

Sappi commits to significant investment programme in KwaZulu-Natal economy

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Sappi Limited, a leading global producer of dissolving wood pulp, specialities and packaging papers, printing and writing papers and biomaterials headquartered in South Africa, has provided further details regarding capital investments at its Saiccor Mill in Umkomaas, south of Durban. The investments include a R2.7bn capacity expansion project and a planned R5bn over five years in various continuous improvement initiatives and upgrade projects.

Explaining the background to the investment decision, Sappi Limited Group CEO Steve Binnie said: "Sappi has seen significant benefits in serving its global customers from its South African operations. Sappi had invested some R4.3bn from 2012 to 2018 to increase its dissolving pulp capacity in South Africa. This global market has shown such strong growth that Sappi will again increase capacity in South Africa by investing R2.7bn at Saiccor during 2018 and 2019."

He concluded by saying: "Sappi, which contributes 1% of South Africa's total foreign revenue from its South African operations and supplies the fruit export industry with most of their packaging requirements which contributes around 4% to the country's foreign revenue, is pleased to be able to support President Ramaphosa's call for significant investment into the South African economy."

"In addition to expanding capacity," says Alex Thiel, CEO of Sappi Southern Africa, "Sappi is planning to invest R5bn over the next five years through maintenance and upgrade projects to decrease production costs, introduce new technology, optimise processes and future-proof manufacturing systems at Saiccor Mill. These investments will secure the mill's future by increasing its global cost competitiveness and significant reducing its environmental footprint."

Thiel confirmed that Sappi was currently in the process of engaging with the relevant authorities and consulting with communities and various other stakeholders to obtain the required support for the planned investments, collectively known as Project Vulindlela; chosen to emphasise that the projects pave the way for additional future investment.

With reference to the cost and environmental benefits, Thiel stated: "The ongoing cost savings we will derive from these projects amount to at least R300m per annum. With reference to the environmental benefits of the projects, CO2 emissions will be cut in half and waste to landfill will reduce by 48%. In addition, SO2 emissions will reduce by 35% and water use efficiency will increase by 17%. All of this while earning more revenue for the province and country and providing a secure future to our workforce, their families and the communities where they live."

Saiccor Mill and Sappi Forests which sources and supplies the timber required by the mill are already major contributors to the KZN economy through job creation, community investment, local supplier programmes, world-class research and development facilities and training and development programmes. In total Sappi's KZN operations comprising three mills, forestry operations and sales and export services provides a direct contribution of some R12bn per annum to the KZN economy. This number rises to R60bn per annum when reflecting indirect benefits. Project Vulindlela will add a further R1bn per annum direct benefit to the KZN economy.

"Saiccor produces dissolving wood pulp from which our customers produce items such as textiles, pharmaceutical, beauty and household products," says Thiel.

Vulindlela will increase the mills production from 780,000 tons to 890,000 tons per year, and is expected to create employment opportunities for local job seekers through construction companies and business prospects for entrepreneurs from the local communities around the Mill. During the peak period of the project, there will be between 2,500 and 2,800 contractors working on site at one time. The projects will include a new evaporator, recovery boiler and screening and

washing plant, along with upgrades to bleach plant and pulp machines, improved recovery circuits and additional magnesium digesters. The upgrade to the woodyard to process increased timber volumes is being finalised.

In January 2018, Sappi launched its Skills Centre near Saiccor Mill to create training and upskilling opportunities for the workforce and for local youth. As part of Project Vulindlela, all general workers seeking employment through Sappi or its contractors will be required to attend training at the Sappi Skills Centre where they will receive basic skills required for job opportunities during Project Vulindlela. This training from Sappi will provide community members with the necessary skills to become more employable or to start their own businesses.

"The commitment we had made and implemented during our previous expansion remains," says Thiel "The majority of the workforce will be local community residents employed by contractors on the project." In addition, many other services and products required during the construction phase and beyond will be sourced from local emerging businesses.

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