

2020

Sappi Southern Africa  
Corporate Citizenship Report



Adapting together **sappi**



## *Adapt.*

*That's what everyone around the world had to do in light of the Covid-19 crisis. It's something we all have in common, regardless of nationality, age, gender or culture. We've had to adapt the way we travel, work, communicate and live. And this common need to adapt has highlighted the interconnected nature of our being.*

Similarly, the United Nations (UN) Sustainable Development Goals (SDGs) envision economic well-being, social inclusion and environmental sustainability as closely interconnected. They set out a new way to think about the way we value our world.

This aligns with Sappi's thinking in a year when we close out our 2020Vision and embark on a new business strategy, Thrive25. Our commitment to sustainability as embedded in Prosperity, People and Planet (the 3Ps) is not new, but now underpins our vision: We will be a

sustainable business with an exciting future in woodfibre that provides relevant solutions, delivers enhanced value and is a trusted partner to all our stakeholders.

We identified nine priority UN SDGs as the framework to create a thriving organisation, a thriving country and a thriving world. Furthermore, we urge all our stakeholders to join us in our quest.

Because together, we are stronger. Together, we can power our response to adapt to a changing world and build back better.

### **About the SDGs**

The UN SDGs, also known as the Global Goals, were adopted by all UN member states in 2015 as a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030.

This report sets out the reasons why we prioritised certain SDGs on a country and company level, how we action them, what our plans are going forward and how our stakeholders can help to action them.

## About Thrive25

### The Sappi Southern Africa (SSA) strategy is aligned with the Sappi group Thrive25 strategy

Key fundamentals of our Thrive25 strategy

#### GROW OUR BUSINESS

Committing to core business segments while investing in innovation, growth opportunities, and ongoing customer relationships.

#### SUSTAIN OUR FINANCIAL HEALTH

Reducing and managing our debt, growing EBITDA, maximising product value, optimising processes globally and strategically disposing of our non-core assets.

#### DRIVE OPERATIONAL EXCELLENCE

Strengthening our safety-first culture and reducing resource use while enhancing efficiency and making smart data investments.

#### ENHANCE TRUST

Improving our understanding of — and proactively partnering with — customers and communities, driving sustainability solutions and meeting the changing needs of every employee at Sappi.

## Message from our CEO

The Covid-19 pandemic and its associated challenges have highlighted the fact that it takes great people to add real value. I'm extremely proud of the problem-solving abilities, resilience and collaborative spirit demonstrated by all our people throughout the pandemic. Our people give me the utmost confidence that we can overcome the uncertainty and changing dynamics created by the 'new normal'.

What also gives me confidence, moving forward, is that most of our products are essential and manufactured from a renewable natural resource. Together with our ability to be nimble and optimise profitability in ever-changing markets, this puts us in a favourable position to meet the needs of a world increasingly focused on sustainability.

Sustainability has always been important at Sappi Southern Africa, but under our Thrive25 strategy, sustainability is now central to how we do business.

Inherent in this is our understanding that we cannot build a thriving world in isolation. We can only achieve positive change by acting as a responsible corporate citizen and responding to global and local challenges like poverty, education, clean water, climate change and producing more with less, among others. We've formalised this response by prioritising certain UN SDGs. We've also established 2025 targets in line with these SDGs and will transparently communicate our progress — or lack thereof — against these.

Aligning with certain SDGs is not simply a box ticking exercise — as this report highlights, we have strong business reasons for identifying the SDGs outlined in this report and we have very specific plans to action them.

I call on all our stakeholders to reach out and work with us to help achieve them.

Alex Thiel  
CEO: Sappi Southern Africa

1 NO POVERTY



# Reconstruct

The world can only thrive  
if we work together to eradicate poverty  
and build back better.



## What is this about?

Eradicating poverty is not a task of charity, it's an act of justice and the key to unlocking human potential. Nearly half of the world's population lives in poverty, and lack of food and clean water is killing

thousands every day. Working together, we can help feed the hungry, eradicate disease and give everyone in the world a chance to prosper and live a productive and rich life.

### Why is this a priority goal and why does it matter?

**For South Africa:** Approximately half (49.2%) of South Africa's adult population live below the poverty line<sup>1</sup>. Furthermore, 26% of urban and 36% of rural households experience hunger<sup>2</sup>. As human beings, our well-being is inextricably linked to each other. Increased inequality is detrimental to economic growth, and undermines social cohesion while increasing political and social tensions and, in some cases, driving instability and conflict.

**For Sappi:** When our neighbouring communities are prosperous and have opportunities to move out of poverty, it enhances our own licence to trade. In addition, poverty is a business issue as well as a social one – when people do not have sustainable livelihoods, they are unable to pay for our products.

We use the Poverty Stoplight tool to measure the impact of our programmes on communities.

### What is Sappi doing about it?

We believe we can act as an engine of economic growth by stimulating inclusive growth and opening up opportunities, thereby contributing to poverty reduction. We do so in the following ways:

#### Ensuring minimum wages

In South Africa, as in the other regions where we operate, we pay **market-related wages in line with or above local legislation**. In 2013, SSA made it a contractual obligation for our forestry contractors to pay their workers in accordance with the minimum wage stipulated by government for the agricultural sector. We regularly check compliance with this stipulation.

#### Building local SME capacity

Our dedicated **Enterprise and Supplier Development (ESD)** department promotes sustainable livelihoods by identifying procurement opportunities for and overseeing the capacity building of small and medium-sized enterprises (SMEs) through training and operational support.

We began the process in FY19 by onboarding the operations to the ESD strategy, which was followed by analysing our spend in forestry and mill operations to identify suitable ESD opportunities. We then mapped our local communities and

scoped supply chain and community business opportunities. This included the unbundling of contracts and setting-aside of suitable business opportunities. We identified potential SMEs and classified them according to their capacity building needs, with some needing a higher level of intervention than others. The most commonly identified development gaps relate to safety, technical skills and general business management. To address these gaps, we appointed third-party service providers and are also working with partners to act as technical mentors to provide the necessary capacity building.

Our progress is highlighted by the fact that we have onboarded almost 100 new active vendors across the business who are engaged on both an ad hoc and contract basis, and have signed more than 15 procurement agreements with contractual periods ranging between three and five years. We also set five-year ESD procurement spend targets totalling over ZAR500 million across our operations. The annual ESD spend target is reviewed and confirmed at the beginning of each new financial year.

The alien plant removal programmes at our mills, initially conducted in partnership with the Wildlife and

*“My advice to other Khulisa suppliers is to love your work and to treat your plots as a fixed deposit- that will bear interest when you harvest. Make full use of the land you have, and you will gain success!”*

Doris Mdladla,  
Khulisa participant since the early 1990s

Environment Society of South Africa (WESSA) since 2017, have now matured into formalised standalone businesses, employing approximately 59 people in total. The SMEs are now vendors to Sappi mills with three-year contracts.

With the intention of maximising the impact of our ESD programme and leveraging the capacity of our external partners, we signed Memoranda of Understanding (MoUs) with the National Youth Development Agency (NYDA), the Small Enterprise Development Agency (SEDA) and the Department of Trade Industry and Competition (dtic).

