CREATING SHARED VALUE AS WE INVEST IN PRODUCTION, PEOPLE AND PLANET.

Since 2013 nearly every region in South Africa has experienced some form of drought and water shortages, with erratic rainfall and increasing water demand intensifying levels of water stress. A reliable supply of water at an acceptable quantity and quality that’s not harmful to human health, livelihoods, development and the environment is essential for the country’s current and future development.

Across the world, water is essential to our Prosperity, to People and to the Planet. For Sappi Southern Africa, we cannot achieve our aim of creating shared value without equitable access to water, which is why we have chosen ‘water’ as the theme for this year’s report.

Our country’s water needs will be met in an increasingly uncertain, volatile and warmer climate. A two-degree increase in global temperatures means a four-degree increase for South Africa. Less rain is predicted in the western half of the country and potentially more intense flood events in the east.

We can’t change the climate systems that influence weather variability and conditions. But we can do a lot to adapt to changing the future where parts of the country will get drier, warmer and the intervals between droughts will be shorter.

This report celebrates the life-giving properties of water and also details our alignment with the United Nations Sustainable Development Goals 2030, also known as the global goals.

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**CREATING SHARED VALUE IS FUNDAMENTAL TO OUR BUSINESS**

Unlocking socio-economic development through a strategy of shared value leads to mutual benefits.

Society needs healthy, competitive companies to create jobs, buy local goods and pay taxes.

Companies need vibrant communities to ensure their licence to operate and thrive.

Linking companies’ success with societal improvement and environmental responsibility opens up new ways to gain efficiency, create differentiation and expand markets.

At Sappi, we believe that sharing value with our stakeholders and being environmentally responsible make sound business sense.

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**TOWARDS A MORE SUSTAINABLE SOCIETY**

We are promoting a more sustainable society through our membership of Business Leadership South Africa (BLSA), a voluntary organisation of the approximately 70 largest listed companies on the Johannesburg Securities Exchange which is actively working to end corruption, underpin the democratic state and institutions and drive economic growth. Sappi is a signatory to BLSA’s pledge which reinforces our own Code of Ethics by committing us to:

- Actively combating corrupt practices wherever we encounter them
- Not acting anti-competitively
- Having zero tolerance for corruption in our midst, and
- Protecting whistle-blowers and providing information.
CREATING
SHARED
VALUE:
THE
RIPPLE
EFFECT

PLANET
Growing forests absorb carbon dioxide and release oxygen. Plantations are replanted and the process begins all over again. 95% of the water we extract is returned to the environment. 42.7% renewable energy, 90.27% of which own black liquor and 9.54% own biomass (mostly bark). With 82% of fibre supplied to mills certified and the rest procured from known and controlled sources, the plantations from which we source woodfibre help mitigate global warming. Our products come from nature and return to nature.

PEOPLE
Our activities create employment and drive economic growth in remote rural areas, thereby expanding markets for our own products. 5,206 people formally employed. Employment provided for approximately 10,000 contractor employees. ZAR9,195 per person invested in training (2017: ZAR6,500), promoting higher levels of productivity and engagement. Investment in external training enhances the pool of skills available to us. Our focus on diversity gives us a competitive edge in global markets. Community investment: ZAR64 million, promoting shared value. Our enterprise and supplier development, Sappi Khulisa, enhances security of fibre supply and uplifts rural communities.

PROSPERITY
Our products drive our own prosperity and enhance the lives of people every day. Adjacent markets help to unlock the value of trees. Our byproducts like boiler ash create business opportunities and reduce waste. We give bagasse pith to farmers as a soil enhancer, thereby decreasing waste. The indirect economic benefits of our operations impact on sectors including technical, construction and engineering services which are outsourced to a wide variety of contractors. The chemicals industry, in particular, is one of our major suppliers. In addition, the provision of services including the collection of recovered paper for the industry and the outsourcing of non-core activities such as maintenance, medical services, transportation, cleaning and security creates opportunities for small-, medium- and micro enterprises.

OVERVIEW
Creating shared value: the ripple effect
OVERVIEW

Sappi Southern Africa (SSA), which employs 5,206 people, is an integrated forest products company that meets the needs of local and international customers through a wide range of products from three divisions:

- Dissolving wood pulp, now branded as Verve, is sold to converters for use in products such as textiles, clothing, cellophane wrap, pharmaceutical, beauty and household products. We are the world’s largest manufacturer of dissolving wood pulp.

- Sappi Paper and Paper Packaging provides products including: printing and writing papers, newsprint, tissue wadding, containerboard (used to manufacture cardboard boxes) and packaging papers (for the agricultural, industrial and FMCG industries). We also produce structural timber from sawmilling.

- Sappi ReFibre collects waste paper for own consumption, amounting to approximately 140,000 tons per annum.

- Sappi Forests supplies approximately 65% of the woodfibre needs of SSA from both our own and managed commercial plantations. All our own-grown wood is 100% Forest Stewardship Council® (FSC®) certified.

SSA is a division of Sappi Limited (JSE: SAP); a global company headquartered in Johannesburg, South Africa, with 12,645 employees worldwide, and manufacturing operations on three continents in eight countries and customers in over 150 countries. Learn more about Sappi at www.sappi.com.

ABOUT Sappi Southern Africa

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MESSAGE FROM OUR CEO

Global goals and national priorities related to reliable energy, economic growth, resilient infrastructure, sustainable industrialisation, consumption and production, and food security, are all intricately linked to a sustainable supply of clean water. These facts, together with the fact that water is integral to our production processes, mean that it is particularly important for Sappi to manage water resources responsibly.

