- Reviews: BBBEE scorecard, talent, employment equity status, Management Incentive Scheme (MIS) targets.
- Handles all employment equity related disputes if not resolved by the National Employment Equity and Learning Forum.

National Employment Equity and Learning Forums

- Consults on matters relating to employment equity and skills development.
- Reviews and approves Employment Equity Plan and reports, as well as Workplace Skills Plan.
- Deals with employment equity related disputes emanating from each business unit's forums.
- Establishes various sub-committees in order to fulfil its mandate.

Business Unit/Corporate Employment Equity and Learning Forum

- Consults on matters relating to employment equity and skills development at business unit level.
- Handles employment equity related disputes within the business unit.
- Establishes various sub-committees in order to fulfil its mandate within the business unit.

Where does Sappi stand in terms of the various elements of the scorecard?

Our performance against each scorecard element is set out below.

- **Ownership**

The black ownership percentage for Sappi SA is 65.32%, with the black women ownership percentage standing at 32.16%.

- **Management control and employment equity**

Our employment equity score has been steadily improving since 2015, when we built a stipulation into our management incentive scheme that 80% of management appointments in any one year should be black people.

- **Skills development**

Historically-disadvantaged employees are a major focus of our training support in Southern Africa. Through the equity and learning forums, management and employee representatives agree on training plan requirements and the tracking of training and development progress to equip employees for improved performance in their current roles; recognise competence; and prepare for career mobility. Skills development initiatives, particularly programmes aimed at improving management and leadership skills, are geared to meet our employment equity targets.

Read more about our Skills Centres at Ngodwana and Saiccor Mills here: <https://www.sappi.com/sappi-skills-centres>

- **Preferential procurement**

We have a preferential BBBEE procurement policy in place which allows for preferential payment terms and the relaxation of commercial/procurement terms and conditions. No allowance is made to relax specifications. Where practical, we purchase goods and services from black-owned businesses and seek opportunities to develop future black vendors.

- **Enterprise and supplier development**

Started in 1983, **Sappi Khulisa**, our primary enterprise development initiative, aims to include rural individuals and communities in the forestry industry which has high barriers to entry.

This initiative is aligned with the South African government's strategy of promoting forestry as a means of sustainable livelihood in rural areas and involves the transfer of business skills, technical assistance, financial support and preferential payment terms to assist new enterprises to enter the market.

Read more in the Sappi Khulisa FAQ, available under the resource hub at: <https://www.sappi.com/sustainability-and-impact>

Our dedicated **Enterprise and Supplier Development (ESD)** department promotes sustainable livelihoods by identifying procurement opportunities for, and overseeing the capacity building of, small and medium-sized enterprises (SMEs) through training and operational support.

We began the process in FY19 by onboarding the operations to the ESD strategy, which was followed by analysing our spend in forestry and mill operations to identify suitable ESD opportunities. We then mapped our local communities and scoped supply chain and community business opportunities. This included the unbundling of contracts and setting-aside of suitable business opportunities. We identified potential SMEs and classified them according to their capacity building needs, with some needing a higher level of intervention than others.

- **Socio-economic development**

Although Sappi is a global company, the bulk of our corporate social responsibility spending focuses on South Africa.

In South Africa where poverty and unemployment are key social imperatives, our community engagement agreements commit both ourselves and our communities to work together in driving shared value for mutual benefit and enhanced social impact. Integrated community forums (ICFs) are the key platforms which we use to build trust, gain advocacy and achieve shared value. Community participants range from traditional leaders and councillors to local business and environmental groups. The ICFs focus on three key areas: community skills development, asset-based community development (ABCD) and corporate social investment, as well as enterprise and supplier development (ESD). Through shared value, our overarching aim is to move our communities towards a sustainable future independent of Sappi.

How does Sappi deal with land claims?

As a significant land owner in South Africa, we have a role to play in land reform and are working actively with the Department of Land Affairs (DLA) to resolve land claims lodged against our property.

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We are currently engaged in a number of land claims in South Africa. As of 30 September 2022, there were 133, 244.18 hectares (ha) under claim of which 88, 566.80 ha are plantable to timber (in other words, these are the hectares authorised for planting under legislation). For many of the land claims in which we have been involved, and where there has been a change in ownership, we continue to buy the timber and help manage those plantations.

Poor post-settlement support is one of the key reasons cited by experts for the failure of many land reform projects in South Africa. We are working with a large number of land reform beneficiaries to assist with the management of timber on their properties, post-settlement.

To ensure sustainable production from these properties, we have entered into supply agreements with the new beneficiaries and have also provided assistance. This depends on the requirements of the project, but ranges from a pure supply agreement to a comprehensive Forestry Enterprise Development Agreement (FEDA). The latter is a supply agreement but also incorporates development objectives whereby Sappi provides technical and business training, as well as administrative support.

“After 20 years of land reform there are some islands of success, especially in horticulture, but these exist in a sea of partial or complete failure, and the number of beneficiaries and the land area transferred is disappointingly low.”

- The World Bank¹



¹ Binswanger-Mkhize, H. P., *From failure to success in South African land reform*, African Journal of Agricultural and Resource Economics Volume 9 Number 4, pages 253-269