#### Promoting sustainable livelihoods

Our **Sappi Khulisa enterprise development programme**, which encompasses individual and community tree farming, plays an important role in alleviating poverty in rural areas. This is important in light of the World Bank's finding that rural areas have the highest levels of poverty concentration in South Africa.

The total area managed currently is 32,660 hectares. In 2020, under this programme, 284,038 tons of timber (2019: 425,001 tons) worth approximately ZAR232 million (2019: ZAR382 million) was delivered to our operations. The year-on-year

<sup>1</sup> <http://www.statssa.gov.za/?p=12075>

<sup>2</sup> <https://mg.co.za/article/2018-10-26-00-the-complex-insecurity-of-hunger-in-south-africa/>



*“Recycling is not a one-man show; hence we want to employ more community members and empower them with recycling skills so that they can open up their own businesses. We once spent three months without any salaries, but our workforce was paid in time, because we are looking into the future of our business and we will not stop until we realise our full potential.”*

Nompilo Nxumalo, co-owner of recycling company Ku Green Hands with Nokubonga Mnyango. They approached Sappi for assistance under the ESD programme, following which they received a baler.

drop in volumes was due to the impact of Covid-19 on Sappi’s markets, which resulted in a lower demand for fibre. Since 1995, a total volume of 4,505,979 tons to the value of ZAR2.7 billion has been purchased from small growers under this programme.

Currently, the programme involves over 3,644 growers and approximately 103 small, medium and micro enterprises (SMMEs) who are involved in silviculture, harvesting, loading, short and long-haul activities.

What began as a corporate social investment (CSI) project is now part of our core business and is a replicable framework for creating economic value and social impact. It meets our

need for volumes of good quality timber and, equally important, to help transform small-scale growers and their contractors into self-reliant, sustainable timber businesses. **Read more:** [www.sappi.com/Faq-Sappi-Khulisa](http://www.sappi.com/Faq-Sappi-Khulisa)

Recognising that long-lasting change comes from individuals and communities, **our Abashintshi (‘Changers’ in isiZulu) programme** plants seeds of opportunity by training youth to mobilise their communities to develop themselves in line with the Asset-Based Community Development (ABCD) model. **Read more:** [www.sappi.com/abashintshi-planting-seeds-of-opportunity](http://www.sappi.com/abashintshi-planting-seeds-of-opportunity)

#### Expanding skills

We established three Khulisa Ulwazi (‘Growing knowledge’) training centres to ensure that plantations and contracting businesses are managed sustainably.

#### Expanding avenues of income and entrepreneurship

While advances are paid to Khulisa growers, the time it takes before being able to harvest – which enables them to realise the true financial benefits of the programme – is a challenge. One way this is being overcome is through a community honey project, which provides interim income while expanding avenues of income and

entrepreneurship. Our involvement is twofold: we make certain plantations available for beekeeping and we sponsor training and equipment.

**Sappi ReFibre** sources used paper products from an extensive network of agents across Southern Africa, as well as from waste producers. This recovered board and paper supplements virgin fibre in the

papermaking process, used in several paper grades such as packaging papers, linerboard and corrugated board at Tugela and Ngodwana Mills.

In FY20, Sappi ReFibre purchased approximately 102,525 tons of recovered paper and board at a cost of approximately ZAR166 million, with approximately ZAR31.5 million of this amount going to ESD suppliers.



#### How can I support this goal?

At birthday parties or other celebrations, offer the option to donate money to your **chosen charity** instead of receiving gifts

**Buy local** – produce, clothing and household goods. Support the local farmers’ market or small, locally owned shops. That way, you’re helping to keep fellow citizens employed and stimulating the South African economy

Start a **drive at work** to collect food and donate it to a local orphanage or shelter

**Share the facts** about poverty with family and friends as motivation to take action





## What is this about?

Education liberates the intellect, unlocks the imagination and is fundamental for self-respect. It's the key to prosperity and opens a world of opportunities, making

it possible for each of us to contribute to a progressive, healthy society. Learning benefits every human being and should be available to all.

## Why is this a priority goal and why does it matter?

**For South Africa:** According to the International Monetary Fund,<sup>3</sup> about half of South Africa's students drop out of school before completing secondary education. Among the learners who write the end of high school examinations, about a quarter fail. Moreover, less than 5% of students who start primary school end up with a university qualification.

**For Sappi:** Our business depends on people and having a pool of talented, skilled people available. This adds value to Sappi and our stakeholders.

In addition, low educational achievement leads to low productivity growth and high levels of poverty, unemployment, and inequality.

## What is Sappi doing about it?

We are committed to promoting quality education and training both internally and externally.

The pace of technological innovation, including artificial intelligence. Growing populations with increasing rates of urbanisation. These are just some of the forces that are shaping our world. It's a world that's changing rapidly – one in which the skills of today might not be appropriate for the solutions of tomorrow. Recognising this, we want to make sure our **great people are equipped for current and future challenges**. Which is why we invest in bursary programmes in disciplines ranging from chemical, industrial and mechanical engineering to megatronics. We also operate Engineer and Forester in Training programme improvements, provide internships and formal technical

training programmes, make available online technical courses across all mills and management and leadership development programmes. In addition, all our people have access to detailed development plans and can select online or classroom training from over 4,000 approved courses and, in certain instances, have mentors to help them achieve specific development goals. In FY20, each SSA employee received an average of 57 hours of training.

International research shows that language and cognitive development are especially important during the first six months to three years of life, and that the more stimulating the

early environment, the more a child develops and learns. Unfortunately, many of South Africa's young children, particularly in rural areas where our forestry operations are situated, are not exposed to early learning. That's why we stepped in to support **early childhood development (ECD)**. In KwaZulu-Natal, caregivers from Sappi communities receive training through the Training and Resources in Early Education (TREE) organisation. In Mpumalanga, we developed an ECD Centre of Excellence at the Sappi Elandshoek community in partnership with Penreach, a non-governmental organisation (NGO) and social impact organisation working towards educational excellence in

disadvantaged rural communities in Mpumalanga.

We support **PROTEC**, a non-profit organisation operating nationally in the field of Science, Technology, Engineering and Maths (STEM) education.

The **Sappi Skills Centres at Ngodwana and Saiccor Mills** provide structured technical vocational skills training to increase employability and income generation. Candidates are also identified for artisan positions. Highlighting the agility and adaptability we thrive on, when lockdown restrictions meant we had to reduce the number of trainees at our Skills

Centres, it created a new opportunity to manufacture cloth masks for Sappi and local communities. The approximately 73,000 masks made by trainees saved Sappi in excess of ZAR1.9 million. This venture has progressed into the manufacture of overalls, resulting in further savings to Sappi while creating new employment opportunities. The plan is to spin off the venture into an independent supplier, run by previously unemployed local youth.