The importance of water is reflected in the United Nations’ Sustainable Development Goals (SDGs) 6 and 14, which respectively focus on Clean Water and Sanitation and Life below Land.

In alignment with Goal 6, we are focusing on improving wastewater quality, increasing water-use efficiency and implementing integrated water management across our operations. In terms of Goal 14, our renewable, recyclable paper and paper packaging solutions offer an alternative to the fossil-based packaging clogging the world’s oceans.

Our 2018 report details our work to integrate these and the other SDGs into our everyday business processes as we continue to create shared value by investing in Production, People and Planet.

Alex Thiel  
Chief Executive Officer of Sappi Southern Africa

“The importance of water is reflected in the United Nations’ Sustainable Development Goals (SDGs) 6 and 14, which respectively focus on Clean Water and Sanitation and Life below Land.”

ABOUT OUR ACCOLADES

- Sappi Forests’ Stop and Think Before you Act safety initiative won a coveted Gold Quill Award of Excellence for Safety Communication Management from the International Association of Business Communications (IABC). In addition, the work was also selected as one of eight Best of the Best entries from 258 awarded entries. In total, 969 entries from 27 countries were judged.

- Ngodwana Mill received the Kruger Lowveld Chamber of Business and Tourism’s Annual Environmental Award.

- The Absa Business Day Supplier Development Awards celebrate companies in South Africa who have made a remarkable contribution to successful supplier development. Sappi Forests won the Women’s Empowerment Award and Rural Economies Award and was also recognised as an overall finalist as well as a finalist in the Innovation category. The awards were based on Sappi’s contribution to supplier development in South Africa through Sappi Khulisa.

- The Sappi Annual Integrated Report won best report at the GAPP print quality awards while the Sappi Southern Africa Sustainability Report won the silver award.

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We:

- Contribute 1% to South Africa’s export revenue.

- Are the second-largest exporter out of Durban harbour.

- Indirectly contribute 4% to export revenue through the packaging boxes we manufacture and supply to the fruit industry.
OUR OPERATIONS

DISSOLVING WOOD PULP (DWP)

NGODWANA MILL
250,000 tpa DWP

SAICCOR MILL
800,000 tpa DWP

PACKAGING AND SPECIALITY PAPERS

TUGELA MILL
200,000 tpa corrugating medium
150,000 tpa neutral sulphite semi-chemical pulp (NSSC) for own consumption
Also produces lignosulphonate

STANGER MILL
60,000 tpa bleached bagasse pulp for own consumption
110,000 tpa office paper and tissue paper

NGODWANA MILL
210,000 tpa unbleached chemical pulp for own consumption
240,000 tpa kraft linerboard

PRINTING AND WRITING PAPERS

NGODWANA MILL
110,000 tpa mechanical pulp for own consumption
140,000 tpa newsprint

FORESTS (OWN AND OUTGROWERS)

• We own and lease 387,000 hectares of plantations, of which approximately one third is managed for biodiversity conservation.
• There are approximately 27,588 million tons of standing timber on our land.
• Contracted supply covers about 129,000 hectares.
• Approximately 56 million seedlings were supplied from our own nurseries in 2018.
• Sappi Khulisa, our enterprise and supplier development scheme, incorporates community tree-farming in KwaZulu-Natal and the Eastern Cape. The total area currently managed under this programme amounts to 27,080 hectares. In FY2018, under the programme, 483,359 tons (2017: 448,221 tons; 2016: 395,232 tons), worth approximately ZAR387 million was delivered to our operations. Since 1995, a total volume of 3,796,940 tons, to the value of ZAR2.1 billion, has been purchased from small growers under this programme.

Lomati Mill produces 102,000 m³ of sawn timber.

Saiccor Mill is the world’s largest single manufacturing site for dissolving wood pulp.
Our sustainability governance structure can be found on page 10 of our 2018 Group Sustainability Report, available on www.sappi.com.
OUR 2018 PERFORMANCE IN TERMS OF OUR SSA TARGETS

TARGET

PROSPERITY

Return on Capital Employed (ROCE)

PEOPLE

Achieve Level 3 compliance in BBBEE (in respect of the new forestry codes) from a baseline of Level 4 in 2014.

Improvement of 2% every other year of engaged employees in terms of participation, commitment and issues closed out.

Combined Employee (Own) and Contractor Lost Time Injury Frequency Rate (LTIFR) to be better than best ever achieved on a continuous 12-month basis and Lost Time Injury Severity rate to be below 25 from a baseline of 0.38 in 2014.

PLANET

Achieve 5% reduction in energy intensity (GJ/adt) from 2014 as base year.

Achieve a 10% reduction in total specific process water usage (m³/adt) from 2014 as base year.

Achieve a 10% reduction in specific fossil energy intensity (GJ/adt) from 2014 as base year.

Achieve a 10% reduction in specific solid waste landfilled (t/adt) from 2014 as base year.

100% certification of own timber. 70% certification of Chain of Custody for our manufacturing plants.

SELF-ASSESSMENT OF 2018 PERFORMANCE

Satisfactory performance

Progress to be made/ Ongoing

Unsatisfactory performance

PERFORMANCE IN 2018 COMPARED TO 2014 BASE YEAR

Our regional performance contributes to our overall global target. Globally, we achieved a 35.19% improvement compared with the 2014 base year, reflecting the ongoing successful implementation of our One Sappi strategy and 2020Vision.

Level 3 (We achieved level 2 status shortly after year-end).

