



2022

SOUTHERN AFRICA
Corporate Citizenship
Report

sappi



The challenge

Climate change is accelerating, biodiversity is in decline, inefficient production models and overconsumption continue, all with devastating impacts on our planet. Many people around the world do not have adequate access to health or education and millions go to bed hungry every night.



The opportunity

The United Nations Sustainable Development Goals (UN SDGs) are aimed at solving these challenges. The SDGs are all interconnected and aimed at creating a framework for positive change by safeguarding the future of the planet and creating a more equal society. In doing so, they are designed to support governments and corporations to collaborate in delivering on a common agenda.



The stakeholders

Every business, every organisation and every single member of the world's approximately eight billion people.



The roadmap

The 17 SDGs are at the heart of the 2030 Agenda for Sustainable Development adopted by all UN member states in 2015. The agenda provides a shared blueprint for peace and prosperity for people and the planet, now and into the future.



Our actions

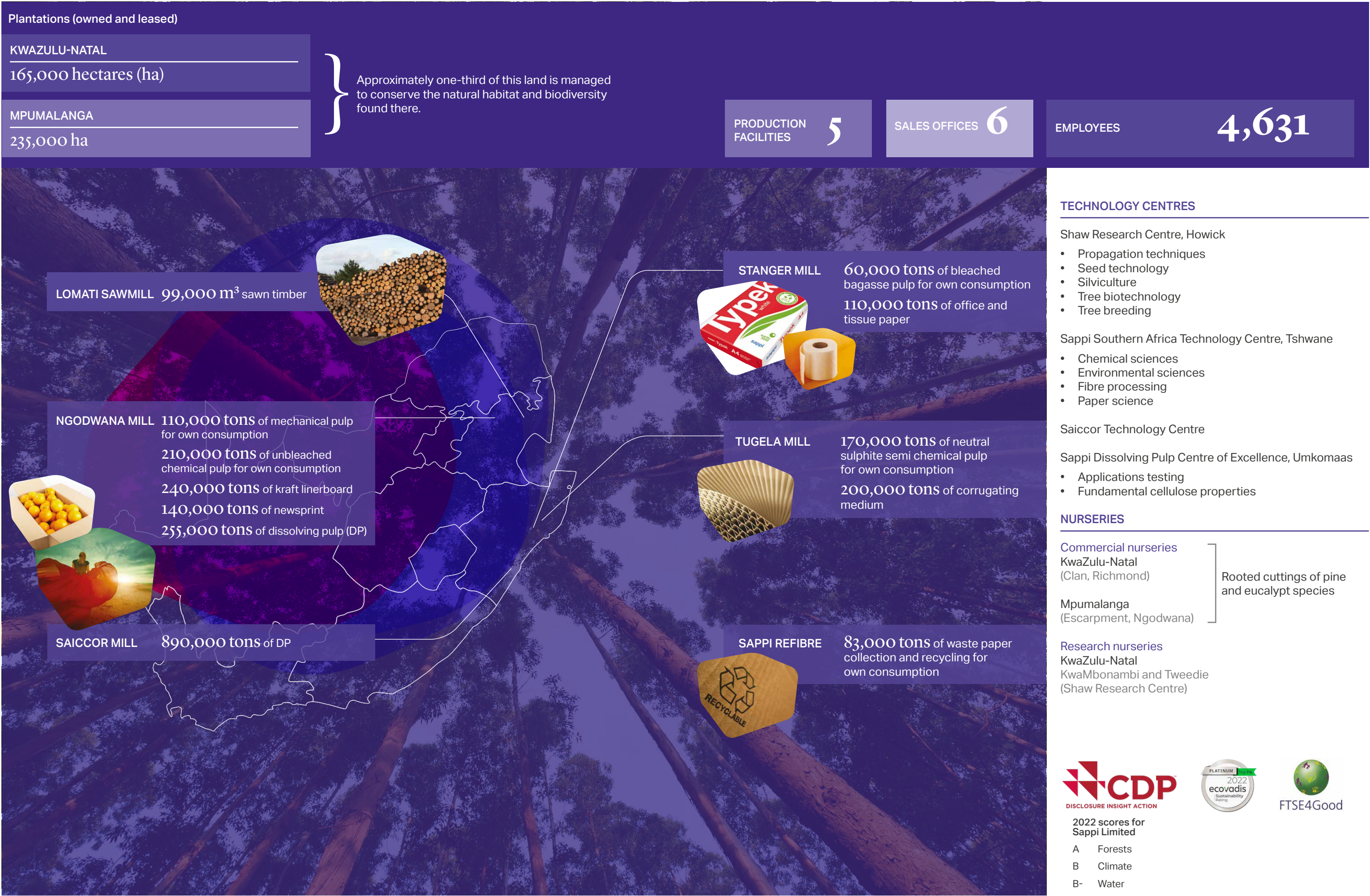
This report sets out our performance against the SDGs we have prioritised as shown alongside.

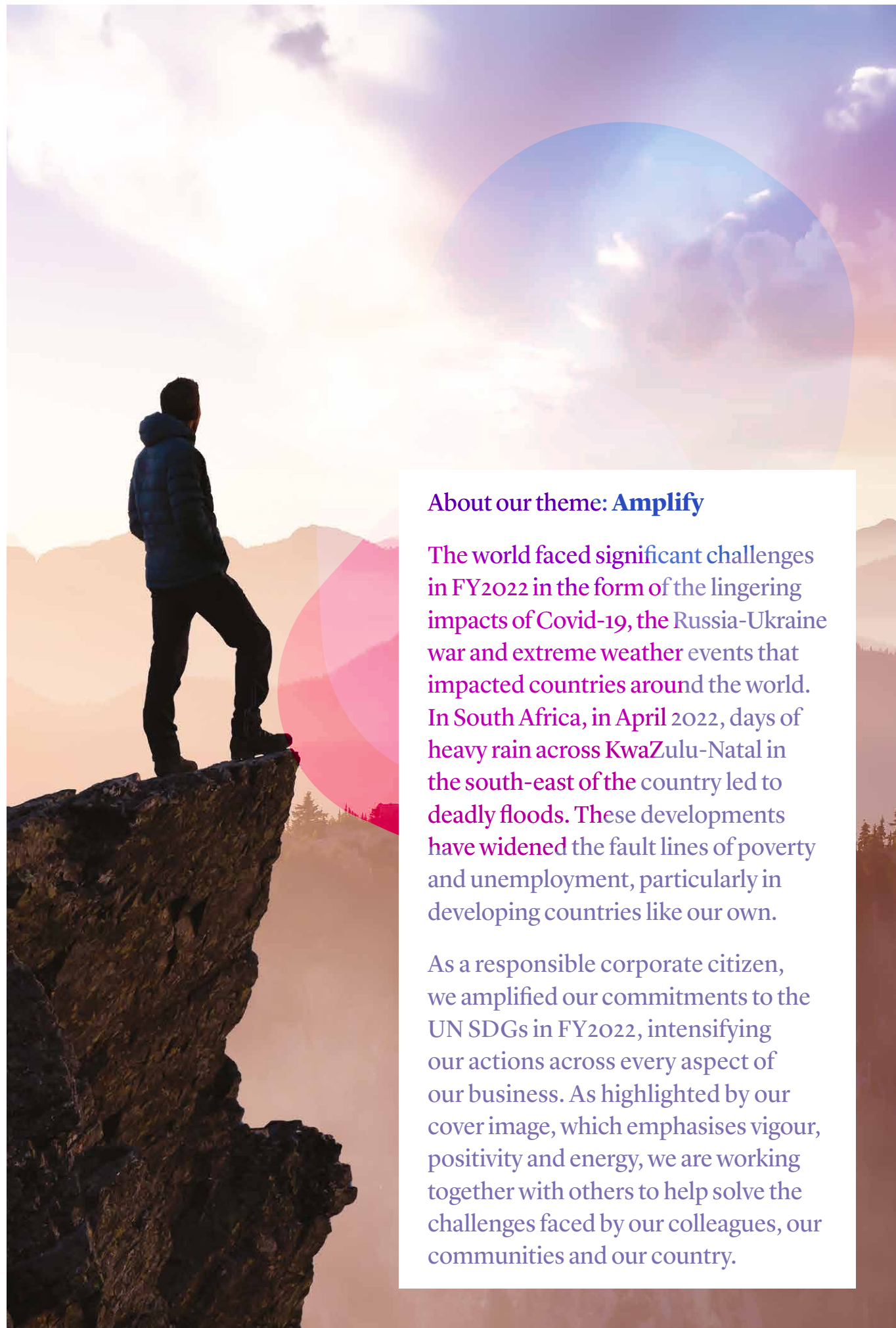
All our actions are underpinned by our **values**: *At Sappi we do business safely, with integrity and courage, making smart decisions which we execute with speed.* At all times, we remain true to our **purpose**: *Sappi exists to build a thriving world by unlocking the power of renewable resources to benefit people, communities and the planet.*

This report covers the period 1 October 2021 to 30 September 2022.



