

South Africa

Southern Africa

Sustainability Report
2012

sappi
Inspired by life

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about this report

Background

Prior to 2011, sustainability in the Southern African region was publicly reported on as part of a global sustainability report, with some details provided in our annual integrated report. Feedback from our stakeholders indicated that they wanted more in-depth information pertinent to their specific regions. Accordingly, in 2011 Sappi published regional sustainability reports for Southern Africa, Europe and North America, in addition to a group online sustainability report and the integrated annual report.

This, our second regional report for Southern Africa, describes our region's initiatives and progress in terms of the 3Ps of Prosperity, People and Planet. The content of the report focuses on those issues most material to the Southern African region as identified by stakeholders.

Our group online sustainability report complies with the Global Reporting Initiative's G3.1 framework and is aligned with the UN Global Compact (UNGC) to which we are a signatory. Where applicable, this regional

report references the UNGC. The group report can be accessed at www.sappi.com.

Data collection

Environmental data is collected on a quarterly basis via our E4 (Energy, Environment, Emissions and Effluent) cluster comprising a team of internal experts. The aim of the E4 cluster is to identify the best available and practicable means for securing compliance with the Sappi group's regional legal requirements and environmental policies in the most efficient manner.

In addition, the E4 team compares Sappi's environmental management practices with best available techniques and innovations and the cost implications thereof in order to manage and mitigate the environmental impacts of Sappi's operations. The team also quantifies the gap between available technology and technology within Sappi, and makes recommendations on technologies to bridge the gap based on economic feasibility. These technologies focus on the reduction of water consumption, treatment and control of effluent

discharge, reduction and control of air emissions and solid waste disposal, as well as the efficient conversion and use of energy and environmental remediation.

The E4 team structure ensures that environmental knowledge is shared between the mills and central departments.

Data assurance

All our pulp and paper mills in the region are ISO 14001 environmental, 9001 quality and OHSAS 18001 certificated. In terms of these certifications, annual audits are undertaken by external verification organisations. In addition, in 2011 our internal audit team began the process of verifying non-financial performance. This involved reviewing the procedures applied for collecting and/or measuring, calculating and validating non-financial data, as well as reviewing reported information and supporting documentation. In common with our other regions, we have not undertaken external verification of our non-financial performance as it was felt that the costs could not be justified – at least until such time as our financial performance improves significantly.



Overview of Sappi Southern Africa



Our operations

Sappi Forests supplies over 70% of Sappi Southern Africa's wood requirements from both our own and managed commercial timber plantations of 554,000 hectares.

Sappi's **Lomati sawmill** produces sawn timber for the construction industry.

Sappi Specialised Cellulose

Dissolving wood pulp, a product made from wood, mostly from our plantations, is sold to converters for a wide range of consumer products, such as clothing, cellophane wrap for sweets and flowers, pharmaceutical and household products.

Sappi is the world's largest manufacturer of dissolving wood pulp and we export almost all of the production of **Saiccor Mill**, supplying approximately 15% of market demand. The mill has the capacity to produce approximately 800,000 tons per annum (tpa) of dissolving wood pulp.

Upon completion of Project GoCell in 2013, **Ngodwana Mill** will have the capacity to produce 210,000tpa of dissolving wood pulp.

Sappi Paper and Paper Packaging

is headquartered in Johannesburg, operates five pulp and paper mills and has a production capacity of one million tpa of pulp and 0.11 million tpa of paper per annum.

Cape Kraft Mill uses 100% recovered fibre to produce approximately 60,000tpa of waste-based linerboard and corrugating medium.

Enstra Mill manufactures security papers used for cheques, identity documents, brand protection, election ballot and passports, as well as a range of uncoated woodfree and business paper which caters to the business forms, scholastic, office, envelope and general printing industries. The flat sackkraft and lightweight containerboard products previously produced on Tugela Mill's PM 4 have now been moved to Enstra Mill. The mill's total capacity is 200,000tpa of paper products.

Ngodwana Mill produces unbleached pulp for own consumption and bleached chemical pulp for own consumption as well as market pulp. The mill also produces mechanical pulp for own consumption.

In addition, Ngodwana produces 140,000tpa of newsprint and 240,000tpa of kraft linerboard which is used as the outer and inner layers in corrugated cases and has the dual purpose of protection and providing a surface for printing graphics.

Stanger Mill uses bagasse (sugar cane waste residue) as raw material to manufacture 110,000tpa of high quality matt and gloss coated art papers as well as tissue.

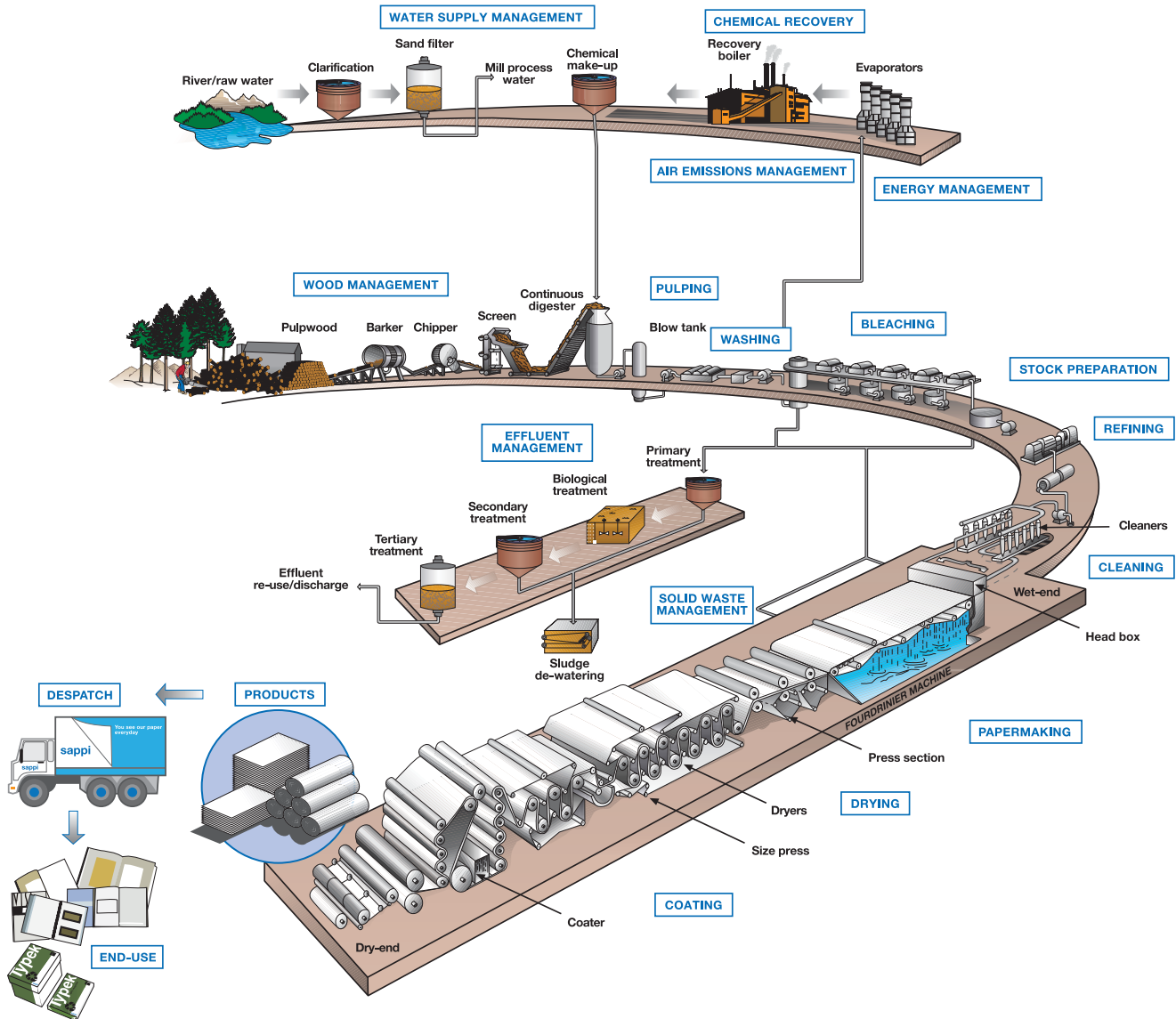
Tugela Mill produces approximately 102,000tpa of unbleached hardwood pulp and 120,000tpa of recycled fibre pulp for its own consumption. Tugela Mill also produces 200,000tpa of liner and fluting which are used in the outer, middle and inner layers of a corrugated box.

Sappi ReFibre is responsible for approximately 200,000tpa of recovered paper collection and recycling for Sappi's own consumption.



Papermaking

Fibre flow from tree to end product



Message from our group CEO



"In 2012, Sappi Limited celebrated its 75th anniversary. While our strategy has evolved over the years, we have always believed that we will be successful if we provide our customers with the very best services and products, make sustainability a priority, and conduct our business in line with our values: Excellence, Integrity, Respect, and Resourcefulness. Sappi Southern Africa embraces our strategy and our values and through this dedication, will continue to deliver strong results to our bottom line."



we will be
successful ...
if we make
sustainability a
priority

Ralph Boëttger
Chief executive officer
Sappi Limited

Message from our regional CEO



Returning Sappi Southern Africa to profitability

Our ability to create value for our shareholders is the foundation of our commitment to sustainable development. If we do not make profits, we do not have a sustainable business. Our key challenge in FY2012 was to return Sappi Southern Africa to profitability. It has been a tough year, but I am pleased to report that, after making a loss in FY2011, we have achieved that goal, with the region starting to show a return to profitability.

To do that, we embarked on a thorough review of all our business processes, our product mix and our cost structures. We undertook the review to ensure that our overall business and our individual units would be able to effectively serve the requirements of our customers as well as our other stakeholders.

Unfortunately this meant that positions were redefined and the number of employees across all our functions was reduced.



we have set
ourselves
ambitious
profitability and
sustainability
targets

Delivering on the needs of our customers

We firmly believe that the ultimate success of Sappi rests on our ability to understand and deliver on the needs of our customers. We are thus focused on providing the right quality products and services in an efficient and cost effective way so as to add value to our customers' business while earning the best returns we can for Sappi.

To this end, we identified opportunities to utilise our resources more effectively; to carousel some products between manufacturing facilities; to streamline production and to bring a number of new or improved products to the market.

Investing for future growth

To achieve this we are making substantial investments across our business and in particular at our Ngodwana and Enstra Mills. These investments will allow us to improve product quality and reliability, deal with rising energy costs and improve our environmental footprint and cost competitiveness.

I am pleased to report that Project GoCell is progressing well. In terms of this project, our Ngodwana Mill in Mpumalanga is being upgraded to continue producing kraft linerboard and newsprint while also producing 210,000tpa of dissolving wood pulp, bringing our capacity in South Africa to over one million tpa. With many other similar plants coming on stream around the world, there have been some questions about the strategic value of this project, but I am convinced that our experience of more than 30 years in this field, our long-standing partnerships with our customers and the fact that we are one of the lowest cost producers of dissolving wood pulp in the world,

Our ability to create value for our shareholders is the foundation of our commitment to sustainable development

will stand us in good stead going forward.

Balancing the 3Ps

The principles of the triple bottom line – Prosperity, People and Planet or the 3Ps, as we refer to them at Sappi – underpin sustainable development and are all interconnected. The changes we have initiated throughout Sappi Southern Africa have had positive economic, social and environmental benefits.

Our GoCell Training Centre at Ngodwana Mill, for example, has empowered many members of the surrounding community. This project won two awards in the prestigious BHP Billiton Achiever Awards in the categories: *Re-skilling and Empowerment*, and *Best Training Programme for Large Companies*. There are also environmental benefits associated with the project: mill odour will be reduced, while improved efficiencies from new equipment will mean burning 61,000 tons less coal per year which equates to 120,000 tons fewer CO₂ emissions. In addition, total mill effluent will significantly reduce.

Similarly, closing the pulping lines at Enstra and Tugela which were old and inefficient has had positive environmental benefits. We have invested in re-pulping capacity and capability at Enstra Mill to enable the production of kraft packaging

papers and to support our recycled containerboard output in periods of peak demand. We are also in the process of building a new state-of-the-art recycled fibre plant at Enstra Mill to offer a wider range of products incorporating recovered fibre in order to meet increased market demand.

Prioritising safety

I am deeply sorry to have to report the deaths of two contractors while performing work for Sappi. Our most profound sympathies are with the families of the deceased. Re-energising our safety programmes will continue to be a key focus going forward. Our view is that even one injury is one injury too many.

Looking forward

Looking beyond the current tough economic conditions, we have set ourselves ambitious profitability and sustainability targets. These targets cannot be achieved by merely doing tomorrow what we did yesterday.

Many people within Sappi have worked extraordinarily hard to complete a thorough review and redesign of the business and I would like to thank all of you for your efforts in embracing change and working together to build a more prosperous, more sustainable Sappi.

Alex Thiel

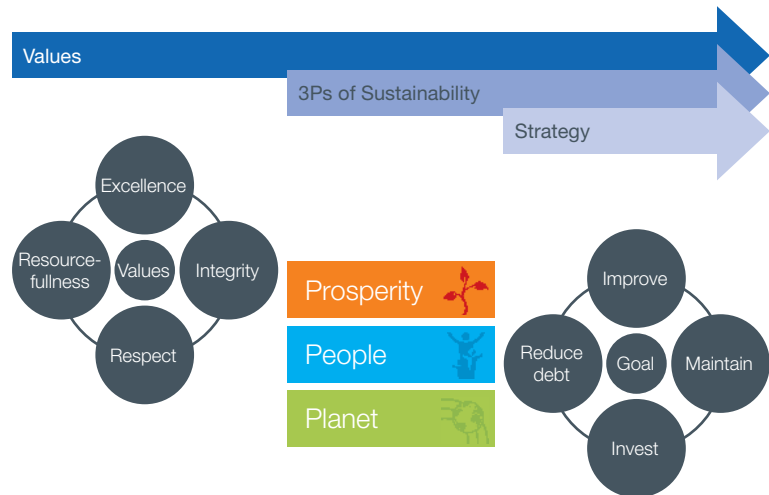
Chief Executive Officer
Sappi Southern Africa

Accolades in 2012

- > We were recognised as one of the 10 Best Performers on the JSE Socially Responsible Investment (SRI) Index.
- > We increased our disclosure score in the Carbon Disclosure Project to 88% (2011: 80%).
- > We received four awards in the PMR Africa Mpumalanga awards¹
 - Sappi Forests were acknowledged by their peers and were rated very highly in terms of the way they conduct their business
 - Ngodwana Mill was rated very highly in terms of the way they conduct their business
 - Sappi was rated as the company who is doing most in Mpumalanga to protect the environment, and
 - Sappi was rated as the company who is doing most in terms of Corporate Social Responsibility initiatives and investment.
- > The Ngodwana GoCell Upliftment Training Programme was awarded two first places in the prestigious BHP Billiton Achiever Awards Competition in July 2012 in the categories: *Reskilling and Empowerment* and *Best Training Programme for Large Companies*.
- > Corporate Social Investment Leadership Award in the Sunday Times Top 100 Companies award for Project Grow and the KwaDukuza education initiative.²
- > Tugela Mill won a Gold Certificate in the chemical category of a competition organised by IWMSA (Institute of Waste Management of Southern Africa) and provincial regulators (DEA&RD). The mill was also declared the winner of the Best New Entrant Award.
- > Nominated in three categories in the Enviropedia Eco-logic awards.
- > The head of our human resources department received the HR executive of the Year 2012 award in the Avusa Media Annual Recruitment award.³

Our approach to sustainability

Our approach to sustainability is based on a holistic view of Prosperity, People and Planet (3Ps). Being a sustainable organisation means that we balance and integrate the 3Ps into our business decisions, strategies and processes to help us add value for all our stakeholders.



