



**Southern Africa**  
Sustainability Report  
2011

**sappi**

Inspired by life

# Contents

Message from the Chief Executive Officer, Sappi Limited	1
External accolades	2
Message from the Chief Executive Officer, Sappi Southern Africa	3
Overview of Sappi Southern Africa	6
Our product life cycle	8
Our sustainability governance structure	10
Our five-year targets	11
Key Prosperity issues	14
Key People issues	18
Key Planet issues	32
Message from the Chairperson, Regional Sustainability Council	41

## About this report

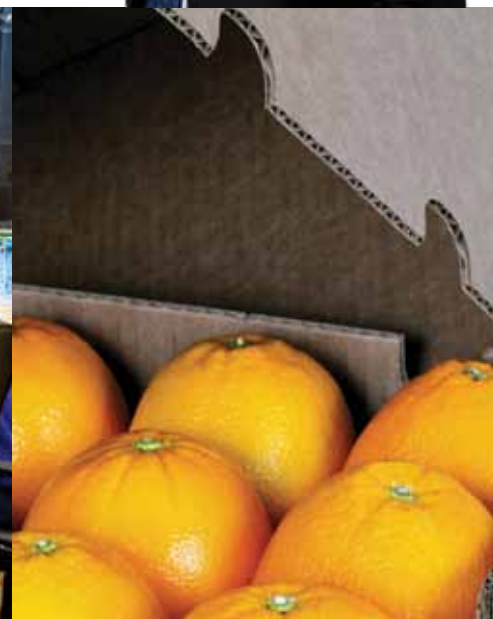
Sappi Southern Africa has been publicly reporting on sustainability since 2008 as part of a global sustainability report issued annually by Sappi Limited at financial year end. This year, for the first time, each regional division is issuing its own sustainability report, with consolidated global sustainability information included in the integrated report. Sappi Limited will also continue to publish a separate online report which complies with the Global Reporting Initiative's 3.1 framework and discloses compliance with the UN Global Compact, to which we are a signatory.

This new reporting structure maintains our commitment to transparency at the global level while allowing a deeper regional focus that reflects local markets and issues. The report covers the financial year 2011 (01 October 2010 to end September 2011) and discusses those issues which are most material to our business in the Southern African region.

Together with sustainability reports from our operations in North America and Europe, copies of reports produced by Sappi Limited can be accessed at:

<http://www.sappi.com/regions/sa/Sustainability/Pages/Group-sustainability.aspx>

# Message from Ralph Boëttger



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



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

*Sappi demonstrates its commitment to sustainability through the 3Ps of Prosperity, People and Planet. In addition, we support several public forums and advocacy groups including the United Nations Global Compact.*

**Ralph Boëttger**  
Chief Executive Officer  
Sappi Limited

From our online report which can be accessed at:  
<http://www.sappi.com/regions/sa/Sustainability/Pages/Group-sustainability.aspx>





# External accolades

Recognised as one of the top performers on the JSE Socially Responsible Investment (SRI) Index in 2008, 2009, 2010 and 2011.

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Improved our score from 75 to 80 (out of 100 points) on the South African Carbon Disclosure Project Leadership Index.

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Recognised as Agro-processing Initiative of the Year in the 2011 “Agribusiness Investment Awards 2011” held by Africa investor (Ai), a leading international investment research and communications group. The awards are the first of their kind to internationally recognise Africa’s agribusiness investment leaders and are aimed at improving the continent’s agribusiness investment profile.

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Cape Kraft Mill received an award for the Western Cape region from Productivity SA.

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Ngodwana Mill received two awards from PMR.africa, one for environmental achievement and the other for contribution to job- and business creation.

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

# Message from Alex Thiel



In South Africa, our sustainability challenge is to create a more equitable society while providing products and services that add value to our daily lives in a way that sustains, rather than destroys, the eco-system in which all society is embedded. At the same time, we need to uplift and upskill the communities in which we operate and the people we employ.

Of course, this challenge is essentially no different in the other regions where Sappi is based, but in South Africa it is more urgent, given the deep socio-economic divides which still exist. This is further compounded by issues such as the expectation that climate change will have a particularly negative impact on sub-Saharan Africa and the fact that despite some progress, Southern Africa still has one of the highest incidences of HIV/AIDS in the world.

## **Ambassador programme and Regional Sustainability Council**

Our sustainability journey is well under way. In 2011, we held a road show to launch our Sustainability Ambassador programme which is designed to educate employees on sustainability, giving employees elected as ambassadors an opportunity to interact and work directly with the staff and our Regional Sustainability Council (RSC) on policies, procedures and programmes concerning sustainability.

The RSC is doing sterling work in entrenching sustainability into our everyday business practices by, amongst other things, monitoring and measuring our progress towards targets.

## **Targets**

I am pleased to report that we exceeded our training target and, despite, difficult operating conditions, spent over ZAR7 million on corporate social investment projects. If you turn to pages 11 to 13, you will see that we are on track to achieving our other targets. Unfortunately, the one area where we did not meet our target was in terms of safety. Performance in terms of both the Lost Time Injury Frequency Rate (LTIFR) and injury rate for our own employees and contractors deteriorated. Regrettably, there were three contractor fatalities in our forestry operations. We have taken steps to redress this going forward, including moving towards increased levels of mechanised harvesting and further inculcating a culture

Sappi

# Message from Alex Thiel

of safety throughout all operations. I congratulate Cape Kraft Mill on their Diamond Award, received for working 36 months without a lost-time injury (LTI). Ngodwana, Tugela and Enstra Mills also performed well.

## Restructuring for prosperity

As the CEO of the Sappi group has stated on page 1 of this report, if we do not generate profits, we do not have a sustainable business. In 2011, we had to take the difficult decision to close Adamas Mill and restructure our business which resulted in job losses. While the process created a lot of uncertainty and resulted in significant change, I am confident that we have emerged a leaner, fitter organisation, more capable of dealing with today's challenging business environment. We are in fact, already becoming more competitive and taking advantage of market opportunities. In 2011, we announced a ZAR2.3 billion upgrade of our Ngodwana Mill in Mpumalanga in terms of which the mill will continue to produce kraft linerboard and newsprint while also producing 210,000tpa of chemical cellulose. Once the upgrade is complete, Sappi's total production of chemical cellulose, from both Ngodwana and Saiccor Mills, will be in excess of a million tons a year.

## People

We continued to focus on developing our employees' skills and abilities through a number of training programmes by providing in excess of 82 hours training per employee in 2011. The training programmes range from Adult Basic Education and Training, to leadership programmes. The health and safety of our people is directly linked to productivity. There were ongoing wellness programmes at all operations throughout the year, in which employees participated enthusiastically. We are making strides in terms of HIV/AIDS. Mortality rates of known HIV/AIDS infected employees in South Africa have declined steadily over the last five years and compare well with the national mortality rate of 2%.

## Planet

I am extremely proud of the fact that all our mills are ISO 9001, ISO 14001 and FSC certified. The latter gives consumers the assurance that the wood fibre used for our products originates from sustainably managed forests and not from tropical and other endangered forests.

Making the transition to a less carbon- and water-intensive economy is high on the South African development agenda. In this region, 38.4% of our own energy is supplied from renewable resources compared to a national supply of 7.6%. One of our five-year targets relates to the reduction of specific purchased fossil energy. Reducing purchased energy reduces both energy costs and fossil emissions and we are working on a number of projects to achieve this.

In South Africa, we have an important advantage in that the plantations from which our wood is sourced play an important role in mitigating climate change. They do this by absorbing carbon dioxide (CO<sub>2</sub>), sunlight and water to produce the carbohydrate energy needed for growth, as well as producing oxygen as a by-product during the process of photosynthesis.

South Africa's available freshwater resources are already almost fully-utilised and under stress. We have reduced specific water usage by 3% since 2007 and have revised our target of reducing total specific fresh water usage upwards.

## Adding value

Despite the fact that the world is increasingly relying on electronic media, the printed word and image remains a unique, distinctive and effective medium that adds considerable value to our daily lives. Paper based packaging continues to displace non-renewable packaging materials. Paper is a biodegradable, renewable, sustainable product made from trees grown in sustainably managed plantation forests. Growing and harvesting trees provides jobs for large numbers of men and women, and farming plantation forests are good for the environment; providing clean air, clean water, wildlife habitat and carbon storage.

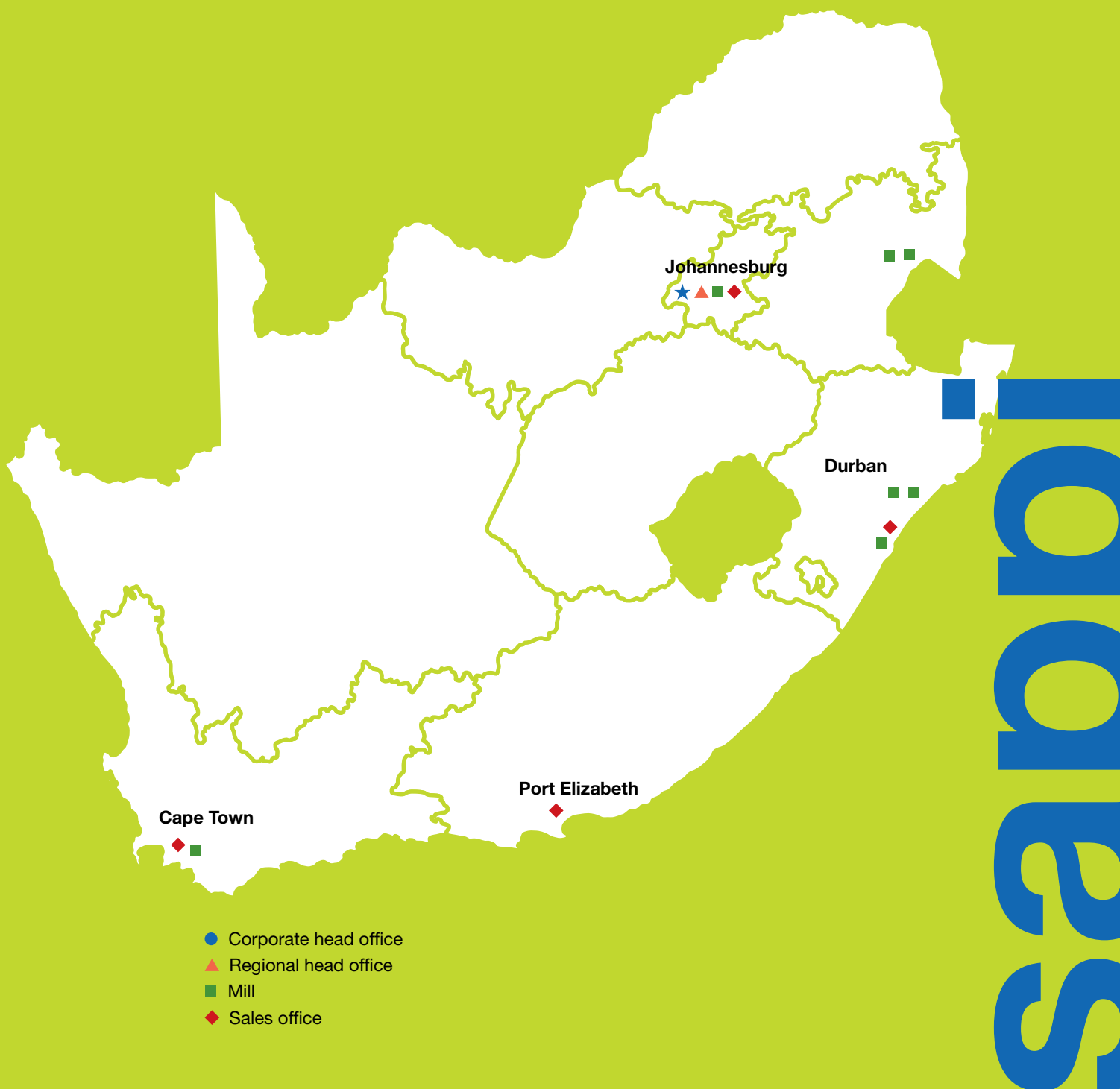
## Going forward

I am confident that we will continue to achieve higher levels of performance across the board as we tackle the challenges and take advantage of the opportunities presented by our understanding that the 3Ps of Prosperity, People and Planet are all interlinked and that our ability to create value for all stakeholders depends on integrating sustainable development into everything we do.