Who we are, where we operate and what we do





About our theme: **Amplify**

The world faced significant challenges in FY2022 in the form of the lingering impacts of Covid-19, the Russia-Ukraine war and extreme weather events that impacted countries around the world. In South Africa, in April 2022, days of heavy rain across KwaZulu-Natal in the south-east of the country led to deadly floods. These developments have widened the fault lines of poverty and unemployment, particularly in developing countries like our own.

As a responsible corporate citizen, we amplified our commitments to the UN SDGs in FY2022, intensifying our actions across every aspect of our business. As highlighted by our cover image, which emphasises vigour, positivity and energy, we are working together with others to help solve the challenges faced by our colleagues, our communities and our country.

Message from our CEO



Dear stakeholders

We made considerable progress in every aspect of our business and had much to celebrate in FY2022. This is reflected in the exuberant, celebratory images used throughout this report. They demonstrate that we are succeeding in realising our purpose of building a thriving world by unlocking the power of renewable resources to benefit people, communities and the planet.

We amplified enterprise value with group earnings before interest, taxation, depreciation and amortisation at its highest level since 2000 and regional return on net operating assets financial performance exceeding our financial target under **SDG8: Decent Work and Economic Growth**.

Even more worthy of celebration is our excellent safety performance. Our combined employee and contractor lost-time injury frequency rate (LTIFR) was the best ever – an indication that a 24/7 safety approach is being entrenched in the hearts and minds of our people.

One of the highlights of our year was the opening of our Saiccor Mill capacity expansion and environmental enhancement project by South African President Cyril Ramaphosa. This was the realisation of a promise we made at the first South Africa Investment Conference in 2018. Speaking at the opening, the President said: "It is noteworthy that Sappi continues to use recycled and sustainable wood sources to produce circular and innovative bio-based products".

The President's words highlight the thread that runs through all our activities and is entrenched in Sappi's DNA: innovation. Whether it's the Sappi World Wildlife Fund for Nature (WWF) uMkhomazi water stewardship project, which falls under **SDG6: Clean Water and Sanitation**, or our enterprise and supplier development (ESD) initiatives. These range from small projects like the

aquaponics venture at Ngodwana Mill, to the alien invasive plant clearing programme, which now incorporates five businesses. In FY2022, we spent over ZAR245 million with small and medium enterprises (SMEs), exceeding our annual target by ZAR133 million.

Our customers benefit from our high levels of innovation, which help them on their sustainability journeys and enhance the appeal of their products to their own customers. One of the ways we met this need in FY2022 was through machine enhancements at Ngodwana Mill. These enhancements enabled us to increase our range and quality of kraft linerboard to include lower basis weights. This in turn is helping our customers decrease their carbon footprints.

Turning to carbon and climate: climate change has been called one of the most significant challenges of our time. Against this backdrop, we were extremely pleased with the validation of our science-based targets by the Science Based Targets initiative. Our global target is to reduce carbon emissions by 41.5% per ton of product by 2030. We have also made a commitment that 44% of our suppliers (by spend) will have science-based targets by 2026.

Although 48% of our energy is currently derived from renewable sources, our business is still, to a certain extent, dependent on Eskom. This represents a challenge as most of Eskom's power is derived from coal.

However, I know I can count on the creativity and expertise of our people to help overcome this challenge. They have done so in the past and continue to do so every day as we work to meet the needs of a growing, rapidly evolving society and build a thriving world.

Alex Thiel
Chief Executive Officer, Sappi Southern Africa

Let your voice be heard

When people are trapped in a cycle of poverty, they often lack the resources and the skills to move forward. We work to help achieve **SDG1: No Poverty** by empowering people so that their voices can be heard through meaningful, sustainable participation in the economy.



No Poverty

18.2 million
people living in
extreme poverty



The challenge

According to Statistics South Africa¹, in 2022, of South Africa's population of approximately 60 million, around 18.2 million people are living in extreme poverty.

upskilling
people



The opportunity

By supporting those in need and upskilling people to become entrepreneurs, we are stimulating the local economy, helping to alleviate poverty and helping to achieve Sappi's vision of a thriving world.



The stakeholders

Communities and individuals close to our operating areas, Sappi.

587 jobs
sustained



The roadmap

In 2018, we launched a focused **ESD strategy** and established a dedicated ESD unit tasked with helping to incorporate SMEs into the mainstream economy. In FY2022, we spent over ZAR245 million with SMEs, exceeding our annual target by ZAR133 million. In the process, 587 jobs were sustained.

We also make significant community investment, increasing spend 13% year-on-year to ZAR54 million.






217,339
tons of timber
worth
**ZAR184
million**
through
Sappi Khulisa



Our actions

- Our most significant ESD initiative through which we strengthen participation in the forestry value chain is **Sappi Khulisa**. Encompassing individual and community tree farming, the total area managed currently is 37,028 ha. In 2022, under this programme, 217,339 tons of timber worth some ZAR184 million was delivered to our operations. Currently, the value chain extends from 4,143 growers to approximately 871 small, medium and micro enterprises which are involved in silviculture, harvesting, loading and short and long-haul activities.
- The **SMEs we supported** in FY2022 supplied the following services:
 - Alien invasive plant management
 - Civil work
 - Forestry-related services (silviculture, harvesting, building maintenance)
 - Logistics and transportation
 - Road maintenance and repair
 - Mechanical work
 - Maintenance
 - Plumbing and electrical
 - Waste paper recycling through ReFibre
 - Waste management (separation, collection and disposal)

Non-financial indicators

MEASURES		TARGET	ACTUAL
	Jobs created	200	206
	Jobs sustained	700	768
	Enterprise development	45	54
	Supplier development	12	15
	ESD graduation	3	5

At Ngodwana Mill we are involved in an **aquaponics project** whereby we will breed and grow *Tilapia Rendalli* fish for local sales. We will also grow vegetables for local sales such as swiss chard, tomatoes and kale. In our processing kitchen, we have made macadamia pesto and will soon be starting with marmalade made from our own citrus trees.



Our actions *continued*

- In last year's Corporate Citizenship Report, we discussed **Best Wood Furniture (Pty) Ltd** and **Amadansana Workwear** (pages 26 – 27). After completing training sponsored by Sappi's ESD team, Best Wood is now independent. Amadansana is supplying Sappi Forests with customised overalls and will be an independent registered business after year end. To ensure a smooth transition we are sponsoring a supervisor for the business.
- Our ESD department is supervising **Bobedi Workwear** at Ngodwana Mill. This business is owned by three women making reflective vests, shirts and forestry aprons.
- At Saiccor Mill the **catering contract at the Skills Centre** was awarded to one of our alumni who was trained to run her own business.
- We continue to support the **Abashintshi youth programme**, now being run in-house. The programme mobilises youth to create open channels of communication between communities and Sappi and trains them to mobilise their communities to develop themselves in line with the asset-based community development model. We will be recalibrating the programme in FY2023.
- We operated **13 incubation initiatives** in collaboration with contractors whereby SMEs were sub-contracted to perform services including scaffolding, civil works and piping, mechanical engineering works, harvesting, etc. A total of ZAR30 million was paid to SMEs by contractors for rendering such services. In addition, contractors have spent about ZAR598,000 to train SMEs and local community members.
- We are also funding the membership of **10 of our incumbent SMEs to the Durban Chamber of Commerce and Industry (DCCI)** which offers training, development support, networking and market expansion opportunities to these SMEs. The SMEs are continuing to benefit from the DCCI's networking sessions and training programme for skills enhancement and access to business opportunities outside Sappi.