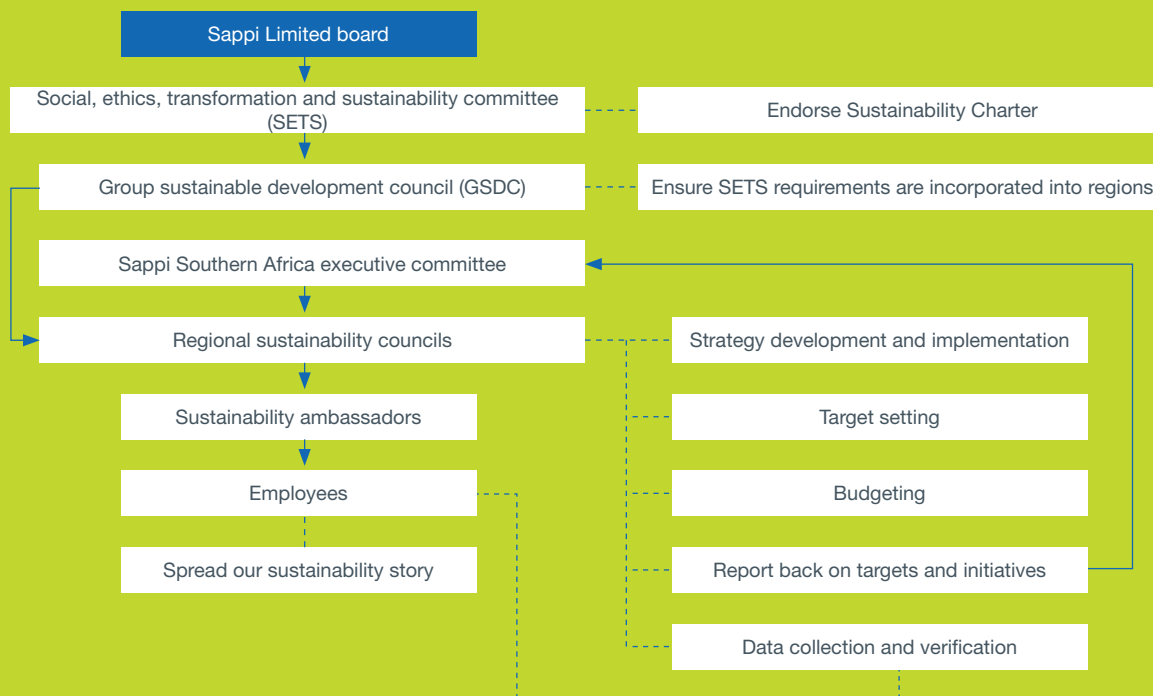
Governing sustainability

Rather than having a separate sustainability department, we focus on integrating sustainability into our everyday business processes. We're achieving this by allocating responsibilities, reviewing progress, setting targets, involving stakeholders, driving communication around the issue and incorporating the principles of sustainable development into our core business model.

As set out on the opposite page, we also have an integrated sustainability governance model in place which helps to integrate sustainability into our business.

¹ PMR Africa is an established professional market research and risk management company.

^{2 & 3} The award was made shortly after Sappi's year-end.



Our Sustainability Charter sets out our approach to the 3Ps and the manner in which the principles of the 3Ps are being integrated into our everyday business.

At the highest level, sustainability is overseen by the social, ethics, transformation and sustainability (SETS) committee. This is a statutory Sappi board committee which has an independent role and accountability to the board. Further detail is available in our Integrated Annual Report, available at www.sappi.com

To learn more about our Sustainability Charter, go to <http://www.sappi.com/regions/sa/Sustainability/Documents/Sappi%20Sustainability%20Charter.pdf>

To learn more about our Code of Ethics, go to www.sappi.com

Regional sustainability councils

There are regional sustainability councils (RSCs) in Europe, North America and South Africa. Each RSC focuses on key material issues relevant to their specific region and on incorporating sustainability into everyday business processes. In South Africa, this is achieved by incorporating milestone setting on targets into the budgeting process; by reporting back on progress against targets on a quarterly basis to the South African executive committee, and through our 'take ownership' programme.

'Take ownership' programme

In 2012 we started developing our 'Take ownership' for the

sustainability of Sappi' programme in order to entrench the concept of sustainability as an intrinsic part of Sappi culture.

We are currently developing a sustainability learning and engagement programme that provides easy access to sustainability material for all employees. The programme enables self-study on a wide range of internal and external sustainability-related subjects. Employees report progress to their immediate line managers. In addition, the programme calls on employees to define and develop the manner in which their own roles add to sustainability. Learning takes place on an e-Learning platform basis for employees with access to computers and on a workshop basis for those employees who do not have immediate access to computers.

Targets

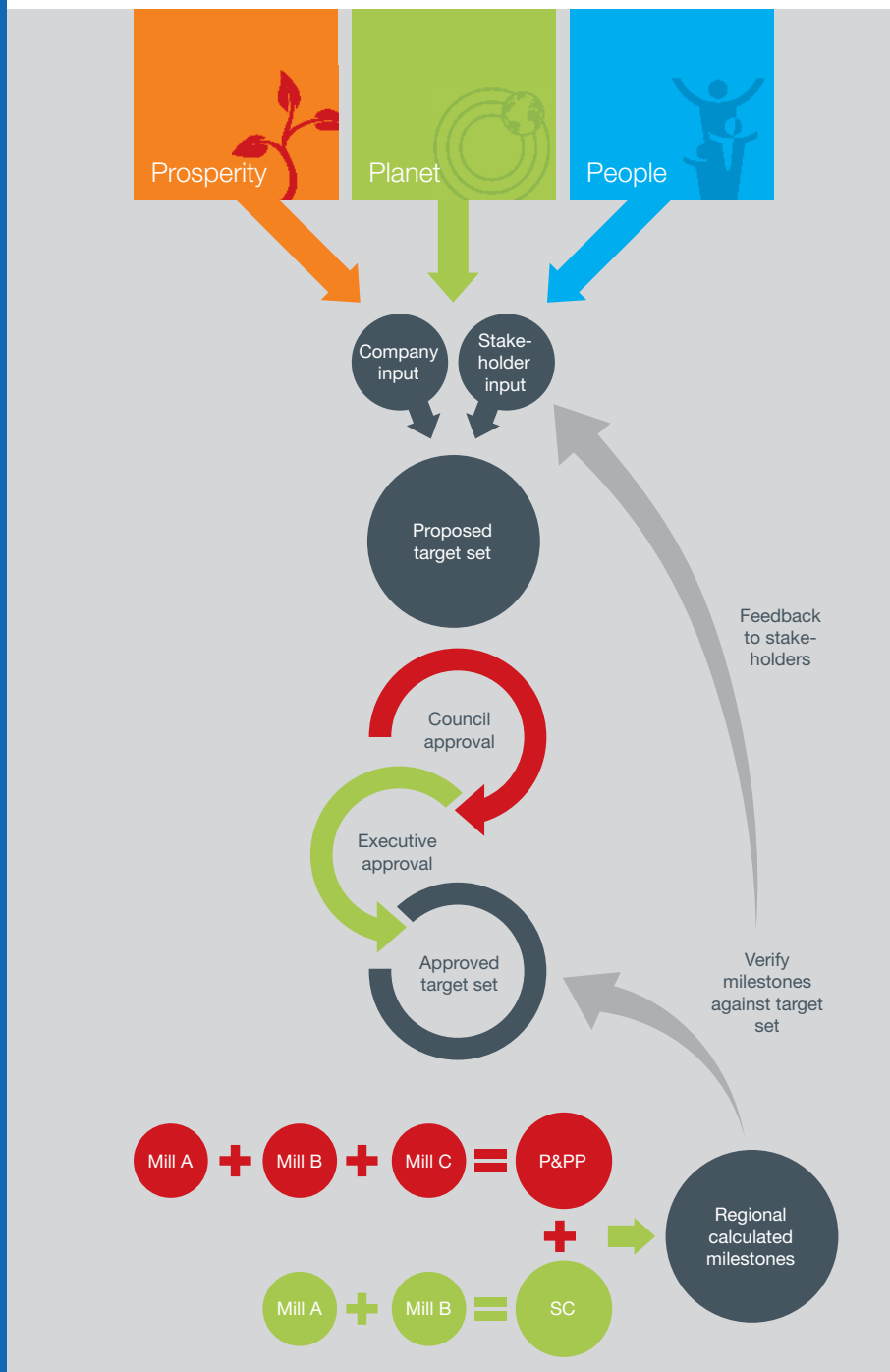
In terms of sustainability target setting, we focus on the key material issues relevant to our industry, with particular reference to South Africa. During the 2010 financial year a new set of targets was developed for the South African region, effective from 2011 to 2015. In developing this set of targets, the regional sustainability council combined input from our stakeholders with internally identified material issues. The aspects of our business over which we have internal control and which also have the biggest impact on the 3Ps in our region formed the basis of a proposed set of long term targets. These were approved by the South African executive committee in the same year.

In order to calculate the annual milestones, each mill had to look at what it was able to achieve over five years and include these milestones into their budget allocations. The individual targets were then coordinated into general targets for both the Paper and Paper Packaging (P&PP) and the Specialised Cellulose (SC) divisions, after which they were integrated into an overall target set for Sappi Southern Africa. This iterative process ensures that targets remain relevant to each operating unit.

Targets are reviewed on an annual basis to ensure continued relevance, and where a target is no longer relevant, a new target is set.

Delivery on our targets to date

The due date for all South African targets is end 2015 with the baseline as 2011, unless otherwise stated. Note: The graphs on the following pages indicate the annual milestones until 2015 via a dotted line, the 2013 milestones via a dotted bar and bars of achievements to date.



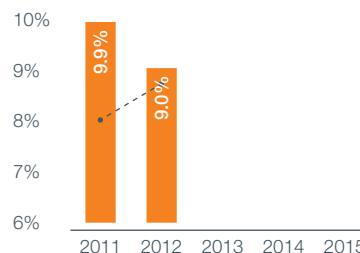
Prosperity



RONA

Return on net assets to be equal to or greater than 15% on a five year rolling basis.

The relatively good RONA performance for the year was mainly due to reduced operating losses at Sappi Paper & Paper Packaging and increased sales volumes at Saiccor Mill.



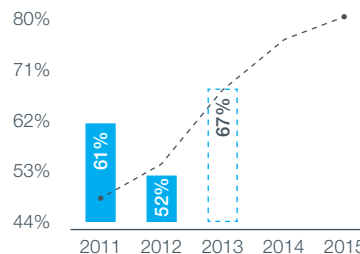
People



Skills development

80% compliance to the workplace Skills Plan (WSP).

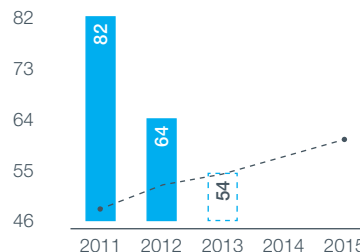
Achievement of the WSP target was negatively affected due to restructuring. However, an improvement from 40% in the first half of FY2012 to 52% for the financial year was realised as a result of the new plan being aligned with the restructured business in the second half of 2012.



Training

Provide training and development opportunities of an average of 60 hours per employee per annum.

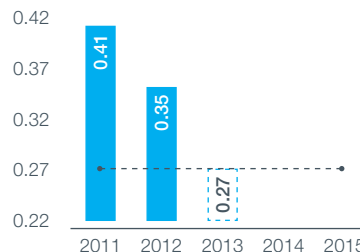
The training focus for FY2012 was on individual development and learner-ships, with increased focus on knowledge and capacity building.



Safety

Combined LTIFR (Lost Time Injury Frequency Rate) for own employees and contractors to be better than best ever achieved on a continuous 12 month basis.

Own employee safety performance deteriorated slightly, but contractor employee performance continued to be fairly satisfactory. Regrettably, there were two contractor employee fatalities in the year under review.

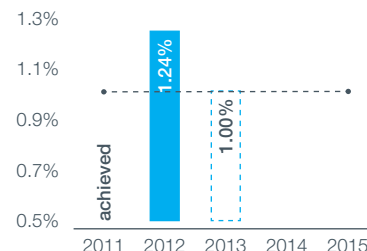


People

Social responsibility

Annual corporate social responsibility expenditure (CSR) expenditure to be 1% of NPAT (net profit after tax).

Our spend in the Southern African region in FY2012 amounted to US\$811,616 (R6.54 million), representing 1.24% of NPAT.



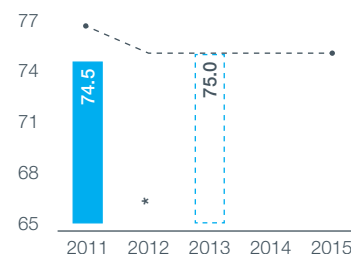
BBBEE

Achieve Level 3 compliance in Broad-based Black Economic Empowerment (BBBEE).

We have dropped to level 4 contributor status due to a lower score in terms of Ownership and Employment Equity (EE). We expect to improve our score in our latest rating which will be conducted by independent rating agency Empowerdex and will be complete by the end of December 2012*.

A transformation committee reporting through the Group Head Human Resources to the SETS committee has been set up to address EE issues. All the units have been requested to provide an EE scenario on how they foresee change occurring within their environment.

* Empowerdex score not available at time of going to print

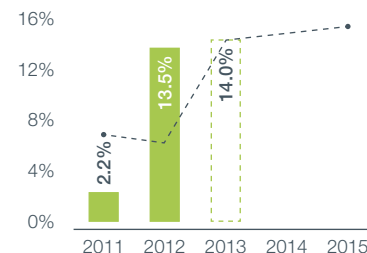


Planet

Energy

Achieve 15% reduction in specific purchased fossil energy with 2000 as a base year.¹

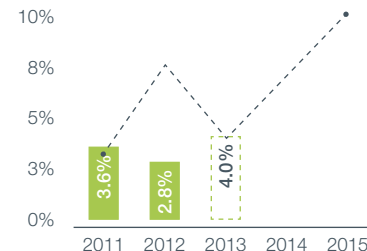
Purchased energy decreased significantly in 2012 as manufacturing efficiencies at Saiccor Mill improved and the mill increased the percentage of own fuel (black liquor) generated. The partial curtailment of pulping operations at Tugela Mill and complete mothballing of pulping operations at Enstra Mill also contributed to the decrease in purchased energy. Ngodwana Mill generated more electrical energy in 2012 and therefore reduced the amount imported from Eskom, the state power utility.



Water

Reduce total specific fresh water usage by 10% with 2007 as a base year.

In South Africa, water drawn from the environment used in the manufacturing processes showed an increase due to Saiccor Mill experiencing high turbidity in the incoming raw water and consequently, having to perform backwashing more regularly. Stanger Mill had an extended bagasse 'off-crop' shut as well as commercial downtime taken on the paper machine resulting in inefficiencies due to shutdowns.

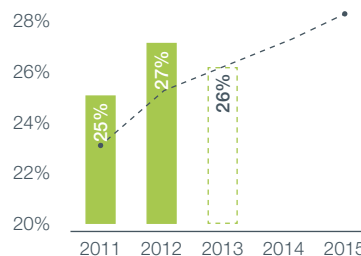


¹ Data shown in the group alongside differs from data shown in the 2011 report. This is as a result of the auditing of information previously supplied. Following the audit, some mills adjusted their historical data.

Recycling

Recover 28% of fibre put into the market.

During FY 2012, 764,303 tons of paper was sold into the local market, while 205,161 tons was recovered, representing a recovery rate of 27%.



Our key material sustainability issues in 2012

Prosperity

- > Meeting our strategic objectives
- > Maintaining fibre supply
- > Meeting market needs through innovation and sustainable products



People

- > Restructuring for a more effective organisation
- > Retaining and developing talent
- > Transforming our workplace
- > Maintaining sound labour relations
- > Focusing on health, wellbeing and safety
- > Empowering communities



Planet

- > Mitigating climate change
- > Promoting energy security
- > Minimising waste
- > Using water responsibly
- > Conserving biodiversity



Prosperity

Meeting our strategic objectives

Background

Our whole approach to sustainability is underpinned by our strategic goal which is “to be, on a sustainable basis, the most profitable company in the pulp-, paper- and cellulose-based industries”. To achieve this goal, our strategy in South Africa is based on four pillars:

- > Fixing under-performing businesses
- > Maintaining and optimising performing businesses
- > Investing in high growth and high margin businesses including dissolving cellulose, energy and low-cost wood resources, and
- > Carefully managing balance sheets, liquidity and cash.

These conditions, together with our high cost base, resulted in the delivery of unacceptable financial results which compromised our overall sustainability as a business. To meet our strategic objectives, we needed to improve our competitiveness by reducing our costs and ridding the business of inefficiencies and duplication.

The Sappi group and in particular, Sappi Southern Africa (Sappi SA) have had to face tough market conditions over the past three years.



Simplifying our processes and product range

Beginning in 2011 and continuing through to 2012, Sappi SA embarked on a thorough review of all business processes, product mix and cost structures in order to become more competitive and to deliver improved benefits to customers and other stakeholders. Our focus was on simplifying our paper and packaging product range into the following portfolios:

- Containerboard
- Graphics and speciality papers
- Kraft papers and newsprint
- Office and tissue
- Security papers, and
- Pulp.

Matching our assets more closely to our resources and the market

We identified opportunities to share our resources more effectively, carousel our products between manufacturing facilities, streamline production, cut costs and commercialise new products faster while keeping close to our customers. Paper and pulp capacity was critically reviewed at our mills to take out costs and simplify processes with the overall aim of matching our assets more closely to our resources and the market. Accordingly, we made extensive changes at our mills which included:

- Switching certain products between paper machines for increased efficiencies and viability
- Modifying our linerboard machine at Ngodwana Mill to produce a wider range of virgin linerboard products and investing R2 billion in a dissolving wood pulp plant at the same mill
- Increasing our repulping capacity and capability at Enstra Mill to enable the production of kraft packaging papers and support our recycled containerboard output in periods of peak demand
- Investing in a new state-of-the-art recycled fibre plant at Enstra Mill to offer a wider range of products incorporating recovered fibre in order to meet increased market demand, and
- Reducing pulp and paper capacity at Tugela Mill.