### Alex Thiel

*Chief Executive Officer*  
Sappi Southern Africa

# South African operations







# Overview of Sappi Southern Africa

Sappi was established in South Africa in 1936 to serve South African consumers with locally produced papers. Sappi Southern Africa (Sappi SA) has continued this tradition by constantly developing solutions to meet the needs of a rapidly-changing world. Sappi SA's products include:

- Bleached paper pulp
- Chemical cellulose used in fashion clothing, mobile phone screens, cellophane wrap, pharmaceutical applications, beauty and household products
- Coated and uncoated fine papers
- Containerboard for cardboard boxes used for exporting fruit
- Newsprint
- Office and business papers including stationery, printing and photocopying
- Packaging paper used in bags for cement, dog food and potatoes as well as shopping bags
- Security and speciality papers used in passports and election ballot papers and
- Tissue paper.

## Our operations – at a glance

**Cape Kraft Mill** uses approximately 67,000 tons per annum (tpa) of waste paper to produce 60,000 tons of waste-based linerboard and corrugating medium per annum. Using waste paper provides a competitive edge in our markets, which are becoming increasingly environmentally aware.

Another competitive edge is the flexibility offered by the offline coater, which can coat papers from as light as 46g/m<sup>2</sup> to as heavy as 350g/m<sup>2</sup>. The coater offers corrugators, carton and bag/sack manufacturers a selection of barrier and clay-coated papers.

**Enstra Mill** is an integrated mill producing bleached chemical pulp for own consumption, as well as uncoated woodfree and business paper. The mill is the only manufacturer of security paper (cheque, election ballot and passport paper) in Africa.



**Ngodwana Mill** produces elemental chlorine-free (ECF) bleached softwood pulp which is used in the production of newsprint, kraft and white top linerboard, with the balance sold as market pulp. The mill also produces bleached hardwood pulp and from 2013 will begin producing chemical cellulose (see page 16).

**Saiccor Mill** produces chemical cellulose for customers around the world. A major expansion in 2009, concluded at a cost of over ZAR3 billion, has enabled the mill to increase its annual production from 585,000tpa to approximately 800,000tpa. Almost 100% of production is exported to clients in Asia, Europe and North America, bringing considerable benefits to South Africa's export economy.

**Stanger Mill** was established in 1976 and manufactures bleached bagasse (the fibrous residue of sugar cane) pulp for own consumption as well as coated woodfree and tissue paper. Every product produced at the mill is manufactured according to the principles of Triple Green. The products adhere to environmental pillars, which underscore the company's commitment to long-term sustainability, minimise the environmental impact of paper manufacturing and assure end-users that the procurement chain has been stringently monitored by environmental bodies.

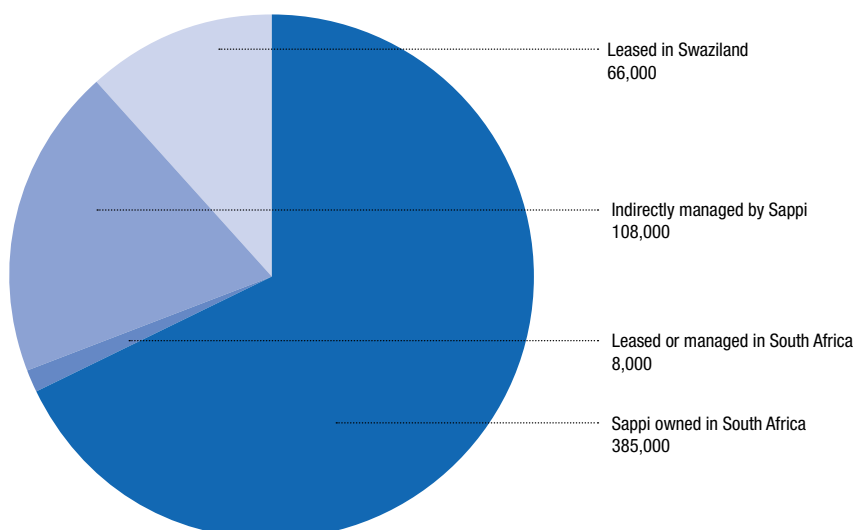
Commissioned in 1954, **Tugela Mill** produces unbleached kraft and semi-chemical pulp for own consumption and has played a major role in leading packaging innovation in South Africa. It is the only mill in the country to offer high performance container board packaging. This allows customers to develop lightweight boxes which retain their strength in cold storage conditions. Other products include virgin unbleached machine glazed kraft and virgin unbleached extensible sack kraft. Tugela Mill is located near the ports of Richards Bay and Durban which makes for easy access to global markets.

For Sappi, recovered board and paper is a valuable resource, and it is used to supplement virgin fibre in the papermaking process. Sappi **ReFibre** procures board and paper for recycling from its agents, who source it directly from homes, offices, wholesalers and retailers, as well as from manufacturers in both the formal and informal sectors.

Approximately 1.75 million tons of recovered fibre is available for collection and recycling in South Africa every year, and in 2009, South Africans recycled 58% of all recoverable paper consumed. Of this, Sappi ReFibre recovered more than 200,000 tons, to the benefit of businesses and communities.

**Sappi Forests**, as indicated in the pie chart below, sources wood fibre mostly from our own, leased and managed plantations (planted forests of exotic trees) of the softwood (pine) and hardwood (eucalypt and wattle) genera.

**Areas of plantation supplying Sappi Forests**  
(hectares)



*Softwood and hardwood are planted in roughly equal proportions to a density average of 1,667 trees per hectare.*

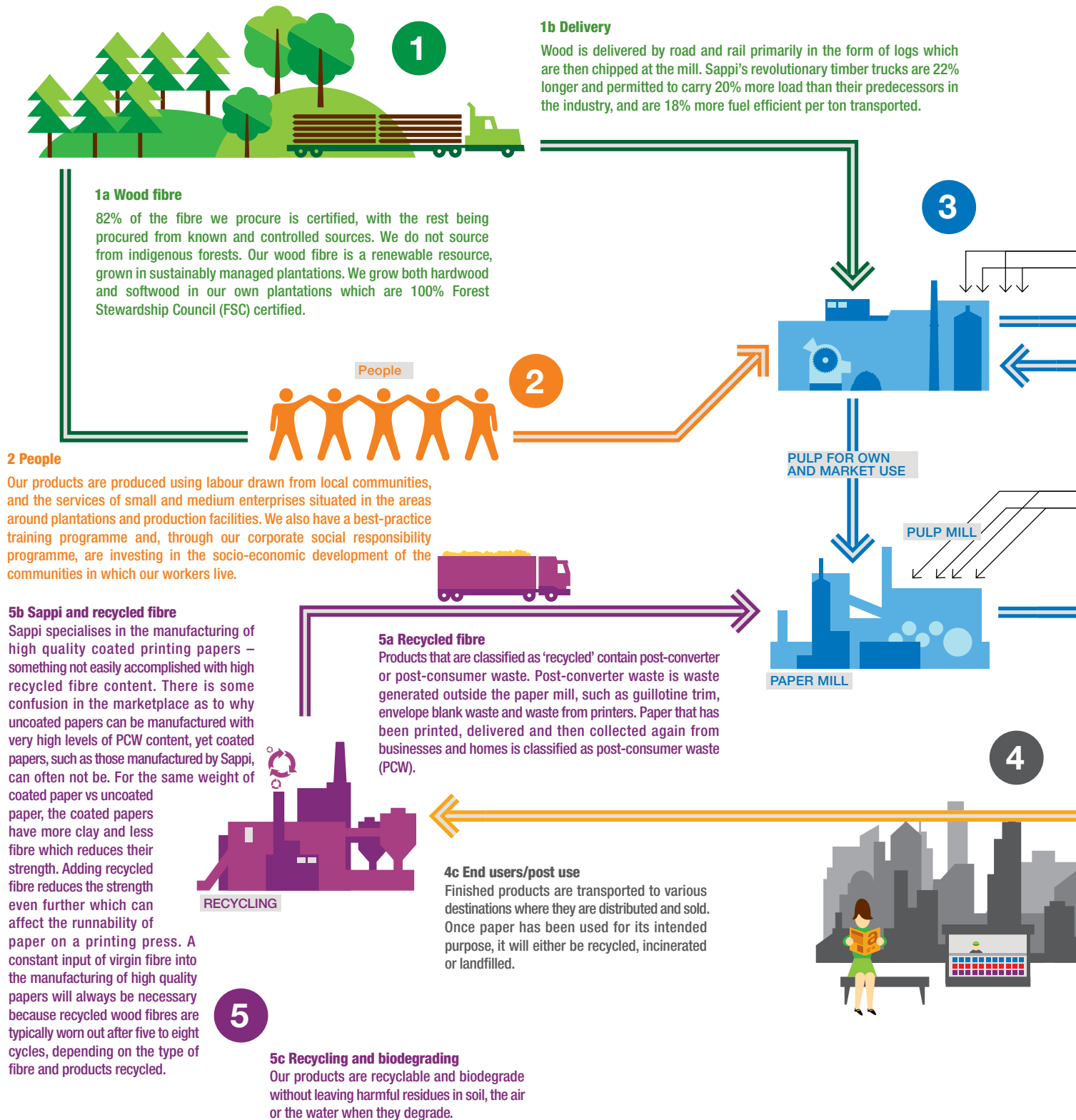
*Tree species are matched with the soil type and climatic conditions.*

*Watercourses are carefully delineated to ensure our planted area complies with the industry guidelines.*

100% S

# Our product life cycle

One of the greatest benefits of paper and paper packaging and chemical cellulose is that the wood-fibre they are derived from is a sustainable, renewable resource.



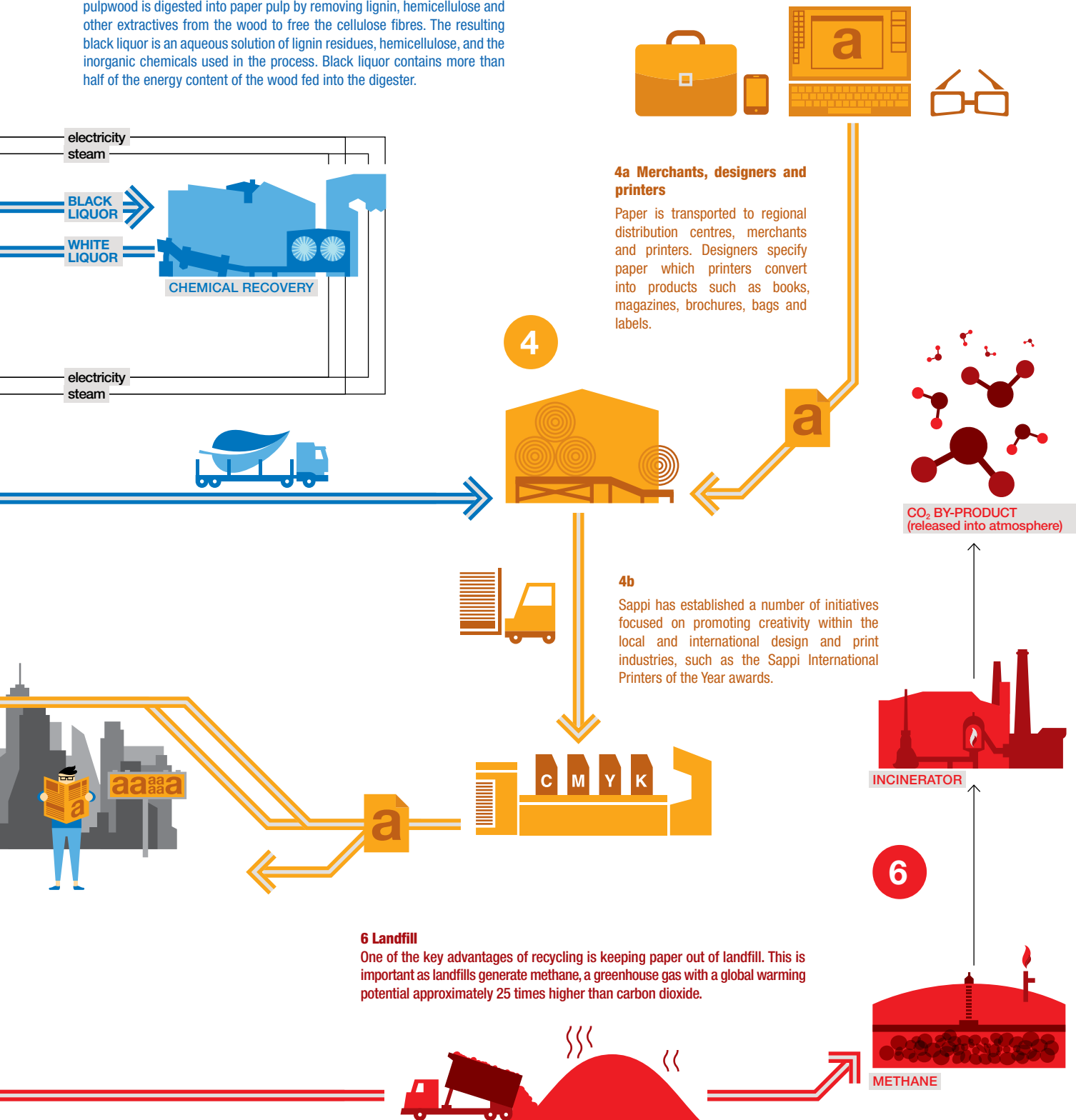
sappi | refibre

3a Lean manufacturing

We use lean manufacturing principles to reduce energy, re-use resources and minimise waste in each area of our mills.

