



# Sappi Fine Paper North America

2012 Sustainability Report

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Mark Gardner

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#### Sappi Fine Paper North America

Sappi Fine Paper North America has been publicly reporting progress on sustainability initiatives since 2008 as part of a global sustainability report issued annually by Sappi Limited at financial year-end. This is the second consecutive year that each regional division will issue its own sustainability report, with consolidated global sustainability performance included in the annual report to shareholders. Sappi Limited will continue to publish a separate online report in conformance with the Global Reporting Initiative's G3.1 framework and disclosing compliance with the UN Global Compact, to which we are a signatory.

This reporting structure maintains our commitment to transparency at the global level while allowing a deeper regional focus that reflects local markets and issues. Covering fiscal year 2012 (1 October 2011 to

30 September 2012), this report includes environmental performance data for Sappi's three US manufacturing operations in Skowhegan, Maine, where our Somerset Mill is located, Westbrook, Maine, and Cloquet, Minnesota, and historical performance data for Sappi's mill in Muskegon, Michigan, which was closed in 2009. Social responsibility and prosperity metrics are reported for the full region, including our corporate facilities and sales offices.

Copies of reports produced by Sappi Limited can be accessed at [www.sappi.com/investors](http://www.sappi.com/investors), along with online access to sustainability reports from Sappi's regional divisions in Europe and South Africa.



In 2012, Sappi Limited celebrated its 75th anniversary. While our strategy has evolved over the years, we have always believed that we will be successful if we provide our customers with the very best services and products, make sustainability a priority and conduct our business in line with our values: excellence, integrity, respect and resourcefulness. Sappi Fine Paper North America embraces our strategy and our values and through this dedication will continue to deliver strong results to our bottom line.

**Ralph Boëttger**

CEO, Sappi Limited

We demonstrate our global commitment to sustainability through our participation in the United Nations Global Compact. And we are equally committed to ensuring that the companies in our supply chain operate safely and comply with international standards with respect to human rights, discrimination and freedom of association.

It is clear that the actions we take to improve our environmental and social performance are the very same actions that drive our financial success and set the foundation for long-term profitable growth.



**Our strategic vision is clear: We must remain committed, as an organization, to exercise foresight and courage and take the actions necessary not only this year but in the years that lie ahead.** It is this vision that drives our comprehensive sustainability strategy, one that recognizes that financial success can only be found when we make the right decisions to invest in our people, in our communities and in processes and capital projects to improve our environmental performance. We must execute against this vision—now and for the long-term.

Our track record is clear: Over the last five years we have achieved considerable success in meeting or beating our long-term sustainability goals—while at the same time improving profitability, growing our market presence, and meeting evolving customer expectations. Producing more from less, we are better positioned to effectively compete for customers whose values align to our own: high quality products, responsibly made; efficient and flexible services that avoid waste and redundancy; and well trained employees committed to safety, responsiveness and innovative solutions. These are the organizational qualities and capabilities that will define the long-term sustainable success of our company.

**Safety Performance** The benchmark for measuring the overall health of any manufacturing organization is its safety performance. SFPNA's improvements in safety performance are driven by the fundamentals: our commitment to responsible work practices, well maintained physical assets, good housekeeping, regular training programs, transparent communication, rigorous reporting (including near misses) and, most importantly, strong safety leadership at all levels of our organization.

This year, our overall safety performance improved significantly, with a 25 percent reduction in safety incidents, and a drop in our Lost Time Injury Frequency Rate (LTIFR) to 0.72 from 0.92 in 2011. While we are gratified by this improvement, we remain very focused on our ultimate goal of zero injuries and have set expectations throughout the organization for step improvements in 2013.

**Environmental Performance** In 2012, we continued our progress across many environmental performance metrics as detailed in this report. Increased efficiencies and productivity at our mills, along with a company-wide focus on waste reduction, led to lower greenhouse gas emissions, improved energy efficiency, lower organic waste to landfill, and lower raw material waste through process re-use. We continue to source 100 percent of our wood from our regional North American wood baskets from landowners we know and trust, and remain committed to providing state-of-the-art sustainable forestry management services through our team of talented and experienced foresters located in both Maine and the Great Lakes region.

These achievements, and many others, help secure our low cost position, enable us to compete successfully across global markets and will attract reinvestment in all three of our businesses.

**At the Forefront of Innovation** This coming year, we will embark on an exciting new addition to our portfolio with the US\$170 million pulp mill conversion at Cloquet Mill, expanding our reach into the high-growth dissolving pulp business. When this major investment comes online in 2013, it will bring Sappi's total specialised cellulose capacity to over 1.3 million metric tons each year and ensure prosperity for many years to come.

As we look to the future, Sappi believes that investing in our people enables us to compete at the forefront of innovation. We are proud to support a highly skilled workforce

through lifelong learning, including opportunities for our own in-house engineers and research and development teams. As thought leaders in the industry, we strive to attract new employees with a fresh perspective and are actively engaged in an open, transparent dialogue about sustainability with our customers, employees and additional stakeholders.

Our legacy of sustainability relies on building on our past and utilizing best practices to strengthen our core business. The achievements and positions on key sustainability issues outlined in this report reflect our unwavering commitment to evaluate how to better manage our operations, improve yield and safety, and lower costs to create a more prosperous future for our customers and for Sappi.

**Mark Gardner**  
President & CEO  
Sappi Fine Paper North America

# Overview of SFPNA

Sappi Fine Paper North America (SFPNA), known for innovation and quality, is a preeminent North American producer of coated fine and release papers and market pulp headquartered in Boston, Massachusetts.

## Sappi Limited

SFPNA is a subsidiary of Sappi Limited, a global company headquartered in Johannesburg, South Africa, with manufacturing operations in eight countries on four continents, sales offices in 35 countries and customers in over 100 countries around the world.

## Pulp

An integrated pulp and paper producer, with state-of-the-art pulp mills, SFPNA is the fifth largest producer<sup>1</sup> of market hardwood pulp in North America.

<sup>1</sup>2012 RISI world capacity data

## Coated Papers

Our coated fine papers, with highly recognized brand names such as McCoy, Opus, Somerset and Flo, are used in premium magazines, catalogs, books and high-end print advertising.

## Release Papers

The company is also the world’s leading supplier of release papers for the automotive, fashion and engineered films industries, including the globally recognized Ultracast brand. SFPNA’s release papers provide the surface aesthetics for synthetic fabrics used in footwear, clothing, upholstery and accessories, as well as the textures for decorative laminates found in kitchens, baths, flooring and other decorative surfaces.



# Corporate Governance

Sustainability is not just a business philosophy at SFPNA. It is a corporate policy with formal responsibilities, defined goals and accountability demanded from every part of our operations.



**A. Mark Gardner**  
President & CEO

**B. Jennifer Miller**  
EVP, Coated Business  
& Chief Sustainability Officer

**C. Bob Weeden**  
VP, Release & Technical  
Specialties Businesses

**D. Sarah Manchester**  
VP, Human Resources  
& General Counsel

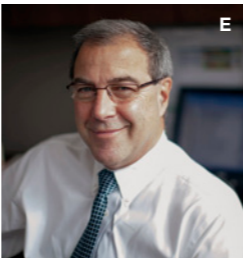
**E. John Donahue**  
VP, Manufacturing

**F. Deece Hannigan**  
VP, Procurement &  
Fiber Resources

**G. Annette Luchene**  
VP & Chief Financial Officer

## Sustainability Steering Committee

Mark Gardner, President and Chief Executive Officer of SFPNA, chairs the Sustainability Steering Committee made up of senior level executives in all three business units and several key functions. The Committee, which meets monthly, is responsible for setting long-term goals, conducting progress reviews of these goals and ensuring that adequate organizational resources are dedicated to achieving sustainability initiatives. Jennifer Miller, Executive Vice President of the Coated Business and Chief Sustainability Officer, is responsible for ensuring that Sappi’s sustainability strategy is consistent with overall business goals and objectives, including capital plans and compliance with stated corporate governance standards.



Laura Thompson

## Sustainability Council

Laura M. Thompson, PhD, Director of Technical Marketing and Sustainable Development, chairs this Council comprised of representatives from all of SFPNA’s business segments, manufacturing facilities and corporate functions. The Council meets twice monthly to review operational level compliance and strategic objectives. Dr. Thompson also represents the North American region on Sappi’s Global Sustainability Council, which meets regularly to share best practices and maintain the global charter.

**Functional areas:**  
Communications,  
Customer Care,  
Human Resources,  
Manufacturing,  
Wood Procurement

## Sustainability Ambassadors

To strengthen our outreach into local communities where Sappi has manufacturing operations and corporate offices, we are placing greater emphasis on the role of our Sustainability Ambassadors. In 2012, SFPNA appointed Marty Duggan, Information Technology Project Manager, to chair the Ambassadors program. In addition, each company location designated a Lead Ambassador to act as point person to coordinate the activities of the corps of Ambassadors and elevate sustainability issues through greater communications and community engagement. The grassroots work that the Ambassadors do on a local level is critical to the success of Sappi’s sustainability commitment.



**H. Marty Duggan\***  
South Portland Office  
South Portland, Maine

**I. Lynne Palmer**  
Technology Center  
Westbrook, Maine

**J. Maria Durocher**  
Westbrook Mill  
Westbrook, Maine



**K. Kevin Madore**  
Somerset Mill  
Skowhegan, Maine

**L. Laura Brosius**  
North Region Sales

**M. Duncan McFarland**  
Corporate Headquarters  
Boston, Massachusetts

**N. Nikki Carlson**  
Cloquet Mill  
Cloquet, Minnesota

\*Chair

**Functional areas:**  
Communications, Fiber  
Resources, Human  
Resources, Legal,  
Manufacturing, Sales,  
Supply Chain,  
Wood Procurement



## Sustainability Customer Council

The Sustainability Customer Council is made up of eight Sappi customers, representing all key customer segments, including merchants, printers, publishers, corporate paper buyers and graphic designers. In semiannual meetings, the Council provides valuable input on emerging issues and weighs in on how customer needs will impact SFPNA’s sustainability communications plan. Kathy Fernstrom, Key Accounts Manager in our Publishing Sales Group, chairs the Council.

**Customers:**  
Classic Color, Eason  
Associates Inc.,  
Graphic Communications,  
Hearst Enterprises,  
Macy’s, Inc., Sandy  
Alexander, Transcontinental  
Printing, xpedx

## Q&A

Jennifer Miller, EVP–Coated Business, was appointed Chief Sustainability Officer in 2009 and is the company officer responsible for aligning sustainability strategy and goals with business plans for all three of the company’s business units: coated, specialties and pulp. She shared key insight into critical issues and what is next for goal-setting of sustainable practices.

### 2012 marks the fifth year that SFPNA has publicly reported its progress against sustainability goals; what do you see as the key issues that will define your company’s progress over the next five to ten years?

Economic sustainability is certainly the foundation. Will we be successful in responding to market dynamics in all three of our businesses and generate returns that attract reinvestment? In order to open up new markets and new growth potential, we are dedicated to attracting employees who will redefine and renew our business strategies. Furthermore, earning the business and trust of our customers depends on the thoughtful way we manage all of our operations, including avoiding waste and inefficiency and thereby reducing environmental impacts.

All of these issues are interrelated and I believe our stakeholders, whether customers, employees, communities or investors, understand that a more holistic approach to sustainable development will be the key to the future. It will no longer be just a matter of “green program” badges or “green product” labels. The bigger picture of what vision a company has for its future growth and success and exactly how it plans to get there—through strategies that account for both people and the planet—is far, far more important.

### Has this holistic view influenced your goal-setting for the next five years?

Absolutely, starting with a prosperity goal of reaching and maintaining an overall company return on net operating assets of 12 percent, the level we have determined will attract reinvestment. In addition, the new waste reduction and energy efficiency goals will drive the right actions in all three of our businesses to lower costs and improve productivity and yield. All of these strategies are key to ensuring continued global competitiveness and minimal environmental impacts.

We remain committed to an average of 75 hours per year of meaningful training for all of our employees, hourly and management, to provide them with valuable skill sets for the future. And this commitment extends to our customers, where we have invested time in educational programs to make sure they understand not only the features and benefits of our products and services, but how together we can offer unique solutions for today’s and tomorrow’s markets. Finally, we take seriously our obligation to source responsibly with a key focus on wood sourcing—the essential raw material for all three of our businesses.

### As a leading pulp and paper company, SFPNA must consider wood sourcing to be a critical element of your overall sustainability strategy. Where do you see this going in the next several years?

With only ten percent of forests third-party certified and with many customers demanding that level of assurance, we clearly must do much more in the way of helping our wood suppliers become certified. We detail many of those initiatives in this report and are proud of our activities in that arena. SFPNA is committed to sourcing 100 percent of our wood and market kraft pulp from well-managed forests. We are members of the Forest Stewardship Council® as well as the Sustainable Forestry Initiative®—two of the world’s leading independent nonprofit organizations that are responsible for developing sustainable forestry certification programs. But it is as important, I believe, to promote better understanding of what it means to source wood from controlled sources.

What that means for us is that for 100 percent of the wood we buy, we know where it comes from. The landowner adheres to sustainable forest management principles, including all laws and regulations pertaining to harvesting activities, so that we know the wood we purchase doesn’t come from protected forests. Commitment to sustainable forestry practices is not only good for the environment, but is good business sense.



### Building on the theme of efficiency driving sustainable results, what changes has SFPNA made in terms of logistics and operations planning?

Through a collaboration with the US Environmental Protection Agency’s (EPA) SmartWay® Transport Partnership, we are able to closely manage how our products move from the mill to the customer location. We have worked hard to plan our shipping and storage operations much more efficiently, reducing freight miles, eliminating redundant trips and shipping directly with full railcars or trucks as often as possible.

These activities not only improve on-time performance and reduce cost and damage, but they result in better fuel usage and lower carbon emissions. Less handling contributes to less opportunity for damage and less potential waste.

Finally, we are working with several of our merchant partners to eliminate even more redundancy and waste by integrating our shipment planning. Again, this makes good environmental and business sense for us and our customers and improves the future for our entire industry segment by keeping transit times short and costs low.

### Speaking of the future of your industry, how do you see the role of print changing and what should we expect to see from SFPNA in 2013 and beyond?

Print is definitely going to play a more focused and, frankly, higher value role in the media mix. Paper is still the most tactile media and the most effective in creating lasting emotional and positive brand associations. It can break through clutter in ways other media cannot and inspires consumers to act. The combined use of print and digital technology has become increasingly important in improving the overall effectiveness of a fully integrated media

campaign. You can expect to hear a lot more from Sappi this year on new advocacy programs and sales tools on just how best to leverage the value of print. In addition, we will focus on programs showing how our unique coated paper offerings represent the higher end of the market in terms of tactile feel, color fidelity and image pop—true complements to the alternative media choices in the market.

We believe that the efficient, targeted use of paper remains one of the most cost-effective and high-return choices out there. And even more rewarding, it is 100 percent recyclable, produced by using high levels of renewable energy, and it supports sustainably managed forests.

