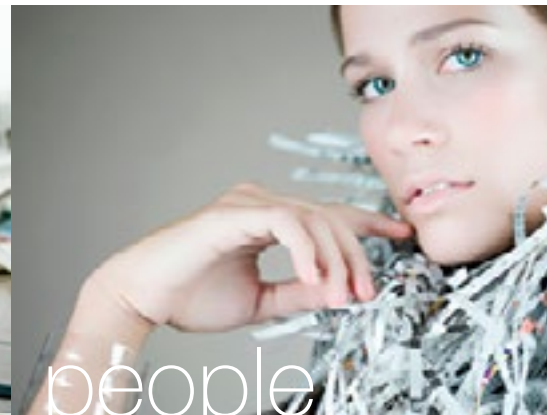


Sustainability Report 2011



prosperity



people



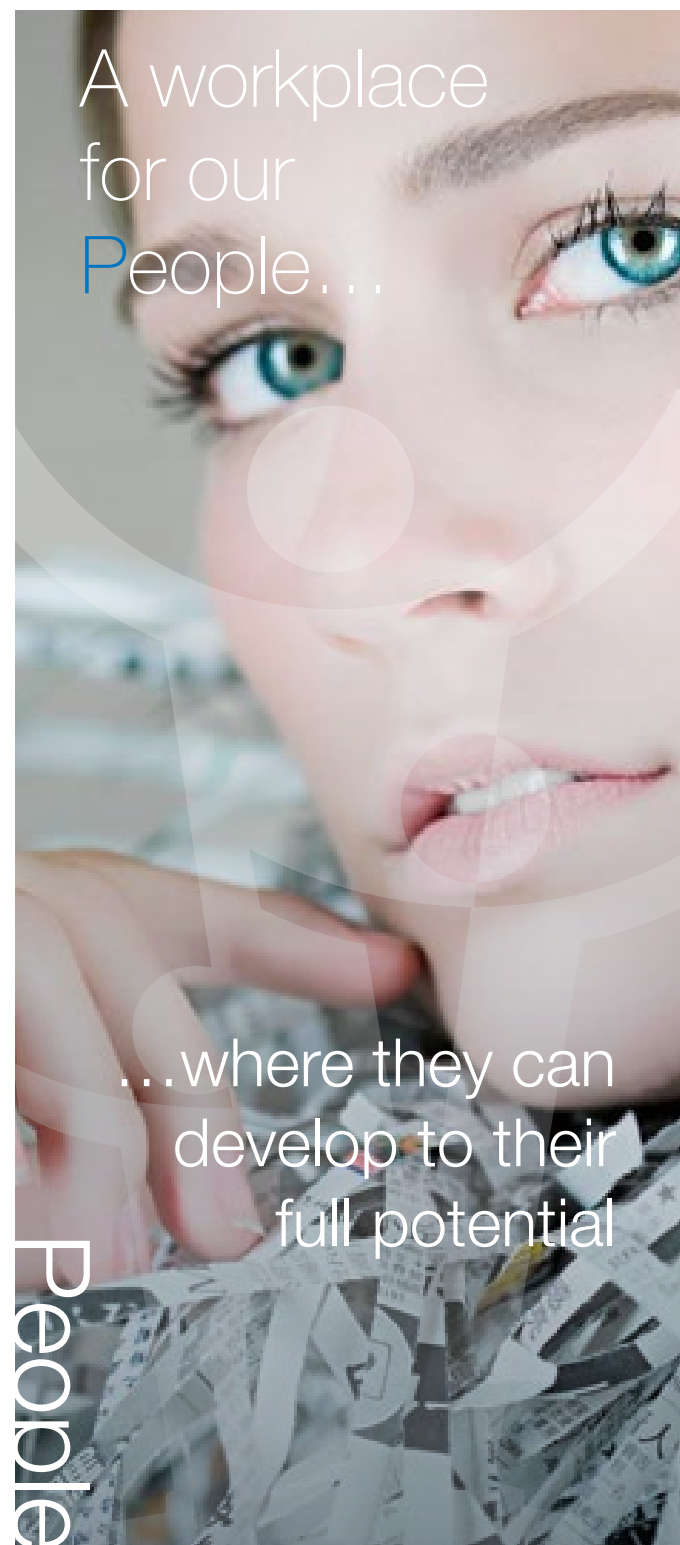
planet



sappi

Inspired by life

Contents



Sustainability makes sound business sense

Message from the CEO



Raloh Boettger

Sappi's commitment to sustainability is intrinsic to the way we manage our business. As our revised Sustainability Charter states "Sustainability makes sound business sense". In line with our aim of being responsible corporate citizens, we have to ensure that our business remains viable in the short, medium and long term. While the 3Ps of Prosperity, People and Planet are all interlinked, our approach to People and Planet is contingent on our ongoing Profitability which can only be achieved if we create value for current and future stakeholders.

The closure of our Biberist Mill in Europe and Adamas Mill in South Africa, despite huge commitment and effort by all our colleagues in those operations, are examples of unfortunate actions that we had to take in order to deal with the current economic environment and changing global trends.

Against this backdrop, in the year under review we have taken decisive action and revised our operating strategy to reposition ourselves for improved performance. Sappi's strategy involves four key themes, namely: continuing to optimise our better performing businesses; fixing our under-performing businesses; investing for future growth in higher margin businesses, including chemical cellulose; and achieving this within the reality of the group's liquidity and balance sheet. In order to achieve the shift of focus to higher

margin businesses and to achieve real growth in revenue and returns, we will invest in the higher growth chemical cellulose business, in innovative products based on our very successful Ultracast® and other technologies, in energy projects related to our core operations and in low cost wood resources.

We are a global leader in chemical cellulose production, a fast growing, high margin business serving the textiles, consumer goods, foodstuffs and pharmaceutical industries. The investment of US\$340m in the Ngodwana Mill announced in May this year will add 210,000tpa of chemical cellulose production, raising Sappi's total chemical cellulose capacity to a million tons per year. This project is progressing well and is set to start up in early 2013. A number of additional opportunities are at an advanced stage of evaluation, and we will focus on taking advantage of our leading market position and cost structure which is at the very low end of the industry scale.

I am encouraged by the fact that total value delivered from our R&D Exciter programmes was US\$91.2m as opposed to investment of US\$54.5m. This gives an impressive ratio of return versus investment of 167%.

In the mature pulp and paper industry technical innovation continues to be cornerstone of competitive advantage and we continue to

We have taken
decisive action and
revised our operating
strategy to reposition
ourselves for improved
performance

Sustainability makes sound business sense continued

Message from the CEO



promote our annual internal Technical Innovation Awards (TIA) in line with this approach. Innovation is not the sole prerogative of our technical departments and our ongoing input from our sales, marketing and communication departments highlights this. The newly launched Sappi Positivity, the **Sappi Digital Design Centre** and the **i choose paper** campaign are just some examples.

Overall safety performance improved in North America and Europe, but deteriorated in South Africa. While this is encouraging, I deeply regret having to report four contractor fatalities — one in Europe and three in Sappi's forestry operations in South Africa. Our hearts go out to the families of the deceased. We view contractor safety as being as important as that of our own employees and our focus, throughout all operations, is on trying to realise the goals of our Project Zero safety programme so that all employees can go home safely to their families.

Safety training and communication are ongoing for both groups and a new safety platform has been created as a means of sharing best practices amongst the various business units. Focus will be maintained on addressing the 'hearts and minds' of people to create the safety culture required for a step-change in safety performance.

Understanding that we have an impact on our people, the communities in which we operate and on the environment, we act in accordance with our core values of Excellence, Integrity, Respect and Resourcefulness at all times and in all our interactions. Our Sustainability Charter sets out our commitments in relation to Prosperity, People and Planet so that all our stakeholders understand the manner in which we integrate sustainability objectives into our daily business.

While our Sustainability Charter is the heart of our well-established governance structure for sustainability which we continue to strengthen, targets are the skeleton, or the framework for sustainability at Sappi. These targets are aimed at enhancing our viability as a business. Reducing energy usage and greenhouse gas emissions, for example, are not only environmentally beneficial, but can have positive economic advantages, particularly against the backdrop of carbon taxes and rising energy costs.

Training our people helps to enhance overall business performance and increases levels of motivation and commitment to the business. We report against targets quarterly on an internal basis and on an external basis annually. In addition, we use internationally accepted, independently verified management systems throughout our business to ensure best practices

in safety, quality, environmental protection, forestry, lean manufacturing and continuous improvement, as set out in this report.

This year, for the first time, in addition to a GRI-compliant online report, we are also producing printed and online regional reports in order to give our stakeholders more detailed, comprehensive information. I look forward to your feedback.

I am encouraged by the plans for the new business year and I have no doubt that we can look forward to a year of further improving performance and exciting growth. I am aware that no matter how good our plans are, it always boils down to our Sappi people, and their ability, willingness and energy to implement these plans in every region, business, mill, forest and office.

The success and growth of Sappi will always depend on our ability to be competitive and to serve our customers better than our competitors. In this regard all our people can and do contribute and make a difference.

Ralph Boöttger

Chief Executive Officer, Sappi Limited

About this report

Understanding our reporting philosophy



Scope of this report

This report is aligned with our **Integrated Report** and covers the period 26 September 2010 to the end of September 2011.

We report on a regional and global basis, wherever possible presenting data over five years to make the information relevant, accessible and comparable.

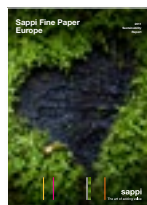
Reporting framework

As Sappi Limited is headquartered in South Africa and we have our primary listing on the Johannesburg Stock Exchange, we abide by the King III Code on Corporate Governance (King III). In line with King III's recommendation for integrated reporting, our Integrated Report provides a very clear link between sustainability and strategy and gives a broad view of our overall sustainability performance.

This year we have departed from our previous practice of publishing an annual sustainability report backed up by further, in-depth information online. We have instead, provided a global overview of our sustainability performance in this online report and have published regional sustainability reports. We have done this as we have found that increasingly, stakeholders are calling for information pertinent to their specific region. Our regional reports will be available in printed form and online as PDFs from February 2012.



Europe



North America



Southern Africa



Joint ventures excluded

We have a 34% stake in our joint venture in Jiangxi Chenming Mill in the People's Republic of China. The major shareholder is the Shandong Chenming Group (listed on the Shenzhen and Hong Kong stock exchanges). As a consequence we have limited influence on operations. As a result, this mill is not covered in this online Sustainability Report. According to the 2011 Human Rights Risk Atlas, China is at number 10 in terms of human rights abuses (with number one being the worst.) However, neither our investigations nor any information from the company indicates that there are human rights abuses.

LignoTech South Africa, our 50:50 joint venture with Borregaard at Saiccor Mill is also excluded as we do not manage the operation.

Global Reporting Initiative

To date we have reported in terms of the Global Report Initiative (GRI) G3.1 reporting guidelines. We declared ourselves as an A-level reporter in 2009 and 2010. Our self-declared rating was confirmed by the GRI in both years.

This year we have once again declared ourselves as an A-level reporter and have had this rating confirmed by the GRI.

All Mills
OHSAS
18001
Certified

Carbon Disclosure
Project

2010

75
80
2011

Understanding our reporting philosophy

External assessments give confidence

Approach

The information presented has been determined on the basis of our ongoing extensive engagement with our stakeholders — formal and informal — and has been assessed against the backdrop of current business operations, as well as prevailing trends in our industry and the global economy.

In preparing this report we have tracked environmental findings and research, public opinion, employee views and attitudes, the activities of environmental and social groups, as well as the activities, profiles and attitudes of investors, suppliers and customers.

We aim to present information that is material, comparable, relevant and complete.

In keeping with the GRI recommendations, all the reports, in particular the sections 'Our impact on the world around us' and 'Key issues', detailed in both the Integrated Report and this online Sustainability Report 2011. These cover topics and indicators that reflect our significant economic, environmental, and social impacts, as well as issues that would substantively influence the assessments and decisions of stakeholders.

External assurance

The issue of external assurance remains a challenge. We recognise that our stakeholders expect us to undergo external verification. However, in the light of difficult economic circumstances in 2011, we found the expense of external verification difficult to justify.

Nevertheless, we have involved our internal audit department in verifying certain social and economic indicators. This has highlighted shortcomings which will be addressed going forward.

Our governance, social and environmental performances are assessed annually by the Social Responsible Investment (SRI) Index of the Johannesburg Stock Exchange (JSE).

Our mills in the European Union are certified under the Eco-Management Audit System (EMAS) which involves annual external auditing of our environmental data.

Collectively, these external assessments and certifications give us confidence that our performance indicators are reliable and accurate.

We reflect on our significant economic, environmental, and social impacts, as well as issues that would substantively influence the assessments and decisions of stakeholders

Management systems

International, independently verified management systems underpin our approach to sustainable development.



ISO 5001
ISO 9001
ISO 14001
OSHA
OHSAS 18001

An evolving Sustainability Charter

We balance and integrate the 3Ps into our business

Sustainability is a constantly evolving field. As we entrench the principles of sustainable development further into our everyday business practices, we are becoming clearer about the needs and concerns of our stakeholders and the issues we face going forward in continuing to build a viable business.

Our Sustainability Charter, first established in 2005 was first revised in 2008. In the year under review we again revised our Sustainability Charter, reflecting our business more accurately.

Our Sustainability Charter

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

At the heart of our business is a renewable, recyclable natural resource — wood-fibre. We use this to create pulp, paper and chemical cellulose solutions which enhance the lives of consumers around the world.

We believe that acting sustainably makes sound business sense:

By generating Prosperity, we can continue to attract investors, leverage growth opportunities

and can invest more in our processes, our people and the communities in which we operate. This helps us in our goal of being a customer-centric business focused on ongoing product, process and service innovation. Investing in research and development ensures we maintain a competitive global advantage.

By creating a safe, healthy workplace for our People in which diversity is encouraged and valued, and people are provided with ongoing development opportunities so that they can develop to their full potential, we enhance productivity and our ability to service global markets. Active corporate citizenship programmes relevant to the needs of the communities where we operate ensure that we promote socio-economic development within these communities

By treading more lightly on the Planet with cleaner, more efficient manufacturing and waste beneficiation processes, we can produce more with less — an approach which has obvious economic benefits. This approach involves reducing the energy intensity of our business and reducing the associated greenhouse gas emissions across the full life cycle of our products. It also necessitates using less water and improving effluent quality, mitigating our impact on biodiversity and promoting sustainable forestry through internationally

accredited, independent environmental management and forest certification systems.

We have a strong sustainability governance structure, underpinned by our core values of Excellence, Integrity, Respect and Resourcefulness.

We actively seek input from our stakeholders to inform our strategies, actions and targets. We report annually on our performance against these.

Going forward, we will continue to develop our manufacturing, human, social and natural resources in a way that enhances our long-term viability and overall Prosperity.

We are becoming clearer about the needs and concerns of our stakeholders

Our Code of Ethics

Our Sustainability Charter is underpinned by our Code of Ethics which has been developed around four key values

Excellence

Delivering goods and services of the highest standards, thereby creating value and prosperity for all our stakeholders, and taking full responsibility for all our decisions and actions



Integrity

Being truthful, and building trust through our actions



Respect

Recognising the inherent worth of the environment, and of people, while being impartial and avoiding discrimination



Resourcefulness

Constantly looking ahead. Being naturally curious, imaginative and intuitive. Building on the knowledge and experience within the business. Having the courage to be customer focused and to be prepared to make a plan, 'finding a route through the maze'



A common blueprint across regions

How we govern sustainability at Sappi

Group policies

Our approach to sustainability is formalised not only through our Sustainability Charter and our Code of Ethics, but also through global group policies. These have given everyone within our geographically diverse group a common blueprint.

Our policies are reviewed on an ongoing basis to ensure we stay abreast of issues, trends and developments. In 2011, for example, we revised our Environmental Policy. [i](#)

Sustainability councils

Regional Sustainable Councils report to the Group Sustainable Development Council which in turn reports to the board Sustainability Committee, chaired by Jock McKenzie, an independent non-executive director. Rudolf Thummer, a non-executive director, the chief executive officer, the group head technology, the group head human resources, the group head corporate communications, the group investor relations and sustainability manager and the regional CEOs also sit on this committee.

The committee agrees sustainability objectives and monitors progress against targets quarterly. [i](#)



Top performer

JSE SRI Index
Socially Responsible Investment

2008

2009

2010

2011

2011
Agro Processing
Initiative of the Year

Agribusiness Investment Awards
Africa Investor

Performance against targets Prosperity

Our approach to People and Planet is contingent on our ongoing Profitability

North America

North American goals reported as improvements on 2007 baseline.

As the region is nearing full achievement of the original set of targets, an additional set of targets has been developed to drive additional improvements over the next five years. New targets were selected based on the projected impact on business results as well as an understanding of stakeholder expectations.

While we have not established a new performance target for greenhouse gas (GHG) emissions, we will continue to maintain high visibility of this indicator. Our intention is to reduce our GHG emissions further while achieving higher energy efficiency. Percentage target reductions will be measured over the 2011 baseline year.

Prosperity

Achieve or exceed RONA of 12% annually

People

Offer 75 hours training and education per employee per year to all employees

Increase customer training and education offerings through the Sappi ETC programme to achieve a target of 30,000 hours by 2016.

Planet

Reduce energy intensity of pulp and paper manufacturing waste by 10% — as measured by discharge to sewers.

Reduce fibre and papermaking chemical raw materials by 10%

Increase total certified fibre content — including purchased and own pulp — to 65%.

Southern Africa

The due date for all targets is end 2015. Baseline is the beginning of 2011 unless otherwise stated.















		2011 Target	2011 Performance	2012 Target
Southern Africa	RONA (Return on Net Assets) to be equal to or greater than 15% on a five-year rolling basis.	8%	9.9%	8.7%
Europe	The successful integration of M-real mills and the achievement of synergies (operating income).	€104 _m	€38.3 _m	€100 _m
North America	Generate 25% of revenue from products and services that are less than five years old	25%	42%	25%

Performance against targets People

Our people can and do contribute and make a difference



		 Achieved  Exceeded  Not achieved	2011 Target	2011 Performance	2012 Target
Southern Africa	80% compliance to the Work Skills Plan by end 2015		48%	61% 	54%
	Providing training and development opportunities at an average of 60 hours per employee per annum, by end 2015		48	82 	52
	Corporate Social Responsibility spend must be a minimum of 1% of NPAT (Net Profit After Tax) on a rolling three-year basis		1%	Achieved 	1%
	LTIFR (Own and contractors)		<0.27	0.41 	<0.27
	Meet targets in terms of Broad-based Black Economic Empowerment (BBBEE), achieve score of 93.5 by 2015		77	75 	80
Europe	Training hours per employee per annum		30	26 	30
	LTIFR		<0.39	1.33 	<0.21
North America	Training hours per employee per annum		55	77 	60
	Training and education to customers through Sappi ETC (hours)		13,750	15,181 	15,000
	Increase our community support through education and training initiatives in contributions by 10% each year		↑10%	↓31% 	↑10%

Performance against targets Planet

Cleaner, more efficient manufacturing and waste beneficiation processes







		2011 Target	2011 Performance	2012 Target
Southern Africa	Achieve 15% reduction in specific purchased fossil fuel energy with 2000 as base year	↓6.6%	1.9%	↓6.0%
	Achieve a 10% reduction in total specific fresh water usage by end 2015, with 2007 as base year (revised upward from 5%)	↓3.2%	↓3.0%	↓7.5%
	Recover 28% of fibre put into the market (revised upwards from 24%)	23%	25%	25%
Europe	Reduce specific direct fossil CO ₂ emissions (tons of CO ₂ per ton of saleable paper), including purchased power emissions (calculated at 400g/KW)*	↓1% per annum	↓1.1%	1% per annum
	Reduce specific water use (m ³ /ton) by 1% per annum (production and cooling water)*	↓1% per annum	↓2.7%	↓1%
	Maintain a high level of certified fibre delivered to our mills (FSC or PEFC certified, or equivalent) Benchmark is 2009 for Kirkniemi and Stockstadt Mills and 2008 for all other mills	73%	73.1%	73%
North America	Reduce emissions from fossil fuels across all sites*	↓54%	↓48%	↓40%
	Decrease organic content of solid waste across all sites*	↓63%	↓59%	↓50%
	Increase level of third party certified fibre to an average of 60% across all sites*	61%	55%	60%

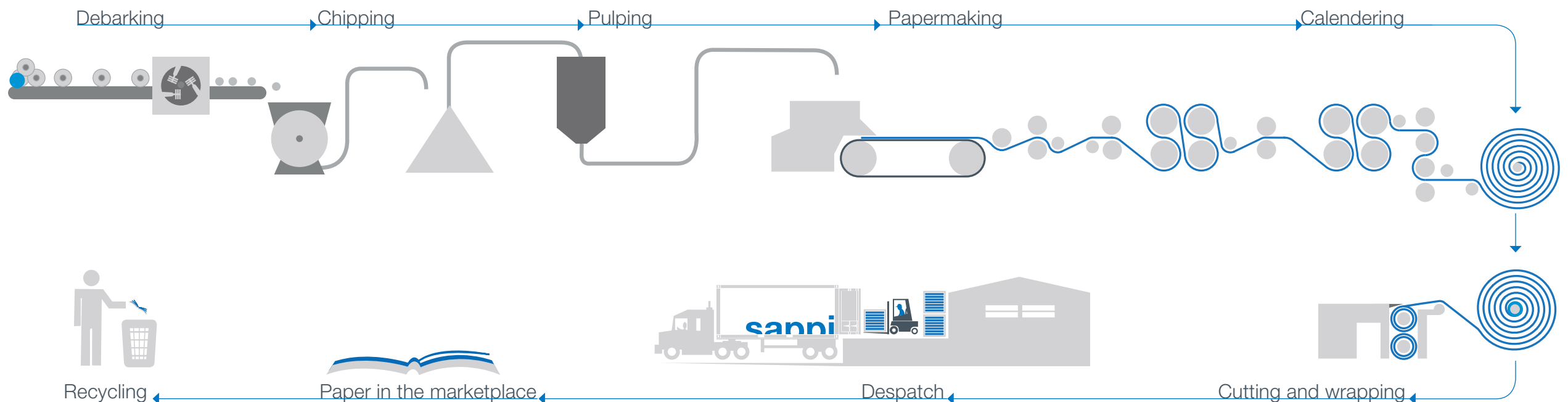
*By 2012

Our impact on the world around us

The pulp and papermaking process showing inputs and outputs

Process inputs

Forestry	Water	Chemicals	Energy
Sustainably managed forests mitigate climate change by sequestering carbon.	Papermaking uses large amounts of water, but less than 10% is consumed; over 90% is treated and returned to the watershed.	Chemical recovery is an integral part of our pulping processes.	Pulp and papermaking are energy intensive processes. More than 40% of our energy is derived from renewable resources.
			



Outputs

Recycle	Paper	Effluent	Waste	Emissions
The majority of our products are recyclable, and we are strong advocates of recycling.	Despite the rise of electronic media, the use of paper is increasing throughout the world.	The quality of our effluent has shown continual improvements over the past five years.	We minimise waste sent to landfill by adding value to process waste and by-products where possible.	We emit CO ₂ and landfill waste emits methane — both are greenhouse gases.
				

Our impact on the world around us



The pulp, paper and chemical cellulose solutions which we provide add value to daily life, create employment for 14,862 people and generate significant economic benefits.

We specialise in coated fine paper which is used by leading printers, advertisers, marketers, publishers and designers who communicate their messages through the printed word and powerful graphic images.

Our release papers serve the apparel, fashion and automotive industries, and are used also in furniture, flooring and architectural applications.

In South Africa, our packaging and tissue papers are used for indispensable household and industrial purposes.

Equally versatile, chemical cellulose is used in the manufacture of viscose and lyocell fabrics, and a range of pharmaceutical and household applications.

Like all manufacturing activities, ours has an impact on the world around us. Here we set out these impacts and the manner in which we mitigate them. [i](#)



Employment

14,862 Direct jobs

Creating wealth
for all our stakeholders

FY11 US\$ 2.125_b

Our impact on the world around us People

Touching the lives of employees and communities



Employees

In adapting our strategy to our customers' changing needs and matching our assets to profitable markets and future growth, we closed our Adamas Mill in South Africa and Biberist Mill in Switzerland and also began the process of restructuring our South African business. To date, this has reduced our head-count by approximately 700 people.

In Switzerland, Sappi opened a job centre in consultation with external partners to help employees apply for new jobs and undergo financial and other counselling. By the end of October 2011, 65% of the employees in the region who had lost their jobs had been placed in other organisations. It is expected that 90% will be placed in jobs by the end of 2011.

In South Africa, counselling sessions were managed by the human resources function. These included 'bounce back' programmes which focused on job/skill assessments, résumé writing, interviewing skills, financial planning and emotional and stress counselling.

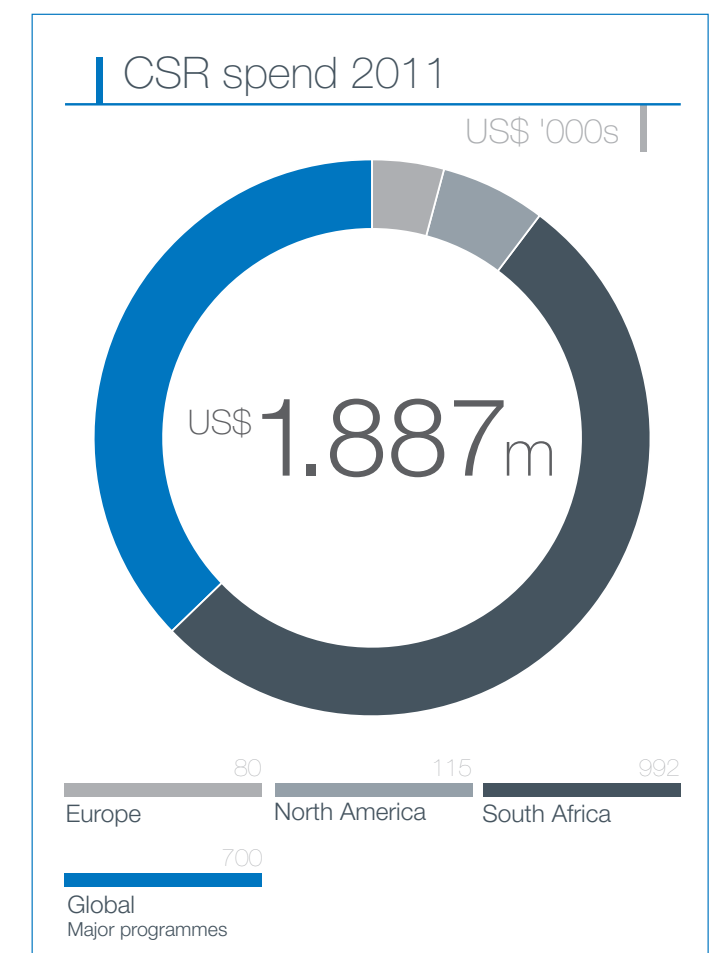
Communities

Our products are manufactured using labour drawn from local communities and the services of small and medium enterprises situated in the areas around plantations and production facilities. Through our corporate social responsibility (CSR) programme, we are investing in the socio-economic development of the communities in which our workers live. The bulk of our CSR spend takes place in South Africa, given the development needs of the country. Education and literacy programmes receive the greatest amount of funding. Examples of these are our Resource Centres, one in KwaZulu-Natal and one in Mpumalanga which give every member of the surrounding community the opportunity to use state-of-the-art information technology, regardless of personal means. The Resource Centres comprise a digital village with computers, a dedicated study centre and reference library, as well as televideo and DVD sets.

We also invest in environmental initiatives, sponsoring Living Lands and Waters in North America, amongst others. This nonprofit, environmental organisation is focused on forest restoration and cleaning up America's great rivers.

In South Africa we provided support to key NGOs including Birdlife South Africa, WWF-SA and the Wildlife and Environment Society of South Africa. (WESSA)

Through our global **Ideas that Matter** campaign, Sappi Fine Paper Europe followed up on their earthquake-support for the **Stichting Naar School in Haiti**, and supported the work of the **WeForest** organisation, planting 350,000 trees in Ethiopia.



Our impact on the world around us **Inputs**

Wood-fibre is a sustainable, renewable resource



Fibre

The fact that our wood-fibre is a sustainable, renewable resource, grown in sustainably managed forests (North America and Europe) and plantations (South Africa) gives us a competitive advantage.

Forest certification gives the consumer the assurance that the products they are buying originate from wood-fibre grown in well-managed forests and plantations that have been logged in accordance with sound environmental practices. We have achieved certification by the three most internationally recognised forest products certification programmes: the Programme for the Endorsement of Forest Certification (PEFC); the Forest Stewardship Council (FSC™); and the Sustainable Forestry Initiative (SFI®).

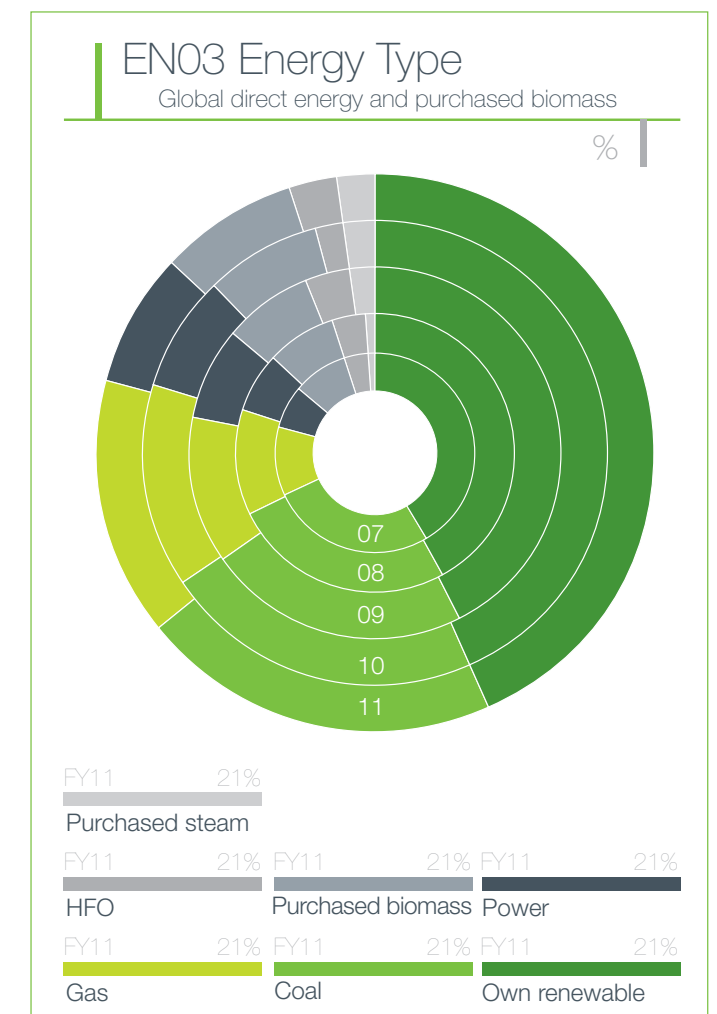
We do not source wood-fibre from endangered forests anywhere in the world. Globally, approximately 72% of the fibre we procure is certified, with the balance being sourced from known and controlled sources.

Renewable fuel is the dominant fuel for our operations, providing 47.1% of all our energy requirements

Energy

Renewable fuel is the dominant fuel for Sappi's operations — 47.1%. This includes purchased biomass fuel and own renewable fuel — black liquor, sludges and biogas — which result from the paper manufacturing process. Black liquor as a percentage of total fuel use currently stands at 36%. Black liquor is the spent cooking liquor from the pulping process which arises when pulpwood is cooked in a digester thereby removing lignin, hemicellulose and other extractives from the wood to free the cellulose fibres. The resulting black liquor is an aqueous solution of lignin residues, hemicellulose, and the inorganic chemicals used in the pulping process. Black liquor contains slightly more than half of the energy content of the wood fed into the digester.

The US National Council for Air and Stream Improvement (NCASI) estimates that without sustainably managed plantation forestry, the amount of carbon in the atmosphere would be 5% higher.



Our impact on the world around us **Inputs**

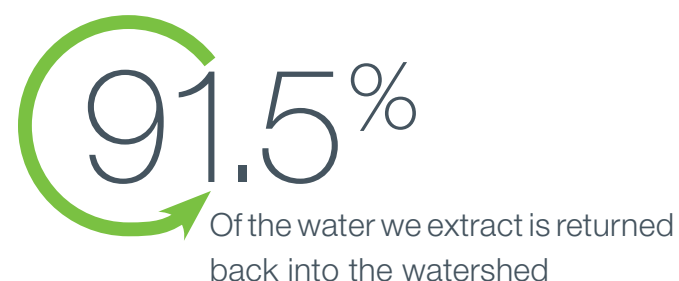
Focused on a continual process of efficiency improvements and reduction of inputs

Water

Large amounts of water are needed to hold, transport and distribute the fibre that becomes the sheet of paper. Water is also an integral part of the steam systems used to generate energy.

Our mills are situated in the vicinity of rivers from which they draw water. While we use a significant amount of water in our production processes, it is recycled many times before being treated and returned to the environment. Unlike most other industries, we return approximately 91.5% of the water we extract back into the watershed, mostly into the same rivers from which it was extracted or into agricultural irrigation systems. All effluent is carefully treated before being returned to the environment, and complies with the highest environmental standards.

Globally, over five years, the difference between specific (ie per air dry ton of output produced) water drawn and returned has reduced significantly. [i](#)



Process efficiency

We have a rigorous system of measuring our outputs, particularly those of all our paper machines, so that we know how much latent production capacity exists and where it is located. This allows us to focus on our performance gaps and to take the necessary actions to continually improve our paper machine efficiencies.

The direct comparison of operating equipment between mills helps us identify strengths and weaknesses of our operations, discover the Sappi group best practices and improve our processes, thereby increasing profitability.

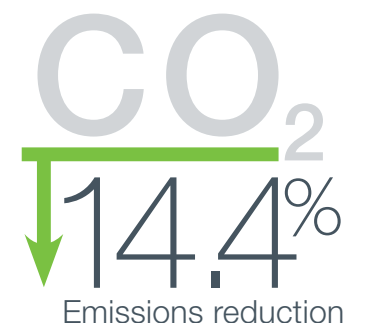
Our Lean Manufacturing programmes continually investigate and implement best practices to improve our equipment efficiency by reducing our unplanned downtime and strive to reduce process waste.

We know exactly how much latent production capacity exists and where it is located

CO₂

Since 2000, throughout our operations, we have focused on reducing our carbon footprint and instituted a system for measuring CO₂ — one of the main greenhouse gases (GHGs) contributing to climate change — based on the premise of ‘measure, monitor, manage and mitigate’.

Between 2007 and 2011, total specific CO₂ emissions were reduced by 14.4%. This reduction has been achieved through numerous actions which include reducing purchased energy (electricity and fossil fuel) and increasing the use of renewable energy — black liquor and own and purchased biomass — an approach which ultimately results in a reduction in GHG emissions.



Our impact on the world around us **Outputs**

Focused on energy recovery and beneficiation of our waste streams

Waste

We have reduced the amount of solid waste to landfill by 37.8% over the past five years. We've achieved this by combusting waste sludge for heat gain and using waste products in the production of value added products:

Waste sludge is used in the production of bricks, cement or soil substrates for landscaping.

Dried residual sludge is used as animal bedding material.

Waste oil is physically and chemically treated, refined and filtered for reuse in various grades of base oils.

Excess lime-mud generated from our liquor recovery process in some of our kraft pulp mills is provided to farmers for spreading on their fields to enrich the land as fertiliser.

 **37.8%**
Reduction of solid waste to landfill

Landfill

Sending organic solid waste to landfill is the least favourable method of disposal, as organic compounds in landfills, can decompose and generate methane, a greenhouse gas with approximately 25 times the global warming potential of CO₂.

There is a cost implication to land-filling waste and landfill space is limited.

Our coated fine paper and packaging products are recyclable and we are strong advocates for the recovery and reuse of our products.

By far the main component of landfill originates from coal-fired boiler ash. Because coal is the predominant purchased fuel at our operations in South Africa, operations in this region have the greatest impact on landfill.

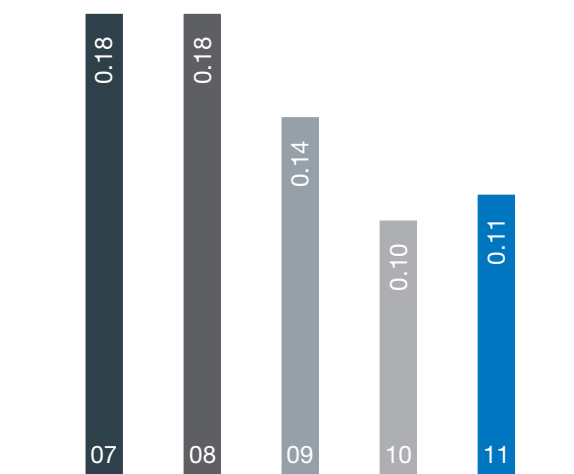
The second major component of waste going to landfill generated by Sappi is lime. In recent years significant quantities of both coal ash and lime have been sold to customers for brick-making and fertiliser respectively.

Our coated fine paper and packaging products are recyclable

We are strong advocates for the recovery and reuse of our products

Specific total landfill

on and off-site
ton/adt



Our impact on the world around us Products

Research & Development ensures our solutions remain relevant



To ensure that our solutions remain relevant to the needs of our customers in more than 100 countries across the globe our total R&D spend in 2011 was US\$38m.