3b Black liquor

Our percentage of renewable energy stands at 38.4%. This is derived from black liquor recovered during the pulping process. Essentially, black liquor is the spent cooking liquor from the kraft process which results when pulpwood is digested into paper pulp by removing lignin, hemicellulose and other extractives from the wood to free the cellulose fibres. The resulting black liquor is an aqueous solution of lignin residues, hemicellulose, and the inorganic chemicals used in the process. Black liquor contains more than half of the energy content of the wood fed into the digester.







## Our sustainability governance structure

Our sustainability structure plays a key role in making sustainability a way of life by allocating responsibilities, setting targets, reviewing progress, driving communication around the issue and incorporating the principles of sustainable development into the everyday management of our business.

### Sustainability Council

The Regional Sustainable Development Councils, which include the South African Council, report to the Group Sustainable Development Council (GSDC) which in turn reports to the Board Sustainability Committee.

The Regional Council is focused on inculcating sustainability into the organisation. Accordingly, the council encompasses representatives from all our manufacturing facilities, corporate functions including BBBEE, marketing, human resources, prosperity, corporate affairs and business segments such as forestry.

### Sustainability Ambassadors

A regional strategy was developed and approved in 2010. Included in this strategy is the Ambassador Programme which aims to ensure sustainability management is implemented at all business units. This is a grass roots programme designed to educate employees about sustainability. This in turn gives, employees elected as ambassadors, an opportunity to interact and work directly with the staff and our Regional Council on policies, procedures and programmes concerning sustainability.

The role of the ambassador is to promote and create awareness of sustainability, as well as to provide information and answer questions related to sustainability. Ambassadors have the unique opportunity to bring sustainability to the attention of Sappi employees and give them an understanding of how it drives Sappi.

A 'road-show' to launch the programme at the South African mills and relevant business units took place in 2011.

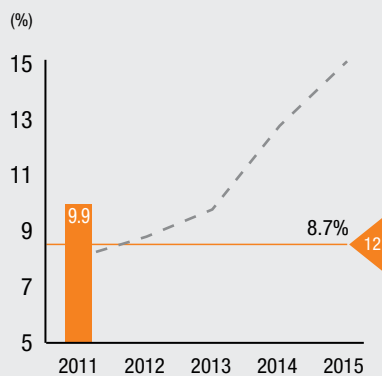
# Five-year targets (2011 – 2015)

The targets we have set relate to our key material issues and are the means we use to benchmark our overarching goal of enhancing our sustainability performance. The due date for all South African targets is end 2015 with 2011 the baseline, unless otherwise stated.

The graphs below indicate 2011 achievements vs annual milestones until 2015.

◀<sup>12</sup> – Indicates a 2012 goal

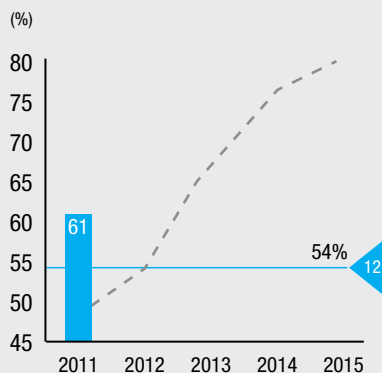
## PROSPERITY



### RONA (Return on Net Assets) to be equal to or greater than 15% on a rolling five year basis

The emphasis in 2011 was on improving profitability with specific focus on markets that showed growth and reasonable margins. The paper business is currently being restructured to ensure that it returns to profitability in 2012 and starts generating acceptable returns into the foreseeable future. The milestone we set ourselves in 2011 was 8%, and we exceeded this by achieving 9.9% on a five year rolling basis. The annual target set for 2012 is above 10%, however due to the world economic downturn in late 2008 and the latter years still recovering from the recession the five year rolling average target shows a decline.

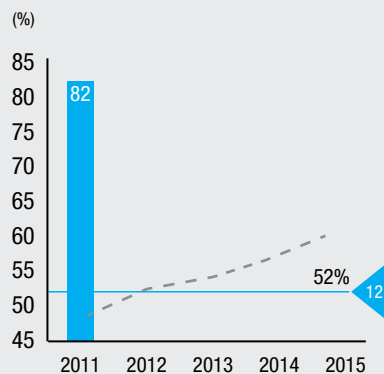
## PEOPLE



### 80% compliance with the Workplace Skills Plan

The Workplace Skills Plan (WSP) is an annual training report put together for the region to inform both the business and our Sector Education and Training Authority (SETA) how we intend to train and develop our employees as per the Skills Development Act. The WSP compliance percentage is a measure of how Sappi delivers training in terms of the pre-determined training plan per specific employee.

## Five-year targets (2011 – 2015)



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

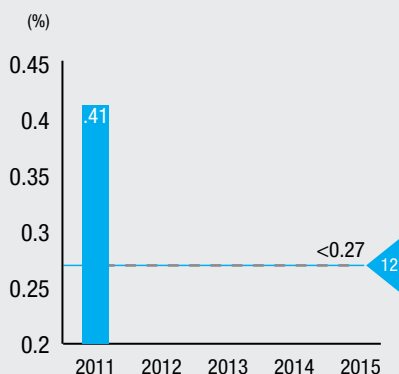
Our target for 2011 was to provide training and development opportunities at an average of 48 hours, which we exceeded significantly by providing 82.3 hours. This was made up as follows:

- Basic life skills: Adult Basic Education and Training (ABET), HIV/AIDS awareness – 1.9 hours
- Sappi world of work: Safety Health Environment and Quality (SHEQ) related training, induction – 10 hours
- Individual development, learnerships and skills programmes: Study assistance, apprenticeships, pulp and paper learnerships, Training Outside Public Practice (TOPP) – 46.9 hours
- Knowledge and capacity building: Improving skills on current job – 21.5 hours
- Management and leadership: Improving managerial skills – 2 hours

2012 target: 1%

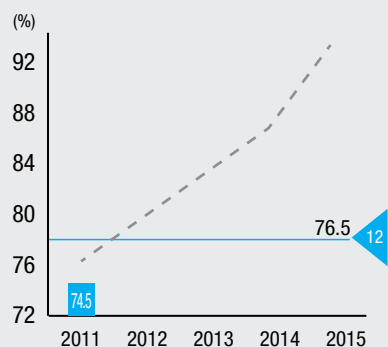
### Annual Corporate Social Responsibility (CSR) expenditure to be 1% of NPAT (Net Profit After Tax)

We achieved our target in 2011, spending ZAR7 million, mainly on PROTEC, Ideas that Matter and the KwaDukuza Resource Centre.



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

LTIFR is based on a Sappi groupwide standard for man hours, and is calculated as LTI (Lost Time Injury) x 200,000 divided by the unit's man hours.



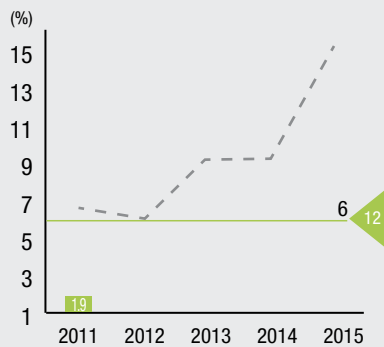
### Achieve a Broad-based Black Economic Empowerment (BBBEE) score of 93.5

Sappi's BBBEE targets are based on the Forestry Charter and relate to:

- Ownership
- Management control
- Employment equity
- Skills development
- Preferential procurement
- Enterprise development
- Socio-economic

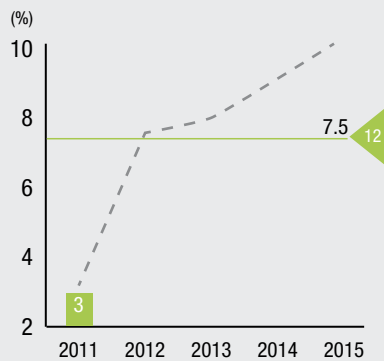
The BBBEE scoring matrix has nine levels of compliance ranging from level one, the most compliant company, to level eight – the lowest level of compliance. Level nine indicates non-compliance. In terms of an assessment completed by rating agency Empowerdex in October 2011, Sappi is a level four contributor, with unconstrained operational capacity.





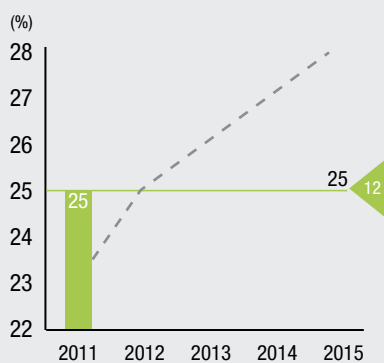
**Achieve 15% reduction in specific purchased fossil energy with 2000 as a base year**

The specific purchased energy (SPE) is the sum of the purchased fuel (coal, gas, fuel oil and any purchased biomass fuel) and the fuel used to produce the purchased energy (steam and electricity). All divided by the saleable production from our facilities.



**Reduce total specific fresh water usage by 10% with 2007 as a base year (revised upwards from 5%)**

Specific fresh water used is all the fresh water consumed by our mills divided by saleable production. This parameter relates to the consumption of water by mill processes.



**Recover 28% of fibre put into the market (revised upwards from 24%)**

This is calculated as fibre recovered divided by the total paper sales.

In 2011, sales of paper into the market stood at 819,382 tons and we recovered 203,836 tons.

# Key Prosperity issues

## Restructuring our business

### Eastern Cape

In 2011, we permanently closed Adamas Mill in Port Elizabeth despite the best efforts of Sappi Southern Africa management and the 213 people employed at the mill. The small size of the mill and concomitant low volumes, together with out-dated technology and the high costs of energy and fibre meant that profitability could not be achieved. The volumes produced at the mill were transferred to Enstra and Tugela Mills to enable us to continue meeting customer needs.

We are maintaining our marketing and sales presence in the Eastern Cape as well as the collection of fibre and purchase of fibre collected by third parties (used for recycled paper) through Sappi ReFibre.

Furthermore, in partnership with AsgiSA-EC, we have developed a joint proposal with a strategic goal of accelerating the establishment and management of 30,000 hectares (ha) of commercial tree plantations by 2020 in the Eastern Cape. It is anticipated that these partnerships will be developed between Sappi and communities that hold land rights, with Sappi being the 'implementation partner' as a provider of technical, managerial and administrative support to the community businesses. This development is expected to create 1,400 direct and permanent unskilled jobs and a further 125 jobs for skilled workers. Using industry trends, it is expected that some four to five indirect jobs would be created for each direct job, implying a further almost 8,000 jobs. In rolling out the project, Sappi and AsgiSA-EC have already developed close to 215ha in conjunction with the Mkambathi and Sinawo communities.

