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Message from our Chief Executive Officer



Steve Binnie

Dear Stakeholders

Our approach to sustainability continues to be based on the 3Ps of **Prosperity**, **People** and **Planet** and on the United Nations Global Compact (UNGC) which we signed in 2008. We have reaffirmed our support for the UNGC's Ten Principles in the areas of human rights, labour, environment and anti-corruption, and have set out our progress against these principles in this report. 

Since taking over as Chief Executive Officer, I have been constantly impressed by the depth of talent within Sappi and the commitment of all our People to putting us back on the road to profitability, without compromising our values. Having the right people executing a clear strategy is key to our ongoing sustainability.

The strategy which we work towards is based on the need to consolidate our Prosperity and strengthen our balance sheet by paying down our debt so that we can accelerate growth in adjacent businesses from a strong internal base.

Over the next two years this means achieving cost advantages, rationalising our declining businesses and fuelling our growth through moderate investments. The work our people are doing is directly aligned to our strategy and has already had a positive impact on the company.

We achieved significant growth over the last year and this is reflected in our financial results. We also successfully completed a number of positive actions to boost profitability. These include the sale of the Usutu Forest Products Company in Swaziland, the disposal of Nijmegen Mill in Europe and cost-cutting initiatives in all regions.

These actions and initiatives have also showed real benefits in non-financial performance.

We have continued to achieve the goal set out in our Sustainability Charter of treading more lightly on the Planet.

We have done so by becoming more energy efficient, using greater amounts of renewable energy and reducing waste. Communities close to our operations are also benefiting from

initiatives focused on making a very real difference in the long-term.

Of course, we still face challenges. On the People side, while we are very pleased to report that there were no own employee or contractor fatalities in 2014 and that there was an overall improvement in safety performance, we still have some way to go in achieving our goal of zero harm.

On the Prosperity side, we are seeing lower prices for dissolving wood pulp (DWP) as cotton stocks increase. However, I am convinced that the long-term market fundamentals for DWP are strong and as a group, we have confidence in this sector. The volatility of exchange rates in all regions is an issue, as is overcapacity in the graphics paper market. We are countering the latter by moving away from this area into niched markets like specialities and packaging.

Another challenge is the impact of digital media on traditional print media. We believe that these are not mutually exclusive and that the synergy between the two types of media offers opportunities. In addition, print offers an experience that cannot be replicated by digital media. This view was expressed earlier this year by Robert Thomson, Chief Executive Officer of News Corp, the global publishing conglomerate who said: "We remain firm believers in the power of print... Print is a concentrated, intense reading experience with unique affinity in our digitally distracted age."

Given the tremendous goodwill and positive spirit that I have found everywhere in Sappi, I am confident that we will overcome all the challenges in our way.

For a company and an industry which has had to battle for as long and as hard as we have had to, our people never give up.

They refuse to accept setbacks. They will not be disheartened. They find a solution to every issue. They thrive on the challenge.

All of this bodes well for our future.








I am honoured and privileged to have been given the opportunity to take on the role of Chief Executive Officer of Sappi and I appreciate the support and patience that everyone throughout the company has given me during the transition period. Sappi is a great company with great people throughout the organisation and I look forward to working with our People and all our stakeholders in the exciting years that lie ahead.

Steve Binnie
Chief Executive Officer
Sappi Limited

Readers guide



Getting around

This sustainability report makes use of in-document navigation tools, allowing you to navigate to the subjects that interest you most. The navigation bar at the top of the page will keep you apprised of where you are in the report. Click on the icons to:


-  Move to the contents page
 -  Move forward one page
 -  Move back one page
 -  Move back to the previous page you were reading.
 -  Access additional/explanatory information, including data to the prosperity and planet graphs. Where appropriate, this information is also set out in the 'Notes and references' section at the end of this report.
 -  Related information within this report is cross referenced.
- This report also makes use of Adobe Acrobat's bookmark tools. 

More information...

More detailed information on many of the topics discussed in this online sustainability report is available in other Sappi publications, our own website, and third-party sources. Where available, we provide links to these sources.

-  Read more detailed information available in other published documents available on the Sappi website, www.sappi.com.
-  Read more detailed information available from third-party websites.


Best viewed




This sustainability report is best viewed, using Adobe Acrobat's PDF viewer, which can be downloaded free of charge from Adobe's website. 


Viewing the report online, using your browser's native built-in PDF-reader may render some of the navigational and interactive functionality unusable.

Certification bodies

Certification bodies, eg FSC® and PEFC™, are referenced throughout this report, without providing detailed information about each of our operations' certification status in each instance, to ensure ease of reading.

Certificate numbers are included in the summary of certifications on page 89 in the Planet section of this report. 

- Certification information for each mill can also be obtained from our website:
- Europe 
 - North America 
 - Southern Africa 

Recognition of certification bodies are further detailed in the glossary. 

Intellectual property

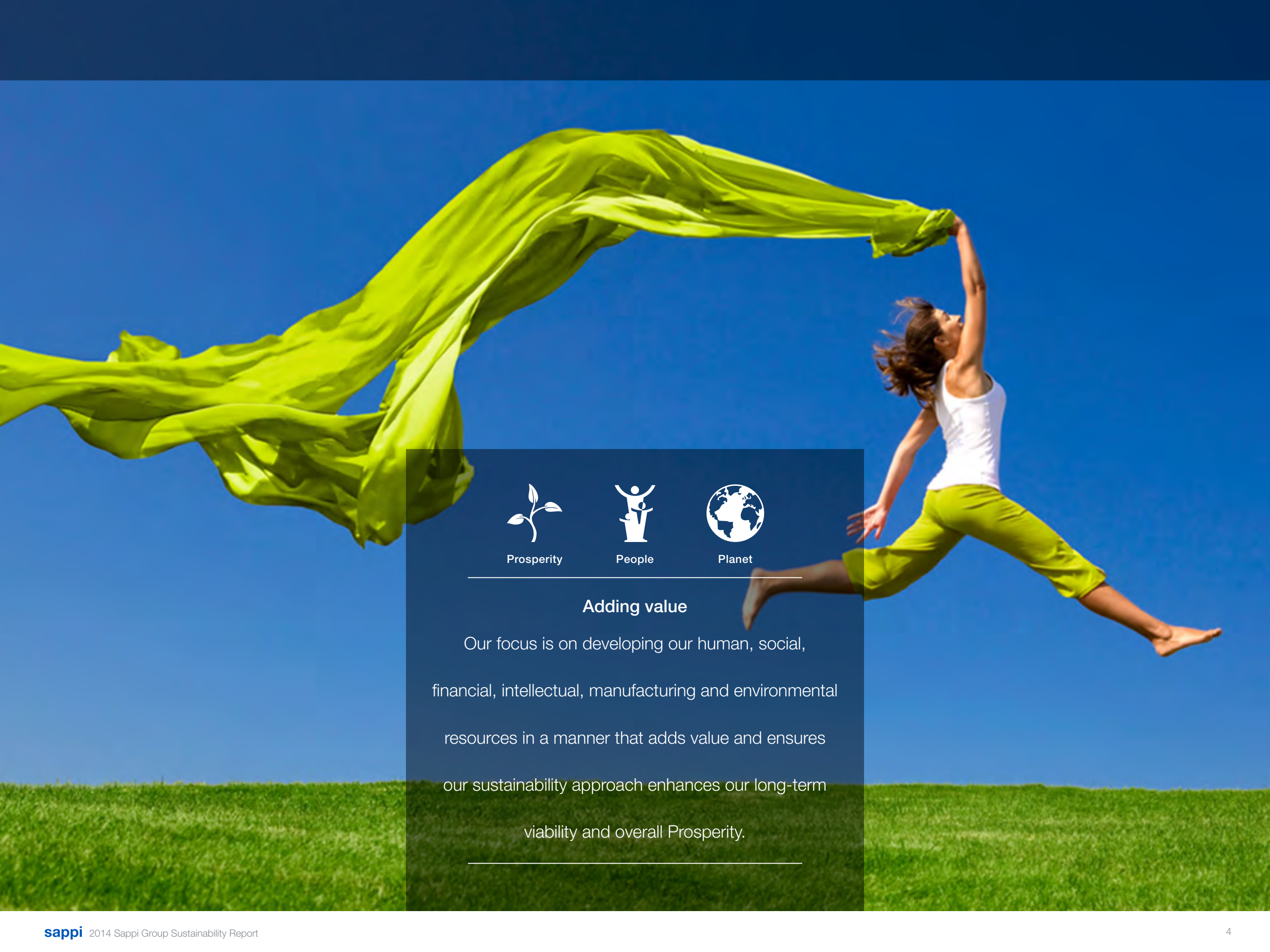
Various, websites, research reports, trademarks, registered trademarks and other forms of intellectual property are referenced in this report. All of these, whether marked or unmarked, are without exception, acknowledged as the legal property of their respective owners.

Conventions

Billion
We follow contemporary 'short scale' convention; defining a billion as one thousand millions.

Specific
When data is expressed in specific form, this means that the actual quantity consumed (energy, water etc) or emitted (emissions, solid waste etc) is expressed in terms of a production parameter for the period indicated. For Sappi, as with other companies, the parameter is air dry tons of product.

Tons
We standardise all our reported measurements using the metric ton equivalent to 1,000kg (one thousand kilograms).



Prosperity



People



Planet


Adding value

Our focus is on developing our human, social, financial, intellectual, manufacturing and environmental resources in a manner that adds value and ensures our sustainability approach enhances our long-term viability and overall Prosperity.

About this report

Scope of this report

This report is aligned with our Integrated Annual Report and covers the period from the beginning of October 2013 to the end of September 2014 (FY2014). We report on a regional and global basis, wherever possible presenting data over five years to make the information relevant, accessible and comparable. Safety, health, quality and environmental data is compiled according to international best practice. Commentary is provided on graphs to enhance understanding and specific measurement criteria – as well as instances where these have changed – are clearly spelled out.

Our sustainability reports, covering prior financial years, are available on our website. 

Reporting framework

As Sappi Limited is headquartered in South Africa and we have our primary listing on the Johannesburg Stock Exchange, we abide by the King III Code on Corporate Governance (King III). In line with King III's recommendation for integrated reporting, our Integrated Annual Report provides a very clear link between sustainability and strategy and gives a broad view of our overall sustainability performance.


In 2011, we departed from our previous practice of publishing an annual sustainability report backed up by further, in-depth information online. Instead, we provide a group overview of our sustainability performance in this online report and published regional sustainability reports. This was in response to stakeholders' needs for more in-depth information pertinent to their specific region in addition to the group overview.

Our 2014 regional sustainability reports for our operations Southern Africa and North America, together with an updated summary for Europe, will be available in 2015.

Joint ventures excluded

LignoTech South Africa, our 50:50 joint venture with Borregaard at Saiccor Mill is excluded as we do not manage the operation.

Global Reporting Initiative

We have reported in terms of the Global Reporting Initiative's (GRI's) G4 Sustainability Reporting Guidelines (Core). We have included a GRI Index and a table communicating our progress in terms of the United Nations Global Compact (UNGC). 



Sappi Europe
Available February 2015



Sappi North America
Available February 2015



Sappi Southern Africa
Available December 2014



Sappi Integrated Report
Available December 2014

About this report continued

Defining report content

Determining materiality

Throughout the report, qualitative text is backed up by quantitative information, generally in the form of graphs illustrating performance over five years between 2010 and 2014. The graphs are further supported with tabular data available in pop-up windows.

We aim to present information that is material, accurate, comparable, relevant and complete.

The information presented covers topics and indicators that reflect our significant economic, environmental, and social impacts, as well as issues that would substantively influence the assessments and decisions of stakeholders.

We publish our performance against targets in both the group report and our regional reports, transparently reporting on success or lack thereof in achieving these targets.


The information presented has been determined on the basis of our ongoing extensive engagement with our stakeholders and has been assessed against the backdrop of current business operations and prevailing trends in our industry and the global economy.

In preparing this report we have tracked environmental findings and research, public opinion, employee views and attitudes, the


interests and priorities of environmental and social groups, as well as the activities, profiles and interests of investors, employees, suppliers, customers, communities, governments and regulatory authorities.

Prioritising content

This report focuses on material sustainability focus areas that affect the long-term success of our business, and that relate to any significant impacts we have on the economy, environment or communities in which we operate.

While we do cover economic (Prosperity) issues to some extent, these are dealt with in detail in our Integrated Annual Report. 

Identifying stakeholders

We have identified the stakeholders we expect to use our report on the basis of our ongoing engagement — formal and informal — with them. The various ways in which we engage our stakeholders are set out in detail in the People section of this report. 

The stakeholders we expect to use this report include investors, customers, suppliers, employees, communities, governmental and non-governmental organisations, environmental bodies and all those who are interested in or affected by our activities.

External assurance

Currently, assurance of sustainability information is conducted by our internal audit team. Their verification process includes reviewing the procedures applied for collecting and/or measuring, calculating and validating non-financial data, as well as reviewing reported information and supporting documentation.

In practice, most of our key operations undergo external verification including the Eco-Management Audit System (EMAS) in Europe and globally, ISO 14001 environmental certification, ISO 9001 quality certification and OHSAS 18001 certification.

We are also assessed in terms of the forest certification systems we use. In South Africa, our Broad-Based Black Economic Empowerment (BBBEE) performance is assessed by an external ratings agency.

In addition, our global governance, social and environmental performance is assessed annually in terms of our listing on the Socially Responsible Investment (SRI) Index of the Johannesburg Securities Exchange (JSE).

Collectively, these external assessments and certifications as well as interaction with our stakeholders give us confidence that our performance indicators are reliable, accurate and pertinent.

The Social Ethics Transformation and Sustainability (SETS) committee reviews the efficacy of conducting external assurance annually. The committee considered external verification in the year under review, but is satisfied that the sustainability information presented in this report has been provided with a reasonable degree of accuracy.

Sustainability governance

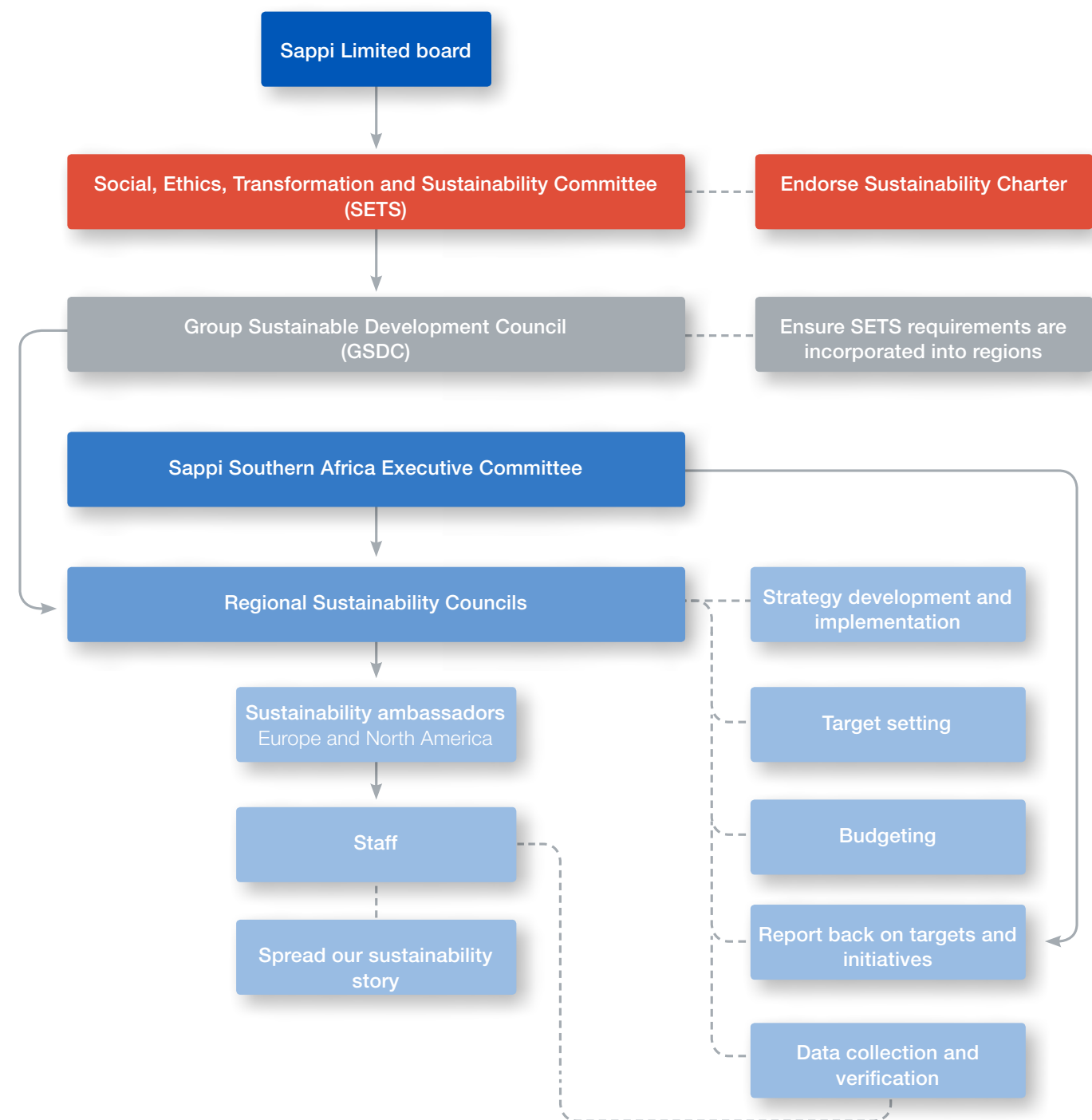
Our approach to sustainability is framed in terms of **Prosperity**, **People** and **Planet** — referred to internally as the 3Ps — and is set out in our Sustainability Charter.

This in turn is underpinned by the Code of Ethics and our group values of Excellence, Integrity, Respect and Resourcefulness.

Regional Sustainability Councils (RSCs) operate in Europe, North America and South Africa. Each RSC focuses on key material issues relevant to their specific region and on incorporating sustainability into everyday business processes.


These RSCs report to the Group Sustainable Development Council which in turn reports to the Social, Ethics, Transformation and Sustainability Committee which in turn reports to the board.

Sustainability ambassadors help to entrench an holistic approach to the 3Ps of Prosperity, People and Planet throughout the group.



Accolades

IR Global Rankings

The Sappi Investor relations website was voted 'best by region' (Africa) in the 2013 IR Global Rankings (IRGR). 

Antalis Supplier of the Year

The Sappi UK customer service team won the Supplier of the Year from Antalis UK. Antalis is a leading distributor of communication materials in the United Kingdom and Ireland.

PrintStar 2014 Bronze Award

Sappi Europe and Print City, a 15-member alliance of companies in the fields of printing, packaging and publishing, won the PrintStar 2014 Bronze award in the packaging category. Algro Design® SBS carton was used for the winning entry.

JSE SRI Index

In FY2014 we maintained our listing on the JSE Socially Responsible Investment Index.

Three 2014 PPI Awards

Sappi North America won two 2014 PPI Awards:

Managing Risk and Safety

Sappi North America was chosen as a winner in the Managing Risk and Safety category for being truly innovative in its approach to loss prevention and safety, advancing closer to the company's goal of zero injuries.


Mill Manager of the Year

The Manager of Somerset Mill won the Mill Manager of the Year award, for the mill's outstanding performance and ability to show continuous innovation in the pulp and paper industry.

Business Strategy of the Year

Sappi Europe was nominated as a finalist for Business Strategy of the Year category based on its implementation of a successful growth strategy addressing the changing needs of its customers.

Environmental Strategy of the Year


Sappi North America was also nominated as a finalist in Environmental Strategy of the Year in the 2014 PPI Awards for its sustainable company-wide strategy and Innovative Printing & Writing Campaign of the Year for the success of its online educational platform, Sappi etc. 

Professional Management Review Awards

In Southern Africa, Sappi received three Professional Management Review (PMR) awards in the Mpumalanga province:

- **Ngodwana Mill** Top producer
- **Sappi Forests** Top forestry company
- **Sappi** Environmental conservation.

Best learning programme

At the LRMG FutureShip2030 conference held in 2014, Sappi Southern Africa received the award for the best learning programme for the Sustainaville game in the category Environmental Change. 

Carbon Disclosure Project

We achieved a disclosure score of 91% in the Carbon Disclosure Project.

William D. Schaeffer Environmental Award

The director of Technical Marketing and Sustainable Development, Sappi North America, won the 2013 William D Schaeffer Environmental Award.

BV VNP Energy Trophy

Maastricht Mill in the Netherlands won the BV VNP Energy Trophy for excellent energy performance. The competition is held under the auspices of the Dutch Paper Industry Association, with the trophy awarded to the paper or board manufacturing plant which shows the best performance in the energy sector.

Waste Wise Foundation Leader Award

Sappi North America's Cloquet Mill was recognised with the 2014 Minnesota Waste Wise Foundation Leader Award for improvements in the millwide recycling programme. 

Two top spots

Two Sappi-sponsored mountain biking trails traversing our land in South Africa secured the number one and two spots on Bicycling magazine's 'Top 100' list of best loved mountain biking trails in South Africa.

Performance against targets












Prosperity		2014 target	2014 performance	2015 target
Europe	RONOA = 10%; EBITDA = 10% by 2017	Specific target not disclosed, but monitored internally and reported on quarterly		
North America	Achieve or exceed an annual 12% RONO	12%	1.7%	12%
South Africa	RONOA to be equal to or greater than 15% by 2018 on a 5-year rolling basis	10%	11%	12%
	Annual corporate social responsibility expenditure (CSR) to be minimum 1% of NPAT	1%	1.63%	Will be removed as a target

RONOA Return on net operating assets; **EBITDA** Earnings before interest, tax, depreciation and amortisation; **NPAT** Net profit after tax

People		2014 target	2014 performance	2015 target
Europe	Provide 30 hours of training per employee per annum by 2017	30	21.1	30 by 2017
	LTIFR	1.2	1.01	0.8
North America	Offer training at average of 75 hours per employee per year to enhance job performance and management skills	75	74	75
	Increase training and consulting offered to customers through the Sappi Etc programme to 30,000 hours by 2016	26,000	19,290	28,000
Southern Africa	Achieve Level 3 compliance in Broad-based Black Economic Empowerment	3	3	4 on the new scorecard
	80% compliance to the Workplace Skills Plan	75%	68%	Will be removed as a target
	Provide training and development opportunities of an average of 60 hours per employee per annum	57	96	60
	Combined LTIFR for own employees and contractors to be better than best-ever-achieved on a continuous 12 month basis	<0.27	0.38	<0.27

LTIFR (Lost Time Injury Frequency Rate)

Performance against targets continued

	Planet	2014 target	2014 performance	2015 target
Europe	Reduction of specific direct fossil CO ₂ emissions, including purchased power emissions (calculated at 400g/KWh) by 5% by 2017 (base year 2012, saleable production)	1% per annum	3.9% 	1% per annum
	Reduction of specific water use (m ³ /ton manufactured pulp and saleable paper) by 5% by 2017 (base year is 2012, saleable production)	1% per annum	Increase of 5.6% 	1% per annum
	Maintain a high level of certified fibre delivered to our mills (FSC® or PEFC™ certified, or equivalent)	>70%	74.1% 	>70%
North America	Increase the level of certified fibre across all operations to 65% by 2016	62%	66% 	65%
	Reduce the amount of total energy expended in making each ton of product by 10% by 2016. In 2013 we modified the pulping process at Cloquet Mill to manufacture dissolving wood pulp, a process that requires more energy and produces a product at a lower yield (fewer tons of output). Consequently, we have modified our baseline and targets to reflect the new mode of operations	4.3%	0.7% 	6.5%
	Reduce paper mill raw material waste by 10% by 2016	6.7%	14% 	14% Original target was 8% working toward a five year goal of 10% reduction. In 2015 we will aim to sustain current level which exceeds our original goal
	Reduce pulp mill raw material waste by 10% by 2016	Not applicable	Established new baseline in 2014	5%
South Africa	Achieve 15% reduction in specific purchased fossil energy with 2000 as a base year	9.5%	26.2% 	9.5%
	Reduce total specific fresh water usage by 10% with 2007 as a base year	8.8%	7.6% 	8%
	Recover 28% of fibre put into the market	28%	31% 	28%



Key material issues

The United Nations Global Compact (UNGC) principles underpin our sustainability approach, governance and targets.

We have been a signatory to the Compact since 2008.

Our key material issues — overview

We are advantaged by the fact that our primary resource, woodfibre, derived from sustainably managed natural and plantation forests is a sustainable, renewable resource.

Both natural and plantation forests are essential to a healthy environment, sustaining vital plants and wildlife, filtering water and air, and reducing greenhouse gases by removing carbon dioxide from the atmosphere.

Forests are also a sustainable economic resource, providing a plentiful, natural material.

By treading more lightly on the Planet we can produce more with less — an approach with obvious economic benefits that involves reducing our use of fossil energy and the associated greenhouse gas emissions across the life cycle of our products. It also necessitates using less water and improving effluent quality, mitigating our impact on biodiversity and promoting sustainable forestry through internationally accredited, independent environmental management and forest certification systems.

The key material issues highlighted here are discussed in more detail overleaf.

Prosperity

Paper markets

We are mitigating the risk posed by declining demand for graphics paper, in the face of accelerating competition from digital media, through targeted research and development and greater product diversification, including an increased focus on dissolving wood pulp and focusing on creating, developing and marketing products that are relevant to our customers' evolving needs.

Dissolving wood pulp markets

Despite current supply overcapacity in the global market, we believe the market for our dissolving wood pulp will continue to grow.

People

Diversity

Representative diversity enhances our ability to operate in global markets.

Labour relations

Sound labour relations are the foundation of business.

Training and development

Providing successful learning solutions are pivotal in retaining employees, building loyalty and enhancing competitive advantage.

Employee engagement

A fulfilled and engaged workforce can deliver on our key business drivers.

Safety

Safety is a priority and a responsibility not just of management, but of every employee and contractor employee working at Sappi.

Communities

Communities are key stakeholders that can positively or negatively influence our licence to operate.

Planet

Energy, emissions and recovered materials

Energy security and costs are issues for businesses across the world. So too, in the light of concerns about global warming, are carbon dioxide (CO₂) emissions.

Fibre supply

Climate change is impacting on forests and plantations around the world, while concerns about carbon footprints are driving a move towards increased use of woodfibre as a fuel and building material. The implications of a constrained fibre source would have dramatic consequences for our business.

Forest certification

Sustainable forest management is increasingly important, given ongoing deforestation of endangered tropical forests and concomitant global warming.

Carbon tax

Global moves to address climate change in the form of a tax on carbon are accelerating as governments seek to reduce greenhouse gas emissions. The issue remains a potential risk in all the regions where Sappi operates.

Water

Future water shortages in the regions from which we source fibre could significantly affect fibre supply and our production processes.

Key material prosperity issues

Paper markets

Declining demand for graphics paper in the face of accelerating competition from digital media.

Material issue



We are managing declining graphics paper demand.



We are increasingly focused on dissolving wood pulp.



Developing products relevant to customers' evolving needs.

Our position

R&D and product diversification

We mitigate the risk through targeted research and development (R&D) and greater product diversification, including an increased focus on dissolving wood pulp (DWP).


Enhancing our competitive advantage through research and development

Continued investment in our assets and technology through research and development (R&D), helps to ensure that we remain a globally competitive, sustainable business, in touch with the needs and challenges of a rapidly changing world.

We continuously review our global technology strategy to ensure it is aligned to the significant changes in our business environment. We focus on:

- Refinement and development of woodfibre based products
- Reduction of atmospheric emissions
- Optimisation of energy-use
- Resource recovery
- Beneficiating waste.

R&D investment

Our total FY2014 R&D spend was US\$28.6 million, including US\$8 million related to our Exciter programme. 

R&D aims

R&D is aimed at achieving cost advantages, cost reduction, asset optimisation and new market development.

Alignment

Our strategy aligns technology and R&D expertise across three continents and the different sectors of the business.

This centrally coordinated approach to R&D allows us to pool and leverage our expertise across the regions to ensure that our solutions remain relevant to the needs of our customers in more than 100 countries across the globe.

Our response — Declining paper demand

Key material prosperity issues continued

...continued

Enhancing our competitive advantage through research and development

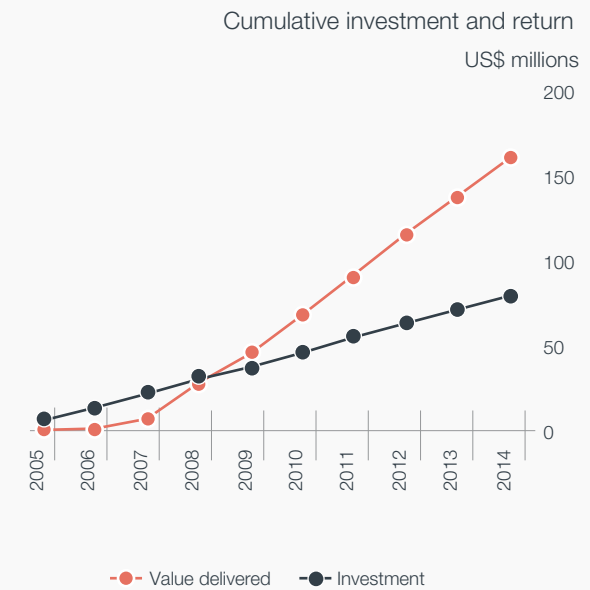
Our response — Declining paper demand

Exciter I and II

The Exciter programme is focused on creating breakthrough technological competency that will allow us to develop new and improved products and processes to drive market differentiation and create new business opportunities.

The value delivered from our Exciter programme for FY2014 was US\$22.3 million bringing the total value delivered from this programme since FY2005 to US\$159.6 million.

Exciter Research and Development



Exciter I — core business

Exciter I is focused on cost reduction and developing new technologies to drive down production costs and improve operating margins. Supporting these global initiatives are two Centres of Excellence, one for pulping and bleaching and one focused on stock preparation and coating.

Ultrasonication

An example of breakthrough technologies under investigation includes the use of ultrasonication as an alternative to mechanical refining processes, which may lead not only to energy savings, but also to more effectively refined fibres for our papermaking processes. Ultrasonication is the process of breaking up agglomerated particles by subjecting them to a series of high and low-pressure sound waves.

Exciter II — adjacent and new business

Exciter II projects are focused on the development of products for new and adjacent markets that will generate new revenue streams for Sappi.

Activities in this area include the investigation of various conversion technologies for:

- Lignin
- Pulp streams and waste biomass which include:
 - Extraction of sugars from pulping streams to produce biorenewable chemicals
 - Pyrolysis of lignin to produce bio-oil, biochar and producer gas
- Using high organic containing condensate streams for anaerobic digestion to produce methane.

Nanocellulose

Another key area of investigation is nanocellulose; a new forest products material which we believe will play a role in our future suite of products, both as a product in itself and in its applications.

Extracted from woodfibres, nanocellulose has a number of unique optical, barrier and strength properties. Unlike other lightweight, high strength materials based on fossil fuels, it is completely renewable, making it desirable as a new material for various industrial and transport applications.

We have successfully developed a low-cost, patented cellulose nanofibril (CNF) process in cooperation with a leading research institution.

Grades produced will be optimally suitable for application in lighter and stronger fibre-reinforced composites and plastics, food and pharmaceutical applications, and as rheology modifiers, as well as in barrier and other paper and coating applications.

We are planning the construction of a pilot production plant towards the end of 2015.

Key material prosperity issues continued

Our response — declining paper demand
Meeting evolving customer needs

Our focus is on creating, developing and marketing products that are relevant to our customers' evolving needs. We launched new products in each region during 2014.



Germany — Our investment at Alfeld Mill has enabled us to review, expand and upgrade our specialties portfolio in response to rapidly evolving market demands.

Meeting evolving customer needs Europe

Our response — declining paper demand

Alfeld Mill PM2 Upgrade

The US\$76.1 million PM2 upgrade at Alfeld Mill in Germany which came online in October 2013 has enabled us to review, expand and upgrade our specialties portfolio in response to rapidly evolving market demands.

The PM2 at Alfeld Mill is the world's fastest machine for one-side coated specialty papers.

Recent developments include:

Algro Sol®

Additions to the Algro Sol® DN release liners portfolio: Mostly suited for office and stationery use, tape and industrial applications, the expanded range targets new markets including pressure sensitive adhesives.

Algro® Vitess

A flexible packaging grade coated on one side offers high whiteness, brightness and dimensional stability. Designed for both flexographic and gravure printing, the grade is available in weights of 50-120g/m². The reverse side of Algro® Vitess has been designed to offer very good anchoring properties for both adhesive and extrusion laminations. It is suitable for a wide range of packaging applications, including dry food products, confectionery, tea, coffee and pharmaceutical products.

Algro® Guard M and Leine® Guard M

Algro® Guard M is used for gravure printed primary packaging for pouches, sachets, bags and wrappers.

Leine® Guard M is used for barrier paper grades for inner bags.

Developed in partnership with BASF and Eurofins, both substrates are designed to address concerns about migration of mineral oil into food from packaging manufactured from recycled paper. Both substrates enable brand owners to use their current recycled fibre based folding boxes, shelf ready packs and transport boxes while protecting the food inside for a minimum of 18 months with inner bags, pouches and sachets made from Sappi papers.

Stockstadt Mill — Glossy paper

In FY2014, in support of our core business, we developed a glossy paper grade with minimal calendaring at Stockstadt Mill. This meets two needs: increased market demand for glossy paper with higher bulk and our ongoing target to reduce cost and simplify processes.

The paper, available in two grades — **Gloss 90** and **Gloss 91** — is produced without using an off-machine calender. The grades have been successfully trialled at other Sappi mills in Europe.

Key material prosperity issues continued




We launched a trio of new Somerset 7pt covers to serve the growing direct mail market.

Meeting evolving customer needs North America

Cross platform digital cut sheet

A new addition to the Opus stable, Opus DX, is a cross platform digital cut sheet for both dry and liquid toner digital production colour presses.

Opus DX is a blue-white sheet, with high brightness for outstanding image transfer. 

Direct mail


A new trio of Somerset 7pt covers was launched to serve the growing direct mail market.

The new line-up of Somerset Web Gloss, Satin, and Matte provides competitive advantages in stiffness, smoothness, and printability in addition to excellent performance on press. The new products have received high marks from all customer segments for proving high quality alternatives at an affordable price.

Release paper

The Release Papers division launched a new 'Lace' pattern within the Ultracast line of offerings. Our Lace texture was launched at just the moment when the trend began building global momentum in fashion.

Our success with Lace strengthens our belief in the importance of trend forecasting as a key tool in bringing the right patterns to market at the right time.

A Direct Marketing Association study showed that direct mail advertising gives businesses, on average, a 12 to 1 return on their investment. 

Our response — declining paper demand

New packaging business

We have been making LusterPrint, a grease resistant paper with an outstanding print surface since 1954. FDA compliant for **direct food contact** and engineered with high strength characteristics, LusterPrint has become the market leader in multi-wall bags used for pet food.

In 2014, we announced the formation of a new packaging business unit within North America.

We will be leveraging our R&D capabilities in both North America and Europe to develop new products and extend our range of packaging grades.

Our response — declining paper demand

Meeting evolving customer needs Southern Africa

Lightweight packaging paper

Rising transport costs and a focus on carbon footprint are driving a trend towards lightweight packaging.

To meet this trend we launched Ultraflute, a new lightweight semi-chemical fluting.

The high proportion of virgin fibre in the product enhances its strength properties, resulting in sturdier boxes and improved stackability. These attributes, together with high humidity performance, enhance durability throughout the supply chain.

Key material prosperity issues continued

Material issue
Supply overcapacity in global dissolving wood pulp markets

Our position
Lowest decile on the cost curve

All three of our dissolving wood pulp (DWP) producing mills operate within decile one (the lowest 10%) of the competitor cost curves published by independent consultancies.

Our cost competitive advantage, together with our high levels of quality and ability to service customers through our DWP **Centre of Excellence**, positions us as a supplier of choice.

We believe the market for our dissolving wood pulp will continue to grow going forward.



Increasing affluence, particularly in Asia, coupled with population growth, will accelerate demand for comfortable clothing, driving demand for DWP — a sustainable feedstock for viscose staple fibre.

Positioning for growth

Despite the prevailing over-supply in the DWP market, our confidence in this market segment and its ongoing growth is high, based on the following:

Growth

Global gross domestic product (GDP) growth, population growth and increasing affluence particularly in Asia is forecast. According to an OECD Development Centre report, The global middle class population is set to boom to 3.2 billion people by 2020 and to 4.9 billion by 2030; most of the growth will come from Asia. (W)

Forecast global middle-class spend

	US\$ trillion per annum	
	2020	2030
Global middle-class incl Asia	35	56
Asian middle-class	15	33

These growth trends are important for Sappi because the bulk of our DWP is sold into Asian markets' viscose staple fibre (VSF) segment. Increasing affluence and population levels will accelerate the demand for more comfortable clothing.

Breathability properties

VSF, being a cellulosic based fibre, breathes and is comfortable to wear; petroleum based fibres are less comfortable.

Substitution of competing fibres

Derived from woodfibre grown in sustainably managed forests, VSF has a long-term sustainable future compared to fibres produced from finite resources such as fossil fuels.

VSF is also a viable substitute for cotton in many applications. Cotton is highly dependent on the availability of arable land and is far more susceptible to capricious weather conditions.

Our response — Dissolving wood pulp over capacity


A forecast decline in the availability of arable land, accompanied by a simultaneous rise in the global population, will lead to increasing demand for land to be used to grow competing agricultural and food crops rather than cotton. Conversely, plantation trees can be planted in less ideal locations, which do not compete with food-planting or building-development locations.

Environmental considerations

Unlike many other crops, the sustainably managed plantations and forests from which we source the woodfibre used to produce DWP depend solely on rainwater, eg 73% of the global cotton harvest comes from irrigated land. In addition, our minimal use of pesticides and insecticides is strictly controlled by the terms of forest certification systems. This cannot always be said of other crops.

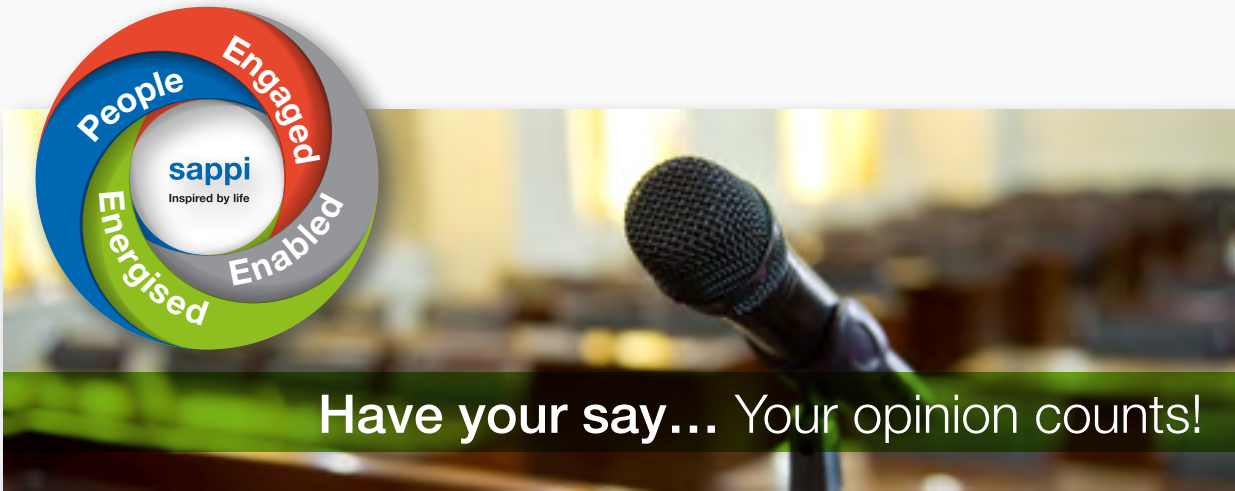
The yield for each hectare of woodfibre is two to three times higher than that of cotton.

Key material people issues


Material issue		Our response	
Diversity	Labour relations	Maintaining positive relationships	
Our position	Our position		
Representative diversity enhance our ability to operate in global markets.	Sound labour relations are the foundation of business.		
We recognise that diversity fosters interaction amongst different cultures, colleagues and customers in an increasingly globalised marketplace. We enhance our ability to operate in global markets by creating an inclusive culture representative of a diversity of people, thoughts and ideas.	We promote freedom of association across the group and engage extensively with representative trade unions in each region to maintain positive relationships.	In FY2014, we enjoyed relatively good relationships with organised labour in all regions.	
Our response			
Promoting inclusion and productivity			
We are committed to valuing and promoting diversity and inclusion so that all employees can develop their full potential, irrespective of gender, ethnicity, disability, age, religion, belief or sexual orientation. Women tend to be under-represented in our workforce due to the nature of operations — a demanding manufacturing environment which involves shift work. In 2014, 16.84% of our 13,064 permanent employees, were women — within the industry benchmark.		Globally, 64% of our workforce is unionised 74% of our unionised workforce belong to a bargaining unit.	
Broad-based Black Economic Empowerment (BBBEE) is a key regional material issue discussed in detail in our 2014 Sappi Southern Africa Sustainability Report. 			
		Europe	South Africa
		In this region , where we manage relationships with 13 different unions, wage and salary negotiations in some countries will be concluded during the course of FY2015. At this time there do not appear to be any material issues.	The new forestry minimum wages gazetted by the Minister of Labour were implemented at the beginning of April.
		North America	
		Hourly employees are represented by 11 collective bargaining agreements with several different unions. Production unit employees, who comprise the majority of our employees, are represented by the United Steelworkers' Union (USW).	In the pulp and paper sector, agreement was reached on an 8% increase on basic wages and 9.5% on shift allowances. In the saw milling sector, there was a five-day strike action before reaching an agreement. However, our Lomati Sawmill did not participate in the strike.
		New contracts were ratified with this union at Somerset Mill and the Allentown Sheeting Facility during fiscal 2014 while as of the end of November, negotiations with USW at Westbrook and Cloquet Mills were ongoing.	

Key material **people** issues continued

Material issue	Our response												
<div>Training and development</div> <p>Training and development are pivotal in retaining employees, building loyalty and enhancing competitive advantage.</p> <div>Our position</div> <div>Providing successful learning solutions</div> <p>Our aim is to provide successful learning solutions that enable individuals, groups and the organisation to improve performance, learn new skills, adapt to change and meet groupwide business objectives.</p>	<div>Training and development is a strategic business tool</div> <p>We have established training targets in each region, detailed in the People section of this report, which are based on identified training needs. </p> <p>While training takes place across all levels and all regions of the organisation, in the year under review South Africa accounted for the highest number of training hours. In 2014, globally we spent US\$8.6m on training and development, an average of US\$658 per employee. Training in terms of number of hours per employee has increased steadily, from 49 hours in 2012 to 56.4 hours in 2013 and 59 hours in 2014.</p> <div>Average training spend</div> <div>  <table border="1"> <caption>Average training spend per employee (US\$)</caption> <thead> <tr> <th>Region</th> <th>Average training spend (US\$)</th> </tr> </thead> <tbody> <tr> <td>Europe</td> <td>650</td> </tr> <tr> <td>North America</td> <td>250</td> </tr> <tr> <td>South Africa</td> <td>750</td> </tr> <tr> <td>Trading</td> <td>950</td> </tr> <tr> <td>Global</td> <td>650</td> </tr> </tbody> </table> </div>	Region	Average training spend (US\$)	Europe	650	North America	250	South Africa	750	Trading	950	Global	650
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We conduct surveys every two years in order to assess levels of engagement across Sappi.