### In closing, what other steps is SFPNA taking to ensure a sustainable future for its employees, customers, local communities and shareholders?

We think hard about the investments we must make now in order to be a viable manufacturer and service provider for the future: investments in educational outreach at universities, trade schools and design centers; capital projects at our mill sites, like our recent investment in Somerset’s PM #3 and planned investment in new coaters at Westbrook for our specialties business; and new IT, logistics and e-business systems that are state-of-the-art and help lower costs of doing business with us and increase speed to market.

Looking further ahead, we are entering into an exciting growth market with our specialised cellulose business. Sappi Limited is currently the largest producer of chemical cellulose and with our major US\$170M investment in Cloquet to be completed in 2013, we expect to produce an additional 330K metric tons per year. Going forward, we foresee the conversion will not only diversify our offering to a high-growth sector and improve the overall returns of our North American region, but will provide opportunities for further reinvestment in our coated, release and chemical cellulose businesses.

# The First Five Years (2008–2012)

In 2007, SFPNA established a baseline of performance for seven sustainability goals targeting improvement across all three pillars of sustainability—economic, social and environmental responsibility. Our aim was to achieve new levels of performance within five years (by 2012). Beginning in 2008, we began tracking performance against these goals and in the final year of tracking have achieved or exceeded expected performance.

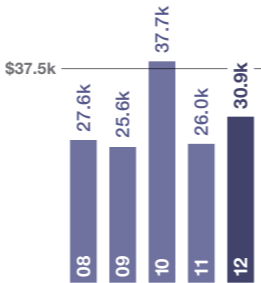
**Highlights from the First Five Years** *People:* In 2012, each employee averaged over 60 hours of training, nearly double the level in 2008. *Planet:* We have reduced our greenhouse gas emissions by 53 percent, achieving the lowest reported carbon footprint among major domestic freesheet suppliers. *Prosperity:* By offering products and services that meet dynamic customer demands, we have maintained over 40 percent of our portfolio as less than five years old.

## PEOPLE

10%

**Increase community support through education and training initiatives by 10% each year**

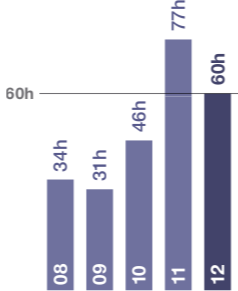
The intent of this goal was to steer a greater proportion of our community contributions (spend) toward educational or training programs each year. While we did not achieve the full cumulative effect of ten percent year-over-year increases, our financial support of education and training programs increased by 33 percent over the 2007 baseline. Local mill leadership will continue to manage spend to best assist community needs.



60h

**Increase training to an average of 60 hours per employee per year**

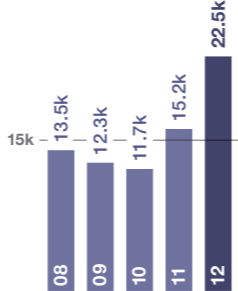
A highly skilled workforce gives the company a competitive edge, with employees able to work more efficiently and confidently and able to assume leadership responsibilities; an effective safety training program has been shown to lower incident and accident rates and increase productivity. Each employee's hours of training are logged in an online tracking system, with total hours of training divided by the number of employees. In 2012, each employee achieved our targeted objective of 60 hours of training, nearly double the level in 2008.



15k

**Increase training and consulting offered to customers through the Sappi etc. program to 15,000 hours by 2012**

Our Sappi etc. program, which stands for education, training and consulting, is tailored to share SFPNA's expertise on a wide range of technical, marketing and design issues. Customer demand and appreciation for our offerings in the program continue to grow and in response we have continued to expand this program. In 2012, we sponsored a national lecture tour featuring *The Standard 5* (our guide on special effects in printing) which garnered record attendance across a wide audience base. These timely and relevant customized training programs have resulted in a tremendous outpouring of customer goodwill and brand loyalty.



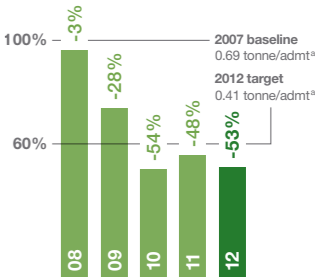
## PLANET

40%

**Reduce greenhouse gas emissions from fossil fuels by 40%**

We measure performance in terms of an intensity metric, specifically, CO<sub>2</sub> per ton of product (including market pulp sales). This enterprise-level goal includes all manufacturing operations (early reporting periods include data from the Muskegon, Michigan mill that closed in 2009). The metric includes direct emissions from our facilities (Scope 1) as well as emissions associated with purchased electricity (Scope 2). Our unparalleled performance against this goal has resulted in the lowest reported carbon footprint among the domestic coated freesheet suppliers.

<sup>a</sup> Intensity metrics reflect the impact per air-dried metric ton of saleable product (including market pulp).

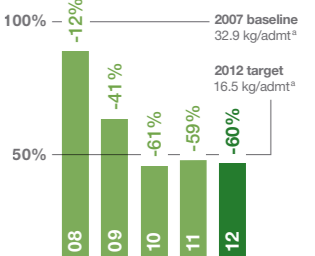


50%

**Reduce the organic content of solid waste to landfill by 50%**

We have purposely targeted only the organic portion of our waste streams rather than total waste to landfill for several reasons. First, the organic portion of solid waste is a key measurement of boiler efficiency and fiber losses to our wastewater treatment facilities. Organic content is ultimately the matter that contributes to harmful greenhouse gas emissions. Furthermore, reducing reliance on fossil fuels by switching to biomass and alternative fuels such as construction and demolition wood actually increases our total generation of solid waste (more ash). We have established control measures that have resulted in exceeding and sustaining performance against this objective.

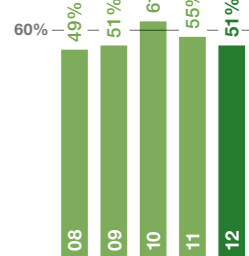
<sup>a</sup> Intensity metrics reflect the impact per air-dried metric ton of saleable product (including market pulp).



60%

**Increase the level of certified fiber across all operations to 60%**

Performance is measured as a percentage of certified fiber (from both the pulp we produce and that which we buy) in all of our products. We recognize fiber from each of the major third-party certification organizations, including the Forest Stewardship Council® (FSC®), the Sustainable Forestry Initiative® (SFI®) and the Programme for the Endorsement of Forest Certification (PEFC). Additionally, we include fiber sourced from Certified Professional Loggers and the Maine Master Logger programs. Our level of certified fiber has increased substantially from our 2007 baseline of 28 percent, but has fallen short of our initial objective (see p.48 for more detail). We have extended this goal and increased the target to 65 percent.

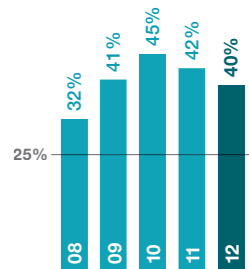


## PROSPERITY

25%

**Generate 25% of revenue from products and services that are less than five years old**

This goal drives organizational focus on the need for products and services that meet ever-changing customer demands. We have exceeded this goal largely due to product innovations in our release papers business, with the launch of unique patterns used in decorative surfaces markets (primarily coated fabrics and laminates). In addition, we redesigned our coated paper portfolio, including a product line extension and robust service commitments with our economy offering, Flo; and new digital offerings, including a proprietary coating technology for McCoy Indigo. Since 2009, we have maintained over 40 percent of our portfolio as less than five years old.



# The Next Five Years (2012–2016)

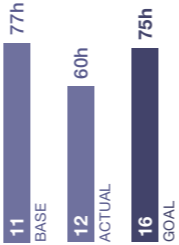
With the original five-year goals ending in fiscal year 2012, the Sustainability Steering Committee met in 2011 to reset a baseline and establish new five-year goals for the period of measurement 2012–2016. Three of our original goals are included in the new measurement period with increased targets to drive further improvements. Where goals have been retired, we will continue to track and maintain visibility internally to assure sustained performance against these objectives.

## PEOPLE

75h

### Offer training at an average of 75 hours per employee per year to enhance job performance and managerial skills

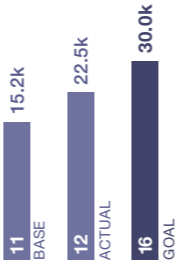
Performance against this goal is measured in terms of total training hours divided by total number of employees, with recognition that some positions require higher levels of training. In 2013, there will be significant levels of training focused on the conversion of our pulp mill in Cloquet as well as additional managerial skills training offered by our Organizational Development group. Sustainability Ambassadors will also be offering training on environmental topics throughout the organization. Our commitment to training is grounded in the knowledge that a highly skilled workforce gives us a competitive edge and effective safety training contributes toward lowering incident and accident rates.



30k

### Increase training and consulting offered to customers through the Sappi etc. program to 30,000 hours by 2016

Based on the response from our customer base, our target is to double the number of hours originally targeted in our first set of five-year goals (see p.10). Training is offered through seminars, webinars, training workshops, technical roundtables and general consulting, covering a range of topics from our content experts. Our commitment to educational offerings is grounded in a belief that informed decisions lead to better decisions across the supply chain.

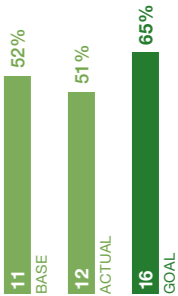


## PLANET

65%

### Increase the level of certified fiber across all operations to 65%

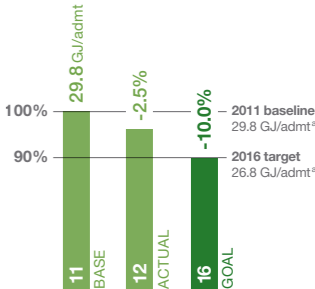
This is an extension of one of our original five-year goals. Performance is measured as a percentage of certified fiber (from both the pulp we produce and that which we buy) in all of our products. We recognize fiber from each of the major third-party certification organizations, including the Forest Stewardship Council® (FSC®), the Sustainable Forestry Initiative® (SFI®) and the Programme for the Endorsement of Forest Certification (PEFC). Additionally, we include fiber sourced from Certified Professional Loggers and the Maine Master Logger programs. Our ongoing forest management services and supplier outreach programs to help increase certified lands in the areas that supply fiber to our mills will be key to achievement of this goal. 2012 performance was negatively impacted in part due to our agreement to take uncertified wood salvaged after a major wind event in Minnesota and Wisconsin (see p.22).



10%

### Reduce the amount of total energy expended in making each ton of product by 10%

Currently, less than 20 percent of our manufacturing energy needs come from fossil fuels. This goal seeks to reduce overall energy usage regardless of whether that comes from purchased electricity, fossil fuel or renewable energy sources. In accordance with industry standard methodology, energy from purchased electricity is calculated in terms of fuel inputs to account for efficiency losses in generating and transmitting power. Further details on energy consumption can be seen on p.26.

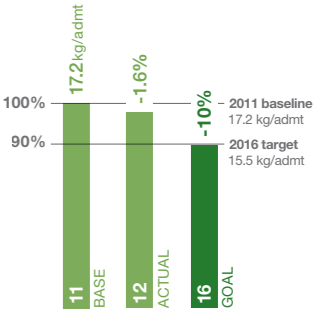


<sup>a</sup> Intensity metrics reflect the impact per air-dried metric ton of saleable product (including market pulp).

10%

### Reduce fiber and papermaking raw material waste by 10%

The intent of this goal is to drive a more efficient use of raw materials resulting in input cost savings as well as reduced costs and environmental impact associated with waste handling. This metric is measured by tracking the amount of material waste (primarily fiber, fillers and coating material) in mill sewers in both the pulp mill and papermaking areas. In addition to implementing best practices, we also have capital projects planned that will contribute to the achievement of this goal.

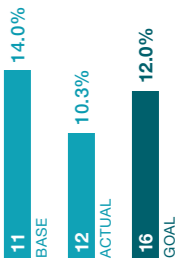


## PROSPERITY

12%

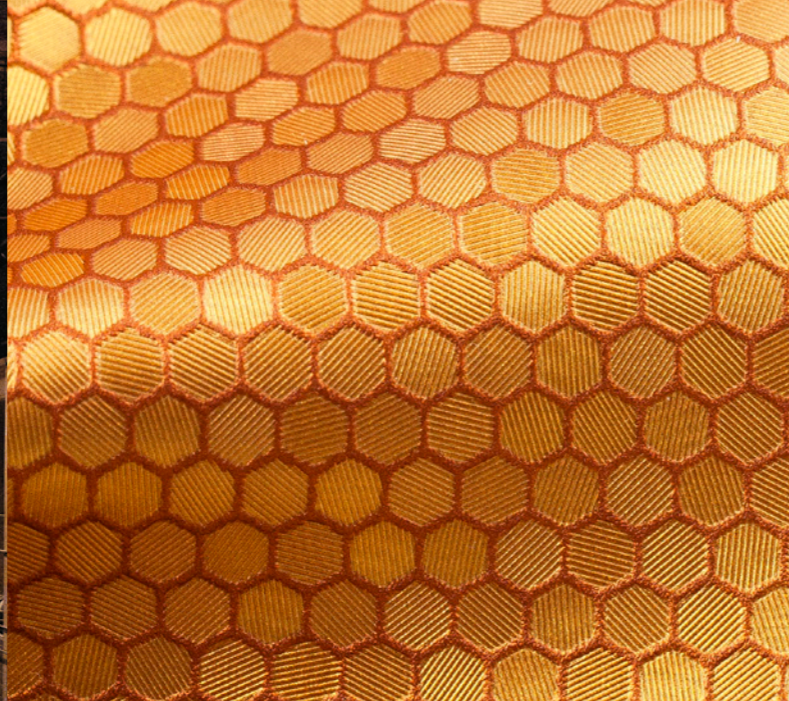
### Achieve or exceed an annual 12% Return on Net Operating Assets (RONOA) for SFPNA

This metric, focused on earning our cost of capital, is the most fundamental economic measure of sustainability, as it clearly indicates whether a company's performance warrants reinvestment for the future. We continue to make plans that positively impact RONOA going forward. This year, we are investing significantly at each of our manufacturing facilities in support of all three of our business units—including Somerset PM #3, the Cloquet pulp mill (conversion to chemical cellulose), the stock preparation area at Cloquet to enable handling of dry fiber and a coater rebuild at our Westbrook Mill (release papers).



## Economic Responsibility

Successful achievement of environmental and social responsibility goals goes hand in hand with financial success. Environmental initiatives drive direct savings in energy and materials, employee training increases productivity and customer satisfaction, and strong sustainability positioning results in higher levels of customer loyalty, revenue and profit. With more efficient operations, we reduce the environmental impacts associated with every unit of production—delivering more value while consuming fewer resources. Solid financial performance attracts reinvestment in our people and in our assets, driving further improvements. Success builds on success, creating a business platform that is viable over the long term.