# The Sinawo and Mkambathi projects

AsgiSA Eastern Cape, which facilitates forestry development in the region on behalf of the Eastern Cape government, is working with communities and companies like Sappi to drive afforestation projects in the Eastern Cape. AgsiSA-EC and the SANBI Grasslands project have developed a tool to identify grassland of high biodiversity value that is unsuitable for afforestation in order to avoid wasting time and money on potentially fatally flawed water licence and EIA applications, and raising community expectations unnecessarily. Using the same technology as the Conservation Planning Tool, maps have been produced which indicate the relative conservation values of the land for all the potential forestry areas. This allows plantation developers and regulatory authorities to put biodiversity conservation at the centre of their decision-making from the outset.

The Sinawo project comprises some 10,000ha of land in total which was claimed by the community and has been transferred into a community property association. The community, which has no experience in forestry, initially allowed a contractor to fell timber on their 1,300ha plantation in return for payment of around ZAR2,500 per truckload, in an effort to get some cash flow going. This created a problem in that there was no re-establishment taking place resulting in the AgsiSA EC team persuading the community to lay off the contractor until a more sustainable operation could be put in place.

The community is currently engaging with Sappi as a potential strategic partner. Sappi has assigned a forester to provide technical guidance and support to the community, who are busy re-planting with seedlings bought from Sappi. The plantation is within range of the Saiccor Mill at Umkomaas. AgsiSA EC is playing a facilitation role, coaching and guiding the community's forestry committee members.

The Mkambathi Land Trust near Port St Johns represents seven communities comprising more than 5,000 households. The land claim includes the 6,000ha Mkambathi nature reserve and some 650ha of existing plantations established by the old Transkei government. The community is highly motivated and has established a forestry committee that oversees the forestry operations and reports to the Trust. There are 16 people on the Trust, two from each of the claimant communities.

Once again Sappi is providing support and technical assistance through an on-site extension forester. Attempts have been made to rehabilitate parts of the plantations that are in a poor state, while clear-felling and replanting has already begun. Post-settlement support from government of ZAR2.5 million has been paid to the Trust to date, and this is being used to finance current operations, augmented by a little cash from timber sales.



*Mkambathi project: Chairman of the Mkambathi Land Trust, CK Qalaba (in front) and members of the community's forestry committee inspect recently planted trees at the project site. (From left, back row) Johnny Ginyani (chairman of the forestry committee), Nardus du Preez (Asgisa EC), VW Mbane (Trust member), Henry Zikode (Sappi forester) Luxolo Dokolwana (forestry ops manager) and Kevin Nxosi (Sappi).*



## Key Prosperity issues

### Chemical cellulose opportunities

Chemical cellulose is used in a vast and growing array of products such as viscose fabric, in the food and pharmaceutical industry, detergents, drilling fluids, cosmetics, sponges, paint, sausage casings and many more. We currently produce about 800,000 tons per annum (tpa) of chemical cellulose from our sole producing Saiccor Mill in KwaZulu-Natal, supplying approximately 15% of market demand, which makes us the largest supplier of the product in the world.

In 2009, we completed an expansion project at Saiccor Mill which ramped up capacity by a third. In 2011, we announced a major upgrade of our Ngodwana Mill in Mpumalanga in terms of which the mill will continue to produce kraft linerboard and newsprint while also producing 210,000tpa of chemical cellulose. Once the upgrade is complete, Sappi's total production of chemical cellulose, from both Ngodwana and Saiccor Mills, will be in excess of a million tons a year.

This in turn opens up another opportunity as the raw material requirements of chemical cellulose entails a switch from softwood to hardwood, which frees up some of our extensive pine plantations to be used for high value sawn timber.

Chemical cellulose is the basis for viscose (rayon) fibre, and for many other materials for which there are alternate choices, for example, acetate. The Wall Street Journal reported in January 2011 that dramatic increases in cotton prices (91% in 2010) have caused many designers to turn to rayon as a cheaper alternative. In addition, climate change is causing concern about the water footprint of cotton. It is estimated, for example, that the Aral Sea has lost 80% of its volume due to water being diverted for cotton upstream and that while cotton is planted on 2.4% of the planet's arable land, it accounts for 24% of all insecticides and 11% of global pesticides (Reference: The Water Footprint of Cotton Consumption, UNESCO, September 2005). Against this backdrop, it is likely that consumers will turn increasingly to viscose material in the medium- to long-term.

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



## Usutu

We currently operate the Lomati sawmill near Barberton, and are considering utilising the timber from our Usutu plantation in Swaziland to supply Lomati Mill. We are also investing around ZAR60 million annually to rehabilitate the 52,000ha Usutu plantation, almost half of which was damaged in a fire in 2008. This event led to the closure of the Usutu Pulp Mill, which was already struggling to survive before the fire struck. The Usutu plantations comprise mostly of pine with 4,000ha hardwood.

## Innovating to meet customers' needs

Our customers are the heart of our business. We are focused on listening to their needs and meeting and anticipating those needs with the highest levels of product and service innovation. To achieve this, we closely track both technical and consumer trends.

Our competitive position in our core markets is based on outstanding brands and innovation.

Following extensive trials at the Technology Centre, in 2011 we launched Steribag, a new grade of paper for the manufacture of sterilisation bags for the medical industry, to replace plastic containers.

Sterilisation is one of the medical industry's key priorities. A reliable method of sterilisation is to place surgical and other hospital equipment inside a sterilisation bag during the harsh chemical vapour and steam sterilisation process.

The challenge was for Sappi to develop a very durable paper that could withstand these conditions. The paper needed to have very high dry and wet strengths as well as high levels of porosity, be highly water repellent, display zero fluorescence under UV light and have a near neutral pH.

Steribag paper, which is produced at Enstra Mill, forms a duo with Safecrepe paper, also for the medical industry, produced on Stanger Mill's tissue machine.

In 2011, we also launched Resilio. This greaseproof paper, which is produced at Enstra Mill, is microwaveable for 20 minutes on high and is oven proof for up to 40 minutes at 180°C. It contains release properties allowing for ease of use in confectionary applications and also has good absorption properties which protect the contents from getting soggy.

Resilio is converted to various food grade applications including takeaway bags, wraps, butchers' wrap, pie, chips and roast chicken bags, cupcake and muffin cups, baking sheets, butter and sandwich wraps and sugar and baking powder sachets.



# Key People issues

## Employees

We recognise that there is a direct link between our people and our sustainable business performance. Our aim is to add value to our human capital base by developing our employees' skills and abilities and by providing them with opportunities to gain new experiences. Healthy, engaged, well-trained employees foster a productive work environment and tend to enjoy greater job satisfaction, resulting in lower turnover and creating a corporate culture that attracts top, diverse talent to the company. We want our employees to feel they have a bright future at a company that cares about their health and wellbeing.

### Safety in the workplace

Safety remains a priority throughout the group. Our main focus is on establishing a safety culture whereby safety is both a way of working and a way of life. The vehicle that we are using to achieve this is Behaviour Based Safety (BBS). This system is designed to ensure maximum participation from all employees and to eliminate unsafe behaviours, thereby addressing the biggest contributor to accidents.

Safety performance in the region deteriorated over the last year. LTIFR for Sappi SA's own employees in the 2011 financial year increased to 0.55 from 0.46 in 2010, and the Injury Index deteriorated to 8.83 from 4.38. The contractor LTIFR increased to 0.36 from the all-time low of 0.20 achieved in the 2010 financial year.

In Sappi Forests, the bulk of our silvicultural and harvesting activities are outsourced to contractors. One of the fatalities in 2011 occurred during harvesting. Currently, we have achieved around 65% mechanisation of our silvicultural and harvesting activities and our target is to increase this to 75%, which is expected to have a positive impact on safety performance.

*Regrettably three contractor fatalities occurred in Sappi's forestry operations after a 20-month period without any fatalities.*



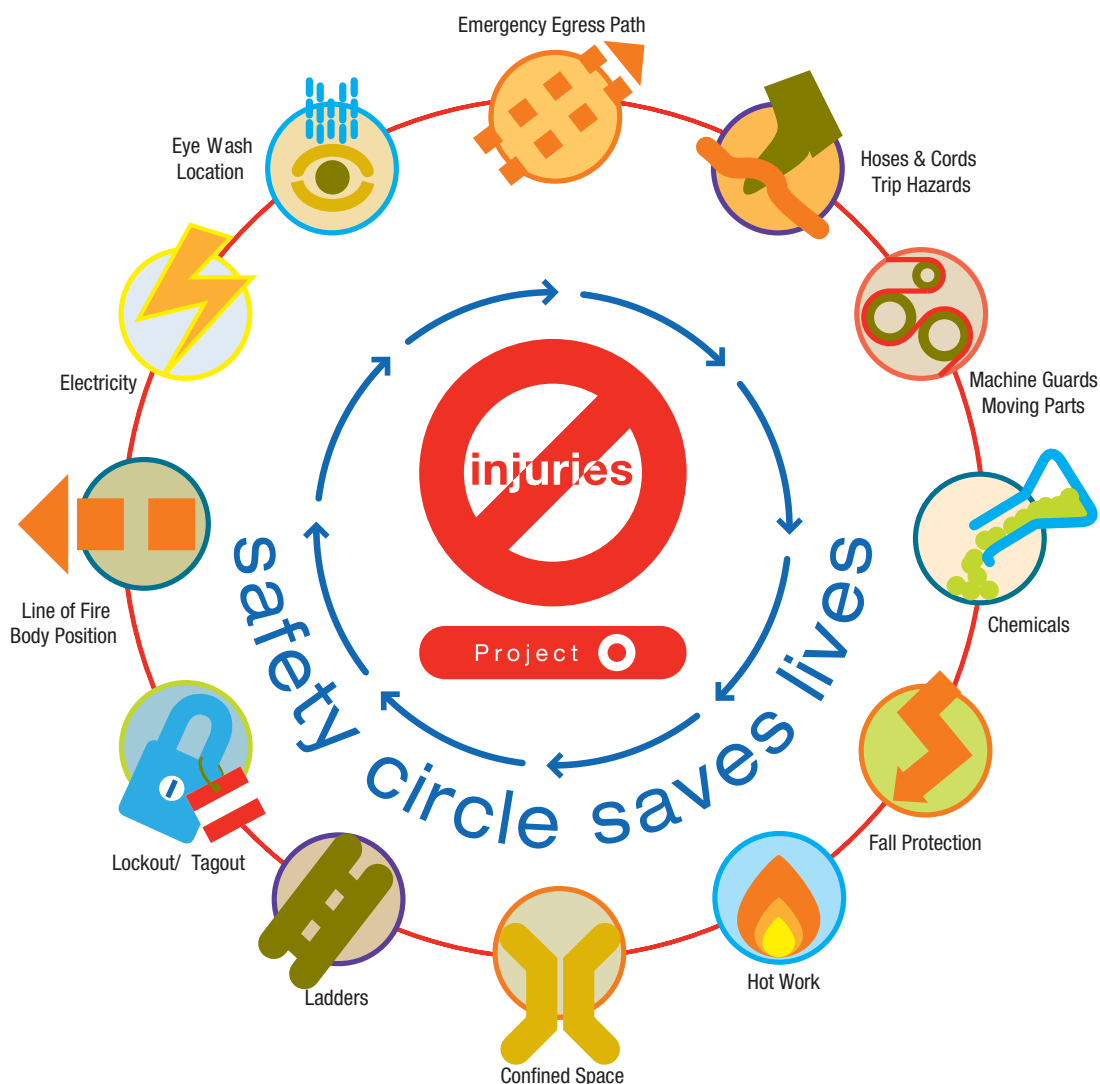
Safety training and communication are on-going and a new safety platform has been created as a means of sharing best practices amongst the various business units. During 2010, a safety dashboard, as part of the operational dashboard, was implemented. This provides the information to focus pro-actively on the lead indicators that will drive the accident rate down.

Sappi launched a safety awareness campaign in 2011 with the theme "What's in your safety circle?" As an intervention this was very successful in creating awareness amongst employees regarding hazards in their immediate vicinity. However, continuous improvement will only be achieved through behavioural change in support of a safety culture and we are emphasising BBS to realise this goal.

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**Imagine a 10-foot circle around you.**  
**What are the hazards in that area?**  
**Think ahead, what could potentially go wrong?**  
**Identify and understand the hazards before they do harm.**

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! b o a s

## Key People issues



### Sappi Southern Africa safety achievements for 2011

Cape Kraft Mill received the Diamond Award on 14 February 2011 after three years without a Lost Time Injury (LTI). On 20 July 2011, they also achieved 1,251 LTI free days.