Material issue	Our response
<div>Employee engagement</div> <p>Engaged employees are more invested in organisations, impacting directly on staff morale, productivity and profitability.</p> <div>Our position</div> <div>A fulfilled and engaged workforce can deliver on our key business drivers.</div> <p>We conduct surveys every two years in order to assess levels of engagement across Sappi. Our objective is to have a fulfilled and engaged workforce that delivers on our key business drivers.</p>	<div>Benchmarking and analysing our performance</div> <p>In contrast with previous years, where we measured connectedness to Sappi, the employee engagement survey conducted in FY2013 asked respondents to rate various aspects of their experience of working at Sappi. We felt that this approach would give us a more accurate understanding of issues and challenges.</p> <p>The survey is discussed in more detail in the People section of this report. </p>

Key material **people** issues continued

	Material issue		Our response																														
	Safety																																
	<p>Unsafe and unhealthy working conditions and behaviour affect service delivery, quality, health, worker productivity and retention.</p>	<p>Prioritising safety</p> <p>We make safety a priority across the group by ensuring that it is a cultural mindset and practical reality.</p> <p>While management is accountable for safety and demonstrates leadership through personal example, all our people are expected to take personal responsibility for working safely by following policies and procedures, identifying hazards and acting when they see unsafe behaviour.</p> <p>Our behaviour based safety programmes continue to help us reach our safety targets.</p> <p>Our mutual effort has paid off: In 2014 there was a noticeable improvement in work-related incidents and near misses being reported, investigated and analysed to prevent recurrence. In terms of investigations and analysis, the emphasis has continued to be on root causes, as opposed to the apportionment of blame.</p> <p>We are pleased to report that there were no fatal accidents in FY2014.</p> <p>Believing that all our people should go home safely to their families at the end of every day, we will work even harder to continue this positive environment going forward.</p>	<p>Our commitment to safety is reinforced by our annual Global Safety Awareness Day. This year’s theme, Walk the talk, encouraged all staff members, from senior managers to the lowest level employees, to do more than just talk about safety and act in a way that shows they are conscious of safety at all times.</p> <p>Our objective remains zero injuries at each and every facility.</p> <p>Safety is discussed in greater detail, focusing on each region’s achievement and plans going forward, on page 61 in the People section of this report. </p>																														
	<p>Our position</p> <p>Safety is a priority and a responsibility</p> <p>We view safety as a priority and a responsibility; not just of management, but of every employee and contractor employee working at Sappi.</p>		<p>Lost time injury frequency rate</p> <p>Own employees and contractors</p> <table><caption>Lost time injury frequency rate (2010-2014)</caption><thead><tr><th>Year</th><th>Own employees LTIFR</th><th>Contractors LTIFR</th><th>Own LT</th><th>Contractors LT</th></tr></thead><tbody><tr><td>2010</td><td>55</td><td>18</td><td>0.4</td><td>0.8</td></tr><tr><td>2011</td><td>48</td><td>28</td><td>0.8</td><td>0.2</td></tr><tr><td>2012</td><td>48</td><td>22</td><td>0.4</td><td>0.3</td></tr><tr><td>2013</td><td>42</td><td>28</td><td>0.4</td><td>0.7</td></tr><tr><td>2014</td><td>43</td><td>23</td><td>0.1</td><td>0.3</td></tr></tbody></table>	Year	Own employees LTIFR	Contractors LTIFR	Own LT	Contractors LT	2010	55	18	0.4	0.8	2011	48	28	0.8	0.2	2012	48	22	0.4	0.3	2013	42	28	0.4	0.7	2014	43	23	0.1	0.3
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2014	43	23	0.1	0.3																													

Key material people issues continued

Material issue	Our response	
Communities	Creating sustained impact	
Communities can positively or negatively influence our licence to operate.	South Africa — Education Despite education accounting for 20% of total state expenditure, education in South Africa is ranked 146th out of 148 countries according to the 2013-14 Global Competitiveness Report published by the World Economic Forum. (W)	
Our position Communities as key stakeholders	About 30% of our total CSR spend is therefore focused on education in this region.	
We see communities as key stakeholders and work to involve them in areas of mutual interest. Being on the alert for fires on or near to landholdings in South Africa being just one example.	We continued to support six Protec branches in neighbouring communities. Protec offers additional mathematics and science classes; over 1,000 students in grades 10-12 benefitted from our support. (P)	
Our corporate social responsibility (CSR) initiatives are focused on the communities where we have an impact through our operations.	We also continued support for the KwaDukuza and Umjindi Resource Centres which are essentially digital villages. (W)	
	South Africa — early childhood development A growing body of international evidence shows that language and cognitive development are especially important during the first 6-36 months of childhood. The more stimulating the early childhood environment, the more children develop and learn. Significantly, findings also indicate that early learning experiences determine health, education and economic participation for life.	
	In 2014, we partnered with TREE, a not-for-profit organisation, to launch an Early Childhood Development (ECD) project in KwaZulu-Natal.	
	TREE provides Training and Resources in Early Education, assisting adults (mostly women) from disadvantaged communities in providing young children with access to qualified ECD. Our inaugural initiative is training 25 women from our neighbouring communities in KwaZulu-Natal as ECD practitioners.	
	In Mpumalanga, we are working with our long-standing partner, Penreach, a not-for-profit organisation with 20 years' experience in ECD. Penreach provides educational interventions and solutions in under-resourced schools in rural communities and is establishing an ECD Centre of Excellence within our Elandshoek community. During the first phase, five ECD practitioners are being trained in a four-year module at two schools.	
	South Africa — Community support Community support accounts for 64% of our CSR spend in South Africa, involving the support of a wide variety of activities, including membership of Business Against Crime, ad hoc paper donations and numerous mountain biking events hosted on and around our plantations.	
	Corporate Social Responsibility spend US\$ '000s	
	2013	2014
Europe	136	146
North America	444	620
South Africa	721	2,961
	Show CSR spend in regional currency	
Globally, we contributed	US\$2.96million	
to worthy causes in the regions we operate		

Key material planet issues

Material issue

Energy, emissions and recovered materials

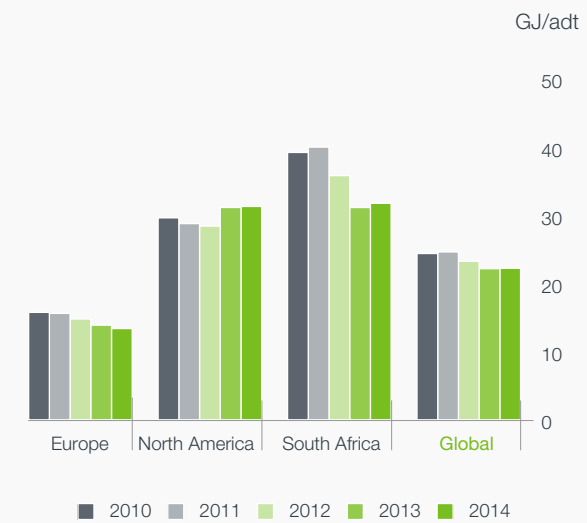
Energy security and costs are issues for businesses across the world. So too, in the light of concerns about global warming, are carbon dioxide (CO₂) emissions.

Our position

Cost and availability of energy

As pulp and paper production is very energy intensive, the cost and availability of energy is a key consideration for Sappi.

Specific energy consumption

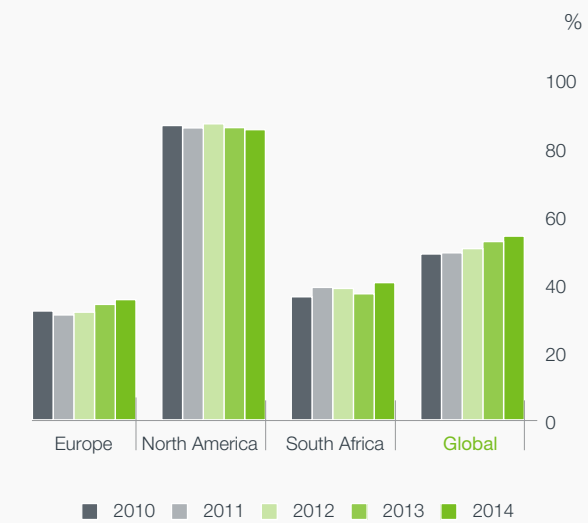


Managing our energy usage

While we are seeing a downward trend in energy costs as a percentage of cost of sales due to actions we have taken, energy is still one of our key inputs, together with woodfibre, chemicals and water.

Aggressively managing our energy-use and increasing energy efficiency, positively impact our profitability and our environmental performance with reduced emissions and a smaller carbon footprint.

Specific purchased energy

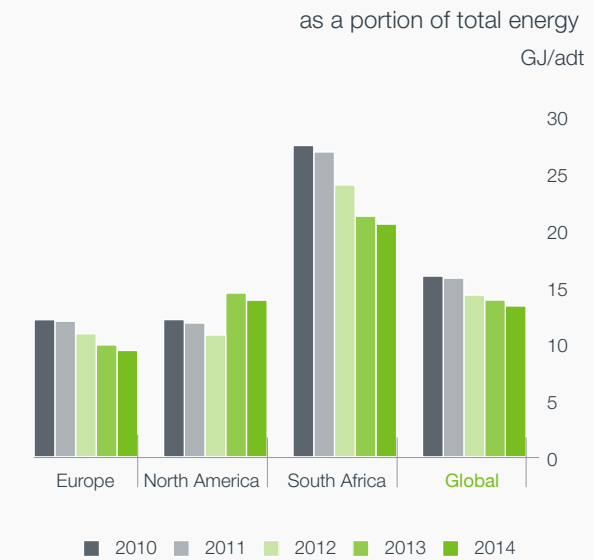


Our response

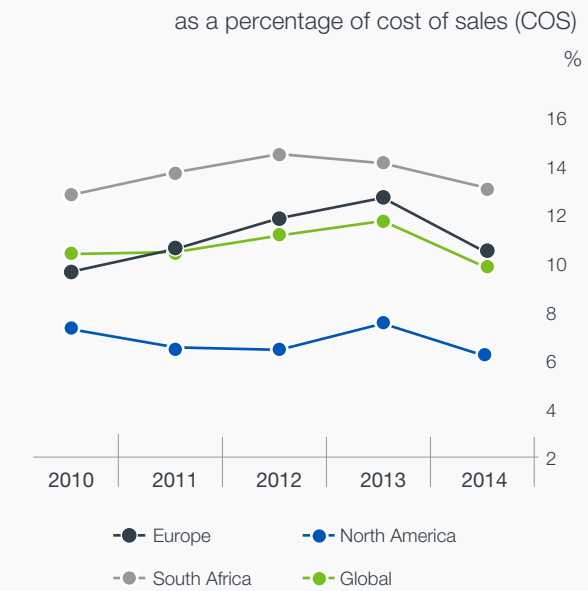
We have a significant advantage over other industrial companies in our high use of renewable energy, derived from black liquor, sludges and biomass. Our mills' use of renewable energy, mostly black liquor, increased to approximately 54%, an increase of 10.8% over five years.

Enhanced energy efficiency and greater use of own renewable fuels resulted in a 16.5% global specific purchased energy decrease and energy costs as a percentage of cost of sales decreasing in all regions.

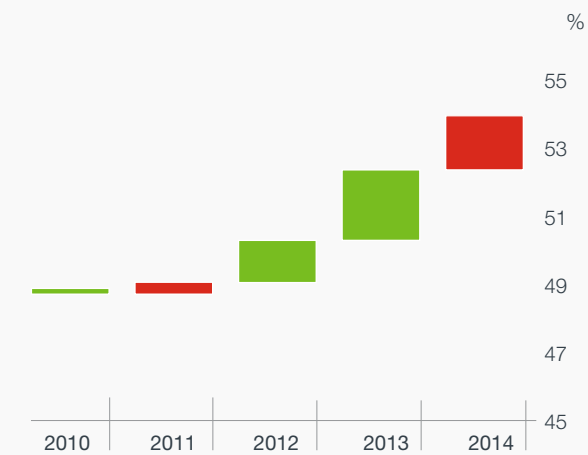
Renewable energy



Purchased energy costs



Change in global renewable energy



Key material planet issues continued

<div>Material issue</div> <div>Energy, emissions and recovered materials</div> <div>Our position</div> <div>Reducing emissions</div>	<div>Our response</div> <div>Managing our energy usage</div> <p>The positive trends in energy-use in 2014 were reflected in our emissions performance. Fossil fuel derived Scope 1 emissions have reduced by 7.5% over five years. Fossil fuel derived Scope 2 emissions have reduced by 25.6% over the same period.</p>	<div>Our response</div> <div>Recovering waste</div> <p>As a result of a concerted focus on recovery, and adding value to waste, solid waste (measured by weight) sent to landfill continues to decline. We are investigating various conversion technologies for lignin, pulp streams and waste biomass. P</p> <p>Our investigations are also discussed in further detail in our regional sustainability reports:</p> <ul style="list-style-type: none">North America SSappi Southern Africa. S <p>Year-on-year, the solid waste sent to landfill decreased by 7%. The reduction is attributed to increasing recovery and reuse of materials</p> <ul style="list-style-type: none">28.5% of waste is combusted for heat generation21% of waste is allocated to environmentally beneficial reuse, eg lime used for agricultural purposes12% of waste is sold as secondary material.																																																																																																																									
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Key material planet issues continued

Material issue

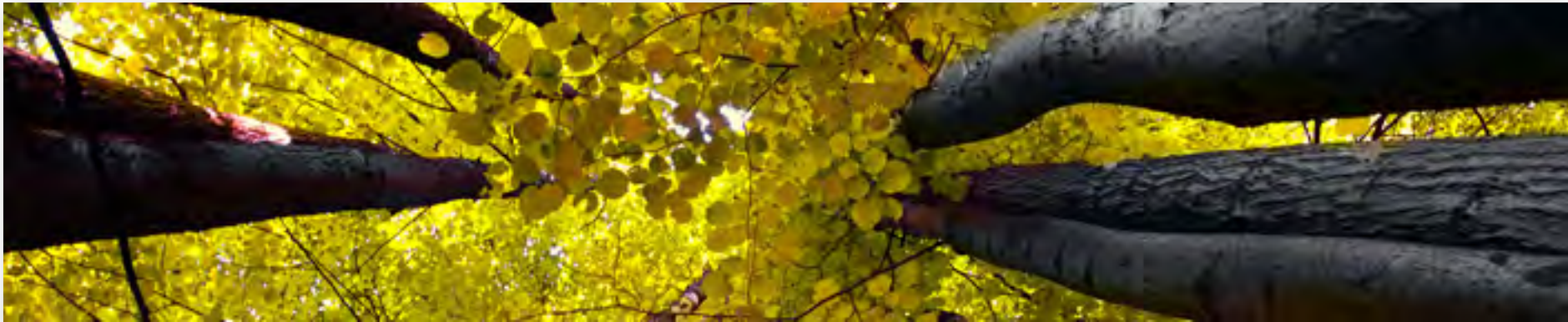
Fibre supply

Climate change is impacting on forests and plantations around the world, while concerns about carbon footprint are driving a move towards increased use of woodfibre as a fuel and building material.

Our position

Constrained fibre source

The implications of a constrained fibre source would have dramatic consequences for our business.



Beech tree autumn forest canopy — Fibre, like this hardwood, is sourced from forest owners — with whom we have long-standing relationships — close to our operations in Europe and North America.

Our response

Enhancing the security of our woodfibre base

Europe and North America

In these regions, fibre is sourced from forest owners close to each operation, with whom we have long-standing relationships.

In both these regions, we mitigate fibre supply risk through a combination of approaches which include both short- and long-term wood supply agreements and shareholdings in wood sourcing cooperatives.

Eucalyptus based market-pulp from Latin America have become a more important part of our fibre supply.

South Africa

Optimising our woodfibre supply is a key objective for Sappi in Southern Africa. We achieve this through our tree improvement programme, promoting access to the timber farming industry and by mitigating climate change risks.

Tree improvement

In 2014, we continued with programmes to breed for specific pulping characteristics and enhanced yields.

A key development in the year under review was the development of a new *Eucalyptus* cutting propagation method. Clonal deployment represents the ultimate means of capturing the genetic gain of the *Eucalyptus* hybrids,

recognised for their fast-growth, disease tolerance and production volume. One of the major hurdles to clonal deployment has been production efficiency driven by the portion of cuttings which produce roots. Initially this was at 50% but following a prolonged drought in the region, this decreased to below 30% which prompted research into a new means of *Eucalyptus* cutting production.

A new cutting system and the implementation of novel hydroponic sand bed technology resulted in rooting efficiencies increasing from 30% to more than 80%. This in turn has led to significant savings and a positive impact on the sustainability of our fibre base.

continued...

Key material planet issues continued

...continued

Our response

Enhancing the security of our woodfibre base


South Africa continued

The development is particularly important in view of the fact that, given the conversion of Ngodwana Mill to produce 210,000tpa of DWP, we will be using more hardwood (*Eucalyptus*) going forward.

Promoting access to the timber farming industry

Encouraging entry into the industry and helping to develop tree farmers consolidates the industry and aligns with the South African government's focus on rural development.

To that end, we recently expanded our small-grower initiative, Project Grow, beyond the borders of KwaZulu-Natal province to the Eastern Cape.


In 2014, Project Grow farmers supplied us with 11% of our hardwood fibre intake, valued at R169 million. 

We are working with communities in the Eastern Cape to obtain water-use licences for the establishment of new plantations. We assisted several communities in obtaining new licences for a collective 3,108ha during FY2014.

To date, we have assisted several communities in obtaining water-use licences for a collective 7,654ha. We are also assisting recipients of water-use licences to secure government grant funding.

We are also active in land reform; assisting several land reform beneficiary communities with the management of their plantations. We have signed supply agreements with 34 land reform/restitution projects totalling 4,710 hectares of planted land.

We have compiled business plans for most of these projects on behalf of the communities and submitted the business plans to government, to secure Recapitalisation and Development Funding. We are also in the process of negotiating with suitable funding agencies, on their behalf, to secure funding at a reduced interest rate.

In association with the South African Institute of Entrepreneurship (SAIE), a number of projects have been developed to assist with the management of these community forestry holdings. 




South Africa, Mpumalanga, Highveld escarpment — pine plantation

Mitigating climate change

While woodfibre, in common with other agricultural crops, can be negatively impacted by climate change, we mitigate this risk by maintaining a broad genetic base.

Currently the Sappi breeding programme has one of the most extensive collections of *Eucalyptus dunnii* material in the world, comprising more than 700 individual families from 20 different regions in Australia. This valuable resource gives Sappi breeders the genetic flexibility to identify the most suitable material for our end-uses in terms of growth and fibre properties. This gene pool will also allow for some protection against pests and diseases that could challenge the species in the future.

Maintaining a broad genetic base allows us to respond to new challenges such as pests, disease and climate change while providing continuous genetic improvement over the long-term. 

Managing our plantations for biodiversity

Our plantations are diverse biological systems comprised of a variety of genetically diverse tree species that rely on biotic processes being sustained.

We actively manage our plantations to enhance these beneficial processes and restrict harmful influences like pests and disease.

It is seldom that more than 65% of the land is planted; approximately 30% of our land is managed for the conservation of the natural habitats — including indigenous forests — and the biodiversity they contain.

Management takes place in terms of our FSC® certification. FSC® is an internationally accepted, independently verified, forest certification system that makes provision for biodiversity management.

Key material planet issues continued

Material issue

Forest certification

Sustainable forest management is increasingly important, given ongoing deforestation of endangered tropical forests and concomitant global warming.


Our position

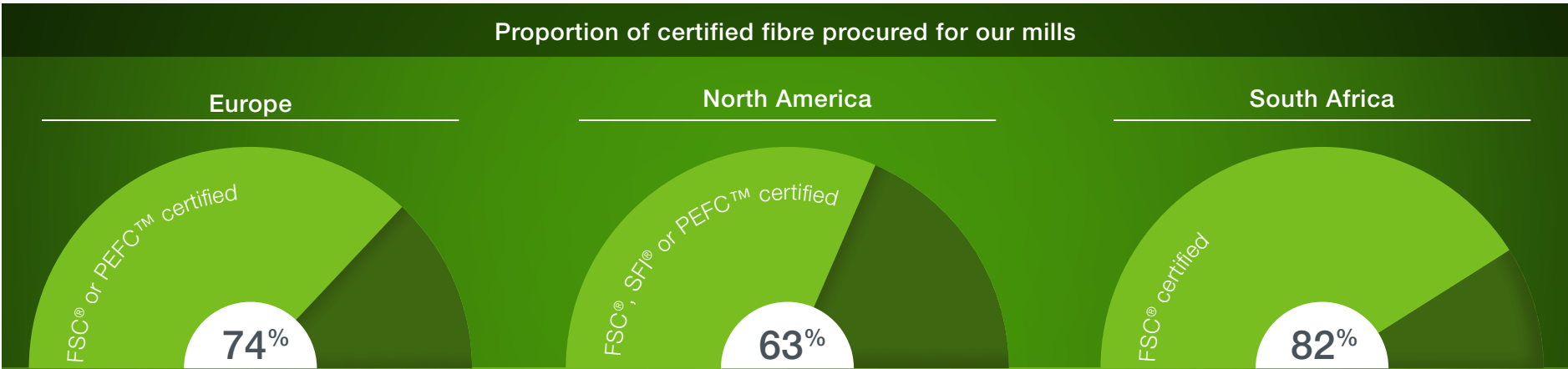
Independent certification

We use internationally acknowledged, independently audited, third-party forest certification systems in each region.



Mpumalanga South Africa — *Eucalyptus* plantation provides feedstock for the Ngodwana Mill's dissolving wood pulp line.

	Material issue	Our position	Definition
	Carbon tax	Reducing emissions	Carbon neutral
Our response	<p>Increasing our usage of certified fibre</p> <p>The proportion of certified fibre procured for our mills in each region is as follows:</p> <ul style="list-style-type: none"> Europe: 74.1% North America: 66% South Africa: 82%. <p>The balance is procured from known and controlled sources.</p> <p>In North America and South Africa, we work with landowners to increase certification.</p> <p>In South Africa, all of our owned and leased plantations are certified by the FSC®. </p>	<p>Global moves to address climate change in the form of a tax on carbon are accelerating as governments seek to reduce greenhouse gas emissions. Australia has abandoned proposed carbon taxes and other governments might follow suit, but the issue remains a potential risk in all the regions where Sappi operates.</p> <p>While we acknowledge that our manufacturing operations are energy intensive, our view is that this is mitigated by the fact that our key input material – woodfibre – is a renewable material grown in sustainably managed forests and plantations which absorb carbon dioxide (CO₂). We continue to track legislation related to climate change and are opposed to legislation that does not recognise biogenic energy sources as carbon neutral.</p>	<p>When biomass such as wood is combusted for energy, it releases carbon dioxide that it had absorbed during growth back into the atmosphere. When biomass is replanted (plantations) or regenerated (forests), it once again absorbs carbon dioxide. In contrast, the combustion of fossil fuel is not carbon neutral.</p>




Key material planet issues continued

Our response

Mitigating climate change

During photosynthesis, trees use sunlight energy to convert carbon dioxide (CO₂) into organic compounds (foods) essential to their growth. In the process they store/capture carbon and release oxygen. The forests and plantations from which we source fibre thus help to mitigate the impacts of global warming.

Our industry uses a high proportion of renewable energy. At Sappi, we use increasingly more renewable energy.

In FY2014, 54% of our global energy-use was derived from renewable fuels, mainly from our own biofuels — black liquor. 

Europe

The European Union Emission Trading Scheme (EU ETS) covers CO₂ emissions from six sectors of heavy industry, including pulp and paper.

Companies covered by the scheme are issued carbon permits according to a quota of CO₂ they are permitted to emit each year. Companies may trade permits amongst each other. The quota is reduced in successive phases; compelling emitters to either reduce emissions or purchase emission rights on the market.

During 2021-2030, carbon leakage and free allocation will be phased out. This will result in significantly increased direct costs and passed-through costs in electricity prices.

Both Sappi and the Confederation of European Paper Industries (CEPI) belong to the Alliance of Energy Intensive Industries (AEII).

The AEII published an open letter to the heads of State and Governments of the European Union (EU) Member States, the European Parliament, the Council of the European Union and the European Commission regarding phasing out provisions, saying that this will affect even the most efficient installations in Europe.

The AEII's view, to which we subscribe, is that the 2030 climate and energy framework must guarantee predictability by setting the principles for measures against carbon and investment leakage now and that European industries need a stable and long-term legislative framework that effectively combines EU climate ambition with EU industrial competitiveness.

North America

Over the last few years, the United States Environmental Protection Agency (EPA) has been drafting an accounting framework for biogenic carbon dioxide (CO₂) emissions. There were concerns that the framework might fail to distinguish biogenic emissions – resulting directly from the combustion or decomposition of biologically-based materials other than fossil fuels and mineral sources of carbon – from fossil fuel emissions. The American Forest & Paper Association's (AF & PA's) view has been that the following should be taken into account:

- Energy from biomass residues from both manufacturing mills and forests should be acknowledged for reducing greenhouse gas emissions. These wood residues would have released CO₂ to the atmosphere anyway if they had not been used to displace fossil fuels.
- Biomass used to create energy should be treated as carbon neutral where the growth rate of forests is greater than or equal to harvest levels.
- Public policies should not construct artificial mandates or incentives, which disrupt the nation's existing efficient and balanced forest biomass markets.
- Public policies should recognise that sustainably managed forests and forest products sequester and store carbon and reduce greenhouse gases.

In June 2014, the US Supreme Court sided with AF & PA in requiring the EPA to revise its approach. Subsequent to year end, the EPA released the accounting framework and policy memorandum.

This recognises the pulp and paper industry's sustainable use of manufacturing residuals as carbon neutral – a decision Sappi has welcomed.

Key material planet issues continued



Carbon captured in the wood we use to make our products remain sequestered during the life of that product. Paper biodegrade naturally, leaving no harmful residues in the environment.

...continued

Mitigating climate change

Our response

South Africa

We expect carbon tax legislation to be introduced in 2016; its introduction poses a potential risk.

We have engaged the Department of National Treasury through the Paper Manufacturers Association of South Africa (PAMSA), to motivate the incorporation of carbon sequestration rebates in the tax design.

Our process starts with the planting of trees; end-to-end our supply chain is carbon neutral.

PAMSA is driving the development of a local factor, that take account of the unique circumstances of plantation forestry in South Africa, to input into the carbon accounting methodology. The initiative is being developed in conjunction with the Department of Environmental Affairs and local research institutions, and is supported by a portion of the grant allocated to sector research and development, supplied by the Department of Science and Technology.

As a PAMSA member, we are actively driving the development of this methodology which is subject to approval from the Department of Environmental Affairs. The department will make a recommendation to National Treasury on the extent to which paper companies can counter their fossil fuel-based greenhouse gas emissions with plantation carbon absorptions. This research is likely only to be completed by the end of 2015.

Should National Treasury accept PAMSA's premise that the pulp and paper industry's absorptions exceed its emissions, the industry might be able to avail itself of carbon emission abatements — as distinct from offsets.

Key material planet issues continued

Water

The Worldwide Fund for Nature (WWF) states that at the current consumption rate, by 2025, two-thirds of the world's population may face water shortages.

Water shortages

Water shortages in the regions from which we source fibre could significantly affect fibre supply and our production processes.

Material issue


Our position

Our response

Using water responsibly

Globally, we return 93% of the water we extract from the environment back into the environment after it has been treated and cleaned.

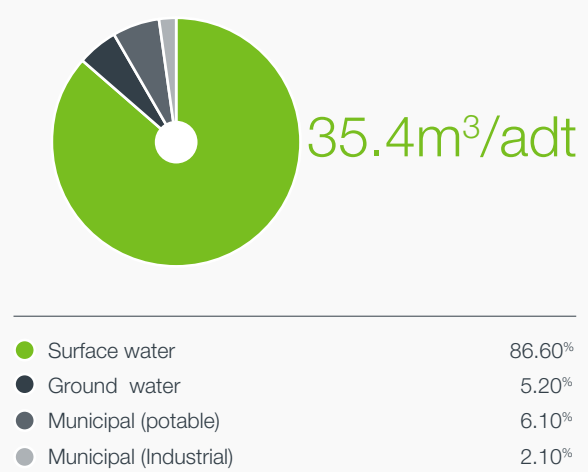
Of the remaining 7%, approximately 4% exits the mill in the form of in-product moisture; the remaining 3% is lost to evaporation.

The nature of the pulping process makes it difficult to further improve on the rate at which water is returned to the environment, which is why this year we have rather included details of total specific water usage. 

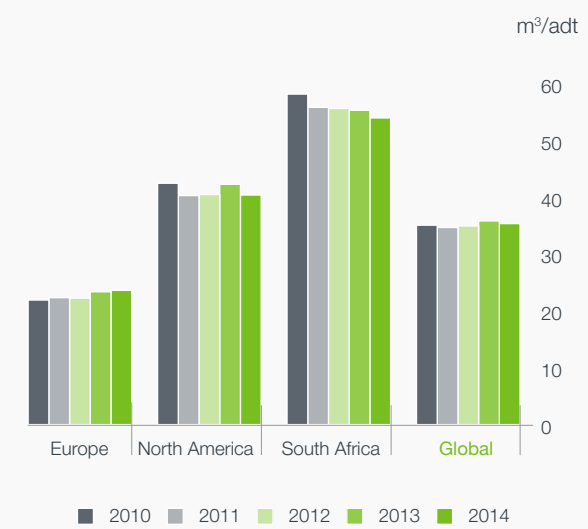
While we have made some progress in reducing water-use in South Africa — important given the fact that South Africa is a water-stressed country — we acknowledge that we need to continue improving.

We have achieved a positive reduction in effluent concentrations by reducing the chemical oxygen demand (COD) and total suspended solids (TSS), both key indicators of water discharge quality, by 11.6% and 16.4% respectively over the last five years.

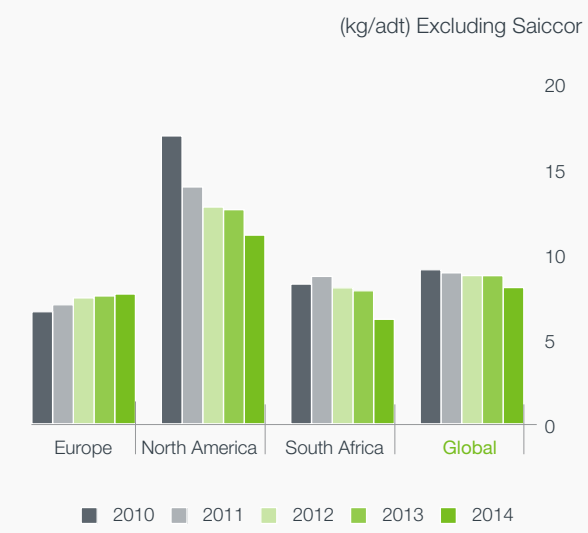
Global water withdrawal by source



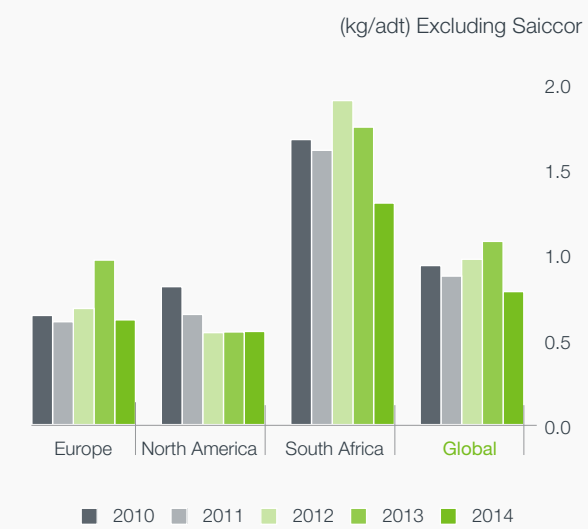
Specific total process water extracted



Specific COD



Specific TSS





Prosperity

In FY2014, we made good progress
in returning our operations to levels of
profitability sufficient to generate shareholder
returns on a sustainable basis.

Managing for prosperity — our approach

Our view is that the ability to create value for our shareholders is the foundation of our commitment to sustainable development.

We are committed to accelerating value creation for shareholders through improved profit, strategic positioning and debt reduction.



Our goal is to actively transform Sappi into a growing and profitable diversified woodfibre group focused on specialised cellulose, cash generative and profitable paper businesses and other high margin industrial products which will provide value to our customers and wealth to our people and shareholders.

We have launched new products in each region.



We are committed to accelerating value creation for shareholders through improved profit, strategic positioning and debt reduction.

Declining demand for graphic papers

In the light of declining demand for graphic papers, particularly in developed markets, the Sappi group's key challenge in recent years has been to return our operations to levels of profitability sufficient to generate shareholder returns on a sustainable basis.

To achieve this, we embarked on a thorough review of all our business processes, product mix and cost structures.

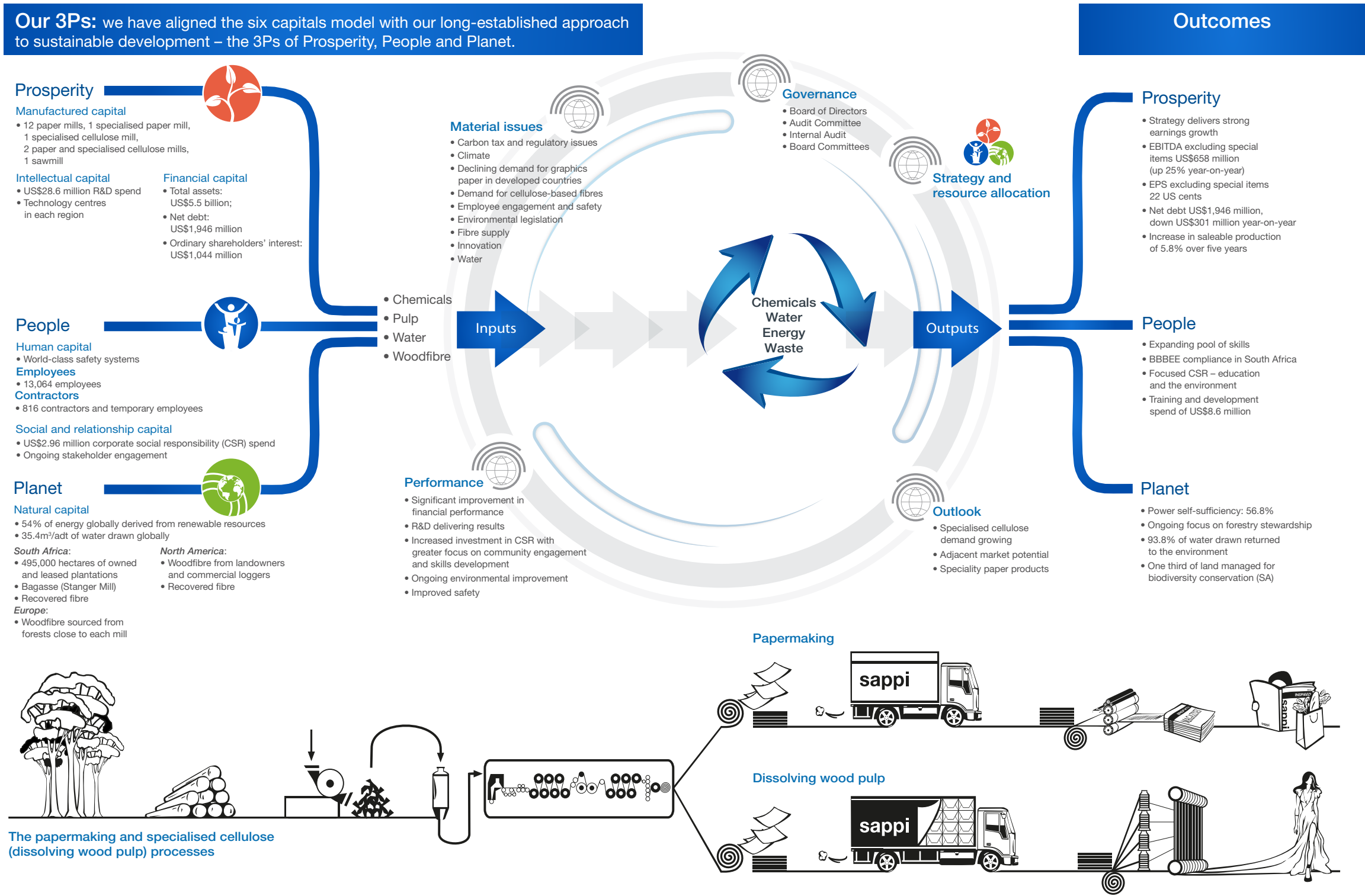
In FY2014, this paid off, with expanded specialised cellulose, also known as dissolving wood pulp or DWP, capacity and the restructured paper business in South Africa and specialties business in Europe consistently delivering enhanced margins.

Our strategy going forward

Our group strategy focus over the next two years is on having a cleaner, stronger balance sheet so that we can then accelerate our growth in adjacent businesses.



Sustainable business model



Actions taken to achieve our strategy — Europe

Disposal of Nijmegen Mill

We finalised our disposal of Nijmegen Mill — effective from 16 June 2014 — to an affiliate of the American Industrial Acquisition Corporation (AIAC). The mill, now named Innovio Papers, will manufacture speciality paper and will no longer operate in the coated graphic paper sector.



Europe — Gratkorn Mill PM11 Coater

Gratkorn Mill PM11 upgrade completed

Shortly after the financial year-end, we completed the upgrade of paper machine PM11 at Gratkorn Mill.

The aims of the project were to enhance paper quality and to increase the operating window of Gratkorn's biggest paper machine.

To achieve these aims, extensive rebuilding was required. More than 400 mechanics and engineers worked day and night for over three weeks. This was the only way that the complex, ambitious rebuild of the 230-metre long paper machine could be managed.

More than 100 truckloads of machine parts from Finland, Austria and other European countries were used.

Quality enhancement has met expectation.

Gratkorn Mill recovery circuit

In 2015, we will begin a general rebuild of critical parts of the liquor boiler and recovery plant. This will result not only in continuity of production, but also a decrease in noise pollution and in NOx and sulphur dioxide (SO₂) emissions.

Enhanced service levels

As an example of our ongoing efforts to enhance service levels, through the Sappi Total Efficiency Programme (STEP), the publishing division has been developing concepts like Dynamic Replenishment, whereby Sappi automatically 'tops up' the printer's stock based on the volume of the previous run and Guaranteed Availability.

This allows printers to reserve capacity on our machines, despite not having the full paper specifications. Printers can give final specifications as late as 10 days before and still receive the paper in time.

Actions taken to achieve our strategy — Europe continued

Alfeld Mill specialties conversion completed

The specialties business progressed strongly in FY2014, following the completion of the US\$77.4 million conversion of paper machine PM2 at our Alfeld Mill in Germany in October 2013.

Alfeld Mill now exclusively produces speciality paper for packaging labels and technical applications. The mill is the biggest and lowest-cost producer of these one-sided coated speciality grades in the world.

The converted PM2 is the fastest and most productive speciality paper machine in the world.

The production and capacity capabilities of PM2 are enabling us to review, expand and upgrade our portfolio in a highly responsive way and we launched new additions to the Algo, Parade Prima and Leine Guard ranges.

To support our growing presence in the specialties market, we launched a new brand: Sappi Speciality Papers.



Alfeld Mill's PM2 is the fastest and most productive one-sided coated speciality paper machine in the world.

Kirkniemi Mill energy plant rebuild on track

At Kirkniemi Mill in Finland, our project to build an energy plant on site is well on track for beneficial operation in 2016.

The objective of the new plant is to significantly reduce the cost base by reducing energy costs and securing energy supply. The plant will flexibly use solid fuels such as bark from the mill's debarking process, other wood-based fuels and coal. Any additional biomass required will be bought from local suppliers. The potential exists to use 100% biomass in the plant.

Speciality packaging paper market

Packaging materials production is a significant business with worldwide annual sales in excess of US\$640 billion. Food and beverage products are the major end-use sectors for packaging papers. Other important markets include pharmaceuticals, medical, cosmetics and toiletries.

Of the more than 400 million tons of all paper grades produced globally, only 5-7% are specialties. Alfeld Mill therefore occupies a niche position in this sector.

In contrast to the declining graphics paper market, the speciality packaging paper market's compound annual growth rate (CAGR) is expected to be as much as 3.2% by 2015.

Approximately 70% of world economic growth will come from emerging markets during the

next decade. The CAGR for packaging in these markets is expected to be as follows by 2015:

- Africa: 5.4%
- Asia 5.9%
- Central and South America 5.5%
- Middle East 6.1%.

We anticipate consumers in these markets to have different packaging preferences and that logistics in these markets could present new challenges. We are pro-actively examining ways to accommodate these differences.

Actions taken to achieve our strategy — North America

New packaging business

In 2014, we announced the formation of a new packaging business unit within North America.

We will be leveraging our research and development capabilities in both North America and Europe to develop new products and extend our range of packaging grades.

The coated business has established a team to focus on packaging opportunities. Initial focus of the packaging group will be to grow the LusterPrint business.

Growth in packaging will allow the graphics paper business to shed low margin aspects of the business improving overall profitability.

Streamlining the business

We took the difficult step of eliminating salaried and hourly positions at all locations and across all functions. This action was necessary to reduce cost, remain competitive, and support our ability to deliver against our long-term strategic initiatives, while continuing to meet the needs of our customers.



Cloquet Mill has the flexibility to produce either Dissolving Wood Pulp (DWP) or Northern Bleached Hardwood Kraft (NBHK) depending on market conditions.

Opus DX — a new digital grade

We expanded our digital line, which includes McCoy, Opus and Flo, in FY2014 with the launch of Opus DX, a digital cut sheet offering supreme versatility with performance on both dry and liquid toner presses including HP® Indigo, Kodak NexPress, Xerox® iGen3® and Xerox® iGen4®, Canon®, Ricoh®, and Konica Minolta bizhub® digital presses.

Opus DX is a blue-white sheet, allowing for high brightness and stunning imagery for demanding digital and variable data print projects. To sum up: Opus DX is a single sheet that performs against the most stringent quality ratings across the most popular dry and liquid toner digital production colour presses.

Opus DX is FSC® and SFI® Chain-of-Custody certified and Lacey Act compliant. The paper is manufactured using electricity generated with Green-e® certified renewable energy, and contain 10% post-consumer recycled fibre.

Cloquet Mill conversion

The 2013 project involving the conversion of Cloquet Mill to produce specialised cellulose (also known as dissolving wood pulp or DWP), was designed to achieve production costs in the lowest quartile ensuring a higher return on the investment, while maintaining superior levels of quality.

In 2014, the mill continued to deliver the high quality required for DWP. As a beneficiated woodfibre, DWP is a sought-after natural, renewable fibre with a wide range of uses in the textile, consumer goods, foodstuff and pharmaceutical industries.

The conversion has helped to increase our collective global production of DWP to 1.3 million tons per year, entrenching our position as the global leader in this market. DWP is also produced at our Saiccor and Ngodwana Mills in South Africa.

Cloquet Mill has the flexibility to produce either DWP or northern bleached hardwood kraft (NBHK) pulp depending on market conditions.

The flexibility built into the conversion leaves the door open for a future conversion to produce acetate-grade pulp.

Another opportunity for the mill to explore is the active biosector. The mill's pre-hydrolysis stream is very sugar-rich; rather than burning it, there is potential to develop value-added products.

Climate and food security risks will affect future cotton availability. As DWP is a raw material used in the manufacture of viscose, a direct competitor to cotton, the group has identified DWP as a high growth, high margin business of the future.

Actions taken to achieve our strategy — Southern Africa

Rationalised product offering

We rationalised the paper and packaging paper portfolios and exited non-profitable grades.

Focus on high growth segments

In line with our strategy of moving away from declining market segments, we are now concentrating on high growth segments by focusing less on graphic paper and more on packaging.

Anti-dumping applications

We submitted anti-dumping applications to the International Trade Administration Commission (ITAC) of South Africa against cheap imported office and packaging papers to protect local employment and all those businesses that are dependent on our paper mills.

ITAC rejected the anti dumping measures on coated paper, but applied 10% general tariff duties.



In addition to newsprint and linerboard (packaging paper), the Ngodwana Mill in South Africa can, post the 2014 conversion, produce 210,000tpa of dissolving wood pulp.

Ngodwana Mill — specialised cellulose

In June 2014, we officially opened the US\$267 million DWP fibre line at Ngodwana Mill.

Project GoCell, as the project was known, converted an existing fibre line at the mill to produce 210,000 tons per year of DWP, in addition to the existing newsprint and linerboard (packaging paper) production.

Disposals

Usutu Forest

In the year under review we completed our sale of Usutu Forest Products Company to local Swaziland company Montigny Investments for US\$89 million which will be used for general corporate purposes and to reduce our net debt.

Softwood plantation disposal

We are currently in the process of disposing of 30,000 hectares of softwood (pine) plantations in Mpumalanga province and expect to raise about US\$57.2 million. This is in line with our increased focus on DWP, which uses hardwoods (mostly eucalypts) rather than softwoods.

Our plans going forward

Our plans in this region going forward are aligned with our strategy and include:

- Increasing the volume of packaging papers made at Enstra Mill
- Increasing our use of recycled paper in line with the above
- Exiting coated paper production at Stanger Mill and manufacturing uncoated grades at this site
- Expanding neutral sulphite semi-chemical (NSSC) pulp capacity at Tugela Mill
- Expanding unbleached softwood (UBSW) pulp capacity at Ngodwana Mill
- Developing lightweight capability.

Profit improvement plans

Profit improvement plans — smaller scale improvements or projects which require limited capital expenditure and can be implemented in a short period of time — are managed at mill level. In recent years, the focus in all regions has been on energy efficiency and self-sufficiency.



The bulk of the woodfibre we use come from certified plantations in South Africa or managed forests in Europe and North America; the remainder is sourced from controlled or known sources.

Lanaken Mill — managing energy-use

Lanaken Mill entered into an Automated Demand Response (ADR) agreement with an electricity aggregator to achieve stability, lower costs and reduce overall CO₂ emissions.