Our current product offering

We continue to offer:

- Kraft linerboard from 140gm² to 420gm² produced at Ngodwana Mill, including the white top liner, stackraft and tobacco liner ranges
- Newsprint from Ngodwana Mill
- Testliner and fluting produced at Tugela Mill
- Recycled liner, fluting and coated containerboard produced at Cape Kraft Mill
- The existing range of uncoated and coated printing papers produced at Stanger and Enstra Mills
- Kraft packaging papers produced at Enstra Mill
- Security papers from Enstra Mill, and
- Tissue products produced at Stanger Mill.

In FY2012, we introduced a new Tugela liner consisting of both semi-chemical pulp and recycled fibre. This provides the optimum mix of strength performance and cost effectiveness for carton manufacture.

Mothballing PM4

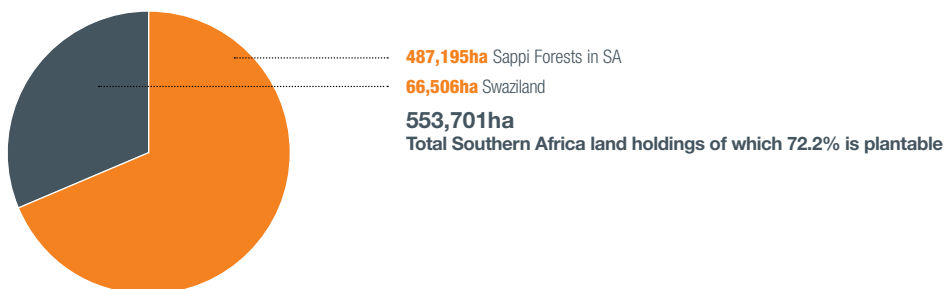
Shortly after year-end, in October 2012, we announced our decision to mothball paper machine number 4 (PM4) at Tugela Mill. The decision was taken because despite ongoing corrective actions and interventions to address increased energy, labour and raw materials costs, the mill had not delivered acceptable financial returns over the past number of years. Recently, the competitiveness of the mill was further challenged by cheap imports entering the local paper market which led to weak demand for certain paper products and depressed selling prices. Production of the sackkraft and lightweight containerboard products manufactured on PM4 has been moved to Enstra Mill. The decision to mothball PM4 will enable Tugela Mill to reposition its cost structure and ensure the sustainability of its other paper machine (PM2) which produces a range of fluting and liner products.

Maintaining fibre supply

Raw materials

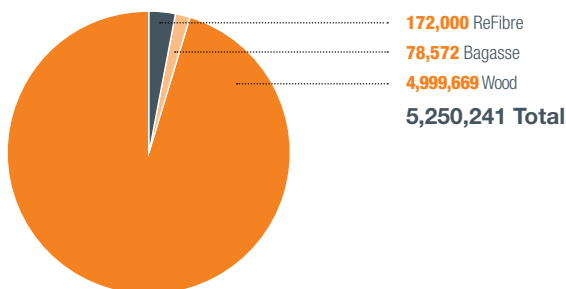
Fibre, water, energy and chemicals are the key raw materials in pulp and paper manufacturing, with fibre being the most important. In South Africa we use wood fibre (timber), bagasse (sugar cane waste residue) and recovered fibre as our fibre inputs. Energy and water are discussed in more detail on pages 48 – 53 of this report.

Wood fibre supply hectares



In FY2012, our operations in South Africa used 4,999,669 tons of wood fibre, of which 64% was supplied by our owned, leased and managed plantations. Wood fibre accounted for 95% of our total fibre basket. Against this backdrop, the availability of affordable wood fibre is one of our key material issues.

Fibre supply in South Africa tons per annum



Our challenges are government limits on further afforestation in the traditional forestry provinces of Mpumalanga and KwaZulu-Natal, as well as threats to our existing forest resources because of pests, disease, fire and climate change which is expected to impact Southern Africa more severely than the other regions in which we operate. As wood fibre is a renewable natural resource, the issues related to climate change are similar to those for the agricultural sector and include reduced crop yields, drought and limited availability of water as well as increased incidence of pest attacks and disease. We are dealing with these issues by:

- Investing around US\$7.5 million a year to rehabilitate our Usutu plantation in Swaziland, almost half of which was destroyed in fires in 2007/2008

- Working with communities in the Eastern Cape under the auspices of AsgiSA-EC¹ to establish 30,000ha of plantations by 2020 – a project in line with Government's goal of driving rural development
- Promoting Project Grow, a small grower initiative, which currently supplies 2% of our total timber requirements – the value of the standing timber currently covered by the scheme is approximately US\$36 million
- Assisting with land reform projects in terms of which timber is grown
- Mitigating the risk of climate change through our tree improvement programmes:
 - Over 15 years, our research efforts have resulted in a 60% improvement in eucalypt plantation yield.
 - In our Usutu pine plantations we have maintained sample plots to allow comparison of four successive rotations of pine since the first rotation planted in the 1950s. The latest measurements taken in 2011 indicate an 8% yield improvement – consistent with the expectation from genetically superior planting stock and measures taken to maintain site productivity.
- Implementing a more aggressive, extensive fire protection strategy. Risks are now managed via an integrated Fire Risk Management System comprising a comprehensive risk assessment, monthly compliance checks for monitoring, management procedures, standards, and general back-up information (see case study on page 20).

Certification

Fibre certification is extremely important for our customers. An investigation by Greenpeace, concluded in 2012, found that some paper companies had been manufacturing products containing fibre from rainforests. Sappi customers can rest assured that the pine and gum trees Sappi uses for pulp and paper manufacturing are grown in sustainably managed plantation forests and that in South Africa, no indigenous trees are ever used. (In Europe and North America, wood fibre is sourced from managed natural forests in which indigenous trees are grown.) Sappi does not source wood fibre from endangered forests anywhere in the world.

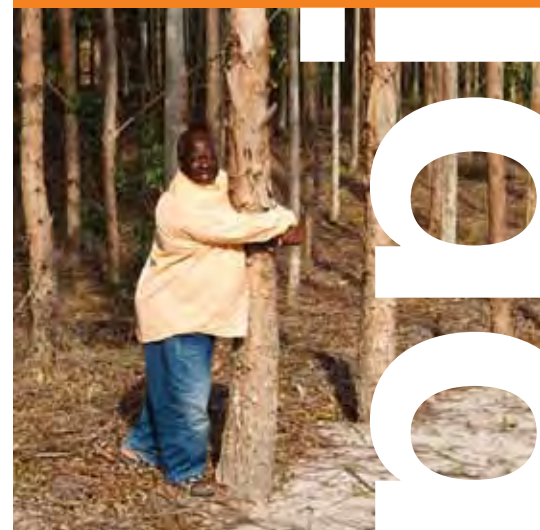
Sappi uses independently verified, internationally accepted forest certification systems in order to reassure customers that the trees used in the pulp and papermaking process originate from forests that are managed according to the standards and requirements of sustainable forest management. Globally, the systems we use are the Programme for the Endorsement of Forest Certification (PEFC), the Sustainable Forestry Initiative® (SFI®) and, in South Africa, the Forest Stewardship Council™ (FSC™).

In South Africa, 100% wood grown on Sappi owned, leased or managed land is FSC™-certified, while approximately 87% of the wood supplied to Sappi is FSC™-certified. The other 13% is sourced in line with FSC™-controlled wood sources requirements which are incorporated into our purchasing specifications and contracts and in line with our purchasing policy. Environmental- and forestry-related information (including wood sources) is obtained from every pulp supplier on a regular basis and this data is then evaluated by a team of experts.

¹ AsgiSA-EC is a subsidiary of the Eastern Cape Rural Finance Corporation, AsgiSA- EC's vision is "a vibrant and sustainable rural economy that improves livelihoods and unlocks the dormant potential of the land and the people of the Eastern Cape". http://www.ecdc.co.za/opportunities/agriculture_and_minerals

When people use more paper, suppliers plant more trees. If we want bigger commercial forests, we should plant more trees, not less.

Edward L. Glaeser
Professor of Economics at
Harvard University



Sappi does not source wood fibre from endangered forests anywhere in the world

The FSC™ oversees third party, voluntary certification of forests and wood-based products, accrediting other bodies to assess and audit against its standards and criteria.

Certification is applicable to fibre and manufacturing sites and requires that our operations are audited on a regular basis. There are two types of certification: forest/plantation and Chain of Custody (CoC) certification. Forest management certification assures that forests/ plantations from which woodfibre is sourced are managed according to a set of standards aimed at responsible management. Essentially, what FSC™ forest management certification means is that the forest/plantation has been independently inspected and evaluated for compliance with local laws, respect for indigenous and traditional people's rights, the health, safety and rights of forest workers and the provision of a wide range of social benefits, as well as compliance with a set of environmental standards.

CoC certification, on the other hand, means verifying that the wood used at each stage of the production process came from a forest/plantation certified as being responsibly managed. CoC certification tracks the origin of a raw material at each stage of the production process, from beginning to end. This type of certification is only valid if each link in the chain is checked. Once a link in the chain is broken, subsequent links cannot be verified. To ensure an unbroken chain, each time the timber is processed the processor must be certified to verify that they have a system of tracking the timber material through the process.

There are ten key FSC™ principles and 56 supporting criteria. The principles cover broad areas such as recognition and respect of the rights of indigenous peoples, while the criteria cover areas such as the prohibition of conversion of natural forests or other habitat around the world, as well as the use of hazardous pesticides.

In addition, all our pulp and paper mills have been awarded FSC™ chain-of-custody (CoC) certification which verifies FSC™-certified forest products through the production chain. All our pulp and paper mills in South Africa have also achieved ISO 14001 certification for environmental management and ISO 9001 for quality management.

FSC™ certification has been 'given the nod' from several reputable organisations including Greenpeace, the Rainforest Alliance and WWF. The former has stated: "Companies can make an impact by introducing zero-deforestation policies that require suppliers to produce commodities such as timber, beef, soy, palm oil and paper fibre in a way that has a minimal impact on natural forests and the climate. Companies can also introduce paper procurement policies that set ambitious targets to maximise use of post-consumer recycled wood, pulp, paper and fibre in their products and ensure that any virgin fibre used is certified by a rigorous third party certification system such as the Forest Stewardship Council™ (FSC™)." (<http://www.greenpeace.org/usa/en/campaigns/forests/solutions-to-deforestation/>)

Promoting fibre certification for small growers

We recognised that certification creates problems for small forest owners because the areas in which they farm are often situated in remote areas, making certification very expensive per hectare relative to large areas.

In addition, we realised that many small forest owners found the administration involved in certification onerous and difficult to interpret.

Accordingly, we established a FSC™ group certification scheme which provides training and support to facilitate the implementation of standards on the individual members' properties.

Members of the group scheme are audited annually against group standards. There are currently 53 members in the scheme with plantations ranging from a few hundred hectares to well over 10,000ha in size.

To promote and incentivise certification, we are currently paying a premium for FSC™-certified timber.



! a p o s

Managing fire risk in our plantations

Grass and forest fires are a natural occurrence and are part of the ecological cycle. In a world free of humans, they'd still occur because of lightning strikes, sparks from falling rocks, volcanic activity and the spontaneous combustion of organic materials. Some plant species actually depend on fire as part of their reproductive cycle, while others evolved long ago to withstand fire. However, runaway veld fires caused by extreme weather conditions can be a problem, as with the devastating fires on our plantations in 2007 and 2008, which resulted in losses of approximately US\$11 million.

So how do we manage fire on Sappi's plantations?

Each plantation/district has a weather monitoring station that is placed strategically to keep track of the **Fire Danger Index (FDI)**. The regional Fire Protection Associations (FPA) facilitate the distribution of FDI forecasts via sms twice daily. Current weather forecasts are provided by Vital Weather website: www.vitalweather.co.za and our electronic detection service provider. Foresters also use local weather stations to gauge FDI conditions in their area and have hand-held weather stations to calculate FDIs whenever and wherever the situation demands it.

Throughout the year foresters look for opportunities to **reduce fuel loads** in their plantations. This can be achieved by burning plantation slash, weeding, coppicing and pruning (thinning). **Firebreaks**, which are mapped and registered, are burnt according to predetermined priorities and historical knowledge of the fuel types, prevailing winds etc.

Extensive fire break systems – on the perimeters of our properties – are deployed to slow down external wild fires and to ensure that runaway wild fires are stopped before they reach timber plantations. **Fuel load maps** and **fire risk rating maps** are prepared for all districts to assist in the management of fuel loads and identification of major risks.

Roads are essential for access for fire fighting and act as fire lines, from which fires can be controlled, acting as internal firebreaks.

A new development in 2012 in Mpumalanga, is **electronic camera detection**, first implemented in KwaZulu-Natal in the mid-1990s. The camera towers are operational on a 24-hour basis, 365 days of the year. Some outlying plantations continue to use manual lookouts. Reciprocal agreements exist whereby fire towers and cameras on neighbouring plantations report fires that occur on each other's property. All forestry vehicles are now fitted with **GPS tracking systems** which can be overlaid on a Google Earth image. This gives the

incident command centre the real time position of vehicles during an emergency and assists the incident commander in managing the fleet during a fire and greatly enhances our ability to ensure the safety of fire teams.

Aircraft are permanently stationed at Nelspruit, Warburton, Piet Retief, KwaMbonambi, Vryheid and Howick during the fire season. The Sappi-owned airstrips are manned by contractors as part of the fire fighting service agreements. Sappi has its own fleet of **fire tenders**. The number and size of the fire tenders is matched to the plantation size and conditions.

We are active participants in the FPAs which ensure **coordinated action** amongst all role-players and we also prioritise ensuring that our neighbours actively manage their fire risk as fires originating or spreading from external properties have been the most devastating in the past. Community forum meetings and field days with neighbouring communities and farmers are organised in all areas on a regular basis. These meetings are

attended by the Forestry Managers, Sappi Community Services Officers, and members of each community as well as representatives from neighbouring farms. Various issues are discussed, including fire protection and awareness.

In **collaboration** with our neighbours, we prepare extensive fire breaks on their property and also assist neighbouring communities with control burns. This enables Sappi to prevent and

stop neighbouring fires timeously. While most of our fire fighting cost is incurred on neighbouring properties, we see this as a worthwhile investment which helps to limit the fire damage on our land.

By providing leadership and sharing knowledge, we establish a common focus on **preparedness** and **awareness**. This in turn safeguards the greater community from the devastating impacts of uncontrolled wildfires.



About the Triple Green range from Stanger Mill

- Most of the pulp used in the production of this paper is bagasse
- The bleaching process is elemental chlorine free, and
- The remaining pulp used in the production process comprises woodfibre which is obtained from sustainable and internationally-certified afforestation, using an independently audited Chain of Custody (CoC) process whereby the raw materials used to manufacture the final product can be traced back step-by-step to the source of the original raw materials.



Prosperity

Bagasse

After sugarcane stalks are crushed to extract the sugary residue, a fibrous matter – bagasse – remains. Sappi Stanger Mill is one of only a few mills around the world to utilise bagasse as a raw material in the manufacture of coated woodfree and tissue paper.

Recovered fibre

Sappi ReFibre procures board and paper for recycling from an extensive network of agents across the country that sources directly from homes, offices, wholesalers and retailers, as well as from manufacturers in both the formal and informal sectors. This business model has economic, social and environmental benefits.

From an **economic** perspective, recovered fibre which is used exclusively by our Cape Kraft Mill and in our Enstra, Ngodwana and Tugela Mills to supplement virgin fibre in the pulp and papermaking process, is a valuable fibre source for which there is local and international demand.

In **social** terms, while it's difficult to give an accurate assessment, it's estimated that the Sappi ReFibre outsourced baling suppliers have about 2,500 informal collectors linked to our network. The total industry in South Africa probably supports around 20,000 informal collectors.

The most important **environmental** benefit lies in reducing the amount of paper sent to landfills which produce methane, a powerful greenhouse gas (GHG) with approximately 25 times the global warming potential of carbon dioxide.

In South Africa the Paper Recycling Association of South Africa (www.prasa.co.za) estimates that using recovered fibre reduces energy usage by 40%.¹ The amount of avoided emissions as a result of using recovered fibre at Cape Kraft Mill in 2012, for example, amounted to 75,000 tons of carbon dioxide (CO₂) annually.²

Earth to remove waste and recover paper fibre

In 2012, Sappi ReFibre teamed up with Moonprint Concerts for the Earth to remove waste and recover paper fibre at a number of events including the JP Morgan Corporate Challenge® in Johannesburg.

At the JP Morgan Corporate Challenge® which attracted 13,000 participants and thousands more at the 'after party', Sappi erected a 6 x 6 m walk through display to raise awareness of the environment and of the need to

Reduce, Re-use and Recycle. Our partnership with Moonprint has resulted in approximately 97% of the paper used at events such as the JP Morgan Corporate Challenge® being recycled.

¹ Gate to gate estimate

² At approximately 2.0 tons of CO₂ per ton of product.