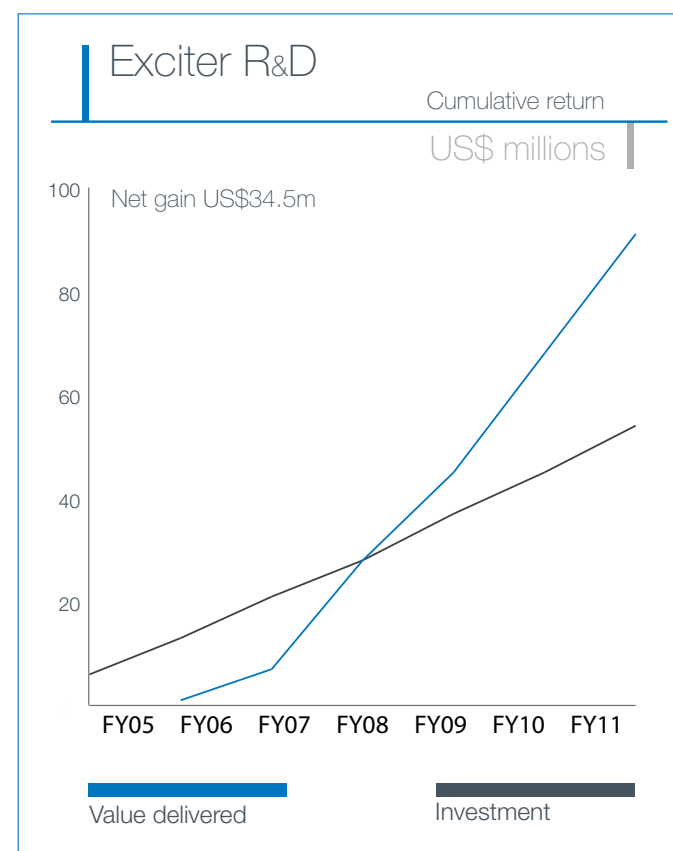
In addition to our more traditional R&D work, we started the Exciter programme in 2005 to deal with the persistent threat of commoditisation in the graphics paper markets. It is aimed at accelerating the development of breakthrough technological competency in our core markets.

More recently we have started to shift funding into projects aimed at new and adjacent markets which will be more challenging and likely to take longer. However, the value delivery is expected to be much improved compared to our current targets.

Between 2005 and 2011, we spent US\$54.5m on Exciter R&D projects. The total value delivered from our Exciter R&D programmes was US\$91.2m. This gives a ratio of return versus investment of 167%.

We have started to shift R&D funding into projects aimed at new and adjacent markets

Our Exciter R&D programme is giving us a ratio of return versus investment of 167%



Energy trophy Royal Netherlands Paper & Board Association

At the Association's first ever awards competition, Nijmegen Mill was given top honours for slashing energy consumption by an impressive 25 per cent, with continued year-on-year improvements – more than any other paper mill in the country between 2005 and 2010.

Maastricht Mill was awarded a third place in this competition for reducing energy consumption by 16% over the same time period.

2011 International Investor of the Year

Maine International Trade Centre
Sappi Fine Paper North America

The award honours foreign owned companies that have made a strategic decision to invest in Maine, either by opening a plant or enhancing their existing operations.

Our key sustainability drivers Employees

Our success depends on having energised employees who believe in the company

Our key sustainability drivers are important factors for our business either by directly impacting our ability to operate profitably or by affecting our reputation and the trust stakeholders have in Sappi.

Employee Engagement

Our success depends on having energised employees who believe in the company's mission and strategy and understand how to achieve it. At the beginning of 2011, we conducted our third employee engagement survey. There was a 29% increase in uptake of the survey, with 62% of employees participating.

The results showed a slight improvement in the levels of commitment when compared to the 2009 survey and were very much in line with the survey benchmark. The survey benchmark is established by the Corporate Leadership Council's Employee Engagement Survey and Analysis Report which is based on 161,000 employees in 115 organisations in 51 countries across 23 industries.

The survey identified a range of different issues in the regions that we are addressing via various programmes tailored to the specific concerns.

Recognising that our employees underpin our business success, our challenge going forward will be to maintain and build on these results

and also to reassure talented individuals of the potential for career growth if they remain in the organisation. This is important as the survey was conducted before the closures of the Biberist and Adamas Mills and the ongoing restructuring of the South African business.

One of the ways in which we are underpinning our retention strategy is by continuing to focus on providing training that enables individuals, groups and the organisation to improve performance, learn new skills, adapt to change and meet group-wide business objectives. In 2011, we spent US\$11m on training and development (2010: US\$9.8m) which is equivalent to US\$728 per employee (2010: US\$645).

Strategic leadership

It's important for all our people and, in particular, our leadership, to have a clear view of the company's strategy and direction. In February 2011, the top 100 employees in Sappi attended a management conference which focused on the strategic direction the group was planning to take.

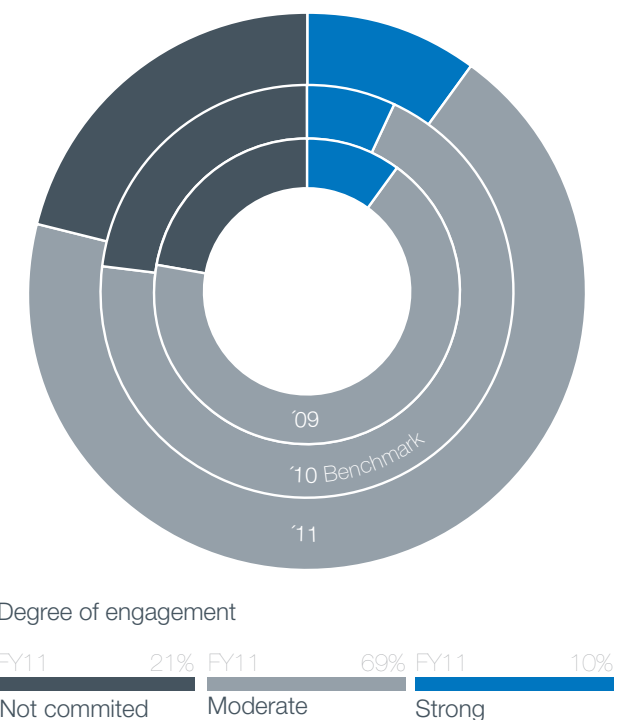
The theme of the conference was: 'Profitability now is key to creating the platform for our future growth opportunities'. Delegates at the conference were presented with a basic strategic framework and through a series of workshops, were granted the opportunity to provide input in

developing the strategy. This resulted in a clear vision and shared understanding of the strategy and the way forward.

South African equity targets

In South Africa, our 2014 employment equity targets, in line with our submissions to the South African Department of Labour, are proving to be challenging at the top and senior-management levels.

Employee engagement



Our key sustainability drivers Safety

The goal is to eliminate fatalities and lost time injuries



The goal of our safety programme, Project Zero, is to eliminate fatalities and lost time injuries and achieve constant 'front of mind' safety awareness for all employees and contractors.

We continue to seek improvements in our systems, procedures and in particular the safety awareness programmes. Sappi Fine Paper North America developed the 'Do you know what's in your Safety Circle campaign'. This initiative, which has been extended to all regions, was used as the theme for our Group Safety Awareness Day and proved to be an excellent safety motivational initiative. Going forward, this will be rolled out across the group.

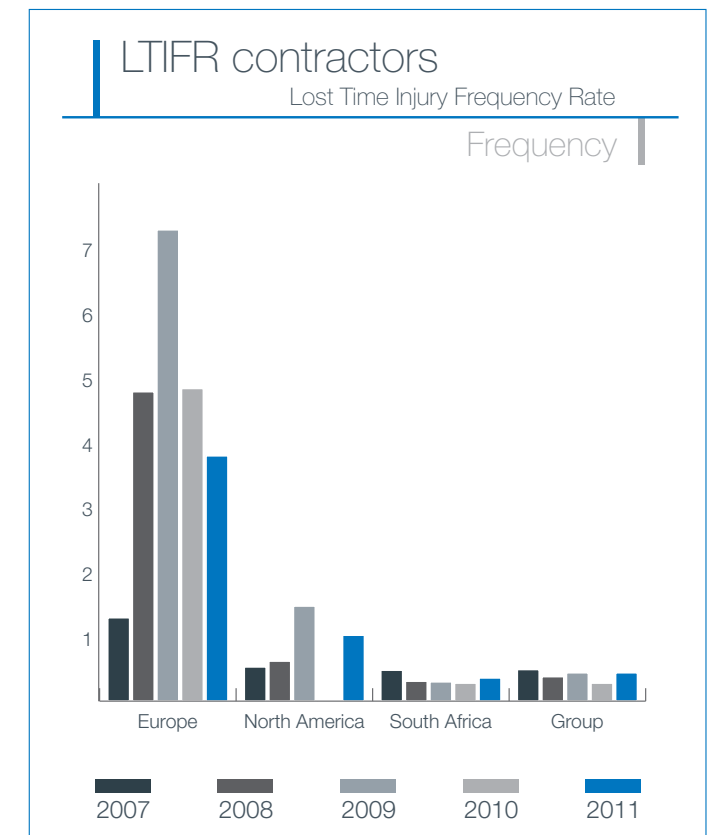
In terms of systems and procedures, despite the drop in performance in South Africa, we believe that ongoing, disciplined adherence to the processes in place will achieve more positive results.



Contractor safety is as important as that of our own employees

Comment

The inclusion of the mills acquired from M-real in 2008 negatively affected both own and contractor operations statistics.



Our focus is on letting all employees go home safely to their families every day

Our key sustainability drivers **Energy and emissions**

Our specific energy use decreased by 19% over the past ten years

Over the last decade, expressed as a percentage of total energy used, our specific purchased energy has dropped from 15.8GJ/ton to 12.8GJ/ton (2001 to 2011) — an overall drop of 19%. This has been the result of initiatives such as harnessing waste heat and the generation of additional power through cogeneration.

Some examples of our energy recovery efforts:

Our Amakhulu expansion project at Saiccor Mill incorporated a high pressure chemical recovery boiler. An associated 45MW turbo generator

harnesses 'waste' energy and converts it into steam and electricity. Waste inorganic chemicals are converted into useful process chemicals.

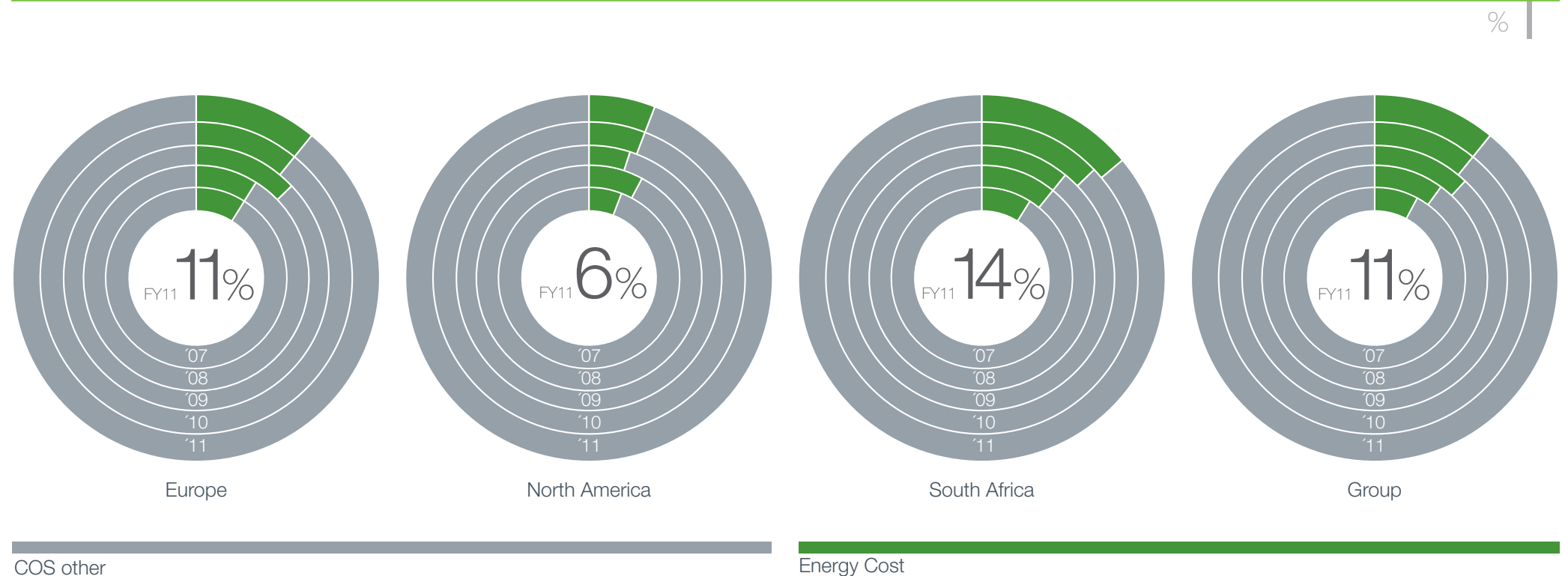
We installed a gas and steam combined cycle-heat and power generation plant at our Gratkorn Mill in Europe.

The recent upgrade of the recovery cycle at Somerset Mill resulted in greater utilisation of black liquor — oil consumption reduced by over 100,000 barrels of oil per year.

Future energy and conversion projects such as the Ngodwana and Cloquet projects will utilise the best available technology, with expected reduction in specific emission and water usage and lower environmental impacts.

Comment
Energy costs for our South African operations have risen sharply over the last three years and have impacted negatively on profitability in the region. Europe and North America have been able to contain their energy costs, owing to stable energy prices in Europe and a reduction in fossil fuel purchases in North America. Energy costs in Europe during 2009 were unfavourably impacted by the acquisition of the M-real mills.

Energy costs as a percentage of cost of sales



Our key sustainability drivers **Water**

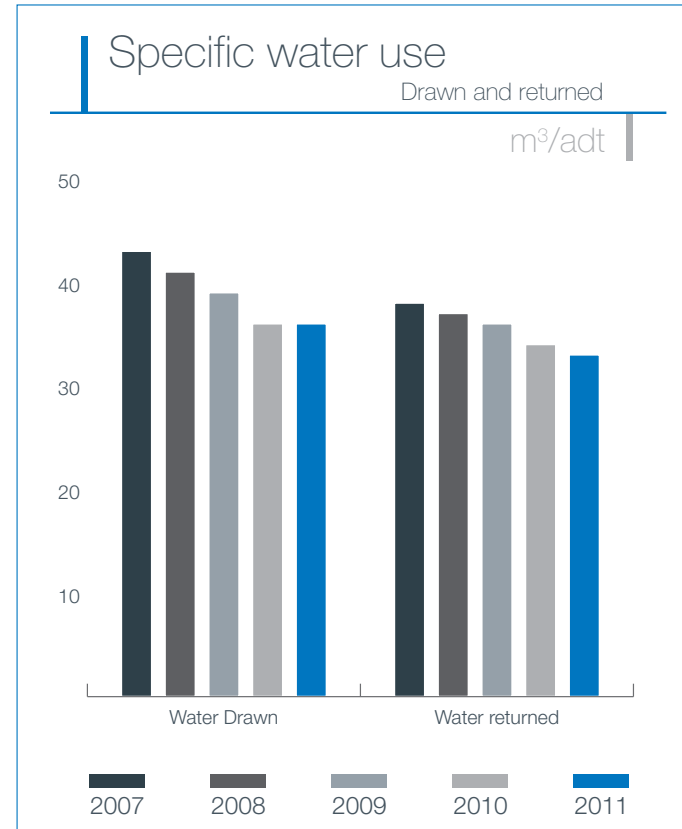
Over 91.5% of water drawn is returned

Process water use

A Nielsen report released in August 2011 indicated that water shortages and water pollution are among the top concerns for global consumers. Against this backdrop, it is encouraging to note not only the reduction in water usage, but also the fact that globally, over five years (2007 to 2011), chemical oxygen demand (COD) and total suspended solids (TSS) have decreased by 25.4% and 19.5% respectively. [i](#)

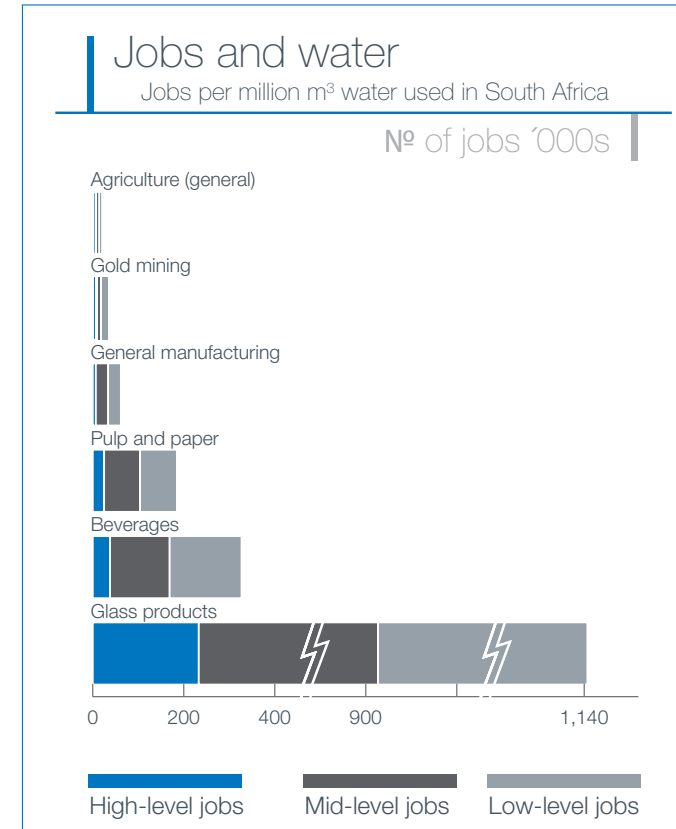
Comment:

Both water drawn and water returned (effluent) have shown a steady decline over the last five years. This has been due to a number of at-source water reduction initiatives implemented in all regions. The difference between water drawn and returned represents the quantity that one could consider consumed by the operations of the company, either becoming an intrinsic part of the product or lost via evaporation and other processes – over 91.5% of water drawn is returned.



Forestry water use

There is a general perception that forestry in South Africa uses excessive amounts of water. The fact is, however, that commercial forestry accounts for a little less than 3% of total use by reducing runoff into rivers and streams. This compares favourably with irrigated agriculture which uses 62% of the total water use in South Africa. Forestry's water use also has to be viewed in the context of the high value added to employment and GDP as indicated in the table below.

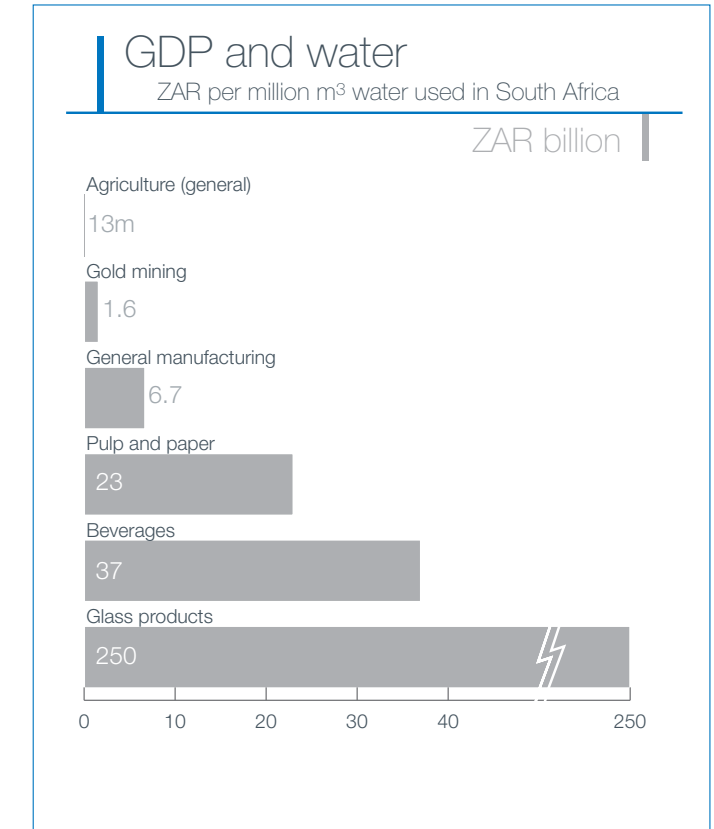


Putting water to use

An assessment of the sectoral multipliers of water use in South Africa shows that the pulp and paper industry is an efficient user of water resources; both in terms of the number of jobs created, and the contribution to Gross Domestic Product (GDP).

Source

Assessment of the Ultimate Potential and Future Marginal Cost of Water Resources in South Africa, Report No P RSA 000/00/12610 prepared by BKS for the Department of Water Affairs, September 2010.



Our key sustainability drivers Legislation

Competing on a level playing field

Despite the 2009 United Nations (UN) Climate Change Summit in Copenhagen and the 2010 UN Climate Change Conference in Cancún ending without the globally conclusive, binding agreements anticipated, climate change is still a key agenda item for governments around the world, including those in the regions where we operate.

Through proposed carbon taxes, these governments aim to facilitate behaviour changes towards low carbon and energy efficient technologies as a means of mitigating the impacts of climate change. These could have material impacts on our business.

We continue to interact both directly and through industry bodies with government to ensure that country or regional implementation of climate change related legislation does not adversely impact our ability to compete on a level playing field, and simply moves production to countries without these legislative impacts.

Our assessment of the status quo in each region, together with our response follows.

Europe Status quo

The European Union (EU) has embarked on an ambitious plan to cut its energy consumption by 20% by 2020 in a bid to reduce its dependency on imported oil and gas and slash its energy bill by an estimated €100b every year.

The EU target basically has three '20% elements':

- 20% reduction in greenhouse gas emissions
- 20% share of renewable primary energy
- 20% increase in energy efficiency by 2020

The EU Emission Trading Scheme (ETS) has backed this approach with introduced specific carbon limits for the pulp and paper industry of 318g CO₂/kg paper and 20g CO₂/kg sulphite pulp as a benchmark.

Europe Our position

Previously, we have had a surplus of emission rights due to our efforts to reduce our energy needs and to increase the share of renewable fuel use. These were either traded between mills or sold onto the market.

For the next phase, as of 2013, the allocation will be based on a product benchmark and we expect to fall short of emission rights as the benchmark is very low. Currently, the cost for extra emission rights is estimated at €14m per annum. We are continuing to work towards reducing energy consumption and hence emissions.

The cost for extra
emission rights is
estimated at €14m per
annum

Our key sustainability drivers Legislation

Preparing for an uncertain legislative environment

North America

North America Status quo

We closely monitor state, regional and federal Green House Gas (GHG) initiatives as well as other regulatory developments in anticipation of any potential effects on our operations. Although the United States has not ratified the Kyoto Protocol, nor adopted a federal programme for regulating GHG emissions, Congress is considering comprehensive federal legislation in respect of climate change, and various regional initiatives regarding emissions associated with climate change are in effect or proposed.

The US Environmental Protection Agency (USEPA) has finalised or proposed several rules relating to emissions reporting and reductions. These include rules issued in March 2011 known as the 'Boiler MACT' aimed at establishing new standards for emissions of hazardous air pollutants from commercial and industrial boilers. In May 2011, the USEPA stayed the Boiler MACT rules indefinitely. The stay will remain in effect until USEPA completes a reconsideration process with respect to certain requirements in the rules, or various court proceedings concerning Boiler MACT are completed, whichever comes first.

Based on motions before the court, it is not clear whether the reconsideration process or the litigation will reach resolution first. Nor is it clear what the timing for completion or implementation of a revised rule would be.

North America Our position

Capital expenditures, currently estimated to range between US\$10m and US\$15m, could be required for emissions control equipment at our mills in order to comply with the proposed Boiler MACT rules. The anticipated impact of the rules, as well as the related costs, may be subject to revision in the future, particularly in light of the ongoing reconsideration process and litigation.

The nature, scope and timing of any proposed legislation, including climate change legislation and other proposed rules regulating GHGs is highly uncertain and, currently, we do not know what precise effect, if any, such legislation will have on our financial position and operations.

During the past year, Sappi has implemented several major projects at the Somerset Mill to improve energy efficiency, reduce the site's carbon footprint and lower operating costs. This included a US\$49m capital project to upgrade the pulp mill's recovery cycle equipment and other manufacturing processes.

Replacing biomass with fossil fuels would negate the environmental and efficiency benefits that were gained from that major investment.

Over the years, we have implemented a number of initiatives to reduce our reliance on fossil fuels, increase our energy efficiency and stabilise our

energy costs. As part of that commitment, our Somerset Mill recently became a certified Green-e Energy organisation with the Centre for Resource Solutions. Under that programme, 100% of the electricity used to manufacture select coated fine paper products at the Somerset Mill is made with certified renewable energy that is generated on-site. The energy is created from the burning of wood biomass, a carbon-neutral renewable fuel source.

Every year, Cloquet Mill generates approximately 150,000MWh of certified renewable energy.

The nature, scope and timing of any proposed legislation, including climate change legislation and other proposed rules regulating GHGs is highly uncertain

Our key sustainability drivers Legislation

In southern Africa, the national environmental regulatory legal framework is still evolving



South Africa Status Quo

South Africa has ratified the Kyoto Protocol to the United National Framework Convention on Climate Change.

In southern Africa, the national environmental regulatory legal framework is still evolving, as is the enforcement process.

The recently published White Paper on Climate Change for South Africa acknowledges that “plantations function as carbon sinks that reduce the amount of greenhouse gasses in the atmosphere”. Against this backdrop, the Paper Manufacturers’ Association of South Africa (PAMSA), has been invited by Treasury to submit a proposal regarding offset mechanisms for the paper manufacturing sector for consideration as part of the pending update of the Carbon Tax Option.

Southern Africa Industry position

PAMSA's response is based on the following: As part of the carbon cycle known as photosynthesis, trees and other plants absorb CO₂, sunlight, and water to produce carbohydrate energy for themselves and oxygen as a by-product.

Climate change is influenced by an increase in greenhouse gases (of which CO₂ and methane are the most potent) in the atmosphere. By sequestering carbon, trees remove CO₂ from the atmosphere.

The national
environmental
regulatory legal
framework is still
evolving, as is the
enforcement process

Southern Africa Our position

We work with government authorities in striving to find a balance between economic development and social and economic considerations.

Young trees are much more efficient at absorbing carbon than older trees. Only while actively growing, can a tree or forest remove carbon over an annual or longer time frame. Both the decay and burning of wood releases much of this stored carbon back to the atmosphere. In order for forests to take up (sequester) carbon, the wood must be harvested and turned into long-lived products and trees must be re-planted. In Sappi's plantations in South Africa, we perpetuate this cycle by balancing harvesting with re-growth and planting 20% more seedlings than the trees we harvest.

If we apply the same methodology as the Canadian and Australian pulp and paper industries (Forestry Industry Carbon Assessment Tool — cradle to grave), then over a year, we get a similar result; like their industries, Sappi is a net absorber of carbon.

The future of paper

Maintaining shareholder value in view of declining paper usage

Digital media has had an impact on graphic paper demand which is set to decline in mature markets. Demand is expected to continue growing in emerging and developing markets. We believe that paper will continue to play an important role in everyday life and that digital and print advertising works best in partnership.

In 2011, we reviewed our strategy in light of this decline in our major graphics markets. This strategy is outlined in detail in the 'Letter to shareholders' from the Chairman and Chief Executive Officer in our 2011 Integrated Report (pages 9 – 13). 

One of the key pillars of this strategy is investing for future growth in higher margin businesses, including chemical cellulose. Sappi currently produces about 800,000tpa of chemical cellulose from its sole producing Saiccor plant in KwaZulu-Natal, supplying about 15% of market demand, and making us the largest supplier of the product in the world. Driven by the Asian market, demand for chemical cellulose is currently growing at about 6% a year.

Chemical cellulose is the basis for viscose (rayon) fibre, and for many other materials for which there are alternate choices, for example, acetate. The Wall Street Journal reported in January 2011 that dramatic increases in cotton prices (91% in 2010) have caused many designers to turn to rayon as

a cheaper alternative. In addition, climate change is causing concern about the water footprint of cotton. It is estimated, for example, that the Aral Sea has lost 80% of its volume due to water being diverted for cotton upstream and that while cotton is planted on 2.4% of the planet's arable land, it accounts for 24% of all insecticides and 11% of global pesticides.

Against this backdrop, it is likely that consumers will turn increasingly to viscose material in the medium to long term.

In addition to convenience, the belief that digital media is more environmentally friendly than printed media has driven use of e-readers. This is a significant opportunity as cellulose acetate, made from chemical cellulose, is used to make display screens.

We are expanding our Ngodwana Mill operations in Mpumalanga province, South Africa, to produce chemical cellulose, by 2013. The expanded mill will produce kraft liner board, newsprint, as well as 210,000tpa of chemical cellulose.

In November 2011, we also announced the conversion of the pulp mill at our Cloquet Mill in North America to produce 330,000tons of chemical cellulose. We expect the conversion to be commissioned during 2013.

Another area where we are looking at increasing shareholder value is through biorefining. Our focus is on maximising the use of our biomass in our pulp plants and adding value to waste streams. One such example is the extraction of sugars prior to pulping and from our waste streams. Various options on extracting the sugars and utilising them to produce bioethanol or other fuels such as butanol are being investigated.

Longer term investigations on the use of gasification and pyrolysis of biomass and solid waste to produce biofuel and biochar are also underway; during the pulping process we could use part of the lignin to produce biofuel through gasification processes which add carbon and hydrogen to burnt gases, ultimately producing biofuel. A different method would be to use extreme heat to break down the chemicals – a process known as pyrolysis — in the lignin with the same end product. Both methods and processes are low in CO₂ generation. Apart from generating new products for Sappi, these processes also offer a means of reducing solid waste.

“The future paper industry will be a cluster of integrated activities and sectors. New business models, products and services will complement the future use of printing and writing papers...”

CEPI Sustainability Report 2011

Digital media distracts

Anne Mangen, an associate professor of literacy studies at Norway's University of Stavanger, says she discovered that reading online may not be as rewarding — or effective — as the printed word. "One main effect of the intangibility of the digital text," she points out, "is that of making us read in a shallower, less focused way." The reasons: the process of reading online involves so much physical manipulation of the computer that it interferes with our ability to focus on and appreciate what we're reading. In addition, online text moves up and down the screen and lacks physical dimension, robbing us of a feeling of completeness. Multimedia features, such as links to videos and animations, leave little room for imagination, limiting our ability to form our own mental pictures to illustrate what we're reading. "The visual happenings on the screen ... and your physical interaction with the device is distracting," Mangen says. "All of these things are taxing on cognition and concentration in a way that a book is not."

"The reading process and experience of a digital text are greatly affected by the fact that we click and scroll, in contrast to tactilely richer experience when flipping through the pages of a print book."

Anne Mangen

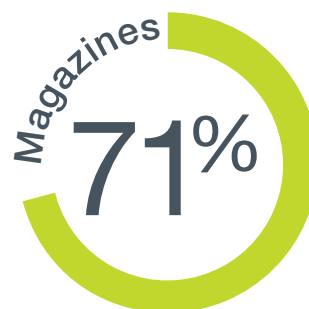
Paper is trusted

Millennial Paper Usage and Attitudes is a survey conducted by TNS Research Global, which has market research operations spanning over 80 countries. Conducted in March 2011, the survey aimed to understand the role of paper in the lives of US Millennials — people aged 16-26.

The survey found that while Millennials do use electronic forms of communication extensively, paper is still very much part of their lives, is associated with trust and has a strong emotional connection. Some of the top-line results are shown below and overleaf.

Paper preferred over digital media

Millennials find reading printed material easier on the eye — many show a preference for printed media



Paper is trusted

Paper remains part of Millennials' lives

Social media

Engaged Millennials

92%	Have a social profile
400	Average number of 'friends'
92/day	Average number of texts sent and received
24/day	Average number of e-Mails sent/received
92%	Think e-Mails are more environmentally friendly
61%	Read newspapers online

Millennials

Powerful attraction to paper

78%	Cannot imagine life without paper
89%	Doubt they will ever give up paper completely

Paper = Trust

Compared to digital documents paper is seen as

90%	Preferred to hard copies for important documents
88%	More official
82%	More trusted
78%	Easier to keep confidential
77%	Digital documents are less trustworthy since they can be altered without your knowledge
74%	More secure
63%	Print out documents for their records, even if they have them saved electronically.

Emotional attachment

Millennials have a powerful emotional attachment to paper, many value and prefer to receive some of their communications on paper





Our goal is to be the most profitable company in paper, pulp and cellulose-based solutions, on a sustainable basis

Our key measures are Return on Capital Employed (ROCE) and beating our cost of capital, as a minimum
We also prioritise cash generation, and improving our balance sheet structure

50%

Of our global business is being refocused on non-graphic papers, other non-paper and new business opportunities

167%

Exciter R&D programmes' ratio of return versus investment

Eucalyptus
GENOME
sequenced

A significant step towards developing tools for our tree improvement endeavours...

A leader in providing sustainable solutions

We are refocusing our business and exploring new business opportunities

Our approach

Our goal is to be the most profitable company in paper, pulp and cellulose-based solutions, on a sustainable basis.

Our key measures are Return on Capital Employed (ROCE) and beating our Cost of Capital (COC), as a minimum. We also prioritise cash generation, and improving our balance sheet structure.

In terms of our new strategy (discussed in the CEO's message), we are refocusing our global business from 75% graphic papers to 50% graphic papers and 50% other paper, non-paper and new business opportunities. [i](#)

To ensure that Sappi remains a globally competitive, sustainable business, we are refocusing our global business to include non-paper and new business opportunities

Innovation is pivotal

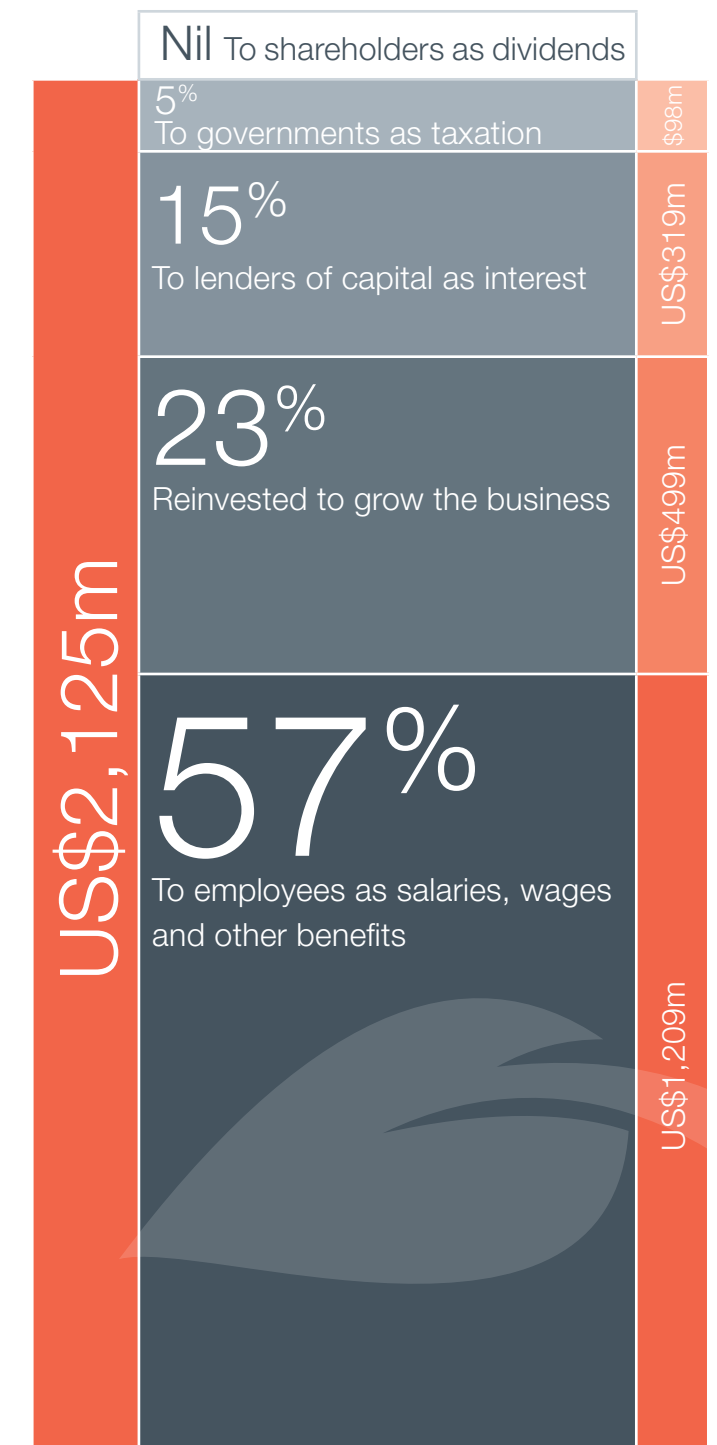
We strongly believe that innovation is pivotal to profitable sustainable development — whether it's our products or our processes. Continuous investments in our assets and research and development (R&D) help to ensure Sappi remains a globally competitive, sustainable business.