Ngodwana Mill contractors achieved one million LTI free hours on 25 October 2010 and again in April 2011, while Ngodwana employees achieved one million LTI free hours on 20 November 2010. The Ngodwana No1 fibre line shut was completed successfully with no LTI. In February 2012, the commercial department achieved 2,000 totally injury free calendar days.

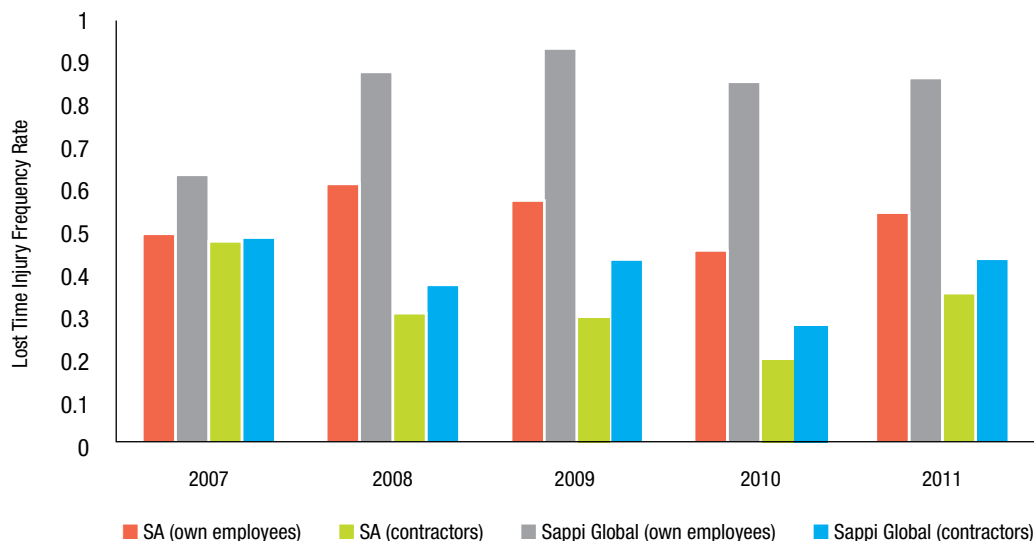
Enstra Mill achieved one million LTI free hours on 11 March 2011 for own employees and Enstra contractors achieved one year without any lost time injuries.

Tugela Mill achieved one million LTI free hours on 29 August 2011. Contractors at the mill achieved one million LTI free hours on 15 June 2011. They also achieved one year without any lost time injuries on 23 August 2011. Group 5, one of the mill's contractors, achieved one million LTI free hours on 01 September 2011. They required 2,250 days without any lost time injuries to reach this achievement.



## Lost Time Injury Frequency Rate

2007 – 2011



## Training and development

To promote the development of our people, we have adopted a culture of ‘freedom with responsibility’ which supports innovation and personal responsibility. Pivotal to this are our performance management system, our leadership development initiatives and support for training which balances individual development with organisational requirements.

In Southern Africa, skills development is both a corporate and a national agenda. In addition to adult basic education, literacy and financial skills training, in 2011 we awarded 30 bursaries to students studying chemical, mechanical and electrical engineering as well as forestry. Of the bursaries awarded, 18 were granted to women. Currently there are 163 apprentices and technical learners (30 women) working towards national qualification in artisan trades and as repairmen. Workplace training and development initiatives took place across all operations. Mentoring and coaching continued to play an important role in the transfer of skills.

The Sappi Leadership Academy, whereby 12 to 15 high-potential employees in the regions of South Africa, Europe and North America, participate in focused leadership programmes, continued to play a vital role in the development of future Sappi leaders. The Academy is aimed at enhancing employees’ leadership skills, approach to change management and overall business acumen. In 2011, South Africa completed its ninth Academy.

## Diversity

Historically disadvantaged employees are a major focus of our training support in Southern Africa. Through the equity and learning forums, management and employee representatives agree on training plan requirements as well as tracking of training and development progress in order to equip employees for improved performance in their current roles, recognise competence and prepare them for career mobility. Skills development initiatives, particularly programmes aimed at improving management and leadership skills, are geared to meet our employment equity targets.

The major challenges faced within developing a diverse workforce relates to increasing the number of senior women managers (14% of senior management) and the number of women in general (19% of the total workforce), which we employ. Supporting and encouraging women to build a long-term career at Sappi is vitally important for our sustainability. The Women’s Development Workshop, which was initiated in 2011, continues to be a focus point to ensure the much needed support, retention and motivation for women in the organisation.

In the South African context we are challenged with meeting our employment equity targets at the top management and senior management levels by the year 2014, in line with our submissions to the South African Department of Labour.

# Key People issues

## Health and wellbeing

We support, engage and facilitate wellbeing programmes to increase the health and productivity of employees both at work and in their personal lives. Programmes include annual anti-flu immunisations, anti-smoking and breast cancer awareness, drug and alcohol abuse counselling and nutrition management.

## HIV/AIDS

UNAIDS estimates that globally there are 33.3 million people living with HIV. An estimated 5.6 million people were living with HIV and AIDS in South Africa in 2009, more than in any other country (<http://www.avert.org/aidsouthafrica.htm>). As a result, the South African Government launched a major HIV counselling and testing campaign (C & T) in 2010. Since implementation, the C & T campaign has had a notable impact on the availability and uptake of HIV testing and treatment. Against this backdrop HIV/AIDS forms an important part of our health and 'employee wellbeing' programme in Southern Africa.

Education is carried out by making communication materials available in various languages at all sites. Nominated Sappi employees, who have been trained, act as peer educators and present education programmes focused on changing behavioural patterns in the workplace and surrounding communities. The ratio of peer educators to employees is approximately 1:50, although this ratio changes according to needs and circumstances.

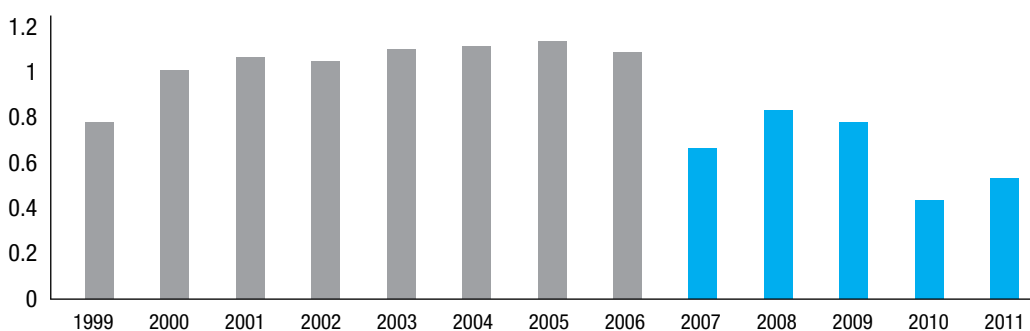
Testing is the entry point of our preventative care and support programme. Approximately 56% of employees in SA voluntarily check their HIV/AIDS status on an annual basis. In 2011, we conducted our fourth comprehensive prevalence study in which 80% of staff participated. This indicated a prevalence rate of 14.5%, compared with a benchmark of the South African workforce of 19.2%.

Our onsite clinics are responsible for disease management and treatment. From August 2002, medical care for employees included the provision of treatment to prevent mother-to-child transmission and antiretroviral treatment was offered to HIV-infected employees from the beginning of 2003. The beneficiaries of employees who belong to medical aid schemes also have access to the HIV/AIDS benefit. Where employees resign or are retrenched, cases of known HIV/AIDS patients are handed over to the local clinic to ensure continuity of treatment.

Mortality rates of the Sappi employees in Southern Africa have declined steadily over the last five years and compare well with the national mortality rate of 2%.

## Mortality rate

(National Mortality Rate: 2%)



## HIV/AIDS outreach programmes

Sappi's outreach programmes include:

- Support for the Blessed Gerard's Care Centre in the Mandeni area near Sappi's Tugela Mill in KwaZulu-Natal, funded by a US government initiative. To ensure sustainability and uniformity of the treatment programme in the area, Sappi makes an annual financial contribution to the centre. Sappi employees who qualify for anti-retrovirals (ARVs) are incorporated into the centre's HIV/AIDS drug readiness courses which are based on the 'buddy' system and treatment is provided for employees' partners who qualify. This system has proved to be very effective in maintaining adherence to the ARV treatment programme.
- Support for Wethemba KwaJesu centre situated in the town of Stanger near Stanger Mill in KwaZulu-Natal. Wethemba KwaJesu's services include access to voluntary counselling and testing (VCT), training of volunteers and assistance with ARV roll out – specifically treatment literacy and adherence.
- We focus on identifying risks that could lead to the increase in the prevalence of HIV/AIDS in the company.

*There are 493 known cases of HIV/AIDS in Sappi Southern Africa*

*Of the above, 273 employees are currently on anti-retroviral (ARV) treatment*

*We involve contractors in the HIV/AIDS programme by training contractor peer educators who are then fully incorporated in the Sappi peer educator programme. Sappi offers Counselling and Testing (C & T) to the contractors and then refers them to the appropriate treatment centre if the employee is HIV-positive.*

*Sappi also assists contractors with TB testing and referral for treatment to the Department of Health. Sappi's employee wellbeing (EWB) outreach programmes (which cover HIV/AIDS education, alcohol information, general health information from scabies to TB and mental health) focus on truck-stops at each mill in order to reach the contractor drivers.*



## Testimony from a Sappi employee

*"When I found out about my status I was devastated like any one would be, I cried the whole evening. All I could think about is dying (did not know that I fear death that much). I felt better the next day. One of the things that made me feel better was the words from Sister, 'I am negative, I could be bumped by a car tomorrow and die,' she said. She gave me all the support that she could, together with Priscilla from Qualsa, such as doing blood tests every six months and giving advice on the medication to take. She was the only one who knew about my status at the time.*

*I disclosed to my partner after three days (that is when we saw each other after the test). That was another tough evening. Luckily she/he accepted the situation and got tested the following week and the results were positive. We supported each other.*

*One of the things that helps me to be strong and live a positive life is reading articles about the virus and be knowledgeable about it and not being in denial. Also when I am with a group of friends and the topic about the virus comes up, I participate and give the information that I have even though I did not disclose to them. After the discussions I feel much better."*





### Local communities

We see ourselves not only as a company, but as part of a community. Many of the areas where our mills and forestry operations are situated are remote and we are, in many cases, the largest employer in these areas. This means we are critical to the economic wellbeing of these communities, both in terms of employment, as well as contribution to the local economy and local tax base. In order to better understand our impact – both positive and negative – on the communities in which our operations are located, in 2011 we conducted a socio-economic assessment of our mills. We are currently reviewing the results and will report back in due course.

One of the most positive impacts of our operations has been our ongoing investment in communities. Our funding objective in terms of Corporate Social Responsibility (CSR) is to effect meaningful change by providing equitable access to resources and opportunities in response to identified needs in areas where we operate. We adopt a participatory approach by identifying the needs in individual communities, consulting extensively with the community, its leaders and with local government and then tailoring appropriate programmes to meet the specific needs of the people and the environment. In this way, projects become more sustainable and self-sufficient.



Key projects include:

- Founded in Soweto in 1982, the Programme for Technological Careers (PROTEC) is a national career development project aimed at promoting science, mathematics and technology education for all South Africans, to increase and improve the country's technologically skilled human resources base. Sappi has supported PROTEC since 1995 and has contributed ZAR18.4 million to date and has committed ZAR1.8 million for 2011/2012.
- Penreach – supporting the upliftment of teaching skills and training in order to influence the education of learners.
- The KwaDukuza and Umjindi Resource Centres near Stanger and Barberton respectively, give every member of the surrounding community the opportunity of using state-of-the-art information technology, regardless of personal means. The centres comprise a digital village with computers, a dedicated study centre and reference library, as well as televideo and DVD sets.

In addition to educational projects like these, we also sponsor a wide variety of arts and cultural initiatives such as the Black Tie Ensemble which is focused on the creation of employment opportunities for young, graduated singers and, in 2009, celebrated a decade of concerts in the park.