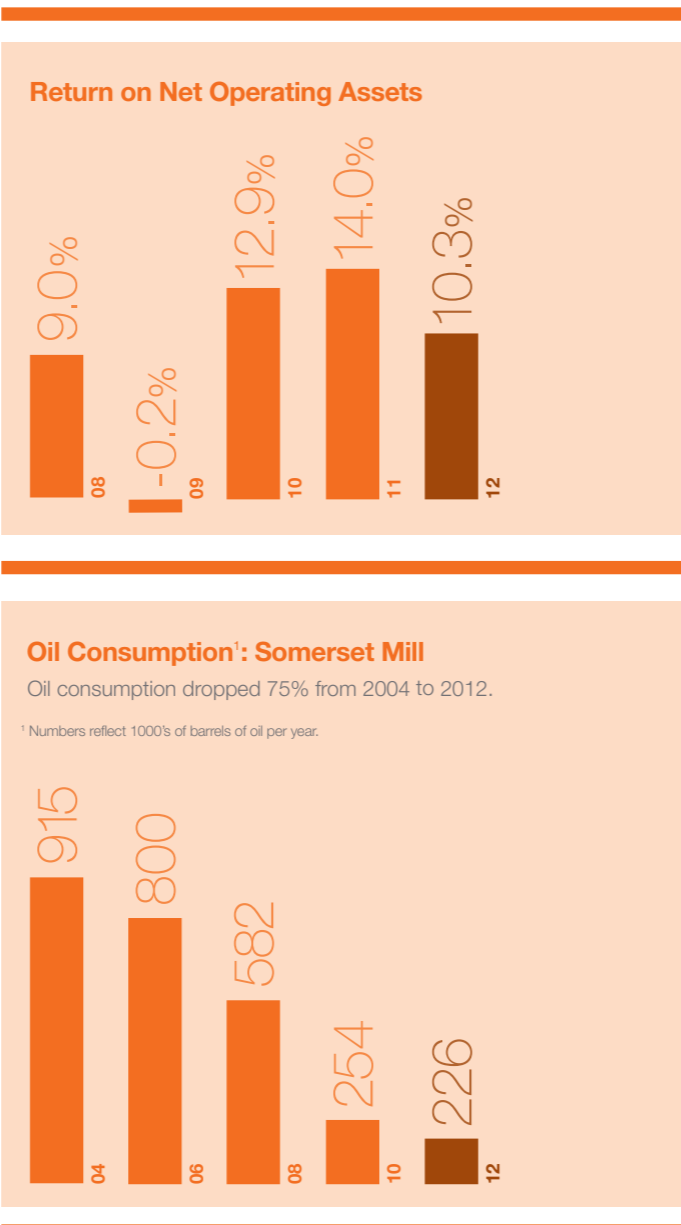
# Sustainability as a Business Strategy

At SFPNA, sustainable development is an inseparable element of our overall business strategy. Everything we do—from employee engagement activities to the implementation of new technology—is centered on positioning our business for the long term. By integrating social and environmental goals with financial goals, we have reduced our operating costs, secured a talented workforce, strengthened our company’s brand value and attracted investment.

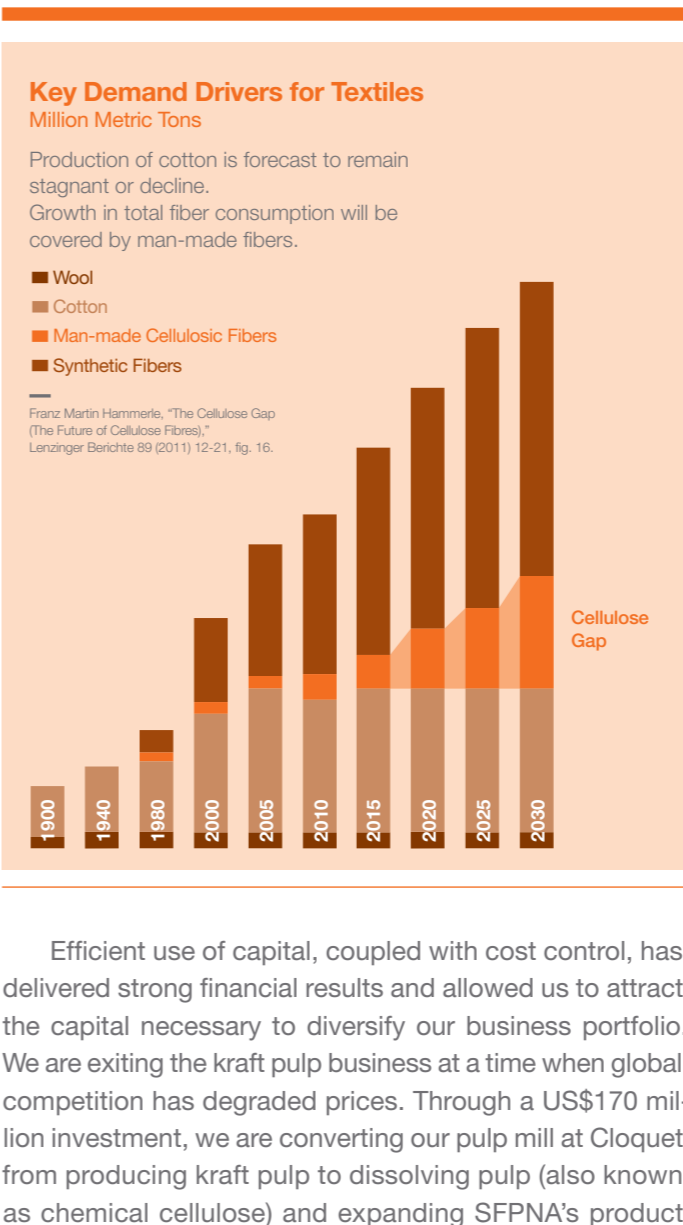
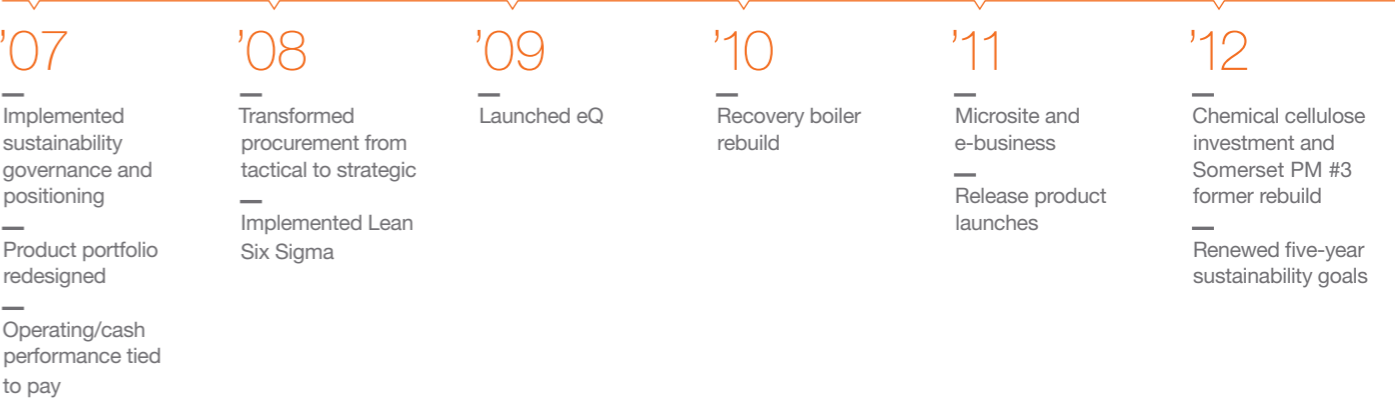
Our achievements reflected throughout this report are the result of numerous efforts across all three of our business units—coated papers, release papers and market pulp. Each business unit has contributed toward key business initiatives, from procurement of energy and materials through manufacturing and efficient distribution of our products. We can look back at some very significant decisions we’ve made over the past five years to keep our company strong and reinvestable, including product redesign to eliminate unnecessary material costs, SKU reduction to eliminate costly complexity and implementation of incentive compensation plans designed to keep the whole organization focused on the same goals.

In 2007, we established our first year of public tracking and reporting of our sustainability performance. A top priority from the first year centered on driving revenue from products and services developed within the past five years or less. This goal reflects our attention to changing customer needs and the ability to respond to those needs in a timely manner. Our product portfolio, supported by strategic marketing and sales efforts, has earned us improved market share in targeted business segments. When up against the competition, our achievements in the realm of environmental and social responsibility have enabled us to win key pieces of business.

Our highly trained and skilled workforce has made significant improvements in our pulping and papermaking operations. In 2012, we made 1.1 million metric tons of paper on six paper machines, which is almost as much as we made on seven paper machines in 2008, prior to the closure of the Muskegon, Michigan mill. This “invisible paper machine” reflects our more efficient operations, increased focus on waste reduction and working smarter throughout the manufacturing process.



## Managing through the Cycle



portfolio into a growing market with higher margins. With operations at the Cloquet Mill in North America and the Ngodwana Mill and Saiccor Mill in Southern Africa, Sappi Limited has become the leading global supplier of chemical cellulose.

Along with our diversification, we are also continuing to invest in each of our three business units. We are rebuilding an off-machine coater at our Westbrook Mill, which will enable the mill to have greater productivity along with improved quality and operational flexibility. This investment positions us for growth in our Classics release business as well as opening up opportunities for new products.

At both our Somerset and Cloquet facilities, we continue to make investments in the core coated fine paper business. The Cloquet Mill is modifying refining equipment and the stock preparation area to be better suited for using purchased dry fiber. At the same time, our Somerset Mill is replacing the forming section on the PM #3. Both of these investments are expected to deliver increased production rates and result in better returns through material savings.

As we look ahead to the next five years, we will continue to report on our performance with a dedication to transparency. The outcome of our strategy is ultimately reflected in our financial performance—and we believe that our overall return on net operating assets is one of the most powerful metrics to illustrate our achievements.

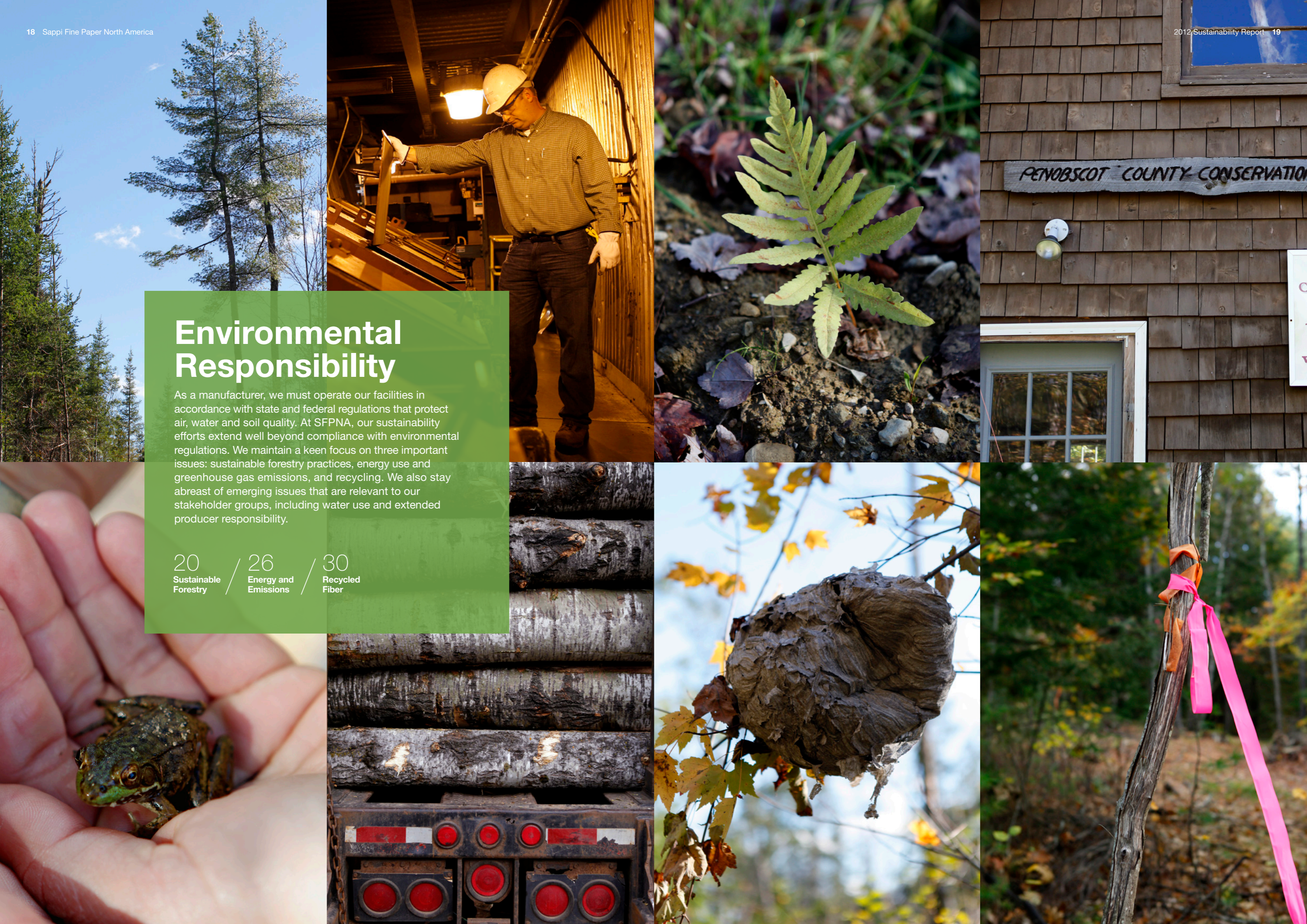
# Environmental Responsibility

As a manufacturer, we must operate our facilities in accordance with state and federal regulations that protect air, water and soil quality. At SFPNA, our sustainability efforts extend well beyond compliance with environmental regulations. We maintain a keen focus on three important issues: sustainable forestry practices, energy use and greenhouse gas emissions, and recycling. We also stay abreast of emerging issues that are relevant to our stakeholder groups, including water use and extended producer responsibility.

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# Sustainable Forestry

SFPNA is committed to sourcing 100 percent of our wood and market kraft pulp from well-managed forests. We are members of the Forest Stewardship Council® as well as the Sustainable Forestry Initiative®—two of the world’s leading independent nonprofit organizations that are responsible for developing sustainable forestry certification programs.

With less than ten percent of the world’s forests certified to a credible standard, we support inclusive policy positions based on multiple standards. Furthermore, we strive to expand certification across the supply chain with an emphasis on growing certified land in the regions that provide fiber to our mills. Developing access to certified wood in close proximity to our manufacturing plants provides multiple benefits, such as reducing transportation costs from forests to mills and lowering the consumption of fossil fuels, all while supporting the economic well-being of our local community.