Our research scientists and engineers are focused on developing product enhancements, new products and process improvements. In the long run, the technical and supply-chain improvements required to help our planet's sustainability are good for business as well.

Our discerning customers are always looking for new and improved products and services that benefit their businesses, while reducing their own environmental impact.

By partnering with responsible customers and suppliers, we offer products that are the best-in-class in quality, environmental performance and total value. This helps us in our goal of being a customer-centric business focused on ongoing product, process and service innovation.

Economic value added in 2011





Adding value

The products and services we supply add value to the quality of life of people around the world.

The paper industry plays a key role in helping to add value and create jobs within a long value chain. The many sectors that use paper-based products or supply goods and services to the paper industry benefit considerably as a result. We outsource technical and engineering services to a wide variety of contractors. The chemicals industry, in particular, is one of our major suppliers. The high rate of capital expenditure supports the construction industry with many companies specialising in the pulp and paper sector.

In addition, the provision of services and the outsourcing of non-core services such as maintenance, medical services, transportation, security and cleaning have created opportunities for small, medium and micro enterprises.

In each region where we operate, we play a significant role in the economy. We pay taxes to governments and directly support employment particularly in rural areas which has a ripple effect and indirectly leads to the establishment of infrastructure and services in these regions. This in turn helps to drive growth and development.

Europe

In Europe in 2010, industry turnover was €80.6b, with added value generated standing at €16b and investment amounting to €3.6b.

The industry directly employed 224,129 people. ⁱ The Confederation of European Paper Industries (CEPI) estimates a multiplier employment effect of eight which translates into indirect employment of around 1,8 million people. ⁱ

North America

In North America, the forest products industry accounts for approximately 5% of the total United States manufacturing GDP. The industry produces about US\$175b in products annually and employs nearly 900,000 men and women, exceeding employment levels in the automotive, chemicals and plastics industries.

The industry meets a payroll of approximately US\$50b annually and is among the top 10 manufacturing sector employers in 47 states. ⁱ

Southern Africa

In South Africa, Project Grow, our out-grower scheme, and the collection of waste paper for Sappi ReFibre have generated extensive employment in the informal sector. ⁱ

The South African pulp and paper industry contributed ZAR4.5b to the direct balance of payments in 2010. The sector contributed 1% to the country's national GDP of South Africa, and employs approximately 208,000 people.

In each region
where we operate,
we play a significant
role in the economy

Ideas are not enough

Focusing on translating ideas into value added products and services

Research and development

Recognising that ideas alone are not enough, we focus on translating ideas into value added products and services. This approach is supported by our technology centres around the world.

Eucalypt genome sequenced

The completion of the international effort to sequence the eucalypt genome, in which Sappi has played a pivotal role through its collaboration with the University of Pretoria, was a landmark event this year. This genome sequence data provides valuable information for

Sappi's own efforts to develop DNA markers for wood properties. This year, putative markers for a number of properties such as cellulose and lignin content were obtained in young trees. While these still need to be validated in more mature trees, this represents a significant step towards developing tools that can improve the efficiency and speed of Sappi's tree improvement endeavours. [i](#)

Sappi's technology centres worldwide

	Areas covered	Focus
North America	<ul style="list-style-type: none"> • Casting release • Fillers and coatings • Printing 	Next generation product design for margin improvement and customer features and benefits in both the release and graphic papers businesses. The technology platform centres on innovative materials research and emphasises expanding the use of our unique core technologies into new markets for growth.
Europe	<ul style="list-style-type: none"> • Base paper • Coating • Printing • Pulp fibre 	Application of blade-coating technology to lower manufacturing costs.

Southern Africa	Innovation Hub Pretoria <ul style="list-style-type: none"> • Environmental • Fibre processing • Paper • Tree improvement 	Applied research is conducted over the full value chain of papermaking from fibre to pulping, bleaching, stock preparation as well as product development and over 40 environmental parameters.
	Saiccor Mill <ul style="list-style-type: none"> • Chemical cellulose 	Product development to explore product options, expand Saiccor Mill's value added product range and meet the needs of our global customers.
	Shaw Research <ul style="list-style-type: none"> • Forests research 	Genetic improvement of plantation forests to maximise high quality pulp yield. Fibre modification research to enhance characteristics for end products .

Meeting the market

Working with partners as new technologies open up opportunities

Brand refresh

In 2011, we completely refreshed our brand identity, guidelines, architecture, product range, look and feel. Over time, with mills, sales offices and operations around the world, our brand image had become disjointed and slightly old-fashioned.

We now have a unified brand — an essential tool that repositions us in the market, which communicates the thinking behind our brand to stakeholders across the globe and also brings it to life.



ALGRO Nature

LEINE Nature

Fusion
New Generation Topliner

New products in 2011

We are working with partners as new technologies are opening up opportunities in various fields.

Jaz™ Silk

One such example is our work with Hewlett Packard (HP) in the swiftly-changing media landscape. In February 2011, Sappi Fine Paper Europe and HP launched Jaz™ Silk, a digital paper. This enables full-colour personalised printed communication, with offset look and feel to be produced overnight. Jaz™ Silk is a coated paper for high-quality graphic applications such as direct mail or commercial print. This new paper grade has drawn on the experience of HP to combine the flexibility of ink jet with the high quality result that you would expect from a Sappi paper.

Compostable packaging solutions

Sappi Fine Paper Europe is collaborating with Innovia Films to demonstrate potential laminate structures suitable for end-users in the food, confectionery and pharmaceutical industries. These laminates provide technical functionality in addition to being made from renewable resources and offer compostability, a focus which many packaging end-users are keen to pursue.

Both companies recognise that the best end-of-life options for flexible paper/film laminates are either industrial, home composting

or ultimately anaerobic digestion which turns waste into a useful energy source. Current landfill or incineration solutions are less attractive.

Innovia Films with its NatureFlex™ product range, brings its unique expertise in manufacturing renewable and compostable cellulose-based films with tailored moisture and barrier properties.

Sappi brings its expertise in manufacturing flexible packaging papers and now offers coated and uncoated compostable paper options:

Algro® Nature

A unique compostable one-side coated paper

Leine® Nature

An uncoated equivalent — also compostable.

The Sappi and Innovia products have been independently tested and have received the **OK Compost Home** certification by Vinçotte, and the compostability DIN E13432 certification by DIN CERTCO.

Trials have now started with converters to demonstrate the capabilities of such laminates in terms of sustainability and technical packaging solutions. Trials have been run on both extrusion and adhesive laminate systems, targeting end-users who are seeking alternatives to existing non-compostable structures.

By creating a safe, healthy workplace for our People in which diversity is encouraged and valued, and people are provided with ongoing development opportunities so that they can develop to their full potential, we enhance productivity and our ability to service global markets.

14,862
Permanent employees

US\$ 1,211m
Salaries
Wages
Benefits

US\$ 11m
Training
and development

Our management approach to people

Our people can and do contribute and make a difference



We enhance productivity and our ability to service global markets by creating a safe, healthy workplace for our People: in which diversity is encouraged and valued and people are provided with ongoing development opportunities so that they can develop to their full potential.

People play a critical role in the delivery of our overall performance and how we lead, manage and develop our people are key elements that contribute to our success.

Our focus is on equipping our people and the communities in which we operate with the life and career skills, knowledge and confidence that allows them to build on their own capabilities and further their development.

Our objective is to have a fulfilled and engaged workforce that delivers on our key business drivers. To achieve this, establishing a connection between work and organisational strategy is important. This connection ensures that employees feel that their work is truly of value to the organisation and therefore to their peers and managers, and leads to heightened commitment and retention.

Key drivers

The key drivers to achieving our people strategy are:

Connecting people to the business

Communicating the strategy to all employees, providing them with the opportunity to engage with management on the strategy and helping them understand what they need to do to contribute to its overall achievement.

Building strong skills across Sappi

Hiring correctly, retaining talent, accelerating development, sourcing talent strategically, providing performance feedback and creating development opportunities.

Developing a strong leadership bench

Building leadership capability at all levels within the organisation and using the leadership pipeline framework as a means of guiding development.

Transforming our workplace

In the context of our Southern African business this involves a focus on transformation, and a group commitment to diversity, as well as changed mindsets in how we conduct business and behave in line with our values.

Energising our work environment

Optimising recognition and reward programmes, giving employees the freedom to act with responsibility and the opportunities to reach their full potential, working collaboratively across geographies, business units and functions.

Developing a strong human resources function

Ensuring that those tasked with delivering the people strategy are capable of doing so and are focused so as to exceed their clients' expectations.

Our objective
is to have a fulfilled
and engaged workforce
that delivers on our key
business drivers

Our approach to Human Rights

Most of the countries in which Sappi has manufacturing operations are ranked as 'Low Risk' or 'Medium Risk' on the Human Rights Risk Atlas


We subscribe to the core labour standards of the International Labour Organisation, which promote:

- Freedom of association
- Non-discrimination
- Abolition of forced and child labour.

We also uphold the principles of the Universal Declaration of Human Rights.

Most of the countries in which Sappi has manufacturing operations are ranked as 'Low Risk' or 'Medium Risk' on the Human Rights Risk Atlas. The exception is China which is regarded as an 'Extreme Risk' country for Human Rights abuses.

We hold a 34% stake in a joint venture in Jiangxi Chenming Mill in the People's Republic of China. The dominant shareholder in the mill is the Shandong Chenming Group, which is listed on the Shenzhen and Hong Kong stock exchanges. Although our influence is limited, neither our investigations nor any information from the company indicate that there are any human rights abuses at the mill. [i](#)



The image shows the cover of the 'Sappi Human Rights policy' document. At the top left is the Sappi logo, which includes a circular emblem with a tree and the words 'PROSPERITY', 'PEOPLE', and 'PLANET'. To the right of the logo, the word 'sappi' is written in a bold, sans-serif font, with the tagline 'Inspired by life' underneath. Below the logo and tagline, the title 'Sappi Human Rights policy' is centered. The main visual element is a photograph of many hands of various skin tones raised against a blue sky. Below the photo, there is a paragraph of text stating that support for human rights is implicit in all dealings with stakeholders and is embodied in the People commitments set out in the Sustainability Charter. This is followed by a bulleted list of six points: 'Being a great place to work', 'Cultivating an inclusive, diverse workplace', 'Providing training and development opportunities', 'Engaging with stakeholders openly and constructively', 'Prioritising wellbeing, safety and health', and 'Partnering with communities'. Below this list, another paragraph defines sustainable development as 'development which meets the needs of the present without compromising the ability of future generations to meet their own needs'. It then states that Sappi focuses on performance based on generating Prosperity for shareholders, while improving the lives of People and treading more lightly on the Planet. One of the ways to improve the lives of people is by subscribing to the core labour standards of the International Labour Organisation, which promote freedom of association, non-discrimination, and the abolition of forced and child labour. It also mentions upholding the principles of the Universal Declaration of Human Rights. In summarised form, these principles are listed in a bulleted format. The list includes: 'Everyone is free and should be treated in the same way', 'Everyone is equal despite differences in skin colour, sex, religion and language, for example', 'Everyone has the right to life and to live in freedom and safety', 'No one has the right to treat anyone else as a slave', 'No one has the right to hurt or torture anyone else', 'Everyone has the right to be treated equally by the law', 'The law is the same for everyone, it should be applied in the same way to all', 'Everyone has the right to ask for legal help when their rights are not respected', 'No one has the right to imprison you unjustly or expel you from your own country', 'Everyone has the right to a fair and public trial', 'Everyone should be considered innocent until guilt is proved', 'Everyone has the right to privacy', 'Everyone has the right to move freely within their own country and leave and return as they wish', 'Everyone has the right to go to another country and ask for protection if they are being persecuted or are in danger of being persecuted', 'Everyone has the right to belong to a country. No one has the right to prevent you from belonging to another country if you wish to', 'Everyone has the right to marry and have a family', 'Everyone has the right to own property and possessions', 'Everyone has the right to practise and observe all aspects of their own religion and change their religion if they want to', 'Everyone has the right to say what they think and to give and receive information', 'Everyone has the right to take part in meetings and to join associations in a peaceful way', 'Everyone has the right to help choose and take part in the government of their country', 'Everyone has the right to social security and the opportunities for personal development', 'Everyone has the right to work for a fair wage in a safe environment and to join a trade union', 'Everyone has the right to rest and leisure', 'Everyone has the right to an adequate standard of living and medical help if they are ill', 'Everyone has the right to go to school', 'Everyone has the right to share in their community's cultural life', 'Everyone must respect the 'social order' that is necessary for all these rights to be available', 'Everyone must respect the rights of others, the community and public property', and 'No one has the right to take away any of the rights in this declaration'. At the bottom left, the date '01 January 2012' is printed. At the bottom right, the text 'Sappi Limited' and 'www.sappi.com' is printed.

We subscribe to the core labour standards of the International Labour Organisation

We uphold the principles of the Universal Declaration of Human Rights


Our leadership bench

Committed to growing and developing our own talent and developing leaders from within



It takes inspirational and engaging leadership to attract, develop and retain talented and motivated employees who form the heart of high performance culture.

It's important for all our people and, in particular, our leadership, to have a clear view of the company's strategy and direction. In February 2011, the top 100 employees in Sappi attended a management conference which focused on the strategic direction the group was planning to take. The theme of the conference was: 'Profitability now is key to creating the platform for our future growth opportunities'. Delegates at the conference were presented with a basic strategic framework and through a series of workshops, were granted the opportunity to provide input in developing the strategy. This resulted in a clear vision and shared understanding of the strategy and the way forward.

We measure the commitment of our employees to Sappi through employee engagement surveys. 

Leadership competencies

We believe that a strong leadership bench depends upon having a consistent view of what 'leadership' means across our businesses. As we are committed to growing and developing our own talent and developing leaders from within, we have developed a set of leadership competencies that clearly set out the qualities and behaviours expected from our leaders.

Leading others

The ability to achieve organisational growth by working with and through others, demonstrating the desire and ability to develop people.

Thinking strategically

The ability to create and engage others in a strategic vision for the future.

Operational delivery

The ability to hold oneself and others accountable for achieving desired business results while maintaining high standards.

Commercial insight

The ability to understand how business works and to effectively apply business acumen.

Self awareness

The ability to remain aware of one's behaviour, actions and impact on others and to work towards continued self-development.

Leadership initiatives

The global Sappi Leadership Academy, based on our competency and pipeline framework, is a 12-month in-house programme designed to develop leadership behaviours. Two periods of three weeks of the programme are residential; the balance of the period consists of project-work related to the business. In addition to the Sappi Leadership Academy each region has supplemented their leadership work with the following programmes:

Europe

Leadership Situational Training targeted at enabling managers to adjust their leadership style to the task-related development level of the employee, thus improving overall effectiveness of process and results.

North America

The Leadership Excellence and Development (LEADS) programme is in great demand with 13 sessions having been conducted in 2011.

Southern Africa

Nine Conversations in Leadership® has been introduced and rolled out amongst lead teams. The focus is on one leadership topic over a four hour period within the context and environment the team works in — over 700 employees have participated in the programme to date.

Our diverse workforce

Striving for a diverse slate of candidates for salaried management positions

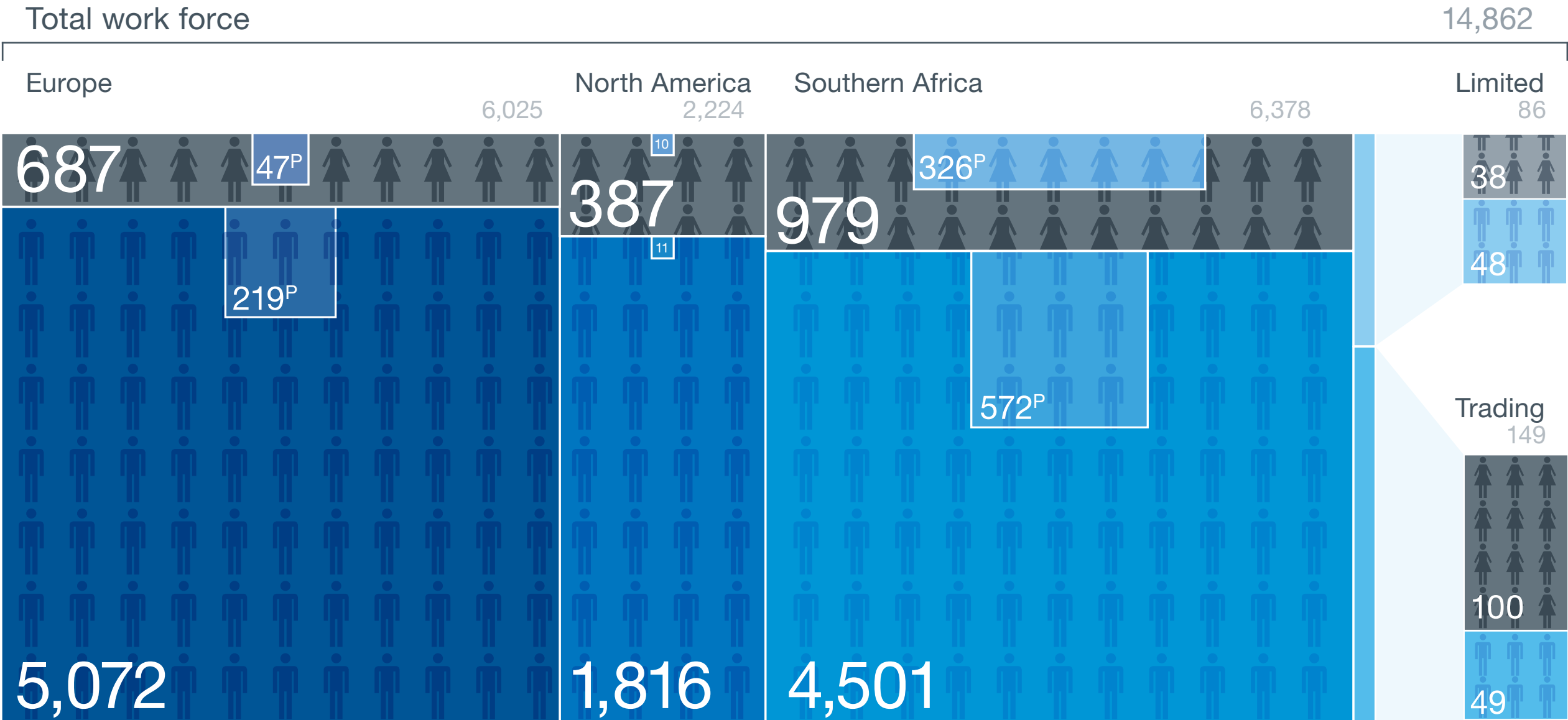
LA 01
Total workforce by employment type, employment contract, and region

People today are more mobile than at any other time in history, due largely to globalisation and technology.

Accordingly, workplaces are becoming increasingly diverse, particularly in a global

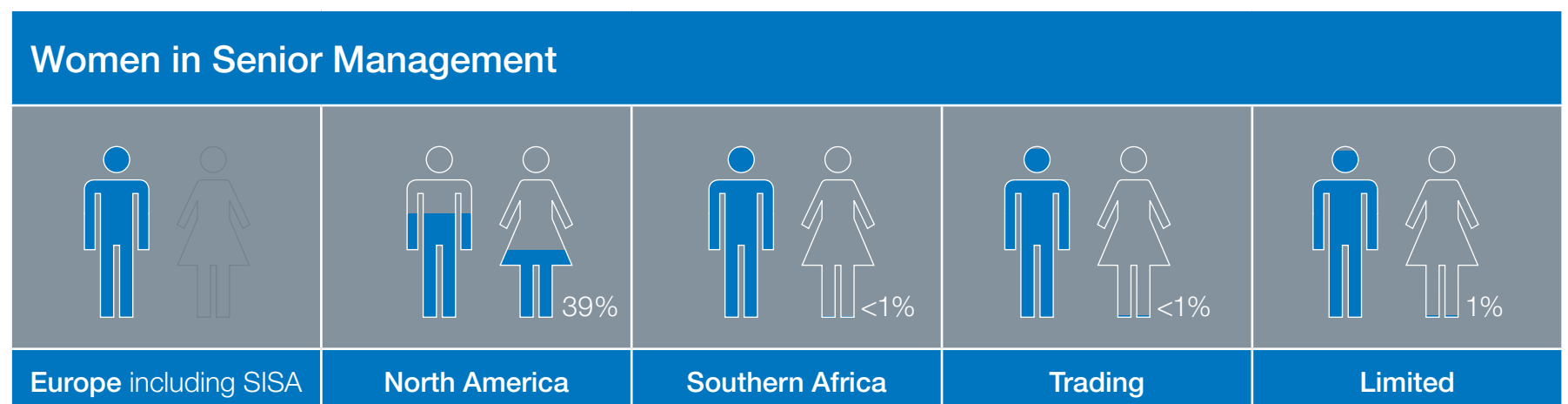
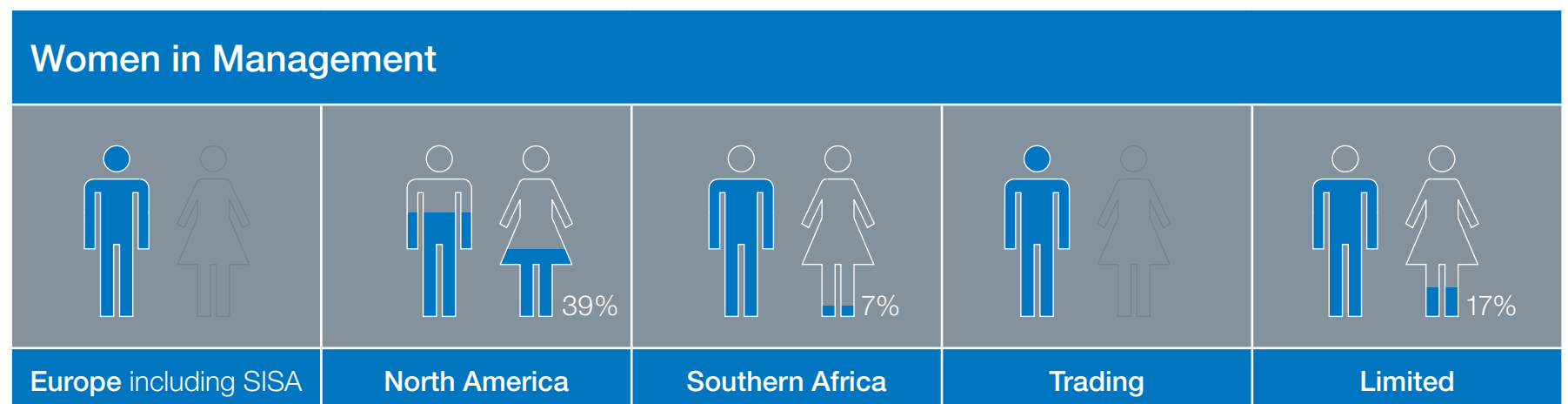
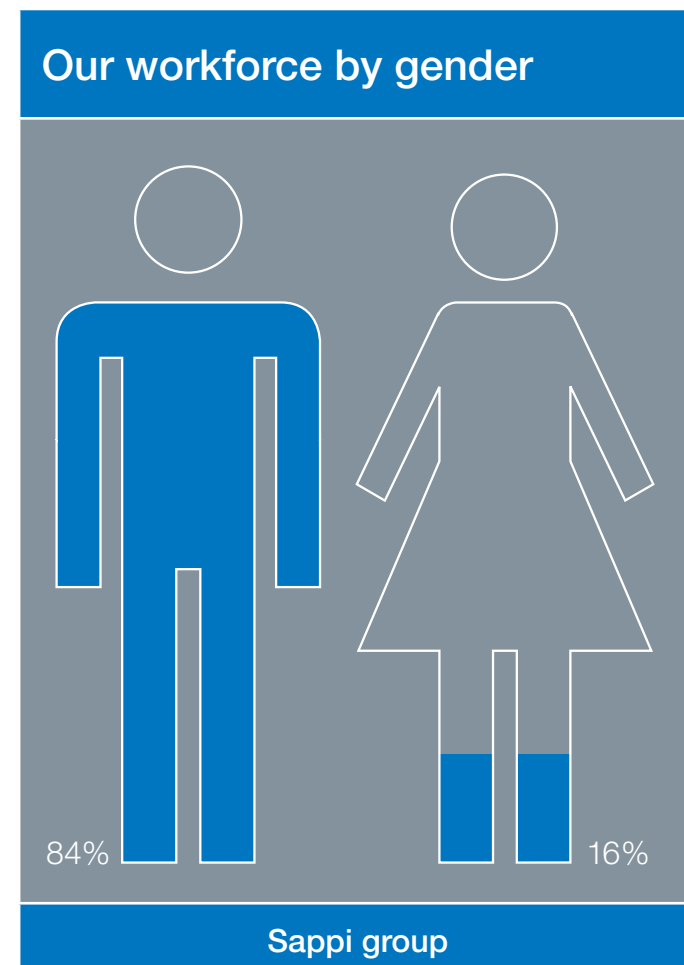
company like Sappi. Consequently, respecting diversity is more than simply a moral and social imperative – it's a business imperative. Recognising that diversity in itself is not enough, we focus on promoting inclusivity and freedom of association.

Apart from employment equity targets in South Africa, group targets for promoting equal opportunities are general rather than specific. However, managers are encouraged to consider a diverse slate of candidates for salaried management positions.



Sappi is an equal opportunity company.

Gender diversity is increasing steadily throughout the group and in South Africa we have employment equity targets to promote economic and social transformation among the previously disadvantaged.



Training and development

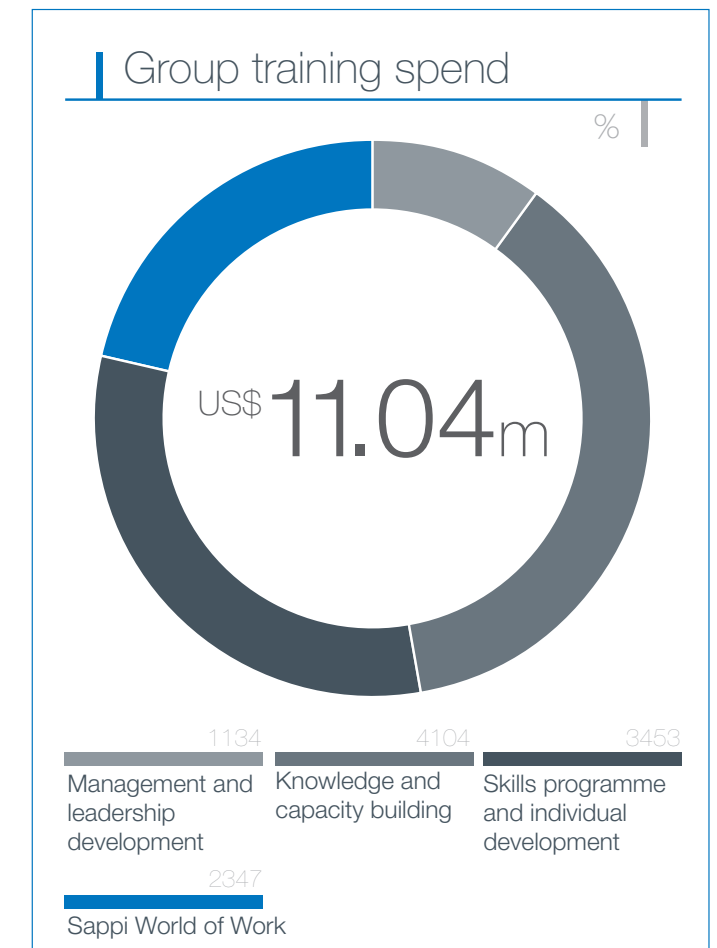
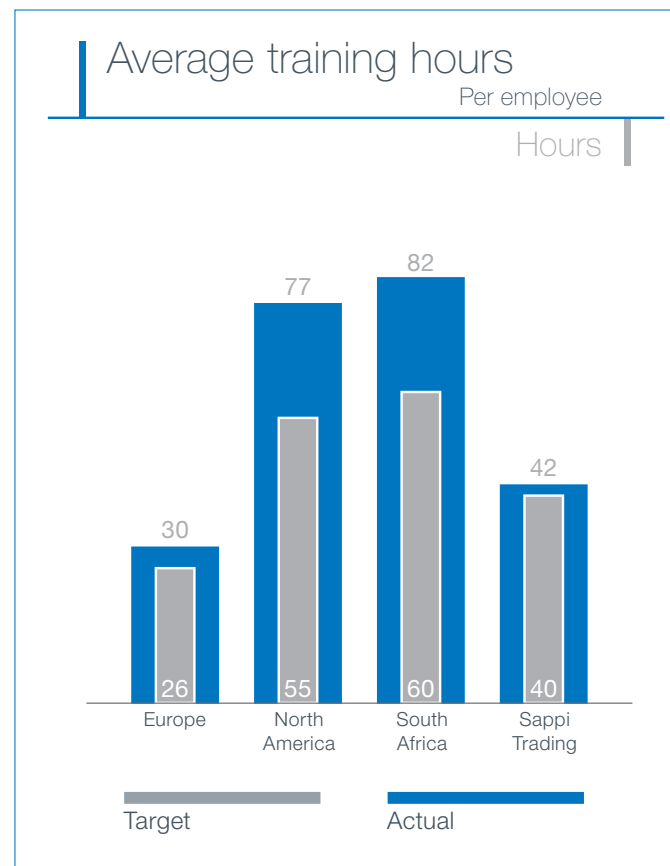
People with the appropriate skills provide a strong competitive advantage

LA
10

Average hours of training per year per employee, by gender and by employee category.

A skilled workforce can add significant value to an organisation.

That's because people with the appropriate skills can help to enhance productivity, enhance service and drive innovation, creating a strong competitive advantage. We continue to increase our spend on training and development.



Per capita training investment

	Management and leadership development		Knowledge and capacity building		Skills programmes and individual development		Sappi World of Work	
	Management, supervisory and leadership development		Enhances individuals' skills for current or future positions for a best practice organisation		Formal programmes/self-study with both practical and theoretical components that may lead to educational qualifications		Mandatory training — legal, safety, health, environment and quality compliance	
Southern Africa	US\$53	2hours	US\$196	22hours	US\$436	47hours	US\$194	12hours
Europe	US\$99	2hours	US\$369	15hours	US\$66	2hours	US\$96	6hours
North America	US\$30	5hours	US\$193	30hours	US\$15	2hours	US\$276	40hours
Trading	US\$10	4hours	US\$90	33hours	US\$50	4hours	US\$34	2hours

Employee turnover

Injecting fresh skills and new ways of thinking

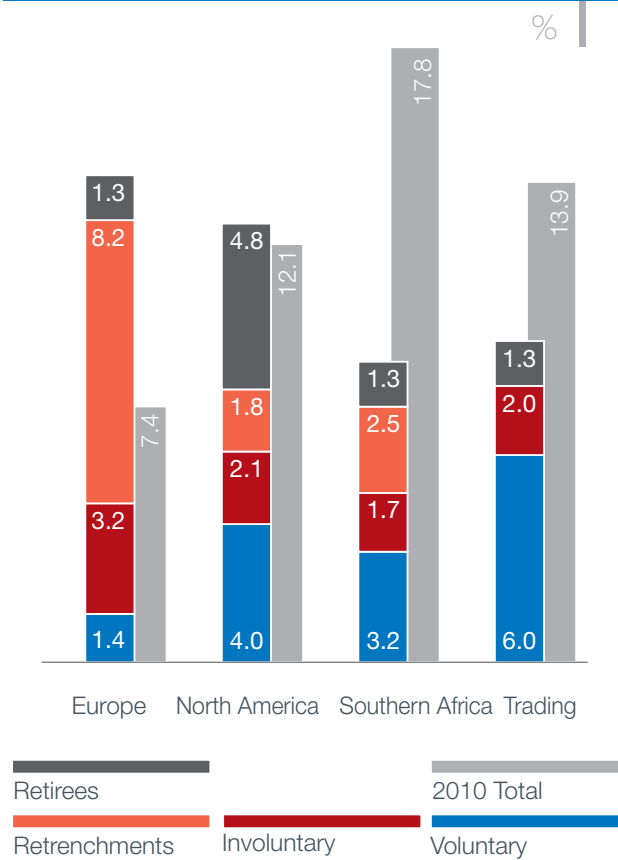
LA
02

Total number and rate of employee turnover by age group, gender, and region.

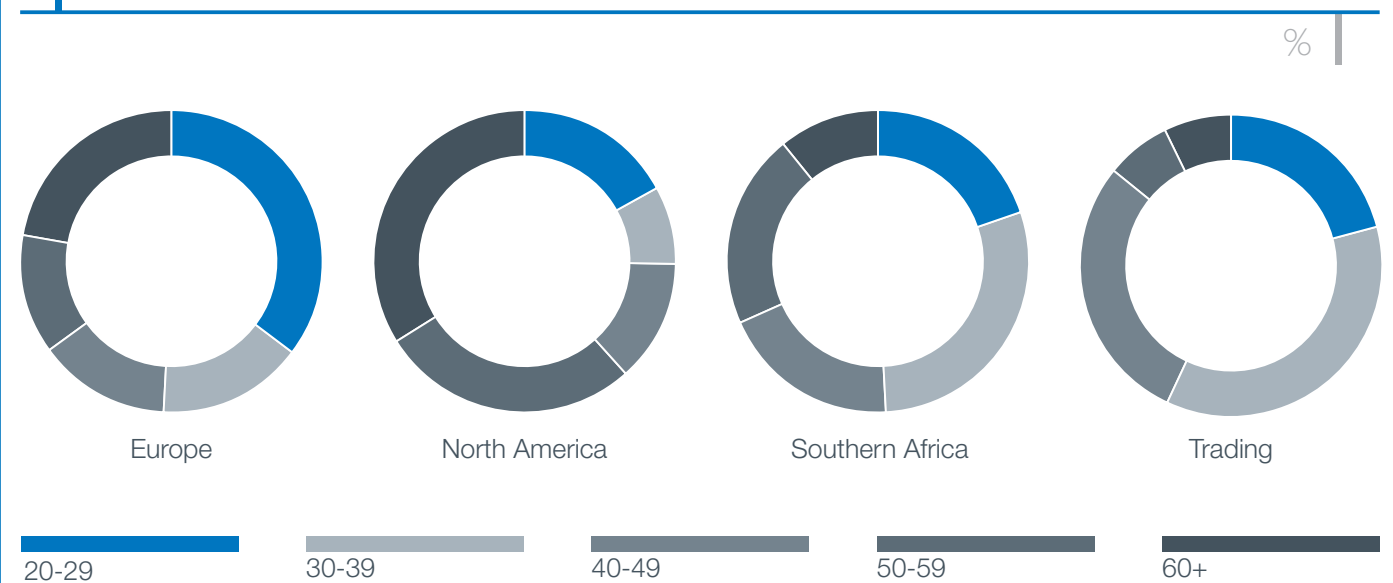
Maintaining a certain level of employee turnover is important for injecting fresh skills and new ways of thinking into the business.

Restructuring in Europe led to a higher level of turnover than we would normally be comfortable with, but this was unavoidable, given the circumstances.

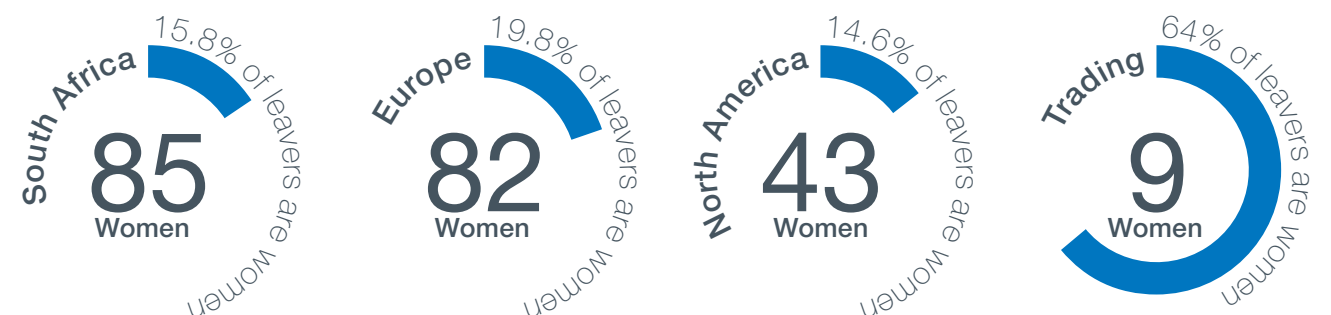
Employee turnover 2011



Employee turnover by age



Employee turnover by gender



Our approach to remuneration

Ratio of basic salary of men to women by employee category

















































LA
14

Ratio of basic salary
of men to women by
employee category

We do not discriminate
on the basis of gender.

Amongst employees
earning minimum
wages, there is very
little income disparity.

The income disparity
at the higher levels
of the organisation,
where in some
instances men earn
more than women
and vice versa, is
based on differentials
such as performance,
length of service and
on the fact that we
do not remunerate
at a specific rate, but
rather, within a specific
band.

	Executives	Management	First-line management	Specialists	Minimum wages
Europe		  85%	  No information available	  79%	 = 
North America	  96%	  99%	  87%	  99%	  93%
Southern Africa	  74%	  94%	  90%	  94%	 = 
Trading		  86%	  94%	  94%	  No information available
Limited	  61%	  84%	  81%	  No information available	  73%

LA
04

Percentage of employees covered by collective bargaining agreements.