Demand response systems allow power suppliers and transmission-grid operators to approach significant energy users, like ourselves, to alleviate pressure on the energy transmission grid at peak times.

During periods of peak power demand, pulp mill refiners can be switched off temporarily, stabilising the grid with minimal impact on the mill. Buffer capacity is in place to allow the mill to offset manageable quantities of pulp production during periods of peak energy demand.

This reduces our energy costs and we benefit from an annual premium, while helping to reduce CO₂ emissions.

Without ADRs, power suppliers have to activate fast-reacting power generation plants to eliminate grid imbalances. This is very expensive because capital intensive equipment are required to be kept constantly in standby mode which in itself requires energy.

Wood used for papermaking is

2.38

times more resource efficient, than simple energy creation

Ngodwana Mill — increased biomass use

In the year under review Ngodwana Mill commissioned a Saalasti crusher to increase the consumption of bark in the boilers, displacing bought-in fossil fuels.

We also changed the energy source of the No2 Chemical Recovery Furnace (CRF) induced draft (ID) fan from steam to electrical power to reduce coal consumption and increase power generation.

Projects aimed at improving energy-use efficiency are discussed in detail, starting on page 94 of the Planet section of this report.

Somerset Mill

A series of profit improvement projects at Somerset Mill include the following changes:

- Increasing heat recovery from the cooling tower to the pulp mill filtered water by adding more plates to the heat exchanger
- Lowering the soot-blowing pressure in the boilers and stopping soot-blowing in the air heater
- Re-routing water return flows to capture all of the energy in the water streams, thereby saving steam in the pulp mill
- Returning the lime mud jet condenser water to the reclamation water system — saving both water and energy
- Upgrading the reclaimed-water pump to a variable speed pump to save power
- Increasing the percentage of over-fire air used in the No1 hog fuel boiler to reduce fly-ash heating value losses and organic content.

Adding value

Our commitment to adding value is reflected in our Sustainability Charter: “Our approach to sustainability is based on a holistic view of **Prosperity**, **People** and **Planet**. Being a sustainable organisation means that we balance and integrate the 3Ps into our business decisions, strategies and processes to help us create added value for all our stakeholders.”

Our products add value to people’s lives every day



Dissolving wood pulp
Is used to manufacture viscose fabrics and textiles, and used in foodstuffs, cosmetics and pharmaceutical products.



Graphics papers
Are used in commercial printing including magazines, brochures, catalogues, direct mail, corporate reports and calendars.



Packaging papers
Are used for convenience and fast food packaging and to protect and transport fresh produce.



Speciality papers, security paper and release papers
Are used to produce consumer goods, labels, passports and a variety of other applications.

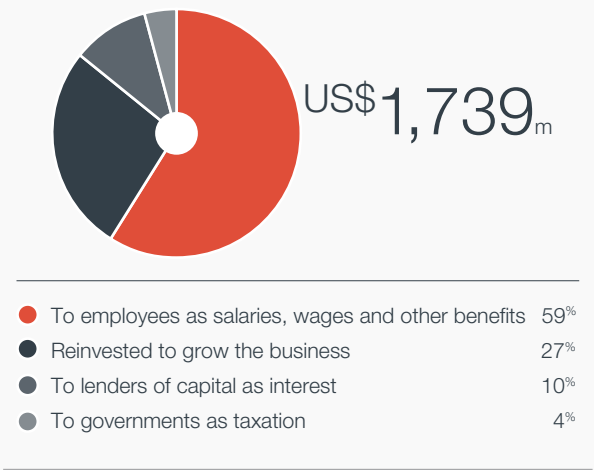
Our contribution to society

We contribute to society through payments of governments, suppliers and employees, as well as returns to shareholders.

We facilitate social and economic wellbeing by using labour drawn from local communities, and the services of small and medium enterprises situated in the areas around plantations and production facilities.

We also have a best practice training programme and, through our corporate social responsibility programme together with our enterprise development programme in South Africa, invest in the socio-economic development of the communities in which our workers live.

Value add FY2014



Our contribution to the regions where we operate

We add value to the prosperity of the regions where we operate

Direct benefits

Globally we **employed** 13,064 employees and 816 contractors in FY2014; approximately 12,000 people were employed by Sappi Forests contractors in Southern Africa. We **create goods** that add value to people’s lives every day; In FY2014 sales by region were:

- **Europe** US\$3,107 million,
- **South Africa** US\$1,437 million
- **North America** US\$1,517 million.

We contribute to **domestic growth** and the balance of payments in each region where we operate by exporting products to over 100 countries around the world.

Indirect benefits

The indirect economic benefits of our operations impact on sectors such as the technical, construction and engineering services which are outsourced to a wide variety of contractors. The chemicals industry, in particular, is one of our key suppliers. Our need for support services creates opportunities for small, medium and micro enterprises. These include the collection of waste paper for the industry and the outsourcing of non-core activities such as maintenance, medical services, transportation, cleaning and security.

Adding value continued

Paper industry

With its traditional and new products, the paper industry plays an important role in society, offering efficiently manufactured, fully recyclable products, made from renewable raw materials.



Netherlands — Maastricht Mill energy performance recognised.

Forestry industry

The forestry industry is one of the strategic economic sectors in each region where we operate, and makes a significant contribution to economic growth and job creation – particularly in rural areas, where employment and income-generation opportunities are more limited than in cities.

Europe

CEPI, the Confederation of European Paper Industries report that in 2013, the region's paper industry accounts for 23% of global production, employed 185,000 people, in 959 mills held by 520 companies with a combined turnover of approximately US\$102.2 billion. ^(W)

Collectively the pulp and paper industry added an estimated US\$20.4 billion to the European economy in 2013.

More than 80% of Europe's pulp consumption is derived from local wood and produced within the region. This contrasts with the European manufacturing industry which imports 70% of its raw materials. ^(W)

The industry is part of a much larger forest-based sector in which 200,000 companies, employ 1.9 million people and added US\$101.8 billion to the European Union economy in 2013. ^(W)



Cloquet Mill guests visit third-party harvesting operation.

North America

^(W)

The forest products industry accounts for approximately 4.5% of the total United States manufacturing GDP. The industry manufactures products worth approximately US\$210 billion every year.

Nearly 900,000 people are employed in the forest product industry; they share in an approximately US\$49.5 billion annual payroll which breaks down as follows:

- Forestry and logging US\$3 million
- Wood products US\$16.5 million
- Pulp and paper US\$30 million.

The forest products industry is among the top 10 manufacturing sector employers in 47 states.



Micro growers supplied 11% of our hardwood fibre in FY2014.

South Africa

^(W)

The forest (forestry and forest products) sector employs around 165,900 people. An estimated 652,000 people's livelihoods — approximately 1.3% of the country's population — are dependent on the sector.

Forest sector employment

	Direct jobs	Indirect jobs
Forestry	62,700	30,000
Pulp and paper	13,200	11,000
Saw milling	20,000	*
Timber board	6,000	*
Mining timber	2,200	*
Other	11,000	*

* Not available

The sector contributes about 1% to national GDP; contribution to provincial GDP summarised:

- KwaZulu-Natal 4.4%
- Mpumalanga 3.7%
- Eastern Cape 0.6%
- Limpopo 0.6%

Promoting paper's credentials

The activities of a few players in the global pulp and paper market are negatively impacting the image of the entire global industry, with some consumers incorrectly associating pulp and paper products with the deforestation of endangered tropical forests and concomitant global warming.

We work actively on communication campaigns together with industry associations in each region where we operate to dispel negative perceptions and increase awareness of the positive impact of the industry.

We have helped to establish initiatives like **Print Power** and **Two Sides**. The latter is an industry-driven campaign, which works to debunk myths about the paper, printing and forestry industries, including climate change issues. (W) (W)

Sappi North America has established a website which allows customers to calculate the climate impact of the papers they use. (S)



Consumers believe that it is important to make ethical choices; 60% believe that their shopping choice for a certified product could make a positive difference to the world's forests.

Global consumer survey

A global consumer survey conducted by the Programme for the Endorsement of Forest Certification (PEFC™) has revealed that globally more than 80% of consumers want companies sourcing certified material from sustainably managed forests to use certification labels.

The survey shows that certification labels, such as the PEFC™ label are the most trusted means of assuring consumers that wood-based products are sustainably sourced. Globally consumers believe that it is important to make ethical choices; 60% of all those surveyed agreed that their shopping choice for a labelled product could make a positive difference to the world's forests. (W)

In light of consumer preference, focusing on increasing levels of certified fibre is important.

Off-line advertising inspires mobile search

According to the current research by Google and Ipsos, 48% of smartphone readers perform mobile queries off of advertisements they see in magazines — offline advertising inspires mobile search.

Print compares well against other offline media: Only 35% of smartphone users search off poster and billboards; 57% do so from in-store promotions and 58% do so in response to television advertising.

Magazines, in particular, are considered 'key drivers of the mobile ecosystem'.

Complementary media

At Sappi we maintain that traditional and newer forms of media can complement and amplify each other. This is confirmed in a recent article, Don't Burn Your Books—Print Is Here to Stay, in the influential Wall Street Journal which quotes research that nearly 90% of ebook readers continue to read physical volumes. (W)

The article suggests that ebooks may turn out to be just another format — an even lighter-weight, more disposable paperback. That would fit with the discovery that once people start buying digital books, they don't necessarily stop buying printed copies and that the two types of media seem to serve different purposes.

Developing and maintaining a strong brand presence

Developing and maintaining a strong brand identity and presence in our targeted market segments is an important aspect of our drive to generate Prosperity.



We promoted our products at various exhibits and expos throughout Europe during FY2014.

Europe

Heidelberg 2020 Vision

We partnered in Heidelberg's 2020 Vision Open House Event in the United Kingdom (March 2014), held during Ipex, where new presses and technologies were introduced. Our Magno range of paper, recognised for its consistent quality in sheet fed printers, was used exclusively on all Heidelberg presses over the two-day event.

Interpack 2014

We participated in the Interpack 2014 trade show held in Germany in May 2014, showcasing the Algro® Vitess, Algro Sol® and MOB Barrier grades.

PulPaper Helsinki

During PulPaper Helsinki (June 2014), an international exhibition for suppliers to the pulp, paper, board, converting and bio-based industries, we hosted a stand to showcase our business.

Coteca 2014

Together with Innovia Films, we showcased Sappi Algro Nature papers, laminated with Innovia Films' NatureFlex and an array of packaging products suitable for hot beverage markets at our exhibit at Coteca 2014, (September 2014) a global exhibition for the coffee, tea and cocoa industry.

Packaging Innovations Show

We presented our latest paper and board packaging solutions at the Packaging Innovations Show held in London (30 September to 01 October 2014).

Sappi Royal Challenge Bike Race

Building on the success of our mountain biking sponsorship in South Africa, we invited customers to participate in the Sappi Royal Challenge Bike Race which took place along a 53km route around Lanaken Mill in Belgium.

Sappi Cup

Our customers, printers and publishers participate in the Sappi Cup Table Football Tournament.

Developing and maintaining a strong brand presence continued



Click on one of the above campaign or web-portal logos to learn more about our efforts to develop and maintain a strong brand presence in North America.

North America

Act Now!

At the end of 2013, we launched Act Now! A Better Response to Direct Mail, a dynamic, educational resource to guide direct marketers through the essential principles of creating effective direct mail campaigns that deliver results.

Act Now! showcases the strategies and techniques behind direct mail striking a uniquely delicate balance: the ability to package a message that will not only pique reader interest, but also ultimately drive consumer response.

eQ Insight

We continued to promote the eQ Insight series on **topical sustainability issues** in the paper industry and to populate Sappi etc,[®] an online microsite.

This educational platform provides access to more than a century's worth of rare historical documents, detailed case studies and expert technical advice as a part of our Education, Training and Consulting (etc) programme.

Free and fully searchable, the **Sappi etc** site covers everything from paper basics and sustainability resources to advanced print and design techniques, including:

- Colour management
- Printer technical tips
- Special print effects
- Varnishes
- Folding
- Designing for direct mail.

Ideas that Matter

The Ideas that Matter grant programme recognises and supports designers who use their skills and expertise to solve communications problems for a broad range of charitable activities. Since 1999, Ideas that Matter has funded more than 500 non-profit projects, contributing more than US\$12.5 million worldwide to causes that enhance our lives, our communities and our planet. [S](#)

Off Register™

We launched the tenth episode of our humorous online video series, Off Register™ on The Flo Channel, titled **Improving the Workplace**, which spoofs the often mundane team-building exercises at the office. Off Register, with over 280,000 views to date, is based on real-life experiences of printers and captures some of the more absurd, yet entertaining aspects of working on press. [W](#)

Printers of the Year awards

The annual North American Printers of the Year awards recognise print excellence and innovation across 10 categories for work produced on Sappi papers.

Since 1999, the Sappi Printers of the Year Awards programme has been regarded as the world's most respected accolade of excellence in the printing industry. See the 2014 winners on our website. [S](#)

Printerverse workshop

We provided an interactive Printerverse workshop at the **Graph Expo** in September 2014. [W](#)

Developing and maintaining a strong brand presence continued



We admit recreational users on our landholdings.



Paper. Here today. Here Tomorrow. busts some common myths about paper.



Innibos festival goer participates in our conservation promotion.

Southern Africa

Agricultural packaging

To reinforce our support for the agricultural packaging sector, we sponsored the Citrus Research Institute's national workshops, and took this opportunity to disseminate some promotional material. We were also one of the sponsors of the eight Research Symposium. (W)

Miss Earth Africa

We support Miss Earth South Africa, a programme that aims to empower young South African women with the knowledge and platform to help promote environmental awareness.

Mountain biking

We increased our mountain biking sponsorship in order to extend our reach in demonstrating our sustainable management of our extensive natural areas and commercial plantations. (P)

National Arts Festival

We have been a corporate sponsor of the Innibos (In the bush) National Arts Festival, the biggest community event in Mpumalanga, South Africa since the festival started in 2004. (W)

In 2014, to promote our conservation of indigenous forests in South Africa, we established an indigenous forest at the festival which festival visitors could walk through and identify local bird calls in order to win prizes.

Paper support

We make annual donations of Typek paper to schools and support the annual pantomime at the Johannesburg theatre.

Paper. Here today. Here Tomorrow.

Our Paper. Here today. Here Tomorrow. publication busts some common myths and misconceptions about paper and addresses sustainability issues related to our forestry, pulp and paper businesses. (S)

Earthkind

Our Earth Kind™ mark (shown above) captures the essence of our approach to sustainability and corporate citizenship.

Recycling

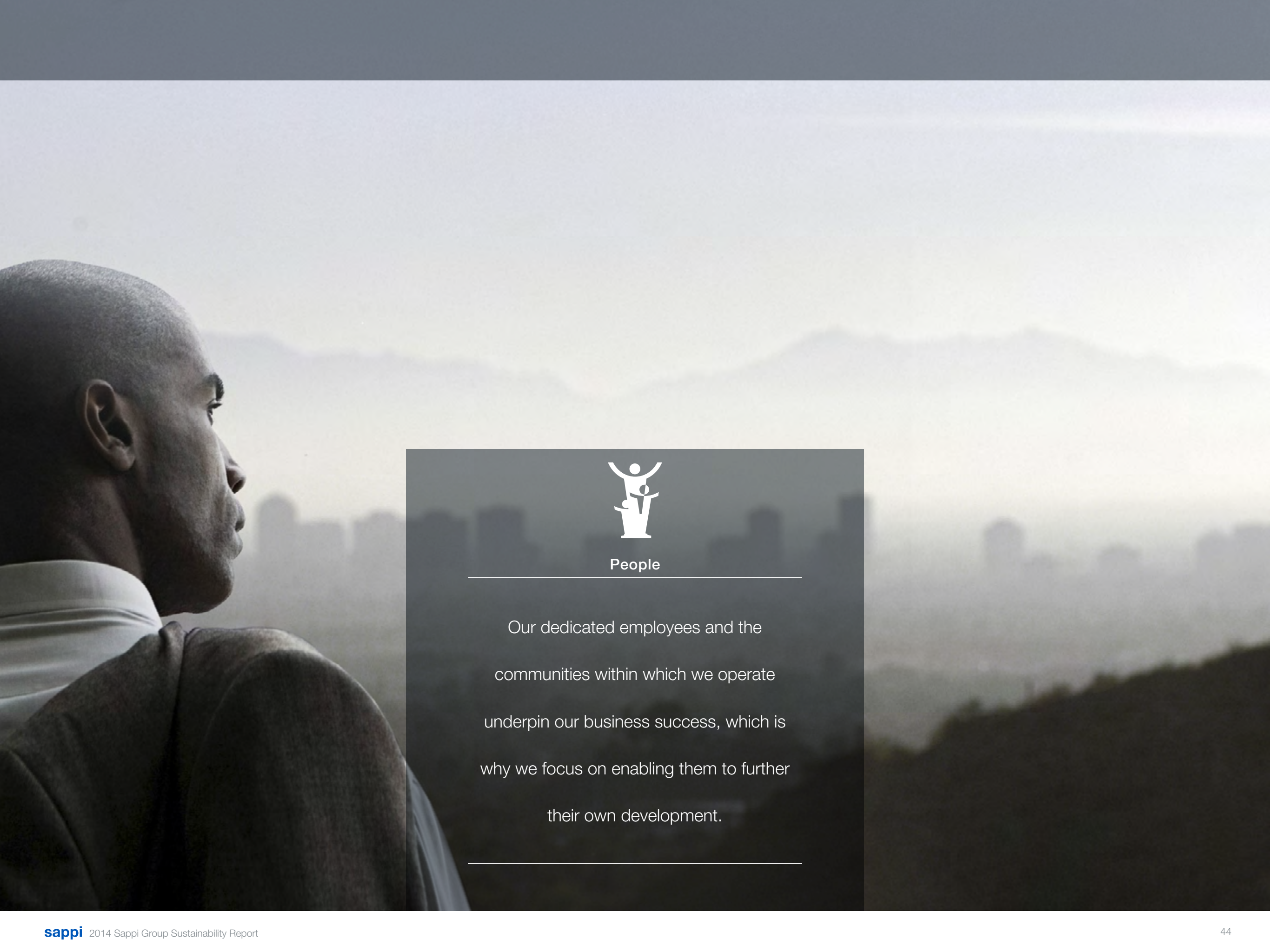
We promote paper recycling by supplying branded containers to schools and offices.

Student Gold Pack Awards

Given that packaging is an important strategic market segment for us, to support growth and innovation in this segment, we are a primary sponsor of the graphic design category in the Student Gold Pack Awards. This annual competition is organised under the auspices of The Institute of Packaging South Africa to expose design students to the exciting opportunities in this market. (W)

Sustainably managed forests

To promote and reinforce the message that, in South Africa, our papers are grown in sustainably managed plantations and manufactured in a responsible manner, we maintained our support of the Kruger National Park *Warburgia Salutaris* project and have put plans in place to greatly expand this programme. (P) (W)



People

Our dedicated employees and the communities within which we operate underpin our business success, which is why we focus on enabling them to further their own development.

Building people’s capabilities and connection to our business

Our 13,064 dedicated employees around the world underpin our business success. Our focus is on equipping our people and the communities in which we operate with the life and career skills, knowledge and confidence that allow them to build on their own capabilities and further their own development.

By creating a safe, healthy workplace for our People in which diversity is encouraged and valued, and people are provided with ongoing development opportunities so that they can develop to their full potential, we enhance productivity and our ability to service global markets.

People play a critical role in the delivery of our overall performance; the manner in which we lead, manage and develop our people contributes significantly to our success.

Our objective is to have a fulfilled and engaged workforce that delivers on our key business drivers. To achieve this, establishing a connection between work and organisational strategy is important. This connection ensures that employees feel that their work is truly of value to the organisation and therefore to their peers and managers, and leads to heightened commitment and retention.

Our key People drivers

Connecting people to the business

Communicating our business strategy to all employees, providing them with the opportunity to engage with management on the strategy and helping them understand what they need to do to contribute to its overall achievement.

Building strong skills across Sappi

Hiring correctly, retaining talent, accelerating development, sourcing talent strategically, providing performance feedback and creating development opportunities.

Developing a strong leadership bench

Building leadership capability at all levels within the organisation and using the leadership pipeline framework as a means of guiding development.

Transforming our workplace

In the context of our Southern African business this involves a focus on transformation, and a group commitment to diversity, as well as changed mindsets in how we conduct business and behave in line with our values.

Valuing diversity

As a global company, we employ a diverse workforce. We value this diversity, believing that it contributes to innovative thinking and our ability to service diverse global markets.

We strive to create a workplace free from discrimination and harassment, acknowledging and accepting differences among our people with respect to age, class, ethnicity, gender, physical ability, race, sexual orientation, and spiritual practice.

Compensating fairly

Our compensation programmes are designed to achieve our goals of attracting, motivating and retaining employees who can drive the achievement of financial and strategic objectives that are intended to build long-term shareholder value.

The primary components of pay include base salary, benefits eg medical and retirement, annual incentive awards and long-term incentives.

Compensation levels are set to reflect competitive market practices and internal equity as well as company and individual performance.

Recognising achievement

Recognition plays a role in motivating employees and establishing a high level of connection to the business.

At a global level we present two annual awards:

- **Technical Innovation Awards**
- **Group Chief Executive’s Award**
Recognises outstanding leadership behaviour and contributions to the business in line with our core values of Excellence, Integrity, Respect and Resourcefulness.

Regionally, we present the following awards:

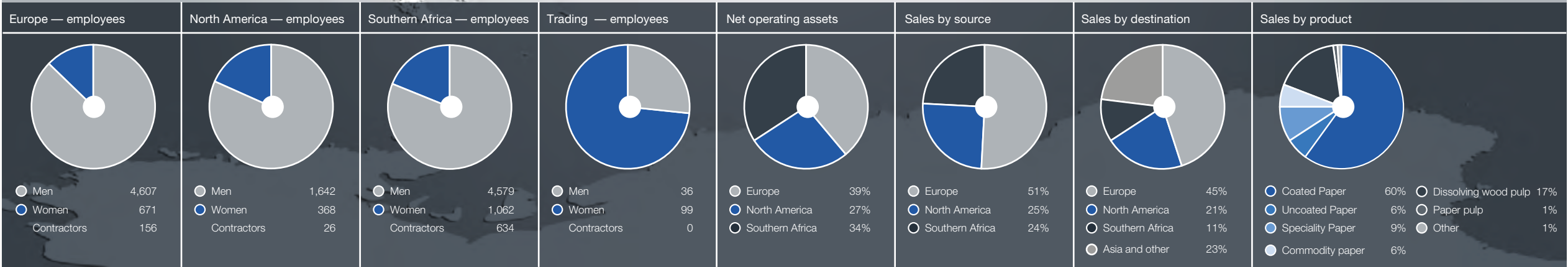
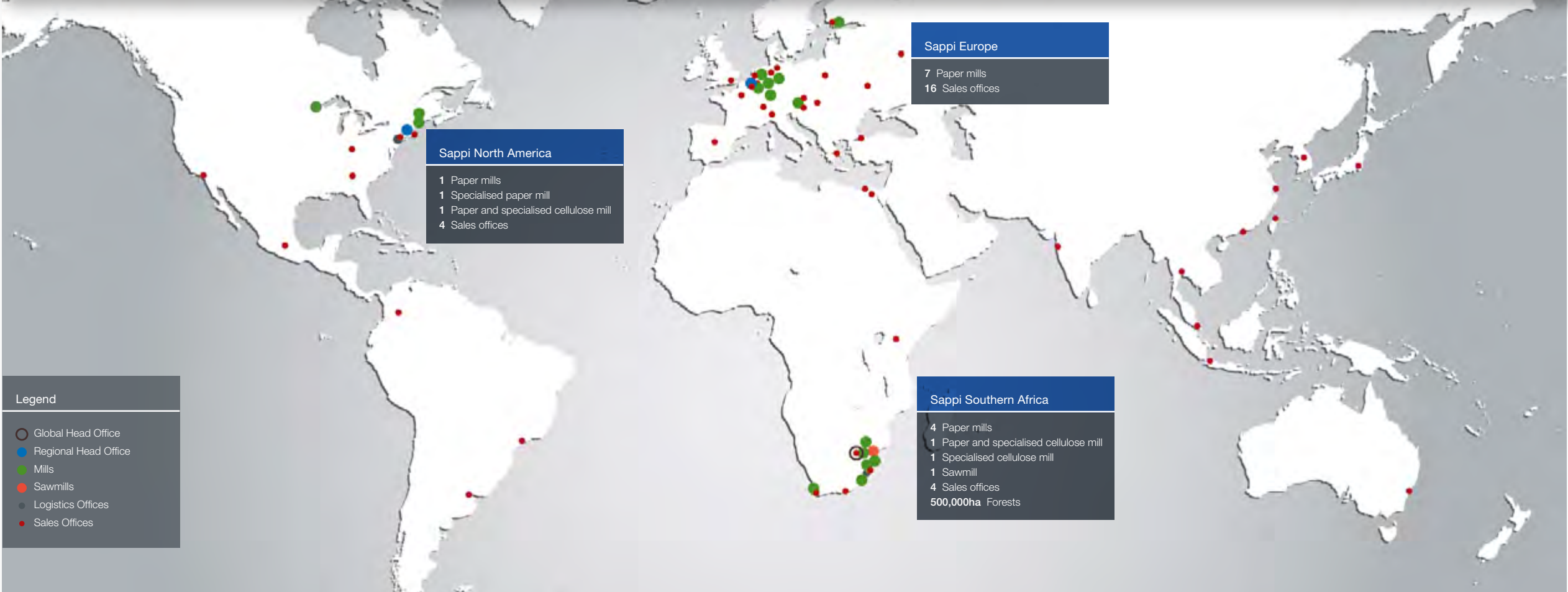
Europe	The annual <i>Coryphaena</i> award recognises truly exceptional achievements.
North America	The quarterly Risk Taking and Ingenuity awards
South Africa	Excellence in Achievement Awards.

Although English is the primary language used throughout the group, key communication materials are disseminated in the prevailing languages of each region.

Our people and business profile

Adding value

Developing our people and resources in a manner that adds value, ensures our sustainability, viability and prosperity.



Promoting diversity and inclusion

Global Compact Principle 6

The elimination of discrimination in respect of employment and occupation

In today’s global marketplace, we recognise that diversity facilitates interaction with different cultures, colleagues and customers. We believe that by creating an inclusive culture representative of a diverse array of people, thoughts and ideas we are able to deliver decisions and service to our customers based on a broad palette of considerations.

Diversity and inclusiveness is not just about fairness, morality and justice as being the right thing to do; nor is it just about legal compliance; diversity is about delivering value to our shareholders by achieving bottom-line results.

We are committed to valuing and promoting diversity and inclusion so that all employees can develop their full potential, irrespective of their gender, ethnicity, disability, age, religion, belief or sexual orientation.

We administer our People policies, programmes and practices in a non-discriminatory manner in all aspects of our relationship with our employees, including recruitment, hiring, assessments, work assignments, promotions, transfers, terminations, wage and salary administration and selection for training and development.

We continually challenge ourselves to enhance the connection between our commitment to diversity and inclusion and our performance in living up to this commitment.


Women in the workforce

The retention of women in the workplace and black professionals remains a challenge. A concerted effort is being made to fill positions at these levels where we are under-represented.

Broad-based Black Economic Empowerment

In South Africa, where employment equity falls under Broad-based Black Economic Empowerment (BBBEE) legislation, our employee diversity profile is monitored quarterly by the South African lead team and discussed monthly at every business unit’s Equity Forum.



We report in more detail on BBBEE in our regional Sappi Southern Africa Sustainable Development Report 2014. 

Ethnic diversity and minority groups

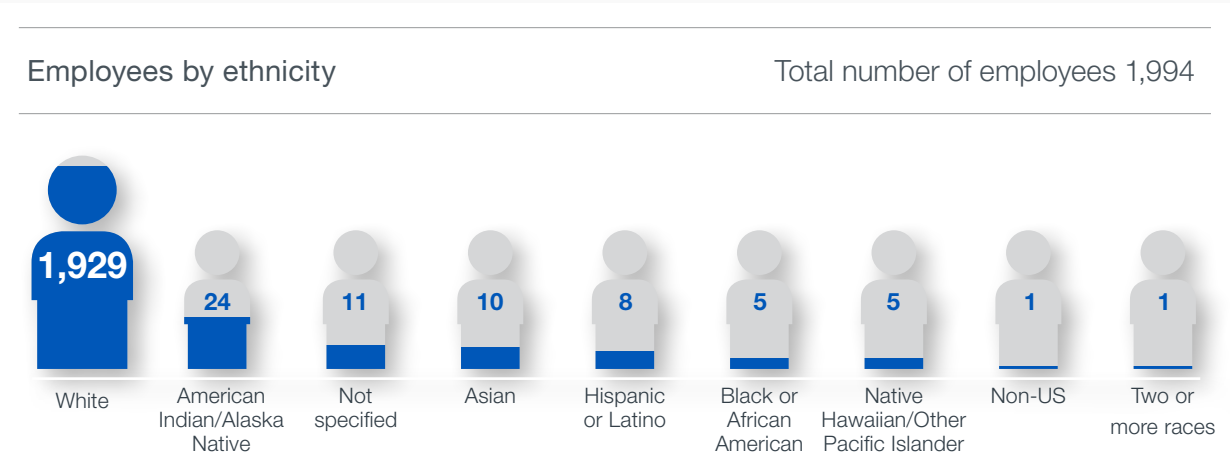
Recruiting for diversity

Apart from employment equity targets in South Africa, group targets for promoting equal opportunities are general rather than specific. However, managers are encouraged to consider a diverse slate of candidates for salaried management positions.

Europe and Sappi Trading

The definitions of ‘diversity’ differ in each country where we operate in Europe, as they do in the countries where Sappi Trading has a presence. Diversity indicators for these regions are therefore not included in this report.


North America



Promoting diversity and inclusion continued

...continued

Ethnic diversity and minority groups — Southern Africa

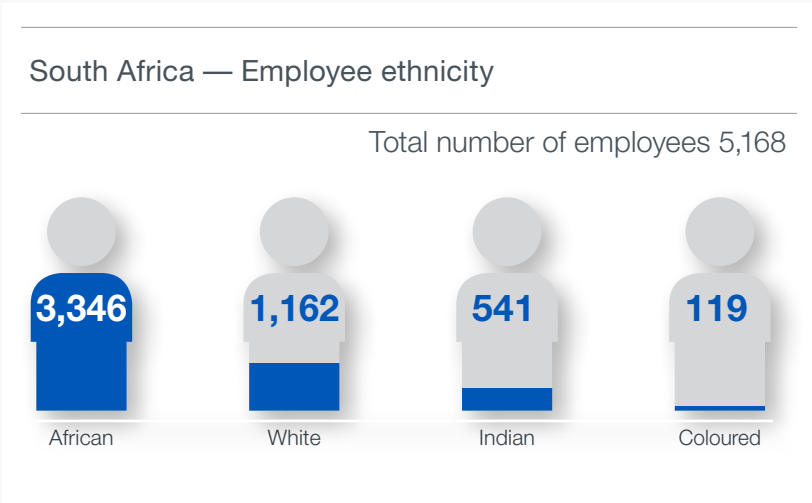
Human resources managers and hiring managers are required to recruit against the employment equity plan in place at their site. While appointing the best person for the job is emphasised, if skills and competencies are comparable, then previously disadvantaged employees are given preference. 

Mirroring the economically active population

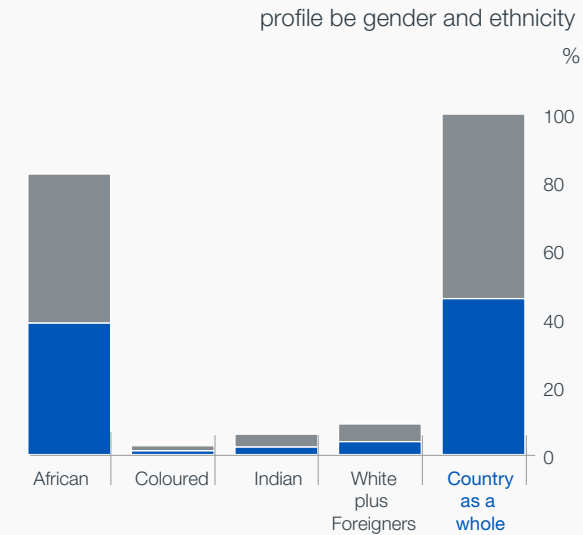
We are committed to transformation in our South African operations. We still have a long road ahead of us to mirror the Economically Active Population (EAP) demographics of South Africa, not only by ethnicity, but also by gender.

The Social, Ethics, Transformation and Sustainability (SETS) Committee provides guidance. Our Regional Transformation Steering Committee and regional and mill Employment Equity and Learning Forums focus on driving employment equity and skills development goals.

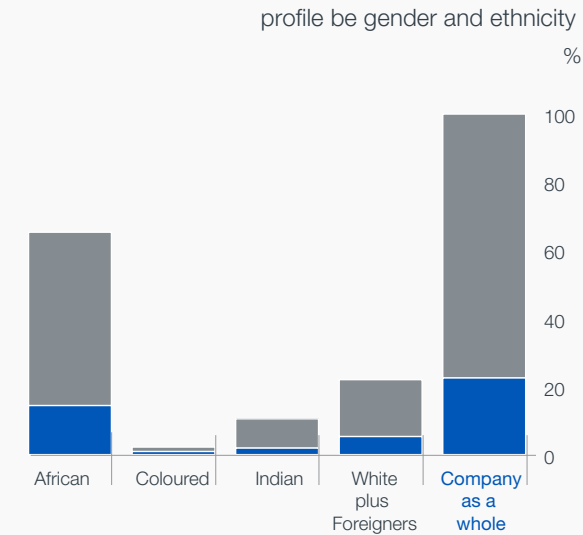
Further interventions will be introduced in 2015 aligned to management incentive bonuses to assist in improving employment equity.



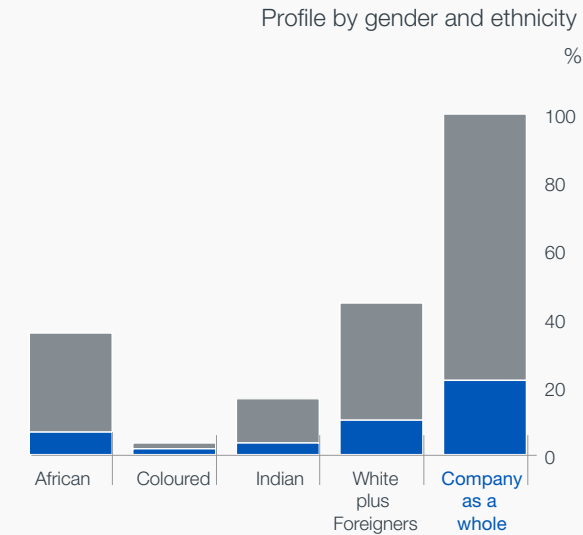
South Africa economically active population



Sappi Southern Africa — all employees



Sappi Southern Africa — management



Promoting diversity and inclusion continued

Managing unfairness and discrimination

Our Group Human Resources and Human Rights policies prohibit “discrimination based on race, gender, colour, ethnicity, age, religion, political and sexual orientation, union membership, physical disability or HIV/Aids status”. Where an unfair/discriminatory practice has occurred, employees can make use of the grievance procedure to lodge a grievance or report the incident on a hotline telephone number. Our values of Respect and Integrity and our Code of Ethics reinforce the behaviours expected of our employees and management ensuring that employees are treated fairly and with dignity.

Hiring veterans in North America

As a supporter of American manufacturing growth, we are a strong proponent of getting veterans back into work. Our mills in Maine and Minnesota, have observed the valuable skills veterans gain during service that transfer into a variety of roles in the forest products industry. We work with local veteran’s affairs offices and communicate in job postings that military experience qualifies as prior work experience for many of our open mill positions. While being a veteran does not automatically ensure employment, we consider military experience as a tie-breaker if two candidates are equally qualified for a job.

Regulatory developments — gender equality

We are monitoring developments in both Europe and South Africa.

Europe

In November 2013, the European Parliament voted 459 to 148 (with 81 abstentions) to back the European Commission’s proposed law to improve gender balance on the boards of European companies. The legislation would require non-executive directors to be 40% women by 2020; up from 16.6% in 2013.

The new directive applies to listed companies:

- Which have their seat in the European Union
- Have more than 250 employees
- Have an annual worldwide turnover of more than US\$67.9 million.

When one-third of all directors on the board are women, regardless of whether they are executive or non-executive directors, the company is exempt from the requirement for 40% female non-executive directors.

To become law, the Commission’s proposal needs to be adopted jointly by the European Parliament and by the European Union Member States in the Council (which votes by qualified majority). The rule is currently pending joint adoption by European Union Member States and European Parliament.

In recent years in Europe, we have increased our focus on bringing people from different nationalities and backgrounds into management positions.

South Africa

In South Africa, the Women’s Empowerment and Gender Equality Bill has called for the progressive realisation of at least 50% representation of women in decision-making structures and aimed at improving access to education, training and skills development. Non-compliance carried heavy penalties.

The Bill was tabled in Parliament in March 2014, but was subsequently withdrawn on the grounds that it had been tabled without sufficient consultation and would be re-tabled to allow this to take place. The emphasis in the revised bill will be less on numerically equal representation between men and women and more on ensuring that there are effective mechanisms to achieve ‘proper and effective’ representation.

Striving towards gender equality

Women tend to be under-represented in our workforce due to the nature of our operations being a highly capital intensive manufacturing environment which involves shift work.

Line management are mandated to facilitate the employment of women by ensuring that women working on shifts are safe and ensuring that female bathroom facilities are available.

We are nevertheless making progress towards gender equality as reflected in our new hires; 36.6% of new hires are women. Women account for 16.8% of the workforce.



Women account for:

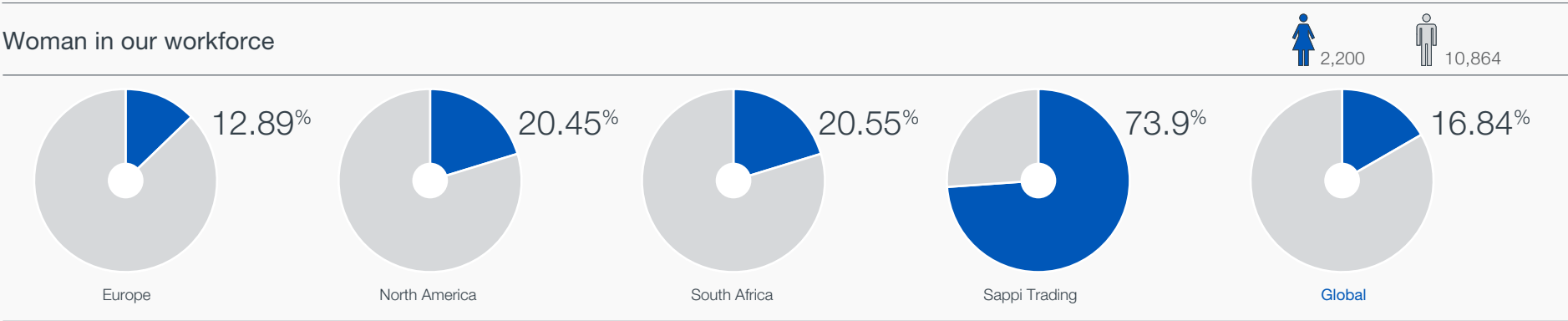
16.8%
of our global workforce.

14.3%
of the Sappi Limited board

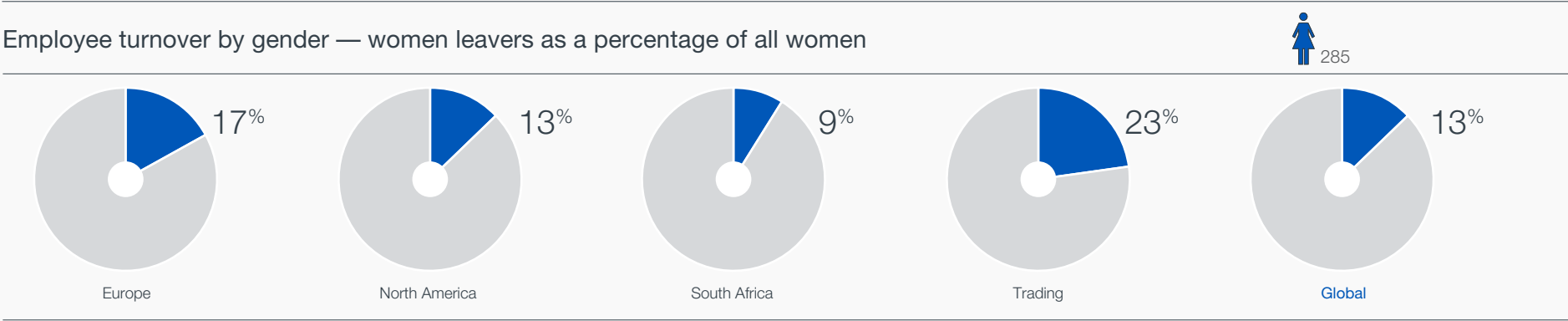
17.1%
of regional and corporate
lead team roles

36.6%
of new hires

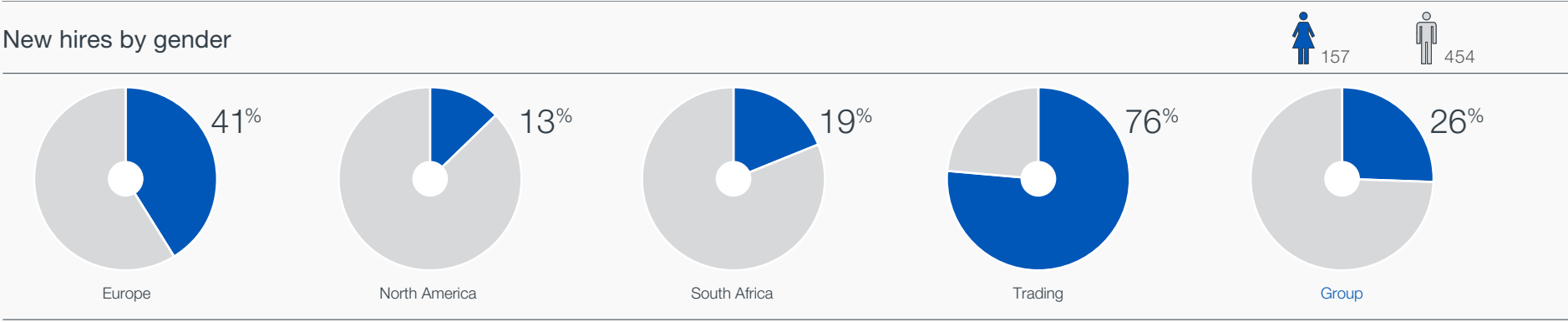
Woman in our workforce



Employee turnover by gender — women leavers as a percentage of all women



New hires by gender

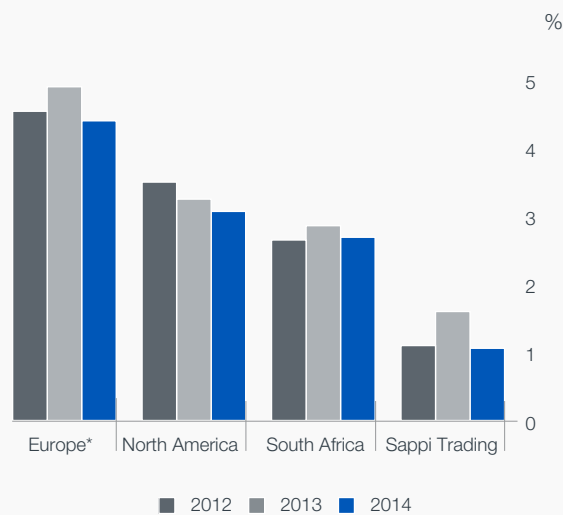


Absenteeism and employee turnover

Absenteeism

Workplace absenteeism is monitored on a daily basis as it impacts productivity and costs, as well as employee wellbeing and morale.

Absenteeism rates



* Includes SISA - a legal entity employing Group Treasury

Group

In general, the rate of absenteeism in the Sappi group is well controlled relative to other manufacturing environments.

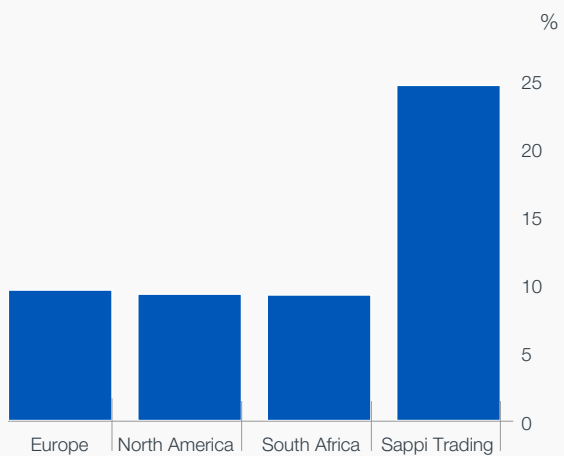
Europe

The higher level of absenteeism in Europe correlates with the higher lost-time injury frequency rate in our European operations, compared to North America and Southern Africa. [↗](#)

Employee turnover

We aim to manage turnover to around 10% to maintain continuity while bringing new people with new skills into the business to drive innovation and a fresh approach.

