

# Forests matter!

## How Sappi is promoting forests as the solution

# Sustainability FAQs



## Why do forests matter

The importance of forests can be seen in their contribution to the UN Sustainable Development Goals (SDGs), which are essentially a blueprint to achieve a better and more sustainable future for all.<sup>1</sup>

Forests act as a source of food, medicine and fuel for more than a billion people (*SDG 1: No Poverty*). Forests and trees support sustainable agriculture by, for example, stabilising soils and climate, regulating water flows, providing shade, shelter, and a habitat for pollinators and the natural predators of agricultural pests. When integrated into agricultural landscapes, forests and trees can increase agricultural productivity (*SDG 2: Zero Hunger*). Approximately 75% of the world's accessible freshwater comes from forested watersheds (*SDG 6: Clean Water and Sanitation*). Overall, forests supply about 40 percent of global renewable energy in the form of wood fuel (*SDG 7: Affordable and Clean Energy*). Some studies suggest that forests and trees may provide around 20 percent of income for rural households in developing countries, both through cash income and by meeting subsistence needs. Non-wood forest products provide food, income, and nutritional diversity for an

estimated one in five people around the world, notably women, children, landless farmers and others in vulnerable situations. (*SDG 8: Decent Work and Economic Growth*).

Acting as carbon sinks, forests absorb the equivalent of roughly two billion tonnes of carbon dioxide (CO<sub>2</sub>) each year (*SDG 13: Climate Action*). To put this into perspective, in 2020, global energy CO<sub>2</sub> emissions were estimated at 31.5 billion tonnes.

In addition to helping to respond to climate change and protect soils and water, forests hold more than three-quarters of the world's terrestrial biodiversity (*SDG 15: Life on Land*). This means that deforestation has serious negative impacts on biodiversity and climate change.

Sappi's business depends on forests. As forests are directly or indirectly linked to all of the SDGs, be it about poverty mitigation or gender equality, this reliance is both an opportunity and a responsibility. Our opportunity is to invest and promote healthy forests both for our benefit and the myriad of benefits they deliver to the planet. Our responsibility is to ensure that our reliance on forests does not come at the expense of other products and ecosystem services that forests provide. With our strong commitment and expertise in forestry, we believe that sourcing and using wood sustainably and responsibly is part of the solution, not the problem.

<sup>1</sup> Unless otherwise specified, all facts in this paragraph taken from: FAO. 2018. *The State of the World's Forests 2018 – Forest pathways to sustainable development*. Rome.

## Fast facts

- Healthy, well-managed forests make a significant contribution to the UN Sustainable Development Goals.
- Sustainable forestry contributes to important ecosystem services such as carbon sequestration as well as water resources, soil and biodiversity conservation.
- At a social level, sustainable forest management contributes to livelihoods, income generation and employment.
- Our business depends on woodfibre, a renewable resource.
- We have world-class expertise in forest sciences R&D.

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### Halting deforestation is critical

Halting deforestation is critical to combating climate change and achieving the Sustainable Development Goals. FAO defines deforestation as the conversion of forest to other land use whether human-induced or not. It includes areas of forest converted to agriculture, pasture, water reservoirs, mining and urban areas. Deforestation is chiefly caused by the conversion of forest land to agriculture and livestock areas. Deforestation alone accounts for about 11% of greenhouse gas emissions.<sup>2</sup>

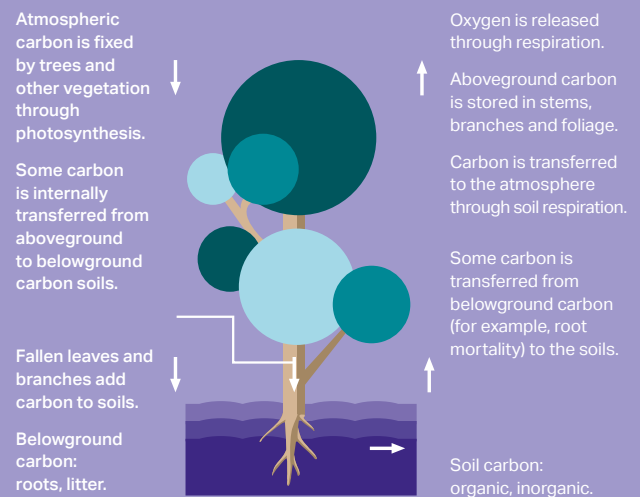
### What role do trees play in the global carbon cycle?