Supporting communities in times of need

Following extensive floods in KwaZulu-Natal province in April 2022, we launched an employee donation drive, collecting ZAR125,000 each for the **Angel Network** and Robin Hood Foundation respectively. In addition, we donated ZAR1 million to the **Gift of the Givers** organisation.



Managing alien invasive plant species

Created and sustained
72 jobs
in local communities

In 2018, the **Wildlife and Environment Society of South Africa** trained and mentored youths from communities close to our operations on the management of alien and invasive plant species. This initiative is an example of true community empowerment: there are now five legal business entities providing services to our pulp and paper mills, with five-year service contracts beginning in 2019 entered into with these SMEs. Apart from rendering an important environmental management service, the programme has created and sustained a total of 72 jobs in local communities. Between 2019 and 2022, we spent a total of **ZAR16.4 million** with these companies, some of which are now expanding their footprint beyond Sappi to offer services to other companies.





Profiling our remarkable suppliers: **Nhlanhla Phoswa**

Sappi continues to create shared value and uplift individuals from our neighbouring communities. Nhlanhla Phoswa, affectionately known as Mhlekezi by his peers, exemplifies how hard work and determination can bring success in the forestry industry.

Mhlekezi began his career as a forestry labour carrier driver in 1985 in Richmond. After working for a few forestry contractors in Richmond, he started his own contracting company in 2013, Mhlekezi Forestry. Today, he is one of the biggest silviculture contractors in the KwaZulu-Natal South district. At the beginning of 2022, he was awarded a five-year contract with Sappi in the Richmond plantations, responsible for silviculture operations.

80 employees
99% from local communities

“Initially, we had 50 workers and we were part of Sappi’s ad hoc contractors, securing short-term contracts between six to eight months. We now have 80 employees, of whom 99% are from Richmond communities. The aim is to upskill and employ more people. Sappi has played a crucial role in the growth and development of my business. KwaZulu-Natal ESD Manager, Donald Nkadimeng, has been influential in opening doors for our business. He has provided business support, guidance and the courage to compete with the bigger contractors, and we truly value the support from Sappi.”

Nhlanhla Phoswa



Nhlanhla Phoswa and some of his team members.



Providing pollination services and income

14 employees
recruited from the local community

The flowering crops of Sappi’s eucalyptus plantations are central to the trapping and building of honeybee colonies, which provide essential pollination services to farmers, crucial to our country’s food production. Sappi’s partnership with **Bee Naked Honey Farms** in Mpumalanga province allows their beekeepers to place hives in our plantations. Besides producing delicious raw local honey (distributed under the Eat Naked brand) they provide these pollination services to local farmers in the region. Apart from providing an essential boost to our country’s bee population, the programme has also created work for people from the local Bushbuckridge community in Mpumalanga. **Bee Naked Honey Farms** currently employs 14 people, all of whom were recruited from the local community.



One of the hives on our plantations.



Prepare to fly

As Nelson Mandela said, "Education is the most powerful weapon we can use to change the world". Education empowers people, opens up avenues of opportunity and prepares people to fly, which is why we promote **SDG4: *Quality Education***.



Quality Education

Average of
ZAR11,163
on training our people
63 hours
of training










Our actions

- In FY2022, we spent an average of ZAR11,163 per employee on **training**. Our employees benefitted from an average of 63 hours of training.
- We continued to work with our partners TREE (Training and Resources in Early Education) in KwaZulu-Natal and Penreach in Mpumalanga to provide training for **early childhood development (ECD) practitioners and support for ECD centres** in each region.
- As set out in the table below, our **skills centres at Ngodwana and Saiccor Mills** offer training to both Sappi employees and unemployed youth. We have received full accreditation as a skills development provider on the instrumentation trade at the Saiccor Skills Centre. In addition, we successfully completed trade tests for 13 artisans this year in our skills centres.
- We boosted the development of **technical skills** with the introduction of additional technical programmes including woodyard superintendent, paper machine operator, maintenance planner, business process engineer and human resources business partner. The programmes include online training, classrooms, mentoring and practical assignments.
- **Khulisa Ulwazi**, our training centres for small growers, are targeted at all forestry value chain participants, including land reform beneficiaries and Sappi Khulisa growers.
- **Our Foresters in Training programme:**
As in previous years Sappi took on six **Foresters in Training** (FiTs) who recently completed their Diploma in Forestry from Nelson Mandela Metropolitan University Saasveld Campus. All six FiTs did very well in their one-year programme and have been absorbed into permanent positions in our forestry division.

In 2023, we will be further sponsoring six diploma students in their final year.

Courses offered at the skills centres and people trained in FY2022

COURSES		2022 ACHIEVEMENTS
	Basic handyman programme	122
	New venture creation	12
	Accredited programmes	94
	Pre-apprentice programmes	10
	ESD graduation	12
	Sappi apprentice programme	63
	Engineering technical training	112

unequal
school system in SA



The challenge

South Africa has one of the most unequal school systems in the world. The gap in test scores between the top 20% and the rest is wider than in almost every other country.

increasing
levels
of education



The opportunity

Increasing levels of education benefit individuals, families, communities and the country. It's an important avenue for achieving long-term poverty reduction and change. By increasing skills, we are also increasing the pool of skills available to us as employers.



The stakeholders

Individuals and communities close to our areas of operation, Sappi people, Sappi.

life and career
skills



The roadmap

We equip our people and the communities in which we operate with the life and career skills, knowledge and confidence that allow them to build on their own capabilities and further their development.



Supporting ECD centres on Nelson Mandela Day

1,000
painted toys
donated

Every year, on Nelson Mandela Day, employees around the world donate their time to various volunteer initiatives. Toys play an essential role in a child's development – helping them to develop problem-solving skills, teaching sharing and conflict resolution, unleashing their creativity and imagination and helping to develop their fine and gross motor skills. Accordingly, we purchased toys from a non-governmental organisation and provided employees with the materials to paint and beautify them. More than 1,000 painted toys were donated to our Sappi-supported ECD centres.

“*Play is one of the most important parts of a child's development, and these toys from Sappi are going to make such a difference in the lives of the children.*”

TREE director: Ruby Motaung

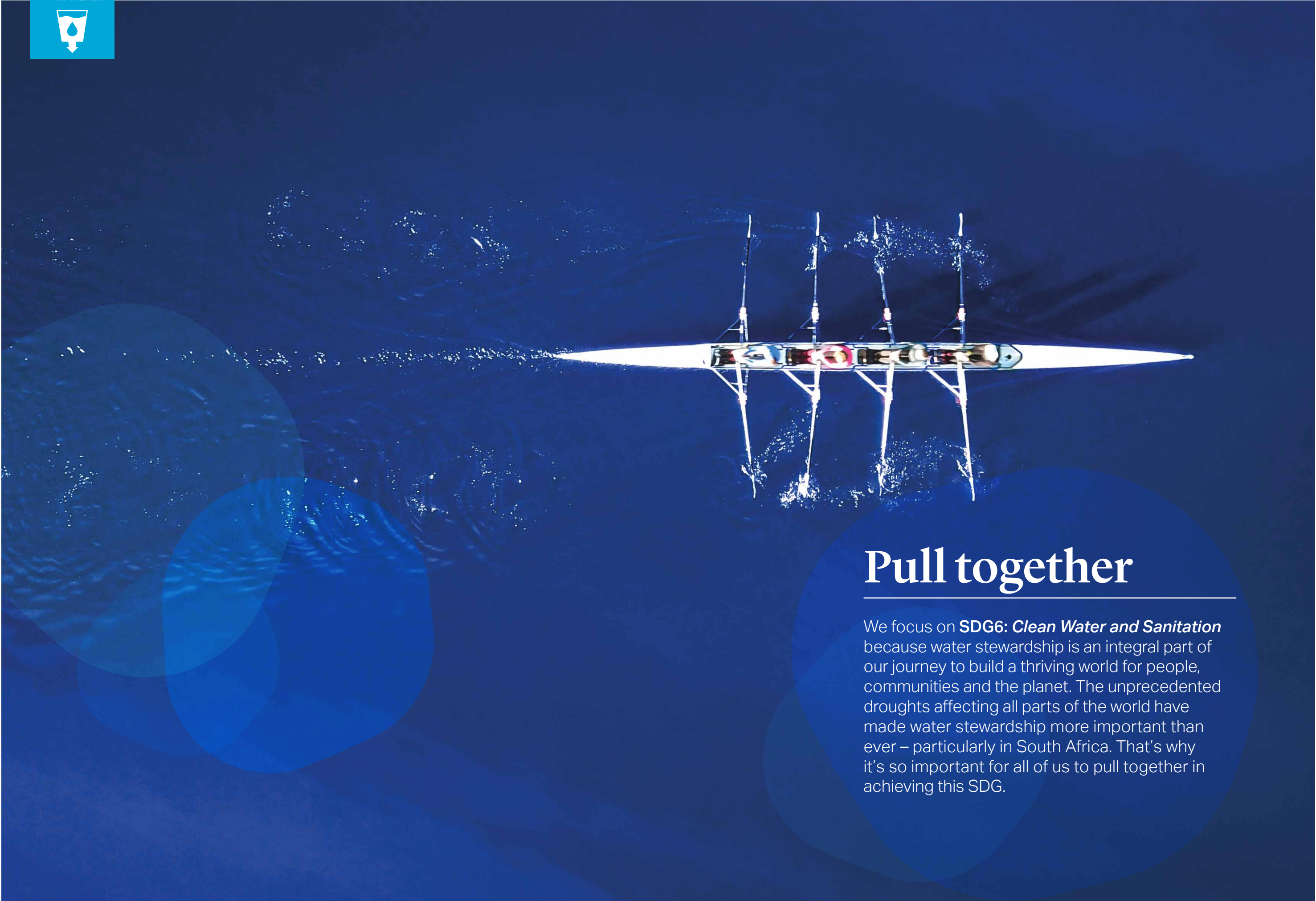
Employees also participated in cosmetic renovations at various ECD centres in their areas and donated chairs and tables, toys and colouring materials.