## Looking forward: Our Thrive25 target linked with SDGs 1 and 4

Advance broad-based black economic empowerment (BBBEE) to Level 1



*"I am in the process of buying a car. I am almost done with my mother's house. We will move in anytime. All thanks to you. The way you believed in me, especially during the very difficult times when I was doing first year. I had no one at the University; you checked up on me almost every day."*

Nelisiwe Mbatha -  
B. Pharmacy, previous PROTEC scholar

## How can I support this goal?

**Donate books** to public libraries or schools in need

**Volunteer your skills** – if you can teach someone to read, understand maths and science better or become computer literate, that will open up opportunities for them

In some instances, girls are pulled out of school early to get married. Start conversations that allow for **open discussions** aimed at finding solutions

<sup>3</sup> Mlachila, M. and Moeletsi, T.: Struggling to Make the Grade: A Review of the Causes and Consequences of the Weak Outcomes of South Africa's Education System, IMF Working Paper, WP/19/47

6 CLEAN WATER  
AND SANITATION



# Refresh

According to the United Nations, water use has grown at more than twice the rate of population increase in the last century. We need to refresh the way we conserve, manage, and distribute this precious resource.





## What is this about?

Globally, one in three people live without sanitation, which causes unnecessary disease and death. Although huge strides have been made across the world regarding access to clean drinking water, lack of sanitation is undermining these advances. If we provide affordable equipment and education in hygiene practices, we can stop this senseless suffering and loss of life.

## Why is this a priority goal and why does it matter?

**For South Africa:** The South African government is warning that the country could run out of water by 2030<sup>4</sup>. South Africa is classified as a water-stressed country, receiving annual rainfall of 492 mm in comparison with 958 mm in the rest of the world. As our population grows, so does the demand for freshwater. At the same time, climate change is impacting our water resources.

**For Sappi:** Our pulp and paper operations are highly dependent on the use and responsible management of water resources. Water is used in all major process stages, including raw materials preparation (wood chip washing), pulp cooking, washing and screening, and paper machines (pulp slurry dilution and fabric showers). Water is also used for process cooling, materials transport, equipment cleaning, general facilities

operations, and to generate steam for use in processes and on-site power generation and various other purposes.

As with all types of agriculture, our plantations rely on rainfall to grow.

## What is Sappi doing about it?

Water management is included in our mill operational environmental management plans, which are reviewed and updated annually. We have prioritised **water-use efficiency in our mills** – for example, Vulindlela, our expansion project at Saiccor Mill, will result in this metric improving by 17%. Since 2014, we have reduced specific water usage by 18.1%.

We make **water available to neighbouring communities**, providing the Bhamjees informal settlement close to Ngodwana Mill with treated water. During the recent drought, Lomati Mill sent water tankers to the local community.

We have also established a **water stewardship working group** which is currently assessing the risk and mitigation actions related to all our mills and forestry operations, as well as to our neighbouring communities.

In addition, we are **partnering with the World Wide Fund for Nature (WWF) South Africa** on a water stewardship project in the uMKhomazi catchment area.

### Looking forward: Our Thrive25 target aligned with this SDG

Reduce specific water use by 18%



We strictly avoid spraying near watercourses.



We prevent erosion by using appropriate harvesting and extraction methods.



We regulate drainage and minimise erosion through the appropriate planning and construction of roads to ensure water run-off is not directed straight into rivers.



Our plantations are not irrigated, but use only rainwater.

**Commercial forestry**  
Plantations account for 3% of total water use in South Africa, while agriculture and crop irrigation use approximately 60%.

*We delineate riparian zones, ensuring that these are kept free from commercial trees and that corridors for wildlife are created.*



## How can I support this goal?

**Put a layer of mulch around trees and plants** - this slows evaporation, making more water available for absorption.

**Keep leftover water** from cooked or steamed vegetables for the garden

**Turn off the water while brushing your teeth**, shaving, rinsing your razor or washing your hair

While you wait for water to warm up, **collect the running water** and use it to water the garden

**Shower rather than bathing** and stand in a shallow bucket while showering to collect the water. Use it to water the garden or flush the toilet

**Eat less water-intensive foods:** Our diets account for roughly half of all the water we use. All food has a water footprint, but some are much larger than others. Eating less beef, one of the most water-intensive foods, is a smart place to start. Shifting away from animal products to a plant-based diet can shrink your water footprint significantly

<sup>4</sup> <https://www.enca.com/news/government-warns-sa-will-run-out-water-2030>



# Renew

The profound impacts of global warming necessitate a renewed commitment to sourcing energy from strong winds, sunny skies, abundant plant matter, heat from the earth and fast-moving water.





## What is this about?

Renewable energy solutions are becoming cheaper, more reliable and more efficient every day. The world's current reliance on fossil fuels is unsustainable and harmful to the planet, which is why we have to change the way we produce and consume energy. Implementing these new energy solutions as fast as possible is essential to mitigate climate change, one of the biggest threats to our own survival.

## Why is this a priority goal and why does it matter?

**For South Africa:** Our economy is heavily dependent on fossil fuel, particularly coal. This places our country among the world's top 20 emitters of greenhouse gas (GHG) emissions, which play a significant role in global warming and climate change. The South African government has acknowledged the importance of diversifying the country's energy

base to include a greater proportion of renewable energy to decarbonise our economy.

**For Sappi:** As part of an energy-intensive industry, we have a responsibility to increase our use of renewable energy from our current figure of 47.2% as a percentage of total energy use. As our customers are looking to reduce their own

carbon footprints, decarbonising our operations opens up a strategic business opportunity in terms of enhancing our competitive advantage.

## What is Sappi doing about it?

Since 2014, we have reduced our use of specific fossil fuel energy by 9.3%. In 2020, across each region, including Sappi Southern Africa, we committed to setting science-based decarbonisation targets through the Science Based Targets initiative (SBTi), a collaboration between the CDP, the United Nations Global Compact (UNGC), World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). Our five-year target for SSA is a 20% reduction from our FY19 baseline.

To achieve this, we established a roadmap which incorporates the following:

- Reducing fossil energy usage (mainly coal and heavy-fuel oil). As an example, our Vulindlela expansion project at Saiccor Mill will significantly reduce fossil Scope 1 (direct) emissions and the work being done on a hybrid fuel rod project at Tugela Mill will also partially displace fossil energy: 15 decades of intensive coal mining in South Africa has produced about a billion tons of discarded thermal-grade coal fines. Once discarded, these

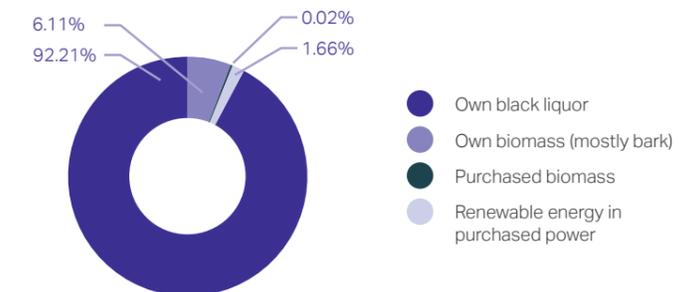
sulphur-containing ultra-fines cause health problems. They are also an environmental problem, emitting GHG as they decompose. To utilise this energy source, we constructed a small-scale plant to manufacture fuel rods which comprise a mixture of coal slurry, biomass and Sappi's lignin based binder, which can be used as a coal replacement, thereby reducing GHG emissions. Following positive test results at Tugela Mill, we plan to construct a plant at the mill. This was delayed because of Covid-19, but will be progressed in FY21.