Project Titan enhances Enstra Mill's sustainability

In 2012, Enstra Mill's pulp mill was mothballed to make way for Project Titan. This project involves a re-pulper with capacity of 450 tons per day which will re-pulp virgin and recovered pulp grades, as well as a recovered fibre plant which is capable of processing 200 tons of recovered paper a day.

The repulper will enable the mill to supply a wide variety of pulp types to the three paper machines in operation, while the recovered fibre plant will process recycled grades on paper machine number 3 (PM 3). With the ability to blend

recovered fibre into paper grades, Enstra Mill will become more flexible in producing competitive products that meet customer requirements and will also be able to meet increased market demand for products incorporating recovered fibre.



Fast facts about Sappi ReFibre

- Network throughout Southern Africa: South Africa, Malawi, Mozambique, Namibia, Swaziland, Botswana
- 140 baling units
- 57 suppliers
- 110 supply points
- 10,000 transport legs per annum

Our partnership with Moonprint has resulted in approximately 97% of the paper used at events like the JP Morgan Corporate Challenge® being recycled

100% recycled

Meeting market needs through innovation and sustainable products

Dissolving wood pulp

In 2011, we announced the expansion and modernisation of our Ngodwana Mill in Mpumalanga, including the expansion of 210,000tpa of dissolving wood pulp to add to the 800,000tpa produced at our Saiccor Mill in KwaZulu-Natal. This was aimed at entrenching our position as the global leader in dissolving wood pulp production, a fast growing, high margin business serving the textiles, consumer goods, foodstuffs and pharmaceutical industries.

The dissolving wood pulp produced by Sappi is the type used mainly in the manufacture of a variety of specialised products, including viscose staple fibres (VSF) or rayon. The VSF industry, which manufactures textile and non-woven fibres, is the largest market segment for dissolving wood pulp. There has been increased demand for VSF grades – the result, firstly, of a rising middle class in China and the rest of Asia and secondly, of steadily increasing cotton prices which do not look set to decline in the short to medium term.

The latest forecasts suggest that by the end of 2020, total fibre demand, including natural fibres, will have risen by approximately 35 million tons to around 115 million tons, representing an average growth rate of 4.7% per annum, slightly faster than during the first decade of the 21st century when the rate was 4.1% per annum.

Our dissolving wood pulp is manufactured from hardwood (mainly eucalyptus), a natural and renewable resource, providing an environmentally friendly and more sustainable alternative to many synthetic materials on the market.

Working with customers to develop sustainable solutions

Enstra Mill

Prior to 2009, South African passports were easily forged. To overcome this challenge, the Sappi Technology Centre worked with Department of Home Affairs in developing a security paper for South African passports which incorporates state-of-the-art security features including the capacity to laser-engrave personal data into the data page instead of being printed on the overlay film. The paper for all South African passports is now manufactured at Enstra Mill together with security paper for:

- South African identity documents
- Election ballot papers
- The cheques of all South Africa's major banks, and
- Car licencing papers.

Stanger Mill

In 2010, Stanger Mill launched Masuga in response to Woolworths' need for a paper that supports its Good Business Journey goals of protecting the environment and empowering people. Masuga is a smooth, uncoated environmentally friendly paper in a natural shade and is the first text and cover grade of its kind on the market. It consists of 90% sugar cane waste and 10% woodfibre sourced from a Forest Stewardship Council™ (FSC™) -certified plantation. A further benefit is that the sugar cane mill that supplies Sappi with the sugar cane waste, is black owned; and 25% of the mill's shareholders are local sugar cane farmers.

Creating positive perceptions

Innovation is not just about product innovation, but also about marketing innovation. Many of the imported papers flooding into South Africa do not have the same environmental credentials as our papers. To promote and reinforce the message that our papers are grown in responsibly managed plantations and manufactured in a responsible manner, we are repositioning our well-known Typek brand as 'Earth Kind'.

This category-changing new idea will ultimately come to signify Sappi's commitment to sustainability and responsible corporate behaviour (covering production, products, stakeholder engagement, community support and acceptable profitability).

'Earth Kind' is represented by a powerful eco-friendly emblem that leaves no room for confusion. The heart shape symbolises humanity. It is nestled in the orb shape which depicts the earth, encompassing the environment and people. The execution is deliberately naïve and uncomplicated, reminding the viewer of the very basic nature of the relationship between people and the planet.



In 2012 we published our 'Paper. Here today. Here tomorrow.' brochure which sets out the advantages of Sappi paper and dispels some of the myths around paper



Jobs

People

Restructuring for a more effective organisation

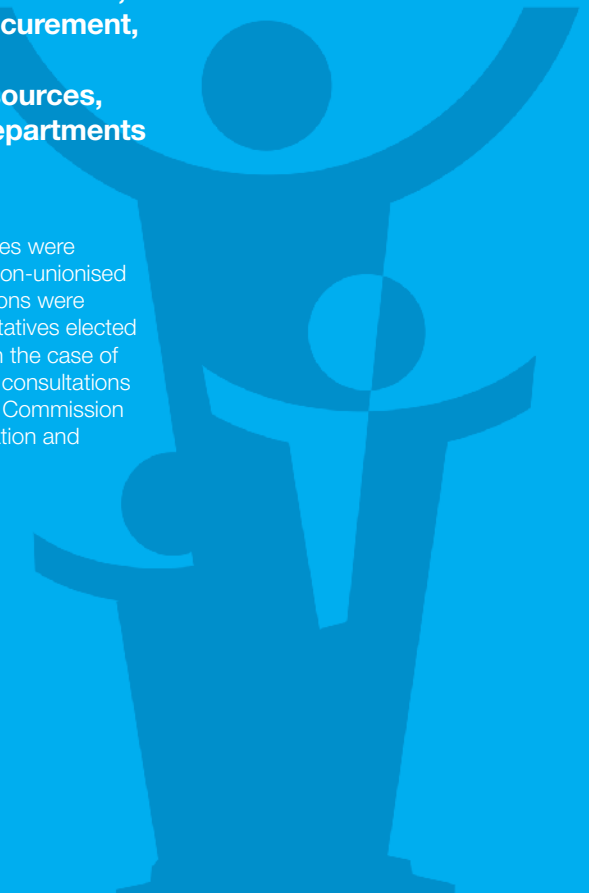
Background

In light of the operational changes discussed on pages 14 – 15, we had to cut, consolidate or redefine a number of positions. We restructured our sales, marketing, central logistics and ReFibre departments, as well as the human resources, finance, procurement, communication, information technology and Technology Centre functions. The human resources, communication, procurement and finance departments are now operated as shared service centres.

Taking the view that retrenchments were a last resort, we worked with staff to investigate options and minimise retrenchments. Initially, 1,244 positions were identified as affected. After consulting with staff, 691 people received retrenchment notices, of which 63 people were redeployed, 44 to temporary and 19 to permanent positions. Retrenchments took place across the board, with unskilled workers comprising 18.8% of the total and semi-skilled workers accounting for 8.4%.

Consultations took place in terms of the Section 189A engagement process specified by the Labour Relations Act.

Two separate processes were followed. In terms of non-unionised employees, consultations were facilitated by representatives elected by employees, while in the case of unionised employees, consultations were facilitated by the Commission for Conciliation, Mediation and Arbitration (CCMA).



Working with government and trade unions

We worked with government and trade unions to offer affected workers training layoffs. This is a temporary suspension of work that is used for training purposes. Workers agree to forego their normal wages in order to attend a training programme and to accept a training allowance during the period of training. The aim is to ensure that the contract of employment remains in place and only the wage component changes. During the training layoff period which lasted for six months until the end of September 2012, employees received 75% of their basic wage or salary, leave accrued and could be taken and sick leave was paid at an allowance rate on proof of incapacity. Continuity of service was not affected.

Restructuring Tugela Mill

In terms of our decision to mothball PM4 at Tugela Mill subsequent to year-end, 400 staff received Section 189A notices. Although the eventual number of positions that will be impacted by the mothballing of PM4 will be substantially lower, the exact number of retrenchments will only be known at the conclusion of the consultation period of 60 days. We remain committed to our approach that retrenchments are a last resort.

Engaging with our people

There is a strong link between high levels of employee engagement on the one hand and better performance and productivity, enhanced customer satisfaction and lower absenteeism on the other. In the year under review, maintaining high levels of engagement was challenging in the light of the retrenchments and we took the following steps to address this issue:

- **Healing workshops:** Following retrenchments, in many cases concern easily turns into fear, anger and resentment towards the organisation and others, especially those involved in the restructuring consultation process. The workshops focused on allowing teams to explore their emotional responses to the restructuring process and the manner in which the process impacted them as individuals and as teams. Teams were encouraged to explore solutions and actions to enable them to collectively take the organisation to a new level.
- **CEO engagement road shows:** This intervention was aimed at addressing and sharing with the entire organisation the vision, expectations and plans to improve the business. The CEO of Sappi SA, Alex Thiel, personally addressed employees at head office and at each business unit.

These initiatives have been very successful in motivating and re-energising employees.

Reporting back on our last employee engagement survey

Our last employee engagement survey, conducted in 2011, highlighted three key issues which we continued to address in the year under review:

- **Communication between line managers and employees and teams:** Sessions were held with all teams on a quarterly basis in order to discuss the way the changes resulting from the restructuring process affected employees.
- **Improvement of career and development opportunities:** All employees training needs are entered into the Workplace Skills Plan taking into account the requirements in terms of employment equity legislation. An improved personal development planning process was implemented during the year to improve the planning for all white collar employees.
- **Equity and fairness:** These issues will be addressed by the newly established social, ethics, transformation and sustainability (SETS) Committee (See page 9 of this report), with emphasis on the manner in which opportunities created through resignations, promotions and recruitment have been leveraged to address gaps in employment equity.

Developing talent

Background

Understanding that our people underpin our business success and that intellectual capital is a core business asset, engagement and training and development programmes are strategic priorities. These are reviewed on an ongoing basis to ensure they remain relevant to the changing needs of our people, the business environment and Sappi Southern Africa.

In South Africa, a Workplace Skills Plan is a plan developed every year at enterprise level that describes an organisation's training and skills development strategy that will help it to meet its overall objectives and targets.

Our aim is to enhance each individual's ability to grow and secure gainful employment. We also aim to leverage the talents of each individual to maximise potential, enhance job satisfaction and help drive productivity and overall business performance

People

Our skills development initiatives focus on development, from school level all the way through to professional and Masters level research-based learning.

Internal training and development initiatives

Our aim is to enhance each individual's ability to grow and secure gainful employment. We also aim to leverage the talents of each individual to maximise potential, enhance job satisfaction and help drive productivity and overall business performance. Approximately 62% of our employees underwent training and development during the FY2012 year. We plan to improve this with the improved process of personal development planning introduced during the year.

Our Workplace Skills Plan (WSP) is prepared in consultation with shop stewards, signed off by them and submitted to the Fibre Processing & Manufacturing (FP & M) Sector Education and Training Authority (SETA) annually, together with our training report for the year.

Our internal skills programmes include:

- A long-standing bursary programme for engineering students. We are currently supporting 38 students in the fields of chemical, electrical and mechanical engineering and forestry, including four students on masters and doctoral programmes.
- A 'graduates in training' development programme which supports 32 graduates for a two year structured work place experience enabling professional registration.
- Registration as a TOPP (Training Outside Public Practice) provider, supporting four graduates in financial disciplines to qualify as chartered accountants. These numbers are in excess of our requirements and we thus release a few of these graduate professionals into the market each year. Significant numbers of these students and graduates are from previously disadvantaged backgrounds and we aim to keep our component of previously disadvantaged individuals (PDIs) above 60% although this fluctuates with supply and demand in each discipline.
- A total of 127 employees currently in apprenticeship and learnership programmes. 108 employees enrolled in our tuition reimbursement programme.

External skills development

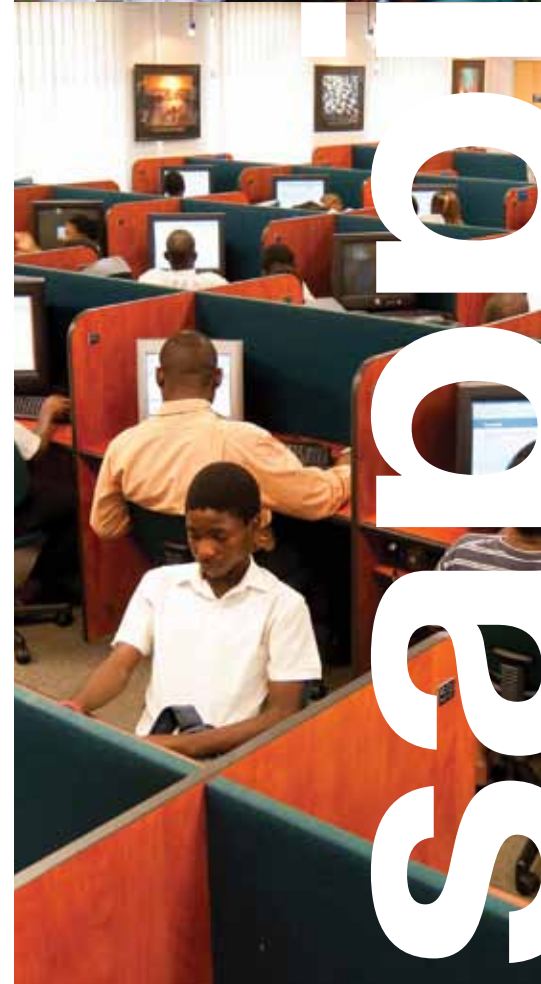
In terms of external skills development, we have established various partnerships to leverage our own efforts:

- Together with the Paper Manufacturers Association of South Africa (PAMSA) we partner with education institutions such as UNISA, DUT (Durban University of Technology) and the University of KwaZulu-Natal on education support by seconding industry specialists full time to these institutions of learning. To date we have on average 11 National Diplomates in Pulp and Paper graduating per year.
- In 2011 we launched a three-year NCV (National Certificate – Vocational) qualification in process plant operations and pulp and papermaking technology. This area of study is now open to learners at three Further Education and Training (FET) colleges – Ekurhuleni, Umfolozi and Capricorn colleges in the province of Gauteng, KwaZulu-Natal and Limpopo respectively.

Many of these students will be accepted into the work environment as they complete their training and others will have the opportunity to continue studies at the National Certificate and Diploma level. We support this initiative with funding, workplace learning, equipment for laboratories, and knowledge transfer for lecturers. In 2013 partnerships with other industries will be established in order to accelerate workplace learning.

Recognising that skills development in South Africa is a national imperative, we promote skills development outside our immediate areas of operation. Our key community education-focused projects include:

- PROTEC – educational support for learners in their final three years of schooling focusing on improving mathematics, science, technical skills, life skills and English. We have invested some R22 million and graduated over 6,000 students over the 15 years of this initiative.
- The KwaDukuza and Umjindi Resource Centres near Stanger and Barberton respectively, give every member of the surrounding community the opportunity of using state-of-the-art information technology, regardless of personal means. Each centre comprises a digital village with computers, a dedicated study centre and reference library, as well as televideo and DVD sets. Other projects which are not specifically education-focused, but which have resulted in the transfer of skills include Project Grow (for further details, see our Project Grow FAQ on www.sappi.com).





About Umfolozi FET College

“Working together, we can change lives, alleviate poverty, ensure the FET College system fulfils its mandate of addressing the shortage of skills in South Africa and create jobs needed by the young people of our country.”

Blade Nzimande, Minister for Higher Education and Training

Excerpt from a speech made on 18 Nov 2011 to celebrate the official opening of the Chief Albert Luthuli Campus of Umfolozi FET College

The Further Education and Training (FET) Act passed by Government in 1998 called for the restructuring and transformation of educational programmes and institutions to better respond to the human resources, economic and development needs of the country. Technical Colleges, which had formerly been marginalised from the education mainstream, were to be positioned to become central instruments for

social and economic change and re-construction.

In 2007, Tugela Mill moved its internal training centre to the Mandeni campus of Umfolozi FET College and formed one of the first partnerships between the government and private industry. The college also offers National Certificate (Vocational) courses in three disciplines – electrical, instrumentation and fitting.



Building a talent base for the future

According to Accenture, a global consultancy, not only has the pulp and paper industry suffered a 33% decrease in total employment in the past 15 years, but the decline has been especially acute among employees under 34 years old. As a result of this rapidly rising age profile, more than 50% of the industry's experienced workforce is due to retire in the next seven years, threatening a massive loss of knowledge and skills in a fast-changing sector.

The province of Mpumalanga is an important forestry area for both the country and Sappi. Consequently, it is very important to introduce Sappi Forestry and its exciting, diverse career opportunities to local learners. In 2011 and again in 2012, the Department of Education in Mpumalanga held a series of career exhibitions. Sappi Forests participated in the exhibitions with the aim of giving learners greater insight into the career paths within our industry and of motivating them to join the industry.

Over 18,000 learners attended the exhibitions, with Sappi's stand being visited by about 6,276 grade 11 and 12 learners.