Trees and forests play an integral role in the global carbon cycle. Through sequestering carbon dioxide from the atmosphere and storing it in forest biomass and soils, forests store vast amounts of carbon and release oxygen back into the atmosphere. Recent studies point to the further contribution that trees and forests could deliver to mitigate climate change if afforestation, reforestation, and restoration efforts were scaled up substantially.<sup>3</sup>

Managing forests for wood production can help to maximise their contribution to carbon sequestration. It also produces wood, a renewable, natural material that can substitute fossil-fuel derived alternatives.

Forest management practices which rely on scientific knowledge of silvicultural best practices applicable in respective vegetation zones, promote growth and carbon sequestration. In our timber plantations in South Africa and in the managed forests from which we source wood raw material, the cycle of regeneration, growing, thinning and harvesting is actively managed to enhance biodiversity, resilience, and maintain functional ecological condition.

### The forests and plantations from which we source woodfibre help mitigate global warming by acting as carbon sinks.



### How does harvesting directly benefit forests?

The forest-products industry plays a key role in keeping forestland forested and has even helped reverse deforestation trends in certain regions.<sup>4</sup>

The pulp and paper industry provides dependable markets for responsibly-grown woodfibre, thereby incentivising long-term forest management. This assurance of financial returns enables and encourages landowners to manage their forestlands as working forests, instead of selling the land for development or converting it to non-forest uses. Furthermore, the pulp and paper industry typically utilises different species and/or smaller diameter trees or portions of trees that are not desirable in the solid wood industry. By providing this market and revenue stream, the industry is supporting necessary holistic forest stand-improvement activities that are essential for maintaining and restoring forest health, species and age-class balance, wildlife habitat and biodiversity, wildfire mitigation and hazardous fuels reduction, watershed protection, soil conservation, carbon sequestration, etc.

<sup>2</sup> IPCC, *Climate Change and Land: an IPCC special report on climate change, desertification, land degradation, sustainable land management, food security, and greenhouse gas fluxes in terrestrial ecosystems*, <https://www.ipcc.ch/srccl/>.

<sup>3</sup> Bastin JF, Finegold Y, Garcia C, Mollicone D, Rezende M, Routh D, Zohner CM, Crowther TW: *The global tree restoration potential*, *Science*, 5 July 2019, available at: <https://ethz.ch/en/news-and-events/eth-news/news/2019/07/how-trees-could-save-the-climate.html>

<sup>4</sup> Plantations are included in the term 'forest' in the context of forest management and sourcing.



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Responsible, active forest management is critical for maintaining a healthy balance of economic, social and ecological attributes from the world's forests to meet the needs of the present and future generations. Some may assume the best thing for a forest is to leave it in its natural state, yet few understand that variation in age class within a managed forest helps to promote biodiversity of both plant and animal species. All forests are managed either by Mother Nature or by humans - and it's often the case that intentional, carefully designed and implemented responsible human management is better for the long-term health of the forests.

### How does Sappi ensure that all its woodfibre is responsibly sourced?

Knowing the origin of woodfibre is a fundamental prerequisite for responsible sourcing.

Sappi requires rigorous tracing practices and documentation of the origin of all woodfibre. Suppliers must provide evidence that all woodfibre is sourced from controlled, non-controversial sources in accordance with the FSC Controlled Wood Standard, as well as PEFC (and SFI in the United States) risk-based due diligence systems.