We respect the freedom and dignity of all people and we do not discriminate on any basis whatsoever. We conform to the core labour standards of the International Labour Organisation (ILO) and we meet the labour conditions stipulated by the legislation of the countries in which we operate.

Our disciplinary codes ensure disciplinary procedures are applied consistently throughout the Sappi group, while grievance procedures enhance the rights of employees. These include, among others:

- The right to raise a grievance without fear of victimisation.

- The right to seek guidance and assistance from a member of the Human Resources Department or their representative at any time.

- The right to appeal to a higher authority, without prejudice.

There are documented grievance procedures in Europe and South Africa. In North America, we do not have a specific policy document, but consistent with the requirements of the US Labour Relations Act, grievances are handled through a procedure outlined in the collective bargaining agreements negotiated by the company and each union.

Sappi's union membership

Sappi recognises that trade unions and the right of employees to bargain collectively are a normal part of business.

Europe

Works Councils are elected every four to five years at our manufacturing sites in Austria (Gratkorn), Belgium (Lanaken), Finland (Kirkniemi), Germany (Alfeld, Ehingen, Stockstadt) and in the Netherlands (Maastricht, Nijmegen). In addition, there are Works Councils in our sales offices in Germany (Hannover), Austria (Vienna) and Benelux (Lanaken).

European Works Council meetings take place biannually. Each manufacturing site is represented by local members in proportion to its size. The main purpose of the meetings is to inform and consult on business results, market developments and pan-European organisational topics. Sappi Fine Paper Europe is represented by the CEO and HR Director Europe. The major unions we deal with differ per country as does the interface between unions, works councils and management. Union representation in Europe is estimated at 65.8%.

North America

Hourly paid employees in Sappi Fine Paper North America are represented by twelve collective bargaining agreements with seven different

unions — 63.5% of our employees are unionised.

The United Steelworkers (USW) represents the majority of our employees.

Southern Africa

Unionised employees belong to Solidarity, the South African Agricultural & Plantations Workers Union (SAAPAWU), the Swaziland Agricultural & Plantations Workers Union, the United Association of South Africa (UASA) and the Chemical, Energy, Paper, Printing, Wood Allied Workers Union (CEPPWAWU). The latter has the largest membership of Sappi employees. The unions act jointly in most instances to leverage their collective negotiating power — approximately 52% of our employees are unionised.

Restructuring

Restructuring procedures are different in each region. In Europe, negotiations for hourly paid employees take place through Works Councils while salaried employees reach individual severance agreements.

In South Africa and North America, negotiations regarding the impact of the restructuring on hourly-paid workers is handled through a negotiation process with union leadership, while salaried employees receive separation benefits pursuant to programmes set up with each restructuring.

Wellbeing, health and safety

The goal is to eliminate fatalities and lost time injuries



Health and safety

HIV/AIDS

Our efforts to combat HIV/AIDS are detailed in our regional sustainability report for South Africa. [i](#)

OHSAS 18001

All pulp and paper mills throughout the group are certified to the international health and safety standard OHSAS 18001. A core element of the OHSAS18001 system is the hazard identification and risk assessment process. The process provides a structure and tool to identify task specific hazards and risks, quantifying the exposures and then producing risk-reduction activities. The output of the process has driven many physical enhancements and improved safe-work procedures.

Health and safety committees

Health and safety committees are in place at all our operations. In addition to work-specific safety training, broader safety education and awareness covers areas such as oil spills, chemical safety, transport and driving, gas leaks and actions required, as well as a broad range of health-related issues including cholera, meningitis, hygiene and other related topics.

Safety and health procedures

Dedicated risk and safety management teams ensure that systems are integrated into everyday operational procedures in a real, measurable way.

The ratio of safety representatives to employees is 1:50. Training related to health and safety hazards and safe work practices is reinforced by educational pamphlets, posters, videos and a Global Safety Awareness Day.

Our approach to safety is based on the principles of Project Zero — zero fatalities and zero injuries. Project Zero is a global initiative that aims to accelerate improved safety performance in areas of concern and to develop a safety awareness culture in all parts of our business. It includes integrated health and safety planning and management; training at all levels; participative information and control structures and adherence to international best practice and safety standards.

Wellbeing

Our operations continue to support, engage and facilitate wellbeing programmes to increase the health and productivity of our people both at work and in their personal lives.

Europe

Each mill decides on its own wellbeing programme for the year and despite differences and shift of emphasis, the programmes which are generally covered include: Annual anti-flu immunisations, Anti-smoking, Benefits of exercise and healthy diet, Drug and alcohol abuse counselling, Global safety awareness, Stress management.

Southern Africa

In South Africa, there is a broad spectrum of initiatives, ranging from breast cancer awareness to 'staying young' talks, flu vaccination and anti-smoking campaigns.

Financial 'wellness' is also covered. The key emphasis in this region in 2011 was on the 'bounce back' programme initiated during the restructuring period.

North America

In North America, wellbeing programmes are focused on the promotion of nutrition and exercise and tips for stress management including:

Team lean challenge — a weight loss programme at Cloquet Mill resulted in 53 employees losing a total of 234kg.

South Portland on the move — with the use of a pedometer, employees tracked their steps throughout a day. The combined total was 2.7 million steps (approximately 2.2km).

Westbrook Mill sponsored a 'stress less' challenge — employees were encouraged to reduced their activity levels to reduce stress. Employees had to record their efforts in a 'physical activity log' and prizes were awarded to those who completed the challenge.

Safety performance in 2011

Our focus is on letting all employees go home safely to their families every day

LA
7

Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.

I deeply regret having to report four contractor fatalities — one in Europe and three in Sappi's forestry operations in South Africa. Our hearts go out to the families of the deceased.

Ralph Boëttger

Chief Executive Officer, Sappi Limited

LA
8

Education, training, counselling, prevention, and risk-control programmes in place to assist workforce members, their families, or community members regarding serious diseases.

Safety terminology Key to graphs and terms used

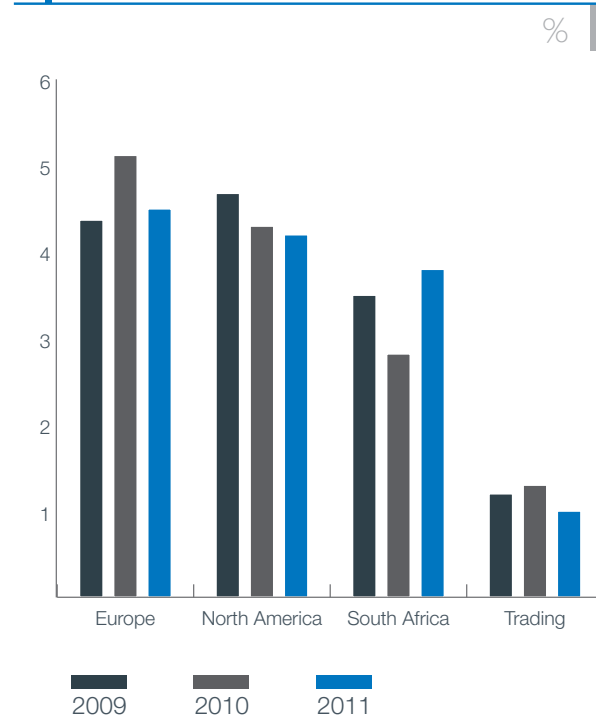
LTI Lost Time Injury

LTIFR Lost Time Injury Frequency Rate based on a Sappi groupwide standard for man hours
 $LTIFR = (LTI \times 200,000) \div \text{Unit's actual man hours}$

LTISR Lost Time Injury Severity rating based on a Sappi groupwide standard for man hours
 $LTISR = (\text{Number of days lost to injury} \times 200,000) \div \text{Unit's man hours}$

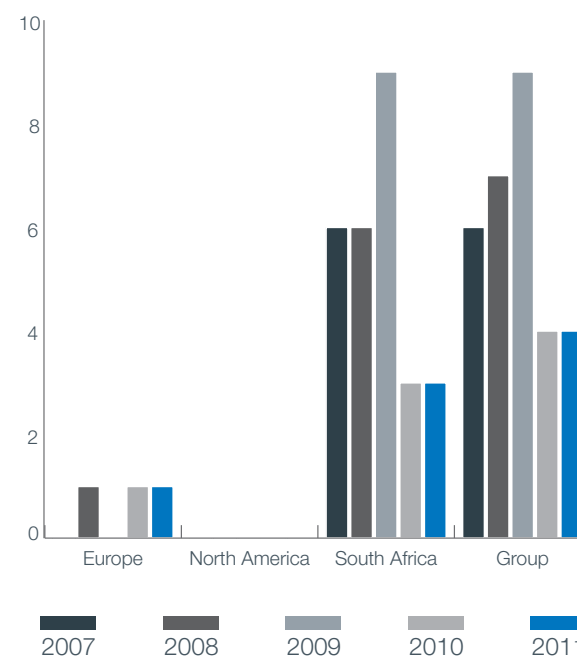
II Injury Index — provides an overall sense of safety within the measured unit
 $II = LTIFR \times LTISR$

Absenteeism



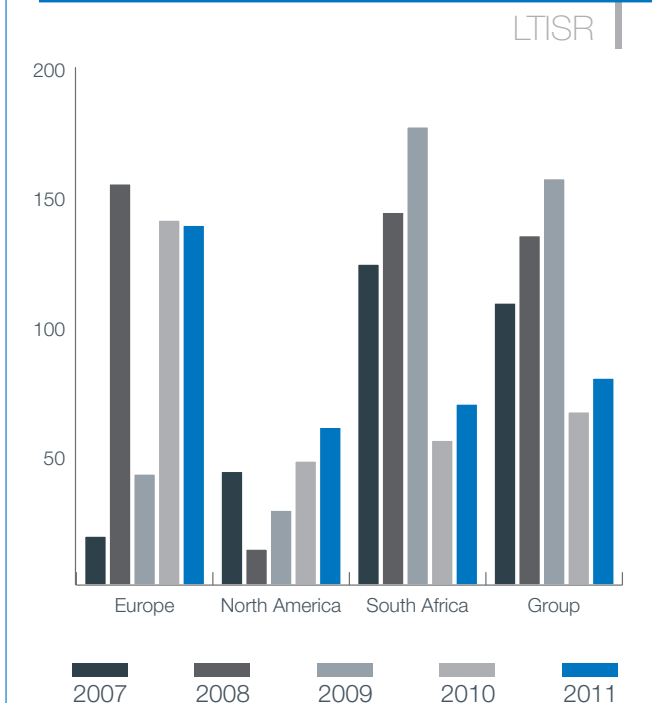
Fatalities

Own employees and contractors



Lost time injury severity rate

Own employees and contractors



Safety performance in 2011



Regional safety performance

Europe

Safety in the region has improved significantly, with the LTI for Sappi employees decreasing to 72 from 77 in FY2010.

Most units contributed to this improvement with five of the nine mills recording lower LTIs. The finishing department at Gratkorn reached one million worked hours without a lost time injury. Maastricht Mill had the overall best improvement compared to FY2010 while Stockstadt Mill reached their lowest ever LTIFR. Kirkniemi Mill continued to show a noticeable improvement having had a poor start in early 2011. There is a strong commitment at all levels to continue this improving trend which is evidenced by the improved reporting of all near misses, root cause analysis of such incidents and sharing best practices.

Sadly, a contractor employee at Ehingen Mill was fatally injured in February 2011. Despite this, contractor lost time injuries reduced to 18 from 23 in 2010 and the contractor LTIFR improved to 3.67 from 3.73. The improved performance for the contractors was most evident at the Kirkniemi Mill where one LTI was recorded in 2011 compared to four in 2010.

The consolidated incident tracking and reporting

system, SARA (Safety Awareness Risk Analysis), went 'live' at all mills from April 2011. This management system has provided the structure to capture and store investigation details, document root causes and then to manage and track the closure of corrective and preventative actions.

North America

Sappi Fine Paper North America finished FY2011 with an LTIFR of 0.96. This is a 20% LTIFR reduction compared to the 2010 rate of 1.2. The region experienced 25 lost time or restricted incidents during 2011 compared to 31 the previous year, and, according to AF & PA, continues to benchmark in the upper third compared to the North America paper industry.

Southern Africa

LTIFR for Sappi Southern Africa's own employees in the year under review increased to 0.55 from 0.46 in FY2010 and the II (Injury Index) deteriorated to 8.83 from 4.38 the previous year.

The contractor LTIFR increased to 0.36 from the all-time low of 0.20 achieved in 2010. Regrettably, there were three contractor fatalities in the region's forestry operations — increasing the II (Injury Index) for contractors to 32.4.

All pulp and paper mills throughout the Sappi group are certified to the international health and safety standard OHSAS 18001

Safety priorities going forward

The goal is to eliminate fatalities and lost time injuries



Regional safety plans

Region-specific safety plans support our belief that ongoing, disciplined adherence to the processes in place will achieve more positive results in the year ahead.

Europe

The focus will be on awareness of own behaviour, training and observation rounds. Safety platforms will focus on these items and assist Kirkniemi Mill in reaching their targets.

North America

The focus in FY2012 will be to build on the safety circle concept. The region will use video technology to further drive the awareness, communications and in-field usage of the tool.

Southern Africa

The region will continue to focus on entrenching behaviour-based safety programmes and executing its safety strategies, particularly within forestry which accounts for all the regional fatalities in 2011 and where contractor turnover is high.

Reporting at mill operations will be a priority. We need to proactively identify trends and eliminate risks with far more focus on near-miss incidents to ensure that lost time injuries are prevented. The systems and reporting in forestry have improved considerably with positive acceptance by the

contractors (700+ incidents reported per month). Despite the improved contractors LTIFR at 0.33, we still had three fatalities which is unacceptable. Nonetheless, we believe that progress has been made and will continue with ongoing disciplined adherence to the processes in place.

During 2010 a safety dashboard, was implemented as part of the operational dashboard. The dashboard is currently manually updated monthly. In the year ahead, the computer-based safety management system will be entrenched after which the dashboard will be automated. This will provide the information to proactively focus on the lead indicators that will drive accidents down.

In 2011, Cape Kraft
Mill achieved diamond
status — 36 months
worked without a
lost-time injury

Customers' health and safety

We work closely with our customers to meet their food packaging requirements.

Europe

The independent testing institute ISEGA (Industrie, Studien und Entwicklungsgesellschaft) monitors our paper for conformance with the German Recommendation for Paper and Board for Food Contact and the European Union directive 1935/2004/EC. Our papers are also used in many children's toys. ISEGA checks their compliance with the Toy Safety Standard EN71 (part 3 – Toy Safety – Migration of Certain Substances and part 9 – Organic Substances).

North America

Our Lusterprint products comply with the regulations promulgated by the US Food and Drug Administration (FDA) for paper and paperboard packaging in contact with dry, aqueous or fatty foods. Our graphic papers are not intended for contact with food.

Southern Africa

Our food packaging paper grades are tested for compliance with the requirements of FDA, BFR (German Federal Institute for Risk Control) and 94/26/EC (environmental requirements for packaging and packaging waste). Tests are conducted both in-house and by accredited third parties to enable us to issue certificates of compliance to our customers.

Corporate social responsibility

An important element of good Corporate Citizenship, alongside sustainability and good governance



Commitment to Corporate Social Responsibility (CSR) (traditionally referred to as Corporate Social Investment (CSI) in South Africa) is an important element of good Corporate Citizenship, alongside sustainability and good governance.

With companies under greater scrutiny and criticism for their perceived negative impacts on society, companies understand that they must design their CSR initiatives and programmes to align with and support their business strategy and their engagement with key stakeholder groups. Just doing good is no longer enough.

The Group Corporate Social Responsibility Policy, adopted in 2010, guides our work.

Sappi's efforts focus on supporting multi-year programmes to create sustained impact in communities.

Global initiatives

Ideas that Matter

Created 11 years ago to promote paper-based communication campaigns and forge stronger links with graphic designers, Ideas that Matter, with an annual US\$1m budget is recognised as a unique contribution by Sappi to key social issues.

In 2010, each region further developed the programme to best align with their regional business strategy. In Europe and South Africa, the competitive element of the programme is reserved for students at design schools.

Europe

The region followed up on their earthquake-support for the **Stichting Naar School in Haiti**, and supported the work of the **WeForest** organisation, planting 350,000 trees in Ethiopia.

North America

Sappi Fine Paper North America chose to remain with the original concept of a competition with grants awarded to designers.

Southern Africa

We are collaborating with the NSPCA and Childline to raise awareness of the strong links between all forms of abuse (human, animal and environmental). The **Abuse is Abuse** campaign uses print-based and online communication materials. [i](#)

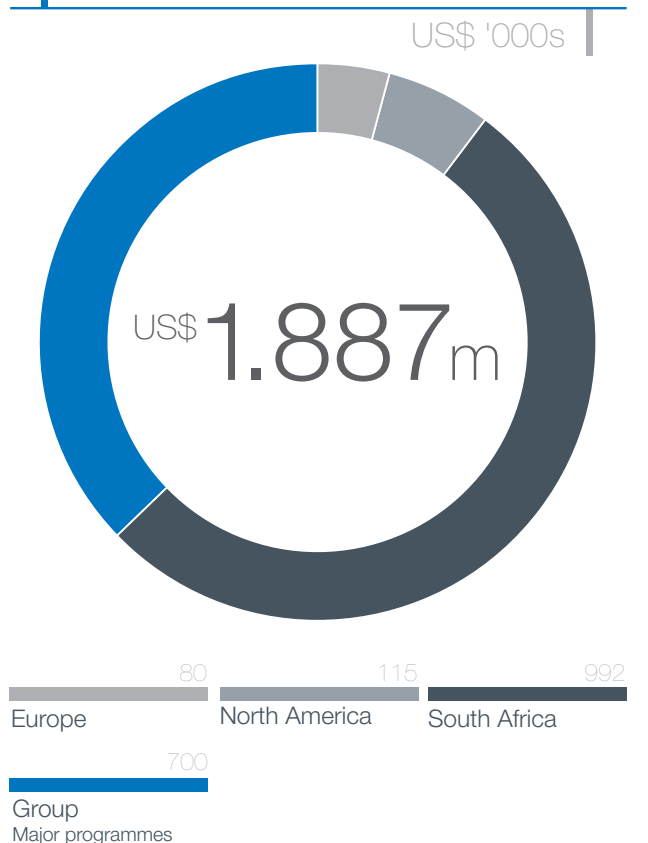
Japanese tsunami and earthquake

Sappi facilitated the collection of staff donations for this disaster and then matched those donations. In total US\$26,500 was contributed to the Japanese Red Cross.

The regional contributions consisted of:

Europe	€7,500
North America	US\$4,600
Southern Africa	ZAR34,700
Trading	US\$7,100

CSR spend 2011



Corporate social responsibility Regional initiatives



Europe

The mills in Europe tailor their support into the local communities based on needs.

A wide variety of projects were supported during 2011 ranging from youth clubs, community centres, vulnerable groups and music festivals to sports clubs and environmental education and paper donations.

Sappi's efforts focus on supporting multi-year programmes to create sustained impact in communities

North America

Living Lands and Waters

A non-profit, environmental organisation focused on cleaning up America's great rivers and forest restoration. Sappi provides a grant and paper donation of US\$50,000.

WGBH Public Television

Sponsorship of the popular weekly New England TV programme Design Squad that is focused on young engineers, a crucial segment for our business.

Codman Academy Charter Public School

A local charter high school for underprivileged youth, SFPNA provides funding for their annual schoolwide leadership development and teamwork programme, as well as paper for their annual calendar.

University of Maine Pulp and Paper Association

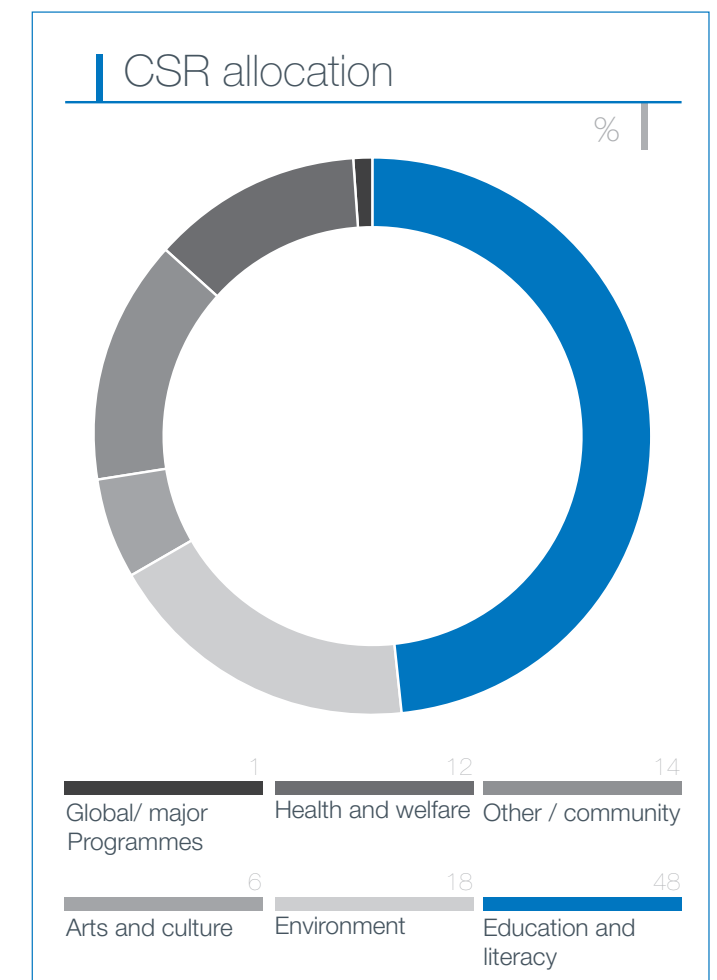
A total of US\$7,000 is allocated to scholarships for exceptional high school students interested in the pulp and paper industry.

South Africa Partners

Support of the film première screening of More than Just a Game and the announcement of the 2010 Desmond Tutu and Corporate Citizen Award honorees.

New England Aquarium

Sappi was the first corporate sponsor of the NEA, a partner aquarium to the Two Oceans Aquarium in Cape Town. Sappi provides support, including to the African Penguin exhibition.



Corporate social responsibility Southern African focus



The majority of Sappi's CSR spend takes place in South Africa, given the development needs of the country. For many years we have tried to ensure that our CSR activities align with our strategy and engagement requirements. Our support of the communities where we have an impact has prioritised educational, environmental and cultural projects.

Our charitable donations are geared towards issues of importance to our staff (eg cancer, HIV/AIDS and TB). Sappi also supports initiatives of the business community to help address the development needs of the country (eg Business Leadership, Business Against Crime and the NBI).

Education and Literacy

Our nine Protec maths and science branches reach 1,700 pupils per year. Our KwaDukuza and Umjindi Resource Centres serve 140 schools as well as the local communities.

Environment

We provided support to key NGOs including Birdlife South Africa, World Wildlife Fund (WWF-SA) and the Wildlife and Environment Society of South Africa (WESSA).

We expanded our investment at the Two Oceans Aquarium (the Sappi Story of a River and African Penguin Sanctuary) by sponsoring the Sappi War on Waste Seal Rescue Platform which allows

better access to over 360 seals caught in plastic packaging materials every year.

We issued the commemorative edition of Ken Newman's Birds of Southern Africa and the revised and updated Sappi Tree spotting Highlands edition. We supported SANBI and WESSA in publishing books on: Butterflies, Alien Invasive Vegetation and Suburban Wildlife.

We sponsored the radio show 'The Sappi Nature Journal', syndicated across a number of radio stations in South Africa.

We continued our Sandisa Imvelo tree planting initiative on Sappi land in partnership with various events and organisations.

Community Support

A wide variety of activities were supported including music and cultural festivals as well as sporting events (Elands Valley Marathon and numerous mountain biking events using Sappi properties).

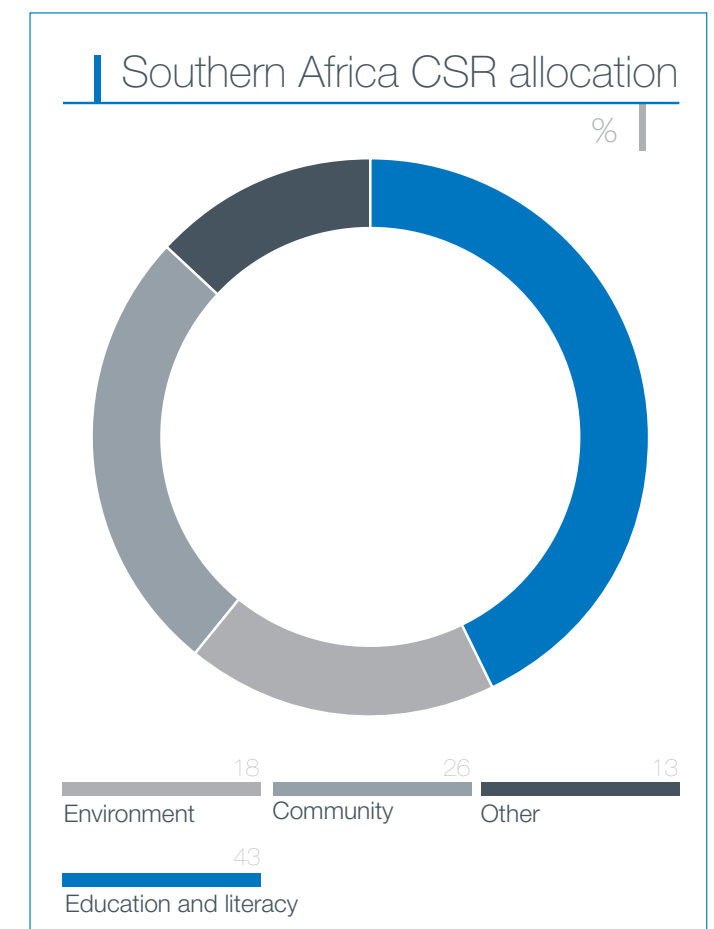
Other support

Arts and Culture, Health and Welfare and membership of national bodies (Business Against Crime, NBI etc) make up the rest of our CSR spending.

Sappi's ten years of Sunday Picnic Concerts at the SA National Biodiversity Institute (SANBI)

Walter Sisulu Botanical Gardens in Johannesburg was selected as a finalist in the Business and Arts SA (BASA) annual awards, in the 'promoting the environment' category.

Given the structural changes within Sappi's South African business, a review is under way to ensure that projects remain relevant, deliver value, meet their objectives and are aligned to the business strategy and current budget constraints. Securing alignment between CSR projects and Sappi's stakeholder engagement programme will be a particular focus for the year ahead.



Engaging with stakeholders

Our focus is on understanding our stakeholders' needs and building trust by engaging with them on the basis of transparency and integrity

Communities

Specific needs	Our approach	
Information and issues relating to specific communities in which our operations are situated.	Environmental issues In South Africa, there are environmental liaison committees at many of the mills and forestry operations. These committees include representatives from various regulatory authorities, residents' associations, conservancies, municipal representatives and non-governmental organisations (NGOs). Members of the public and other parties participate in the environmental impact assessments (EIAs) conducted before the start of any project.	Social issues Engagement takes place in South Africa as regards the social needs in the communities in which the company's operations are situated.

Customers

Specific needs	Our approach	
A partnership approach, whereby customers feel that their needs and concerns are heard and reacted upon.	Externally appointed consultants conduct regular customer surveys, but the results are considered highly confidential and are not externally communicated. In addition to customer satisfaction targets related to price, service and quality, Sappi has established complaint resolution targets per mill and paper type.	Product specialists in the mills deal with complaints and provide feedback to the production units. Regular meetings are held with customers to determine their product needs as well as their needs in relation to emerging trends. In North America, a Sustainability Customer Council has been established as part of the regional corporate governance for sustainability.

Engaging with stakeholders continued



Customers continued

Specific needs	Our approach	
Initiatives to promote design and print.	<p>Global</p> <ul style="list-style-type: none"> <i>i</i> Ideas that Matter <i>i</i> Sappi International Printers of the Year <i>i</i> The Knowledge Bank <i>i</i> Life with Print <p>Europe</p> <ul style="list-style-type: none"> <i>i</i> The Sappi Print Media Efficiency Award <i>i</i> What's Next <i>i</i> Life with Print 	<p>North America</p> <ul style="list-style-type: none"> <i>i</i> ETC programme <i>i</i> Digital design centre <p>Southern Africa</p> <ul style="list-style-type: none"> <i>i</i> Design Indaba
Information about print generally and more specifically, the fibre sourcing and production processes behind our brands.	<p>Global</p> <p>Life with Print series and technical brochures, available on our website www.sappi.com.</p> <p>Europe and Southern Africa</p> <p>We publish Paper Profiles and information sheets for our papers. These give details regarding the composition of our papers, as well as key environmental parameters relating to our pulp and paper production processes and information on environmental management systems and wood-fibre sourcing policies.</p>	<p>North America</p> <p>We use Metafore's Environmental Performance Assessment Tool (EPAT) which enables buyers to evaluate our performance on a mill by mill basis. Our web-based eQ tool provides stakeholders with the foundation to engage with the broader environmental considerations when choosing a paper supplier. The eQ tool also provides users with the ability to generate a customised product statement that summarises the environmental benefits of choosing Sappi Fine Paper North America's papers for a print job. The region publishes the eQ journal which covers a broad range of sustainability topics and also hosts a sustainability blog, 'The Environmental Quotient'.</p>

Engaging with stakeholders continued

Our focus is on understanding our stakeholders' needs and building trust by engaging with them on the basis of transparency and integrity



Employees

Specific needs	Our approach	
Organisational developments	<ul style="list-style-type: none">Global and regional newslettersGlobal intranetLetters and presentations by the Group CEO as well as regional CEOs	
Channels through which concerns and grievances can be discussed	<p>Ongoing consultation with trade unions</p> <p>Ongoing employee engagement surveys</p>	<p>In addition to grievance mechanisms, the Sappi Hotlines in each region allow employees to report breaches of the Code of Ethics in full confidentiality. Details are given in our Integrated Report. i</p>
Information about sustainability	<p>In 2009, we focused on educating every Sappi employee about sustainability. This was achieved through a global roll out and the release of various internal communications.</p> <p>This was followed up in 2010 through web-based training modules in North America and ongoing communication in internal newsletters globally.</p> <p>In North America, the region has developed a group of Sustainability Ambassadors with</p>	<p>personnel at each location to help exchange information on sustainability goals and various key sustainability initiatives. In South Africa, we established the Green Ambassador initiative.</p> <p>In Europe, we launched the Sappi Positively campaign. This is built on contribution and input from our people. It highlights positive stories that emphasise Sappi's commitment to the 3Ps. i</p>

Government and regulatory authorities

Specific needs	Our approach	
Join forces to deal with matters of mutual concern	<p>Consultations take place on an ongoing basis with environmental licencing authorities and, in South</p>	<p>Africa, with the National Energy Regulator of South Africa (NERSA) and with national Treasury.</p>

Engaging with stakeholders continued

Industry

Specific needs	Our approach	
Join forces to deal with matters of mutual concern	In each region where we operate, we are active members of industry associations such as AF & PA (American Forests and Paper Association), CEPI (Confederation of European Paper Industries) and PAMSA (Paper Manufacturers Association of South Africa). These organisations engage with other industry members and, where necessary, engage with governments and regulatory authorities on the industry's behalf.	<p>In South Africa we are a founder member of the NBI (National Business Initiative). The NBI is the local champion of the UN Global Compact, which we signed in 2008.</p> <p>Sappi Limited is a member of WWF.</p> <p>Our technology centres work with universities and other industry members to overcome specific challenges.</p>

Investors

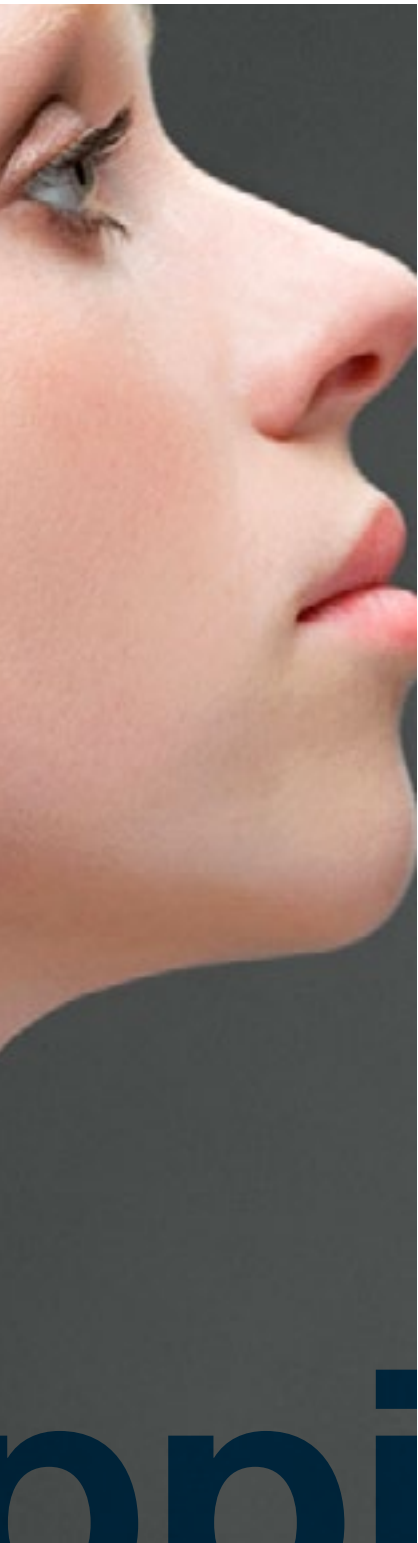
Specific needs	Our approach	
Timeous, relevant communication that facilitates informed decision-making.	<ul style="list-style-type: none"> One-on-one presentations Mill visits Road shows Quarterly results presentations and other ongoing presentations 	<ul style="list-style-type: none"> Stock Exchange News Wire Services (SENS) Media releases and the internet Integrated Report, on-line global sustainability report and regional reports, Annual Report on form 20-F for US investors i

Suppliers

Specific needs	Our approach	
Understanding what is required to establish a mutually-beneficial relationship.	<p>In 2009, we established a supplier policy and questionnaire.</p> <p>In 2012, Sappi Fine Paper North America will develop a supplier scorecard and will pilot the</p>	<p>scorecard with selected suppliers. Data from the scorecard will provide primary input to the region's lifecycle assessment database and will also serve as a forum for dialogue related to other potential savings opportunities.</p>

Engaging with stakeholders continued

Taking our digital product portfolio to the next level



In May 2011, Sappi Fine Paper North America launched a Digital Design Centre — a powerful web application which allows printers to create custom marketing tools to promote their own digital printing capabilities. Upon completion of a simple online registration, Sappi's Digital Design Centre invites printers to customise the marketing tool by inputting print shop specific information based on topics such as:

Products

The equipment the print shop runs

Services

Creative, Logistics, Prepress, Proofing...

Sustainability

Chain of Custody certifications, renewable energy usage, recycling programme.

In addition, the marketing tool provides a wealth of information about the digital printing and paper segment as well as tips and tricks to optimise digital printing on Sappi's portfolio of digital papers.

As a final, customisable step, each printer can choose a portfolio of high-resolution, premium images to print along with their customised marketing piece. Images from the automotive, fashion, pharmaceutical, retail and travel industries, are provided from Friend+Johnson,

one of the most highly regarded creative representatives in the country.

After spending just a few moments with Sappi's Digital Design Centre tool, printers have a high-value, customised marketing sell sheet and a portfolio of theme-specific images to help them sell their top-notch printing services [i](#)

In three easy steps, printers can customise marketing pieces to promote their own digital printing capabilities, and the piece can be printed on any of Sappi's high quality digital paper. With the introduction of this powerful, customer-friendly tool, we hope to inspire our printer partners and take our digital product portfolio to the next level.

Jennifer Miller
Executive Vice President
Strategic Marketing and Communications
Sappi Fine Paper North America



Treading more lightly on the Planet with cleaner, more efficient manufacturing and waste beneficiation processes. While making products that support society's needs, we strive to achieve the highest standards of environmental performance.

Renewable
47.1%
Fuels

Energy
Self-Sufficient

Primary Resource
WOOD-FIBRE
RENEWABLE

Natural advantage

Forests are an economic resource, providing a plentiful, renewable natural material that we use responsibly to produce our products

EN
01

Materials used by weight or volume.

We do not currently report on this indicator as the systems for analysis and acceptance of the data are still being constructed. We will be able to report in the mid-term.

We are advantaged by the fact that our primary resource, wood-fibre, is derived from natural and plantation forests. These are essential to a healthy environment, sustaining vital plants and wildlife, filtering our water and air, and reducing greenhouse gases by removing carbon dioxide from the atmosphere. Forests are also an economic resource, providing a plentiful, renewable natural material that we use responsibly to produce our products.

Throughout our operations, we use independently verified forest certification systems and internationally recognised environmental and quality management systems such as ISO 14001 and ISO 9000.

By treading more lightly on the Planet we can produce more with less — an approach which has obvious economic benefits. This approach involves reducing our use of fossil energy and reducing greenhouse gas emissions across the full life cycle of our products. It also necessitates using less water and improving effluent quality, mitigating our impact on biodiversity and promoting sustainable forestry through internationally accredited, independent environmental management and forest certification systems.

EN
02

Percentage of materials used that are recycled input materials.

We do not currently report on this indicator as the systems for analysis and acceptance of the data are still being constructed. We anticipate being able to report in the mid-term.

