

## F0. Introduction

## F0.1

## (F0.1) Give a general description of and introduction to your organization.

Sappi is a global diversified woodfibre company with just over 12 000 employees focused on providing dissolving wood pulp, specialities and packaging papers, graphic/printing papers as well as biomaterials and biochemicals to its direct and indirect customer base across more than 150 countries. Manufacturing operations are located in North America, Europe and South Africa, where the company also owns and leases 377,385 hectares of 100%

FSC®-certified plantations, In FY2017, production included: \* 5.4 million tons of paper \* 2.2 million tons of paper pulp \* 1.4 million tons of dissolving wood pulp. In FY2017, in terms of production of group sales, Europe accounted for 48%, North America for 26% and South Africa for 26%.

Sappi's dissolving wood pulp (specialised cellulose) products are used worldwide by converters to create viscose fibre for fashionable clothing and textiles, pharmaceutical products, as well as a wide range of consumer and household products. Quality specialities and packaging papers are used in the manufacture of such products as soup sachets, luxury carry bags, cosmetic and confectionery packaging, boxes for exporting agricultural products, tissue wadding for household tissue products and casting and release papers used by suppliers to the fashion, textiles, automobile and household industries. The group's market-leading range of coated and uncoated graphic paper products are used by printers in the production of books, brochures, magazines, catalogues, direct mail, newspapers and many other print applications.

The wood and pulp needed for products is either grown by Sappi, produced within Sappi or bought in. Across the group, Sappi is close to 'pulp neutral', meaning that the group sells almost as much pulp as it buys. Sappi Trading operates a network for the sale and distribution of our products outside the group's core operating regions of North America, Europe and Southern Africa. Sappi Trading also co-ordinates shipping and logistical functions for exports from these regions.

## F0.2

## (F0.2) State the start and end date of the year for which you are reporting data.

	Start Date	End Date
Reporting year	October 1 2016	September 30 2017

## F0.3

## (F0.3) Select the currency used for all financial information disclosed throughout your response.

USD

## F0.4

## (F0.4) Select the stage(s) of the value chain which best represents your organization's area of operation pertaining to forest risk commodities.

Production  
Processing  
Trading  
Manufacturing

## F0.5

## (F0.5) Do you produce, use, or sell materials or products that contain any of the forest risk commodities?

	Produce/use/sell	Disclosing	Explanation if produce/use/sell but not disclosing
Timber	Yes	Yes	<Not Applicable>
Palm Oil	<Not Applicable>	<Not Applicable>	<Not Applicable>
Cattle Products	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other	No	<Not Applicable>	<Not Applicable>

F0.6

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(F0.6) Are there any parts of your direct operations not included in your disclosure?  
No

F0.7

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(F0.7) Are there any parts of your supply chain not included in your disclosure?  
No

F1. Current state

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F1.1

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(F1.1) How does your organization produce, use, or sell your disclosed commodity(ies)?

Forest risk commodity

Timber

Activity

Growing/production of raw materials

Form of commodity

- Hardwood logs
- Softwood logs
- Sawn timber, veneer, chips
- Unprocessed wood fiber
- Pulp
- Paper
- Primary packaging
- Cellulose-based textile fiber
- Wood-based bioenergy

Source

- Owned/managed land
- Smallholders
- Multiple contracted producers
- Trader/broker/commodity market

Country/Region of origin

- Australia
- Austria
- Belarus
- Belgium
- Bosnia and Herzegovina
- Brazil
- Canada
- Chile
- Croatia
- Czechia
- Denmark
- Estonia
- Finland
- France
- Germany
- Ireland
- Lithuania
- Netherlands
- New Zealand
- Norway
- Portugal
- Romania
- Russian Federation
- Slovakia
- Slovenia
- South Africa
- Switzerland
- Ukraine
- United Kingdom of Great Britain and Northern Ireland
- United States of America

% of procurement spend

31-40%

Comment

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F1.1a

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(F1.1a) Indicate from which State/region(s) and municipality(ies) your disclosed commodity(ies) originate.

Forest risk commodity

Timber

Activity

Harvesting

Country/Region of origin

Brazil

State/Region

Specify state/region (States of Maranhão, Para and Tocantins)

Municipality

Don't know

Please explain

Sappi Europe received only trial quantities from Brazil in 2017, less than 1% of total annual fibre purchase volumes). All purchases are from suppliers who are FSC®Chain of Custody Controlled Wood certificate holders, broken down as follows: States of Maranhão, Para and Tocantins, districts of Açailândia, Bom Jesus das Selvas, Davinópolis, Estreito, Imperatriz, Itinga do Maranhao, Santa Luzia, São Pedro da Agua Branca, Vila Nova dos Martírios, Dom Eliseu, Nova Ipixuna, Paragominas, Rondon do Pará, São Joao do Araguaia, Ulianópolis, Angico, Araguaetins, Palmeiras do Tocantins, Wanderlândia, Darcinópolis, Ananás, Araguaína.

F1.2

(F1.2) Indicate the percentage of your organization’s revenue that was dependent on your disclosed forest risk commodity(ies) in the reporting year.

	% of revenue dependent on commodity	Comment
Timber	91-99%	
Palm Oil	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>
Other	<Not Applicable>	<Not Applicable>

F1.3

**(F1.3) Do you own or manage land used for the production of your disclosed commodity(ies)?****Forest risk commodity**

Timber

**Own and/or manage land?**

Owned and managed land

**Type of control**

Operational

**Description of type of control**

In Southern Africa, Sappi Forests owns and leases 387,291 hectares (ha) of plantations with approximately 27.4 million tons of standing timber which gives us a competitive advantage. We also have access to wood from a further 92,000ha via contracted timber suppliers. 100% of owned and leased land is FSC-certified

**Country/Region**

South Africa

**Land type**

Land certified

**Size (Hectares)**

387291

**Do you have a system in place to monitor forests-related risks?**

Yes

**Type of monitoring system**

Geographic Information System (GIS)

Ground-based monitoring system

Aerial monitoring system

**Description of monitoring system**

Remote sensing and GIS analysis is used to assist with the identification and management of biotic and abiotic risks. Sappi Forests' planning section documents, monitors and models its woodfibre resources to ensure that a continuous and sustainable supply of timber is available as required by different markets. Planning incorporates planting permits and water licences as well as information for non-plantation areas. Growing stock data is used for determination of the value of forestry assets. Accurate information about growing stock is obtained from systematic sampling of stands and growth models used to model stand development over time. Sappi has recently started using LiDAR data to supplement conventional sampling. Adjustments to growing stock are made for damage caused by pests and disease as well as climatic extremes and fire risk. Sophisticated software is then used to produce annual operational, tactical and strategic supply plans.

**Recent infraction(s)**

No

**Explanation of infraction**

&lt;Not Applicable&gt;

**F1.4****(F1.4) For your disclosed commodity(ies), indicate if you collect data regarding your own compliance and/or the compliance of your suppliers with the Brazilian Forest Code.****Timber****Do you collect data regarding compliance with the Brazilian Forest Code?**

Yes, from suppliers

**Please explain**

All external pulp purchased by Sappi is either FSC® and PEFC(TM) certified or FSC® Controlled Wood. In 2017 Sappi mills in Europe sourced from Brazil only for a trial run at one paper mill, and therefore the data collection was restricted to the main due diligence requirements. The supplier of the trial material provided a statement pertaining to the Brazilian Forest Code.

**F1.4b****(F1.4b) For your disclosed commodity(ies), indicate which Key Performance Indicators (KPIs) you use to measure the compliance of your suppliers with the Brazilian Forest Code and their performance against these indicator(s).****F1.5****(F1.5) Does your organization collect production and/or consumption data for your disclosed commodity(ies)?**

	Data availability/Disclosure
Timber	Production data available, disclosing
Palm Oil	<Not Applicable>
Cattle products	<Not Applicable>
Soy	<Not Applicable>
Other - Rubber	<Not Applicable>
Other	<Not Applicable>

## F1.5a

### (F1.5a) Disclose your production and/or consumption data.

**Forest risk commodity**

Timber

**Data type**

Production data

**Volume**

6408010

**Metric**

Other, please specify (Air dry metric tons)

**Data coverage**

Full commodity production/consumption

**Please explain**

Globally, there was an increase in global saleable production (up from 6,144,392 air dry metric tons in 2016). Production in Europe increased as most of the mills had a full order-book. Production in North America was stable, with increased speciality packaging and dissolving wood pulp offsetting slight declines in graphic paper. In South Africa, all mills had a positive production year with the recent investments in the mills starting to bear fruit. . There is a high degree of confidence that production will improve incrementally in 2018 and the improvement projects underway at all of the mills will set drive further production and efficiency increases post-2018.

## F1.6

### (F1.6) Have you identified sufficient sources of sustainable materials to meet your current operational needs? If yes, what are you doing to ensure the security/continuity of this supply?

**Timber****Sustainable source identified**

Yes

**Primary action to ensure supply**

Supply chain mapping

**Please explain**

In Europe, we mitigate fibre supply risk through shareholdings in wood sourcing cooperatives and in this region and North America, through a combination of approaches which include both short- and long-term wood supply agreements. In North America, our US\$25 million capital project to update Somerset Mill woodyard has reduced white wood losses and costs while enhancing efficiency gains through the increased production of woodchips. The commissioning of the new woodyard was complete by the end of November 2017. Our new woodyard at Saiccor Mill in Southern Africa, will also result in efficiency gains. Start-up is planned for January 2019. In South Africa, our leading-edge tree improvement programmes aim to produce low-cost wood with the required pulping characteristics and increase yield per hectare. We actively pursue this aim, particularly through genetic improvement of planting stock. Sappi recently established a Tree Health Laboratory at the Research Centre in KwaZulu-Natal province in South Africa. The laboratory will allow Sappi to conduct additional research into pest and disease management, and potentially initiate pilot studies in the selection and use of bacterial and fungal biological control agents of insects and pathogens. Plans are also already underway for the development and implementation of in-house rapid screening techniques for the most important pathogens affecting Sappi plantations, thus assisting tree breeding efforts. In Southern Africa, we also work to mitigate fibre supply risk and drive shared value by expanding access to the forestry sector in a number of ways, including: • Sappi Khulisa ('Khulisa' means 'to grow' in isiZulu), our enterprise development initiative, previously known as Project Grow. This initiative, which began in 1983, is aimed at community tree farming and incorporates 22,362ha. In recent years, we have expanded Sappi Khulisa beyond the borders of KwaZulu-Natal to the Eastern Cape. We have signed a Memorandum of Understanding with the Eastern Cape Rural Development Agency (ECRDA) to facilitate forestry development in this region. To date, the total area planted covers 4,782ha and a further 4,812ha is in the environmental impact assessment phase, with records of decision awaited on a further 1,250ha. We are also active in land reform. As at the end of FY 2017, Sappi was involved in 60 land reform projects.

## F1.7

### (F1.7) Has your organization experienced any detrimental forests-related impacts?

Yes

## F1.7a

### (F1.7a) Describe the forests-related detrimental impacts experienced by your organization, your response, and the total financial impact.

**Forest risk commodity**

Timber

**Impact driver type**

Regulatory

**Primary impact driver**

Regulatory uncertainty

**Primary impact**

Constraint to growth

**Description of impact**

The global demand for woodfibre is expected to increase for the foreseeable future, driven partly by the demand for wood pellets rather than finite fossil fuels as a green energy source. This is expected to accelerate as more and more countries commit to mitigation actions on climate change. Accordingly, Sappi welcomes the vote by the European Parliament in January 2018 EU which sought to recognise the value of sourcing wood sustainably and preventing subsidies that distort markets and encourage the burning of wood for megawatts.