Performance against our Thrive25 target aligned with SDGs1 and 4: *No Poverty* and *Quality Education*

Thrive25 target	2019 base	2022 target	2022 performance	Assessment of performance
Advance broad-based black economic empowerment to level 1	Level 2	Level 1	Level 1	





Pull together

We focus on **SDG6: Clean Water and Sanitation** because water stewardship is an integral part of our journey to build a thriving world for people, communities and the planet. The unprecedented droughts affecting all parts of the world have made water stewardship more important than ever – particularly in South Africa. That's why it's so important for all of us to pull together in achieving this SDG.

Clean Water and Sanitation

water stress
in the uMkhomazi
catchment



The challenge

Water stress in the uMkhomazi catchment where our DP mill, Saiccor Mill and 42,000 ha of our forestry land are situated.

partner
and collaborate



The opportunity

Partner and collaborate to support government on water infrastructure and projects that benefit communities while also securing water for Saiccor Mill operations.



The stakeholders

Landowners, communities, government, Sappi.

water
stewardship
project

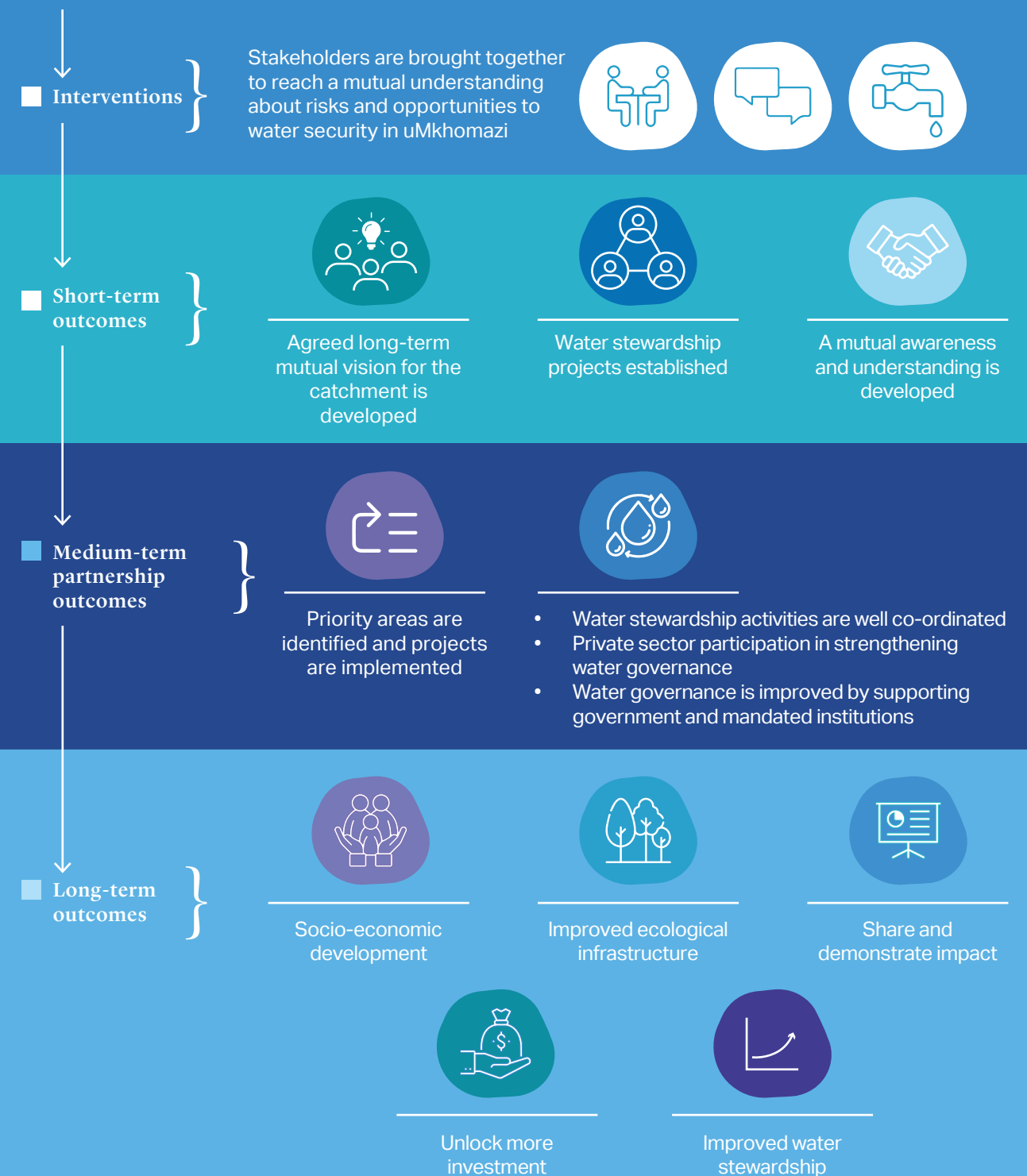


The roadmap

Water stewardship project established with WWF South Africa in 2021 in the uMkhomazi catchment focusing on the following (as set out on the following pages):

- Water governance
- Ecosystem restoration
- Resilient communities

WWF-Sappi water stewardship partnership strategy



Our roadmap

1.
Water
governance

2.
Ecosystem
restoration

3.
Resilient
communities

1. Water governance



The aim

Effective stakeholder engagement for improved catchment management to enhance water security.



Our actions

- The uMkhomazi Catchment Working Group established with 20 institutions
- Engaged with the Impendle local municipality to ensure water stewardship is prioritised
- Engaged with the Department of Water and Sanitation (DWS) to establish the Upper uMkhomazi Catchment Management Forum
- Contributed to the development of a Catchment Management Strategy in collaboration with the DWS

2. Ecosystem restoration



The aim

Maximise impact of Sappi's investment in the catchment by collaborating with projects that enhance water security in the catchment.



Our actions

The uMkhomazi catchment has been mapped to inform the priority areas for project implementation. In addition, a database of the uMkhomazi catchment to share and demonstrate the work and investment has been established.

3. Resilient communities



The aim

Create opportunities for rural economic development, stimulate job creation and boost livelihoods while imparting knowledge on improved grazing practices and implementing associated projects.



Our actions

- Green jobs in the form of removal of alien invasive plants: 40.3 ha of invasive alien plants cleared at Nzinga, with 10 individuals employed – follow-up clearing planned for FY2023
- Supported the Qhutshini and Nzinga grazing associations in implementing improved rangeland management on 20,000 ha in the upper catchment



Alien vegetation clearing and water catchment management initiatives in collaboration with the Institute for Natural Resources, have provided employment opportunities to the people of Nzinga and Qutshini.