Monitoring compliance

A technical manager and an environmental manager at each operation monitor legal compliance (emissions, solid waste and effluent).

In addition, there are a number of internal environmental 'clusters' comprised of experts in various fields. These clusters are tasked with establishing best practice across a broad variety of disciplines, as well as driving and monitoring performance.

External benchmarks

In addition to internal standards, Sappi uses external benchmarks to monitor environmental performance and ensure compliance with best practice. In terms of energy, for example, we use best practice energy consumptions indicated by the Technical Association of Pulp and Paper Industries (TAPPI) in the United States, the Pulp and Paper Technical Association of Canada (PAPTAC) and the Confederation of European Paper Industries (CEPI).

Beyond GRI Indicators

We use the practice of sustainability targeting to chart our performance in prominent environmental parameters relevant to our business. Certain parameters that are not GRI indicators have been included in this report. These include setting timeline targets on fossil energy, emissions,

landfilled solid waste and water use reductions. These additional parameters are included because they are either specific to the pulp and paper industry or are important at monitoring our efficiency in terms of our sustainability targets and charter.

In particular Sappi produces a large percentage of its own fuel. GRI indicators do not take this into account.

Charter compliance

We ensure compliance with our Charter commitments by:

Providing appropriate training to all employees and contractors whose activities have an impact on the environment.

Making all stakeholders aware of the importance of our commitments.

Assessing and mitigating the environmental impacts of new projects.

Conducting regular environmental audits and management reviews.

Making every effort to meet established targets, including environmental performance, when measuring managerial performance.

Requesting suppliers of goods and services to apply standards similar to our own.

How we measure our performance

We present data spanning the past five years — a suitable time range to identify realistic trends

Data is given for the last five years. This is considered a suitable time range to identify realistic trends. Three years is too short as variations can be concealed by short-term 'noise' (unexplained variations) and anything longer goes too far back in time when the company was somewhat different in terms of capacity and the nature of its operations for trend analysis to be realistic.

In common with the rest of the pulp and paper industry, parameters are expressed in specific terms. The consumption, use, or discharge is the actual annual value divided by the annual saleable production — expressed as 'air dry tons' (adt). This generic parameter removes the impact of divisional acquisitions, mergers or closures. For example it is quite easy to achieve a reduction in fossil fuel consumption simply by selling or closing a section or division of the company.

Common reference

In Sappi, the standard measure of mass for large quantities is the metric tonne equal to 1,000 kilogrammes (kg). In all Sappi documents and web pages this term is spelled 'ton'. Therefore when the word 'ton' is found this means 1,000kg and not the US short ton (2,000lb) or the British ton (2,240lb) although the spelling is the same.

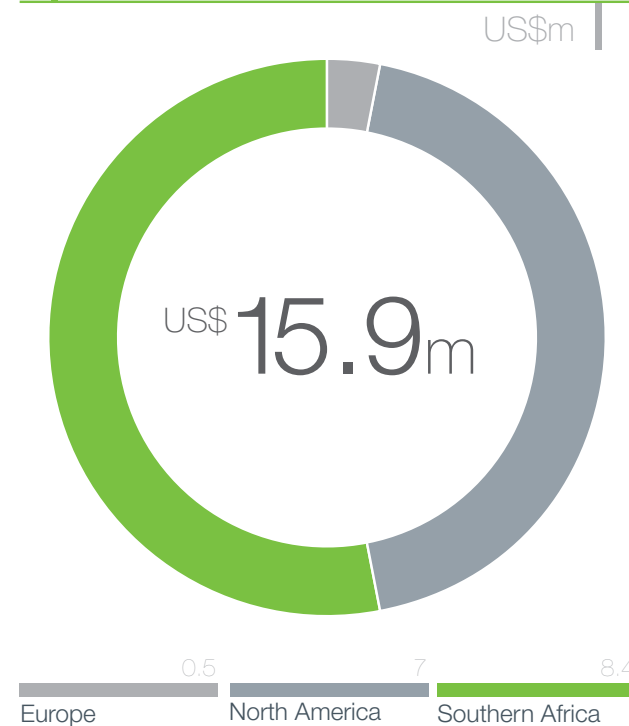
Production trends

To fully appreciate the trends and their analyses it is very useful to take into account the production trends. This is because production forms the denominator for specific values. For this reason the graph below gives the regional and global annual production.

EN
30

Total environmental protection expenditures and investments by type. Detailed, but not by type.

EN30 Environmental capital expenditure FY2011



Comment on production

Usutu Mill in Southern Africa closed after 2010. Other operations in the region experienced declines which were offset by rising production from Saiccor Mill in 2010 and 2011.

The sharp increase for Sappi's European operations in 2009 was due to the acquisition of four mills from M-real. However, during this year, none of the mills in this region operated at full capacity. When this did occur as in 2010, the production rose further despite the closure of Kangas Mill in this year. Production slipped back slightly in 2011. This was due to the closure of Biberist Mill during the year.

Despite the closure of Muskegon Mill early in 2009, the production for all three of Sappi's mills in North America rose for 2010 and again in 2011.

In any trend analysis of specific data, the above production variations need to be taken into account.

Production

Air dry ton '000s/annum



Promoting transparency

We use independently verified forest certification, environment and quality management systems

Forest certification gives consumers the assurance that products have been legally logged in accordance with sound environmental practices and that social aspects such as indigenous rights have been taken into consideration.

Sappi has achieved certification by the three most internationally recognised forest products certification programmes; Forest Stewardship Council (FSC), Sustainable Forestry Initiative (SFI®) and the Programme for the Endorsement of Forest Certification (PEFC). We do not endorse one certification as 'better' than another. Rather,

our goal is to use as much independently certified wood as possible. To accomplish this, we have pursued certification by the FSC, SFI® and PEFC and have achieved certification from each of these independent, third-party organisations at our manufacturing sites and on our forest plantations in South Africa.

ISO 14001 Environmental management certification ISO 9001 Quality management and forest systems certification

	Wood-fibre	Mill certification
Europe	Our certified fibre share is 73% PEFC and FSC.	<p>All mills, including three of the mills acquired from M-real: Kangas, Kirkniemi and Stockstadt are ISO 9001, ISO 14001 and EMAS (Eco Management and Audit System) certified.</p> <p>In 2007, before the acquisition of the M-real mills, Sappi Fine Paper Europe achieved FSC and PEFC multi-site cross-border group CoC certification for the entire European manufacturing and sales operation (including Sappi Trading). The mills acquired from M-real are all PEFC CoC certified. Stockstadt Mill is FSC CoC certified.</p>
North America	55% of our wood-fibre is procured from landowners who participate in either the SFI® or FSC programmes. Our licenced professional foresters can offer assistance with forest management plans, sustainable forest management practices, technical forestry services and much more to landowners in Maine and surrounding areas in New England.	<p>Somerset, Westbrook and Cloquet Mills have achieved triple chain of custody certification to the SFI®, FSC and PEFC standards.</p> <p>Our wood procurement system is SFI® fibre sourcing standard certified.</p> <p>Somerset, Cloquet and Westbrook Mills are ISO 14001 and ISO 9001 certified.</p>
Southern Africa	<p>100% wood grown on Sappi owned, leased or managed land is FSC certified</p> <p>Some 82% of the wood supplied to Sappi is FSC certified</p>	<p>Enstra, Ngodwana, Stanger and Saiccor Mills have achieved FSC CoC certification</p> <p>All mills have achieved ISO 9001 and ISO 14001 certification.</p>



Reducing energy usage and greenhouse gas emissions

Improving energy-use efficiency and decreasing our reliance on fossil fuels



We share the view that cumulative greenhouse gases (GHGs), most notably carbon dioxide (CO₂), and methane (CH₄), are responsible for climate change and that these are generated primarily by human activities such as the burning of fossil fuels and deforestation.

While climate change is a natural phenomenon, the speed at which it is occurring is cause for concern. Our raw material — wood-fibre sourced from sustainably managed forests — removes CO₂ from the atmosphere during the process of photosynthesis and stores it as biomass, thereby helping to mitigate climate change.

Sustainably managed forests such as those we own, manage and lease and those from which

we procure wood-fibre are thus part of the GHG solution.

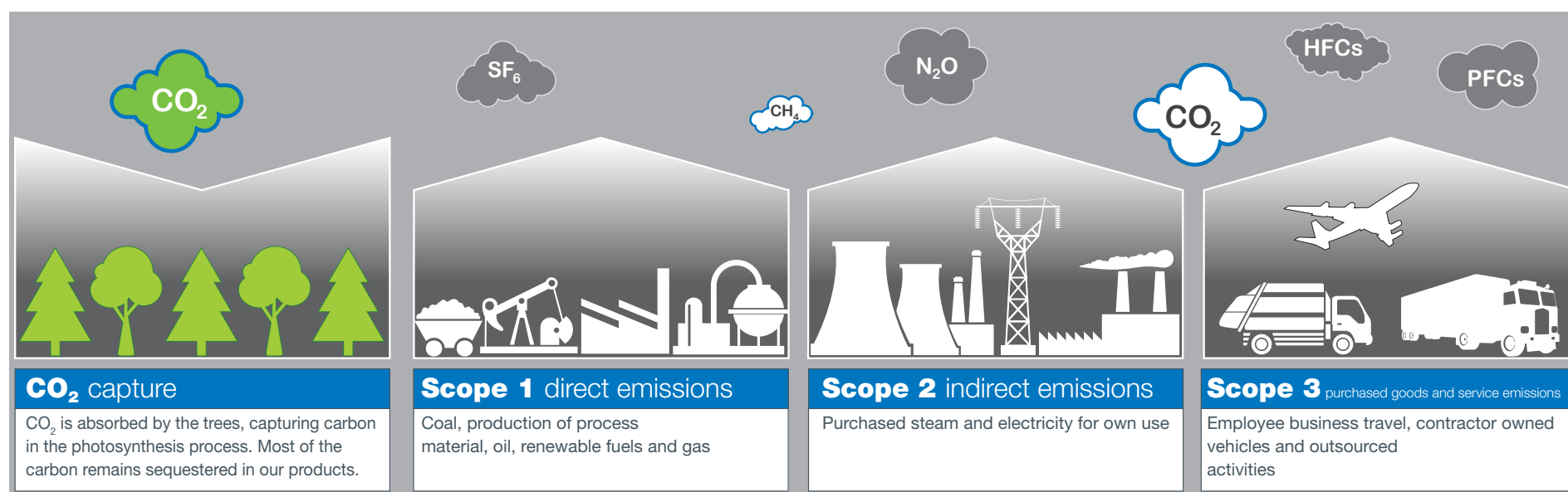
Since 2000, throughout our operations, we have focused on reducing our carbon footprint and instituted a system for measuring GHGs, based on the premise of 'measure, monitor, manage and mitigate'. Since then, one of our key strategic goals has been to reduce our carbon footprint by improving energy-use efficiency and decreasing our reliance on fossil fuels. This has been achieved through numerous actions which include reducing purchased energy (electricity and fossil fuel) and increasing the use of renewable energy — an approach which ultimately results in a reduction in greenhouse gas (GHG) emissions.

Our key performance indicators are energy consumption, CO₂ emissions and percentage of self-generated energy and power.

Our aim is to become fully energy self-sufficient, thus increasing our viability as a business and our return to shareholders, as well as the potential for generating additional revenue. We continue to identify and evaluate renewable energy, cogeneration and biorefining opportunities related to current and/or anticipated regulatory requirements. Opportunities are being reviewed for achieving the required payback hurdles as the electricity supply industry, electricity price and regulatory environment change in each region where we operate.

Our greenhouse gas emissions — cradle to gate

 Emitted/captured by Sappi.
For more information click on the 'cloud'
 Not emitted by Sappi



Renewable energy and biorefining

Renewable fuel is the dominant fuel for Sappi's operations



The key differences between fossil fuel based energy (energy derived from coal and gas) and renewable energy (energy derived from renewable sources such as wood-fibre or other biomass) are firstly, that fossil fuels are finite and secondly, that the burning of fossil fuels releases carbon which has been contained in the earth for millions of years.

Burning fossil fuels continually adds additional carbon into the atmosphere.

Burning biomass, however, is considered to be carbon neutral. The CO₂ generated is the same amount that was bound from the atmosphere by the process of photosynthesis during the growth of trees that we harvest for pulp and paper making. In other words, burning biomass releases only the carbon that was absorbed during the growing of the biomass. There is therefore no net contribution to the global concentration of CO₂.

Renewable energy

Sappi uses a significant proportion of renewable biomass as fuel. Renewable fuel is the dominant fuel for Sappi's operations — in excess of 47% overall. This includes purchased biomass fuel and own renewable fuel — black liquor, sludges and biogas — which result from the paper manufacturing process. Black liquor as a percentage of total fuel use currently stands at 36%. Black liquor is the spent cooking liquor from the kraft process which results when pulpwood is digested into paper pulp by removing lignin, hemicellulose and other extractives from the wood to free the cellulose fibres. The resulting black liquor is an aqueous solution of lignin residues, hemicellulose, and the inorganic chemicals used in the process. Black liquor contains more than half of the energy content of the wood fed into the digester.

We buy in biomass in North America and Europe, but not in South Africa. Biogas originates from the anaerobic digestion of sludge at Alfeld, Ehingen, Lanaken and Stockstadt Mills.

Biorefining

In all cases the focus is on maximising the use of our biomass in our pulp plants and adding value to waste streams.

In the past year, the extraction of sugars prior to pulping and from our waste streams was a focus in all regions. Various options on extracting the sugars and utilising them to produce bioethanol or other fuels such as butanol are being investigated.

Longer-term investigations on the use of gasification and pyrolysis of biomass and solid waste to produce biofuel and biochar are also underway, which apart from generating new products for Sappi, also offer a means of reducing solid waste.

The focus is on maximising the use of our biomass

Cogeneration and energy initiatives

The forest products industry is a leader in production and use of cogenerated electricity



Cogeneration is the practice of using exhaust heat from gas turbine electrical generators for producing heat (mostly steam) in manufacturing processes.

The forest products industry is a leader in production and use of cogenerated electricity, with paper mills using electricity to power equipment and steam to make products. Steam is also used to heat dryers used in the papermaking process. An added benefit is that the substantially higher efficiency levels of cogeneration plants significantly reduce the specific emission levels of GHGs.

Stand-alone gas turbine electrical generators have efficiencies in the 30-35% range. If cogeneration is used the efficiency increases to around 60%.

North America

The two primary facilities operating in North America, Somerset and Cloquet Mills, are fully integrated kraft mills which have a very high level of self-sufficiency in terms of energy generation.

South Africa

In South Africa, we have entered into a Medium Term Power Purchase Programme (MTPPP) agreement with the state power utility, Eskom, to sell electrical power into the grid. In 2011, Ngodwana Mill sold 35,700MWh of power to the grid.

Other cogeneration opportunities we are currently examining in the region include:

- A project at Lomati sawmill to use waste wood (currently 47,000tons/annum) for cogeneration and condensing power.

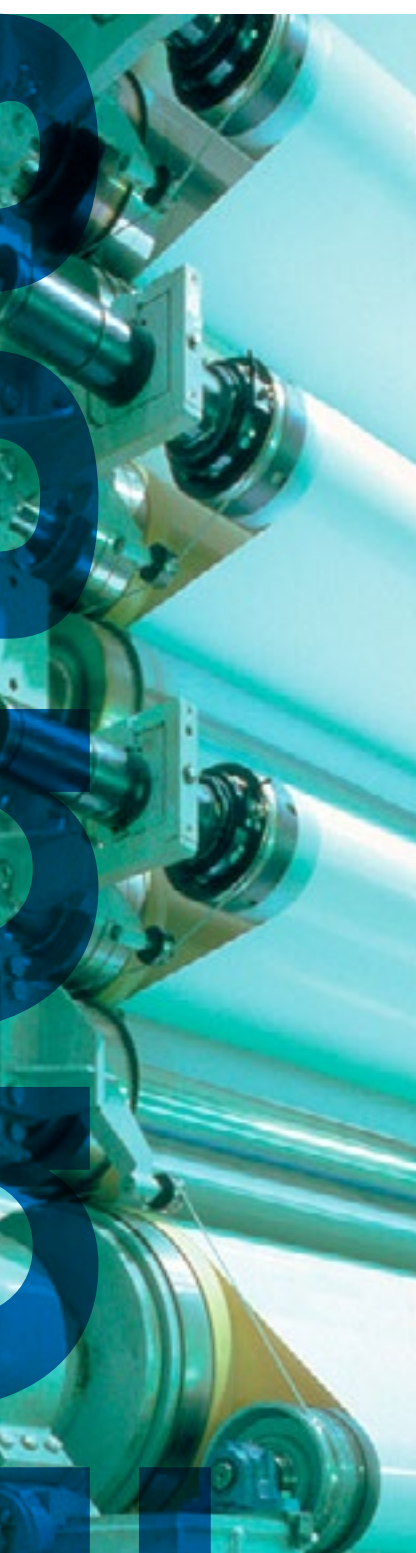
- A combined cycle gas turbine at Tugela Mill which would ultimately result in the mill being independent of Eskom.

- The utilisation of bark as a fuel for a new cogeneration project at Saiccor Mill to generate more steam and electrical power, making the mill less dependent on coal and more energy self-sufficient (currently 44% self-sufficient).

The substantially higher efficiency levels of cogeneration plants significantly reduce the specific emission levels of GHGs

ISO 50001 New energy management standard

An opportunity to enhance our reputation and enhance transparency



ISO 50001, a new International Standard provides the structural framework for commercial and industrial companies to continually improve their energy intensity — saving money, improving competitiveness and reducing pollution.

We will be investigating the standard in depth before we roll it out across the Sappi group.

Depending on the final standard, we anticipate that implementation will not be onerous, as all our mills and plantations are currently certified to ISO 14001 and ISO 9001. In addition, our current energy platforms are aligned with the principle of a structured management approach to improve our energy usage and we continually explore ways to improve our energy use.

We established a greenhouse gas inventory as far back as 2000 in order to measure, monitor and manage our energy usage and associated GHG emissions.

We see ISO 50001 as an opportunity to enhance our reputation and enhance transparency, both of which are important in the light of consumers' growing awareness of energy usage and carbon footprint.

Energy and power

Energy is the ability to do work and is present in many forms such as solar, chemical, potential, kinetic, physical, electrical, heat, work, light and others. Energy is indestructible and only its form can be changed. Sappi uses three types: chemical (fuel combustion producing heat), physical (heat transfer from steam) and electricity.

Because these three types of energy are not much use in themselves, they are always converted to other forms of energy: chemical energy to heat and steam via fuel combustion; physical energy to heat transfer; and electrical energy to heat and motion. Generally when energy is mentioned it includes that from fuel, heat (in the form of steam) and electricity.

Power measures how fast energy is being used. It is the rate at which energy is used or produced.

Energy is present in many forms and it can be stored whereas power cannot be stored.

Power only tells us how fast energy is being consumed.

Energy is measured in joules. Because a joule is a very small amount of energy (the heat required to raise 0.22g water through one degree Celsius), it is more convenient to use the term gigajoules (GJ) or one billion joules.

Power is measured in watts. Again because a watt is so small, terms such as kilowatt (kW) — 1,000 watt) and megawatt (MW) — 1,000,000 watt are more convenient.

ISO 50001 addresses consumers' growing awareness of energy usage and carbon footprints

EN 03

Direct energy consumption by primary energy source

The graphs for EN03 and EN04, direct (Scope 1) and indirect (Scope 2) energy are accompanied by the equivalent EN16 GHG emission graphs.

This is a useful self-checking method as the annual variations in energy use should correspond with the associated GHG emissions.

Variations are explained in the comments accompanying the graphs.

EN03 Direct energy

Direct energy includes coal, heavy fuel oil, purchased biomass, natural and synthetic gas.

The high specific fuel consumption for Sappi's mills in Southern Africa results from the less efficient use of fuels and the greater proportion of material that is pulped by mills in this region compared to our mills in Europe.

Pulping and post pulping (paper drying) consume roughly similar quantities of energy. Our mills in Europe buy in a much greater proportion than they pulp, so less energy is used. North America is highly energy efficient — generating 90% of the fuel they use from own pulping operations.

Sappi's mills in Southern Africa and Europe experienced a similar dip in 2010 compared to 2009 and 2010.

The sharp decline for mills in North America is due to their conversion from purchased fuels to greater use of their own fuels such as black liquor, bark from own chips and

sludges. Oil consumption at Somerset Mill, in particular, dropped from 4.5m GJ in 2007 to 1.7m GJ in 2011. The corresponding CO₂ emission data is shown below.

EN16 Scope 1 emissions

The emissions relating to EN03 are termed Scope 1 emissions. The trends closely follow those for EN04 Direct energy. Any differences are due to the emission factors that are used. These factors differ for fuel types.

Energy types

The purpose of this graph is to show how the proportional, GJ based, use of different energy types.

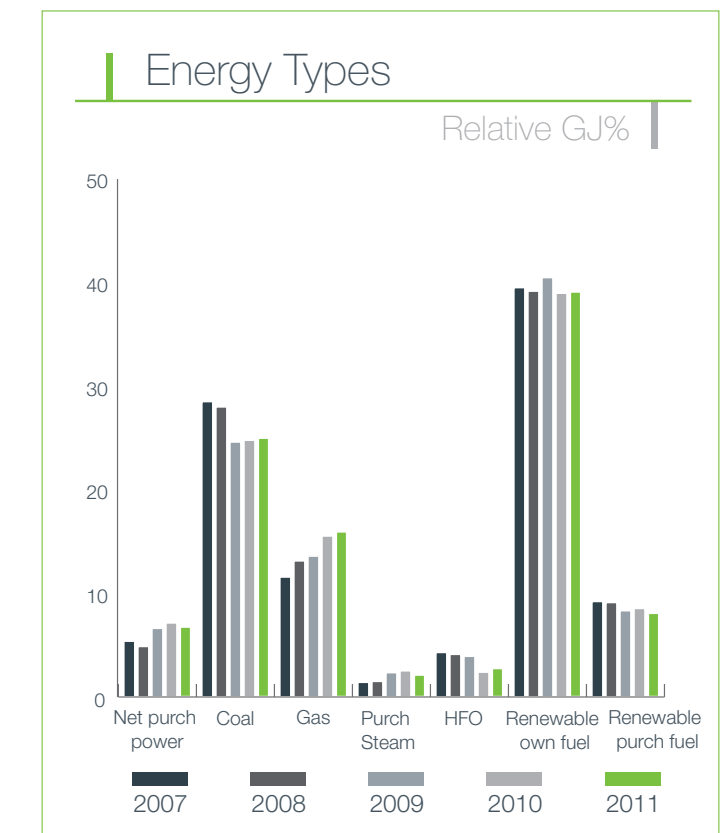
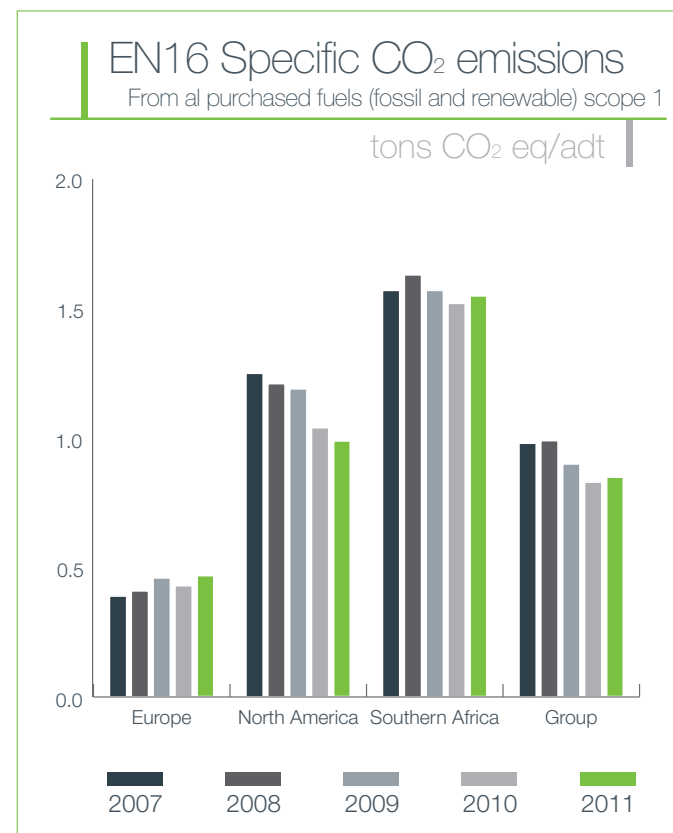
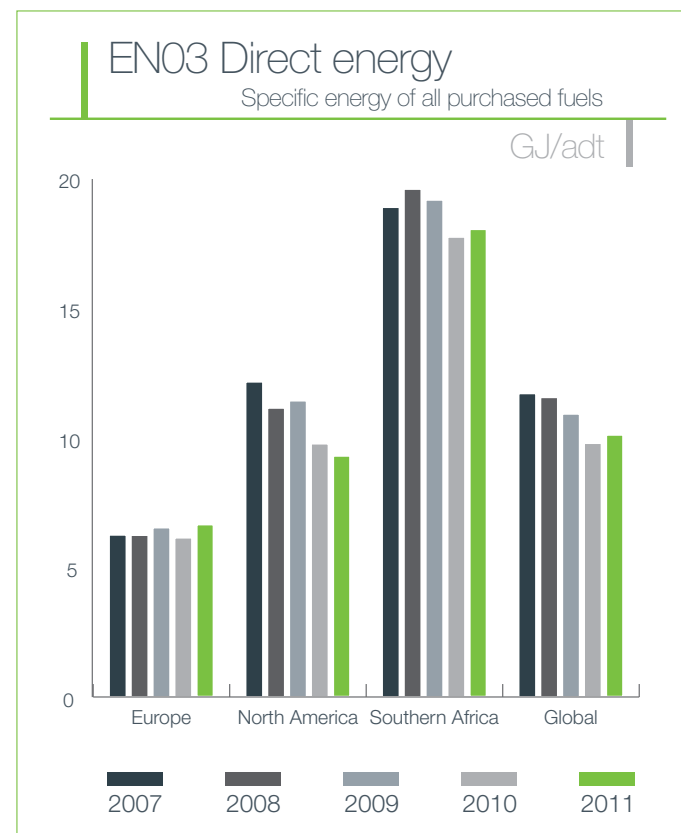
The GRI indicator EN03 does not include biomass fuels, renewable or purchased. However, as Sappi uses a significant proportion of renewable/biomass fuel, this indicator has been included. It should be noted that the GRI indicators do not allow for the accounting of what amounts to a significant reduction in our fossil energy use,

ie the use of large quantities of renewable energy. Were it not for our use of renewable fuels, our fossil fuel consumption and associated emissions would be almost double what they are at present.

Our industry is the largest user of biomass-based renewable energy in the world and has been in this position for decades, long before concerns about climate change came to the fore.

As the graph indicates, 'Renewable own fuel' is the dominant fuel for Sappi's operations. Second is coal, due mainly to the South Africa operations whose main source of non-renewable fuel is coal. The decreasing trend in coal use is offset by increases in natural gas. Increased energy efficiency has also contributed to this trend.

Gratkorn Mill is the only one of Sappi's mills in Europe to purchase biogas (87,324GJ in 2011), which is included in 'Renewable purchased fuel'.



EN
04

Indirect energy
consumption by
primary source

EN
16

Total direct and
indirect greenhouse
gas emissions by
weight.

Indirect energy includes any form of energy that is not derived from a fuel that is purchased from outside the mill boundaries.

For Sappi, indirect energy comprises two types of energy: purchased electricity (as from a power utility, often state owned) and steam. Purchased electricity comprises more than 75% of the total indirect energy (purchased electricity and steam).

Steam energy is a major energy commodity in pulp and paper operations. It is used in great quantities to generate electricity, dry the pulp as it passes through the paper machines, provide heat to concentrate the plant liquors enough to allow their combustion. It is also used in the digestion and bleaching processes. We produce 85m GJ of steam in our own operations for use in and purchase a further 3m GJ.

Like electricity generation, steam is produced from purchased fossil fuels and from biofuels originating from the wastes (liquid, solid and gaseous) of the wood, processed in the digestion and pulping processes. Kraft mills typically produce the most steam from this source as they generate plant liquors (black and green liquor) that are used as fuel.

EN04 Explanation of negative values

The negative values in these graphs are the result of our mills in North America, (mostly Westbrook Mill) which sell more power than they purchase.

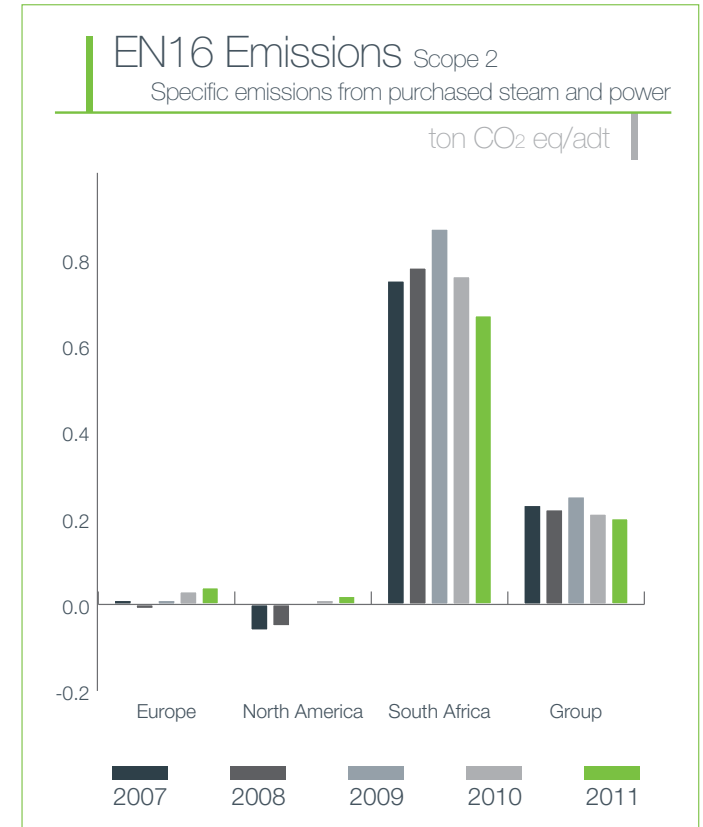
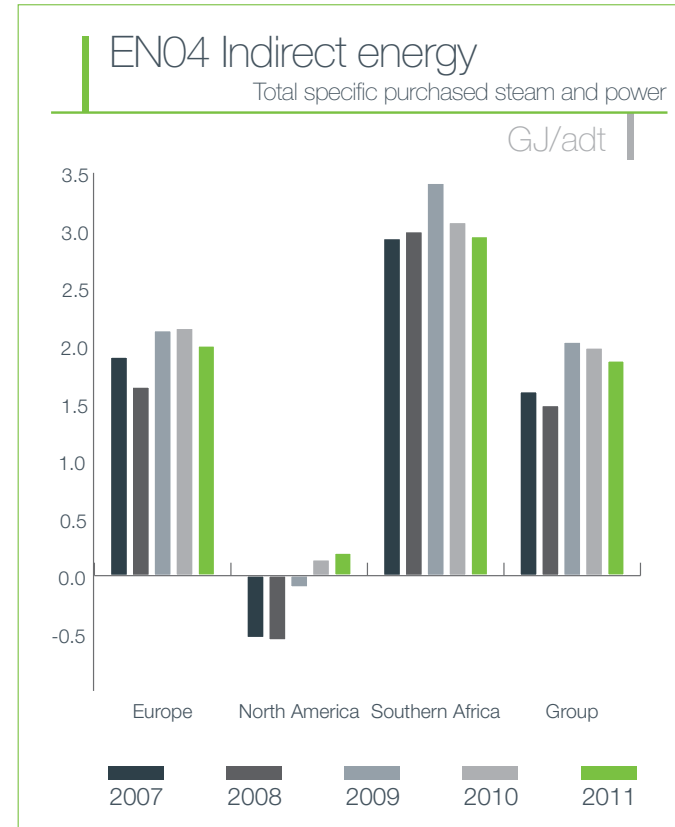
The sale of power from Sappi's mills in Europe (Maastricht Mill and others) have also been taken into account, but for this region sold power does not exceed purchased power.

In South Africa, Sappi purchases far more power than it sells. Ngodwana Mill is the only mill in the region that is currently selling power (2010 and 2011).

EN16 Scope 2 emissions

For Sappi's operations in Southern Africa and North America Scope 2 emissions follow the trend EN04 energy. This is the same with our operations in Europe, but at a significantly lower level to the point of being negative. Purchased power has low emission factors because a high proportion of purchased energy originates from hydro and nuclear, both of which have no emissions. Added to this is the large quantity of power sold by Maastricht Mill, which is produced from gas. These negative emissions offset the already low positive EN04 energy emissions from the remaining mills in Europe to the point of being overall negative for one year — 2008. The purchaser of the sold power takes on the emissions of what is purchased in exactly the same way that Sappi takes on the emissions of any power that it purchases.

A similar situation prevails in North America. Our Westbrook Mill sells far more power than it uses — sold power offsets the purchased power at Somerset and Cloquet. The rising trend in North America is explained above.



Energy savings

Reducing our specific energy consumption yields significant savings

EN
05

Energy saved due to conservation and efficiency

Since 2000, the specific energy consumed by our operations decreased from 24.5 to 20.7GJ/adt. This amounts to a reduction of some 26.7m GJ. At the 2011 price for purchased energy for Sappi of US\$7.63/GJ this amounted to a saving of US\$203.4m for year 2011 alone. The accumulated savings since 2000 is US\$690.5m.

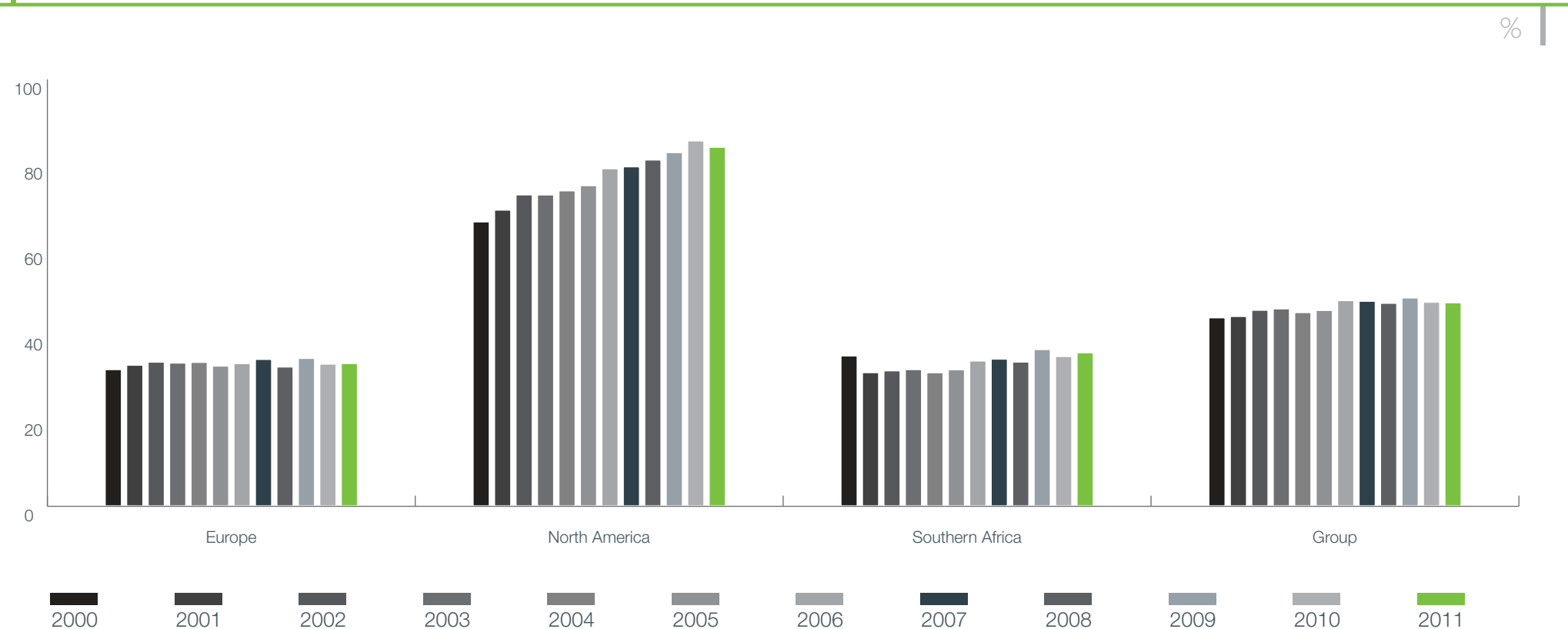
The figure below shows how, particularly for our North America operations, the percentage of renewable energy used in Sappi has increased. This has resulted from a wide range of initiatives particularly in replacing fossil fuel with renewable fuel. The most significant example is the replacement of heavy fuel oil with purchased and own generated biomass at our mills in North America.

The upgrading of Saiccor Mill in 2009 has been the primary driver for the increase in renewable energy in our Southern African operations.

Data is shown from the year 2000 to indicate the improvement over the last 11 years.

EN05 Reduction in total specific energy
The figure for the sum of EN03 (direct energy) and EN04 (indirect energy) shows the reductions achieved in specific total energy used. The most significant reductions were achieved at our operations in North America.