*We have provided paper donations for selected publications. Some of the most recent have been:*

*The annual WWF-SA calendar*

*The award-winning Climate Change diary*

*The annual report of the Peace Parks Foundation*

*Public information brochures and reports for the Braamfontein Improvement District*

*Volume one to four of 'The Road to Democracy in South Africa' – a project of the South African Democracy Education Trust*







### Broad-based Black Economic Empowerment

Following South Africa's transition to democracy in 1994, legislation relating to Broad-based Black Economic Empowerment (BBBEE) was introduced to accelerate economic and social transformation.

Like other major corporations, our BBBEE progress is externally verified and scored. (See our targets on page 12.) However, our focus is on complying with the substance, rather than the form of BBBEE.

#### Empowering our people

In 2006, we implemented the Lereko Property Consortium (Lereko) BEE deal. However, with the adoption of the Forestry Charter gazetted in June 2009, this transaction did not meet our undertakings.

Accordingly, we unwound the 2006 deal, and in June 2010, completed a BEE transaction whereby ordinary and "A" ordinary shares equivalent to 4.5% of Sappi Limited were issued to our strategic empowerment partners (10%), and to various trusts for the benefit of our black managers (15%), our employees below middle management level (62.5%) and growers/communities (12.5%) in the geographic areas where our South African business has operations.

The value of the BEE transaction (approximately ZAR814 million, US\$115 million) translates into the empowerment of 30% of Sappi's South African business.



Going forward, the transaction which recognises the contribution made to Sappi by our South African employees, will help attract and retain staff and in particular highly skilled black managers, and reinforces Sappi's position as a responsible corporate citizen within the communities where we operate. Furthermore, the transaction accommodates the key principles of BBBEE and maximises the ownership component in terms of the Forest Sector Charter, with Sappi moving from a Level Six Contributor to a Level Four Contributor on the Charter scorecard.

Sappi will continue to focus on improving performance with regard to the other scorecard criteria.

### **Project Grow – uplifting subsistence farmers**

Sappi has been involved in community forestry projects since 1983. These form the foundation of Sappi's enterprise development focus in keeping with Government's strategy of promoting forestry as a means of sustainable livelihoods in rural areas.

Project Grow is a tree-farming scheme run by Sappi for subsistence farmers who have access to between one and twenty hectares of land. It is aimed at promoting access to and developing the timber farming industry. Sappi provides farmers with free seedlings, an interest-free loan and technical advice and guarantees a market when the eucalyptus trees are felled. The loan covers all input farming costs, including the annual maintenance of the plantations until they are harvested. At the time of harvesting, Sappi buys the timber from the growers and pays them a market-related price less the advance payments already made to them.

Sappi employs 17 qualified extension officers and two managers who assist the growers in selecting the most appropriate areas. A site selection check sheet needs to be completed for each site to ensure that plantings do not take place in environmentally sensitive areas and that planted areas are economically sustainable. A water use licence and agricultural and environmental authorisation also have to be obtained before planting can begin. The extension officers also offer advice and assist in preparing, fertilising and planting the land. They visit the growers frequently after the trees have been established to provide assistance with weed control and the preparation of firebreaks. The assistance of the extension officers helps to ensure skills transfer, in addition to economic benefits. If requested, Sappi participates in growers' negotiations with contractors (especially harvesting and long-haul transport contractors) to help avoid unethical deals by unscrupulous contractors.

The success of the project is highlighted by the fact that from three growers farming eight hectares in 1983, the project now involves more than 2,500 growers farming just over 14,760 hectares. It is estimated that an additional 1,120 people are employed by contractors who assist the growers with planting and harvesting their plots.

Project Grow currently provides Sappi with nearly 130,000 tons of timber per annum, with a total value in excess of ZAR50 million, representing more than 2% of Sappi's wood fibre in South Africa.

Benefits of this project include:

- Participation in an industry from which growers would otherwise be excluded because of high costs of entry.
- Positive cash flow in the form of ongoing payments for work done on the land, annual advances on the timber crop and multiplier employment benefits as growers employ people in their communities to assist in managing the plantation.
- Empowerment of women in rural areas – 80% of the workforce is comprised of women. It allows them to work from home and perform maternal duties, whilst supplementing household incomes.
- Communities are provided with fencing, building material and firewood.
- Transfer of skills and creation of entrepreneurial thinking.
- Provides an integrated development service to rural communities, with emphasis on appropriate systems and training to empower individuals and community based institutions to manage their own development initiatives and maximise their potential.
- Guaranteed market and a long-term relationship.

Project Grow contributes to the government's programme of rural development and also promotes long-term job creation and training.

### **Combining conservation ethics and community empowerment**

The SappiWWF TreeRoutes Partnership was created by Sappi in 1999, with a grant of ZAR10 million. The grant funding was entrusted to WWF-SA, which has since been responsible for identifying



## Key People issues

suitable projects for the Partnership, according to carefully-defined criteria. The on-site development and operational management of each project has then, in turn, been contracted to the Wildlands Conservation Trust.

Most SappiWWF TreeRoutes Partnership projects are situated on land bordering the indigenous forests and wetlands of KwaZulu-Natal and Mpumalanga, broadly in the areas where Sappi has operating units.

These areas have traditionally been occupied by rural communities who rely on these sensitive biomes for a living, a practice that had become unsustainable. The Partnership was constituted to address this situation, to foster conservation of biodiversity in these areas and to empower local communities to earn a sustainable living through the development of eco-tourism.

A key condition of the Partnership is that all the projects it supports should be community based and inclusive. Members of the involved communities should benefit in the broadest sense from these projects through direct and indirect employment, skills acquisition and training, as well as through the benefits of community ownership and infrastructure. In addition to ensuring long-term socio-economic benefits for the communities in which they are situated, the project has been specifically designed to demonstrate tangible conservation benefits.

Projects include:

- The Wakkerstroom Wetland Reserve and Training Centre in Mpumalanga: Bird guides from destinations all over South Africa have been trained by BirdLife South Africa at the Wakkerstroom Training Centre. Some of these guides, all of whom are drawn from local communities, are now employed at the Partnership's Dlinza Aerial Boardwalk and on private game reserves. Others are successfully self-employed bird guides. The facilities allow other companies to sponsor the training of bird guides.
- The Dlinza Aerial Forest Boardwalk at Eshowe in KwaZulu-Natal: This comprises a boardwalk and viewing tower in the tree canopy and a visitors' centre and attracts 40,000 visitors annually.
- The Thonga Beach Lodge: A 22-bed luxury lodge tucked into the dune forest right on the beach at Mabibi, just north of Sodwana. This project is the first commercial concession to be granted within the IsiMangaliso Wetland Park (a World Heritage Site) and is 68% owned by the local Mabibi community. The local community have benefited through:
  - temporary jobs created during the building of the lodge
  - permanent jobs for the on-going operation of the lodge
  - ongoing ancillary activities and opportunities such as canoeing safaris, turtle tours and the supply of curios and vegetables.

The income generated for the community is administered by a community trust to facilitate social delivery for meeting the community's development needs such as schools, clinics, crèches and roads.

- The Karkloof Crane and Conservation Centre near Howick in KwaZulu-Natal: The Conservation Centre offers birders a great opportunity to learn more about Karkloof and its special birding sites. These sites are home to some of the country's rarest and most endangered species such as the three South African Crane species.
- The Ongonye Forest Birding Camp in KwaZulu-Natal: This Coastal Scarp forest is recognised for its high biodiversity value, home to several endemics such as the Ngoye red squirrel and Green Barbet, as well as many other interesting and special plants including *Streptocarpus wendlandii*. The forest has remained largely underutilised by tourists and until recently only accessible to a select few tourists who own a 4x4 motor vehicle.
- The Southern KwaZulu-Natal Birding Route: This is a project of BirdLife South Africa's avitourism division, with the SappiWWF TreeRoutes Partnership as the primary funding partner on the project. The route has four components being the South Coast, Midlands, Sisonke and eThekweni routes which stretch from Stanger in the north to Harding in the south and as far as the foothills of the Drakensberg mountains.
- The Marutswa Forest Boardwalk and Trail near Bulwer: Marutswa has lookout jetties, decks and viewpoints, allowing visitors to view the various layers of the forest, including the canopy. There's also an interpretive centre. The forest is home to KwaZulu-Natal mist-belt forest bird species, including Cape Parrots, Orange Ground-thrush and Green Twinspot.



For further information go  
to: [www.treeroutes.co.za](http://www.treeroutes.co.za)

## Assisting with land reform projects

A community of former farm labourers who have acquired ownership of a timber, sugar and game farm in the Ixopo region in KwaZulu-Natal is assisted by Sappi Forests in running the timber operation. The farm, Kia Ora, was bought from an individual by the Department of Land Affairs under the land reform programme and transferred to the Siyaphumula Trust, which represents nine labour tenant households, who were previously resident on the farm.

The Trust has set up a business, Cyndara (Pty) Ltd to run the farming operations and has signed a long-term Partnership Management Agreement with Sappi to provide on-going management support for the timber operations. Sappi forestry staff, based in the district, assist with mapping, planning and supervision, ensuring that best forestry practices are maintained. Sappi also provides free seedlings and basic forestry skills training, as well as financial control and business management training for the Trust members and directors. In addition, Sappi has a timber supply agreement with the Trust in terms of which Sappi will buy the timber at market-related prices plus 10%. The agreement covers two rotations and will continue until 2023.

The plan is to harvest 6,000 to 8,000 tons of timber a year for Sappi's Saiccor Mill near Umkomaas.

The project has created 39 jobs on both the timber and sugar operations.



empowered

Sappi Southern Africa's new AA rating allows our customers to claim 110% of purchases as preferential procurement.

Our latest AA rating is a huge improvement on our previous BB rating. It is the result of our clear focus and the action plans put in place for every element of our business. Our recent ISO transaction, 77% of which directly benefits Sappi staff, was instrumental in raising our score significantly. Customers who buy our products for their quality now have an additional reason to make Sappi their preferred partner for the supply of paper and packaging material.

www.sappi.co.za

**sappi**  
Inspired by life





### **Promoting the Sappi brand and design and print creativity**

We run a number of local and global initiatives focused on promoting the Sappi brand, promoting creativity within the design and print communities and on educating these communities about the benefits of paper.

#### **Ideas that Matter**

The world is full of ideas. Making those ideas reality is what the road to success is all about – and is also the strategy behind Sappi's unique Ideas that Matter (ITM) global corporate CSR programme. ITM uses print to make a difference by bringing ideas to life, awarding grants to graphic designers – from undergraduates to professionals and companies – for the development of creative print-based communication campaigns to promote social, environmental and humanitarian causes.

Since inception, ITM has funded over 500 non-profit projects, contributing US\$11 million worldwide to causes that enhance our lives, our communities and our planet. The programme is based on Sappi's belief that designers' creative ideas can have an impact beyond the aesthetic and that those ideas can be a powerful force for social good. Ideas that Matter is yet another way that Sappi is advancing the art of print as an integral component of marketing communications and supporting customers in ways that will make a meaningful difference.



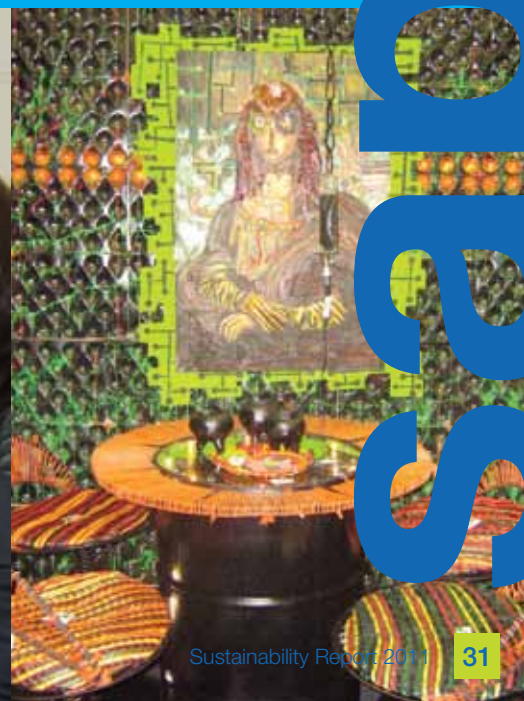


## Making the Difference through Design

Each year, the national Woolworths Educational Programme's 'Making the Difference through Design' competition, jointly sponsored by Sappi and Woolworths, challenges high school design learners in Gauteng, KwaZulu-Natal and the Western Cape to engage in a meaningful experience with the exciting and competitive world of South African design.