Each visitor to the Sappi stand received a Sappi Fibre Trail newspaper which details the story of Sappi fibre from start to finish. They were then taken through the Fibre Trail exhibition, during which the entire forestry process, from seedling to product, was discussed and presented, with astonishment from learners when the link between trees, cellulose and ice cream was confirmed. In order to motivate those attending to engage with

the exhibition and presentation, three readers' competitions were promoted. Learners had to answer four questions based on the presentation and were encouraged to enter a competition.

The exhibitions were followed up by inviting interested students to the

Sappi Sudwala plantations to see first-hand what foresters do for a living by shadowing them for a day.

Sappi Forests has also initiated a programme in terms of which foresters visit schools to teach the learners about forestry as a career.



top
as

Comments by some of the trainees

*"Here comes the good opportunity
Our strength, our pillow, our stream*

*We were thirsty, hungry and dreaming
about education every day, nowhere
to upgrade our education due to our
family background, there it comes
Inqaba (surprise) and empowered us
with knowledge, experience and skills."*

– Extract from a poem written by Delsie
Siphelile Makukula

*"As a hairdresser, before I started this
course I never thought that I will be
able to hold a power tool in my hand. It
built a lot of confidence in my training
and my personal life as well, it is not
only for men but for women as well.
It made me realise that I as a single
mother can build a future for myself."*

– Melody Mzimba

*"This training has helped me a lot as
a person and now my family will also
benefit from the training. I will use these
skills that were provided for me and
deliver it to my community. I will be able
to work myself up to a standard and be
a successful business person."*

– Cecelia Nhlongo

*"This training has changed the
community by creating job
opportunities, preventing crime, giving
us opportunities to improve ourselves
and teaching us how to be a team
player and respect our team members."*

– Tyson Mashego

Giving a hand up rather than a hand out

The Amakhulu Expansion Project at Saiccor Mill involved expanding the mill's capacity from 600,000 to 800,000tpa of dissolving wood pulp. During the planning stages of the project, management at Saiccor Mill motivated the establishment of the Amakhulu Recruitment Centre in August 2006.

Between November 2006 and October 2007, the centre provided employment to more than 1,038 local people. Together with Sappi, the contractors on the project established a training facility offering courses covering basic skills including bricklaying, plastering and shuttering. Between April and October 2007, 20 shutterhands, 65 bricklayers, 20 plasterers and 15 plumbers were trained.

Building on this experience, Sappi SA took the opportunity presented by Project GoCell (for more detail on this project go to page 24) to establish the Ngodwana Mill Community Upliftment Training Programme together with AMEC, a supplier of consultancy, engineering and project management services.

A key desired outcome of Project GoCell was that during the civil and construction period it should benefit the local community as far as possible and boost the local economy by creating employment opportunities in an area where unemployment is high.

Integral to the programme was the GoCell Training Centre which opened its doors in November 2011.

The aim of the centre was to supply construction and civil contractors on the GoCell project with well-trained local people with the skills relevant to the needs of the various contractors i.e. steel fixers, shutter hands/formworkers, concrete hands and scaffold erectors, when they commenced site work in January 2012.

Over 1,100 job applications were received from the local community for the opportunity to be trained, of which 369 were successful. Of these 369, a total of 150 trainees were employed post-training by various contractors and sub-contractors on the GoCell site. The length of the training courses was an average of 22 working days during which time learners were equipped with the basic skills requirements for positions as unskilled or semiskilled employees. Over 90% of trainees passed their various training courses.

Traditionally on construction sites, the various contractors involved begin work with their staff already employed from a central site. However, in terms of this programme, contractors were required to source their unskilled

and semiskilled labour from the local community and from the pool of trainees supplied by the Centre.

With the project in full swing, from April 2012, the focus of the Centre shifted from training suited to civil engineering to mechanical assistant type training on power tools such as those used for grinding, cutting and drilling. Successful students received a CETA Certificate on completion of the relevant training course, and were automatically registered on the CETA database for future employment by other contractors at the end of the GoCell project.

It is planned that the Centre will continue operations until at least the end of 2012. Applicants will continue to be trained in the various construction-related skills, even if not

all of the students can be used on the GoCell project. Both Sappi and AMEC believe that trained individuals will be able to find work with their newly acquired skills.

The Upliftment Training Programme was awarded two first places in the prestigious BHP Billiton Achiever Awards Competition in July 2012. These awards recognise organisations which have demonstrated their commitment to the advancement of their employees' skills base by implementing skills development and training programmes that are relevant, innovative and effective. The programme was recognised as the best in the categories: *Re-skilling and Empowerment*, and *Best Training Programme for Large Companies*.





Transforming our workplace

Promoting employment equity

Following the restructuring of our Southern African business, employment equity forums at each of the business sites were reconstituted.

In the year under review, road shows and training were conducted at each business site. These covered topics like the 2012 Employment Equity Amendment Bill, setting employment equity targets; using an IT system to assist in planning for and determining employment equity numbers and instilling employment equity as a business imperative, not a numbers game.

The human resources manager and/or hiring manager at each mill is required to report to the forums on a quarterly basis on the progress made against the targets set.

Transformation challenges facing the group include:

- Meeting our employment equity targets specifically in those occupational categories in which we are under-represented, namely senior management and professionals
- Addressing the gender imbalance
- Focusing on diversity in its broadest sense, and
- Developing a skilled and sustainable workforce.

Our employee equity profile

	Females				Males			
Occupational level	African	Coloured	Indian	White	African	Coloured	Indian	White
Top management	1	1	0	0	1	0	0	14
Senior management	1	1	2	6		1	2	40
Professional qualified	12	9	22	81	56	17	80	336
Junior management	127	41	63	211	719	32	250	587
Semi-skilled	203	9	19	35	1,443	20	170	40
Unskilled	99	0	1	0	437	4	8	3
Total employees	443	61	107	333	2,656	74	510	1,020
Non-SA based employees								
Employees with disabilities	5	0	0	0	50	2	6	22

At the top and senior management levels, women and black people are under-represented and further work needs to be done in this category. Currently:

- Black people represent 14.7% of top and senior management
- Women account for 17.6% of top and senior management, and
- On the Sappi Southern Africa subsidiary board, 14% of the directors are women and 22% are black.

Empowering our people through training and 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 as well as the tracking of training and development progress, in order to equip employees for improved performance in their current roles, to recognise competence and to prepare them for career mobility. Skills development initiatives, particularly programmes aimed at improving management and leadership skills, are geared to meet our employment equity targets.

In 2012, Sappi Southern Africa invested US\$4.3m in training and development which equates to 1.68% of the payroll. A total of 4,976 employees participated in training and development programmes, with black employees representing 72.2% of the total number of employees who were trained.

Scholarship and bursary programmes

During 2012, 38 bursaries were granted to university students by Sappi Southern Africa, of which 13 were awarded to black students.

	Males	Females	Total
BSc Chemical Engineering	5	2	7
BSc Electrical Engineering	5	4	9
BSc Mechanical Engineering	4	10	14
MSc Chemical Engineering	3	1	4
BSc Forestry	3	1	4
			38

Apprenticeships/learnerships

88 employees are currently under apprenticeship in terms of Section 13 of the South African Skills Development Act and a further 39 employees are being trained as repairmen. Black people make up 90% of the apprenticeships and learnerships.



UN Global Compact Principle no 6:

*The elimination of
discrimination in
respect of employment
and occupation.*

*The Employment Equity
act is an employment
policy that applies
to all employers and
workers and protects
both workers and job
seekers from unfair
discrimination. It also
provides a framework
for implementing
affirmative action.*

UN Global Compact Principle no 3:

Freedom of association and the effective recognition of the right to collective bargaining.

People

Graduates in training

50% of our graduates in training are black employees.

	Males	Females	Total
Engineers in training	8	8	16
TOPP (Training Outside of Public Practice	1	3	4
Diplomats in training	7	5	12
			32

In addition we have a total of 108 employees who are enrolled in our tuition reimbursement programme. Of these 13.9% are women and 65.7% are black people.

Further frequently asked questions about our Broad-based Black Economic Empowerment (BBBEE) initiatives and our BBBEE scorecard from independent verification agency Empowerdex are available on the sustainability section of our website under www.sappi.com

Maintaining sound labour relations

Background

Approximately 48% of our workforce is unionised. The Chemical, Energy, Printing, Paper and Allied Workers' Union (CEPPWAWU) – is the majority union, followed by the United Association of South Africa (UASA) and then Solidarity.

The company has a recognition agreement with CEPPWAWU. Both UASA and Solidarity are also recognised as they are sufficiently represented throughout Sappi operations in South Africa and are party to the National Bargaining Council structures.

Transformation, learning and development are priority issues for the unions in our sector. Against this backdrop, local shop stewards are able to nominate their representatives to sit on their respective business unit Employment and Learning Forums which deal with these issues. In addition, a National Learning Forum has been established to engage and consult on and to ensure alignment at company level in terms of these issues. The Forum meets on a quarterly basis and is attended by management, nominated shop stewards and Sappi employee relations managers.

Negotiating with unions

Sappi SA is part of the Bargaining Council for the Wood and Paper Sector. We are represented through the Employers Association for the Pulp and Paper Industry of South Africa for our pulp and paper business and through the Sawmilling Employers Association for our sawmilling business. The forestry division within Sappi SA is not unionised and wages and minimum conditions of employment are determined in terms of the ministerial sectoral determination for forestry workers.

Wage negotiations are conducted at central bargaining level in the different bargaining chambers under the auspices of the National Bargaining Council.

In FY2012, wage agreements were concluded at increases of 7.5% and 7% for all employees in the bargaining units of pulp and paper chamber and the sawmilling chamber respectively. The agreements are valid from the beginning of July 2012 to 30 June 2013. Although unions had declared a dispute in the respective chambers prior to the agreements being concluded, negotiations were conducted in good faith and in good spirit.

This was a significant move forward from 2011, when a three-week strike cost us approximately US\$20 million. Among the outstanding issues was study assistance for children of staff. A task team was established to investigate and review current initiatives and to make recommendations for consideration at company level before the end of December 2012.

Building on the constructive wage negotiations in 2012, going forward our strategic priority is to maintain and improve our positive relationship with labour both at business unit level and at company level to ensure we continue to engage meaningfully.

Focusing on health, wellbeing and safety

Promoting health and wellbeing

Recognising that wellbeing has a direct impact on productivity and job satisfaction, there are employee wellbeing programmes (EWPs) in place at all our operating units. Health programmes include health monitoring such as HIV/AIDS testing and initiatives focused on issues such as diabetes, heart health and sexually transmitted diseases. Wellbeing programmes include alcohol and breast cancer awareness, stress management and trauma counselling. Financial wellbeing is also covered, with money management sessions held with an outside service provider, financial skills training and assistance with tax returns.

Promoting an inclusive safety culture

“I could sense that the message about being a safety VIP was really getting through because it was delivered in the most engaging, sincere and real manner.”

Vuyo Bahlekazi, former HR Manager at Saiccor Mill

At Saiccor Mill, Jurgen Tietz, a thought leader on safety, engaged with approximately 900 employees and 145 contractors during four motivational sessions held throughout the course of Global Safety Awareness Day 2012.

Jurgen, who lost an eye in an accident and who is fluent in Afrikaans, English, German and

Zulu, spoke about the fact that mistakes can become a habit and that zero harm is a “choice, not chance”. He also spoke about the need to take personal responsibility for safety and to do things “Better. Smarter. Safer.”

To see a video of the presentation, go to: <http://www.youtube.com/watch?v=jnKjsAwzLxo>

We continue to make strides in combating HIV/AIDS in Southern Africa. A document detailing frequently asked questions about our HIV/AIDS initiatives is available in the sustainability section of our website at www.sappi.com

Global Safety Awareness Day 2012



better, smarter, safer

sappi
Inspired by life



People

Background to safety

Sappi SA is unique in the Sappi group in the sense that we are the only region with a forest division. This involves large numbers of people working in remote locations. Activities like silviculture and harvesting are performed by contractors and we extend our safety management systems to include both own and contractor employees.

Our safety approach

Our approach to safety is two pronged: Firstly, we have a systemic approach with a safety system that complies to the OHSAS 18001 certification standard and integrates our safety efforts with our quality (ISO 9001) and environmental management (ISO 14001) certification systems, all of which are regularly audited by third party auditors.

Secondly, we do not see safety as a compliance issue alone, but as a fundamental way of doing things. In terms of Project Zero, which incorporates a behaviour-based approach to safety, dedicated risk and safety management teams ensure that safety management systems are incorporated into everyday operational procedures in a real, measurable way. We also focus on changing the behaviour and culture of people. We do this by:

- Identifying the risk areas and critical behaviours associated with their work
- Agreeing to perform their tasks in accordance with these critical behaviours
- Deciding on the frequency of behaviour modelling
- Establishing the frequency of observation and feedback, and
- Problem solving.

Contractors and their employees are incorporated into this team-oriented approach.

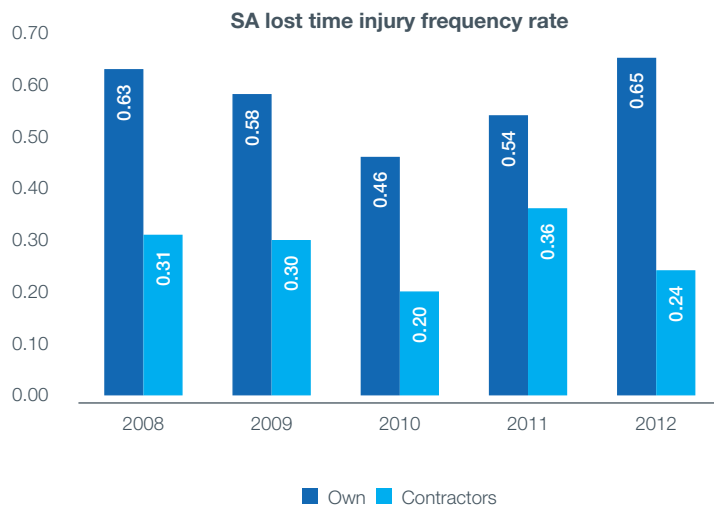
Performance during 2012

Tragically, two contractor employees suffered fatal accidents during the year under review. While this is an improvement on our FY2011 figure, it falls short of our goal of zero fatalities.

Our view is that any incident is one incident too many and we extend our deepest sympathies to the families of the deceased.

The region ended the year, for all personnel employed, with an LTIFR of 0.35 compared to 0.41 achieved during FY2011. The All Injury Frequency Rate (AIFR) for the year was 3.52. The Lost Time Injury Severity Rate (LTISR) for the year was 60.30, indicating that although the number of injuries was well contained, the severity remained high. The two fatalities contributed to the high severity rate.

On the contractor side, the good performance of the previous two years was maintained and an LTIFR of 0.24 for the year was achieved compared to the FY2011 figure of 0.36. Disappointingly, this excellent contractor safety performance was not reflected in the performance of our own employees in terms of which LTIFR stood at 0.65 against a target of 0.42 and a FY2011 figure of 0.55.



Focus areas for 2013

Safety culture surveys conducted during the year highlighted the following issues:

- Ensuring consistency in the way we deal with safety violations
- Streamlining safety administration
- Changing the culture of risk tolerance
- Ensuring that adequate and timeous safety refresher training is conducted
- Ensuring that good behaviour and performance is rewarded
- Revisiting our communication strategy to ensure that we reach everyone in our communications, and
- Transferring best practices between business units and divisions.

In addition, we are currently identifying and transferring the best practices results of the contractors' performance to our own employees. This includes focus on communication and discipline as well as a refocus on the behaviour-based safety (BBS) programme to ensure that the principles and fundamentals of the programme are clearly understood and that the data collected is utilised in eliminating accidents.

Safety achievements in FY2012			
Month	Mill	Own employees	Contractors
October 2011	Tugela Mill	1 million man hours without LTI	
November 2011	Ngodwana Mill	1 million man hours without LTI	1 million man hours without LTI

We do not see safety as a compliance issue alone, but as a fundamental way of doing things

UN Global Compact principle no 8:

Undertake initiatives to promote greater environmental responsibility.

Most people understand that forests could play a role in a green economy, but not many people realise that this role is not optional – for a sustainable world, it is mandatory

*State of the World's Forests 2012,
published by the Food and Agriculture
Organisation*

People

Empowering communities

Background

World leaders at Rio+20 agreed that forests have a significant role to play in addressing many sustainable development challenges. The 2012 State of the World's Forests report (<http://www.fao.org/docrep/016/i3010e/i3010e.pdf>) also makes the case that better and more sustainable use of forest resources can make a significant contribution to meeting many of the core global challenges including poverty and hunger, climate change and more sustainable sources of bio-products and bio-energy for human use.

Developing the rural areas of South Africa is one of government's top priorities. While our plantations are man-made, rather than the natural forests to which the 2012 State of the World's Forests refers, our plantations also play a significant role in sustainable development.