Renewable Energy



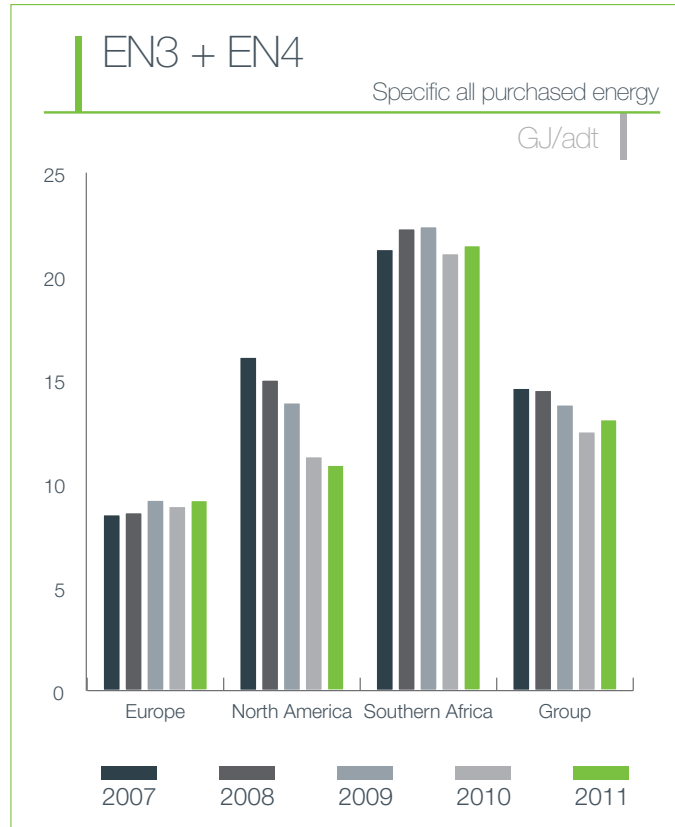
Global emissions

Global emissions reduces as specific energy consumption decreases

Since 2000, specific energy consumption has decreased by 15.5%, yielding significant ongoing savings

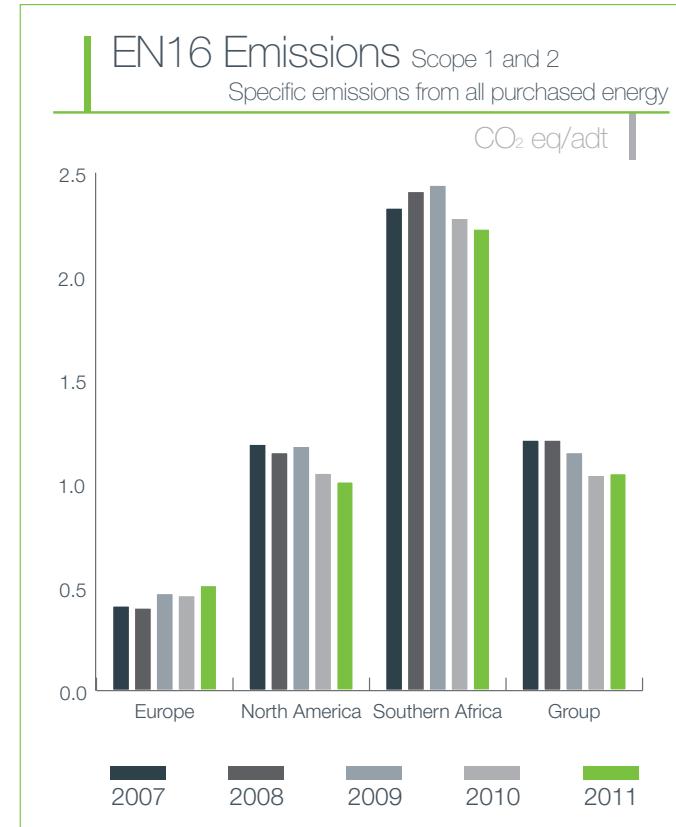
EN03 + EN04 Global emissions

The global emissions shown here are not the same as those given in the Sappi 2011 Integrated Annual Report. Those shown in the latter have deducted emissions for the mills that closed during the last five year, in accordance with established internal monitoring standards. Those shown in the figure here include the emissions from mills that were closed over the last five years.



EN16 Emissions Scope 1 and 2

This graph represents the sum of the two GRI energy parameters: Direct (EN03) and indirect (EN04) energy use and energy purchased by Sappi.



Energy self-sufficiency

Energy self-sufficiency contributes to reduced overall energy costs

EN
06

Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.

EN
07

Initiatives to reduce indirect energy consumption and reductions achieved.

EN
18

Initiatives to reduce greenhouse gas emissions and reductions achieved.

EN
05

EN06, EN07 and EN18 are covered by EN05

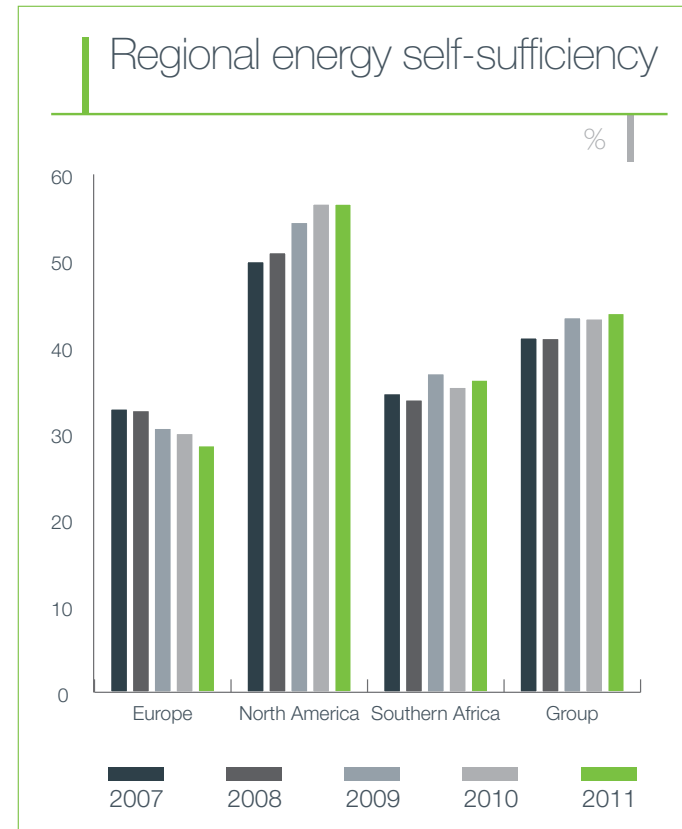
Regional energy self-sufficiency

This is not a GRI Indicator, but like percentage renewable energy, is relevant, as energy self-sufficiency reduces mill dependence on external fuel and power sources. In addition, at a number of mills, especially kraft mills, power self-sufficiency derives from the combustion of renewable fuel. Note that energy self-sufficiency is the combination of power, fuel, heat and steam self-sufficiency.

Our operations in North America have high levels of energy self-sufficiency as Somerset and Cloquet, both of which are kraft mills, recover and use high levels of biomass from their pulping operations.

In South Africa, increased use of pulping liquors at Saiccor Mill, helped to improve performance in 2011.

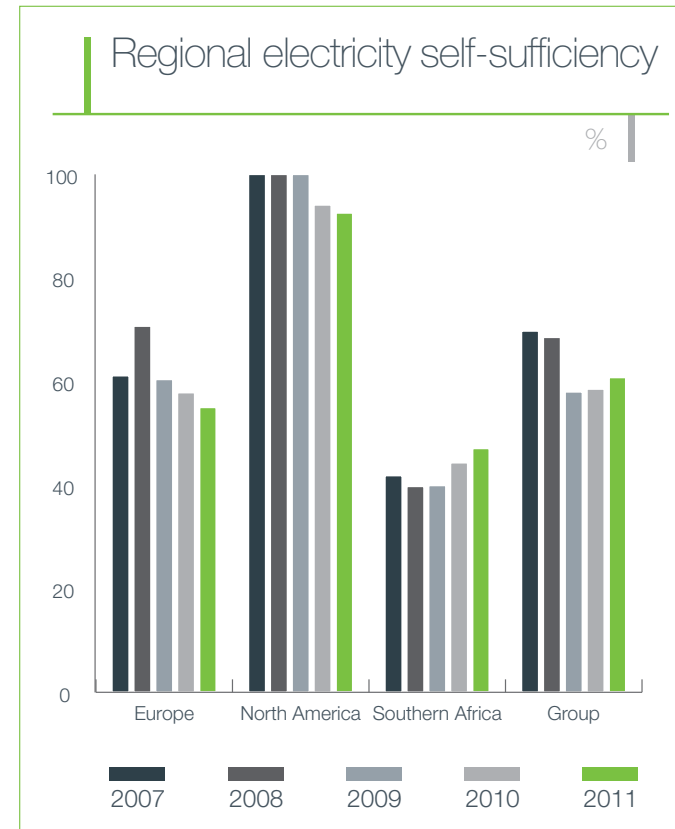
The decline in Europe was due to an increase in purchased fuel at Kirksmi in 2011. This was due to the mill's decision to generate more of their own power rather than purchase it. This makes better utilisation of their turbine capacity.



Electricity self-sufficiency

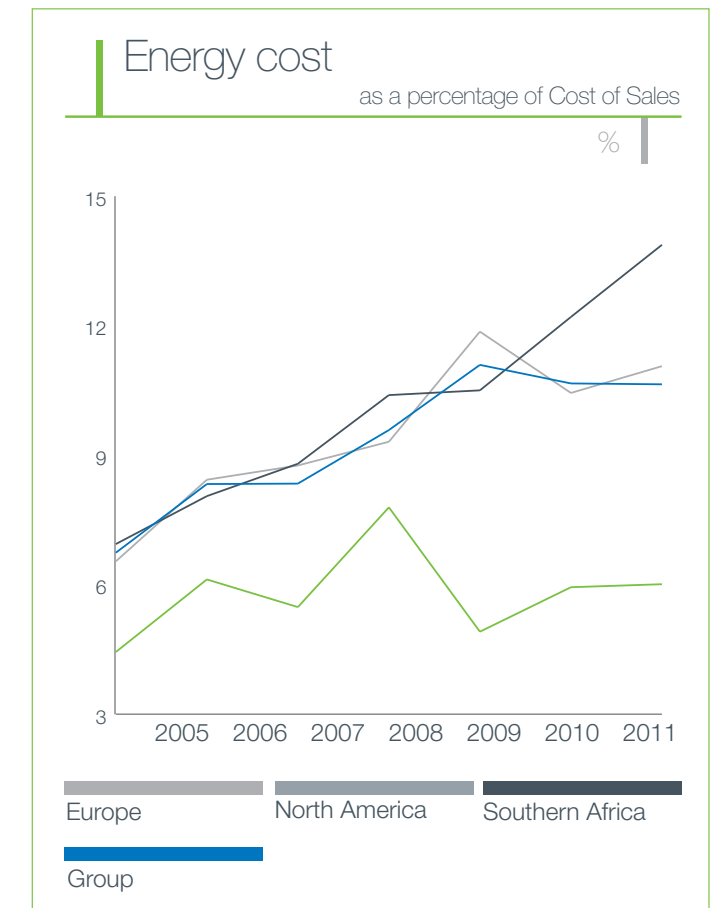
This is not a GRI Indicator, but like percentage renewable energy and energy self-sufficiency, is relevant particularly because electricity self-sufficiency reduces mill dependence on external power sources. In addition at a number of mills, especially kraft mills, electricity self-sufficiency derives from the use of renewable fuel combustion.

However, self-sufficiency is not the same as percentage renewable energy and the two are often confused. For example, a mill can have high electricity self-sufficiency, but all this electricity could be derived from a fossil fuel, so it would have a high percentage of energy self-sufficiency and zero % renewable electricity.



Energy costs


The cost of energy plays a significant role in our profitability. The graph below shows energy costs as a percentage of our Cost of Sales (COS), with costs in Southern Africa rising rapidly. A more detailed discussion follows overleaf.



Managing energy use

It makes economic as well as environmental sense to aggressively manage energy usage

Against a backdrop of rising energy costs, it makes economic as well as environmental sense to aggressively manage energy usage. Over the last decade, ie between 2001 and 2011, our specific purchased energy expressed as percentage of total energy used has dropped from 15.8% to 12.8%.

In South Africa, where our energy costs have risen more steeply in recent years than in other regions 

During 2011, we established an energy platform comprised of energy experts from each operation in South Africa. The task of this platform is to identify energy savings in each operation to drive progress towards our target of reducing the use of fossil fuel emissions by 15% by 2015.

In this region we belong to the Energy Intensive Users Group of Southern Africa (EIUG), a coalition of large energy-intensive users established in 1999. Sappi has been a member for more than ten years. Currently, the EIUG has 35 members, most of who are Eskom (the state power utility) customers, but also include local authority customers or customers of both Eskom and local authorities, as in Sappi's case. Sappi is one of a small number of members who co-generates electrical power.

In March 2011, a Sappi representative was

elected as one of seven members of the executive committee of the EIUG, as work stream leader of energy efficiency. The work stream will liaise at a high level with EIUG Members, other consumers, government departments, the National Energy Regulator of South Africa (NERSA), Eskom, local authorities and independent power producers (IPPs) in an effort to enhance energy efficiency as widely as possible.

In each region where we operate, we have made significant savings:

Since July 2007, Gratkorn Mill in Europe has operated a Combined Heat and Power Generation Plant (CHP). This arrangement has resulted in the replacement of coal with natural gas. Because of the increase in efficiency in the arrangement, fossil-based CO₂ emissions have dropped by nearly 5% to date at the mill. The project also incorporates the option of switching between different fuels in the fluidised bed boiler. This means different fuels can be used according to variations in fuel prices. Natural gas is considered to be the cleanest and most efficient of the three major fossil fuels (coal, crude oil and natural gas).

At Somerset Mill in North America, efficiency improvements combined with use of waste oil and recovered tyres, purchased biomass and purchased power contract revisions resulted in a reduction in specific scope 1 CO₂ emissions

of 14% between 2005 and 2011. Following a US\$49m upgrade in 2010, Somerset Mill have reduced their actual fossil CO₂ emissions for purchased fuel (scope 1) from an average of 452,000 tons per annum before 2008 to 253,000 tons per annum in 2011.

Following the Amakhulu expansion project to increase production at Saiccor Mill in South Africa by 200,000 tons per annum and completed in 2008, specific scope 1 fossil emissions dropped from 1.29 ton/adt to 0.85 ton/adt in 2011. Specific scope 2 emissions, associated mainly with Eskom power purchases, dropped from an average of 0.63 ton CO₂ eq per air dry ton prior to 2008 to 0.51 ton CO₂ eq per air dry ton in 2011.

The planned upgrade of Ngodwana Mill (discussed in Prosperity), will result in a specific reduction of 25% on emissions from purchased fossil fuels.

Reporting on our carbon footprint

Case studies demonstrate how we are reducing our carbon footprint



In the absence of a standard carbon footprint methodology for the forest products industry, our challenge to date has been on finding an internationally recognised, technologically sound, transparent methodology in order to provide our stakeholders with credible information regarding the carbon footprint of our mills and products.

In South Africa and Europe, we use the Forest Industry Carbon Assessment Tool (FICAT). This comprehensive methodology was co-developed by the National Council for Air and Stream Improvement (NCASI) and the Confederation for European Paper Industries (CEPI) and uses the CEPI 'Ten Toes' approach to provide Scope 1, 2 and 3 greenhouse gas (GHG) information.

In North America, we are developing a toolkit to perform specific carbon footprint analysis using FEFFPro™ — an industry specific life cycle analysis (LCA) tool.

We intend to leverage this capability with key accounts as a consultancy service for customers interested in understanding the specific life cycle impacts of their print projects.

Energy trophy

Nijmegen Mill in Europe won the Energy trophy in the Royal Netherlands Paper & Board Association's first-ever awards competition. The award was given because the mill slashed its energy consumption by an impressive 25%, with continued year-on-year improvements — more than any other paper mill in the country between 2005 and 2010.

Nijmegen Mill's electricity requirements are satisfied by its cogeneration power plant. The mill purchases natural gas from a major European gas supplier and a small amount of electricity from the public grid.

Maastricht Mill came third in the competition for reducing energy consumption by 16% over the same time period.

The mill's highly efficient gas-steam combined heat and power (CHP) plant sells surplus electricity to the local grid as well as heat for heating and cooling municipal and resident buildings, as well as a local shopping centre.

Pump station upgrade

A comprehensive turnkey energy efficiency project completed at Sappi's Tugela Mill in 2009 focused on improving energy efficiency, as well as reducing the peak-time load on Eskom's electricity grid.

The project involved the installation of seven new pumps, new control valves, a new control system and control philosophy. The greatest challenge was the initial part of the project, prior to pump replacement. A thorough audit and analysis involved a series of measurements and calculations around pumping and processing capacities to achieve optimum energy savings at the plant and to establish what capacity upgrades were necessary to enable the shifting of 1.85MW from peak periods.

Tugela Mill's pump station, with state-of-the-art process control, is now capable of pumping the mill's daily requirement of water in less than 20 hours. This then allows the plant to be shut down, reducing the mill's (and Eskom's) maximum demand by 1.85MW, during the peak periods of each day. Both existing water storage capacity and the new equipment are used to allow the plant to be stopped without impacting on the supply of water to the mill.

continued

Reporting on our carbon footprint continued

Pump station upgrade continued

The savings have been verified in three separate audits by a university measurement and verification team and have actually exceeded the guaranteed values. Overall, the plant's kWhr consumption has been reduced by around 10% and the efficiency of the plant has improved from just over 1KI/KWhr to an average of 1.3 KI/KWhr, a 30% improvement.

This key saving has been made because the peak period is programmed into the control system and the plant is stopped and started automatically according to the peak period, which was previously not possible. Based on Eskom's factor of 1.015tons CO₂/MWhr, this project has yielded an annual reduction in GHG emissions of 1,644 tons.

Sappi's Tugela River pump station project received the 21st Department of Energy/Eskom ETA Award for industrial projects.

Green-e® certification

Green-e® is the United States' leading, independent, third-party certification and verification programme for renewable energy, ensuring that strict environmental and consumer protection standards are met.

As part of our commitment to operating sustainably, Sappi Fine Paper North America's Somerset Mill in Skowhegan, Maine, was certified in August 2011 by the Centre for Resource Solutions' Green-e® Marketplace programme.

Somerset Mill secured this qualification through new investments in renewable energy generation. Sappi invested US\$49m in 2010 to upgrade the mill's recovery boiler and related equipment.

Under the Green-e® certification, 100% of the electricity used to manufacture Opus web paper at the Somerset Mill is Green-e® certified renewable energy that is generated on-site by Sappi. Opus web now joins the line-up of Sappi Fine Paper North America's current Green-e® certified product offerings: Sappi's McCoy web, sheets and digital, Opus sheets and digital, Opus 30 web and Flo sheets and digital; all of which have been Green-e® certified via renewable energy generated at the Cloquet Mill in Minnesota.

Customers who choose one of Sappi Fine Paper North America's Green-e® certified products and

one of the Green-e® Marketplace re:print certified printers for their print job can further leverage the fact that they are minimising their environmental footprint through the Green-e® Marketplace re:print programme.

Based on the audit conducted for this certification, initial estimates indicate the amount of Green-e® certified renewable electricity generated from renewable resources at Sappi's Somerset Mill is approximately 260 million kilowatt hours (kWh) annually, which is comparable to the yearly electrical usage of approximately 24,000 homes consuming nearly 11,000 kWh per year.

Customers who
choose one of Sappi
Fine Paper North
America's Green-e®
certified products can
leverage the fact that
they are minimising their
environmental footprint

Product environmental reporting

We provide detailed environmental impact details on our products



Each of our products is accompanied by a standardised paper profile sheet giving the 'gate-to-gate' energy use, emissions (GHG, NO_x, SO₂ and particulates), effluent quality (COD and TSS) and solid waste as well as the product furnish.

For our European operations this paper profile is accompanied by a carbon footprint sheet — also gate-to-gate — and broken down into the Confederation of European Paper Industries' (CEPI) '10 Toes' approach.

We also supply cradle-to-gate and cradle-to-grave foot-printing for our mills, regions and the company as a whole. This is obtained using the following tools:

FICAT

Forestry Industry Carbon Accounting Tool, developed by NCASI (the US National Council for Air and Stream Improvement)

PAPTAC

Pulp and Paper Technical Association of Canada

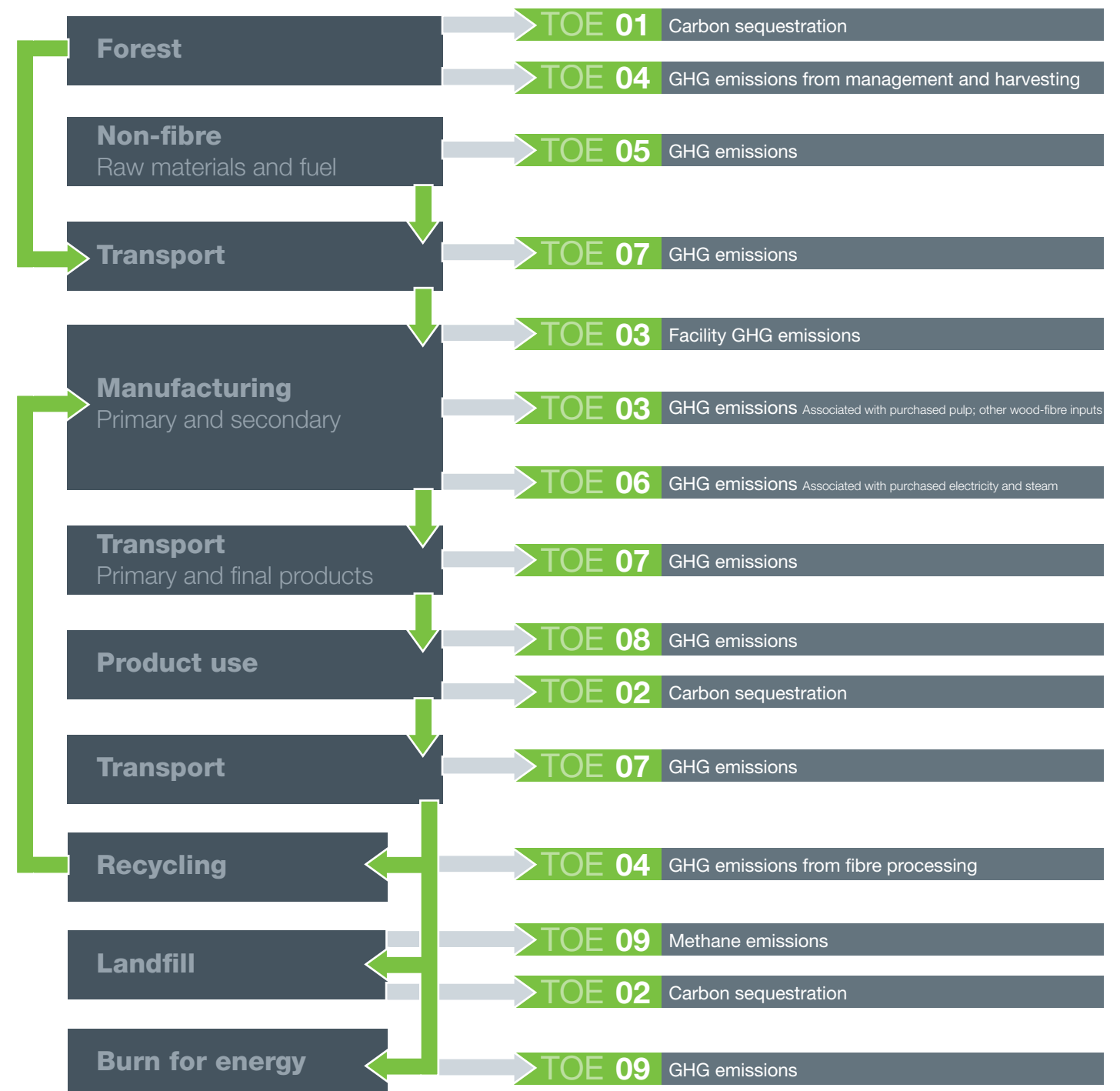
TAPPI

Technical Association of Pulp and Paper Industries

CEPI

Confederation of European Paper Industries

CEPI 10 Toes Carbon footprinting for the pulp and paper industry



EN
17

Other relevant indirect greenhouse gas emissions by weight.

Our mills do not emit significant other indirect GHGs. Our plantations, like all other plantations and natural forests, emit methane as a consequence of natural decay, but in common with the rest of the industry this is not measured.

EN
19

Emissions of ozone-depleting substances by weight.

Sappi does not use ozone-depleting substances.

EN
20

NO_x, SO₂, and other significant air emissions by type and weight.

EN
23

Total number and volume of significant spills.
None in the year under review

EN20 Specific particulate emissions

Coal combustion produces huge quantities of fly ash. This is usually captured in electrostatic precipitators (EPs) operating on the boiler's exhaust flow. With coal being the dominant fuel in South Africa, and with not all boilers being fitted with EPs and with some having undergone refurbishment, particulate emissions were initially high for Southern African operations but have since decreased.

In European operations, gas is the main fuel and results in minimal emissions. Gas combustion produces no particulates.

Kraft recovery furnaces also emit particulates, and this explains the higher levels at North American operations with its two kraft mills. The improved performance resulting from the Somerset recovery boiler upgrade has resulted in reduced particulate emissions for 2011.

EN20 Specific SO₂ emissions by type and weight

Sulphur dioxide emissions are high for Southern African operations due their dependence on coal as a fuel. The increase for Southern Africa for 2011 is mainly due to the reduction in coal quality that the mills received.

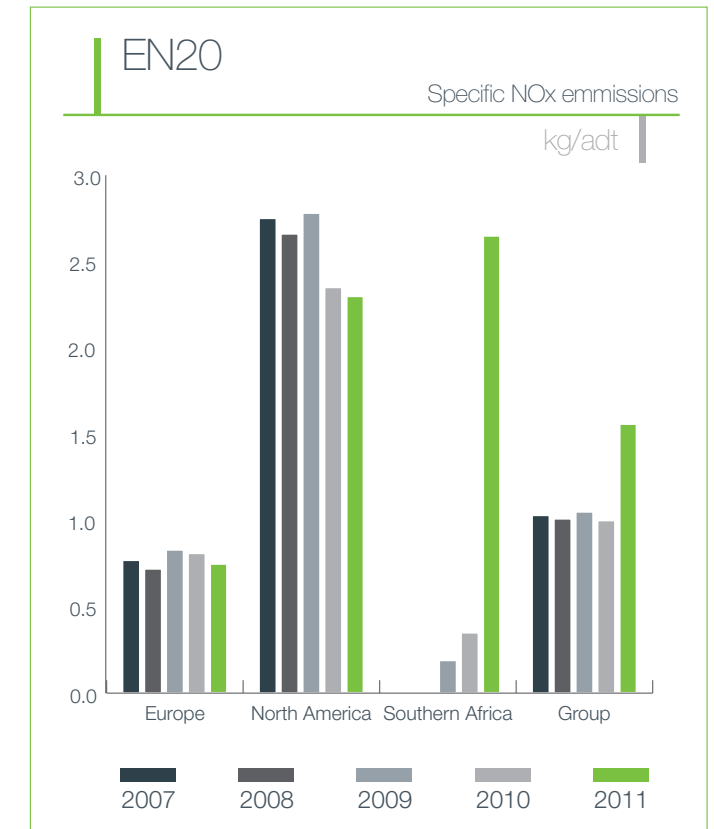
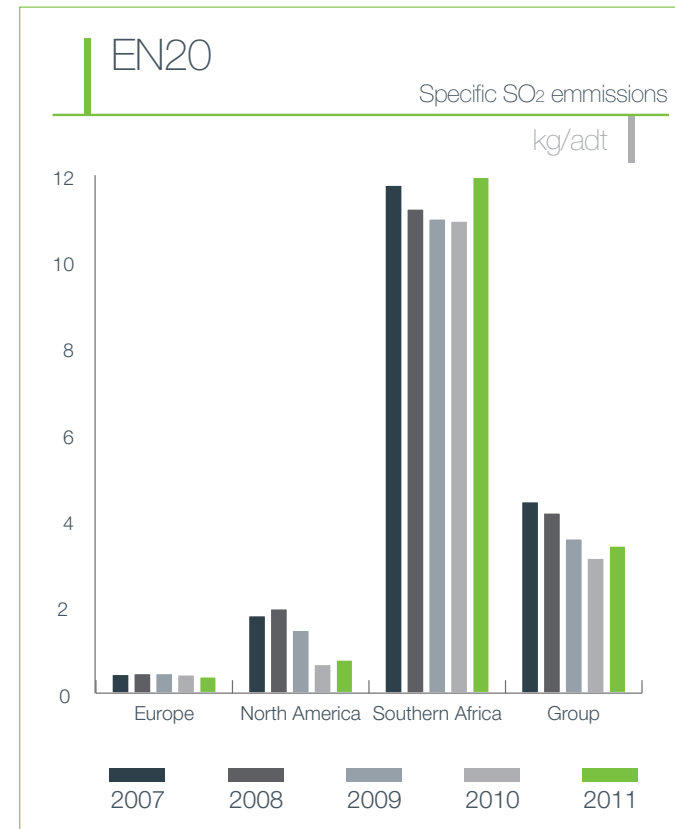
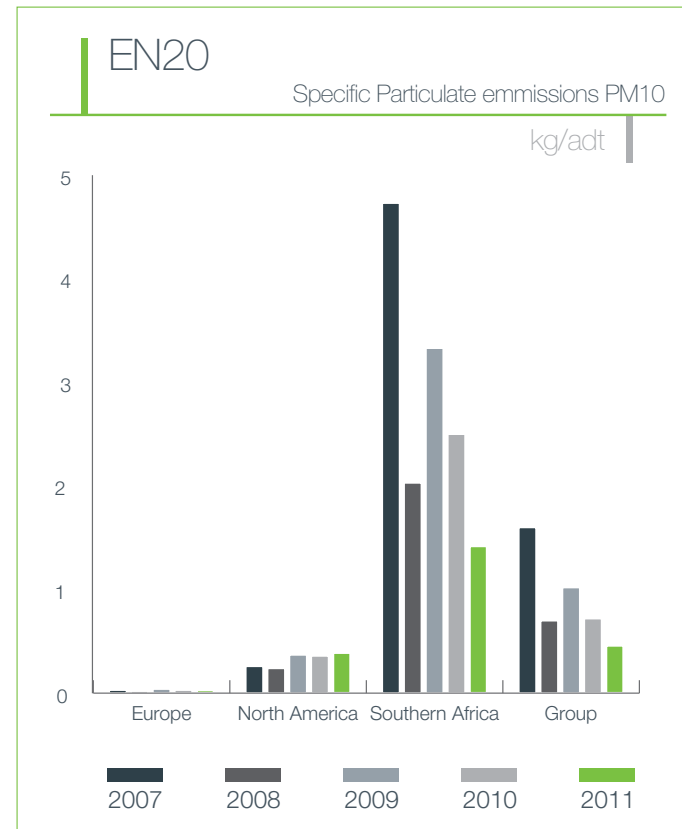
European operations rely mainly on natural gas with negligible sulphur. The SO₂ emissions result mainly from coal combusted at Gratkorn and Stockstadt mills.

The significant decrease for North America for 2010 and 2011 was due increased purchases of biomass fuels that replaced fossil fuels — mainly HFO which typically has a 1.5% sulphur content.

EN20 Specific NO_x emitted

Prior to 2009 NO_x emissions were not measured at Southern African mills. For the first time, in 2009, a Southern African mill, Ngodwana, has reported NO_x emissions. The value is rather high and is under review.

Both North America and European operations reduced their NO_x emissions as a result of running boiler operations more efficiently.



Offsetting greenhouse gas emissions

Sequestering carbon



All vegetation stores, sequesters and releases carbon through the process of photosynthesis. These processes vary over time and in response to environmental conditions.

The carbon is stored in the above ground and below ground biomass, and as soil stored carbon. This makes accurate measurement and accounting of carbon stocks difficult. In general though, a stable ecosystem will be at equilibrium with respect to carbon stocks, even though annual sequestration will be greatest during the growing season, while rates of release may be constant or may respond to disturbances.

Soil stored carbon is significantly influenced by the nature of the vegetation and by the land use. Cultivated soils generally release large amounts of soil stored carbon, resulting in the soils under crops having less than a third of the carbon that was in the soil prior to cultivation.

In many ecosystems, including grasslands, the majority of the carbon is stored in the soil.

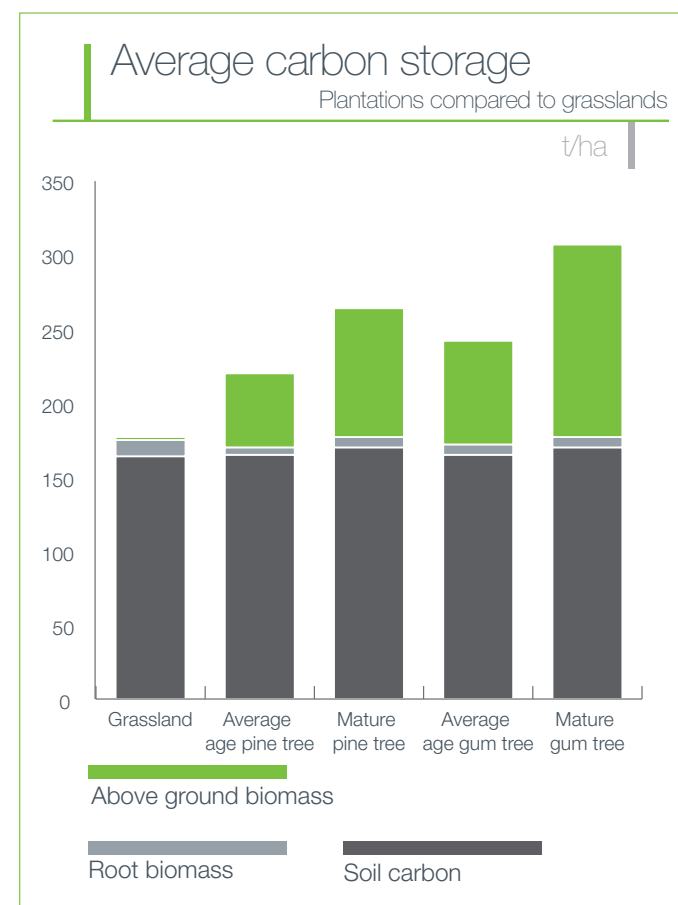
In timber plantations the majority of the carbon is also stored in the soil, and in more or less the same amounts as in grassland.

The above ground biomass is however much higher than most other vegetation types, but does vary considerably depending on the species

of trees grown, the site they are grown on, the stocking, the age and the size of the trees.

On average a gum plantation in rotation (average age of 5 years) will store about 240 tons of carbon per ha with about 68% below ground and about a third above ground in the biomass. A mature stand of gum will store about 300tons/ha with nearly half above ground in the biomass.

Pines store less (essentially the wood is less dense) varying from about 230tons/ha, at average age, to 265tons/ha when mature.



Do plantations sequester carbon?

The answer is yes, in two ways — when an area is afforested the amount of carbon stored at the site will increase from the level stored by the vegetation before the site was afforested to the level stored in the plantation when it comes into rotation or reaches average age. It will then reach a stable state with the carbon sequestered by the years' growth being offset by the carbon that is released as biomass is recycled in the system.

At this stage however, if wood is harvested and carbon is stored in the products derived from the wood that amount of carbon will be sequestered year on year as the harvested wood is regrown in the plantations. The amount of carbon stored in wood products is difficult to measure and account for because the products have variable life spans and their destiny can vary from being burnt, to decaying in landfill sites to being stored as furniture or as structural timber in buildings.

While the plantation is being established and is growing into rotation, it will be significantly carbon positive, assuming the plantation is planted in old crop lands or into grassland as in South Africa.

At a global scale, however, the amount of wood derived products in circulation is growing and therefore it can be assumed that plantations and forestry in general is carbon positive.

Managing water usage and effluent discharge

Intensively managing our water usage presents an economic opportunity



Large amounts of water are needed to hold, transport and distribute the fibre that becomes the sheet of paper. Water is also an integral part of the steam systems used to generate energy.

Our mills are situated in the vicinity of rivers from which they draw water. In South Africa, Enstra Mill uses recycled sewage water in its production processes.

While we use a significant amount of water in our production processes, it is recycled many times within processes before being treated and returned to the environment. In addition, unlike most other industries, we return approximately 90% of the water we extract back into the environment, mostly into the same rivers it was extracted from or into agricultural irrigation systems. All effluent is carefully treated before being returned to the environment, and complies with the highest environmental standards.

As with energy, intensively managing our water usage presents an economic opportunity. Each of our operations may be likened to a very large heat exchanger with the input water being heated in various ways and locations in each operation due to the combustion of fuels to produce steam and heat. If the effluent is simply allowed to run off (with appropriate treatment) then a huge amount of heat is lost. For this reason one of the most effective ways of retaining heat in an operation,

and hence using less energy (fuels) and thus generating less fossil-based GHG emissions, is to maximise water recirculation and minimise effluent. Sappi is investigating ways to harness this low grade energy which could result in the reduction of purchased energy.

Pulping operations use significant quantities of water. Consequently, non-integrated mills, which purchase pulp from outside suppliers, use far less water than integrated mills which have pulping operations. For this reason, our total water usage is lower in Europe than in North America and South Africa, where we operate integrated mills.