Sustainable engagement: 76%

Participation rate: 89%

16% LTIFR reduction

4.62% reduction

20.22% reduction

9.52% reduction

1.73% increase

82% certified fibre

STATUS


Our investment totals ZAR7.7 billion broken down as follows:

- ZAR2.7 billion in expanding capacity from 780,000 to 890,000 tons per annum.
- ZAR5 billion over five years in various continuous improvement initiatives and upgrade projects.

This builds on our investment in the mill of ZAR4.3 billion from 2012 to 2018.

These investments will secure the mill’s future by increasing its global cost competitiveness and significantly reducing its environmental footprint.

In April this year we launched an ambitious — and in the history of our country, unprecedented — drive to raise at least US$100 billion in new investment over five years. We did so understanding that no meaningful growth and no significant job creation would be possible without a massive surge in productive investment in our economy.

President Cyril Ramaphosa
South Africa Investment Conference 2018

The Shared Value Impacts of Project Vulindlela

Prosperity
- Ongoing cost savings will amount to at least ZAR300 million per annum.
- The project will add a ZAR1 billion per annum direct benefit to the economy of KwaZulu-Natal (KZN).
- In total, Sappi’s KZN operations comprising three mills, forestry operations and sales and export services provide a direct contribution of some ZAR12 billion per annum to the KZN economy. This number rises to ZAR60 billion per annum when reflecting indirect benefits.

People
- The expansion will result in a 9% rise in permanent jobs at the mill, which currently employs some 1,300 people.
- The creation of employment opportunities for local job seekers through construction companies and business prospects for entrepreneurs from the local communities around the mill.
- During the peak period of the project, there will be between 2,500 and 2,800 contractors working on site at one time.
- All general workers seeking employment through Sappi or our contractors must attend training at the Sappi Skills Centre where they will be trained in the basic skills required for job opportunities during Project Vulindlela.
- This training from Sappi will provide community members with the necessary skills to become more employable or to start their own businesses.
- Many other services and products required during the construction phase and beyond will be sourced from local emerging businesses.

Planet
- CO₂ emissions will be halved.
- Waste to landfill will reduce by 48%.
- SO₂ emissions will reduce by 35%.
- Water use efficiency will increase by 17%.

Project Vulindlela at Saiccor Mill is Sappi’s response to the President’s call for increased investment in South Africa.
In 2018, we were proud to launch Verve, our umbrella brand for dissolving wood pulp.

Verve:
• Represents a synthesis of science and nature, determination and energy, passion and innovation.
• Verve is more than just a product: it’s an approach to the way we do business—with enthusiasm, passion and energy.
• Sets us apart from our competitors as we work to cocreate new solutions for the Planet, the People who inhabit it and the Prosperity of all.

• Our traceable, responsible supply chain helps to support OUR customers’ commitments to a more socially and environmentally committed world as they transform Verve into products which meet the needs of people around the globe every day. Products which enable fashion, household comfort, personal beauty and hygiene, as well as a healthy lifestyle.
• Branding our DWP gives us a competitive edge in the growing global market.
That’s what it took the Technology Centre and a team from Ngodwana Mill to develop a novel extraction technique to achieve the desired sugar recoveries at the lowest possible water usage. The team proved that this can be achieved without impacting on the reactivity of dissolving wood pulp.

Based on the success of our hemicellulose sugar extraction demonstration plant at Ngodwana Mill, commissioned in 2017, we are now further progressing the development of our biorefinery capacity. In 2019, we will be constructing a Xylex® demonstration plant at the mill to further scale up our novel Xylex® technology for the clean-up of the extracted sugars stream, to allow production of xylose, xylitol and furfural. A low-calorie sweetener, xylitol has positive dental properties and produces no insulin response, so is suitable for diabetics. Furfural is a versatile green industrial chemical derived from C5 sugars with a diverse range of derivatives.
Playing an active role in the transformation of South Africa is part of our Social Compact. Accordingly, we are intensifying our focus on enterprise and supplier development to cover other areas apart from forestry and have appointed a specialist to drive this forward. This makes business sense, as it will help us to ensure security of supply.

**Shared Value Impact**

of our Enterprise and Supplier Development (ESD) approach in forestry to date (excluding Sappi Khulisa)

- Number of ESD suppliers: 15
- Categories: Silviculture (weeding), cleaning, bush clearing and harvesting/short haul
- Annual revenue: ZAR94 MILLION
- Number of people employed: 946

**We are involved in 60 Land Reform Projects, helping beneficiaries to manage ±19,000 hectares of land.**
PROMOTING SHARED VALUE IN OUR SUPPLY CHAIN

OUR SHARED VALUE APPROACH TO ENTERPRISE AND SUPPLIER DEVELOPMENT

WE WANT TO

1. Leverage spend to **expand markets** for transformed suppliers and communities.
2. Address **security of supply risk** for materials necessary for our production processes.
3. Empower communities in which we operate.

IN PARTNERSHIP WITH

- Development partners
- Government
- Communities
- Other corporates

THROUGH THESE MECHANISMS:

a. **Shift** direct and indirect spend to empowered local suppliers.
b. **Transform** existing supply chains (direct and indirect).
c. **Invest** in development and introducing new suppliers into our supply chain.
d. **Support** the sustainability of small growers and businesses.
e. Create an **enabling environment** for new businesses and the establishment of local jobs.
f. **Develop skills** in the community.
g. **Provide Services** for communities.