Through our presence in remote rural areas, we facilitate the establishment of a number of businesses and we also provide employment in these areas, thereby promoting social and economic development. Sappi Forests directly employs 12,000 own and contractor employees. Assuming a multiplier effect of six, this means that 88,000 people are economically dependent on Sappi Forests. In addition, in 2012 we completed an ecosystems assessment of our landholdings (discussed in more detail on page 60). This indicated that there are 850,000 people – approximately 1.6% of South Africa's population – living within three kilometres of a Sappi plantation whose lives are enriched by the ecosystems services our plantations provide.





Through our presence in remote rural areas, we facilitate the establishment of a number of businesses and we also provide employment in these areas, thereby promoting social and economic development

! jobs

Community benefits of Project Grow:

- > *Loan repayment: 11% of income*
- > *Harvesting costs: 21% (to local business)*
- > *Transport costs: 26% (to local business)*
- > *Profit to farmer/community: 42%*

People

Working with communities

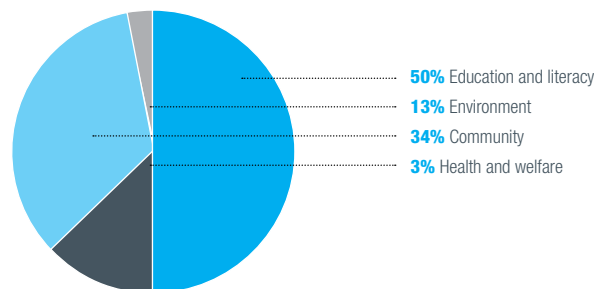
Sappi's headquarters are located in Johannesburg, South Africa – a region where the socio-economic needs are greater than the other regions in which we operate. Accordingly, the bulk of our corporate social responsibility (CSR) spend is allocated to the Southern African region. In 2012, this amounted to US\$811,616 (R6.54 million), representing 1.24% of net profit after tax.

We see ourselves not just as a company, but as part of a community. The various engagement forums which incorporate our key stakeholders and are in place at all our mills assist us in determining our CSR priorities. We believe that our CSR approach and programmes should be aligned with and support the achievement of our business objectives, forming part of our engagement and partnering initiatives with our key stakeholder groups throughout our businesses. Further details of our CSR policy and spend can be found in our group online sustainability report, available at www.sappi.com

Our CSR programmes are focused on education and literacy; health and welfare; conservation and the environment and relevant community support which, in South Africa is aimed at covering gaps in infrastructure, service delivery and education and is aligned with identified government priorities.

Project Grow (described in detail on page 27 of our 2011 regional sustainability report)¹ and a community forestry project in the Eastern Cape (described on page 15 of the same report) are flagship community projects. In terms of Project Grow, Sappi provides forestry management advice as well as the transfer of financial and management skills. Over 1,100 jobs (80% women) and over 100 small, medium and micro enterprises (SMMEs) have been established through this programme. In terms of the Eastern Cape project, it is anticipated that the transfer of skills will create approximately 1,500 direct and 4,500 indirect jobs.

CSR split per category in Sappi SA



¹ <http://www.sappi.com/regions/sa/Sustainability/Documents/2011%20Sappi%20Southern%20Africa%20Sustainability%20Report.pdf>

The Vusisizwe Nursery Project: helping to promote entrepreneurial skills

The aim of the South African government is to improve investment in agricultural and rural infrastructure that supports the expansion of small-scale farming and rural development.

The Vusisizwe (uplifting the nation) Nursery Project helps to meet this need. The project was initiated by Sappi and the Community Forum of Ekuthuleni village, the main village on Sappi's Lothair plantation.

The project is registered as a cooperative and involves 16 members from the community – six of whom are paid, with the rest on call when needed. The members are undergoing training offered by the Siyafunda Training and Development Trust. This training provider was appointed by SEDA (Small Enterprise Development Agency) which allocated sponsorship of R220,000 to the project for training.

SEDA was very impressed with the project and committed to invest more in terms of marketing and growing the project. The nursery project was funded through the capital raised from two sources:

- Boletus Mushrooms CC, a company based in Amsterdam, Mpumalanga. Boletus is a Sappi Contractor that is contracted to pick bole (or porcini) mushroom in all Sappi pine plantations. Sappi's agreement with the company states that for every kilogram harvested, a certain percentage must go to the nursery project's trust fund, and
- The German government,

through their development trust fund called Siyaphambili (Moving forward), also donated R100,000.

Vusisizwe Nursery Project consists of two tunnels where the main aim is to produce forestry seedlings, mainly *Pinus patula*. The decision to produce forestry seedlings was taken after seeing the demand for *Pinus patula* seedlings in the area and thus a guaranteed market. Seeds are obtained from suppliers accredited by Sappi. This ensures that the seeds are of a certain standard and quality – important as a kilogram of *Pinus patula* seedlings costs approximately R7,830. A total of 160,000 seedlings will be planted in the October/March 2012 planting season and will be bought by Lothair.

The tunnels are also used to produce vegetables and vegetable seedlings in the off season. Products planted recently include green beans, tomatoes, eggplant, green pepper, spinach and beetroot. These were sold to community members and to people in the surrounding areas.

Proceeds from the sale of vegetables and *Pinus patula* seedlings will be ploughed back into the project which is expected to become self-sustaining within the next five years.





Promoting conservation: the Sappi seal platform

There are many injured Cape Fur seals that live in the waters around the V&A Waterfront in Cape Town where the Two Oceans Aquarium is located.

The seals are often the victims of plastic pollutants: being playful animals, they easily become ensnared in straps, bands and fishing lines with painful results. This waste is mainly from fisheries in the area, but also enters the harbour via rivers and storm water drains from the suburbs.

In September 2010, internationally renowned folk singer Peter Sarstedt visited South Africa as Sappi's guest to help raise funds and awareness for various environmental conservation organisations with

which Sappi is associated. Peter sang at a concert in the aquarium in aid of a seal platform project.

Sappi sponsored a seal platform which has a rope-driven gate. This allows Aquarium staff to enclose a wild, injured seal that would otherwise try to escape should it spot a human approaching. With the new platform's fencing, staff can enclose injured animals and then remove the nooses in which they're caught. Since the platform was built, roughly two seals a week have been helped in this way.

Promoting environmental awareness: the Sappi exhibition at the Two Oceans Aquarium in Cape Town

The Sappi River Meander traces the journey of a pristine river, from its mouth to its origin high up in the mountains.

We have been involved with the Two Oceans Aquarium since 1995 and our exhibit now boasts a ten-year-old milkwood forest; a breeding colony of African penguins from which juveniles are released into the wild; rockhopper penguins; African black oystercatchers and

a wide selection of freshwater fish, indigenous and alien, to our Western Cape rivers. A bird hide, overlooking the rockhopper rookery, offers people a place to sit and relax in this peaceful riverine environment. The exhibit also incorporates several species of frogs.

Providing running water

Like many other schools in rural South Africa, the NtaBezweni Primary School, servicing the community, had no running water.

Not only does lack of running water have negative health consequences, it also impacts negatively on educational performance. Against this backdrop, in FY2012 we donated a borehole, pump and piping to

the school. The water from the borehole will be used primarily for drinking water, but some will also be allocated to the school's newly-planted vegetable garden and orchard. Sappi kick-started the orchard by donating fruit trees.

Encouraging outdoor activities on our land

Mountain biking is one of the fastest growing sports in South Africa.

In keeping with our commitment to nurturing an appreciation for the sustainable use of renewable resources, we encourage bird watching, marathons and mountain bike racing on our land.

One of the mountain biking events we sponsor is the Sappi Mankele Mountain Bike Challenge. The event offers a number of races, which includes a 2.4km, 12km, 35km and a 65km race.

Over the years the organising body, Mankele Mountain Biking, has developed unique trails running through Sappi's bush tunnels and endless single tracks, which enables riders to have the best possible mountain biking experience. Sappi's property also boasts one of the longest bush

tunnels in the country, which makes for an exhilarating ride. The route takes riders through beautiful grasslands where, if lucky, the riders may spot red data species such as the Oribi buck and Humilis cycads.

The race has seen a 30% growth rate increase per year since the event first started in 2008, and the Mankele trails are rated amongst the best mountain biking trails in South Africa by many professional riders.

For further details of events that take place on our land go to: <http://www.sappi.com/regions/sa/SupportAndSponsorships/Sponsorships/Communitysupport/Pages/default.aspx>



Planet

Mitigating climate change

“What we do about climate change today has far-reaching consequences for the sustainability of businesses, communities and ultimately the natural world we depend upon for our existence. As a renewable resource company Sappi welcomes the opportunity to become involved in a global solution focused on making the transition to a low-carbon economy.”

*Ralph Boëttger, Chief Executive Officer, Sappi Limited,
on signing the 2°C Challenge Communiqué on 20 October 2011
(<http://www.2degreecommunique.com/>)*

Background

Deforestation and other land use changes account for approximately 20% of global emissions. We believe that efforts to tackle climate change will be critically undermined without action to sensibly conserve and increase forests – both natural forests and plantations – and other land-based carbon sinks, in addition to action related to reducing emissions from fossil fuels.

Timber plantations as a carbon sink

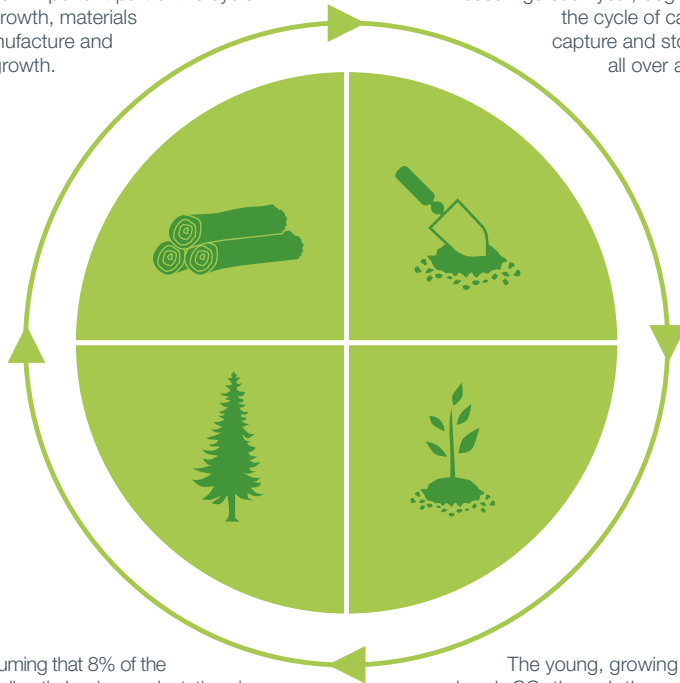
Carbon sinks are any natural or man-made systems that accumulate and store greenhouse gases, primarily CO₂, from the atmosphere. To be considered a sink, a system must be absorbing more CO₂ than it is releasing so that the store of CO₂ is expanding.

In Southern Africa the plantations from which our wood is sourced play an important role in mitigating climate change by storing carbon. Growing trees absorb CO₂, sunlight and water to produce the carbohydrate energy needed for growth. Harvesting is not equal to deforestation; it is an important part of the cycle of growth, materials manufacture and re-growth – particularly as growing trees absorb more CO₂ than mature trees, where the rate of growth is slower.

Carbon storage refers to the carbon already stored in the ecosystem, while carbon sequestration is the process of capturing and accumulating carbon in the ecosystem. For carbon sequestration to be classified as a significant service, the store of carbon in the systems should be growing. Consequently, to maximise the carbon mitigation effect, it makes sense to harvest mature trees, replant and begin the cycle of carbon absorption all over again.

Harvesting is not equal to deforestation; it is an important part of the cycle of growth, materials manufacture and re-growth.

Sappi plants approximately 37 million seedlings each year, beginning the cycle of carbon capture and storage all over again.



Assuming that 8% of the standing timber in our plantations is harvested annually, the amount of carbon stored in our plantations at any one time is approximately 260 million tons.

The young, growing trees absorb CO₂ through the process of photosynthesis. The trees in Sappi's plantations absorb 13 million tons of CO₂ and give off 8 million tons of O₂.



UN Global Compact principle no 7:

Support a precautionary approach to environmental challenges.

UN Global Compact principle no 9:

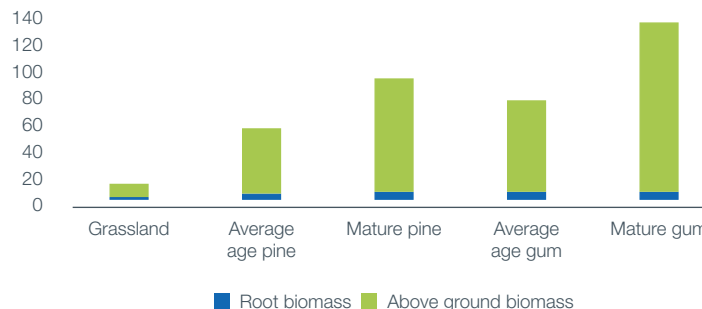
Encourage the development and diffusion of environmentally friendly technologies.

Planet

Plantations store carbon in two ways: in the soil and in the biomass below and above the soil. This process varies over time and in response to environmental conditions. Plantations store between 230 and 240 tons of carbon per hectare at rotation which is more than in grasslands and more than in crops such as maize.

Average amount of carbon stored in plantations compared with grasslands (t/ha)

(after Mills et al 2005)



Research and silviculture

Our research and forestry activities, focused on mitigating the effects of climate change, include collaboration with industry and various research institutes to improve silvicultural practice, develop biocontrol measures and breed genetically more resistant planting stock.

Reducing transport emissions

As with other industries, Sappi relies heavily on fossil fuels for transportation. We are committed to streamlining our use of transport as this reduces specific emissions and also results in lower delivery costs.

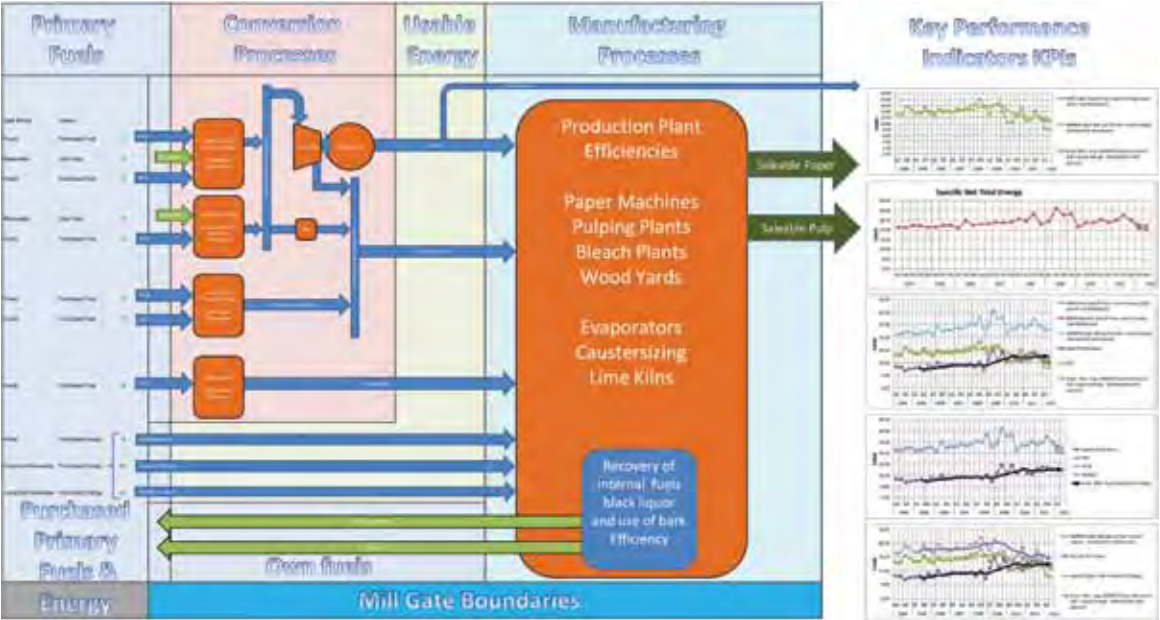
We have done this via a number of initiatives including the replacement of travelling for meetings with video and teleconferencing, as well as through our SMART vehicle fleet. We currently have 15 trucks in KwaZulu Natal and 10 in Mpumalanga, with permits approved for a further 14. In KwaZulu-Natal the SMART fleet has been on the road long enough for us to be able to compare greenhouse gas (GHG) emissions data with the standard trucks. The SMART trucks has a reduction in GHG emissions of 17.9% per payload ton which means that on the fleet of 15 trucks the reduction in GHG is 21,675 tons per annum.

Promoting energy security

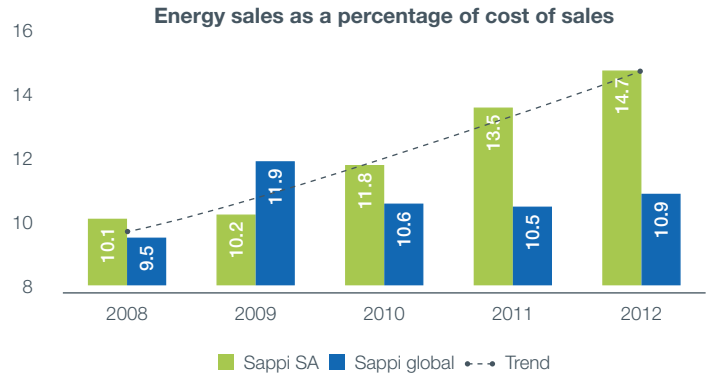
Background

Energy supply in South Africa has come under pressure in recent years. Not only would a loss in supply disrupt our operations, but, increased energy costs would also lead to increased manufacturing cost and thus impact on our overall sustainability. We are attempting to reduce costs and enhance energy security by reducing specific (ie per ton of product) purchased energy through a rigorous energy management system, by increasing our use of our own renewable fuels and by self-generating electricity.