Employee turnover by region



Sappi Trading

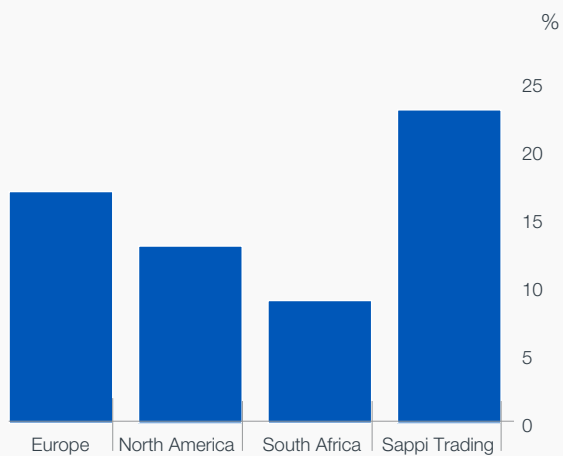
The high level of turnover in Sappi Trading in FY2014 was due mainly to employees being transferred to other regions; given the relatively small number of employees within Sappi Trading (135) when compared against the total number of employees in the group (13,068) this is not considered significant.

Employee turnover by gender

Monitoring turnover by gender is strategically important; it serves as a proxy for gender discrimination which could result in a disproportionately high level of women leavers.

Employee turnover by gender

Women leavers as a percentage of all women



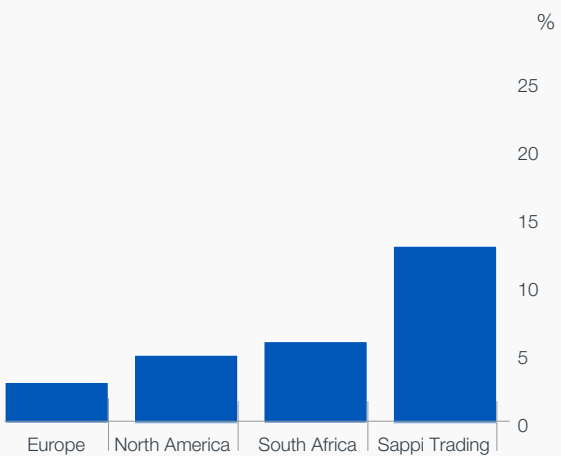
Turnover by gender is discussed in more detail under the heading **Striving towards gender equality** on page 50. [↗](#)

Turnover by age group

Monitoring turnover by age group is strategically important; it will indicate if younger people within the organisation are being given appropriate career opportunities.

New hires

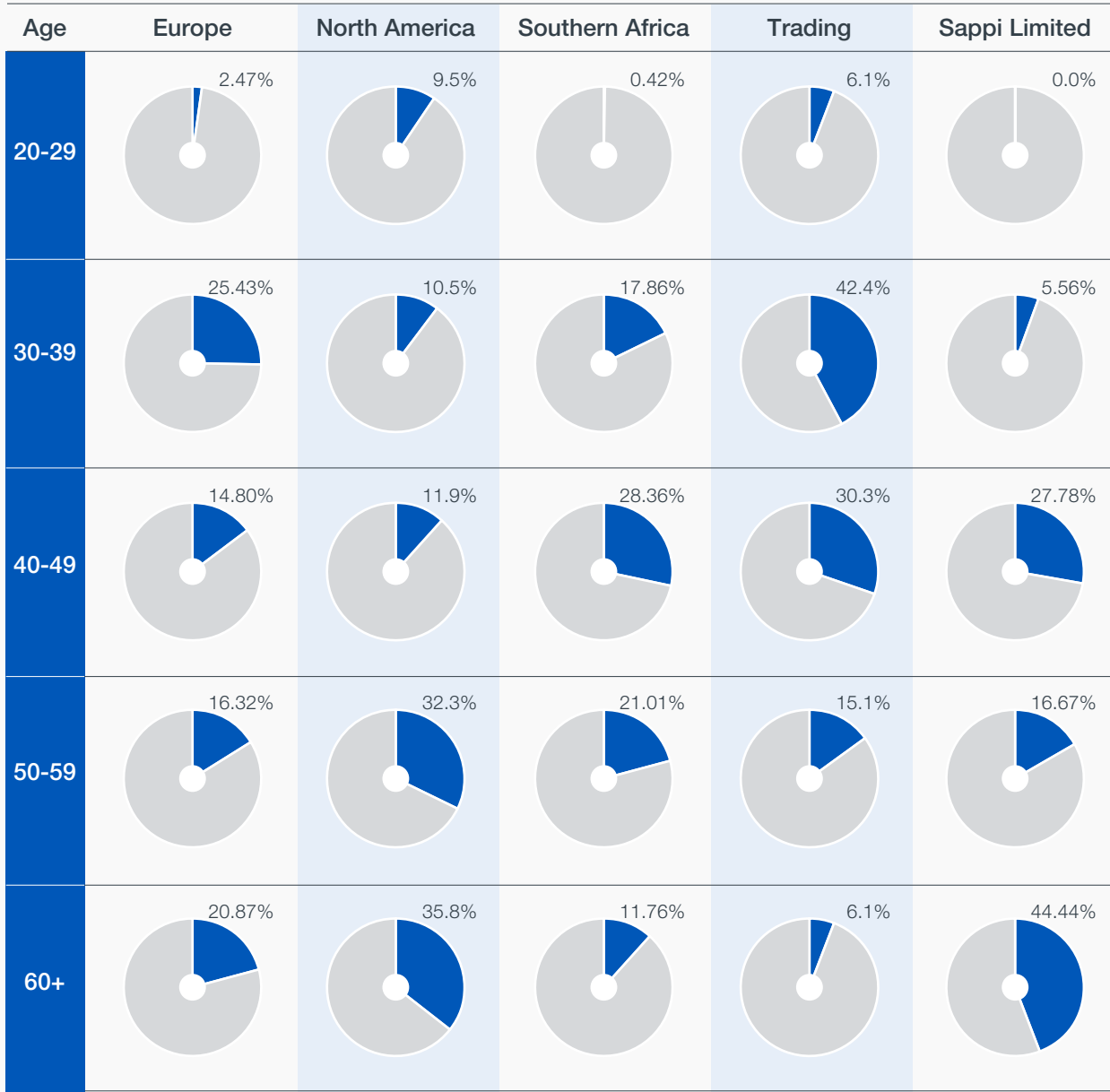
as a percentage of the workforce



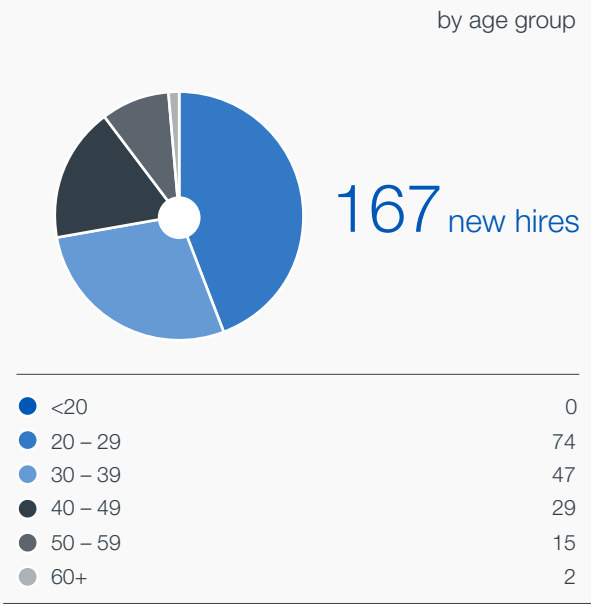
Turnover by age group is enumerated on page 52. [↗](#)

Absenteeism and employee turnover continued

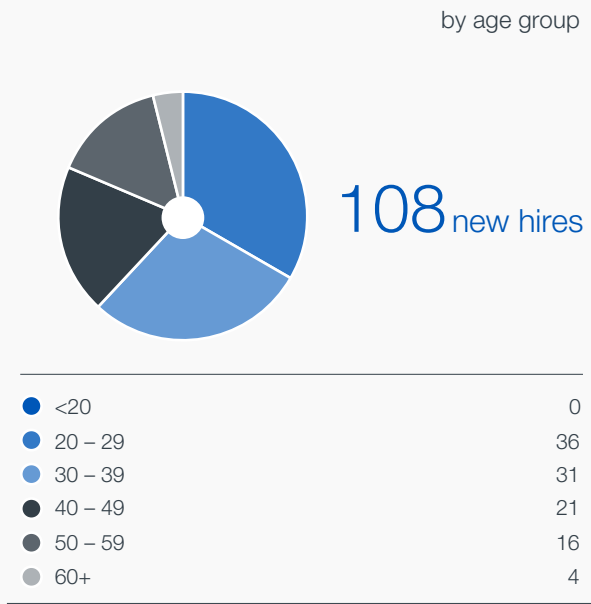
Turnover by age group



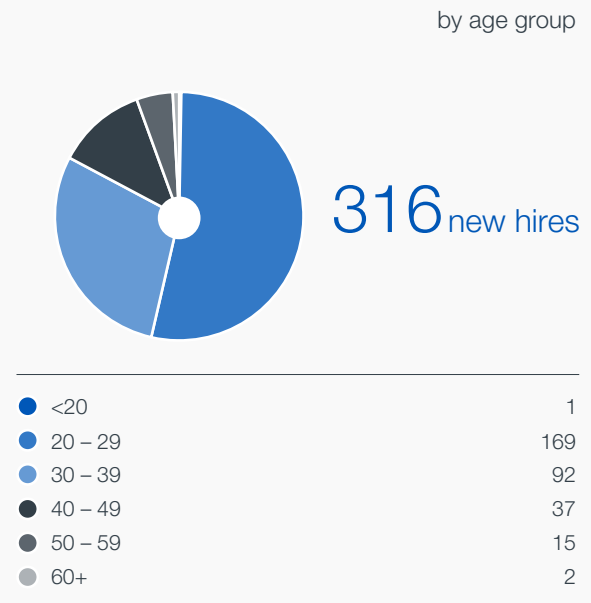
Europe — new hires



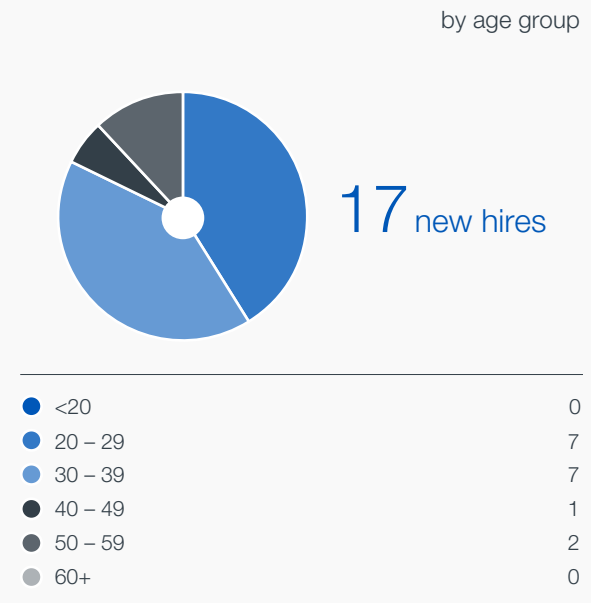
North America — new hires



Southern Africa — new hires



Trading — new hires



Measuring employee engagement

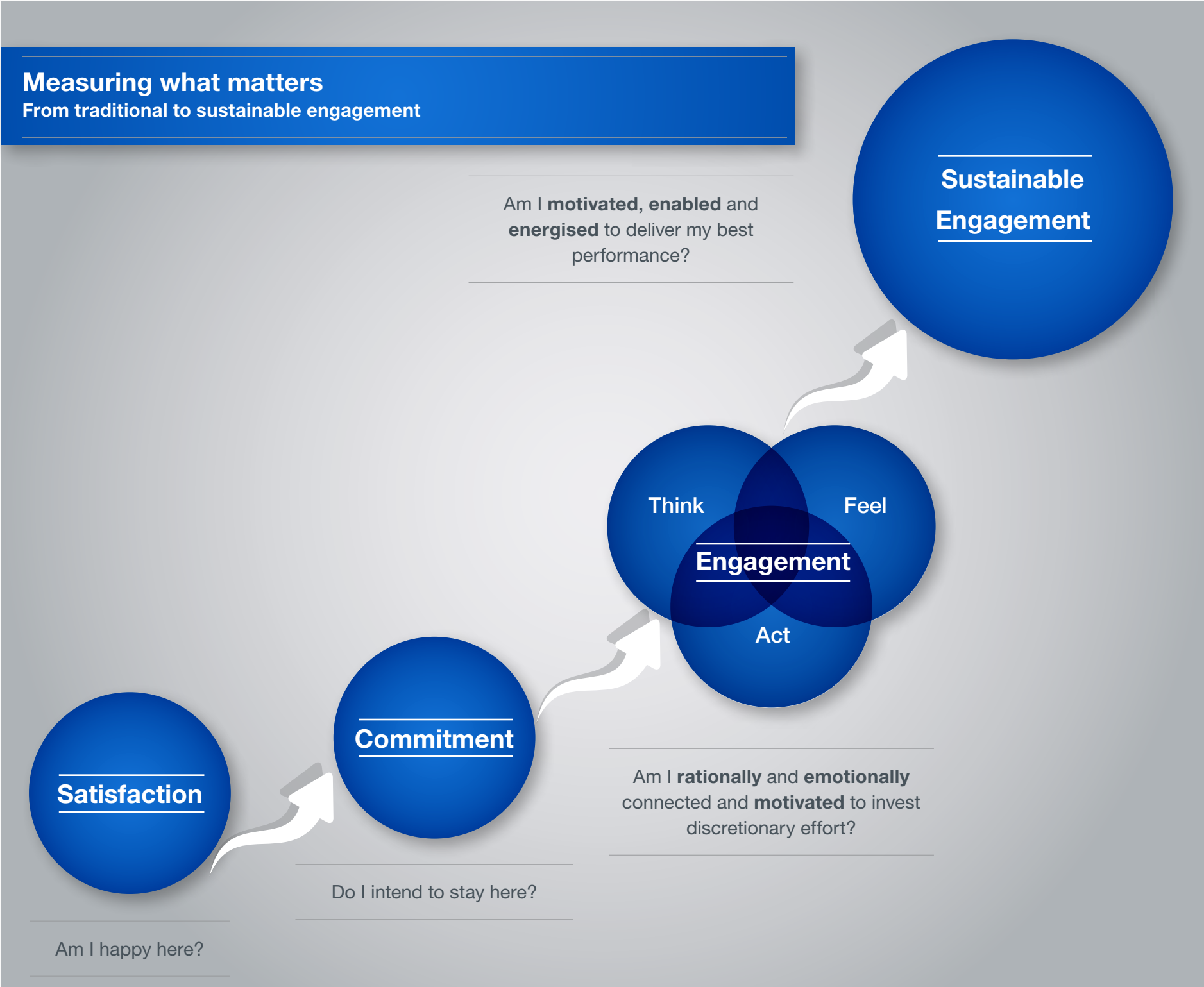
Employee engagement, as opposed to satisfaction, translates directly into discretionary effort — the willingness to contribute to business success; to do more than simply meet job requirements and customer needs.

Employee engagement surveys aim to measure the extent to which organisations are connecting business goals to the interests and passions of employees and which employee programmes create a sense of belonging and community.

Several research findings indicate a direct correlation between employee engagement and high organisational productivity and performance. For example: in a 2010 study quoted by PricewaterhouseCoopers, employees most committed to their organisations put in 57% more effort on the job and are 87% less likely to resign than employees who consider themselves disengaged.

Companies that engage and empower their workforce are better positioned to anticipate and adapt to changing market conditions.

There is a direct correlation between engagement and discretionary effort



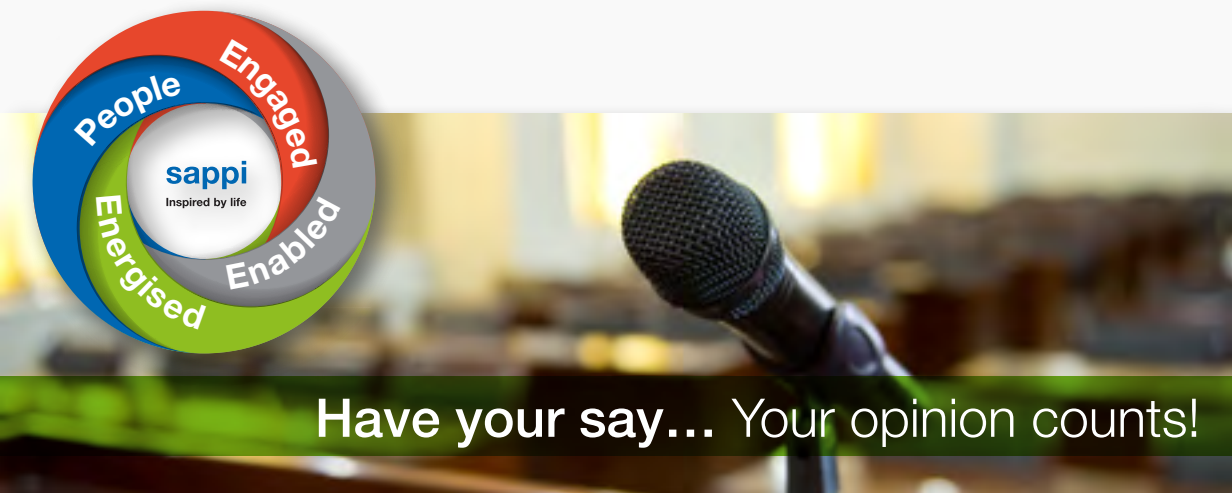
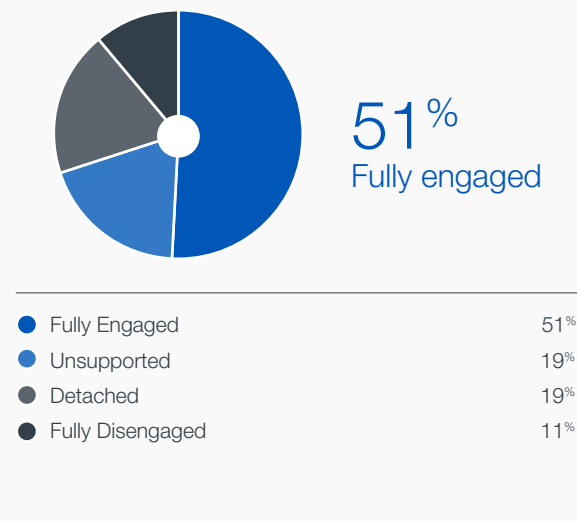
Employee engagement survey results

In September 2013, we conducted a groupwide employee engagement survey.

Employees were asked questions about:

- Development and Empowerment
- Ethics and Values
- Image and Customer Focus
- Leadership and Direction
- Operational Efficiency
- Safety and Wellbeing
- Supervision
- Sustainable Engagement
- Talent Management
- Recognition
- Teamwork and Communication.

2013 Sustainable engagement profile.



We conduct employee engagement surveys every two years in order to assess levels of engagement across Sappi.

The results in brief

In most categories, on average, employees responded favourably; the two lead categories in which employees responded favourably are:

- Sustainable Engagement: 65%
- Image and Customer Focus: 78%.

These were followed (in order of degree of engagement) by:

- Development and Empowerment
- Leadership and Direction
- Ethics and Values
- Supervision, Teamwork and Communication
- Safety and Wellbeing
- Talent Management & Recognition
- Operational Efficiency.

Despite Operational Efficiency (based on perception) being the lowest-scoring category overall, this category is nevertheless significantly above the industry benchmark.

Communicating the results

A series of meetings and focus groups have been held at all levels across all business units and functions to communicate the results of the survey.

The results were also published in our global and regional in-house publications.

Taking action

Based on regional performance, specific action plans have been put in place. We will report on these going forward.

Top scorers

Company Image
Sustainable Engagement

7 in 10 categories scored

65%

or more

Engaging constructively with trade unions

We endorse the principles entrenched in the:

- United Nations Global Compact
- Universal Declaration of Human Rights
- International Labour Organisation (ILO).

We also conform to, and in many cases exceed, the labour legislation requirements in the areas in which we operate. We promote freedom of association and sound labour practices by engaging extensively with representative trade unions. Protecting the right to freedom of association and collective bargaining is fundamental to the manner in which we do business.

We focus on maintaining constructive relationships with trade unions, believing that this is essential to long-term sustainable development. Discussions range from remuneration issues, to training and development and health and safety.

Overall, FY2014 was characterised by amicable, but tough negotiations and relatively good relationships with organised labour across the geographies.

Globally

64%

of our employees are union members

Because of the number of geographies in which we operate in Europe, we manage relationships with 13 different unions. Membership of the unions comprises both blue and white collar employees. Of all the regions in which we operate, Europe is the most unionised; approximately 77% of our employees are members of a bargaining unit; 92% of all employees fall within a bargaining unit.

Negotiations occur at the various country and industry-specific Collective Labour Associations, and the contract terms range from one to two years. Wage and salary negotiations across all of our different collective labour agreement units are ongoing and there have been no outliers in the agreements proposed. We expect to conclude these over the course of the 2015 financial year.

North America

We have 1,450 hourly employees represented by 11 collective bargaining agreements with several different unions. The majority of our employees, generally production unit employees, are represented by the United Steelworkers (USW). Employees are also represented by various craft, guard and railroad unions.

Labour agreements are usually for three years. New contracts were ratified with the USW at Somerset Mill and the Allentown Sheeting Facility. Negotiations with USW at Westbrook and Cloquet Mills are ongoing.

South Africa

The bargaining unit constitutes 3,304 employees representing 60% of the workforce. Union membership makes up only 53% of the entire workforce. The Chemical, Energy, Paper, Printing, Wood and Allied Workers Union (CEPPWAWU) is the majority union in this region.

Our wage negotiations with recognised trade unions take place at the Pulp and Paper and Sawmilling Chambers under the auspices of the Bargaining Council for the Wood and Paper Sector. Our agreements are generally annual.

The complexity of the work environment in this region is compounded by the number of labour legislative requirements. Against this backdrop, we have established a number of forums with our shop stewards and trade unions with a view to sharing information and discussing matters of mutual interest as well as working together on matters which pertain to Sappi specifically and not to the industry as a whole. These forums include:

- The **National Employment Equity and Skills Development Forum** meets quarterly and is attended by union officials from three unions, shop steward and management representatives. The primary focus of this forum is to agree on the employment equity plan and Workplace Skills Plan as submitted to the Department of Labour and to the Fibre Processing and Manufacturing Skills Education Training Authorities.

- **Shop Steward Forums** at each mill meet with management to discuss mill-specific work issues and conditions.
- The **Partnership Forum**, a joint union and Sappi senior management forum meets quarterly to share information on business performance, strategy direction, industry developments and union priorities.
- The **Pulp and Paper Chamber** is an industry body that deals with wage negotiations and other employment relations and conditions of employment issues affecting the industry. Currently the chamber has established a work group to investigate a collective bargaining framework in an attempt to enhance the collective bargaining process in our industry

We successfully concluded 2014/2015 wage negotiations in the pulp and paper sector. In the sawmilling sector, there was a five-day strike action before reaching agreement on the basic wage and shift allowance payable for night work. Encouragingly, our Lomati Sawmill did not participate in the strike.

Globally

74%

of our employees are covered by collective bargaining agreements

Engaging constructively with trade unions continued

Ensuring disciplined behaviour	Dealing transparently with operational changes	Career endings
<p>Disciplined behaviour is essential not only for individual wellbeing, but also to ensure our group goals and objectives.</p> <p>In each region, disciplinary codes ensure disciplinary procedures are followed, while grievance policies entrench the rights of employees, including:</p> <ul style="list-style-type: none">• The right to raise a grievance without fear of victimisation• The right to seek guidance and assistance from a member of the Human Resources department, or their representative, at any time• The right to appeal to a higher body, without prejudice. <p>We have identified no operations or significant suppliers where the right to exercise freedom of association and collective bargaining has been violated or is at significant risk.</p> <p>We have identified no operations and significant suppliers as having significant risk for incidents of child labour. Similarly, we have identified no operations and significant suppliers as having significant risk for incidents of forced or compulsory labour.</p>	<p>Operational changes are dealt with in accordance with the principles of transparency, inclusivity and fairness.</p> <p>Europe</p> <p>Across all the countries within Europe, the information about significant operational changes needs to be provided when planned changes are concrete enough to enable proper consultation with employees.</p> <p>North America</p> <p>Sixty days, per Federal Law. Operational changes are not specified in collective bargaining agreements.</p> <p>Southern Africa — including Sappi Limited</p> <p>The implementation of significant operational changes is governed by section 197 and section 189 of the Labour Relations Act, 66 of 1995. The Act does not prescribe a specific notice period in this regard. However, the standard practice is a minimum of 30 days’ notice, and a maximum of 60 days’ notice, for consultation in case of a large-scale restructuring process.</p> <p>The recognition agreement concluded with the majority union, CEPPWAWU, recognises the provision of the Act in this regard. Other notice periods are aligned with ministerial sectoral determinations.</p>	<p>Based on market practice, senior management usually have longer notice periods of between three and six months.</p> <p>Sappi Trading</p> <p>With the exception of Brazil, Austria and South Africa, most companies within Sappi Trading are not covered by collective agreements.</p> <p>Access to retirement planning services is provided on a regional basis and in some instances this is supported by financial wellbeing programmes.</p> <p>To the extent that there are employee lay-offs, we provide severance pay to all employees and, in some instances, outplacement assistance.</p>

Promoting training and development

We recognise that there is a direct link between our people and our sustained business performance. The development of our people is also viewed as a key retention lever.

Our focus on training and development, whether it is to learn new skills, improve performance or to prepare for a future career objective, is recognised as a strategic tool for Sappi’s continued growth, productivity and its ability to retain valuable employees. Consequently, we are committed to helping employees reach their full potential by developing their knowledge, skills and abilities and by providing opportunities to gain new experiences, adapt to change and meet groupwide business objectives

To determine the annual training and development agenda, we undertake a needs analysis, underpinned by the performance management process.

Performance reviews

Eligible employees receiving performance reviews	
Europe	85.8%
North America	80.8%
Southern Africa	72.0%
Sappi Trading	97.2%

Our approach to training and development is decentralised with each mill, function, business unit and region taking responsibility for training.

There are five-year training targets in each region.

Training targets are detailed on page 9. [🔗](#)

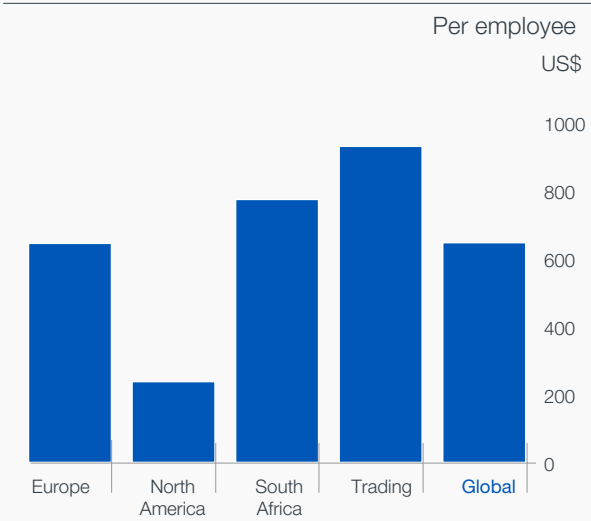
Across all our businesses we provide both on-site/internal training and external training to assist employees to do their current jobs better and to develop them to take on higher levels of work (development for promotions).

In addition, where appropriate, we offer assessments to employees to identify their work strengths; their motives and to help guide future career growth and aspirations.

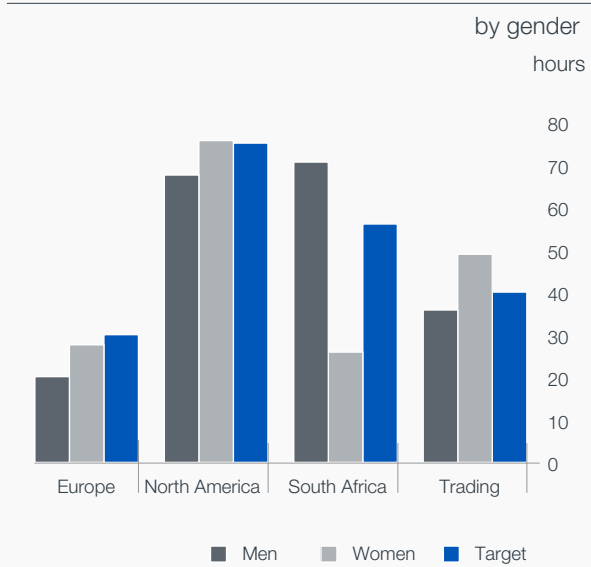
In 2014, we spent US\$8.6m on training and provided an average 59 hours of training per employee.

Going forward, training and skills development opportunities for all employees at all levels, together with performance management, remain key priorities.

Average training spend



Average training hours per employee




Promoting training and development continued

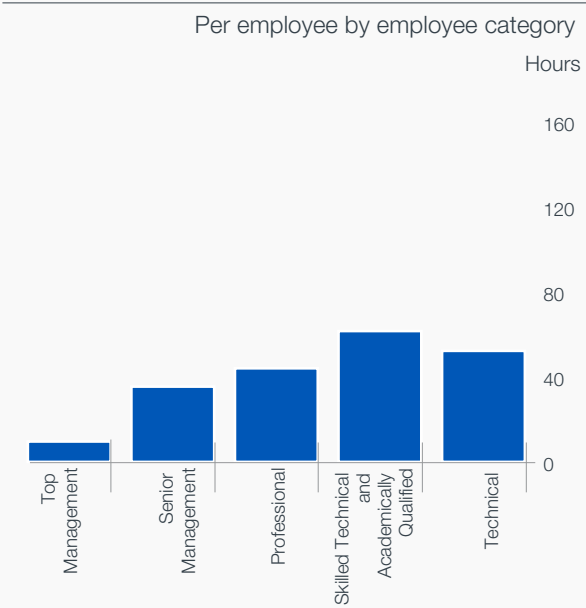
Europe

Disclosure per category is legally prohibited.

During the FY2014 year, the focus on training and development in Europe was based on the following:

- Change management and change capability, attended by approximately 250 line managers in Sappi
- Embedding the process of coaching for performance
- **Hoshin Kanri** introducing toolbox kits for use in ‘go-to-gemba’ meetings which focus on continuous improvements; problem solving tools and techniques to enhance decision making 
- **Plan, Do, Check, Act** (PDCA) — process as defined in Hoshin Kanri to further embed this in the organisation.

Average training hours – North America



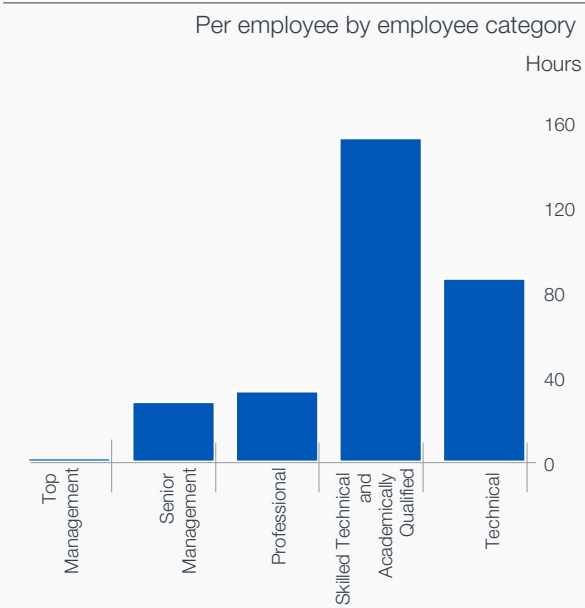
North America

The LEADS (Leadership Excellence and Development at Sappi) course continued during FY2014.

Sessions were held on sustainability and creating a restful work environment.

An additional module, EDGE — Excellence in Development and Growth through Engagement — was added to the programme. EDGE is targeted at the younger salaried workforce, 22-35 years of age (approximately 95 employees).

Average training hours – South Africa

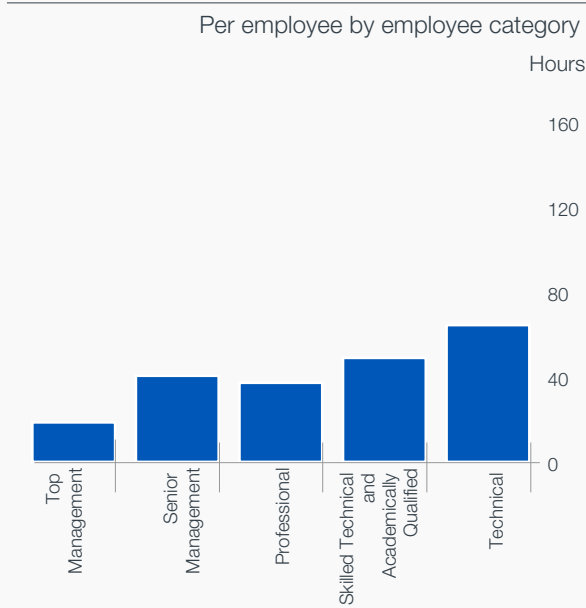


Southern Africa

The key focus areas throughout 2014 were on leadership and management development, and process operator training.

The use of training through the eLearning portal was promoted to release the pressure on classroom training. The sustainability programme was launched as an e-Learning module and 554 employees have completed the programme.

Average training hours – Trading



Trading

84% of identified training was completed during the course of the year.

A total of 192 eLearning courses were completed.

Two Sappi Trading employees were nominated to attend the Sappi Leadership Academy in South Africa which commenced during the first week of October 2014.

Promoting training and development continued

Training spend per category per employee — US\$

Training category	Europe	North America	Southern Africa	Trading	Total
Management and leadership development Comprises all training that is associated with management, supervisory and leadership development.	103	28	48	324	503
Knowledge and capacity building Comprises training that enhances individuals skills for current or future positions for a 'best practice' organisation.	298	207	134	483	1121
Skills programme and individual development Comprises formal programmes/self-study that have both practical and theoretical components that may lead to educational qualifications.	96	49	248	206	598
Sappi World of Work Comprises training that is mandatory for legal, safety, health, environment and quality compliance.	139	288	97	10	535
Total	635	572	528	1,023	2,757

Scholarships and bursary programmes

Employee assistance programmes

Tuition/study reimbursement

Southern Africa 450

Europe 82

North America 26

Apprenticeships

Learning programmes

Southern Africa 192

Europe 190

Graduates in training programmes

Management, manufacturing and sales

Southern Africa 34

Europe 4

North America 46

Southern Africa bursaries

Chemical Engineering 6

Electrical Engineering 7

Mechanical Engineering 7

Accounting 1

Forestry BSc 16

Total 37

Promoting training and development continued

Europe — Performance Engine

In 2013, we launched the Sappi Performance Engine to drive continuous improvement (CI). Accordingly, the region’s top 100 managers were trained in CI and Performance Engine Managers for each manufacturing site and/or central function were appointed and tasked with:

- Driving and steering effective implementation of more complex, multi-functional projects
- Challenging Mill and/or Central Function Management Teams in their accountability to drive and support CI implementation and improvement across all operations
- Driving mindset and methodology to support all CI activities
- Closely working together with CI and Organization Development resources to support effective execution of CI activities
- Seeking and sharing best practices within the Sappi community.

North America — Training for tomorrow

Investing in training and education prepares our employees for the challenges and opportunities we face today and tomorrow.

With more than half of our employees over the age of 50, our current workforce is highly skewed toward an older age demographic. This means we need to work harder than ever to attract college graduates and retain young professionals.

In 2013 we announced a new leadership development programme, EDGE — Enhancing Development and Growth through Engagement.

Participants are given the opportunity to enhance their self-awareness, acquire valuable coaching skills and learn best practices for project management with the help of our Lean Six Sigma team.

Through this programme, we have taken a proactive stance on bringing development opportunities to the newer members of our salaried team early on in their careers. Newer employees will also learn from a network of experienced mentors as they grow into their roles.

South Africa — Technology Centre helps to address graduate unemployment

On International Nelson Mandela Day, 18 July 2014, Sappi Southern Africa’s Technology Centre was honoured by the Department of Labour with an award for its efforts in providing work experience to unemployed graduates.

During the awards ceremony, the Deputy Director of Public Employment Services, Esther Tloane, on behalf of the Minister of Labour, recognised 67 private companies for their services to South Africa’s unemployed. The awards were made in recognition of the 67 years of Nelson Mandela’s public service.

Graduate internship programmes help open doors to graduates for future employment.

Having begun in 2013, internship programmes at the Sappi Technology Centre include:

BSTEP Programme

A collaborative effort by the Department of Science and Technology (DST) and Black Science, Technology and Engineering Professionals (BSTEP) to provide engineering students an opportunity for experiential in-industry learning. Our Technology Centre took on two students in this programme, both of whom had studied Chemical Engineering (Diploma) at the University of Johannesburg.

Technology Top 100

Technology Top 100 (TT100), another DST initiative, assists in addressing the engineering and science skills gap. Host companies develop expertise in the interns’: planning, management, business-acumen, etiquette, self-development and systems management skills. Our Technology Centre took on two TT100 graduates in 2013; one as a fixed-term contractor; the other permanently employed in our Paper Sciences department. Two more TT100 graduates were taken on in 2014.

TSP Internship Programme

The TSP Internship Programme, governed by the Project Funding Agreement between the DST and the Technology Innovation Agency. The Tshwane University of Technology has entered into an agreement with Sappi to place two students for experiential training to fulfil their training requirements.

Itukise Unemployed Graduates Programme

The Itukise Unemployed Graduates Programme launched by the Department of Trade and Industry, began in August 2014. Through this programme, government aims to place 1,200 unemployed graduates in private companies over the next two years. One graduate has been selected to work at the Technology Centre, and several more will be taken on at Sappi Enstra Mill in Springs.

Prioritising wellbeing, health and safety

Health and safety committees are in place at all our operations.

Through these committees, our people are consulted about the development/review of policies and procedures and changes that affect workplace safety or health.

Representation in each region is as follows:

Europe

Formal health and safety committees are in place at different levels of the business in line with statutory requirements, all Sappi Europe employees are represented by the safety committees.

North America

All unions have the opportunity to participate in joint management worker safety committees; 64.4% of the employee population is unionised.

Southern Africa — including Sappi Limited

Health and safety representatives are elected from non-supervisory staff. In line with legislation, there is one representative for every 50 workers.

Trading

We do not have formal joint management-worker health and safety committees due to the small size of the offices.

Employee wellbeing

Employee wellbeing impacts on productivity and morale. What's more, healthy employees are less likely to leave. A study by Towers Watson and the National Business Group on Health shows that organisations with highly effective wellness programs report significantly lower voluntary attrition than do those whose programs have low effectiveness (9% vs 15%).



Europe

Employee wellbeing programmes are decentralised. Each mill, together with the mill lead teams, decide on their priorities for the year.

Programmes vary across the mills and include preventative medical health care check-ups, flu vaccinations and immunisations, and support for employee sports and social activities, amongst other things

North America

We encourage all salaried and hourly employees (and their spouses) who participate in one of Sappi's medical plans to complete a Health Risk Assessment (HRA) questionnaire.

We continue to have wellness events, such as healthy cooking demonstrations and Wellness Webinars, at our sites.

Southern Africa

The complexity of the South African workforce and employment legislation has resulted in a more structured employee wellbeing function.

We categorise our health and wellbeing programmes based on occupational health; primary health care and employee wellbeing.

Southern Africa — Occupational health

Our practice is governed through standards and best operating practices aimed at preventing harm to employees at work. The major risks we are challenged with due to our work environment are noise, vapours, fumes and ergonomic risks.

Approximately 52% of our employees are exposed to noise levels above 82dB for more than 8 hours per day. We do repeated hearing loss measurements and to date have 0.8% cases of hearing deterioration. Corrective action has been put in place with the assistance of the risk department and line managers, to implement an effective hearing conservation programme, with the focus on reducing or eliminating noise levels in the work environment.

Southern Africa — Primary health care

In FY2014 we continued to focus on HIV/Aids and tuberculosis as primary health care issues.

At some of our mills we have partnered with the provincial health services to provide chronic medication and HIV/Aids retroviral drugs to the clinics at the mills.

Southern Africa — Employee wellbeing

Programmes focus on educating, empowering and providing employees with the skills to take ownership of their wellbeing.

These programmes include support:

- Against obesity
- Against substance abuse (alcohol and drugs)
- Basic counselling for referrals to external providers
- Financial wellness
- Trauma counselling
- Work stress issues
- Other health issues
- Relationship issues.

Our safety approach

Our priority is to entrench safety as a 24/7 mindset in our culture. We regard it our responsibility to ensure that our employees go home at the end of every day or shift. We achieve this by establishing standards and safeguards, training our People and our contractors and through our behaviour based safety programme.



Europe — Global Safety Awareness Day — competition.



North America — chain saw safety demonstration.



Southern Africa Technical Centre safety awareness campaign.

Zero Fatal Injuries

Increased focus on severity has been positive, with the Injury Index coming down

Ongoing emphasis on root causes, rather than blame

Reinforcement of a culture in which safety is a shared responsibility

We seek to create a culture where responsibility for safety and health is shared.

While management is accountable for safety and demonstrates leadership through personal example, all our People are expected to take responsibility for working safely by following policies and procedures and by identifying hazards.

A proactive, risk-based approach underpins our safety systems, with 'at risk behaviour' identified by means of our behaviour-based safety (BBS) system.

The Behaviour Based Safety system involves four key steps:

- Behavioural observation and feedback
- Formal review of observation data
- Setting Improvement goals
- Reinforcement.



Group safety performance

In 2014 there was a noticeable improvement in work-related incidents and near misses reported, investigated and analysed to prevent recurrence.

Our investigations continue to focus on root causes as opposed to finding blame.

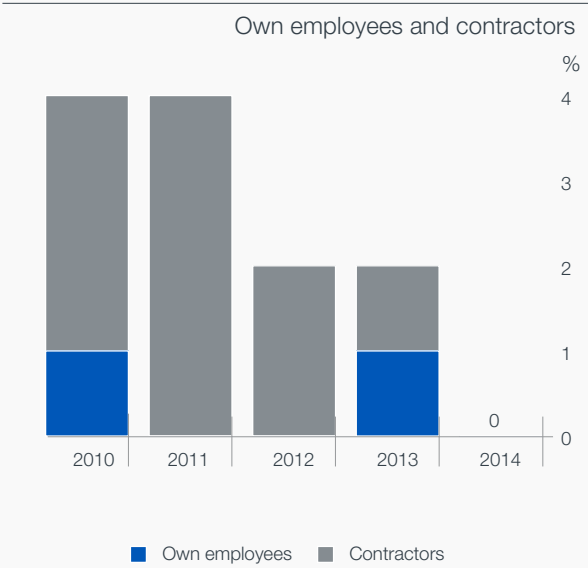
Practical support is supplied in the form of workshops, training sessions, a safety bulletin and monthly sharing of good practices and of learning from mistakes.

We are pleased to report that there were no employee or contractor fatal injuries during 2014.

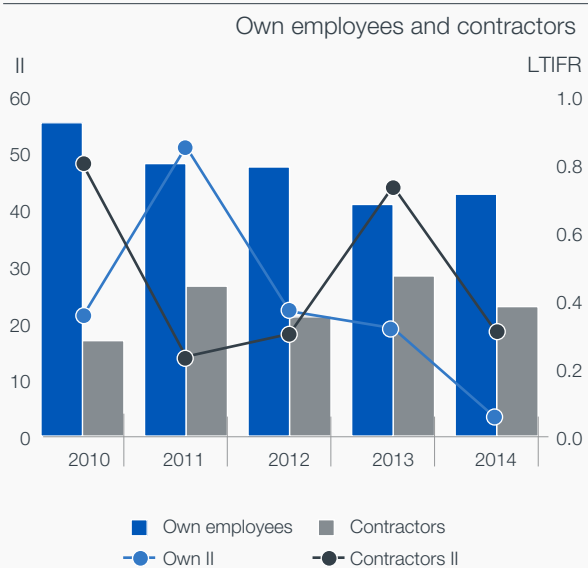
We had no fatalities this year; this represents a significant milestone in our drive towards zero injuries. Our drive to zero injuries is further supported by the fact that our injury severity rate as reflected by the Injury Index (II) has shown a positive decline which indicates that the strategy to focus on severity is paying dividends.