**Certification** SFPNA currently holds chain-of-custody certifications from FSC®, SFI® and PEFC, the leading independent entities developing standards for forest management in our industry. These chain-of-custody certification programs provide assurance that wood-based products have been procured from well-managed forests and are legally harvested. Our suppliers’ forest management plans are designed and implemented to protect biodiversity, wildlife habitat, soil and water quality and forests with exceptional conservation value.

SFPNA was the first pulp and paper company in North America to be granted a group forest management certificate by the Forest Stewardship Council®. Through this certificate, small landowners who agree to enter as a member of our forest management group have their land certified in accordance to the FSC® standard. At the end of September 2012, 19 landowners with 11,600 acres of land were under management through this program. Based in part on the successful implementation of our program,

several other pulp and paper companies have recently been granted group certificates, primarily in the southeast, and are working to further grow FSC® certified land in that region.

SFPNA is a founding member of GreenBlue’s Forest Products Working Group (FPWG). The group is committed to science-based solutions by bringing together multiple stakeholders to address unmet challenges in the forest products sector. For its inaugural project, the group is designing a set of guidelines to aid the responsible procurement, use and recovery of paper products. Work is also under way to identify and address some of the barriers to expanding the growth of certified forests.

**Beyond Certification** SFPNA’s wood procurement group is staffed with licensed foresters with a breadth and depth of knowledge that enables them to take an active and important role that extends well beyond procurement and certification efforts. While Sappi does not own any forestland in North America, we do provide active forest management services for landowners within our mills’ procurement zones.

SFPNA foresters and other employees are also involved in multiple activities ranging from local community outreach to participation in state and national advisory boards. We also have a strong commitment to research activities that are aimed at improving forest practices.



## Balancing Management Objectives

Katie Cousins / Skowhegan, Maine

When the Penobscot County Conservation Association (PCCA) wanted to harvest some trees to benefit the wildlife on their property, we knew, despite the fact that their 1,300 acres in central Maine were not certified, that we could help them harvest wood consistent with sustainable management practices. Guided by environmentally sound procedures, the Sappi Fine Paper North America Sustainable Forestry Program foresters identified the landowner’s objectives, assessed the property to determine options and developed a plan of action to achieve the stated objectives. Most importantly for the PCCA, the harvest strategy took a series of steps to promote animal habitat and natural history conservation.

First, within two large blocks of pine trees, we opened two patches in which the association will plant food crops to give animals places to forage and take cover while retaining much needed roosting spots for songbirds and turkeys. The Maine Chapter of the American Chestnut Foundation will use these patches as part of their efforts to reintroduce the chestnut that was once an important part of New England forests but has been ravaged by disease. Second, in areas crowded with

immature trees, we created five small patch openings to promote new plant regeneration while producing food sources for small mammals, deer and moose as well as cover for grouse and woodcock.

Finally, we harvested a 100-acre block of dying balsam fir and red maple so that species like white pine, spruce, red oak and beech, which have more value to wildlife, could flourish. Of course, much of the wood we cut did have a manufacturing and financial value as well. “We harvested a lot of hardwood and softwood trees, which are basically two of the primary wood products that go into making paper,” said Katie Cousins, a SFPNA forester and wildlife biologist who worked on the project. And the money that SFPNA paid for the wood went directly to PCCA, who can now use it for college scholarships, sponsoring students for a week at a conservation camp, hunter safety programs and further conservation efforts. So, in the end, though it didn’t further our goal of increasing our use of certified fiber, it is easy to see how this project benefited the landowner, Sappi and the wildlife.

### Listening to Nature

Gary Erickson / Cloquet, Minnesota

In July 2011, two separate wind events impacted northeast Minnesota and northwest Wisconsin, damaging the equivalent of 600,000–700,000 cords of wood. Given our team’s vast forestry experience, we knew it was important to act fast to help protect our local wood basket.

The longer the wood sat on the ground—in some places it was stacked twelve feet high—the quicker it would dry out, creating a fire hazard and an explosion of the insect population. Also, every day the downed timber stayed in the woods, it was losing value, thereby costing the landowners money and wasting a valuable resource that could be used for lumber, fuel and

paper production. Though we purchased nearly half of the damaged timber from Minnesota, most of the downed wood was not third-party certified. But Gary Erickson, Regional Manager of Wood Fiber and Fuel Procurement for SFPNA in Cloquet, Minnesota, says during times of crisis it is more important to look at the big picture. “There is a good ecological reason for helping these small landowners and providing a market and beneficial use for the wood that is being salvaged off that land.” And the good news is that where the wood has been harvested, natural regeneration is already occurring.

#### Certified Fiber Sourcing

As a primary producer within the SFI® program, we must meet several measurable objectives that ultimately benefit family foresters when buying fiber that is not from a third-party certified forest. These objectives include:

#### Landowner Outreach

To broaden the practice of sustainable forestry by forest landowners through fiber sourcing programs.

#### Use of Qualified Resource and Qualified Logging Professionals

To broaden the practice of sustainable forestry by encouraging forest landowners to utilize the services of forest management and harvesting professionals.

#### Adherence to Best Management Practices

To broaden the scope of sustainable forestry through the use of best management practices to protect water quality.

For more information visit [www.sfiprogram.org](http://www.sfiprogram.org).

Over half of our fiber comes from third-party certified sources and we have an expressed goal to increase the certified content of our wood and fiber. It is important to note that 100 percent of our fiber meets state and federal laws including the FSC® Controlled Wood standard as well as the requirements of the SFI® Fiber Sourcing standard.

The FSC® Controlled Wood standard aims to avoid the use of wood products from “unacceptable” sources in FSC® labeled products. The SFI® Fiber Sourcing standard also prohibits fiber from controversial sources—such as illegal logging and logging from areas without effective social laws. In addition, there are several criteria that must be met when buying fiber that is not from a third-party certified forest (see sidebar).

Healthy and abundant forests are critical to the long-term viability of each of our core businesses. Wood supplies the bulk of renewable energy that drives our mills; cellulose fibers comprise the primary ingredient in our paper and pulp products. We also recognize that the demands of forests extend beyond the wood products industry—from providing clean air and water to outdoor recreation. As such, we are fully dedicated to playing our role to help meet society’s demands for forest products while keeping forests healthy and productive.

SFPNA’s wood procurement group is staffed with licensed foresters with a breadth and depth of knowledge that enables them to take an active and important role extending well beyond procurement and certification efforts.



**Paul Larrivee** / Skowhegan, Maine

Just like the natural cycle of the forest, SFPNA Senior Procurement Forester Paul Larrivee’s story has come full circle. At the age of ten, while growing up in Gray, Maine, Paul spent a day planting trees with a local forester through a school program. Right then he knew he wanted to study forestry and become a forester. And that’s just what he did.

He took his first job in forestry consulting and then as a district forester and regional enforcement coordinator for Maine’s Department of Conservation’s Forest Service. This position allowed him to educate people about the rules and laws of forestry and also gave him the opportunity to go to schools and teach kids about the forest. One thing the job didn’t let him do was practice forestry. “I missed doing the implementation on the ground and seeing the final product,” he says. So about a year ago, he came to SFPNA to realize this goal and he hasn’t looked back.

“I am very happy to be back working with landowners,” he says. “And I love getting their thank-you letters.” Currently, he’s a volunteer teacher at Wells Reserve and still gives presentations at schools. “I know if I can get the kids outside, which is pretty hard in today’s society, I can get them to understand that the forest is a living, breathing entity,” he says. And Larrivee’s dedication to conservation and education has paid off. “I met a young man in the field the other day who rode with me when he was a senior in high school,” he says. “He’s now a licensed forester, so it’s pretty neat to see that you can make a difference.”



**Brett Peterson** / Cloquet, Minnesota

“A love of the outdoors.” Like many foresters, that’s what led Brett Peterson, Senior Wood Procurement Manager for SFPNA, to a career in forestry. A native of Michigan’s Upper Peninsula who now lives in Wisconsin with his wife and three young children, he spent six years working the woods before coming to SFPNA ten years ago. Now a Senior Procurement Manager at the Cloquet Mill, he supervises four field foresters and handles all open-market purchases for Michigan and Wisconsin.

Unlike his early days as a forester when he spent almost all of his time among the trees, now he is usually in the office unless conducting field audits. The different aspects of his job are what keep him interested after nearly two decades in the industry. “I enjoy the variability of forestry,” Peterson says. “Some days you are dealing with on-the-ground activities while others you can be focused on large-scope concepts like managing the job’s more political aspects.” Just recently, Peterson oversaw a timber sale which gave him a chance to show his children what he does for a living, but also how a well-managed forest can be a good thing.

Despite the fact that the worst time to look at a timber sale is right after it is completed, Peterson made a point of showing his kids exactly what the harvest did. “I want my children to have fun outdoors but also understand how the forest works so they’ll enjoy it even more.”



**Mandy Farrar** / Skowhegan, Maine

For a forest to be in working order, the relationships between the trees, animals and environmental forces have to be in sync. As a procurement forester, Mandy Farrar understands this fact of nature and maybe that is why she has come to value the connections she often makes in her line of work. A former white-water raft guide and park ranger in the Allagash region, Farrar originally got into forestry so that she could escape into the woods just as she did growing up in Solon, Maine.

Working to procure wood for the Somerset Mill from small, private landowners with holdings spanning from ten to 1,000 acres or more, she has come to love interacting with clients just as much as she loves being in the forest. “In this job, more than anything else, you build relationships,” she says. Farrar has done just that by helping landowners reach their objectives, be it wildlife management, recreation, improved forest health, applying for tax reductions or building a house. And, much to her delight, she’s found out that the relationships don’t end when the harvests end. “Months later I’ll get a picture or a letter from a landowner,” she says. “They’ll say, ‘I saw a baby fawn. You said the wildlife would come back even better and it did!’”

It is this type of connection between forestry, people and animals that makes her think her job is so special. An avid outdoorsperson who loves to fish and counts Mosquito Mountain as one of her favorite hikes, she says, “I love being in the woods and I love working with people so this type of work fits me perfectly.”



**Craig Ferguson** / Cloquet, Minnesota

Everyone’s heard the saying, “the apple doesn’t fall far from the tree,” but in Senior Forester Craig Ferguson’s case, that old axiom has special meaning. That’s because he credits his grandfather, who was a forester for the Minnesota Forest Service, as the main reason he made a career out of forestry. “He was retired when I was growing up,” Ferguson says. “But he and my father took me out into the woods a lot for recreation and that connection is why I love the outdoors so much.” This passion for the backcountry led Ferguson to study forestry at the University of Minnesota and he signed on with SFPNA soon after graduation.

In his eight years with the company, he has become one of the key foresters for the Cloquet Mill, purchasing timber from landowners in surrounding counties while also working closely with a large wood supplier for the mill. In fact, it’s not only being in the woods that makes Ferguson, who just completed an MBA at The College of St. Scholastica, enjoy his job so much; it’s also because of who he gets to share the forest with. “My favorite part of the job is interacting with all the neat people I meet,” he says. “Whether it’s the loggers or the foresters from the state and county agencies, they do a great job and it’s fun to work with them.”

When he’s not on the job he likes to follow in his father’s and grandfather’s footsteps and spend time outdoors with his sons. “They have a lot of energy,” he says with a laugh. “And it’s great to experience everything the woods has to offer with them.”

# Energy and Emissions

Ongoing public concerns about climate change, energy security and economic conditions keep energy use and greenhouse gas emissions top of mind for our key stakeholders. Energy is the third largest draw on our operating costs behind wood fiber and chemicals.

As such, we hold a long-standing commitment to control energy usage. Environmental impact is affected not only by the amount of energy, but also by the type of energy consumed. SFPNA has made significant effort to reduce our reliance on fossil fuels to reduce greenhouse gas emissions and to separate our operations from the volatility of energy prices.

On a national level, the US energy profile is comprised of less than ten percent renewable energy. In contrast, pulp and paper mills derive nearly two thirds of their energy from renewable sources consisting primarily of black liquor and woody biomass. In fact, the forest products industry is the largest producer of biomass energy in the country and the renewable energy generated within this segment exceeds all of this country’s solar, wind and geothermal energy combined.

At SFPNA, we are well ahead of the industry average, with over 80 percent renewable energy. When compared to a 2007 baseline, we have reduced our greenhouse gas emissions from fossil fuels by 53 percent. As a result, we have the lowest reported carbon intensity amongst our domestic competitors (as reported on a Scope 1 and Scope 2 basis).

**Renewable Energy Certificates** Renewable Energy Certificates (RECs) are tradeable environmental commodities which represent proof that one megawatt-hour (MWh) of electricity was generated from a renewable energy resource. In the US, REC markets exist under both regulatory compli-

ance schemes and as voluntary programs. As of September 2012, 29 states plus Washington DC and two territories have adopted policies (the Renewable Portfolio Standard, or RPS) that reduce emissions from electricity generation by requiring that utilities generate a specified share of power from renewable sources. Voluntary markets for RECs, while not mandated by law, have developed in response to energy user preferences for renewable electricity and provide a mechanism to help fund new renewable energy projects that would not otherwise be cost competitive as compared to electricity generated from fossil fuels.

**Co-generation** All of SFPNA’s mills utilize co-generation—also known as combined heat and power. Co-generation technology is widely recognized as the most efficient method for producing electricity and co-generation power plants are often 50 to 70 percent more efficient than stand-alone power plants. In addition to electricity, our mills utilize steam throughout the operations for both thermal energy (e.g., cooking pulp or drying paper) and mechanical energy (e.g., turning shafts on rotating equipment).

Sappi’s mills in Cloquet, Minnesota, and Skowhegan, Maine, both generate electricity in compliance with the Green-e® certification program. As such, certified RECs are generated on-site and subsequently consumed by Sappi, allowing us to make product level claims that 100% of the electricity used to manufacture our product is certified Green-e® renewable electricity. Paper buyers that select certified papers and use a printer that is also using certified electricity are now able to apply a logo to printed pieces reflecting their responsible choice. Our mill in Westbrook, Maine, is qualified to sell compliance RECs.

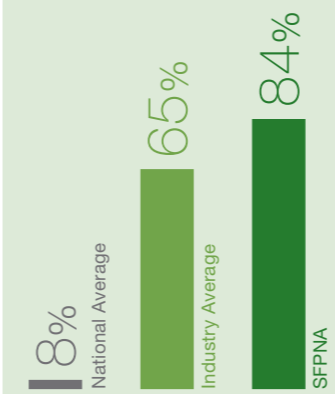
## SFPNA’s Westbrook Mill is qualified to generate and sell compliance Renewable Energy Certificates (RECs)

The state of Maine has one of the most aggressive renewable portfolio standard targets in the US. Starting at 30 percent renewable energy in 2007, the Maine standard requires an additional one percent per year to reach a target of 40 percent by 2017.

SFPNA operates a multi-fuel boiler at our mill in Westbrook, Maine. This facility has met the requirements of Maine Class I RECs based on the combustion of biomass and construction and demolition wood. As such, we are eligible to sell RECs that support the renewable portfolio standards in New England.