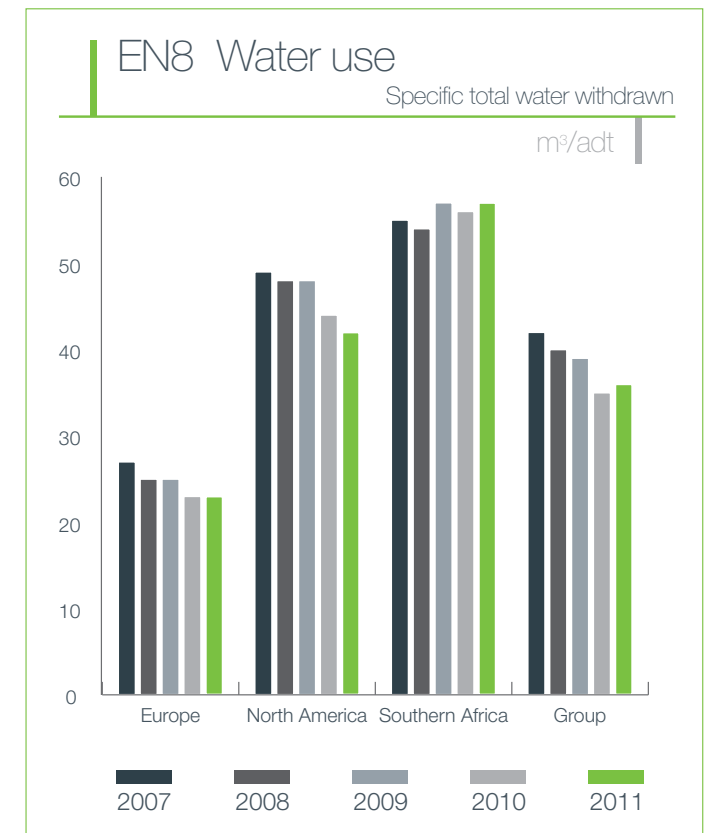
Globally, specific water drawn has reduced by 19% over the last five years. Chemical oxygen demand (COD) and total suspended solids (TSS) have decreased by 25.4 and 19.5% respectively over the same time periods.

Up to 45% of the externally supplied water to Enstra Mill is treated municipal sewage water

We are investigating ways to harness this low grade energy which could result in the reduction of purchased energy

EN08 Total water withdrawal by source

Specific water drawn has been declining for all regions but especially in Europe and North America. The reduction for all regions is due to a number of at source water reductions project bearing fruit.



Managing water usage and effluent discharge continued

Intensively managing our water usage presents an economic opportunity

EN
09

Water sources significantly affected by withdrawal of water.

EN
10

Percentage and total volume of water recycled and reused.

EN
21

Total water discharge by quality and destination.

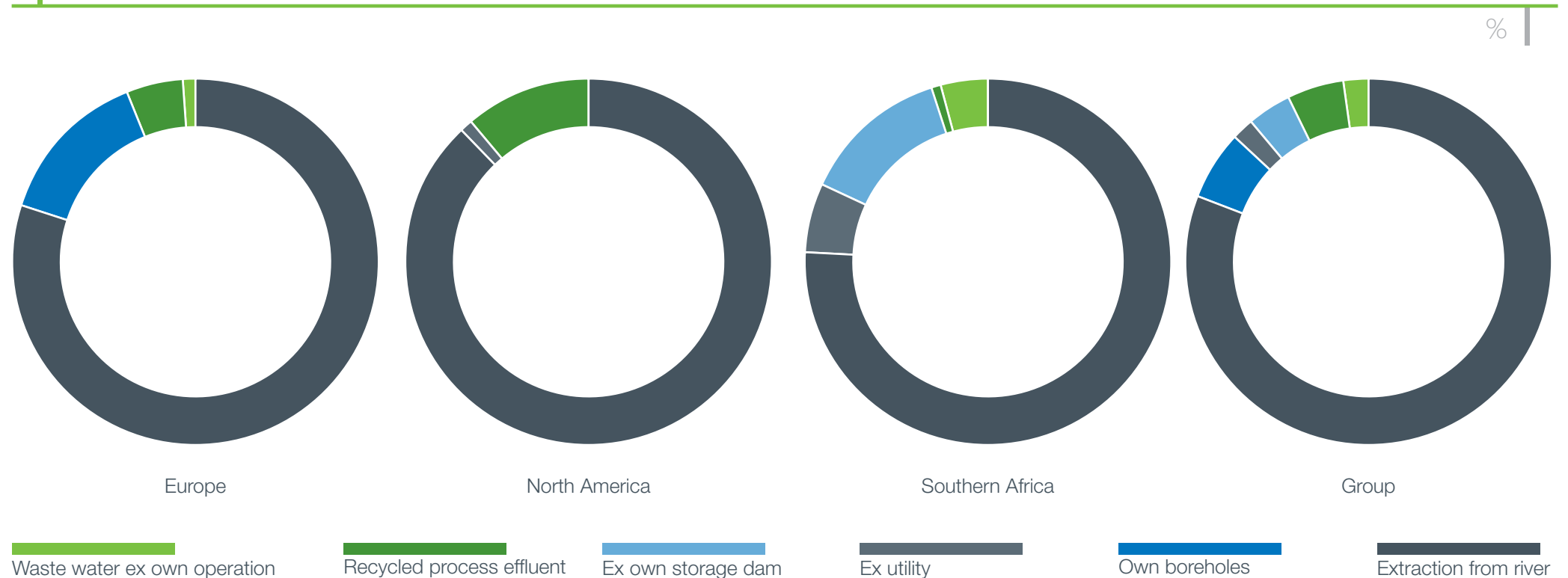
We return approximately 91.5% of the water we extract back into the watershed, mostly into the same rivers and lakes from which it was extracted from or into agricultural irrigation systems.

Globally, over five years, the difference between specific (ie per air dry ton of output produced) water drawn and returned has reduced significantly.

Despite common perceptions that Europe has an abundance of water, the continent's use of water is unsustainable, the European Environment Agency (EAA), the European Union's environmental advisory body, has warned (Water resources across Europe – confronting water scarcity and drought). In the mid- to long-term, this could lead to regulatory restrictions on water usage. However, the surface and ground water supply to our European mills has proven abundant even in very dry summers. We are currently well below the limits allowed for water abstraction.

We return approximately
91.5% of the water
we extract back to the
watershed

Source of water



Managing water usage and effluent discharge continued

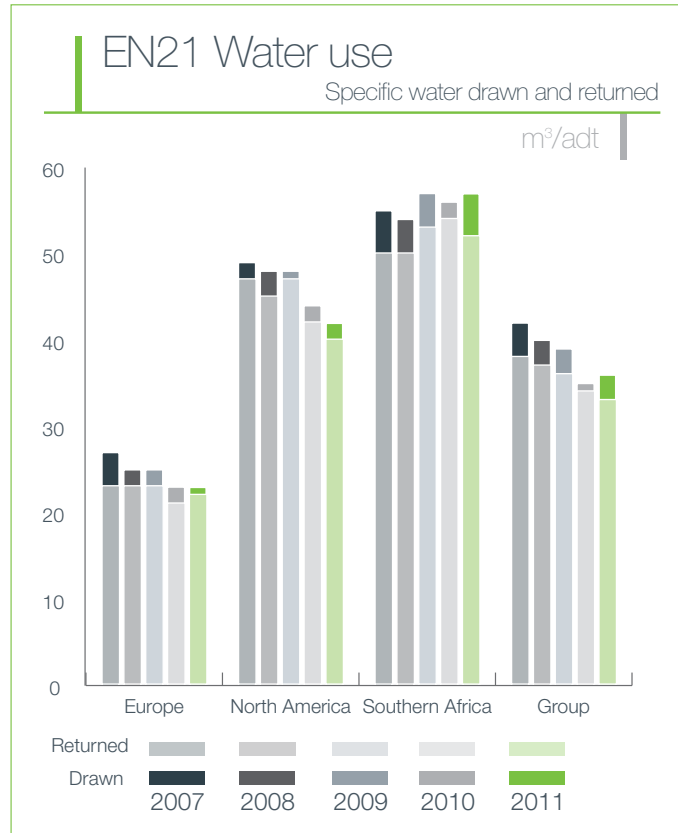


Specific water drawn and water returned

The amount of water drawn is relatively high but the actual water consumption averages 8.5% of the amount drawn. Consumption is defined as water drawn less water returned. Water contained in raw materials such as wood-fibre, products, waste etc is not taken into account.

In South Africa, the decrease in water usage from 2009 is due to various water reduction projects at Stanger Mill and to improved efficiency at Saiccor Mill following the Amakhulu expansion project.

Non-integrated mills which rely on purchased pulp use far less water than integrated pulp and paper mills. Consequently, our total water use is lower in Europe than in North America and South Africa, where we operate more integrated mills.



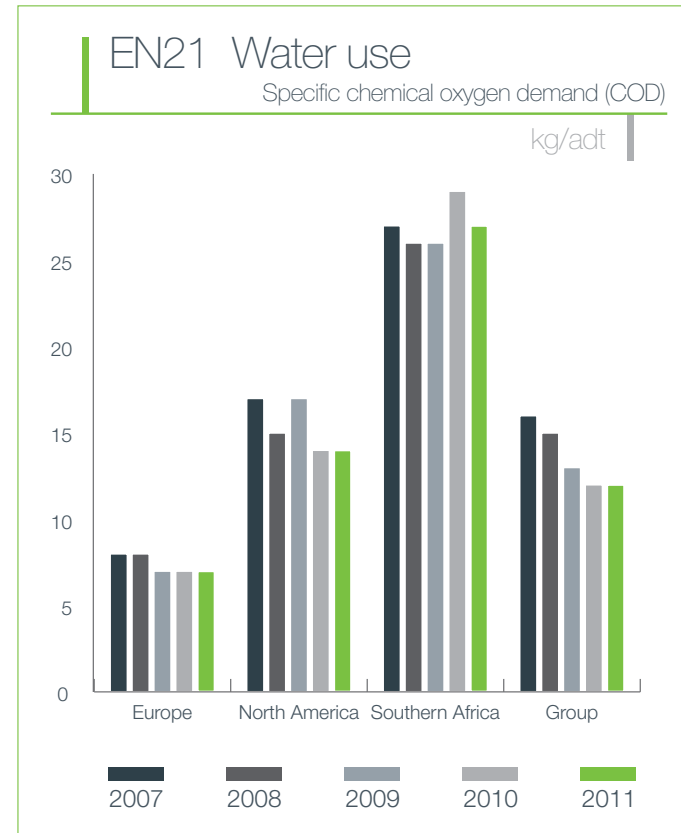
Specific chemical oxygen demand (COD)

The figure for Saiccor Mill has been excluded since the effluent chemical oxygen demand (COD) level is appreciably higher ($\pm 1,300\text{kg/adt}$) and would reduce the scale variance for the remaining regions. This effluent is discharged directly into the Indian Ocean. This is permitted in terms of the water licence for the mill.

A contribution to the reduction for South Africa is that Stanger pulp mill was inoperative for approximately six months. Generally the nature of pulping operations is that they increase both the COD and TSS in mill effluents. For this period, pulp was purchased and the pulping plant was inoperative.

At Ngodwana Mill, process efficiency increases resulted in reduced COD.

Tugela Mill has been having some issues with effluent quality. The authorities are aware of this and we are working on resolving the situation.



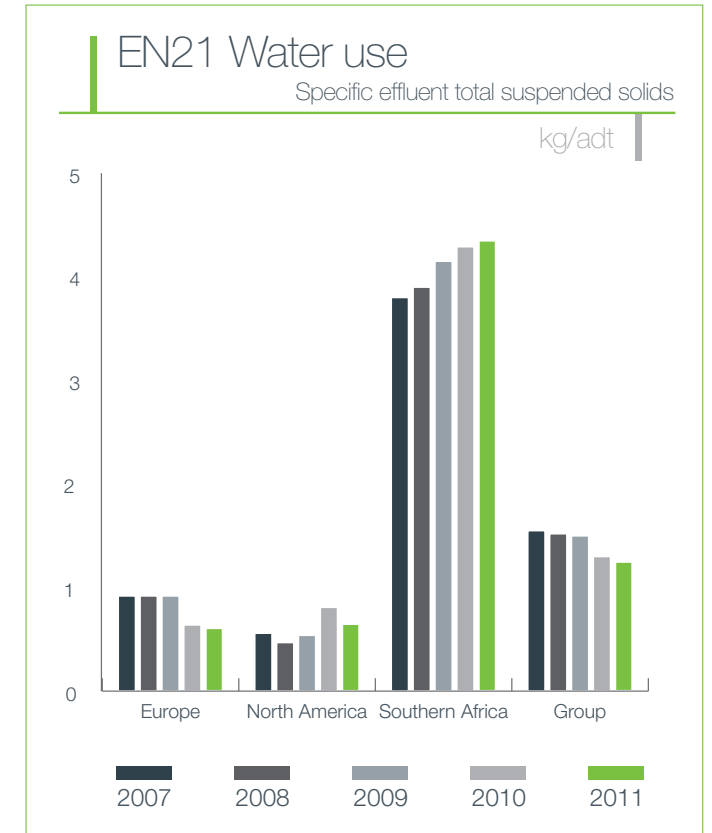
Total Suspended solids

The figure for Saiccor Mill has been excluded since the effluent total suspended solids (TSS) level is appreciably higher and would reduce the scale variance for the remaining regions. This effluent is discharged directly into the Indian Ocean. This is permitted in terms of the water licence for the mill.

The decrease in 2011 over 2010 for Sappi's operations in North America is due to Somerset Mill having addressed an equipment and line scaling issue. Also, in 2011, the recovery cycle upgrade project resulted in less treatment plant load during the shutdown period when compared with typical years.

The main contributor to the improvement from 2010 to 2011 for Sappi's operations in Europe was the result of the installation of an anaerobic reactor to the waste water treatment plant in 2009 at Gratkorn Mill.

Developments in Sappi's operations in North America and Europe contribute to the global decrease.



Forests and climate change

Climate change could increase the threat of water shortages, drought, fire and pest infestations



Climate change can stress forests through higher mean annual temperatures, altered precipitation patterns and more frequent and extreme weather conditions.

We continuously monitor and review forest best practices in the light of changing practices and environmental factors, including climate change which could increase the threat of water shortages, drought, fire and pest infestations.

We moderate our exposure to climate risk by:

Maximising our fibre sources through fibre gain programmes. In addition to maximising eucalypt yield by 60% over 15 years, these include tree breeding to maximise fibre yield to improve pulping processes to increase yield from our digesters, and papermaking innovations to reduce the amount of fibre required for our sustainable products.

Deploying a wide range of commercial species and hybrids across a wide range of climatic conditions. We anticipate that certain species or hybrids will become more dominant than others under changing climatic regimes. Sappi continually monitors and reviews forest best practices in the light of changing environmental factors, thus helping to mitigate any increased threat from water shortages or drought.

Regionally diversifying our fibre sources to the extent that fibre shortage in one area is compensated for by availability in another area.

Conducting ongoing research into the effect of drought-related disease on trees.

Fire

The risk of plantation fires is always present during the dry winter months. Climate change could exacerbate the risk of fires. Since the devastating fires of 2008, we have implemented an extensive fire protection strategy. This deals with increased community participation in fire prevention to reduce the incidents of fires through regional and district Fire Protection Associations. In addition, significant investment has improved detection, while fire crew training and improved equipment have significantly improved response times to fires that do occur. Fuel load management within plantations helps contain fires where they occur and has prevented major losses

Plantation water use

While it is acknowledged that our Southern Africa plantations consume more water than the original vegetation they replaced (grassland), this situation needs to be put into perspective.

Firstly, our plantations are merely another type of exotic agricultural crop species like maize, fruit, wheat, sugar cane etc. In fact 95% of crop agriculture in Southern Africa is exotic and 90% of it requires irrigation and the high capital intensity that this requires (central pivot irrigation, dams, boreholes, canals etc). Our plantations require no irrigation at all.

Secondly, the extremely fast growing property of our plantations is such that they are able to absorb more atmospheric carbon per hectare (5 times) or per ton of water (20 times) (whether by irrigation or rainfall) than many other agricultural crops.

We continuously monitor and review forest best practices to mitigate against climate change

Water in plantation forests

Water flowing from afforested catchments is largely unpolluted



Sappi Forests optimises water quantity by delineating riparian zones and wetlands and ensuring these are kept free of commercial trees.

Water quality is managed by regulating drainage and minimising erosion, thereby preventing run-off into streams and rivers. Our roads are planned and constructed to prevent erosion and ensure water runoff is not directed straight into rivers. Sappi Forests also has a number of procedures to ensure runoff after harvesting is kept to a minimum. These include leaving harvesting residue on the ground and ensuring that the correct harvesting and extraction methods are used.

Water quality in streams and rivers generally can only be negatively affected by pollution or by sediment loads due to erosion. Silvicultural activities in forestry plantations seldom use chemicals that cause pollution. Fertiliser is only used once in each rotation. In addition, only pesticides that are short-lived and have little or no impact on downstream ecosystems are used, which means that forestry operations very seldom pollute water. Where this does occasionally occur, it is usually from a point source, a fuel or chemical spill, or sewage or leachate from inappropriately sited domestic waste sites of village sewage facilities such as septic tanks. Water flowing from afforested catchments is largely unpolluted.

Erosion is a natural process and occurs in all landscapes. In afforested catchments there are situations where increased erosion (above natural levels of erosion) can affect water quality. These situations include poor drainage from road networks, poor stream crossings and erosion from burnt compartments (especially after run-away wild fires) which frequently lead to heavy sediment loads in streams and rivers which impacts the quality of the water and the health of these systems.

Under good management such as we practise at Sappi Forests, these sources of sediments in rivers and streams can be kept to acceptable levels. Water quality is monitored on an ongoing basis.

Plantation water use

While it is acknowledged that our Southern Africa plantations consume more water than the original vegetation they replaced (grassland), this situation needs to be put into perspective.

Firstly, our plantations are merely another type of exotic agricultural crop species like maize, fruit, wheat, sugar cane etc. In fact 95% of crop agriculture in Southern Africa is exotic and 90% of it requires irrigation and the high capital intensity that this requires (central pivot irrigation, dams, boreholes, canals etc). Our plantations require no irrigation at all.

Fertiliser is only used once in each rotation and we only use pesticides that are short-lived and have little or no impact on downstream ecosystems. Forestry operations very seldom pollute water

Reducing solid waste

We have reduced the amount of solid waste to landfill over five years by 36%

EN
22

Total weight of waste by type and disposal method

Sending solid waste to landfill is the least favourable method of disposal as landfills generate methane, a greenhouse gas with approximately 21-23 times the global warming potential of CO₂.

We have reduced the amount of solid waste to landfill over five years by 36%. We've achieved this by combusting waste sludge for heat gain. We are also examining ways of using waste products in the production of value added products: Waste sludge, for example, can also be used in the production of bricks, cement or household applications such as cat litter.

Dried residual sludge can also be used as animal bedding material. Waste oil is de-watered, chemically treated, refined and filtered of for re-use in various grades of base oils.

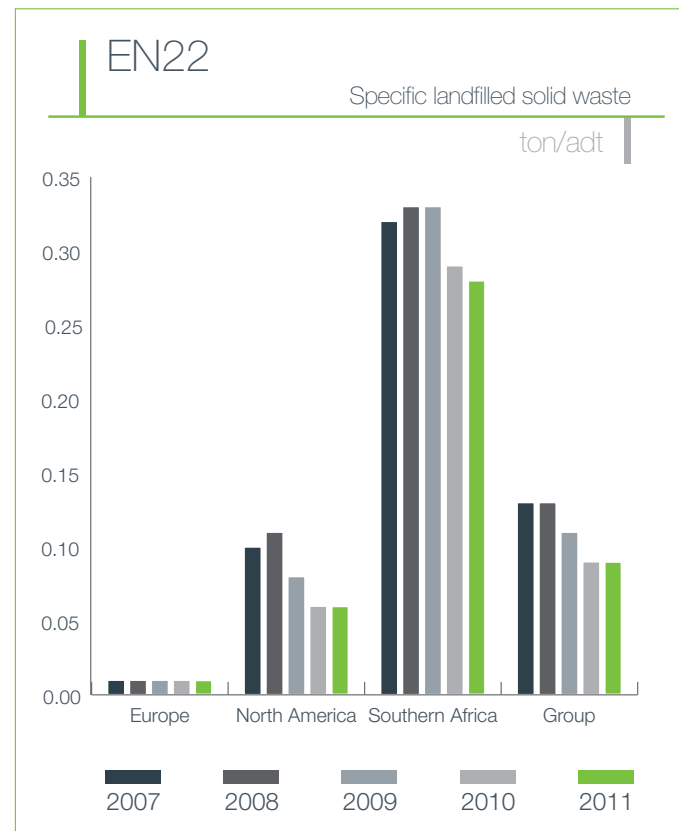
At some mills, tall oil from organic soaps is sold to a convertor and used to make detergents, lubricants and paint additives.

Excess lime mud generated from our liquor recovery process in some of our kraft pulp mills is provided to farmers for spreading on their fields to enrich the land.

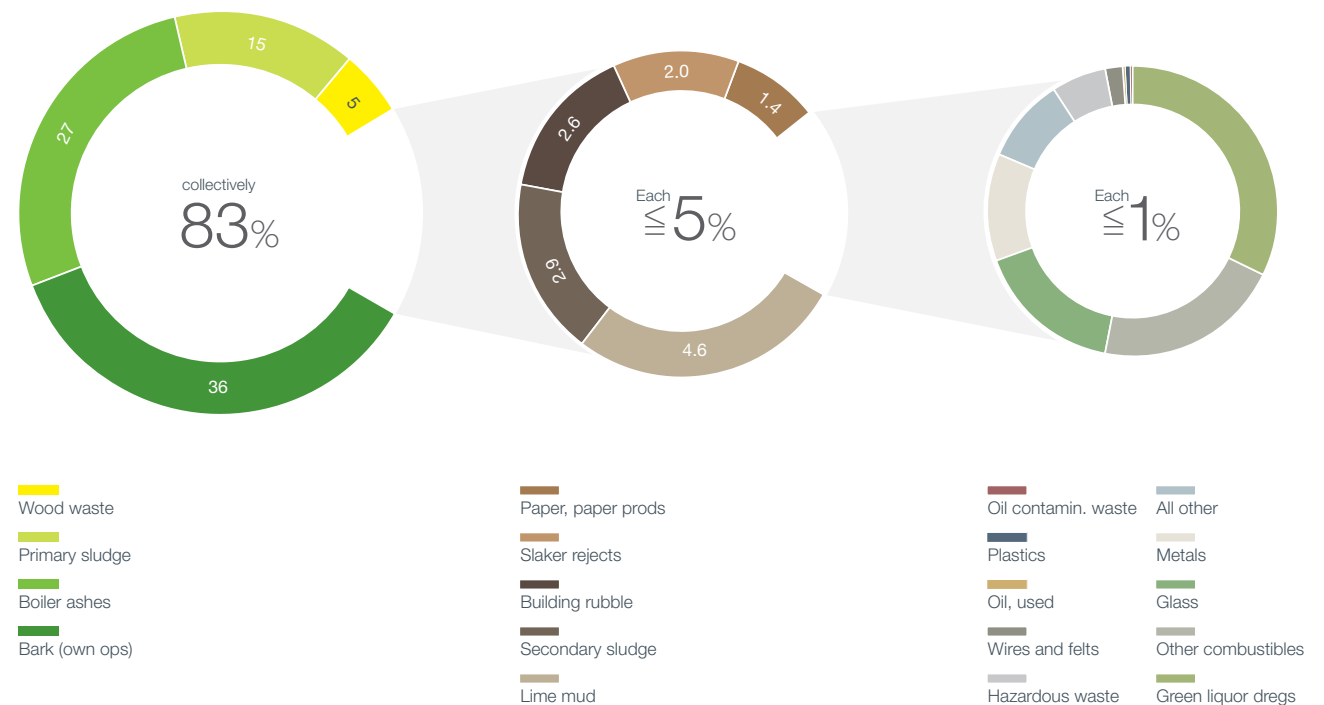
EN22 Land-filled solid waste

Land-filled solid waste is high for Sappi's operations in Southern Africa due to coal being the main energy source for the mills and this results in large quantities of ashes which are land-filled. The significant decrease in landfill material in this region in the last year is due to increased sales of boiler ash and lime and lower ash disposal.

North America mills have seen a reduction in land-filled solid waste since the closure of Muskegon. In addition, much of their primary sludge that was land-filled is now combusted.



EN22 Specific landfilled solid waste



Land ownership

We are a significant landowner; we own, manage and lease 527,000ha of land in Southern Africa

EN
11

Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas

EN11 Land of high biodiversity value

This indicator is particularly relevant to South Africa where we own, manage and lease 527,000ha of land. We do not report on this indicator as we are not sure of what land adjacent to us is protected and what is not — nor do we know what the level of protection is. Accessing this data is a considerable undertaking, especially considering the fact that leases vary from month to month. With cooperation from Government we would be able to provide this information in the long term.

EN
13

Habitats protected or restored

EN
14

Strategies, current actions, and future plans for managing impacts on biodiversity

EN
15

Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk

EN
25

Identity, size, protected status and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and run off

EN
12

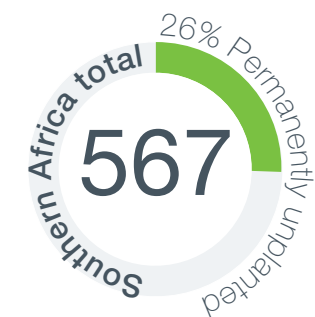
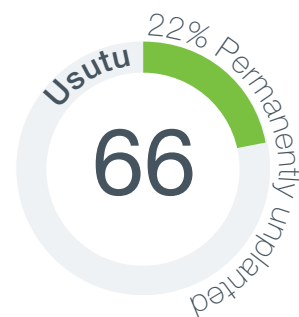
Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas

EN12 Significant impact on biodiversity

We do not currently report on the specific aspects of this indicator because in South Africa, where we own, manage and lease land, there is no official register of areas of high biodiversity. In fact, the whole country is considered to be an area of high biodiversity. We expect to be able to report on this indicator in the long term. In terms of broad aspects of this indicator, our most significant impact lies in the fact that the trees on our plantations forests reduce water flow to rivers which run through areas of high biodiversity. (See water use in forests.)

Southern Africa Land utilisation

ha '000s





Biodiversity is a very broad term and is used to encompass all of nature's biotic variety. It is defined by the Convention on Biological Diversity as: "the variability among living organisms from all sources including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems". Simply stated, biodiversity describes the variety of life on earth.

Timber plantations are biological systems and are based on biodiversity (consist of a variety of tree species which are genetically diverse) and rely on biotic processes to be sustained.

However, in South Africa timber plantations consist of single species stands of exotic trees which were planted into habitats, generally not naturally dominated by trees ie, grasslands, woodlands and fynbos.

At the stand level timber plantations have a significant negative impact on the natural biodiversity, by replacing the natural vegetation cover with a single species of exotic trees and by changing the habitat of the stand from a grassland,

woodland or fynbos to a homogeneous stand of trees (same age, same size etc). Nearly all the plant and animal species in the natural vegetation are displaced and replaced.

At the plantation estate or farm level, the impact is generally mitigated by the fact that generally only 65% of the land is planted, with about 30% of the unplanted land being managed for the conservation of the natural habitats and the biodiversity they contain. Many of these unplanted areas are important refuges for many rare and/or threatened species.

At the biome level the impacts of plantation forestry are felt in two ways; these being the special extent of the impact within the biome and the severity of the impact on the site. In the Grassland Biome (the most affected biome) forestry plantations (planted area) cover 991,900ha or 2.87% of the biome. It also only makes up 18% of the grassland that has been transformed by agricultural crops. From a severity point of view, when compared with other forms of land use, plantation forestry has been ranked as second to urban development in terms of impact on biodiversity integrity.

Grassland conservation

In mitigation for this severe, though not very extensive impact, plantation forest owners own approximately a further 500,000ha of unplanted grassland, some of which consist of the best examples of moist grassland in the country. This constitutes a 50% offset for conservation which way exceeds the international norm of 10%. Furthermore, in partnership with SANBI via the Grassland Stewardship Programme, forest owners have identified an initial 37 sites comprising 45,000ha which will be proclaimed as protected areas and nature reserves.

Generally only 65% of the land is planted, with about 30% of the unplanted land being managed for the conservation of the natural habitats and the biodiversity they contain.

Managing biodiversity continued

About 30% of our unplanted land is being managed for the conservation of the natural habitats and the biodiversity they contain



The impacts of timber plantations on biodiversity varies depending on the spatial scale it is assessed.

At the stand level, nearly all the species associated with the original vegetation will be displaced by species that are adapted to the shady tree dominated conditions of a plantation.

At the scale of the plantation estate, where at least 30% of the land remains unplanted, the impacts are less severe in that these estates usually contain some areas that are representative of the original vegetation. These patches will usually contain a good proportion of the plants and animals that occurred in the habitats before afforestation occurred. Those larger grassland species that require extensive home ranges to be sustained are however affected by the fragmentation of grassland into smaller patches that may be isolated or connected by narrow corridors. It is also of critical importance that the remaining patches of natural vegetation are appropriately managed.

At the biome landscape scale, species are affected by the broader land use impacts that are accumulative. These impacts result in the loss of sufficient habitat or cause fragmentation to become severe, making larger habitats rare and the connectivity of the fragments less prominent. At this scale the very wide ranging species or species with very specific requirements are affected. It is not possible to list all species because there is insufficient information on the species or to determine the specific impacts on them.

With the transformation of landscapes from grasslands, woodlands or fynbos to planted timber plantation, the habitats change and conditions are created which favour certain species.

At the estate level, the landscape becomes more heterogeneous with a number of new habitats being created which brings in new species to the area. These species are the more pioneer (weedy) plant species or the more generalist animal species that are adapted to mixed or more-woody habitats.

An analysis of bird species occurring on timber estates revealed that of the 453 species that have been recorded, over half are forest, woodland and grassland or multi-habitat adapted species. These species probably benefit from the increase of trees in the landscape.

At the biome level, a very similar pattern emerges with species favouring trees in the landscape benefitting. A number of mammal species have also benefited from afforestation, especially those species that use forested or wooded habitats for refuge sites or are forest or woodland species. These species include bushpig, baboons, bushbuck, caracal and leopard.

The impacts of timber plantations on biodiversity varies depending on the spatial scale it is assessed

Conservation of habitats and species

Sappi has 208 sites classified as important conservation sites



Sappi Forests owns and leases a total of 385,000ha in South Africa. Of this, approximately 60% is plantable (planted and temporarily unplanted) and one third is permanently unplanted under natural vegetation. The majority of the permanently unplanted land consists of open areas with natural vegetation cover which are managed for conservation purposes.

In turn of this, about 73% consists of riparian zones, firebreaks, cliffs, rocky outcrops, dams and small wetlands. These areas are subject to general estate management which consists of the control of alien invader plants and regular burning if appropriate. The remaining 27% is larger areas classified as important conservation areas which receive special management according to specially developed management plans.

Currently Sappi has 208 sites classified as important conservation sites. These sites conserve representative examples of grassland, forest or woodland and many of them are home to rare or threatened species.

Currently, threatened species recorded on Sappi properties include 22 plant species, 1 insect, 2 frogs, 2 snakes, 6 mammals and 20 bird species.

Impact of afforestation

Spatial Scale	Winners	Losers
Stand level	Some shade loving invertebrates	Most grassland plants Most specialist grassland animals
Plantation estate level	Generalist species and species that like trees in the landscape: Birds — hole and tree nesting species Woodpeckers, Barbets, Robin-chats, Drongos, Sparrowhawks, Long-crested Eagle, Crowned Eagle etc Birds — Fruit eating Bulbuls, Mousebirds, African Olive Pigeon etc Mammals Bushpigs, Bushbuck, Baboons, Leopard	All grassland specialist plants because less habitat results in less individuals. Animals that are closely associated with special grassland plants are at risk, including many species of insects. Vertebrates that require grassland habitats such as grassland frogs, reptiles and small mammals are reduced to habitat patches. Grassland bird species especially those that require large home ranges of specific habitat conditions to breed such as Pipits, Larks, Waxbills, Widowbirds, game birds, Korhaans, Bustards and Cranes are reduced.
Biome level	Generalist, woodland and pioneer species	As above but some iconic grassland species are threatened across the whole biome including Oribi, the three Cranes, Denham's Bustard, Secretary Bird, Grass Owl, Blue Swallow etc.

Conservation of habitats and species

Sappi has 208 sites classified as important conservation sites

EN
26

Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.

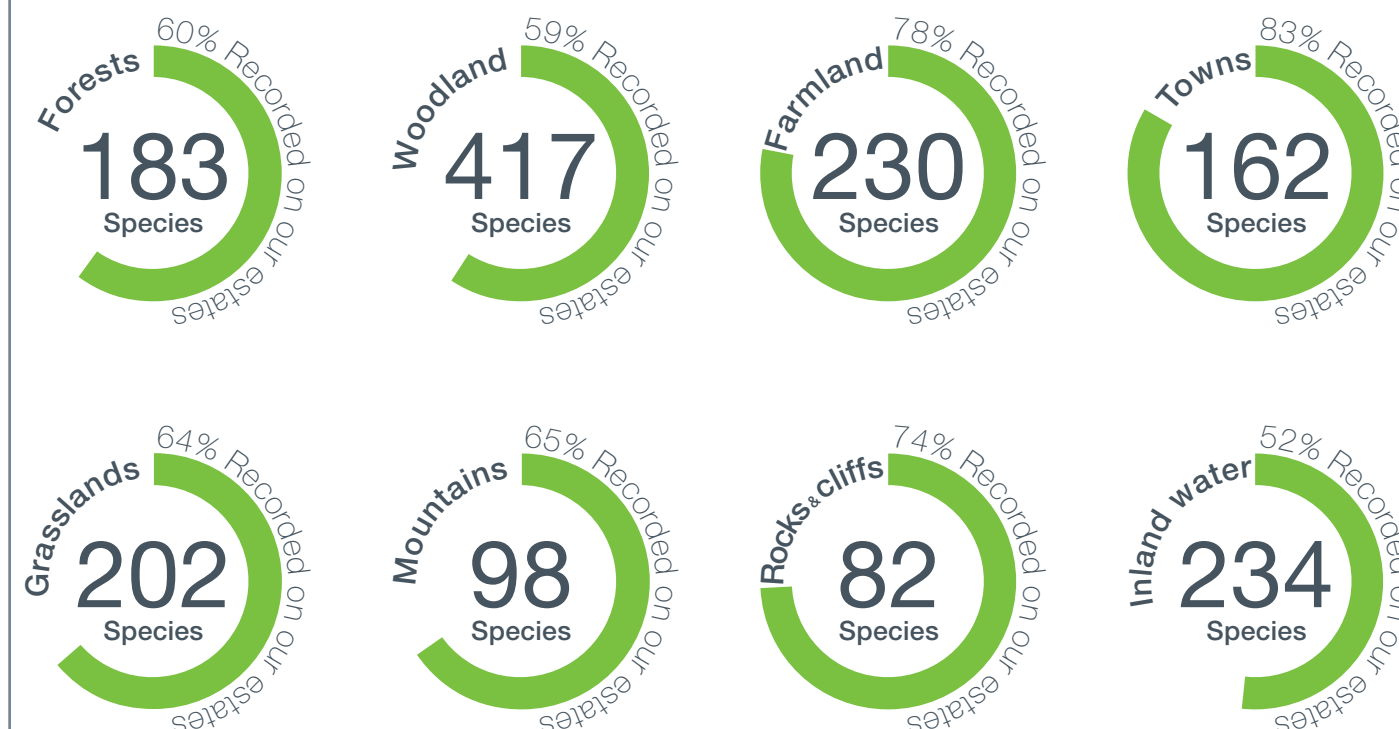
Reductions in specific (per ton of pulp produced) purchased energy and fossil-based CO₂, specific water drawn and returned, TSS and COD, solid waste to landfill quantified. See also regional targets.

Maintaining biodiversity

The maintenance of biodiversity requires active management. A wide variety of factors including invasive weeds, controlled grazing, harvesting of medicinal plants and burning regimes needs to be considered. Our detailed environmental management systems, ongoing monitoring programmes and state of the environment reports for each plantation ensure that we maintain and enhance the biodiversity status of our lands. All invasive trees were cleared from riparian zones by the end of 2010.

Sappi forests support bird life

Number of species in each habitat and percentage of these that have been recorded on Sappi Forests' estates.



EN
29

Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce.

We are currently in the process of identifying a carbon footprint methodology that will allow us to measure the impact of transportation of goods.

EN
24

Weight of transported, imported, exported or treated waste deemed hazardous under the terms of the Basle Convention Annex 1,11,111 and V111 and percentage of transported waste shipped internationally.

Sappi generates very little hazardous waste See pie chart showing waste by type. [i](#)

In 2008, we signed the UN Global Compact, a CEO-led strategic policy initiative which gives signatories a platform for advancing their commitments to sustainability and corporate citizenship.

The Compact has two principal objectives: mainstream the ten principles which businesses commit to and catalyse actions in support of broader UN goals, including the Millennium Development Goals.