Fatalities



Lost time injury frequency rate



Walking the talk

Our annual global safety day helps to focus attention on safety by reinforcing sound safety behaviour. The theme of our ninth Global Safety Awareness Day 2014 Walk the talk, encouraged all staff members to do more than just talk about safety activities by acting in a way that shows they are conscious of safety at all times.

We chose this theme because it is inclusive and encourages each Sappi employee to take a leadership role in safety and not leave it to other People to work safely, in line with our strategy that safety is a shared responsibility.

Group safety performance continued

Our group safety approach

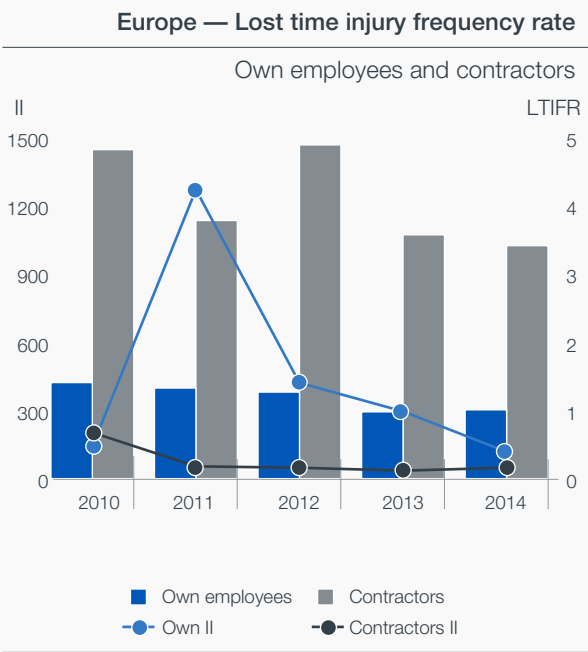
To improve safety performance, our focus has been on the implementation of the Global Safety Awareness Day (GSAD) theme **Walk the Talk**. This included continued efforts to raise awareness on safety and safety performance amongst all employees, with particular attention on leadership behaviour such as management setting the example and driving change top down.

Another key objective was to further improve and drive down the number of contractor incidents, whilst ensuring all incidents are recorded and corrective actions are taken.

Best practice for managing contractor safety has been agreed and implemented throughout the region.

Unfortunately during the latter half of the year, there were two serious own employee accidents. We have taken corrective action to ensure that updated standard operating procedures for modified equipment are adhered to. Our focus on compliance with existing operating procedures has increased.

Regional safety performance — Europe



Our key safety statistics

Although some mills like Maastricht and Nijmegen showed great progress throughout the year, the LTIFR for other mills stabilised or worsened.

In the latter half of FY2014, overall LTIFR dipped below 0.90 predicting a positive trend looking forward to FY2015.

Contractor lost time injuries decreased to 16 from 18 in FY2013; accordingly the contractor LTIFR declined slightly from 3.59 to 3.42

Looking forward

Implementation of the agreed safety strategy, based on leadership behaviour as driven by the Sappi Performance Engine and discipline on pre-work risk assessments, BBS audits and safety observations.

Intensifying cooperation and communication between the mills on safety performance and initiatives facilitated by the Sappi Europe safety platform.

Sustainable implementation and following-up of existing and new best practices on safety, as agreed by all mills.

Our safety approach

In the year under review we renewed our focus on risk assessments, hazard identification and pre-job safety reviews. We also continued investigating incidents for root causes, implement improvements and validate corrective actions to eliminate reoccurrence.

Our objective is to enable our employees to keep their “minds on task” employing relevant and interesting safety communications. This has enabled our high safety awareness levels and reduced the complacency factor. Communications include weekly news, video flashes, tool box talks, and websites to consistently generate and maintain discussion.

The OHSAS18001 Safety Management System continued to be the foundation and structure for all operations. A core element of the OHSAS18001 system is the hazard identification and risk assessment process which has provided a structure and tool to identify task specific hazards & risks, quantify the exposures and produce risk reduction activities. The incident investigation method has provided the root-cause analysis output that drives all prevention activities.

Group safety performance continued

Regional safety performance — North America

Our key safety statistics

LTIFR at 0.56 is below our target of 0.6.

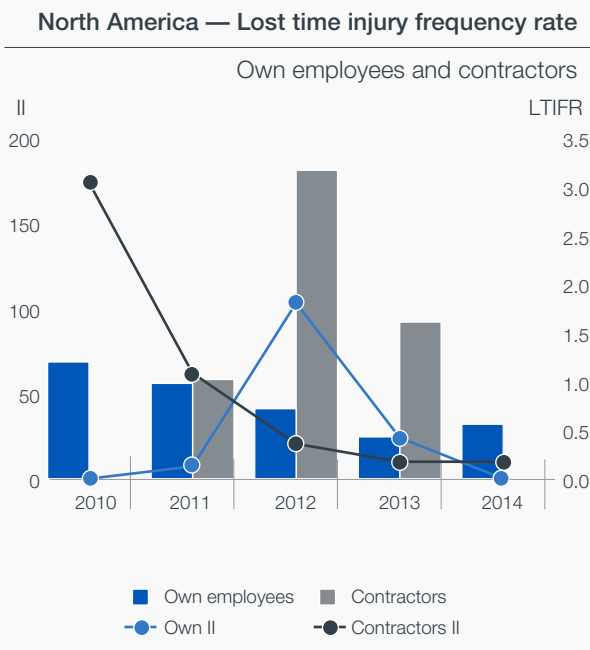
Fourteen lost time/restricted incidents occurred during FY2014 compared to 11 in FY2013. We continue to benchmark in the upper 20% when compared to the North America paper industry, according to statistics provided by AF&PA.

Our Overall Incidence Rate (OIR) of 1.75, is the second best performance in our history.

Forty four recordable incidents occurred, compared to only two in FY2013.

Zero lost time contractors incidents.

Lowest severity rate in the region's history. Lost and restricted workdays 25% lower than FY2013.



Looking forward

Implement the proximity detection of pedestrians within our warehouses to reduce the risk of collisions with clamp trucks.

Streamline the risk assessment process and target preventative actions to our higher risk tasks.

Prepare and train the next generation of front line supervisors and workers.

Our Safety approach

During 2014, the Behaviour Based Safety (BBS) revitalisation programme was completed in the region and the focus on the most severe or potentially most severe hazards was maintained.

The additional focus on severity had an impact on the Injury Index.

A specific area of focus was the prevention of crush injuries, where a body part is squeezed between two heavy objects. As part of the review, the standards, training and procedures at our mills were scrutinised to identify weaknesses and actions were initiated to prevent occurrence.

Group safety performance continued

Regional safety performance — South Africa

Our key safety statistics

Our key safety statistics for FY2014 are:

- LTIFR improved to 0.38 (FY2013: 0.43)
- AIFR:4.78 and LTISR:9.57; although the number of injuries was not well contained, the severity (II) was much less than FY2013's 54.93.
- Contractor safety continued to improve, LTIFR: 0.30 (FY2013: 0.37)
- Forty own employee LTIs occurred during the year; LTIFR own employees 0.58 (Target:0.60)
- All categories of people employed achieved the Injury Index (II) target of less than 10.

Looking forward

In addition to aiming for zero injuries, our safety targets for FY2015 are:

- LTIFR own employees: 0.55 or better
- LTIFR contractors: 0.27 or better
- II<8.0 for all categories of employees.

These targets will be achieved by:

- Addressing unsafe conditions by maintaining all safety systems in line with OSHAS 18 001 certification
- Continuing to engage the 'hearts and minds' of our employees and contractors through safety drives, including, mini safety conferences and coaching
- Maintain our BBS programme momentum.

We also plan to pilot a fatigue management programme at one of our mills and initiate a safety coaching programme as part of our 'Hearts and minds' drive.

Safety in Sappi Forests — South Africa

Globally, forestry is one of the most dangerous occupations according to the Food and Agriculture Organisation.

In South Africa, Sappi Forests' comprehensive Risk Management System (RMS) is designed to minimise the negative impacts and maximise the positive benefits of forestry.

All contractor and own operations safety aspects are monitored on a weekly basis. The RMS comprises:

- A Safety, Health, Environment and Quality (SHEQ) policy, committing the company to implementing sustainable (ecological, social and economic) forest management in a manner that ensures the health and safety of its employees
- A risks register containing risk exposures and detailed action plans for effectively managing each risk exposure
- Registers highlighting most environmental and health and safety statutes relevant to forestry operations in South Africa. These registers also link statutory requirements to the relevant RMS processes that need to be followed to ensure legal compliance by forestry operations
- A set of 'best practices' sets out detailed procedures which all forestry activities must follow to minimise SHEQ impacts

- A training programme to ensure all Sappi Forests staff and all contractors conducting forestry-related activities on Sappi land are fully trained in the SHEQ aspects of the RMS monitoring programmes and to measure the success of the system and ensure conformance to procedures
- A programme of ongoing review of the RMS to ensure that both it and our SHEQ performance, are continually improving.

The system is fully documented, integrates all management activities and is designed to improve performance over time. It is designed to conform to the international standards including ISO 9001, ISO 14001, FSC® and OHSAS 18001.

South Africa — Lost time injury frequency rate




Supporting communities


Our Corporate Social Responsibility (CSR) initiatives and programmes are in line with, and supportive of, the company’s business strategy and are developed with input from key stakeholder groups.

Our support is focused on the communities where we have an impact.

We have prioritised **education, environment, health, welfare** and **community engagement** projects. Our preference is for multi-year programmes that create sustained impact in our communities. The bulk of our CSR spend takes place in South Africa, given the development needs of the country.

At a community level, mills in each region support local projects including youth clubs, community centres, vulnerable groups, sports clubs, environmental education and paper donations.

Our management approach to societal support, together with case studies, are outlined in the discussion around communities in the **Key material** issues section of this report. 

Case studies related to the manner in which we promote awareness of, and an appreciation for the environment are detailed in the **Planet** section. 

“Thank you for making me what I am.” Eveishinie

“Thank you... for the endless possibilities...” Anon

“Thank you... for changing and shaping our futures.” Zinhle Mugadi

“...I wanted to become a cardiologist. At first it all seemed impossible...” Khululiswe Dlodla

With Sappi’s support, Protec offers disadvantaged students opportunities they would otherwise not have.

Supporting Protec — The Programme for Technological Careers



Protec, which has been operating since 1982, is a national independent non-profit educational service provider in South Africa that specialises in science, mathematics and technology education. Its main clients are provincial education departments, schools, educators and learners.

We became involved in 1995 and we have invested R26 million in the programme over the past 19 years. We currently support five branches close to our mills and forestry operations.

The branch programme offers advanced science, maths, technology, IT, World-of-Work and English education as well as career development support to Grade 10-12 learners from disadvantaged communities. The programmes are run in parallel to formal schooling and are delivered mainly through Saturday and vacation-school activities.

Across all the Sappi Protec branches, 213 learners wrote Grade 12 exams in 2013. All branches performed significantly better than the provincial pass rates, whether these were for the feeder schools from which the learners came or peer schools with similar circumstances to the feeder schools.

Despite these excellent results, many students’ plans to continue their studies are curtailed by a lack of funds. As of 2014, we introduced a financial award, available to those matriculants

who had achieved distinctions in Mathematics and Physical Science during the 2013 exams.

Learners from the branches were eligible to receive R10,000 per subject distinction achieved to be used for further tertiary studies of their choice at a DHET recognized university or university of technology. A total of 27 learners qualified for the awards; 14 of whom earned distinctions in both Maths and Science. We contributed R410,000 towards furthering their studies.

2013 results: Sappi-sponsored Protec branches			
Province	Protec Branch	Protec pass rate	Average feeder school pass rate
KwaZulu-Natal Average pass rate 33%	Umkomaas	83%	40%
	Stanger	78%	33%
	Pietermaritzburg	94%	10%
	Mandeni	66%	21%
Mpumalange Average pass rate 16%	Nelspruit	75%	35%

Supporting communities continued

Making ideas matter in North America

Since 1999, in terms of our Ideas that Matter programme, we have granted US\$12.5 million to designers (professionals and students) whose design ideas based on graphics paper in support of worthy causes that change our lives, our communities, and ultimately, our planet.

Over 500 causes have been supported since inception.

EducationSuperHighway

As digital content becomes an increasingly large part of education, 72% of government-funded schools, known as ‘K-12 schools’ cannot meet capacity demands, limiting opportunities for 40 million students nationwide.

Enter EducationSuperHighway, an organisation dedicated to ensuring that every K-12 public school in America has the internet infrastructure needed for digital learning. In 2013, Studio Usher was awarded an Ideas that Matter grant to help EducationSuperHighway garner support for modernisation from the White House, Congress, FCC commissioners and critically, sceptical educators.

Usher, quickly recognised the need for an integrated campaign across print and digital. “I don’t think there’s anybody in the world who exists solely on one platform. I’m designing to make impact and create change...I think they [work] really well in tandem.” she says.

Usher started by transforming a dense white paper into an oversize broadsheet with simple messaging and powerful photography that put a human face to the issue. An animated piece and microsite followed to reinforce and extend the message. But Usher believes it was the broadsheet, printed on 70lb/104gsm Gallery Art stock, that set the tone for the campaign.

Case study

“It prints really beautifully... and there’s something about having a print piece that you have to commit to it. And once you put it in print and it’s out there, it needs to be real... because [of that], there was this effort to make it perfect, which helped refine everything.”

When President Obama tweeted his support for the initiative, Usher knew they were on to something.

To date, the FCC has announced a US\$2 billion initial upgrade in funding and the Obama administration promised to connect 20 million kids to Gigabit broadband within two years. EducationSuperHighway has also secured US\$9 million from Mark Zuckerberg’s education foundation and The Bill & Melinda Gates Foundation. And Usher appreciates the critical role that Sappi played, allowing “us to transform what’s typically sort of dry dense and boring into something emotional and, hopefully, memorable.”

Case study

Living Lands & Waters

Sappi North America has supported Living Lands & Waters, a non-profit, environmental organisation focused on the protection, preservation and restoration of America’s major rivers and their watersheds, since 2007.

Projects include:

- Community River Clean-ups for which Sappi’s employees and customers volunteered
- Big River Educational Workshops
- River Bottom Forest Restoration
- Adopt-a-Mississippi Mile.

In 2010, Living Lands & Waters:

- Removed over 122 tons of garbage from America’s rivers with the help of nearly 4,000 volunteers
- Reached over 28,400 educators and students through workshops and in-school presentations
- Distributed and/or planted 111,500 native oak trees throughout seven states in the Midwest as part of their MillionTrees Project,

Living Lands & Waters’ work in cleaning up the USA’s rivers and their tree planting initiative, directly impacts two resources of great importance to Sappi and the paper industry.



Our key stakeholder relationships

Our key stakeholders are parties who can affect or be affected by our activities, objectives and policies.

We engage with those stakeholders who have the most material impact on our ability to implement our business strategy and achieve our goals, as well as those who are most affected by our activities.

Building relationships with our stakeholders in a spirit of trust and mutual respect help ensure alignment with our strategic goals, creates value and promotes our overall sustainability. Accordingly, we engage with a broad range of stakeholders through a variety of formal and informal channels.

Our ongoing engagements involve all our stakeholder groupings, including:

- Own employees and unions
- Communities and NGOs
- Customers
- Industry bodies
- Investors
- Suppliers and contractors
- Civil society and the media
- Government and regulatory authorities.

Our mills engage through collective public meetings with stakeholders. We conduct surveys of selected stakeholder groups such as employees, customers and investors and audits with suppliers.



Stakeholder engagement is an ongoing dynamic process that must respond to the changing nature of issues and of interested and affected parties.

Stakeholder engagement principles

Collectively, our stakeholder engagement activities:

- Help identify and address issues of mutual interest
- Enable stakeholders to entrust us with a licence to operate
- Enhance our organisational effectiveness.

We regard stakeholder engagement as an ongoing dynamic process able to respond to the changing nature of issues and of interested and affected parties.

Our main stakeholder groupings, per our stakeholder engagement policy, are reflected across the following pages, with examples of engagement undertaken during the reporting period to illustrate our approach.

Our approach to engagement with all stakeholder groupings is based on the principles of:

Materiality — identifying the material concerns of stakeholder groupings.

Relevance — focusing on those issues of material concern to our stakeholders and to Sappi and identifying how best to address them for our mutual benefit.

Completeness — understanding the views, needs, performance expectations and perceptions associated with these material issues and assessing them against prevailing local and global trends.

Responsiveness — engaging with stakeholders on these issues and giving regular, comprehensive, coherent feedback.



Group Stakeholder Engagement Policy

Our relationship with our employees

Management approach

Our focus is on building a skilled, engaged workforce where diversity is encouraged and valued, and people are provided with ongoing development opportunities so that they can fulfil their full potential.

In so doing, we enhance productivity and our ability to service global markets.

Areas of mutual interest

- Strategy, priorities and performance of the company
- Internal and external activities of the company, our staff and our communities
- Organisational developments, particularly in respect of restructuring
- Ongoing training and skills development
- Creation of a dynamic and encouraging environment through a focus on safety, health, wellness and recognition programmes
- Commitment to sustainability.

Ongoing avenues of engagement

Our group and regional Chief Executive Officers engage with staff through regular site visits, roadshows, presentations, discussions and letters.

Suggestion lines exist at some facilities and unions have formal channels through which they engage management.

We encourage engagement amongst managers and staff. Other avenues of engagement include:

- Global/regional/ local newsletters
- SappiNet, our global intranet
- Operating unit: meetings, briefings and workshops
- Global Employee Engagement Survey (alternate years)
- Wellbeing committees
- Mill health and safety committees.
- Southern Africa forums include: ◦ National Employment Equity and Learning Forum ◦ Shop Steward Forum ◦ Partnership Forum ◦ Transformation Steering Committee.

Awards

In addition to the global Technical Innovation Awards and the Chief Executive Officer’s Award for Excellence, regional recognition awards recognise employees’ contributions:

Europe	Annual <i>Coryphaena</i> Outstanding Achievement Award
North America	Quarterly Risk Taking and Ingenuity Awards
South Africa	Annual Excellence in Achievement (EAA) Awards

Training

Globally, we promote groupwide ongoing training and development initiatives and regional-specific training targets. We conduct targeted sustainability training and engagement programmes in each region.

Key issues and engagement in 2014 Reinforcement of a strong ethical culture

A refreshed Code of Ethics (the Code) was rolled out across the group.

Europe

The European team rolled-out the Code and group values using flyers, posters and through employee induction or welcome programmes. The re-launch was well received, generating robust discussions about the manner in which should conduct business. Staff reinforced the absolute necessity for management teams to act as role models.

The Sappi Performance Engine was rolled out via all internal communications and included numerous employee workshops, presentations and training.

North America

The Code was rolled out during the first half of FY2014. Due to region-specific regulatory requirements, which demand a greater level of

detail on certain compliance topics, we also rolled out an Addendum (the Addendum). In addition to reinforcing the Sappi Limited values, the Addendum highlights compliance requirements such as safety, environment, record-keeping, competition, corruption and fraud.

Salaried employees were asked to attest that they had received, agreed to read and be bound by both the Code and the Addendum and any policies referred to in these documents.

South Africa

The region initiated dialogue discussions and introduced an interactive ethics board game. The dialogue discussions included 15–20 minute sessions covering topics relating to our core values and sustainability facilitated through an interactive board game which triggers discussion relating to possible ethical questions in the workplace.

Thirty nine facilitators from the mills were trained in conducting discussions and facilitating the board game.

Sappi Trading

All staff members were given Code of Ethics brochures and Core value posters are displayed in all Sappi Trading offices. The Our Pledge poster was signed by staff in all regions to demonstrate commitment to the Code of Ethics.

Our relationship with our employees continued

Key issues and engagement in 2014 Remuneration and working hours

Overall, FY2014 was characterised by amicable, but tough negotiations and relatively good relationships with organised labour across the regions. [🔗](#)

Key issues and engagement in 2014 Personal and career development

In FY2014, training hours per employee across the group were as follows:

Europe	21.08 hours
North America	74 hours
South Africa	96 hours
Trading	45.5 hours
Group average	59 hours

Training and development is discussed in greater detail on page 57 in the People section of this report. [🔗](#)

Key issues and engagement in 2014 Employee engagement survey

Regional-specific issues raised through the 2013 employment engagement survey have led to action plans in each region.

Europe

Reduced activities that do not add value and focused resources on what adds the most value.

Increased use of Continuous Improvement problem solving tools and techniques to make decision-making processes more robust.

Further embedded PDCA thinking: Plan, Do, Check, Act.

North America

A regional team established in June 2014, developed a robust communication programme to be rolled out in FY2015.

An employee recognition team was established in May 2014 to focus on employee on-boarding, standardising service awards, and creating a culture of recognition.

We continue investigating various personal financial training options.

South Africa

Increased the momentum on delivering the Ethics Board game across all business units.

Integrated the recruitment and talent management process to recruit talented candidates and retain high calibre employees.

Improved communication across the region on all matters pertaining to employment at Sappi.

Sappi Trading

Drove Continuous Improvement in all areas of the business to enhance operational efficiency.

Further promoted safety, wellbeing and recognition.

Conducted presentations to share the Sappi strategy to enable employees to make contributions aligned with business objectives.

Our relationships with unions

Management approach

Given today’s extremely challenging global economic conditions and the socio-economic dynamics in the South African labour market, we prioritise our relationship with our employees and their representatives.

Protecting the right to freedom of association and collective bargaining are fundamental to the way we do business.

Globally, approximately 64% of our workforce is represented by unions; 74% are covered by collective bargaining agreements.

Ongoing areas of mutual interest

We meet with local union leadership for the purposes of discussing remuneration, working hours, and other conditions of service; and resolving grievances. We rely on local unions to support safety and wellness initiatives and various forms of community outreach.

Europe

Negotiations occur at the various country and industry-specific Collective Labour Associations, and the contract terms range from one to two years. The labour framework in Europe consists of Works Councils and collective labour agreements and differs from country to country.

European Works Council meetings take place twice a year; representatives meet with Sappi Europe’s leadership to share information and consult on topics of interest, including market developments, macro-economic effects, industry changes and organisational restructuring. Within the collective labour framework, we are represented by industry employer representatives.

North America

The majority of our hourly employees — generally production unit employees — are represented by the United Steelworkers (USW) union. Employees are also represented by various craft, guard and railroad unions. In this region, labour agreements are usually for three years.

South Africa

Our wage negotiations with recognised trade unions take place at the Pulp and Paper and Sawmilling Chambers under the auspices of the Bargaining Council for the South African Wood and Paper Sector. Agreements are generally annual.

We also engage on broader issues with the recognised trade unions at the National Employment Equity and Skills Development Forum, the Shop Steward Forum and the Partnership Forum.

Key issues and engagement in 2014 Remuneration and working hours

Overall, FY2014 was characterised by amicable, but tough negotiations and relatively good relationships with organised labour across the geographies.

Key issues and engagement in 2014 Strategy execution

Europe

Following a process of consultations regarding the future of Nijmegen Mill, Sappi Nijmegen BV, the central works council of Sappi Netherlands and the works council of Sappi Nijmegen entered into a consultation process which ultimately resulted in the mill not closing but ownership rather being transferred to the AIAC Group.

South Africa

Shortly after the reporting period, we participated in the National Labour Relations Indaba convened by the Deputy President which discussed priority issues including jobs and growth, social stability, a minimum wage and collective bargaining.

Our relationships with our communities

Management approach

Having a mutually respectful relationship with the communities in which our businesses are situated is critical to our success.

Our engagement ranges across the three pillars of sustainability, namely:

- Prosperity** Our contribution to each other.
- People** Our support for social cohesion and community needs.
- Planet** Working towards reducing our combined impact to secure the sustainability of the natural resources and ecosystems on which our businesses and our communities depend.

Corporate Social Responsibility

Social projects are reviewed on a case-by-case basis; we encourage projects which facilitate partnerships and collaboration amongst communities, government and the private sector.

Ongoing areas of mutual interest

Key issues discussed on a regular basis include: • water-use and quality • effluent quality • air emissions • employment • job creation • business opportunities • economic and social impacts/contributions • community support.

Mill communities and stakeholders




There are various formats of community engagement meetings held by our mills in the regions where they operate. These range from broad liaison forums for business, local government and communities to legally mandated environmental forums which form part of mill licensing conditions.

Forestry communities and stakeholders

In South Africa, we engage with local farmer and community forums regarding our forestry operations.

Support and sponsorship

We engage with local communities through support of and sponsorship for local events and initiatives and we encourage employees to participate in outreach and community projects.

- Details of other community support activities can be found in our regional sustainability reports:
- Europe 
 - North America 
 - Southern Africa 

Key issues and engagement in 2014

Of particular relevance to neighbouring communities during FY2014, were the investment projects at our Westbrook, Somerset, Kirkniemi, Gratkorn, Ngodwana and Saiccor Mills.

Their positive contribution during the construction phase, and thereafter, the ongoing benefits these investment projects bring to neighbouring communities were of particular interest.

Europe

All mills in Europe publish annual EMAS reports regarding environmental performance.


In Finland, we supported an initiative to promote the forest products industry to local school children.

Stockstadt Mill celebrated its 115th year in business with the local community.

Kirkniemi Mill initiated the ‘Safest workplace in Lohja’ challenge in 2014 which has already attracted and encouraged 20 companies with more than 7,000 employees to increase safety throughout their operations and within the community.

North America

Numerous community programmes are supported around our mills with an emphasis on youth education.

We also continue to invest in Ideas that Matter, a competition-based grant aimed at helping designers create and implement print projects for charitable causes. 

South Africa

A community engagement programme was launched to improve relations and better understand community development needs with selected forestry communities in the southern region of KwaZulu-Natal. This project will be discussed in further detail in next year’s Group Sustainability Report.

Our relationships with our customers

Management approach

We adopt a partnership approach; developing long-term relationships with global, regional and local customers.

We also accommodate more transactional customers.

We offer customers innovative products and high levels of service that enable them to meet the needs of a rapidly changing world. We also review our go-to-market strategy where relevant to ensure that we align our interests and the interests of our end-users.

Where relevant, we conduct research and develop products to suit customers' specific needs.

Areas of mutual interest:

- High service levels
- Information and campaigns to promote print as a communication medium
- Information and campaigns to promote paper and paper packaging
- Provision of technical information and support to our paper, packaging and dissolving wood pulp (DWP) customers
- Information about organisational developments, and the fibre sourcing and production processes behind our brands
- New products that meet rapidly changing market demand.

Ongoing areas of mutual interest

We follow an approach of regular engagement with customers by senior and executive management in support of the ongoing engagement by sales and marketing teams.

North America

We meet annually with the Sappi Merchant Association.

Global communications

Targeted communication campaigns help to promote the value of paper-based communication and support the efforts of marketers and communicators in their search for responsible choices. Examples include support for the **Two Sides** organisations in Europe, North America, South America, South Africa and Australia. **(W)**

In Europe we support the Print Power campaign. **(W)**



Climate and Paper



Direct Mail

Ongoing areas of mutual interest

Europe

Sappi Houston online knowledge platform **(S)**

North America

eQ Environmental Quotient **(S)**

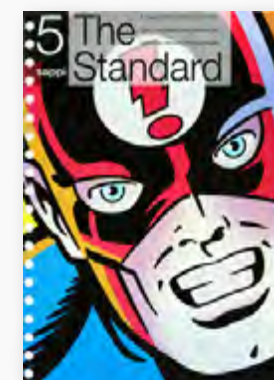
etc. Education, Training and Consulting **(S)**

Southern Africa

Our paper and paper pulp product offerings are supported by strong technical teams at each mill and the Technology Centre in Pretoria.



Varnish Techniques



The Standard

Ongoing areas of mutual interest

Technical support

Global

We host annual customer and investor visits to the mills. Technical brochures, examples of which are shown on this page, are available on our website. **(W)**

Europe and South Africa

We publish Paper Profiles and information sheets for our papers. These give details regarding: • The composition of our papers • Key environmental parameters related to our pulp and paper production processes • Information on environmental management systems and woodfibre sourcing policies.

North America

We use GreenBlue's Environmental Performance Assessment Tool (EPAT) which enables buyers to evaluate our performance on a mill-by-mill basis. **(W)**

Specialised Cellulose

Technical Centres of Excellence located at Saiccor and Cloquet Mills support our DWP customers.

Our relationships with our customers continued



We are managing declining graphics paper demand.



The market for our dissolving wood pulp will continue to grow.



We are expanding and upgrading our specialties portfolio.



Market demand for lightweight packaging is increasing.

Key issues and engagement in 2014

Markets and disclosure

Europe — changing market dynamics

In response to changing market dynamics in the coated graphic sheets business we repositioned our go-to-market strategy in some countries. **Sappi & You** moves our focus away from end-user sales via merchants, to direct end-user sales. Concomitantly, our ecommerce platform was upgraded to enable customers to order paper directly and track their orders and invoices online.

We joined forces with **Swiss Karton + Papier AG** (KAPAG) to extend the print and packaging supply chain in France for the Algro Design and Algro Duo product families. [W](#)

We chose the **Igepa group** to become a preferred stockist merchant partner for the Magno range of coated graphic papers in Germany. [W](#)

We will launch a new **Eco Effectiveness** campaign in 2015.

New products

We launched new products in each region as detailed on pages 15, 34 and 35, in the Key Material Issues and Prosperity sections of this report. [P](#) [P](#) [P](#)

Research and development

Research and developments benefiting customers are detailed on page 13 of this report. [P](#)

Dissolving wood pulp

We secured our market leader position by responding to customer requests for additional dissolving wood pulp through our conversion projects at the Ngodwana Mill (210,000tpa) and the Cloquet Mill (330,000tpa). [P](#)

Carbon Disclosure Project

We participated in the Carbon Disclosure Project (CDP) Supply Chain survey at the request of some of our customers. [P](#)

Forest Footprint Disclosure Project

We participated in the Forest Footprint Disclosure Project (FFDP) Supply Chain survey at the request of some of our customers. [P](#)

Our relationships with industry bodies

Management approach

We partner with industry and business bodies to provide input into issues and regulations that are relevant to, and affect our businesses and industries.

We also support and partner with industry initiatives aimed at promoting the use of our products.



South Africa — Sappi forests is on the forefront of tree breeding, a founding member of the Tree Protection Co-operative Programme and belongs to EUCAGEN, the *Eucalyptus* Genome Network.

Areas of mutual interest

- Issues that affect the sustainability of our industry include:
 - Woodfibre base
 - Carbon taxes
 - Energy
 - Emissions
- Energy issues in general and in particular government proposals on carbon taxation
- The impact of increased regulations on business
- The benefits of our industry and our economic contribution to society
- Social and environmental credentials of our products.

We are member of various industry and business associations in each region.

Ongoing areas of mutual interest

Two Sides

We support the Two Sides campaign in Europe, Australia, South Africa, South America and North America.

The Two Sides Initiative uses carefully researched facts to dispel common misperceptions and myths about paper's environmental impacts. It factually promotes print and paper as an attractive, practical, effective, and above all sustainable communications medium. **(W)**

Europe

- (W)** CEPI
(Confederation of European Paper Industries)
- (W)** Eurograph
(European Association of Graphic Paper Producers)
- (W)** The Alliance of Energy-Intensive industries

- (W)** The Two Team Project which focuses on breakthrough technology concepts in the industry that could enable a more competitive future
- (W)** European Joint Undertaking on Bio-based Industries

North America

- (W)** AF & PA
(American Forests and Paper Association)
- (W)** Sustainable Packaging Coalition
- (W)** Paper and Paper Packaging Board
- (W)** Agenda 2020
- (W)** Smartway
- (W)** TAPPI

Southern Africa

- (W)** PAMSA
(Paper Manufacturers' Association of South Africa)
- (W)** Manufacturing Circle

- (W)** Forestry South Africa

Sappi Forests

TPCP Sappi Forests is a founding member of the Tree Protection Co-operative Programme (TPCP) based in the Forestry and Bio-technical Institute (FABI) at the University of Pretoria. **(W)**


BiCEP Through the TPCP we are members of the internationally collaborative Biological Control of Eucalyptus Pests (BiCEP) programme at the Australian Centre for Industrial and Agricultural Research (ACIAR). **(W)**

EUCAGEN We belong to the Eucalyptus Genome Network (EUCAGEN) based at the University of Pretoria. **(W)**

Our relationships with industry bodies continued

Key issues and engagement in 2014 Carbon tax and regional specific issues

Carbon tax


Our engagement processes with respect to carbon-related taxes and energy issues in each region and the outcomes thereof in 2014 are discussed in detail on page 26, in the Key Material Issues section of this sustainability report. 

Europe

Issues being addressed through stakeholder bodies include:

- European-made products are often subjected to considerable compliance costs which imported products need not meet
- Phasing out provisions against carbon leakage and free allocation of carbon credits post 2021
- The removal of support for co-firing of wood in coal plants which only produce electricity.

We joined forces with industry partners to develop an emerging bio-economy sector.

The Confederation of European Paper Industries (CEPI) together with the other European Paper Industry associations started **Get Back on Track!** which we support. 



We are advantaged by the fact that our primary resource, woodfibre — derived from sustainably managed natural and plantation forests — is a sustainable, renewable resource.

North America

The United States Department of Agriculture established the Paper & Paper-based Packaging **Check-off Board** to shape a new promotional programme intended to maintain and expand markets for paper and paper-based packaging. We were appointed to the inaugural board.

The American Forests and Paper Association (AF&PA) has engaged the Environmental Protection Agency (EPA) on their drafting of an accounting framework for biogenic carbon dioxide (CO₂) emissions.


Subsequent to year-end, the EPA released the accounting framework and policy memorandum which now recognises the pulp and paper industry's sustainable use of manufacturing residuals as carbon neutral.

The Agenda 2020 Technology Alliance promotes the development of new technologies for the paper and forest products industry through

collaborative R&D programmes financed, in part, with public funds. The technology roadmap for this programme covers:

- Reducing energy consumption and carbon emissions
- Reducing mill water intake
- Assuring sustainably-grown wood supply
- Getting more value from woody biomass
- Enabling new products and product features
- Improving reuse of waste paper and wood products.

Since 2009, we have participated in the United States Environmental Protection Agency's (EPA) **SmartWay®** Transport Partnership aimed at helping businesses move goods in the cleanest, most efficient way possible.

We are a **TAPPI** 100 gold sponsor, celebrating a century of technical innovation. 



South Africa

We have engaged National Treasury through the Paper Manufacturers Association of South Africa (PAMSA), to motivate the incorporation of rebates for carbon sequestration in the development of carbon tax legislation.

Through our membership of the Manufacturing Circle, we supported the Buy Back South Africa campaign launched in November 2013 to promote support for locally manufactured products.

We supported the launch of the Two Sides organisation in South Africa in September 2014.

Sappi Trading

Sappi Trading supported the launch of the Two Sides organisation in Brazil during September 2014.

Our relationships with investors

Management approach

We aim to provide investors (shareholders and bondholders) and analysts with transparent, timely, relevant communication that facilitates informed decisions.

Ongoing areas of mutual interest


In addition to using various communications channels, we engage directly with investors.

Areas of mutual interest

- Information on the company strategy
- Return on investment
- Transparent information about risks and opportunities
- Sound governance.

Our Investor Relations (IR) team engages with shareholders and analysts on an ongoing basis. This team has direct access to the executive directors; issues raised by shareholders that would be relevant for the board are channelled through the IR team. Our Chairman also engages with shareholders on relevant issues.

We host ad hoc mill visits and road shows.

We issue announcements through the Stock Exchange News Services (SENS), in the press and on our website www.sappi.com. 



Our cost competitive advantage, quality and ability to service customers through our dissolving wood pulp Centre of Excellence, positions us as a supplier of choice in the viscose staple fibre market.


Key issues and engagement in 2014

Our significant capital investment projects and our actions to return the group to acceptable levels of profitability were the key issues of interest during FY2014.

We publish an Annual Integrated Report and four quarterly results reports and three regional annual Sustainability Reports. These reports, along with this Group Sustainability Report are also available on the company website. 

Shareholders can attend and participate in the Annual General Meeting (AGM) and any of the four quarterly financial results briefings.

Our Chief Financial Officer and Head of Treasury engage with bondholders, banks and rating agencies on an ongoing basis regarding the performance of the company.

We participate in the Carbon Disclosure and Forest Footprint Disclosure projects every year. 

The major conversion and expansion projects for DWP at our Cloquet and Ngodwana Mills and speciality paper at our Alfeld Mill

Progress with the restructuring of the company

Progress with actions to return the group to acceptable levels of profitability and turn around the paper businesses.

In 2014, we achieved a disclosure score of 91% in the Carbon Disclosure Project (CDP).

Our engagement with environment, sustainability and governance (ESG) managers from investor and analyst companies increased during the course of 2014.

South Africa

We concluded the sale of our Usutu Forest Products Company to Swaziland's Montigny Investments for US\$101 million.

We also announced our intention to conclude the sale, during 2015, of 30,000ha surplus to requirement softwood plantations in South Africa for US\$70 million.

We were again included as a member of the JSE SRI Index (Johannesburg Securities Exchange Socially Responsible Index).

Our relationships with suppliers and contractors

Management approach

We are committed to building long-term value through mutually respectful partnerships and relationships with our suppliers and encourage them to join our sustainability commitment.

We work with our contractors to ensure that they follow our safety systems and rules.

Areas of mutual interest

- Transparent information
- Forest certification
- Increased value and decreased costs.

Ongoing areas of mutual interest


Security of fibre supply, income generation and job creation

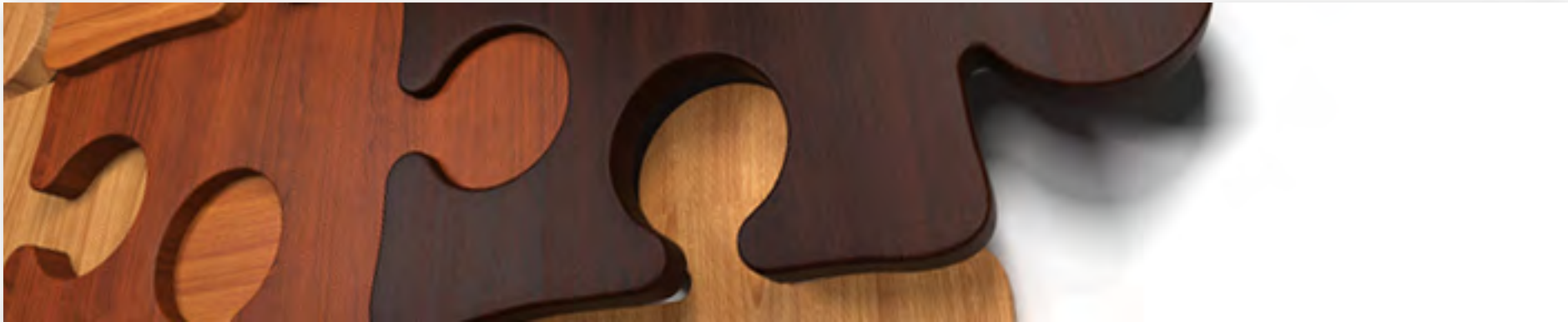
The procurement executives from each region coordinate at global level to improve relations with suppliers and provide benefits to all parties through better understanding of our requirements.

North America and South Africa

Our foresters work extensively with contractors and communities.

Europe

We established a joint sourcing partnership with Svenska Cellulosa Aktiebolaget (SCA) which assists in negotiating better terms with timber and other suppliers. 



We are committed to building long-term value through mutually respectful partnerships and relationships with our suppliers.

Key issues and engagement in 2014

South Africa
Development of entrepreneurial skills

Farmers participating in our small-grower initiative, Project Grow, supplied us with 11% of our hardwood fibre intake, valued at US\$15.9 million during FY2014. We have recently expanded this initiative to the Eastern Cape, where, we have assisted several communities in obtaining a collective 7,654ha of water-use licences (required for afforestation).  

We are developing a Business in a Box toolkit to assist our Project Grow participants with the effective management of their projects. The aim of the toolkit is to provide growers with all the necessary process flows, forms and templates to effectively manage their own forestry business.

We have signed supply agreements with 34 land reform/restitution community projects totalling 4,710 planted hectares and provide plantation management assistance to these communities.

In association with the South African Institute of Entrepreneurship (SAIE) we have developed three training modules to specifically assist larger community projects with the management of their plantations.

- Forest Biz gives growers an insight as to what can be expected in their own forestry businesses.
- Enterprise Development Training aimed at introducing growers to very simply accounting practices, financial planning and record keeping.
- Trust CPA Leadership and Management focuses on leadership development within community Trusts and Communal Property Associations and covers the different legal structures, roles and responsibilities of Communal Property Institutes.

Key issues and engagement in 2014

North America
Sustainable Forestry Programme

Our Sustainable Forestry Programme comprises a team of trained forest professionals, including licensed foresters, dedicated to assisting woodlot owners in the State of Maine develop, manage and harvest their woodlands. Services offered include:

- Help with timber harvests to meet landowner objectives and maximize returns
- Development of forest management plans
- Assistance with wildlife management and aesthetics.

Key issues and engagement in 2014

Alignment with Sappi's strong ethical culture

Contracts contain the requirement for vendors to adhere to the Sappi Code of Ethics and core values.

Our relationships with civil society and the media

Management approach

We maintain an open relationship with the media, believing that an informed media is better able to serve public reporting and debate on any issue.

We engage with civil society organisations on issues of mutual interest

We are members of key organisations relevant to our operations

Areas of mutual interest

- Business developments
- The future of our industry
- Our impacts on our communities
- Our work to protect the environment.

Ongoing areas of mutual interest

We participate in and support civil society organisations that cross our sphere of influence and interests.

We join key credible organisations as members.


We develop personal relationships and engage on an ongoing basis.

We provide support to and sponsorship for key organisations on issues of mutual interest.



An informed media is better able to serve public reporting and debate.

Key issues and engagement in 2014 Forest Stewardship Council®

We participated as a member in the General Assembly of the Forest Stewardship Council® (FSC®), held in September 2014. 

Key issues and engagement in 2014 Europe

All mills in Europe publish annual EMAS reports regarding environmental performance.

We maintain close engagement directly and through our industry body AF & AP with the FSC®, the Programme for the Endorsement of Forest Certification (PEFC™) and WWF International. We actively engage with these organizations through a variety of working groups and committee activities.

Key issues and engagement in 2014 North America

We maintain close engagement directly and through our industry body CEPI/AF & AP with the FSC® and WWF International.

We are a member of the economic chamber of both FSC® US and SFI®. As such we actively engage with these organisations through a variety of working groups and committee activities.

Key issues and engagement in 2014 South Africa

We are a member of the local WWF and FSC® organisations and provide support across a number of Birdlife South Africa projects.

Our relationships with government and regulatory authorities

Management approach

We engage with government departments and regulatory bodies to provide input into issues and regulations that affect our industry. We also engage with regional and local governments and local authorities to obtain support for our operations and show how our activities contribute to local economic and social development.

Areas of mutual interest

- Energy issues in general and in particular government moves on carbon taxation
- The impact of increased regulations on business
- The social and economic benefits of our industry nationally as well as at a local level.

Ongoing areas of mutual interest

Consultations take place on an ongoing basis with government departments and regulatory bodies in each region.

Key issues and engagement in 2014

Local competitiveness

Local competitiveness and issues impacted by governments and regulatory authorities are discussed in the enumeration of our relationships with industry bodies on page 76 of this report.



South Africa

We obtained anti-dumping duties on uncoated paper from the International Trade Administration Commission of South Africa against cheap imported uncoated paper products. This was done to protect local employment and all those businesses that are dependent on our paper mills.





Planet

In a world
where natural resources
are under increasing pressure,
we are achieving our goal of treading more
lightly on the Planet



Our planet commitments

Our **Planet** commitments shown here are embodied in our Sustainability Charter and Environmental Policy; both have been signed by our Chief Executive Officer.



Group Sustainability Charter



Group Environmental Policy



Reduce our business' energy intensity and the associated greenhouse gas emissions across the entire supply chain



Promote sustainable forest management through internationally accredited, independent, environmental, wood management and fibre certification systems



Support a precautionary approach to environmental challenges



Reduce solid waste per ton of product produced



Promote the **recovery and use of recycled fibre**



Undertake initiatives to promote greater environmental responsibility



Use less water per ton of product produced while improving effluent quality



Conform to **responsible environmental practice and legislation**



Encourage the development and diffusion of environmentally friendly technologies

Adding value to a renewable natural resource

One of the greatest benefits of our paper, paper packaging and specialised cellulose solutions is that the woodfibre they are derived from is a renewable natural resource.

Our papers are recyclable and compostable. These attributes, together with our emphasis on responsible forest management and robust environmental management systems that cover all our operations, allow us to achieve our goal of treading more lightly on the Planet.

We acknowledge that, in common with most human activities, our operations have some impact on the Planet.