- Potentially installing solar photovoltaics (PVs) on three mill sites – while the payback is six years, the environmental return on investment is significant.
- Increasing our use of renewable energy – Ngodwana Energy, the 25 MW biomass project under the Renewable Energy Independent Power Producers' Programme (REIPPP) programme in which we have a 30% stake, will use biomass from our surrounding plantations to generate energy. This will be sold to the national grid, thereby expanding the percentage of renewable energy available on the grid.

- Implementing energy efficiency projects at all our mills.

To accelerate progress, our roadmap will be adapted as new ideas are developed and new insights and technologies become available.

SSA renewable and clean energy breakdown (2020)



## Looking forward: Our Thrive25 target aligned with this SDG

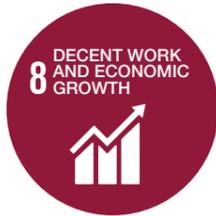
Increase share of renewable and clean energy	7% pts
Decrease specific total energy	9%





# Respond

Responding to this SDG is about the quality,  
not just the quantity, of jobs created.



## What is this about?

Economic growth should be a positive force for the whole planet. This is why we must ensure that financial progress creates decent and fulfilling jobs without harming

the environment. We must protect labour rights and promote job creation to uplift people, alleviate poverty and promote growth.

## Why is this a priority goal and why does it matter?

### Gender equality

**For South Africa:** In 2019, men occupied 75.6% of top management positions in South Africa compared with women at 26.4%<sup>5</sup>. Ending all discrimination against women and girls is not only a basic human right, it's crucial for a sustainable future and promoting economic growth.

**For Sappi:** Ensuring gender diversity enables businesses to tap into a wider talent pool with different types of skills, which contributes to overall enterprise performance. This is highlighted by the International Labour Organization which estimates that gender diversity can increase profitability by 5-20%.

### Safety

**For South Africa:** Globally, the pulp and paper industry, and forestry in particular, is potentially hazardous.

**For Sappi:** We recognise that accidents can have devastating consequences on people's lives and families, as well as workplace morale.

### Return on average net operating assets (RONOA)

**For South Africa:** The country wants to advance the South African economy by promoting socio-economic growth and enhancing export competitiveness.

**For Sappi:** Our viability as a business depends on generating positive returns which benefit our investors and other stakeholders.

We continue to help promote South Africa's socio-economic growth through ongoing investments, including our ZAR7.7 billion investment in Vulindlela, our expansion project at Saiccor Mill.



Workshops focused on gender-based violence were held on our plantations.

## What is Sappi doing about it?

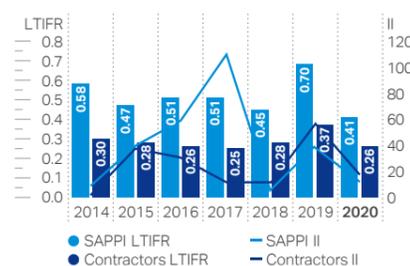
### Gender equality

In SSA, 73.2% of our people are men, 26.8% are women. We are working to **increase the percentage of women in management** roles and will be reporting transparently on performance against this target from 2021.

### Safety

Tragically, there was one transport-related fatality in the Sappi Forests contractor division. However, on the positive side, our safety performance in FY20 improved, with the lost-time injury frequency rate (LTIFR) at 0.41

SSA LTIFR



– a significant improvement from 0.70 in FY19, with the rate for contractors also improving from 0.37 in FY19 to 0.26 in FY20.

Supporting the health, safety and well-being of our employees and contractor employees is the cornerstone of our business. All our pulp and paper mills are certified to OHSAS 18001 to ensure **best practice in health and safety, and we work to entrench the principles of Project Zero across all our operations every day, to encourage a 24/7 safety mindset.** In response to the Covid-19 pandemic, all operations and sites established the required sanitising and hygiene protocols, social distancing, temperature checks, self-declaration

health check requirements, with ongoing engagement and communications to ensure self-awareness at work and at home.

### RONOA

We provide powerful everyday materials built from renewable resources, and we proved our ability to **make what we should, not just what we can**, during Covid-19. The classification of our operations as essential meant that we could continue to provide the products needed by our customers, from paper labels for canned goods and food

packaging, to the dissolving pulp (DP) used in disinfectant wipes and hospital gowns.

The lockdowns and corresponding economic slowdown negatively impacted the demand for graphic paper. Many companies, including retailers and consumer-related businesses, reduced their advertising spend, while printers halted production. We responded to the decline in newsprint demand by enabling the newsprint machine at Ngodwana Mill to produce lightweight liner, and to lower office paper sales

by producing white packaging grades at Stanger Mill. We also broadened Lomati Mill's product offering to include pre-packaged shelving and switched some DP production at Ngodwana Mill to paper pulp for internal consumption and external sales.

<sup>5</sup><https://www.thesouthafrican.com/lifestyle/gender-equality-transformation-in-south-africa-workforce/>



## Unlocking the power of sustainable woodfibre

### Boosting the South African economy

Our ZAR7.7 billion investment at Saiccor Mill exemplifies our determination to boost the South African economy and advance the country's participation in the global value chain. Work was halted due to the Covid-19 lockdown, but is now due for completion in the second half of 2021.

The investment will increase the mill's capacity by 110,000 tons per annum, create additional future permanent employment for 120 people and result in annual savings of ZAR300 million through improved and more efficient processes.

The project has significant socio-economic and environmental advantages. The KwaZulu-Natal provincial economy will earn an additional ZAR1 billion per annum and the construction phase of the programme, which will conclude towards the end of 2021, will create employment for about 2,000 people. To date, 1,670 employees from the local communities surrounding the mill have already benefited through the Vulindlela onboarding facility.

In terms of environmental benefits, not only will fossil fuel carbon dioxide (CO<sub>2</sub>) emissions be halved and sulphur dioxide (SO<sub>2</sub>) emissions reduced by 37%, but water use efficiency will improve by 17% and waste to landfill reduced by 48%.

## Demonstrating the power of adaptability

### Agility in action

Covid-19 led to the closure of borders, airports and trading ports. And this, in turn, led to the shutting down of almost all the supply chain channels for the sale of printing and writing paper, to a point where Stanger Mill was forced to take commercial downtime.

The SSA sales and marketing team moved swiftly to re-establish local and regional supply chains by expanding the Sappi portfolio of grades. One key grade identified was bleached PrimePak. The PrimePak grade has a strategic advantage in that demand is non-cyclical, due to its end-use applications for packaging food staples such as flour, sugar and maize meal.