**Primary response**

Other, please specify (Alignment with industry bodies like CEPI)

**Total financial impact****Description of response**

In Europe, we mitigate fibre supply risk through shareholdings in wood sourcing cooperatives and in this region and North America, through a combination of approaches which include both short- and long-term wood supply agreements. In North America, our US\$25 million capital project to update Somerset Mill woodyard has reduced white wood losses and costs while enhancing efficiency gains through the increased production of woodchips. The commissioning of the new woodyard was complete by the end of November 2017. Our new woodyard at Saiccor Mill in South Africa, will also result in efficiency gains. Start-up is planned for January 2019.

**Forest risk commodity**

Timber

**Impact driver type**

Regulatory

**Primary impact driver**

Increased difficulty in obtaining operations permits

**Primary impact**

Constraint to growth

**Description of impact**

South African government restrictions on new plantation cultivation: In global terms, South Africa's water resources are extremely limited and a significant limitation on future economic development. Climate change is expected to stress this limited resource even further. This is a key factor in the restriction on new plantation cultivation.

**Primary response**

Engagement with local community

**Total financial impact****Description of response**

In Southern Africa, we work to mitigate fibre supply risk and drive shared value by expanding access to the forestry sector in a number of ways, including: Sappi Khulisa ('Khulisa' means 'to grow' in isiZulu), our enterprise development initiative, previously known as Project Grow. This initiative, which began in 1983, is aimed at community tree farming and has successfully uplifted impoverished communities in KwaZulu-Natal and the Eastern Cape. The total area currently managed under this programme amounts to 22,362ha. In FY2017, under the programme, 448,221 tons (2016: 395,232 tons) worth approximately USD2.6 million was delivered to our operations. Since 1995, a total volume of 3,313,581 tons has been purchased from small growers in terms of this programme. In recent years, we have expanded Sappi Khulisa beyond the borders of KwaZulu-Natal to the Eastern Cape. We have signed a Memorandum of Understanding with the Eastern Cape Rural Development Agency (ECRDA) to facilitate forestry development in this region. To date, the total area planted covers 4,782ha and a further 4,812ha is in the environmental impact assessment phase, with records of decision awaited on a further 1,250ha. In addition, we are active in land reform. At 30 September 2017, Sappi was involved in 60 land reform projects. To ensure sustainable production from land reform properties, we have entered into supply agreements with the new beneficiaries and have also provided assistance.

**Forest risk commodity**

Timber

**Impact driver type**

Physical

**Primary impact driver**

Increased severity of extreme weather events

**Primary impact**

Reduction or disruption in production capacity

**Description of impact**

In all three regions where Sappi operates, climate change could alter the frequency and intensity of forest disturbances such as insect outbreaks, invasive species, wildfires, and storms. These disturbances could reduce forest productivity and change the distribution of tree species. However, given Sappi Europe's general risk mitigation strategy of sourcing pulp and woodfibre from a variety of sources and regions, we do not anticipate any material impact to raw material supply from climate change in the short to medium term. In North America, our operations do not currently face material risks associated with climate change. With the exception of fibre from Brazil for Westbrook Mill, we source from northern hardwood and softwood wood baskets that have not suffered under any drought conditions or from fire. In Southern Africa, the fact that we own and lease 387,291 hectares (ha) of plantations with approximately 27.4 million tons of standing timber gives us a competitive advantage. We also have access to wood from a further 92,000ha via contracted timber suppliers. However, our operations in this region are being impacted by climate change and we invest significantly in fire prevention, pests and diseases mitigation and site species matching to tolerate drought, frost and other weather events. We have seen a large steady decline in rainfall in our best growing areas KwaZulu-Natal with a significant decline in mean annual increment and production from these areas.

**Primary response**

New product/technology development

**Total financial impact****Description of response**

Our aim is to produce low-cost wood with the required pulping characteristics and increase yield per hectare. We actively pursue this aim, particularly through genetic improvement of planting stock. We work to enhance the genetic improvement and sustainability of our fibre base in SSA. For example, we are making progress in our Eucalyptus (E.) grandis x E. urophylla (GU) backcrossed genomic mapping project, which is aimed at developing DNA marker tools to enhance our tree breeding efforts, by speeding up the tree selection process. The project has culminated in the testing of specific markers that are linked to or contain the genes controlling traits of interest such as growth, wood density, various sugars or metabolite levels. Genomic selection, another marker-assisted breeding tool that we are developing, aims at increasing selection intensity and shortening the breeding cycle to improve our genetic gains. Working with E. dunnii, our most important eucalypt species, we have focused on developing genomic selection models for approximately 15 growth and wood property traits. Our softwood supply has been under threat from the Pich Canker Fungus (PCF) affecting the highly PCF susceptible P. patula, until recently Sappi's most important pine species, with the closely related but PCF tolerant P. tecumanianii, we have created a disease tolerant hybrid known as PPT. PPT is 45% more productive than pure P. patula, is drought resistant, is more uniform and has higher density.

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**Forest risk commodity**

Timber

**Impact driver type**

Physical

**Primary impact driver**

Changes in precipitation patterns

**Primary impact**

Constraint to growth

**Description of impact**

Towards the end of 2016, due to a widespread drought in South Africa, we had to slow down production at Saiccor Mill to two-thirds of normal production rates because of the low levels of water in the Umkomazi River, which prevented the mill from abstracting the usual amount of water. In addition, floods washed the railway line away, thereby disruption logistics and thus production.

**Primary response**

Other, please specify (Raising the height of the dam wall )

**Total financial impact****Description of response**

To mitigate the impact of low flows on the Umkomazi River, the prime source of water to Saiccor Mill, in FY2016 we completed a project to raise the Comrie Dam wall, upstream of Saiccor Mill, significantly increasing the amount of water in the dam. At Tugela and Stanger Mills, we are focusing on internal modifications which involve the more efficient use of water.

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## F2. Procedures

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### F2.1

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**(F2.1) Does your organization undertake a forests-related risk assessment?**

Yes, forests-related risks are assessed

#### F2.1a

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**(F2.1a) Select the options that best describe your procedures for identifying and assessing forests-related risks.****Timber****Value chain stage**

Direct operations  
Supply chain

**Coverage**

Full

**Risk assessment procedure**

Assessed as part of an established enterprise risk management framework

**Frequency of assessment**

Six-monthly or more frequently

**How far into the future are risks considered?**

> 6 years

**Tools and methods used to identify and assess risks**

Internal company methods  
External consultants  
FSC Global Forest Registry  
National specific tools and databases  
Other, please specify (PEFC and FSC databases)

**Please explain**

At a company (group) level, the Regional Risk Management Councils meet bi-annually to identify, assess and discuss risks. The top risks are then identified and plotted on a graph in terms of likelihood and severity. Risks, including forest risks, are monitored and publicly reported on annually. We currently have a general process for determining materiality and priorities of all Sappi's risks. Forest risks considered include regulatory, reputational, weather related (fire and pests), forest management, operational resource management (water, energy), licence to operate and customer behavioural change. Due diligence procedures are in place in all regions to fulfil the PEFC and FSC Controlled Wood requirements and risk assessment procedures related to EUTR/Lacey Act (origin of wood and supplier chains) are also in place. At asset (regional and operating unit e.g. mills) level, risks pertaining to that specific asset are assessed and mitigation actions are managed by the management team of that specific asset. The risks to assets are reviewed on a six-monthly basis by the management team responsible for the asset and all major assets are covered by insurance. On an annual basis, the risks associated with Sappi's non-forestry assets are reviewed by external consultants. The results of these reviews are converted to mitigation action plans, if required. The results of these reviews are used together with the internal survey results of the company's forestry assets, to buy insurance to mitigate risk as required.



**(F2.1b) Which of the following issues are considered in your organization's forests-related risk assessment(s)?****Availability of forest risk commodities****Relevance & inclusion**

Relevant, always included

**Please explain**

Like other agricultural products, timber is a natural resource, and can thus be in short supply because of issues such as climate change, drought, disease and fire. In addition, a growing concern is the diversion of timber for use in bio-energy. In Europe, we mitigate fibre supply risk through shareholdings in wood sourcing companies and in this region and North America, through a combination of approaches which include both short- and long-term wood supply agreements. In South Africa, we limit risk in terms of availability of supply by owning and leasing 387,291 hectares of 100% FSC-certified plantations with approximately 27.4 million tons of standing timber. We also limit risk through our world-leading tree improvement programmes which focus on fibre gain, fibre characteristics and the mitigation of pests and diseases. For example, we are currently furthering our understanding of the molecular basis for resistance to *Fusarium circinatum*, a fungal disease that impacts pine species. In this regard we have been looking at the expressed genes of a resistant (*Pinus [P.] tecunumanii*) and a susceptible (*P. patula*) pine species after infection with the pathogen in order to develop models for resistance versus susceptibility. In terms of climate change, we mitigate risk to our plantations by:

- Deploying a diverse range of commercial species and hybrids across a wide range of climatic conditions
- Continually monitoring and reviewing forest best practices in light of changing environmental factors, thus helping to mitigate any increased threat from water shortages or drought
- Maintaining wide genetic variability in planting material, including drought resistant breeds
- Measuring permanent sample plots annually (eucalypts) or bi-annually (pines) to determine the effect of drought for use in long-term planning
- Proactively implementing innovative pest and disease programmes
- Maintaining a broad genetic base, thereby facilitating response to new challenges such as pests, disease and climate change while providing continuous genetic improvement over the long term, and
- Implementing an extensive fire protection strategy, as climate change exacerbates the potential for fires.

**Quality of forest risk commodities****Relevance & inclusion**

Relevant, always included

**Please explain**

The plantation industry in South Africa faces an increasing threat from pests and diseases, as well as climate change. Sappi Forests is a leader in R;D, and mitigates these risks through improved site species matching, the deployment of improved genetic planting stock and the introduction of specific hybrids from breeding programmes. To further mitigate risk, we have upgraded our existing nursery at Ngodwana Mill and added cutting facilities. This has helped to enhance the sustainability of our fibre base in two ways: – Firstly, by mitigating against crop losses in the nursery during the cold winter period, and – Secondly, by helping to meet our need for increased deployment of hybrid cuttings, rather than pure species seedlings, as the former are generally more disease resistant and faster growing and can only be economically deployed using cuttings. The deployment of hybrids has become a priority in order to meet the requirement for more hardwoods, necessitated by the conversion of Ngodwana Mill to dissolving wood pulp, and also to mitigate the risks associated with climate change and increased pests and disease introductions. Together with Clan Nursery, which was upgraded in 2015, this means that our nurseries now have capacity for 54 million plants per annum, with an equal split between seedlings and cuttings. In FY2017, our nurseries supplied approximately 38,000 plants to our own operations, 14,000 to projects such as Sappi Khulisa and 2,000 to outside operations. The full rebuild of Ngodwana Nursery was completed at the end of December 2017.

**Impact of activity on the status of ecosystems and habitats****Relevance & inclusion**

Relevant, always included

**Please explain**

We recognise that, like all human activities, our activities do impact on ecosystems and habitats. Given that all our products are based on woodfibre, biodiversity ecosystems have a particular relevance for Sappi. Neither our own plantations in South Africa or those from which we source woodfibre in South America, nor the managed natural forests in Europe and North America, or plantations in South America from which we source woodfibre would be productive without biotic processes taking place. These processes play a vital role in ensuring the health and vitality of trees and include decomposition, soil rejuvenation, pollination and pest control. In South Africa, approximately one-third of our land holdings are set aside for biodiversity conservation. Both the plantations and forests which provide us with woodfibre are actively managed to enhance these beneficial processes and restrict harmful processes impacts like pests and disease.