For more information on Renewable Portfolio Standard policies, readers are encouraged to visit the Database of State Incentives for Renewables & Efficiency at [www.dsireusa.org](http://www.dsireusa.org).

## Renewable Energy vs. Industry Averages



**Energy Intensity** While we have achieved significant results in reducing greenhouse gases, we are also implementing strategies at our sites to further reduce our energy intensity by ten percent over a five-year timeframe (see p.13). Energy intensity is defined as energy consumed per unit of saleable product. Reducing energy intensity can also be thought of in terms of increasing energy efficiency.

Since we have already made significant investments and have a track record of historically reducing energy usage, this goal is considered quite aggressive. Nonetheless, through strategic capital planning and by utilizing Lean and Six Sigma techniques to identify savings opportunities and increase machine efficiency, we are on our way toward achieving this important objective. By way of comparison, our trade association has established an industry-wide goal to increase energy efficiency by ten percent over a 15-year time span.

Many projects focus on heat recovery to reduce steam usage. We have achieved significant savings of electrical usage by implementing more efficient equipment (e.g., variable drive motors for pumps). We have also found significant energy savings opportunities by focusing on compressed air and hot water systems throughout the mills. Since the energy and water systems are integrated, many projects that save energy also result in reduced water use.

## A Better Fuel, A Better Future

Gary Couture / Westbrook, Maine

Several years ago, always on the lookout for sustainable business practices that result in benefits to the bottom line, SFPNA started exploring the possibility of using construction and demolition wood (CDW) as an alternative fuel at the Westbrook Mill. CDW is a wood component of solid waste resulting from construction, remodeling, repair and demolition of structures—a carbon neutral material. In 2008, SFPNA received a Beneficial Use License from Maine's Department of Environmental Protection (DEP) that allowed them to burn CDW, which the mill procures from various licensed sources like recyclers and municipalities that are located primarily in Maine, New Hampshire and Massachusetts.

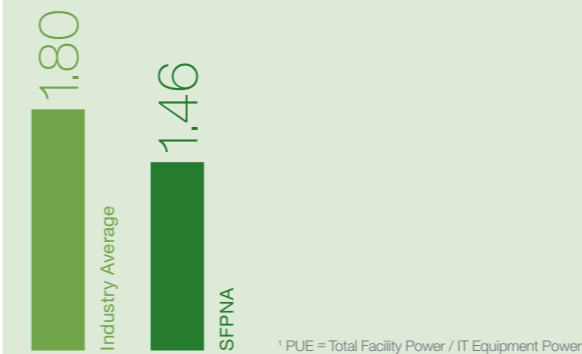
Each successive year, the Westbrook plant has been turning about 50,000 tons of CDW fuel into steam that drives the facility's main turbine generator. Burned with biomass, CDW tends to be dryer than the chips from trees and therefore helps the mix burn more efficiently. Although the Maine DEP has developed fuel

quality standards for CDW that all suppliers must meet, the implementation of CDW has presented the Mill with challenges related to dust and fuel contamination. Harnessing the capabilities of alternative fuels like CDW, despite these initial challenges, has been an ongoing process.

SFPNA's operations and maintenance personnel continue to modify operational procedures in order to successfully burn CDW fuel, which is crucial to the Mill's cost control efforts. "It benefits the environment because it is a renewable fuel source and by converting a waste stream into energy, less refuse goes into landfills," said Gary Couture, Westbrook Mill's Utilities Manager. And, for SFPNA, Couture says it helps the company control its energy costs, ultimately allowing them to be more competitive in the paper industry.

### Power Usage Effectiveness (PUE)<sup>1</sup> vs. Industry Average

SFPNA's Information Technology group has made steady progress since 2007 and its PUE continues to remain lower than the industry average.



**Fuel Switching Opportunities** We have strategically reduced our use of traditional fossil fuels by seeking out alternative energy sources including reclaimed oil, construction and demolition wood and tire-derived fuel. Simultaneously, we have increased our usage of traditional biomass sources from woody biomass and black liquor. The cumulative effect results in higher levels of renewable energy, lower greenhouse gas emissions and reduced energy costs.

We are also investigating higher usage of natural gas in place of fuel oil to further reduce CO<sub>2</sub> emissions since greenhouse gas emissions are nearly 40 percent higher for oil compared to natural gas. With at least two natural gas pipeline projects on the drawing board in Maine, we are now assessing opportunities for the Somerset Mill to make necessary equipment changes for using gas instead of oil.

**Efficient Infrastructure** Our focus on efficiency is not limited to our manufacturing operations. Tightly integrated with facilities management, SFPNA's Information Technology group has made steady progress since 2007 when our focus was turned to energy costs.

While data demands have grown by 30 percent annually, we have reduced our energy usage and costs at our South Portland corporate office each year since tracking began in 2007. Results have been due to a culmination of many initiatives primarily centered on data management, cooling and lighting. Within our data center we have implemented virtualization, data de-duplication, storage tiering, and cold aisle containment, all of which contribute to our energy efficiency.

Over time, we have installed occupancy sensors for lighting throughout the building and have been replacing fluorescent and HID lighting with more efficient LEDs.

Electronic equipment that has reached the end of its useful life is managed through our partnership with eWaste Alternatives, a 501(c)(3) nonprofit. Equipment that is salvageable is reconditioned and sold at a reduced cost to support increased technology access for low-income families and employment for people with disabilities.

# Recycled Fiber

Waste reduction is a fundamental tenet of sustainability and recycling is an integral element of any solid waste management plan. It is especially important to recycle paper to avoid the generation of methane emissions in landfills. All of SFPNA’s coated fine papers are recyclable, and we are strong proponents of educational outreach regarding the recovery of paper.

**Avoiding Prescriptive Policies**    We do not believe that the use of recovered fiber is a one-size-fits-all solution and we promote a practice of “best use” for recycled fiber in paper products. Ultimately, the use of recycled fiber should be based on an evaluation of both economic and environmental consequences. Prescriptive policies or guidelines that require maximizing recycled fiber content or that control the flow of fiber markets without taking all factors into consideration should be avoided.

**Recycling Education and Outreach**    When it comes to recycling rates, no basic material has a better track record than paper. In 2011, our industry reached an all-time high paper recovery rate of 66.8 percent, whereas EPA data show less than ten percent of plastics are recovered. SFPNA personnel are directly involved in helping to shape recycling outreach programs such as the partnership between Kaleidoscope and the American Forest and Paper Association (AF&PA) aimed at educating elementary school students. Our membership also helps to support the AF&PA annual Recycling Awards as well as the nationwide college campus recycling competition, Recyclemania. Ongoing efforts such as these have set our industry on course to achieve the goal of recovering more than 70 percent of the paper consumed in the US by the year 2020.

While some segments of our industry (e.g., corrugated containers) are recovered at extremely high levels, printing and writing grades tend to lag behind. Therefore, we are especially focused on educating stakeholders about the recyclability of printing papers. We extend outreach to these groups through a variety of channels including social

media, local community engagement efforts, presentations and printed educational pieces such as our *eQ Journal*. We recently created an online “please recycle” logo library as a resource and source of inspiration for corporate marketers and graphic designers involved in developing print collateral.

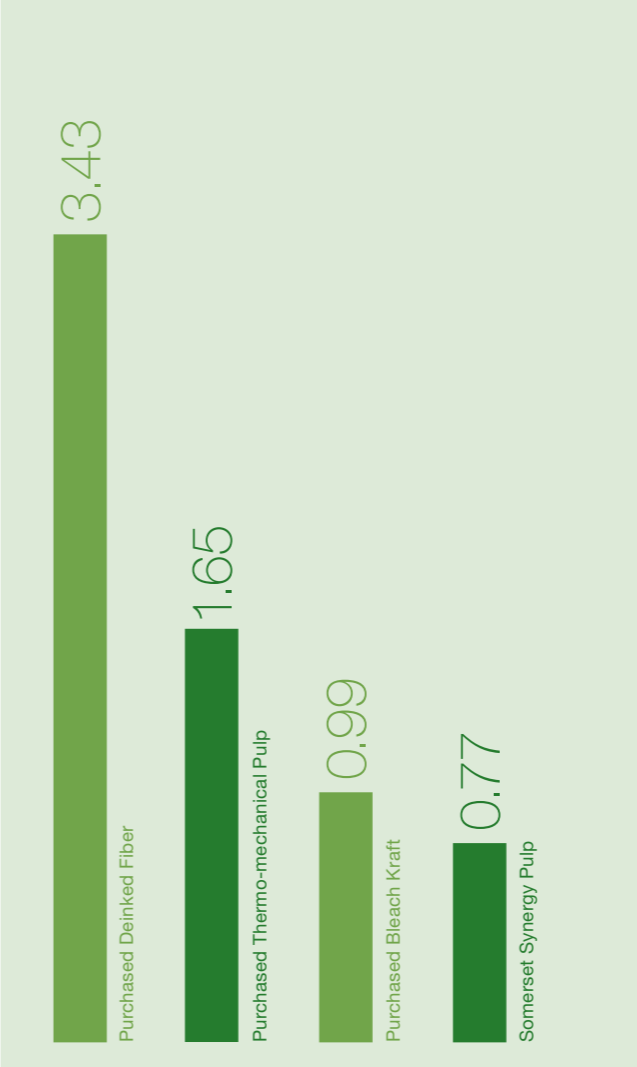


Visit [sappi.com/eQ](http://sappi.com/eQ) to download digital versions of our recycling logos and use them to encourage recycling on your next creative project. The world is depending on you!

**Promoting Best Use of Recycled Fiber**    Contrary to popular belief, industry research shows that adding recycled fiber to certain grades of paper can actually raise the carbon footprint. Because most of the energy used to process recycled fiber is purchased from the power grid, many deinking mills have higher carbon emissions than Sappi’s integrated pulp mills that carefully manage energy use from renewable sources.

In 2012, SFPNA conducted a comprehensive cradle-to-gate life cycle analysis of our Somerset Mill located in Skowhegan, Maine, using the Footprint Estimator for Forest Products (FEFPro) developed by the National Council for Air and Stream Improvement. This is an expansion of our reporting to date, previously limited to our own direct emissions (Scope 1) and emissions associated with purchased

**Cradle-to-Gate Carbon Footprint of Common Wood Pulps Used in Papermaking**  
These life cycle estimations illustrate the drastic environmental footprint differences that can exist between sources of pulp. Industry averages are not necessarily representative of specific suppliers and in all cases we recommend seeking out primary data sources. (Kg CO<sub>2</sub> eq/kg)

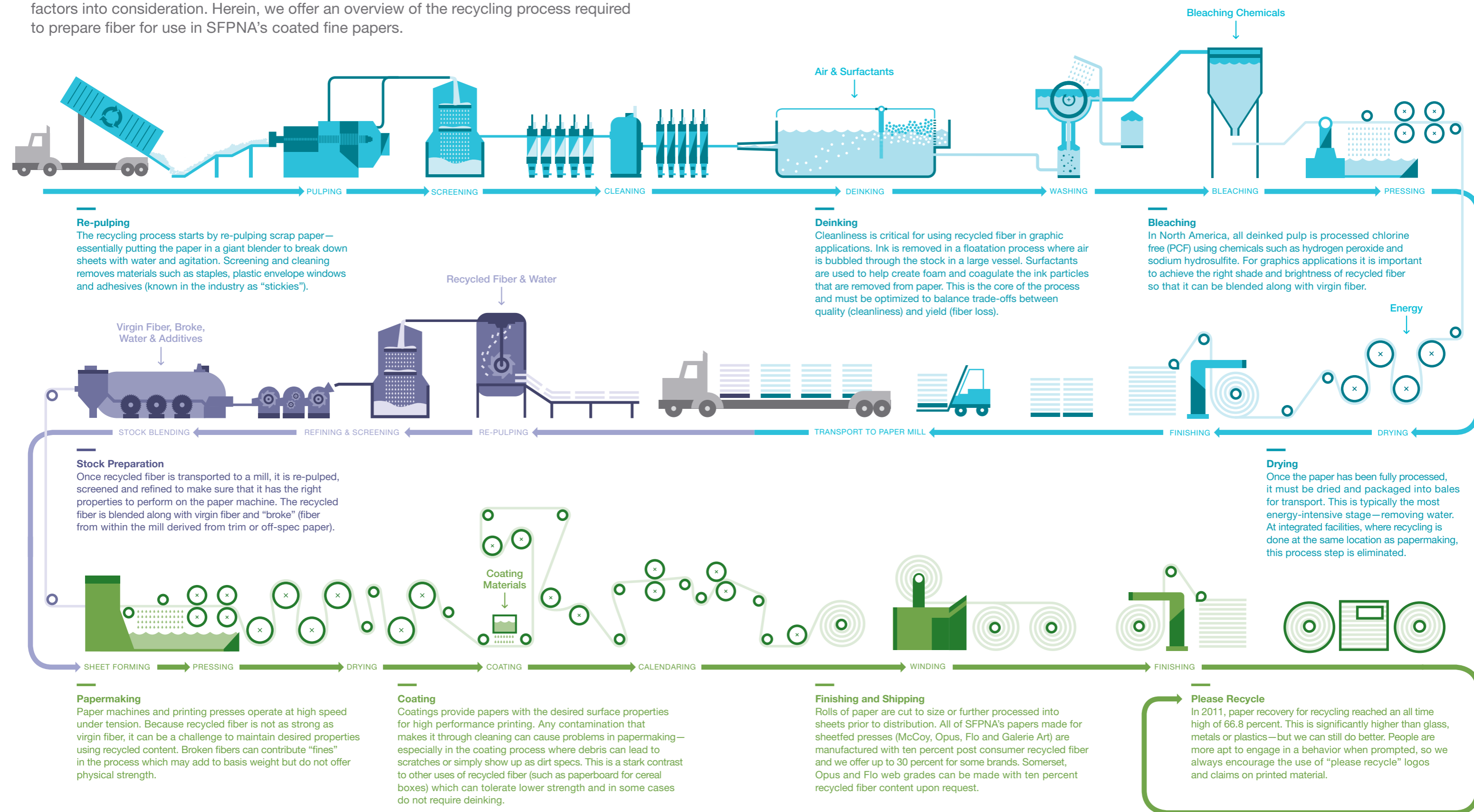


electricity (Scope 2). In the cradle-to-gate study, we include carbon emissions associated with material inputs (Scope 3) (e.g., pulping chemicals, roundwood and chips) as well as purchased pulps. Results of this analysis revealed that our mill generates kraft pulp with a footprint of 0.77 kg of CO<sub>2</sub> equivalents per kilogram of pulp. This result is roughly 20 percent lower than emissions factors provided for purchased bleached kraft, 50 percent lower than thermo-mechanical pulp and 77 percent lower than purchased deinked fiber. We found that adding ten percent recycled content to finished coated paper increases the product’s carbon footprint by 16 percent as compared to the same product made with 100 percent virgin fiber. It is important to note that the emissions data for purchased pulps are based on best available industry data and are not specific to SFPNA’s suppliers. We will be seeking primary data to further refine this study. However, it is clear that substituting deinked fiber for our own made pulp increases the carbon footprint of products with recycled content.