TO ENABLE SUSTAINABLE GROWTH

ENTERPRISE AND SUPPLIER DEVELOPMENT

Suppliers to corporates
Small enterprises
Micro-enterprises
Communities
ANOTHER FIRST: BIOMASS ENERGY PROJECT AT NGODWANA MILL

Building on our history of firsts to establish the:

• First biomass technology project in the South African Government programme, and

• First REIPPP project to be developed in Mpumalanga.


FAST FACTS

• Sappi will have a 30% stake in Ngodwana Energy.

• The plant will use biomass recovered from surrounding plantations and screened waste material from the mill production process.

• The power plant will burn up to 35 ton per hour of biomass in a boiler to generate steam and drive a turbine to generate electricity which will be fed into the grid.

• The plant will contribute to the national grid from July 2020.

• Sappi already contributes to the national grid by producing surplus energy at Ngodwana Mill.

SHARED VALUE IMPACT

• Financial impact: ZAR15 billion direct value add over 20 years.

• The project will cost ZAR1.5 billion with 44% local spend.

• 350 people will be employed during construction.

• 91% of procurement spend will be empowerment spend.

• In terms of preferential procurement spend, ZAR400 million will be with small-, medium- and micro enterprises and ZAR200 million on women vendors.

• The collection of biomass from surrounding plantations will result in around 50 new jobs.

• The total electricity produced will support 20,000 households.

• The operations and maintenance of the boiler will create 130 new jobs.
1. NO POVERTY
2. ZERO HUNGER
3. GOOD HEALTH AND WELL-BEING
4. QUALITY EDUCATION
5. DECENT WORK AND ECONOMIC GROWTH
6. INDUSTRY, INNOVATION AND INFRASTRUCTURE
7. INFRASTRUCTURE
8. DECENT WORK AND ECONOMIC GROWTH
9. GENDER EQUALITY
10. REDUCED INEQUALITIES
11. SUSTAINABLE CITIES AND COMMUNITIES

SHARING VALUE IN THE RURAL ECONOMY – AT A GLANCE

KZN AND EASTERN CAPE
- GROWING TIMBER
  - 4,000 growers managing ±14,000 hectares.

KZN AND MPUMALANGA
- CREATING MICRO ENTERPRISES

COUNTRY-WIDE
- GENERATING INCOME
  - 88 businesses established. 484 jobs created.

- GENERATING INCOME
  - 1,482 people trained, of whom 962 people are actively keeping bees and producing and selling honey.
Land:
Communities in KwaZulu-Natal and the Eastern Cape make their land available for tree farming.

The seeds of growth:
Sappi provides sponsored seedlings.

Training:
Sappi’s qualified extension officers provide technical advice.

Positive cash flow:
Sappi gives growers access to interest-free loans to cover farming input costs and annual maintenance, and provides advances for work carried out.

A guaranteed market:
When the trees are ready to be harvested, Sappi provides growers with a guaranteed market at prevailing market prices.

Currently, 4,000 farmers are involved in Sappi Khulisa.
Over 100 small- and medium businesses have been established by community members, generating more than 1,100 jobs throughout the eight- to ten-year growing cycle.

27,080 hectares – the total area under this programme.
In FY2018, under the programme, 483,359 tons worth approximately ZAR387 million was delivered to our operations.

Since 1995, a total volume of 3,796,940 tons, to the value of ZAR2.1 billion, has been purchased from small growers in terms of this programme.
Sappi Khulisa growers need an income while they wait for their trees to reach maturity, which is where the Sappi-sponsored African Honey Bee (AHB) Project comes in.

The AHB project trains people, offers mentoring and support and provides a market for the pure honey. All imported honey is irradiated by law, making it far less healthy than locally produced pure honey.

Improving cash flow:

IMPROVING CASH FLOW = IMPROVED INCOME FROM SMALL-SCALE EUCALYPTUS

By not harvesting at four years and waiting till seven years to harvest, the small-scale grower can increase his/her profit by 40%.

FOUR YEARS
ZAR25,000 PER YEAR
ZAR6,000

SEVEN YEARS
ZAR70,000 PER YEAR
ZAR10,000

Increasing a small-scale grower’s income by ZAR10,000 per year. Alleviating cash flow, so trees can be left to grow till seven years before they are harvested.

Over the past two years, AHB has trained 1,482 people in KZN. Of this number, 962 people are actively keeping bees and producing and selling honey.

**Project area:** Richards Bay to Mozambique along the coast in KwaZulu-Natal.

**Improving income from small-scale eucalyptus:**

- ZAR25,000 per year for four years
- ZAR70,000 per year for seven years

**Improving cash flow:**

- ZAR6,000 per year
- ZAR10,000 per year

**Harvesting figure of 7 years applies to KwaZulu-Natal coastal region**

**Shared value impact:**

- Reduction in honey hunter fires – honey hunters are now honey farmers.
- Increased timber yields.
- Additional income for Sappi Khulisa farmers – poverty reduction.
- Self-sustaining.

An assessment by Poverty Spotlight of 140 sample families in the programme found that:

- 14% are keeping poultry
- 24% are growing vegetables
- 60% are selling vegetables, and
- 95% are keeping bees.

**Project area:**

- Richards Bay to Mozambique along the coast in KwaZulu-Natal.
- Southern Africa
- Richards Bay
- Mozambique
- Project area: Richards Bay to Mozambique along the coast in KwaZulu-Natal.

**Over the past two years, AHB has trained 1,482 people in KZN. Of this number, 962 people are actively keeping bees and producing and selling honey.**

**SHARED VALUE IMPACT**

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- Increased timber yields.
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An assessment by Poverty Spotlight of 140 sample families in the programme found that:

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- 24% are growing vegetables
- 60% are selling vegetables, and
- 95% are keeping bees.
Fires on Sappi’s plantations are a major challenge.