**Regulation****Relevance & inclusion**

Relevant, always included

**Please explain**

In South Africa, in catchments suitable for commercial timber plantations, all the available water that can be allocated to timber production has been used up by plantations, which means that there is no more available water to allocate for afforestation. In these catchments plantations are allocated up to 20% of the available water. We work to help communities to obtain planting licences through our enterprise development programme, Sappi Khulisa. In recent years, we have expanded Sappi Khulisa beyond the borders of KwaZulu-Natal to the Eastern Cape. We have signed a Memorandum of Understanding with the Eastern Cape Rural Development Agency (ECRDA) to facilitate forestry development in this region. To date, the total area planted covers 4,782ha and a further 4,812ha is in the environmental impact assessment phase, with records of decision awaited on a further 1,250ha.

**Climate change****Relevance & inclusion**

Relevant, always included

**Please explain**

In all three regions where Sappi operates, climate change could alter the frequency and intensity of forest disturbances such as insect outbreaks, invasive species, wildfires, and storms. These disturbances could reduce forest productivity and change the distribution of tree species. Given that woodfibre is a key input to our manufacturing operations, maintaining continuity of supply and containing costs is integral to our sustainability as a business. We mitigate risk to our plantations by:

- Deploying a diverse range of commercial species and hybrids across a wide range of climatic conditions
- Continually monitoring and reviewing forest best practices in light of changing environmental factors, thus helping to mitigate any increased threat from water shortages or drought
- Maintaining wide genetic variability in planting material, including drought resistant breeds
- Measuring permanent sample plots annually (eucalypts) or bi-annually (pines) to determine the effect of drought for use in long-term planning
- Proactively implementing innovative pest and disease programmes
- Maintaining a broad genetic base, thereby facilitating response to new challenges such as pests, disease and climate change while providing continuous genetic improvement over the long term, and
- Implementing an extensive fire protection strategy as climate change exacerbates the potential for fires.

## Tariffs or price increases

### Relevance & inclusion

Relevant, always included

### Please explain

Our key inputs are woodfibre, water, chemical and energy. The ability to contain woodfibre costs is enabled by our owned and leased plantations in South Africa. In terms of energy, while globally, our energy costs as a percentage of cost of sales have declined over five years due to actions taken, it makes business sense for Sappi to aggressively manage energy usage and promote the generation of renewable energy. Environmental impact is reduced not only by the amount of energy, but also by the type of energy consumed. We have made significant efforts to reduce reliance on fossil fuels, thereby reducing fossil-related greenhouse gas (GHG) emissions and separating our operations from the volatility of energy prices. We are succeeding in this regard, as indicated by our high use of renewable energy (45.2%) and by the fact that over five years, we have increased global levels of energy self-sufficiency by 8.7%. Over the same period, globally, specific direct (Scope 1) GHG emissions have reduced by 4.6% and specific indirect (Scope 2) GHG emissions have decreased by 7.42%. Overall, there has been a reduction of 5.4% in GHG emissions intensity over five years.

## Loss of markets

### Relevance & inclusion

Please select

### Please explain

## Brand damage related to forest risk commodities

### Relevance & inclusion

Relevant, sometimes included

### Please explain

Many consumers erroneously equate deforestation with pulp and paper companies like Sappi. This is mitigated by responsible sourcing activities: Globally, the percentage of certified fibre procured for Sappi's mills is 73.5%. The balance is procured from known and controlled sources. In South Africa and North America, Sappi works with landowners to increase certification. In South Africa, 100% of Sappi's owned and leased plantations are certified by the FSC. It is also mitigated by our own and industry initiatives. For example, we support the TwoSides organisations in Europe, North America, South America, South Africa and Australia and the Print Power campaign in Europe. Other initiatives: Sappi North America: Online and print education platforms in this region include the Environmental Quotient (eQ) and Education, Training and Consulting (ETC). We support the Paper and Packaging Board (P+PB), of which we are a member, in rolling out a public, consumer-facing integrated marketing campaign on behalf of the paper and packaging industry. The Sappi North America Printer of the Year competition helps to promote the power of print. We also support the 'Paper Checkoff', a consumer campaign aimed at helping reverse the decline in printing and writing papers as well as boost demand for paper-based packaging using TV, print, billboards and the internet. • In Southern Africa, we: – Sponsored the graphic design category in the Student Gold Pack Awards held under the auspices of the Institute of Packaging SA and we also sponsored paper for the Citrus Research Institute annual report in addition to sponsoring their annual symposium, and – Sponsored the 'Help Colour My Dreams' initiative, in partnership with the Nashua Children's Charity Foundation (NCCF) which supports 75 charities. For every ream of Nashua-wrapped A4 paper produced by Sappi and sold through Nashua franchises, a certain amount of money was donated to the initiative.

## Corruption

### Relevance & inclusion

Please select

### Please explain

## Social impacts

### Relevance & inclusion

Relevant, always included

### Please explain

The wellbeing of stakeholders, in particular local communities situated close to our areas of operation, is an important component of our licence to trade. We mitigate impacts in accordance with the guidelines of the forest certification systems we use. Our operations are generally situated in rural areas where employment choices are limited. Mindful of this, we prioritise local employment and skills training. We also uplift communities close to our areas of operation by focusing social investment spend in these areas.

## Other, please specify

### Relevance & inclusion

Relevant, sometimes included

### Please explain

In light of evidence that anthropogenic greenhouse gas (GHG) emissions are driving global warming, governments around the world are assessing national carbon taxes in an attempt to promote low-carbon economies. We acknowledge that our industry is energy intensive, but believe that this is mitigated by our high use of renewable energy (black liquor in particular) and by the important role that sustainably managed natural forests and plantations play in mitigating global warming. In terms of carbon taxes, we continue to monitor the situation in each region where we operate. In North America and Europe, carbon taxes do not appear to be an imminent risk. In Southern Africa, the Department of Environmental Affairs has accepted our proposed carbon budget which is valid until 2020.

## F2.1c

(F2.1c) Which of the following stakeholders are considered in your organization's forests-related risk assessments?

## Customers

### Relevance & inclusion

Relevant, always included

### Please explain

Our customers have to deal with changing consumer trends, preferences and growing environmental concerns. Increasing numbers of brand owners have sustainability targets as part of their portfolio or requirements and are looking for alternatives to fossil fuel-based packaging. In fact, the global sustainable packaging market is poised to grow at a compound annual growth rate (CAGR) of around 7.7% over the next decade to reach approximately US\$440.3 billion by 2025 according to a recent report [ <https://www.prnewswire.com/news-releases/global-4403-billion-sustainable-packaging-market-analysis--trends-2013-2016--industry-forecast-to-2025---research-and-markets-300421046.html>]. Against this backdrop, in Europe, we are investing US\$140 million over the next three years in projects that will increase our specialties and packaging papers capacity and capability, as well as support our drive to be the lowest-cost producer of graphic papers. In North America, we are investing US\$165 million in upgrading and enhancing the flexibility of Paper Machine 1 at Somerset Mill in Maine, to enable growth in paper-based packaging. The overall capacity of the mill, currently the largest coated mill in North America, will increase by 180,000tpa and the upgrade is expected to be completed in 2018. In terms of trends and preferences, where relevant, we will conduct R&D and develop products to suit customers' specific needs. In terms of reputational issues, we participate in assessments such as EcoVadis which provides Supplier Sustainability Ratings for global supply chains. Sappi North America, Sappi Europe and Sappi Southern Africa have all received gold EcoVadis ratings.

## Employees

### Relevance & inclusion

Relevant, always included

### Please explain

Our employees play an important role in Sappi's drive to be a global forest products leader. We invest in future talent while challenging our people so that they are able to seize the opportunities presented by global megatrends. We make resources available to enable our people to grow intellectually, fulfil their potential and drive innovation within Sappi.

## Investors

### Relevance & inclusion

Relevant, always included

### Please explain

Investors (bondholders and shareholders) play an important role in enhancing long-term shareholder value. Our aim is to provide them with transparent, timely, relevant information that facilitates informed decisions. Given growing interest among shareholders in ESG issues, we focus on providing our shareholders with transparent information about risks, opportunities and ESG performance.

## Local communities

### Relevance & inclusion

Relevant, always included

### Please explain

Having a mutually respectful relationship with the communities in which our business is situated is critical to our success. We work to incorporate the communities close to our operations into our 2020Vision, which recognises the importance of conserving natural resources, uplifting people so that they are able to develop and create opportunities in their immediate environment as well as thrive in our increasingly inter-connected world and also through sharing value. Social projects are reviewed on a case-by-case basis and we encourage projects which facilitate partnerships and collaboration between communities, government and the private sector. Key issues discussed on a regular basis include employment, job creation and business opportunities, economic and social impacts/contributions and community support. Environmental issues relate to biodiversity conservation as well as water usage and quality, effluent quality and air emissions.

## NGOs

### Relevance & inclusion

Relevant, sometimes included

### Please explain

We partner with industry and business bodies to showcase the role of business in building society, to provide input into issues and regulations that affect and are relevant to our businesses and industries. We also support and partner with industry initiatives aimed at addressing broad-ranging social issues and promoting the use of our products. Areas of mutual interest include: • Issues that affect the sustainability of our industry – woodfibre base, carbon taxes, energy and emissions, etc • Energy issues in general and in particular government proposals on carbon taxation • The impact of increased regulations on business • The benefits of our industry and our economic contribution to society • Social and environmental credentials of our products. Sappi has been a signatory to the UN Global Compact since 2008. In Europe and North America, close engagement is maintained directly and through the respective industry bodies CEPI and AF&PA. In Europe we also engage with FSC®, WWF International and with the Programme for the Endorsement of Forest Certification (PEFC™). In North America, Sappi is a member of the economic chamber of both FSC® US and SFI® and actively engages with these organisations through a variety of working groups and committee activities. In Southern Africa, Sappi is a member of the local WWF organisation as well as FSC®.

## Other forest risk commodity users/producers at a local level

### Relevance & inclusion

Please select

### Please explain

## Regulators

### Relevance & inclusion

Relevant, always included

### Please explain

We engage with government departments and regulatory bodies to provide input into issues and regulations that affect our industry. We also engage with regional and local governments and local authorities to obtain support for our operations and show how our activities contribute to local economic and social development. Areas of mutual interest include: • Energy issues in general and in particular government moves on carbon taxation • The impact of increased regulations on business • The social and economic benefits of our industry nationally as well as at a local level.

## Suppliers

### Relevance & inclusion

Relevant, always included

### Please explain

We are committed to establishing mutually respectful relationships with our suppliers and encouraging them to join our commitment to economic, social and environmental responsibility and to creating an environment that shares our commitment to doing business with integrity and courage, making smart decisions which we execute with speed. We aim to build long-term value partnerships. Given our focus on zero harm in the workplace, we work with our contractors to ensure that they follow Sappi's safety systems. In Sappi Europe, joint sourcing partnership assists in negotiating better terms with timber and other suppliers. In addition, the Confederation of European Paper Industries (CEPI), of which Sappi Europe is a member, participates in actions supporting and promoting the development of sustainable forestry management tools – including forest certification – all over the world, particularly in less developed countries. In North America, the Sappi Forestry Programme assists forest landowners to meet their objectives for managing their woodland. Sappi's trained foresters are able to develop a forest management plan geared to the interests of the landowner including wildlife management and aesthetics, as well as marketing of timber to generate maximum returns. In Southern Africa, qualified extension officers provide growers in our Sappi Khulisa enterprise and supplier development scheme with ongoing growing advice and practical assistance.

### Other stakeholders, please specify

### Relevance & inclusion

Relevant, always included

### Please explain

In North America our risk assessment (a public summary version) was provided to stakeholders by our auditor for comment during our FSC Controlled Wood audits.