In policy and practice, SFPNA urges customers to recycle papers of all kinds. Our goal is to see that recovered fibers are put to best use—in the right locations and the right grades based on evaluating and balancing economic and environmental factors. Ultimately, recycled fiber should be used in products where it displaces fiber with a higher carbon footprint. Furthermore, the global fiber markets are dynamic and complex. Overseas demand continues to grow and create high value for recycled papers. We do not support policies that would control or restrict fair markets for these products.

## Recycling for Use in Coated Fine Papers

Waste reduction is a fundamental tenet of sustainability and recycling is an integral element of any solid waste management plan. Paper is collected from a wide range of sources—from individual homes and offices to industrial facilities. Once paper is collected and sorted, the overall objective is to put that fiber to its best use—taking both economic and environmental factors into consideration. Herein, we offer an overview of the recycling process required to prepare fiber for use in SFPNA's coated fine papers.



## Social Responsibility

Building and maintaining goodwill among multiple stakeholder groups is fundamental for achieving future success. Our social responsibility initiatives are focused on three primary groups: our employees, our customers and local communities. SFPNA has a legacy of attracting and retaining a talented workforce—investing in our people has proven to be an investment that can endure for multiple generations. Customer loyalty is built on the quality of our products and achievements against our sustainability goals. We understand that the health of our business and our local communities are directly entwined.

36  
Employees

38  
Local  
Communities

42  
Customers

All images taken at SFPNA community outreach events.

# Employees

Healthy, engaged, well-trained employees foster a productive work environment and tend to enjoy greater job satisfaction, result in lower turnover and create a corporate culture that attracts top talent to the company. SFPNA wants employees to feel they have a bright future at a company that cares about their health and well-being.

**Safety First** SFPNA's safety-first policy was put to the test in June when heavy rains caused the St. Louis River to crest at over 16 feet, flooding 13 Minnesota counties and inundating SFPNA's Cloquet Pulp and Paper Mill. Fortunately, the hundreds of safety risk assessments routinely performed at all Sappi mill sites helped workers get the Cloquet Mill fully back in business without serious injury or environmental impact—and without major disruption to customer deliveries.

For SFPNA, identifying safety risks is an ongoing process and our three paper mills in Cloquet, Westbrook and Somerset are all certified for meeting the Occupational Health Safety Assessment Series (OHSAS) standards. Our

Somerset Mill just completed its best safety record year in its 38-year history and our Westbrook Mill also achieved its best-ever safety record.

SFPNA keeps safety “top-of-mind” for workers through ongoing programs, such as the annual Global Safety Awareness Day and the “Near Miss/Close Call” reporting system at the Westbrook Mill. Employees there are encouraged to report “near miss” hazards such as a blind spot when driving a forklift. The reporting process itself helps workers consciously note potential dangers and also alerts the mill to look proactively for solutions to potential problems.

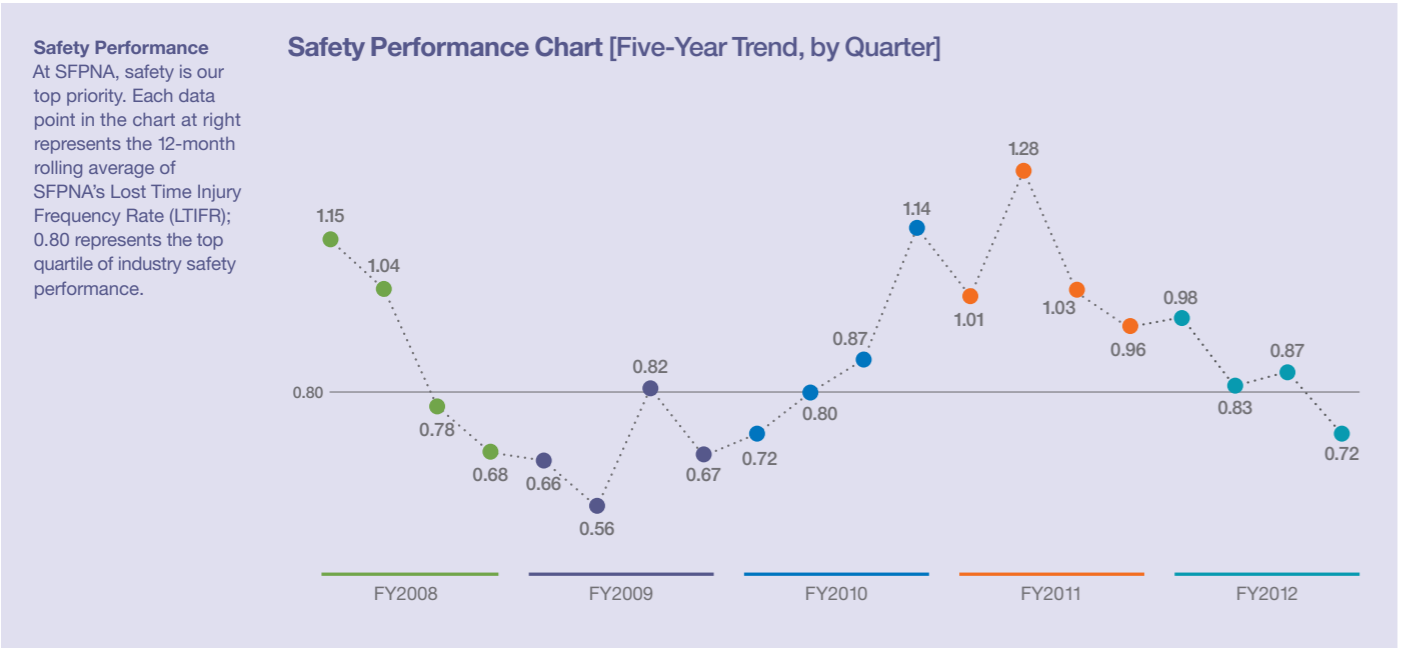
**Training and Education** Training and education for all employees is a value that SFPNA has always embraced, but this effort has been stepped up over the last several years with increased training in job-related skills as well as in-depth education in particular fields.

For many years, SFPNA has underwritten a tuition reimbursement program, enabling employees to enroll in college-level classes in pursuit of a degree or take specific classes to help them advance within the company. Our employees also share their expertise by teaching industry-related courses at local state universities and community colleges and serving as curriculum advisors. In turn, institutions offering pulp and paper degrees are allowed to use SFPNA facilities to hold classes for our employees. We also reimburses employees for attending business seminars and workshops that will improve job performance.

Another component of this training is feedback from colleagues. In recent years, over 300 employees have participated in a 360-degree feedback process, in which they received feedback on 67 different leadership competencies from their managers, peers, customers and direct reports. In turn, participants rated themselves on these same competencies to learn if they see themselves as their colleagues do. Such exercises are intended to build self-awareness and insights that will lead to professional and personal growth.

Since SFPNA began tracking hours of employee training in 2008, we have met our original five-year goal of 60 hours of training per employee. Our next five-year goal is to sustain a rate of 75 hours per employee.

An objective of this training is to elevate the skill level of everyone in the company and also to provide an equal opportunity for advancement to anyone with the talent and drive to excel. New employees entering the field see that SFPNA's training program is designed to take them further in their career.



# Local Communities

Our roots run deep in the regions where SFPNA pulp and paper mills are located. In some cases, our mills have been based there for over a century and over the decades have employed multiple generations of the same family. Sappi is not only important to the local economies, but it is very much a part of the region’s history.

SFPNA’s economic impact on the communities in which we operate extends beyond being a major employer. Our workforces support the local businesses, from supermarkets and gas stations to restaurants and repair shops. In addition, SFPNA as a company is vital to local suppliers and contract workers in related industries.

The multiplier effect, according to the American Forest & Paper Association, is that each paper mill job supports four others in downstream industries. Between all three of our mills, Sappi contributed US\$130.8 million in payroll and provided more than 1,800 jobs; total jobs provided—from our mills to our corporate headquarters—totaled to over 2,200 jobs.

**Corporate Sponsorships** In 2012, corporate sponsorships focused on environmental stewardship and education. Some of our ongoing sponsorships include Living Lands and Waters, a nonprofit dedicated to cleaning up the nation’s waterways and forest conservation; the New England Aquarium, which hosts a number of educational programs on endangered marine species and sustainable aquaculture; and the University of Maine Pulp and Paper Foundation scholarship program to support the education of engineering students for a career in the industry.

## Codman Academy Charter Public School

Our corporate sponsorships extend well beyond financial support. SFPNA’s Sustainability Ambassadors from the Boston corporate office have partnered with students at Codman Academy to help bolster their school-wide recycling program. Additional joint projects with the school are under development.

This year, SFPNA also supported the Teaching Garden at the Codman Academy Charter Public School in Dorchester, Massachusetts. A tool for teaching young students about sustainability, nutrition, biology and chemistry, the garden also provides welcome green space in an economically challenged urban neighborhood.



## Ripple Effect

**RiverQuest** / Cloquet, Minnesota

Given that you can’t step in the same river twice, it stands to reason that these vital waterways could teach you something new every year. That’s why since 1993, nonprofit River Quest has been providing river-based experiential education to students and teachers in the Midwest and it’s also the reason SFPNA is glad to sponsor the program for the third year in a row. This May, River Quest, with the help of SFPNA, invited nearly 1,200 sixth-graders aboard the *Vista Star* boat to participate in hands-on learning activities about preserving Minnesota’s St. Louis River ecosystem and sponsored a feature presentation by Chad Pregracke, founder of river cleanup organization Living Lands & Waters.

During the two and a half hour educational harbor cruise, students visited a dozen different learning stations staffed by volunteers who covered topics ranging from pollution prevention and invasive species to boating safety and commercial shipping.

SFPNA hosted the learning station, “Efficient Industrial Water Use – Reduce, Reuse, Recycle!” which demonstrated how much water the Cloquet mill uses daily, where the water comes from and what happens when the mill is done with the water.

Students and teachers were surprised to learn that 97 percent of the water used at the mill each day goes through on-site filtering and is then sent off for further treatment before it is discharged it back into the St. Louis River. “It’s amazing to be able to share our environmental story by investing in educational outreach programs,” said SFPNA ISO Coordinator Nikki Carlson, who has volunteered with RiverQuest since SFPNA started sponsoring the event. “Having the opportunity to change the common misconceptions about our industry and watching local students learn is invaluable for future generations.”



### The Best Practices Make the Best Neighbors

Green Community Day / Westbrook, Maine

Organized by SFPNA Sustainability Ambassadors and employee volunteers, the first ever Green Community Day was staged at the Westbrook Mill. An informative, fun-filled event provided local residents the opportunity to learn more about not only paper manufacturing and sustainable practices, but also how these two operations can work hand-in-hand. “In planning this event, our goal was to showcase what Sappi does, convey the pride our employees have in our company and share how they take part in the community,” said SFPNA IT Service Center Manager Marty Duggan, who supervised over 100 volunteers in organizing the event.

Through numerous educational displays and activities, participants were able to learn about the range of Sappi’s product offering, including coated papers, specialty papers and dissolving pulp used for textiles. SFPNA foresters provided hands-on demonstrations showing how to take core samples to determine the age of trees, identify animal and plant species in the Maine

woods and more. They even had harvesting equipment on-site and allowed people to climb on board to see firsthand the modern equipment in use today by professional loggers.

Attendees were able to learn about countless practices that they can make a part of their daily lives and were also introduced to a host of local community groups who were invited to participate. By providing free on-site recycling facilities, volunteers at the event collected sneakers, eyeglasses, mobile phones and CD/DVDs; unusual materials which might otherwise end up in area landfills. “Green Community Day highlighted the great talent and expertise of many Sappi employees and gave us an opportunity to share with our friends, family and neighbors what a great organization we have,” said Duggan. In the end, over 500 people participated in the inaugural event, demonstrating that the company and the community share similar sustainability goals and that by working together we can certainly achieve them.

### Henry A. Benoit Award

In 2012, SFPNA was awarded the Henry A. Benoit Award in recognition of outstanding contributions to the community through active leadership in civic and charitable activities.

In a letter to Donna Cassese, Managing Director of the Westbrook Mill, Senator Susan Collins wrote:

“In addition to your commercial success, Sappi is a corporate leader in the southern and central Maine communities. Over 50 Maine organizations benefit from Sappi contributions and employee volunteerism...and I am so pleased to lend my voice to the many applauding your outstanding efforts.”

**Employees Volunteerism** SFPNA’s employee volunteer efforts are coordinated at a local level to best match the needs of local communities. Efforts are typically concentrated in areas of health and human services, education and other civic activities. Our Sustainability Ambassadors have chartered programs expanding community engagement activities focused on various environmental issues such as recycling and sustainable forestry. Working with the community provides individuals with tangible benefits while bolstering our

reputation as a responsible corporate citizen. We also understand that working collectively across the organization drives results that build greater cumulative effects.

In 2012, we conducted e-waste collection drives at multiple locations. The collection at our Somerset Mill was identified by the waste handler, e-Waste Alternatives, as the single largest collection drive they had ever benefited from. Not to be outdone, our Cloquet Mill responded by conducting a drive which amassed nearly one thousand items ranging from small appliances such as a fish finder and microwave ovens to computers and out-of-date electronics.

SFPNA employees and families learned a great deal about the proper disposal of electronics—and many of the computer items will go on to be refurbished to provide access to digital technology within the community.

SFPNA employees are a vital part of the fabric of their communities and the company is equally committed to ensuring that these communities remain a desirable place to work and live.

# Customers

SFPNA customers want to know that they are specifying printing papers from a responsible company. The printers, graphic designers, advertising agencies, publishers, marketing communication managers and others are held accountable by their own management, clients and general public. SFPNA’s stance is to support them by being transparent and forthright in our environmental practices and educational in our communications.