2015:
Together with DevCom, a development communications specialist company, we launched the Abashintshi (‘Changers’ in isiZulu) programme.

Three aims:
To decrease intentional fires, establish closer engagement with communities and achieve social change.

Implemented by:
Young people from rural communities living in and around our operations.

Four key elements

Asset-based community development (ABCD) model aims to empower community members to use what they have, instead of focusing on what they need or don’t have.

Youth life skills training
Ifa Lethu which documents the legacy of the elderly in the community in order to continue with successful practices and learn from mistakes.

Holiday programmes with children

Value created
Programme began in KwaZulu-Natal, now expanded to Mpumalanga

2015
18 Abashintshi in nine communities

2017
88 Abashintshi in 43 communities

2018
117 Abashintshi across 65 Sappi communities

Businesses range from brickmaking projects to poultry and pig farms, and from crèches to home industries.

Value created
• Analysis by Poverty Stoplight indicates that the Abashintshi are better able to make plans and earn a living.
• Reduction in fires a significant benefit to Sappi.

General

Specific
• 190 projects in 2018 run by 268 people.
• 2018 June holiday programme for 10 days, 1,500 kids per day.
• 10,000 Community contacts per month.
• 48 Abashintshi have businesses in 2018. Earned ZAR320,000 profit in seven months, with profits ranging from ZAR900 to ZAR9,000 per month.
We use recovered board and paper to supplement virgin fibre in the papermaking process. Sappi ReFibre has developed an outsourced business model that enables us to not only recycle large volumes of paper, but also benefits members of the informal sector.
WATER ADDS VALUE
Sappi Forests’ Stop and Think Before You Act (STBA) safety campaign has proved to be extremely successful. Research showed that the audience loved stories and we adopted a storytelling approach to safety communication using graphics and symbols. The campaign has been rolled out to our own employees and contractors. Our aim is to reinforce the message: “I follow the safety rules because I want to, not because I have to.”

**SHARED VALUE IMPACT**

We conducted a survey to assess the uptake of the STBA campaign amongst Sappi Forests’ contractors:

**CONTRACTORS IN MPUMALANGA**
- 81% of companies use STBA for incident recall.
- 95% of companies have included STBA in induction.

**CONTRACTORS IN KWAZULU-NATAL**
- 75% of companies use STBA for incident recall.
- 100% of companies have included STBA in induction.

**FORESTRY CONTRACTORS**
- 98% of companies use STBA for incident recall.
- 95% of companies have included STBA in induction.
We continue to invest in training our people so that we are able to create and seize the opportunities encapsulated in our 2020Vision.

86 participants in the Sappi Manager in Training programme (MiT), now in its second year. 24 participants from the 2017 intake are due to submit their portfolios of evidence in order to receive the qualification.

47 trainees participating in the year-long Process Trainees and Production Interns programme.

42 graduates in training programmes (management, manufacturing and sales).

117 apprentices.

120 mill and forestry technical trainees.

46 university bursars.

309 employees are receiving study assistance.

ZAR4.6 million spent on educational assistance (2017: ZAR2.3 million).

SUCCESSFUL ONLINE TRAINING

1,774 employees participated in online video-based training through the Udemy platform. During 2018, the first engineering training was sourced from the world leader in plant reliability training, Mobius Institute. Employees have so far completed 166 modules and a further 85 are in progress.

39 average training hours per employee.

Average training spend per employee ZAR9,195.

36% employees with Individual Development Plans.
AN ECD ENABLING ENVIRONMENT

Recognising that the emotional, social and physical development of young children has a direct impact on their overall development and on the adult they will become, we began investing in early childhood development (ECD) in 2014.

ENHANCING OUTCOMES: EARLY CHILDHOOD DEVELOPMENT

“Success is a journey and we are extremely grateful for Sappi’s loyal support as a sponsor. Thank you for reaching out and transforming people’s lives.”

Jabulani Steven Mkhize, founder of the Jabulani Training and Development Centre

SHARED VALUE IMPACT

- Our ECD project in KwaZulu-Natal has been implemented under the auspices of the Training and Resources in Early Education (TREE) organisation. A total of 43 caregivers have graduated from the programme.
- In Mpumalanga, we have developed an ECD Centre of Excellence at the Sappi Elandshoek community through Penreach, the largest teacher development programme in Africa. Through efforts by Penreach (www.penreach.co.za/learn):
  - 114 ECD centres reaching over 6,000 children have been established
  - 12 toy libraries are reaching over 1,000 children
  - Home-based ECD programmes are reaching over 300 households, and
  - Workshops and training have reached 650 ECD practitioners.
- In 2016, we extended the ECD programme to Gauteng, by sponsoring the Jabulani Training and Development Centre. Our sponsorship of the Jabulani Training and Development Centre has contributed to the training of over 1,250 ECD practitioners over the past few years.
We have been supporting the PROTEC programme since 1995; providing science, mathematics, technology, world-of-work and English theoretical and practical education to grades 10 to 12 learners from disadvantaged communities.

The programmes run in parallel to formal schooling and are delivered at Saturday and vacation school classes by qualified and experienced PROTEC tutors. PROTEC also provides teacher support and materials.

We support five PROTEC branches in Sappi communities at Stanger, Mandeni, Umkomaas, Nelspruit and Pietermaritzburg.