We neither harvest nor buy woodfibre which originates from tropical natural forests and our wood sourcing causes zero deforestation. Our commitment to zero deforestation means knowing the source of woodfibre and ensuring that suppliers implement practices to promptly regenerate forests post-harvest, which is required under the global forest certification standards that Sappi is committed to upholding. It also means implementing our Supplier Code of Conduct and Code of Ethics to continually assess supply-chain, ethical and legal risk and not sourcing from suppliers associated with deforestation. We implement rigorous due diligence systems (DDS) to assess the risk of controversial sources, considering both geographic origin and supply-chain aspects. We work to build transparent supply chains and maintain close relationships with our suppliers.

Forest certification systems with third-party verified forest management and Chain of Custody processes ensure that responsible forest management practices are implemented in the forest, and that woodfibre from certified forests can be identified throughout the supply chain. Accordingly, we utilise the following leading global certification systems:

The Forest Stewardship Council™ (FSC™) programme; the Programme for the Endorsement of Forest Certification (PEFC); and the Sustainable Forestry Initiative® (SFI®) program, and other PEFC-endorsed systems.

Given the forest certification and due diligence systems implemented, we are confident that our woodfibre is legally sourced and avoids and/or mitigates for negative impacts to ecologically important forest areas, threatened or endangered species and their habitats, and does not originate from forests in which high conservation values are threatened by management activities.

Sappi's woodfibre procurement commitments are stated in the Sappi Group Woodfibre Procurement Policy. Tree species identified as endangered by the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) are neither utilised nor imported. Sappi complies with the U.S. Lacey Act, EU Timber Regulation, Australian Illegal Logging Prohibition Regulation, and other regional legality requirements.

Across the group, more than 75% of woodfibre supplied to our mills is certified, and we strive to increase the amount of woodfibre originating from certified forests. Our timber plantations in South Africa are both FSC and PEFC certified.

#### About sustainable forest management

Sustainable forest management can be defined as: "The stewardship and use of forests and forest lands in a way, and at a rate, that maintains their biodiversity, productivity, regeneration capacity, vitality and their potential to fulfil, now and in the future, relevant ecological, economic and social functions, at local, national, and global levels, and that does not cause damage to other ecosystems."<sup>5</sup>

### Where does Sappi's wood come from?

Sappi's global production is distributed across three regions: Europe, North America and South Africa. In each region, dedicated procurement teams are focused on providing the woodfibre needs of each mill, in line with requirements of Sappi's global woodfibre procurement policy.

<sup>5</sup> As defined in 1993 at the pan-European Ministerial Conference on the Protection of Forests in Europe, see <https://foresteurope.org/>

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Traceability and availability of reliable data are core elements of wood procurement practices. All suppliers are requested to provide the wood origin information (country of harvest and, where applicable, sub-national region and/or concession of harvest) and a list of tree species at least annually and/or upon request. Based on the data, Sappi prepares mill-specific Wood Origin Declarations which are available for all interested stakeholders on [sappi.com](https://www.sappi.com). All pulp, roundwood and chip inputs into Sappi's mills originate from controlled, non-controversial sources.

Sappi's European mills are located in Austria, Belgium, Finland, Germany, Italy, the Netherlands, and United Kingdom. Our wood sourcing partners (Sapin S.A. in Belgium, proNARO GmbH in Germany, Papierholz Austria GmbH in Austria and Metsä Forest in Finland) buy wood mainly from non-industrial private forests, municipalities and state-owned forests. Given that the use of local raw material makes both ecological and economic sense, most of the wood originates from local, managed forests. Wood chips, a by-product from sawmilling, are purchased from sawmills. Sappi also purchases paper pulp from external pulp suppliers, mainly from Europe and the Americas. The primary tree species are spruce and pine (softwoods) and beech, poplar, aspen and eucalyptus (hardwoods). Over 85% of the woodfibre used at Sappi's European mills originates from certified forests.

Sappi's mills in the United States are located in Maine and Minnesota and source wood and chips directly from public and private landowners, commercial loggers and local sawmills. The Cloquet Mill procures mixed northern hardwoods sourced from the Lake States region (specifically the states of Minnesota, Wisconsin and Michigan). The Somerset Mill procures mixed northern hardwoods and softwoods sourced from the Northeastern region (specifically the states of Maine, New Hampshire, Vermont, New York and Massachusetts) and portions of the Canadian provinces of Ontario, Quebec and New Brunswick. Sappi North America also purchases paper pulp from external suppliers in the Americas and to a small extent from Europe. All externally-purchased kraft pulp is chain-of-custody certified with 100% certified fiber content claims from either FSC, PEFC or SFI.