### Diversifying our portfolio

The Sappi Technology Centre (STC) and sales and marketing teams, together with Stanger Mill, conducted a market competitive analysis to gather insights into the quality and composition of paper required in this market, as well as potential customers and the demand gap left by reduced imports. Stanger Mill uses bagasse pulp (sugar cane waste residue) in the fibre mix. This provides a cost advantage but, at the same time, the short fibre length compromises the much-needed strength properties for PrimePak grades.

### A prime solution

To overcome this challenge, the STC evaluated different furnish blends from both a cost and strength perspective and arrived at a suitable market pulp which is now being successfully used for PrimePak.



### Looking forward: Our Thrive25 target aligned with this SDG

Achieve zero injuries	Zero injuries
Drive down lost-time injury severity rate (LTISR) Combined own and contractor employees	≤25
Increase proportion of women in management roles	3.1% pts
Share of procurement spend with declared compliance with Supplier Code of Conduct	80%
Participation in Employee Engagement Survey	> 85%
Percentage of staff fully engaged with our business	> 83%
RONOA	2% pts above WACC weighted average cost of capital (WACC)



## How can I support this goal?

**Stop, Think, Before you Act** – be safe and don't hesitate to point out unsafe behaviours to your colleagues, family and friends

**Support companies** that care for the environment and for their workers

**Support international campaigns to end modern-day slavery**, forced labour, human trafficking and forced marriages



# Reduce

Reducing waste builds long-term resilience, generates business and economic opportunities and provides environmental and societal benefits.

## What is this about?

Our planet has provided us with an abundance of natural resources. But we have not utilised them responsibly and currently consume far beyond what our

planet can provide. We must learn how to use and produce sustainably to reverse the harm we have inflicted on the planet.

### Why is this a priority goal and why does it matter?

**For South Africa:** South Africans dispose of enough municipal solid waste to fill an entire football field 10 metres deep, every day. According to Statistics South Africa, only 10% of our waste is recycled.

**For Sappi:** We focus on minimising waste through production efficiencies and adding value to by-products. This not only helps to mitigate environmental impact, but can also generate additional revenue.



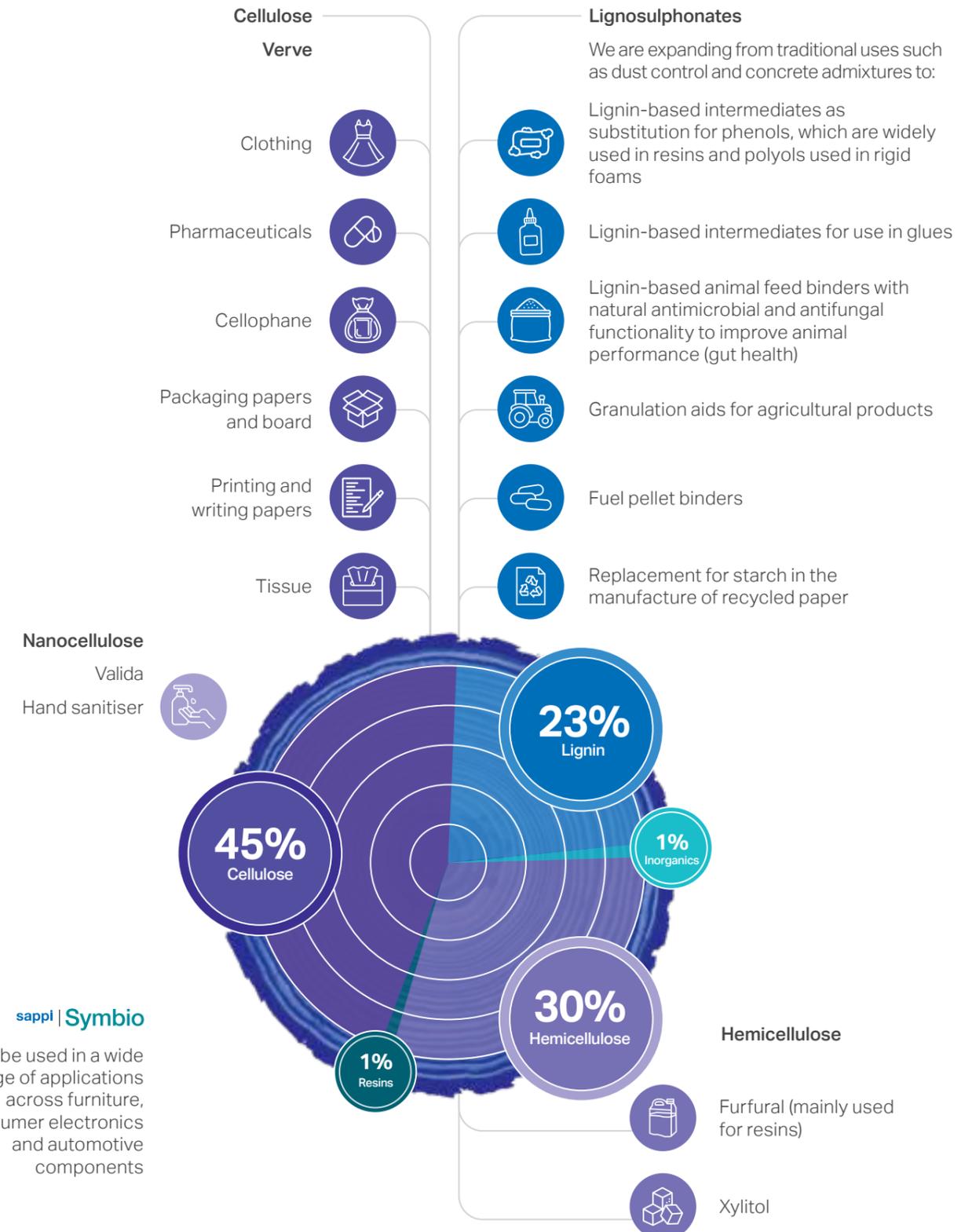
Of the waste SSA generated in 2020, 66.5% was beneficially used for on-site combustion and composting and was either given away (ash to blockmakers) or sold.

### What is Sappi doing about it?

The key components of woodfibre include cellulose, hemicellulose, lignin and extractives. Both cellulose and hemicellulose are polysaccharides

containing many different sugar monomers which can be extracted from pulping streams. We achieve our aim of using **the full potential of each tree we harvest** and leveraging new revenue opportunities by

extracting biobased materials from the pre-hydrolysate kraft stream, such as hemicellulose sugars and lignin, for beneficiation to higher-value biochemicals.



#### sappi | Symbio

Can be used in a wide range of applications across furniture, consumer electronics and automotive components

<sup>6</sup> [http://awsassets.wwf.org.za/downloads/WWF\\_Food\\_Loss\\_and\\_Waste\\_WEB.pdf](http://awsassets.wwf.org.za/downloads/WWF_Food_Loss_and_Waste_WEB.pdf)



CASE STUDIES

**Cleaning up - naturally**

In an uncertain world, the need for sanitiser driven by Covid-19 is certain to remain. Achieving the desired viscosity of sanitising gel can be challenging, and there are only a few thickeners like acrylates, a group of chemical compounds, that are suitable.