## F3. Risks and opportunities

### F3.1

#### (F3.1) Have you identified any inherent forests-related risks with the potential to have a substantive financial or strategic impact on your business?

	Risk
Timber	Yes, both in direct operations and the rest of our value chain
Palm Oil	<Not Applicable>
Cattle Products	<Not Applicable>
Soy	<Not Applicable>
Other - Rubber	<Not Applicable>
Other	<Not Applicable>

### F3.1a

#### (F3.1a) How does your organization define substantive impact on your business?

A substantive impact on our business would be one that would render the group unable to operate. For example, our key inputs are woodfibre, chemicals, water and energy. Disruption of this supply chain would have a

substantive impact on Sappi.

### F3.1b

#### (F3.1b) For your disclosed forest risk commodity(ies), provide details of risks identified with the potential to have a substantive financial or strategic impact on your business, and your response to those risks.

##### Forest risk commodity

Timber

##### Type of risk

Physical

##### Geographical scale

Global

##### Where in your value chain does the risk driver occur?

Direct operation

Supply chain

##### Primary risk driver

Increased severity of extreme weather events

##### Primary potential impact

Constraint to growth

##### Company-specific description

There is a risk that climate change could impact ecosystems and biodiversity services in the forest and plantations from which Sappi sources woodfibre. Biodiversity is

particularly important for Sappi as neither its own plantations in South Africa nor the managed natural forests in Europe and North America from which the group sources woodfibre would be productive without biotic processes taking place. Biodiversity contributes to the provision of a number of products and services in the following ways: • Ecosystem services: – Protection of water resources – Soils formation and protection – Nutrient storage and recycling – Pollution breakdown and absorption – Contribution to climate stability – Maintenance of ecosystems – Recovery from unpredictable events. • Biological resources: – Food – Medicinal resources and pharmaceutical drugs – Wood products – Ornamental plants – Breeding stocks, population reservoirs – Future resources – Diversity in genes, species and ecosystems. • Social benefits: – Opportunities for research and education – Recreation and tourism – Cultural values. We measure our biodiversity management standards against the internationally accredited forest certification systems we use. These systems incorporate detailed criteria for biodiversity management.

#### Timeframe

1-3 years

#### Magnitude of potential impact

High

#### Likelihood

Unlikely

#### Potential financial impact

#### Explanation of financial impact

Not possible to quantify

#### Primary response to risk

Promotion of best practice and awareness

#### Description of response

As ecosystem processes and services play a vital role in ensuring the health and vitality of trees in terms of decomposition, soil rejuvenation and pest control, both Sappi's own plantations and the third-party forests from which the group sources woodfibre are actively managed to enhance these beneficial biotic processes and restrict harmful processes like pests and disease. For example, in South Africa approximately one-third of Sappi's land is set aside for biodiversity. About 73% of the land managed for biodiversity conservation comprises riparian zones, firebreaks, cliffs, rocky outcrops, dams and small wetlands. The remaining 27% comprises larger areas classified as Important Conservation Areas (ICAs) which receive special management according to specially developed management plans. ICAs conserve representative examples of grassland, forest or woodland and many of them are home to rare or threatened species. We participate in a national stewardship programme through which we have declared six nature reserves on our land. Sappi Europe Sappi sources some of its pulp from pulp mills in Latin America, where the suppliers own and manage large eucalyptus and pine plantations. The land is divided into sections of intensively managed plantation areas and indigenous forest that is fostered to recover and achieve a higher level of biodiversity. The natural ecosystem that is maintained in turn protects the forest stands.

#### Cost of response

#### Explanation of cost of response

Not possible to separate out and quantify

#### Forest risk commodity

Timber

#### Type of risk

Regulatory

#### Geographical scale

Country

#### Where in your value chain does the risk driver occur?

Supply chain

#### Primary risk driver

Uncertainty and/or conflicts involving land ownership and occupancy rights

#### Primary potential impact

Reduction or disruption in production capacity

#### Company-specific description

Maintaining continuity of supply from plantations owned by land reform beneficiaries in South Africa is a challenge. Poor post-settlement support is one of the key reasons cited by experts.

#### Timeframe

1-3 years

#### Magnitude of potential impact

Medium-low

#### Likelihood

Unlikely

#### Potential financial impact

#### Explanation of financial impact

Not possible to quantify

#### Primary response to risk

Engagement in multi-stakeholder initiatives

#### Description of response

As at the end of September 2017, Sappi was involved in 60 land reform projects. Many of these properties previously belonged to commercial farmers who had supply agreements with Sappi. To ensure sustainable production from these properties, we have entered into supply agreements with the new beneficiaries and have also provided assistance. This depends on the requirements of the project, but ranges from a pure supply agreement to a comprehensive Forestry Enterprise Development Agreement (FEDA). The latter is a supply agreement but also incorporates development objectives whereby Sappi provides technical and business training as well as administrative support. In addition, to further assist with the development of small growers and other forestry value chain participants, in 2016, we established three training facilities situated in Richmond, Illovo Neck and Kwambonambi in KwaZulu- Natal. The slogan of the training centres is Khulisa Ulwazi ('Growing Knowledge') and they provide training to small growers, land reform beneficiaries and small-scale contractors in the technical and business aspects of forestry and small business management. Over the past two years, Ulwazi has trained over 1,000 people.

**Cost of response****Explanation of cost of response**

Not possible to quantify - included in overall management costs.

**Forest risk commodity**

Timber

**Type of risk**

Regulatory

**Geographical scale**

Region

**Where in your value chain does the risk driver occur?**

Supply chain

**Primary risk driver**

Other regulatory driver, please specify (Diversion of wood for energy combustion)

**Primary potential impact**

Constraint to growth

**Company-specific description**

The global demand for woodfibre is expected to increase for the foreseeable future, driven partly by the trend to use renewable resources like woodfibre, rather than for energy generation. Since 2009, the 28 nations of the European Union have embarked on a dramatic switch to generating power from biomass-based fuels including wood-residues from production and harvesting. This could potentially cause a shortage.

**Timeframe**

1-3 years

**Magnitude of potential impact**

Medium

**Likelihood**

Likely

**Potential financial impact****Explanation of financial impact**

Not possible to quantify, but related to increased input costs.

**Primary response to risk**

Other, please specify (Engagement with industry bodies)

**Description of response**

Sappi lobbies through its membership of industry bodies such as the Confederation of European Paper Industries (CEPI).

**Cost of response****Explanation of cost of response**

Included in overall management costs and memberships of industry associations.

**F3.2****(F3.2) Have you identified any forests-related opportunities with the potential to have a substantive financial or strategic impact on your business?**

	Have you identified opportunities?
Timber	Yes
Palm Oil	<Not Applicable>
Cattle products	<Not Applicable>
Soy	<Not Applicable>
Other - Rubber	<Not Applicable>
Other	<Not Applicable>

**F3.2a****(F3.2a) For your selected forest risk commodity(ies), provide details of the identified opportunities with the potential to have a substantive financial or strategic impact on your business.****Forest risk commodity**

Timber

**Type of opportunity**

Markets

**Where in your value chain does the opportunity occur?**

Direct operation

**Primary forests-related opportunity**

Expansion into new markets

**Financial incentives**

<Not Applicable>

**Company-specific description & strategy to realize opportunity**

Our aim is to leverage the key components of woodfibre to extract more value from each tree and in doing so, strengthen our overall core business model. Accordingly, in July 2016, we established a new business unit, Sappi Biotech, to accelerate our response to consumer trends for renewable products with a low carbon footprint, continue to innovate in new growth segments and take global responsibility for the commercialisation of new products. Nanocellulose from woodfibres provides a new material platform for sustainable production of a wide range of high-performance products. The global nanocellulose market is expected to exceed more than US\$700 million by 2023; growing at a CAGR of more than 33% in the given forecast period. [https://www.marketresearchengine.com/reportdetails/nanocellulose-market-report]. Demand and value are forecast on the basis of various key applications of nanocellulose, such as composites and packaging, paper and paper board, biomedicine, and other applications, including as a viable alternative to expensive high-tech materials such as carbon fibres and carbon nanotubes. In March 2016, we successfully commissioned our nanocellulose pilot plant at Brightlands Chemelot Campus in Sittard-Geleen, the Netherlands. The plant has successfully produced a high quality wet micro-fibrillated and nanofibrillated cellulose. Further commissioning will take place in Q4 2018 in order to produce dry re-dispersible nanocellulose. To accelerate our work in this fast-developing field, we are growing our nanocellulose competency at three of our global research and development facilities and have commenced with numerous industry collaboration projects in order to promote the benefits of nanocellulose in a wide range of applications including construction chemicals, personal and homecare products, plastic composites, paint, coatings, specialties and packaging papers. Our nanocellulose process uses unique chemistry whereby wood pulp fibres can be easily broken down into nanocellulose without producing the large volumes of effluent associated with existing techniques using high amounts of energy. In addition, the chemicals used in the process can easily be recycled and reused without generating large amounts of effluent.

**Estimated timeframe for realization**

1-3 years

**Magnitude of potential impact**

Medium-high

**Likelihood**

Virtually certain

**Potential financial impact****Explanation of financial impact**

Increased profitability and shareholder value

**Forest risk commodity**

Timber

**Type of opportunity**

Products & services

**Where in your value chain does the opportunity occur?**

Direct operation

**Primary forests-related opportunity**

Increased brand value

**Financial incentives**

<Not Applicable>

**Company-specific description & strategy to realize opportunity**

The market demand for the use of cellulosic fibres like dissolving wood pulp (DWP) is increasing across a wide spectrum of applications and sustained growth is expected for cellulose fibres in the industrial application over the next five years. The popularity of cellulosic-based fibres is based on their high levels of absorbency, breathability and softness, as well as wash and wear characteristics. Their environmental credentials, when compared with petroleum-based fibres, also contribute to their growing popularity. A potential shortage of cotton supply is expected to accelerate demand for DWP. Sappi is the world's biggest producer of DWP and we see global demand for textiles continuing to grow, particularly in markets such as China, India and Indonesia, due to increasing population growth and affluence in these regions. Currently we produce 1.2 million tons per annum of DWP, with production capacity of 1.4 million tons per annum. We currently operate our Cloquet Mill as a swing mill producing both paper pulp for internal use and DWP. Based on expectations of overall market growth, we believe that we need to be producing at least 1.7 million tons per annum by 2020. Fully utilising our current capacity, and debottlenecking our existing plants will enable us to produce an additional 200,000tpa within the 2020 timeframe. In order to meet the further 300,000tpa of demand we have been looking for further investment opportunities, both internal and external to our current operations. We hope to be able to detail these plans during the first half of 2018. Accordingly, in 2017, we began debottlenecking projects at our Ngodwana and Saiccor Mills in Southern Africa. These projects are expected to add approximately 60,000tpa to our current capacity. We anticipate these projects to begin making incremental tonnage in the latter half of fiscal 2018. At Cloquet Mill, we aim to optimise profitability by utilising our swing capability depending on the price differential between DWP versus the price of buying market pulp for our two paper machines. We will also be adding 30,000 tons at the Cloquet Mill through debottlenecking in a project that will be completed in 2019.