The ten principles to which businesses commit		Our performance against these commitments	GRI G3.1 indicators
1	Support and respect the protection of international human rights within their sphere of influence.	At Sappi, we endorse the principles entrenched in the Universal Declaration of Human Rights and conform to the core labour standards of the International Labour Organisation (ILO). We also conform to — and in many cases exceed — the labour conditions stipulated by the governments of the countries in which we operate. In 2009, we formally published a human rights policy.	HR1 HR2 HR3 HR4
2	Make sure their own corporations are not complicit in human rights abuses.	As stipulated above, we adhere to the standards of the ILO and legal labour conditions. In 2008, we stated that we would look into the protection of human rights in our procurement standards. This has now been included in our supplier policy.	HR2 HR3
3	Freedom of association and the effective recognition of the right to collective bargaining.	<p>We recognise the right to freedom of association and collective bargaining. We consult with trade unions and employees on a wide variety of issues such as organisational change and training. In 2011, 63.5% of our employees in North America were unionised. In South Africa, unions represent approximately 52% of all employees employed in Sappi. Union representation in Europe is estimated at 65.8%.</p> <p>Disciplined behaviour is essential not only for individual well-being, but also to achieve our group goals and objectives. In each region, disciplinary codes ensure disciplinary procedures are applied consistently, while grievance policies entrenches the rights of employees, including the right to raise a grievance without fear of victimisation, the right to seek guidance and assistance from a member of the Human Resources department or their representative at any time and the right to appeal to a higher authority, without prejudice.</p>	HR5 LA3 LA4
4	The elimination of all forms of forced and compulsory labour.	All labour is sourced on the open market. In rural areas, forest products companies like Sappi are often the only, or major, employers in the region which makes the local population very dependent on the company. However, Sappi pays market-related wages in accordance with local legislation. In Southern Africa, our plantations are 100% FSC-certified or controlled and this forest certification system stipulates the protection of indigenous rights.	HR7
5	The effective abolition of child labour.	This principle is inherent in our labour policies across the group.	HR6
6	The elimination of discrimination in respect of employment and occupation.	Sappi is an equal opportunity company. Gender diversity is increasing steadily throughout the group and in South Africa we have employment equity targets to promote economic and social transformation among the previously disadvantaged.	HR4 LA10 LA11

UN Global Compact continued

The ten principles to which businesses commit		Our performance against these commitments	GRI G3.1 indicators
7	Support a precautionary approach to environmental challenges.	<p>The precautionary approach places the onus on Sappi to anticipate harm before it occurs and to take active steps to prevent any harm from occurring. We achieve this by:</p> <ul style="list-style-type: none"> Conducting ongoing research into the impact of our activities and investigating methodologies to improve our performance at our research centres around the world Continuously monitoring our environmental performance Conducting thorough environment impact assessment before the start of any new activity. 	4.13
8	Undertake initiatives to promote greater environmental responsibility.	<p>At Sappi we:</p> <p>Sponsor several environment-related publications accessible to the general reader.</p> <p>Provide schools with extensive environmental educational material. In South Africa, the SappiWWF TreeRoutes Partnership aims to protect ecologically sensitive areas while establishing sustainable business ventures for communities that help them to understand and respect the value of these ecologically sensitive areas. In this region, we also sponsor the Sappi Frog and River Meander Exhibit – the story of a river: at the Two Oceans Aquarium and the Sappi Birdlife SA Birding Big Day 2011, a national awareness drive for birding.</p> <p>In North America, we play an active role in Living Lands and Waters, a non-profit, environmental organisation focused on cleaning up America's great rivers and forest restoration. In this region, we work to make forest certification more accessible to farmers.</p> <p>Sappi Fine Paper Europe supported a tree-planting project (some 350,000 trees) in Ethiopia in support of the work of the WeForest organisation (www.weforest.org).</p> <p>In 2011, we improved our score (based on our carbon disclosure and mitigation strategies) on the South African Carbon Disclosure Project (CDP) from 75 to 80 points out of a possible 100 points.</p> <p>We also signed the 2 degree climate challenge.</p>	<p>EN01</p> <p>EN02</p> <p>EN03</p> <p>EN04</p> <p>EN05</p> <p>EN06</p> <p>EN07</p> <p>EN08</p> <p>EN09</p> <p>EN10</p> <p>EN11</p> <p>EN12</p> <p>EN13</p> <p>EN14</p> <p>EN15</p> <p>EN16</p>

UN Global Compact continued

The ten principles to which businesses commit		Our performance against these commitments	GRI G3.1 indicators
9	Encourage the development and diffusion of environmentally friendly technologies.	<p>Our research and development initiatives are focused on technical improvement of processes and products, and on the development of environmentally friendly technologies. It makes sense from both an economic and environmental standpoint to aggressively manage our raw materials and energy usage. For example, while a typical mill may use large quantities of fresh water, this water is re-used, often several times in the process, before it is treated and returned to the environment. Likewise, sources or air emissions are captured and either consumed in the process or scrubbed by pollution control equipment. Many of our mills are nearly energy self-sufficient and derive the majority of their energy from renewable, rather than fossil fuel sources.</p> <p>Globally, in 2011, our use of renewable energy stood at just over 47%</p>	EN17
10	Work against corruption in all its forms, including extortion and bribery.	Our commitment to combating corruption is embodied in our Code of Ethics which gives very clear guidelines on the behaviour expected of Sappi employees, suppliers and contractors at all times. The Code is reinforced by independently operated Hotlines, which guarantee callers complete anonymity. All calls are followed up and reports are submitted to the Audit Committee on a quarterly basis. Refer to our 2011 Integrated Report for further details.	SO2

We express our commitment to sustainability not only in the decisions we make every day in running our business, but also through public forums such as the United Nations Global Compact. The Compact sets benchmarks which help us to improve our governance systems and our performance in terms of Prosperity, People and Planet.

Ralph Boëttger
Chief Executive Officer, Sappi Limited

Global Reporting Initiative G3.1 Content Index

Standard disclosures part I Profile disclosures



Integrated Report 2011



The table that follows details our reporting compliance in respect of the Global Reporting Initiative (GRI) and directs the reader to detailed discussions in various reports published by Sappi. We follow the G3.1 Content Index.

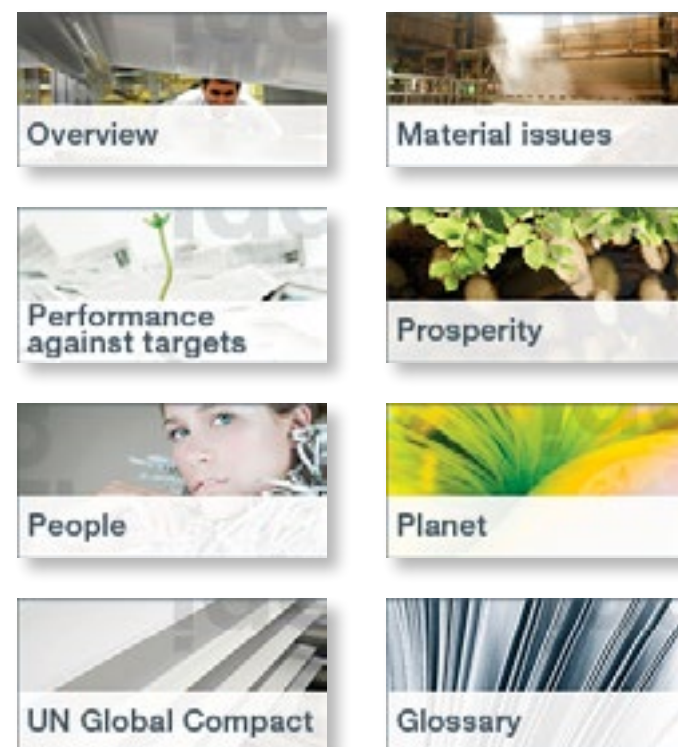


Sustainability Report 2011

Referenced documents

Detailed cross references provide hyperlinks to various documents that can be downloaded from the Sappi website at www.sappi.com. The two key documents which we reference are our Integrated Report and our Group Sustainable Development Report, referred to as **IR 2011** and **SDR 2011** respectively. The SDR 2011 is also available as individual chapters.

Group SDR 2011 Chapters







Regional Sustainability Reports





Key

Although Sappi reports fully on most of the G3.1 elements, there are instances where we report only partially or not at all. We use the following symbols to indicate our reporting compliance.

-  Elements that we fully report against.
-  Elements that we partially report against.
-  Elements that we do not report against.
-  Additional indicators (ie non-core indicators as specified by the GRI).











Strategy and analysis

Profile disclosure and description		Reported	Cross-reference Direct answer	If applicable, indicate part not reported	Reason for omission	Explanation
1.1	Statement from the most senior decision-maker of the organization.					
1.2	Description of key impacts, risks, and opportunities.					

Global Reporting Initiative G3.1 Content Index

Standard disclosures part I Profile disclosures

Organisational profile

Profile disclosure and description		Reported	Cross-reference Direct answer	If applicable, indicate part not reported	Reason for omission	Explanation
2.1	Name of organisation.		IR 2011 Front cover SDR 2011			
2.2	Primary brands, product and/or services.		IR 2011 Inside front cover			
2.3	Operational structure of the organisation, including main divisions, operating companies, subsidiaries, and joint ventures.		IR 2011 Our operations Page 14			
2.4	Location of organisation's headquarters.		IR 2011 Inside back cover			
2.5	Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.		IR 2011 Page 15 SDR 2011 Scope of this report			
2.6	Nature of ownership and legal form.		IR 2011 Director's report page 97			
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).		IR 2011 Our markets Pages 24-25			
2.8	Scale of the reporting organisation.		IR 2011 Inside front cover IR 2011 Pages 14-15			
2.9	Significant changes during the reporting period regarding size, structure, or ownership.		IR 2011 Letter to shareholders Pages 9-13			
2.10	Awards received in the reporting period		SDR 2011 An evolving sustainability charter SDR 2011 Our code of ethics SDR 2011 Our impact on the world around us Products			





Global Reporting Initiative G3.1 Content Index

Standard disclosures part I Profile disclosures

Reporting parameters

Profile disclosure and description		Reported	Cross-reference Direct answer	If applicable, indicate part not reported	Reason for omission	Explanation
3.1	Reporting period (eg, fiscal/calendar year) for information provided.		SDR 2011 About this report			
3.2	Date of most recent previous report (if any).		GRI index			2010
3.3	Reporting cycle (annual, biennial, etc).		GRI index			Annual
3.4	Contact point for questions regarding the report or its contents.		Graeme Wild Group Investor Relations and Sustainability Manager Graeme.Wild@Sappi.com			
3.5	Process for defining report content.		SDR 2011 Understanding our reporting philosophy			
3.6	Boundary of the report (eg, countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.		SDR 2011 About this report			
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).		SDR 2011 About this report			
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organisations.		SDR 2011 About this report SDR 2011 How we measure performance			
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques, underlying estimations applied to the compilation of the indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.		SDR 2011 About this report SDR 2011 How we measure performance			







Reporting parameters continued

Profile disclosure and description		Reported	Cross-reference Direct answer	If applicable, indicate part not reported	Reason for omission	Explanation
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (eg, mergers/ acquisitions, change of base years/periods, nature of business, measurement methods).		IR 2011 Chief Financial Officer's Report Pages 42-43			
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.		GRI index			No changes
3.12	Table identifying the location of the Standard Disclosures in the report.		GRI index			
3.13	Policy and current practice with regard to seeking external assurance for the report.		SDR 2011 External assurance			





Global Reporting Initiative G3.1 Content Index

Standard disclosures part I Profile disclosures

Governance, commitments and engagement

Profile disclosure and description		Reported	Cross-reference Direct answer	If applicable, indicate part not reported	Reason for omission	Explanation
4.1	Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight.		IR 2011 Our leadership Pages 26-29			
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.		GRI index			The role of chief executive officer is held by Mr Ralph Boëttger. This role is separate from the chairman of the board.
4.3	For organisations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.		IR 2011 Pages 26-29 Two executive and 12 independent, non-executive directors (13 as from 01 October 2011).			
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.		IR 2011 Stakeholder engagement Page 81			
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organisation's performance (including social and environmental performance).		IR 2011 Compensation report Pages 82-89			
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.		IR 2011 Conflicts of interest Page 80			





Governance, commitments and engagement continued

Profile disclosure and description		Reported	Cross-reference Direct answer	If applicable, indicate part not reported	Reason for omission	Explanation
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.		Refer to the board charter at www.sappi.com .			
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.		SDR 2011 Group policies			
4.9	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.		IR 2011 Risk management Pages 90-91			
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.		IR 2011			
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation.		UN Global Compact			

Global Reporting Initiative G3.1 Content Index

Standard disclosures part I Profile disclosures

Governance, commitments and engagement continued

Profile disclosure and description		Reported	Cross-reference Direct answer	If applicable, indicate part not reported	Reason for omission	Explanation
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or endorses.		GRI index			Universal Declaration of Human Rights International Labour Organisation 2°C Challenge Communiqué UN Global Compact, 2008 Energy Efficiency Accord (South Africa)
4.13	Memberships in associations (such as industry associations) and/or national/ international advocacy organisations in which the organisation: Has positions in governance bodies; Participates in projects or committees; Provides substantive funding beyond routine membership dues; or Views membership as strategic.		GRI index			Industry associations: North America AF&PA Europe CEPI South Africa PAMSA South Africa National Business Initiative
4.14	List of stakeholder groups engaged by the organisation.		IR 2011 Stakeholder engagement Page 81 SDR 2011 Engaging with stakeholders			
4.15	Basis for identification and selection of stakeholders with whom to engage.		SDR 2011 Understanding our reporting philosophy			
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.		SDR 2011 Engaging with stakeholders			
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting.		SDR 2011 Engaging with stakeholders			

Global Reporting Initiative G3.1 Content Index








Standard disclosures part II Disclosures on management approach (DMAs)

GR DMA Description		Reported	Cross-reference Direct answer	If applicable, indicate part not reported	Reason for omission	Explanation	To be reported in
DMA EC	Disclosure on Management approach EC		SDR 2011 A Leader in providing sustainable solutions				
DMA EN	Disclosure on Management approach EN		SDR 2011 Planet				
DMA LA	Disclosure on management approach LA		SDR 2011 Our management approach to people				
DMA HR	Disclosure on management approach HR		Human Rights Policy				
DMA SO	Disclosure on management approach SO		SDR 2011 Corporate Social Responsibility				
DMA PR	Disclosure on management approach PR		SDR 2011 Promoting transparency				

Global Reporting Initiative G3.1 Content Index

Standard disclosures part III Performance indicators





Economic performance indicators

Performance indicator	Reported	Cross-reference Direct answer	If applicable, indicate part not reported	Reason for omission	Explanation	To be reported in
Economic performance						
EC1 Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.		SDR 2011 Economic value added in 2011				
EC2 Financial implications and other risks and opportunities for the organisation's activities due to climate change.		SDR 2011 Our key sustainability drivers				
EC3 Coverage of the organisation's defined benefit plan obligations.		IR 2011 Compensation report Pages 81-89				
EC4 Significant financial assistance received from government.		GRI index			No such assistance received.	
Market presence						
EC5  Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.				Not available	Not considered material as we negotiate salaries with unions and works councils on an ongoing basis.	2020
EC6 Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.		GRI index	Reported in Southern Africa, not in North America and Europe	Not available	This is only deemed significant in Southern Africa, for purposes of Broad Based Black Economic Empowerment (BBBEE) compliance and so to date has only been collected in this region. It is discussed in our regional sustainability report for Southern Africa.	2016

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Standard disclosures part III Performance indicators










Economic performance indicators continued

Performance indicator	Reported	Cross-reference Direct answer	If applicable, indicate part not reported	Reason for omission	Explanation	To be reported in
Market presence continued						
EC7 Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.		GRI index	Reported in Southern Africa, not in North America and Europe	Not material	Our most material concerns relate to our Southern African operations where black economic empowerment is a priority.	2020
Indirect economic impacts						
EC8 Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.		SDR 2011 Corporate Social Responsibility				
EC9  Understanding and describing significant indirect economic impacts, including the extent of impacts.		SDR 2011 Adding value				

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Environmental performance indicators

Performance indicator description		Reported	Cross-reference Direct answer	If applicable, indicate part not reported	Reason for omission	Explanation	To be reported in
Materials							
EN1	Materials used by weight or volume.				Not available	We do not currently report on this indicator as the systems for analysis and acceptance of the data are still being constructed. We will be able to report in the long term.	2020
EN2	Percentage of materials used that are recycled input materials.				Not available	We do not currently report on this indicator as the systems for analysis and acceptance of the data are still being constructed. We anticipate being able to report in the mid- to long-term.	2020
Energy							
EN3	Direct energy consumption by primary energy source.		SDR 2011 Energy				
EN4	Indirect energy consumption by primary source.		SDR 2011 Indirect energy				
EN5	Energy saved due to conservation and efficiency improvements.		SDR 2011 Energy savings				
EN6 	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.		SDR 2011 Managing energy usage				
EN7 	Initiatives to reduce indirect energy consumption and reductions achieved.		SDR 2011 Energy self-sufficiency				

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Environmental performance indicators continued

Performance indicator description	Reported	Cross-reference Direct answer	If applicable, indicate part not reported	Reason for omission	Explanation	To be reported in
Water						
EN8 Total water withdrawal by source.		SDR 2011 Managing water usage				
EN9 Water sources significantly affected by withdrawal of water		SDR 2011 Managing water usage				
EN10 Percentage and total volume of water recycled and reused.		SDR 2011 Managing water usage				
Biodiversity						
EN11 Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.		GRI Index		Not available	<p>This indicator is particularly relevant to South Africa where we own, manage and lease 555,000ha of land. We do not report on this indicator as we are not sure of what land adjacent to us is protected and what is not, nor do we know what the level of protection is.</p> <p>Accessing this data is a considerable undertaking, especially considering the fact that leases vary from month to month. With co-operation from Government we would be able to provide this information in the long term.</p>	2020

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Standard disclosures part III Performance indicators

Environmental performance indicators continued

Performance indicator description	Reported	Cross-reference Direct answer	If applicable, indicate part not reported	Reason for omission	Explanation	To be reported in
Biodiversity continued						
EN12 Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.		GRI Index		Not available	We do not currently report on the specific aspects of this indicator because in South Africa, where we own, manage and lease land, there is no official register of areas of high biodiversity. In fact, the whole country is considered to be an area of high biodiversity. We expect to be able to report on this indicator in the long term. In terms of broad aspects of this indicator, our most significant impact lies in the fact that the trees on our plantations forests reduce water flow to rivers which run through areas of high biodiversity.	2020
EN13  Habitats protected or restored.		SDR 2011 Conservation of habitats and species				
EN14  Strategies, current actions, and future plans for managing impacts on biodiversity.		SDR 2011 Managing biodiversity			We are in the process of formalising our biodiversity management strategy, including targets.	2015
EN15  Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.		SDR 2011 Conservation of habitats and species				

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Environmental performance indicators continued

Performance indicator description		Reported	Cross-reference Direct answer	If applicable, indicate part not reported	Reason for omission	Explanation	To be reported in
Emissions, effluent and waste							
EN16	Total direct and indirect greenhouse gas emissions by weight		SDR 2011 Global emissions SDR 2011 Energy SDR 2011 Indirect energy				
EN17	Other relevant indirect greenhouse gas emissions by weight		GRI index		Not material	Our mills do not emit significant other indirect greenhouse gases. Our plantations, like all other plantations and natural forests emit methane as a consequence of natural decay, but in common with the rest of the industry this is not measured.	
EN18 	Initiatives to reduce greenhouse gas emissions and reductions achieved.		IR 2011 Energy and emissions Page 21				
EN19	Emissions of ozone-depleting substances by weight.		GRI index		Not material	Sappi does not use ozone-depleting substances	
EN20	NOx, SOx, and other significant air emissions by type and weight.		SDR 2011 Emissions				
EN21	Total water discharge by quality and destination.		SDR 2011 Reducing solid waste				
EN22	Total weight of waste by type and disposal method.		SDR 2011 Reducing solid waste				
EN23	Total number and volume of significant spills.		GRI index		Not applicable	No significant spills in the year under review	
EN24 	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally		SDR 2011 EN24			Sappi generates very little hazardous waste	

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Environmental performance indicators continued

Performance indicator description	Reported	Cross-reference Direct answer	If applicable, indicate part not reported	Reason for omission	Explanation	To be reported in
Emissions, effluent and waste continued						
EN25  Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoff		GRI index	We generate very little hazardous waste and so do not measure amount transported	Not available	The only one of our operations situated near a Ramsar site is Enstra Mill in South Africa, but water discharge from the mill does not affect this site. With greater focus on water issues throughout the group, we are currently focusing on gathering this information	2015
Products and services						
EN26 Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation		SDR 2011 Planet Detailed throughout this section				
EN27 Percentage of products sold and their packaging materials that are reclaimed by category		GRI index The majority of our papers are recyclable. Our Cape Kraft Mill in South Africa runs on 100% recovered fibre.				
EN28 Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations		GRI index			No such fines	

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Environmental performance indicators continued

Performance indicator description	Reported	Cross-reference Direct answer	If applicable, indicate part not reported	Reason for omission	Explanation	To be reported in
Products and services continued						
EN29  Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce				Not available	<p>Each region has differing approaches as to addressing GHG accounting. It depends much on regional circumstances in relation to customer needs, NGO interest and legislative requirements.</p> <p>Europe Scope 1,2 and 3 with Paper profile and CEPI 'Ten toes' GHG accounting sheet.</p> <p>Southern Africa Scope 1 and 2. Plans are underway to discuss with PAMSA the best and most appropriate way to present GHG accounting data. This will include Scope 3 accounting for the future.</p> <p>North America Scope 1 and 2. There are no plans to account for Scope 3 emissions as these are not presently seen as important by North American NGOs and customers.</p>	
Overall						
EN30  Total environmental protection expenditures and investments by type		SDR 2011 EN30	Detailed by region but not by type.	Not available	We currently do not account separately for different types of environmental expenditure.	2020

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Standard disclosures part III Performance indicators









Social I Labour practices and decent work performance indicators

Performance indicator description	Reported	Cross-reference Direct answer	If applicable, indicate part not reported	Reason for omission	Explanation	To be reported in
Employment						
LA1 Total workforce by employment type, employment contract, and region, broken down by gender.		SDR 2011 Total workforce				
LA2 Total number and rate of employee turnover by age group, gender, and region.		SDR 2011 Employee turnover				
LA3  Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.		GRI index			<p>Southern Africa Employees employed on a part-time or fixed-term contract do not receive retirement and medical benefits nor do they participate in the annual bonus schemes</p> <p>Europe Both permanent and part-time employees who are contracted to work for Sappi receive the same benefits — such as healthcare; disability coverage; maternity/paternity leave and retirement benefits.</p> <p>North America Permanent and part-time workers who work more than 20 hours or more per week are provided with medical insurance, life insurance, disability insurance; retirement and other benefits.</p> <p>Trading Depending on the notice and duration of the part-time employment contract, benefits similar to those provided to full-time employees may be provided to part-time employees. Currently Sappi Trading has no part-time employees.</p>	
LA15 Return to work and retention rates after parental leave, by gender.				Not available	Data systems for capture under construction	2016

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Standard disclosures part III Performance indicators








Social I Labour practices and decent work performance indicators continued

Performance indicator description		Reported	Cross-reference Direct answer	If applicable, indicate part not reported	Reason for omission	Explanation	To be reported in
Labour/management relations							
LA4	Percentage of employees covered by collective bargaining agreements.		SDR 2011 Labour relations				
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements		GRI index			Specific provision for consultation is incorporated into the collective agreements/ works council agreements that have been entered into with trade unions in the various regions in which we operate. We have agreements in place with several trade unions.	
Occupational health and safety							
LA6 	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes.				Not available	Data systems for capture under construction.	2016
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender.		SDR 2011 Wellbeing, health and safety	Occupational disease	Not available	We are synchronising our systems for collection of the data and will be able to report in 2012.	2012
LA8	Education, training, counselling, prevention, and risk-control programmes in place to assist workforce members, their families, or community members regarding serious diseases.		SDR 2011 Health and safety				
LA9 	Health and safety topics covered in formal agreements with trade unions.				Not available		2019

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Standard disclosures part III Performance indicators







Labour practices and decent work performance indicators continued

Performance indicator description		Reported	Cross-reference Direct answer	If applicable, indicate part not reported	Reason for omission	Explanation	To be reported in
Training and education							
LA10	Average hours of training per year per employee by gender and by employee category.		SDR 2011 Training and development				
LA11 	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.		GRI index			Across the group we provide internal training and funding for external training courses based on individual and organisational need. Access to financial to financial planning and retirement planning services are a feature of our wellbeing programme or through our retirement planning services. Sappi provides appropriate severance/ retrenchment pay; job placement assistance and job re-training as appropriate.	
LA12 	Percentage of employees receiving regular performance and career development reviews, by gender.		GRI index			Eligible employees having completed individual development plans; Southern Africa – 93%; Europe – 58%; North America – 94%; Trading – 62%. (We use the term ‘eligible’ as employees in some bargaining units do not participate in the performance review process.)	
Diversity and equal opportunity							
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.		IR 2011 Our leadership Pages 26-29				
Equal remuneration for women and men							
LA14	Ratio of basic salary of men to women by employee category		SDR 2011 Our approach to remuneration				

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Social I Human rights performance indicators

Performance indicator description		Reported	Cross-reference Direct answer	If applicable, indicate part not reported	Reason for omission	Explanation	To be reported in
Investment and procurement practices							
HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.		GRI index		Not applicable	Human rights are not considered a significant risk factor in our investments.	
HR2	Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken.		GRI index		Not applicable	We do not report on this yet, as human rights compliance is covered by the legislation of the countries where we operate, by FSC Principles and the UN Global Compact. We would only be able to report on screening in the long term.	
HR3 	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.		GRI index		Not applicable	This is not considered a significant issue in the areas where we operate	
Non-discrimination							
HR4	Total number of incidents of discrimination and corrective actions taken.		GRI index			No incidents	
Freedom of association and collective bargaining							
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.		GRI index			No such operations	



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Standard disclosures part III Performance indicators

Social I Human rights performance indicators continued

Performance indicator description		Reported	Cross-reference Direct answer	If applicable, indicate part not reported	Reason for omission	Explanation	To be reported in
Child labour							
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour.		GRI index			No such operations	
Forced and compulsory labour							
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour.		GRI index			No such operations	
Security practices							
HR8 	Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations.				Not applicable	This is not an issue at Sappi	
Indigenous rights							
HR9 	Total number of incidents of violations involving rights of indigenous people and actions taken				Not applicable	The rights of indigenous people are protected in terms of the forest certification systems we use. There have been no such incidents to date.	




Social I Human rights performance indicators continued

Performance indicator description		Reported	Cross-reference Direct answer	If applicable, indicate part not reported	Reason for omission	Explanation	To be reported in
Assessment							
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.		GRI index		Not material	<p>Most of the countries in which Sappi has manufacturing operations are ranked as 'Low Risk' on the Human Rights Risk Atlas. The exceptions are the USA and South Africa, which are regarded as 'Medium Risk' countries, and China which is regarded as an 'Extreme Risk' country for Human Rights Abuses.</p> <p>We hold a 34% stake in a joint venture in Jiangxi Chenming Mill in the People's Republic of China. The dominant shareholder in the mill is the Shandong Chenming Group, which is listed on the Shenzhen and Hong Kong stock exchanges. Although our influence is limited, neither our investigations nor any information from the company indicate that there are any human rights abuses at the mill.</p>	
Remediation							
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.				Not material		

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Standard disclosures part III Performance indicators

Social I Society performance indicators

Performance indicator description	Reported	Cross-reference Direct answer	If applicable, indicate part not reported	Reason for omission	Explanation	To be reported in
Local communities						
SO1 Percentage of operations with implemented local community engagement, impact assessments, and development programs.		SDR 2011 Corporate Social Responsibility				
SO9 Operations with significant potential or actual negative impacts on local communities.				Not applicable	Many of our operations are situated in remote rural areas, where we are a significant employer and driver of the economy. In South Africa in 2011, we completed socio-economic assessments of our operations in these areas. These highlighted the fact that our operations have positive impacts on communities. We are considering rolling these assessments to other parts of the group, following modification of the methodology. The industry associations to which we belong in each major region have also conducted broad assessments, showing that overall, the impact of forestry and pulp and paper operations is positive	
SO10 Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.				Not applicable	In Southern Africa, environmental liaison forums which comprise members of the public and Sappi operations hold regular meetings to resolve, amongst others, negative environmental impacts.	




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Standard disclosures part III Performance indicators

Social I Society performance indicators continued

Performance indicator description	Reported	Cross-reference Direct answer	If applicable, indicate part not reported	Reason for omission	Explanation	To be reported in
Corruption						
SO2 Percentage and total number of business units analysed for risks related to corruption		GRI index Our Code of Ethics and our strong governance structures mitigate against corruption. Risks related to corruption are not seen as significant		Not material	<p>Most of the countries in which Sappi has manufacturing operations are ranked as 'Low Risk' on the Human Rights Risk Atlas. The exceptions are the USA and South Africa, which are regarded as 'Medium Risk' countries, and China which is regarded as an 'Extreme Risk' country for Human Rights Abuses.</p> <p>We hold a 34% stake in a joint venture in Jiangxi Chenming Mill in the People's Republic of China. The dominant shareholder in the mill is the Shandong Chenming Group, which is listed on the Shenzhen and Hong Kong stock exchanges. Although our influence is limited, neither our investigations nor any information from the company indicate that there are any human rights</p>	
SO3 Percentage of employees trained in organisation's anti-corruption policies and procedures		GRI index			All employees (and suppliers) have been trained in the group's Code of Ethics.	
SO4 Actions taken in response to incidents of corruption		IR 2011 Page 80				
Public policy						
SO5 Public policy positions and participation in public policy development and lobbying		SDR 2011 Our key sustainability driver Legislation				
SO6  Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.		GRI index			As specified in the Code of Ethics, Sappi's policy is not to make political contributions	




Social I Society performance indicators continued

Performance indicator description		Reported	Cross-reference Direct answer	If applicable, indicate part not reported	Reason for omission	Explanation	To be reported in
Anti-competitive behaviour							
S07 	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes.		GRI index		Not applicable	When these occur, they are reported in our annual report on form 20-F. However, there are currently no such incidents or practices.	
S08	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations.		GRI index		Not applicable	No such fines	

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Standard disclosures part III Performance indicators

Social I Product responsibility

Performance indicator description	Reported	Cross-reference Direct answer	If applicable, indicate part not reported	Reason for omission	Explanation	To be reported in
Customer health and safety						
PR01 Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures		SDR 2011 Planet				
PR02  Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes		GRI index No such incidents		Not material	We have supplied details of the health and safety regulations with which our products and services comply, but there have been no such incidents in the last five years and more	
Product and service labelling						
PR03 Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements		GRI index			In Europe and South Africa we publish Paper Profiles and information sheets for our papers. These give details regarding the composition of our papers, as well as key environmental parameters related to our pulp and paper production processes and information on environmental management systems and wood fibre sourcing policies. In North America, we use Metafore's Environmental Performance Assessment Tool (EPAT) which enables buyers to evaluate our performance on a mill by mill basis.	

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Standard disclosures part III Performance indicators

Social I Product responsibility Continued

Performance indicator description		Reported	Cross-reference Direct answer	If applicable, indicate part not reported	Reason for omission	Explanation	To be reported in
Product and service labelling continued							
PR04 	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes		GRI index			No such incidents	
PR05	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction		GRI index		Proprietary information	We conduct regular customer surveys, but the results are considered highly confidential and are not	
Marketing communications							
PR06	Programmes for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship		SDR 2011 Customer's health and safety				
PR07	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes				Not material	No such incidents - this is not a risk area at Sappi	
Customer privacy							
PR08	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data				Not material	No such incidents - this is not a risk area at Sappi	
Compliance							
PR09	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services		GRI index			No such fines	

Glossary

ABET

Adult basic education and training

adt

Air dry tons — the industry standard is 90% fibre and 10% moisture

AF & PA

American Forest and Paper Association

Biofuels

Organic material such as wood, waste and alcohol fuels, as well as gaseous and liquid fuels produced from these feedstocks when they are burned to produce energy

Bleached pulp

Pulp that has been bleached by means of chemical additives to make it suitable for fine paper production

CEPI

Confederation of European Paper Industries

Chemical cellulose — dissolving pulp

Highly purified chemical pulp intended primarily for conversion into chemical derivatives of cellulose and used mainly in the manufacture of viscose staple fibre, solvent spin fibre and filament

COD — Chemical Oxygen Demand

Untreated effluent is generally high in organic matter. COD is the amount of oxygen required to break down the organic compounds in the effluent

Chemical pulp

A generic term for pulp made from wood-fibre that has been produced in a chemical process

CHP

Combined heat and power

Coated fine paper

Coated paper made from chemical pulp. Also referred to as coated free sheet

Coated papers

Papers that contain a layer of coating material on one or both sides. The coating materials of pigments and binders which act as a filler to improve the printing surface of the paper

Contractor

Refers to an independent employer of self-employed person performing work for Sappi, excludes temporary or fixed-term employees

CSR

Corporate Social Responsibility — previously referred to as corporate social investment

ECF — elemental chlorine free

Refers to bleaching sequences in which no chlorine is used

EIRIS

A leading global provider of independent research into the ethical governance of companies, as well as their social and environmental performance

EMAS

A voluntary clean citizenship initiative of the European Union, constituting the highest environmental standards in Europe and requiring environmental stewardship, determined continuous improvement and detailed public reporting

ETC

Education, Training and Consulting

Exciter

In addition to our more traditional R&D work, we started the Exciter programme in 2005 to deal with the persistent threat of commoditisation in the graphics paper markets. It is aimed at accelerating the development of breakthrough technological competency in our core markets.

Fibre

Fibre is generally referred to as 'pulp' in the paper industry. Wood is treated chemically or mechanically to separate the fibres during the pulping process

Fine paper

Fine paper is usually produced from chemical pulp for printing and writing purposes and consisting of coated and uncoated paper

FSC — Forest Stewardship Council

There are two types of certification. In order for land to achieve FSC endorsement, its forest management practices must meet the FSC's ten principles and other assorted criteria. For manufacturers of forest products, including paper manufacturers like Sappi, Chain-of-Custody (COC) certification involves independent verification of the supply chain, which identifies and tracks the timber through all stages of the production process from source to end product

Green-e®

An independent consumer protection programme created by the Centre for Resource Solutions for the sale of renewable energy and greenhouse gas reduction (www.green-e.org) Greenhouse gases (GHGs) – the GHGs included in the Kyoto Protocol are carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride

ISO — International Standards Organisation

Developed by the International Organisation for Standardisation (ISO), ISO 9000 is a series of standards focused on quality management systems, while the ISO 14001 series is focused on environmental performance and management

IUCN

The World Conservation Union

Kraft paper

Packaging paper (bleached or unbleached) made from kraft pulp

Kraft pulp

Chemical wood pulp produced by digesting wood by means of the sulphate pulping process

Kyoto Protocol

A document signed by over 160 countries at Kyoto, Japan in December 1997 which commits signatories to reducing their emission of greenhouse gases relative to levels emitted in 1990

Glossary

Liquor

White liquor is the aqueous solution of sodium hydroxide and sodium sulphide used to extract lignin during kraft pulping.

Black liquor is the resultant combination of lignin, water and chemicals

LTIFR

Lost-Time Injury Frequency Rate

Linerboard

The grade of paperboard used for the exterior facings of corrugated board. Linerboard is combined with corrugating medium by converters to produce corrugated board used in boxes

Market pulp

Pulp produced for sale on the open market, as opposed to that produced for own consumption in an integrated mill

Mechanical pulp

Pulp produced by means of the mechanical grinding or refining of wood or wood chips

Newsprint

Paper produced for the printing of newspapers mainly from mechanical pulp and/or recycled waste paper

OHSA

Occupational health and safety association

OHSAS

An international health and safety standard aimed at minimising occupational health and safety risks firstly, by conducting a variety of analyses and secondly, by setting standards

Packaging paper

Paper used for packaging purposes

PAMSA

Paper Manufacturers Association of South Africa

PEFC

The world's largest forest certification system, the PEFC is focused on promoting sustainable forest management. Using multi-stakeholder processes, the organisation develops forest management certification standards and schemes which have been signed by 37 nations in Europe and other inter-governmental processes for sustainable forestry management around the world

Pulpwood

Wood suitable for producing pulp – usually not of sufficient standard for saw-milling

Red data list

A global index of endangered species published by the World Conservation Union

Release paper

Backing paper for self-adhesives and/or paper used to impart designs on or to polymers, eg artificial leather.

Sackkraft

Kraft paper used to produce multiwall paper sacks

SFI® — Sustainable Forestry Initiative

The SFI® programme is a comprehensive system of objectives and performance measures which integrate the sustained growing and harvesting of trees and the protection of plants and animals

SMMEs

Small, medium and micro enterprises

Solid waste

Dry organic and inorganic waste materials

Speciality paper

A generic term for a group of papers intended for commercial and industrial use such as flexible packaging, metallised base paper, coated bag paper, etc

TCF — Total chlorine-free

Refers to bleaching sequences in which no chlorine containing compounds such as chlorine dioxide are used

Tons

Term used in this report to denote a metric ton of 1,000kg

TSS — Total suspended solids (TSS)

Refers to matter suspended or dissolved in effluent

Uncoated woodfree paper

Printing and writing paper made from bleached chemical pulp used for general printing, photocopying and stationery, etc. Referred to as 'uncoated' as it does not contain a layer of pigment to give it a coated surface