We view conducting our business in an environmentally sustainable manner as an obligation — integral to our licence to operate at an individual, community, country and global level.

Given that we depend on natural resources such as water and woodfibre for our ongoing viability as a business, it also makes sound business sense to operate sustainably. It is in our own interest to use resources as responsibly as possible.


Procuring woodfibre responsibly


We do not procure woodfibre from endangered forests anywhere in the world.

We do not own plantations or forested land in North America or Europe but procure wood from certified and controlled sources. In Southern Africa, wood is sourced from our own plantations and other growers; we do not use indigenous wood in this region.

We mitigate the impact of our operations by:

Aligning with Best Available Technology (BAT)

Ongoing investment in research and development to develop solutions to environmental challenges 

Establishing Planet-related targets in each region 

Using dashboards in each mill to monitor performance such as energy-use and emissions


Ensuring that Environmental Impact Assessments (EIAs) are conducted before starting new projects, eg building a new road on one of our plantations


Conducting internal mill and plantation audits

Appointing a Technical Manager and/or Risk Manager and, at some mills, an Environmental Manager whose role it is to monitor legal compliance in terms of emissions, solid waste and effluent, and to reduce fossil fuel consumption.

Monitoring performance against targets on a quarterly basis

Establishing energy platforms in each region that share knowledge and best practice

Conducting external audits — as required by the internationally accepted, independently verified, forest certification systems we use — of our owned and leased plantations in South Africa and third party forests in North America and Europe from which we source fibre 

Working with landowners in North America and South Africa to enable conformance with forest certification systems 

Background: Bark of a *Eucalyptus* tree

Ensuring sustainable fibre supply

Ensuring a sustainable fibre supply is a key priority as woodfibre, together with energy and water, is our most important production process input. We continue to benefit from a high level of groupwide economic pulp integration, which reduces the impact of pulp price fluctuations on our consolidated group results.



Photo: Rod Macleod

Eucalyptus harvesting — South Africa

Woodfibre sources

Europe

We do not own plantations or land in this region; woodfibre is mainly sourced from sustainably managed natural forests in the areas where our mills are located.

Wood species used to produce pulp include: spruce (mechanical pulp and softwood chemical pulp) and beech (hardwood pulp). Lanaken Mill can also process significant volumes of poplar.

North America

As in Europe, we do not own plantation forests or land. Wood is sourced from landowners and commercial loggers in the temperate forests of Maine, New Hampshire, Michigan, Minnesota and Wisconsin and from the Canadian provinces of Brunswick, New Alberta, Ontario and Quebec.

Tree species used include maple, poplar, aspen, beech and birch (hardwoods) and spruce, pine and fir (softwoods).

Southern Africa

Our woodfibre is sourced from own, leased and managed plantations and from third party growers in the region.

Owning, managing and leasing 495,000ha of land give us a high degree of self-sufficiency in woodfibre.

We source woodfibre from softwood and hardwood plantation forests. The softwoods are all pines, including: *Pinus patula*, *P elliottii*, *P taeda* and some hybrids. The hardwoods are mostly eucalypts: *Eucalyptus grandis*, *E dunnii*, *E nitens*, *E smithii* and a range of hybrids; we use relatively small volumes of wattle, *Acacia mearnsii*.

We can supply approximately 78% of our own fibre requirements in South Africa.

Purchased pulp

Environmental and forestry related information, including wood sources, is obtained from every pulp supplier on a regular basis. This information is then evaluated by a team of experts.

Europe

Softwood and hardwood pulp are both sourced from market-pulp suppliers in Europe and South America. The purchased market-pulp hardwood:softwood ratio of has increased significantly in recent years.

The main purchased market-pulp hardwood fibre is eucalypt. Poplar, birch and mixed hardwood account for only a small portion of market-pulp hardwood. The market-pulp softwood fibre species are spruce and pine.

North America and South Africa

In both these regions we sell as much or a little more pulp than we need to buy, giving us a high degree of pulp self-sufficiency.

Uncertified fibre

Uncertified fibre (wood and pulp) is sourced from known and trusted suppliers close to each mill, regularly visited by our buyers.

FSC®-controlled wood and PEFC™ Due Diligence Systems (DDS) requirements are incorporated into our purchasing specifications and contracts which align with our ISO 14001 accredited purchasing policy.

North America

When a supplier provides non-certified but Controlled Wood, internal procedures are used to verify the status of the wood. This process is reviewed annually by third party auditors who provide the necessary verification.

Mitigating fibre supply risk



Cloquet Mill wood-yard siding

Europe and North America

In both northern hemisphere regions, we mitigate fibre supply risk through a combination of approaches which include both short- and long-term wood supply agreements and shareholdings in wood sourcing cooperatives.

South Africa

Fire risk

In this region, fire risks are mitigated through an integrated Fire Risk Management System comprising:

- A comprehensive risk assessment
- Monthly compliance checks for monitoring
- Management procedures, standards, and general back-up information.

We have also increased community participation in fire prevention activities.

Developing micro growers



Encouraging entry into the industry and helping to develop tree farmers consolidates the industry and aligns with the South African government’s focus on rural development. To that end, we recently expanded our small-grower initiative, Project Grow, beyond the borders of KwaZulu-Natal province to the Eastern Cape. In 2014, Project Grow farmers supplied us with 11% of our hardwood fibre intake, valued at US\$15.9 million.

We are working with communities in the Eastern Cape to obtain water-use licences for the establishment of new plantations. We assisted several communities in obtaining a collective 3,108ha of new licences during FY2014

To date, we have assisted several communities in obtaining a collective 7,654ha of water-use licences. We are also assisting recipients of water-use licences to secure government grant funding.

We are also active in land reform; assisting several land reform beneficiary communities with the management of their plantations. We have signed supply agreements with 34 land reform/restitution projects totalling planted 4,710 hectares.

We have compiled business plans for most of these projects on behalf of the communities and submitted the business plans to government, to secure Recapitalisation and Development Funding. We are also in the process of negotiating with suitable funding agencies, on their behalf, to secure funding at a reduced interest rate.

In association with the South African Institute of Entrepreneurship (SAIE), a number of projects have been developed to assist with the management of these projects.  



FAQ Project Grow

In FY2014
Project Grow farmers supplied 11%
of our hardwood fibre intake, valued at

US\$16million

Procuring woodfibre responsibly

As stakeholders in managed forests, we have a responsibility to ensure the sustainability of the world’s forest resources through our procurement practices. Our commitment to live up to this responsibility is enshrined in our Group Wood Procurement Policy.

Our Group Sustainability Charter reinforces our commitment to: Promote sustainable forestry through internationally accredited independent environmental management and forest certification systems.



Group Wood and Fibre Procurement Policy



Group Sustainability Charter

Forest products certification

We have achieved certification by the three most internationally recognised forest products certification programmes.

FSC® Forest Stewardship Council®

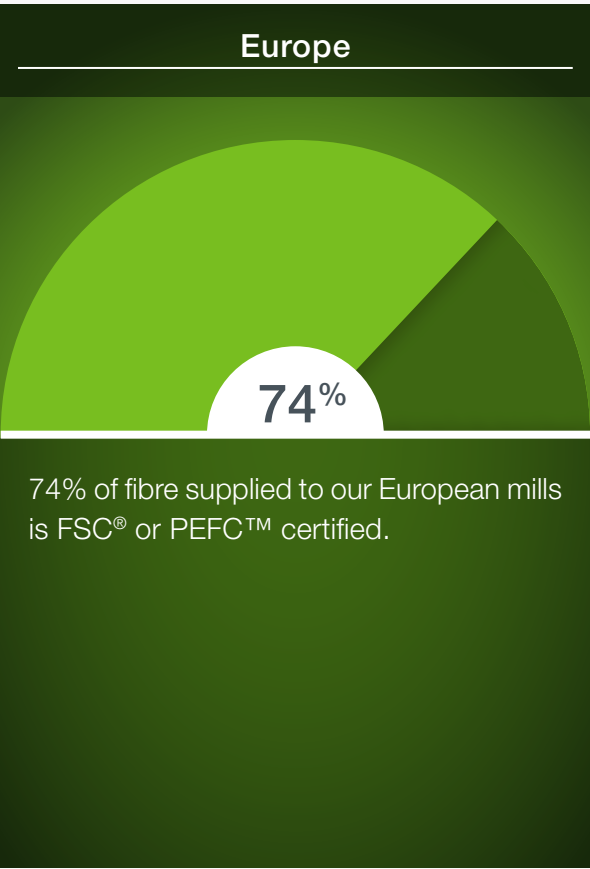
FSC® is a global, not-for-profit organisation dedicated to the worldwide promotion of responsible forest management. Membership include some of the world’s leading environmental NGOs, forest owners and managers and processing companies who collectively set Principles and Criteria, through consensus. The FSC® Principles and Criteria set the highest standards of forest management which are environmentally appropriate, socially beneficial and economically viable. (W)

SFI® Sustainable Forestry Initiative

The SFI® programme is a comprehensive system of objectives and performance measures that integrate sustained tree growing and harvesting and the protection of plants and animals. (W)

PEFC™ Programme for the Endorsement of Forest Certification

The world’s largest forest certification system, focused on promoting sustainable forest management, develops forest management certification standards and schemes using multi-stakeholder processes. The standards have been signed by 37 nations in Europe and other inter-governmental organisations around the world. (W)



Chain-of-Custody

Chain-of-Custody (CoC) tracks the origin of a raw material at each stage of the production process — from beginning to end.

For forest-based industries like ours, certifying the Chain-of-Custody means verifying that the wood used within each stage of the production process derives from a forest certified as being sustainably managed.

It is only valid if each link in the chain is checked. Once a link in the chain is broken, material loses its certified status.

To ensure an unbroken chain, each time the timber is processed, the processor must be certified to verify that they have a system of tracking the wood-based material through the process.

For the paper industry, the value of certification lies in being able to label the final product as coming from a sustainably managed forest, providing added value for the customer or retailer.

Chain-of-Custody (CoC) certification by independent third parties



Mill certifications and standards

Click to show CoC certificate numbers.

	Mill	Pulp	Capacity '000tpa	Paper types	Capacity '000tpa	FSC® CoC Certification	SFI® CoC	PEFC™ CoC	ISO 9001	ISO 14001	OHSAS 18001	EMAS	ISO 50001
Sappi Europe	Alfeld	Bleached chemical pulp	120	Speciality paper	270	✓		✓	✓	✓	✓	✓	✓
	Ehingen	Bleached chemical pulp	140	Coated woodfree paper	275	✓		✓	✓	✓	✓	✓	✓
	Gratkorn	Bleached chemical pulp	250	Coated woodfree paper	1,000	✓		✓	✓	✓	✓	✓	✓
	Kirkniemi	Bleached mechanical pulp	330	Coated mechanical paper	760	✓		✓	✓	✓	✓	✓	✓
	Lanaken	Bleached chemi-thermo mechanical pulp	170	Coated mechanical paper	510	✓	✓	✓	✓	✓	✓	✓	✓
	Maastricht	Non-integrated mill	—	Coated woodfree paper	280	✓	✓	✓	✓	✓	✓	✓	✓
	Nijmegen	Disposed of during FY2014	—	—	—				✓	✓	✓	✓	✓
	Stockstadt	Bleached chemical pulp	160	Coated woodfree paper Uncoated woodfree paper	445	✓		✓	✓	✓	✓	✓	✓
Sappi North America	Cloquet	Specialised cellulose pulp or Bleached chemical pulp	330	Coated woodfree paper	330	✓	✓	✓	✓	✓	✓		
	Somerset	Bleached chemical pulp	525	Coated woodfree paper	790	✓	✓	✓	✓	✓	✓		
	Westbrook	Non-integrated mill	—	Coated speciality paper	40				✓	✓	✓		
Sappi Southern Africa	Cape Kraft	Recovered fibre	—	Corrugated medium	60				✓	✓			
	Enstra	Non-integrated mill	—	Uncoated woodfree and business paper	200	✓			✓	✓			
	Ngodwana	Unbleached chemical pulp	200	Kraft linerboard Newsprint	230	✓			✓	✓			
		Mechanical pulp	110		140								
		Specialised cellulose pulp	210										
	Saiccor	Specialised Cellulose Pulp	800	—	—	✓			✓	✓			
	Stanger	Bagasse pulp	60	Coated woodfree paper Tissue paper	110	✓			✓	✓			
	Tugela	Recycled fibre Neutral sulfite semi-chemical pulp	100 130	Corrugated medium	210	✓			✓	✓			
	Lomati Sawmill					✓							

 Multi-site cross-border group CoC
  Certified
  Imminent

Promoting woodfibre certification

In addition to our internal woodfibre certification efforts, we promote certification amongst our suppliers and outside our own operations.

North America — small landowners

Our ongoing forest management services and supplier outreach programmes help to increase certified lands in areas that supply fibre to our mills.

We were the first pulp and paper company to be granted a group forest management certificate by the FSC®.

Small landowners who agree to become a member of our forest management group have their land certified in accordance to the FSC® standard under this certificate.

Our Sustainable Forestry Programme assists woodlot owners in the State of Maine to develop plans for managing and harvesting woodlands.

North America — expanding certified forests

We are a founding member of the Forest Products Working Group (FPWG).

The Group's inaugural project designed a set of guidelines to aid the responsible procurement, use and recovery, of paper products. Co-chaired by our Director of Sustainability, project work is underway to identify and address some of the barriers to expanding the growth of certified forests.



The bulk of the woodfibre we use comes from certified plantations or managed forests, the remainder is sourced from controlled or known sources.

The importance of forest management

Forest management can often accelerate the growth of timber, resulting in trees becoming available for harvesting at shorter intervals, ie allowing more frequent harvesting.

When forests are left unmanaged, crown canopies close in and the stands become denser, creating competition amongst the trees for resources like sunlight, water, and nutrients. Unmanaged forests can lead to greater risk of pest infestation and forest fire.

When previously unmanaged stands undergo forest management, room is created for the remaining trees to grow due to reduced competition for resources, resulting in the remaining trees increasing their girth until the crown canopy grows closed again.

South Africa — group schemes

We have established a group scheme for small and medium growers. There are currently more than 60 members in the scheme with plantations ranging from a few hundred hectares to well over 10,000ha in size.

South Africa — micro growers

FSC® certification is not yet available to micro growers; largely because of administrative and financial constraints. Under the auspices of Forestry South Africa, we are evaluating ways of overcoming these barriers; it may take another two years to be established. Presently, timber from micro growers is recognised as Controlled Wood and can thus be used to produce FSC®-certified products labelled as 'mixed sources'.

South Africa — paying a premium

To promote and incentivise certification throughout South Africa, we currently pay a premium for FSC®-certified timber.

Enhancing plantation sustainability

CAMCORE

We are a member of this international non-profit organisation dedicated to the conservation and utilisation of subtropical and tropical tree species. Several of CAMCORE's conservation parks are conserving species/populations (ex situ) that are threatened or severely endangered within their native habitats. (W)

EUCAGEN

We are also a member of EUCAGEN which aims to facilitate the development of genomic resources for *Eucalyptus* tree species.

The sequencing of the genome was completed at the end of 2009 and the first assembly (alignment of the genome) and annotation (attaching biological information to the sequences) of all the genes for the *Eucalyptus grandis* genome has been completed and released. (W)

Promoting transparency through communications and disclosure

We provide information on our environmental performance to a wide range of stakeholders.

Global disclosure

In addition to publishing this global and three regional sustainability reports, we also share information through regional and global forums by, for example, participating in both the Carbon Disclosure and Forest Footprint Disclosure Projects.

The Carbon Disclosure Project

The Carbon Disclosure (CDP) aims to drive sustainable economies by encouraging companies to measure their carbon emissions as a first step towards mitigating those emissions. The CDP’s reporter tools enable companies to benchmark themselves; go beyond reporting and explore ways of integrating carbon, energy and water management into their business strategies. The CDP also provides information to environmentally conscious investors.

Forest Footprint Disclosure Project

Managed by the CDP, the Forest Footprint Disclosure Project (FFDP), is a benchmarking tool that enables companies and investors to recognise the importance of forest ecosystems. The FFDP gives companies the opportunity to disclose their exposure to risks and their commitment to mitigate impacts their own and their supply networks’ activities may have on forest ecosystems.



Click on the above web-portal logos to learn more about how we share customer-focused technical and sustainability information.

Sharing information

We include information about the environmental aspects of our fibre sourcing and production processes in our customer-focused technical publications available from dedicated web portals such as Sappi Idea Exchange, Houston it’s Sappi, our Pro Bookshelf and Sappi etc.

The Sappi positivity website focuses on sustainability issues. [S](#)

We also publish an extensive series of sustainability focused, single-page information sheets, FastFacts, and more detailed Frequently Asked Questions. These are aimed at non-technical stakeholders.

Europe and South Africa

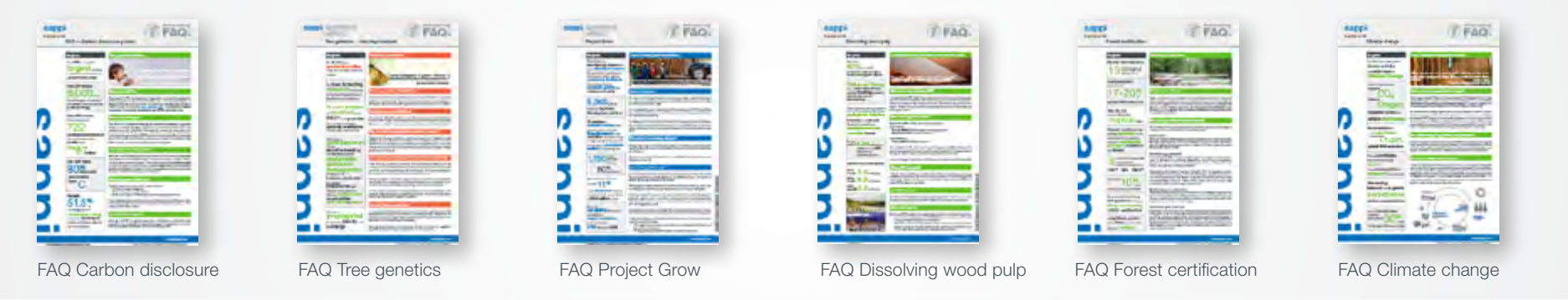
We publish Paper Profiles and information sheets for our papers. These give details regarding:

- The composition of our papers
- Key environmental parameters related to our pulp and paper production processes
- Environmental management systems
- Woodfibre sourcing policies.

North America

We use GreenBlue’s Environmental Performance Assessment Tool (EPAT) which enables buyers to evaluate our performance on a mill by mill basis. [W](#)

In addition, our web-based eQ tool provides users with the ability to generate a customised product statement that summarises the environmental benefits of choosing our papers for a print job. [S](#)



Examples of the extensive series of published FAQs aimed at non-technical stakeholders; click on a thumbnail to see more.

Energy — an opportunity and a risk

As a group, our strategy focusses on having a cleaner, stronger balance sheet.

Key to this strategy is the reduction of input costs, one of which is energy and which, together with woodfibre and chemicals, accounts for a significant proportion of costs.



Birch (hardwood) trees harvested from managed forests are used in North America for pulp production.



Opportunity and risk

Energy is both an opportunity and a risk: an opportunity in that it represents a significant avenue for cost saving. On the other hand, fossil fuel-related emissions represent a risk in the light of pending carbon taxes and emissions restrictions in the countries where we operate.

As far back as 2000, we instituted a formal process for measuring, monitoring, managing and mitigating energy-use and associated greenhouse gas emissions. An energy dashboard is used to manage energy performance at each mill.

Environmental and energy monitoring

Our internal Energy, Emissions, Effluent and Environment (E4) cluster, is tasked with environmental and energy monitoring.

On the premise of **measure, monitor, manage** and **mitigate**, the E4 cluster measures: greenhouse gas (GHG) emissions, energy-use and energy-cost, together with other key environmental parameters such as gaseous emissions, solid waste and, water-use. This enabled us to pre-empt current regulatory trends by many years.

The impetus for monitoring energy-use and environmental emissions came about in a era of rising energy prices, increased interest in climate change and an expectation of increased renewable energy-use, reducing emissions and improvements in effluent quality. Some of these parameters are now management key performance indices (KPIs).

A more detailed discussion about our energy-use can be found on page 96.

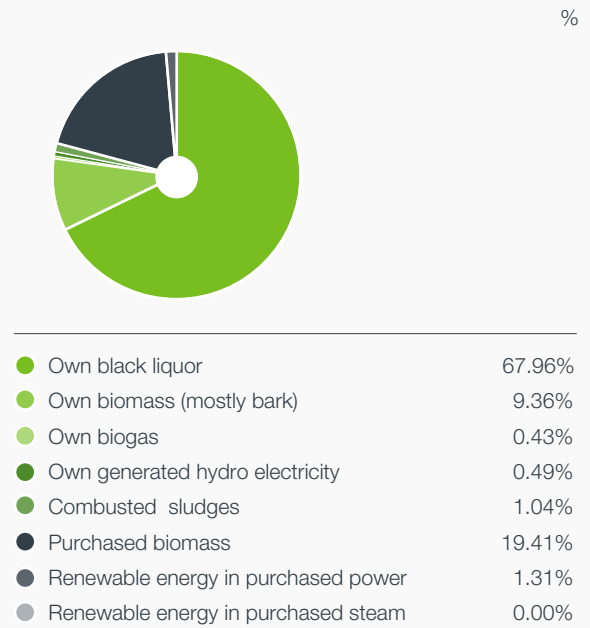
Energy — an opportunity and a risk continued

Renewable energy technology

As a group, our use of own renewable energy, mainly in the form of black liquor, has been increasing steadily and currently stands at approximately 54%.

This improvement is mainly attributable to the dissolving wood pulp (DWP) conversions at our Cloquet and Ngodwana Mills. In addition, Gratkorn and Ehingen Mills increased their use of renewable energy.

Global renewable energy breakdown



Biomass serves as a complementary sustainably renewable fuel source to meet Somerset Mill's energy needs.

Reducing our dependence on fossil fuels by increasing our use of renewable energy not only lowers greenhouse gas emissions but helps to isolate our operations from energy price fluctuations, making us a more sustainable and profitable business.

Our energy efficiency is enhanced through extensive use of cogeneration and through our ongoing drive to make process improvements and install more efficient equipment. [🔗](#)

Excess power

At Gratkorn and Maastricht Mills (Europe), Westbrook Mill (North America), and Ngodwana Mill (South Africa), excess generated power is sold back into the power grid. At some mills, excess heat energy is used for district heating projects close to the mills, thereby displacing fossil fuels.

Carbon tax

Global moves to address climate change in the form of a tax on carbon are accelerating as governments seek to reduce greenhouse gas emissions.

Europe

The European Union Emission Trading Scheme covers carbon dioxide (CO₂) emissions from six sectors of heavy industry, including pulp and paper.

There are plans afoot to phase out provisions against carbon leakage and free allocation between 2021 and 2030. This will result in significantly increased direct costs and costs passed through in electricity prices for heavy industries.

North America

Subsequent to year-end, the United States Environmental Protection Agency released a revised biogenic carbon dioxide (CO₂) emissions accounting framework and policy memorandum. This recognises the pulp and paper industry's sustainable use of manufacturing residuals as carbon neutral — a decision we have welcomed.

South Africa

We expect carbon tax legislation to be introduced in 2016; its introduction poses a potential risk going forward for Sappi Southern Africa.

This material sustainability issue is discussed in more detail on page 28 in the Key material Issues section of this report. [🔗](#)

Recent projects enhance energy-use efficiency

Europe

Kirkniemi Mill — reduced steam demand

Process modifications to the pre-drying section of one of the mill's three paper machines reduced steam demand, which is now available for increased power generation in the mill's turbines.

Kirkniemi Mill — new power plant

The development of a new power plant over the next two years aims to significantly reduce the mill's cost base by reducing energy costs and securing energy supply. The new power plant will be capable of flexibly using solid biofuels such as bark from the mill's debarking process and other wood based fuels. While it could potentially use biomass only, it retains the capability of using mainly coal.

In addition to modernising the power plant, increased flexibility to switch from one fuel to another, will insulate the mill from extreme fuel price fluctuations. The best available technology (BAT) and the effective use of emission control equipment will minimise any environmental impact.

Maastricht Mill — process modifications

Process modifications to the mill's steam turbines and the pre-drying section of Paper Machine 6 (PM6) allow for increased power generation from the turbines.




Maastricht Mill was awarded the BV VNP Energy Trophy by the Dutch Paper Industry Association for excellent energy performance.

Maastricht Mill wins energy efficiency award

In June 2014, Maastricht Mill in the Netherlands won the **BV VNP Energy Trophy** for excellent energy performance. The competition is held under the auspices of the Dutch Paper Industry Association who awards the trophy to the paper or board manufacturing plant which shows the best performance in the energy sector. 

In determining the winner, VNP looks at the short- and long-term measures taken to improve energy efficiency, process and supply chain actions taken, and the proportion of renewable energy used. In the previous two years, Sappi Maastricht was ranked in the top three of this prestigious competition.


This award highlights the mill's efforts in recent years to make the production process more energy efficient and environmentally friendly.

Maastricht Mill only operates on natural gas and its highly efficient gas/steam combined heat and power (CHP) plant sells surplus electricity to the local grid and heat for heating and cooling municipal and residential buildings and a local shopping centre. 

The mill minimises its carbon footprint further by shipping in raw materials, including market-pulp, pigments and fillers, by barge.

Europe — carbon neutral product offering

We work with the Carbon Reduction Institute (CRI) to offer Hanno Art as a carbon neutral paper through one of our Australian paper merchants, KW Doggett.

The CRI, established in 2006, promotes awareness and action on climate change through their services team comprised of carbon accounting experts and engineers. 

The CRI helped calculate the CO₂ emissions involved in the production and distribution of graphics papers. We neutralise these emissions by funding two projects that help save CO₂ emission: the Clean Energy from Biomass project in India and the Reducing Deforestation with Improved Cook Stoves project in Ghana.

We are issued a carbon neutral certificate for the volumes of Hanno Art that KW Doggett sells.



Recent projects enhance energy-use efficiency continued



Caption

North America

Somerset Mill — natural gas

Recently, Summit Natural Gas of Maine completed the installation of a new pipeline enabling Somerset Mill to use natural gas.

During 2014, the mill completed a US\$24 million conversion of the lime kiln (an integral component of the chemical recovery process) to use natural gas.

Natural gas has replaced #6 fuel-oil previously used in the lime kiln, equivalent to 80,000-100,000 barrels of oil per year.

Somerset Mill will also be able to use natural gas in one of its hog fuel (multi-fuel) boilers.

Positive impacts include:

- Significant cost savings for operating the lime kiln as compared to fuel-oil, of more than 30% annually, thereby enhancing the mill's competitive position
- Reduced oil use in the power boiler and decreased ash load on the environmental impact abatement equipment
- Reduced fossil-fuel greenhouse gas emissions.

Carbon dioxide emissions from natural gas are 30% lower than fuel-oil equivalent energy.

Additional enhancements to the lime kiln have improved the overall efficiency thereby further reducing total energy consumption.

South Africa

Enstra Mill

Enstra Mill converted from high emission own pulping operations to acquiring pulp from own external and third-party lower-emission operations.

Ngodwana Mill

In planning any new project, energy efficiency is a priority. During the recent conversion of Ngodwana Mill, to produce 210,000tpa of dissolving wood pulp, high efficiency motors and lighting were installed and all new equipment was based on Best Available Technology (BAT). Improved plant efficiencies and increased renewable fuel-use resulted in less purchased power being required.

The project increased the mill's energy self-sufficiency from 35% to 41%.

Tugela Mill

Process modifications allow the mill to sell its black liquor as lignosulphonate with the added benefit of significantly reducing mill emissions.

A knock-on emission saving is also achieved: One ton of lignosulphonate displaces 26.6 tons of cement which results in a significant reduction in greenhouse gas (GHG) emissions for the cement manufacturing industry.

Cogeneration enhances energy efficiency and self-sufficiency

Cogeneration reduces our fuel-use and our reliance on third-party supplied energy from non-renewable sources; effectively displacing the combustion of carbon-based fuels.

Pulp and paper mills require two kinds of energy: power (electricity) to drive process equipment; and heat (in the form of steam and hot water) used in the pulping process and to dry pulp and paper.

Typically, conventional power plants burn fuel (coal, natural gas, etc) to generate high pressure steam to drive a turbine, which in turn spins a generator that generates power. Spent high pressure steam is vented to the environment as low pressure, relatively low-temperature steam. Cogeneration, also known as combined heat and power (CHP), uses excess steam (pass-out steam) and steam vented by turbines in a wide range of heating and drying applications in the pulp and paper production process.

Cogeneration efficiency

The efficiency ratio of conventional condensing power plants is well below 40%. The efficiency ratio is the portion of the total energy content of a fuel that gets converted into usable energy. CHP plants convert 60-90% of the primary fuel into usable energy.

Cogeneration typically saves about 46% of the total fuel that would otherwise be required.

Cogeneration typically saves

46%


of the total fuel otherwise required

Generating power and steam

Black liquor enhances energy efficiency and self-sufficiency

Black liquor resulting from the kraft recovery process used at our integrated mills is our dominant renewable fuel source. Globally 68% of all our renewable energy derives from black liquor.

Black liquor contains more than half of the energy content of the digested wood. As a renewable, biomass-derived fuel, black liquor replaces fossil fuels, with a corresponding reduction in greenhouse gas (GHG) emissions.

Globally, black liquor is the fifth most important fuel in the world, after coal, oil, natural gas and gasoline. Being derived from wood, a renewable resource, it is the world's most prominent biofuel-derived energy source. 

Globally, black liquor accounts for

68%

of the renewable energy used in our operations.

The kraft recovery process

Pulping process yields black liquor

Our manufacturing process starts with turning wood into wood pulp. 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.

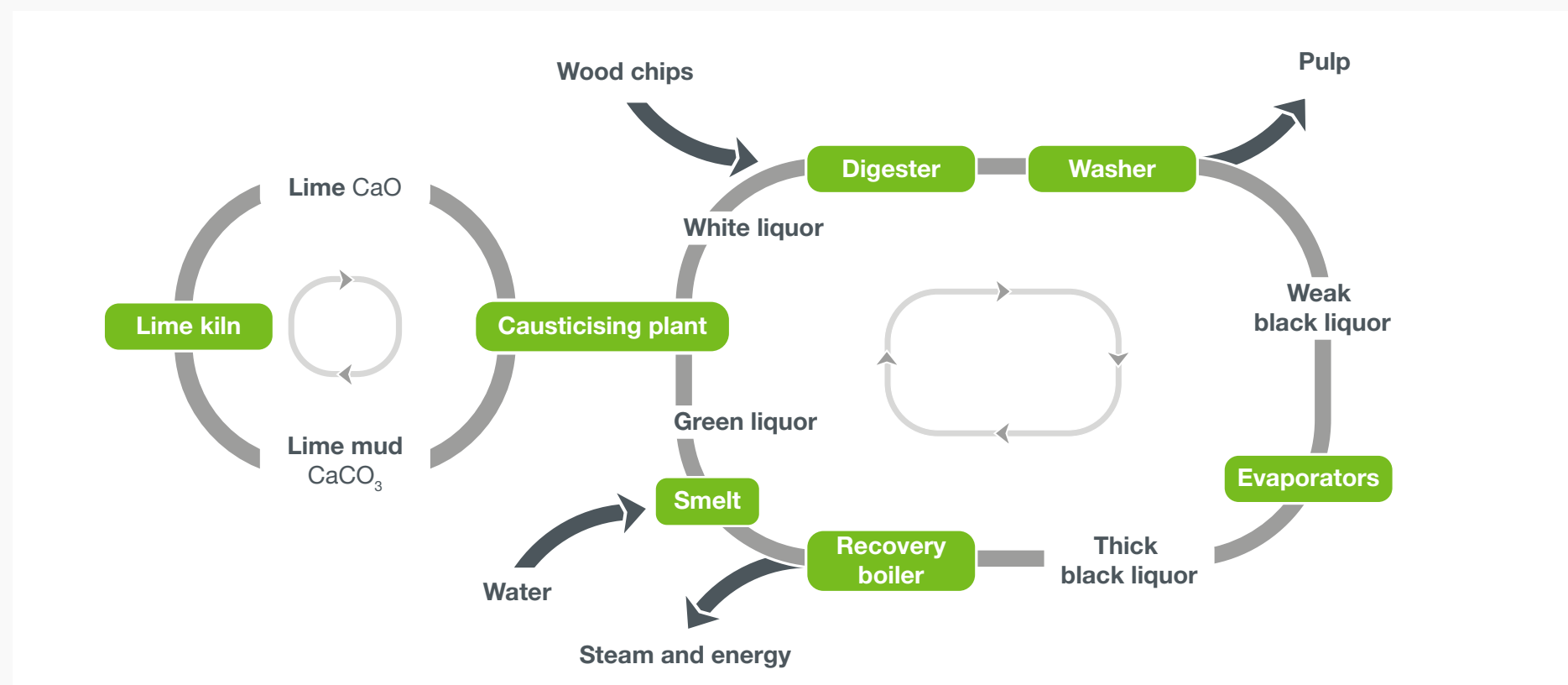
Recovery process yields energy

The recovery process starts by concentrating weak black liquor in concentrators and evaporators.

The resulting concentrated (also known as thick or high-solids) black liquor is then burned in a recovery boiler to produce steam and energy, which is used in the mill.

Recovering chemicals

The inorganic chemicals originally used to make up the white cooking liquor, are recovered as a smelt from the recovery boiler. The smelt is dissolved in water to form raw green liquor, which is then causticised with unslaked lime (calcium oxide), yielding white cooking liquor again. The precipitated lime mud (calcium carbonate) resulting from the caustising reaction is washed and heated to a high temperature in a lime kiln to be regenerated as calcium oxide and reused to causticise raw green liquor again.



Energy self-sufficiency

Our integrated mills have the capability to generate their own power and steam, using biofuels (mostly black liquor). This reduces these mills’ dependency on purchased energy (fuel, power, steam) and makes them more energy self-sufficient. [↗](#)

Read more about black liquor on page 97 of the Planet section in this report. [↗](#)

Gas and steam cogeneration

Gas and steam cogeneration power plants are in operation at the following mills: Gratkorn • Kirkniemi • Lanaken • Maastricht • Nijmegen.

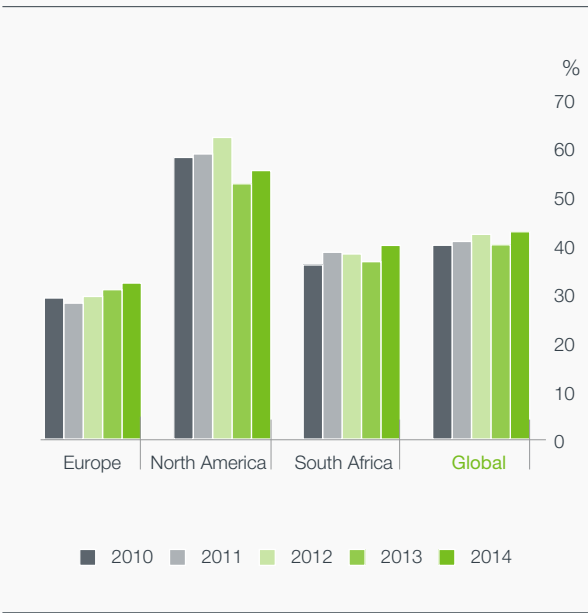
Steam-based cogeneration power

Steam-based cogeneration power plants are in operation at the following mills: Alfeld • Cloquet • Ehingen • Ngodwana • Saiccor • Somerset • Stockstadt • Tugela • Westbrook.



South Africa, Tugela mill — coal-fired boiler.

Energy self-sufficiency



Energy self-sufficiency by region

Europe

There are fewer integrated mills in Europe, which is why we are less energy self-sufficient in this region.

Alfeld Mill improved energy self-sufficiency by decreasing natural gas consumption which improved the ratio of renewable energy compared to total fuel.

Gratkorn Mill increased its energy-use efficiency with high production rates and through continuous improvement projects.

North America

The dissolving wood pulp conversion project at Cloquet Mill coming on line resulted in increased black liquor production. Operating efficiencies at the mill resulted in reduced purchased energy.

Southern Africa

Ngodwana Mill increased steam production from recovery boilers which means that more steam (and power) was generated from renewable/own fuel instead of purchased fuel. In addition, the mill increased bark consumption.

Saiccor Mill increased liquor recovery at both magnesium oxide recovery boilers, which resulted in a reduction in purchased heavy fuel oil and electricity.

Year-on year,
as a group, we became

7%

more energy self-sufficient in FY2014

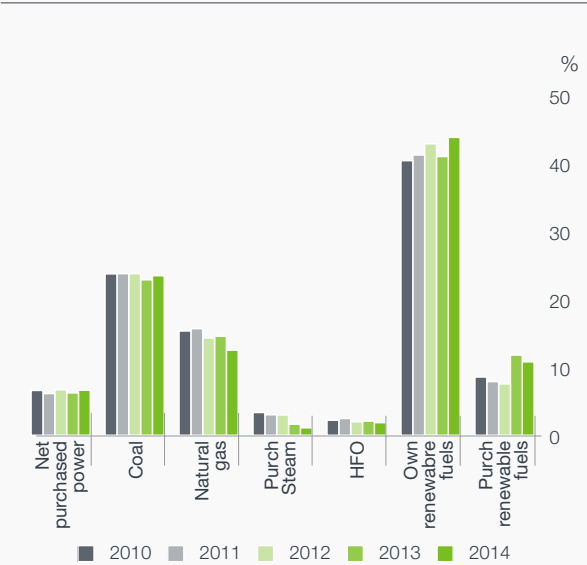
As a group we are

43%

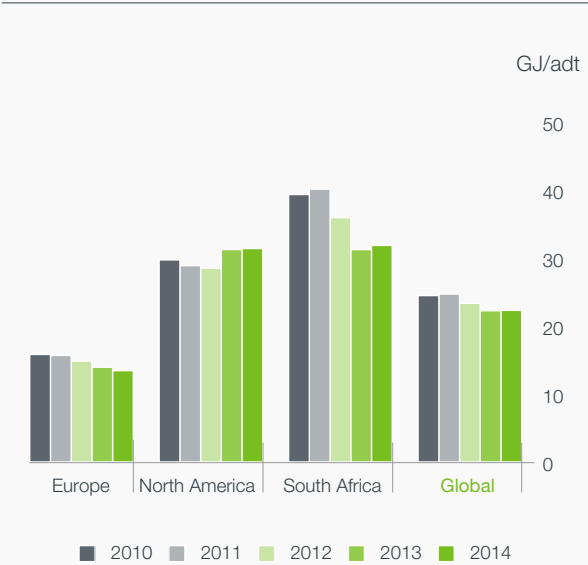
energy self-sufficient

Energy-use efficiency continued

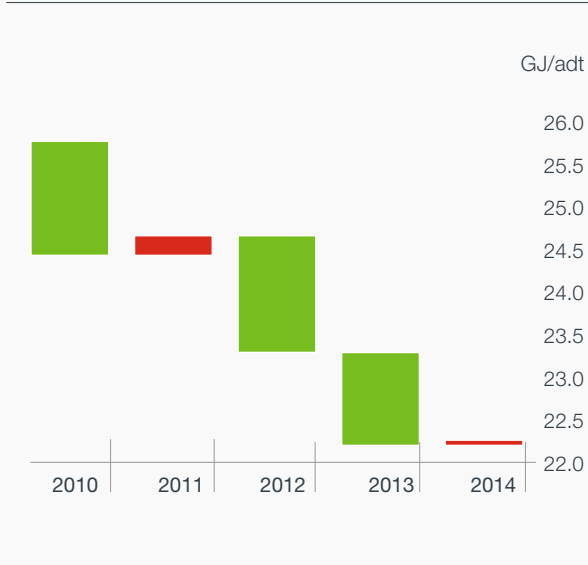
Energy source



Specific energy consumption



Reduction of total energy consumption



Sources of energy

Net purchased power accounts for only 6.6% of our global energy-use.

Renewable fuels, mostly black liquor, contribute 54% of our global-use globally. Black liquor accounts for 68% of the renewable energy we use.

Natural gas is used mostly in Europe and North America.

Coal is the predominant non-renewable energy source for our operations in South Africa and North America.

Energy consumption

Global
Energy-use trend is stable because specific global direct (own) energy-use is increasing, offsetting specific indirect (purchased) energy-use.

Europe
The energy-use reduction is attributable to the implementation of energy improvement projects.

North America
Energy-use essentially stable year over year. The increases in FY2013 and FY2014 compared to prior years are attributed to more energy being consumed to manufacture dissolving wood pulp at our Cloquet Mill.

Southern Africa
Although there was a positive improvement in specific indirect energy-use at Ngodwana Mill due to plant stability, an improved steam to coal ratio and greater combustion of black liquor, the trend was negatively impacted by Saiccor, Stanger and Enstra Mills due to lower plant efficiencies. Cape Kraft Mill improved uptime on the paper machine resulting in reduced steam consumption.

Globally, over five years
We have reduced our
total energy consumption

8.9%

Specific energy
consumption
decreased


6.9%

Climate change

Kyoto Protocol

About the Kyoto protocol

In response to global concerns about the effect of greenhouse gases on climate change, the Kyoto Protocol, adopted in 1997, binds signatory countries to greenhouse gas emission reduction targets. This international agreement, linked to the United Nations Framework Convention on Climate Change, places a heavier burden on developed countries.

The Protocol is widely recognised as the first step in a global emissions reduction regime and has provided the framework for future international agreements on climate change. 

Obligations under the Kyoto Protocol have been extended by the member parties through a second commitment period which runs from 2014 until at least 2017.

Our position

We subscribe to all the provisions of the Kyoto Protocol in so far as it applies to our European and South African operations.

As the United States has not ratified the Protocol, our operations in North America are not bound by its provisions.



54% of the energy we used in FY2014 was derived from renewable fuel sources, mainly from black liquor; we also use biomass, mostly bark.

South Africa no longer qualifies as a ‘least developed’ country under the Kyoto protocol

The South African Government acceded to the Kyoto Protocol in July 2002 and accordingly committed to an emissions trajectory that peaks at 34% below a ‘business as usual’ trajectory in 2020 and 42% below in 2025, remains stable for around a decade, and declines thereafter in absolute terms.

The Government is currently in the process of setting desired emission reduction outcomes (DEROs) with industry sectors to achieve the committed targets. This requirement was initially referred to in the National Climate Change Response White Paper (NCCRWP), which discusses mitigation plans which will show how companies intend to achieve their DEROs.

As from January 2014, South Africa no longer qualify as a ‘least developed’ country so can no longer participate under the Clean Development Mechanism (CDM) scheme. Projects registered before 31 December 2013, like the proposed biomass boiler at our Lomati Sawmill still qualify, but have a window period in which to commence construction.

National Energy Efficiency Strategy

In South Africa, we are a signatory to the National Energy Efficiency Strategy which stipulates a national final energy demand reduction of 12% by 2015, expressed as a percentage reduction against the projected national energy use in 2015, with a final energy demand reduction target for the industry and mining sector as a whole of 15% by 2015.

Our regional energy efficiency target to **reduce specific purchased fossil fuel energy by 15% by 2015** (base year: 2000) is aligned with this strategy. A detailed discussion about our approach to climate change can be found in the Key Material Issues section on page 27.



Reducing emissions

Our strategy of enhancing energy-use efficiency and energy self-sufficiency has ongoing positive implications in terms of greenhouse gas (GHG) emissions reductions.

Increasing the use of renewable fuel, in particular own generated black liquor, has reduced our specific Scope 2 emissions and our overall carbon footprint — a beneficial trend in terms of climate change.

Scope 2 emissions

In accordance with the GRI's recommendations, we have reported on fossil fuel emissions.

Globally, over five years
We have reduced
Scope 1
direct fossil emissions

7.5%

Scope 2
indirect fossil emissions

25.6%



Cloquet Mill — North America

Our approach to climate change


We share the view that collectively, greenhouse gases, most notably carbon dioxide (CO₂), and methane (CH₄), are contributing to climate change and that these are primarily generated by human activities such as the burning of fossil fuels and deforestation. While climate change is a natural phenomenon, the pace at which it is occurring is cause for concern.

Our efforts to reduce our own carbon footprint are evident in that, globally, approximately 54% of the energy we use is derived from renewable, rather than fossil fuel sources. This helps us to avoid the burning of fossil fuels and releasing CO₂ previously 'locked-up' in the earth's crust in the form of oil, gas or coal. When energy is derived from biogenic sources, the CO₂ released is equivalent to that which was bound from the atmosphere during the process of photosynthesis; no previously 'locked-up' or 'new' carbon is being introduced into the atmosphere.