**CREATING SOCIAL VALUE THROUGH EDUCATION**

**SHARED VALUE IMPACT**

- Expanded skills pool in disciplines relevant to Sappi.
- PROTEC consistently delivers Matric and Bachelor pass rates that exceed the national statistics year on year.
- Analysis conducted by Trialogue in terms of Social ROI (SROI) measures non-financial impacts. The PROTEC SROI ratio of 4.22:1 implies that, for every ZAR1 invested, ZAR4.22 of social value is created each year for South African society in terms of reduced educational costs.
GIVING PEOPLE OPPORTUNITIES TO SUCCEED (SINEKEZA ABANTU AMATHUBA OKUPHUMELELA)

The overarching aim of the Sappi Skills Centres at Ngodwana and Saiccor Mills, officially opened at the beginning of 2018, is to develop a learning campus that enriches the lives of our local community and Sappi employees by providing and elevating technical vocational skills. More specifically, we hope to empower our employees to improve their performance at work, and our community trainees to create sustainable service businesses or seek meaningful employment. Trainees, are unemployed youth (aged 18-35), living in local communities around our factories and forestry operations.

CREATING ENTREPRENEURS AT THE SAICCOR SKILLS CENTRE

Thokozani (TK) Dladla from Dududu KwaZulu-Natal joined the very first group of young trainees at the Sappi Skills Centre, Saiccor Campus in October 2017. He completed the Basic Handyman Electrical course at the centre but discovered he had a natural talent for welding and steelwork. After successfully completing the nine-week programme that covered life skills, hand tools, power tools, electrical installations and business skills, TK was inspired to venture into his own ‘TK Steelworks’ business. TK’s small business is gaining momentum and he now makes and supplies burglar proofing, security gates and work benches. He also installs and repairs household appliances.

THE SKILLS CENTRES HAVE ADOPTED A THREE-STEP APPROACH TO TRAINING:

<table>
<thead>
<tr>
<th>TYPE OF COURSE</th>
<th>COURSE DETAILS</th>
<th>AFTER THE COURSE/ PROGRAMME?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic handyman</td>
<td>Nine-week programme.</td>
<td>Encouraged to start micro service businesses.</td>
</tr>
<tr>
<td></td>
<td>Open to community members.</td>
<td>Can apply for Sappi general worker vacancies.</td>
</tr>
<tr>
<td></td>
<td>Facilitated by Sappi third year apprentices under supervision of qualified artisans.</td>
<td>Referral to contractors operating during shutdowns as potential general workers.</td>
</tr>
<tr>
<td></td>
<td>Eight weeks formal learning and one week’s practical experience.</td>
<td></td>
</tr>
<tr>
<td>Vocational training – pre-trade</td>
<td>Six months trade theory including institutional practical work.</td>
<td>Encouraged to start service businesses using the trade knowledge gained.</td>
</tr>
<tr>
<td></td>
<td>Certificate of competence on completion of phase exams.</td>
<td>Can apply for Sappi apprenticeship when available (limited numbers available).</td>
</tr>
<tr>
<td></td>
<td>Designed to identify potential apprentices.</td>
<td>Referral to other industry players for apprentice opportunities.</td>
</tr>
<tr>
<td></td>
<td>Facilitated by qualified apprentice trainers.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Assessors and moderators provided by Sappi.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>May apply for artisan vacancies after completion of trade test.</td>
<td></td>
</tr>
<tr>
<td>Apprenticeship</td>
<td>Three and a half years apprenticeship to enable factory-ready trainees.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Complete programme up to trade test.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Recruited as registered, contracted apprentices, paid the prescribed wages.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Applicants have to pass modules to continue.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Facilitated by qualified apprentice trainers.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Assessors and moderators provided by Sappi.</td>
<td></td>
</tr>
</tbody>
</table>

A total of 68 trainees had completed the handyman course at Saiccor Mill by year-end.
GROWING KNOWLEDGE …

GROWING NUMBERS

Training material has been developed in conjunction with the Institute of Natural Resources and covers areas like entrepreneurship, fire management, harvesting planning, leadership and management development and safety—Stop and Think Before You Act—amongst others.

Khulisa Ulwazi, our training centre for Sappi Khulisa, is steadily growing in popularity.

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of trainees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>65</td>
</tr>
<tr>
<td>2016</td>
<td>324</td>
</tr>
<tr>
<td>2017</td>
<td>663</td>
</tr>
<tr>
<td>2018</td>
<td>715</td>
</tr>
</tbody>
</table>

OBJECTIVES

Develop growers’ and contractors’ skills so that they can carry out silviculture operations economically and to a good standard.

TO GIVE AN IDEA OF THE TYPE OF TRAINING—AFTER COMPLETION OF THE SILVICULTURE MODULE, TRAINEES WILL HAVE:

- The ability to measure one hectare and understand what a hectare is.
- An understanding of tree espacement and stocking.
- A broad understanding of silvicultural activities.
- An understanding of Sappi Khulisa rates and how they work.
- An understanding of how Silviculture task work is calculated.
- The ability to calculate the basic shift rate.
- A basic understanding of developing an annual plan of operations.
- Understanding of timing of operations.
- The ability to do a monthly and quarterly work plan.
- The ability to determine whether tasks are done at viable cost.
- The ability to complete a daily production sheet.
To engage more closely with communities close to our areas of operation, we have established an Integrated Community Forum at Saiccor Mill. This approach will be piloted at the mill and rolled out to our other mills.