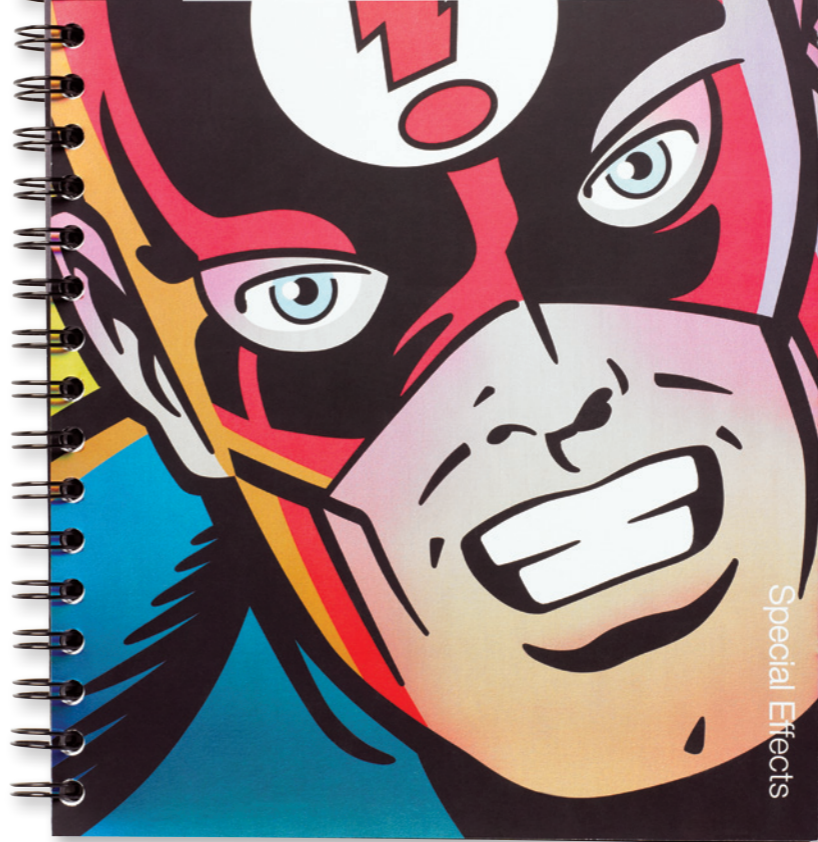
**eQ Journal and Online Tool** SFPNA’s *eQ Journal* and microsite have developed a reputation for being the go-to source for the latest and most trusted information on sustainability in our industry. This multimedia platform is intended to elevate readers’ environmental knowledge with stories, blog posts, videos, interactive infographics and insights from foresters, conservationists, customers and academics. Recently, *eQ Journal 004: Taking the Guilt Out of Paper* was nominated for the 2012 Pulp & Paper International Awards. This issue debunked the myths and guilt associated with paper use by providing evidence of how sustainable forestry results in healthier forests and thriving wildlife.

**Sappi etc. and More** Excellent paper is just the beginning of SFPNA’s service to customers. We are committed to keeping customers abreast of innovations in the realm of print and paper technology, graphic trends, new marketing approaches and environmental development. Creative professionals in the field are well aware that the ever-changing world of print, especially in the digital age, demands continuous education and training. Sappi has responded to that need with an ongoing program we call Sappi etc., which stands for education, training and consulting. Through seminars, webinars, training workshops, technical roundtables and general consulting, we cover a range of topics that impact those in the business. This program is led by Daniel Dejan, SFPNA Print and Creative Manager, and Laura M. Thompson, PhD., Director of Technical Marketing and Sustainable Development. Their in-depth knowledge of all aspects of print communications has made them two of the most respected experts in the industry. Recently, Sappi

etc. has been rebranded with a new logo and in January, Sappi etc. will be launched as a microsite, where customers can readily access the kind of information normally covered in Sappi seminars and in-person consultation. Included on this site will be a blog called *Sidebar*, with regular postings by Mr. Dejan on design, printing techniques and resources.

For the last five years, SFPNA has also produced an informative guide to designing for print with useful tips, techniques and methods for achieving optimum printing results. Entitled *The Standard*, this publication presents a treasure trove of visual ideas on how to use printing creatively. Volume 5, issued in 2012, focuses on special printing effects such as lenticular, flocking, sculpted dies, sandpaper coating and other techniques that make printed pieces more tactile, dimensional and interactive.

*The Standard 5* drew its theme from 826 National, a network of nonprofit tutoring and writing centers for under-resourced youth, ages 6–18. Each 826 center adopts an imaginative theme, from Pirate Supply Store to Time Travel Mart and Bigfoot Research Institute, for its street-front retail space. These zany retail concepts make 826 centers a “cool” place to go, where young students flock to learn to write short stories and poems, which 826 publishes into books. A two-time recipient of Sappi’s Ideas that Matter grants, 826 National was a perfect match for demonstrating special effects. In turn, *The Standard 5* raised awareness for the nonprofit and helped to enlist graphic designers as volunteers.



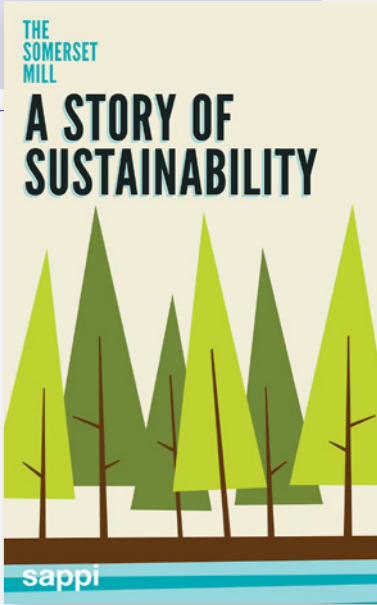
The Standard: Volume 5

“Bank of America is committed to addressing demands on natural resources and has set very aggressive goals around our paper procurement and usage. As one of our key partners, Sappi’s analytical approach is helping us make more informed decisions about our paper purchases that help us meet our environmental objectives.”

—  
Bank of America

“The training offered by Sappi has allowed our sales people to engage in more in-depth discussions around sustainability. We are better equipped to help prospects and current customers as they seek to meet the sustainability objectives they have in their own businesses. Sappi was really on our page and very responsive to our needs. It is refreshing to be in a relationship like those that we work so very hard to create.”

—  
David Briggs / VP Sales & Marketing / The Lane Press



Somerset Mill Story Brochure



On-Product  
Environmental Label Guide

“Sappi’s Ideas that Matter program encourages designers to make the world a better place. As an Ideas that Matter grant recipient, all of us at Art with Heart have been able to bring to life our belief that on the smallest level, creativity can alter moods. On the grandest level, it can change lives. Sappi embraces this principle and provides a way for designers to reach for the best in themselves.”

—  
Steffanie Lorig / Executive Director / Art with Heart



eQ Journal: Volume 5

This year, SFPNA sponsored a ten-city lecture tour on *The Standard 5*, with Kit Hinrichs, the design director for all five volumes of *The Standard*, presenting the backstory of how the special effects were achieved and a student from 826 reading an original work. The opportunity to support the good works of 826 National and demonstrate the incomparable qualities of paper at the same time made *The Standard 5* campaign an outstanding success.

**Industry Collaboration** SFPNA believes that we can make greater strides toward sustainability by collaborating with others on issues related to policy and advocacy. Collaboration also provides opportunities to share best practices and benchmark progress. Our corporate sustainability goals are gauged to meet and exceed those set by the industry. We have long been active in the American Forest & Paper Association (AF&PA). We are proud of the fact that our

“Our work with Sappi has been productive not only because of their forward-looking and innovative approach, but because Sappi understands the importance of measuring and reporting progress towards sustainability goals. As a founding member of GreenBlue’s Forest Products Working Group, Sappi generously shared their expertise and assisted GreenBlue in bringing together leading companies that rely on paper, wood and other forest products to collaborate on finding solutions that will allow both our forests and the forest products industry to thrive.”

**Tom Pollock** / Senior Program Manager / GreenBlue

industry association has established a strong set of forward-looking sustainability goals under the banner of “Better Practices, Better Planet 2020” and prepares a comprehensive

**Project Learning Tree**

Project Learning Tree® (PLT) is an environmental education program of the American Forest Foundation. The program is designed to use forests as the core of an environmental education curriculum that can be integrated into lesson plans for all grades and subject areas. PLT teaches students how to think, not what to think, about complex environmental issues and encourages them to acquire the skills they need to make sound choices about the environment.

For more information visit [www.plt.org](http://www.plt.org).

sustainability report every two years. The industry-wide goals address water usage, paper recovery, greenhouse gas emissions, energy usage, fiber procurement sources and other environmental concerns. AF&PA reports its member companies made impressive progress on all fronts. For instance, paper recovery in 2011 rose to 66.8 percent, nearly doubling the industry’s rate of paper recovery in 1990. The AF&PA program is credited with setting one of the most extensive collections of quantifiable sustainability goals for a major US manufacturing industry.

As a leading manufacturer of coated printing paper, SFPNA shares the interests of other members of the graphic communications supply chain, including forestry, pulp, paper, inks, chemicals, pre-press, press, finishing, publishing and printing, graphic designers and printers. We are a founding



**Ideas that Matter**

The industry’s only grant program of its kind in North America, Ideas that Matter is a way to help our design customers who are willing to donate their time and talent to produce printed pieces for charitable causes they champion. Since SFPNA established Ideas that Matter in 1999, the program has awarded more than US\$12 million in grants worldwide, benefitting more than 500 nonprofits. In North America, a panel of independent industry leaders selects proposals with a clear concept and implementation plan to receive funding to produce the work. Grants ranging from US\$5,000 to US\$50,000 backed critical educational awareness campaigns and public service materials.

In 2012, the program awarded US\$300,000 in grants in North America. The nonprofit causes spanned every category, including youth education, elder care, combating childhood obesity, urban tree planting, water quality improvements, animal sanctuaries and health care. For SFPNA, the program has generated tremendous goodwill and supported designers as well as their charitable activities.

member of Two Sides, an initiative started in the UK and launched in the US in 2012. SFPNA has representation on the board of Two Sides US as well as the Sustainability and Marketing committees. Together, we seek to promote the responsible production and use of print and paper and to dispel widely held environmental misconceptions about print on paper by serving as a source for accurate, verifiable information.

SFPNA is also a founding member of the GreenBlue Forest Products Working Group (FPWG), formed in October 2011 with diverse representation across supply chains and companies that rely on paper, wood and forest products. GreenBlue brings together leading forest products buyers and sellers to develop innovative solutions addressing challenges that affect all members of the supply chain. In 2012, efforts focused on developing a guideline for sustainable procurement, use and recovery of paper products. Work is also under way to identify and address some of the barriers to expanding the growth of certified forests.

The American Forest Foundation (AFF) works on-the-ground with families, teachers and elected officials to promote stewardship and protect our nation’s forest heritage. AFF is the parent organization for both the American Tree Farm and Project Learning Tree. In addition to financial support, we are active participants in New England and the Great Lakes region for both of those programs, with employees serving on the state steering committees, as Tree Farm inspectors and as Project Learning Tree facilitators.

# Key Performance Indicators

Paper is derived from renewable resources, made with high levels of renewable energy and is recyclable. At one level, it is difficult to imagine a more sustainable medium for communications; but not all paper companies perform equally when it comes to operating safely and sustainably. In the following pages, we offer readers a deeper look at our environmental performance data—from fiber procurement and energy usage to our operations' impacts on air, water and solid waste.

48 / 49 / 50 / 52 / 53  
Fiber / Emissions / Energy / Water / Solid Waste



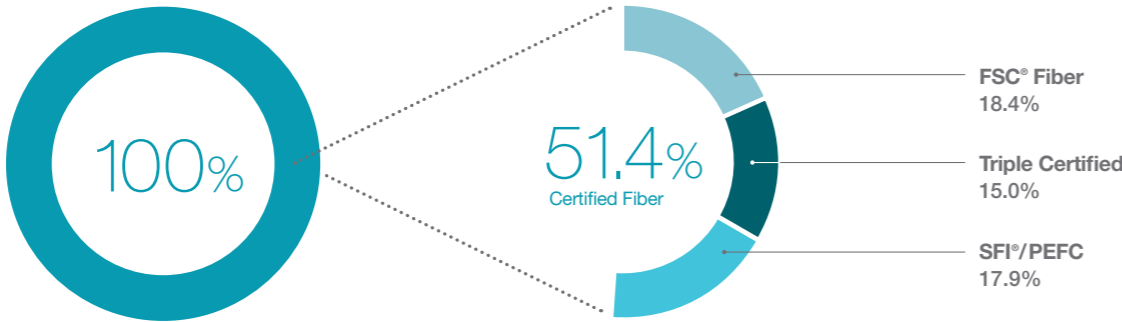
# Fiber

One hundred percent of our fiber is procured in accordance with the SFI® Fiber Sourcing standard as well as the FSC® Controlled Wood standard. These third-party certification programs provide assurance that wood-based products have been procured from well-managed forests and are legally harvested. In 2012 we reduced the amount of purchased fiber (especially at our Somerset Mill in Skowhegan, Maine) and increased production of our own made pulp. The majority of our wood is sourced within a 125-mile radius of our mills and we are limited in access to FSC® certified fiber within this distance in Maine; as such we experienced a drop in FSC® certified fiber at our Somerset Mill. Our FSC® fiber procurement was also impacted at our Cloquet, Minnesota mill by our decision to procure salvaged wood in the aftermath of a series of wind events in Minnesota and Wisconsin (see p.22).

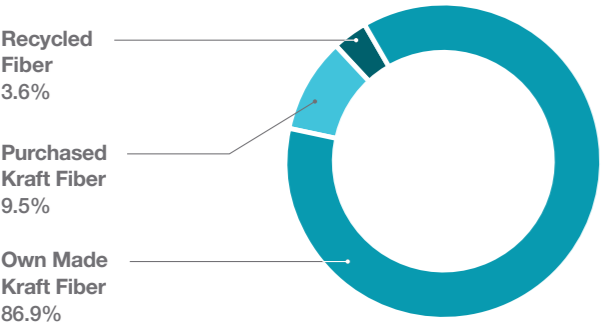
Our recycled fiber is derived from post-consumer sources and is also FSC® certified. We do not have a deinking facility in any of our operations. All recycled fiber is purchased within North America and is processed chlorine free (PCF). All kraft pulp is elemental chlorine free (ECF) and is either made on-site or purchased within North America.

## 2012 Total Fiber Sourcing

100% of our fiber is procured in accordance with the SFI® Fiber Sourcing standard as well as the FSC® Controlled Wood standard.



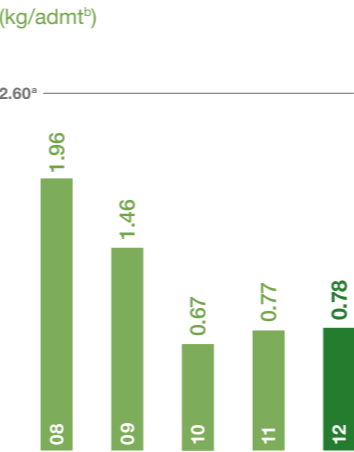
## 2012 Types of Fiber



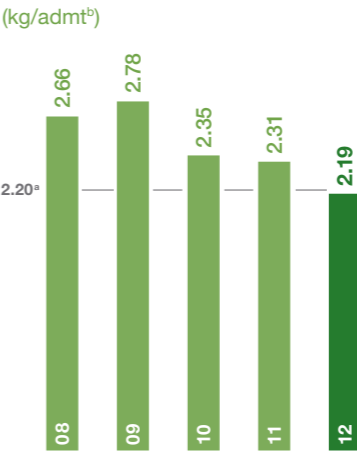
# Emissions

SFPNA has had a major focus on the reduction of fossil fuels and the emissions associated with combustion. We exceeded our aggressive five-year goal of a 40 percent reduction in greenhouse gas (GHG) intensity in just three years. We have also reduced SO<sub>2</sub> emissions by 56 percent over the past five years and as a result, SFPNA is well below industry average for GHG and SO<sub>2</sub> emissions. Fuel switching and increased use of biomass has made it challenging to reduce NO<sub>x</sub> and particulate emissions, which are currently at industry average levels. However, we are operating well below permitted levels and are exploring solutions for reducing these emissions over the coming years without compromising our greenhouse gas reductions.