**Estimated timeframe for realization**

Current - up to 1 year

**Magnitude of potential impact**

Medium-high

**Likelihood**

Virtually certain

**Potential financial impact****Explanation of financial impact**

Increased profitability and shareholder value

**Forest risk commodity**

Timber

**Type of opportunity**

Products & services

**Where in your value chain does the opportunity occur?**

Direct operation

**Primary forests-related opportunity**

Increased brand value

#### Financial incentives

<Not Applicable>

#### Company-specific description & strategy to realize opportunity

The key components of woodfibre include cellulose, hemicellulose, lignin and extractives. Both cellulose and hemicellulose are polysaccharides containing many different sugar monomers which can be extracted from pulping streams. New revenue opportunities include possibilities to extract biobased materials from the pre-hydrolysate kraft stream, such as hemicellulose sugars and lignin, for beneficiation to higher-value biochemicals. In April 2017, we launched a trial sugar extraction demonstration plant at Ngodwana Mill in Mpumalanga province (South Africa). The demonstration plant is a joint development project with Valmet. It will extract and make available industrial-scale samples of sugar rich pre-hydrolysate liquors. Following the successful commissioning of the demonstration unit, we strengthened our biotech division and bolstered our biorefining expertise through the acquisition of the Xylex® and Versalac® technologies (including the patents, know-how and equipment) owned by Plaxica Limited. Plaxica Limited is a United Kingdom technology licensing company founded in 2008 as a spin-out from Imperial College, London, and is situated in the Wilton Technology Centre in the United Kingdom. We have a high degree of confidence that the demonstration plant's hydrolysate extraction capabilities together with the proprietary low-cost Xylex® technology acquired by Plaxica – rated as one of the most advanced to offer optimum efficiency and economics for separation and clean-up of C5 sugars from pulp mill hydrolysates – will enable us to realise our stated objective to participate in the downstream value chains which include furfural, glycols and xylitol. The xylose fraction in the pulping liquors from various mills has been identified as a possible source of furfural. The conversion and extraction of furfural from pulping liquors would be an additional source of income and could also improve the energy efficiency and environmental footprint of our pulp mills. Sappi has partnered with Dalin Yebo to develop a business case for conversion and extraction of furfural from pre-hydrolysis kraft liquor at Ngodwana Mill and acid sulphite liquor at Saiccor Mill. The project will include the design and construction of a pilot plant to remove and convert xylose into furfural.

#### Estimated timeframe for realization

1-3 years

#### Magnitude of potential impact

Medium-low

#### Likelihood

Very likely

#### Potential financial impact

#### Explanation of financial impact

Increased profitability and shareholder value

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#### Forest risk commodity

Timber

#### Type of opportunity

Markets

#### Where in your value chain does the opportunity occur?

Direct operation

#### Primary forests-related opportunity

Expansion into new markets

#### Financial incentives

<Not Applicable>

#### Company-specific description & strategy to realize opportunity

Consumers are becoming increasingly concerned about the impact of fossil fuel-based packaging material, particularly on the world's oceans. We have leveraged this opportunity to offer compostable packaging solutions. These include: \* Algro Nature® which is designed for environmentally friendly packaging solutions. It's a sustainably sourced one side coated glossy paper that offers a home- and industrial-compostable alternative to traditional paper/oil-based film laminates. \* Leine Nature®, an innovative and environmentally friendly solution for flexible packaging applications, including food/snack and confectionery wrappers. When extrusion laminated with a cellulose based bio plastic with suitable barrier properties (mainly oxygen and water vapour barrier), this product offers a compostable alternative to a traditional paper/oil-based film laminate. In addition, in FY2017, Sappi acquired the barrier film technology of Rockwell Solutions. This will enable us to offer our customers an even wider range of barrier coated solutions and could enable us to support market needs for more sustainable and recyclable packaging solutions by offering a replacement to fossil-based packaging material.

#### Estimated timeframe for realization

1-3 years

#### Magnitude of potential impact

Medium

#### Likelihood

Very likely

#### Potential financial impact

#### Explanation of financial impact

Not possible to quantify.

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## F4. Governance

### F4.1

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#### (F4.1) Does your organization have a policy that includes forests-related issues?

Yes, we have a documented forests policy that is publicly available



F4.1a

(F4.1a) Select the options to describe the scope and content of your policy.

	Scope	Content	Please explain
Row 1	Company-wide	Commitment to avoiding deforestation and forest degradation Commitment to protect rights and livelihoods of local communities Commitment to transparency Commitment to stakeholder awareness and education Commitment to innovation Recognition of the overall importance of forests and other natural habitats Description of forests-related standards for procurement	Our commitments are set out in our Group Wood and Fibre Procurement Policy, our Group Environmental Policy and Group Sustainability Charter, available on <a href="http://www.sappi.com">www.sappi.com</a> As examples of putting our policies and commitment into action in North America: Best Management Practices (BMPs) aim to establish statewide standards for timber harvesting and related activities adjacent to water bodies. It was created in order to better protect our public and private resources from degradation to water quality and wildlife habitat. The Maine Forest Service (MFS) has worked closely with Maine professional forestry and logging community to develop and refine forestry Best Management Practices (BMPs) to protect water quality. MFS BMPs stress a strong understanding of principles needed to practice/implement BMP's effectively. The MFS prefers a flexible, voluntary BMP approach over prescriptive regulation. Voluntary BMPs based on water protection principles allow loggers and foresters to select efficient practices that result in desired outcome. MFS has a strong training and monitoring programme in place to ensure BMPs are being met across the State. The MFS's key partner in training is the Maine SFI SIC. The Certified Logging Professional Program (CLP), Professional Logging Contractors of Maine (PLC) and Northeast Master Logger Certification Program play a big role in training. This public/private partnership have helped advance Maine's BMP education efforts. The Maine Forest Service conducts random, Statewide monitoring of BMPs on timber harvesting operations in an ongoing effort to assess the use and effectiveness of BMPs in Maine In the Lake States, each state has developed and implemented voluntary Best Management Practices designed to sustain forest resources for future generations. The guidelines: • represent practical and sound practices • are designed to be flexible • are designed to help forest landowner, resource managers and loggers meet two goals o conduct forest management activities while addressing the continued long-term sustainability of diverse forest resources o promote or enhance the functions and values of water and soil resources, riparian areas, wildlife habitat, visual quality and cultural resources Each state has organizations that developed and monitor the implementation of the BMPs.

F4.1b

(F4.1b) Do you have commodity specific sustainability policy(ies)? If yes, select the options that best describe their scope and content.

	Do you have a commodity specific sustainability policy?	Scope	Content	Please explain

	Do you have a commodity specific sustainability policy?	Scope	Content	Please explain
Timber	Yes	Company-wide	<p>Commitment to avoiding deforestation and forest degradation</p> <p>Commitment to protect rights and livelihoods of local communities</p> <p>Commitment to transparency</p> <p>Commitment to stakeholder awareness and education</p> <p>Recognition of the overall importance of forests and other natural habitats</p> <p>Description of business dependency on forests</p> <p>Description of forests-related performance standards for direct operations</p> <p>Description of forests-related standards for procurement</p> <p>Reference to international standards and widely-recognized forests-related initiatives</p> <p>Other, please specify (Safety, ECF and TCF bleached pulp)</p>	<p>Extract from our Group Wood Fibre Procurement Policy, available on <a href="http://www.sappi.com">www.sappi.com</a> At the heart of our business is a renewable, recyclable natural resource — woodfibre. We use this to create pulp, paper, biorefinery and chemical cellulose solutions which enhance the lives of consumers around the world. Ensuring fibre supply from responsibly managed, sustainable sources underpins our commitment to treading more lightly on the Planet. To achieve this, we:</p> <ul style="list-style-type: none"> <li>• Monitor the origin of woodfibre and pulp.</li> <li>• Support all credible forest certification standards, including the Forest Stewardship Council® (FSC®), Programme for the Endorsement of Forest Certification™ (PEFC™) schemes and Sustainable Forestry Initiative® (SFI®).</li> <li>• Make use of independent environmental standards such as ISO 14000-series and EMAS (Eco Management and Audit Scheme).</li> <li>• Ensure that wood is legally harvested in accordance with the laws of the regions where we operate and, in South Africa, derives from areas legally registered with the Department of Water Affairs and Sanitation.</li> <li>• Make every effort to ensure the safety of the forest environment for employees and contractors.</li> <li>• Require all wood and pulp suppliers to provide evidence of third party certification and chain of custody or attest to the fact that their fibre qualifies as a controlled wood source.</li> <li>• Promote biodiversity conservation within our owned and leased plantations.</li> <li>• Help to promote credible certification within our supply chain. We will only source woodfibre that:</li> <li>• Comes from forests where the customary, traditional or civil rights of any people are upheld.</li> <li>• Is not sourced from any indigenous forest or woodland or any other area that has high conservation values which are threatened by forestry activities.</li> <li>• Does not come from plantations which have been converted from natural forests.</li> <li>• Is certified to FSC®, PEFC™ or a credible alternative or, in the case of non-certified fibre, meets the requirements of the FSC® controlled wood standard and/or PEFC™ due diligence system (DDS).</li> <li>• Purchase only elemental chlorine free and totally chlorine free bleached pulp. We will ensure compliance with this policy through:</li> <li>• Site visits.</li> <li>• Comprehensive surveys and research.</li> <li>• Requiring documentation and independent third party certification of sustainable forest management practices.</li> </ul>
Palm Oil	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Cattle Products	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

## F4.2

### (F4.2) Is there board-level oversight of forests-related issues within your organization?

Yes

## F4.2a

**(F4.2a) Identify the position(s) of the individual(s) on the board with responsibility for forests-related issues.**

Position of individual	Please explain
Board/Executive board	The chairman of Social, Ethics, Transformation and Sustainability (SETS) Committee, a statutory board committee, has final responsibility for timber-related issues. The SETS committee has an independent role with accountability to the Board. The role of the SETS Committee is to assist the Board with the oversight of sustainability issues within the company and to provide guidance to management's work in respect of its duties in the fields of social, ethics, sustainability and transformation. In each region where Sappi operates, woodfibre issues form part of the function of the Regional Sustainability Councils (RSC) in North America, Europe and South Africa. These RSCs feed into the Global Sustainability Council which in turn reports to the SETS Committee.

**F4.2b****(F4.2b) Provide further details on the board's oversight of forests-related issues.**

	Frequency that forests-related issues are a scheduled agenda item	Governance mechanisms into which forests-related issues are integrated	Please explain
Row 1	Scheduled - all meetings	Monitoring implementation and performance Overseeing major capital expenditures Reviewing and guiding annual budgets Reviewing and guiding corporate responsibility strategy Reviewing and guiding strategy Reviewing innovation / R&D priorities	A global target is in place related to procurement of certified fibre: 79% of fibre supplied to mills to be certified by 2020. In 2017, the amount of certified fibre supplied was 73.5%. In addition, each region has targets related to certified fibre. These targets are reported on at the quarterly Regional Sustainable Development Council meetings, following which to the Group Sustainable Development Council, following which to the Social, Ethics, Transformation and Sustainability Committee.

**F4.3****(F4.3) Below board level, provide the highest-level management position(s) or committee(s) with responsibility for forests-related issues.**

Name of the position(s) and/or committee(s)	Responsibility	Frequency of reporting to the board on forests-related issues	Please explain
Sustainably committee	Both assessing and managing forests-related risks and opportunities	Quarterly	Targets for certification and developments regarding forest-related issues.