**INTEGRATED FORUM STRUCTURE**

<table>
<thead>
<tr>
<th>Operation management</th>
<th>Amakhosi and Tribal Council</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human resources, communications and procurement</td>
<td>Councillors and wards</td>
</tr>
<tr>
<td>Project representatives</td>
<td>Local business groups</td>
</tr>
<tr>
<td>Sappi</td>
<td>Local environmental groups</td>
</tr>
<tr>
<td></td>
<td>Community</td>
</tr>
<tr>
<td></td>
<td>Abashintshi</td>
</tr>
</tbody>
</table>

**TOPICS FOR DISCUSSION**

- Small-, medium- and micro enterprises.
- Local recruitment.
- Local verification process.
- Local community skills training.
- ABCD mapping and projects.
- Local Corporate Social Investment projects.
- Environmental update.
- Community issues and proposed solutions.

In 2018, the Sappi Forests KZN unit welcomed forestry students who were given the opportunity to put their theoretical knowledge into practice. One of these was Noncedo Ngubane, who is currently working towards a Bachelor’s Degree in Forestry at Stellenbosch University.

“What we learn at university does not cover everything on forests operations; you get to see the operational side when you explore the plantation areas. It has been a great privilege being part of Sappi.”

Noncedo Ngubane, practical student

Our employee wellbeing committees at each mill support local communities based on requests from the communities and identified needs. These are coordinated through the Mandela Day (67 Minutes) initiative and give our employees a chance to live Madiba’s legacy.
WATER IS A SHARED RESOURCE
ENSURING THE SUSTAINABILITY OF OUR PLANTATIONS:
CANARIES IN A MINE

In days gone by, miners would lower canaries in a cage into the mine shaft to determine levels of toxic gases and whether it was safe for people to enter the shaft.

Our Sentinel trials are based on similar principles. The rapid increase in pests and diseases entering South Africa is a major challenge to the long-term sustainability of Sappi’s plantations. Furthermore, with rapidly changing environments, we have seen previously productive and healthy varieties succumb rapidly to either new pests or even pests that in themselves are adapting and evolving. Accordingly, we continuously monitor our land base by establishing test plots that include a large diversity of our varieties across a range of environments and at different ages. This is because different pests and diseases attack trees at different stages of growth.

Sentinel trials in high risk areas such as Zululand are established with all varieties, developed by our inhouse breeding programme, and are monitored for pest and disease symptoms on a continual basis (every six months). These trials are replicated four times and, at regular intervals, one replication is felled and allowed to coppice. These coppiced trees are physiologically young and will thus be exposed to a different set of pest/disease than the more adult trees. The result is that at any one time, all varieties are present on the same site at different physiological ages. These trials thus provide excellent monitoring plots for changes in the pest and disease populations over time, site and age.

The plantation industry in South Africa faces an increasing threat from pests and diseases, as well as climate change. Sappi Forests works hard to mitigate these risks.
ENSURING THE SUSTAINABILITY OF OUR PLANTATIONS THROUGH VARIETIES

Our plantations encompass a huge diversity of environments, ranging from warm, year-round growing conditions in sub-tropical Zululand to cold temperate areas with winters exposed to both frost and snow during the winter season. Accordingly, Sappi breeders have focused on developing and testing a large range of new varieties with species sourced from around the world. New technologies, such as the use of molecular marker technologies, are helping breeders improve both the quality and throughput of the varieties that can be tested and developed.

We are shifting from planting pure species to more productive, better adapted, and more pest and disease resistant varieties of both hardwood and softwood trees. This change in strategy is being driven by the need to respond more rapidly to the combined challenges of increased globalisation and changing weather patterns (driven by climate change) that are resulting in significant increases in pests and diseases in the tree crop (see previous page). The benefit of developing new varieties is that breeders can combine the benefits from two or more species and develop varieties that have improved fibre yield and quality as well as better disease/pest tolerance.

The vision is that by 2025, breeders will have developed a varietal answer for all Sappi’s sites.
Sustainably managed forests and plantations store carbon.

**HOW DOES IT WORK?**

Through photosynthesis, trees and other plants use water and sunlight to convert CO$_2$ into carbohydrates to provide energy and the building blocks for plant growth. The process releases oxygen as a byproduct. The CO$_2$ removed from the atmosphere is converted and stored in plant material and wood. In other words, sustainably managed forests and plantations can act as carbon sinks.

Harvesting is not equal to deforestation; it is an important part of the cycle of growth, materials manufacture and regrowth.

**SO HOW DO CONSUMERS KNOW WHICH PLANTATIONS ARE SUSTAINABLY MANAGED?**

Forest certification gives the consumer the assurance that the products they are buying have been legally produced in sustainably managed forests and plantations, and that they meet stringent environmental, social and economic criteria.

In South Africa, we use the Forest Stewardship Council® (FSC®), and the Programme for the Endorsement of Forest Certification™ (PEFC™). This is important, because it assures end users that our woodfibre is sourced from sustainably managed plantations and not from the deforestation of forests—according to the Rainforest Alliance, deforestation causes about 10% of worldwide GHG emissions.
The costs of forest certification can be high, which is why we’ve established a group forest certification scheme for small- and medium growers.

There are currently 42 members in the scheme with plantations ranging from less than a hundred hectares to several thousand hectares in size.

While our owned and leased plantations are 100% FSC® certified, we recognised that we needed to obtain certification over and above the FSC® Group Scheme certification, based on the difficulty of getting small growers certified and on customers’ requests for PEFC™ labelled products. PEFC™ endorses national certification schemes, which meant South Africa had to develop a new certification scheme including a forest management standard. We participated in the development of the new scheme, now known as the South African Forest Assurance Scheme (SAFAS). This has been finalised, assessed and endorsed by the PEFC™.
We call black liquor ‘black gold’ for a number of reasons: It contains more than half of the energy content of the digested wood, and as a renewable, biomass-derived fuel, it replaces fossil fuels, with a corresponding reduction in greenhouse gas emissions.