Example of a mill energy management system



Comment: Relevant directors are responsible for setting up the structures and meeting the energy reduction targets within the region.



Comment: Between 2011 and 2012, costs expressed as a percentage of sales rose as the cost of coal increased by 13.3%/GJ and electricity by 19.6%/KWh.

Saiccor Mill's Project 'Amakhulu' which expanded capacity from 600,000 to 800,000tpa of dissolving wood pulp, integrated a recovery boiler with a 45MW turbo generator to harness waste energy and convert it into steam and electricity, while also converting waste chemicals into useful chemicals. This increased the use of renewable energy at the mill from 35% to 55% and has resulted in avoided emissions of 320,000 tons of CO₂ between 2008 and 2012 – the equivalent of running approximately 14,000 medium-sized cars for a year.

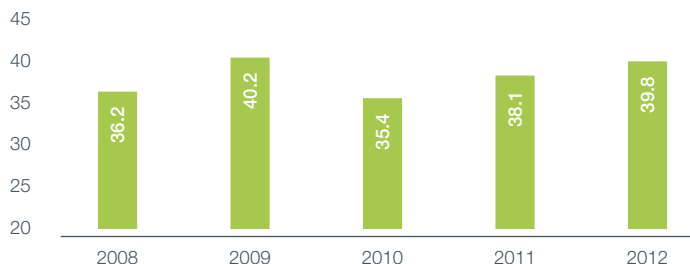
In common with the rest of the pulp and paper industry, we measure our production in specific terms – in other words, per air dry ton of production.

Increasing our use of renewable energy

The use of renewable fuels like wind, solar and biomass is more environmentally friendly than using non-renewable fossil fuels such as oil, gas and coal for two key reasons: Firstly, renewable fuels can be constantly replenished unlike fossil fuels which are finite. Secondly, burning fossil fuels continually introduces 'new' carbon into the atmosphere, as the CO₂ released when they are burned was previously 'locked up' for millions of years. However, when renewable fuels are burned, they release CO₂ that was not under the ground, but was bound from the atmosphere during the process of photosynthesis.

According to the International Energy Agency, in 2009 the world relied on renewable sources for approximately 13.1% of its primary energy supply. In Sappi SA, our use of renewable energy currently stands at approximately 40%, predominantly from black liquor.¹

Renewable energy as a percentage of energy attributable to mill operations (EAMO)



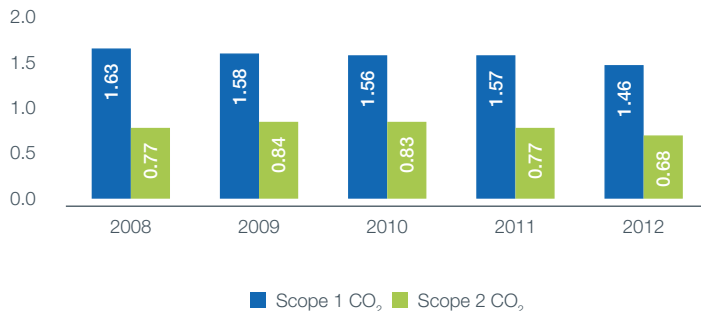
Comment: The percentage of renewable energy increased in 2012 due to Saiccor Mill decreasing its usage of fossil fuel by increasing the black liquor solids content and improved washing efficiencies. Ngodwana Mill also increased its chemical recovery furnace steam production by increasing the black liquor solids concentration and by burning more bark in the pulverised coal-fired boiler.

We buy energy in the form of power from the state power utility, Eskom as well as in the form of coal. Reducing purchased energy has both economic and environmental benefits because coal, as previously stated, is a non-renewable fuel and the majority of the power supplied by Eskom is generated by burning coal. By increasing our use of renewable energy, we are not only reducing our reliance on fossil fuels, but also reducing fossil CO₂ emissions.

Over the last five years, emissions in our mills have been decreasing steadily as a result of increased use of renewable energy, through more efficient self-generation of electricity and efficient energy management.

¹ Black liquor is the spent cooking liquor from the kraft process which results when pulpwood is digested into paper pulp by removing lignin, hemicellulose and other extractives from the wood to free the cellulose fibres. The resulting black liquor is an aqueous solution of lignin residues, hemicellulose, and the inorganic chemicals used in the process. Black liquor contains more than half of the energy content of the wood fed into the digester.

Scope 1 and scope 2 emissions (t/adt)



Comment: Scope 1 emissions are those emitted directly by Sappi, while scope 2 emissions relate to those associated with purchased energy, such as electricity from Eskom. The decreasing trend in fossil based emissions follows the trend for purchased energy. Saccor Mill contributed positively to the reduction of fossil CO₂ as the mill decreased their fossil fuel usage by increasing their use of black liquor. The complete mothballing of pulping operations at Enstra Mill also contributed to the decrease in purchased energy and hence, of scope 1 emissions. Ngodwana Mill generated more power from black liquor and bark during FY2012, thus imported less Eskom power which is fossil based.

Cogeneration

Sappi generates a significant percentage of its own electricity in the form of cogeneration. This is the practice of using exhaust heat from gas turbine electrical generators for producing heat (mostly steam) in manufacturing processes. The forest products industry is a leader in the production and use of cogenerated electricity, with paper mills using electricity to power equipment and steam in the manufacture of its products. Steam is also used to heat dryers used in the papermaking process.

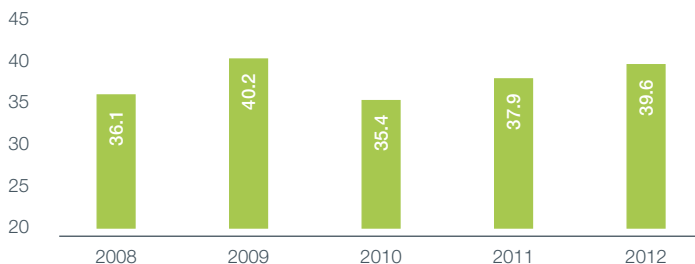
An added benefit is that the substantially higher efficiency levels of cogeneration plants significantly reduce the specific emission levels of GHGs. Gas turbine electrical generators alone have efficiencies in the 30 – 35% range. If cogeneration is used the efficiency increases to approximately 60%. With cogenerated power a greater proportion of the energy contained in the fuel is used than with condensing power. Cogeneration is thus a more environmentally friendly process.

Self-generation of electricity

Self-generation of electricity has a financial advantage to the company as energy is generated more cost effectively. Apart from being more efficient, self-generation also assists in mitigating supply threats and assists the country by reducing the load on the national supply grid. Sappi has been supplying energy to the national grid since 2010.



Percentage energy self-sufficiency

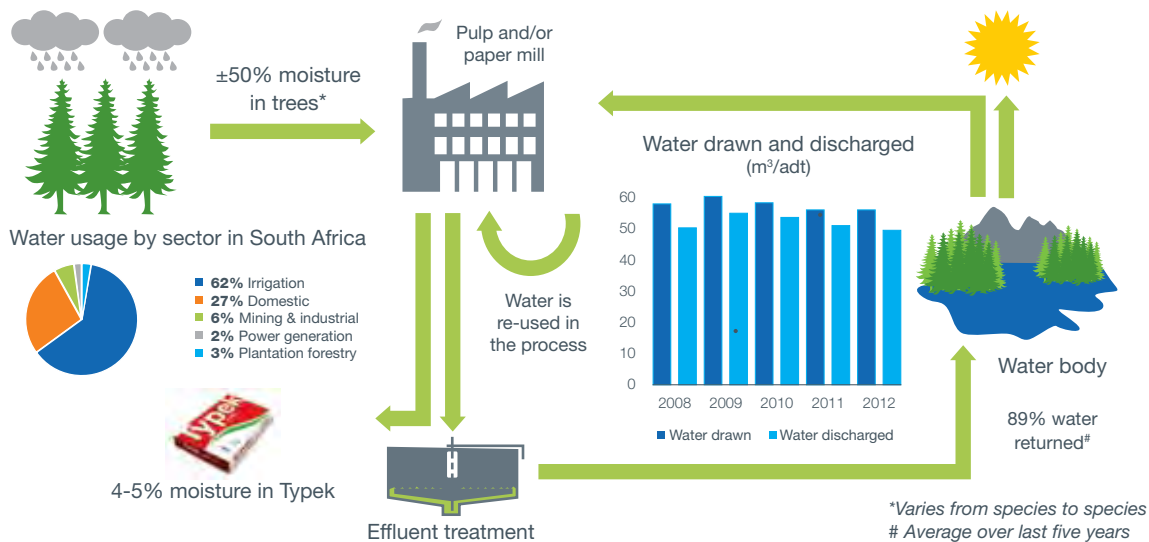


Comment: For South African mills, energy self-sufficiency very closely follows the percentage of renewable energy. This is because the 'own' energy which contributes to energy self-sufficiency in South Africa is all renewable and purchased energy is 98.1% fossil-based. The reasons for the trend variations in energy self-sufficiency are the same as for percentage of renewable energy.

Using water responsibly

Background

Water is a precious natural resource and, in South Africa, our duty of care towards water is underlined by the fact that ours is a water stressed country. This has been highlighted by the United Nations Food and Agriculture Organisation (FAO/AQUASTAT (2002)) which reports that South Africa has a total renewable water resource of 1,153m³ per person. This is below the water stress limit proposed by the World Resource Institute of 1,700m³ per person, indicating that South Africa can be considered water stressed.



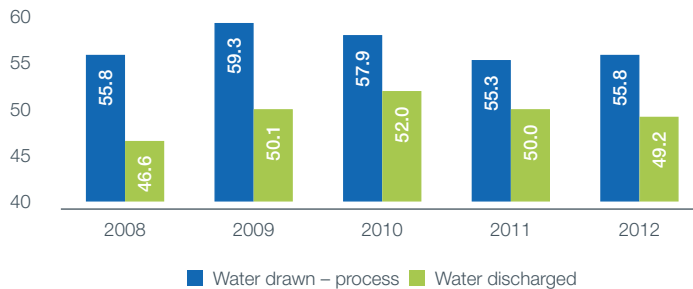
Using water in our mills

At Sappi, when considering any projects or expansions, we carefully evaluate the most efficient water use technology. Furthermore, water management is included in our operational environmental management plans, which are reviewed and updated annually.

In our production processes, water is needed to hold, transport and distribute the fibre that becomes the sheet of paper and is also an integral part of the steam systems used to generate energy.

Trees themselves hold a high percentage of water and this becomes part of the pulping production process. Water used in the pulp and paper production processes is recycled many times in the system. However, minerals from wood fibre mean that some water has to be discharged. Unlike most other industries, we return approximately 89% of the water we extract back into the environment, mostly into the same rivers from which it was extracted or into agricultural irrigation systems.

Process water and water returned
(m³/adt)



Comment: Water drawn from the environment used in the manufacturing processes showed a slight increase due to Saiccor Mill experiencing high turbidity in the incoming raw water which meant backwashing had to be performed more regularly. Stanger Mill had an extended bagasse 'off-crop' shut as well as commercial downtime taken on the paper machine resulting in inefficiencies due to shutdowns. Water returned showed a decrease mainly due to Saiccor Mill by increasing production whilst generating the same volume of effluent per air dry ton.

Using water in our forestry operations

According to the Department of Water Affairs and Forestry, water use in South Africa is dominated by the irrigation of crops, which accounts for approximately 62% of all water used in the country. Domestic and urban use accounts for approximately 27%, while mining, large industries and power generation account for some 8%. Commercial forestry plantations account for only 3% of total use by reducing runoff into rivers and streams.

In our forestry operations, we optimise water quantity by delineating riparian zones and wetlands and ensuring these are kept free of trees. Water quality is managed by regulating drainage and minimising erosion, thereby preventing run-off into streams and rivers. In addition, we use very little fertiliser and only use pesticides that are short lived with little or no impact on downstream ecosystems. Consequently, water is very seldom polluted by forestry operations. Sappi Forests also has a number of procedures to ensure runoff after harvesting is kept to a minimum. These include leaving harvesting residue on the ground and ensuring that the correct harvesting and extraction methods are used.

Our commitment to responsible water use is highlighted by the fact that, in terms of water usage, our Ngodwana Mill in Mpumalanga is one of the most competitive integrated kraft mills for its vintage.





Working with neighbours

Buffelskloof Private Nature Reserve is a small private nature reserve approximately 1,500 hectares in area, situated in Mpumalanga and owned by the Buffelskloof Nature Reserve Trust (<http://www.bknr.co.za/>).

It protects a large patch of privately-owned indigenous forest, as well as patches of montane grassland and mid-altitude woodland. The Buffelspruit which originates on Sappi Forests' Kalmoesfontein farm and flows through the reserve is an important source of good quality and volume of water into the Crocodile River.

Invasive species had taken hold in the upper catchment of the Buffelskloof on land belonging to Sappi and to the Trust to such an extent that neither Buffelskloof Conservancy nor Sappi could see their way to rehabilitating the area. Sappi could not do it due to labour shortages and Buffelskloof could not do it due to funding shortfalls.

However, this changed when a joint venture between the conservancy and Sappi Forests to clear the upper catchment area was established. Sappi supplied the FSC™-approved chemicals and half the labour

while Buffelskloof supplied the supervision and the other half of the labour. To date, approximately eight hectares have been cleared.

The joint venture resulted in the main feeding streams to the Buffelskloof watershed being cleared. In addition, cleared material was removed and stumps treated to prevent regrowth. Consequently, the water level has increased in the streams and new springs have even started to emerge in areas where there were previously none. The natural vegetation is also slowly returning to its pre-infested state and is expected to provide a refuge for wildlife.

This partnership has now also led to another project of planting indigenous trees on a 22ha site nearby, previously part of a sheep and timber farm, which now belongs to Sappi. This will benefit the community and the environment in years to come.

Prioritising wetlands

According to the 2011 National Biodiversity Assessment, wetlands are the most threatened of all South Africa's ecosystems, making up only 2.4% of South Africa's surface area. Wetland ecosystems are vital for purifying water and regulating water flows, acting as sponges which store water and release it slowly, filtering pollutants and easing the impact of droughts and floods in the process.

Currently, a total of 2,148ha of Sappi Forests' landholdings (excluding rivers and streams) are classified as wetlands. These are all inland wetlands (as opposed to coastal wetlands) and consist of a variety of wetland types, including freshwater marshes, peatlands, springs, swamp forests and floodplains.

Wetlands have long been a priority for Sappi Forests which ran a wetlands rehabilitation programme, from 1990 to 2005. More recently, our environmental team has embarked on a programme to assess all the main wetlands on Sappi land using the wetland assessment toolkit, called Wet-assess. This toolkit enables us to prioritise the importance of our wetlands, assess their catchment areas and refine their management to ensure they are in a healthy sustainable condition and provide all the vital functions a good wetland should, such as a constant flow of good quality water.

In terms of a programme to clear alien vegetation from water courses by 2010, approximately 10,000ha of planted land was withdrawn from timber production which had a positive impact on streamflow, as well as biodiversity.

This represents 3% of landholdings currently producing fibre and an opportunity cost of approximately US\$12.2 million a year.

Minimising waste

Sending solid waste to landfill not only has cost implications, it also has environmental implications as landfills generate methane, a powerful GHG with a global warming potential approximately 25 times higher than CO₂. Since 2009 we have reduced the amount of solid waste sent to landfill by 13.2%.

Investigating the beneficiation of waste streams is an ongoing area of research at our Technology Centre in Pretoria as it offers opportunities for revenue savings and generation. Our increasing focus on generating revenue through waste is indicated in the graph on the following page.

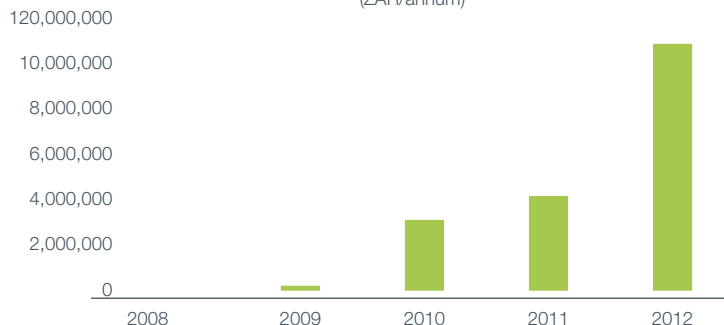
Since 2009
we have
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amount of
solid waste
sent to
landfill by
13.2%



the lignosulphonate stream can be enriched and precipitated for the production of lignin-based higher value products

Planet

Beneficial use of solid waste
(ZAR/annum)



Comment: During 2012 Enstra Mill generated revenue from selling paper waste; Stanger Mill sold sugar cane pith (used by sugar cane farmers as a soil enhancer); Ngodwana Mill sold bark, wood waste and ash, while Tugela Mill sold lime mud (used for soil enhancement). Some solid waste is given to users without revenue gained.