**F4.4****(F4.4) Do you provide incentives to C-suite employees or board members for the management of forests-related issues?**

No, and we do not plan to introduce them in the next two years

**F5. Business strategy****F5.1**

**(F5.1) Are forests-related issues integrated into any aspects of your long-term strategic business plan, and if so how?**

	Are forests-related issues integrated?	Long-term time horizon (years)	Please explain
Long-term business objectives	Yes, forests-related issues are integrated	5-10	Our aspirational 2020Vision sets out a range of medium-term targets with the end goal of substantially increasing EBITDA (earnings before interest, taxes, depreciation and amortisation) by the conclusion of the decade. Following the successes of 2017 ,in FY 2018 we will continue to pursue our core objectives: <b>ACHIEVE COST ADVANTAGES</b> Continuously improve cost position Continue to maximise global procurement benefits, and Best-in-class production efficiencies. <b>RATIONALISE DECLINING BUSINESSES</b> Maximise production at low-cost mills Continuously balance paper supply and demand in all regions, and Continue to convert low contributing graphic capacity to higher profitable specialties and packaging paper grades. <b>MAINTAIN A HEALTHY BALANCE SHEET</b> Maintain net debt/EBITDA below 2x, and Continuously improve working capital. <b>ACCELERATE GROWTH IN HIGHER MARGIN SEGMENTS</b> Grow dissolving wood pulp capacity matching customer demand Continue to expand and grow specialties and packaging paper grades in all regions targeting 25% of group EBITDA, and Commence commercialisation of biotech opportunities. Through intentional evolution we will continue to grow Sappi into a profitable and cash-generative, diversified woodfibre group – focused on dissolving wood pulp, paper and products in adjacent fields.
Strategy for long-term objectives	Yes, forests-related issues are integrated	5-10	Since a new tree can be grown where a mature tree has been harvested, wood is an ideal natural resource for biomaterials. This biomass cycle continually sequesters carbon dioxide. Traditionally the papermaking process has only used approximately half of the raw wood material to manufacture pulp and paper products. The balance of the raw material is used to generate energy to power the mill or to sell into the electricity grid. Sappi is, however, developing new processes and biomaterials which extract more value from each tree and supports our business strategy to move into new and adjacent markets.
Financial planning	Yes, forests-related issues are integrated	5-10	We allocate capital and resources for our expansion into new and adjacent markets. Technology is a cornerstone of our business and is supported by technology centres in each region, covering every section of the value chain. Our research and development (R&D) initiatives focus on: - Consolidating and growing our position in our targeted markets segments by developing and commercialising packaging and speciality paper products as well as enhancing our dissolving wood pulp (DWP) business - Energy opportunities from sustainable renewable resources - Developing new products and markets from wood chemistry by exploring the micro- and nanoscale potential of woodfibre and biorefining – extracting biochemicals locked up in wood - Driving cost competitiveness and cost reduction, and - Optimising our equipment and forestry assets.

**F6. Implementation**

**F6.1**

**(F6.1) Has your organization made a public commitment to reduce or remove deforestation and/or forest degradation from its direct operations and/or supply chain?**  
 Yes

**F6.1a**

**(F6.1a) Has your organization endorsed any of the following initiatives as part of its public commitment to reduce or remove deforestation and/or forest degradation?**  
 We Mean Business

**F6.1b**

**(F6.1b) Provide details on your public commitment(s), including the description of specific criteria, coverage, and actions.**

**Commodity coverage**

Timber

**Criteria**

Zero gross deforestation and forest degradation  
No conversion of High Conservation Value areas  
Adoption of UN Global Compact principles  
Adoption of Free, Prior and Informed Consent (FPIC) principles  
Recognition and endorsement of the Universal Declaration of Human Rights  
Promotion of gender equality and women's empowerment  
Adoption of the UN International Labour Organization principles  
Resolution of complaints and conflicts through an open, transparent and consultative process  
Facilitate the inclusion of smallholders into the supply chain  
No sourcing of illegally produced and/or traded forest risk commodities  
No sourcing of forest risk commodities from unknown/controversial sources  
Restricting the sourcing and/or trade of forest risk commodities to credible certified sources

**Operational coverage**

Direct operations and supply chain

**% of total production/ consumption covered by commitment**

100%

**Commitment timeframe**

2018

**Please explain**

Our Group Wood and Fibre Sourcing Policy recognizes the leading global certification standards of the Forest Stewardship Council® (FSC), the Programme for Endorsement of Forestry Certification (PEFC) and the Sustainable Forestry Initiative® (SFI). Because of the limited availability of certified woodfibre – only 10% of the world's forests are certified – nearly all supply chains use a blend of certified and uncertified fibre. The high level of private ownership and the number of smallholders in the supply chain, make it virtually impossible to achieve 100 percent certified fibre. In order to maintain the highest levels of assurances with chain of custody claims, the leading global standards have instituted additional control measures for uncertified lands forests and plantations. The Forest Stewardship Council® (FSC), for example, has established a Controlled Wood standard. All wood and pulp sourced for Sappi (globally) meet the requirements of the FSC Controlled Wood standard at a minimum. This standard is designed to eliminate the presence of controversial sources. There are five categories of unacceptable material that cannot be mixed with FSC-certified materials: • Illegally harvested wood; • Wood harvested in violation of traditional and human rights; • Wood harvested in forests in which high conservation values (HCVs) are threatened by management activities; • Wood harvested in forests being converted to plantations or non-forest use; and • Wood from forests in which genetically modified trees are planted. The Sustainable Forestry Initiative® (SFI) also has a separate Fibre Sourcing Standard. In North America, all our wood and pulp purchases meet this standard which has additional requirements beyond avoiding controversial sources, including landowner outreach; use of qualified resource and qualified logging professionals; and adherence to best management practices (BMPs). We can assure stakeholders that 100 percent of our forest fibre is from a well-managed forest, at low risk of any controversial source.

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**F6.2**

**(F6.2) Did you have any quantified targets for increasing sustainable production and/or consumption of your disclosed commodity(ies) that were active during the reporting year?**

Yes

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**F6.2a**

**(F6.2a) Provide details of your target(s) for increasing sustainable production and/or consumption of the disclosed commodity(ies), and progress made.**

**Target reference number**

Target 1

**Forest risk commodity**

Timber

**Form of commodity covered**

All forms of timber

**Type of target**

Third-party certification scheme

**Coverage**

Direct operations and supply chain

**Traceability point**

<Not Applicable>

**Third-party certification scheme**

FSC Forest Management certification

FSC Chain of Custody

FSC Controlled Wood

FSC Group certification

FSC SMLIF (small or low-intensity managed forest)

FSC Recycled

PEFC Sustainable Forest Management certification

PEFC Chain of Custody

PEFC Project Chain of Custody

SFI Forest Management certification

SFI Chain of Custody

SFI Fiber Sourcing certification

Canadian Standards Association (CSA) Z809

American Forest Foundation Tree Farm System

**Start year**

2014

**Start figure**

71-80%

**Target year**

2014

**Target**

71-80%

**% achieved**

71-80%

**Please explain**

Regional targets to increase levels of certified fibre to our mills are underpinned by a global target to maintain or improve our 2014 percentage of 79% fibre supplied to our mills. We did not achieve this in FY 2017, with the certified fibre showing a 5.5% decline. In Europe we exceeded our certified fibre procurement goal by just over 4%. In North America, certified fibre content was down from earlier years due to changes in wood procurement strategies to acquire woodfibre from sources closer to the mills. As reported last year, it was also due to a change in production strategy at Cloquet Mill which involved a change from buying 100%-certified market pulp to making our own pulp (doing so means we are limited to the amount of certified fibre available in the local wood basket). In Southern Africa, we increased the percentage of certified fibre supplied to our mills by 1.1%.

**F6.3**

**(F6.3) Do you have traceability system(s) in place to track and monitor the origin of your disclosed commodity(ies)?**

	Do you have system(s) in place?
Timber	Yes
Palm Oil	<Not Applicable>
Cattle products	<Not Applicable>
Soy	<Not Applicable>
Other - Rubber	<Not Applicable>
Other	<Not Applicable>

**F6.3a**

**(F6.3a) Provide details on the level of traceability your organization has for your disclosed commodity(ies).**

	% of total production/consumption volume traceable	Point to which commodity is traceable	Description of traceability system	Exclusions	Description of exclusion
Timber	100%	Forest management unit	Sappi mills have the monitoring tools in place to fulfil the requirements of the EU Timber Regulation (EU No 995/2010) and Lacey Act and can provide mill-specific information including product specific information on product composition, tree species, and the origin of wood fibre. All purchased wood fibre is at least FSC Controlled Wood and all mills are either FSC Chain of Custody or FSC and PEFC Chain of Custody certified. Sappi North America (SNA) records the town and state or province of origin of each load of wood received at the mills. Representative samples of the deliveries to the mills are subsequently traced backward to confirm the accuracy of the information provided. Through a separate effort, the State of Maine requires that all timber harvests must be registered with the Maine Forest Service, which periodically inspects the operation for environmental compliance. The State of Maine also requires the use of a "trip ticket" to accompany any wood transported to market. The trip ticket identifies the owner, the place of origin and the destination of the wood. A trip ticket system is also utilized in Minnesota, supported by a random sampling process which is incorporated into SNA's certified sourcing procedures. Sappi Southern Africa (SSA) and Sappi Europe (SEU) operate according to (FSC®) or, SFI®, PEFC chain of custody requirements which stipulate reporting on species and countries forest origin.	<Not Applicable>	<Not Applicable>
Palm Oil	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

**F6.4**

**(F6.4) Do you specify any third-party certification schemes for your disclosed commodity(ies)? Indicate the volume and percentage of your production and/or consumption covered.**

**Forest risk commodity**

Timber

**Do you specify any certification scheme?**

Yes

**Third-party certification scheme**

FSC Forest Management certification  
FSC Chain of Custody  
FSC Controlled Wood  
FSC Group certification  
PEFC Sustainable Forest Management certification  
PEFC Chain of Custody  
SFI Forest Management certification  
SFI Chain of Custody  
SFI Fiber Sourcing certification  
American Forest Foundation Tree Farm System

**% of total production/consumption volume certified**

100

**Form of commodity**

Hardwood logs  
Softwood logs  
Unprocessed wood fiber  
Pulp  
Cellulose-based textile fiber  
Wood-based bioenergy

**Volume of production/ consumption certified**

100

**Metric**

Round wood equivalent (RWE)

**Please explain**

**F6.5**

**(F6.5) Do you specify any sustainable production/procurement standards for your disclosed commodity(ies), other than third-party certification? Indicate the percentage of production/consumption covered and if you monitor supplier compliance with these standards.**

**Forest risk commodity**

Timber

**Do you specify any sustainability standards?**

Yes

**Type of standard**

Production

**Description of standard**

Please not that our standard applies to production and procurement. In terms of external standards, our operations are certified to ISO 9001, ISO 14001, OHSAS 18001 and, in Europe: EMAS (Eco Management and Audit System) as well as ISO50001 in Europe and Southern Africa. Many of our products comply with the EU Ecolabel. In terms of internal standards, we monitor environmental performance and legal compliance at each mill, by constantly assessing our performance in terms of energy dashboards, integrated water and waste management plans, air emissions, and effluent. We also ensure that we keep up with environmental best practice through an internal environmental ‘cluster’ comprised of experts in various fields. In addition, we have targets in place including a global 2020 target in place related to energy efficiency. There are also regional 2020 targets (2014 base year) in place related to sustainable consumption and production. In Europe, we have a target to reduce specific direct fossil CO2 emissions including purchased power emissions (calculated at 400g/KWh) by 5% by 2017 (base year 2012, saleable production). We also have a target to reduce energy intensity GJ/adt. SEU did not achieve either of these targets in FY2017. In North America, one target is to reduce the amount of total energy expended in making each ton of product by 5% by 2020. We achieved a 2% reduction in FY2017. A further target is to reduce pulp mill raw material waste by 10% by 2020. We reduced pulp mill raw material waste by 17% in FY2017. In South Africa, we have a target in place to achieve 10% reduction in specific purchased fossil energy by 2020. We achieved this in 2017, with an 8.2% reduction. Another target is to achieve a 10% reduction in total specific fresh water usage by 2020. We exceeded this in FY2017, achieving a reduction of 21%. We did not achieve our target of a 10% reduction in specific solid waste landfilled by 2020. Specific solid waste landfilled increased by 20%. However, we do have interventions in place that will help us to achieve this goal going forward.