Sappi Valida, a natural cellulose product, offers a natural alternative for the formulation of more skin and planet-friendly solutions. A highly fibrillated cellulose, Valida is a 100% natural, biodegradable and sustainable material derived from renewable woodfibre. It can be used successfully as an opacifier and thickener in sanitising gels and offers several unique additional benefits, including:

- Superior skin feel and moisturising qualities
- Unique texture
- High safety standards in terms of skin irritation, sensitisation, blockage and penetration – has passed cosmetics ingredient safety studies including those by SGS, a leading inspection, verification, testing and certification company.

Find out more about the benefits of Valida : <https://www.youtube.com/user/SappiTube>

**Reducing waste at Saiccor Mill**

As part of the recent woodyard upgrade at Saiccor Mill, scalping screens were installed for the removal of slivers from woodchips. On commissioning slivers, it was noticed that a large amount of ‘good’ chips were carried over with slivers and subsequently disposed as woodyard waste to landfills. Through continuous sliver observations, investigations, as well as trial and error, the Saiccor team came up with the idea of installing retention bars on the scalping screens. Between October 2019 and January 2020, the woodyard disposed of, on average, 2,600 tons per month. After the implementation of the retention bars, the sliver pile tonnage reduced to an average of 240 tons per month. That meant that around 2,360 tons of acceptable chips were retained in the process.

This simple, inexpensive, but highly effective solution which cost approximately ZAR10,000 saved the mill about ZAR30 million per annum in terms of waste disposal and timber loss costs.

**Looking forward: Our Thrive25 target aligned with this SDG**

Launch products with defined sustainability benefits	5 products
Reduce specific landfilled solid waste	24%
Promote sustainable growth in our plantations	> 4



**How can I support this goal?**

Buy fruit that is in funny shapes and overripe, and **make smoothies**

**Recycle** tins, bottles and bags

Don't keep clothes or other items you are not using – rather **donate** them

**Only buy what you need** – 20-50% of the food we buy ends up in landfill



## Regenerate

The trees in our plantations absorb carbon dioxide during photosynthesis and release oxygen, helping to mitigate climate change.

Our plantations are continuously regenerated, so that this cycle begins all over again.





## What is this about?

Climate change is a real and undeniable threat to our entire civilisation. The effects are already visible and will be catastrophic unless we act now. Through education, innovation and adherence to our climate commitments, we can make the necessary

changes to protect the planet. These changes also provide huge opportunities to modernise our infrastructure, which will create new jobs and promote greater prosperity across the globe.

## Why is this a priority goal and why does it matter?

**For South Africa:** As President Cyril Ramphosa has said: *“Climate change has long been a measurable reality for South Africa. We have felt its effects in adverse weather conditions, droughts, flooding and rising temperatures. But climate change is about much more than changing weather patterns. It impacts water resources, food security, public health, public infrastructure, ecosystems and biodiversity. It affects the most vulnerable in society, who suffer the effects of extreme weather*

*events and the degradation of ecosystems. Unless we act swiftly to significantly reduce carbon emissions and adapt to the effects of climate change, we will be facing one state of disaster after another for many years to come.”<sup>7</sup>*

**For Sappi:** As a responsible corporate citizen, we support the creation of a climate-resilient economy to protect jobs, ensure the sustainability of our industries, preserve our natural resources and ensure food security.

## What is Sappi doing about it?

### In our mills

As this goal is strongly linked to SDG7: *Affordable and clean energy*, we are focusing on greater use of renewable energy. The activities described on page 20-21 will help us in our goal of decreasing GHG emissions and the use of purchased fossil energy. Since 2014, we have reduced specific GHG emissions by 11.5%.

Vulindlela, our expansion project at Saiccor Mill, will result in fossil fuel CO<sub>2</sub> emissions being halved and SO<sub>2</sub> emissions being reduced by 37%. This is in addition to water use efficiency improving by 17% and waste to landfill reducing by a significant 48%.

### In our plantations

Drought and pest infestations caused by climate change have already had an impact on plantation health. We continually monitor and review forest best practices in light of changing environmental factors, thus helping to mitigate any increased threat from water shortages or drought. To mitigate this threat, our tree breeding programme is producing and selecting the most optimally suited hybrid varieties for each climatic zone. Tree improvement is aimed at increasing pulp yield produced per hectare by testing various species and hybrids across Sappi’s diverse landholdings. As well as growth improvements, trees are bred for superior wood properties and resistance to biotic and abiotic

threats including frost, drought, pests and diseases. A broad genetic base, acquired over 25 years, and a skilled breeding team exploiting new technologies are some of the assets of the programme.



## How can I support this goal?

**Plant a tree** – they help mitigate global warming by giving off oxygen and absorbing CO<sub>2</sub>

**Maintain your car** – a well-maintained car emits fewer toxic fumes

**Drive less** – walk, cycle, take public transport or car pool

**Eat less meat** – the production and distribution of meat has a huge impact on GHG

## Looking forward: Our Thrive25 target aligned with this SDG

Decrease specific GHG (Scope 1 and 2) emissions	20%
Decrease specific purchased fossil energy	21%

<sup>7</sup> President Cyril Ramphosa, quoted in <https://www.dailymaverick.co.za/article/2020-08-24-our-economic-recovery-must-be-climate-resilient/>

## About GHG and Sappi

An over-concentration of the following six GHGs in the atmosphere can have a negative impact on the environment and on the health and welfare of current and future generations: CO<sub>2</sub>, hydrofluorocarbons (HFCs), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), perfluorocarbons (PFCs) and sulphur hexafluoride (SF<sub>6</sub>).

The diagram below shows how we emit GHGs and how we mitigate these emissions.

### **Scope 1** DIRECT EMISSIONS

Direct GHG emissions are the emissions we generate by burning coal, oil, gas and renewable fuels.

 CO<sub>2</sub> emissions

 CH<sub>4</sub> emissions

### **Scope 2** INDIRECT EMISSIONS

We generate indirect GHG emission from the combustion of purchased electricity (Eskom), together with heat and steam that we buy.

### **Scope 3** PURCHASED GOODS AND SERVICE EMISSIONS

Scope 3 emissions are GHG emissions generated from the extraction and production of purchased materials and fuels; transport-related activities (employee commuting, business travel, and transport of goods); outsourced activities; use of sold products; end-of-life treatment of sold products; and waste.