Members of the Textile Exchange visited the uMkhomazi Valley to learn more about the partnership in action.



Saving water at Stanger Mill

Stanger Mill abstracts water under licence from the Mvoti River, but cannot sustain processes when there is low flow, forcing some plants to shut. Through process modelling and mass balances it was established that approximately 2,000 m³ of water per day – a significant amount – was used for backwashing filters at the process water plant. The backwash water was then discharged into the nearby Mbozambo lake.

The mill implemented a backwash recovery project which involved sampling and testing the backwash stream for turbidity, suspended solids, as well as cations and anions. An ion balance was conducted, from which the mill concluded that the backwash stream could be utilised in the process if the suspended solids were removed. The recommendation was made that the backwashed water be pumped upstream to the nearby water clarifier, allowing settling of the suspended solids, and the clean supernatant to overflow back to the process water plant for reuse.

This was achieved by connecting the backwash and forward wash outlet pipes from each of the six filters to a newly installed common header that discharges the water into the newly constructed sump. Construction began in June 2022 and the project was successfully commissioned in September 2022. The system is currently recovering 2,000 m³/day on average, an amount that represents 11.5% of the mill's total water usage.

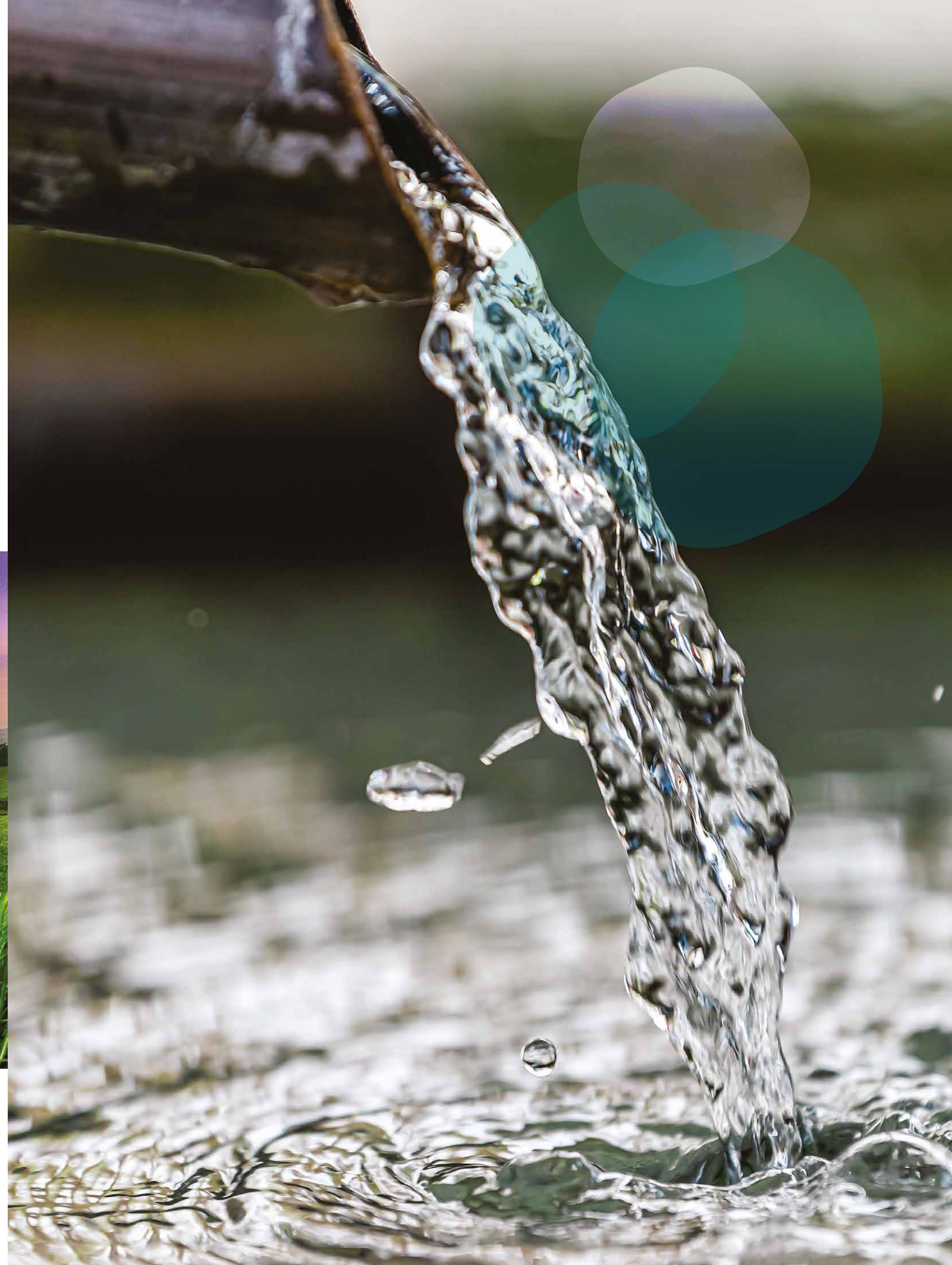
2,000 m³
of water recovered
per day

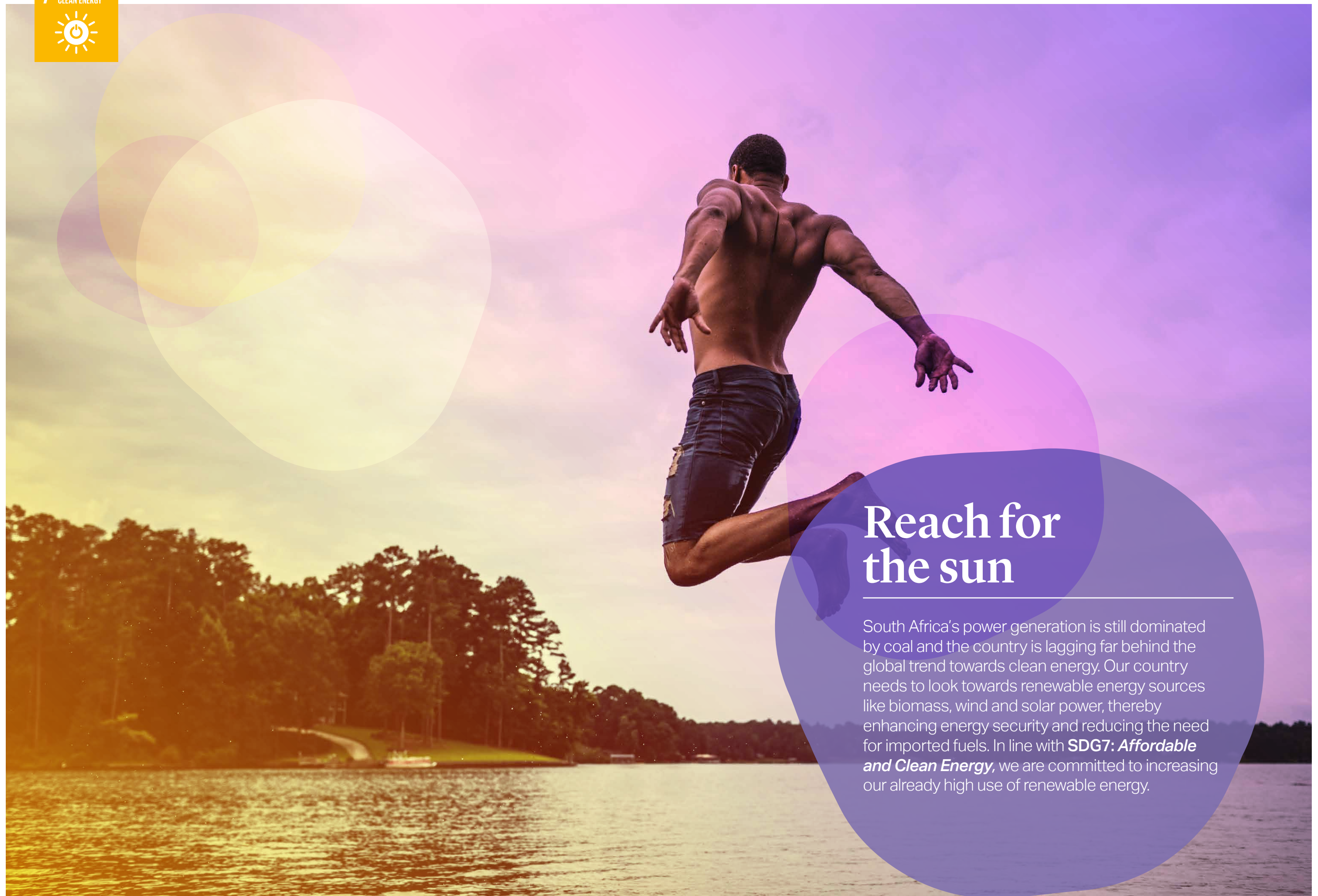


Performance against our Thrive25 target aligned with SDG6: *Clean Water and Sanitation*

Thrive25 target	2019 base	2022 target	2022 performance	Assessment of performance
Reduce specific water use in water-stressed locations by 23% (m ³ /adt) ¹	44.5 m ³ /adt	43.0 m ³ /adt	48.6 m ³ /adt	

¹ ADT = dry solids content of 90% and moisture content of 10%.