**% of total commodity volume covered by standard**

100%

**Do you have a system in place to monitor compliance with this standard?**

Yes

**Type(s) of monitoring system**

Auditing

**% of suppliers in compliance with standards**

<Not Applicable>

**Please explain**

Progress – or lack thereof – against our targets is audited, monitored and reported on regularly to management, the Regional Sustainability Councils, the Global Sustainable Development Council and ultimately, to the SETS Committee, a fully constituted board committee.

F6.6

**(F6.6) Are you working with smallholders to encourage and support best practices that aim to reduce or remove deforestation/forest degradation?**

	Are you working with smallholders?	Please explain
Timber	Yes, working with smallholders	In South Africa, Sappi has established a group certification scheme for small and medium growers. There are currently 42 members in the scheme with plantations ranging from less than a hundred hectares to 4,391 hectares in size. FSC® certification is not yet practical for micro growers, largely because of financial and technical constraints. Sappi, together with industry partners, is currently researching ways of overcoming these barriers. Currently timber from micro growers is recognised as “controlled wood” and can thus be used to produce FSC® products labelled as “Mixed Sources”. In North America Sappi’s Forestry Programme assists woodlot owners in the states of Maine, Minnesota, Wisconsin, and Michigan’s Upper Peninsula develop, manage and harvest their woodlands. In South Africa, qualified extension officers work with growers in an enterprise development scheme, Sappi Khulisa, to promote responsible planting and harvesting practices. In 2016 we established a training initiative Khulisa Ulwazi (to grow knowledge), to support the training and development of Sappi’s Khulisa growers. Today there are three training facilities at Richmond, Illovo Neck and Kwambonambi in KwaZulu-Natal. Over the past two years, Ulwazi has trained over a 1,000 people. In South Africa, we also support the beneficiaries of land reform projects
Palm Oil	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>
Other	<Not Applicable>	<Not Applicable>

F6.7



**(F6.7) Are you working with your direct suppliers to support and improve their capacity to supply sustainable raw materials?**

	Are you working with direct suppliers?	Supplier engagement approach	Please explain
Timber	Yes, working with direct suppliers	Encouraging certification Encouraging work with multi-stakeholder groups Supplier questionnaires on environmental and social indicators Workshops and training Supplier audits Supplier charters Joint projects Financial support Technical support	SEU: The Confederation of European Paper Industries (CEPI), of which Sappi Europe is a member, participates in actions supporting and promoting the development of sustainable forestry management tools – including forest certification – all over the world. • SNA: The Sappi Forestry Programme assists forest landowners to meet their objectives for managing their woodland. Sappi's trained foresters are able to develop a forest management plan geared to the interests of the landowner including wildlife management and aesthetics, and marketing of timber to generate maximum return. In the Lake States we support several research opportunities such as the NLEB research in Aitkin and Carlton Counties. We also provide support for several research groups. • SSA: Qualified extension officers provide growers in our Sappi Khulisa enterprise and supplier development scheme with ongoing growing advice and practical assistance. In the case of secondary purchases through brokers or suppliers, the point of origin of the fibre (landowner) is generally, but not always, identified. A process to substantiate these claims is in place. In terms of non-certified fibre, wood/pulp is sourced from known and trusted suppliers close to each mill, regularly risk assessed by competent experts. FSC®-controlled wood and PEFC Due Diligence Systems (DDS) requirements are incorporated into our purchasing specifications and contracts. 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. In North America, in cases where a supplier is providing non-certified but Controlled Wood, internal procedures are used to verify the status of the wood. This process is annually reviewed by third party auditors who provide the necessary verification.
Palm Oil	<Not Applicable>	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other	<Not Applicable>	<Not Applicable>	<Not Applicable>

**F6.8**

**(F6.8) Are you working beyond your first-tier supplier(s) to manage and mitigate forests-related risks?**

	Are you working beyond first tier?	Please explain
Timber	Yes, working beyond first tier	In 2015, Sappi Forests was faced with two key challenges: fires on our plantations which were sometimes deliberately started and disenfranchised, unmotivated communities living near our plantations. Accordingly, together with DevCom, a development communications specialist company, we launched the Abashintshi ('Changers' in isiZulu) programme. The aim was threefold: • Decrease intentional fires • Establish closer engagement with communities, and • Achieve social change. Key to the programme is the engagement with youth, as we had previously engaged primarily with traditional leaders and councillors. Key elements of the programme include: • The Asset Based Community Development (ABCD) model which aims to empower community members to use what they have, instead of focusing on what they need or don't have • Youth life skills training (various modules dealing with decision making and choices, amongst others) • Ifa Lethu which documents the legacy of the elderly in the community in order to continue with successful practices and learn from mistakes, and • Holiday programmes with learners. The programme which began in KwaZulu-Natal, has now been expanded to Mpumalanga and has grown from 18 young volunteer men and women (the Abashintshi) in nine communities to 87 Abashintshi in 44 communities The results have been extremely positive: • Fires have declined by 89% since 2015 • 234 small businesses have either started up or have been rejuvenated. These range from brickmaking projects to poultry and pig farms, and from crèches to home industries. In Europe, since 2010, Sappi has participated in an annual tree-planting initiative in association with ANB (Agentschap voor Natuur en Bos), the equivalent of the Department of Forestry. This organisation is responsible for the planting of approximately 30,000 trees in the Forêt de Soignes every year as part of Belgium's National Forest Management Plan.
Palm Oil	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>
Other	<Not Applicable>	<Not Applicable>

**F6.9**

**(F6.9) Do you participate in external initiatives or activities to further the implementation of your policies concerning the sustainability of your disclosed commodity(ies)?**

**Forest risk commodity**

Timber

**Do you participate in activities/initiatives?**

Yes

**Activities**

Involved in industry platforms

**Initiatives**

<Not Applicable>

**Please explain**

In all regions, Sappi participates in industry initiatives such as TwoSides which highlight the message that Sappi's products are reusable, recyclable, and come from trees that are sustainably harvested. We raise awareness of sustainable materials through marketing material and through brochures and a series of FAQs published on the website [www.sappi.com](http://www.sappi.com). We partner with industry and business bodies to showcase the role of business in building society, to provide input into issues and regulations that affect and are relevant to our businesses and industries. We also support and partner with industry initiatives aimed at addressing broad-ranging social issues and promoting the use of our products. Sappi has been a signatory to the UN Global Compact since 2008. In Europe and North America, close engagement is maintained directly and through the respective industry bodies CEPI and AF&PA. In Europe we also engage with FSC®, WWF International and with the Programme for the Endorsement of Forest Certification (PEFC™). In North America, Sappi is a member of the economic chamber of both FSC® US and SFI® and actively engages with these organisations through a variety of working groups and committee activities. In Southern Africa, Sappi is a member of the local WWF organisation as well as FSC®. Sappi supports targeted communication campaigns to help promote the value of paper-based communication and supports the efforts of marketers and communicators in their search for responsible choices. Examples include support for the TwoSides organisations in Europe, North America, South America, South Africa and Australia and the Print Power campaign in Europe • Sappi Forests continues to be involved in the development of an FSC® National Forest Steward Standard for South Africa, as well as a PEFC™ standard for the country • Under the umbrella of the European Pulp and Paper Chemicals Group AISBL (EPCG), SEU is working on an industry solution for an online information exchange between chemical suppliers and pulp and paper manufacturers • SEU contributed to the report European industry in the 21st century: New models for resource productivity published by the University of Cambridge's Institute for Sustainability Leadership (CISL) • SEU has been intensively working with CEPI to ensure that the revised criteria of the EU Ecolabel remain achievable.

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**Forest risk commodity**

Timber

**Do you participate in activities/initiatives?**

Yes

**Activities**

Other, please specify (Engaged in research)

**Initiatives**

<Not Applicable>

**Please explain**

We foster industry-wide innovation and environmental responsibility by participating in a number of local and global programmes: • Sappi Europe belongs to the Bio-Based Industries Consortium, which is focused on creating value from waste and side streams. In addition, Sappi Europe is promoting a green growth platform by being a co-signatory to a letter written in June 2017 and addressed to European environment, climate and energy ministers ahead of the June Environment and Energy Council meetings. The letter urged the ministers to support a continued focus on action to support climate change. • Sappi North America supports the Agenda2020 Technology Alliance, a non-profit organisation that promotes precompetitive research on key technical challenges that face our industry. Working collaboratively with industry partners, universities and government agencies, the alliance has developed technology road maps in five areas: – Reducing the use of fresh water – Advancing drying technology on paper machines (reducing energy) – Developing next-generation pulping (improving yield and selectivity) – Reducing energy in the chemical recovery process (more efficient black liquor concentration), and – Advancing the commercialisation of cellulose nanomaterials. Each of these initiatives has clear ties to economic and environmental benefits through resource conservation (reducing water, materials and energy) or access to new markets. Sappi Forests is a member of the South African Institute for Commercial Forestry Research (ICFR) and is a founding member of the Tree Protection Co-operative Programme (TPCP) based in the Forestry and Bio-technical Institute (FABI) (<http://www.fabinet.up.ac.za>) at the University of Pretoria. Through the TPCP we also belong to the internationally collaborative programme BiCEP (Biological Control of Eucalyptus Pests) (<http://bicep.net.au>) at the Australian Centre for Industrial and Agricultural Research (ACIAR). In addition, we belong to the Eucalyptus Genome Network (EUCAGEN) based at the University of Pretoria and to CAMCORE, an international, non-profit organisation dedicated to the conservation and utilisation of subtropical and tropical tree species.

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**Forest risk commodity**

Timber

**Do you participate in activities/initiatives?**

Yes

**Activities**

Involved in multi-partnership or stakeholder initiatives

**Initiatives**

UN Global Compact

FSC

PEFC

Sustainable Forestry Initiative (SFI)

Other, please specify (Sustainable Development Goals)

**Please explain**

In Europe and North America, close engagement is maintained directly and through the respective industry bodies CEPI and AF&PA, with the FSC® and WWF International. In Europe also with the Programme for the Endorsement of Forest Certification (PEFC™). In North America, Sappi is a member of the economic chamber of both FSC US and SFI® and actively engages with these organisations through a variety of working groups and committee activities. In South Africa, Sappi is a member of the local WWF organisation as well as FSC. Sappi has been a signatory to the UN Global Compact since 2008. Sappi's commitment to Principle 7: Support a precautionary approach to environmental challenges; Principle 8: Undertake initiatives to promote greater environmental responsibility and Principle 9: Encourage the development and diffusion of environmentally friendly technologies are detailed in Sappi's 2017 Group Sustainability Report, pages 115 - 117. Our performance against the relevant SDGs is detailed on pages 110 -111 of the same report, available on [www.sappi.com](http://www.sappi.com)

## F-PF6.10

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**(F-PF6.10) Does your organization have any project(s) focused on reforestation, habitat restoration, or habitat protection that are not part of your production cycle?**

Yes

### F-PF6.10a

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**(F-PF6.10a) Provide details on your project(s), including the extent, duration, and monitoring frequency. Please specify any measured outcome(s).**

**Project reference**

Project 1

**Project type**

Set aside land

**Primary motivation**

Voluntary

**Description of project**

Sappi owns and lease 387,291 hectares of plantations in South Africa. Of this, approximately 60% is plantable (planted and temporarily unplanted) and one third is permanently planted under natural vegetation. Of the permanently unplanted land, the majority consists of open areas with natural vegetation cover which are managed for conservation purposes. About 73% of the land managed for biodiversity conservation comprises riparian zones, firebreaks, cliffs, rocky outcrops, dams and small wetlands. The remaining 27% comprises larger areas classified as Important Conservation Areas (ICAs) which receive special management according to specially developed management plans. ICAs conserve representative examples of grassland, forest or woodland and many of them are home to rare or threatened species. We participate in a national stewardship programme through which we have declared six nature reserves on our land.