The Making the Difference through Design competition invites entries from Grade 10, 11 and 12 learners from about 400 participating schools. The competition brief is specially designed to meet all the Department of Education's requirements for the prescribed term for Grade 10 to 12 design learners. The theme for 2011 was Brand-A-Band. Students were urged to put their classroom learning into practice and draw on their creativity to invent and brand a music band, and then deliver a multi-faceted promotional campaign that could see their band rise to fame. They had a wide choice of campaign elements spanning traditional and new media marketing, including costume design, product design, merchandising, stage design, event management, animation, music video, website design and promotional materials.

This year, 140 teams pitched their Brand-A-Band concepts to the judges who selected 43 entries to go through to the regional expo stage. Three regional winners were then selected and entered into the national adjudication.



# Key Planet issues

## Overview

Sappi's pulp, paper and board are renewable, recyclable products that are processed from wood using a high percentage of bio-based energy. We source our wood fibre from plantation forests that are constantly replanted and sustainably managed. We use externally verified environmental management standards and certification systems to measure and monitor our progress both internally and externally.

## Internationally recognised fibre certification, environmental management and quality systems

Wood fibre	100% wood grown on Sappi owned and leased land is Forest Stewardship Council (FSC) certified
	More than 82% of the wood supplied to Sappi is FSC certified (this number is limited due to the timber we commit to buy from individual timber growers who cannot afford the high costs of certification and because the FSC Principles and Criteria cannot be complied to on such a small scale)
Other fibre sources	Cape Kraft Mill runs on 100% post-consumer waste
	Stanger Mill uses mainly bagasse(sugar cane waste) to produce coated fine paper
Certification of mills	Enstra, Ngodwana, Tugela, Cape Kraft, Stanger and Saiccor Mills have achieved FSC Chain of Custody (CoC) certification
	All mills have achieved ISO 9001 certification
	All mills have achieved ISO 14001 certification

Sappi uses independently verified, internationally accepted accreditation systems such as FSC to ensure that the wood fibre used for our products originate from sustainably managed forests. By using wood fibre grown in sustainably managed forests, Sappi is helping to alleviate the pressure on tropical and other endangered forests. The certification systems we use are tools which help environmentally conscious consumers make the right choice when they buy paper products.

### Managing our plantations in a sustainable manner

We promote sustainable forestry by using internationally recognised fibre certification, environmental management and quality systems, mitigating fire, drought- and climate change risks, and focusing on tree improvement programmes.

### Managing for biodiversity

Only about two-thirds of the land Sappi owns or leases is under cultivation. The rest is managed for biodiversity. Plantations are monocultures in the same way as vineyards, apple orchards and other cultivated crops. However, there are procedures in place to ensure that a variety of genotypes is grown on each plantation, something which cannot be said for many other forms of agriculture. Biodiversity leads to healthy ecosystem functioning, including functions such as decomposition, soil rejuvenation and pest control, all of which is essential for clean water, fresh air, and other resources derived from our land, including mushrooms, honey, medicinal plants, thatching grass and fire wood.

*Sappi Forests owns and leases a total of 385,000ha in South Africa. Of this, approximately 60% is plantable (planted and temporarily unplanted) and one third is permanently planted under natural vegetation. Of the permanently unplanted land, the majority consists of open areas with natural vegetation cover which are managed for conservation purposes. About 73% consists of riparian zones, firebreaks, cliffs, rocky outcrops, dams and small wetlands. These areas are subject to general estate management which consists of the control of alien invader plants and regular burning if appropriate. The remaining 27% comprises larger areas classified as important conservation areas which receive special management according to specially developed management plans.*

*Currently Sappi has 208 sites classified as important for conservation. These sites conserve representative examples of grassland, forest or woodland and many of them are home to rare or threatened species. Currently, threatened species recorded on Sappi properties include 22 plant species, one insect, two frogs, two snakes, six mammals and 20 bird species.*





# Key Planet issues

*"What is known is that the forestry species grown in South Africa are most sensitive to rainfall, and that the hybrids of both eucalypts and pines are relatively more robust to changes in climate than commonly grown species."*  
*The South African Risk and Vulnerability Atlas*

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## Managing fire risk

The Southern African landscape is prone to, and ecologically adapted to, frequent fires. Under normal conditions this risk can be managed through comprehensive fire prevention and protection plans. In 2007 and 2008, South Africa experienced a number of extreme weather events which resulted in disastrous plantation fires affecting 14,000 hectares of our plantations across vast areas of eastern South Africa and 26,000 hectares in Swaziland.

The risk of plantation fires is always present during the dry winter months. Climate change could also exacerbate the risk of fires. Since the devastating fires of 2008, we have implemented an extensive fire protection strategy. This deals with increased community participation in fire prevention to reduce the incidents of fires through regional and district Fire Protection Associations. In addition, significant investment has improved detection, while fire crew training and improved equipment has significantly improved response times to fires that occur. Thirdly, fuel load management within plantations helps contain fires where they occur and has prevented major losses. Fire losses in 2009, 2010 and 2011 were minimal.

## Managing to mitigate climate change risk

Climate change is expected to make the African continent drier, rather than wetter. Water shortages could impact on our fibre sources in South Africa. Higher average yearly temperatures could lead to altered precipitation patterns and more frequent extreme weather conditions. Our exposure to climate change related risk in Southern Africa is moderated by the diversity of commercial species and hybrids currently planted across a wide range of climatic conditions. Sappi continually monitors and reviews forest best practices in the light of changing environmental factors, thus helping to mitigate any increased threat from water shortages or drought. We anticipate that certain species or hybrids will become more dominant than others under changing climatic regimes.

## Managing for genetic gain

In South Africa, the pine (softwood) and eucalyptus (hardwood) species that we plant are carefully matched to soil type and climatic conditions, usually on land that is not suitable for other forms of cultivation. These species grow six to ten times faster than commercially grown trees in the northern hemisphere.

In our pine plantations we have maintained sample plots in the Usutu Forests that allow comparison of four successive rotations of pine since the first rotation planted in the 1950s. The latest measurements taken in 2011 indicate the fourth rotation has achieved improved productivity over the 3rd rotation based on the 15 plots now at rotation age. The current 8% improvement is consistent with the expectation from genetically superior planting stock and measures taken to maintain site productivity.

In collaboration with molecular geneticists at the University of Pretoria, we recently finalised the methodology for 'fingerprinting' tree DNA. Using these new tools, the degree of mislabelling in the breeding programmes was determined and found to be between 10 and 14% equating to a loss of 43,000tpa of hardwood and 19,000tpa of timber from the elite *Pinus patula* seed orchards. Using tree DNA fingerprints will enable us to minimise these losses as the thousands of individual trees in Sappi's tree breeding programmes can now be identified and monitored. The fingerprinting tools will also be used to monitor the efficiency of pollination techniques, measure genetic diversity and determine contributions from parents in open-pollinated orchards which will all improve the overall efficiency of the breeding programmes.



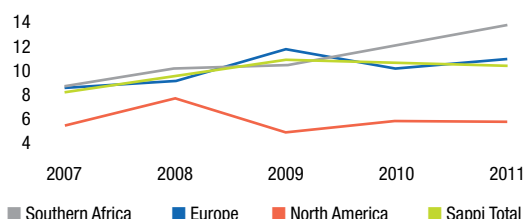


## Energy and emissions

Energy costs for the region have been rising steadily. In the light of this situation together with increasing concerns about the greenhouse gases associated with fossil fuel use, as well as an impending carbon tax, it makes sense to increase our use of renewable energy and reduce our use of fossil-based energy.

### Energy expenditure

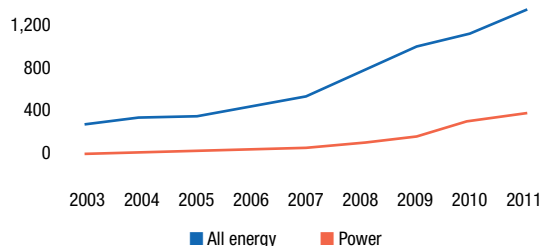
(as a percentage of cost of sales)



The rising proportion that energy assumes in Sappi over costs of sales is particularly evident for the SA region and is due mainly to the rising electricity price from Eskom.

### Sappi SA energy expenditure

(R million)

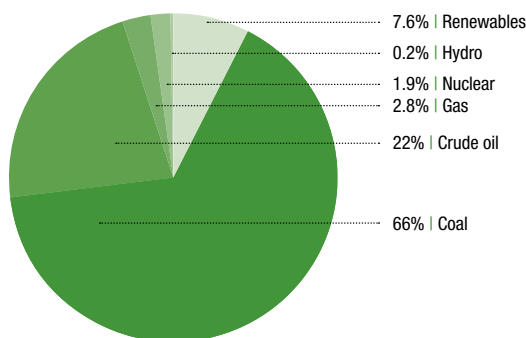


# Key Planet issues

## Using renewable energy

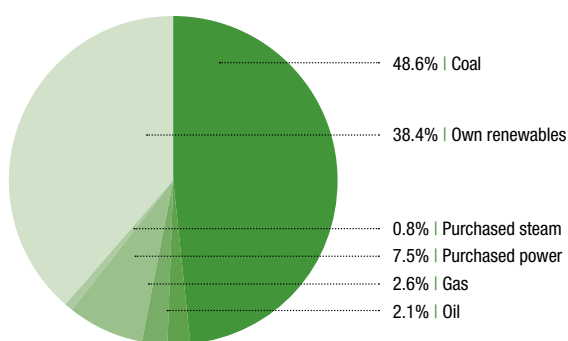
"The energy sector in South Africa is highly dependent on coal as the main primary energy provider."

### Primary energy supply in South Africa 2006



While coal is also our most commonly used fuel, energy derived from renewable resources play a significant role in the Sappi Southern Africa (Sappi SA) energy basket, with 38.4% of our own energy supplied from renewable resources compared to a national supply of 7.6%. Our renewable fuel originates from black liquor recovered during the pulping process. Essentially black liquor is the spent cooking liquor from the kraft process which results when pulpwood is digested into paper pulp. The resultant by-product is an aqueous solution of lignin residues, hemicellulose, and the inorganic chemicals used in the process. Black liquor contains more than half of the energy content of the wood fed into the digester, and is used in the mill for heat gain.

### Primary energy supply in South Africa 2011



The percentage of own renewable energy also represents our energy self-sufficiency as all other energy types are purchased.

We are looking into electricity generation opportunities from biomass; however, current regulatory uncertainty in this area has made it difficult to progress.

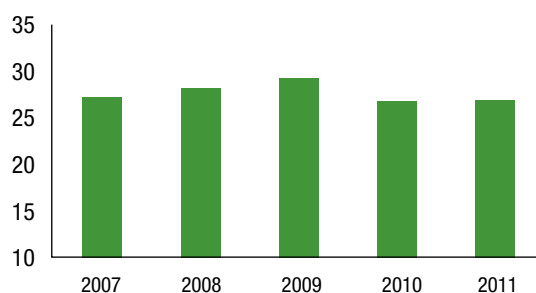
## Specific purchased fossil energy

Sappi SA has a major focus on the reduction of specific purchased fossil energy as is evident in our five year target. Reducing purchased energy reduces both energy costs and fossil emissions.

An energy management system has commenced to guide and manage the pursuit of the regional target in the most cost effective way, with specific focus on creating an energy efficiency culture.

As measurement and monitoring is key to managing energy, we are focused on the accurate and sufficient measurement of energy generation and use, particularly steam and coal.

### Specific purchased energy (GJ/adt)



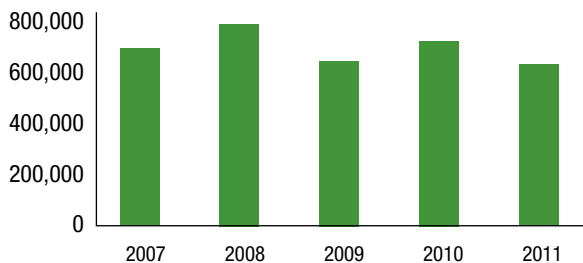
*Note: adt = air dry ton. We use the word 'ton' to denote a metric ton of 1,000kg*

## Emissions

We continue to reduce our carbon dioxide (CO<sub>2</sub>) emissions by investing in energy efficiency, increasing our self-sufficiency through renewable energy and reducing purchased energy (fossil fuels and electricity).