Reach for the sun

South Africa's power generation is still dominated by coal and the country is lagging far behind the global trend towards clean energy. Our country needs to look towards renewable energy sources like biomass, wind and solar power, thereby enhancing energy security and reducing the need for imported fuels. In line with **SDG7: Affordable and Clean Energy**, we are committed to increasing our already high use of renewable energy.



Affordable and Clean Energy

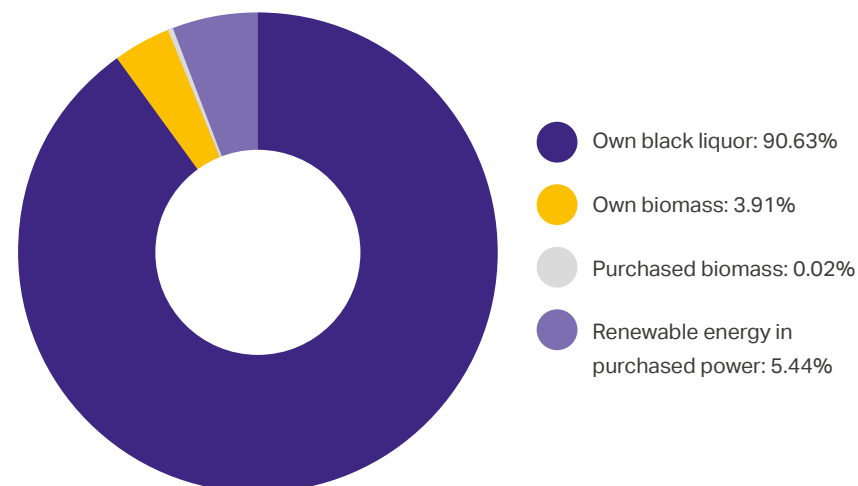
48.1%
energy from
renewable sources



The challenge

48.1% of SSA's energy is currently derived from renewable sources, with 90.6% from own black liquor. In line with our commitment to our science-based targets, we are working hard to increase our use of renewable energy.

Renewable and clean energy breakdown (2022)



decrease
carbon emissions



The opportunity

Increasing our use of renewable energy helps to decrease carbon emissions in line with our own and the country's carbon reduction targets, thereby enhancing our competitive advantage.

assessing
solar
and
wind
options



The roadmap

We have commissioned a third-party service provider to assess the **renewable energy options** – both solar and wind – for Sappi's mills with the aim of providing a zero carbon emission generation source with the lowest tariff for each mill.



Our actions

We:

- Are using solar heating in our nurseries and Forestry Research Centre
- Hold a 30% stake in **Ngodwana Energy, a 25 MW biomass energy plant at Ngodwana Mill**. The plant, which came on stream in March 2022, uses biomass recovered from surrounding plantations and screened waste material from the mill production process. Up to 35 tons an hour of biomass is burned in a boiler to generate steam and drive a turbine in order to generate electricity that is fed into the national grid. The project, which falls under the **South African Government's Renewable Energy Independent Power Producer Programme**, is generating income for the individuals – mostly youths and women – involved in biomass collection.

electricity is
being fed into the
national grid

generating
income
for individuals
collecting biomass



Performance against our Thrive25 target aligned with SDG7: *Affordable and Clean Energy*

Thrive25 target	2019 base	2022 target	2022 performance	Assessment of performance
Increase share of renewable and clean energy by 7% points	44.1%	50.1%	48.1%	
Decrease specific total energy by 9%	30.9 GJ/adt	30.0 GJ/adt	34.0 GJ/adt	

Expand your horizons

Aligning with **SDG8: Decent Work and Economic Growth** expands our horizons, underpinning our drive to become a more responsible corporate citizen. We prioritise safety and health, promote gender equality and ensure that our suppliers comply with sound social and environmental practices. We also measure our employees' levels of engagement with Sappi to ensure that together we are building a sustainable business. Promoting economic growth through technical skills training programmes and helping to develop entrepreneurs are among our core priorities.

Decent Work and Economic Growth

promote economic growth

safety a shared responsibility



The challenge

- Growth is not possible in an unsafe working environment.
- Globally, economic growth rates around the world – and in South Africa – have slowed, following economic shocks created by the Covid-19 outbreak and the war in Ukraine which have driven up food and energy prices.
- Our sustainability performance depends heavily on our supply chain.
- Women continue to be underrepresented in the pulp and paper industry and when employees are disengaged, business performance suffers.



The opportunity

- **Safety:** Promoting a safe working environment is not only a moral responsibility but can also improve productivity and lower costs.
- **Growth:** We need to help put our country on a growth path that will benefit all by increasing global competitiveness, accelerating shareholder value and driving positive social impact.
- **Supplier responsibility:** By encouraging our suppliers to become part of our sustainability journey, we encourage commitment to sustainable choices and the SDGs throughout our value chain.
- **Diversity, inclusion and engagement:** A diverse employee base and a working environment where every employee feels valued, supported and rewarded helps to drive retention, productivity and overall business performance.

safety performance continued to improve



The stakeholders

Sappi employees and contractors, Sappi suppliers, all South Africans, government, investors and shareholders.

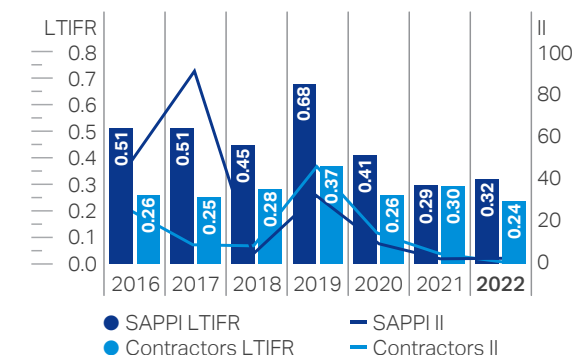


Our actions

Safety

Safety performance in SSA continued to improve, with a best-ever combined employee and contractor LTIFR of 0.26 against a target of 0.29.

SSA LTIFR



Performance in **SSA** was stable, with the best-ever combined LTIFR standing at 0.26 and promising contractor performance in certain forestry operations. There were 56 LTIs in the region.

ZAR7.7 billion environmental upgrade and capacity expansion

Growth

- We completed our **ZAR7.7 billion environmental upgrade and capacity expansion project** at Saiccor Mill with the following results:
 - Expanded production by 110,000 tons per annum (tpa) – from 780,000 tpa to 890,000 tpa
 - Significantly reduced environmental footprint with the installation of a new recovery boiler and converting the calcium line to magnesium. This will lead to a significant reduction in fossil fuel energy requirements and increase our renewable energy usage in line with our commitment to SDG7: *Affordable and Clean Energy* and SDG13: *Climate Action*.
 - Opened the way for forestry value chain participants, from timber growers to emerging suppliers and service providers who support our activities





President Cyril Ramaphosa at the opening of the Saiccor Mill expansion project.

Our actions *continued*

- Increased our range of kraft linerboard at Ngodwana Mill to include **lower basis weights through machine enhancements** – important at a time when our customers are looking to decrease their carbon footprints
- **Expanded production** at Tugela Mill through process improvements that have enabled the additional production and sales of Ultraflute amounting to 15,000 tpa and increased liquid lignosulphonate sales of 4,725 tpa
- Commissioned a **furfural pilot plant** at Saiccor Mill to prove the scalability of the Sappi technology for furfural extraction from magnesium oxide (MgO) black liquor

Supplier responsibility

In SSA, we have now assessed the **performance of 58% of our suppliers** against our global Supplier Code of Conduct.

