



# Covid-19 impacts and our response

The overall economic effect of Covid-19 and related lockdowns, together with changes in consumer behaviour, severely impacted our business. The pandemic required swift action, adaptability and resilience to mitigate the risk to all our stakeholders. As the health and safety of our employees is the highest priority at Sappi, stringent safety and health measures were implemented and responsibly adhered to by staff across all our sites. This kept our infection rates relatively low and enabled us to continue operating as an essential service provider. Our key priorities were providing support to our employees and to society. Next was responding to our customers' needs with product innovations and improved efficiencies.

## Support to our people

- Protocols including temperature checks, sanitiser points and deep cleaning
- Covid-19 information sites on [www.sappi.com](http://www.sappi.com) and the intranet with posters, live dashboards and government information relevant to each region
- A dedicated mailbox allowed employees to ask questions
- Ongoing communication with employees regarding the latest developments
- Some employees were furloughed but there were no large-scale Covid-related retrenchments

### Mills

- Access was restricted to employees essential to production, with social distancing strictly enforced
- All unnecessary movement through the mills was banned and communal areas closed off
- Shift handover became remote and all work areas were professionally sanitised between shifts
- 'No-go' zones were for employees not involved in operations in those areas
- Screen dividers were installed in control rooms

### Offices

- Minimal number of employees on site
- Excellent IT support enabled the majority of employees to work from home



## Support to society

- Employees and Works Councils donated EUR100,000 to the Hardship Fund
- Lanaken Mill donated 500 pairs of safety glasses to local care homes for the elderly, as well as to community nurses
- Cloquet Mill donated Tyvek suits and safety goggles to the Cloquet Area Fire District which were used to protect paramedics and other staff from Covid-19 infection while Somerset Mill donated over 500 Tyvek suits to the Redington-Fairview General Hospital in Skowhegan, Maine. Somerset Mill donated safety glasses to the SKILLS Inc. organisation
- SNA donated US\$5,000 to Allen Manufacturing (our pick and pack/fulfilment centre in Maine) to help them manufacture face masks for consumers
- Our Technology Centre in Pretoria partnered with a local company to produce Sappi's first prototype hand sanitiser
- We donated scarce items to clinics and schools, including 16,000 l of hand sanitiser, 28,500 surgical masks, paper products and 130,000 kg of instant porridge
- Using illustrated infographics on WhatsApp, Sappi's Abashintshi team educated community members on how to combat the disease
- Saiccor and Ngodwana Mills trained apprentices in mask making, manufacturing 73,000 masks



## Resilience and agility

- Our board of directors and regional leadership teams volunteered a 10% reduction in salaries or fees for the three months ending June 2020, as well as forfeiting short-term incentive bonuses for 2020. In SNA the reduction applied to all salaried employees
- In all regions, our operations were classified as 'essential', which meant production could continue – with the exception of Condino Mill, which had to close for 10 days
- Our essential classification meant that we could participate in Covid-related economic activity, such as the provision of paper labels for canned goods, packaging and specialities to meet e-commerce needs, as well as DP used in disinfectant wipes and hospital gowns
- Production was curtailed across all sites while annual maintenance shuts and non-essential projects were delayed
- Due to government lockdowns that stopped all construction projects, we declared force majeure declaration on our expansion project (Vulindlela) at Saiccor Mill
- Graphic paper sales declined by 20% as retailers and consumer-related businesses reduce advertising spend and printers halted production
- DP demand reduced by 18% as retail stores were shut and clothing sales suffered
- In response to reduced DP demand, we switched some DP production at Ngodwana and Cloquet Mills to paper pulp for internal consumption as well as external sales
- SSA responded to the decline in certain categories by:
  - Applying the newsprint machine at Ngodwana Mill to produce lightweight liner in the light of significantly reduced newspaper demand
  - Producing white packaging grades at Stanger Mill in response to lower office paper sales
  - Expanding Lomati Mill's product offering to include pre-packaged shelving
- Resilient performance from the packaging and specialities businesses, with an increase in EBITDA from US\$126 million in FY19 to US\$179 million



## Severe impact on planet parameters

- Globally there was a 14% decrease in saleable production for FY20 compared to FY19 – due to weak markets, especially for graphic papers in Europe. Between Qs 1&2 (to end of March) and Qs 3&4 (to end of September), production dropped by 25.3%. As curtailment reduces efficiency of the various processes, globally there were the following impacts:
  - Total specific energy intensity increased by 14.5% when comparing Qs 1&2 with Qs 3&4 and by 7% year-on-year (y-o-y)
  - Similarly, specific process water usage was lower at the end of Q2 (33.36 m<sup>3</sup>/adt) than in FY2019 (34.17 m<sup>3</sup>/adt) but increased by 24.4% when comparing Qs 1&2 with Qs 3&4 and by 7.2% y-o-y
  - Specific Scope 1 and 2 greenhouse gas (GHG) emissions increased by 6.6% when comparing Qs 1&2 with Qs 3&4.