Matane Mill, located near the St. Lawrence River in Quebec, produces high yield, high quality bleached chemi-thermo

mechanical pulp (BCTMP) made from primarily either aspen or maple hardwood. Matane Mill procures from the Canadian provinces of Quebec and New Brunswick and from the Northeastern region of the United States, including the states of Maine, New Hampshire, New York and Vermont.

The South African mills receive all their fresh wood raw material from Sappi's own or leased timber plantations or through contracted local supply. The primary tree species are eucalyptus (hardwood) and pine (softwood). Some paper pulp is purchased from external suppliers, mainly from the Americas or Europe. About 85% of the woodfibre used at Sappi's South African mills originates from certified forests.

### What are the key principles used by Sappi to manage its timber plantations sustainably

In South Africa, Sappi owns and leases approximately 400,000 hectares, of which 138,000 hectares are maintained by Sappi Forests to conserve the natural habitat and biodiversity found there.

Sappi has a comprehensive plantation management system which it implements to ensure that its plantations are sustainable. This management system promotes:

- Legal compliance with all laws;
- Workers' rights, health and safety;
- Sappi as a valued member of the communities in which it operates;
- That optimal benefits are derived and sustained from the plantations;
- The protection of the environment, especially water, soil, biodiversity and the air;
- The monitoring of impacts, both positive and negative; and
- The implementation of best practice in plantation management.

The plantation management system and its implementation meet all the requirements for FSC and PEFC Forest Management certification standards. Plantations are healthy functional forests that are managed to promote tree growth and all-natural processes, and are protected from damage caused by over-exploitation, fire, pests, diseases and soil degradation.

Sappi balances harvesting with replanting to maintain the forest cover of our plantations.



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### About plantations and biodiversity in South Africa

Natural forests have been successfully protected in South Africa since the early 1900s, so there has been no forest conversion in South Africa. The vast majority of the plantations were planted into grassland landscapes and so have increased tree cover in the country. They are replanted after harvesting so do not cause any loss in tree cover. In fact, if there were no plantation supply of wood in South Africa, tree cover would almost certainly have been depleted many years ago.

Plantations in South Africa are situated in biodiversity hotspots, and plantations do displace the natural biodiversity. In Sappi and South Africa, this impact is largely reduced by the fact that at least 30 to 35% of the plantation land remains natural and most of this land is managed for conservation purposes. This unplanted land is generally well managed, and it has been recognised by the South African National Biodiversity Institute as a major contributor to national conservation targets. Sappi alone owns seven proclaimed nature reserves and about 160 other sites that are recognised and managed for the important conservation values they contain.

### How does Sappi work with forest owners in the United States?

The Sappi Maine Forestry Program and the Sappi Lake States Private Forestry Program, staffed by Sappi North America foresters, offer a wide range of services to private landowners. Sappi's staff monitor the implementation of best management practices on harvest sites to ensure adequate regeneration, conservation of soil and water resources, and adherence to harvest plan/s.

Sappi's procurement practices extend far beyond avoidance of controversial sources by requiring the promotion of biodiversity, logger training, forest research, landowner and community outreach, and implementation of best management practices for soil and water conservation, as evidenced by our conformance to the SFI Fiber Sourcing Standard.

### Fast facts

- Approximately a third of the timber plantations which Sappi owns and leases in South Africa are managed to conserve natural habitats.
- All our mills are Chain of Custody certified to one or more of the following: FSC™, PEFC, SFI®.
- All our plantations in South Africa are both FSC and PEFC certified for Forest Management.
- We neither harvest nor buy wood which originates from tropical natural forests.
- We have a stringent wood sourcing policy in place and robust sourcing practices to ensure daily conformance.