Diversity, inclusion and engagement

We continued to make progress in terms of our **diversity targets** and to implement **action plans to address gaps identified in our 2021 employee engagement survey**. Progress against closing these gaps is regularly reported on to management. Our next employee engagement survey will be held in FY2023.

Performance against our Thrive25 target aligned with SDG8:
Decent Work and Economic Growth

Thrive25 target	2019 base	2022 target	2022 performance	Assessment of performance
Achieve zero workplace injuries (LTIFR) own employees and contractors	0.45	0.27	0.26	👍
Increase proportion of women in management roles by 3.1%	18.0%	20.1%	27.1%	👍
80% share of procurement spend with declared compliance with Supplier Code of Conduct	0%	40%	58%	👍
Participation in employee engagement survey to be above 85%	93%	85%+	95.5%	👍
Percentage of staff engaged with our business ≥ 75%	76%	75%+	79%	👍
Return on net operating assets to be 2% above WACC*	14.6%	10.4%	11.1%	👍

* Weighted average cost of capital.



Accelerate circular thinking

We work to achieve the aims of **SDG12: Responsible Consumption and Production** by focusing on recycling and minimising waste. In a world that is battling to reduce resource consumption, accelerating circular thinking is important for sustainability and a thriving world.



Responsible Consumption and Production

retaining maximum value at every level

embracing circular thinking

17% recovered paper and board



The challenge

Retaining the maximum value inherent in products at every level through many cycles is the key challenge for circularity.



The opportunity

By embracing circular thinking we can produce less waste, lower costs and reduce environmental impact.



The roadmap

Manufacturing products from renewable resources is the core of our business and central to our commitment to the circular economy. Through research and development, practical innovation and new product development, we continually create new products, solutions and value from natural resources.



The stakeholders

Sappi, informal waste collectors and other suppliers, all South Africans.



Our actions

- Ngodwana and Tugela Mills each use approximately **17% recovered paper and board**. Much of this is supplied by Sappi ReFibre, our secondary fibre division, which sources used paper products from an extensive network of agents across the Southern African region as well as from waste producers. The recovered board and paper are used to supplement virgin fibre in the manufacturing of packaging paper grades.

swap shop initiative

- Stanger Mill uses a certain percentage of **bagasse (sugar cane waste residue)** in the manufacture of office paper and tissue wadding.
- Sappi business units participated in a swap shop initiative, where pre-loved goods were exchanged and sold.
- Projects with links to both SDG6: *Clean Water and Sanitation* and SDG12: *Responsible Consumption and Production*:
 - Ngodwana Mill identified the potential to use a non-hazardous chemical in the oxygen reactor to preserve the pulp viscosity, thereby enabling the use of the available lower density timber for customers who require higher pulp viscosity. This initiative also enabled the use of less chlorine dioxide in the bleaching process which in turn reduced the formation of adsorbable organic halides by approximately 30% compared with the longer-term average.
 - Recognising that efficient pulp washing ensures recovery of valuable chemicals and lower bleaching additives, at the mill's DP plant, wash presses were retrofitted with enhanced dewatering devices. This has reduced wastewater losses and led to savings in bleaching chemicals.



By inviting charities to set up pop-up shops at our sites, we promoted the concept of investing in pre-loved goods.



Performance against our Thrive25 target aligned with SDG12:
Responsible Consumption and Production

Thrive25 target	2019 base	2022 target	2022 performance	Assessment of performance
Launch five products with defined sustainability benefits	0	1	0	
Reduce specific landfilled solid waste by 24%	153 kg/adt	101.2 kg/adt	121.5 kg/adt	
Promote sustainable growth in our plantations > 4 (annual growth in million tons)	3.96	> 4.0	4.14	



Act boldly

Climate change is the greatest threat to humanity and global ecosystems in the coming years. We are already seeing the devastating effects of extreme weather events. Recognising that as SSA, we have a moral, ethical and economic obligation to slow global warming, we are acting boldly in alignment with **SDG13: Climate Action**.



Climate Action

coal

used for majority of South Africa's power requirements

committed

to mitigating impacts of climate change

need to shift

to a zero-carbon economy



The challenge

In South Africa, coal is still used to generate the majority of the country's power requirements, making the move to renewable energy challenging.



The opportunity

As a South African company headquartered in Johannesburg, we are committed to playing a key role in adapting to and mitigating the impacts of climate change wherever we operate, particularly in our country of origin. Doing so will enhance our competitive advantage and reputation.



The stakeholders

All South Africans and South African organisations and businesses, including Sappi.



The roadmap

We recognise the need to shift to a zero-carbon economy. The validation of our science-based targets by the **Science Based Targets initiative** – described under 'Our actions' on the opposite page – has given us a clear roadmap for doing so. These targets are aimed at catalysing climate action, accelerating the transition to a low-carbon economy and building a thriving world.

reduce emissions

41.5% per ton of product by 2030

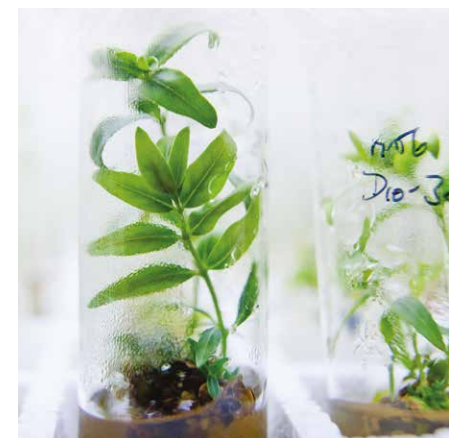


Our actions

- We have established **global 2030 decarbonisation targets**. The first is to reduce carbon emissions by 41.5% per ton of product by 2030. Our second target is to ensure that 44% of our suppliers (by spend) have science-based targets by 2026. Each region's decarbonisation plan is based on a combination of capital investments in assets, process efficiency improvements and increased purchases of renewable energy. These targets have been validated by the Science-Based Targets initiative, which means that our stakeholders can rest assured that we are fully committed to doing our fair share to decarbonise our value chain.
- We are advantaged in that the **trees in our plantations absorb and store significant amounts of carbon**. We harvest what we grow and replant so that carbon stocks remain stable. The total standing carbon stock in live biomass in our plantations is 38.25 million tCO₂e – as confirmed by an external carbon accounting company.
- Recognising that what isn't measured can't be managed, we're collaborating with the World Resources Institute to compile a **greenhouse gas inventory for companies to track their land-related emissions and removals**.
- As we experience the impacts of a changing climate on our woodfibre sources, so we are intensifying our focus on climate research. Our **world-leading tree improvement programmes which focus, among other things, on mitigating the impacts of climate change, are a core pillar of our competitive advantage**. Further details can be found in our group Sustainability Report, available at www.sappi.com/sustainability.

About our tree improvement programmes

Research and development of genetically improved planting stock has been conducted at Sappi's Shaw Research Centre in Howick since 1985, almost 40 years. Tree improvement is aimed at increasing pulp yield produced per hectare by testing various species and hybrids across Sappi's diverse landholdings. Besides growth improvements, trees are bred for superior wood properties and resistance to biotic and abiotic threats including frost, drought, pests and diseases.



Performance against our Thrive25 target aligned with SDG13: Climate Action

Thrive25 target	2019 base	2022 target	2022 performance	Assessment of performance
Decrease specific greenhouse gas (Scope 1 and 2) emissions by 20%	1,708.5 kgCO ₂ e/adt	1,494.3 kgCO ₂ e/adt	1,765.5 kgCO ₂ e/adt	
Decrease specific purchased fossil energy by 21%	17.3 GJ/adt	14.9 GJ/adt	17.6 GJ/adt	



Be inspired

Stable, resilient ecosystems are core to Sappi's business, which is why we are inspired to work so hard to achieve the aims of **SDG15: Life on Land** and enhance nature positivity in line with our focus on a thriving world.



Life on Land

ecosystems threatened with ecological collapse



The challenge

Almost half of all South Africa's 1, 021 ecosystem types are threatened with ecological collapse and one in seven of the 23, 312 indigenous species that were assessed are considered threatened with extinction¹.

conserve natural habitat and biodiversity



The opportunity

Given that of the 399,996 ha of the plantations we own and lease, 261,605 ha are planted with the remainder managed to conserve the natural habitat and biodiversity found there, we have an opportunity to contribute to enhancing biodiversity. This is reinforced by our use of forest certification systems.