**Start year**

1950

**Target year**

Please select

**Projected area to date (Hectares)**

**Project area in the target year (Hectares)**

**Latitude**

**Longitude**

**Monitoring frequency**

Six-monthly or more frequently

**Measured outcomes to date**

Biodiversity

Carbon sequestration

Soil

Water

Climate regulation

**Please explain**

In Southern Africa, we set aside approximately one third of the 387,291ha of land that we own and lease, managing these areas for the conservation of the natural habitats and the biodiversity they contain. Accordingly, our lands are home to all forms of natural life. Approximately 455 bird species have been recorded on our plantations, more than half of all South Africa's bird species. A total of 15 faunal red data species have been recorded on our land, with endangered mammal species including Oribi and the Samango Monkey. Near threatened species include Serval and Honey Badger. We provide feedback on numbers and location of specific priority species on our lands to the Endangered Wildlife Trust every year.

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**Project reference**

Project 2

**Project type**

Habitat restoration

**Primary motivation**

Voluntary

**Description of project**

Sappi Europe has installed a fish ladder – a series of 39 pools at increasing heights – at our Gratkorn Mill. This was in response to the building of a weir across the Muir River to generate green electricity in the form of hydraulic power to provide 2,500 households with green electricity.

**Start year**

2017

**Target year**

2017

**Projected area to date (Hectares)**

0.2

**Project area in the target year (Hectares)**

0.2

**Latitude**

47.134989

**Longitude**

15.335342

**Monitoring frequency**

Six-monthly or more frequently

**Measured outcomes to date**

Biodiversity

Water

**Please explain**

Without the fish ladder, the weir would block the migrating routes of several species of fish. However, the fish ladder has overcome the problem.

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**Project reference**

Project 3

**Project type**

Other, please specify (Propagation of endangered trees)

**Primary motivation**

Voluntary

**Description of project**

Warburgia Salutaris, the Pepper Bark Tree, was once widespread in Southern Africa and has long been one of the most sought-after commodities in the Southern African traditional healthcare sector. However, the tree is now categorised as 'endangered' on both the International Conservation Union (IUCN) and South African National Biodiversity (SANBI) red species list. In South Africa, in the Kruger National Park area, the trees have been unsustainably harvested, mainly by illegal harvesters. The switch from sustainable collection to commercial gathering has meant that this tree in its natural habitat is now on the brink of extinction. To re-introduce the tree in KwaZulu-Natal, the Sappi Forests research facility has established mini-hedges of Warburgia Salutaris, from which we produce cuttings. We have distributed 15,000 trees to communities in Mpumalanga and Swaziland. We have set ourselves a target to distribute 15000 trees a year. These are being distributed to our Sappi Khulisa beneficiaries and communities.

**Start year**

2014

**Target year**

2020

**Projected area to date (Hectares)****Project area in the target year (Hectares)****Latitude****Longitude****Monitoring frequency**

Annually

**Measured outcomes to date**

Biodiversity

**Please explain**

The re-establishment of the tree has both social and environmental implications, because 27 million people in South Africa rely on traditional medicine.

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**Project reference**

Project 4

**Project type**

Other, please specify (Sustainable land management)

**Primary motivation**

Voluntary

**Description of project**

In North America, we participate in a partnership with the American Forest Foundation and the Sustainable Packaging Coalition, whereby stakeholders across the supply chain have come together to understand challenges, and identify new methods to evaluate sustainable forest management on family-owned land. Development of a new data-driven assurance model will demonstrate how the practices and actions of landowners on individual parcels of land aggregate into a healthy forested landscape or regional ecosystem. The model could also be used to identify potential landscape-wide gaps and opportunities to enhance forest sustainability, and find practical ways for the supply chain to address them at a meaningful scale.

**Start year**

2016

**Target year**

2018

**Projected area to date (Hectares)****Project area in the target year (Hectares)****Latitude****Longitude****Monitoring frequency**

Six-monthly or more frequently

**Measured outcomes to date**

Other, please specify (Enhanced forest security)

**Please explain**

This project is in progress, so it is not possible to provide outcomes to date

**Project reference**

Project 5

**Project type**

Habitat restoration

**Primary motivation**

Required by regulation

**Description of project**

Sappi has agreed to remove the Saccarappa Hydroelectric Project, the second dam on southern Maine's Presumpscot River, including two spillways, as well as fund fish passage facilities for river herring, American shad and Atlantic salmon at Saccarappa Falls. The U.S. Fish and Wildlife Service has agreed to modify the agency's fish passage requirements at the next four upstream hydroelectric projects (Mallison Falls, Little Falls, Gambo and Dundee) owned by Sappi. The agreement marks a milestone in the Presumpscot River restoration and an early phase of restoring the Saccarappa to Dundee Falls segment. The first dam on the river upstream of Casco Bay, the Smelt Hill Hydroelectric Project, was removed in 2002 after flood damage. In 2013 Sappi installed a fishway at the next dam upstream, the non-power Cumberland Mills dam in Westbrook, which allowed river herring and other migrating fish to reach the Saccarappa Hydroelectric Project for the first time in more than 150 years. A fishway at the outlet of Highland Lake has allowed alewife to recolonize a downstream tributary of the Presumpscot River.

**Start year**

2017

**Target year**

2020

**Projected area to date (Hectares)****Project area in the target year (Hectares)****Latitude****Longitude****Monitoring frequency**

Annually

**Measured outcomes to date**

No measured outcomes

**Please explain**

In progress

**F7. Linkages and trade-offs****F7.1****(F7.1) Has your organization identified any linkages or trade-offs between forests and other environmental issues in its direct operations and/or other parts of its value chain?**

Yes

**F7.1a****(F7.1a) Describe the linkages or trade-offs and the related management policy or action.****Linkage/tradeoff**

Linkage

**Type of linkage/tradeoff**

Other linkage, please specify (Supply of planting material)

**Description of linkage/tradeoff**

There is a direct link between the quality of planting material and forest productivity.

**Policy or action**

We have upgraded the existing nursery at Ngodwana Mill and added cutting facilities. This has helped to enhance the sustainability of our fibre base in two ways: – Firstly, by mitigating against crop losses in the nursery during the cold winter period, and – Secondly, by helping to meet our need for increased deployment of hybrid cuttings, rather than pure species seedlings, as the former are generally more disease resistant and faster growing and can only be economically deployed using cuttings. The deployment of hybrids has become a priority in order to meet the requirement for more hardwoods, necessitated by the conversion of Ngodwana Mill to dissolving wood pulp, and also to mitigate the risks associated with climate change and increased pests and disease introductions. Together with Clan Nursery, which was upgraded in 2015, this means that our nurseries now have capacity for 54 million plants per annum, with an equal split between seedlings and cuttings. In FY2017, our nurseries supplied approximately 38,000 plants to our own operations, 14,000 to projects such as Sappi Khulisa and 2,000 to outside operations.

F8. Verification

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F8.1

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(F8.1) Do you verify any forests information reported in your CDP disclosure?

In progress

F9. Barriers and challenges

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F9.1

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(F9.1) Describe the key barriers or challenges to avoiding forests-related risks in your direct operations or in other parts of your value chain.

Forest risk commodity

Timber

Coverage

Direct operations  
Supply chain

Primary barrier/challenge type

Limited availability of certified materials

Comment

The cost and complexity of certification requirements is very challenging for small and micro growers. The latter group is a particular focus for the South African government which promotes forestry as a means of creating sustainable livelihoods in rural areas where there often very limited alternatives for income generation. In South Africa, a certification scheme for smallholders is still under development. The limited availability of certified fibre is a constraint in markets which are demanding high levels of certified fibre. However, Sappi's own internal controls, together with the variety of externally verified, internationally recognised certification systems we use give our customers a high level of confidence that we have 100% deforestation free sourcing practice in place.

Forest risk commodity

Timber

Coverage

Direct operations  
Supply chain

Primary barrier/challenge type

Other, please specify (Availability of GMO woodfibre)

Comment

It is our duty as a responsible global corporate citizen to secure the future of our business and the welfare of our stakeholders, in particular the communities where we operate. As such we are exploring the potential solutions that genetically modified (GM) trees, which have been developed and deployed elsewhere in the world, could offer in Southern Africa as regards combating climate change and the threat of pests and diseases. We are a consortium member of the Forest Molecular Genetics Programme at the University of Pretoria, which is busy with evaluations in a highly controlled research environment. Through this process we aim to obtain a better understanding of this technology, its impact, benefits and associated costs. However, our commercial forestry operations are free from GM trees.

F9.2

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(F9.2) Describe the main measures that would improve your organization's ability to manage forests-related risks.

Forest risk commodity

Timber

Coverage

Supply chain

Main measure

Development of certification and sustainability standards

Comment

The reduced cost and development of certification standards for small growers would assist in increasing the amount of certified fibre available to us.

F10. Signoff

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F-FI

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(F-FI) Use this field to provide any additional information or context that you feel is relevant to your organization's response. Please note that this field is optional and is not scored.

F10.1

(F10.1) Provide the following information for the person that has signed off (approved) your CDP forests response.

	Job Title	Corresponding job category
Row 1	Group Head: Investor Relations and Sustainability	Chief Sustainability Officer (CSO)

SF. Supply chain module

SF0.1

(SF0.1) What is your organization's annual revenue for the reporting period?

	Annual revenue
Row 1	785000000

SF0.2

(SF0.2) Do you have an ISIN for your organization that you are willing to share with CDP?

Yes

SF0.2a

(SF0.2a) Please share your ISIN in the table below.

	ISIN country code	ISIN numeric identifier (including single check digit)
Row 1	ZA	E000006284

SF1.1

(SF1.1) On F6.4 you were asked “Do you specify any third-party certification schemes for your disclosed commodity(ies)? Indicate the volume and percentage of your production and/or consumption covered”. Can you also indicate, for each of your disclosed commodity(ies), the percentage of certified volume sold to each requesting CDP supply chain member?

Yes

SF1.1a

(SF1.1a) For each of your requesting CDP supply chain members, indicate the percentage of certified volume sold per disclosed commodity(ies).

Requesting member

L'Oréal

Forest risk commodity

Timber

Form of commodity

Paper

Third-party certification scheme

FSC Chain of Custody

Total volume of commodity sold to member

5294

Metric

Metric tons

What % of the volume reported in column 5 is certified?

91-99%

Comment

Requesting member

Philip Morris International

Forest risk commodity

Timber

Form of commodity

Paper

Third-party certification scheme

PEFC Chain of Custody

Total volume of commodity sold to member

16042

Metric

Metric tons

What % of the volume reported in column 5 is certified?

<10%

Comment

SF2.1

(SF2.1) Please propose any mutually beneficial forests-related projects you could collaborate on with specific CDP supply chain members.

SF2.2

(SF2.2) Have requests or initiatives by CDP supply chain members prompted your organization to take organizational-level action to reduce or remove deforestation/forest degradation from your operations or your supply chain?

No

Submit your response

In which language are you submitting your response?

English

Please confirm how your response should be handled by CDP

	Public or Non-Public Submission	I am submitting to	Are you ready to submit the additional Supply Chain Questions?
I am submitting my response	Public	Investors Customers	Yes, submit Supply Chain Questions now

Please confirm below

I have read and accept the applicable Terms