Our Group Climate Change Policy states: "As reducing deforestation of the world's endangered and tropical forests can help to reduce global warming, we commit to:

- Utilising woodfibre from 100% sustainably managed forests and plantations in accordance with our Group Wood Procurement Policy — healthy productive forests absorb carbon dioxide, thereby helping to mitigate global warming
- Collaborating in research and development programmes to address the challenges of climate change
- Improving our forestry operations through tree breeding that allows for greater yields per hectare, reduces the risks from pests and diseases, and improves drought tolerance
- Promoting the recycling of paper and paper packaging products." 

We try to source equipment and materials from companies that demonstrate commitment to operating sustainably, which positively impacts our own overall carbon footprint.

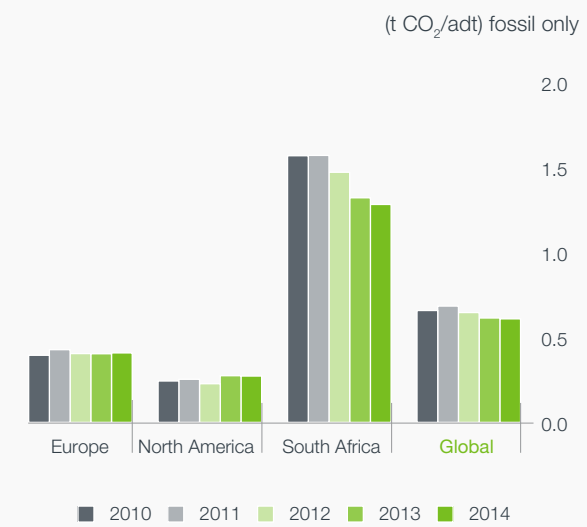
A more detailed discussion about our approach to climate change can be found in the section on Key Material Issues, page 27. 



Group climate change policy

Reducing emissions continued

Specific Scope 1 Emissions



Europe

Alfeld Mill increased specific Scope 1 fossil emissions due to the start-up of the upgraded PM2.

All other mills decreased their emissions due to energy reduction initiatives and reduced gas turbine operating hours which helped to balance the fluctuating levels of green power in the European grid.

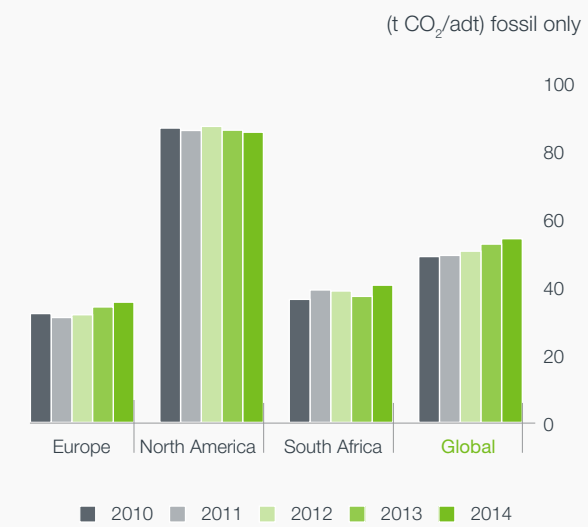
North America

No change for 2014.

Southern Africa

Emissions decreased mainly due to Ngodwana Mill’s plant stability and higher saleable volumes. A slight decrease at Tugela Mill can be attributed to improved boiler efficiencies.

Specific Scope 2 Emissions



Europe

The slight Scope 1 increase is related to:

- A contractual energy change at Lanaken Mill.
- Gratkorn Mill’s reduced use of their gas turbine during periods of strong renewable power supply in the European grid.
- Alfeld Mill’s power self-sufficiency declined due to a reduced need for steam which in turn caused reduced power generation.

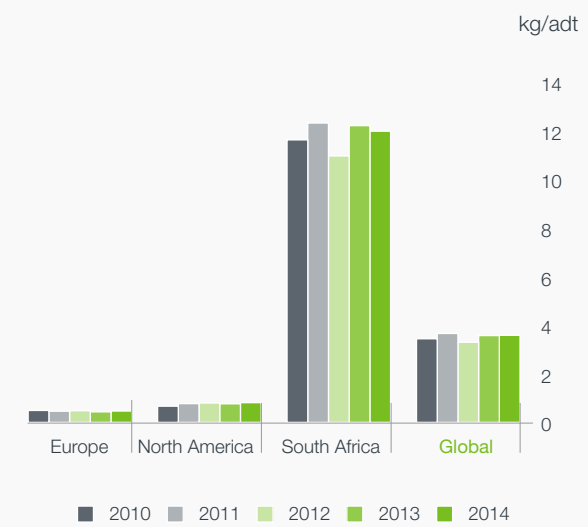
North America

Somerset Mill purchased more power which resulted in the increase in Scope 2 emissions.

Southern Africa

The decrease was primarily due to: Ngodwana Mill’s plant stability and an increase in electricity self-sufficiency; Cape Kraft Mill improved machine efficiencies, reducing specific purchased power.

Specific SO₂ Emissions



Measured/calculated

SO₂ emissions in Europe and North America are measured values. In Southern Africa emissions are calculated values that do not account for air pollution abatement measures implemented during the year. As a result, SO₂ emissions in this region are likely to be overstated.

Global

No significant changes.

Europe

Alfeld Mill kept sulphur-containing black liquor incineration stable by reducing gas fired steam generation. Gratkorn Mill experienced some technical difficulties at their liquor boiler. Stockstadt Mill’s lower pulp production also resulted in lower sulphur dioxide emissions.

North America

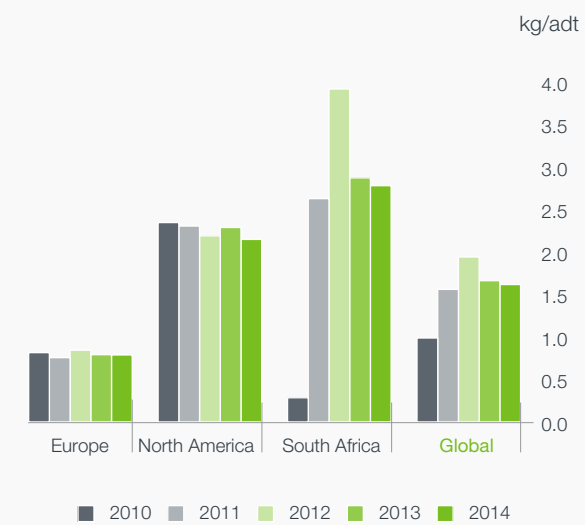
No significant changes.

Southern Africa

Decreased due to an increase in own renewable energy at both Ngodwana and Saiccor Mills. This resulted in reduced specific fossil fuel usage with contains a higher sulphur content than renewable fuels.

Reducing other emissions

Specific NOx Emissions



Global

No significant change

Europe

No significant change.

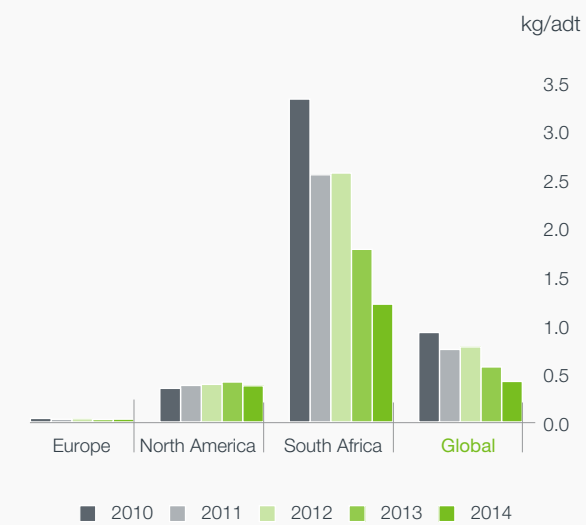
North America

Cloquet Mill burned less natural gas and increased production. Westbrook Mill burned less coal for the same production volume.

Southern Africa

NOx emissions monitoring has only been conducted at certain operations in South Africa in recent years. Some mills do not have NOx continuous emissions monitoring equipment; intermittent measurements are taken.

Specific Particulates



Europe

Europe's particulate emissions are generally low because natural gas is the main fuel.

North America

Stack testing at Somerset and Cloquet Mills resulted in a lower particulate emissions factor.

Southern Africa

Decreased at Tugela Mill due to curtailed production at the mill and the change in the cleaning regime at the ash hoppers. Boiler efficiencies also increased as the mill is now supplied with one grade of coal with a consistent quality. The positive trend at Ngodwana Mill can be attributed to the decrease in coal usage as own renewable fuel usage was maximised.

Using water responsibly

In common with all pulp and paper companies, access to a reliable supply of water is a strategic priority for Sappi.

Water is the medium in which wood is prepared, refined, and transported through the various processing steps in the production of pulp and paper.

Water is recycled and reused up to ten times throughout the paper mill process before being discharged for treatment and release back into the environment.



Saiccor Mill on the bank of the Umkomaas river in KwaZulu-Natal, South Africa.

Water scarcity

According to the United Nations, water scarcity already affects every continent. Water use has been growing at more than twice the rate of population increase in the last century and, although there is no global water scarcity as such, an increasing number of regions are chronically short of water. South Africa, for example, is classified as a water-scarce region.

Water scarcity is both a natural and a human-made phenomenon. There is enough freshwater for the world’s population but it is distributed unevenly and too much of it is wasted, polluted and unsustainably managed.

Our approach to water scarcity

Recognising the pressure on a finite resource that is core to our processes, we focus on reducing consumption, recycling extensively within the manufacturing process and improving the quality of the effluent we discharge.

We return 93.8% of the water we extract on a global basis back to the environment which is consistent with industry benchmarks.

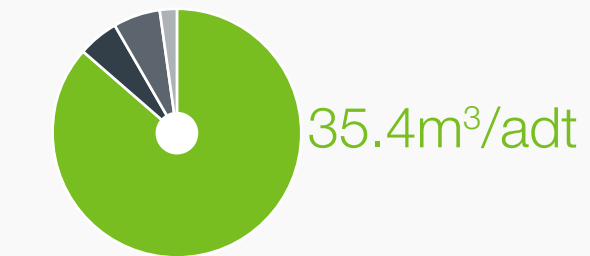
The nature of the pulping pulp and papermaking process means that we cannot significantly improve on this rate of return without introducing new-to-the-world technology, but we try to reduce the amount of water we use — an approach underpinned by water reduction targets in Europe and South Africa

Integrated vs non-integrated mills

Non-integrated mills which rely on purchased pulp use far less water than integrated pulp and paper mills. Consequently, our total water use is lower in Europe than in North America and South Africa, where we operate more integrated mills. As with water-use, effluent discharge is closely linked to the degree of pulp integration.

Water-use is discussed in greater detail on page 29 in the Key Material Issues section of this report. [🔗](#)

Global water withdrawal by source



● Surface water	86.60%
● Ground water	5.20%
● Municipal (potable)	6.10%
● Municipal (Industrial)	2.10%

Surface water: River extraction and lake/dam water
Ground water: Boreholes
Municipal (potable): Ex utility (potable)
Municipal (industrial water): Wastewater from municipalities

Globally, we return

93.8%

of the water we extract

Using water responsibly continued

Water use in Sappi's plantations

Abstraction of water, discharge of effluent and management of forests in South Africa are all regulated under a licence system in which first allocations go to, among other things, human consumption, before allocations are made to agriculture, industry and forestry.

The plantations from which we source fibre are not irrigated but use rainwater and groundwater.

Contrary to popular belief, forestry only uses 3% of available water, while agriculture uses approximately 60%. In addition, agriculture impacts heavily on the quality of water resources, typically through the diffused runoff of salts and fertilizers (nutrient enrichment).

We have a competitive advantage over other crops, in that:

- A small amount of fertiliser is only used once in each rotation
- We only use short-lived pesticides that have little or no impact
- Water flowing from afforested catchments is largely unpolluted.

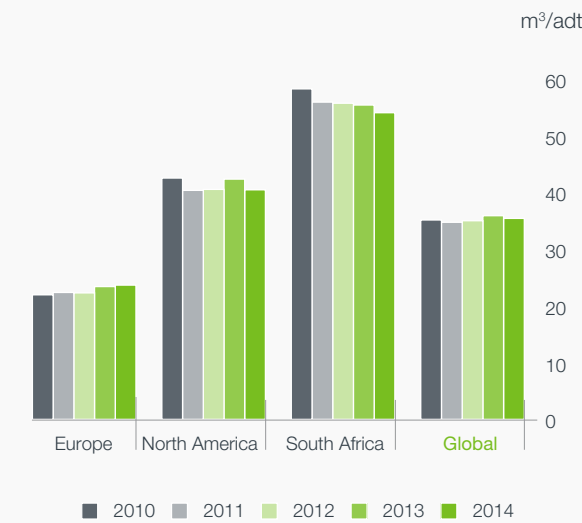
Contrary to popular belief, forestry only uses 3% of available water.



Water is recycled and reused up to ten times throughout the paper mill process before being discharged for treatment and release back into the environment.

Specific total process water abstracted

Specific total process water extracted



Europe

Slight increase due to increased integrated pulp production which reduced market-pulp needs.

North America

Decreased due to Cloquet Mill's increased production and improved operational efficiencies following the completion of the DWP conversion project.

Southern Africa

Decrease attributed mainly to Tugela Mill using less water, by optimising pulp washing and abstraction at the NSSC digester, and managing effluent quality.

Enstra Mill reused more water due to increased production at the waste plant (which reuses process water) and increased production of brown grades.

Cape Kraft Mill increased process water reuse for the ProFlow system, which helped to reduce water consumption; additional savings were achieved from partial automation of the water system.



FAQ Water and Sappi's plantations

Discharging used water responsibly

Improving the quality of the effluent we discharge

The quality of effluent generated in the bleaching process is often a key consumer stakeholder concern. Bleaching is, however, required for many papers as it enhances printability, allows for brighter reproduction and slows down the yellowing process.

North America

Our mills use the elemental chlorine-free (ECF) bleaching process.

Europe

All our integrated pulp mills are totally chlorine-free (TCF). Market-pulp is either ECF or TCF.

South Africa

Our mills use ECF sequences which incorporate ozone and/or oxygen bleaching stages.

These processes have been proven to significantly reduce the generation of chlorinated by-products as compared to mills that use elemental chlorine.

Europe — enhancing effluent quality and generating energy

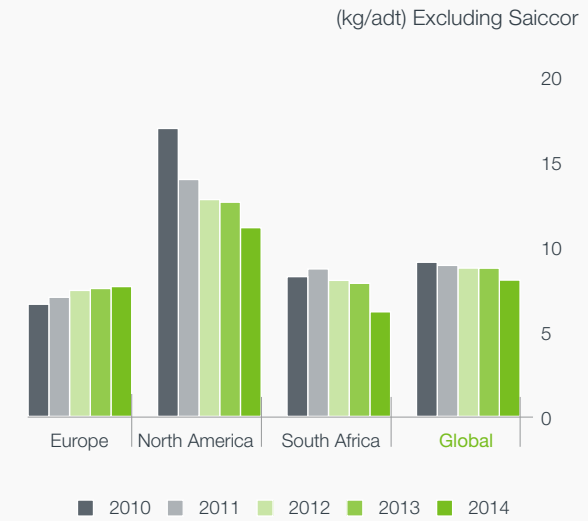
The waste water treatment plants at Alfeld, Ehingen, Gratkorn, Lanaken and Stockstadt Mills in Europe have anaerobic reactors which reduce the chemical oxygen demand (COD) of the effluent and increase the production of biogas.

During the anaerobic biological process, specific micro-organisms transform the organic load in the wastewater into biogas. The process has both environmental and economic value, as the biogas is used for heat and power generation and sludge disposal costs are reduced. We have installed a fifth reactor at Ehingen Mill in Germany.

Innovative effluent treatment at Stanger Mill

Aeration helps to increase the amount of dissolved oxygen in effluent — an important effluent quality parameter. Usually, this is achieved mechanically. At Stanger Mill in South Africa, we recently initiated a project using floating fine bubble aeration (FFBA) equipment in the effluent system. The FFBA method can save up to 70% of the energy and maintenance costs when compared with surface bubble aeration. The entire effluent system at the mill is being upgraded using this technology.

Specific COD



Specific chemical oxygen demand — COD

Europe

The slight increase was due to an increased integration of own pulp with slightly reduced production of paper.

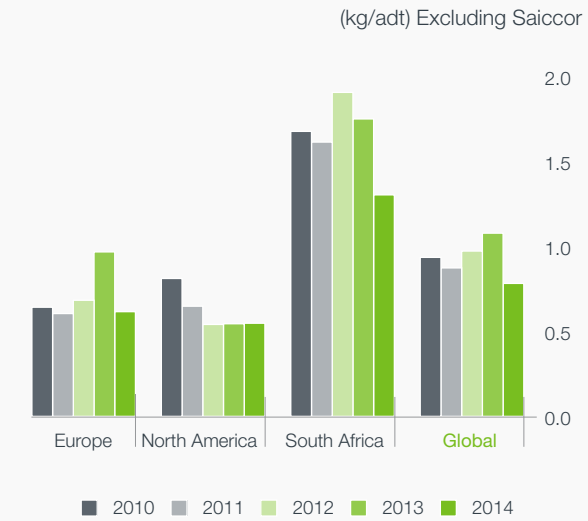
North America

Decrease due to the DWP conversion at Cloquet Mill and improvements at Somerset Mill.

Southern Africa

COD decreased due to Tugela Mill increasing lignosulphonate sales, resulting in a reduction in liquor effluent. At Cape Kraft Mill a centrifuge commissioned during 2014 positively impacted COD removal from the effluent.

Specific TSS



Total suspended solids — TSS

Europe

Alfeld Mill increased their effluent plant stability. Lanaken and Kirkniemi Mills suffered from reduced efficiencies at their effluent treatment plants; they are returning to normal conditions.

North America

No significant change.

Southern Africa

Decreased due to increased lignosulphonate sales at Tugela Mill, resulting in a reduction in liquor effluent. At Cape Kraft Mill a centrifuge commissioned during 2014 resulted in a positive impact on TSS removal from the effluent.

Presumpscot river fish runs

Following the successful development of a fishway on the Presumpscot river at Cumberland Mills Dam, we are working towards adding a further fishway at Saccarappa Falls dam.

Fishways, also known as fish ladders or passages, enable fish that migrate upstream to spawn, to cross artificial barriers like dams and locks in rivers, and maintain their natural migration/spawning habits.

About the Presumpscot River

The Presumpscot River in Cumberland County, Maine, in the United States, is the main outlet of Sebago Lake from where it runs 43km to Casco Bay, an inlet of the Gulf of Maine. With a watershed of 1,042 square kilometres, it is the largest freshwater input into Casco Bay and is the largest river in the Portland area.

The name Presumpscot originates from the local Abanaki word meaning many falls or **many rough places**. The Abanaki, a Native American tribe, is also known as People of the Dawn.



The 91m fishway at Cumberland Mills Dam, opened in May 2013, unlocks up a further 1.6km of the Presumpscot river, allowing fish to migrate upstream to spawn.

Previous restoration work

In May 2013, we opened a fishway at Cumberland Mills Dam. Underwater cameras in the fishway allow conservationists to view and count the fish to assess the species' strength.

Constructed at a cost of nearly US\$5 million, the 91m fishway unlocks a further 1.6km of river.

But there are still upstream dams which remain as barriers.

Saccarappa Falls fishway

The next upstream barrier is the Saccarappa Falls. Recently, we agreed with a group of stakeholders on a plan to evaluate the potential to develop a nature-like design for a to-be-developed fishway at the Saccarappa Falls dam. The fishway scheduled for completion in 2017.

The stakeholder group includes:

- The City of Westbrook
- Friends of the Presumpscot River
- The Conservation Law Foundation
- Maine Department of Marine Resources
- State and Federal regulators, including US Fish and Wildlife Service.


The plan includes a cost-sharing commitment between the City of Westbrook and Sappi to fund a third-party consultant who will investigate the feasibility for developing a natural-like fishway.

We had previously submitted plans to federal and state regulators seeking approval for the installation of a Denil fishway — an engineered technical structure built with concrete that allows fish to swim or leap up the barriers — at Saccarappa Falls dam.

All the stakeholders have subsequently agreed to seek a delay of the approval process proceedings so that an alternative approach can be explored jointly.

The investigation will, in addition, evaluate the potential inclusion of recreational features such as kayaking, as requested by the city.

We will contribute up to US\$150,000 for the work, while Westbrook's Environmental Improvement Corporation will contribute US\$50,000.

To learn more and stay informed, follow the Sappi Presumpscot River blog. 

Reducing waste — adding value

Our focus is on minimising end-of-life waste through waste beneficiation. This not only helps to mitigate environmental impact, but also, as with reducing purchased energy usage, brings down costs and can generate additional revenue. Sending waste to landfill adds costs, while valorising waste brings in revenue.

The least desirable method of solid waste disposal from an environmental perspective is discharge to a landfill site.

Organic waste

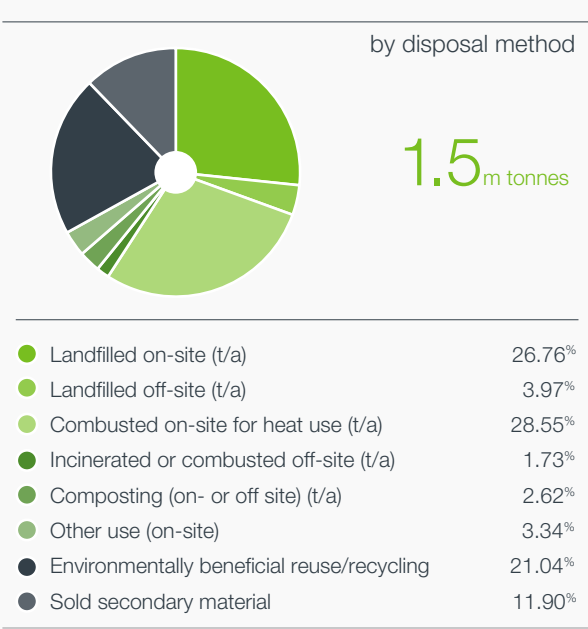
Organic waste emits methane (CH₄), a greenhouse gas with approximately 25 times the global warming potential of carbon dioxide (CO₂).

Inorganic waste

Inorganic waste can leach, resulting in surface and/or groundwater pollution.

Globally most of the solid waste we generate is wood waste.

Breakdown of solid waste



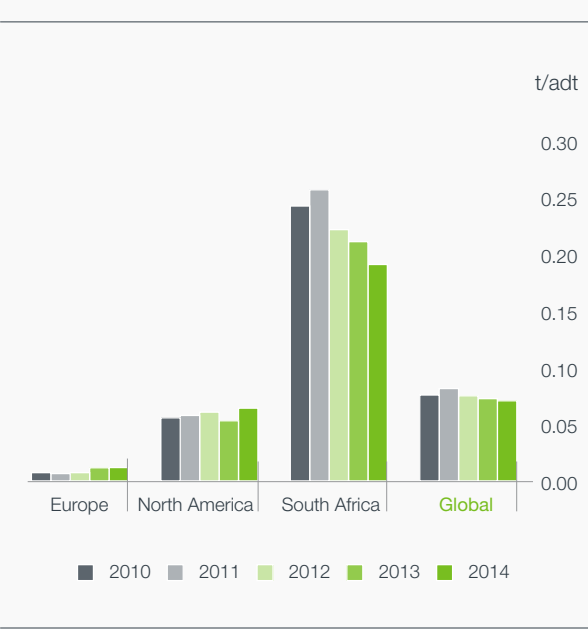
Europe and North America

Bark is used as a fuel for on-site heat recovery.

South Africa

After wood waster, boiler ash, which has a direct correlation with the type and quality of fuel used, is our next most significant waste stream. If coal is of a poor quality, more boiler ash will be produced. This is a problem from time to time in South Africa, due to variable coal quality.

Specific total landfilled solid waste



Global

A stable performance for 2014.

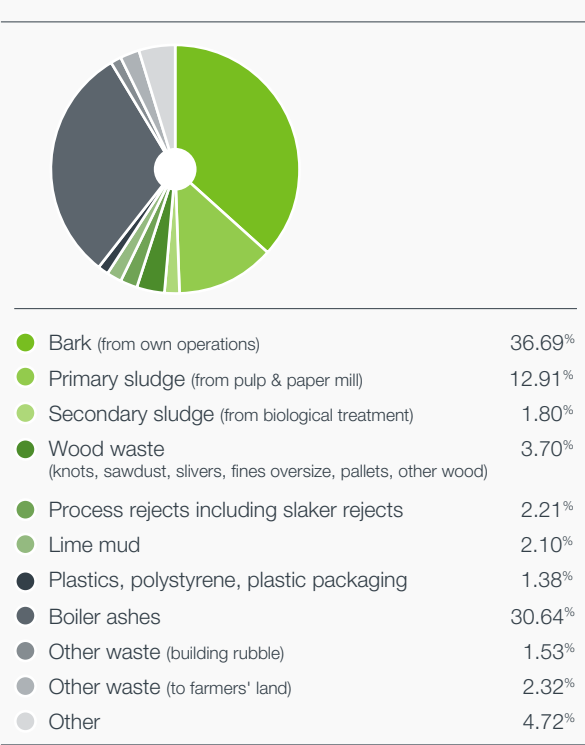
Southern Africa

The decrease was due to stable operating conditions at Ngodwana Mill and a concomitant increase in saleable production. In addition, more bark was burned instead of landfilled. Enstra Mill decreased waste to landfill by generating less boiler ash due to improved coal quality.

Europe

All European mills either use their residues within operations (for energy generation), sell them to outside users for a variety of purposes, or send the material to recyclers. Ashes comprise

Global breakdown of solid waste types



the majority of the remaining residues that are still landfilled. We are looking at ways to find beneficial uses for these remaining residues.

North America

At Cloquet Mill, the increase was due to lime kiln capacity limitations resulting in greater landfilling of waste.

Reducing waste — adding value continued

Uses for Sappi's waste

Non-solid waste

Used oil is de-watered, chemically treated, refined and filtered for reuse in various grades of base oils.

At Alfeld and Ehingen Mills in Europe, coarse pigments from re-pulping internal broke are recovered from paper machine effluent and reprocessed to substitute virgin material. In another process, coating colour is also recovered from effluent and reprocessed. These partly Sappi-patented processes help to increase material efficiency.

Solid waste

Sludges, bark and wood are combusted for energy production in each region. In Europe, dried sludge is also used by farmers for animal bedding.

At some mills, tall oil (a by-product of the kraft pulping process) is sold to convertors as a renewable chemical raw material used to make detergents, lubricants and paint additives.

In North America lime is given to farmers as a soil enhancer under a distribution programme managed by the US Department of Agriculture.

The lime mud shared with local farmers would cost growers more than US\$50 a ton if bought on the open market.

In South Africa, lime is sold.


In North America, boiler ash/dregs and inorganic 'grit' removed from the chemical recovery process are approved for land application uses, including roadbed fill.

Bagasse supplied to Stanger Mill in South Africa for use in the Triple Green paper range is depithed; the pith is given to farmers as a soil enhancer.

Lignosulphonates

Lignosulphonates (a by-product of the pulping process) are recovered from spent pulping liquors, and sold to customers for use in other products.

In South Africa, lignosulphonates are sold to customers for use in a dust suppressant product used in the mining sector

In both Europe and South Africa lignosulphonates are also sold to the cement and fertiliser industries and other speciality chemical applications. 

Case study

Reducing waste at Cloquet Mill

Wood and fibre-based waste materials are commonly generated during pulp and papermaking. This material stream used to be classified as combustible derived fuel (CDF) at Cloquet Mill, and, in the past, was burned on-site in boilers producing steam and electricity. However, it was recognised that CDF can be more valuable as recycled material.

We asked **Minnesota Waste Wise** for help recycling CDF, and finding other ways to boost recovery of recyclable materials. After visiting the mill, Waste Wise connected Sappi with Sandstone non-profit PHASE, an organisation that provides employment-based services to adults with disabilities. One year later, PHASE has recycled over 450kg of CDF. Waste Wise also assisted in doubling can, bottle and glass recycling by implementing single sort collection.

Ongoing efforts to utilise by-products and recycle more has tripled the life expectancy of the mill's landfill and reduced disposal costs.

Equally important, these programmes strengthen community relationships.

Managing for biodiversity

The Convention on Biodiversity defines biodiversity as follows: “**Biological diversity means the variability among living organisms from all sources including, amongst others, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems**”. 

The importance of this definition is that it draws attention to the many dimensions of biodiversity. It explicitly recognizes that every biota can be characterized by its taxonomic, ecological, and genetic diversity and that the way these dimensions of diversity vary over space and time is a key feature of biodiversity. It follows that only a multidimensional assessment of biodiversity can provide insights into the relationship between changes in biodiversity and changes in ecosystem functioning and ecosystem services. Biodiversity includes all ecosystems, both managed and unmanaged.



Neither our own plantations in South Africa nor the managed natural forests in Europe and North America from which we source woodfibre would be productive without a diversity of biotic processes.

Natural capital

Given that our products all derive from woodfibre, the concept of ‘natural capital’ under which biodiversity falls has a particular relevance for Sappi.

Neither our own plantations in South Africa nor the managed natural forests in Europe and North America from which we source woodfibre would be productive without biotic processes taking place. These processes play a vital role in ensuring the health and vitality of trees in terms of decomposition, soil rejuvenation and pest control.

Both our own plantations and the third-party forests which provide us with woodfibre are actively managed to enhance these beneficial biotic processes and restrict harmful processes like pests and disease.

Biodiversity services

Biodiversity provides a number of natural services.

Ecosystem services

- Protection of water resources
- Soils formation and protection
- Nutrient storage and recycling
- Pollution breakdown and absorption
- Contribution to climate stability
- Maintenance of ecosystems
- Recovery from unpredictable events


Biological resources

- Food
- Medicinal resources and pharmaceutical drugs
- Wood products
- Ornamental plants
- Breeding stocks, population reservoirs
- Future resources
- Diversity in genes, species and ecosystems

Social benefits

- Research, education and monitoring
- Recreation and tourism
- Cultural values

Measuring biodiversity management standards

We measure our biodiversity management standards against the internationally accredited forest certification systems we use. 

These certification systems incorporate detailed criteria for biodiversity management including:

- Water and soil
- Wildlife and game management
- Use of pesticides and chemicals;
- Forest conversion
- Protection of valuable habitats and threatened species.

Managing for biodiversity continued

Trees used to make paper and wood products are grown in plantations or managed forestlands for that purpose.

Without regularly harvesting trees with which to manufacture products to derive an economic benefit, managed plantations and forestlands would likely be sold and used for other purposes, such as development or agriculture, which would not include the continual replanting of trees. **W**

Biodiversity is discussed more fully on the following pages.



South Africa, *Eucalyptus* plantation — at stand level our plantations are monocultures; approximately 30% of our land is permanently unplanted and managed for the conservation of natural habitats.

Biodiversity in Europe



According to the Confederation of European Paper Industries (CEPI), forests today cover approximately one-third of the land area of the European Economic Area (EEA).

Net forest area has been increasing annually since the 1990s. Contrary to public opinion, Europe’s net forest area is currently increasing at a rate of approximately 1.6 million hectares per annum.

Forests today cover approximately one-third of the land area of the European Economic Area

Biodiversity North America

In the United States, more trees are grown than harvested.

The country continues to benefit from a large and diverse forest inventory distributed across about one-third of total land area.

Over the last six decades, the total net United States forest area has increased by over 3%.



Biodiversity in South Africa

Of the 495,000 hectares (ha) of land we own, manage and lease in South Africa, approximately 30% (140,000ha) is permanently unplanted and is managed for the conservation of the natural habitats (including indigenous forests) and the biodiversity they contain.

In South Africa, many people view tree plantations as ‘green deserts’. We accept that at the stand level our plantations are monocultures in the same way that vineyards, apple orchards or any other type of crop are. However, our plantations are generally highly productive sites and are managed to use that productive capacity in tree growth. In addition, the genetic diversity within trees is of fundamental importance to our tree improvement programmes.

Managing, protecting and restoring habitats in South Africa

Protecting and restoring habitats

Our stewardship of the 140,000ha permanently unplanted land we own and manage for conservation includes protecting and restoring habitats.



Shafton wetlands, KwaZulu-Natal, South Africa

Important conservation areas

We have used systematic conservation planning to identify important conservation areas (ICAs) – areas that are important at the local level and 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.

There are 166 sites on our own land classified as important conservation areas (ICAs), covering more than 30,000ha. Among these is a grassland area which is home to the endangered Karkloof Blue butterfly (*Orachrysops ariadne*), endemic to the Moist Midlands Grassland in KwaZulu-Natal province. This site is one of only four in the world where the butterfly is found.

Another important site is a 119ha area known as Roelton Dam which is home to the Blue Swallow (*Hirundo atrocaerulea*), one of South Africa's most endangered bird species. (W)

Managing biodiversity through weed control

The South African National Biodiversity Institute points out that, invasive alien plants (IAPs), also known as environmental weeds, are widely considered a major threat to biodiversity, human livelihoods and economic development. These weeds have a significant economic cost to in lost agricultural productivity and resources spent on management.

By the year 2000, 161 IAP species were infesting terrestrial and aquatic ecosystems in, negatively impacting land and fresh water resources. Their high diversity and far-reaching distribution make them extremely difficult to control.

Each Sappi plantation has developed a long-term integrated weed management plan. Natural areas are divided and allocated priorities for weed control interventions based on habitat ie sites requiring specific management practices eg forest (fire intolerant) as opposed to grasslands (fire dependent).

Priority is given to ecosystems disturbed by phenomena such a wild fires and riparian areas.

Our responsibility and the impacts of our weed management efforts extend beyond the boundaries of our business, enhancing streamflow and water provision for downstream users, by removing alien invasive species from riparian zones.

Additional benefits of clearing invasive alien species include preventing the loss of biodiversity, reducing the frequency of fires, stabilising a catchment area, reducing and preventing soil erosion and the social benefit of job creation as the result of the labour intensive clearing operations.

Our responsibility and the impacts of our weed management efforts extend beyond the boundaries of our business.

Managing, protecting and restoring habitats in South Africa continued



Approximately 2,000ha of our forest landholdings in South Africa are classified as wetlands.

Wetland rehabilitation improves water flow



In the late 1990s, we embarked on an extensive project to remove all commercial timber from riparian and buffer zones around wetlands. This project is nearing completion, resulting in improved stream and river flows and healthier wetlands.

Approximately 2,000ha of our forest landholdings are classified as wetlands (excluding rivers and streams also sometimes classified as wetlands). These are all inland wetlands, as opposed to coastal wetlands including: freshwater marshes, peatlands, springs, swamp forests and floodplains. Our wetlands yield all the benefits that make these areas so important — from inhibiting flooding and filtering water, to storing carbon and thus helping to mitigate climate change.

Successful rehabilitation has meant that the water table has risen significantly, stream flow has returned (even in dry periods), indigenous

wetland species have re-colonised and indigenous wetland wildlife are thriving.

We were involved in the development of the **Wet-Health** wetland assessment toolkit; the first comprehensive tool developed specifically to assess South African wetlands. It enables us to:

- Evaluate wetland condition;
- Identify causes of wetland degradation
- Prioritise rehabilitation initiatives;
- Measure the effectiveness of rehabilitation efforts
- Evaluate possible impacts of land-use changes on wetland functioning.

Reliable, dependable assessments, allow us to prioritise the importance of our wetlands, assess their catchment areas and refine their management to ensure they are in a healthy sustainable condition and provide all the vital functions a good wetland should, like a constant flow of good quality water.

Ngodwana Mill — Alien invasive control program

In 2014, Ngodwana Mill appointed an external consultant to survey of the approximately 5,000ha property to identify invasive alien plants (IAPs).

An Alien Invasive Control Programme (AICPr) was subsequently established and a contract awarded to an appropriate service provider to remove the IAPs under the supervision of the mill's environmental specialist.

Sixteen new permanent jobs and eight positions for casual employees were created. The new team underwent horticultural training on alien invasive species and were given:

- Brush cutter operating and safety training
- Chainsaw operating and safety training
- Herbicide training.



FAQ Water and Sappi's plantations FAQ Forests and wetlands

Managing, protecting and restoring habitats in South Africa continued

Flagship species

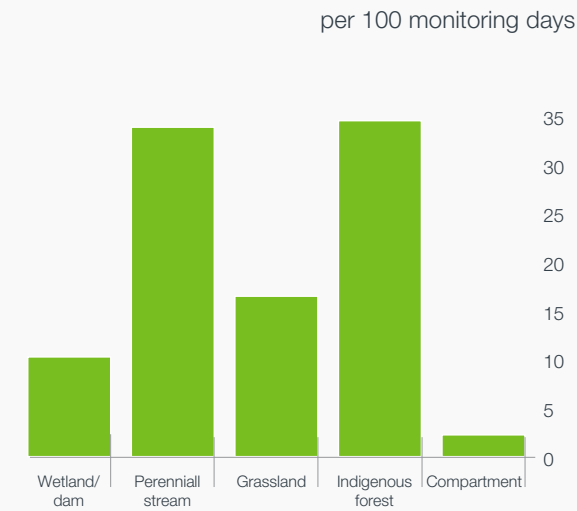
Flagship species are Red Data listed animal species. Flagship species found on our land include the **Blue Swallow**, **Oribi** and all **cranes**. The Endangered Wildlife Trust requests feedback from landowners every second year, regarding the numbers and location of flagship species on land owners' property.

Home to 27 mammal species

Based on the principle of measuring in order to manage, Sappi Forests recently embarked on a survey to understand what animal species are present on our plantations in Kwa-Zulu Natal province; which habitat types are the most productive and to observe animal behaviour.

Two camera traps were deployed across ten plantations resulting in 547 trap days (the number of days that the camera trap produced usable images of an animal passing the trap site) and 562 individual animals being photographed. The average trap-time was 13 days per trap site and yielded a total of 22,766 photographs.

Number of animals spotted



Animals spotted on our land

! Rare and threatened species

! Aardvark

! Aardwolf

! African Civet

Black-backed Jackal

! Blue Duiker

! Brown Hyena

Bushbuck

Bush pig

Cape Clawless Otter

Caracal

Chacma Baboon

Common Duiker

Common Reedbuck

Honey Badger

Large Grey Mongoose

Large-spotted Genet

Mountain Reedbuck

Porcupine

! Samango Monkey

Scrub hare

! Serval

Slender Mongoose

Vervet Monkey

Water Mongoose

White-tailed Mongoose

Yellow Mongoose

Zebra



From top: Samango Monkey, Blue Duiker, Serval

Community conservation



Warburgia salutaris, the pepper-bark tree is an over-exploited, endangered species used as an ingredient in traditional medicines.



Promoting conservation outside our landholdings

Warburgia salutaris, the pepper-bark tree was once widespread in Southern Africa. However, the tree is now categorized as ‘endangered’ on both the International Conservation Union (IUCN) and South African National Biodiversity Institute (SANBI) red species list.

In South Africa, in the Kruger Park area, the trees have been over-harvested, due to the fact that they have been used for centuries in African medicine, and is one of the most sought after commodities in the Southern African traditional healthcare sector.

With estimates of 27 million People relying on traditional medicine in South Africa alone, the demand for pepper-bark tissue is immense.

Its uses range from sinus relief to the treatment of malaria. Historically, only traditional healers would harvest the bark of the tree. Thin strips would be taken, which allowed for the plant to easily regenerate. In recent times, commercial gatherers who cross the fence into the Kruger Park are harvesting pepper-bark, with little regard for the consequences. The switch from sustainable collection to commercial gathering has meant that pepper-bark is now on the brink of extinction.

We are working with the Kruger Park and the Lowveld Botanical Institute to enhance the sustainability of the tree. This is being achieved by:

- Appointing rangers to safeguard the trees, with Sappi providing bicycles for the rangers;
- Initiating a planting programme
- Holding workshops with traditional healers aimed at:
 - Communicating the fact that the leaves and shoots have been shown to have the same chemicals as the bark and engaging with them about the potential for using leaves as opposed to bark and roots in their daily health practices.
 - Training healers in the artificial propagation of pepper-bark trees. (W) (W)

Collaborating to conserve biodiversity (W)

Mainstreaming biodiversity

Through Forestry South Africa, Sappi and other plantation forest owners in the country have partnered with the South African National Biodiversity Institute (SANBI) to mainstream biodiversity into the forestry sector. In association with this programme, a number of products have been developed and implemented, including a stewardship programme to facilitate the proclamation of nature reserves and protected areas on forestry land.

The Clairmont Mountain Nature Reserve was declared a nature reserve in FY2014. Another four sites on Sappi land are expected to be declared nature reserves in the near future.

Community conservation continued

Case study

Looking back into the past from Sappi land

The Barberton mountains in Mpumalanga province contain the oldest, best preserved volcanic and sedimentary rocks on Earth.

Other rocks of a similar age, but not as old, can be found on the west coast of Scotland. In the Barberton area, the rocks have been exposed at the surface, to enable geologists to unravel the evolution of the early Earth’s surface three to four billion years ago.

These are showcased along the Barberton Makhonjwa Geotrail, which comprises strategically placed viewing sites with beautifully constructed, detailed interpretation panels, telling the history of the general environment.

Of the eleven geosites currently constructed, four are located on Sappi’s Highlands plantation.



We recognise the value we add to our neighbouring communities and other stakeholders by making our plantations available for mountain bike trails.

Photo: Jacques Marais

Case study

Promoting public enjoyment of our land

Our plantations not only provide a natural renewable resource which helps to grow South Africa’s economy, but together with our conservation areas, our land provides a resource for planned recreational activities.

We support non-motorised activities such as mountain biking and bird watching on our land, aligning with our commitment to promoting a healthy life style and nurturing an appreciation for nature and the sustainable use of renewable resources.

The Sappi Mountain Biking Project works with mountain biking clubs, organisations and related stakeholders to manage access to our plantations to ensure riders’ safety and reduce our own exposure to risk. It also provides an opportunity to showcase our business, products and the contribution we make to our communities.

Mountain biking is one of the fastest growing sports in South Africa and the Sappi Mankela Challenge in Mpumalanga province and Sappi Karkloof Classic and Karkloof Trailblazer have become national mountain biking events with riders from across the country participating.

Both trails secured the number one and two spots on Bicycling magazine’s ‘Top 100’ list of best loved MTB trails in South Africa in 2014.



FastFacts Mountain Biking





United Nations Global Compact





The United Nations Global Compact (UNGC) principles underpin our sustainability approach, governance and targets.

We have been a signatory to the Compact since 2008.

UNGC — United Nations Global Compact

In 2008, we signed the United Nations Global Compact (UNGC), a CEO-led strategic policy initiative which gives signatories a platform for advancing their commitments to sustainability and corporate citizenship. The UNGC has two principal objectives: **mainstream the ten principles** which businesses commit to and **catalyse actions** in support of broader UN goals, including the Millennium Development Goals.









Our CEO has publicly stated Sappi’s commitment to the UNGC  and our Human Resources Policy  requires all our employees to uphold the ten principles of the UNGC as set out below. In addition to the table set out below, the UNGC principles are set out in relevant sections of this report to demonstrate our commitment to the UNGC and demonstrate our current standing.