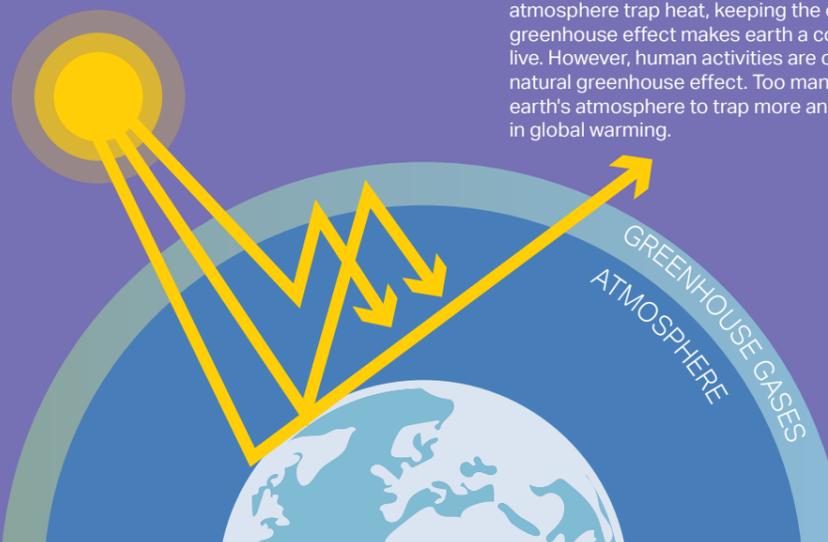
### **CO<sub>2</sub> CAPTURE**

CO<sub>2</sub> is absorbed by the plantation trees which we use as a raw material, capturing carbon during photosynthesis. Most of the carbon remains sequestered in our products.

 Carbon sequestration

### The greenhouse effect

Some sunlight that hits the earth is reflected, while some becomes heat. GHG like CO<sub>2</sub> and other gases in the atmosphere trap heat, keeping the earth warm. The greenhouse effect makes earth a comfortable place to live. However, human activities are changing earth's natural greenhouse effect. Too many GHGs are causing earth's atmosphere to trap more and more heat, resulting in global warming.



### How can I support this goal?

**Cover the pan with a lid.** It reduces the amount of energy required to boil water by 75%

**Use energy efficient lightbulbs** and set your household appliances on low-energy settings

**Turn lights off in rooms that aren't being used.** When you switch your lights off, even for a few seconds, it saves more energy than it takes for the light to start up, regardless of the bulb type



# Restore

Restoring ecosystems is essential for both a healthy planet and healthy people.



## What is this about?

A flourishing life on land is the foundation for our life on this planet. We are all part of the planet's ecosystem and we have caused severe damage to it through deforestation, loss of natural habitats and

land degradation. Promoting a sustainable use of our ecosystems and preserving biodiversity is not a 'nice-to-have'. It is the key to our own survival.

*“As the SAFAS standard is home grown, directly relevant to a range of South African conditions and more flexible with respect to group schemes, we hope that this move will facilitate the full involvement of small-scale growers and improve the sustainability of the forestry industry.”*

Michael Peter,  
Executive Director of Forestry South Africa

## Why is this a priority goal and why does it matter?

Our actions to support this goal include maintaining high levels of forest certification and safeguarding biodiversity.

### Forest certification

**For South Africa:** Like the rest of the world, South African consumers are concerned about deforestation.

**For Sappi:** Maintaining a high level of certification of fibre supplied to our mills is important if we are to maintain our competitive advantage in markets. Essentially, certification is a tool that helps environmentally and socially conscious consumers make the right choice when they buy paper products.

### Biodiversity

**For South Africa:** One in seven plants and animals in South Africa are threatened with extinction<sup>8</sup>. Almost half a million people in South Africa draw their income from a biodiversity-related job, while biodiversity-based tourism is valued at more than ZAR30 billion annually. The informal African traditional medicine industry is worth about ZAR18 billion a year<sup>9</sup>.

**For Sappi:** Our timber plantations are biological systems and are based on biodiversity in that they comprise a variety of tree species which are genetically diverse and rely on biotic processes – soil regeneration, nutrient cycling, pollination and decomposition – for healthy functioning.

## What is Sappi doing about it?

**Maintaining high levels of certification:** All our owned and leased plantations are **Forest Stewardship Council™ (FSC™ N003159) certified**. In terms of woodfibre supplied to our mills, we require rigorous tracing practices and documentation of the origin of all woodfibre, and evidence that all wood is sourced from controlled, non-controversial sources. We neither harvest nor buy woodfibre that originates from tropical natural forests and our wood sourcing causes zero deforestation<sup>10</sup>.

**Expanding certification:** We operate a group scheme which offers FSC certification and we pay growers in the scheme a premium for certified timber. In FY20, the group consisted of 44 members representing a total of 42,000 planted hectares.

Sappi's forestry experts contributed to the Value-Based Platform developed by the **Sustainable African Forestry Assurance Scheme (SAFAS) for sustainable forest management and certification**. The scheme is called the 'Value-Based' because it is designed to help protect the values that exist within a particular forest setting. The system was endorsed by PEFC International in 2019 and was introduced to South Africa based on

customers' request for PEFC-certified products. SAFAS offers access to feasible, attainable and, especially, affordable forest certification solutions and thus market access especially for the country's smallholders, like Sappi Khulisa growers.

Following a two-stage audit process, Sappi Forests' plantations were PEFC-certified by December 2020, thereby supplementing the FSC certification already achieved. Our South African mills will soon be able to apply for PEFC Chain of Custody certification.

**Safeguarding biodiversity:** Our Group Sustainability Charter commits Sappi to: "mitigating our impact on biodiversity and promoting sustainable forestry through internationally accredited, independent environmental management and forest certification systems". We own and lease 394,000 hectares of land, all of which is FSC and PEFC-certified and we maintain approximately one third of this land to conserve the natural habitat and biodiversity found there. We maintain **seven proclaimed nature reserves and about 160 Important Conservation Areas (ICAs) on our land** – these are classified using a systematic conservation planning approach based on the

presence of both plant and animal red data species, the size, connectedness, condition and aesthetic and recreational value of the area.

The majority of our permanently unplanted land comprises open areas with natural vegetation cover. These areas are managed according to best practice with respect to fire management, weed control, poaching and grazing by livestock. This helps to maintain healthy natural habitats for biodiversity conservation, natural habitat and biodiversity found there, which are managed for conservation purposes. Our **strategies for managing biodiversity** include: managing natural vegetation according to best practice in terms of burning, grazing and weed control to ensure health habitats; ongoing assessment and monitoring of veld condition; protection of sites from poaching, illegal medicinal plant collection and overgrazing; as well as long-term integrated weed management plans on all our plantations.

Invasive alien plants (IAPs) are widely considered to be a major threat to biodiversity, human livelihoods and economic development. Currently, there are 379 species of plants listed as IAPs in South Africa. As a result of



their high diversity and far-reaching distribution, they are extremely difficult to control. We combat weeds by implementing weed control programmes, managing natural areas to maintain healthy vegetation (weeds generally spread into disturbed poorly managed areas) and reducing sources and avenues of seed dispersal.

#### **Working towards our biodiversity target**

Plant communities or vegetation types provide habitats that support essential ecological processes and provide ecosystem services, materials and food critical for human well-being. In FY20, we made progress in terms of our **Thrive25 target** by addressing

our first biodiversity objective underpinning this task – understanding what types of vegetation are present on our plantations, as well as their importance value. This enables managers to develop appropriate management plans for implementation. It is also important, from a conservation management perspective, to identify those vegetation types that are least protected, to prioritise efforts to safeguard the vegetation type from possible extinction.

Our potential contribution to conserving vegetation types at the provincial level can be calculated by comparing what is present on Sappi property with the vegetation types in

the province.