## Specific scope 1 + scope 2 emissions

(all fossil) (ton/adt)



Scope 1 emissions relate to those from the combustion of direct energy obtained from purchased fuels used in the operational boundaries, including coal, fuel oil and gas.

Scope 2 emissions relate to those emissions from the combustion of energy which is produced outside the operational boundaries. Sappi purchases energy in the form of steam and electricity. Scope 2 emissions would thus originate from the combustion of the fuels used to generate this purchased steam and electricity.

## Helping to mitigate climate change

*"Of all the options for responding to climate change, forest-related mitigation measures are, in the short to medium-term, among the most practicable and cost-effective."*

Statement from The Forests Dialogue, Yale University, October 2008

The plantations from which our wood is sourced play an important role in mitigating climate change by absorbing CO<sub>2</sub>, sunlight and water to produce the carbohydrate energy needed for growth, as well as oxygen as a by-product during the process of photosynthesis.

Harvesting is not equal to deforestation; it is an important part of the cycle of growth, materials manufacture and re-growth. Harvested forests are replanted generally within a few months, and consequently the process of absorbing CO<sub>2</sub> continues as the new trees grow. At Sappi, harvesting our trees is balanced with re-growth – we currently plant 1.2 trees for every tree harvested. 35 million trees were planted in Southern Africa in 2011. When the trees in our plantations are harvested, the carbon is not released into the atmosphere as wood products and wood fibre in paper store carbon throughout their lifetime.

## Responding to proposed carbon taxes

Due largely to its heavy reliance on coal, South Africa is classified as the 12th highest emitter of greenhouse gas (GHG) emissions per capita in the world. Our government is committed to changing this and has recently published a draft White Paper on climate change, aimed at driving behavioural change and putting South Africa on the path to a lower carbon economy. As a result government has proposed a carbon tax for South Africa.

As it is proposed, the imposition of a carbon tax takes no account of the contribution to the reduction in fossil emissions that the pulp and paper industry in South Africa has made over the last five decades.

PAMSA (Paper Manufacturers Association of South Africa) has therefore approached government to recognise the impact of the CO<sub>2</sub> sequestration that takes place in our forests. SA Treasury has now acknowledged that the forestry industry does warrant consideration as a special case in view of the absorption of GHGs by the plantations that we manage. At COP17 the Minister of Agriculture Forestry and Fisheries in opening Forest Day 5 acknowledged to over 1,250 participants and the international press, for the first time, the role of forests as an effective and low-cost method offsetting CO<sub>2</sub> emissions in South Africa.

The methodology being used to calculate GHG emissions is called the Forestry Industry Carbon Assessment Tool (FICAT). It has been developed by the US National Council for Air and Stream Improvement (NCASI) with input from PAPTAC (Pulp and Paper Technical Association of Canada), CEPI (Confederation of European Paper Industries), and TAPPI (Technical Association of Pulp and Paper Industries).

## Water

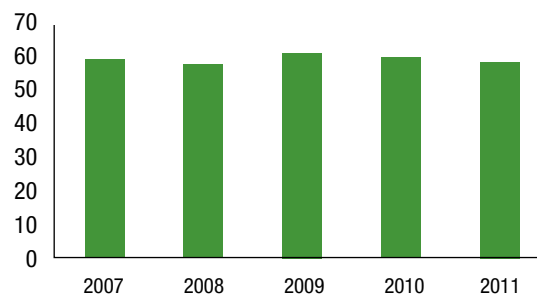
As South Africa is a water stressed country, it was essential to include water usage into our sustainability targets. Our aim is to reduce total specific fresh water usage by 10% by end 2015 with 2007 as a base year.

### Specific water drawn

Various specific water reduction projects have borne fruit. Examples are reductions at Stanger, Saiccor and Enstra Mills.

#### Specific water drawn

(m<sup>3</sup>/adt)



### Water in forestry

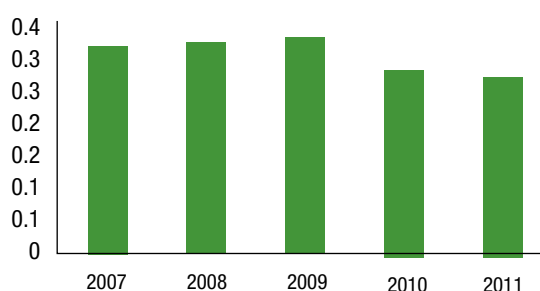
There is a general perception that forestry in South Africa uses excessive amounts of water. The fact is, however, that commercial forestry accounts for less than 3% of total water used in South Africa. This compares favourably with irrigated agriculture which uses 62%. Per unit of water consumption, forestry has a greater contribution to GDP than most other major water users.

## Solid waste

Sappi has also placed focus on reducing solid waste from our manufacturing sites. A number of solid waste beneficiation projects were launched which resulted in the reduction in landfilled solid waste in recent years.

#### Specific landfilled solid waste

(ton/adt)







## Products

In an increasingly environmentally aware world, our products have an important competitive advantage in that they are primarily manufactured from a renewable, recyclable natural resource – wood fibre.

### Profiling our products

In South Africa, we use a voluntary environmental product declaration scheme, Paper Profile, to enable our customers to make well informed product choices. The Paper Profile presents figures on essential environmental parameters in a uniform way for specific products.

The scope of the reported information is the pulp and paper production including product composition and emissions. The profile also includes information about environmental aspects of wood procurement and environmental management systems.

Specific rules apply on how to collect, calculate and present the information. The aim of the Paper Profile concept is to allow paper producers to openly present environmental information of their products in a standardised uniform way.

Customers are interested in our 'cradle to gate' greenhouse gas emissions. In the Paper Profile data sheet, the CO<sub>2</sub> (fossil) emissions are calculated from fossil fuels used both at the paper mill on site and at the pulp mill (integrated or external) for heat and electrical power generation.

The Paper Profile datasheet does not include data on carbon fossil emissions associated with the generation of purchased electrical power, nor does it include greenhouse gas emissions associated with the production process of raw materials and transportation of raw materials to the pulp and paper mills. It also doesn't include delivery of the finished product to its final destination.

Following extensive work done by our colleagues at Sappi Fine Paper Europe, in South Africa we are currently examining ways to give our customers a more complete profile of the carbon footprint of our products.



! b o a s

# Key Planet issues



## Products with a high environmental profile

All our products are responsibly produced, but some have a higher environmental profile than others.

Sappi Triple Green, produced at Stanger Mill, is a coated paper and tissue grade manufactured according to three environmental pillars: A minimum of 60% of the pulp used in the production of this paper is sugar cane fibre, which is the material remaining after raw sugar has been extracted from sugar cane; the bleaching process is elemental chlorine-free; and the remaining pulp used in the production process comprises wood fibre which is obtained from sustainable and internationally-certified afforestation, using an independently audited Chain of Custody (CoC).

In 2010, we launched Masuga in response to Woolworths' need for a paper that supports its Good Business Journey goals of protecting the environment and empowering people. Masuga is a smooth, uncoated environmental paper in a natural shade and is the first text and cover grade of its kind on the market. It consists of 90% sugar cane waste and 10% wood fibre sourced from a Forest Stewardship Council (FSC) certified plantation. The unbleached mixture is pulped, revealing the fibres' natural shade when turned into paper. Masuga is 100% recyclable. A further benefit is that the sugar cane mill that supplies Sappi with the sugar cane waste, is black owned; and 25% of the mill's shareholders are local sugar cane farmers.



*Sappi ReFibre provides financial support and resources to hundreds of entrepreneurs who have set up recycling depots in their communities. Sappi ReFibre's 'War on Waste' recycling bins and promotional materials, are also a familiar sight at schools, in offices and at public events across the country. A new addition to this campaign is the training and deployment of the youth as 'Green Ambassadors' to teach people more about paper recycling.*

## Products containing recycled fibre

Other board, text and cover grades utilising recycled fibre include Reviva, a 100% recycled non de-indexed text and cover grade and Uniqa, a blend of recycled (pre- and post-consumer waste) fibre and bagasse (sugar cane waste) text and cover grade as well as Express Mail, Fluting, Microfluting and Jason Natural. In addition, Enstra Mill produces Typek® Recycled, a standard office paper incorporating 30% post-consumer waste and 20% post-industrial waste.

The environmental advantages of recycled fibre include reduced demand for fibre from forests as well as reduced methane emissions from landfills due to reduced paper volumes on landfills. A constant input of virgin fibre into the manufacturing of high quality papers will always be necessary because recycled wood fibres are typically worn out after five to eight cycles, depending on the type of fibre and products recycled. It's important to take a holistic view of the environmental impacts of recycled fibre and issues such as how much energy is used to collect, sort, bleach and distribute recycled fibre need to be taken into account. Accordingly, we carefully weigh the environmental impact of cleaning and handling recovered fibres so that the process itself does not inadvertently result in greater energy usage and generate more effluent and solid waste.

Most of our papers are 100% recyclable, wet strength paper being one of the exceptions. The materials used to package our products are primarily paper, cardboard, polyethylene and wood. Individual components can be easily separated and reused or recycled.

## i choose paper

This campaign was developed in response to increasing consumer demand for safe, environmentally sound and sustainable packaging, and for information about both its benefits and how it's produced.

Paper is the choice of the future, but not all paper is created equal. Consumers looking for food-safe, convenient and environmentally sound paper packaging choices want to know that the paper they choose has a solid, reliable pedigree. [www.ichoosepaper.com](http://www.ichoosepaper.com)



# Message from Liezl Krummeck



Sappi realises that sustainability is not just about 'ticking the boxes'. It's a way of company life. Everything that everyone in a company does, from the person on the shop floor right up to the CEO, must be seen in terms of increasing sustainability. As we say, sustainability must drive Sappi, not the other way round. We believe that all South Africans are our customers. Accordingly, our sustainability message needs to be spread far and wide from the wood panelled boardrooms of large corporations to the shepherd rolling his tobacco in newspaper in a remote rural area. Sappi Southern Africa has a positive environmental story to tell and our sustainability drive is the ideal vehicle. To this end Sappi Southern Africa has embarked on a Sustainability Ambassador programme that will initially educate and inform our staff, followed by our stakeholders, with the intention of dispelling many of the myths associated with paper. Paper still has much to offer and there are many more opportunities for paper utilisation. A strong sustainability message can only help our industry in these areas.

We strongly subscribe to the principle that the pillars of the 3Ps – Prosperity, People and Planet – are all interlinked. A relevant analogy is that of a three-legged stool here where each leg represents a sustainability pillar. If any one leg were to be removed, the seat would collapse. Consequently, the overarching challenge of our sustainability drive is to keep all three 'legs' in balance. Until fairly recently, the Prosperity leg, more commonly named financial performance, was the only leg being focused on in the corporate environment. However, this has shifted and companies wishing to remain viable now need to focus on the other legs such as how they treat their people and the communities in which they operate, as well as their impact on the environment.

Our own view is that without sustained optimal financial performance we would go out of business. Nevertheless, this cannot be achieved at the expense of poor People and Planet performance. In fact, performance in one area generally impacts positively on another.

This is clearly demonstrated by the synergy between our sustainability targets. Achieving a target in one of the three pillars helps to achieve targets in one or both of the other two pillars. For example reducing specific fossil energy – one of our Planet targets, reduces costs and hence helps our Prosperity target of increasing return on net assets.

In the year under review we have balanced our sustainability seat by retaining only profitable sections of our operations, and our Ngodwana expansion (Project GoCell) which aims to produce more chemical cellulose by using our international cost advantage and meeting international shortages; as well as the use of an industry specific carbon accounting tool that has put into realistic balance the net positive advantage of our plantations; water reduction and fossil energy reduction projects and sustained staff training and personal advancement programmes.

Going forward, we will continue to involve all our stakeholders in our efforts to balance each of the 3Ps.

## **Liezl Krummeck**

*Chairperson – Regional Sustainability Council  
Sappi Southern Africa*

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



*Printed on Sappi Triple Green Print Silk 250g/m<sup>2</sup> and 135g/m<sup>2</sup>.*

*A minimum of 60% of the pulp used in making this paper is sugar cane fibre (the waste after raw sugar has been extracted); the bleaching process is elemental chlorine-free; and the remaining pulp is obtained from sustainable and internationally-certified plantations which are independently audited by the Forest Stewardship Council (FSC).*

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