ABOUT BLACK LIQUOR
Pulpwood chips are digested (cooked under pressure in white ‘cooking’ liquor) into pulp by removing lignin, hemicellulose and other extractives from the wood to free the cellulose fibres. The resulting spent liquor, black liquor, is a dilute aqueous solution of extractives and the inorganic materials used to make up the white cooking liquor.

RENEWABLE ENERGY BREAKDOWN (2018)
- Own black liquor: 9.6%
- Own biomass (mostly bark): 90.4%

In Sappi Southern Africa, 42.7% of the energy we used in 2018 was from renewable resources. Our energy self-sufficiency closely corresponds with this, standing at 43.2%.

We are using solar energy at our head office in Rosebank and at the Technology Centre in Pretoria.
FOCUSING ON WATER USAGE AND EFFLUENT DISCHARGE

South Africa’s plantations use about 3% of the country’s available water resources—but this varies considerably from place to place and during different times of the year. To put this into context, irrigated agriculture uses approximately 60% of the country’s available water resources.

The primary input to our water resources is rainwater and South Africa’s rainfall, at 490 mm per year, is half the world average. Our rainfall is highly seasonal and variable, with greater variability in the dry interior. Against this backdrop, we focus on reducing water usage and minimising effluent discharge.

Reducing COD demand and water abstraction

High demand for a high-performance fluting grade, UltraFlute produced at Tugela Mill, increased the internal requirements for high quality neutral sulphite semi-chemical (NSCC) pulp from the semi-chemical cooking process. With the assistance of the Sappi Technology Centre, the mill embarked on multiple projects to improve the washing in the pulp plant and ensure quality pulp transfer to the paper machine.

The results lead to modification to the washing stages and filtrate system which significantly improved pulp quality. Further improvements made in the pulp plant included the re-use of process water and the introduction of closed loop seal water systems. These initiatives not only reduced water consumption, but also yielded some energy savings.

The cleaner pulp to the paper machine had a direct impact on the mill’s final effluent chemical oxygen demand (COD), reducing the COD load by 40%. The increase in direct pulp feed to the paper machine also reduced the water demand from the repulpers.

Additional water reduction projects in the mill included the control of process water balances, fixing water leaks together with inspections and repairs of open water storages, all of which resulted in further reduction in abstracted water of approximately 30%.

All the water improvements described above were made while the mill increased its pulp production by more than 23% and paper production 5% over the same period.

TUGELA MILL

1,188 metres

That’s how many metres of piping are being used for the new high-density polyethylene (HDPE) effluent pipeline at Tugela Mill which is replacing the existing steel pipeline at a cost of ZAR55 million. The advantage of HDPE is that the potential for corrosion, unlike a steel pipeline, is eliminated. The replacement of the pipeline and the subsequent lower risks of effluent leaks aligns with our focus on treading more lightly on the Planet.

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STANGER MILL

Striking a balance

In line with our focus on continuous improvement, we conducted an effluent characterisation study at Stanger Mill which highlighted that the wet-depithing plant is the main contributor to dissolved organic material and solids to the mill effluent. The wet-depithing plant functions like a woodyard, preparing the bagasse for pulping. The waste streams generated in the wet-depithing plant (liquid and solid waste) have a high organic content and the Sappi Technology Centre is currently developing a detailed water and fibre balance of the plant.

The balance will help to:

• Reduce fresh water consumption.
• Reduce effluent load.
• Provide information for the evaluation of anaerobic treatment of the wet-depithing effluent. This has the potential to generate energy from the organic material in the effluent.
• Allow optimisation of process units and improve removal of pith and sand which in turn, should lead to saving on chemicals (mainly caustic) in the pulping operation.

ZAR8.3 million

That’s how much we spent in 2018 on upgrading forestry villages, including water and sanitation projects.
PROMOTING ENVIRONMENTAL AWARENESS

In line with our commitment to the United Nations Global Compact, in particular to Principle 8: Undertake initiatives to promote greater environmental responsibility, we promote environmental awareness in a number of different ways.

OPENING UP ACCESS TO OUR PLANTATIONS

We have established safe and enjoyable trail networks across our plantations which serve mountain bikers, trail runners, hikers and other non-motorised trail users. By promoting public enjoyment of our land, we also help boost local economics:

- ZAR77 million direct benefits
- ZAR151 million indirect benefits

Those are the annual benefits to the KwaZulu-Natal Midlands from mountain biking (recreation and races).

MINISASS

MiniSASS is a simple tool which determines river health. With a view to promoting awareness of the importance of this topic, learners are taken to their local rivers to collect and analyse MiniSASS samples. During these visits, forestry management teams from the plantations join learners to show that they care about environmental protection. This is also an opportunity for Sappi people to build good relations with neighbouring stakeholders.

DISTRIBUTING 30,000 SPECIMENS

Of the endangered Pepper Bark Tree (Warburgia Salutaris) to communities in Mpumalanga and Swaziland.

PARTICIPATING IN THE NATIONAL STEWARDSHIP PROGRAMME

Through which we have six declared nature reserves on our land. Ezemvelo KZN Wildlife has established monitoring plots for certain species on some reserves.

Our lands are host to a wide variety of flora and fauna.

Demagtenberg – Morton Estate primary school learners conducting sampling.