Sugars and lignin extraction at Saiccor Mill

Sappi Technology Centre, based in Pretoria, has been undertaking extensive bench and pilot plant trials using membrane technology to remove hemicellulosic sugars – mainly xylose – emanating from by-product streams at Saiccor Mill.

This opens the opportunity for Sappi to produce higher value chemicals such as Xylitol – a sugar replacement – ethanol and furfural, amongst others. Both ethanol and furfural are considered foundation chemicals as they can form the basis for the manufacture of a host of other chemicals.

The membrane trials have, in addition, proven that the lignosulphonate stream can be enriched and precipitated for the production of lignin-based higher value products, rather than be used as a fuel or disposed of in a waste stream.

A two-step process to recover high purity lignin from both Saiccor Mill's waste streams was developed at the Sappi Technology Centre in Pretoria. This new technology runs parallel with investigations into the ultrafiltration of the spent liquor streams and could result in two high value products from waste, namely lignin and sugars. Together with our biorefinery teams, these recovered compounds are being tested for possible use as feedstock into high value end products.



A two-step process to recover high purity lignin from both Saiccor Mill's waste streams was developed at the Sappi Technology Centre in Pretoria

Sappi



Minimising waste and adding value: lignosulphonates at Tugela Mill

Lignosulphonates are by-products recovered from the spent pulping liquids resulting from the sulphate (or kraft) pulping process.

They act as dispersants when wet and binders when applied and dried and consequently have a wide variety of applications:

- They are a very effective and economical adhesive, acting as a binding agent or 'glue' in pellets or compressed materials. They can, for example, be used on unpaved roads to stabilise the road surface. Lignosulphonates from Tugela Mill are sold to customers for use in a dust suppressant product for the mining industry. This product reduces environmental concerns related to airborne dust particles and also reduces water usage (the conventional method of dust suppression is to use only water). The customer reports that whereas previously excessive dust caused considerable downtime during night shifts, the increased effectiveness of the dust suppression product has meant that most mines supplied have increased their output during night shifts.
- Lignosulphonates prevent the clumping and settling of undissolved particles in suspensions. By attaching to the particle surface, they keep the particle from being attracted to other particles and reduce the amount of water needed to use the product effectively. This dispersing property makes lignosulphonate useful as an admixture in cement mixes. (A chemical admixture is any chemical additive to the concrete mixture that enhances the properties of concrete in the fresh or hardened state.) Lignosulphonates from the mill are sold to concrete manufacturers for use as an admixture, allowing concrete to be made with less water (giving stronger concrete) while maintaining the ability of the concrete to flow.
- The binding quality of lignosulphonates makes them useful in a variety of applications, including fertiliser, briquette and animal feed binders and as a binder in gypsum board. The mill is currently selling a small amount of lignosulphonates to the fertiliser industry and is examining the potential of other applications. The mill is also conducting trials regarding the use of lignosulphonates in the brick industry.

Utilising alien vegetation

We are currently working with Phambili Energy, a Broad-based Black Economic Empowerment (BBBEE) company to develop a slow burning briquette from alien biomass.

Our Glen thorpe plantation in the province of Mpumalanga has been identified as an ideal location for a manufacturing facility producing 200 tons of briquettes per month using approximately 1,200 tons of biomass. Glen thorpe was chosen due to its proximity to the village of the same name and to the nearby pole manufacturing operation, which could provide additional biomass in the form of offcuts and sawdust if needed. The availability of local labour is also a positive factor. Alien plant material – mostly bugweed and lantana – which grows amongst the trees in the plantation will be

removed manually and chipped in-field.

The briquettes are aimed at the lower end of the market which currently uses low-grade coal for domestic purpose. Switching to the briquettes would help reduce the CO₂ emissions associated with burning coal, while removing alien vegetation manually not only creates employment, but also reduces the need for herbicides within the plantation.

Phambili Energy and Sappi are currently in the process of establishing markets for the product.



Conserving biodiversity

Background

On Sappi's plantations, seldom more than 65% of the land is planted, with approximately 85% of the unplanted land being managed for the conservation of the natural habitats and the biodiversity they contain. These unplanted areas act as important conservation sites for many rare and/or threatened species.

Biodiversity is key to the healthy functioning of the plantations (from which we source wood fibre). Our plantations would not be productive without biotic processes taking place. Both our plantations and semi-natural forests are actively managed to enhance these beneficial processes and restrict harmful processes like pests and disease. In Southern Africa all our owned and leased plantations are managed in accordance with the Forest Stewardship Council™ (FSC™ standards) (see pages 17 – 18 of this report for further details). Principle 6 of the FSC™'s 'Principles and Criteria', for example, states: "Forest management shall conserve biological diversity and its associated values, water resources, soils, and unique and fragile ecosystems and landscapes, and, by so doing, maintain the ecological functions and the integrity of the forest".

Currently 208 sites on our land are classified as important conservation sites, conserving representative examples of grassland, forest or woodland. Many of the sites are home to rare or threatened species. Currently, threatened species recorded on Sappi properties include 22 plant species, one insect, two frogs, two snakes, six mammals and 20 bird species.

Sappi Forests is currently working with the South African National Biodiversity Institute (SANBI) to make 12 of our grassland areas available for conservation through SANBI's grasslands programme which aims to mainstream biodiversity best practices in terms of grasslands management.

Understanding Sappi Forests' ecosystems services

Inherent in the concept of sustainability is the concept of 'natural capital' which is based on ecosystem services. Everyone in the world depends on the Earth's ecosystems and the services they provide. Most people are unaware of the extent of their dependence on these services, probably because they are taken for granted, and their contribution to the formal economy is undervalued and not priced or paid for. In economic terms, they are taken for granted and there is no market for most ecosystem services. However, over the last decade or so, interest in ecosystem services has grown rapidly, mainly due to the changes they are undergoing. This has led to increased research into the concept and a growing concern that humans are beginning to have a material impact on the ability of ecosystems to provide the necessary services for human well-being.¹

¹ Millennium Ecosystem Assessment 2005

In order to understand the relationship between the supply of ecosystem services from Sappi Forests' landholdings, the demand for these services by different sectors of the South African population and how Sappi Forests' activities may affect this interaction, we recently conducted an assessment of the supply of and demand for ecosystem services from Sappi Forests.

What are ecosystem services?

Ecosystem services are the services that are generated from ecosystem processes that benefit people. These include provisioning services such as food, water, timber and fibre; regulating services that affect things like floods, disease, wastes and water quality; cultural services that provide recreational, aesthetic and spiritual benefits; and supporting services such as soil formation and nutrient cycling. Ecosystem services are not the same as ecosystem functions, they are the outputs from these processes. Humans are generally regarded as integral parts of most ecosystems and thus there is a dynamic interaction between humans and the other components of ecosystems (Millennium Ecosystem Assessment 2005).

Two assessments were conducted: one which focused on Sappi Forests as a whole, the other which was carried out at the scale of a single plantation estate, because it is at this scale that our activities, which actually impact on ecosystems, are managed. The Clairmont plantation in the Bulwer district was chosen for this assessment because it is a stand-alone plantation surrounded by other land uses and it contains a relatively wide array of natural assets. There are also rural communities living in close proximity to the plantation, which makes it suitable for assessing which services benefit various components of society. It was estimated that there are about 10,000 people living along the rivers downstream of Clairmont, where Clairmont has an influence as it makes up a significant part of the catchment. It was also estimated that about 10,000 people live within three kilometers of the boundary of the plantation.

Habitat functionality and the ecosystem services provided were assessed and rated. The top ranked services – those showing high levels of supply or opportunities included carbon storage, flood attenuation, energy supply, cash income to households and industrial wood while those at the bottom of the list included natural heritage, water storage and fibre (thatch etc). These services are supplied at the lowest levels.

The next step in the analysis was to assess the demand for the services. This was done from the perspective of four different user groups, these being stakeholders in Sappi, local users, downstream users and provincial and/or national users. A key in this analysis was to identify the relative dependence of the users on the services supplied. Greater dependence implies greater societal importance and values.

By understanding the functionality and importance of the various ecosystems services provided, we can not only enhance environmental management, we can also prioritise the needs of our stakeholders.



The ecosystem services supplied by Clairmont Plantation

Ecosystem service provided (in alphabetical order)	Definition of service	User groups
Birding	Access to spaces which attract a variety of bird species for birding.	Sappi Local users Provincial, national and international users
Cash income to households	Income that surrounding households derive directly through employment at the estates.	Sappi Local users
Carbon sequestration	The process of capturing and storing of carbon in the trees, plants and soils.	Provincial, national and international users
Carbon storage	The carbon already stored in trees, plants and soils.	Sappi Provincial, national and international users
Cultural heritage	Access to environmental features which play a part in the local culture of communities.	Sappi Provincial, national and international users
Disease control	The reduction in water-borne diseases through ecological processes.	Downstream users Local users
Energy (ie fuelwood)	The harvesting of wood used by the surrounding communities for heating and cooking.	Sappi Downstream users Local users
Fibre	Access to building materials, such as thatch or indigenous timber, which the local communities use to construct crafts, homes etc.	Local users
Fire damage control	The reduction in the likelihood, intensity and/or extent of an unplanned fire, through ecological processes.	Sappi Downstream users Local users
Flood attenuation	The reduction of peak flows through a reduction in water velocity and volume.	Sappi Local users
Fodder	Access to grass and browse for stock animals.	Downstream users
Food	Access to foods, such as mushrooms and honey, which the local community harvests to sustain their livelihoods. This includes the commercial harvesting of mushrooms.	Sappi Local users
Hunting/angling	Access to water bodies for sport fishing or spaces for hunting animals.	Local users
Industrial wood	The primary product of the estate.	Sappi Downstream users Local users Provincial, national and international users

Ecosystem service provided (in alphabetical order)	Definition of service	User groups
Medicinals/biochemicals	Access to medicinal plant species for commercial purposes and/or treating human and livestock health problems.	Local users
Mountain biking/hiking	Access to spaces for recreational activities such as mountain biking and hiking.	No users
Natural heritage	Maintaining a society's natural assets or heritage to sustain traditions, folk law and current or future direct or indirect appreciation. This includes biodiversity conservation as a human pursuit.	Sappi Local users Provincial, national and international users
Paragliding	Access to space for recreational activities, such as paragliding.	Provincial, national and international users
Pest control	The reduction of pest plants and animal populations and distribution through ecological processes.	Sappi Local users
Plant seed dispersal	Provision of propagules which seed downstream areas.	Sappi Local users
Refuge or nursery for wild plants and animals	A space for animals (particularly birds and fish) to breed and repopulate other areas (upstream, downstream or regionally).	Sappi Local users Downstream users
Sense of place	Contribution to the uniqueness of the area. This includes the views of attractive natural areas, as well as, the smells and sounds of these areas.	Local users Provincial, national and international users
Soil formation and fertility	Formation of soils and nutrient cycling.	Sappi Local users
Soil stability	The reduction of sediment loads of streams and rivers draining the estates through a reduction in soil erosion.	Sappi Downstream users Local users
Waste assimilation and dilution (water)	The dilution and assimilation of waste, thereby improving water quality.	Sappi Downstream users
Water supply – streamflow	The promotion of stream flow through increased yield.	Sappi Downstream users
Water supply regulation (baseflow)	The promotion of surface water infiltration with soil water storage and the associated delayed release of the water. This also includes the storage of water in dams.	Sappi



Supporting Crowned Eagle research in Sappi Forests

Crowned Eagles are a near-threatened species. They are large birds, with a wingspan of up to two metres and can weigh in the region of three kilograms or more, depending on whether they are male or female.

They are territorial and may nest in a variety of big forest trees, such as cabbage trees, matumis and even eucalyptus trees. They form life-time partnerships and in forest habitats tend to raise only one chick every second year, caring for the fledgling for up to 18 months after hatching. Annual breeding has been observed in savannah environments and seems to be influenced by a number of factors, including availability of prey.

There are 11 Crowned Eagle breeding pairs resident on Sappi's plantations in Mpumalanga. As they are at the top of the food chain, a lot can be learnt about the health of the forest ecosystem and the dynamics of the animal populations living within the planted/natural landscape, simply by observing the birds' behaviour. Grey Duiker, for example, are plentiful within the plantations and appear to be an important part of the Crowned Eagle diet.

Dr Garth Batchelor is the Director of Environmental Management in the Mpumalanga Department of Economic Development, Environment and Tourism. He is conducting research into

Crowned Eagles and spends much of his free time monitoring the 40 nesting sites which occur in the greater Nelspruit area. Sappi is supporting him by contributing to the running costs of his vehicle.

Although habitat transformation is listed as a threat to the survival of most plants and animals, Crowned Eagles appear to use the afforested habitat effectively. By gaining an understanding of the requirements and breeding success of Crowned Eagles under different habitat scenarios, we can provide some measure of protection for this near-threatened species. In addition, we can enhance our understanding of the plantation/natural area interface.

To read an interview with Dr Garth Batchelor and his work on the Crowned Eagle, go to:

<http://www.africanraptors.org/interview-with-garth-batchelor-about-the-african-crowned-eagle-in-south-africa/>



Leadership

Photographer: Dr. Garth Bachelor

Message from the chairperson, regional sustainability council




Embracing change

Our focus over the last two years has been all about embracing change. Embracing change means being resourceful, resilient and nimble and as an organisation, we have proven we have all these attributes. We have been resourceful in making product and process changes, our people have proved their resilience in the face of change and we have demonstrated our nimbleness in expanding our dissolving wood pulp capacity to come on stream in 2013 – just two years after we made the first announcement about Project GoCell.

Is paper dead?

In contemplating our sustainability as an organisation, we've had to think about whether embracing change necessitates changing our focus on paper.

We've had to ask ourselves questions like: Is paper dead? Will only digital forms of communication count in the next decade? The answer to these questions is that while the use of certain types of paper is declining, it is growing in other areas such as specialities and packaging.



Our focus
over the last
two years has
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embracing
change

What's more, people still perceive printed material as a trustworthy and enjoyable medium and there are things you can only do with print. In addition, there is extensive symbiosis between digital media and paper. To give a few examples:

- Adding direct mail to a marketing campaign increases return on investment by 20%.¹
 - Outdoor is 44% more successful with print.
 - Online components are 62% more successful with print.
- Social media pairs well with print as a message amplifier and a link between demographic groups.²
- Print innovations provide excellent support and linkage to digital and social media channels.³
- When properly sequenced, one channel will perform better when combined with another channel especially in the case of traditional direct marketing channels in conjunction with digital media.⁴

Our competitive advantage

Ultimately, our greatest competitive advantage lies in the fact that our pulp, paper and cellulose solutions are renewable, recyclable products manufactured in an environmentally-conscious manner by a company whose future depends on planting more trees than it uses and which is progressively improving standards in the entire supply chain. A company that looks after its people and the communities in which it operates, generating prosperity for all. In an increasingly environmentally- and socially-conscious world, these attributes will entrench the valuable role Sappi plays in everyday life today, tomorrow and well into the future.

Looking forward

Change is generally disruptive and often uncomfortable, which is why we tend to resist it. But, as nature so often reminds us, it is also fundamental to growth and renewal.

I would like to thank the members of the regional sustainability council for the hard work in the past year and their readiness to embrace change. In conclusion, I leave you with the words of Charles Darwin:

"It is not the strongest of the species that survives, nor the most intelligent. It is the one that is the most adaptable to change."

Liezl Krummeck

Chairperson
Regional Sustainability Council

¹ Source: *Meta Analysis of Direct Mail*, conducted by marketing analysis firm Brand Science, as reported, *Print in the Mix*, June 2011

² Source: *ORC International Study: Alternative Media Research and Print Channel Trends*

³ As above

⁴ Source: http://www.dmnnews.com/digital-and-traditional-channels-must-meet/article/222162/?DCMP=EMC-DMN_EmailMktgWkly

Change is generally disruptive and often uncomfortable, which is why we tend to resist it. But, as nature so often reminds us, it is also fundamental to growth and renewal



Our new brochure shows you how paper enriches people's lives and tells you why there is room for paper in today's digital world. It also answers some common frequently asked questions and busts some common myths.



www.sappi.com

by **sappi**
triple green™
sugar cane fibre, chlorine-free, sustainable afforestation.



*Printed on Sappi Triple Green Print Silk 250g/m² and 135g/m².
A minimum of 60% of the pulp used in making this paper is sugar cane fibre (the waste after raw sugar has been extracted); the bleaching process is elemental chlorine-free; and the remaining pulp is obtained from sustainable and internationally-certified plantations which are independently audited by the Forest Stewardship Council (FSC™).*

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