The ten principles to which businesses commit		Our performance against these commitments
1	Support and respect the protection of international human rights within their sphere of influence	<p>At Sappi, we endorse the principles entrenched in the Universal Declaration of Human Rights and conform to the core labour standards of the International Labour Organisation (ILO), which promote:</p> <ul style="list-style-type: none">• Freedom of association• Non-discrimination• Abolition of forced and child labour.  <p>The right to freedom of association is also set out in our Human Resources Policy. </p> <p>We conform to — and in many cases exceed — the labour conditions stipulated by the governments of the countries in which we operate.</p>
2	Make sure their own corporations are not complicit in human rights abuses.	<p>Globally, our labour standards ensure that our remuneration practices are fair and our global Human Resources Policy recognises the right of all people to be treated with dignity, and prohibits harassment in the workplace. Appropriate mechanisms, such as grievance procedures, are in place to support this. </p> <p>We prohibit forced, compulsory and under-age labour.</p> <p>Our Human Resources Policy specifically prohibits discrimination on the grounds of gender, race, ethnicity, age, religion, sexual orientation, union membership, political affiliation, physical disability or HIV/AIDS status.</p> <p>In South Africa, we recognise the complexity of the labour situation in South Africa and have established a number of structures to enhance engagement. </p> <p>We work actively with the authorities and communities on land reform projects.</p>



UNGC — United Nations Global Compact continued

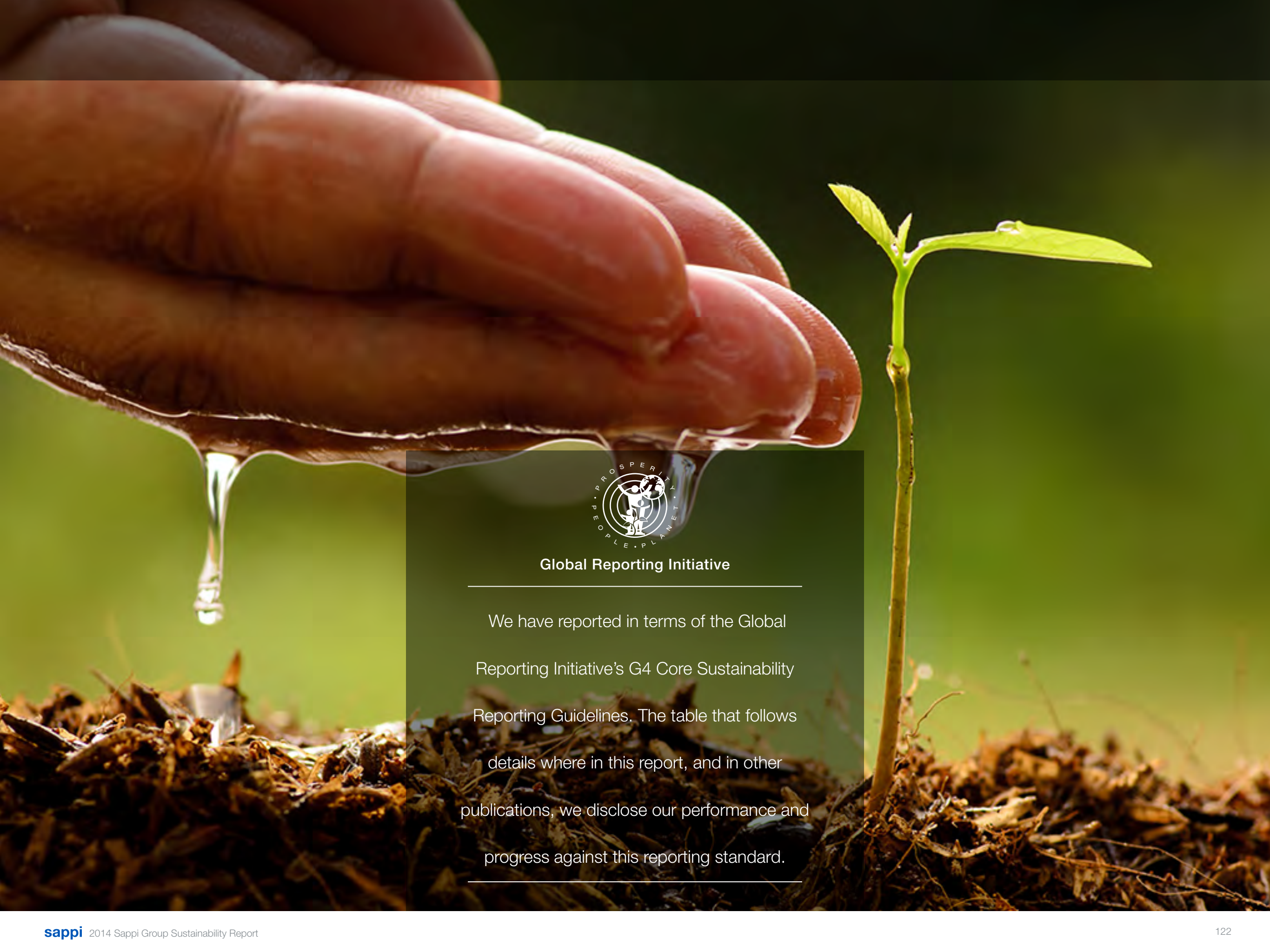
	The ten principles to which businesses commit	Our performance against these commitments
3	Freedom of association and the effective recognition of the right to collective bargaining.	<p>We recognise the right to freedom of association and collective bargaining. We consult with trade unions and employees on a wide variety of issues such as organisational change and training . Globally, approximately 64% of our workforce are union members; 74% are covered by collective bargaining agreements. Each region's relationship with unions is discussed in detail on pages 55 to 56 in the People section of this report. 🔗</p> <p>Disciplined behaviour is essential not only for individual wellbeing, but also to achieve our group goals and objectives. In each region, disciplinary codes ensure disciplinary procedures are applied consistently, while grievance policies entrench the rights of employees, including: the right to raise a grievance without fear of victimisation, the right to seek guidance and assistance from a member of the Human Resources Department or their representative at any time, and the right to appeal to a higher authority, without prejudice.</p>
4	The elimination of all forms of forced and compulsory labour.	<p>All labour is sourced on the open market.</p> <p>We do not tolerate inhumane treatment of people working for us, including any form of forced labour, physical punishment or other abuse.</p>
5	The effective abolition of child labour.	<p>This principle is inherent in our labour policies across the group and is discussed on page 55 of the people section of this report. 🔗</p>
6	The elimination of discrimination in respect of employment and occupation.	<p>Sappi is an equal opportunity company.</p> <p>Gender diversity is increasing steadily throughout the group and in South Africa we have employment equity targets to promote economic and social transformation among the previously disadvantaged. 🔗</p>
7	Support a precautionary approach to environmental challenges.	<p>The precautionary approach places the onus on Sappi to anticipate harm before it occurs and to take active steps to prevent any harm from occurring. We achieve this by:</p> <ul style="list-style-type: none"> • Conducting ongoing research into the impact of our activities and investigating methodologies to improve our performance at our research centres around the world • Continuously monitoring our environmental performance • Conducting thorough environment impact or risk assessments before the start of any new activity.

UNGC — United Nations Global Compact continued

	The ten principles to which businesses commit	Our performance against these commitments
8	Undertake initiatives to promote greater environmental responsibility	<p>In North America and South Africa we work to make forest certification more accessible to farmers. </p> <p>Annually, we provide information to the Carbon Disclosure and Forest Footprint Disclosure Projects and make our submission publicly available.</p> <p>In each region we sponsor environment-related publications accessible to the general reader.</p> <p>In Europe, we:</p> <ul style="list-style-type: none"> Have worked with the Carbon Reduction Institute (CRI) to offer carbon neutral paper through one of their Australian merchants, KW Doggett. The CRI helped calculate the CO₂ emissions involved in the production and distribution of graphics papers. Sappi neutralises these emissions by funding two projects that help avoid CO₂ emission — one in India and one in Ghana. The CRI then issues a carbon neutral certificate for the volumes KW Doggett sells. Are partners in the Treehouse — a platform, both physical and virtual, for like-minded individuals and companies to come together to find ways to embrace sustainability in their daily activities.  <p>In North America, we:</p> <ul style="list-style-type: none"> Play an active role in Living Lands and Waters, a non-profit, environmental organisation focused on cleaning up America’s great rivers and forest restoration.  Installed a fishway project near Westbrook Mill, enabling fish passage through a portion of the Presumpscot River for the first time in more than 150 years.  Are a founding member of the Forest Products Working Group (FPWG). For its inaugural project, the group designed a set of guidelines to aid the responsible procurement, use and recovery of paper products. Co-chaired by Sappi’s Director of Sustainability, project work is under way with the FPWG to identify and address some of the barriers to expanding the growth of certified forests. <p>In South Africa, we:</p> <ul style="list-style-type: none"> Own, manage and lease 495,000 hectares (ha) of land, of which 30% (almost 140,000ha) of our land is managed for the conservation of natural habitats (including indigenous forests) and the biodiversity they contain. As a major land owner in South Africa, recognise that we have an important role to play in promoting multiple use of our landholdings, including the development of mountain biking, so that people can experience and understand better how we manage our extensive natural areas and commercial plantations. We have partnered with mountain biking clubs and event organisers, allowing access to our plantations and natural areas in Mpumalanga and KwaZulu-Natal.  In 2013, sponsored the publication of Sappi Birds of South Africa, which highlights the synergy between digital and print through the use of an electronic Callfinder. Adopted, through our Cape Kraft Mill the nearby Intaka island, a unique, multi-purpose wetland and bird sanctuary, as their key corporate social responsibility (CSR) initiative. Are involved in a number of projects such as the <i>Warburgia Salutaris</i> project,   and a cooperative initiative to ‘Save the Midmar Dam’, detailed in our 2014 Sappi Southern Africa Sustainability Report. 

UNGC — United Nations Global Compact continued

	The ten principles to which businesses commit	Our performance against these commitments
9	Encourage the development and diffusion of environmentally friendly technologies.	<p>Our research and development initiatives are focused on technical improvement of processes and products, and on the development of environmentally friendly technologies.</p> <p>Our achievements in this regard are highlighted by the following:</p> <p>Globally, between 2010 and 2014 we have:</p> <ul style="list-style-type: none"> • Increased our use of renewable energy by 10.8% to 54% • Decreased total specific energy by 6.9% and specific purchased energy by 16.5% • Reduced specific carbon dioxide emissions by 12.8% • Improved the quality of the effluent we discharge: <ul style="list-style-type: none"> • Chemical oxygen demand has decreased by 11.6% • Total suspended solids decreased by 16.4% <p>Year-on-year, solid waste sent to landfill (as measured by weight) decreased by 7%. We achieved this by increasing the recovery and reuse of materials. A significant portion of waste (28.5%) is combusted for heat generation; 21% is allocated to environmentally beneficial reuse, eg lime used for agricultural purposes; 12% is sold as secondary material.</p>
10	Work against corruption in all its forms, including extortion and bribery.	<p>Our commitment to combating corruption is embodied in our Code of Ethics, rolled out across the group in FY2014, which gives very clear guidelines on the behaviour expected of Sappi employees and suppliers at all times. </p> <p>The Code is reinforced by independently operated Hotlines, which guarantee callers complete anonymity. All calls are followed up and reports are submitted to the Audit Committee on a quarterly basis. Refer to our 2014 Integrated Annual Report for further details. </p>



Global Reporting Initiative

We have reported in terms of the Global Reporting Initiative's G4 Core Sustainability Reporting Guidelines. The table that follows details where in this report, and in other publications, we disclose our performance and progress against this reporting standard.

GRI General standard disclosures

General standard disclosures		Where reported
G4-1	Provide a statement from the most senior decision-maker of the organisation (such as Chief Executive Officer, chair, or equivalent senior position) about the relevance of sustainability to the organisation and the organisation's strategy for addressing sustainability.	SDR2014, page 2
Organisational profile		
G4-3	Report the name of the organisation.	Cover IAR2014
G4-4	Report the primary brands, products, and services.	IAR2014, Pages 25–27
G4-5	Report the location of the organisation's headquarters.	SDR2014, page 5
G4-6	Report the number of countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report.	IAR2014, Pages 16–17
G4-7	Report the nature of ownership and legal form.	IAR2014, page 89
G4-8	Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	Our business: IAR2014, pages 16–17 Our products: IAR2014, pages 25–27
G4-9	Report the scale of the organisation, including: a Total number of employees b Total number of operations c Net sales (for private sector organisations) or Net revenues (for public sector organisations) d Total capitalisation broken down in terms of debt and equity (for private sector organisations) e Quantity of products or services provided.	SDR2014, page 46
G4-10	Report the composition of the workforce, including: a Report the total number of employees by employment contract and gender b Report the total number of permanent employees by employment type and gender c Report the total workforce by employees and supervised workers and by gender d Report the total workforce by region and gender. e Report whether a substantial portion of the organisation's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors f Report any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries).	SDR2014, page 47

GRI General standard disclosures continued

Organisational profile <small>continued</small>		
G4-11	Report the percentage of total employees covered by collective bargaining agreements.	SDR2014, page 55
G4-12	Describe the organisation's supply chain.	Business model SDR2014, page 32
G4-13	Report any significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain, including: a Changes in the location of, or changes in, operations, including facility openings, closings, and expansions b Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organisations) c Changes in the location of suppliers, the structure of the supply chain, or in relationships with suppliers, including selection and termination.	SDR2014, page 33 SDR2014, page 35 SDR2014, page 36
G4-14	Report whether and how the precautionary approach or principle is addressed by the organisation.	SDR2014, page 83 UNGC SDR2014, page 119
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses.	Stakeholders SDR2014, pages 76–77
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organisations in which the organisation: <ul style="list-style-type: none"> • Holds a position on the governance body • Participates in projects or committees • Provides substantive funding beyond routine membership dues • Views membership as strategic. 	Stakeholders SDR2014, page 76
Identified material aspects and boundaries		
G4-17	List all entities included in the organisation's consolidated financial statements or equivalent documents. Report whether any entity included in the organisation's consolidated financial statements or equivalent documents is not covered by the report.	Financial statements IAR2014
G4-18	Explain the process for defining the report content and the aspect boundaries. Explain how the organisation has implemented the reporting principles for defining report content.	About this report SDR2014, page 5

GRI General standard disclosures continued

Identified material aspects and boundaries <small>continued</small>		
G4-19	List all the material aspects identified in the process for defining report content.	SDR2014, page 12
G4-20	<p>For each material Aspect, report the aspect boundary within the organisation, as follows:</p> <ul style="list-style-type: none"> • Report whether the aspect is material within the organisation. • If the aspect is not material for all entities within the organisation (as described in G4-17), select one of the following two approaches and report either: <ul style="list-style-type: none"> • The list of entities or groups of entities included in G4-17 for which the Aspect is not material or • The list of entities or groups of entities included in G4-17 for which the Aspects is material. • Report any specific limitation regarding the Aspect Boundary within the organisation. 	Detailed throughout this report
G4-21	<p>For each material aspect, report the aspect boundary outside the organisation, as follows:</p> <ul style="list-style-type: none"> • Report whether the aspect is material outside of the organisation • If the aspect is material outside of the organisation, identify the entities, groups of entities or elements for which the aspect is material. In addition, describe the geographical location where the aspect is material for the entities identified • Report any specific limitation regarding the aspect boundary outside the organisation. 	Detailed throughout this report
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.	Not applicable
G4-23	Report significant changes from previous reporting periods in the scope and aspect boundaries.	Not applicable
Stakeholder engagement		
G4-24	Provide a list of stakeholder groups engaged by the organisation.	SDR2014, pages 69–81
G4-25	Report the basis for identification and selection of stakeholders with whom to engage.	Stakeholders SDR2014, page 69
G4-26	Report the organisation's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	Stakeholders SDR2014, page 69
G4-27	<p>Report key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting.</p> <p>Report the stakeholder groups that raised each of the key topics and concerns.</p>	Stakeholders SDR2014, pages 69–81

GRI General standard disclosures continued

Report profile		
G4-28	Reporting period (such as fiscal or calendar year) for information provided.	Scope of this report SDR2014, page 5
G4-29	Date of most recent previous report (if any).	Scope of this report SDR2014, page 5
G4-30	Reporting cycle (such as annual, biennial).	Scope of this report SDR2014, page 5
G4-31	Provide the contact point for questions regarding the report or its contents.	Graeme Wild, Group Head Investor Relations and Sustainability
G4-32	<p>'In accordance' option:</p> <p>a Report the 'in accordance' option the organisation has chosen.</p> <p>b Report the GRI Content Index for the chosen option.</p> <p>c Report the reference to the External Assurance Report, if the report has been externally assured.</p> <p>GRI recommends the use of external assurance but it is not a requirement to be 'in accordance' with the Guidelines.</p>	Core About this report SDR2014, page 5
G4-33	<p>Assurance:</p> <p>a Report the organisation's policy and current practice with regard to seeking external assurance for the report.</p> <p>b If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided.</p> <p>c Report the relationship between the organisation and the assurance providers.</p> <p>d Report whether the highest governance body or senior executives are involved in seeking assurance for the organisation's sustainability report.</p>	Core About this report SDR2014, page 6
Governance		
G4-34	Report the governance structure of the organisation, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	Governance report IAR2014
Ethics and integrity		
G4-56	Describe the organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics.	Code of Ethics SDR2014, page 70

GRI Specific standard disclosures — Material aspects

Economic performance		
EC1	<p>Direct economic value generated and distributed</p> <p>Report the direct economic value generated and distributed (EVG&D) on an accruals basis including the basic components for the organisation's global operations as listed below. If data is presented on a cash basis, report the justification for this decision and report the basic components as listed below:</p> <ul style="list-style-type: none"> • Direct economic value generated: <ul style="list-style-type: none"> • Revenues • Economic value distributed: <ul style="list-style-type: none"> • Operating costs • Employee wages and benefits • Payments to providers of capital • Payments to government (by country) • Community investments. <p>Economic value retained (calculated as 'Direct economic value generated' less 'Economic value distributed') To better assess local economic impacts, report EVG&D separately at country, regional, or market levels, where significant. Report the criteria used for defining significance.</p>	<p>Value add SDR2014, page 38</p> <p>Supporting communities SDR2014, pages 67–68</p> <p>Our relationships with our communities SDR2014, page 73</p>
EC2	<p>Financial implications and other risks and opportunities for the organisation's activities due to climate change</p> <p>Report risks and opportunities posed by climate change that have the potential to generate substantive changes in operations, revenue or expenditure, including:</p> <ul style="list-style-type: none"> • A description of the risk or opportunity and its classification as either physical, regulatory, or other • A description of the impact associated with the risk or opportunity • The financial implications of the risk or opportunity before action is taken • The methods used to manage the risk or opportunity • The costs of actions taken to manage the risk or opportunity. 	<p>Key Material Issues SDR2014, pages 11–29</p>
EC3	<p>Coverage of the organisation's defined benefit plan obligations</p> <p>a Where the plan's liabilities are met by the organisation's general resources, report the estimated value of those liabilities.</p> <p>b Where a separate fund exists to pay the plan's pension liabilities, report:</p> <ul style="list-style-type: none"> • The extent to which the scheme's liabilities are estimated to be covered by the assets that have been set aside to meet them • The basis on which that estimate has been arrived at • When that estimate was made. <p>c Where a fund set up to pay the plan's pension liabilities is not fully covered, explain the strategy, if any, adopted by the employer to work towards full coverage, and the time-scale, if any, by which the employer hopes to achieve full coverage.</p> <p>d Report the percentage of salary contributed by employee or employer.</p> <p>e Report the level of participation in retirement plans (such as participation in mandatory or voluntary schemes, regional or country-based schemes, or those with financial impact).</p>	<p>Compensation report IAR2014</p>

GRI Specific standard disclosures — Material aspects continued

Indirect economic impacts		
EC7	Development and impact of infrastructure investments and services supported a Report the extent of development of significant infrastructure investments and services supported. b Report the current or expected impacts on communities and local economies. Report positive and negative impacts where relevant. c Report whether these investments and services are commercial, in-kind, or pro bono engagements.	People — communities SDR2014, page 73
EC8	Significant indirect economic impacts, including the extent of impacts a Report examples of the significant identified positive and negative indirect economic impacts the organisation has. These may include: <ul style="list-style-type: none"> • Changing the productivity of organisations, sectors, or the whole economy • Economic development in areas of high poverty • Economic impact of improving or deteriorating social or environmental conditions • Availability of products and services for those on low incomes • Enhancing skills and knowledge amongst a professional community or in a geographical region • Jobs supported in the supply chain or distribution chain • Stimulating, enabling, or limiting foreign direct investment • Economic impact of change in location of operations or activities • Economic impact of the use of products and services. b Report the significance of the impacts in the context of external benchmarks and stakeholder priorities, such as national and international standards, protocols, and policy agendas.	General description of value add SDR2014, pages 38–39

GRI Specific standard disclosures — Material aspects continued

Environmental — energy		
EN3	Energy consumption within the organisation a Report total fuel consumption from non-renewable sources in joules or multiples, including fuel types used. b Report total fuel consumption from renewable fuel sources in joules or multiples, including fuel types used. c Report in joules, watt-hours or multiples, the total: <ul style="list-style-type: none"> • Electricity consumption • Heating consumption • Cooling consumption • Steam consumption. d Report in joules, watt-hours or multiples, the total: <ul style="list-style-type: none"> • Electricity sold • Heating sold • Cooling sold • Steam sold. e Report total energy consumption in joules or multiples. f Report standards, methodologies, and assumptions used. g Report the source of the conversion factors used.	Key Material Issues SDR2014, page 22 Planet SDR2014, page 92
EN5	Energy intensity a Report the energy intensity ratio. b Report the organisation-specific metric (the ratio denominator) chosen to calculate the ratio. c Report the types of energy included in the intensity ratio: fuel, electricity, heating, cooling, steam, or all. d Report whether the ratio uses energy consumed within the organisation, outside of it or both.	Planet SDR2014, page 98
EN6	Reduction of energy consumption a Report the amount of reductions in energy consumption achieved as a direct result of conservation and efficiency initiatives, in joules or multiples. b Report the types of energy included in the reductions: fuel, electricity, heating, cooling, and steam. c Report the basis for calculating reductions in energy consumption such as base year or baseline, and the rationale for choosing it. d Report standards, methodologies, and assumptions used.	Planet SDR2014, page 101
EN7	Reductions in energy requirements of products and services a Report the reductions in the energy requirements of sold products and services achieved during the reporting period, in joules or multiples. b Report the basis for calculating reductions in energy consumption such as base year or baseline, and the rationale for choosing it. c Report standards, methodologies, and assumptions used.	Planet SDR2014, page 22 Reduction in energy consumption SDR2014, page 92

GRI Specific standard disclosures — Material aspects continued

Environmental — water		
EN8	Total water withdrawal by source a Report the total volume of water withdrawn from the following sources: <ul style="list-style-type: none"> • Surface water, including water from wetlands, rivers, lakes, and oceans • Ground water • Rainwater collected directly and stored by the organisation • Waste water from another organisation • Municipal water supplies or other water utilities. b Report standards, methodologies, and assumptions used.	Key material issues SDR2014, page 29 Planet SDR2014, page 104
EN10	Percentage and total volume of water recycled and reused a Report the total volume of water recycled and reused by the organisation. b Report the total volume of water recycled and reused as a percentage of the total water withdrawal reported under Indicator G4-EN8. c Report standards, methodologies, and assumptions used.	Key material issues SDR2014, page 29 Planet SDR2014, page 104
Environmental — biodiversity		
EN13	Habitats protected or restored a Report the size and location of all habitat protected areas or restored areas, and whether the success of the restoration measure was or is approved by independent external professionals. b Report whether partnerships exist with third parties to protect or restore habitat areas distinct from where the organisation has overseen and implemented restoration or protection measures. c Report on the status of each area based on its condition at the close of the reporting period. d Report standards, methodologies, and assumptions used.	Planet SDR2014, page 110

GRI Specific standard disclosures — Material aspects continued

Environmental — emissions		
EN15	Direct greenhouse gas (GHG) emissions (Scope 1) a Report gross direct (Scope 1) GHG emissions in metric tons of CO ₂ equivalent, independent of any GHG trades, such as purchases, sales, or transfers of offsets or allowances. b Report gases included in the calculation (whether CO ₂ , CH ₄ , N ₂ O, HFCs, PFCs, SF ₆ , NF ₃ , or all). c Report biogenic CO ₂ emissions in metric tons of CO ₂ equivalent separately from the gross direct (Scope 1) GHG emissions. d Report the chosen base year, the rationale for choosing the base year, emissions in the base year, and the context for any significant changes in emissions that triggered recalculations of base year emissions. e Report standards, methodologies, and assumptions used. f Report the source of the emission factors used and the global warming potential (GWP) rates used or a reference to the GWP source. g Report the chosen consolidation approach for emissions (equity share, financial control, operational control).	Key Material Issues SDR2014, pages 22–23 Planet SDR2014, pages 101–103
EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2) a Report gross energy indirect (Scope 2) GHG emissions in metric tons of CO ₂ equivalent, independent of any GHG trades, such as purchases, sales, or transfers of offsets or allowances. b Report gases included in the calculation, if available. c Report the chosen base year, the rationale for choosing the base year, emissions in the base year, and the context for any significant changes in emissions that triggered recalculations of base year emissions. d Report standards, methodologies, and assumptions used. e Report the source of the emission factors used and the global warming potential (GWP) rates used or a reference to the GWP source, if available. f Report the chosen consolidation approach for emissions (equity share, financial control, operational control).	Key Material Issues SDR2014, pages 22–23 Planet SDR2014, pages 101–103
EN18	Greenhouse gas (GHG) emissions intensity a Report the GHG emissions intensity ratio. b Report the organisation-specific metric (the ratio denominator) chosen to calculate the ratio. c Report the types of GHG emissions included in the intensity ratio: direct (Scope 1), energy indirect (Scope 2), other indirect (Scope 3). d Report gases included in the calculation.	Key Material Issues SDR2014, pages 22–23 Planet SDR2014, pages 101–103
EN19	Reduction of greenhouse gas (GHG) emissions a Report the amount of GHG emissions reductions achieved as a direct result of initiatives to reduce emissions, in metric tons of CO ₂ equivalent. b Report gases included in the calculation (whether CO ₂ , CH ₄ , N ₂ O, HFCs, PFCs, SF ₆ , NF ₃ , or all). c Report the chosen base year or baseline and the rationale for choosing it. d Report standards, methodologies, and assumptions used. e Report whether the reductions in GHG emissions occurred in direct (Scope 1), energy indirect (Scope 2), other indirect (Scope 3) emissions.	Key Material Issues SDR2014, pages 22–23 Planet SDR2014, pages 101–103

GRI Specific standard disclosures — Material aspects continued

Environmental — emissions		
EN21	<p>NOx, SOx, and other significant air emissions</p> <p>a Report the amount of significant air emissions, in kilograms or multiples for each of the following:</p> <ul style="list-style-type: none"> • NOx • SOx • Persistent organic pollutants (POP) • Volatile organic compounds (VOC) • Hazardous air pollutants (HAP) • Particulate matter (PM) • Other standard categories of air emissions identified in relevant regulations. <p>b Report standards, methodologies, and assumptions used.</p> <p>c Report the source of the emission factors used.</p>	Planet SDR2014, pages 102–103
Environmental — effluents and waste		
EN22	<p>Total water discharge by quality and destination</p> <p>a Report the total volume of planned and unplanned water discharges by:</p> <ul style="list-style-type: none"> • Destination • Quality of the water including treatment method • Whether it was reused by another organisation. <p>b Report standards, methodologies, and assumptions used.</p>	Planet SDR2014, page 106
EN23	<p>Total weight of waste by type and disposal method</p> <p>a Report the total weight of hazardous and non-hazardous waste, by the following disposal methods:</p> <ul style="list-style-type: none"> • Reuse • Recycling • Composting • Recovery, including energy recovery • Incineration (mass burn) • Deep well injection • Landfill • On-site storage • Other (to be specified by the organisation). <p>b Report how the waste disposal method has been determined:</p> <ul style="list-style-type: none"> • Disposed of directly by the organisation or otherwise directly confirmed Information provided by the waste disposal contractor • Organisational defaults of the waste disposal contractor. 	Planet SDR2014, page 108

GRI Specific standard disclosures — Material aspects continued

Social — labour practices and decent work		
Social — employment		
LA 1	Total number and rates of new employee hires and employee turnover by age group, gender and region a Report the total number and rate of new employee hires during the reporting period, by age group, gender and region. b Report the total number and rate of employee turnover during the reporting period, by age group, gender and region.	People SDR2014, pages 50–52
Social — labour/management relations		
LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements a Report the minimum number of weeks' notice typically provided to employees and their elected representatives prior to the implementation of significant operational changes that could substantially affect them. b For organisations with collective bargaining agreements, report whether the notice period and provisions for consultation and negotiation are specified in collective agreements.	People SDR2014, page 56
Social — occupational health and safety		
LA5	Percentage of total workforce represented in formal joint management/worker health and safety committees that help monitor and advise on occupational health and safety programmes a Report the level at which each formal joint management/worker health and safety committee typically operates within the organisation. b Report the percentage of the total workforce represented in formal joint management/worker health and safety committees.	People SDR2014, page 55
LA 6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender a Report types of injury, injury rate (IR), occupational diseases rate (ODR), lost day rate (LDR), absentee rate (AR) and work-related fatalities, for the total workforce (that is, total employees plus supervised workers), by region and gender. b Report types of injury, injury rate (IR), occupational diseases rate (ODR), lost day rate (LDR), absentee rate (AR) and work-related fatalities for independent contractors working on-site to whom the organisation is liable for the general safety of the working environment, by: region and gender. c Report the system of rules applied in recording and reporting accident statistics.	People SDR2014, pages 63–66

GRI Specific standard disclosures — Material aspects continued

Social — training and education		
LA9	Average hours of training per year per employee by gender, and by employee category a Report the average hours of training that the organisation's employees have undertaken during the reporting period, by: gender and employee category.	People SDR2014, pages 57–60
LA 11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category a Report the percentage of total employees by gender and by employee category who received a regular performance and career development review during the reporting period.	People SDR2014, page 57
Social — diversity and equal opportunity		
LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity a Report the percentage of individuals within the organisation's governance bodies in each of the following diversity categories: <ul style="list-style-type: none"> • Gender • Age group: under 30 years old, 30-50 years old, over 50 years old • Minority groups • Other indicators of diversity where relevant. b Report the percentage of employees per employee category in each of the following diversity categories: <ul style="list-style-type: none"> • Gender • Age group: under 30 years old, 30-50 years old, over 50 years old • Minority groups • Other indicators of diversity where relevant. 	People SDR2014, page 47–52
Social — compliance		
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations a Report significant fines and non-monetary sanctions in terms of: <ul style="list-style-type: none"> • Total monetary value of significant fines • Total number of non-monetary sanctions • Cases brought through dispute resolution mechanisms. b If the organisation has not identified any non-compliance with laws or regulations, a brief statement of this fact is sufficient. c Report the context against which significant fines and non-monetary sanctions were incurred.	GRI Index Not applicable, no such fines or sanctions

Glossary

adt

Air dry tons — the industry standard is 90% fibre and 10% moisture

AF & PA

American Forest and Paper Association

air dry tons (adt)

Meaning dry solids content of 90% and moisture content of 10%

BBBEE

Broad based Black Economic Empowerment as envisaged in the Black Economic Empowerment (BEE) legislation in South Africa

black liquor

The spent cooking liquor from the pulping process which arises when pulpwood is cooked in a digester thereby removing lignin, hemicellulose and other extractives from the wood to free the cellulose fibres. The resulting black liquor is an aqueous solution of lignin residues, hemicellulose, and the inorganic chemicals used in the pulping process. Black liquor contains slightly more than half of the energy content of the wood fed into the digester.

billion

Sappi follows contemporary ‘short scale’ convention; defining a billion as one thousand millions

biofuels

Organic material such as wood, waste and alcohol fuels, as well as gaseous and liquid fuels produced from these feedstocks when they are burned to produce energy

bleached pulp

Pulp that has been bleached by means of chemical additives to make it suitable for fine paper production

CEPI

Confederation of European Paper Industries

chemical cellulose — dissolving pulp

Highly purified chemical pulp intended primarily for conversion into chemical derivatives of cellulose and used mainly in the manufacture of viscose staple fibre, solvent spin fibre and filament

COD — Chemical Oxygen Demand

Untreated effluent is generally high in organic matter. COD is the amount of oxygen required to break down the organic compounds in the effluent

chemical pulp

A generic term for pulp made from wood-fibre that has been produced in a chemical process

CHP

Combined heat and power

coated paper

Paper that contains a layer of coating material on one or both sides — the coating materials, consisting of pigments and binders, act as a filler to improve the printing surface of the paper

coated mechanical

Coated paper made from groundwood pulp which has been produced in a mechanical process, primarily used for magazines, catalogues and advertising material

coated woodfree

Coated paper made from chemical pulp which is made from woodfibre that has been produced in a chemical process, primarily used for high end publications and advertising material

corrugating medium

Paperboard made from chemical and semi-chemical pulp, or waste paper, that is to be converted to a corrugated board by passing it through corrugating cylinders. Corrugating medium between layers of linerboard form the board from which corrugated boxes are produced

contractor

Refers to an independent employer of self-employed person performing work for Sappi, excludes temporary or fixed-term employees

CSR/CSI

Corporate Social Responsibility — previously referred to as Corporate Social Investment

dissolving pulp

Highly purified chemical pulp derived primarily from wood, but also from cotton linters intended primarily for conversion into chemical derivatives of cellulose and used mainly in the manufacture of viscose staple fibre, solvent spin fibre and filament

dissolving wood pulp

Highly purified chemical pulp derived from wood intended primarily for conversion into chemical derivatives of cellulose and used mainly in the manufacture of viscose staple fibre, solvent spin fibre and filament. Also called chemical cellulose

ECF — elemental chlorine free

Refers to bleaching sequences in which no chlorine is used

EIRIS

A leading global provider of independent research into the ethical governance of companies, as well as their social and environmental performance

EMAS

A voluntary clean citizenship initiative of the European Union, constituting the highest environmental standards in Europe and requiring environmental stewardship, determined continuous improvement and detailed public reporting

Glossary continued

energy

Energy is present in many forms such as solar, mechanical, thermal, electrical and chemical. Any source of energy can be tapped to perform work. In power plants, coal is burned and its chemical energy is converted into electrical energy. To generate steam, coal and other fossil fuels are burned, thus converting stored chemical energy into thermal energy

ETC

Education, Training and Consulting

Exciter

In addition to our more traditional R&D work, we started the Exciter programme in 2005 to deal with the persistent threat of commoditisation in the graphics paper markets. It is aimed at accelerating the development of breakthrough technological competency in our core markets.

fibre

Fibre is generally referred to as ‘pulp’ in the paper industry. Wood is treated chemically or mechanically to separate the fibres during the pulping process

fine paper

Fine paper is usually produced from chemical pulp for printing and writing purposes and consisting of coated and uncoated paper

Forestry SA

The largest forestry organisation representing growers of timber in South Africa

FSC® and FSC™

Forest Stewardship Council®

In terms of the Forest Stewardship Council® (FSC®) scheme, there are two types of certification. In order for land to achieve FSC® endorsement, its forest management practices must meet the FSC®’s 10 principles and other assorted criteria.

For manufacturers of forest products, including paper manufacturers like Sappi, Chain-of-Custody certification involves independent verification of the supply chain, which identifies and tracks the timber through all stages of the production process from the tree farm to the end product.

Sappi’s mills in Europe are all licensed under a multi-site certificate:

- SGSCH-COC-003171
- SGSCH-CW-003171

Two or Sappi’s three mills in North America are licenced:

- Cloquet Mill
 - FSC Chain of Custody: BV-COC-060801
 - FSC Controlled Wood: BV-CW-060801
- Somerset Mill
 - FSC Chain of Custody: BV-COC-070510
 - FSC Controlled Wood: BV-CW-070510

In South Africa, logs that are FSC – C012316 certified originate from own plantations as well as on the Sappi Grant Scheme (FSC – C017054) with other logs from controlled sources.

Sappi’s mills in South Africa are licenced.

- Cape Kraft Mill – FSC C074733
- Enstra Mill – FSC C022126
- Ngodwana Mill – FSC C021636
- Lomati Sawmill – FSC-C019538
- Saiccor Mill – FSC C011012
- Stanger Mill – FSC C019831
- Tugela Mill – FSC C012468.

full-time equivalent employee

The number of total hours worked divided by the maximum number of compensable hours in a full-time schedule as defined by law

Green-e®

An independent consumer protection programme created by the Centre for Resource Solutions for the sale of renewable energy and greenhouse gas reduction (www.green-e.org)

greenhouse gases (GHGs)

The GHGs included in the Kyoto Protocol are carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride

group

The group comprises Sappi Limited, its subsidiaries and its interest in joint ventures and associates

HFO

Heavy fuel oil

ISO — International Standards Organisation

Developed by the International Organisation for Standardisation (ISO), ISO 9000 is a series of standards focused on quality management systems, while the ISO 14001 series is focused on environmental performance and management

IUCN

The World Conservation Union

joint venture

An economic activity over which the group exercises joint control established under a contractual arrangement

JSE Limited

The main securities exchange in South Africa, previously known as the Johannesburg Stock Exchange

kraft paper

Packaging paper (bleached or unbleached) made from kraft pulp

kraft pulp

Chemical wood pulp produced by digesting wood by means of the sulphate pulping process

Kyoto Protocol

A document signed by over 160 countries at Kyoto, Japan in December 1997 which commits signatories to reducing their emission of greenhouse gases relative to levels emitted in 1990

Glossary continued

liquor

White liquor is the aqueous solution of sodium hydroxide and sodium sulphide used to extract lignin during kraft pulping. Black liquor is the resultant combination of lignin, water and chemicals

LTIFR

Lost-Time Injury Frequency Rate = number of lost time injuries x 200,000 divided by man hours

linerboard

The grade of paperboard used for the exterior facings of corrugated board. Linerboard is combined with corrugating medium by converters to produce corrugated board used in boxes

managed forest

Naturally occurring forests that are harvested commercially

market-pulp

Pulp produced for sale on the open market, as opposed to that produced for own consumption in an integrated mill

mechanical pulp

Pulp produced by means of the mechanical grinding or refining of wood or wood chips

NBSK

Northern Bleached Softwood Kraft pulp. One of the main varieties of market-pulp, produced from coniferous trees (ie spruce, pine) in Scandinavia, Canada and northern USA. The price of NBSK is a benchmark widely used in the pulp and paper industry for comparative purposes

NGO

Non-governmental organisation

NPO

Non-profit organisation

natural/indigenous forest

Pristine areas not used commercially

newsprint

Paper produced for the printing of newspapers mainly from mechanical pulp and/or recycled waste paper

OHSAS

An international health and safety standard aimed at minimising occupational health and safety risks firstly, by conducting a variety of analyses and secondly, by setting standards

packaging paper

Paper used for packaging purposes

PAMSA

Paper Manufacturers Association of South Africa

PEFC™

The world's largest forest certification system, the PEFC™ is focused on promoting sustainable forest management. Using multi-stakeholder processes, the organisation develops forest management certification standards and schemes which have been signed by 37 nations in Europe and other inter-governmental processes for sustainable forestry management around the world

plantation

Tree farm

PM

Paper machine

power

The rate at which energy is used or produced

pulp wood

Wood suitable for producing pulp – usually not of sufficient standard for saw-milling

red data list

A global index of endangered species published by the World Conservation Union

release paper

embossed paper used to impart design in polyurethane or polyvinyl chloride plastic films for the production of synthetic leather and other textured surfaces. The term also applies to backing paper for self adhesive labels

sackkraft

Kraft paper used to produce multiwall paper sacks

Scope 1 GHG emissions

The Green House Gas Protocol defines Scope 1 (direct) emissions as follows: direct GHG emissions are emissions from sources that are owned or controlled by the reporting entity

Scope 2 GHG emissions

The Green House Gas Protocol defines Scope 2 (indirect) emissions as follows: indirect GHG emissions are emissions that are a consequence of the activities of the reporting entity, but occur at sources owned or controlled by another entity

silviculture costs

Growing and tending costs of trees in forestry operations

SFI® — Sustainable Forestry Initiative

The SFI® programme is a comprehensive system of objectives and performance measures which integrate the sustained growing and harvesting of trees and the protection of plants and animals

SMMEs

Small, medium and micro enterprises

solid waste

Dry organic and inorganic waste materials

Glossary continued

Specialised Cellulose

The new name for the expanded operating division within Sappi which oversees the production and marketing of Sappi’s dissolving wood pulp from Saiccor Mill as well as the dissolving wood pulp to be produced from the 2013 financial year at Ngodwana Mill and Cloquet Mill.

speciality paper

A generic term for a group of papers intended for commercial and industrial use such as flexible packaging, metallised base paper, coated bag paper, etc

specific

When data is expressed in specific form, this means that the actual quality consumed during the year indicated, whether energy, water, emissions or solid waste, is expressed in terms of a production parameter. For Sappi, as with other pulp and paper companies, this parameter is air dry tons of saleable product

specific purchase energy

The term ‘specific’ indicates that the actual quantity during the year indicated, is expressed in terms of a production parameter. For Sappi, as with other pulp and paper companies, the parameter is air dry tons of product

Sustainable Forestry Initiative — SFI®

The SFI® programme is a comprehensive system of objectives and performance measures which integrate the sustained growing and harvesting of trees and the protection of plants and animals

TAPPI

Technical Association of the Pulp and Paper Industry for the worldwide pulp, paper, packaging, and converting industries

TCF — Total chlorine-free

Refers to bleaching sequences in which no chlorine containing compounds such as chlorine dioxide are used

thermo-mechanical pulp

pulp produced by processing wood fibres using heat and mechanical grinding or refining wood or wood chips

ton

Term used in this report to denote a metric ton of 1,000kg

TSS — Total suspended solids (TSS)

Refers to matter suspended or dissolved in effluent

uncoated woodfree paper

Printing and writing paper made from bleached chemical pulp used for general printing, photocopying and stationery, etc. Referred to as ‘uncoated’ as it does not contain a layer of pigment to give it a coated surface

VSF — Viscose Staple Fibre

A natural fibre made from purified cellulose, primarily from dissolving wood pulp that can be twisted to form yarn

woodfree paper

paper made from chemical pulp

World Wide Fund for Nature (WWF)

The world’s largest conservation organisation, focused on supporting biological diversity

References and notes

Third party websites

AF&PA

American Forest and Paper Association
www.afandpa.org

CEPI

Confederation of European Paper Industries
www.cepi.org

EMAS

www.ec.europa.eu

FSC®

Forest Stewardship Council®
www.ic.fsc.org

Global Pulp and Paper

www.pppc.org

GreenBlue

www.greenblue.org

Human Rights Watch

www.hrw.org

ISO

International Organisation for Standardisation
www.iso.org

JSE

Johannesburg Stock Exchange
www.jse.co.za

Living Lands and Waters

www.livinglandsandwaters.org

Miss Earth South Africa

www.missearthsouthafrica.co.za

NBI

National Business Initiative
www.nbi.org.za

PAMSA

Paper Manufacturers Association of South Africa
www.thepaperstory.co.za

PAPTAC

The Pulp and Paper Technical Association of Canada
www.paptac.ca

PEFC™

Programme for the endorsement of Forest Certification™
www.pefc.org

Penreach

www.penreach.org.za

PMR Africa

www.pmr-africa.com

Print Power

www.printpower.eu/en

Protec

www.protec.org.za

Reliefweb

www.reliefweb.int

RISI

www.risiinfo.com

SANBI

South African National Biodiversity Institute
www.sanbi.org

Sappi Birdguide

www.brizabirdguide.co.za

SFI®

Sustainable Forestry Initiative
www.sfiprogram.org

TAPPI

Technical Association of Pulp and Paper Industries
www.tappi.org

The treehouse

www.the-treehouse.be

Two sides

www.twosides.info

Typek

www.typek.co.za

United States Environmental Protection Agency

www.epa.gov

University of Maine Pulp & Paper

www.maine-pulp-paper.org

WWF

World Wide Fund for Nature

www.wwf.org.za

References and notes continued

Additional information

Additional information and references are included throughout this sustainability report in pop-up windows and as links to Sappi and third-party websites.

Information in pop-up windows will print while open (but obscure underlying information).

The notes that follow, replicate the content of the pop-up windows, to allow the report to be printed, complete with the additional information and references.

Page 08
Minnesota Waste Wise Foundation
For this effort, employees partnered with Pine Habilitation and Supported Employment (PHASE) a local non-profit that provides employment-based and additional supportive services to adults with a diagnosis of a developmental disability, traumatic brain injury, or severe and persistent mental illness. Working with PHASE the mill is now recycling wood and fibre based materials that were previously burned as fuel and has tripled their volume of “household” recycling materials (metal, plastic, glass).

Page 08
The William D Schaeffer Environmental Award
Established in 1990 and named after

environmental pioneer and researcher, Dr. William D. Schaeffer, the award honours individuals advancing environmental awareness and action focusing on long-term sustainable business improvement.

Page 08
The Sappi Karkloof trail
The Sappi Karkloof trail in KwaZulu-Natal was voted by readers as South Africa’s top mountain biking route; the Mankele trail in Mpumalanga came second, ahead of other trails counting among the top 20 in the Western Cape and Gauteng.

Page 09
B-BBEE scorecard
This is already incorporated in the B-BBEE scorecard where the focus is on transformation in all aspects of our business

Page 14
Lignin
Lignin is an organic substance that, with cellulose, forms the chief part of woody tissue.

Page 16
Calliper grades
By definition calliper grades are made to thickness not basis weight; as such, the basis weight will vary depending on the finish. A satin finish basis weight will average 173gsm and a gloss finish about 190gsm.

Page 34
Source
AWA: Future of Packaging

Page 37
Source
CEPI Sustainability Report 2013, Page 42

<http://www.forestindustries.fi/mediabank/919.pdf>

Page 39
Netherlands — Maastricht Mill energy performance
Left: Henk van Houtum, Chairman VNP

Right: Math Jennekens, Director R&D Sappi Europe

Page 40
Source
Google/Ipsos Survey, quoted in ‘Magazines Are Driving Mobile Search Activity’

http://www.minonline.com/news/Magazines-Are-Driving-Mobile-Search-Activity_20519.html#.VHmpKMIDBr8

Page 53
Source
http://www.pwc.com/en_US/us/about-us/corporate-responsibility/assets/pwc-employee-engagement.pdf

Page 97
The kraft recovery process
Reeve, D W The Kraft Recovery Cycle, Tappi press, 2002

Page 101
Scope 2 emissions
In accordance with the GRI’s recommendations, we have reported on fossil fuel emissions.