The stakeholders

Sappi, communities close to our areas of operation and ultimately, all South Africans.



The roadmap

We promote healthy ecosystems in the plantations from which we source woodfibre – biodiversity indicators are incorporated into the internationally acknowledged, independent forest certification systems we use. These include the Forest Stewardship Council™ (FSC™ N003159) and Programme for the Endorsement of Forest Certification (PEFC/01-44-43) – all our plantations are certified to both systems. In addition, 85% of the woodfibre supplied to our mills is certified.

Our actions

- We have committed to enhancing biodiversity in important conservation areas (ICAs) on our landholdings by 10% by 2025. We have **mapped our baseline and are developing and implementing management plans**. From a conservation management perspective, our priority is to identify those vegetation types that are least protected and of greatest conservation importance and prioritise efforts to safeguard them. There are approximately 156 sites on Sappi-owned land classified as ICAs, adding up to about 38,320 ha of a diverse range of habitats including grasslands, wetlands and riverine areas and natural forest patches. ICAs are areas that are important at the local level and are classified using a systematic conservation planning approach. Criteria that are used include the presence of both plant and animal red data species, the threat status of the ecosystem, the size, connectedness, condition and aesthetic and recreational value of the area.
- We have proclaimed **seven nature reserves on our land, covering approximately 6,350 ha**. Looking forward, further potential nature reserves have been identified for proclamation through the Biodiversity Stewardship Programme in KwaZulu-Natal.



The critically endangered Karkloof Blue Butterfly occurs on one of these protected areas on Sappi land.



Enhancing plant survival rates



Installing an Ellepot propagation system at each cutting nursery

“The plan is for all Sappi nurseries to get an Ellepot system. Research shows that logistics costs can be reduced by switching from plastic inserts to paper pots. We are broadening our silviculture focus to also include transit nurseries so that we fully integrate the entire supply chain. Plants should not be in transit nurseries for more than three days before planting. We are encouraging our silviculture foresters to move to a just-in-time system so that we can seamlessly supply plants according to their schedules.”

Those are the words of Wynand Swart, Divisional Nurseries Manager, commenting on Sappi Forests' nurseries' switch from plastic inserts to Ellepot paper pots to benefit from a propagation process that produces plants with a better root system and reduces transplant shock in-field.

Ellepot is a Danish company internationally recognised for the quality of plants propagated in its system of cylindrical paper pots, known as Ellepots. Accredited by the Forest Stewardship Council, their extensive range of papers is designed to degrade over a period suited to the crop.

Sappi Forests is installing an Ellepot propagation system at each of its cutting nurseries. One of the key advantages is that Ellepot cuttings are ready to leave Clan Nursery up to 20% earlier than those grown in plastic tubes. In addition, when the empty Ellepot and plastic insert trays are returned after planting, the Ellepot trays are quickly checked for damage, washed and ready for reuse. The plastic insert trays take much longer to prepare.

Our foresters are already experimenting with extending the planting season because of the higher chances of survival using Ellepot plants.



Encouraging our stakeholders to enjoy life on land

Our extensive plantations are ideal mountain bike trail terrain, particularly as approximately one-third of our plantations are unplanted and are managed for biodiversity. Under the **Sappi Trails Programme**, initiated as far back as 2011, we have made our plantations available for trail running and mountain bike trails. This has given our stakeholders access to some of the most beautiful landscapes in the country and has also given them insight into our focus on a nature-positive world. In doing so, we've forged strategic partnerships with the mountain biking and trail running fraternity that have helped the sports grow at both recreational and competitive level.

One of our flagship partners, the **Karkloof Country Club** in KwaZulu-Natal, now offers both members and day visitors access to more than 250 kilometres of single track trails across our plantations.

Our support for mountain biking and trail running not only aligns with SDG15: *Life on Land*, but also with SDG17: *Partnerships for the Goals* and SDG8: *Decent Work and Economic Growth*. This is demonstrated by a study conducted by **Tourism KZN** on the **Karkloof Classic Trail Festival** in 2017 that showed that the event created a combined direct and indirect economic impact of ZAR234 million. To build on this study, we recently partnered with **uMngeni Tourism** to conduct a business impact study focused on **nature-based tourism attractions and activities (NBTAAs)** in the area. Direct economic impact of the NBTAAs supply side is placed at ZAR88 million, while the estimated combined value of the NBTAAs value chain is ZAR189 million from the demand side (tourists) and as much as ZAR151 million from the supply side (tourism businesses). Impressively, total direct jobs (direct employment in tourism businesses) were estimated at 513 jobs annually.

Collaboration with existing and new partners in our neighbouring communities is the key to unlocking the potential of nature-based tourism in line with our vision of a thriving world.

economic impact of
ZAR234
million



Performance against our Thrive25 target aligned with SDG15: *Life on Land*

Thrive25 target	2019 base	2022 target	2022 performance	Assessment of performance
Share of certified fibre > 82%	82%	> 82%	85%	👍
Enhance biodiversity in conservation areas by 10%	0	Implement action plans	Action plans completed and implementation started	👍



Strike the right note

In line with **SDG17: *Partnerships for the Goals***, we collaborate and work with businesses and organisations who share our vision of a thriving world to make a positive social impact and strike the right note with all stakeholders.

Partnerships for the Goals

partnerships
aligned with our vision



The challenge

We are fortunate in having a number of cross-cutting partnership opportunities and take care to ensure that any partnerships we establish are aligned with our vision of a thriving world.

share
our values and our vision



The opportunity

By working with those who share our values and our vision, we can achieve more together than we can alone.



The roadmap

Under our Thrive25 strategy, which emphasises partnership and collaboration, we have been focusing more intensely on working closely and more often with those who share our values and commitment to our industry.

we signed the
Africa
Business
Leaders'
Climate
statement presented at
COP27



Our actions

Climate change

In the build-up to the COP27 climate change conference we joined the Africa Business Leaders Coalition and signed its Africa Business Leaders' Climate Statement, which was presented at COP27.

highlights
opportunities
in green
economy

development
support
for SMEs

Information sharing

- Together with the Paper Manufacturers Association of South Africa and another industry member, we sponsored **Primestars to develop an infotainment programme for high school learners from underresourced communities**. The programme was aimed at highlighting opportunities in the green economy.
- In July 2022, we hosted **Textile Exchange (TE) executives, with retail representatives and conservation consultants, on a learning journey to our operations in KwaZulu-Natal**. TE's 700 international members, who represent leading brands, retailers and suppliers, provide a collective driving force for urgent climate action by benchmarking the industry and providing actionable tools for improvement. Its goal is to guide the textile industry to achieve a 45% reduction in greenhouse gas emissions within fibre and raw material production. After visiting the Sappi WWF uMkhomazi water stewardship project, delegates spent time at the Sappi Forests Shaw Research Centre, seeing how the woodfibre is developed optimally for the production of DP that goes into textiles like viscose and lyocell and learning about the forestry value chain.

Promotion of ESD

We:

- Established a Memorandum of Understanding (MoU) with the Small Enterprise Development Agency which offers **non-monetary developmental support for SMEs**.
- Signed an MoU with Ithala Bank for the provision of **funding to SMEs within Sappi's value chain**. To date, the bank has financed an SME to the value of ZAR8 million to purchase a bulldozer and equipment for the handling of bagasse at Stanger Mill.
- Entered into an MoU with the National Business Institute (NBI) for the **provision of focused technical skills training, mentorship and coaching that targeted certain business opportunities for Stanger and Tugela Mills**. Following a rigorous assessment process by the NBI, seven SMEs were selected to provide technical services for the mills. Services included in the scope are electrical maintenance, civil works, as well as mechanical and boiler maintenance. The SMEs are being overseen by a fulltime mentor appointed by the NBI.
- Contributed ZAR694,000 to the National Business Initiative for the establishment of a **business hub in Mandeni aimed at developing technical skills among identified SMEs and job creation opportunities for the local youth**. The other funders are the German and Swiss governments. The National Business Initiative aims to perform the technical development in collaboration with external partners: Umfolozi TVET College and Tushia Advisory Services.



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