- In Mpumalanga, of the 15 vegetation types present on Sappi land, six are well represented, enabling a potential contribution of between 9-18% of hectares conserved for the vegetation type in the province.
- In KwaZulu-Natal, of the 20 vegetation types present on Sappi land, four are well represented, enabling a potential contribution to conserving the vegetation of between 8-13.5% in this province.



### Managing for healthy ecosystem services

We often hear the phrase 'ecosystem services'. So, what are they and why are they important?

Biodiversity underpins the supply of ecosystem services on which the world's population depends, which is why SDG15: *Life on land* is so important to Sappi. Most people are unaware of the extent of their dependence on these services, probably because they are taken for granted, and their contribution to the formal economy is undervalued and not priced or paid for. Ecosystem services can benefit people in many ways, either directly or as inputs into the production of other goods and services. As an example, the pollination of crops provided by bees and other organisms contributes to food production and is thus considered an ecosystem service. Another example is the attenuation of flooding in residential areas provided by riparian buffers and wetlands. The ecosystem services on which Sappi depends are set out below:



### Working to conserve biodiversity on Roelton Nature Reserve

People sometimes ask – does it really matter if one species, of birds, for example, disappears when it's estimated that there are more than 18,000? The answer is, yes it does, because animals, birds, plants and insects depend upon each other, so the loss of one species affects others within that complex web of relationships.

That's why we're proud to be playing a role in providing a habitat for the critically endangered Blue Swallow (*Hirundo atrocaerulea*) on our Roelton Nature Reserve situated in our Sutton plantation. This reserve forms part of the KwaZulu-Natal Mistbelt Grassland Important Bird and Biodiversity Area (IBA). As an IBA, this site is recognised internationally as an important site for bird conservation. The Blue Swallow migrates seasonally within the African continent, breeding in South Africa, Swaziland, Zimbabwe, Malawi, Zambia, Tanzania, Mozambique and the Democratic Republic of Congo. During April, the birds journey back to Uganda and Kenya for winter. Reports suggest that there are currently only about 1,000 breeding pairs left in the world.

Currently, Roelton is fully managed by Sappi with some assistance from the Ezemvelo KZN Wildlife (EKZNW) Biodiversity Stewardship Programme. The Blue Swallow is a flagship species for the KwaZulu-Natal Mistbelt Grasslands IBA and by protecting their habitat we will also be securing the future of other important species such as the endangered Mistbelt Chirping Frog (*Anhydrophryne ngongoniensis*) and the critically endangered orchid *Satyrium rhodanthum*.



Blue Swallow  
*Hirundo atrocaerulea*

### Looking forward: Our Thrive25 target aligned with this SDG

Increase share of certified fibre	>82% certified fibre delivered to our mills and 100% own certification
Enhance biodiversity in conservation areas	10% improvement



### How can I support this goal?

**Avoid using pesticides** that end up in rivers and lakes, as they are harmful to wildlife

Never buy products made from threatened or **endangered species**

Try to choose products with **certification labels**

**Make your own compost** – it supports biodiversity, enriches the soil and reduces the need for chemical fertilisers

17 PARTNERSHIPS  
FOR THE GOALS



## Reach out

By reaching out to others  
and working together to solve challenges,  
we can achieve much more  
than we can alone.



## What is this about?

To build a better world, we need to be supportive, empathetic, inventive, passionate and above all, cooperative.

### Why is this a priority goal and why does it matter?

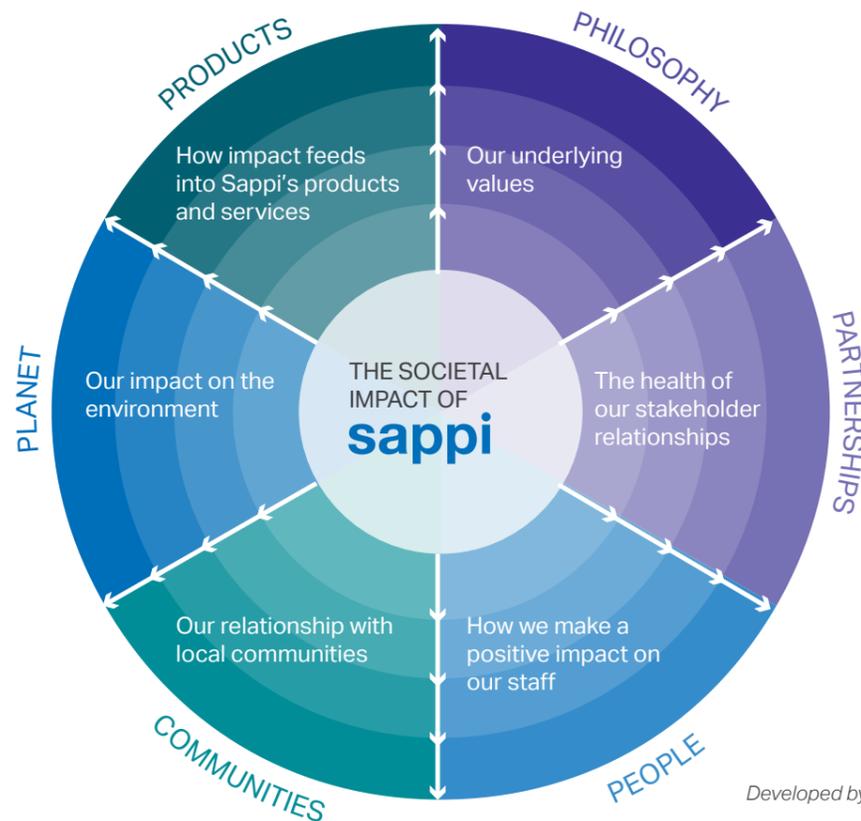
**For South Africa and for Sappi:** Perhaps it's best summed up by the African proverb: "Sticks in a bundle are unbreakable".

### What is Sappi doing about it?

Building partnerships starts with our great people, who add real value to our stakeholder relationships and to our business. We recognise them for their problem solving, resilience and collaborative spirit and we'll continue to invest in their development and

focus on engaging them more closely (see pages 12-13 and 25). We believe that sharing value with our communities makes us stronger. Which is why we've appointed a third-party service provider to create a societal impact strategy. This work, still in its early stages, aims to restructure disparate current

initiatives into a single coherent framework which can be holistically understood and communicated; link our social strategy to our core business strategy and enhance our strategic approach to local communities and national and local government.



### How can I support this goal?

**Understand that the SDGs are the ultimate partnership for development.** Familiarise yourself with them, talk to your family and friends about them and join organisations that promote them

### Looking forward: Our Thrive25 target aligned with this SDG

Build and activate mutually beneficial partnerships



*Given the wide scope of sustainability, the SDG framework gives us focus. It also offers a common language to engage our employees and to guide our interaction with our customers and other stakeholders. Integrating the SDGs into our Thrive25 business strategy gives us clarity and purpose in unlocking the power of renewable resources to help build a thriving world.*



**sappi**

[www.sappi.com](http://www.sappi.com)