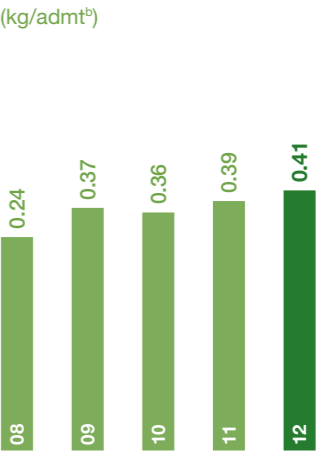
## SO<sub>2</sub> Emissions



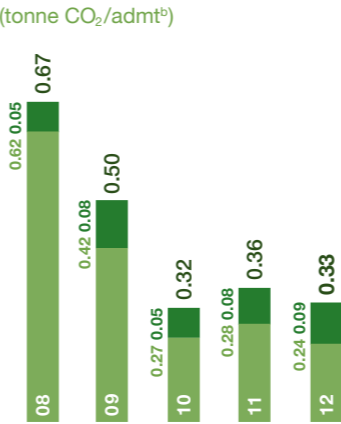
## NO<sub>x</sub> Emissions



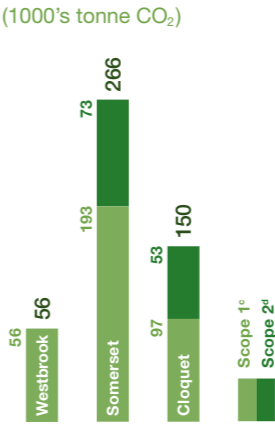
## Particulate Emissions



## GHG Emissions



## 2012 GHG Emissions by Mill

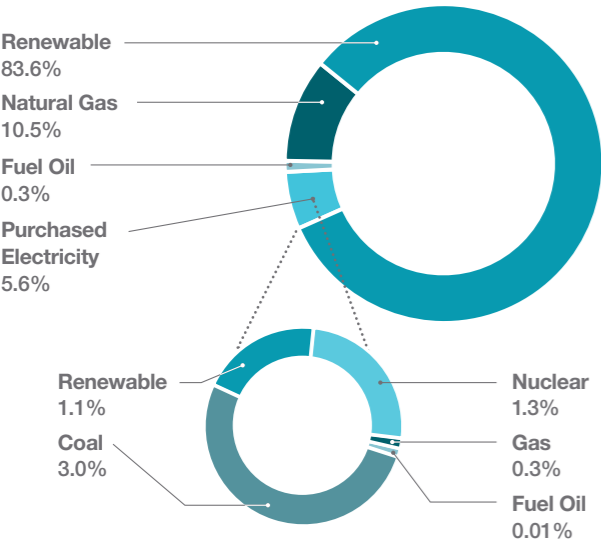


<sup>a</sup> Represents 2010 AF&PA average performance. <sup>b</sup> Intensity metrics reflect the impact per air-dried metric ton of saleable product (including market pulp). <sup>c</sup> Direct GHG emissions—emissions from sources that the company owns or controls. <sup>d</sup> Indirect GHG emissions from purchased electricity, steam, or heat—emissions associated with the generation of electricity, steam or heat.

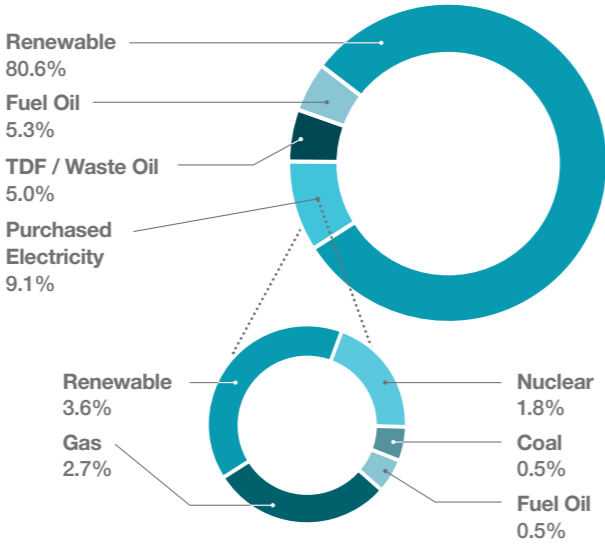
# Energy

In this year’s report we have adopted a calculation method that is used by the Department of Energy and the American Forest and Paper Association (AF&PA). In this method, energy consumption from purchased electricity is calculated in terms of fuel inputs to account for efficiency losses in generating and transmitting power. The equivalent energy value is represented in terms of sources as per power supplier provided data. A portion of the Minnesota power supplier’s energy source profile is undefined and this portion is profiled using US Energy Information Administration (EIA) data for Minnesota. Our Westbrook Mill does not buy power and the mill energy profile reflects sales of Renewable Energy Certificates (RECs). The trend data for renewable energy and energy intensity on the adjacent page has also been adjusted to reflect the new calculation method.

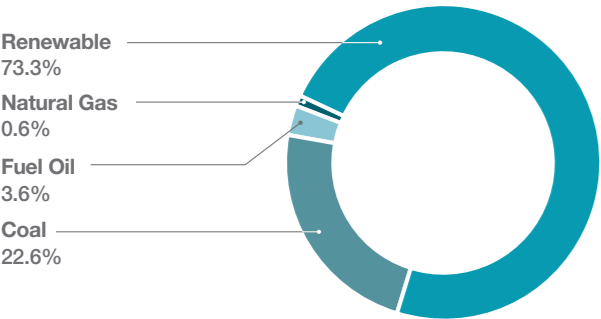
2012 Total Energy / Cloquet Mill



2012 Total Energy / Somerset Mill



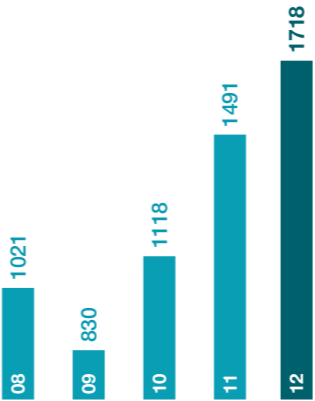
2012 Total Energy / Westbrook Mill



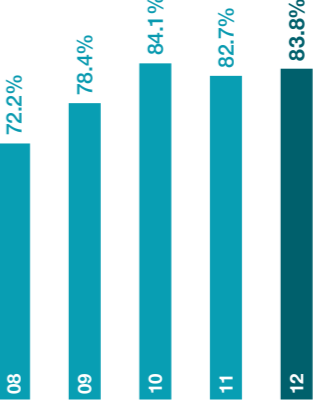
In 2012, the Westbrook Mill’s overall consumption of renewable energy was 84.2%. However, adjusting the REC sales results in the 73.3% reflected in this graph.

Consumption of Alternate Fuels<sup>b</sup>

(terajoules/yr)

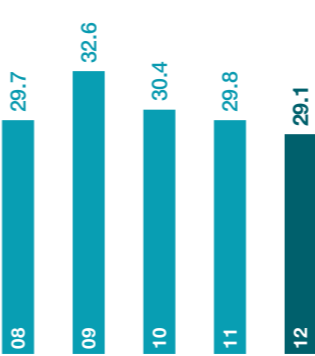


% of Renewable Energy



Energy Intensity

(GJ/admt<sup>a</sup>)



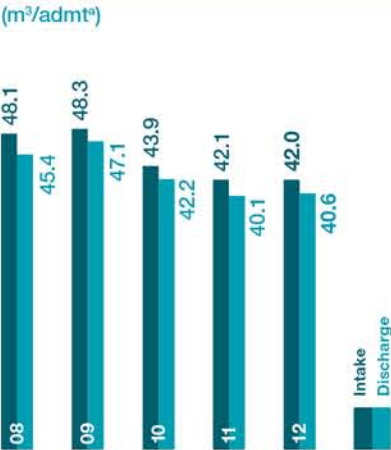
<sup>a</sup> Intensity metrics reflect the impact per air-dried metric ton of saleable product (including market pulp).

<sup>a</sup> Intensity metrics reflect the impact per air-dried metric ton of saleable product (including market pulp). <sup>b</sup> Historical data has been adjusted to account for waste oil consumed at our Somerset mill as alternative fuel and previously reported simply as oil usage.

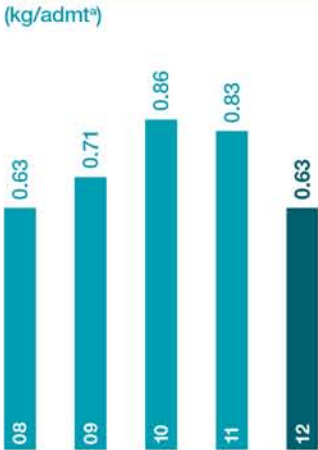
# Water

Over the past five years, we have decreased our specific water intake by 12.7 percent. SFPNA utilizes surface water and returns water to the same primary source or—in Cloquet—to a publicly owned treatment facility, which discharges to Lake Superior. Our water discharge is over 90 percent of the intake level. Water that is consumed is lost primarily through evaporation to the atmosphere. While we have increased production at both our Somerset and Cloquet Mills, we have seen measurable improvements in water quality parameters such as biological oxygen demand (BOD) and total suspended solids (TSS) due to modifications in the treatment systems.

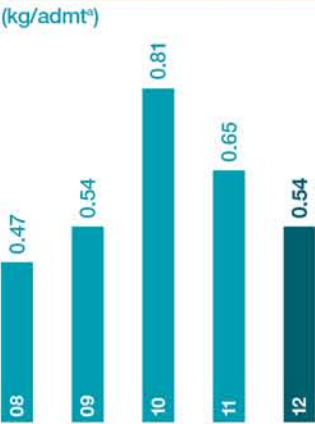
## Water Intake/Water Discharge



## BOD



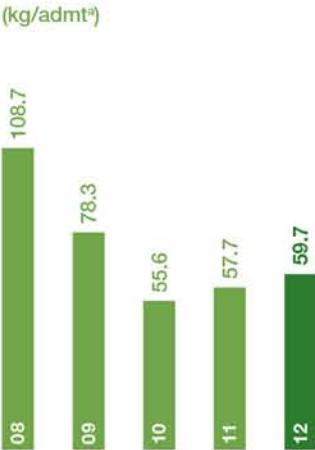
## TSS



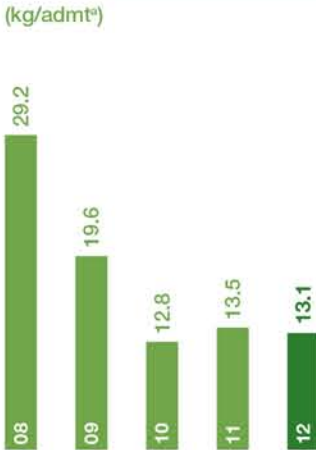
# Solid Waste

Over the past five years, we have reduced solid waste to landfill by 45 percent (as measured in terms of solid waste per ton of product). Our focus has been aimed at reducing the organic waste to landfill in recognition that organic constituents can contribute to greenhouse gas emissions upon decomposition. Our mill in Cloquet, Minnesota, has developed a beneficial use program with the local agricultural extension program and provides boiler ash and lime mud as a soil amendment to local farmers. These materials help farmers raise the pH of soil, creating better growing conditions for certain crops.

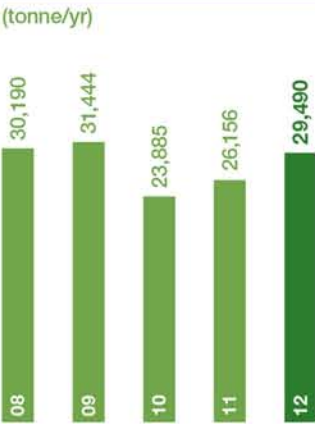
## Total Solid Waste to Landfill



## Organic Waste to Landfill



## Beneficial Use of Solid Waste



<sup>a</sup> Intensity metrics reflect the impact per air-dried metric ton of saleable product (including market pulp).

<sup>a</sup> Intensity metrics reflect the impact per air-dried metric ton of saleable product (including market pulp).



**An Unwavering Commitment** In my role as Director of Sustainability, I serve as a touch point across all aspects of our sustainability governance—establishing goals and driving key initiatives in support of our progress. I also have the pleasure of acting as a spokesperson for SFPNA to help convey our performance as well as our positions on key issues. In this function I have the opportunity to work with each of our stakeholder groups: our employees, our customers and members of our local communities. If I were to pick a single highlight from 2012, I would have to point to our Green Community Day held in Westbrook (see p.40) where over 500 people got to experience the collective spirit and pride of our company.

In reflecting on five years of progress against our sustainability goals, it is extremely gratifying to see the results of integrating sustainability goals into our overall strategy. By achieving reductions in waste and the use of fossil fuels, we simultaneously reduce our environmental impact while delivering savings directly to the bottom line. We also reap the benefits of establishing sustainability as a core of our overall brand promise. The strong ties to our customers across all of our business units drives revenue enhancement—and we continue to see market share gains in key segments.

While we’ve made significant progress, we cannot simply take satisfaction in a job well done. We know that the landscape is dynamic—legislative issues, the strength of our competition and the state of the overall economy are forever shifting—and as such we must stay ahead of emerging issues. Working with leading educational institutions and through various collaborative efforts we remain at the forefront of technology development. By continuing to invest in our people, we aim to stay a step ahead of the competition.

While technology is an enabler, it is our ability to implement solutions that makes the difference.

Our social responsibility goals reflect our values regarding the importance of training and education. We remain committed to training our employees as well as our customers—offering materials and services through our Sappi etc. program that are unparalleled in the industry.

Looking ahead, 2013 promises to be a landmark year. We will be making investments at each of our operations—in our pulp mill at Cloquet, Minnesota; in the Somerset PM #3 in Skowhegan, Maine, and in a coater at our Westbrook, Maine specialty mill. These investments will help us not only through product differentiation and quality improvements, but also aid in our goal to reduce material waste—once again illustrating that economic success and environmental responsibility go hand in hand.

For more information about this report or to learn more about where we have been and where we are going, I personally invite you to contact me, visit the eQ microsite or our blog, or follow us on Twitter and join the dialogue.

*Laura M Thompson*

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#### On the Cover

SFPNA forester and wildlife biologist Katie Cousins examines one of the 1,050 seedlings planted in cooperation with the American Chestnut Foundation. This land is owned by Penobscot County Conservation Association and is managed with the assistance of Sappi Fine Paper North America's Sustainable Forestry Program. Once found in approximately one-quarter of New England forests, the American Chestnut tree was mostly lost throughout the region due to disease. These newly planted seedlings have shown to be resistant to disease and will be properly managed for long-term growth.

